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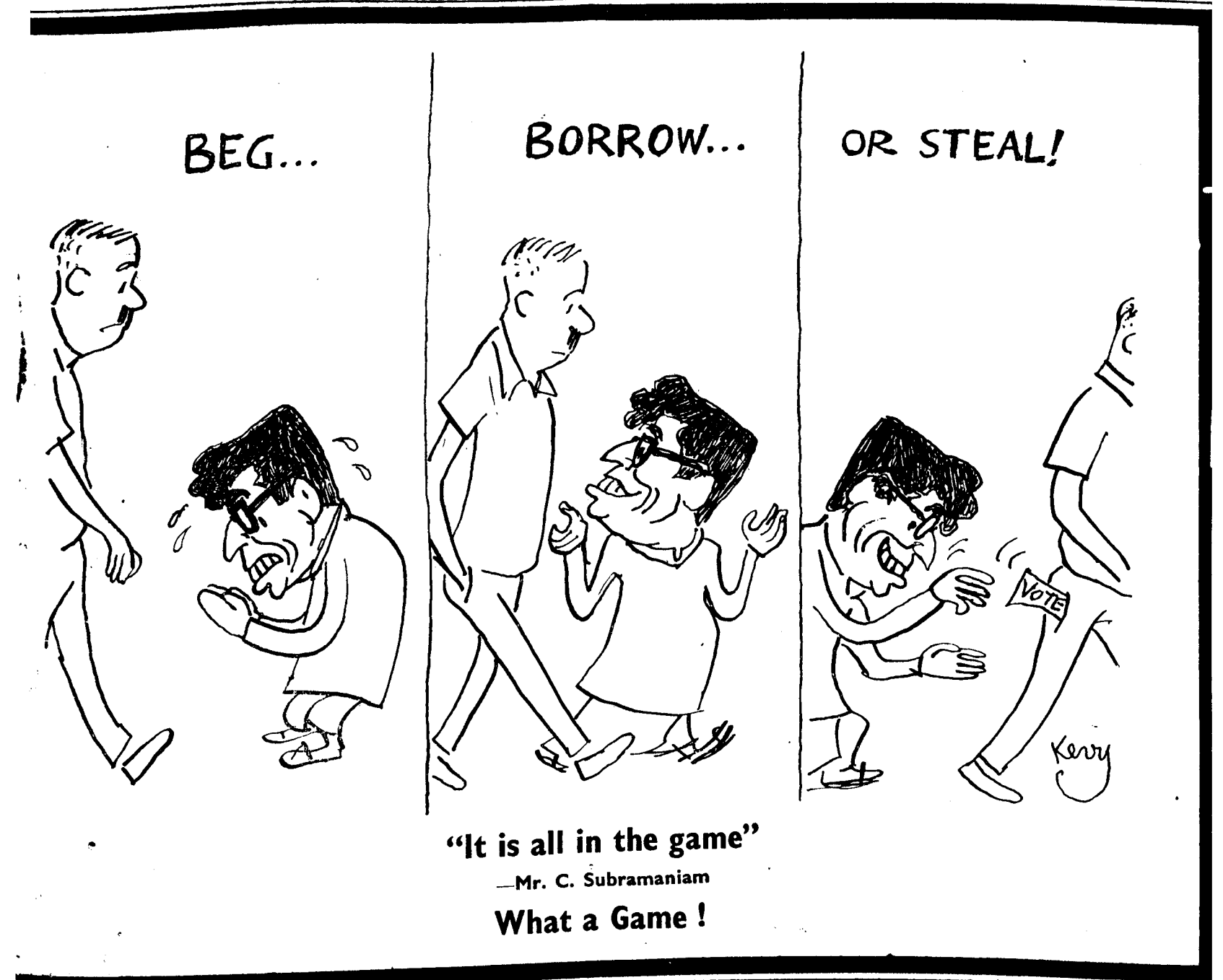
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Inflationary tendencies being active in the economy and the cost of production as well as the cost of living tending to go up for all sections of the people, including farmers, it may not be prudent now to do anything which may have a disincentive effect on investment in farming operations. The chief ministers, then, had done a good day's job at the conference on wheat policy. Unfortunately, this could not compensate for the lack of seriousness that had characterised the proceedings of the National Development Council.

—From "DOWN THE GADARENE SLOPE"



APRIL 3, 1970

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DOWN THE GADARENE SLOPE

If it is true that a people deserve the rulers they get, the people of India must, indeed, be a poor lot. There can be no grosser exhibition of irresponsibility by those who run governments than the sad show put up by the National Development Council when it met in New Delhi some days ago. With the Prime Minister at their head, the assembled chief ministers merrily marched down the Gadarene slope of inflation without development. They put blithely their mindless signatures to a revised fourth Plan envisaging an increased outlay of Rs 24,882 crores without any serious discussion at all of how all this money can be properly raised or how it could be well and wisely spent.

All specific problems of immediate or proximate policy-making were brushed aside by them. There was no mention of merging inflationary tendencies or the imbalances in the availability of essential agricultural commodities or critical raw materials of industry. Worse still, there was a conspiracy of silence regarding the failure of governments at the centre or in the states to hold down administrative or other non-plan expenditure. There was also the stubborn maintenance of an utterly hypocritical attitude by this gathering of opportunist politicians towards their real intentions regarding the mobilisation of savings in the relatively well-to-do sectors of the rural population. In the circumstances, the acceptance by the National Development Council of the revised fourth Plan is no more meaningful than an attempt to make bricks without straw. It follows that, once again, the national economy is in for a spell of much wasteful government spending with a poor yield of development effects.

It was, indeed, outrageous that not a single word of concern was spoken at this meeting about the threat posed to the development process by adventurist political elements who are so busy creating and exploiting class or regional tensions. To be condemned also was the indifference shown by the members of the National Development Council towards the slackened pace of industrial expansion or the shortages which have unnecessarily been allowed to develop in key materials, such as steel and aluminium. Some of the state governments have been taking some interest in attracting industries to their respective areas. At least they, we should have thought, would have raised their voice in protest against the unrealistic or restrictive policies of the central government which are delaying or otherwise hampering the processing of new industrial ventures. But the only thing that seemed to interest most of the chief ministers was the scramble for a small car project which was not there.

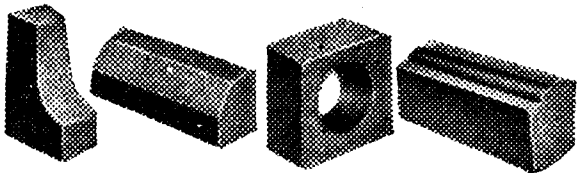
As if to adorn all this frivolity with a touch of melodrama, the Chief Minister of Tamil Nadu chose to serve a pointless ultimatum on the central government that this state government would withhold its blessings from the fourth Plan unless a number of its demands, including one for the immediate sanction of a steel plant for the state, was met by the centre. The main diversion, however, was the apple of discord Mrs Indira Gandhi had thrown into the group of chief ministers by her proposal for special assistance from the centre, amounting to Rs 800 crores for the period of the Plan, to be disbursed among certain states for meeting non-plan gaps in their finances.

Elsewhere in this issue Mr K. Santhanam, writing with the authority of having been the chairman of a Finance Commission, questions the principle of this move. This basic issue apart, it reflects little credit on the character or intellect of the chief ministers that they wasted so much of the time of the National Development Council on a wrangle over a relatively paltry sum of Rs 800 crores, but had no serious thought to spare for the problems posed by the totality of a Plan of Rs 24,882 crores. At this rate, the National Development Council is never likely to come up to its promise of being a grand assembly of higher direction, but is bound to continue to be a shabby market-place for political horse-trading.

In fact, if anything justified the tax-payer's money spent on the chief ministers visit to New Delhi, it was not their performances at the National Development Council while going through the ritual of approving the fourth Plan, but the meeting they had with the Union Minister for Food and Agriculture for settling the price, procurement and distribution policies for wheat in the coming rabi season. They took a sensible decision in favour of the abolition of all restrictions on inter-state movements of wheat (excluding distribution in the rationed cities

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of Calcutta and Bombay) and in this respect, Mr Jagjivan Ram deserves to be complimented on giving the right lead in the speech with which he inaugurated this meeting.

Rejecting the recommendations of the Agricultural Prices Commission that procurement prices should be revised downward, the chief ministers have voted for the *status quo*. Although this would involve an increase in the subsidy which the central government has to provide for the distribution of wheat in rationed areas or through fair price shops, the continuity of procurement

prices seems, on the whole, to be in the interest of the further progress of the green revolution. Inflationary tendencies being active in the economy and the cost of production as well as the cost of living tending to go up for all sections of the people including farmers, it may not be prudent now to do anything which may have a disincentive effect on investment in farming operations. The chief ministers, then, had done a good day's job at the conference on wheat policy. Unfortunately, this could not compensate for the lack of seriousness that had characterised the proceedings of the National Development Council.

The Challenge of Oil Exploration

THE CALL of the Union Minister for Petroleum, Chemicals, Mines and Metals, Dr Triguna Sen, to the experts in the petroleum industry, attending the third Indian Petroleum Conference, held at Duliagan a few weeks ago, to augment the resources of indigenous crude oil expeditiously will be widely endorsed. This is because of the fact that, despite a 25-fold increase in the domestic output of crude during the last 22 years—from a bare 0.25 million tonnes in 1947 to 6.75 million tonnes last year—our dependence on imports has gone up from about 1.25 million tonnes to nearly 10 million tonnes. Unless further reserves of indigenous crude are located and exploited early, the gap between the domestic production and demand will widen to approximately 20 million tonnes by 1975. The requirements of that year are estimated around 32 million tonnes. Indigenous production by then may not exceed 12 million tonnes, including the yield from our concessions in Iran. By 1980, the demand even on a conservative estimate is expected to exceed 50 million tonnes. The task before the nation, thus, is stupendous if the foreign exchange expenditure on imports of crude oil is to be contained within its means.

The means of augmenting the indigenous resources of crude obviously are two: (i) to discover new deposits; and (ii) to devise ways and means of extracting the maximum possible from the existing oilfields by adopting the most modern techniques of production.

So far as the discovery of new oilfields is concerned, the results despite some initial successes, have not been commensurate with our growing needs. As the Minister himself pointed out, "our current pattern of exploratory efforts has tended to bring in progressively diminishing returns after the initial spurt of success resulting in the discovery of the Nahorkatiya oilfield in

Assam closely followed by that of Ankleshwar oilfield in Gujarat. The subsequent discoveries have all been of much smaller calibre, and there has not been adequate addition to the country's known reserves during the last few years."

Perhaps the activities of the Oil and Natural Gas Commission during the financial years 1970-71 and 1971-72 will bring in new successes, for the areas to be explored during these two years are said to be very promising. Last week, the ONGC spudded in the first wildcat in the Aliabet shallow waters from a fixed platform assembled by it with assistance from the Soviet Union. It is expected to take up exploration work shortly in the Tripura region and in about a year's time in the Bombay High area in the Gulf of Cambay. We wish all success to the ONGC in these ventures. But even if oil is struck in fairly large quantities in these areas, it will not mean that the problem of a sufficiency of crude will disappear completely. In the Tripura area at least, unless reserves are established to support an annual production of at least about 3.5 million tonnes, the transportation of this crude may pose a complicated problem. In the circumstances, Dr Sen's advice to the petroleum experts that they should very carefully analyse the information collected from the exploration efforts of the past and should develop new ideas on where to look for oil is indeed wholesome. Dr Sen said: "It may be a new geotectonic region or a new stratigraphic range or even new ideas on conditions of entrapment, but it is vital that these ideas are brought forth, examined and tested so that they can give a fresh push forward to discovery rates."

We would however wish that the good intentions of Dr Sen in respect of accelerating the pace of oil exploration in the country are translated by him into

action without ideological inhibitions. There is no denying the fact that oil exploration has suffered in the past decade primarily because of the ideological considerations which had been imported into this field. Even though the pre-Independence belief that our country was deficient in oil reserves had been disproved by geological and geophysical surveys subsequently, we decided to undertake oil exploration primarily through the agency of the ONGC, knowing pretty well that it would take decades for this public sector undertaking to probe into the entire potential areas single-handed. These very ideological considerations were responsible for the inordinate delay that has occurred in taking up the exploration work in the very important Bombay High area.

Time lost is of course time lost for all time. It will, therefore be all the more deplorable if we also fail to learn from past mistakes. Shutting out practically all assistance from the leading oil explorers of the world on fears that the so-called international cartels may interfere in the political field is hardly justified. Our experience of the last 15 years is an indication that external pressures can be effectively countered. Nobody can say that the international oil companies operating in our country at present have tried to meddle in our economic policies. In fact, their wings have been clipped too often. Against this background and having already achieved, though at a heavy cost, the objective of building up the public sector in our oil industry to a commanding position, the government will only be callous to national interest if it continues to shun collaboration on reasonable terms from those who can bring in the most modern technology the acquisition of which by our own technicians will undoubtedly be a time-consuming process.

As regards improving the proportion of oil recovery from the existing reservoir, there is no gainsaying the fact that this issue has assumed heightened significance not only due to the discovery of new oilfields not keeping pace with the increase in the requirements of petroleum products, but also owing to the recovery rate going down as a result of the exploitation of known resources. New techniques, aimed at major improvements in the economically achievable recovery factors, which are said to be in advanced stages of development in other countries, have to be adopted by us as well. We should also develop our own techniques in the light of the special characteristics of our oilfields and crude oil. It is indeed encouraging to note that a good deal of interest in research is growing among our techni-

cians. Evidence of this was available from the fact that not only the papers read at the third petroleum conference were more wide-ranging than at the first two conferences, which were held alternately during the past two years under the auspices of Oil India and the ONGC, but their number was also larger. As many as 58 papers were considered by the third conference, as against 30 at the first meet. The subjects discussed at the third conference related, among others, to reservoir geology, geochemistry, computer application, geophysics and geology, production engineering, drilling, etc.

Two other important points stressed at the conference by Dr Sen and the Oil India Chairman, Mr Dev Kanta Borooah, also deserve pertinent notice.

Power Prospects for Tamil Nadu

THE PROBLEMS experienced by Tamil Nadu in ensuring adequate supply of power emphasise clearly the importance of integrated regional development of hydel and thermal resources. With the possibility of an accelerated growth in consumption of electricity, the interlinking of state grids and even regional grids has assumed considerable significance. The use of electricity for agricultural and industrial purposes will have to be maximised as solid fuels are not available in the country on a dispersed basis and an undue growth in consumption of petroleum products will result in a heavy drain of foreign exchange for importing large quantities of crude oil. Tamil Nadu has the largest generating capacity among the four southern states. Its per capita consumption of electricity also is much higher than the all-India average. Even so, the state's entire requirements are not being met by the State Electricity Board's own sources and the Neyveli-integrated project. The daily consumption now is around 17 million units, representing an increase of 12 per cent over the corresponding period last year. It is expected that the rate of growth will become even more pronounced as the years pass by with the implementation of rural electrification programmes and the energisation of pumpsets. Many electrochemical industries are likely to be promoted in the current and subsequent Plan periods while large blocks of power will be needed if the Salem steel plant takes shape. Even now for meeting the demand from different classes of consumers, the State Electricity Board is obliged to purchase three million units from Mysore and

Dr Sen urged that concerted attention should be paid to the most economic use of both men and materials in view of the persistent rise in production costs. Mr Borooah called for "the drawing up of a blueprint for national oil development on which both man and machine find a place; a blueprint that portrays both in depth and perspective planning, and reflects an integrated, rather than a splintered, approach to the problems confronting the industry; a blueprint that can be dovetailed into the plans and programmes of sister industries so as to provide a greater cohesion to the pattern of industrial growth and can contribute towards its acceleration." In view of the limited resources available to us for development, the efficient expansion of the oil industry at economical costs is an imperative.

a similar quantity from Kerala. Neyveli is supplying five to six million units every day and the balance is generated by the State Electricity Board from its own hydel and thermal units. This clearly brings out the fact that nearly one-third of the daily consumption is accounted for by the neighbouring states of Kerala and Mysore. Fortunately, Mysore has a large surplus at the present moment as the construction of the transmission network and execution of rural electrification programmes in that state are just getting into their stride and there are still three more giant sets under the Sharavathi project to be commissioned.

The availability of surplus power from Mysore however cannot be taken for granted. Since the new hydel projects in Mysore will take a long time to be completed and the Idikki scheme in Kerala is being unduly delayed, the expeditious construction of new projects in Tamil Nadu should be helpful in minimising the dependence on outside sources and also releasing the surpluses of other states for being used in their own territories or by others in greater need. The year 1970-71 will constitute another major landmark in the history of the Tamil Nadu State Electricity Board as new generating capacity of over 500 mw is expected to be created even allowing for a slight delay in the commissioning of the generating sets of the Ennore Thermal Station. It was recently indicated by the state's Finance Minister, in his budget speech, that the Neyveli thermal station will be completing its first phase of expansion by putting into use the third generating set having a capacity

of 100 mW. Some hydel units under the Kodaiyar and Sholayar projects will be completed while it has been assumed that all the four units at Ennore will be in operation before March 1972. The time schedule for Ennore is unlikely to be realised. Even so the installed capacity of Neyveli and the State Electricity Board will be easily 2,200 mW. If there are good rains in the catchment areas of the hydel reservoirs and the thermal units also are operated as base-load stations, the dependence on outside purchases can be eliminated, albeit temporarily.

However, what has to be the future pattern of power development in the region as there will be a gap in availability between 1972 and 1975 because the Kalpakkam Nuclear Power Station is not expected to be ready before 1975 and the Idikki project too may not be able to supply any power before the end of the Plan if the recent developments are any guide? In Andhra Pradesh, any addition to capacity will not be adequate even to meet the needs of that region as attention is now being paid to the installation of pumpsets and the development of new industries. It is, therefore, necessary to plan now for the opening of the second mine-cut at Neyveli apart from taking an immediate decision about the erection of a second 200mW unit, at Kalpakkam. Even with the experience in the mining of lignite at Neyveli, the physical work involved in removing the overburden will take a long time, at least four years. With the use of lignite for power generation alone thermal capacity of nearly 1,000mW. can be easily created. A long-term policy has to be evolved as there will have to be integrated operation of thermal and hydel stations on a regional basis with the prospect of thermal capacity forming a sizable proportion of total generating capacity of the Tamil Nadu Electricity Board. It will be possible to pump large blocks of power either way between the four states as the Mysore grid is already interlinked with that of Tamil Nadu and Andhra Pradesh while Andhra Pradesh will be shortly completing its link with Tamil Nadu. Kerala is even now supplying sizable quantities of power to the latter. This pattern will become a regular feature in the coming years as during the monsoon periods, with large hydel surpluses, there can be export of power to the deficit areas when the overhaul of thermal units can be undertaken. Likewise when thermal capacity has to be used effectively the hydel units can be employed for peaking purposes. The importance of co-ordinating the activities of the state electricity boards has, therefore,

been forcefully brought out by the recent developments and it may even be eventually necessary to form a co-

Guidelines for SFC's

THIS YEAR's conference of state financial corporations — (SFCs) — the fourteenth of its kind — was important not only because it took place nearly three years after the previous one was held — the last such conference took place in May, 1967 — but because the nationalised banks also participated in the two-day deliberations of the conference. Since the nationalisation of the major banks, nay even since the social control of banks, there have been complaints by some state financial corporations that banks have begun to poach on their territory.

In his inaugural address Mr L. K. Jha, Governor of the Reserve Bank of India, specifically referred to this when he said: "Some SFCs, I gather, are a little worried about this competition. An exchange of views among the representatives of all institutions engaged in assisting industries, particularly small and medium-scale ones, was badly needed to ensure that the recipients get the maximum effective benefit."

Until recently, the recession had its impact on the operations of SFCs. There was a marked increase in the number of cases in which SFCs had to file suits for recovery of the loans advanced. The general level of overdues (from 10 per cent in March, 1967, to 17 per cent in March, 1969), was also high. But now, as Mr Jha stressed rightly, the objective should be to concern ourselves with the impact which the SFCs could make on the economy and its development. To facilitate this, it is necessary for SFCs, not only to take stock of their shortcomings in the past but also to be clear about their primary task, on the one hand, and their precise sphere and scope of operations, on the other, while also taking care to avoid all possible overlapping by drawing up a clear-cut code of co-ordination among the several agencies out to achieve the same objective. This necessity is all the greater today, because, unlike in the fifties, SFCs have now ceased to be the only agency to give medium and long-term loans to small industries.

As between SFCs and the banks, each agency has its own strong and weak points in the matter of assisting small and medium-scale industries. Banks, for instance, are better placed to raise resources, being primary mobilisers of savings. They are able to raise resource at a relatively lower cost than SFCs, and enjoy a better range of assistance and operational flexibility than SFCs. SFCs, on the other hand, have been

ordinating authority and create a pool so that payments are finally made under a clearing house arrangement.

closely related with development problems in their respective states.

To some extent even before the arrival of banks on the scene SFCs were handicapped in their operations by the activities of the National Small-Scale Industries Corporation and the different state small-scale industries development or investment corporations. Even so judging by the number of small and medium scale units and their growing capital-intensiveness as estimated by the planners there is sufficient scope for SFCs as well as others engaged in similar activities. But it is necessary for each agency to be quite specific about its primary task today and the direction of its future growth.

According to Mr Jha SFCs primary task is to help in the industrial development of their states. So he wanted them to be clear about the possibilities as well as the obstacles in their way. Inasmuch as these vary from state to state it is the responsibility of SFCs to identify these in their respective states. Identification of the possibilities is more than half the work done but not until these are fully exploited will any state actually benefit. It is in the later direction therefore that SFCs have to demonstrate their imagination and understanding. For as the Reserve Bank Governor aptly observed by achieving the right pattern of development, SFCs can redress certain social problems which cannot be ignored in the present explosive atmosphere.

SFCs also can locate and help backward areas which, incidentally, are not the monopoly of under-developed states, but exist even in some so-called industrially advanced states. West Bengal and Maharashtra which account for a sizable chunk of the country's industrial production, for instance, have a lengthy enough list of backward areas. Seeking out the small industrialist and to help him out is yet another responsibility. In fact, as Mr Jha said, one of the prime reasons for setting up term financial institutions at the state level was to ensure adequate assistance to the man with projects not big enough to be studied by institutions of an all-India character.

To the extent, therefore, that SFCs have invested in projects which rightly fall within the scope of the latter, it may be argued, the smaller man's needs have been avoidably postponed, if not neglected. However, SFCs can now act with greater confidence than ever be-

fore, because they have the clear assurance of help by the all-India institutions, in particular the IDBI and the Reserve Bank (apart from help in the matter of survey of the industrial potential and feasibility studies of specific projects in particular areas) "in any activities which they undertake which are financially sound and likely to help in industrial development."

But to be able accurately to assess activities which are financially sound and likely to help in industrial development, as stated here, it may be asked: are SFCs, as they are constituted today, properly manned? From the remarks offered by Mr Jha himself there is reason to believe that they are not. More than resources, which also are no doubt important, what is of even more importance "tremendous importance" was how the Governor of the Reserve Bank put it is "the quality of the men who deal with the resources". Without meaning any disparagement to those in charge of SFCs, therefore, he urged that each SFC should build up its own internal manpower trained in development banking, so that increasingly the top posts could be filled by men with years of experience in financing industrial development. Besides this if, as he indicated, "the task of the financial institutions is to build up more entrepreneurs and to encourage the establishment of industries even in areas which are relatively underdeveloped", men of high calibre, men not only with financial experience, but men with technically economic and commercial background are a prerequisite.

Dealing with the question of how to attract industries to a given location, Mr Jha alluded to the setting up of industrial estates, but, at the same time, he did well to utter a note of caution about their location as not all the industrial estates that have been established so far have proved equally successful. A careful survey of the unsuccessful ones would perhaps guide SFCs on how and where not to set up these estates. Also SFCs should contact those who have ventured to avail themselves of some of these estates and ascertain their precise or particular handicaps. To our knowledge, no SFC can claim to have shown such concern.

In at least one respect, as Mr Jha pointed out, SFCs have an edge over banks. All bank finance is in the shape of loans which bear interest right from the beginning. SFCs could underwrite the equity capital of projects of small men when they are ready to go in for a corporate structure, especially, when banks might be prepared to assist these projects with liberal loans.

Nixon Plan for Preferences

KENNETH B. KEATING

I REALISE that I am addressing one of the most distinguished groups in India. I use the word "distinguished" in the full knowledge that businessmen and industrialists in either of our countries are not often accorded that title.

In America — as well as in India — our business communities are beginning to play a significant role in seeking to solve the social problems of our times. This was not generally the case some years ago and I am glad to see this development. It is in your interest — as well as that of our nations and governments — that our private sectors involve themselves deeply in community affairs.

Since coming to India eight months ago, I find myself a close observer of the Indian scene. I speak not only of political and economic developments, but those of the social environment. I have been fascinated by the controversy that swirls about the Khosla Committee recommendations on kissing. As a diplomat, of course, I cannot involve myself in domestic issues — so I will keep my opinions on the subject to myself.

Private Enterprise

In my own country, we have settled that issue. Our problem now is what to do about stage plays such as "Oh Calcutta."

Kissing, of course, — if looked at strictly from a financial standpoint — does earn money. As businessmen, you will be interested in the enterprise displayed by three pretty American girls recently at Kennedy International Airport.

The girls set up a home-made kissing booth in front of the section where planes from abroad arrive. They put up a sign: "Kisses—One Dollar Each."

And, let me tell you, business boomed. It was a wonderful way to greet foreign guests.

Well, things went well for the girls — until — that is — the unromantic bureaucracy moved in and closed them down. I was sorry to see this — because I am a strong advocate of private sector enterprise.

I wish to speak to you about a subject

that is of direct concern to all of us in this room — and to both our nations. I speak of trade.

Importance of Foreign Trade

Trade will assume greater importance as we move into the 70s. We recognize this. You recognize this. In fact, President Nixon devoted a long section of his recent foreign policy report to this subject. Your Minister of Foreign Trade, Mr Bhagat, recently went to the United States for just the purpose of seeking to increase trade between our two nations.

He spoke there of what he discerned as an "aid-weariness" by both giver and receiver. I find this an accurate statement — and I would add that we in America are discovering that aid — pure and simple government to government assistance — is not the sole answer to economic growth for the developing nations. Aid is but one facet of the extremely complicated business of development.

Last week, the Peterson report was released. This report — compiled by a committee under the chairmanship of Bank of America President Rudolph Peterson — made a series of recommendations to President Nixon on our aid policies.

Among the many recommendations — none of which have the force of law, of course — was one that urges a coordination of our aid and trade policies. I think you would endorse the view that increased trade can have a great effect upon a developing nation's economic progress.

Although I cannot yet say exactly how the Administration will react at the Peterson Committee's proposals, they appear to complement and blend with President Nixon's past and current thinking on aid and trade.

I believe we are on the right track. And I think India, particularly, will appreciate our movement in the direction of increasing the opportunity for the developing nations to broaden and improve their trade with the developed nations.

The President is making an effort to reach an international agreement on a

common plan for the developed free market nations to extend to the developing nations generalized tariff preferences on a wide range of their manufactured and semi-manufactured exports.

His offer — along with those of other developed nations — is now before the UN Committee on Trade and Development. As one who repeatedly supported lower tariffs and freer trade for the 18 years I sat in the US Congress, I would take great pleasure in the achievement of world-wide system of preferences.

Simply put, it would mean that many of the industrial products of a nation like India would have lower tariffs

Addressing a luncheon session of the recent annual meeting of the Federation of Indian Chambers of Commerce and Industry, the US Ambassador in India, Mr Kenneth B. Keating, made some interesting and important observations regarding the effort now being made by the President of the United States to reach an international agreement on a common plan for developed free-market nations to extend to the developing nations generalized tariff preferences on a wide range of manufactured and semi-manufactured exports from the latter. Since what he had to say on the subject does not seem to have received adequate notice in the daily press, I reproduce Mr Keating's speech here for the benefit of this journal. I do this all the more gladly because the address is nearly as enjoyable in print as it was to listen to.

—Editor

placed on them than comparative goods from developed nations.

This could be a tremendous engine for economic development. It would be a major stimulant for the products of the developing nations. And, I might say, it would be a direct opportunity and challenge to you gentlemen here.

As you know, America is already India's best customer. In the past Indian fiscal year, we bought 312 million dollars worth of goods from India — an increase of more than ten per cent over the previous 12 months.

So far this year, they have increased again. And if their momentum is maintained for the entire year, as seems probable, exports to America should set a record. And I am delighted to see it.

In fact, we have been assisting for some time in the field of Indian export

April 3, 1970

promotion. In our AID mission here, there are several bright young men assigned full time to this task. Some of you, I hope, have already discussed your ideas on exporting with them.

I might mention, too, that trade isn't a one-way street. We have several bright fellows stationed here who want to see more American business come to India — in the form of collaborations or in purchases. And they are at your service.

One thing we have been learning over the years in this business of international trade is that — while governments and institutions can facilitate trade — the lasting valuable relationships are built by businessmen of two countries sitting down together to discover what one can profitably sell the other.

Reduction of Tariffs

The Bhagat mission identified a number of products which can be sold profitably by India in the American market. Some of these are traditional items such as tea — but even these old items of trade are changing. A growing item is instant tea. Other products are relatively new—human hair, cowboy boots from Madras, khadi cloth.

In fact, the more I think about those three items, I realize that they seem to be the stock-in-trade of our hippies. So, perhaps, if you send these items in greater quantity to the United States, there may be a reduction in our export of hippies to India.

Speaking of hippies, I do want to use this occasion to set the record straight; America is not the largest exporter of long haired youth to India. We have taken some unofficial surveys and our polls show that only one in four or five is American.

Most of the hippies weren't born yet when the present US trade policy began its evolution. It traces its origins to 1934 when the US Congress enacted the first Trade Agreement Act.

This act turned the tide of protectionism and set into motion a worldwide movement for the reduction of tariffs and other trade barriers. The achievements under that and subsequent acts have been impressive.

Yet today, given international cooperation and goodwill, the US is now prepared to encourage and lead a real breakthrough in trade.

I want to give you a little background to this:

US trade policy has been based tra-

ditionally on three essential elements: non-discrimination, the reduction of tariffs and the elimination of quantitative barriers on trade—that is quotas.

These fundamentals have been adhered to over the years. They have been qualified on occasion, of course, to meet practical realities. Textile are a case in point. Tariffs have some times been raised to avoid serious injury to domestic industry. Nevertheless, the main thrust of American trade policy has been on the basis of those three principles.

The policy of non-discrimination, or giving "most-favored-nation" treatment, has been applied in one form or another since the founding of the American Republic. It has been written into every piece of trade legislation since 1934. "Most-favored-nation" treatment, as we use it, is sometimes misunderstood. It simply means the extension by the United States to all free-world countries of concessions granted to any one country—in other words, non-discrimination. What one gets, all get.

Another central feature of US trade legislation has been the granting by the Congress of authority to the President to negotiate the reduction of tariff barriers on a reciprocal basis. Agreements concluded under this authority do not have to be approved by the Congress. Since the establishment of the General Agreements on Tariffs and Trade in 1947, all US trade agreements have been negotiated under the auspices of this entity.

Towards Liberalization

The results have been excellent. The decreases in US tariffs on products negotiated have been striking. When all the cuts are implemented by January 1, 1972, the average tariff rate on dutiable imports will be only eight per cent—as against 46 per cent in 1934.

This package tariff reductions had immediate relevance for India's exports to the United States. Let's take 1965 as an example. India exported 331 million dollars worth of goods to the US that year. Twenty-one per cent of this amount — 68 million dollars worth—was already duty-free. The recent concessions covered 246 million dollars—or 93 per cent — of the remainder. Various important Indian exports — among them cashewnuts and sandalwood oil—have been completely duty-free for the last two years.

I think you will agree that these statistics — translated into the stimulus they have provided for trade—provide

dramatic evidence of America's determination to liberalize trade.

Despite these advances, we still felt that further efforts were required—particularly to give added stimulus to the exports of the developing countries. Two years ago, President Johnson announced our willingness to explore with other industrialized nations the possibility of providing temporary lower preferential tariffs for all developing countries in the markets of all industrialized countries.

When President Nixon assumed office last year, he ordered a thorough study of US trade policy. Two important developments have resulted from that study.

—First, the President has endorsed the previous Administration's concept of granting preferences to developing countries. The U.S. is pressing vigorously in world trade forums for a liberal system of generalized preferences for all developing countries. We feel this system should have broad product coverage — with no ceilings on imports of the items given preferential treatment.

We believe that a scheme of this nature offers by far the best method of achieving a real impact on the trade of developing countries. And we think our offer meets the requests of the developing nations for improved access to the markets of the developed countries.

This request, you will remember, was embodied in the resolution adopted by the Second Conference of the UN Committee on Trade and Development (UNCTAD), which two years ago met in this most hospitable city. Briefly put, the US proposal — which is now before the UNCTAD for consideration, is this:

1. Preferential duties to be set at zero.
2. Preferences to be granted to the developing nations on manufactured and semi-manufactured products, excepting only textiles, shoes, petroleum and petroleum products. Preferences also to be granted on some agricultural and fishery products.
3. No ceiling on preferential imports.

And lastly, we seek nothing in return from the developing countries. We ask only that all countries offering preferences adopt an essentially common scheme—not necessarily identical in

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all detail—but covering the key elements I have just cited. This will give maximum benefit to developing countries and provide equity of burden-sharing among donors.

In this respect, we oppose special preferences which favour one group of developing countries over another. Our proposal is based on elimination of this discrimination. We think it important that the developing countries of Asia, including India, and of Latin America and Africa should enjoy equal treatment in the markets of all developed nations. We feel that in the long run the developing nations will benefit more from a system of worldwide preferences than under special arrangements which some nations now have as the result of past colonial connections.

The other result of President Nixon's policy review was the introduction in the Congress of the proposed Trade Act of 1969. He asked that the Congress re-equip him with the authority to make more tariff reductions. The proposed Act also would allow the President to take further steps toward the increasingly urgent goal of lowering non-tariff barriers to trade. At the

CENTRE-STATE FINANCE

An Objectionable Twist

K. SANTHANAM

THE ALLOTMENT of Rs. 800 crores in the fourth Plan for special assistance to the states to cover gaps in non-plan expenditure amounts to a new distortion of the financial relations between the centre and the states. While on the one hand, there is vociferous demand for autonomy, on the other, the states are becoming more and more abjectly dependent upon the grace of the central government.

The Constitution was designed to ensure effective financial autonomy. All taxes were classified into five categories. Certain taxes were assigned exclusively to the states. The state Legislatures and governments are empowered to levy, collect and appropriate the proceeds for their exclusive use. Land Revenue, Sales Tax, Motor Vehicles Tax, stamps, registration and excise on intoxicating liquors and drugs and agricultural income-tax are the most important among them. Some taxes are to be levied by the centre but collected and appropriated by the state governments. They are some stamp duties and duties of excise on medi-

same time, the Act recognizes the very real plight of particular industries, companies and workers faced with import competition, and provides for more sure adjustment relief than is now available.

In addition to these steps, Mr Nixon plans to appoint a blue-ribbon Commission on World Trade. This group will be charged with examining the entire range of our trade and related policies. It will review our tariff structure. It will analyze the problems we are likely to face in the 70's — and, finally, it will prepare recommendations on what we should do about them.

As we move further into this decade of rapid change, I think you will find that America's policies in the area of trade are committed to a single concept — that of expansion.

It will take the co-operation of many nations to achieve success. But success will provide economic benefit to all of us. And it will serve an even greater role of reducing political frictions. And in this effort we would welcome and indeed we seek India's support.

nal and toilet preparations and interstate sales tax. Article 269 lists 7 taxes which are to be levied and collected by the union but their entire proceeds except a small proportion intended for the union territories are to be distributed among the states in accordance with the principles of distribution formulated by law.

In the fourth category are the income-tax and excise duties of the union government which are to be shared with the states in accordance with the recommendations of the Finance Commission. There are lastly some duties which belong exclusively to the union for levy, collection and appropriation. Import and export duties, corporation tax and wealth tax are the most important of them. This elaborate classification together with the statutory setting up of a Finance Commission in every 5 years to determine and distribute the shares of income tax and excise, to recommend grants for states, which may be in need of them and the power of the President to add other terms of reference had meaning and

purpose only if normally the States manage their financial affairs without further dependence on the union. Articles 292 and 293 similarly contemplate borrowing by the government of India and the states to meet their normal capital needs. Under Articles 282 and 293 a general residuary power has been conferred to give grants and loans but it is clear that this was to be used only for special purposes like natural calamities or the inability of a state to borrow from the market for a very urgent public work like an irrigation dam.

Distortion in the Pattern

The first distortion in this pattern occurred when the Planning Commission was set up on a non-statutory basis. A plan formulated by such authority was not constitutionally binding on the states and therefore the states were brought into the plan by substantial offers of plan grants and almost total financing of capital projects. This introduced a confusion between the work of the Finance Commission and that of the Planning Commission and from the time of the third Finance Commission, it came to be expected that the Finance Commission should look after the non-plan budget of the states while the Planning Commission would take care of the Plan budgets.

For the year 1970-71 according to the recommendations of the fifth Finance Commission, the states are to get Rs 700 crores as shares of income-tax, basic excise duties and additional excise duties. They are also to get Rs 161 crores as non-plan grants as recommended by the Finance Commission. They are also to get Rs 201 crores as plan grants and Rs 847 crores as plan loans. In order to complete the picture, the states have to pay for next year to the centre Rs 290 crores as interest and Rs 600 crores as repayment towards the outstanding debt of Rs 6125 crores. Thus, so far as the capital needs for plan are concerned, the states as a whole get nothing except some book adjustments. Those states which have invested the loans from the centre prudently and get income from them in the form of interest or dividend and also the amount they obtain as repayment of their own loans and advances will be able to utilise these amounts for the plan but those states whose investments are mainly unproductive are not able to repay either interest or capital to the centre but as these amounts are automatically adjusted by the Accountant Generals they reappear as deficits and overdraft of the Reserve Bank. The

present arrangement for additional assistance amounts to a recognition of the right of deficit financing on the part of the states and a sort of premium to them for their improvidence. After much wrangling in the National Development Council, a formula was arrived at for distribution of plan assistance on the basis of population, tax effort and backwardness. This new provision tends to bypass that formula and provides large amounts for discretionary assistance.

The most curious factor about this new distortion is that the Planning Commission has been brought into the picture. Hitherto, it was the accepted division of functions that the Planning Commission confined itself solely to plan schemes and plan finances leaving the non-plan expenditure to the various governments concerned subject to the

subventions and grants of the quinquennial Finance Commission. The present arrangement almost amounts to a censure on the fifth Finance Commission. It is not surprising that some states which were expected to be excluded from the benefit of special assistance protested strongly and extracted a concession that the distribution of special assistance will be subject to further discussion by the National Development Council but whether this assistance is given to some or all of the states, it is a grave distortion of the constitutional relations between the centre and the states in respect of financial relations. It is also essentially unsound to provide for chronic non-plan gaps. I wonder if any state government will be able to resist the temptation to create a gap or widen the existing gap to bring further pressure and extract more funds from the centre.

WEST BENGAL SCENE

Enter the President

A CORRESPONDENT

PRESIDENT'S RULE in West Bengal can help to restore confidence and good government provided it lasts at least until 1972 and Mr Dhavan, the governor, conducts himself with firmness and impartiality. When Mr Dhavan's appointment as Governor of West Bengal was announced last year, some members of the Lok Sabha questioned the wisdom of the choice in view of his alleged leanings to the leftist ideology. Mrs Gandhi at that time explained that whatever might have been Mr Dhavan's personal views on politics, they would not influence his gubernatorial role. But Mr Dhavan's recent speeches and statements seem to show that the fears of his critics were not wholly unfounded.

In a broadcast on the last Republic Day, Mr Dhavan expressed concern at the impending disintegration of the United Front and he gave the impression that he would use his good offices to keep it intact. But he did not succeed. When, after accepting Mr Mukherjee's resignation, the Bangla Congress and several other constituents of the UF told the governor that it would not be proper for him to invite Mr Jyoti Basu to form a Ministry. Mr Dhavan wanted them to give specific reasons for their suggestion. The mere fact that these parties had no confidence in Mr Basu's leadership and that he could not command a majority in the Assembly was not sufficient for the governor. Again, in his broadcast after the proclamation of President's rule, Mr Dha-

van made many statements which have raised doubts about his capacity and intention to provide effective administration.

For example, he said that "subject to the approval of the President, it shall be my constant effort to bring about a restoration of the United Front through a conciliation between the constituent parties". It was, indeed, amazing that the governor should so openly express his desire to restore a ministry which had functioned for over a year in utter disregard of all principles of cabinet government. His explanation for the break-down of the UF ministry was amusing and amateurish. He said, "The United Front was a partnership—a political partnership created by agreement for the purpose of achieving an agreed common programme. But the agreement contained no provision prescribing the manner of implementing the programme. This omission proved fatal in the end". What sort of provision did the Governor have in mind? It did not occur to Mr Dhavan that the UF failed not because of the absence of any specific provision in the agreement but simply because the 14 parties which formed the Front did not function and did not want to function—as a cabinet. If they really had a genuine concern for the welfare of the people of West Bengal, they would have conducted themselves with a reasonable degree of discipline and efficiency and continued in office at least till 1972. "I observed", said Mr Dhavan "that no serious effort

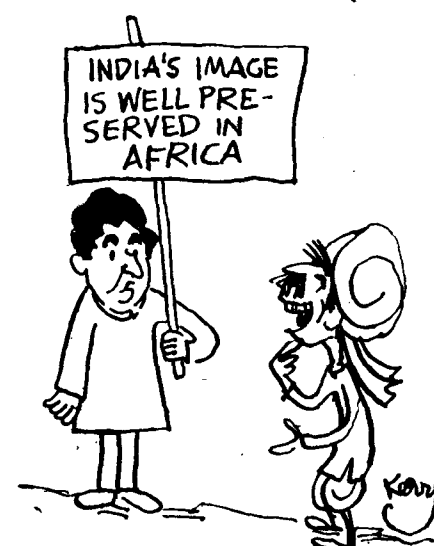
had been made by any member of the Front to save the Front". The governor should have asked himself whether any serious effort was ever made by the Front to govern and to tackle the grave problems of the state.

The Governor's tribute to Mr Jyoti Basu was ill-timed. After the proclamation of President's rule, Mr Dhavan referred to Mr Basu as "my Deputy Chief Minister" and described him as "a man of very great ability who would be a credit to the government of any country in the world". During his long political career, Mr Basu has given abundant proof of his ability as Leader of the opposition, as a clever debater, as a master of invectives, and as an efficient organiser of mass movements, open and underground.

Need for Peace

He was given opportunities to show his qualities as Minister and administrator. But the fact that law and order steadily and seriously deteriorated while he was the Home Minister would seem to show that Mr Basu did not sincerely try to govern. Or, could it be that he deliberately created chaos in accordance with the Marxist ideology? In any case, Mr Basu can derive satisfaction from the fact that though the other parties and the people in general did not like his role as minister, no less a person than the Head of the State, who is also the representative of the President of India, has publicly given him a certificate of merit of his outstanding work!

Mr Dhavan may perhaps succeed in restoring law and order and provide an efficient administration. But he cannot by himself tackle effectively the great problems which cry out for an urgent solution. Rehabilitation of refugees, re-opening of closed factories whose number runs into nearly two hundred,



"With so many idol thieves around let us send all our idols for safe keeping in Africa".

creating a climate for investment, improving the efficiency of the State Government's commercial undertakings, and implementing the schemes for Calcutta's development—these are some of the more urgent problems that require immediate attention. It is hoped that Mr Dhavan will try to deal with them as far as possible rather than concentrate on bringing the UF back into power. He can, of course, expect the co-operation of the business community in his efforts to re-open factories and revive investment. But much will depend on the attitude of the people and of their leaders in particular.

Need for a New Strategy

What precisely is the people's attitude to the Marxists? Mr Ajoy Mukherjee has said that President's rule is much better than the "goonda rule of the Marxists". Do the people in general share this view? It seems they do not. This will be clear from the fact that in the last mid-term election the Marxists obtained the largest number of seats in the Assembly—83 out of 280—although their record in the first UF Government was in no way different from what it was in the second UF government. Besides, the fact that Mr Basu is repeatedly and emphatically clamouring for elections within six weeks also, shows that he is sure of massive support from the people. He has reasons for his confidence. No party other than the Marxists has so closely and consistently identified itself with all sections of the low-income groups.

Industrial workers, peasants and office employees, on the whole, made large gains in their income during the UF rule and they know that it was the Marxists who helped them to realise such benefits. Who but the Marxists could think of organising the porters of Burra Bazar and instigate them to agitate successfully for bonus and other amenities? Mr Basu therefore seems to think that whether elections are held now or later his party is bound to sweep the polls. And events perhaps may justify his confidence.

It is therefore for the other political parties to define their attitude towards the Marxists and plan their strategy. Do the Marxists really believe in violence and in sabotaging democracy? If so, the other political parties should expose the Marxist tactics and try to rout them at the polls. But this will not be easy since the other parties seem to lack the discipline, the dedication, the organisation and the resources which the Marxists are able to command.

Mr Dhavan said in his broadcast on the 20th March that the rest of the

country did not realise "the terrible hardships which the people of Bengal have suffered during the last 150 years". The sufferings of the Bengalis are, of course, real but it is not correct to say that the rest of India is not sympathetic to them. If today West Bengal has not made as much progress as some other States, the fault is almost wholly of the people of West Bengal, or to be more correct, that of her leaders. It should also be stressed clearly that no amount of sympathy or support from other states can help West Bengal to prosper unless her own people are prepared to work hard and create a climate for peaceful and productive activity. They have to consider seriously why the entrepreneurs from other states who have contributed so much to the prosperity of West Bengal are now hesitating to invest here any more. The natural and human resources of West Bengal are immense and with their effective utilisation it should be possible to make it one of the most prosperous states. For this purpose West

Bengal needs a government that will govern with wisdom and firmness.

President's rule will give opportunity to the people to think calmly about the role of political parties and trade union leaders in bringing the economy of the state to its present plight. It is sad to note that when the Punjab is able to have a per capita income exceeding Rs 1,900, that of West Bengal is not even half of this figure—it was only about Rs 334 in 1968-69. Unemployment is reported to have ceased to be a major problem in the Punjab while in West Bengal it continues to be as acute as ever. The secret of Punjab's prosperity lies mainly in the capacity of its people to work hard. It is now for the leaders and people of West Bengal to reflect on the causes for the state's economic stagnation and consider to what extent they themselves are responsible for this situation. Meanwhile, Mr Dhavan will do well to rid the Government and the police in particular of disloyal and corrupt elements and provide the people with efficient administration.

Meghalaya in Profile

P. THANKAPPAN NAIR

MEGHALAYA, 'the abode of clouds', has an area of 22,445 sq. kilometres or 8,666 square miles in the Hills Division of Assam. Two erstwhile Autonomous Hills Districts, namely, the Garo Hills and the United Khasi & Jaintia Hills, are the constituents of the new sub-state.

This exclusive tribal state of the Garos and the Khasis is a mountain region. Shillong, the capital of the Meghalaya, is situated in the centre of a high plateau. The highest peak in the new political entity is the Shillong Peak (6450 ft. in height). Nokrek is the highest peak in the Garo Hills District.

A number of rivers drain this hilly region. Unfortunately, none of them is navigable. Krishnai (Damring), Kalu (Jira), Bhugai (Bugi), Nitai (Dareng) and Someswari (Simsang) are the rivers of the Garo Hills District, the names in brackets indicating their tribal names. Jadukata (Kynshi), Um Maopa, Mahe-shkali (Umngot) and Bogapani flow towards the south into the Surma Valley in the United Khasi and Jaintia Hills. Kapili, fabled after the sage Kapila, is the most important river of the Khasi area. Ka-khri, Digru and Umiam are the tributaries of the Kapili. The common characteristics of these mountain rivers are rocky beds and swift currents. Water falls and cataracts are frequent in these rivers. The most important fall is at Mawmai near Cherrapunji. The waters of several rivulets from the pla-

teau are precipitated over a sheer cliff several hundred feet in depth at Mawmai.

The first hydro-electric project in India was started at Cherrapunji in Meghalaya in 1901. This was not a commercial plant of any appreciable size but a small private project. The first commercial hydro-electric project of Assam was started at Umtru in the Khasi Hills 19 miles south of Gauhati in 1953-54 and was completed on July 7, 1957. The Umtru has a catchment area of about 369 square miles at the dam site and the three generators of 2,800 kw each have a total installed capacity of 8,400 kw. The entire civil construction of the Umtru project was undertaken by the Government of Assam. The total cost was roughly Rs 2.5 crores, the foreign exchange requirement and know-how and machinery being supplied by Canada under the Colombo Plan.

A new era dawned upon the State of Assam with the establishment of the Electricity Board in 1958. The Board did not consider the establishment of a 6,000 kw thermal station near Cherrapunji feasible and preferred to have the Umiam Hydro-electric project. According to the load forecast prepared by the Central Water and Power Commission, it was clear that even after commissioning the first power house in Umiam with an installed capacity of 36,000 kw and Naharkatiya

Thermal station with a capacity of 69,000 kw, Assam would still be deficient of power. Steam generation was proposed at Nangalbibra in the Garo Hills.

The Umiyam Hydro-electric project of the Meghalaya is situated at Barapani, about 13 miles north of Shillong on the Shillong-Gauhati Road. It is a trans-basin development scheme. A reservoir at an elevation of 3,220 ft. RL is created in the Umiyam basin by constructing a concrete gravity dam 256 ft. high across the river. The catchment area of the dam is about 85 sq. miles and the average rainfall varies from 120 inches in the upper reaches to 90 inches near Barapani. The power house of Barapani has been designed for four machines of 9,000 kw each. The project was completely financed by the US AID and the local costs being met from PL 480. Power, therefore, does not stand in the rapid industrialisation of the Meghalaya.

Mineral Resources

Meghalaya has abundant sources of coal. Cretaceous coal is found in the valley of the Somesawari near Darang-giri in the Garo Hills and at Maobeh-larkhar, Barsora, Wapung, Leukensuiet and Langrin in the Khasi Hills. Num-mulitic coal is found at Cherrapunji, Laitryngew, Mawlong, Mustoh, Maw-synram, Mawdon, Thajinath, Lakadong and Narpo in the Khasi Hills area.

According to the Director of the Central Fuel Research Institute, Dhanbad, the potential reserves of coal in Assam is well over 4,500 million tonnes, of which Meghalaya can claim the major portion. Most unusual is the nature of these coal deposits scattered in the hills of Meghalaya from Ledo to Cherrapunji and to the Garo Hills. Unlike the peninsular coals these coals of the hills have very low ash, and even this small quantity of ash appear to contain many unusual metals such as germanium and other rare earths. The most intriguing feature is the high sulphur content. The high sulphur content often militates against their use in common applications. These coals can be used with advantage for the production of metallurgical coke in the steel plants. Processes developed at the Central Fuel Research Laboratory will enable this coal to be converted into smokeless fuels where the sulphur can be inhibited by addition of lime. Carbion (an ion-exchanger), Carbogel etc. will be by products of these coals.

Limestone has been found at Darang-giri and Siju in the Garo Hills and at Gomorroah in the Khasi Hills. Assam Cements Ltd, is engaged in ex-

ploration of these limestones. India's only sillimanite mine is situated at Sonapahar in the Nongstoin Siemship of the Khasi Hills area. Perfunctory surveys have indicated the availability of china-clay, fireclay, fluorspar, felspar, copper, pyrite, vermiculite, silica, kaolin and even gold in Meghalaya. The Directorate of Geology and Mining of Assam Government has recently discovered traces of gold in the Mawlang area. Of the 22 rock samples analysed, only three have been reported to have shown gold values ranging from 0.2 grams to 0.8 grams of gold per tonne of rock. The commercial exploitation of this reserve is unlikely.

Meghalaya is rich in forests. The total area occupied by forests is 280.8 thousand acres of 113.6 thousand hectares. The area of reserved forests is 173.8, that of protected forests 2.6 and unclassified forests 159.6 (figures in thousand acres). The production of timber ('000 cft) in 1963-66 was 339, fuel ('000 cft) 155 and the value of minor produce Rs 254,000. The principal timber species occurring in the Garo Hills District are Sal (*Shorea robusta*), Gurgra (*Sehima wallichii*), Haldu (*Adina cordifolia*), Dalu (*Ternostachyum dulooa*) etc. Pine (*Pinus Khasya*) is the all-purpose timber in the Khasi and Jaintia Hills. Sal is found in the lower reaches of the Khasi Hills. A few old eucalyptus trees are found in Shillong, but no attempt is being made to cultivate this species. Birch, schuma, oak, beech, magnolia etc. are also found.

Jhumming, the greatest enemy of forests, is extensively practised by the tribal people. The indiscriminate felling of pines and other valuable trees is deplorable. Unfortunately, little effort is made for afforestation. The hillocks of Shillong, once adorned with the perennial greenery of the pines, are becoming barren.

The majority of the people of Meghalaya depend upon land for their suste-

nance. Of the total workers of 302,458 in 1961, 294,924 were engaged in cultivation, 16,460 in agriculture labour, 17,990 in mining, quarrying, livestock, forestry, fishing, hunting, plantation, orchard and allied activities, 4,792 in household industries, 4,188 in manufacture other than household industries, 1,901 in construction, 9,588 in trade, and commerce, 2,052 in transport storage and communication and 49,983 in other services. The total number of non-workers was 366,932.

Agricultural Production

The area under Autumn rice in Meghalaya is slightly over 29.14 thousand hectares, the average yield being 631 kg per hectare and the total production being 18.09 thousand tonnes. The cultivation of Autumn Rice is confined to the Garo Hills District. Winter rice is raised in the United Khasi and Jaintia Hills as well. The total production of winter rice in 1966-67 was 79.68 thousand tonnes, the hectareage being 57.06 thousand hectares and the average yield being 1233 kg per hectare. Spring rice is raised in the Garo Hills District only, the hectareage is 0.82 and production 0.77 (both in thousand tonnes and the average yield is 950 kg per hectare. Rice is the staple food of the people, supplemented by vegetables, dried fish, and animal protein. Milk is eschewed by them, but tea is relished.

The Garo Hills District is noted for its production of short staple cotton. The Khasi economy depends upon two cash crops: potato and fruits. The Khasis owe a deep debt of gratitude to Mr David Scott, the first Englishman to cross their land, for introducing this cash crop. They have a unique method of growing potatoes. Small shrubs, branches of trees and grass are cut and collected in the beds during December-January of each year. These beds are then covered with turfs after which the beds are burnt with fire. The beds are

then powdered and potato seeds are planted. After this operation, powdered earth from the sides of the bed are put on top of each bed. Recently, they have started raising potatoes early in the wet paddy fields in the highlands. About 25,000 to 30,000 tonnes of potato are exported annually from the Khasi Hills area to the plains. The oranges and pineapples of the Meghalaya are famous for their sweetness. The orange trees with full of golden balls are a veritable treat to the eyes during the winter months in Shillong. Plums, apricots, and *saberjills* are grown extensively in and around Shillong. English vegetables such as cauliflower, cabbage, carrots, beets, beans etc. are grown in abundance in the Khasi Hills. The hillmen are poor in co-operation, for there were only 163 co-operative societies with a total membership of 4605 in the whole of Meghalaya in 1961. The number of primary agricultural-cum-marketing societies in Meghalaya was 39 in the same year.

The number of cattle in 1966 in Meghalaya was 414,737, buffaloes 38,021 sheep 20,672 and goats 99,697, pigs 108,316, horses and ponies 9,371 (total livestock 6,90,847) and poultry 10,43,023. The grazing of the cattle is done by Nepalis and Biharis. Milk, pure and unadulterated, used to be supplied to me when I was living in Shillong from 1956 to 1962, but my occasional visits since then have convinced me that this too is not genuine these days.

Need for better Roads

Transport is the greatest bottleneck in the development of industries in Meghalaya. There were only 849 miles of black topped roads in 1966-67, the kilometreages of metalled, gravelled, bridge paths and the length of national highways passing through the state being, 1224, 269, 313 (total—2,655) and 158.5 kilometres. The roads are so zig-zaggy that driving is dangerous and accidents too dangerous. The distance from Shillong to Cherrapunji is only 30 miles, but a local man who knows the bridgepaths can reach there within three hours!

The climate of Meghalaya is healthy and salubrious. Cherrapunji near the border of East Pakistan in the Khasi Hills is the wettest place in the world. Few geographers have recognised the fact that Mawsynram, 14 miles west of Cherrapunji, is the actual place where the rains record the maximum fall. The place of Cherrapunji will be relegated and Mawsynram substituted in due course. Mawsynram recorded a rainfall of 18,415 mms in 1956. The average rainfall at Cherrapunji is no less than 460". In 1861, 905" rains fell. All the

rain-bearing clouds from the Sylhet plain in East Pakistan are allowed to precipitate at Cherrapunji, leaving little for Shillong. The average rainfall in Shillong is only 85", whereas Tura, the headquarters of the Garo Hills District experiences a rain fall of 125 inches. The rainy season starts from May and lasts upto August. The maximum temperature in the hills does not go beyond 90 F and the minimum is 0 C or 32 F. Shillong is indeed very pleasant in winter for 40-50 days. Though there is no snow-fall, the frost is thick and sometimes 1 to 2".

Medical Facilities

The climate being healthy and the mortality being low, the number of hospitals is small. There were seven hospitals with 302 dispensaries in 1951. At present there are 12 hospitals with 545 beds and 78 dispensaries. Most of these institutions are managed by missionaries and the services are good. The number of police stations in 1966 was only 12 and police outposts 20. There were 112 cases reported against the

state and public tranquility of which six were convicted. forty cases of murder were reported. Other serious offences against persons totalled 168 of which 40 were convicted.

The United Khasi and Jaintia Hills District is divided into two sub-divisions, namely, Shillong and Jowai. The Shillong sub-division has an area of 4,039 sq. miles (10,461 sq. km) and the population in 1961 was 380,005. The Jowai sub-division has an area of 1,515 sq. miles (3,924 sq. km) and the population was 82,147 in the same year. The Garo Hills form a single district and its area is 3,120 sq. miles (8,081 sq. km) and the population was 307,228. There are only three towns of importance in the Meghalaya, namely, Shillong and Jowai in the United Khasi and Jaintia Hills District and Tura in Garo Hills. The number of villages inhabited in the Meghalaya is 4,407 and that of uninhabited 73.

The density of population in Meghalaya according to the Census of India 1961, was 35 persons per square kilo-

TABLE I
MEGHALAYA: PRODUCTION OF PRINCIPAL CROPS IN 1966-67

Crops	Area in 000 hectares	Production in 000 tonnes	Average yield kg per hectare
1. Rice			
(a) Autumn Rice	29.14	18.09	631
(b) Winter Rice	57.06	79.68	1233.5
(c) Spring Rice	0.82	0.77	950
2. Gram	0.08	0.05	580
3. Rape & Mustard	4.45	2.27	510
4. Jute	6.07	49.71	1474
5. Sugar Cane	0.16	0.55	33178
6. Potato	13.29	117.74	5257

TABLE II
POPULATION OF MEGHALAYA

Year	Khasi & Jaintia Hills District	Garo Hills District	Total
1872	140,346	100,780	241,136
1881	167,804	109,548	277,312
1891	197,904	121,570	319,474
1901	202,250	138,274	340,524
1911	235,069	158,936	394,005
1921	243,263	179,140	422,403
1931	289,926	190,911	480,837
1941	332,251	223,569	555,820
1951	363,599	242,075	605,674
1961	307,228	462,152	769,380
1967*	316,000	475,000	791,000

*estimated.

Eastern Economist 25 Years Ago

APRIL 6, 1945

In the context in which cloth control was set up in June, 1943, its primary purpose was naturally taken to be some sort of other of price control. Human memory is not so short that it cannot readily recall the vicious spiral of soaring prices, which had reached its peak some three months before. The general attention at that time was directed, therefore, towards the urgency of measures to prevent hoarding and profiteering and to put into operation an effective system of ceilings, which would

bring the rise in consumer prices into reasonable relation with the necessary increase in production costs. Thinking people, however, were even then aware that price control alone could not be a complete solution of the cloth problem, and that the more fundamental need, here as elsewhere, was to explore all possible means of stepping up the overall production, if a cloth famine was to be avoided in the course of the war.

metre or 90 persons per square mile. The total population was 769,380 of which the Garo Hills share being 307,228 persons and that of the United Khasi-Jaintia Hills 462,152. The number of males was 397,288 and that of females 372,092 in 1961. The sex ratio is 940 females per 1,000 males. The number of persons inhabiting the rural areas is 651,897 and that of the urban areas 117,483. The total number of persons belonging to the Scheduled Tribes in Meghalaya is 639,161, 83.05 per cent.

The variation in the population during the decade 1951-61 was only 27.05 per cent. Meghalaya is predominantly inhabited by two Scheduled Tribes, namely, the Khasis and Garos. Of the total population, 329,912 or 43 per cent profess tribal religion. The number of persons returned in 1961 as Hindus was 140,443, Muslims 23,029, Christians 270,912, Buddhists 1,011, Jains 129, Sikhs 1,333 and other religions—9,619. There has been large scale conversions into Christianity. There were only two cases of proselytisation in 1864 but the number of native Christians among the Garos rose to 656 in 1881, 39,292 in 1951 and 87,311 in 1961. The American Baptist Mission is entirely responsible for this mass conversion. There were 183,601 Christians among the Khasis in 1961 though their

number was only 500 in 1871. The Welsh Calvinistic Methodists started their operations in the United Khasi-Jaintia Hills in 1841 and the American Baptist Mission was established in Tura in 1877. There has been an alarming rate of conversions in Meghalaya as the Christian population among the Khasis shot up to 183,601 from 107,532 in 1951.

High Literacy

Education is the monopoly of the missionaries. The percentage of literacy in Meghalaya is 25.05 which is quite appreciable. The total number of literates in the Garo Hills District was 61,334 (40,554 M—20,780 F) and the number for the United Khasi-Jaintia Hills was 145,763 (87,335 M—57,928 F). In 1901 the United Khasi-Jaintia Hills was the most literate district in the whole of Assam, with 6.72 per cent. Today the Mizos are the most literate.

Of the degree colleges in Meghalaya, which at present number nine, only one is run by the state. There is one law college and another B.Ed college started since 1964. There is no facility for post-graduate studies. The new set up is expected to have a Hill University.

The Garos belong to the Bodo group and the Khasis are of Austric stock. Matriarchy reigns supreme in Meghalaya. No male member of the auto-

chthonous tribes can inherit landed property. The Garos follow the custom of *nokna* (selection of a daughter as heiress by parents) whereas ultimogeniture is compulsory among the Khasis.

Boon for Tourist

Meghalaya has many a thing to offer to the tourist. The entire area has been known as the 'Scotland of the East'. The scenic beauty of the region is enticing. There are a number of waterfalls in and around Shillong. Bishops Falls, Beadon Falls, Happy Valley Falls, (or Sweet Falls), and Spread-eagle falls, are in Shillong. The Ward's lake in Shillong is the promenade of lovers. The Mawmai Falls offer a panoramic view in the rainy season. The magnificent view of the Sylhet Plains of Pakistan from Shella, the panoramic view of the Bhoi country from Barapani, the 700 ft. high Kyllang rock, the hot springs of Garampani on the right bank of the Kapili, the caves of Cherrapunji, the highest potoground in Asia at Shillong, etc. are some of the interesting sights. The megalithic culture of the Khasis is evident all over the hills. The Khasi memorial stones in the form of menhirs and dolmens are found at important places. The Nartiang memorial monolith has got a height of 26 ft. 6 inches, 6 ft. 9 inches width and 2 ft. 3 inches thickness. The large obelisk of solid masonry in Cherrapunji erected to the memory of Mr David Scott, who was the first Englishman to set foot in Meghalaya, is worth seeing.

The sub-state, Meghalaya, has all the ingredients of a viable economic infrastructure, but the fact remains how far they will be utilised effectively.

EASTERN ECONOMIST BUDGET NUMBER

In the issue dated March 13, 1970, which is a Special Number devoted to the central budget, *Eastern Economist* presents a study of the budget documents in their larger context as well as their details. This Special Number includes the relevant budget documents and statistical tables. This volume of 180 pages is priced at Rs 5 per copy (postage extra) but is available without extra payment to regular subscribers. Individual copies are on sale with leading booksellers and at the office of The Eastern Economist, UCO Bank Building, Parliament Street, New Delhi-1.

Manager

FROM THE PRESS GALLERY

Renationalisation of Banks Bill Adopted

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Saturday:

WITH THE Rajya Sabha's current session scheduled to end next week, the two Houses of Parliament this week rushed through the Banking Companies (Acquisition and Transfer of Undertakings) Bill which sought to renationalise the 14 major banks in the country. These banks with Rs 50 crores deposits or more had been first nationalised on July 19 last through an ordinance. This ordinance was replaced by an Act during the monsoon session of Parliament. But this Act could not stand the challenge in the Supreme Court. Following the judgement of the Supreme Court, striking down this legislation on February 10, a new ordinance was issued on February 14, in the light of the court's observations. The bill adopted this week replaced this second ordinance.

Politically Motivated

The discussion on the bill in both the Houses, which sat for late hours to adopt it, was quite lively. As could be expected, both the Swatantra Party and the Jana Sangh opposed the bill tooth and nail, alleging that the nationalisation of banks was politically motivated. The other major points of criticism were: (i) keeping the foreign banks as well as Indian banks with deposits less than Rs 50 crores outside the purview of the bill; (ii) the compensation to be paid to the nationalised banking companies; and (iii) bank loans to political parties.

The keeping of the foreign and the smaller Indian banks outside the purview of the bill was strongly objected to, among others, by the members belonging to Congress-Opposition and the leftist groups. The Communists and the SSP members were prominent among those who wanted the compensation payable to the nationalised banking companies to be lowered. Banking loans to political parties were taken serious exception to primarily by the SSP and Congress-Opposition parties. While stressing the need for scaling down the quantum of compensation, several members urged that the right to property should be taken out of the fundamental rights by amending the Constitution. The spokesman of the DMK

pleaded that besides providing representation to employees, two nominees of state governments should be included in the Board of Directors of each of the nationalised banks. He also wanted freedom for state governments to launch and run regional banks.

Defending the bill stoutly, the union Minister for Law, Mr P. Govinda Menon, who piloted it, did not accept any of the suggestions of the opposition members. The various amendments moved from the opposition benches were all rejected.

The foreign banks, Mr Menon said, had not been included in the purview of the bill solely because they provided specialised services for our external trade; he cited, in this connection, the services of the Bank of Netherlands in the diamond trade and those of the Japanese banks in the export of cotton. Further, the foreign banks, Mr Menon pointed out, assisted in raising foreign currency loans; they also helped Indian entrepreneurs in contacting parties overseas with a view to entering into technical collaboration arrangements. A third reason for not nationalising them was the principle of reciprocity in international affairs. The Law Minister clarified that it was not the fear of any complication of an international character which had prompted the government to keep the foreign banks outside the scope of the bill.

Discrimination

Countering the plea for the nationalisation of Indian banks with deposits below Rs 50 crores, Mr Menon stressed that first the present nationalisation of 14 banks had to be stabilised. With the nationalisation of these banks, nearly 87 per cent of the deposits with the banking system of the country would be controlled by the state banking institutions. The nationalisation of the Indian banks left outside the scope of the bill, Mr Menon further observed, however, could not be ruled out at some future day.

The plea of the opposition members that political parties should not be allowed to get loans from banks was turn-

ground that these loans did not amount to donations.

In regard to the compensation being paid to the nationalised banking companies—about Rs 87.18 crores—Mr Menon said that this amount was reasonable. All factors had been taken into account in fixing this compensation. These included the profits made by each bank, the profits a bank was expected to make if continued on the private sector and the net surplus it had.

In reply to a question whether the nationalised banking companies would be allowed to restart the banking business, if they wished, the Law Minister said that this was a matter to be taken up with the Reserve Bank.

Mr Menon gave an assurance that an integrated scheme of the measures to be taken by the government following the adoption of the bill would be placed before Parliament for approval within six months.

Towards Social Justice

As a concession to the leftist supporters of the measure, the Law Minister announced that the government had decided to delete section 36A(d) from the Banking Regulation Act which curbed trade union activities inside the banking premises.

The reply of the Prime Minister, Mrs Indira Gandhi, to the general debate on the union budget in the Rajya Sabha was more or less on the same lines as that to a similar discussion in the lower House last week. She stoutly defended her taxation proposals and stressed that the budget was a small step in reorienting the economy towards the goal of social justice. At the same time, the budget, she said, attempted to foster economic growth.

The Prime Minister rebutted the allegation of some opposition members that she had been lenient towards the corporate sector and observed: "The rates of taxation on the corporate sector are not low, but the existing rates are eroded by a number of rebates, concessions and exemptions which reduce the effective rate of taxation. In the past few years a number of concessions were given to the corporate sector. We have not offered any new concession to this sector. On the contrary, we have reduced some of the existing concessions. The development rebate has been reduced. The tax credit scheme has been withdrawn and we have now taken decisive action to curb conspicuous consumption in the form of entertainment expenditure and lavishly furnished guest

TABLE III

EDUCATIONAL INSTITUTIONS WITH STUDENTS IN MEGHALAYA—1961

Type of institution	Garo Hills No. of institutions	No. of students	U-KJ Hill No. of institutions	No. of students
1. College for general education ..	1	80	6	3,992
2. Schools for general education ..	883	33,136	916	59,418
(a) Higher Secondary	1	880	1	593
(b) High	11	2,064	33	10,846
(c) Middle	51	3,644	68	6,623
(d) Senior Basic	..	..	12	1,838
(e) Junior Basic	45	2,414	111	7,403
(f) Primary	760	23,627	685	31,481
(g) Nursery	15	507	6	634
3. Schools for professional education ..	5	109	9	530
(a) Industrial & Tech. Arts & Crafts ..	3	43	3	154
(b) Commerce	..	..	3	297
(c) Basic Trg. School	1	42	1	37
(d) Non-Basic	1	24	2	42
4. Schools for special edn.	..	..	..	..
(a) For adults	67	1,772	86	5,014
(b) Oriental Studies	..	..	1	25

measures which will check the diversion of resources into unproductive and speculative channels. In fact, the very vehemence with which one of the Swatantra members has reacted to the proposals dealing with trusts and urban land should convince us that these changes will bite and thus have the desired effect."

The Prime Minister justified the efforts at getting the repayment of some foreign loans rescheduled and asserted that we had a very clean record of honouring all our obligations and we shall continue to maintain this record. Debt servicing, she added, was treated as a first charge in our export earnings.

A significant new point which the Prime Minister made in her reply to the general debate on the budget in the Rajya Sabha was in connection with unemployment. She revealed that the provisional report of the Dantwala Committee, received by the government recently, had expressed the view that while the lay public desires precise estimates, in our social situation such precision is not possible. There is more seasonal unemployment and underemployment than outright unemployment, and the two cannot be aggregated. Household enterprises are so widely

prevalent that many people only technically enter the labour market, but will not seek or accept outside employment. This, the Prime Minister added, however did not mean that concerted efforts were not required to tackle the unemployment problem.

The Prime Minister assured the House that strict vigilance would be kept on the prices front but asserted that "we cannot sit back and allow opportunities for economic development to be frittered away for fear of adverse seasonal conditions or even for fear of rise in the price level".

With the general discussion on the union budget over in both the Houses, the Lok Sabha has taken up ministry-wise demands for grants. Initiating the debate on the demands for grants of the Ministry of Railways, the Railways Minister, Mr G. L. Nanda, announced that he proposed to adjust the estimated loss of Rs 13 crores arising from the withdrawal of increase in the third class passenger fares and freight charges on foodgrains by reducing allocation to the railway development fund. This, he assured the House, would not, however, affect the allocations for the amenities for railway users, staff welfare program-

mes or the maintenance of unremunerative lines.

The revised fourth Plan was presented to the two Houses this week. It put the public sector outlay during the five years to 1973-74 at Rs 15,902 crores, as against Rs 14,398 crores in the draft Plan. With the proposed outlay of Rs 8,980 crores in the private sector, the overall size of the Plan has now been fixed at Rs 24,882 crores, as against Rs 24,398 crores indicated in the draft Plan. The outlay in the private sector has now been scaled down by Rs 1,020 crores. (See full details of the revised Plan in the Records and Statistics Section of this issue).

The Rs 22.58 crore-budget for the Union Territory of Manipur for the year 1970-71 was passed by the Lok Sabha. The demand of this union territory for full-fledged statehood received support from several members who participated in this debate. The Minister of State for Finance, Mr P. C. Sethi, who piloted this budget, however, pleaded his helplessness in the matter; he stressed that his "competence" for the present was limited to securing approval for this budget. He, of course, proposed to convey the sentiments of the House to the Prime Minister and the Home Ministry.

WINDOW ON THE WORLD

Confrontation-East-West, North-South

JOSSLEYN HENNESSY

LONDON:

I

WESTERN GERMANY AND EASTERN EUROPE

ALTHOUGH THE various probes made towards the east by the West German government have so far made little progress they are essential to the search for better relations between east and west, and must therefore be of great concern to the United Kingdom and other western governments and indeed to those in all continents anxious about peace. In this recent review of American foreign policy the American Secretary of State, Mr Rogers said:

"The West German government is seeking in every practical way to reduce tensions that made the German question the most dangerous of the Cold war issues. The North Atlantic Council serves as a good forum for close consultation on policies and methods of improving relationships with the countries of Eastern Europe. But if east-west relations are to return to a more normal state West Germany obviously must play a major role in that process. The present West German government is engaged in an effort to do this in consultation with and with the support of its allies including of course the United States".

Willingness to Compromise

Because the question of European security has been enveloped by the communist bloc in a cocoon of propaganda, in particular by an endless repetition of the allegedly revengeful tendencies of the West German government, it is only possible to speculate on the reasons why the USSR is now adopting an outwardly more conciliatory attitude towards the west, and is allowing her satellites to do the same. It does, however, seem likely that the confrontation with China in the east has something to do with it, as well as desires to return to respectability after the world furor caused by the Soviet invasion of Czechoslovakia in August, 1968. Also—and this may have particular reference to the Strategic Arms Limitation Talks with the Americans—the approach of the USSR towards nuclear armaments may be relevant. On the other hand, it is difficult to point to any meaningful gesture on the part of the East, or to any real concession which would suggest

that in seeking a *detente* they are genuinely willing to accept compromises. Perhaps the ratification of the Non-Proliferation Treaty and the co-operation with the United States in the presentation of a joint Seabed Treaty to the Disarmament Committee at Geneva could be cited as indications of a willingness to compromise, but equally these two events could be construed as strictly business arrangements between the two super powers in situations where they find a community of interests not immediately discernible elsewhere.

Search for Peace

However this may be, the West German Chancellor has embarked on his course and we can only hope that he succeeds in achieving measures of *detente*, however small, in relations with his eastern neighbours. Talks with the USSR began in Moscow last December and are ostensibly about a mutual renunciation of the use of force. This does not mean that other subjects are excluded and in fact the talks amount to discussions between the Soviet Foreign Ministers Mr Gromyko, and West German representatives (first the West German Ambassador in Moscow and later Herr Bahr, the Chancellor's closest advisor) on all aspects of relations between West Germany and the Soviet Union.

These discussions seem to have made no progress. If, as seems likely the Russians are standing on their previous attitude they will be insisting on the full diplomatic recognition of East Germany and a loosening of the Federal German Republic's ties with NATO. The second demand obviously cannot be accepted under any circumstances but, as regards recognition, Herr Brandt has already gone some way towards conceding *de facto* what the Russians insist on *de jure*.

The Chancellor has taken his stand on the concept that the two German states can never be foreign countries to each other. Therefore, even though there may exist two entirely different administrations animated by different political and economic principles and tied to opposing alliances there must yet be, and continue to be, a special relationship between them. This theory can be attacked on the grounds that the reality is that East Germany is a separate sovereign state, but equally

II

TALKS WITH EAST GERMANY

The question of recognition is obviously in the forefront of obstacles to better relations between the Federal Republic and East Germany. In the manoeuvres leading up to a meeting between the Prime Ministers of the Federal Republic and East Germany, expected to start shortly the East German regime, in the person of Herr Ulbricht, has firmly maintained that there can be no agreement between the two Germanies unless West Germany recognises East Germany as a sovereign independent foreign state. Moreover he has said that any inter-German treaty renouncing the use of force would have to come after agreement on the same subject had been reached and a treaty signed between Russia and West Germany.

But this position though it may rule out an early treaty does not rule out talks about the consequences which will flow from such contacts. Now that Herr Brandt has initiated his *ostpolitik* it would seem that he will continue, even though the circumstances of the opening of discussions—their venue and the conditions under which they are being held—may cause some misgivings in Bonn amongst both his supporters and his opponents. But no one expects a dramatic or speedy change in the situation. The beginning of talks is the only way of pursuing a policy devoted to the slow improvement in relations between West Germany and all the countries of the east including the East German regime.

European Security

The results of these talks will be important to the future maintenance of European security. They will determine (a) whether the existing European borders, including the Oder-Neisse Line, are to be accepted as final, or (b) whether the positions held hitherto will continue, i.e. that they remain included in the matters which can only be finally settled when there is a German peace treaty.

The Oder-Neisse Line is the all-important question for Poland. Here again the West Germans are being asked to state in categorical terms the legality and permanence of what has hitherto

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been a *de facto* situation, but which, like all such situations, acquires durability, not to say permanence, the longer that it exists. That talks with Poland began in Warsaw on February 5, but then went into recess until March suggests that the Poles too have come round to, or been persuaded to, accept the view that their opening stand in talks with the West Germans must include insistence on the latter's full recognition of East Germany. Concurrently with a hardening of the Polish attitude in the political sphere, difficulties appear to have arisen between the two parties in the negotiations for economic agreement.

Talks about Berli

The three western allies sent notes to Moscow on December 16 proposing that there should be four-power talks to discuss practical proposals to improve communications between East and West Berlin and to regularise the conditions of travel and provide more security for travellers between West Germany and West Berlin. This was done in response to an apparent invitation from Mr Gromyko, the Soviet Foreign Minister, in his speech to the Supreme Soviet in Moscow on July 10, 1969, when he said:

"If the Soviet Union's former war allies, who bear their share of responsibility for West Berlin, were to approach the question of the city taking into account the interests of European security, they would discover, on the part of the Soviet Union, readiness to exchange opinions with the object of eliminating now and forever complications around Berlin."

The Russians replied to the allied notes on February 10, 1970, and talks are expected to begin soon. It is believed however that the Russian response to the Western proposals was reserved and the American government has publicly expressed disappointment. The fundamental difficulty is that Moscow regards East Berlin as part of the East German state, and therefore considers that the substance of any talk should be restricted to the situation in the three western sectors.

\$64,000 Question

All these moves suggest that a certain flexibility has begun to appear in relations between east and west, though so far it seems that the "give" is almost entirely on the western side. Success for the east does not necessarily mean securing all their demands in their full rigidity; it is perhaps sufficient for the time being to sow doubts and dissensions both between western countries and within each country, and to trade

on the west's strong desire for peace. Meanwhile the possible evolution of the American position in Europe introduces an important element into the calculations of both east and west. The doctrine first enunciated by President Nixon on Guam, namely that powers associated with the United States should accept more responsibility for their own and for regional defence, although accompanied by the firmest assurances to Europe that there will be no withdrawals of ground forces before mid-1971, might suggest to the Russians the possibility that the bargaining positions of the two sides may evolve in their favour. It is chastening to reflect that one side may regard all these talks as part of a softening-up process against the time when the bargaining position of western Europe will have become relatively weaker. The answer lies, and will always, lie, in greater unity in purpose and commitment in Europe for the defence of Europe.

III

THE UNITED NATIONS — SLOW SPEED AHEAD

The twenty-fourth regular session of the General Assembly of the United Nations closed on December 17, after three months of debate.

During this period the Assembly adopted 127 resolutions, approved a gross budget for 1970 of US \$168 million and authorised the Secretary General to proceed with plans to erect a new building at United Nations headquarters "to provide space for expanding staff" (Shades of Parkinson!). The cost is estimated to be \$73 million of which \$25 million would come from United Nations budget and the rest largely from United States sources.

Decline of U.N.

The President of the Assembly was the second woman to hold this honour following Mrs Vijayalakshmi Pandit in 1953. She was Miss Angie Brooks of Liberia, a lawyer of international repute who did post-graduate work in International Law at University College, London. In her inaugural address Miss Brooks sounded a sombre note, speaking of the heart-rending turbulence in the world since the Assembly had last met and adding that like everyone else she had noticed the gradual decline of the United Nations in the eyes of public opinion. Nevertheless, she asserted that "the need for the world body is ever on the increase" and that the United Nations had "all the potential to become the only saving device that the world can invent." In her closing remarks on December 17, Miss

Brooks found some slight comfort in the achievements of the Assembly:

"As we leave today, we cannot feel that we have finally solved either the armed conflicts in Africa, Asia and the Middle East, or the remaining problems of colonialism, or that universal and complete disarmament has been achieved, or apartheid and other forms of suppression of human rights abolished. Against these evils our achievement may appear to be slight indeed. Modest though they may be, we have nevertheless taken some steps which promise that the world of tomorrow may be a little better than the world of today." Let us hope that her cautious optimism is justified.

U Thant's Views

In a press conference the Secretary-General, U Thant, suggested that a diminution in the east-west confrontation at the United Nations was being accompanied by some increase in north-south differences in political though not necessarily economic matters. He thought that the General Assembly's session "was a positive one" and singled out three features:

I: "It showed very clearly that the cold war is now coming to an end." The reduction of acrimonious debates on issues of war and peace and on disarmament was an indication of the international climate, in which both East and West "showed a genuine desire to start an era of negotiations".

II: There were "more than signs" that the small and poorer countries "did not necessarily go along with the Super Powers in measures and items involving human survival and human progress."

III: There had been genuine co-operation between North and South on matters of economic and social development.

In another speech on December 17, U Thant said: "We are now witnessing in many parts of the world the revolt of the young, the weak, and the poor... This has been an Assembly of the poor against the rich, the weak against the strong, the young against the old."

IV

THE UNITED NATIONS ROLE

The prestige of the United Nations has naturally fallen in the face of its apparent importance in the great issues of war and peace in the world today. It has played no role over the war in Vietnam for the civil war in Nigeria. Neither of these items was in fact even put on the Assembly's agenda. The

Middle East problem has been handed to four great powers to reconcile their views amongst themselves in the first place. More than ever the United Nations itself seems incapable of assuming and discharging the responsibility placed on it by the Charter, namely to ensure peace. Delegates, however, carry on much as usual and in the words of the Canadian Foreign Minister, the United Nations appears to be "drowning in a sea of words." In the United Kingdom, the press has devoted more space to troubles within the hierarchy of the United Nations Association than to the activities of the Organisation itself.

But it would be unwise, and indeed a policy of despair, to conclude that the United Nations has ceased to have any value. Apart from all else a good reason for the existence of the General Assembly is that it attracts to New York the leaders of over one hundred countries where they can conduct discussions with their opposite numbers in twos and threes, or in groups, more or less behind the scenes. It brings the leaders of the dictatorships, which rule half the population of the world, into a forum and atmosphere where their actions and policies can be exposed to the light of day and discussed and criticised in a democratic way.

Apart from political issues the economic, technical and cultural activities of the United Nations and its specialised agencies do valuable work. As regards the United Nations Development Programme, the recent Jackson Report on "The capacity of the United Nations development system" urges the need for the more efficient administration and co-ordination of the various agencies and activities involved. Nevertheless Sir Robert Jackson himself has asserted that 80 per cent of the work done has been competent. In the peace-keeping, the United Nations' force in Cyprus continues to do the sort of valuable work of which the United Nations is capable.

The sensible attitude to adopt towards the United Nations is, therefore, not to write it off as an ineffective and irrelevant talking shop nor to regard it as embodying supra-national powers of its own which, if rightly applied, are bound to solve all international problems, but to remember that this world body is the sum of over 120 sovereign states. We should look at it sympathetically while seeking to avoid mistaking wishes for facts or illusions for realities.

A French View

The leading French Newspaper *Le Monde* in an article entitled "The impo-

tence of the United Nations" quotes instances of this impotence but concludes:

"Who can be surprised that the impotence of the United Nations engenders a growing indifference of public opinion and of the nations themselves in regard to this international organisation? But equally who can rejoice at such dissatisfaction? The vacuum created by the failure of the United Nations is filled in no way at all by the action of the great powers which show themselves just as incapable of ending the conflicts which ravage the world and the divisions which drive certain peoples to despair.

"The international community may one day pay dearly for the refusal of its members both large and small to res-

pect the Charter and to ensure the efficient functioning of the only truly world organisation capable of putting a little order and justice — without which there can be no question of strengthening security and maintaining peace — in a world which is a prey to under-development and anarchy".

The UN General Assembly has declared the 1970s as a Disarmament Decade as well as the Second Development Decade. The year 1970 itself is the 25th anniversary year of the United Nations. If the original high hopes with which it was launched have been disappointed, that is no reason for throwing up the sponge and refusing to struggle on in efforts to increase the UN's efficiency and influence. Slow speed — but surely ahead!

The Dominant Dollar

E. A. BROOK

VIENNA:

TWO MEMBERS of the Common Market have shown recently how little that organisation's provision for mutual financial aid in times of difficulty is regarded. The Italians, in need of support for the lira, turned not to the Market's recent monetary integration plan but to the New York Federal Reserve Bank while the Germans raised their bank rate by 1½ points with the minimum of formal consultation with their Market partners.

These are two divergent examples — one of an economy in difficulties through flight of capital and the other of booming economy but nervous of inflation — of Common Market constituents ignoring that institution when critical situations arose. Whatever the political enthusiasm behind ideas for Market monetary integration may be, the practical instincts of Market members central bankers turns not to European currencies but to the dollar. They have good reason — it is still only the dollar that can be supplied in funds of the scale required to meet financial crises; to rely on the others would be similar to leaning on a reed.

The weakness of European monetary co-operation in practice and the universal dependence of the world financial system on the dollar is due very largely to the fact that, at present, most of the dollars have gone home. There has been heavy repatriation of dollar funds from Europe in the last six months in the United States' own effort to fend off inflation and one basic reason for the frailty of European currencies and the unwisdom of relying on

their loans is that, at present, they have not got nearly enough dollars behind them.

Bankers, wherever they may be, are obliged to behave conservatively when it comes down to practical questions, however much — like Dr Carli of the Italian national bank — they may be advanced thinkers in international monetary theory. Dr Carli, an exponent of the theory of the "crawling peg" as a support in international finance, turned at once to the dollar when he was in difficulties. The bankers are similarly conservative in their attitudes to special drawing rights and to the necessity for substantial gold reserves.

The Italian and West German experiences in recent weeks, revealed the lack of faith in the newly-formed Common Market monetary integration, are two reasons why there is a good deal less enthusiasm than formerly for this "crawling peg" idea or for its accompanying greater flexibility in exchange rates. The idea was that the present permitted one per cent flexibility on either side of the fixed exchange rate against the US dollar should be doubled. Nobody is mentioning this idea now-a-days. With more calm in the foreign exchange markets the central bankers are only too thankful to leave well alone and cling to the status quo.

The effect within the Common Market area, the principal area in Europe as far as the USA is concerned, is that instability between the members' currencies seems to be about as bad as ever, a defect which increases their desire to create a political counterweight to the USA in monetary affairs. The

long-distance ideal of establishing a common currency between the Market members is seen to be more remote than ever. It is increasingly realized that its achievement depends on backing the existing currencies with more US dollars and that public opinion, the actions of managements and trade unions are as important to its eventual possibility as are the actions of governments and their central banks. In general, both the latter within Market act far too much in a high-level vacuum, forgetting that they are leaving the public, the workers and, to a large extent, businessmen a long way behind in ideas and risking their eventual rejection or obstruction of plans of which not more than one in 10 of them has any idea at all.

Two practical problems remain almost permanently with west Europe, and most especially with the Common Market — its simultaneous need of American money and its hostility to the US industrial development within groups; its hostility to what it regards as dumping within its own borders while it itself dumps extensively outside its borders.

The book value of direct United States' investment abroad has been estimated at about £27,000 million, generating sales of some £50,000 million a year and returning well over £2,000 million to the United States annually in repatriated dividends. Professor Uri, economic adviser to the Common Market, expressed it this way: "The volume of American-owned subsidiaries abroad is already several times greater than American exports and may be higher than any country's national product save the United States and the United States and the USSR." This is a revolutionary development in international business for which no nation or trading group has devised a policy but is one which seems to call urgently for an agreed policy between the USA and the west European powers.

Instead of any such agreed policy there is wrangling and misunderstanding which, if not corrected, could become destructive irritants. Europe needs to know a great deal more about the United States — how power and influence are divided between the Administration, Congress and business; how high a degree of independence states in the USA have, in deciding their own economic policies and trade protection. On these points most of even the best informed in Europe are dangerously poorly informed. On the American side there is too much inclination to regard west Europe, especially the Market, as a wealthy area subsisting largely on the US taxpayer

and leaning on him heavily for military defence. The recent exchange of criticisms and defensive statements between the USA and the Common Market's executives is not the way to go about removing the misunderstandings or learning more about one another.

On the subject of dumping both the USA and the Common Market are highly critical and suspicious of the Japanese. West Europe's (slightly illusorily) glittering motor industry is alarmed at Japan's plans to dominate the world's markets and learns with dismay of plans to set up Japanese motor plants in Holland and Italy. In the

USA, the Japanese may, by careful trading agreements, be able steadily to force European importers out of the vital American domestic market.

Meanwhile, while complaining of US manufactures in Europe, the Italians export in dumping quantities and at dumping prices their domestic durables, the Portuguese their rasps and files, the Common Market its butter and USA its wheat and other farm products. All complain of textiles dumping from Asia, not least from Japan, and the need to make the GATT anti-dumping code more satisfactorily applied everywhere grows more apparent.

Interest Rates in US Coming Down

BARBARA THORNHILL

WASHINGTON :

Interest Rates, or the premiums that borrowers must pay financial institutions for loans or credit, are one of the most significant indicators of the state the economy. The basic interest charge is known as the prime rate, and is available mostly only to large corporations and other most credit-worthy borrowers. Other interest charges, such as those on consumer instalment loans, are scaled upwards from the prime. Thus changes in the prime rate, up or down, trigger similar changes in virtually all other interest rates, including those on home mortgages, personal loans and the like.

Ever since mid-1969, the prime rate has been 8.5 per cent in the United States. On March 25, however, the bank of America in San Francisco, the Nation's largest and the Irving Trust Company of New York City, which ranks 12th, cut their prime rates to eight per cent, indicating that they felt inflationary tendencies are lessening.

Although several smaller banks reduced the prime rate to eight per cent last month, there was been no significant movement in the rate charged by the major money market banks until now. The 8.5 per cent rate had been in effect since June 9, 1969, after the Federal Reserve Board—America's counterpart to central banks in other countries—curbed growth of the nation's money supply to fight inflation.

A prime rate reduction ordinarily is followed by lower interest rates in other segments of the economy including the rate for mortgage mo-

ney, which has been especially hard hit by restrictive lending policies.

White House, Press Secretary Ronald Ziegler, asked for comment on the prime rate drop, said "The Administration is pleased to see a decline in the market interest rates which will be an important factor in access to credit at the more reasonable cost" for housing, state and local governments and small borrowers.

Mr Ziegler pointed out that President Nixon, in his march 17, statement releasing funds for construction, had said there is "no more urgent challenge" than for banks and monetary institutions to help achieve lower interest rates.

An indication of the importance of the prime rate drop was reflected in the trading on the New York Stock Market. This market, which had been sluggish, surged upwards in reaction to the drop, at one point. The Dow-Jones Average for 30 Key Industrial Securities, soared more than 23 points when news of the interest rate cut became known.

As another indication of credit easing, the Federal National Mortgage Association has pared rates on its discount notes and the yield on Treasury Department Bills has also declined.

Small downward shifts in interest rates began earlier this year.

Arthur K. Burns, Chairman of the Federal Reserve, told a Congressional hearing in early March that such movements reflect primarily "a recognition by market participants that the economy is slowing, that inflationary expectations are beginning to be replaced by more sober judgments about the outlook for prices, and that some easing in monetary policy might soon take place."

The moving finger writes

I AM glad that Mr. Madhu Limaye, speaking in the Lok Sabha last week, brought out into the open the misgivings entertained by responsible observers about the manner or method of the functioning of the Prime Minister's secretariat. There is reason to believe that this office has become a fifth wheel in the coach of the central secretariat establishment. Indeed, there are those who would rather compare it to a spider which has woven a web through and around the various ministries or departments of the Government of India.

It is alleged that the PM's secretariat has its own fifth column as well as hatchet men in every ministry, in the sense that there are key officers in all the ministries who seem to receive guidance or take instructions directly from the PM's secretariat. It is true that the Prime Minister has the right and even the obligation to co-ordinate the functioning of the government, but the operations of the PM's secretariat, as at present planned and carried out, seem to go beyond the fair limits of the Prime Minister's overall authority or responsibility. One natural result, of course, is that the sense of responsibility of individual ministries or departments has been eroded and another, and perhaps even more insidious consequence is that the subservience of individual ministers to the Prime Minister has been accentuated to an indecent degree. Such a situation would have been bad enough in all circumstances. It is made worse on the present occasion by virtue of the PM's secretariat functioning not merely as an administrative tool in her hands but as a political instrument for the strengthening of her position in the government and the party.

It goes to the credit of the Government of Mysore that an attempt recently made by a local agitational group to organise a "Bangalore bundh" in connection with the border issue between Maharashtra and Mysore proved to be a flop. The state government, evidently, has decided that it does not need assistance from street demonstrations in striving for a just settlement of Mysore's rights or claims. In sad contrast was the attitude of the Government of Maharashtra which had at least passively acquiesced in the Shiv Sena staging a show of force and thereby contributed to the success of the Bombay bundh organised by that chauvinistic group. The Bombay episode was all the more

discreditable since the Home Minister of the Government of India happens to be Mr Y.B. Chavan, who is alleged to be the acknowledged leader of Maharashtra. The irony of it all is that the Bombay bundh is apt to be interpreted as a point in favour of Maharashtra on the ground that it indicates the strength of the feeling of the people of that state with regard to the border question. Such is the price which the country has to pay for the steady retreat of democracy before demagoguery which has been made possible or even encouraged by weak, even if not wicked persons in power.

The Government of Tamil Nadu does not seem to share the view sedulously propagated by the more zealous propagandists of nationalised banking that the take-over of 14 leading commercial banks by the central government must necessarily usher in a brave new world of farm finance. In a note submitted to the Banking Commission, this state government has complained that commercial banks have become over-dependent on a guarantee scheme for agricultural advances which is being operated by it. Under this scheme, banks advance five-year term-loans to agriculturists, these advances being covered 100 per cent by financial guarantees from the state government. The scheme is intended to serve merely as a promotional incentive and act as a catalyst for a larger flow of bank credit into agriculture. The grievance now expressed against the banks is that they are more or less refusing to lend money to agriculturists outside the guarantee scheme. This, for instance, was the case when a massive programme of "navarai" cultivation of IR-8 paddy in three districts was sponsored by the state government for commercial-bank financing.

The Government of Tamil Nadu has suggested that the hesitation of nationalised banks to finance agriculture on a massive scale without financial guarantees from the state government indicates that the banks have not yet acquired either sufficient self-confidence or the needed expertise for financing agriculture on their own. Since state governments can not go on extending financial guarantees without reference to their own resources position or other obligations, the Tamil Nadu government has recommended that the Banking Commission should consider the desirability of set-

ting up a credit guarantee organisation for agricultural finance along lines similar to those on which a credit guarantee scheme is being operated for small-scale industries.

It is good to note that the number of licences issued or renewed for broadcast receiving sets has crossed the 10-million mark. The actual number is 10,500,578 and this is to be compared with the corresponding figure of 9,282,349 as on December 31, 1968. Considering that the number of licences before 1947 was only 275,000, it may be conceded that the nation has travelled quite some distance in terms of the progress made in this field of mass communication, including mass entertainment. There must, of course, be a considerable number of unlicensed radio sets in the country. They may total perhaps a million sets.

The number of TV licences in the country was 12,303 as at the close of 1969 and more than 4,500 out of them were those which had been issued in the course of that year. The revenue from radio licences came to Rs 12.53 crores for the year 1969, while the licence fee on TV sets contributed Rs 3.19 lakhs. Incidentally, the central excise levy newly imposed on TV sets by the present central budget has evoked some protest. Mrs Gandhi herself was rather apologetic while referring to this levy in her budget speech. I wonder whether it is reasonable to expect the government not to impose an excise tax on TV sets when so many essential items of mass consumption have been made to bear this fiscal burden. Privately owned TV sets are undoubtedly in the nature of luxury goods accessible to the relatively affluent and there is no reason to believe that a reasonable rate of tax will discourage the purchasing of TV sets by those who are in a position to go in for TV sets at all. This apart, it cannot be overlooked that certain other comparable consumer durables, such as air-conditioners or refrigerators are very heavily taxed and I, for one, cannot see why a member of the public should be penalised merely because he happens to prefer a refrigerator or an air-conditioner to a TV in his home. In a trying climate, such as ours, a refrigerator or an air-conditioner may conceivably be more productive of physical well-being or good spirits in the household than a TV set.

V. B.

Trade Winds

PUNJAB CABINET

A THREE member ministry, headed by Mr Prakash Singh Badal, assumed office in Punjab on March 27, ending the three-day-long political crisis in the state after the fall of the Gurnam Singh government. Besides the Chief Minister, Mr Balramdas Tandon and Mr Balwant Singh were sworn in as cabinet ministers.

ENGINEERING DESIGN BUREAU

The Central Engineering and Designs Bureau of the Hindustan Steel Ltd, is likely to emerge as an organisation independent of its parent body when the HSL-Gripomez agreement is implemented. According to the agreement, Gripomez will make available to the CEDB, norms and parameters of equipment designs of steel plants within 12 months. Thereafter it will be up to the CEDB to utilize this technical data for the design of steel plants which it lacks at present.

ASIAN STATISTICAL CENTRE

An agreement signed in Bangkok on March 18 enabled the new Asian Statistical Institute, a \$3.8 million undertaking of 20 regional governments and the United Nations, to begin formal operations in Tokyo.

FOURTH PLAN ADOPTED

The National Development Council adopted on March 22 the revised outlay for the fourth Plan 1969-74. The meeting of the Council was presided over by the Prime Minister, Mrs Indira Gandhi, and was attended by Chief Ministers of states and union territories, union Ministers and senior officers of the central and state governments and union territory administrations. Prof D. R. Gadgil, Deputy Chairman of the Planning Commission, pointed out that the advice of the Planning Commission to the union Ministry of Finance on special accommodation for the states in no way infringed the directives of the NDC.

NEW MARKET LOAN

The union government has announced the floatation of five and half (5.5) per cent loan 2,000 to be issued at Rs 10,000 per cent for an aggregate amount of Rs 275 crores (Nominal) and repayable at par on April 11, 2000.

Subscriptions will be received in the form of cash/cheque or securities of the four per cent loan 1970. Subscriptions will be received from April 11, 1970 to April 13, 1970 but the subscription list may be closed earlier without notice as soon as the total subscription amounts to Rs 275 crores. The government reserves the right to retain subscriptions up to 10 per cent in excess of the notified amount. If the total subscriptions received for the new loan exceed the notified figure plus the amount of 10 per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible. The securities of the four per cent loan 1970 will be accepted for conversion at par. Interest at the rate of four per cent per annum on the securities of four per cent loan 1970 tendered for conversion will be paid up to and inclusive of April 10, 1970 at the time of issue of the new securities. The new loan will bear interest from April 11, 1970. Interest on the loan will be paid half-yearly on April 11 and October 11 and will be liable to tax under the Income-tax Act, 1961.

The outstanding balance of the four per cent loan 1970 is repayable at par on April 15, 1970. As April 15, 1970 falls on a public holiday in West Bengal, Uttar Pradesh, Andhra Pradesh, Rajasthan, Gujarat, Orissa, Madhya Pradesh, Punjab, Haryana and Jammu and Kashmir states as also in the union territory of Delhi repayment will be effected at the paying offices in these states and also in the union territory on April 14, 1970. Further as April 14 and 15, 1970 are public holidays in Assam state, the repayment will be effected at the paying offices in this state on April 13, 1970. At other places, however, repayment will be effected as from April 15, 1970. No interest will accrue on the aforesaid loan from that date.

AMERICAN ASSISTANCE

Under an agreement concluded in New Delhi on March 24, the United States Government extended a loan of Rs 60.5 crores to the union government to finance a part of the expenditure for development activities. These activities cover agricultural development and power generation, development of ports, expansion of national highways, and improvement of primary health centres

in rural areas. Mr A. T. Bambawale, Joint Secretary, Ministry of Finance, and Mr John H. Funari, acting Director, US Agency for International Development (USAID) Mission, signed the agreement. The loan has been made available out of the rupees paid to the United States for agricultural commodities supplied to this country under the Public Law-480 (Food for Peace Programme.)

The agreement earmarks Rs 17.5 crores for agricultural development. Included are a number of projects undertaken by the Indian Council of Agricultural Research to develop more productive seeds of food crops, groundnut, cashewnut, jute and other fibres, and carry out research in protecting plants from insects and diseases. A part of this allocation is for the Agro-Industries Corporations which have been established in the states. A sum of Rs 12 crores has been allocated for the 300,000-kilowatt thermal power station being established by the union government at Badarpur, near Delhi and Rs 3 crores is for inter-state grids. The development of Mangalore, Tuticorin, and some other ports receives Rs 7 crores. A sum of Rs 17 crores has been set aside for improvements of national highways. These include building bridges and widening the roads. To improve facilities at primary health centres which have been established in some 5,000 locations in rural areas, the agreement provides for Rs 4 crores. The loans, granted on concessional terms, are repayable over a period of 40 years, with a grace period of 10 years during which no repayment is due. The rates of interest vary from two to three per cent per annum.

BRITISH AID

A loan agreement providing further debt relief to this country was signed on March 24 in New Delhi. The agreement, for £7.5 million (Rs 13.5 crores), was signed by Sir Morrice James, British High Commissioner and Dr I. G. Patel, Secretary, Economic Affairs Ministry of Finance. This loan agreement is quite separate from the £7.5 million (Rs 13.5 crores) of debt relief already provided to this country this year which formed part of the £38 million of British financial aid to India pledged at the Consortium meeting. This new loan relief under the Consortium's multilateral plan to relieve part of India's foreign exchange debts, and would normally have been signed during the financial year 1970-71. It is immediately disburseable and, by increasing the disbursements of British Aid in 1969-70, will contribute towards the objective of the British Government stated at the India Consortium meeting in May 1969,

of restoring the level to that achieved in recent years. The money made available under this loan is not tied to the import of British goods and services. The loan is made on the same terms as all British loans to this country in recent years. The capital is repayable over 25 years with a seven year grace period, and no interest is charged.

JEEPS FOR INDONESIA

Mahindra and Mahindra Ltd, have negotiated with an Indonesian firm for the supply of jeep components worth about Rs 3.75 crores (five million US dollars). Only recently, the company had entered into an agreement with Yugoslavia for the supply of 700 jeeps. Dr Hasjim Ning, a leading businessman from Indonesia, who has agreed to buy jeep spare parts from Mahindras indicated that Indian spare parts were good in quality and cheaper by about 15 to 20 per cent than those available in other countries. Dr Hasjim Ning owns a jeep assembling plant in Indonesia. He expects to secure a two-year credit and an agreement for technical know-how from Mahindra. His company assembles about 4,000 jeeps per year.

INSTRUMENTS FOR USSR

The Indian Drugs and Pharmaceuticals Ltd, recently signed a contract with Medexport of Moscow for export in the current year of Rs 16.71 lakhs worth of surgical instruments, manufactured by its surgical instruments plant, Madras. This is the biggest export order which IDPL has obtained so far for its surgical instruments. Over 200,000 surgical instruments of 12 different specifications will be supplied to the Soviet Union under the contract. The order also includes two new types of instruments which will be manufactured for the first time in the country. Last year the Medexport had placed an order for 58,600 instruments of 19 types of the value of Rs 4.70 lakhs. This had been fulfilled in time and to their complete satisfaction, according to the IDPL authorities. The IDPL surgical instruments plant at Madras has exported, though nominally, surgical instruments to Uganda, Burma, Ceylon, the UAR, West Germany, Belgium, Jordan, Kenya, Syria and the USSR during the last two years.

IRON ORE FOR JAPAN

Japan has agreed to purchase 14.7 million tonnes of lump iron ore, valued at Rs 107.27 crores over a five-year period. According to an agreement recently signed between National Mineral Development Corporation with Japan steel mills, the export of iron ore would rise from 4.7 million tonnes in 1971-72 to 5 million tonnes annually

during the period 1972-73. In addition to this, an eight-year agreement concluded stipulates a supply of 46 million tonnes of iron from Bailadila valued at Rs 355.35 crores. Supply for this total export of 60 million tonnes valued at Rs 463 crores will begin in April 1971. This is the first time that this country has been able to commit supplies of this magnitude of exports involving foreign exchange earnings of more than Rs 460 crores from the supply of ore from the one public sector mine in Bailadila. Until now, the maximum period for which contracts were entered into with the Japanese for NMDC's ore was limited to three years, although other countries such as Australia have been able to reach long-term agreements with Japan.

JUTE EXPORTS

The quota for the export of jute goods to the UK in 1970-71 will be the same as in 1969-70. This was disclosed recently by the Deputy Minister of Foreign Trade Mr Ram Sewak. He added that this country would hold discussions shortly, with the European Common Market on tariff and non-tariff matters pertaining to jute imports in the EEC. It was also proposed to step up exports of jute goods to the USA which had no restrictions on such imports.

There has been a fall in the export of carpet backing. In spite of a sharp decline in production to 13,000 tonnes in February compared to 17,200 tonnes in the preceding month, and 17,700 tonnes in February 1969, there has been an increase in stocks. At the end of February 1970, stocks of carpet-backing increased by 4,500 tonnes to 29,000 tonnes from 24,500 tonnes at the end of January.

EXPORT OF HANDICRAFTS

Presiding over the fifth meeting of the All-India Handicrafts Board recently, Mr Anil K. Chanda, chairman of the Board, paid tributes to the Indian craftsmen, who have been preserving the ancient craft traditions of the country over the centuries. Mr Chanda, who recently took over as chairman of the Board, referred to the phenomenal spurt handicrafts have registered in their export performance which touched Rs 76.5 crores during 1968-69 and are now expected to reach Rs 95 crores during the current year.

COACHES FOR THAILAND

The Integral Coach Factory at Perambur, has manufactured and shipped 45 bogies to the Royal State Railway of Thailand. The bogies shipped are of 1000 gauge and have been designed specially for the Royal State Railway of Thailand. The total

value of the order is approximately Rs 12 lakhs. The foreign exchange earned by this order is about Rs 9 lakhs, including the amount spent on a couple of imported components for these bogies. This order executed by the coach factory is the third of its kind in the field of export of bogies to other countries, the first and second being orders from Burma and Taiwan.

N.C.A.E.R. ON EXPORTS

This country could double her exports to twenty-five selected countries in the Indian Ocean Basin and nearby areas by 1974, according to a survey made by the National Council of Applied Economic Research. Exports from this country in 1968-69 to this region covering, among others, Tanzania, Uganda, Kenya, Ethiopia, Iran, Iraq, Ceylon, Burma, Singapore, Japan and Australia, amounted to \$ 570 million in 1968-69. It is estimated that exports to these countries will rise to \$1,000 million in 1974. The Council emphasises, however, that these are estimates of potential and not predictions or projections of what the export will actually be. The survey has been sponsored by the Export Promotion Division of the US Agency for International Development for the Ministry of Foreign Trade.

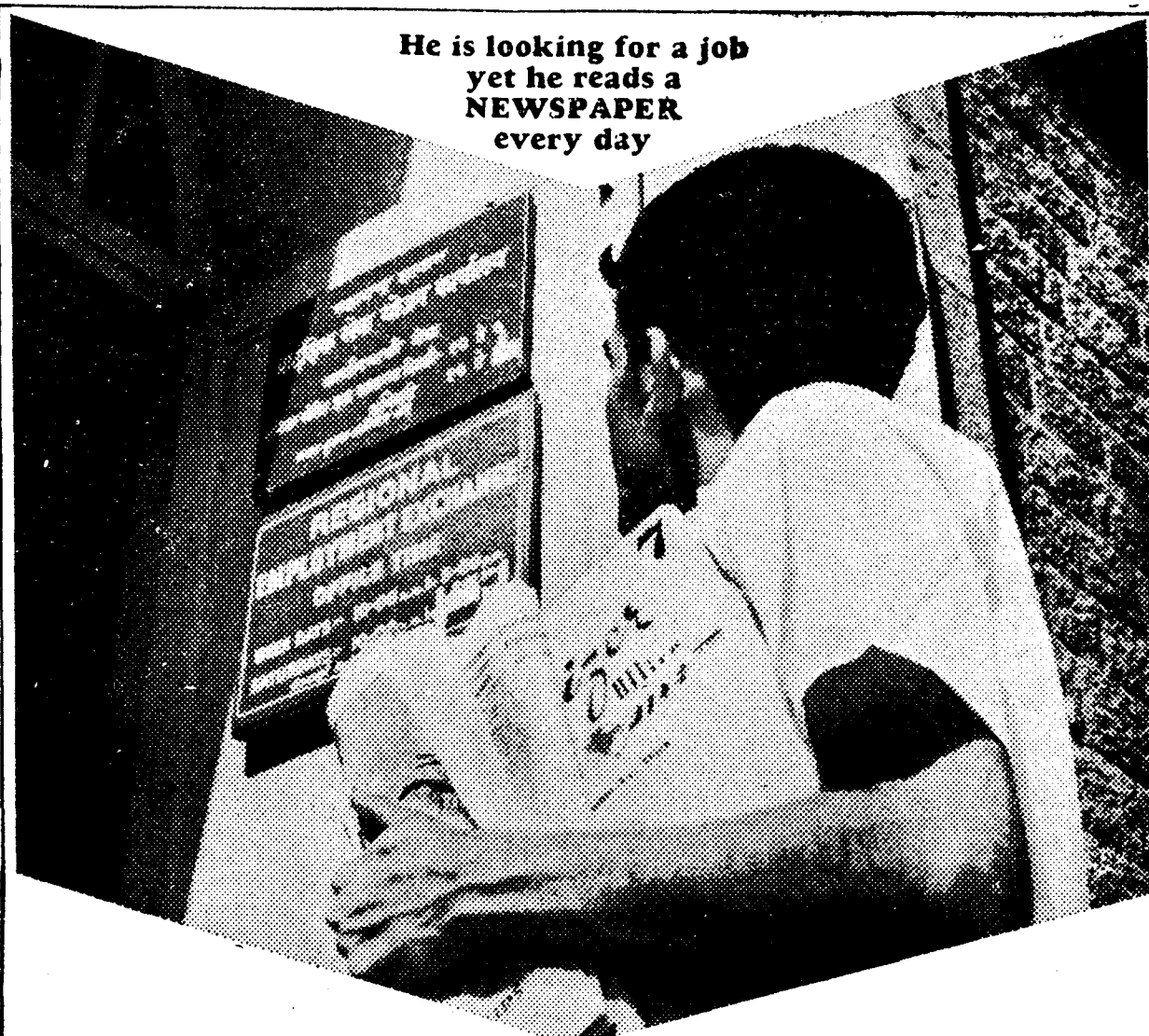
CEMENT RESEARCH INSTITUTE

The President, Mr V. V. Giri, laid the foundation stone of the Cement Research Institute of India at Faridabad recently. He wanted the institute to concentrate on making technological improvements in the manufacture of cement so that it was available at much cheaper prices than now and make it within the reach of poor sections of the society, particularly in the rural areas. The President welcomed the idea of setting up the research institutes as a co-operative venture jointly undertaken by the central government, the Council of Scientific and Industrial Research, the cement industry and the consumers interests. He said that the controversy about private sector versus public sector was sterile and considered both as supplementary and complementary to each other. Together they formed the national sector, he added.

PETROLEUM PRODUCTS

The demand of petrol and kerosene in the country during 1970, was estimated to be 1.41 million and 3.25 million tonnes respectively, informed Mr D. R. Chavan, Minister of State, Petroleum & Chemicals and Mines & Metals. The demand of petrol, Mr Chavan added, would be met from the indigenous production whereas the marginal deficit in kerosene would be met from imports to the extent required.

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Company Affairs

THE CHARTERED BANK GROUP

MR WILLIAM George Pullen, Chairman, the Chartered Bank Group stated at the annual general meeting held recently in London that the union government should reimburse in sterling the equivalent of investment of the group in Allahabad Bank Ltd, following the nationalisation. Consequently, the assets and liabilities of the Allahabad Bank have not been included in the consolidated balance-sheet of the Chartered Bank Group. He added that the balance sheet totals of Allahabad Bank for 1968 were £ 73 million and in spite of the elimination of figures of this size, the consolidated balance sheet totals during the year 1969 have not dropped and in fact increased by £ 27 million to £ 935 million. He added that the rights issued to stockholders in January 1969 increased the bank's issued capital to £ 9.68 million. The premium amounting to £ 2.12 million resulting from the issue has been credited to the reserve funds.

Mr Pullen indicated that after making the usual provisions the consolidated net profit for the year was around £2.96 million. Out of the amount available for distribution a sum of £1.08 million has been transferred to reserve funds and £ 370,000 to reserve for contingencies. The interim dividend of 7½ per cent paid on September 26, 1969 absorbed £ 726,000. The second interim dividend of 7½ per cent paid on February 27, 1970 made the total for the year 15 per cent, the same as for the previous year. The balance of £1.05 million has been carried forward to 1970.

The chairman commenting on economic conditions in this country stated that in agriculture the picture was bright because the increasing use of fertilisers and insecticides along with growing acreage under irrigation with likely to push up the food production to 100 million tonnes. The rapidly increasing food crops and a reduction in imports had already narrowed trade gap for the year ending June 1969 and the reserves had increased by \$ 118 million, he added.

E.I.D. PARRY

Mr H. V. R. Iengar, chairman, E.I.D. Parry Ltd, told the shareholders in a statement circulated on the occasion of the annual general meeting that the company recorded a decline in profits

in view of certain unfavourable conditions. In the first instance, he pointed out, there was a severe drought in Andhra Pradesh, the principal area of marketing fertilisers manufactured by Coromandel which curtailed the sale of fertilisers. There was also a fall in free market price of sugar from Rs 2,500 per tonne in October 1968 to Rs 1,500 in September 1969. He added that the company had to pay the cane growers Rs 85 per tonne, which turned out to be uneconomic to the factory. For the Ennore factory which operated at a slightly higher level, there were manufacturing difficulties particularly with the new ammonium sulphate plant. Consequently, optimum production level could not be reached. Mr Iengar was confident that fertilisers' sales would definitely show improvement following a vigorous policy pursued by the company. He was hopeful that long-term prospects of the company would be good.

Total turnover of the group increased to Rs 82.23 crores as against Rs 67.11 crores in 1968-69. Of the total turnover, the sales of products manufactured by the group amounted to 30 per cent. There was, however, a steep fall in net profits to Rs 87.44 lakhs as against Rs 269.05 lakhs during previous year. The directors consequently decided to reduce the quantum of dividend for the year 1969 on ordinary shares and recommended a final dividend of 2.75 per cent on ordinary shares which together with the interim dividend amounted to six per cent in all against 10 per cent paid in 1968. The dividend distribution will involve Rs 33.92 lakhs as against Rs 56.53 lakhs last year. Mr Iengar added that various projects for expanding its activities were being considered by the company which included the manufacture of electronic connectors in collaboration with Amphenol Corporation of the United States, which has been registered under the name Amphetronix Pvt Ltd. He added that the company will have substantial equity investment in this company and will be appointed sole selling agents in India.

VOLTAS

Mr R. F. S. Talyarkhan, Chairman and Chief Executive of Voltas Ltd, revealed in a statement circulated to the members of the company on the occasion of the annual general meeting that labour agitation and disruption of work during the year 1968-69 caused a

loss of nearly Rs 12 crores to the company. Consequently, he added, the company was not in a position to pay a dividend to the shareholders for the first time in its 15 years' history. The action of the Federation of Unions which launched the agitation caused considerable hardships to customers. The management staff worked round the clock and even attended to the most menial of jobs in an attempt to minimise the harm being done to the company and its business, he added. The company ended the year with a sales turnover of around Rs 68 crores as against an expectation of Rs 80 crores. The disposable profits were just Rs 3.50 lakhs as against Rs 77 lakhs in the previous year.

Mr Talyarkhan indicated that the company's operations fall into three main groups, the first being heavy engineering equipment—mechanical and electrical. The second in medium and light engineering goods and the third durables and consumer products. He pointed out that in the field of air conditioning and refrigeration the company entered new field of dairy refrigeration equipment and it proposes to cater for every form of mobile air conditioning and refrigeration. Highly sophisticated equipment from Tata-Merlin and Gerin and products from National Electrical Industries made well-integrated programme possible. He added that two divisions which gave promise of better business were materials handling and machine tools. In agro-industrial products also the company was well on its way to progress. In pharmaceuticals and consumer products the company has considerable possibilities. Mr Talyarkhan added that sales turn-over during the first five months up to the end of January 1970 appear good and he hoped that the target of sales of around Rs 85 crores for the year 1969-70 would be reached.

UNIVERSAL ELECTRICS

Universal Electrics Ltd, entered the capital market on March 24, 1970 with a public issue of 12,000 (9.3 per cent) redeemable cumulative preference shares of Rs 100 each at par. The subscription list was to close on March 31, 1970 or earlier, but not before March 26, 1970. The company has an authorised capital of Rs 1 crore of which shares amounting to Rs 43 lakhs (Rs 35 lakhs in equity and Rs 8 lakhs in preference) have already been issued and fully paid-up. The present entire issue has been underwritten by UTI, M/s G. M. Pyne and M/s Lewis and Jones. The board consists of eight directors headed by Mr S. K. Birla.

The company was incorporated in 1961 and its present activities include the manufacture of Watt-hour house meters at its factory at Joka (24 Parga-

nas) in collaboration with Messrs. Mitsubishi Electric Corporation, Tokyo, which is its technical-cum-financial collaborator. As a part of the expansion programme, the company has obtained an industrial licence for the manufacture of relays. The proceeds of the present issue will be utilised for financing this expansion programme. The total cost of this programme has been estimated at Rs 139 lakhs as follows: land and buildings, Rs 15.50 lakhs; plant and machinery, Rs 69 lakhs; know-how miscellaneous and contingency Rs 11.50 lakhs; and working capital Rs 43 lakhs. This will be met partly by the present issue and balance from internal cash accruals and bank borrowings. The company has a satisfactory record of sales and profits. During 1968-69 the working results were affected due to labour unrest and short supply of core lamination by Sankey Electricals. However during the first six months of 1969-70 the company has shown good performance. With the implementation of the proposed expansion programme the company will be able to improve its results.

ATUL PRODUCTS

The directors of the Atul Products Ltd have proposed a higher distribution of Rs 14 per share for 1969 against Rs 12 for the previous year. The company's gross profit for the year increased to Rs 2.02 crores from Rs 1.53 crores for the previous year following an increase in sales to Rs 11.54 crores from Rs 9.60 crores. Out of the gross profit, the directors have provided Rs 1.03 crores for depreciation, Rs 4.99 lakhs for the managing agents' remuneration and Rs 45 lakhs for development rebate reserve, leaving a net profit of Rs 49.22 lakhs against Rs 35.08 lakhs. The company has no tax liability and the entire amount of the net profit has been transferred to the general reserve out of which the proposed dividend will be paid. While proposing a higher equity dividend, the directors had in mind the fact that the company had to reduce its dividend for 1967 to Rs eight per share.

SHRI ARBUDA MILLS

Shri Arbuda Mills Ltd has recorded sales at Rs 3.92 crores during 1969 against Rs 3.67 crores in 1968. The gross profit of the company has increased sharply to Rs 53.78 lakhs from Rs 30.71 lakhs in the previous year. The board of directors of the company has decided to maintain the dividend on equity shares at Rs 12, subject to tax for 1969. Moreover, they have decided to issue rights shares in the proportion of one share for every two held. The allocations were: Rs 15.35 lakhs for depreciation, Rs 1.30 lakhs for development rebate reserve and Rs

22.90 lakhs for tax provision. The net profit amounts to Rs 14.35 lakhs. The company has transferred a sum of Rs 9.75 lakhs to the general reserve.

SHRI AMBICA MILLS

The board of directors of Shri Ambica Mills Ltd, has proposed a bonus issue in the proportion of one share for every two held. The directors have also decided to maintain the dividend on equity shares for 1969. Sales increased to Rs 15.56 crores (including excise duty of Rs 83.84 lakhs) from Rs 15.07 crores (excise duty of Rs 80.80 lakhs). The gross profit amounted to Rs 2.25 crores. Allocations were: depreciation Rs 65.86 lakhs, statutory development rebate Rs 10.80 lakhs and taxation Rs 81 lakhs. The net profit of the company is around Rs 64.65 lakhs. A sum of Rs 12.50 lakhs has been transferred to debenture redemption reserve fund and Rs six lakhs to general reserve.

WALCHANDNAGAR INDUSTRIES

The Chairman of Walchandnagar Industries Ltd, Bombay, pointed out recently that even though the company might crush more sugarcane and produce more sugar this year, this would not result in more profit because of the steep fall in the sugar price and a reduction in the recovery. He added that the present difficulties could be tided over if the problems of the machinery division could be tackled effectively. The increase in the free market sugar excise duty from 23 per cent to 37½ per cent and a lowering of the levy sugar price from Rs 141.30 to Rs 135.34 a quintal would adversely affect the company's working, he added. The cane crushed upto March 15 came to 186,826 tonnes as against 164,000 tonnes last year. The average recovery, however, was lower at 9.79 per cent against 11.01 per cent last year. The total sugar output up to March 15 was 193,000 bags, against 179,000 bags last year. The total orders executed by the industrial machinery division amounted to Rs 2.70 crores. The company had contracted to supply a complete sugar plant on a turn-key basis to Uganda for the Kinyala Sugar Project. This is one of the biggest turn-key jobs obtained by an Indian company.

ANDHRA BANK

The Andhra Bank Ltd, has earned a net profit of Rs 11.65 lakhs in 1969 against Rs 8.24 lakhs in the previous year. The directors have proposed a dividend of six per cent. A sum of Rs 1.22 lakhs has been transferred to reserve fund. The bank's deposits increased during the year by Rs 11.41 crores to Rs 52.31 crores and the number of deposit accounts from 273,000 to 332,000. Advances jumped from Rs

25.47 crores to Rs 45 crores. The increase in the advance to priority sectors—agriculture, small-scale industries and exports accounted for 68.3 per cent of the deposit accretion. As on December 31, 1969 advances to agriculture amounted to Rs 6.92 crores spread over 30,000 agriculturists. Advances to small-scale industries amounted to Rs 3.39 crores covering assistance to 628 units, advances to exporters were Rs 1.69 crores and to retail traders Rs 64 lakhs. The outstanding to priority sectors including exports at the end of 1969 stood at Rs 12.94 crores representing 36.5 per cent of the bank's total advances. During the year, the bank opened 34 branches bringing the number of branches to 155, of which 131 were located in Andhra Pradesh.

ALEMBIC GLASS

The directors of Alembic Glass Industries Ltd, propose to issue bonus shares in the ratio of one share for every two shares by capitalising a part of the company's reserves. They have also proposed to maintain the dividend at 12 per cent for 1969.

NATIONAL ORGANIC CHEMICAL

The directors of National Organic Chemical Industries Ltd, (NOCIL) have stated in their annual report for 1969 that the company's alcohol plants and the PVC compounding units were commissioned during the later part of the year under review. With their commissioning, all the plants in the complex have gone into commercial production. The company's plants are generally operating satisfactorily. However, some mechanical problems were encountered in 1969 which restricted manufacturing operations to some extent. The company's sales during 1969 have totalled Rs 15.95 crores against Rs 6.84 crores in 1968. The company has commenced repayment of the long-term loans obtained from Shell Petroleum Co Ltd, and the Indian financial institutions. However due to the increased requirements of funds on account of the delay in start-up of some of the plants, the company has obtained deferment of two instalments totalling Rs 82.80 lakhs due to Shell Petroleum Co Ltd. It has also approached the financial institutions for the deferment of the repayment of the first instalment of their loan amounting to Rs 88.32 lakhs.

SHETHIA MINING

Shethia Mining and Manufacturing Corporation Ltd, issued recently 15,000—9.5 per cent redeemable cumulative preference shares of Rs 100 each. The entire issue to the public has been subscribed. The allotment of shares is to be finalised in consultation with stock exchanges.

BOOKS BRIEFLY

Trade Unions: The Political Cat's Paw

As Labour Organises: S. M. Pandey; Shri Ram Centre for Industrial Relations, New Delhi; (1970); Pp 243; Price Rs 25.

Industrial Relations—Case Studies: K. S. Sonachalam and U. Aiyasami; Annamalai University, Annamalai Nagar; Pp. 255; Price Rs 20.

Foundations of Wage Policy (With special reference to the Supreme Court's Contributions): K. S. V. Menon; N.M. Tripathi Private Ltd., Bombay; Pp. 311; Price Rs 22.

Education and Training for Industrial Development in India—The Problems of Linkages: B. S. Venkata Rao; School of Education, Stanford University; Pp. 97; Price Not given.

Conditions of Stability and Growth in Arid Agriculture: N. S. Jodha and V. S. Vyas; Agro-Economic Research Centre; Sardar Patel University, Vallabh Vidyanagar; (Dec. 1969); Pp. 127; Price Rs 15.

Impact of the Changes in the District Administration since Independence on Kheda District: Prof. Manubhai M. Shah, Sardar Patel University, Vallabh Vidyanagar; Pp 200; Price Rs 7.

Reviewed by Prof. S. S. M. DESAI

Since the origin, growth and character of a trade union movement is determined by a complex set of factors, in a vast country such as India trade unions will surely have local variations. Unfortunately all-India studies of trade union movement tend to ignore such significant local variations which makes the treatment very general. This means that an analysis of trade union movement at the local level is necessary both for true and deeper understanding of the movement as also for framing of appropriate policies. *As Labour Organises* which is a study of trade-unionism in Kanpur, with special reference to the cotton textile industry, is an attempt in this direction.

Trade union movement in Kanpur which is about half a century old has broadly passed through four main stages. The first stage was marked by the birth of the movement and continued up to the year 1934. The Kanpur experience supports the well-known thesis of Kerr and Siegal that the organisational need among workers grows because of the whole process of industrialization. The early functioning of Kanpur trade unionism further suggests that once the uneducated and illiterate workers become conscious of their strength and the effectiveness of strike weapon, it becomes difficult to control their activities. Even the slightest provocation is very likely to lead them to indulge in non-peaceful activities.

The second stage of the development of Kanpur trade-Unionism (1934-1945) was characterized by the communist

upsurge and intense intra-union rivalry and militancy. The analysis suggests that illiterate workers are more prone to follow militant trade union leadership than the moderate one. The study also confirms the hypothesis that the communists consolidate their strength during a crisis and emerge as a powerful force after the crisis.

Towards Rationalisation

The third stage (1945-1955) was full of militancy, turbulence and factional conflicts. This period of trade union weakness and the pendency of the UP Labour Enquiry Committee was utilized by employers to introduce various rationalisation measures which paved the way for functional trade union unity. The study supports the hypothesis that in an economy characterised by unemployment, increasing pressure of rapidly growing population on existing job opportunities, low level of production technology and employment of a large number of unskilled hands, workers would offer stiff resistance to any scheme of rationalisation which creates the problem of unemployment for the hitherto gainfully employed workers, involves an increase in the workload and does not ensure sharing of the gains in productivity due to rationalisation.

The fourth stage of development of Kanpur trade-unionism started in late 1955 and is characterised by fragmentation of trade union movement and breakaway unionism due to factional politics and continuous political involve-

ment of trade unions. This study lends support to the Webbs' prediction that no amalgamation will be stable in which several sections differ appreciably in strategic position. A sharp break from the past government policy of legislative to non-legislative action for avoiding industrial conflicts (through the Code of Discipline and Inter-Union Code of Conduct) brought about a temporary peace in the employer-employee relations in Kanpur during 1957-1960. However, the functioning of the works committees and works councils which implied co-operation of both the parties was soon thwarted and mutual hostility resumed. This analysis supports the hypothesis that any scheme of co-operative action between management and labour and among unions is not likely to succeed in a situation which is characterised by inter- and intra-union rivalry, rigid and unenlightened management, absence of rank-and-file participation in union activities, and narrow scope of union activities.

Changing Patterns

As regards structure and character of unions it may be said that pattern of union organisation has been from general unionism to industrial unionism and from industrial unionism to occupational or craft unionism. It becomes difficult for a general organisation to simultaneously fulfil the requirements of all the constituent groups and hence the gradual transformation of general unions into industrial and craft unions. The study further suggests that as organisation expands and moves towards maturity, the interests of its constituents may not conform to each other and in due course, it may necessitate an organisational change from vertical to horizontal.

The study clearly demonstrates that the consequence of political involvement of unions in India in general and in Kanpur in particular, has been that trade unions formed to safeguard and promote social and economic interests of workers have tended to become the tools of political parties. The real solution to the problem lies in educating the rank and file in the labour force and in encouraging them to take up the leadership responsibilities and function independently instead of aligning themselves with political parties and leaders.

The study also supports the hypothesis that due to structural deficiencies and organisational weaknesses, trade unions in Kanpur largely depend upon government intervention for the settlement of industrial disputes. As a result they lack vitality and strength that comes from profound mutual commit-

ment of leaders and workers to their organisation.

Dr. Panday has succeeded in providing a systematic profile of the emergence of the trade union movement in the Kanpur cotton textile industry. An intimate knowledge of the type that we get in this book on trade-unionism in a particular region or industry which forms the grass roots of trade-unionism will surely develop a clearer understanding of the labour problems in the country and provide better guidelines for the formulation of more effective labour policy leading to the promotion of satisfactory industrial relations. This valuable book which is also well-produced is therefore welcome as it would enlighten the readers on this explosive problems which is threatening the industrial peace and progress in the country. Excellent bibliography at the end is no less valuable part of the book.

COMMUNICATION GAP

The general climate of industrial relations is disclosed by the general economic indicators and labour statistics presented by the union and state governments. But such an aggregative picture is often not sufficient. That needs to be supplemented by micro-level studies of various segments of the industrial sector going right down to individual industrial firms with their infinite variety. The case studies in *Industrial Relations* by Sonachalam and Aiyasami are designed to this end. This volume presents the findings of the investigations carried out in 1961-62 of three case studies of cement industry (the Indian Cements, Thalaiyuthu, the Associated Cement Companies, Madukarai and the Dalmia Cements, Dalmiapuram) and two cases of textile industry (the Murugan Mills, Coimbatore and the Vasantha Mills, Singanapur).

The authors have arrived at some significant findings. The individual and institutional factors that shape the 'tone and quality' of the industrial relationship may be reduced to such indices as job security, rates of wages, degree of unionisation, union activities, disputes and their settlement, work stoppages, working conditions and welfare facilities. These indices help to gain a 'feel' of the general situation in individual industrial units.

These indices could be arranged in the order of their significance. It was found that causes with a high potential for provoking industrial strife get usually eliminated whenever the norms and procedures laid down by the labour laws with the object of fostering a minimum standards of working conditions regarding cleanliness, lighting, provi-

sion of drinking water, ventilation and sanitary conditions are complied with. All the five units have provided these facilities.

The authors have also analysed other indices (which in a sense are extra-statutory in nature) namely security of service, absenteeism rate, turnover, housing, education, social and recreational facilities, grievance procedure, etc., etc. It was found that in the five units, an average of 75 per cent belong to the permanent category, indicating greater security of tenure and freedom for victimisation. The absentee rates of 13.4 per cent in cement and 13.8 per cent in textiles compare very favourably with all-India rates. As regards labour turnover, separation rate being less than accession rate in all the five units, turnover may be deemed to have ceased to be a serious problem. This indirectly testifies the job satisfaction of workers, one of the essential prerequisites to 'working harmony' between management and labour.

As regards housing, this being a non-statutory obligation, the employers have not become sufficiently alive to this vital amenity, in spite of government loans and 25 per cent subsidy under the Subsidised Industrial Housing Scheme. However all the five units have made provision for education and recreational facilities according to the scheme embodied in the 'Code of Efficiency and Welfare' drawn by the 16th session of the Indian Labour Conference. One of the five units has evolved a bonus formula with elements of incentive bonus linked with clinker production. In one unit bonus has been included as an item of cost and charged to the profit and loss account. This guarantees bonus payment to employee irrespective of whether the factory makes profit or not. The productivity data computed show that the payment of bonus has not been an incentive to productivity except in Dalmia Central factory where alone production is positively correlated to bonus.

Of the five, only one unit has set up a grievance processing mechanism. Also in none of the five is there a proper channel of communication involving downward flow of orders, instructions, and interpretations and upward flow of ideas; comments, reactions and reports. Lack of or inadequate provision for communication can be an endless source of misunderstanding and conflict.

The one bright streak in trade union activities is the initiative taken by one union to construct 76 houses under the subsidy scheme and relief given by another union to the victims of fire accident. However, generally workers'

active participation is lacking. Multiplicity of unions has naturally weakened the bargaining power of workers. The vulnerable spots that touch off industrial conflicts have become fewer, thanks to the state's progressive legislation of no less than 14 measures. Strikes have become less frequent and less popular. This is probably due to the fact that of late both the parties have recognised the superiority of direct negotiations across the table to conciliation, mediation and arbitration.

The constitution of the Central Wage Board and their monumental reports make a turning point in the history of industrial relations. The rates of wages, bonus and dearness allowance have all got built into the scheme of industrial organisation. Having been fairly satisfied with the primary and basic issues, the workers are entering upon a new era of awakening and are now aspiring for participation in management. The attitude of the management has also softened as the recent years of industrial peace have taught them the value of being on amicable terms with the workers.

Madras state (present Tamil Nadu) is industrially a fairly advanced state and Coimbatore district which has about 74 textile mills is called the Manchester of the South. Industrial relations in these areas certainly appear to be less explosive than in other parts of India. The case studies undertaken by Sonachalam and Aiyasami throw light on this happy state of affairs and provide some guidelines for industrial units elsewhere.

Unfortunately the quality of production of the book as also editing leaves much to be desired.

WAGES POLICY

In India, methods of wage determination through which wage policy is implemented include statutory wage regulation, collective bargaining and settling of wage rates through conciliation, arbitration and adjudication. Under the Minimum Wages Act, the state has fixed minimum wages in industries where labour used to be sweated and unorganised. In some developed industries where labour is well-organised, the system of collective bargaining has become widely prevalent. Besides, the adjudicating authorities under the Industrial Disputes Act and similar acts have played a significant part in evolving a wage structure in Indian industries. There is no doubt that in fixing wage structures in different industries, industrial adjudication has attempted gradually and by stages to attain the principal objective of the welfare state namely to secure to labour justice,

and the industrial system that employs it is thus the key problem.

Discussing the problem of consistency and linkages, the author emphasises that the output of the IET system should be tailored to the specific needs of industry, and industrial plans should take account of manpower availability. The task of achieving consistency becomes complex as we move from the general to the highly specialised types of qualified manpower. The greater the ease of substitution among the various types, the less will be the risk of inconsistency. There is a high degree of substitutability downward; but this will mean waste of qualified manpower. In the case of upward substitution, the possibilities are obviously much less. The author has suggested some measures to solve the problem of inconsistency. These measures include the possibilities of transference from one category to another, a soundly conceived system of wage incentives that relates wages "to productivity rather than to education, title of jobs or any other extra-economic considerations" and on-the-spot training. But it must be realised that there is no substitute for effective manpower planning as an instrument for regulating the training of qualified manpower in accordance with the needs of industry.

Role of ITI

The author has analysed the various agencies in India which are at the present imparting industrial education and training. Though manpower studies are being made more frequently to estimate the qualified manpower requirements of Indian industries, the author rightly feels that the problem of appropriately dovetailing the IET output of skilled manpower and the needs of Indian industries is rather complex and has yet to be satisfactorily solved. Similarly, although there is a national network of Industrial Training Institutes (ITI) there is at present very little, if any, linkage between the needs of small industry and the ITI programmer. Small-scale industries in India also face some special problems in regard to their manpower requirements. One is that most workers have had a slender educational base. This means in several cases even literacy training may be necessary. The other is that most workers come from rural areas without exposure to the conditions of modern industrial economy. The problem here is one of developing the necessary industrial attitudes and disciplines.

To solve the above problems the author has made some useful suggestions which need careful consideration. He is of the opinion that national authorities should pay greater attention to manpower surveys to facilitate effective

planning of technical education and training. The estimate of needs should be specific enough to avoid surpluses or shortages in various skill categories, but at the same time should not be so very specific as to become narrow and non-adaptable. Also, estimates of manpower should be under continuous review so as to facilitate timely action for the application of correctives and effective adjustments in required directions. And above all government should take adequate measures to bring about co-ordination and co-operation among the various agencies and institutions including industry which are involved in imparting industrial education and training in the country.

Utilisation of Manpower

The problem of manpower planning and the required skill formation is of vital importance to India's industrial progress. But the problem is vast and complex with the consequence that at the present there is hardly any comprehensive study in this field worth naming. Venkata Rao, therefore, has done well to undertake an analysis of industrial education and training and indicate the various issues involved and the measures necessary for solving the problem. Though much of the essay is descriptive, the basic issues which he has raised in it are of vital importance and need very careful consideration at the highest level. This is because we observe the paradoxical phenomenon that it is in developing countries where capital is scarce that some of this valuable resource is being wasted in skill

formation which remains either unemployed or only partly utilised.

BLOSSOMING THE DESERT

The agricultural strategy based mainly on the experience of humid and sub-humid regions may have only limited applicability to the dry and arid regions of north-western India. *Conditions of Stability and Growth in Arid Agriculture* by Jodha and Vyas is an attempt to bring in sharp focus contours of the problem of agricultural development in the arid regions of Rajasthan and indicate the lines on which solutions to some of the problems may be attempted.

The dry regions cover nearly 3,17,090 sq. kms. of the area of the country of which 62 per cent falls in Rajasthan state alone. The arid regions of the north-western Rajasthan covering 3/5th of the state, generally does not possess the soil-climatic conditions favourable to crop farming. Yet owing to subsistence orientation of farmers and population pressure, it is crop farming that is practised throughout the region. The cropping of sub-marginal lands naturally makes the economy of desert farming highly unstable and precarious. The principal crops include bajra, kharif pulses, jowar and sesamum. The co-efficient of variation in yields is large and where crop yields are so low, the farm economy is bound to be poor and unstable. Since the method of farming in wet regions may not prove of much help in these areas, this study attempts to highlight the

RECORDS AND STATISTICS

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Tourist migration...

how to make it head for India

It's the greatest migration the world has ever seen : over 14 million tourists travelled all over the world last year. And they spent nearly Rs. 11,000 crores in the countries they visited.

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What's missing here?

We lack nothing but broad-based public participation and enough of what is known as the 'infrastructure': hotel accommodation, transport facilities and tourist amenities. For instance, the city of Bangkok alone has more hotel beds suitable for tourists than we have in India.

And when the Jumbos come...

Jumbo Jets will soon bring past India many thousand more people than have ever come this way. They will need clean, comfortable accommodation; at least 23,000 more hotel beds are required by 1974.

Wholesome, hygienically prepared food, more shops, restaurants, recreation facilities...all these are necessary now. Above all, a smiling, friendly welcome must await our visitors to make their visit a happy one.

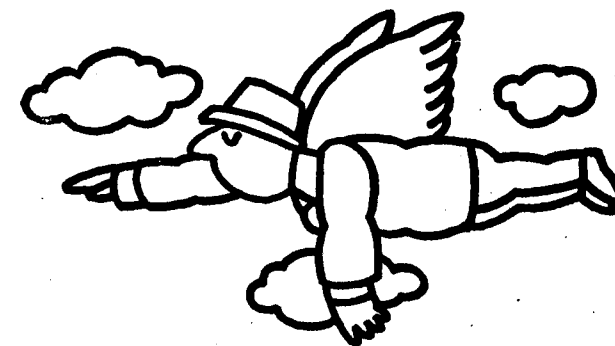
What are we doing about it?

The Government is taking an increasingly active part to help build more hotels, improve air and transport services, provide new and better tourist facilities.

But Government effort alone is not enough. Tourism is everybody's business. Because people benefit wherever the tourist travels. Wealth flows from affluent countries to the less affluent, and within the country from the developed areas to the less developed and from the richer strata of society to the less rich. Everyone benefits from tourism.

So, join us in our efforts. Let us give the tourist the amenities he needs and see that he goes home happy. Each happy tourist means so many more will come next year. Shouldn't be too difficult for us. Isn't ours one of the world's oldest traditions in hospitality?

**Welcome a visitor
send back a friend.**



Department of Tourism
Government of India

problems and prospects of developing desert agriculture.

The surest way to stabilise the agricultural economy and initiate its growth is the provision of assured water supply. The impact of irrigation is reflected in significant changes in land use, cropping pattern as well as productivity of crop and other farm enterprises. Unfortunately however in the arid region of Rajasthan where water is needed most, it is equally difficult to arrange for the same. The scope in this region for local water resource development is extremely limited. The arrangement of water supply from outside the region too does not offer much scope. The Rajasthan canal project is an ambitious attempt; but even that on its completion would be able to irrigate only about 13 per cent of the present gross cropped area of this arid region.

Labour Intensive Measures

In the absence of irrigation facilities the only alternative is the adaptation of farming system to arid environment. This means adoption of measures for maximum conservation and efficient utilisation of available moisture as well as diversification of farming through increased emphasis on crops and farm enterprises which can withstand the severity of arid environment. Some of the conservation measures like bunding have already produced encouraging results. These labour-intensive measures will also offer unique opportunities for productive use of idle manpower in dry areas, more so during famine years and their adoption need not mean transfer of scarce capital resources from alternative uses.

Regarding diversified farming though the scope is limited, the high-yielding varieties of seeds for low rainfall areas may improve considerably the crop farming of the dry region. Besides perennial grasses which grow naturally are most suited to dry conditions. They can impart some stability to desert agriculture if taken up as regular crops. However this will require restricting the practice of uncontrolled and unrestricted grazing after harvesting of crops. Attempts will have to be made to discourage this practice through regulated grazing, and increased emphasis on stallfeeding.

Regarding diversification of farming through integration of crop and animal enterprises (mainly sheep and cattle raising), it may be added that a mixed farming system is already the common pattern of agriculture in this region. However, the full potential of mixed farming is seldom realised and exploited. This means the improvement in mixed farming is another area which needs

proper attention as livestock raising and animal enterprises show greater income stability as compared to crop enterprises. However it should be noted that the animal production depends upon forage and water availability. Studies have shown that assured supply of drinking water and forage can raise the production by two to three times. Thus the first requirement is the year-round provision of drinking water. The arrangement of public water facilities through tube-wells or pipe-lines from well-watered tracts may prove an economically most rewarding step towards development of farm economy of the Rajasthan desert.

But neither water facilities nor forage availability by growing perennial grasses will give maximum benefit of livestock farming unless proper arrangements are made for marketing of animal products. A functioning market is a very effective instrument for breaking the isolation and transforming the economy of desert villages. The development of marketing facilities is in turn closely linked with the development of transport and communication facilities in the isolated desert areas.

Integrated Approach

This means for the stability and growth of desert agriculture and economy, an integrated approach is needed where measures like exploration and exploitation of ground water resources, adoption of conservation measures, reorganisation of crop farming, revitalisation of livestock farming through proper facilities for drinking water, pasture regeneration and adequate marketing facilities would play their respective roles.

There are gaps in our understanding and solution to the problem of desert areas. An appropriate plan of research in the technical, social, economic and institutional factors of the desert economy and society is urgently called for. These researches will necessarily be of inter-disciplinary character. Jodha and Vyas in this excellent research paper have shown us the way the research and reform should proceed.

In respect of desert farming and economy India can learn much in the technical field, if not institutional, from Israel provided we shed our political and intellectual prejudices against those most enterprising people who have made in a few years the deserts blossom. It is strange and rather disappointing that there is hardly any reference to the experience of Israel in this field except in respect of supply of drinking water through pipe-line on page 99. Selected bibliography does not contain

reference to even a single book or article on desert agriculture in Israel.

DISTRICT ADMINISTRATION

Ever since our independence, we have been experimenting with our administrative machinery, often proceeding with our reforms in a patchy and tentative manner. The result often has been that the machinery is not well integrated and efficient to the desired extent. There is much duplication and wastage of manpower.

In this book, *Impact of the Changes in the District Administration since Independence on Kheda District*, Prof. Shah has given a fairly exhaustive description of the district administrative machinery and organisation after independence, the changes that have taken place since independence, the new tasks that the district administration is being called upon to perform, and broadly the manner in which that administration functions. Prof. Shah has analysed all these problems of district administration with reference to Kheda district in Gujarat.

Prof. Shah feels that by history, convention, and training, the collector is suited only to the revenue administration. To expect him to know the intricacies of economic growth and the interplay of the forces in a democracy is to expect almost the impossible. These are the days of specialisation and the days when a single individual could undertake multi-directional activities are long past. The major functions now of the collector have been to look after the development work and spread of democratic institutions, rather than collecting revenue and maintaining law and order in the district, the functions which have receded into the background. According to Prof. Shah the collector is not a proper authority to carry out the new responsibilities. The need of the day is to create a suitable alternative machinery in which some of the functions for which the collector is not suited are separated and are put in charge of other competent district officers.

Suggestions for Improvement.

Prof. Shah has made certain suggestions for improving district administration, such as exhibition of a board containing up-to-date details of the main functions discharged by each official, appointment of public relation officer both in the collectorate and the mamlatdars offices, separation of touring functions and functions to be performed at head quarters, etc. Though the suggestions are not of fundamental type, there is no doubt that the implementation of these simple measures will go a long way in improving the tone of district administration and reducing the

April 3, 1970

present great inconvenience caused to the people concerned.

The analysis of the district administration by Prof. Shah however does not go to the root of the matter. In addition to the administrative defects which have been pointed out by him, the basic fault is that not enough attention has been paid by the government to the one fundamental fact namely it is essentially the character and attitude of the executive head of the district administration and those working under him that determine the quality of administration. Further and equally important, it is the politician, who as pointed by M. M. Patel in his foreword, is largely responsible for the poor quality of local administration. At the local level there is far more interference by ruling party's political 'bosses' than is healthy. A great measure of responsibility for the deteriorating condition of all our administration including the district administration must therefore be placed on the weakness of our national character. Sooner this is realised, the better it is; for mere administrative reforms and readjustments by themselves will not solve our complex problems of development and progress.

It is disappointing that this study stops almost at the point where new Panchayat Raj was ushered in, for that constitutes the first really major attempt at effecting a basic change in the method and manner of district administration at points where it comes most directly into contact with the public. Since it is at the level of the district administration and Panchayat Raj that the administration comes into direct and intimate contact with the people, more of such factual studies on lines shown by Prof. Shah are necessary to show how it can be made more efficient and imbued with a sense of service to the people.

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Sampling Theory of Surveys with Applications: P. V. Sukhatme and B. V. Sukhatme; Asia Publishing House; Pp 452; Price Rs 32.

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Annie Besant Road, Worli, Bombay-18 (WB); Pp 232.

Land Reforms in Vidarbha: K.R. Nanekar; Oxford & IBH Publishing Co; Pp 334; Price Rs 20.

Hungary 69: Editor-in-Chief: Miklos Gardos; Pp 299.

Under Two Masters: N. B. Bonarjee; Oxford University Press; Pp 317; Price Rs 25.

All About Planning (With an introduction on the present state of economics): U. N. Ghosh; S. Chand & Co; Pp 204; Price Rs 20.

Industrial Recession in India: M. R. Hazaray; S. Chand & Co; Price Rs 6.

Economic Development of Uttar Pradesh: Dr. Kripa Shankar; Arthik Anusandhan Kendra, 666, Malviyanagar, Allahabad; Pp 224; Price Rs 16.

Whither India After Independence?: Prem Nath Bazaz; Pamposh Publications, E-38 Hauz Khas Enclave, New Delhi-16; Pp 271; Price in India Rs 24.00.

Wages and Productivity in Selected Indian Industries: J. N. Sinha and P. K. Sawhney; Vikas Publications; Pp 190; Price Rs 22.

And Miles To Go... (A Study of the Economic Distance between India and

other Countries): Published by the Economic and Scientific Research Foundation, New Delhi-1; Pp 113; Price Rs 7.50.

An Analysis of Investments and Advances of Scheduled Banks in India During 1951-66: M. C. Vaish; Ratan Prakashan Mandir, Hospital Road, Agra-3; Pp 288; Price Rs 25.

Nuclear Energy in Britain: Prepared by the Reference Division, Central Office of Information, London; Pp 52.

Advanced Economic Theory (Micro-economic Analysis): H. L. Ahuja; S. Chand and Co; Ram Nagar, New Delhi-55; Pp 595; Price Rs 16.50.

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History of Economic Thought: S. K. Srivastava; S Chand and Co; Pp 680; Price Rs 16.

The Indian Petroleum Handbook 1969: Published by Petroleum Information Service, 22 Pusa Road, New Delhi-5; Pp 378; Price Rs 6.

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GOVERNMENT OF INDIA

5½ PER CENT LOAN 2000 TO BE ISSUED AT RS. 100-00 PER CENT. FOR AN AGGREGATE AMOUNT OF RS. 275 CRORES (NOMINAL) AND REPAYABLE AT PAR ON 11TH APRIL 2000.

Subscriptions to the above loan will be limited to a total of Rs. 275 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) securities of the 4 per cent. Loan 1970 which will be accepted for conversion at par. Government reserve the right to retain subscriptions up to ten per cent in excess of the notified amount.

If the total subscriptions received for the new loan exceed the notified figure plus the amount of ten per cent. retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible.

Interest at the rate of 4 per cent. per annum on the securities of 4 per cent. Loan 1970 tendered for conversion will be paid upto and inclusive of 10th April 1970 at the time of issue of the new securities.

The new loan will bear interest from the 11th of April 1970. Interest will be paid half-yearly on the 11th April and 11th October and will be liable to tax under the Income-tax Act, 1961.

Subscription list will open on the 11th of April 1970 and close on 13th of April 1970 or earlier without notice.

Applications for the new loan will be received at :-

- Offices of the Reserve Bank of India at Bangalore, Bombay, (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;
- branches of the subsidiary banks of the State Bank of India conducting Government treasury work; and
- branches of the State Bank of India at other places in India.

For full particulars please apply to any of these offices or branches.

COMPANY MEETINGS

E. I. D.—PARRY LIMITED

ADDRESS BY

Mr. H. V. R. IENGAR, *Chairman*

TO SHAREHOLDERS

*Seventy Second Annual General Meeting to be held on 31st March 1970***The following Statement has been circulated to Shareholders of E. I. D.—Parry Limited by the Chairman, Mr. H. V. R. IENGAR**

The following Statement has been circulated to Shareholders of E.I.D.—Parry Limited by the Chairman, Mr. H.V.R. Iengar.

The year under report has been a very disappointing one in the sense that the Group profit, both before and after taxation, has recorded a steep decline from that achieved last year. I should point out, however,—although this may bring no particular satisfaction to shareholders—that the result was anticipated and shareholders were given due warning from time to time. Thus, in March 1969, in my statement to shareholders, I had said there were indications that during 1968-69, a number of adverse factors might well have the effect of halting the upward trend in profits. More specific indications were given by the Directors in the interim report issued in June 1969 on the basis of the half-yearly accounts. Shareholders were warned that the effect of the adverse factors was even more severe than was anticipated at the time of the Chairman's statement in March. In the event, the Group net profit before tax for the year 1969 after charging depreciation of Rs 126.06 lakhs was Rs 87.44 lakhs as against Rs 269.05 lakhs for 1968 after depreciation of Rs 119.24 lakhs.

Most of the factors responsible for this decline were beyond our control. Firstly, the principal fertiliser marketing areas of the Group consisting mainly of the four southern states were bedevilled last year by severe drought; in particular Andhra Pradesh, the principal area for marketing Gromor, the fertiliser manufactured by Coromandel Fertilisers Limited, was the worst affected as there was a virtually complete failure of the north east monsoon and parts of Tamil Nadu and Mysore were almost equally bad. This naturally severely curtailed consumption of fertiliser. Since the availability of fertiliser, both imported and indigenous, was larger than the restricted demand resulting from poor monsoon, there was an inevitable piling up of stocks. Apart from this, liberal credit had to be extended to our distributors of fertilisers to facilitate sales. The combined effect of these two factors was that our working capital funds increased considerably with a sharp increase in the incidence of interest charges.

More than one high level Government sponsored committee has reported on the need for a substantial increase in the credit facilities available to agriculture. The recommendations of these committees have yet to be implemented, although some of their reports were published three or more years ago. If the massive increase in consumption of agricultural aids, which is essential to the forward march of crop production, is to be achieved, a complete reassessment

of the conventional banking approach to agricultural credit will be needed.

There was a precipitous decline in the free market price during the year. It went down from Rs 2,900 per tonne (excluding duty) in October 1968 to Rs 1,500 per tonne (excluding duty) in September 1969. Moreover, we were initially compelled, under pressure from Government, to pay the cane growers Rs 85 per tonne, a price which turned out to be uneconomic to the factory in the context of the subsequent fall in the free market sugar prices. Indeed the Union Agriculture Minister had gone on repeatedly asking sugar companies to pay as much as Rs 100 per tonne and if this advice had been accepted the industry would have been subjected to exceptionally severe losses. With the fall in free market sugar price, it became clear that even a price of Rs 85 was untenable, so the factory paid only the statutory minimum price with effect from 17th April 1969. It is a curious state of affairs that, in spite of our maintaining virtually the same level of production and operating with the same degree of efficiency, there should be such violent fluctuations in profit levels from year to year entirely as a result of Government policy; this makes it difficult, if not impossible, to undertake any long-term schemes of rehabilitation and expansion for achieving efficiency and reducing costs. In this context I would like to point out that on the Nellikuppam sugar factory which is one of the largest single sugar units in India, the Company has spent Rs 80 lakhs on modernisation in the last 2 years. This seemed, when the decision was taken, both wise and necessary; it is a matter of disappointment that this step should be so poorly rewarded.

A number of problems adversely affected production at the Ennore factory with the result that the optimum production level could not be reached although the production achieved during the year under report was on the whole larger than in the previous year. The Ammonium Sulphate production increased from 33% of capacity in 1967/68, the first year of operation, to 47% of capacity whilst the Ammonium Phosphate/complex production in fact suffered a drop from 77% capacity to 70%. I should like in this context to point out that this problem, viz., our inability to achieve production upto full rated capacity is not a problem peculiar to this Company; it is a national problem since this has been the experience of most factories producing complex fertiliser. A high level technical team has been set up by the Government of India to examine the reasons for this. In the meanwhile, your Directors have taken various measures directed towards improvement of production; it is no satisfaction but merely a melancholy reflection to add that as a result of their efforts Ennore is by no means the

worst of the fertiliser factories in India from the point of view of productive efficiency.

Sophisticated chemical plants of the type at Ennore incorporate individual units manufactured in a number of countries; and this applies to similar plants anywhere in the world. Due to the geographical location of India and the national problems of foreign exchange, the question of obtaining specialised advice on individual units and the ready supply of spare parts for them presents special problems. A simplification of the procedure for obtaining spare parts allowing some discretion to the importing manufacturer would assist in improving the situation. Indigenous manufacturers of plant sometimes tend to be over optimistic as to the ability of their products to meet the highly critical standards involved in this type of manufacturing process.

Shareholders would naturally want to know what are the prospects during 1970. The three main factors affecting profitability are (i) sales of fertiliser, (ii) the performance of Ennore and (iii) the price of sugar. Fertiliser sales should show definite improvement. As will be indicated in a subsequent paragraph, in spite of the adverse factors previously referred to, fertiliser sales in 1968-69 showed a rise of 30%; this was partly because of an increase in geographical coverage and partly because of an intensification of sales effort in areas where conditions were favourable. Your Company is pursuing a vigorous policy in both directions and hopes to maintain a steady increase in the volume of sales year after year. In the matter of Ennore, your Directors are reasonably confident that progress will be continued. In this context shareholders may be interested to learn that as a result of the depreciation provided, the first stage of Ennore on which a sum of about Rs 5 crores had been spent will have been virtually written off by the end of 1971-72 and thereafter the depreciation on this part of the Plant should be nominal. In the matter of sugar, the prospects for 1970 seem worse than for 1969 for the reason that in 1970 depressed prices seem likely to rule for the whole year whereas during 1969 higher prices ruled for at least part of the year.

Taking an overall view the prospects for 1970 are marginally better than for 1969. But the Directors would like to repeat that in their judgment the long-term prospects are good and the Company is likely to pull out and restart on a higher plateau from 1970-71 onwards.

The operations of the company have to be set against the background of the total Indian economy. The picture of the Indian economy showed an overall improvement notwithstanding the unprecedented political turbulence witnessed during the year. The output of foodgrains and commercial crops recorded increases, the former reaching the 100-million tonne mark. Except in certain pockets, of which the main area of the fertiliser operations of the company was one, the country enjoyed a good monsoon for the third successive year and the increasing trend of agricultural production lent buoyancy to the economy as a whole. Industrial production revived and registered an increase over the previous year although the progress halted somewhat during the latter part of the year. Whilst underutilisation of capacity still persisted, the engineering industries seem to have emerged from the worst phase of recession. Helped by lower food imports and import substitution, the foreign trade touched a low level. A measure of price stability was maintained during the year although there have been recent signs of increases in price levels. The share market which started on a cheerful note witnessed a fall in values towards the end of the year, but has since then become more buoyant. On the whole, the Indian economy showed a good deal of improvement during the year.

One of the major landmarks during the year was the

nationalisation of the major commercial banks. Other economic measures introduced by the Government include the new licensing policy and the legislation intended to control monopolies and prohibit monopolistic and restrictive trade practices. Whilst I do not wish to go into the details I must voice my concern at the broad tenor of the new licensing policy by which certain industrial houses—particularly the bigger ones and those which are “foreign” although only in a technical sense—are virtually prevented entry into certain lines of production. Even schemes of expansion by larger industrial houses cannot be undertaken unless it is required for developing a minimum economic level of production for greater cost efficiency. No one can raise objection to the need for restricting monopolistic and restrictive trade practices, but the provisions of the Act go much further and are charged with a suspicion of mere size on the unproved ground that size leads to the concentration of economic power. Together with the provisions of the Finance Bill of 1970 providing for extremely steep increases in direct taxation of personal income and a consequent reduction in the volume of savings, I fear that the form and direction of recent legislation and Government statements can only lead to a reduction in industrial growth.

2. GROUP RESULTS

The Report and Accounts include details of the Group's working results expressed in Rupees and I would particularly invite the attention of Shareholders to these figures, having regard to the fact that the figures appearing in the Profit and Loss Account for 1969 expressed in Sterling, are converted at £1=Rs 18 whereas in the 1968 Accounts, these were converted at two different rates of exchange, thus vitiating a direct comparison of the two sets of Sterling figures.

Total turnover rose to Rs 82.23 crores compared with Rs 67.11 crores in 1968-69; the increase was particularly noticeable in sales effected on consignment account. For reasons already explained, Group profits suffered a decline. Of the total turnover, the sales of products manufactured by the Group (excluding, as usual, those manufactured by Managed Companies) amounted to 30 per cent. The corresponding percentage for the previous year was 35 per cent.

Our working capital requirements increased during the year mainly because of larger funds tied up in fertiliser and sugar stocks and receivables. Our bankers, the State Bank of India were, as in the past, always receptive to our requests and timely in their help. I had mentioned last year that in order to maintain a better balance between owned funds and borrowed funds your Directors were considering proposals to raise further capital. A realistic assessment of our requirements had necessarily to await finalisation of some schemes of expansion and diversification we had in mind. It is hoped that a decision in regard to the question of raising of further capital will be made in the near future.

In view of the poorer results for the year and with no certainty that the current year will record anything more than a marginal improvement, your Directors have decided, with regret, to reduce the total quantum of dividends for the year 1969 on the Ordinary Share Capital. Accordingly, they have recommended a final dividend of 2.75% on the Ordinary Share Capital which together with the interim dividend already paid amounts to 6% in all as against 10% last year. In terms of cash outgo the distribution this year will be Rs 33,91,805 compared with Rs 56,53,008 last year. The total dividend per share is Rs 1.08 as against Rs 1.80 last year. To enable this dividend to be paid, a withdrawal from Reserves has become necessary.

3. PRINCIPAL GROUP OPERATIONS

(a) **Ennore Factory** : The Ennore factory operated at a slightly higher level overall than in the previous year but

manufacturing difficulties continued to be encountered particularly with the new Ammonium Sulphate Plant and optimum production could not be reached. As stated earlier, various steps have been taken to ensure that a better return materialises from our investment on this Plant. A complex Fertiliser of grade 14 : 14 : 14 was produced for the first time in India at Ennore during the year and was successfully marketed.

(b) **Fertilisers** : Although climatic conditions were none too favourable and fairly large stocks of imported fertilisers were in the market the total fertiliser sales increased by 30% over the previous year. This happened in spite of the introduction of a 10% excise duty which impeded sales to some extent.

In the course of the year the scope of marketing operations was considerably expanded so that almost the whole country is now covered by our selling organisation.

Sales of the production of the Coromandel Fertilisers Plant at Visakhapatnam were trebled. To meet the demand for a slightly lower grade of Ammonium Phosphate Coromandel Fertilisers produced Gromor 20 : 20 during the year in addition to Gromor 28 : 28. Liberal credit had to be extended, however, to achieve larger sales.

We were also able to consolidate our market for complex fertilisers of different grades imported under the Seeding Programme for Madras Fertilisers' new factory coming up at Manali. Additional areas in Mysore and Kerala were brought under the Seeding Programme during the year under review.

Sales of chemicals continued to be satisfactory, but availability of Nitric Acid for sale was restricted due to paucity of imported raw materials.

The sales of dust formulations of insecticides and fungicides were restricted due to short supplies of the basic materials but liquid formulations made good progress. A second formulating unit was commissioned in Andhra Pradesh during the year.

The two Seeds Processing Units have been successfully commissioned and the Company has plans to expand production capacity by setting up a third processing unit in Andhra Pradesh.

The Cattle Feed Project is nearing completion.

(c) **Sugar** : Nellikuppam Factory crushed 6,08,861 tonnes cane in 293 days in the financial year and produced 48,056 tonnes sugar with an average recovery of 7.89%. The lower recovery compared with 8.35% last year was due to the drought in 1968. The statutory price of cane was again fixed at Rs 73.70 per tonne but pressure from growers and Government compelled us to pay, in common with other factories, Rs 85 to start with. When the excise duty was increased from 1st March 1969 and open market sugar prices fell steeply, it became impossible to continue to pay Rs 85. Accordingly we paid only the minimum price from the middle of April. Even so, the average price paid came to Rs 80 per tonne.

The high statutory price fixed for cane led to unauthorised plantings and although the Company was most reluctant to accept such cane, once again the Company was forced to crush it. This necessitated postponement of the start of the 1969-70 season.

The all-India sugar production in 1968-69 was 35.6 lakh tonnes compared with 22.4 lakh tonnes in 1967-68. 70%

of the production was taken over by the Government at the levy price and 30% released for free market sale.

Estimates for 1969-70 indicate a production of over 41 lakh tonnes. This, together with a carry-over of over 12 lakh tonnes on 1st October 1969, less domestic consumption and export, would leave at the end of September 1970 some 17 lakh tonnes. Even with higher levy releases this large carry-over would throw an additional burden on the factories in expenses on storing and financing.

On the basis of the revised zonal arrangement recommended by the Tariff Commission and accepted by the Government of India, Tamil Nadu with Pondicherry has become a separate zone. As a consequence Tamil Nadu factories are entitled to a slightly higher levy price but the little advantage this gave has been wiped out by the high rate of excise duty on free market sugar announced in the last Budget.

The erection of the machinery ordered under the expansion programme will be carried out in the off season of 1970. The increased crushing capacity of 2,500/2,600 tonnes is expected to be effective from 1970-71 season.

(d) **Ceramics** : Despite severe competition, the turnover of more than Rs 1.25 crores constituted an all-time record due to the high quality of our product and our aggressive sales efforts. But for the unfortunate stoppage of production due to repairs to the Dressler Tunnel Oven and the difficult labour situation in the earlier part of the year, the turnover would have been still better.

Profits improved consequent upon larger sales and better operational efficiency.

Exports recorded a satisfactory increase, East Africa and Burma showing substantial increases. Arrangements have been taken on hand to appoint agents in and promote exports to Ceylon, Kuwait and Dubai.

(e) **Trading Activities** : Turnover of consumer products, both on outright purchase and consignment account, rose further. Profits were more or less maintained notwithstanding higher costs. Our relationship with our Principals has been extremely cordial throughout.

Sales of engineering products were somewhat lower than in the previous year but a sizeable reduction in the capital employed on this sector of our business was achieved.

(f) **Herdillia Chemicals Limited** : The Company achieved a turnover of Rs 5.5 crores during the year 1969 and hopes to improve upon this during the current year.

Your Company resigned their office as Managing Agents of Herdillia Chemicals Limited with effect from 1st January 1970.

4. DEVELOPMENT PROGRAMME

I had stated in my address last year that various projects were actively being considered by your Board. Of these a Company for the manufacture of electronic connectors in collaboration with the Amphenol Corporation of United States (which has since merged with the Bunker-Ramo Corporation of United States) has now been registered under the name Amphetronix Private Limited. Your Company will have a substantial equity investment in Amphe-

tronix Private Limited and will be appointed all-India sole selling agents for the Company.

Your Directors are also actively considering other schemes in pursuance of their policy of diversification.

5. LABOUR RELATIONS

The various Unions in the sugar factories in Tamil Nadu organised themselves into a federation demanding immediate revision of wages apart from other demands and started a Statewide agitation. No wage revision was possible as the managements had already granted an interim relief pending the Wage Board's recommendations and the declining prosperity of the sugar industry in 1969.

However, following a strike at Nellikuppam factory from 10th January 1969 to 23rd January 1969, a direct settlement was reached with the Unions and a second interim relief was granted to the workmen subject to certain conditions on the pattern followed by the other sugar factories in Tamil Nadu.

The question of wage revision has come up again recently before the Tamil Nadu State Government.

Meantime, the Second Wage Board for the sugar industry has submitted its report to Government. It is also understood that the Trade Unions have represented to the new Central Labour Minister that the Wage Board's report should be rejected and the sugar industry in the country should be nationalised. At the same time, the threat of a general strike in the industry hangs over the head of the industry.

The Wage Board for Heavy Chemicals & Fertiliser

Industry submitted its unanimous recommendations which have been accepted by Government.

Through direct negotiations with the Unions following the Wage Board's recommendations bi-partite agreement at the Compound Fertiliser Factory, Ennore, and Ranipet were reached on a long-term basis.

It is a matter of good augury that a satisfactory long-term agreement has been reached with the Ranipet Labour Union on the issue of wages for the Pottery workers as well as revised incentive schemes.

Generally speaking, employer/employee relationship in the E.I.D.—Parry units remained cordial during the period under review.

6. CHANGES IN BOARD

It is with profound sorrow that I have to record the death of Kumararajah M.A.M. Muthiah Chettiar of Chettinad at a very young age. Even during the spell of about three years as a Director of the Company, his knowledge of business affairs had been of inestimable value to the Group.

Mr. G. E. Solomon, who has been the Secretary of the Company from 1962 and, later, Special Director and Secretary from early 1965, joined the Board on 1st April 1969 and was appointed Executive Director of the Company.

Mr. K. S. Vaidyanathan was appointed a Director of the Company as from 1st April 1969.

Note. The above Statement is not a report of the proceedings of the Annual General Meeting, which was held on 31st March, 1970.

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STATE BANK CHAIRMAN'S SPEECH

NOTABLE PROGRESS IN MEETING OBJECTIVES

ACCENT ON ASSISTANCE TO SMALL MAN

Speaking at the 15th Annual General Meeting of the Shareholders in Ahmedabad on March 26, 1970, Shri R. K. Talwar, Chairman, State Bank of India, reviewed the operations of the Bank and its Subsidiaries during 1969, against the perspective of the economic situation in the country.

Shri Talwar emphasised that the credit policy of the State Bank was deliberately designed to provide maximum assistance to the small man in business, industry and agriculture.

He explained that the test of viability was an important factor in loaning operations so as to ensure that the growth in credit does not give rise to inflationary pressures in the economy.

Shri Talwar said: "The year 1969 witnessed a general improvement in the Indian economy. The process of revival which commenced in 1968 has continued and the economy is now poised for further progress. There have been significant increases in agricultural and industrial production and the trends in the country's balance of trade are encouraging. The Budget for 1970-71 presented to Parliament by the Prime Minister has created a better climate for the growth of savings and investment and is expected to give a further boost to the Indian economy.

"Despite an increase in real output, the price level has moved up by seven per cent during the past twelve months, and has been causing considerable concern. The Fourth Five Year Plan has been formulated essentially on the premise of price stability and it is unfortunate that inflationary trends should have appeared in the economy even during the first year of the Plan. It is gratifying that the Reserve Bank of India has lost no time in dealing with the problem and set in train several measures to restrain undue credit expansion during the current busy season. Inflation, however, cannot be controlled by a mere restraint on credit supply. The growth in output will have to be maintained and improved upon and a quantitative approach to inflation might result in the denial of credit to the productive sectors and thereby hamper growth. I am glad that the Reserve Bank's policy is

flexible in this regard and takes care to ensure that productive operations are not impeded for want of credit.

Nationalisation of major Banks

"The year 1969 was marked by an event of far-reaching significance namely the nationalisation of the fourteen major Indian banks. No step of the Government in the recent past has created such an enthusiasm amongst the people as this one, and the nation's expectations from the banking system are naturally running high. It will be the duty of all those connected with the banking industry to live up to these expectations and fulfil national aspirations. Nationalisation should enable the banks to organise a much wider effort for mobilisation of deposits—this should indeed be the primary objective of the banks and accorded the highest priority. It would also be necessary for banks to conduct the loaning operations in such a manner as not to undermine the confidence of the depositors and thereby retard the growth of deposits. The operations of the banks should continue to be on sound and healthy principles. Loans should be based on the viability or the potential viability of the business, however petty it may be.

"The decision of the Government not to merge the nationalised banks into a monolithic unit will ensure maintenance of the spirit of competition. It is, nevertheless, necessary that competition develops on healthy lines and the scarce resources at the disposal of the banking system are so utilised as to yield the maximum possible advantage to the community. For this purpose, among others, a co-ordination committee of public sector banks has been formed under the auspices of the Reserve Bank of India; this body would also explore the areas in which there could be useful and effective co-ordination among the public sector banks.

"In discussing the salient features of the working of the Bank, I deem it appropriate to refer to a significant development in the credit business of the Bank. When I addressed you last time, I shared with you some thoughts on the necessity of orienting our credit policy for

meeting the financial requirements of the 'small man'; these ideas have now become part of national policy. During the last year, the increase in our direct advances to the small man—in business, industry and agriculture—amounted to as much as Rs 63 crores forming over 46 per cent of the net increase in our non-food procurement advances. The proportion of these advances to total advances which was 9.3 per cent in 1968 rose sharply to 16.5 per cent during 1969 signifying the emerging pattern of the credit portfolio of the Bank."

Turning to the question of the termination of the Managing Agency system, Shri Talwar explained that in the past banks had insisted, for a variety of reasons, on guarantees furnished by the Managing Agents against advances granted to the managed companies. Dealing with the question of such guarantees after the abolition of the Managing Agency system, Shri Talwar said: "In so far as we are concerned, I would like to mention that the State Bank values independent management and financial strength of a company far more than personal guarantees. The question whether we would deal with any company without personal guarantees, therefore, depends on, firstly, whether the company is truly independent, management decisions being taken by its own executives with reference to the company's interests; secondly, whether the company's operations are viable and its financial pattern satisfactory; and, thirdly, whether the company would abide by any reasonable stipulations made by the Bank on the basis of detailed credit analysis. Provided these conditions are fulfilled, we would have no hesitation to review the loan arrangements of any company and discuss mutually acceptable terms on which guarantees could be dispensed with.

"While on the subject, I would like to stress the need for our customers to furnish us with detailed and up to date information on their operations which, in turn, would enable us to cater to their requirements more expeditiously and serve them better. In this context, I have great pleasure in referring to the State Trading Corporation of India's



Shri R. K. Talwar

April 3, 1970

recently innovated practice of preparing detailed quarterly accounts not only for internal reporting but also for the use of their bankers and others concerned. I would like to commend this very desirable practice for emulation by our clientele in industry and trade whether in the public or private sector."

Referring to deposits, Shri Talwar said: "The average aggregate deposits of the Bank in India recorded a satisfactory increase of 14.3 per cent during 1969. The demand on bank resources from various sectors has increased considerably and, therefore, banks will have to step up the growth rate of deposits well beyond the present level of about 15 per cent, if they are to effectively fulfil the role expected of them. This would call for sustained and well directed efforts to attract the savings resulting from growing rural prosperity. To cater to the requirements of the new class of depositors in rural areas, to most of whom banking had hitherto remained an unknown concept, the banks would require to modify their marketing and selling techniques. Changes in the existing deposit schemes would also require to be made to suit the special needs of the depositors in these areas. Opening of a large number of offices would, no doubt, assist substantially in deposit mobilisation, but this will also have to be backed up by suitable changes in procedures and improvement in service. In this context the inclusion in the Budget proposals for 1970-71 of interest on bank deposits in the category of incomes eligible for tax exemption up to Rs 3,000 is indeed a welcome measure and should contribute to the growth of deposits.

Operating results

"The growth in the Bank's business during the year was reflected in its earnings. Details of the earnings and expenses of the Bank are given in the Annual Report and I do not propose to dilate on them. However, I take this opportunity to review the trends in the Bank's earnings and expenses over a longer period of six years to give a better perspective to the problem of declining profitability. In a study completed recently it has been observed that between 1964 and 1969, while the Bank's operating earnings rose two and a half times, operating expenses trebled and as a result the profit margin was more than halved. Reflecting these trends, while the cost per employee increased by 60 per cent, profit per employee decreased by 32 per cent. This declining trend in profitability, which I presume is noticeable in the entire industry, should be viewed with concern. A strong and efficiently operated banking system is a *sine qua non* of economic growth and steps to reverse this trend are called for. There is need for much greater efficiency of operations and a substantial increase in the productivity of employees. This is a matter to which both workers and managements of banks in India will

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have to give serious and urgent consideration.

"You will recall that my predecessor, the late Shri V. T. Dehejia, had made a mention at the 13th Annual General Meeting of the Shareholders held on the 18th March 1968 that banks in India should start making full disclosure of their reserves and profits. Since then although no formal amendment to the current legislation in this regard has been effected, major banks in the U.K. have taken a decision and have, in fact, published for the first time in the third week of February 1970, full details of their reserves and profits.

"I had earlier referred to the need to maintain the spirit of competition amongst the leading banks notwithstanding the fact that they all function in the public sector. The disclosure of true profits would provide a convenient yardstick to measure the comparative efficiency of each bank and thus help maintain the spirit of competition. Further, in the light of the declining profitability trends, the disclosure of true profits would result in greater awareness of the problem among the employees and enable them to have a more direct stake in the institution. I hope that the nationalisation of the major banks in the country would pave the way for this very desirable reform in the banking industry.

Helping Small-Scale Industry

"The role of the State Bank Group as the pioneers and pace setters in the field of financing small scale industries was further amplified during 1969 as will be evident from the relevant details furnished in the Annual Report. The increase of Rs. 53 crores in lendings to this sector during 1969 as compared to Rs 19 crores during the previous year bears ample testimony, if one is needed, to the progress made by the State Bank Group in this field of business. During the year, the small units on the books of the Bank and its Subsidiaries produced goods worth approximately Rs 700 crores and gave employment to as many as half a million persons. A significant fact about our finance to small scale industries is that about 85 per cent of the total number of units assisted by the State Bank Group have capital investment of less than Rs 1 lakh each—a clear indication that the clientele we serve represents the "smaller" among the small scale units. In the light of the past experience, the Bank has simplified considerably the procedures relating to working capital advances to small industries enjoying limits not exceeding Rs 50,000 per unit. Further, in order to take care of the unforeseen and emergent financial needs of small scale units, a facility has been introduced whereby even these requirements would now be met by the Bank. During 1969 a new scheme was introduced for providing financial assistance up to Rs 5,000 to artisans/craftsmen/small units located in rural areas with the objective of

further accelerating the industrialisation of rural areas". Enumerating steps taken to attract qualified entrepreneurs in larger numbers to take advantage of the schemes specifically set up for the purpose, Shri Talwar stated that the ceiling for advances under the scheme was raised in 1969 from Rs 1 lakh to Rs 2 lakhs, while locational restrictions were relaxed. He hoped that experienced engineers working in large industries or public sector undertakings would take advantage of the scheme to set up their own small-scale units and in the process create openings for young inexperienced engineers who were facing difficulty in securing employment.

On the question of advances to small business, Shri Talwar had this to say: "Under the various schemes initiated by the Bank during the latter part of 1969, advances to small business amounted to over Rs 11 crores for the State Bank Group. Considering the short time available for our offices to build up this new line of business, I trust you will agree with me that the achievement during the year is satisfactory. Our advances to small business are guided by the same considerations which govern industrial or farm lendings. Financing is limited to viable or potentially viable units with anticipated repaying capacity. We have two-fold objectives in financing small business; one is to spread entrepreneurship among the financially weaker sections of the society, and the other is to replace non-institutional sources of credit to this sector to the extent possible.

Growth in Farm Financing

"Impressive increases were recorded in agricultural financing during the year 1969. The total advances of the State Bank Group to this sector rose by Rs 84 crores to over Rs 116 crores. Direct advances to agriculturists alone increased during the year by nearly Rs 30 crores and at the end of the year these advances aggregated Rs 33 crores spread over nearly 1,20,000 accounts. Most of the farmers assisted by the Group are small—72 per cent of them had average outstandings of Rs 1,029 only. Over 75 per cent of the farmers assisted had holdings of 10 acres and less, and 41 per cent had holdings of 5 acres and less.

"In the Annual Report a reference has been made to the 'Village Adoption Approach'. This is essentially an extension of the idea of 'Area Approach' and has been found on experience to be the most useful strategy in the financing of agriculture, more particularly for the benefit of small farmers. The villages selected are ordinarily those in which the co-operative credit institutions have not made much head-way. In the villages adopted efforts are made to assist all viable or potentially viable farmers irrespective of their land holdings for all their requirements for agricultural development. The greatest advantage of the Village Adoption Approach lies in

(ii) Contribution of public enterprises other than Railways and Posts and Telegraphs is likely to show an improvement of Rs 100 crores as compared to the Draft Fourth Plan estimates on account of the expected improvement in the financial working of some of the industrial undertakings particularly those benefiting from the revision of prices of steel and coal and

nounced during 1969-70. Further, credit has been taken in the latest estimates for an additional amount of Rs 259 crores in respect of resources to be made available by Indian Dairy Corporation (Rs 57 crores), DVC (Rs 49 crores), Agricultural Refinance Corporation (Rs 10 crores), Rural Electrification Corporation (Rs 105 crores) and Central Power Generation (Rs 38 crores). These had not been taken into account in the earlier estimation of resources.

(iii) The Reserve Bank credits a part of its retained earnings to the long-term operations funds and channels it through term lending institutions for agricultural and industrial investment. Up to 1968-69, all expenditure financed from these funds was kept outside the public sector Plans. For the Fourth Plan all expenditure on identifiable schemes of a developmental nature financed from the resources provided by the Reserve Bank out of the long-term operations funds has been included in the public sector Plan. Correspondingly, credit has been taken for a sum of Rs 202 crores likely to be made available by the Reserve Bank over the Fourth Plan period for these purposes in the resources. Of this amount, Rs 37 crores represents estimated loans to state governments for participation in share capital of co-operatives and Rs 165 crores is for the centre's programmes.

(iv) Market borrowings of the central government and central institutions are likely to show an improvement of Rs 555 crores over the earlier estimates, made up as follows:

	(Rs crores)
Direct borrowings by the central government	+150
Borrowings by Central financial institutions like IDB, IFC, ARC	+250
Borrowings by the FCI for buffer stocks	+155

(v) Additional resource mobilisation by the centre has been increased in consultation with the Ministry of Finance from the figure of Rs 1,600 crores in the Draft Plan to Rs 2,100 crores, net of the states' share of additional taxation at the centre.

(vi) Net miscellaneous capital receipts at the centre are expected to be higher by Rs 148 crores as compared to the Draft Fourth Plan estimates, mainly due to larger inflow under deposits, funds, etc. In the case of states, the net outgo is now estimated to be lower by about Rs 407 crores as compared to the Draft Fourth Plan. This is an account of the accommodation by the centre to the states having overall deficits to facilitate the release of their additional mobilisation for the Plan.

(vii) External assistance takes credit for additional Rs 100 crores over the Draft Fourth Plan in the form of commodity aid from international agencies and foreign governments. Of the estimated gross external assistance of Rs 3,830 crores for the Fourth Plan, deducting Rs 1,216 crores for repayment of external loans (Rs 1,036 crores by the central government and Rs 180 crores by public enterprises) the net external assistance is estimated at Rs 2,614 crores.

(viii) No change is contemplated under deficit financing.

The net increase in the resources of the centre (inclusive of the increase of Rs 27 crores for the union territories) for the Fourth Plan over the Draft Plan estimates now stands at Rs 964 crores, composed of Rs 500 crores of additional resources mobilisation, Rs 150 crores of increase in direct market borrowings, and Rs 314 crores by way of net increase in indirect borrowings, external assistance and domestic budgetary resources. The total outlay on the centre's

Plan inclusive of centrally sponsored schemes and the outlay on the Plans of union territories, goes up to Rs 9,296 crores, against Rs 8,332 crores in the Draft Plan.

The total resources available for private investment now work out at Rs 8,980 crores against Rs 10,000 crores estimated in the Draft Plan as shown below. But it is important to note that the amount of corporate savings available for investment in organised industry will be larger than estimated earlier and the currently lower overall estimate for the private sector will be to some extent compensated by increased availability to the private sector through direct and indirect flow of public funds.

	(Rs crores)	As given in the Draft Fourth Plan	As now worked out
1. Private savings	13,900	13,900	14,160
2. Corporate savings	1,860	1,860	1,950
3. Household and co-operative savings	12,040	12,040	12,210
4. Central and State Government draft on private savings	3,930	3,930	5,210
5. Private savings available for private investments (1-4)	9,970	9,970	8,950
6. Gross loans and investment from abroad	300	300	300
7. Repayment of foreign loans	270	270	270
8. Net inflow of foreign funds	30	30	30
9. Total resources available for private investments (5+8)	10,000	10,000	8,980

The final estimates of resources for the public sector in the centre and the states are given in Table 1, while Table 2 gives the states' resources for the Fourth Plan.

An account has been given above of how resources for the Fourth Five-Year Plan have been re-assessed in the light of developments

since the publication of the Draft Fourth Five year Plan in consultation with the central and state governments, the Reserve Bank of India, Life Insurance Corporation, Provident Fund Commissioner and the undertakings of the central and the state governments. The total resources are now expected to amount to Rs 24,882 crores as compared to the Draft Plan estimates of Rs 24,398 crores. Of the aggregate outlay of Rs 24,882 crores, Rs 15,902 crores is in respect of the public sector Plan and Rs 8,980 crores for the private sector. The resources for the public sector Plan are now expected to increase by Rs 1,504 crores while those for the private sector are expected to show a decrease of Rs 1,020 crores, resulting in an overall improvement of Rs 484 crores in resources for the Fourth Plan.

Of the increase of Rs 937 crores in the centre's Plan a sum of Rs 260 crores will be by way of central support to financing institutions that will supplement the programmes in the states and Rs 54 crores will be spent on centrally sponsored schemes. The increase in central schemes and institutional support to central programmes will be Rs 493 crores and Rs 130 crores respectively. A summary statement is given below:

Variations from the Draft Plan estimates that are due purely to accounting adjustments have been explained earlier. Allowing for these, increase in the outlays in the states and union territories will be mainly due to (a) agricultural programmes and minor irrigation, (b) co-operation, (c) irrigation, power and flood control, (d) roads, (e) rural water supply, (f) housing and (g) welfare of backward classes.

Similarly, the increase in the public sector outlay for the centre will mainly go to (a) fresh schemes and expansion of continuing schemes, (b) increases on account of larger spill-over of expenditure of continuing schemes and escalation of costs, and (c) several schemes and outlays which were left out in the Draft Plan but are now included. This increase will be offset by reductions (a) on account of exclusion of certain non-Plan expenditures, and (b) in outlays of certain projects.

The revised Fourth Plan Outlay in the public sector is given in Table 3. The state-wise Out-

TABLE 'A'

	(Rs crores)	As in the Draft Fourth Plan	As now worked out	Change
A. Public Sector				
(i) Centre	7,934	7,934	8,871	+937
(ii) States	6,066	6,066	6,606	+540
(iii) Union Territories	398	398	425	+27
TOTAL (A)	14,398	14,398	15,902	+1,504
B. Private Sector				
TOTAL (A+B)	24,398	24,398	24,882	+484

TABLE 'B'

	(Rs crores)	As in the Draft Fourth Plan	As now worked out	Change
1. Institutional support to Central programmes	375	375	505	+130
2. Centrally sponsored schemes	727	727	781	+54
3. Institutional support for programmes in States	285	285	545	+260
4. Central schemes	6,547	6,547	7,040	+493

lays is given in Table 2 and for union territories in Table 5.

The Draft Outline of the Fourth Five-Year Plan envisaged an outlay of Rs 6,066 crores for the Plans of the states. A re-assessment of resources of individual states was undertaken after the award of the Fifth Finance Commission was announced. A brief account of the process of re-assessment and the results achieved has been given earlier. Additional amounts by way of public borrowings and negotiated loans will also become available as a result of the nationalisation of banks. As a result of these measures it has become possible to increase the state plan outlays by Rs 540 crores. With this addition the total outlay of all the states will now aggregate to Rs 6,606 crores approximately.

The increased outlays of the States' Plans made it necessary to review their distribution among various sectors to augment the outlays for priority programmes where necessary. The states were accordingly requested to furnish their revised sectoral distribution of outlays. Discussions on the revised sectoral outlays of some of the states are still in progress. The sectoral distribution of the outlays is as likely to emerge is given in Tables 4 and 6. These outlays with such minor adjustments as may be necessary on the completion of the discussions with the remaining states will be included in the final Plan document.

Generally speaking there has been an increase in the outlays under agricultural programmes, co-operation, irrigation and power, roads and road transport, water supply and housing.

Rise in Irrigation Outlay

Additions to Plan outlay under agriculture are mainly under minor irrigation, soil conservation and animal husbandry and roads. Outlays for co-operation have gone up practically in all the states in order to ensure full utilisation of the funds that are likely to be provided by the Reserve Bank of India. Outlays under irrigation and flood control and power have gone up due to increased costs of some of the continuing projects and for providing for a larger number of new schemes, especially under medium irrigation.

Outlays for general education have increased in a few states particularly under elementary education, where considerable leeway has yet to be made.

Provision for rural water supply has been considerably augmented in order to provide this basic amenity on a wider scale. The outlay for housing has been stepped up in keeping up with the resources that are likely to be available from LIC for this purpose.

The increases under the various sectors are likely to be of the following order:

	(Rs crores)
Agricultural Programmes	65
Irrigation including flood control	133
Power	183
Roads and road transport	49
General education	13
Water supply	40
Housing	35
Others	22
TOTAL	540

As mentioned earlier, the state Plan outlay of Rs 6,606 crores will be supplemented by an outlay of Rs 781 crores for centrally sponsored schemes (as compared to Rs 727 crores indicated in the Draft Outline) mainly under agriculture, health, family planning and welfare of back-

ward classes. The central Plan also includes provision to the extent of Rs 545 crores by way of support to the state programmes through institutions like Agricultural Refinance Corporation, Land Development Banks, Rural Electrification Corporation, and Indian Dairy Corporation. Additional provisions have also been made in the central sector Plan for a few schemes which will directly benefit the states e.g., schemes for small farmers and agricultural labourers (Rs 85 crores), dry farming (Rs 20 crores), and area development (Rs 7.5 crores). Thus a significant proportion of the additional outlay in the central sector Plan is designed to support the development programmes included in the state Plans and the total Plan expenditure in the states (excluding purely central sector projects, e.g., railways, large industries, and ports) will be substantially larger than the outlays of the State Plans.

It is evident that both the centre and the states and union territories will now pay increasing attention not merely to raising the national income but to ensuring its just and equitable distribution. Disparities and imbalances exist not only between different states but also between regions and sections of population in each state. The centre and the state and union territories are now anxious that programmes are conceived and resources for them allocated with specific reference to the potentials, pro-

grammes and priorities of different areas and vulnerable sections of the population. The improvement in the resources position will now make a re-orientation of general policy in this direction possible. The preparation of the district and area Plans assumes special importance in this context. Sizable provision is likely to be available outside the Plan for rural works to accelerate the development of identified areas suffering chronically from drought. These supplementary programmes could prove most effective if they are formulated in consonance with the framework of the district and state Plans.

Since the 'benefits of development flow through employment opportunities, programmes will have to be oriented towards optimum utilisation of labour resources. The full benefit of investment on development programmes can be obtained and disparities between different areas minimised through the continuous process of planning, implementation, review and evaluation. Thus organisation at all levels will emerge as an important input and call for reinforcement of the planning machinery at the level of the states and districts to enable it to fulfil its role adequately and swiftly. This process will have to be strengthened by improving the information and reporting system.

The details of various additional requirements

TABLE I
ESTIMATES OF RESOURCES FOR THE FOURTH PLAN

	(Rs crores)						
	Draft Fourth Plan Estimates			As now Estimated			
	Centre	States	Total	Centre	States	Total	
	1	2	3	4	5	6	7
I. Domestic Budgetary resources other than negotiated loans from LIC and state enterprise, market borrowings—							
1. Balance from current revenues at 1968-69 rates of taxation	2355	100	2455	1625	48*	1673	
2. Contribution of Public enterprises at 1968-69 fares, freights and tariffs							
(a) Railways	265	..	265	265	..	265	
(b) Posts and Telegraphs	225	..	225	225	..	225	
(c) ARC, IDC, DVC, REC, and Central Power Generation	..	..	..	259	..	259	
(d) Others	685	555	1240	785	495	1280	
3. Retained profits of Reserve Bank	133	32	165	165	37	202	
4. Market borrowings of central and state govts. (net)	750	416	1166	900	515	1415	
5. Borrowings by financial institutions including FCI							
(a) Food Corporation of India	..	..	..	155	..	155	
(b) Others	..	..	..	250	..	250	
6. Small Savings	274	526	800	274	495	769	
7. Annuity deposits, compulsory deposits, prize bonds and gold bonds	—104	..	—104	—104	..	—104	
8. State provident funds	343	297	640	343	317	660	
9. Miscellaneous capital receipts (net)	42	—812	1130	2090	—405	1685	
Total 1	6868	1114	7983	7232	1502	8734	

*Inclusive of share in additional resource mobilisation by the Centre in 1960-70 (Rs. 150 crore)

	1	2	3	3	4	5	6	7
	(Rs crores)							
II. Additional resource mobilisation								
(a) by Centre								
(i) 1969-70 measures			..	..	..	725	@	725
(ii) Measures to be undertaken in subsequent years			1600	—	1600	1375	—	1375
TOTAL (a)			1600	—	1600	2100	—	2100
(b) by States								
(i) 1969-70 measures							414	414
(ii) Measures to be undertaken in subsequent years			—	1109	1109	—	684	684
TOTAL (b)			—	1109	1109	—	1098	1098
TOTAL II			1600	1109	2709	2100	1098	3198
III. Loans from LIC and State enterprises market borrowings (gross)								
1. LIC loans to State governments for housing and water supply			—	96	96	—	100	100
2. Market borrowings of state enterprises			—	116	116	—	261	261
3. LIC loans for state enterprises			—	131	131	—	145	145
TOTAL III			—	343	343	—	506	506
IV. Total Domestic Budgetary resources			8468	2566	11034	9332	3106	12438
V. Budgetary receipts corresponding to external assistance (net)								
(a) Other than PL 480			2134	—	2134	2234	—	2234
(b) PL 480 assistance			380	—	380	380	—	380
TOTAL V			2514	—	2514	2614	—	2614
VI. Deficit financing			850	—	850	850	—	850
VII. Aggregate resources			11832	2566	14398	12796	3106	15902
VIII. Assistance for state Plans			—3500	3500	—	—3500	3500	—
IX. Resources for the Plan			8332	6066	14398	9296	6606	15902

@ Included under item (1).

TABLE 2
STATES' RESOURCES FOR THE FOURTH PLAN

States	As assessed earlier in November-December, 1968				As assessed in November-December, 1969				(Rs crores)
	Resources excluding additional resource mobilisation	Additional resource mobilisation	Central assistance	Total Plan (2+3+4)	Resources excluding additional resource mobilisation	Additional resource mobilisation	Central assistance	Total Plan (6+7+8)	
	1	2	3	4	5	6	7	8	9
Andhra Pradesh	..	20.50	100.00	240.00	360.50	45.50*	135.00	240.00	420.50
Assam	..	5.50	..	220.00	225.50	16.75*	25.00	220.00	261.57
Bihar	..	3.60	100.00	338.00	441.60	93.28	100.00	338.00	531.28
Gujarat	..	175.50	116.70	158.00	450.20	254.72	42.28	158.00	455.00
Haryana	..	82.00	30.00	78.50	190.50	116.19	30.31	78.50	225.00
Jammu and Kashmir	..	—9.00	9.00	145.00	145.00	4.40*	9.00	145.00	158.40
Kerala	..	23.40	60.00	175.00	258.40	33.35*	50.00	175.00	258.35
Madhya Pradesh	..	—6.00	100.00	262.00	356.00	38.00*	83.00	262.00	383.00
Maharashtra	..	516.30	50.00	245.50	811.80	572.62	80.00	245.50	898.12
Mysore	..	104.10	50.00	173.00	327.10	104.00	73.00	173.00	350.00
Nagaland	..	..	..	35.00	35.00	4.82	0.18	35.00	40.00
Orissa	..	—14.50	35.00	160.00	180.50	28.00*	34.60	160.00	222.60
Punjab	..	92.40	78.00	101.00	271.40	136.14	56.42	101.00	293.56
Rajasthan	..	—21.00	40.00	220.00	239.00	32.00*	50.00	220.00	302.00
Tamil Nadu	..	215.00	85.00	202.00	502.00	232.36	85.00	202.00	519.36
Uttar Pradesh	..	250.00	175.00	526.00	951.00	264.00	175.00	526.00	965.00
West Bengal	..	19.50	80.00	221.00	320.50	31.50*	70.00	221.00	322.50
TOTAL	..	1,457.30	1,108.70	3,500.00	6,066.00	2,007.63	1,098.79	3,500.00	6,606.42

*Represents only the negotiated loans from RBI and LIC by the State Governments and the open market borrowings as well as the negotiated loans of the State enterprises.

of the different ministries for central projects were discussed with the ministries concerned. Keeping in view the priorities and the essential needs of the economy, certain adjustments in the outlays of the various sectors are now proposed. While considering the programmes to be included in the Plan in the central sector, an attempt has also been made to identify more clearly and fully the programmes which were being financed through certain central institutions to which funds were flowing partly from the central government resources and partly from banking and other sectors. In particular, mention has to be made of the resources to be raised by the Food Corporation of India for building up buffer stocks of foodgrains, and by term-lending institutions like the Industrial Development Bank, the Industrial Finance Corporation, the Industrial Credit and Investment Corporation and the Agricultural Refinance Corporation for financing the Plan programmes. The outlays on central and centrally sponsored schemes by main heads of development are shown in Table 7.

Of the increase in outlay of Rs 436.80 crores in the Agricultural sector a sum of Rs 216.80 crores represents net increase by way of new programmes or augmentation of continuing programmes included in the Draft and a sum of Rs 220 crores represents outlays which in the Draft had been treated as outside the Plan but have now been brought within the Plan. In Power, out of a total increase of Rs 180.93 crores, a sum of Rs 105 crores in respect of the Rural Electrification Corporation was treated as outside the Plan and is now included in the Plan. The increase in Industry and Minerals has been caused mainly by (a) inclusion of fresh schemes and extension of continuing schemes, (b) increase in the spillover of continuing schemes and escalation of costs and (c) schemes and outlays that were left out in the Draft Plan. These increases have been offset by (a) reductions in outlay due to the exclusion of non-Plan expenditure amount of ONGC and (b) reductions in outlays of several projects. The net increase in Industry and Minerals works out at Rs 240.86 crores. The variations are explained in Table 8.

TABLE 3
DISTRIBUTION OF PUBLIC SECTOR OUTLAY: CENTRE, CENTRALLY SPONSORED, STATES AND UNION TERRITORIES

Head of Development	Centre	Centrally Sponsored	Union Territories	States	Total
Agriculture and allied Sectors	1104.26	126.83	70.30	1418.21	2719.60
Irrigation and Flood Control	23.50	—	12.48	1061.11	1097.09
Power	424.95	22.00	81.46	1927.42	2455.83
Village and Small Industries	148.65	5.10	10.41	134.29	298.45
Industry and Minerals	3150.86	—	3.40	184.21	3338.47
Transport and Communications	2622.00	42.00	91.90	489.32	3245.22
Education	241.00	30.00	53.21	504.57	828.78
Scientific Research	140.26	—	—	—	140.26
Health	53.50	176.50	19.27	187.25	436.52
Family Planning	—	315.00	—	—	315.00
Water Supply and Sanitation	3.80	2.00	43.20	343.00	392.00
Housing and Urban and Regional Development	48.60	—	20.55	149.48	218.63
Welfare of Backward Classes	0.50	59.50	5.04	77.38	142.42
Social Welfare	27.43	2.00	1.41	10.59	41.43
Labour Welfare and Craftsman Training	10.00	—	2.78	27.24	127.24
Other Programmes	90.68	—	9.59	92.35	19.62
TOTAL	8989.99	780.93	425.00	6606.42	15902.34

TABLE 4
FOURTH PLAN SECTORAL OUTLAYS 1969-74—STATES

Head of Development	Draft Plan Outlay	Revised Outlay (Provisional)	Variation (Col. 3-2)
I. Agricultural Programmes	1164.56	1212.51	+47.95
Agricultural Production	331.60	336.71	+5.11
Minor Irrigation	461.36	494.53	+33.17
Soil Conservation	115.79	121.40	+5.61
Area Development	20.73	21.04	+0.31
Animal Husbandry	67.95	72.38	+4.43
Dairying and Milk Supply	40.95	40.45	-0.50
Forests	73.34	74.66	+1.32
Fisheries	45.18	44.88	-0.30
Warehousing and Marketing	7.66	6.46	-1.20
II. Co-operation and Community Development	180.81	205.70	+16.89
Co-operation	96.68	114.71	+18.03
Community Development	83.88	83.64	-0.24
Panchayats	8.25	7.35	-0.90
III. Irrigation and Power	2672.85	2988.53	+315.68
Irrigation	837.93	954.72	+116.79
Flood Control	90.60	106.39	+15.79
Power	1744.32	1927.42	+183.10
IV. Industry and Mining	310.74	318.50	+7.76
Large and Medium Industries	154.27	157.25	+2.98
Mineral Development	22.09	26.96	+4.87
Village and Small Industries	134.38	134.29	-0.09
V. Transport and Communications	437.38	489.32	+51.94
Roads	345.38	386.33	+40.95
Road Transport	68.83	77.32	+8.49
Ports and Harbours	12.27	12.55	+0.28
Other Transport	2.50	3.40	+0.90
Tourism	8.40	9.72	+1.32
VI. Social Services	1205.23	1299.51	+94.28
General Education	437.94	451.19	+13.25
Technical Education	54.32	53.38	-0.94
Health	188.21	187.25	-0.96
Water Supply	303.31	343.00	+39.69
Housing	52.90	88.00	+35.10
Urban Development	63.20	61.48	-1.72
Welfare of Backward Classes	70.13	77.38	+7.25
Social Welfare	10.10	10.59	+0.49
Labour Welfare and Craftsman Training	25.12	27.24	+2.12
VII. Miscellaneous	86.43	92.35	+5.92
Statistics	3.30	3.27	-0.03
Information and Publicity	5.87	5.81	-0.06
State Capital Projects	24.66	26.75	+2.09
Special and Backward Areas	46.57	49.20	+2.63
Evaluation Machinery	0.73	0.51	-0.22
Others	5.30*	6.81*	+1.51
GRAND TOTAL	6066.00	6606.42	+540.42

*Includes Public Co-operation.

TABLE 5
FOURTH PLAN OUTLAYS 1969-74—UNION TERRITORIES

Union Territories	Draft Plan outlay	Revised outlay
1. Andaman and Nicobar Islands	11.00	14.00
2. Chandigarh	7.50	7.75
3. Dadra and Nagar Haveli	2.24	2.30
4. Delhi	155.65	162.65
5. Goa, Daman and Diu	37.00	39.50
6. Himachal Pradesh	94.40	101.40
7. Laccadive, Amindivi and Minicoy Islands	1.96	2.00
8. Manipur	28.00	30.25
9. NEFA	16.29	17.99
10. Pondicherry	12.00	12.50
11. Tripura	31.91	34.66
TOTAL	397.95	425.00

TABLE 6
FOURTH PLAN SECTORAL OUTLAYS 1969-74—UNION TERRITORIES

Head of Development	Draft Plan outlay	Revised outlay (Provisional)
I. Agricultural Programmes	59.47	60.42
Agricultural Production	21.99	22.19
Minor Irrigation	6.31	6.19
Soil Conservation	5.22	5.42
Area Development	0.02	—
Animal Husbandry	5.21	5.39
Dairying and Milk Supply	1.91	1.93
Forests	13.84	14.32
Fisheries	4.39	4.35
Warehousing and Marketing	0.58	0.63
II. Co-operation and Community Development	10.31	9.88
Co-operation	3.98	4.10
Community Development	5.13	4.66
Panchayats	1.20	1.12
III. Irrigation and Power	85.98	93.94
Irrigation	3.63	4.56
Flood Control	8.18	7.92
Power	74.17	81.46
IV. Industry and Mining	13.76	13.81
Large and Medium Industries	3.29	3.16
Mineral Development	0.24	0.24
Village and Small Industries	10.23	10.41
V. Transport and Communications	85.68	91.90
Roads	65.52	71.80
Road Transport	13.36	13.36
Ports and Harbours	2.80	2.82
Other Transport	3.25	3.23
Tourism	0.75	0.69
VI. Social Services	132.34	145.46
General Education	44.91	47.71
Technical Education	5.40	5.50
Health	19.29	19.27
Water Supply	33.34	43.20
Housing	10.32	10.28
Urban Development	10.27	10.27
Welfare of Backward Classes	4.25	5.04
Social Welfare	1.77	1.41
Labour Welfare and Craftsman Training	2.79	2.78
VII. Miscellaneous	10.41	9.59
Statistics	0.48	0.53
Information and Publicity	2.12	2.16
State Capital Projects	5.00	4.00
Evaluation Machinery	0.05	0.06
Others	2.76	2.84
GRAND TOTAL	397.95	425.00

TABLE 7

FOURTH PLAN—PUBLIC SECTOR OUTLAY—CENTRAL AND CENTRALLY SPONSORED SCHEMES

Head of Development	(Rs crores)		
	Draft Plan outlay	Revised outlay	Increase
1	2	3	4
1. Agriculture and allied Sectors	794.29	1,231.09	436.80
2. Irrigation and Flood Control	23.50	23.50	—
3. Power	266.00	446.95	180.95
4. Village and Small Industries	150.10	153.75	3.65
5. Industry and Minerals	2,910.01	3,150.86	240.81
6. Transport and Communications	2,650.00	2,664.00	14.00
7. Education	259.00	271.00	12.00
8. Scientific Research	133.96	140.26	6.30
9. Health	230.00	230.00	—
10. Family Planning	300.00	315.00	15.00
11. Water Supply and Sanitation	2.30	5.80	3.50
12. Housing and Urban Regional Development	34.00	48.60	14.60
13. Welfare of Backward Classes	60.00	60.00	—
14. Social Welfare	25.25	29.43	4.18
15. Labour Welfare and Craftsmen Training	9.20	10.00	0.80
16. Other Programmes	85.97	90.68	4.71
TOTAL	7,933.58	8,870.92	937.34

TABLE 8

EXPLANATION OF VARIATIONS IN THE CENTRAL SECTOR OUTLAYS

I. Schemes and outlays which were left out in the Draft Plan and are now included

(Rs crores)		
		Outlay required in the Fourth Plan
1. Tenughat dam .. .. .	.. .. .	8.50
2. Research and Development Organisation for electrical industries .. .. .	.. .. .	1.62
3. Central agency for inspection of boilers .. .. .	.. .. .	0.24
4. Feasibility studies/DPR Hindustan Zinc Ltd. .. .. .	.. .. .	0.30
5. Hindustan Antibiotics, Pimpri Vit C Plant .. .. .	.. .. .	1.18
6. Hindustan Antibiotics, Pimpri—Neomycin Sulphate Plant .. .. .	.. .. .	0.20
7. Central Institute of Plastic Engineering and Tools, Guindy .. .. .	.. .. .	0.95
8. All India Institute of Weights and Measures, Patna .. .. .	.. .. .	0.10
TOTAL .. .. .	.. .. .	13.09

II. Increases on account of

- (a) Larger spillover of expenditure on continuing schemes, and
(b) escalation of costs

				(Rs crores)		
				Draft Plan outlay	Revised outlay	Additional outlay
1				2	3	4
A. Power						
1. Badarpur Thermal Power Station				40.00	49.25	9.25
B. Industry and Minerals						
<i>Ministry of Steel and Heavy Engg.</i>						
1. Bokaro Steel Plant				500.00	558.00	58.00
2. Hindustan Steel Ltd.				20.22	51.00	30.78
3. Mysore Iron and Steel Works Ltd.				5.00	5.90	0.90
<i>Department of Mines and Metals</i>						
4. N.C.D.C.				29.00	37.97	8.97
5. Neyveli Lignite Corporation				2.45	4.50	2.05
6. Coal Board—Third Plan Ropeway Scheme				2.78	3.14	0.36
7. Khetri Copper Project				58.00	71.28	13.28
8. N.C.D.C. Coking Coal Mines Monidih				15.00	19.42	4.42
9. G.S.I., I.M.B., Airborne Mineral survey and exploration				35.00	40.00	5.00
10. Korba and Koyna Aluminium Projects				100.00	125.00	25.00

	1	2	3	4
<i>Department of Chemicals</i>				
11. FACT—IV Stage Expansion	1.11	2.67	1.56	
12. Madras Fertilisers	27.29	40.09	12.80	
13. Durgapur Fertilisers	22.32	24.18	1.86	
14. Namrup Fertiliser Expansion	26.46	37.97	11.51	
15. Gorakhpur Fertilisers	—	2.73	2.73	
16. Barauni Fertilisers	33.98	38.70	4.72	
17. Namrup Fertilisers	—	0.16	0.16	
18. Hindustan Organic Chemicals, Panvel	8.96	9.16	0.20	
19. Gujarat Aromatics Projects	16.32	18.00	1.68	
<i>Department of Petroleum</i>				
20. Lubrizol	0.10	0.40	0.30	
<i>Department of Industrial Development</i>				
21. Hindustan Photo Films	4.97	5.35	0.38	
22. Paper Projects	50.00	60.00	10.01	
23. B.H.E.L.	28.35	32.26	3.91	
24. Machine Tools Corporation	5.96	6.21	0.25	
25. National Instruments Ltd.	1.00	2.02	1.02	
26. Expansion of NEPA Mills	4.65	6.66	2.01	
<i>Ministry of Finance</i>				
27. Printing Press for bank note paper	4.50	8.50	4.00	
<i>Department of Atomic Energy</i>				
28. Heavy Water Plant II and III	14.65	17.00	2.35	
TOTAL (A)	1,018.07	1,228.27	210.20	
TOTAL (A+B)	1,058.07	1,277.52	219.45	
III. Inclusion of fresh schemes and expansion of continuing schemes				
A. Agriculture and Allied Sectors				
1. Development of small farmers and agricultural labour	30.00	115.00	85.00	
2. Pilot projects for development of Dry Land Farming	—	20.00	20.00	
3. Plant protection in endemic areas	—	4.30	4.30	
4. Area development in selected irrigation command areas	7.50	15.00	7.50	
5. Provision of margin money to co-operatives for fertiliser distribution	12.50	15.00	2.50	
6. Assistance to National Co-operative Development Corporation for financing of co-operative processing units	7.50	9.00	1.50	
7. Fertiliser Credit Guarantee Corporation	—	1.00	1.00	
8. Storage programme of Food Corporation of India	43.00	73.00	30.00	
9. Project for milk marketing and dairy development	—	95.00	95.00	
10. Agricultural Refinance Corporation	140.00	200.00	60.00	
11. Buffer stocks of foodgrains (Food Corporation of India)	125.00	255.00	130.00	
TOTAL	365.50	802.30	436.80	
B. Power				
1. Small Schemes relating to Regional Electricity Board and Training Units at Neyveli	—	0.70	0.70	
2. Preliminary work at new atomic power stations	120.00	135.00	15.00	
3. Additional Inter-State lines	14.00	22.00	8.00	
4. Rural Electrification Corporation	45.00	150.00	105.00	
5. D.V.C. (Central Sector)	6.00	49.00	43.00	
TOTAL	185.00	356.70	171.70	
C. Village and Small Industries				
1. Support for hire purchase schemes for entrepreneurs	—	10.00	1.00	
2. Credit Guarantee to Banks for loans to engineer entrepreneurs	—	2.00	2.00	
3. Training of engineer entrepreneurs	—	1.00	1.00	
TOTAL	—	4.00	4.00	
D. Industry and Minerals				
1. Advance action for additional steel capacity in the Fifth Plan	20.00	110.00	90.00	
2. New projects such as cold rolled grain-oriented sheets, refractory plant, expansion of alloy and steel plant	—	20.00	20.00	
3. Mysore Iron and Steel works (new scheme)	—	3.00	3.00	
4. Heavy Engineering Corporation, C.C. Plant	—	2.00	2.00	
5. Heavy Engineering units	—	2.00	2.00	
6. Coking and non-coking coal mines and advance action for Fifth Plan	—	35.00	35.00	
7. Hindustan Copper (development of Sukinda Nickel)	—	5.00	5.00	
8. N.M.D.C.—Kuremukh	—	15.00	15.00	
9. IDPL—diversification	1.88	2.88	1.00	
10. Tundoo Smelter—modernisation	—	0.75	0.75	
11. Assam Petro-chemical Complex	—	10.00	10.00	
12. Scooter Project	—	6.00	6.00	
13. Second Cable Factory	—	5.50	5.50	
14. Cement project at Mandhar (based on Bhilaislag)	20.00	23.00	3.00	
15. Subsidy for development of backward areas	—	5.00	5.00	
16. Loan to State authorities for water supply/electricity	—	1.00	1.00	
TOTAL	41.88	246.13	204.25	
E. Transport and Communications				
1. Subsidy to Shipping Development Fund	—	10.00	10.00	
2. Inland Water Transport, development of Rajbangaon docks, Assam docks, ect.	5.00	9.00	4.00	
TOTAL	—	19.00	14.00	
F. Education				
TOTAL	—	5.00	5.00	

	1	2	3	4
G. Scientific Research				
1. Satellite TV Experiment	..	..	2-90	2-90
2. Space Research augmentation	..	10-12	12-12	2-00
3. Trombay Hospital	..	..	0-40	0-40
4. Housing for scientific personnel of DAE ..	..	5-85	6-85	1-00
TOTAL	..	15-97	22-27	6-30
H. Family Planning				
Augmentation of programmes	..	300-00	315-00	15-00
TOTAL	..	300-00	315-00	15-00
I. Water Supply and Sanitation				
Participation in UNICEF Scheme of Power drilling for drinking water and sanitation	..	..	3-50	3-50
TOTAL	..	..	3-50	3-50
J. Housing and Urban Development				
1. Central Assistance for Cellular Concrete Factory in Tamil Nadu ..	..	..	2-60	2-60
2. Share capital for Central Housing Finance Corporation	..	..	10-00	10-00
3. Plantation Labour Housing programme	..	..	2-00	2-00
TOTAL	..	..	14-60	14-60
K. Social Welfare				
1. Augmentation of family and child welfare projects.. .. .	..	6-00	7-00	1-00
2. Welfare of destitute children	..	..	2-00	2-00
3. Welfare of destitute women	..	..	1-00	1-00
4. Welfare of physically handicapped	..	2-32	2-50	0-18
TOTAL	..	8-32	12-50	4-18
L. Labour Welfare and Craftsmen Training				
Pilot Rural Training Institutes and National Labour Research Institutes	..	..	0-80	0-80
TOTAL	..	..	0-80	0-80
M. Other Programmes				
1. Improvement of crop statistics	..	..	1-20	1-20
2. Sample Registration Vital Statistics (Registrar General, India) ..	..	1-55	2-80	1-25
3. Improvement of statistics (DGS & D)	..	..	0-16	0-16
4. Department of Statistics—Purchase of Computer	..	..	1-00	1-00
5. Miscellaneous	..	0-07	1-17	1-10
TOTAL	..	1-62	6-33	4-71
TOTAL (A to M)	..	983-39	1,875-23	891-84
IV. Reduction in outlay due to exclusion of non-Plan expenditure Industry and Minerals				
O.N.G.C.	..	341-60	181-00	-160-60
TOTAL	..	341-60	181-00	-160-60
V. Projects where reduction in outlay is envisaged				
1. Trombay Fertiliser Expansion	..	59-41	38-64	-20-77
2. Hindustan Insecticides Ltd, Delhi and Alwaye ..	..	0-75	0-23	-0-52
3. Hindustan Insecticides Ltd new scheme	..	3-97	2-42	-1-55
4. Plantations (tea)	..	20-50	17-25	-3-25
5. Collection of statistics—Village and Small Indus-	..	0-60	0-50	-0-35
TOTAL	..	85-23	58-79	-26-44

TABLE 9
ABSTRACT OF TABLE 8

	Draft Plan Outlay	Revised Outlay	Change
1. Outlay not indicated in the Draft Plan (approved schemes)..	..	13-09	+13-09
2. Increases on account of spill-over and escalation of costs..	..	1,277-52	+219-45
3. Fresh schemes and expansion of continuing Schemes..	..	1,875-23	+891-84
4. Reduction in Outlay due to exclusion of non-Plan expenditure	..	181-00	-160-60
5. Reduction in outlay	..	58-79	-26-44
TOTAL	24,68-29	3,405-63	+937-34

(Rs crores)

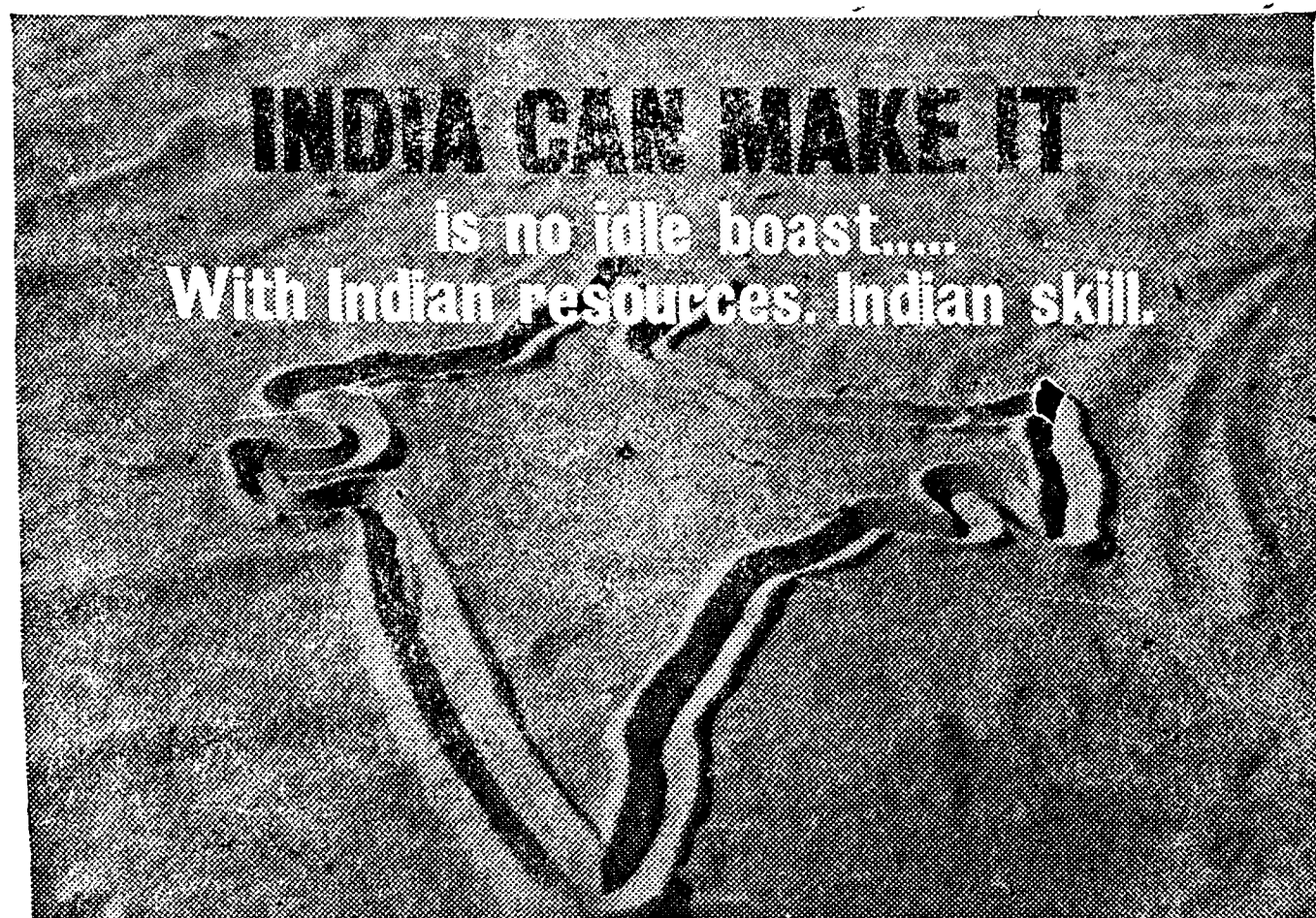
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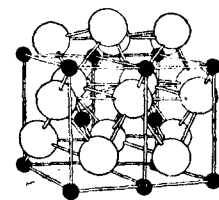


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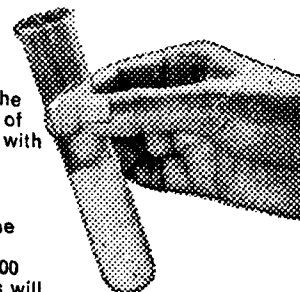
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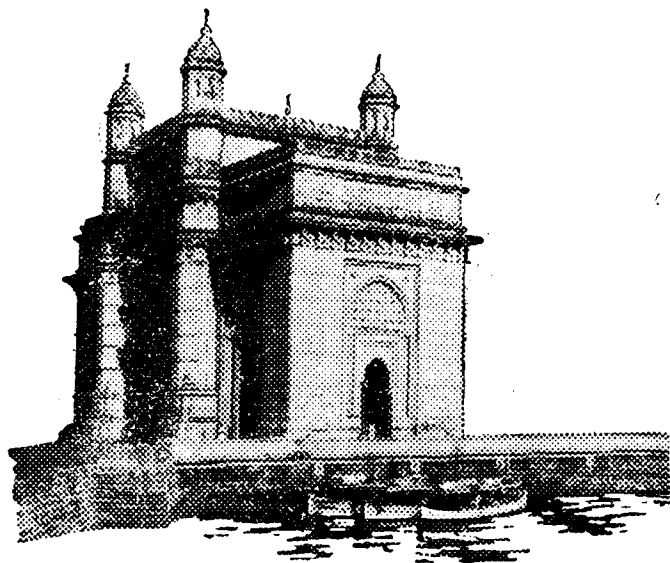
JPES 1.50 APRIL 10, 1970 VOL. 54

SIDELIGHT ON GOVT HOUSEKEEPING
NEW DELHI, April 1: The audit report of the defence services has taken to task an ordnance factory for absent-mindedness and negligence which has resulted in the loss of lakhs of rupees to the public exchequer. The report for 1970 presented to the Lok Sabha today says that in 1963 an ordnance factory placed an order on another ordnance factory for the supply of "600 metres of leather fillets in lengths of 36 inches each". In 1966, the manufacturing factory pointed out that the drawing accompanying the order showed that each leather fillet was to be of 36 feet in length instead of 36 inches as mentioned in the order. It requested the indenting factory to amend the order and also to specify the exact number of fillets required. The indenting factory while amending the description of the item to "leather fillets 36 feet" did not work out the number of fillets required corresponding to the length of 600 metres but indicated it as "600 in number". The entire supply was completed by December 1969 but only 60 fillets have been used. The remaining 540 fillets worth over Rs 8 lakhs are not likely to be utilised before 1977.—UNI.



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NEITHER MAN NOR WOMAN

THERE IS no doubt at all that the police did only their duty when they used force to disperse a mass procession taken out by the Samyukta Socialist Party, which attempted to march to Parliament House on Monday of this week. An order under Section 144 is in force against such demonstrations within a specified area surrounding Parliament House. The organisers of the procession were therefore fully aware of the implications of the effort made by some of the demonstrators to break through the police cordon at Patel Chowk, within two furlongs of Parliament House. The procession was stated to be about 10,000 strong and a section of it, consisting mainly of Adivasis brought to the capital specially to take part in the procession, was reported to have equipped itself with bows, arrows, swords and spears. It appears that this section either used force or made a show of force when it tried to break through the police cordon in defiance of the prohibitory order. It goes to the credit of the police authorities on the spot that they nipped the trouble in the bud by using force (mainly in the form of a lathi charge and the bursting of tear-gas shells just sufficient to disperse several thousands of demonstrators (some of whom were inclined to be violent) within a very short period of time and while avoiding the infliction of serious injuries on any considerable number of people.

It was, no doubt, unfortunate that a few Members of Parliament, belonging to the SSP, were hurt in the process but, then, it was clearly impossible for the authorities to ensure the sanctity of person of even Members of Parliament in such situations. This apart, there is the question whether Members of Parliament, who find themselves leading a mass procession, tending to be violent, in disregard of lawfully promulgated orders for securing the proper functioning of Parliament, can claim 'immunity' from the predictable consequences of their involvement in such incidents. As a matter of fact, it could be argued that Members of Parliament have a special responsibility in such matters as the due observance of the requirements of law and order, especially where they are related to the functioning of Parliament. It reflects no credit, moreover, on the mentality of some of the involved Members of Parliament that they should make a special grievance of being caught, so to say, at the wrong end of the stick in the encounter between the demonstrators and the police when so many of their followers, whose fault was only that they had joined the procession at the behest of their leaders, were also injured in their confrontation with the guardians of law and order.

Such of us as would recall the infamous demonstration before Parliament House in relation to the anti-cow slaughter movement, which resulted in disgraceful scenes of indiscriminate vandalism and led to the resignation of Mr Gulzarilal Nanda, the then Home Minister, cannot help being highly appreciative of the prompt and effective action taken by the police this time to avoid a repetition of such happenings. It is, therefore, a matter for regret that the Prime Minister and the Home Minister, faced with a hostile Lok Sabha—partly genuinely agitated over the use of violence by the police against some Members of Parliament, but partly disposed also to exploit the situation in order to embarrass the government—were only too ready to be on the defensive. Mrs Gandhi, in fact, was in indecent haste to agree to a judicial inquiry.

This is not the first occasion when this government, resolved to survive at any cost, has shown itself to be neither man nor woman in dealing with situations productive of political embarrassment. It seems increasingly to be the case that the central government is content to operate as a hermaphrodite willing to assume any posture which may be expedient for the time being. If this government were only less diffident about its right to govern, it would surely have been more conscious of its obligation to stand by (and keep up the morale of) its own officials who are being paid by the taxpayer and are expected by the public to maintain law and order. Had the government been less timid or less unprincipled it would have prosecuted those leaders who organised the procession and were, subsequently, part of it when a section of the demonstrators decided to defy a lawfully promulgated order of the authorities and in the process resorted to force or a show of force against the police. Had this been done, the subsequent proceedings in a court of law would have provided, in the normal course, sufficient opportunities

for the magistracy to consider such allegations of the use of excessive force as might be made against the police authorities. Instead, the Prime Minister, acting more or less under duress, has agreed to a judicial inquiry which, whatever its findings, is bound to

Forcing the Pace

THE GOVERNMENT of India has formulated its borrowing programme for 1970-71 on a basis which would seem to have as its objective the mobilisation of resources far in excess of the budget estimates. Otherwise it is difficult to explain why even in the first stage of this programme an attempt is being made to raise over 65 per cent of the gross amount which would have to be borrowed in a whole year, especially when the money market is experiencing acute stringency. The only significant feature about the terms of the new loan that were announced recently is the absence of any move on the part of the monetary authorities to reverse the policy of cheaper money which has been definitely halted. In order to complete the funding operation relating to the 4 per cent 1970 maturing loan, outstanding to the extent of Rs 178.25 crores and falling due for repayment on April 15, a long-dated loan carrying interest at 5½ per cent and maturing in 2000 will be offered at par for Rs 275 crores. The list will be kept open for three days beginning from April 11 and the government has, as usual, reserved to itself the right to accept subscriptions up to 10 per cent in excess of the notified amount. As it is quite likely that the list will be over-subscribed even on the opening day total subscriptions may be slightly in excess of Rs 300 crores.

The terms of the latest loan are identical with those of the 5½ per cent 1999 loan and no attempt has been made to borrow on a cheaper basis having regard to the upward adjustments in interest rates effected by the government to make a better success of its small savings campaign. Also, it is suggested that even the scheduled commercial banks should offer more attractive interest rates on savings accounts and for certain classes of time deposits. But in 1969 the terms were more favourable to the borrower as in the previous year a 27-year loan was issued on the same basis and in 1967 the loan newly floated had a maturity date after 25 years. The policy of the Reserve Bank of India until last year was to lower the long-term interest rate and if there had been no unexpected developments in the money market in the past few months it would have been logically necessary to float a loan carry-

ing interest at 5½ per cent with a duration of 25 years and the issue price probably at a slight discount. It is perhaps thought inadvisable to pursue the policy of cheaper money though it has not been considered desirable to reverse it altogether pending fresh developments in the forthcoming slack season.

The government could not have delayed the flotation of a new loan as it had to complete the conversion operation before the middle of April in order to be in a position to redeem any in-converted portion of the maturing 4 per cent 1970 loan. But having regard to the fact that the gross amount which will have to be borrowed during the whole of 1970-71 was only Rs 455 crores and the money market is experiencing extremely tight conditions, it is difficult to explain why the government is seeking to raise as much as Rs 300 crores resulting in net borrowing of Rs 122 crores. The outstanding amount of the maturing loan is Rs 178.25 crores. The Life Insurance Corporation, provident funds and trusts will certainly be employing large amounts in this loan as they always prefer to secure an increased yield on their investments. But it is unlikely that these institutions will between themselves be able to mobilise more than Rs 75 crores which would mean that nearly the whole of the balance of about Rs 50 crores will have to be found indirectly by the banking system. The central banking institution seems to have deliberately fixed the notified amount at a high level in order to take full advantage of the situation that will arise out of the compulsion on the part of the scheduled commercial banks to increase their liquidity ratio to 27 per cent by the end of April. The member banks do not usually invest in long-dated securities. But it is likely that the Reserve Bank of India will effect net sales of the desired types of securities out of its holdings to the commercial banks and take up a large parcel of the new loan on its own account. This holding too can at a later stage be sold conveniently to such institutions as the Life Insurance Corporation of India when they happen to accumulate fresh resources. The new loan is, therefore, fully assured and it may not be surprising if the list is

closed even on the opening day though the money market might still be experiencing stringent conditions.

The effect of the mobilisation of a net amount of over Rs 120 crores will, however, be reflected in a depletion of the deposits of scheduled commercial banks and make it difficult for the latter to reduce their borrowings from the Reserve Bank. Indeed, the Chairman of the State Bank of India, Mr R.K. Talwar, observed some time back that it may be necessary for his bank to borrow even on a penal basis from the Reserve Bank in order to meet the demand for funds though it is likely that discretionary refinance at the bank rate may be provided for a short period. But he was of the view that considerable difficulty might be experienced by member banks to comply with the stipulation regarding an increase in the liquidity ratio. Under these circumstances it will be readily agreed that a diversion of large funds from the banking system to the central exchequer will heighten the squeeze in the money market and create further hardship to borrowers.

It would have been understandable if the central government itself was in difficulty. However, it has been successful in mobilising large amounts through vigorous collection of taxes and the receipt of fresh foreign aid so that its deposits with the Reserve Bank on March 20, stood at the very high level of Rs 197.96 crores while they amounted to only Rs 94.54 crores in the corresponding week in 1969. There is, therefore,

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Manager

no need to borrow so heavily in the first stage even if the government has an intention of raising much more than the gross amount of Rs 455 crores for the whole year. The strategy can actually be planned in a way which will be helpful to all interests as in July it may not be necessary for the government to offer conversion terms and a short medium-dated loan can be raised for Rs 125 crores. The 3 per cent 1970-75 loan, which is a second maturing loan, is outstanding for Rs 115.06 crores and has to be repaid on October 15, 1970. For facilitating this funding operation there can be reissues of the long-dated and short-medium dated loans early in October with suitable adjustments in the issue price for accrued interest after the state governments complete

their borrowing programmes.

It would thus be possible for the centre to borrow in three stages over Rs 500 crores and if there were sizeable additions to deposits during the slack season no strain may be felt by the banking system and conditions in the money market also would not be seriously disturbed. While it is agreed in money market circles that the terms of the loan are in accordance with general expectations it is wondered what exactly is the significance of the recent measures adopted by the Reserve Bank and why there should be so much anxiety to mobilise large resources for the central government in an uncomfortable manner creating needless hardship for industry and trade.

A Chapter in Self-Reliance

THE INAUGURATION of the first Lube Oil Blending Plant, costing over Rs one crore and the first to be owned by the Indian Oil Corporation, by Mr M. Karunanidhi, Chief Minister of Tamil Nadu, recently in Madras marks the culmination of a series of successful efforts to reduce progressively our dependence on imports of lubricants. Though attempts were made to produce lube base stocks and lubricants by Assam Oil Company in this country a long time back, no serious attention was paid to the manufacture of base stocks on a large scale until the Barauni Refinery came on the scene and imports were costing dearly in foreign exchange. The developments in the past two years, however, have been extremely heartening and there is now the prospect of self-sufficiency being reached in regard to our requirements of lubricants, which do not involve the use of base stocks. In 1968 alone there were imports of lubricants for 4.03 lakh tonnes having a value of Rs 27.82 crores. As consumption in 1969 has been estimated at 5.04 lakh tonnes as against an internal production of the order of 65,000 tonnes, only slightly higher than the level of 1966, imports must have been well over Rs 30 crores.

In the current year there can be a considerable saving under this head as, apart from Barauni, which has a capacity of 46,000 tonnes and Assam Oil Company 70,000 tonnes, Lube India Limited, which has been started in the joint sector by the central government in collaboration with Esso Standard Eastern of US will be capable of a sizable output of 164,000 tonnes of base stocks. This unit was constructed at a cost of Rs 17 crores and commissioned in February this year. Only a

few months earlier the lube plant of the Madras Refinery commenced its operations. This unit which forms an integral part of the refinery is unique in many respects. Barring Barauni in the public sector, no other big refinery either in the public or in the private sector has a lube plant as an integral part of the refinery. Besides, the capacity of the Manali lube unit is as much as 200,000 tonnes annually and base stocks are being produced at the rated capacity in the past few months.

It is, therefore, expected that between the four units there will be an output of nearly 4 lakh tonnes of base stocks in 1970 which can be used for secondary grades of lubricants and only the requirements of bright stocks will have to be imported. This will indeed be a gratifying achievement as the saving in foreign exchange can be appreciable. This is likely to be from Rs 25 to 30 crores. There will be no need, moreover for importing additives as the unit of Lubrizol India Limited in Bombay has an annual capacity of 6,000 tonnes. The developments in the past three years in this field have, therefore, come about with surprising rapidity and an integrated approach has been adopted for manufacturing lubricants. Blending capacity also exists on the required scale as Indian Oil Blending Limited, which is a joint venture of Indian Oil Corporation and Mobil of USA has two units, one at Calcutta and another at Bombay. While the new plant of IOC in Madras with a capacity of 140,000 tonnes will be the biggest in Asia, it can produce up to 200,000 tonnes annually on a multiple shift basis. But, for the time being the surplus base stocks from Manali, after meeting the requirements of Madras

unit, will be shipped to Calcutta for being processed.

The consumption of lubricants, however, is likely to increase at a faster rate in the coming years. It has been conservatively estimated that the requirements will be 800,000 tonnes by 1975 on the assumption that there will be an annual growth rate of eight per cent. With a spectacular growth in demand for petroleum products which is now over 12 per cent yearly and a higher level of industrial production, it may well be advisable to proceed on the basis of an increase in the consumption of lubricants by 12 per cent annually. This would mean that, in the next five years, the demand may go up to even 900,000 tonnes, if not one million tonnes.

The capacity for producing and blending base stocks, will, therefore, have to be continuously expanded. The oil refinery now being constructed at Haldia will have a lube plant similar in size to the Manali unit. It is also

Please see also special supplement
in this issue

proposed to establish another blending unit at the same centre and later a third unit in New Delhi. But what is important to bear in mind is the fact that the five lube plants will have an aggregate capacity of only 680,000 tonnes while it is likely that there will be a gap between supply and consumption and imports will have to be allowed although on a reduced scale. The capacities of the existing units will increase with an expansion of the output of the refineries concerned. But there would be need for starting another unit probably as an adjunct to the Cochin or Koyali refineries. Only in that event the saving that is now being effected through a displacement of imports can be a lasting gain.

The scope for an increase in consumption will be evident from the fact that the per capita absorption in USA is as much as 34.8 kg while it is only one kg in India. The disparity is to a certain extent exaggerated by the huge population of this country. But even on an adjusted basis it will be a long time before we catch up with the level of consumption in Spain or Brazil where the per capita consumption is 5 kg and 3.5 kg respectively. With faster economic development, it may not, therefore, be surprising if by 1980 there is a five-fold increase in the consumption of lubricants. To meet this demand would be a challenging task indeed. Meanwhile a bright chapter is now being written in the oil re-

fining industry and the objective should henceforth be to widen the range of production and create additional capacity in anticipation of a growth in con-

Jute : Still Much Misunderstood

MR BHAGAT'S address at the annual meeting of the Indian Jute Mills Association held in Calcutta on March 28, did not show much evidence of the anxiety and readiness of the Government of India to tackle effectively the major problems of the jute industry. The Minister of Foreign Trade referred to the "handsome profits" earned by the jute mills, congratulated the industry on the realism it had displayed last year on reaching a quick settlement with the workers, and expressed satisfaction with the long-term agreement concluded with the Directorate-General of Supplies and Disposals for the supply of B.T. twills. As Mr Bhagat had recently returned from a fortnight's tour of the USA, one would have expected him to show an acute awareness of the serious threat that our jute industry faces in that country from synthetics and Pakistan. The government has expressed its intention to double exports from this country to the USA but Mr Bhagat's speech provides little evidence of the government's decision to adopt a positive policy to help the jute industry whose products account for nearly half of our total dollar earnings.

Mr Bhagat expressed sympathy for the foreign buyers whose demands last year could not be fully met due to the decline in production. "I am sorry", he said, "that our overseas customers, whose satisfaction this industry and this country value most, were put to great inconvenience during last year". But Mr Bhagat and the Government of India do not realise that the levy of high export duties and the frequent changes in them cause much uncertainty and irritation to all concerned with the jute industry, especially the importers and consumers abroad. Mr Bhagat said that the agreement with the DGS & D would help to confer on the industry "an element of stability". However, he did not appreciate that stability was more important in regard to export policy. He rightly pointed out that export markets once lost could not be regained so easily. That is why the industry has been repeatedly and emphatically pleading for the total abolition of all export duties. "I maintain," said Mr R. P. Goenka, in his presidential address at the IJMA annual meeting, "that export duties have done immeasurable harm to the jute industry both in the period 1949 to 1955 and since June 1966. They have invariably been accompanied by a fall in exports and have, in fact, acted as an umbrella

sumption. It would then be possible to limit foreign exchange expenditure to the import of crude oil to the needed extent.

under which Pakistan jute industry has taken shelter and has been able to expand initially. Synthetics have also thrived and both have prospered at the expense of India and our jute industry".

Mr Goenka referred to the "dramatic" fall in the export of jute goods in 1969 and pointed out that "this drop has been unparalleled in our long history". The export market for sacking had become practically dormant while exports of hessian have fallen by 48 per cent in the last five years. He estimated that if the current trend continued, we should be exporting little more than 125,000 tonnes of hessian by 1975. Mr Goenka attributed Pakistan's success to the strong support given to it by the government of that country. He regretted that our country had not yet found an answer to the Bonus Voucher Scheme of Pakistan, which gave an enormous price advantage to that country. The IJMA chairman said that our buyers loved only one thing and that was a lower price. He could have added that our government cared only for one thing, namely, more revenue even at the cost of dollar earnings.

Mr Goenka drew a rather alarming picture of the prospects for the export of carpet backing. He revealed that shipments of carpet backing had dropped heavily and that some 40 per cent of the looms were not producing this material. He considered that the only "sure, speedy and timely" measure to expand the export of carpet backing was to abolish the export duty altogether. Mr Bhagat, however, tried to dodge this issue. He reiterated his assurance to the jute industry that if specific instances of financial difficulties experienced by the mills were brought to the notice of his Ministry, the latter would take them up with the authorities concerned. But such assurances have not been of much avail to the industry. Mr Goenka deplored that "there has always been a tendency when things were not going well to increase interest rates and margins and to contain mills' drawing powers". He said that it was a paradox that the greater the difficulties of the jute industry, the greater was the squeeze on its finances. It is to be hoped that the government will show a more realistic assessment of the financial difficulties of the industry by providing adequate and easy loan facilities.

On production and prices of raw jute, neither the IJMA president nor the

minister had much to say. Mr Goenka stressed the need for jute at cheap prices and for adequately remunerating the grower for his labours and investment. Mr Bhagat reminded the industry of the changing pattern in the production of jute goods and the gradual shift in emphasis to constructions of finer quality which was likely to stimulate the demand for superior grades of jute. Improving the quality of jute and increasing the yield per acre are matters in which the Government of India and the state governments concerned as well as the jute industry should be able to play a more vigorous role than in the past.

Mr Bhagat congratulated the jute industry on reaching a settlement with the workers last year. But he did not seem to inquire whether this settlement which enhanced the industry's wage bill by about Rs 10 crores had produced a favourable impact on production and productivity. It appears that far from any improvement there has been a deterioration in labour productivity; and what is more disturbing, there has been a serious deterioration in discipline. Unless the workers show a keen awareness of the difficulties of the jute industry and decide to put forth their best efforts to raise production and exports, they cannot expect to enjoy a steady improvement in their living standards. Mr Goenka referred to the decline in labour's sense of responsibility and consequently in its productivity. As the Government of India played an important part in finalising the wage settlement last year and has also a vital stake in the future of the jute industry, it has to consider how best it can contribute to better discipline and devotion on the part of the jute workers.

With the proclamation of President's rule in West Bengal the jute industry can be expected to find more congenial conditions for its working. The United Front government in the state had appointed a committee to inquire into the working of the jute industry. But its terms of reference were rather vague and it was not asked to complete its work before a specified date. The Government of West Bengal should now reconstitute this committee by including the Jute Commissioner and representatives of the jute industry and trade, draw up specific terms of reference, and ask for its report in a reasonable time. A competent and comprehensive inquiry into the problems of the jute industry is needed urgently and now is the time to order it. Meanwhile, the Government of India should shed its complacency towards the jute industry and adopt effective measures to improve its competitive capacity in the short period.

A POINT OF VIEW

The Central Budget Examined

R. N. BHARGAVA

THE CENTRAL budget is to be judged in the context of two major objectives, namely, (1) the extent to which it helps to step up the rate of growth of the economy and (2) how far it takes us to the establishment of the 'socialistic pattern of society', to which the people and Parliament are committed. This can be achieved by increasing the annual output so that more is available for distribution amongst the people. Simultaneously, the amenities for the poor have to be increased and the redistribution of wealth and income has to be undertaken through Public Finance. In this process price stability is essential. Otherwise, price changes may result in redistribution of incomes in an unpleasant and undesirable manner.

Judged from the above criteria Mrs Gandhi's budget is, on the whole, a well-balanced effort to reconcile conflicting objectives. There are incentives to stimulate savings, investment and production. At the same time, it incorporates fiscal concessions and welfare programmes for the benefit of the weaker sections. Mrs Gandhi's budget has three novel features not found in the long history of annual budgets in India. Firstly, through tax increases, it imposes an effective ceiling on unearned income. Secondly, by stiffening the additional wealth tax on urban property, it has taken an effective step to impose, in the course of a few years, a ceiling on urban property. Thirdly, it places Rs 175 crores at the disposal of the union government to give grants at its discretion to cover the gap in the resources of the states. So far these grants were made on the recommendations of the Finance Commission or the Planning Commission.

Solid Foundation

The budget has laid a solid foundation for resource mobilisation: the taxation proposals will yield Rs 170 crores during 1970-71, rising to over Rs 200 crores in 1971-72. The combined Plan outlay of the union and state governments has also been stepped up by Rs 400 crores, representing an increase of 17 per cent. There are incentives to savings and investments. Debentures are to be issued

*The maximum admissible deduction for business expenditure on entertainments was Rs 30,000 reached on an income of Rs 1.70 crores. The tax liability of the Corporate Sector, as a result of the proposed change, will increase by Rs 16,500 where the income of the company exceeds Rs 1.70 crores.

by state-sponsored institutions to mobilise savings, particularly of the rural sector. Higher rates of interest will be offered rather than income-tax concessions, which do not mean much to the small man. So far income up to Rs 1,000 from the Unit Trust and another Rs 1,000 from dividends from Indian companies was exempt from income-tax. This distinction is being given up and henceforth income from the Unit Trust, dividends from Indian companies, interest on the securities of the union and state governments and on bank deposits, etc. will be exempt up to Rs 3,000 in a year. Since this relief will apply to the marginal income (as it reduces the total taxable income) its value increases as income rises. So far investments in approved postal deposits were exempt from wealth tax. Henceforth, in addition to postal deposits, investments in Unit Trust, shares in Indian companies, securities of the union and state governments, bank deposits, etc. will be exempt from wealth tax up to the value of Rs 1.5 lakhs. This is an important concession and will encourage investment in the aforesaid forms.

Tax Burden Not Increased

Contrary to the apprehensions of the business community, the burden of taxation on the corporate sector has not been increased. There were rumours that the dividend tax, or the tax on bonus shares may be revived. The Prime Minister has very wisely refrained from additional taxation on the corporate sector to maintain a healthy climate for investment and to provide a stimulus to production. The decision to make the expenditure on entertainments and guest houses non-deductible for tax purposes is logical in a socialistic economy, where conspicuous consumption has to be drastically curtailed. The withdrawal of this concession will impose a negligible burden* on the corporate sector and, at the same time, it imposes a salutary check on conspicuous consumption.

The budget incorporates several desirable steps for the betterment of the poor man. In addition to the provision of Rs 25 crores for selected rural works, special schemes for small farmers will be undertaken in selected districts and research on dry farming techniques will be accelerated. An Urban Development Corporation will be set up for slum clearance and housing for low-income groups. Supply of drinking water in areas which lack this essential

necessity will be improved. There are schemes for better nutrition for infants and children.

The insurance-cum-pension scheme for workers is a boon to low-income people. Without imposing any additional burden on the employee or the employers, industrial workers, whose contribution to Employees' Provident Fund is 8 per cent, will have the choice to opt for this scheme, which will be financed by equal contributions from the government, the employees and the employers by diverting 1½ per cent each of the contribution of the employers and employees to the Provident Fund—the remaining 6½ per cent of their contribution will be credited to their Provident Fund. The minimum pension will be Rs 40 rising up to Rs 150 per month, depending on the worker's salary. There will also be a cash payment in the event of the death of the employee. The minimum pension, as also family pension, for union employees is also increased to Rs 40 per month.

In the field of taxation the income-tax exemption limit is raised to Rs 5,000. Including the allowance for transport to salaried people and concessions to savings in the form of Provident Fund, life insurance premium and Post Office Cumulative Deposits, the effective exemption limit will be higher. This will give relief to the small man and improve tax administration by reducing the number of assesseees by about 5 lakhs—producing a favourable psychological effect—when the cost to the exchequer will be about one per cent of the revenue from income-tax. This will enable the administration to devote more time to the cases of bigger assesseees and should improve tax collection.

Simplification Suggested

Salaried workers will be allowed a deduction of Rs 20 per month for transport by cycle or bus to their places of work. Even non-salaried people have to go to work and it is desirable that this concession should have been extended to all taxpayers. I suggest that, in the interest of simplification of the tax structure, this allowance along with the deduction from tax, varying from Rs 125 to 240, depending on the state of matrimony and the number of children, should be abolished and the rate of tax on the first Rs 5,000 of income (which is now 5.5 per cent including the surcharge) should be reduced to zero so that the first Rs 5,000 of all taxable or non-taxable income will be exempt from tax. This suggestion will mean a benefit of Rs 275 to each taxpayer.

In keeping with the social objectives,

Mrs Gandhi has proposed as steep increase in the rates of income-tax applicable to incomes exceeding Rs 40,000. The maximum rate will now be 93.5 per cent on incomes exceeding Rs 2 lakhs as against the present maximum of 82.5 per cent on incomes exceeding Rs 2.5 lakhs. While one can understand the political and financial compulsion that necessitated this steep rise in taxation, one cannot help observing that it is likely to have an adverse effect on development and will give further encouragement to tax evasion. In such cases, it is easy to legislate but difficult to enforce the legislation. Where high incomes are due to personal initiative and enterprise, they help generate larger incomes and create additional employment.

Private Initiative

In a mixed economy it is necessary to nurse private initiative and enterprise and we think that the same political and fiscal effect could have been achieved by imposing restriction on the expenditure of the rich rather than discouraging them from earning additional income. The measures to tighten the taxation of discretionary trusts will have a levelling effect and will reduce tax avoidance. The proliferation of such trusts will be effectively checked by prescribing a minimum rate of 65 per cent for income-tax and 1.5 per cent for wealth tax. These trusts will be subject to higher taxes in case their income/wealth attracts higher rates, as in the case of individuals.

The rates of wealth tax have also been increased. The minimum of 0.5 per cent has been raised to 1 per cent and the maximum rate of 3 per cent on

wealth exceeding Rs 20 lakhs has been raised to 5 per cent. Thus, in the case of income derived from wealth only, the enhanced rates of income-tax and wealth tax will impose an effective ceiling on unearned incomes, when such income, after payment of taxes, reaches approximately Rs 25,000. The Prime Minister has also stiffened the additional wealth tax on urban property. The rate of tax will be 5 per cent on urban property exceeding Rs 5 lakhs in value and 7 per cent on the excess above Rs 10 lakhs. Including the ordinary wealth tax, the maximum rate of tax on urban property exceeding Rs 10 lakhs would be 10 per cent. This rate will be 12 per cent where the value of urban property exceeds Rs 20 lakhs. These high rates of taxation cannot be paid out of the current income from urban property; and this income has first to pay the income-tax. Accordingly, this tax measure will effectively achieve the objective of a ceiling on urban property and overcome the legal and administrative difficulties in imposing such a ceiling.

Damocles Sword

However, the government has not given up the objective of imposing a ceiling on urban property and we are told that, "the legal and other aspects of the matter are being examined." I think that, in view of the changes in wealth tax, this 'Sword of Damocles' on urban property can be dropped. Since these high rates of tax on urban property imply built-in measures to effectively limit an individual's holdings, it may be challenged in the Supreme Court on the ground that it compromises, and to an extent confiscates, the right to property and is not a

tax measure but a step to effectively abolish the right to urban property above a certain ceiling. There is, however, no doubt that taxation is a more effective and sensible method of achieving the objectives of a ceiling on urban property than the legislative device through partial confiscation.

The exemption from gift tax has again been reduced from Rs 10,000 to Rs 5,000. It was reduced to this level in 1964, but was raised to Rs 10,000 in 1966. These frequent changes are unsettling. The rate structure of the tax has been revised to reduce opportunities for avoidance of estate duty through gifts. The maximum rate of the gift tax has been raised to 75 per cent as against the existing maximum rate of 50 per cent.

Export Promotion

The proposals incorporated in the budget will tend to improve our balance of trade by increasing the competitive position of some exports. The export duty on certain jute goods has been reduced from Rs 500 to Rs 200 per tonne, while the export duty on tea has been altogether abolished. Simultaneously, the excise duty on tea has been raised to release larger quantity for exports, particularly of quality teas. There is also an attempt to encourage import substitution. Accordingly, the import duty on machinery, motor vehicles' parts, pharmaceutical chemicals and a number of other items has been increased.

The new and enhanced excise duties will yield Rs 135 crores. However, Mrs Gandhi has taken care to impose ex-

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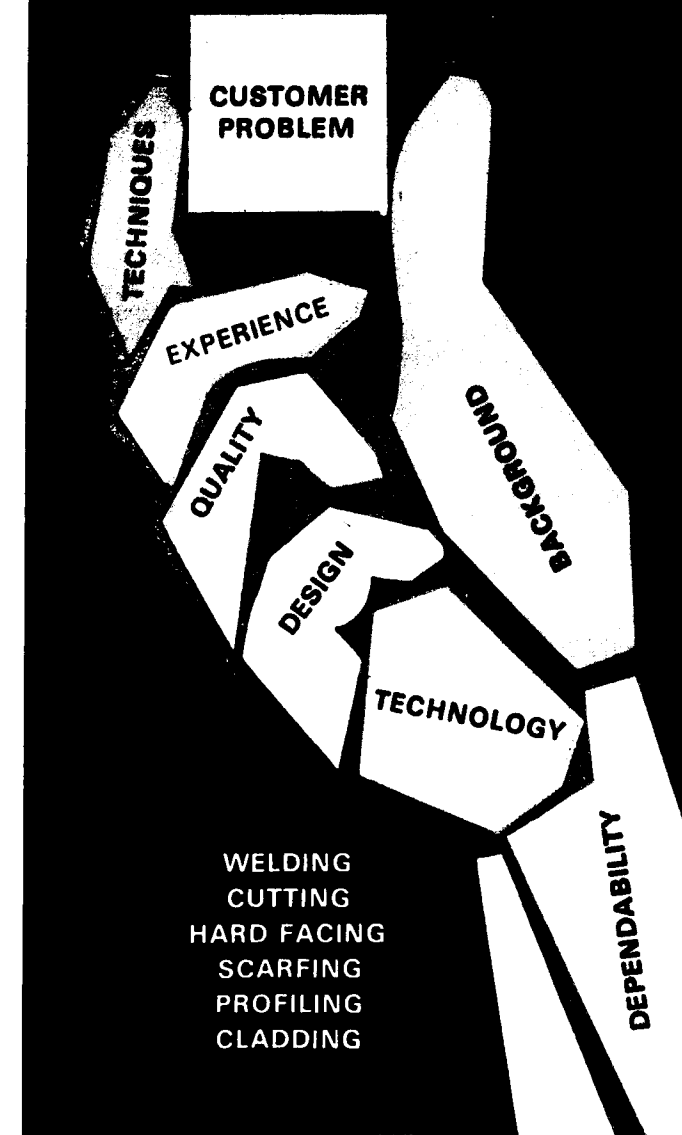
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tra burdens mostly on semi-luxury and luxury items such as air-conditioners, refrigerators (except small size ones), television sets, office machines, typewriters, stainless steel blades, cigarettes, etc. The enhanced duty on sugar will increase the price of levy sugar by about 2 paise per kilogram. The price rise will be higher for free market sugar. The Prime Minister has also avoided the taxation of raw materials and intermediate goods so that there are no pyramiding effects on prices. There are some exceptions, like synthetic rubber, but there are special reasons for taxing them.

As a result of the additional tax measures the centre's overall deficit will be reduced to Rs 225 crores as against Rs 290 crores (revised) in the current year. However, the combined central and state deficit may be much larger as several states have been presenting deficit budgets without adequate and serious attempts to raise additional resources. Unless price stability is maintained, the salutary impact that the budget has had will prove a short lived illusion. Mrs Gandhi has made a novel provision for an extra grant of Rs 175

crores as special assistance to cover the gaps in the resources of some states. I strongly urge that these grants should be linked with additional efforts to raise resources through taxation/savings.

A weakness of the budget is that it further distorts the distribution of tax burden between the urban and the rural sectors. The argument that the rural sector is not within the purview of the centre is not convincing. The levy on fertilizers in the last budget was an attempt to tax the agricultural sector. So also the imposition of the wealth tax on agricultural property. Further steps in that direction could be undertaken. Studies made so far indicate that the tax burden on the rural sector is relatively less at all income levels. The additional tax realisations by the union government in the planning era have distorted the distribution of this burden. At least, the release of the extra grant of Rs 175 crores could be linked with additional taxation of the rural sector by state governments. Unless these governments show courage and ingenuity in imposing additional taxes on the rural/agricultural sector, the future of the development programmes is in serious danger.

Reorganisation of Nationalised Banks

S. R. K. RAO*

A SCHEME for reorganising the fourteen nationalised Indian commercial banks is presented in this article. The State Bank of India and its subsidiaries are excluded from the purview of the present study; they are to maintain "status quo" as all-India institutions even under the new scheme for two reasons. First, the State Bank and its subsidiaries have been functioning in the public sector for the past fifteen years and have made considerable progress in fulfilling the social objectives of nationalisation whereas the 14 nationalised banks have to make a beginning in this direction. Secondly, it would be in the interest of healthy development of banking that competition should exist and the functioning of the State Bank and its subsidiaries on the one hand and the fourteen nationalized banks on the other would facilitate the continuance of such competition.

Geographical Pattern of Banking

Measured in terms of number of branches/offices opened, deposits mobi-

lised and credit disbursed as at the end of 1967, commercial banking facilities are highly concentrated in three states only, viz., Maharashtra, West Bengal and Tamil Nadu. On the other hand, notwithstanding the investment made under the five-year Plans many states such as Assam, Bihar, Orissa, Jammu & Kashmir, Rajasthan, and Uttar Pradesh, remain backward so far as the growth of banking is concerned. A state-wise analysis of deposits mobilised by scheduled banks reveals that in 1967, Maharashtra, Gujarat and West Bengal accounted for about half the total deposits; Bombay, Calcutta and Madras cities alone accounted for nearly 80 per cent, 82 per cent and 45 per cent, respectively of the total bank deposits in Maharashtra, West Bengal and Tamil Nadu respectively. A similar concentration of bank credit is discernable in a few states. In 1967, two-thirds of total scheduled bank credit was accounted for by three states, viz. Maharashtra, West Bengal and Tamil Nadu; Bombay, Calcutta and Madras cities accounted for nearly 90 per cent, 97 per cent and 58 per cent respectively of the total bank credit in Maharashtra, West Bengal and Tamil Nadu respectively (Table I).

An analysis of the banking facilities provided by the fourteen nationalised Indian commercial banks shows that

the banks accounted for about 55 per cent of total branches of all scheduled banks in the country. The number of branches/offices each of these nationalised banks has in different states reflects the regional character of these banks, notwithstanding their all-India stature (Table II).

Against the background of imbalances in banking development in different states, an attempt is made to formulate a scheme in which the nationalised banks constitute parts of the same piece. The scheme contains (A) a short-term plan and (B) a long-term plan.

In the short-term plan (spread over 5 years) while the regional character of the nationalised banks is made use of, their individual identity has been retained. *In the long-term plan*, suggestions are made to effectively operate the branch licensing policy in such a way that ultimately these fourteen banks will crystallise into five regional corporations, viz., East, West, North, South and Central Corporations.

Reorganisation Scheme

The short-term plan is sought to be introduced in four phases. The main objective of the scheme is to demarcate areas of operation for each nationalised bank and at the same time strengthen the banking system through elimination of wasteful competition, duplication, etc.

(A) Short term plan

In the first phase states where a nationalised bank has the largest number of branches/offices as its area of future operation, are demarcated. It is possible that more than one bank will be having the largest number of its branches/offices in one or more states. To begin with, one or more than one state, can be assigned to one or more than one nationalised bank. Thus, in the first phase, specific states are earmarked as areas of operation for each of the 14 nationalised banks.

In the second phase areas of operation would be earmarked for these banks within a state.

Both in the short and long-term plans, *District* constitutes the basis of reorganisation of nationalised banks. The number of branches/offices of each of the fourteen nationalised Indian commercial banks in each district of a state is first ascertained. The economic potentiality of each district is assessed. The area of future operation, with district, as the unit, is then charted out to the Bank which has the largest number of Branches/offices in that district

*The article expresses the personal view of the author.

1. For a detailed study of imbalances in banking development in India, please see: S.R.K. Rao, "Regional Disparities, 1961-67", (Economic and Political Weekly, September 13, 1969).
2. S.R.K. Rao, op. cit.

Here also, it is possible that more than one bank has the largest number of branches in particular district, and in such cases, the specialisation of a bank in the field of financing (agriculture, exports, small-scale industries, medium and large-scale industries, etc.) should be applied as a criterion against the back-drop of the economic potential of that district while earmarking it to a bank as its area of operation.

The diversion of banking resources from economically backward states to relatively developed states is a problem which calls for effective remedial measures. The extent of such diversion can be gauged from the fact that the credit-deposit ratio in 1967 was as low as 5.4 per cent in Jammu & Kashmir and less than 40 per cent in Assam, Bihar, Punjab, Uttar Pradesh and Delhi while it was as high as 114 per cent in Tamil Nadu, 109 per cent in West Bengal and 91 per cent in Maharashtra.²

However, a word of caution may be sounded while adopting the district as the basis for reorganising the nationalised banks. This is done mainly with the objective of achieving functional and administrative efficiency and not for impounding the resources augmented in a district for purposes of meeting credit needs of that particular district. Obviously it is neither possible nor desirable to check the flow of bank de-

posits from one district to another within the same state. Further, no where planning of resources on district basis is done to meet the needs of that particular district. Fortunately, the cry for autarky has not yet reached this level. Therefore, credit-deposit ratio of a district is as irrelevant as that of a taluka, village and of a street!

In the third phase, branch expansion of these nationalised banks will be facilitated only in the states and in the districts within the states demarcated for them. Thus, while the existing branches/offices of other banks are allowed to operate, further expansion of banking in a specified area (state/district) will be allowed only in the case of a particular bank/banks to which the area is assigned. This measure while assuring intensive "bankisation" in each area of the country through the instrument of a nationalised bank/banks, avoids concentration of banking in certain areas. Further, it also checks diversion of deposits from one nationalised bank to another nationalised bank/banks in the same area.

Finally, there are two ways of dealing with the branches/offices of those nationalised banks in an area which is not assigned to them. Either (a) these branches, after a time, may be transferred unilaterally to the bank to which the

area is assigned, or (b) the transfer may be effected on bilateral basis; i.e., for a specified number of branches/offices one bank transfers in one area to it, the other may do the same in another area.

Thus, the short-term plan combines in itself the regional character of the nationalised banks and their individual identity.

(B) Long term Plan

The assumption is that in the long-run (may be after 5, 10 or 15 years), the 14 nationalised banks will cease to continue in their present form but will be reorganised in such way that both structurally and operationally they will be geared to the development of the economies of regions in which they are located.

With the experience gained during the period of implementation of the short-term plan, the nationalised banks, over a decade or so, would have specialised in financing the needs of the areas demarcated to each one of them. Further, structurally also, they would have embraced the entire area/areas assigned to them. Lastly, by this time, there would be no branch/office of any other nationalised bank in an area/areas assigned to a particular nationalised

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It is true that the number of tourists visiting India has greatly increased. From 1,50,000 in 1964 to almost 2,45,000 in 1969. And our earnings from tourism have gone up to Rs. 33 crores in foreign exchange. But in terms of world tourism, only one out of every thousand world travellers visited India last year. Yet we have just about everything in this country to make it the world's most attractive tourist destination. We are privileged we have India.

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We lack nothing but broad-based public participation and enough of what is known as the 'infrastructure': hotel accommodation, transport facilities and tourist amenities. For instance, the city of Bangkok alone has more hotel beds suitable for tourists than we have in India.

And when the Jumbos come...

Jumbo Jets will soon bring past India many thousand more people than have ever come this way.

They will need clean, comfortable accommodation; at least 23,000 more hotel beds are required by 1974. Wholesome, hygienically prepared food, more shops, restaurants, recreation facilities... all these are necessary now. Above all, a smiling, friendly welcome must await our visitors to make their visit a happy one.

What are we doing about it?

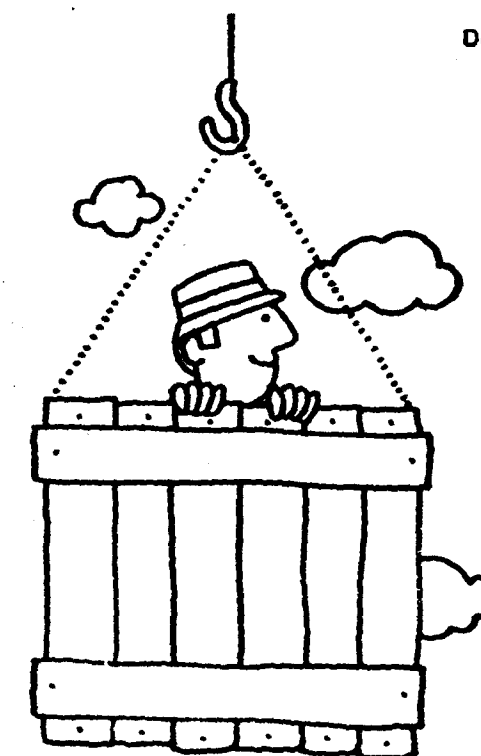
The Government is taking an increasingly active part to help build more hotels, improve air and transport services, provide new and better tourist facilities.

But Government effort alone is not enough. Tourism is everybody's business. Because people benefit wherever the tourist travels. Wealth flows from affluent countries to the less affluent, and within the country, from the developed areas to the less developed and from the richer strata of society to the less rich. Everyone benefits from tourism.

So, join us in our efforts. Let us give the tourist the amenities he needs and see that he goes home happy. Each happy tourist means so many more will come next year. Shouldn't be too difficult for us. Isn't ours one of the world's oldest traditions in hospitality?

**Welcome a visitor
send back a friend.**

Department of Tourism
Government of India



ASP/TC/T/102/A

TABLE I
NUMBER OF OFFICES; DEPOSITS MOBILIZED AND CREDIT EXTENDED BY SCHEDULED
COMMERCIAL BANKS AS AT THE END OF 1967-STATE-WISE ANALYSIS

State	Number of Offices	% to total	Deposits (Rs lakhs)	% to total	Bank Credit (Rs lakhs)	% to total	Credit-deposit ratio
Andhra Pradesh	487	7.2	13772	3.5	9435	3.5	68.5
Assam	67	1.0	3875	1.0	943	0.3	24.3
Bihar	246	3.6	13748	3.5	3851	1.4	28.0
Gujarat	601	8.9	32855	8.3	16297	6.0	49.6
Haryana	124	1.8	4514	1.1	2094	0.8	46.4
Jammu and Kashmir	18	0.3	2650	0.7	144	0.1	5.4
Kerala	406	6.0	11862	3.0	7107	2.6	59.9
Maddya Pradesh	290	4.3	9747	2.5	5889	2.2	60.4
Tamil Nadu	951	14.0	24541	6.2	27944	10.2	113.9
Maharashtra	919	13.6	97063	24.7	88592	32.4	91.3
Mysore	632	9.3	19244	4.9	12715	4.7	66.1
Nagaland	2	—	70	—	1	—	1.4
Orissa	89	1.3	2286	0.6	1186	0.4	51.9
Punjab	264	3.9	16723	4.2	4544	1.7	27.2
Rajasthan	292	4.3	7206	1.8	3051	1.1	42.3
Uttar Pradesh	615	9.0	30965	7.9	11083	4.1	35.8
West Bengal	419	6.2	56954	14.5	61901	22.5	108.7
Delhi	245	3.6	36419	9.3	13130	4.8	26.1
Other Union Territories	115	1.7	9168	2.3	3517	1.2	38.4
TOTAL	6782	100.0	393662	100.0	273424	100.0	69.5

Source: Statistical Tables relating to banks in India for the year 1967.

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bank (as envisaged in Phases III and IV of the short-term plan).

All states in India are grouped into five regions, viz., East, West, North, South and Centre as shown below:

The fourteen nationalised banks operating in the above respective regions (Table III) will be reconstituted into separate corporations and each corporation has to operate only in the region assigned to it. Competition among these corporations will continue and efficiency will be judged by the relative performance of each of these corporation in their respective regions.

Under this scheme, the regional corporation will have a banking unit in each state and the state unit is charged with the obligation of spreading banking habit by opening large number of branches in rural areas, mobilize deposits, finance all productive economic activity, provide remittance facilities, etc. Thus, depending on the number of states comprising a region, a regional corporation will operate through many state units. The state units, in turn, will function through their district-units. Thus, excessive concentration, over-burdening of functions with one institution, delays in taking decision and red-tapism can be avoided.

The relatively low credit absorption capacity of certain states such as Assam, Bihar, Jammu & Kashmir, Punjab and Uttar Pradesh will result in "resources — surplus" with some of these corporations in the initial years. Under such circumstances, the following suggestion should be implemented. The corporation with surplus-resources would lend to the corporation which is in need of resources, strictly on commercial principles and thus will make additional income. Such incomes should be credited to a special fund called "Development Fund" which should be used for financing enterprises with employ-

ment potential at lower rate of interest; opening of more branches in rural and semi-urban areas; for initiating and financing of small-scale industries, etc., in the region in which the corporation is situated. Thus, while the corporation makes profits from the commercial point of view by lending its surplus funds, the benefits accruing from such lending are passed on to the region in which it operates by creating demand for bank credit, through initiating and financing of agricultural and small-scale enterprises. Thus, over a few years, credit absorption capacity of the region will rise and the problem of surplus-resources will cease to exist.

Guideline for Operation

Both under the short-term plan and the long-term plan, the broad objective of nationalisation of banks would be the integration of the functions of these banks into economic development on the pattern envisaged in five-year Plans. The undue emphasis placed on deposit mobilization and credit disbursement, however vital they are from the point of view of economic development, ig-

nore other aspects of banks which are equally important from the point of view of the service to the community.

The main task of nationalised banking sector would be to combine service to community with the profitability expected of any commercial enterprise. In the ultimate analysis banking should be subservient to the needs of the community. Profitability is not the anti-thesis of this objective; at its worst, it may be less in magnitude. However, maximisation of services and not of profits should be the objective of banking. Broad guidelines are laid down below for the nationalised banks.

(1) There should be one branch/office for every 5,000 of population. Instead of banks following development as has been the case so far, development should be initiated by banks. The losses in earlier years, if any, can be made good in later years when development takes place in such areas, or by other branches/offices situated in more favourable areas. The ultimate objective should be one village at least one bank office. This will create about 2.0

East	West	North	South	Centre
(1) Assam	(1) Maharashtra	(1) Haryana	(1) Andhra Pradesh	(1) Uttar Pradesh
(2) Bihar	(2) Gujarat	(2) Jammu & Kashmir	(2) Tamil Nadu	(2) Madhya Pradesh
(3) Orissa	(3) Goa, Daman and Diu	(3) Punjab	(3) Mysore	
(4) West Bengal		(4) Rajasthan	(4) Kerala	
(5) Nagaland and others		(5) Chandigarh	(5) Pondicherry	
		(6) Himachal Pradesh		
		(7) Delhi		

TABLE III
ZONEWISE DISTRIBUTION OF OFFICES OF NATIONALISED BANKS AS ON JUNE 30, 1969

	Western Zone	Northern Zone	Central Zone	Eastern Zone	Southern Zone	Total
1. Allahabad Bank	14	19	73	42	5	153
2. Bank of Baroda	248	29	24	32	39	372
3. Bank of India	147	33	25	44	25	274
4. Bank of Maharashtra	142	1	6	—	4	153
5. Canara Bank	57	3	2	7	256	325
6. Central Bank of India	162	122	113	70	97	564
7. Dena Bank	195	9	12	8	10	234
8. Indian Bank	12	2	—	3	200	217
9. Indian Overseas Bank	24	10	—	11	153	198
10. Punjab National Bank	72	231	156	57	54	570
11. Syndicate Bank	36	10	—	2	259	307
12. United Bank of India	8	4	5	154	4	175
13. United Commercial Bank	77	78	62	90	41	348
14. Union Bank of India	110	24	34	16	56	240
TOTAL	1304	575	512	536	1203	4130

million additional jobs in the banking industry i.e. three persons per office (about 600,000 villages).

(2) A thorough study of interest elasticity of deposits in different states /regions and as between urban and rural areas in these regions, should be made before deciding the interest rate pattern of deposits.

(3) Adoption of dual and even multiple rates of interest between different regions and among different sectors of the economy should not be ruled out if such a measure is likely to augment more deposits and facilitate rational distribution of credit.

(4) The present categories of deposits, viz., current, savings and fixed should be further broadened to attract different strata of society to banks; e.g. negotiable certificates of deposits; deposits on the principle of "chit funds" (this is likely to be of great attraction in rural areas and among lower-middle classes.

(5) Security need not be insisted upon for granting loans. Creditworthiness of the purpose rather than of the person should be the criterion. Machinery to ascertain the end-purpose of credit should be developed for this purpose.

(6) Banks should organise cells to disseminate credit information regarding their prospective clients, which they may exchange among themselves; for this, each branch will have an area demarcated to it as its "District" and compilation of information regarding potential borrowers will not be a difficult task.

(7) Remittances are the lever for monetisation of the economy. Free remittance facilities should be provided by banks in rural and semi-urban areas. This will be a great incentive for people to go to banks and thus cultivate the banking habit.

(8) With a view to making banks get "involved" in economic development, the present banking laws may be so amended as to allow them to be shareholders in co-operative ventures in the sphere of small-scale industries, agricultural farms, export marketing, etc.

(9) In many states such as Assam, Orissa, Jammu & Kashmir, we find that the ratio of credit limits utilised to credit limits sanctioned by banks has been very low thereby indicating the relatively low credit absorption capacity of the economy. Under these circumstances it becomes incumbent on the part of banks to create demand for credit, to initiate the setting up of new industries,

small and medium, either individually or in collaboration with the government, which later they can transfer either to government or to private parties (for instance, banks in Japan and in the USA participate in such activities).

(10) "Glamourisation of banking" should be done away with. Banking offices should be organized, and operated in a moderate way both in their set-up, such as building, furnishing, etc., and in staffing them. While the clients should feel quite familiar with the surroundings, the prospective clients should not be scared away from the precinct of the bank. While this measure draws the common man to its fold, it also reduces the overhead expenses. High cost structure of setting up and running a branch is not only superfluous but uncalled for under Indian conditions. Especially after nationalisation, there is no justification for such a set up. *Branches of banks should be set up, maintained and run like like Post Office organization throughout the country.*

Need for Specialists

(11) Salaries in these banks should in no case be higher than that obtained in the Indian Administrative Service. A person who has no commercial banking experience continuously for at least ten years should not be appointed in any of these nationalised banks as an executive. To end bureaucracy in banking, *all jobs* in these banks, including chairmanship, should be earmarked only for those who have been in these banks; outsiders should be strictly kept away. Inter-bank transfers, however, will be beneficial to the nationalised banking sector.

(12) Special courses with practical training in (a) financing of agriculture, (b) financing of small-scale industries, (c) financing of medium and large-scale industries and (d) financing of public sector industries should form part of the syllabus and specialised cadres in these should be trained. Institutes to train bankers at different levels should be established in each state. Further, these institutes should also train "freshmen" who are willing to take-up banking as a career. This would enable the banking personnel to be familiar with the economic environment and peculiar credit needs of the state. The present policy of recruitment in banking industry also calls for a change. Only those who are trained by these institutes should be taken into banking service.

(13) Profitability should remain the main yardstick to measure banking efficiency. However, the semi-monopoly position of the nationalised banks

should not be used to maximise profit to the detriment of the society. The benefits should be passed on to the community. Profits above nine per cent per annum should be credited to a Special Development Fund. The resources of this Fund should be utilised for subsidising activities such as financing of "small man", opening offices in areas not yielding profits, etc., which are likely to run into losses. That would set the nationalised banking sector on an even-keel.

It is necessary to reconsider the position of co-operative banks in the context of nationalisation of 14 major Indian commercial banks. The problem in the short run may be to co-ordinate the functions of co-operative banks with those of commercial banks. But in the long run, the *basic* problem will have to be faced squarely, viz., in view of the socio-economic objectives with which 14 banks are nationalised, whether there is any rationale in allowing the co-operative banks to continue to exist with recurring losses mainly for sentimental reasons? Co-operative banks were established under different conditions from those which exist now. At present besides the State Bank of India and its subsidiaries, 14 major Indian commercial banks are in the public sector with the avowed objective of facilitating credit to agriculture, small-scale industries, rural welfare etc., which have been the main prop of co-operative banks.

Therefore, the *raison d'etre* of co-operative banking ceases to exist. The continuance of co-operative banks duplicating the functions of the public sector commercial banks with the financial assistance from the latter would only result in national wastage. In a way assistance to co-operative banks is a sort of deficit finance and the magnitude would be much larger if co-operative banks go in a large way under the pretext of "fulfilling social objectives" with financial assistance from the Reserve Bank of India and the 14 nationalised commercial banks. Therefore, it appears justifiable to suggest the merger of co-operative banks which are weak and are in need of assistance from commercial banks rather than *patronize* them with the funds of commercial banks.

This suggestion however does not mean the extinction of co-operative banking system. Where the co-operative banks are strong and function on their own strength, they deserve all encouragement and *kudos*. Only in cases where co-operative banks rely largely on patronage from outside agencies, mergers with commercial banks are suggested.

TABLE II
STATEWISE DISTRIBUTION OF OFFICES OF NATIONALISED BANKS AS ON JUNE 30, 1969.

Name of the State	Allahabad Bank		Bank of Baroda		Bank of India		Bank of Maharashtra		Canara Bank		Central Bank of India		Dena Bank	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Andhra Pradesh	..	..	..	..	2	1.3	8	2.2	6	2.2	1	0.7	16	4.9
Assam	..	..	..	..	1	0.7	2	0.5	1	0.4	—	—	3	0.5
Bihar	..	..	..	..	14	9.1	7	1.9	12	4.4	—	—	2	0.6
Gujarat	..	..	..	..	2	1.3	157	42.2	66	24.1	1	0.7	4	1.2
Haryana	..	..	..	..	3	2.0	2	0.5	2	0.7	—	—	1	0.3
Jammu & Kashmir	..	..	..	..	—	—	—	—	—	—	—	—	0.5	0.5
Kerala	..	..	..	..	1	0.7	6	1.6	5	1.8	—	—	47	14.5
Madhya Pradesh	..	..	..	..	8	5.2	9	2.4	17	6.2	6	3.9	1	0.3
Tamil Nadu	..	..	..	..	1	0.7	19	5.1	9	3.3	—	—	105	32.3
Maharashtra	..	..	..	..	12	7.8	82	22.1	73	26.6	139	90.8	40	12.3
Mysore	..	..	..	..	1	0.7	6	1.6	5	1.8	2	2.0	87	26.8
Orissa	..	..	..	..	4	1.3	3	0.8	3	1.1	—	—	2	0.6
Punjab	..	..	..	..	6	3.9	4	1.3	13	4.8	—	—	—	—
Rajasthan	..	..	..	..	2	1.3	16	2.7	3	1.1	—	—	—	—
Uttar Pradesh	..	..	..	..	65	42.5	15	4.0	8	2.9	—	—	1	0.3
West Bengal	..	..	..	..	25	16.3	20	5.4	28	10.2	—	—	3	0.9
Union Territories	..	..	..	..	8	5.2	21	5.7	23	8.4	3	2.0	16	4.9
Total	..	..	..	..	153	100.0	372	100.0	274	100.0	153	100.0	325	100.0

A—Number of Offices.
B—% to total.

TABLE II—Continued

Name of the State	Indian Bank		Indian Overseas Bank		Punjab National Bank		Syndicate Bank		United Bank of India		United Commercial Bank		Union Bank of India		Total Nationalised Banks	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Andhra Pradesh	..	..	28	12.9	14	7.1	11	1.9	32	10.4	—	—	6	1.7	11	4.7
Assam	..	..	—	—	—	—	4	0.7	—	—	16	9.1	7	2.0	1	0.4
Bihar	..	..	1	0.5	—	—	27	4.7	—	—	15	8.6	23	6.6	5	2.1
Gujarat	..	..	1	0.5	10	5.1	29	5.1	3	1.0	4	2.3	38	10.9	41	17.1
Haryana	..	..	—	—	—	—	45	601	—	—	—	—	9	2.6	1	0.4
Jammu & Kashmir	..	..	—	—	—	—	5	0.9	—	—	—	—	4	1.1	—	—
Kerala	..	..	16	7.4	15	7.6	2	0.4	36	11.7	—	—	7	2.0	28	1.7
Madhya Pradesh	..	..	—	—	—	—	42	7.4	—	—	—	—	29	8.3	14	5.8
Tamil Nadu	..	..	142	65.4	113	57.1	34	6.0	28	9.1	4	2.3	18	5.2	12	5.0
Maharashtra	..	..	11	5.0	12	6.1	43	7.6	20	6.5	4	2.3	34	9.8	66	27.5
Mysore	..	..	13	6.0	9	4.5	7	1.2	163	53.1	—	—	7	2.0	5	2.1
Orissa	..	..	—	—	2	1.0	3	0.5	—	—	7	4.0	10	2.9	2	0.8
Punjab	..	..	—	—	5	2.5	93	16.3	—	—	—	—	17	4.9	9	3.8
Rajasthan	..	..	—	—	1	0.5	36	6.3	—	—	—	—	25	7.2	3	1.3
Uttar Pradesh	..	..	—	—	—	—	114	20.0	—	—	5	2.9	33	9.5	20	8.3
West Bengal	..	..	2	0.9	9	4.5	23	4.0	2	0.7	114	65.1	49	4.1	8	3.3
Union Territories	..	..	3	1.4	8	4.0	62	10.9	23	7.5	6	3.4	32	9.2	14	5.8
TOTAL	..	..	217	100.0	198	100.0	570	100.0	307	100.0	185	100.0	348	100.0	240	100.0

A—Number of Offices.
B—% to total.

for a reduction in the dividends paid by railways to the central exchequer so as to allow them a fair set-off for the services they were obliged to perform below cost on social consideration or in the national interest. He assured the House that the work on the Calcutta circular railway would be expedited.

Mr Nanda did not accept the view expressed by some members that the Railway Board should be scrapped. He, however, hoped that he would be able to bring about changes in the railway administration in the near future in the interest of improving it.

Rank Inefficiency

The union ministry of Irrigation and Power came in for severe criticism in both the Houses for what the members alleged its rank inefficiency in building up the necessary network of canals, reservoirs and dams to fully utilise the entire flow of the three eastern rivers of the Indus system—the Sutlej, the Beas and the Ravi—released to the country with effect from April 1, 1970, under the provisions of the Indus Waters Treaty. The Minister, Dr K. L. Rao, denied the charge that there had been any inefficient handling of the issue or lack of will in executing the necessary projects. What had baulked them, he said, was lack of resources. As against the requirement of Rs 1,000 crores for all the projects needed to utilise the waters of the three eastern rivers of the Indus system, the union government, he pointed out, could so far make available only Rs 576 crores.

The fourth Plan itself, Dr Rao added, did not provide more than Rs 170 crores. At the present rate of investment, the various projects connected with the three rivers, he feared, could be completed only in another 10 years. Dr Rao's argument that even now as much as three-fourths of the water available from the Ravi, the Beas and the Sutlej was being utilised, as against just about a one-fourth after the partition of the country, apparently did not satisfy members. Nor did his assurance that no water was flowing into Pakistan since the night of March 31. Dr Rao, however, assured the two Houses that every effort would be made to expedite the completion of the storage at Pong, the Beas-Sutlej link, the Rajasthan canal project and a storage on the Ravi.

Three important bills were adopted by the Lok Sabha this week: These were: (i) the Calcutta Port (Amendment) Bill, which sought to enlarge the powers to the Port Commissioners so as to carry out a bridge project on the Hooghly; (ii) the Essential Commodities (Amendment) Bill, which aimed at extending the life of the parent Act by two years until the end of 1971; and (iii)

the Press Council (Amendment) Bill, which sought to modify the procedure for the nomination of the chairman of the Press Council and its members so as to make it broad-based and fully representative of the profession, including the working journalists.

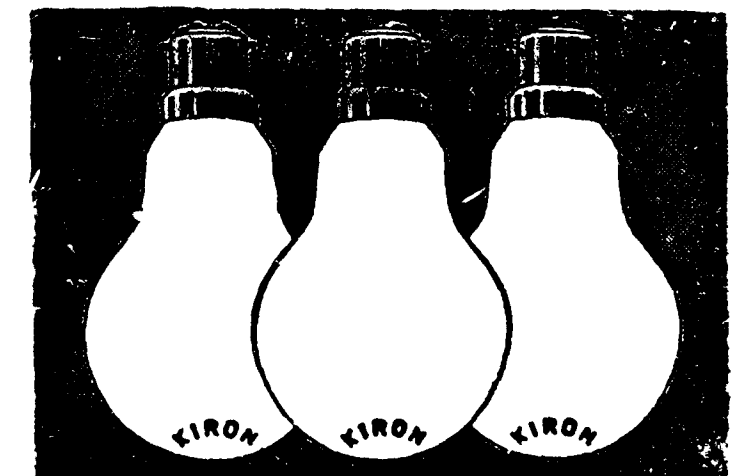
The Rajya Sabha adopted the Haryana and Punjab Agricultural Universities Bill which sought to bifurcate the Punjab Agricultural University into two independent universities for Punjab and Haryana. It also returned the Appropriation Bills of the union ministry of Finance and Railway Ministry.

The proceedings in the two houses this week, however can be said to have been over-shadowed by the reported move of the Communist members to impeach two judges of the Supreme Court who were on the Special Bench which heard the bank nationalisation case. These members had alleged that the judgment of the Supreme Court probably was not unbiased because two judges on the Special Bench had pecuniary interest in the nationalised banks. Explaining the position in the Lower House, the Home Minister revealed that the concerned judges had brought the fact of their pecuniary interest in the nationalised banks to the notice of the Chief justice even prior to the hearing of the case. The Chief Justice had invited objections from the Attorney

General. The Attorney General had not raised any objection. So the question of impeachment of the two judges did not arise. This clarification by Mr Chavan virtually raised a storm in the House, with a large number of non-Communist members condemning the attitude of the Communist MPs. The Communist MPs, it was argued, were trying to cast aspersion on the integrity of the Supreme Court judges. The Communist members were, thus, virtually isolated.

In the Rajya Sabha the matter was raised by the former Minister for External Affairs, Mr M. C. Chagla, now an independent member of this House. Mr Chagla expressed his horror and dismay at the reported move of the Communist members. Replying to Mr Chagla, the Minister of State for Finance, Mr R. K. Khadilkar expressed the view that it was expected of the Supreme Court judges to keep before them social objectives while reviewing and passing decisions on issues affecting the nation. The Directive Principles of the Constitution, he said, were equally binding on the Supreme Court judges as they interpreted the Constitution. Mr Khadilkar, however, made it clear that none in the country favouring scrutiny by Parliament of the judgment of the Supreme Court in the bank nationalisation case had less respect for the high traditions set by the Supreme Court.

KIRON



Lights Brighter, Lights Longer

WINDOW ON THE WORLD

Regional Development in the EEC

JOSSLEYN HENNESSY

LONDON:

I
LACK OF CO-ORDINATION

REGIONAL POLICY in the EEC, unco-ordinated and contradictory, is in the hands of the national governments. In the early days this created no major problems, but as the Six become more integrated, difficulties arise. First, the competition for new investment between the different governments impedes rational economic development, particularly in frontier areas where, even after twelve years tariff-free EEC trade, free movement for workers and (to some extent) of capital, co-ordinated cross-frontier development programmes are almost unknown. Further, the implementation of common transport, agricultural and industrial policies could be jeopardised if regional development policies are not co-ordinated.

There are six types of problem regions in the EEC:

(1) Peripheral agricultural areas; west, south-west and central France, Corsica and Sardinia (low population areas), and southern Italy and Sicily (relatively high population areas). (2) Semi-industrialised regions containing smaller agricultural problem areas, particularly in central and north-east Italy; the eastern borders of West Germany all the way from Bavaria to Schleswig-Holstein; the north of the Netherlands; the south-east of Belgium; and many parts of France. (3) Urbanised areas depending on declining industries, notably coal, textiles and shipbuilding (northern and north-eastern France, eastern Belgium, south-east Netherlands, and the Saar and parts of the Ruhr). (4) Congested urban regions, notably around Paris. (5) Frontier areas where, before the EEC, rational economic development was often impeded by national borders (notably where the French, German, Belgian and Luxembourg frontiers meet). (6) The special problem area of the German Zonenrandgebiet, along the boundary with East Germany, where economic regions have been arbitrarily cut in two.

The varying standards of living in different parts of each EEC country are shown in table alongside. Although in most countries the gap between the richer and the poorer regions has narrowed, the problems remain immense. By and large, the regional development

policies of the Six have proved, especially in the early years after the setting up of the EEC, inadequate, and regional differences are still glaring, especially in Italy and France.

II
ITALY

Italy faces the biggest of the EEC's regional problems. The south and the islands, the "Mezzogiorno", with a population of 19 million out of a total of 52 million, is under-developed. In area it equals Belgium, Netherlands and Luxemburg together. It lacks a big industrial centre, depends on low productivity agriculture and, with a high rate of population growth, is a source of emigration to the rest of Italy, Europe, the Americas and Australia. The reasons for its backwardness are

natural and geographical — lack of natural resources — and historical. The unification of Italy in the mid-19th century linked an agricultural area in the south with an area which had begun industrial development. The result was not a stimulus to the south, but a drain of capital and manpower to the north, widening the gap. The main problem areas are then agricultural, though there are other depressed areas dependent on declining industries, notably the Sardinian coal mines, the sulphur mines in Sicily, and various textile industries.

The constitution divides Italy into twenty regions. Five problem regions have special statutes (Sicily, Sardinia, Valle d'Aosta, Trentino Alto-Adige, and Friuli Venezia Giulia); the other 15 become autonomous, with normal statutes in 1970. Some regions have already put forward development plans; but until it is known what powers the regional governments will have, what effects these changes will have on either economic development or public expenditure are equally unknown. One can therefore look only at the central government's existing policies.

The government began to tackle regional development in 1950, when the

DOMESTIC PRODUCT PER HEAD
(National average=100; at current prices)

	1955	1965
<i>West Germany</i> (net domestic product at factor cost)		
north ^a	96.6	101.4
west (includes the Ruhr)	114.6	103.5
centre	92.5	94.4
south	92.8	99.1
<i>France</i> (gross domestic product)		
Paris region	..	131.6 ^b
west (includes south-west)	..	81.3 ^b
east	..	102.7 ^b
<i>Italy</i> (net domestic product at factor cost)		
north-west (includes Milan, Turin, etc)	147.8	139.0
north-east	103.6	107.7
centre	104.1	101.2
south	64.2	66.8
<i>Netherlands</i> (declared incomes)		
north	90.8 ^c	86.4 ^d
east	90.7 ^c	91.4 ^d
west (includes Randstad-Holland)	112.2 ^c	110.8 ^d
south	87.3 ^c	89.7 ^d
<i>Belgium</i> (gross domestic product at factor cost)		
north (Flemish areas)	87.3	91.3
south (Walloon areas)	100.6	91.8
Brussels region	140.8	145.4

^a Ranging from Hamburg 160.8 to Schleswig Holstein 84.8 (1965). ^b 1962. ^c 1950. ^d 1963.

Source: Annex to Note on Regional Policy in the Community, Commission of the European Communities, October 1969.

April 10, 1970

Cassa per il Mezzogiorno was created. This remains the major instrument of economic development in the south. Until 1957 the Cassa's fund went 75 per cent on agriculture and 25 per cent on infrastructure. Since 1957, 55 per cent has gone to agriculture, 11 per cent to industry, and 34 per cent to infrastructure and miscellaneous.

The new attention to industrialisation involved 14 development regions and 28 industrialisation centres. Special funds were provided for infrastructure improvement to encourage industrialisation, and investment grants, loans and interest rebates were given to firms moving to development areas. The Cassa's funds were doubled and other sources tapped, e.g. the World Bank and the European Investment Bank.

New Concept

In 1963, the EEC Commission put forward the new concept of an "integrated industrial development pole", and after a consultancy survey, the Italian government created the first pole in Bari-Taranto to attract not just one or two large firms (such as the coastal steel and chemical works which already existed in various parts of southern Italy) but a number of medium-sized factories (in e.g. in the electrical and mechanical engineering sectors), plus linked service and ancillary firms. The aim was to create a better balanced organic whole capable of natural expansion. The project is fairly successful, and is therefore likely to be copied elsewhere.

The five-year plan for 1966-70 seeks to boost industrialisation and stem the flow of emigrants from the Mezzogiorno (1.7 million people between 1951/62). The distribution of the Cassa's (increased) funds was to be: industry 33.5, agriculture 24.4, infrastructure 21.7, tourism 6.5, and miscellaneous 13.9 per cent.

The plan was for the first time integrated into an overall national economic policy, and the Cassa activities co-ordinated with others. The aim was that 40 per cent of new investment (including agriculture) and 40 per cent of new non-agricultural jobs were to be in the Mezzogiorno. And the semi-state industries (the ENEL, ENI and IRI groups in electrical energy, oil and petrol, and heavy industry) were obliged to put 40 per cent of their new investment in the south. Four development regions were created in Sicily, Sardinia, Puglia and Lazio-Campana.

Instruments of Regional Policy

A. Financial Incentives

—Capital grants of 20 per cent on buildings, and 30 per cent on machinery

EASTERN ECONOMIST

(20 per cent of it comes from outside the Mezzogiorno);

—3 per cent interest rebates for up to 15 years;

—loans at preferential rates reduced by 4-5.5 per cent.

These various aid measures may go up to a maximum of 85 per cent of the total investment for smaller, and 62 per cent for larger firms.

B. Fiscal incentives

—Exemption from income and company taxes for ten years for new investments;

—exemption from income and company taxes on 50 per cent of profits earned in north Italy and reinvested in the Mezzogiorno;

—exemption from company tax for all firms setting up in the Mezzogiorno; 50 per cent reduction of turnover tax.

C. Other Incentives

—the Cassa will provide 80 per cent of the cost of new infrastructure projects relating directly to a new industrial implantation;

—the Cassa will provide 50 per cent of fuel consumption allowed against taxes;

—the Cassa will provide 50 per cent reduction in rail freight charges on equipment going to the Mezzogiorno;

—the Cassa will provide payment by the state of 20 per cent of the social charges of companies in the Mezzogiorno. Additional labour costs are high and can be as much as 90 per cent of wage costs;

—the Cassa will provide loan guarantees, especially on loans contracted abroad;

—the Cassa will provide public shareholding in firms.

In addition, the regional authorities of the five autonomous regions grant substantial aid, but the total of regional and national aid must not exceed the 85 per cent and 62 per cent ceilings cited in A above.

III
FRANCE

France is the only EEC country with a regional policy covering the country in a coherent whole. Overall policy and implementing measures are worked out within the national economic plan by the National Commission for Regional Development, which is part of the Commissariat au plan. The need for regional planning was first realised in 1953/55, and the third and fourth French national plans covered regional problems. In 1957-58 attention was

drawn for the first time to excessive centralisation on the Paris area, which had an average product per head about 3.5 times that of Brittany.

It was not until 1960-64, however, that 21 regions were established, each under a Regional Super Development Officer. The final responsibility for regional policy now lies with the National Super Development Officer, appointed by the prime minister. Regional Expansion Committees have been set up in each of the 21 areas. Each committee has forty representatives of the areas (chambers of commerce, employers' organisations, trade unions, etc.). They are advisory. The fifth national plan, drawn up in 1966, includes plans for each of the 21 regions.

Instruments of Regional Policy

A. Restrictive Measures

These concern mainly Paris and the region around Lyons: in both industrial development covering more than 1,000 sq. metres require ministerial authorisation. A special decentralisation committee advises on whether public and semi-public agencies should be allowed to remain in, or move to, the Paris region.

B. Financial Incentives

—Loans at 6 per cent for 10 to 15 years from the Economic and Social Development Fund;

—industrial development premiums (for agricultural areas) and industrial redevelopment premiums (for areas with declining industries). These go up to 25 per cent of the cost of investment on new installations, and up to 15 per cent of extensions of existing installations. There is a ceiling of Fr 13,000 and Fr 7,000, respectively, per new job created;

—participation by regional development companies of up to 35 per cent of the capital of firms making new investments, for up to fifteen years;

—decentralisation grants of up to 60 per cent of the cost of moving from the Paris region, providing that at least 500 sq. metres of industrial space is released;

—decentralisation grants of 15 to 20 per cent of removal costs of firms in the service sector leaving the Paris region.

—partial reimbursement of occupational training costs incurred by firms moving to development areas;

—rebates on the price of land for industrial use in the west of France, which bring the price down to Fr 6 per sq. metre.

—reduced rates for natural gas in

34
Xm2, N70
N70.54

the south west and electricity in Brittany.

C. Fiscal Incentives

—Reduction in tax charged on property transfers in decentralisation operations;

—partial or total exemption from the business tax for up to five years;

—depreciation allowance of up to 25 per cent on new building in western regions.

IV

WEST GERMANY

West Germany's regional problems arise from contrasting kinds of area: e.g. (1) of limited extent with a high degree of concentration of economic activity and high population density; and (2) wholly or partly agricultural, mainly outlying, sparsely populated and with little industry. The first includes the Rhine-Ruhr, Rhine-Main and Rhine-Neckar industrial areas and certain major industrial cities, notably Hamburg and Bremen; the second covers two-thirds of the Federal Republic, though containing only a third of the population and a fifth of industrial capacity. In addition, a specific regional problem was created by the political frontier between West and East Germany, which cut off large areas from their economic hinterlands.

Regional development is the responsibility of the states and the federal government. Up to 1956, in which year full employment was achieved in West Germany, development aimed mainly at solving urgent social problems in unemployment areas. After 1956 the criteria became economic; the aim was to strengthen the economic potential of the more backward, and mainly agricultural, areas. Between 1958-67, 67 development centres were designated to industrialise small or medium-size towns in agricultural areas.

As a result of the relative down-turn in economic growth of West Germany in 1966-67, the federal government designated a number of development regions and centres which, together with certain mining areas and the Zonenrandgebiete, qualified for special treatment to re-adapt existing industrial regions, not only industrialisation in rural areas.

In 1969, the federal and state governments adopted regional action programmes for 12 specific areas, making co-ordinated action by the two levels

of government possible for the first time. Federal aids remain, but the new programmes designate 250 priority areas where co-ordinated aid will be available.

Instruments of Regional Policy

—Investment grants of up to 25 per cent depending on the type of investment (rationalisation, new factory, etc.) and the geographical area;

—loans of up to 50 per cent of investment costs, normally at 3.5 per cent interest, over seven years;

—interest rebates of up to 8 per cent for three years for rationalisation and redevelopment projects;

—increased depreciation allowances (up to 50 per cent) for the first year;

—grants and/or interest-rebates relating to up to 60 per cent of the purchase and development costs of land for industrial use;

—certain tax advantages on up to 10 per cent of investment costs;

—special transport rates in the Zonenrandgebiet.

V

BELGIUM

Belgium faces acute regional problems: (1) backward agricultural areas with high unemployment and little industry, in particular the Campine area in the north-east; and (2) areas of declining industries, above all coalmining.

In 1959, legal provision was made to encourage economic expansion and the creation of new industries anywhere in the country, and 15 development regions were named for intensive measures. Although most of these areas were in the hard-hit parts of the south, in practice most of the incentives went to firms investing in the Flemish-speaking areas, in Flanders and round Antwerp, where the geographical and labour-supply situations were more attractive.

A new law of 1966 (1) extended the recognised development areas to include 679 of Belgium's 2,663 communes, or roughly one quarter of the total land area, carefully balanced between the French and Flemish parts of the country, and (2) substantially increased incentives to new investors.

A projected draft law, which will replace the older laws, is linked with a

proposed new five-year plan for the whole country, to be supervised by a new Bureau du plan. Consultative regional economic councils and regional development companies will be created for different areas.

Instruments of Regional Policy

A. Financial incentives

—Interest rebates on loans for new instruments: 2 per cent on all new investments, 4 per cent in development areas, though the final rate of interest paid must not be reduced to less than 1 per cent. In exceptional cases the rebate can go up to 5 per cent for five years and the 1 per cent limit be waived. Under the proposed new legislation the general rebate would remain 2 per cent, but the 1 per cent limit rise to 3 per cent. The rebate is increased to 5 per cent in category 1 development areas, with lesser rebates in others.

—tax-free investment grants of 20 per cent and 7.5 per cent (rising exceptionally to 30 per cent and 10 per cent) on buildings and equipment respectively in development areas;

—state guarantees for loans which benefit from interest rebates.

B. Fiscal Incentives

—Exemption from the tax on income from property for ten years (to be reduced under the new bill to three years generally, and five years in development areas);

—doubling of the depreciation allowance for three years, and deduction of value of investment grants when calculating depreciation.

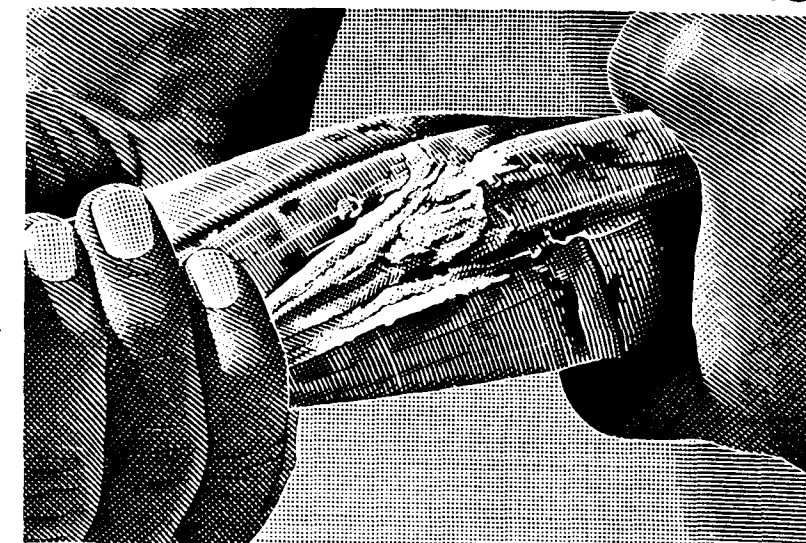
In addition, the public authorities buy



"If we could have a telescope like that in Yojana Bhavan it would help our perspective planning."

SIEMENS

**Spinning sugar
at the speed it needs?
Or is yours.
another problem?**



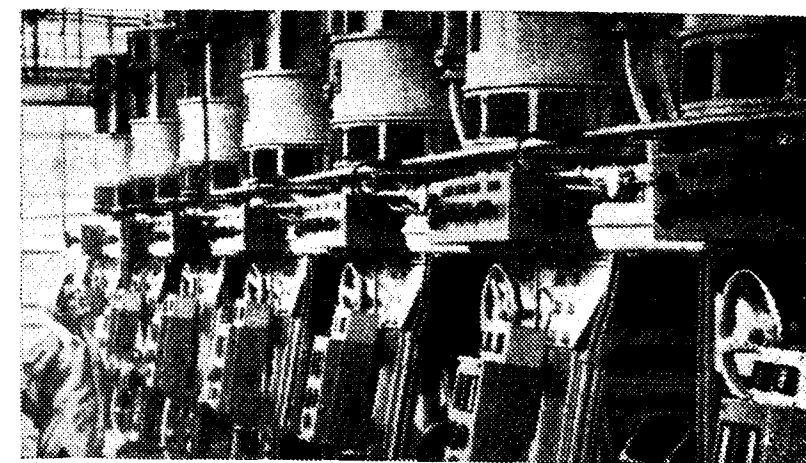
Speed control determines the quality of sugar. So that's something Siemens are really sticky about! Siemens sugar-centrifuge motors with automatic controls maintain the precise speeds needed for each cycle. (And in the process, separate that very rummy substance — molasses!)

The 4-5 month span of the crushing season is crucial. The smallest delay or breakdown can send everybody into a spin! To ensure continuous operation, the Siemens projects engineer selects motors of the correct duty and design for the different stages of production. No wonder Buckau-Wolf, Walchandnagar Industries, KCP, Port Engineering, Triveni and other sugar machinery manufacturers rely on Siemens. Whether it's sugar, mining, textiles, steel or cement, a Siemens projects division engineer is thoroughly conversant with the technology, processes and machinery of the industry he handles.

And he is backed by a chain of specialists. Siemens research in Germany helps us design sophisticated products to meet the needs of the '70s. Our manufacturing plants in India give us products tailored to indigenous requirements. Our erection department translates into reality the plans conceived by the project engineers, dovetailing with the plant's over-all installation and commissioning schedules.

Siemens are at home in modern industry — with electricals that form an integral part of its technology...electricals that are the pulse beat of the project.

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Sugar centrifuge motors

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land and build factories for rent or sale.

VI

THE NETHERLANDS

The Netherlands suffers from a single great uneconomic concentration of the active population in the Randstad, which includes Amsterdam, Rotterdam, Utrecht, and The Hague. The postwar population explosion aggravated the problem by a flow of migration into the Randstad from the rest of the country, where creation of new activities was not keeping pace with the growth of the population.

Regional policy began in 1951 with the designation of 9 development regions, but the situation has changed over the years. At the moment there are 4 large development regions: the north (Groningen, Friesland Drenthe provinces); the north of North Holland province; the south-west (Zeeland); and the south-east (Limburg and part of North Brabant). Within these there are 47 development centres (20 primary centres and 27 secondary centres). Regional policy has been reasonably successful. It is estimated that 80 per cent of new industrial jobs created since 1945 have been outside the Randstad area, and some 48 per cent in the two southern provinces.

Instruments of Regional Policy

- Investment grants (System a):
- in primary development centres: F1 30 per sq. metre for the first 2,000 sq. metres of floor space, F1 45 for the next 2,000 sq. metres, and F1 60 thereafter;
- in secondary centres, F1 30 per sq. metre in all cases;

Multilateral Foreign Aid

GERARD A. DONOHUE

WASHINGTON:

WITHIN the past year, three intensive and far-reaching studies of foreign aid have been made. These were the Pearson Commission Report to the World Bank, the Jackson Report to the United Nations and the Peterson Report to the President of the United States. All the three urged greater reliance on international, rather than bilateral, programmes as the most efficient means of helping developing nations.

All the three stressed that the developing nations themselves must bear the final responsibility for development. As the Pearson Commission Report put it,

—in the north and south-east F1 60 per sq. metre in all cases up to a maximum of F1 3 million;

—investment grants (System b):

—up to 25 per cent of investment cost for new developments and 15 per cent for the extension of existing facilities, up to a maximum of F1 3 million and F1 1.8 million respectively;

Firms can choose either System A or System B; they can't have both.

—50 per cent reduction on purchase price of industrial land on condition that buildings are to cover at least 20 per cent of the surface;

—interest rebates of 3 per cent for 15 years in the north and in southern Limburg;

—state guarantees for loans from the National Investment Bank (Herstelbank);

—public share-holdings, directly or indirectly, in companies investing in the north and in southern Limburg.

These various aids, aggregated, can reach 35 per cent of the value of new investments.

Sources and Acknowledgments: The foregoing summarises, by special arrangements, a 14-page report in the latest 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 the emphasis of my summary nor for my comments, based on a variety of sources.

"the objective cannot be attained simply by foreign aid. It will take hard and protracted effort in the developing countries themselves. Without such effort, development is impossible and development assistance is wasted." Conversely, the developing nations must know what resources from the developed nations will be available if they are to make realistic plans.

Reliance on the budgetary process of individual donors is hardly satisfactory. If the major portions of development assistance can be channelled through international organizations such as the United Nations Development Programme, the World Bank or the regional

development banks, resources can be co-ordinated under long-term comprehensive planning.

The recent trend has been towards more international aid, to the evident satisfaction of both developed and developing nations.

World Bank loans have risen from less than \$1,000 million in 1968 to more than \$1,750 million in 1969, and the Bank plans to continue to expand development loans.

The United Nations also has dramatically increased its efforts to aid development. It is estimated that the economic and social council now co-ordinates about 80 per cent of the work of the United Nations.

Complementing Peace Keeping

Ambassador Glenn A. Olds, the United States representative to the Council once said, "the United Nations' preoccupation with development is its principal peace-making function, complementing its security interests in peace keeping."

In the past 10 years, the United Nations Development Programme has extended its services from 110 countries to 140; the number of technical experts has grown from 2,400 to 9,000 and the number of fellowships from 2,150 to 7,000. And the United Nations hopes to expand its activities.

The Peterson Report to President Nixon strongly urged that "the United States should help make development a truly international effort." The report, now under study within the government, says: "The international lending institutions should become the major channel for development assistance and US bilateral assistance should be provided largely within a framework set by international organizations."

After some 20 years of experience with both bilateral and international aid, both donors and recipients intend to prefer international programmes, for resources can be used more effectively and political frictions reduced. "Too often in the past, bilateral aid programmes have been undertaken to gain political favours, strategic advantages or promote exports from the donor," the Pearson Commission Report explained. But donor nations often have been reluctant to reject unsound proposals from developing nations for fear of political repercussions. If the reports of these three groups on foreign aid are heeded, far more foreign assistance will be granted through international channels rather than through bilateral programmes.

The moving finger writes

IF THERE is any lesson to be learnt from the attempt made on the life of Mr Jyoti Basu, it is a lesson which communist groups of various complexions in our country can disregard only at their peril. For years now they have been trying to eat their cake and have it. They have been availing themselves of the freedoms of a democratic political order and, at the same time, they have not eschewed their philosophy of political violence or even their practice of it. In various parts of the country, one communist group or another has been yielding to the temptation to resort to individual assassinations or mass killings for the furtherance of their political objectives. How far any specific communist group or any particular communist leader has been involved in this politics of violence is a matter which will, no doubt, have to be discussed publicly with the utmost candour some time or the other. For the present, it must suffice to say that communist leaders, such as Mr Jyoti Basu, have clearly not been over-exerting themselves to keep their followers on the straight and narrow path of constitutional political activity within the disciplines and directions of a democratic context. The recent history of West Bengal is evidence enough of their sins of commission and omission in this field.

Having failed in his ill-advised attempt to seek election to the Rajya Sabha from Tamil Nadu, Mr C. Subramaniam should at least have had the wisdom not to attempt any post-mortem justification of his misadventure. The posture of self-pity he struck could hardly have won him any sympathy from a public which, at no time, had been enthusiastic about the political propriety of his entering the contest in the circumstances in which he did so. I am, of course, fully aware of the fact that had Mr Subramaniam succeeded in entering the Rajya Sabha, he would, undoubtedly, have been offered an important portfolio in the central cabinet and that this would have been a distinct gain to the public, particularly of Tamil Nadu. But these attractions cannot override the consideration that he could have won only by depressing still further the devalued standards of political morality and public conduct in contemporary India.

I wonder how the public interest is served by the controversy, much of

which is being artificially fostered, about the Soviet role in the Bokaro steel project. From a strictly practical point of view, the nation, as of today, stands to gain by completing this project as quickly as possible. This would clearly imply as an imperative a pattern of constructive relationship between the Indian project authorities and the Soviet side. Consequently, no useful purpose is served by any attempt at creating doubts about the *bona fides* of the Soviet collaborators. The truth, in fact, seems to be that such delay as there has been in the execution of the various stages of the project is largely the result of the failure of domestic suppliers of equipment to keep to their delivery schedules. It also appears to be the case that any increase that there may be in the cost of the project will be principally on account of higher prices paid for indigenous equipment. So far as the Soviet side is concerned, it is understood that not only the supply of equipment from that source has been planned in a generally competent manner but special efforts have also been forthcoming for making good lapses in deliveries on the part of suppliers in our country. This, for instance, has been the case with regard to refractories. In view of all this, I do hope that the mud-slinging at the Soviet presence in Bokaro will cease forthwith.

The failure of the Government of India to plan and provide in time for the full utilisation of the waters of Sutlej, Beas and Ravi, which have now become fully available to this country in accordance with the provisions of the Indus Waters Treaty of 1960, is all the more difficult to condone in view of the parched economy of Rajasthan. I recently had occasion to visit some places in that state and I have come back with the general impression that Rajasthan is sadly limping in the race among different areas of our country towards higher levels of agricultural or industrial activity. Indeed, I am rather surprised that the people of Rajasthan are not making enough protesting noise about this state of affairs. Some state governments and some chief ministers are luckier than others and the present Rajasthan government and its leader, Mr Mohanlal Sukhadia, apparently are among this fortunate lot.

The great need of Rajasthan, of course is for water. Only an intensive as well as comprehensive regional irri-

gation plan for the three states of Punjab, Haryana and Rajasthan will be able to meet this need. Unless there is a grand design for the full utilisation of the water resources of this region, there will not only be not enough water for the legitimate needs of all the three states, but there will also be endless bickerings among them for shares out of an insufficient pool. It is surprising, indeed, that Dr K. L. Rao has pleaded lack of finance as the explanation for the Government of India's unpreparedness for availing itself of the advantages of the termination of its obligation to share the waters of Sutlej, Beas and Ravi with Pakistan for a temporary period as provided for in the Treaty. It is worth investigating who decided and why sufficient funds could not be found for the purpose. I recommend that Parliament should set up a committee to go into the history of this serious lapse on the part of the central government.

The Ambassador for Sweden inaugurated an exhibition of folk art presented in the capital last month by Shanti Cottage Batik and Maya Dolls. The exhibits, which included batik (wall hangings, dress materials, table cloths, etc.) and wood carvings, were from the "Swallows in India" centre Madras. "Swallows" is a voluntary agency for social service and was founded in Sweden in 1959. "Swallows in India" was registered in this country in 1965 and is affiliated to "Swallows" in Sweden and Denmark. It has been engaging itself in wide ranging social welfare work in a slum settlement in the northern outskirts of Madras city as well as in a rural area south of that city. A notable feature of its programme is a scheme for imparting training in folk art to persons selected from very poor economic situations. A visit to the New Delhi exhibition helped me to appreciate the creative content of this training programme which seems to have been remarkably successful in stimulating in its beneficiaries an urge to discover and develop in themselves capacities for imaginative and original designing. This means that these people are not only being trained to earn a livelihood but are also being enabled to build up individual personalities for themselves as self-confident members of the human community.

Trade Winds

IRON ORE EXPORTS

INFORMATION SPECIALLY collected from all the loading ports of shipments upto March 31, 1970 indicate that in the financial year 1969-70 foreign exchange earnings from iron ore exports have exceeded Rs 100 crores for the first time. This is a substantial improvement over Rs 89.6 crores earned from this item in 1968-69. The total quantity has increased by 11 per cent from 15.9 million tonnes in 1968-69 to 17.6 million tonnes. The exports by the MMTC have increased by 14 per cent to 10.5 million tonnes, crossing the 10 million tonnes mark for the first time. Despite the prolonged bargemen strike in Goa during several months of 1969, the Goan shippers could also increase their shipments to 7.1 million tonnes compared to 6.7 million tonnes in the previous year. Of the sources from which the MMTC draws supplies for export, the shipments of NMDC ore via Visakhapatnam increased by a million tonnes to 4.4 million tonnes. Daitari mine of the Orissa Mining Corporation contributed 0.4 million tonnes. The balance 5.7 million tonnes was obtained from private sector mines in different areas. According to present indications, iron ore exports by India during 1970-71 should exceed 21 million tonnes; the MMTC is already booked for over 14 million tonnes and the Goan shippers can be expected at least to repeat their performance. The foreign exchange earnings from this item during 1970-71 are likely to increase by 20 per cent and reach Rs 120 crores.

EXPORT OF GEMS

Exports of gems and jewellery items during the first ten months of the current financial year, April 1969-January 1970, have aggregated to Rs 3,206.71 lakhs which shows a slight decline of three per cent compared with exports during the corresponding period of last year which totalled Rs 3,319.95 lakhs.

IMPORT VALUE OF U.S. COTTON

The import of per bale of 180 kg. of raw cotton from the USA would now cost Indian importers \$115 as against \$104 under the existing arrangements, the Textile Commissioner announced recently. In a statement issued recently the Textile Commissioner did not give, any reason for the increase in import value of US raw cotton. It was indicated that quotas had already been issued on the basis of lower value of

\$104 per bale. The value has now been increased to \$115. Accordingly the trade and industry could apply for licences by calculating allocation at the increased value, the statement added. Under the arrangements India would be importing about 100,000 bales of US cotton valued at \$14.5 million during 1970.

TRADE WITH HUNGARY

A high-powered Hungarian delegation will be visiting this country in the near future to investigate the possibilities for increasing and expanding the scope of consumer goods imports from India on a long-term basis. Mutual co-operation in the third markets also offer good possibilities and these are likely to be investigated further. Towards the end of this year, an exhibition of the Hungarian Tele-communication Industry will also be held in Delhi.

Among the developing countries, India has the first place in Hungary's foreign trade. The last two years' trade turnover between the two countries was Rs 30.0 crores a year. This year's trade plan provides for a turnover of Rs 59.2 crores (Rs 29.6 crores exports and Rs 29.6 crores imports). The principal items of India's exports to Hungary will be railway wagons, asbestos concrete products, automobile ancillaries, steel tubes and fittings, textiles, chemicals and medicinal products, in addition to traditional commodities. The principal items of India's imports from Hungary will be steel and steel products, complete wheel sets, air brakes and accessories for assembling railway wagons, dumpers and dumper components, tractors, drugs and medicines and pharmaceutical intermediates, tele-communication and allied industries. An Indian delegation was in Hungary in the beginning of this year to examine collaboration possibilities. There is demand from the Indian side and possibilities from the Hungarian side to export gas cylinder plants, seamless tube plants and other capital goods in collaboration with Indian firms. There is a substantial scope in the field of telecommunication industry where Hungary can participate in the Indian development through collaborations also. Hungary is also trying to diversify imports from India.

TRADE WITH YUGOSLAVIA

The union Minister for Foreign Trade, Mr B.R. Bhagat, categorically

stated in Parliament on April 1 that there would be no change in the mode of payment till March 1972 with regard to trade with Yugoslavia.

UNUTILISED BANK CREDIT

The Reserve Bank of India has directed all scheduled banks to levy a commitment charge on the unutilised portion of the credit limits at the rate of one per cent, per annum from April 1, 1970. This is expected to impose a measure of discipline on the borrowers and would facilitate a more rational allocation of credit. The calculation of the unutilised limit will be based on the borrower's own indication to the bank of his credit requirement in any quarter. This will ensure that though limits are sanctioned for a year, in respect of seasonal advances, the basis for calculation will not be related to peak level requirement, but the quarterly indication of requirement. In order to prevent hardship to small borrowers, it is stipulated that the commitment charge shall not apply to credit limits of less than Rs 10 lakhs in each account.

L.I.C. BUSINESS

The Life Insurance Corporation of India, has closed its books for 1969-70 with a completed new business of over Rs 1,035 crores — a new record — of which Rs 9 crores come from the LIC's office abroad. The corporation's cherished target to cross Rs 1,000 crore mark has thus been fulfilled with a handsome margin. The figures for 1969-70 record an increase of Rs 106 crores or 11.4 per cent over the previous record year 1968-69. The western zone has continued to occupy the first position since 1967-68. Amongst the corporation's 36 divisions in India, the Bombay division remains the premier division with a new business sum assured of Rs 137.76 crores. Calcutta stands second with Rs 71.27 crores and Ahmedabad retains the third with Rs 52.04 crores. The zone-wise new business with percentage increase over the year 1968-69 is as under: Western Rs 287.50 crores (16.8 per cent increase), southern Rs 269.27 crores (10.1 per cent), eastern Rs 172.25 crores (6 per cent), northern Rs 146.95 crores (12.6 per cent) and central Rs 140.43 crores (9.7 per cent increase).

DEMAND FOR TRACTORS

The estimated demand for wheel tractors is expected to be 385,000 and for power tillers 230,000 by 1973-74. The average annual demand for crawler tractors is expected to be 1,000 during the fourth Plan period and 1,400 in 1973-74. The Minister of State For Food and Agriculture, Mr Annasaheb Shinde, stated in Lok Sabha that the

MADRAS LUBE BLENDING PLANT

One of the major weaknesses of our petroleum industry has been the inadequate production of lubricating oils. Till about three years ago, we were producing indigenously not more than about 50,000 tonnes of lubricants a year from the Digboi refinery. Two years ago, the Barauni refinery went into this line of manufacture with a capacity of 46,000 tonnes per annum. With the commissioning of the Madras refinery and the Lube India's Trombay plant a few months ago, the indigenous supply of lubricants can be expected to go up materially this year. When in full production, the Madras refinery will turn out annually 200,000 tonnes of lubricants and Lube India Ltd., 164,000 tonnes. The Haldia refinery, now under construction near Calcutta, will add another 200,000 tonnes output towards the close of the fourth Plan. The requirements of lubricants in 1974 are estimated around 740,000 tonnes. So, we will nearly become self-reliant in lube oils by the end of the fourth Plan period.

But straight refined lubricants these days have got to be improved through addition of additives, so that they can meet the exacting requirements of modern machinery. With this purpose in view, two lube blending plants were set up recently by the Indian Oil Corporation—one at Bombay and the other at Calcutta—in collaboration with Mobil Petroleum. Lubrizol Limited was set up to produce additives. A third blending plant has now been completed at Tondiarpet, near Madras. Unlike the Bombay and Calcutta plants, which were constructed with assistance from Mobil and which are managed by this foreign company, the Tondiarpet unit has been designed and constructed by our own engineers, utilizing primarily local materials. It is wholly-owned by the IOC. With the successful commissioning of this plant, premium grade lubricants are being produced for the first time in the country. To mark the formal inauguration of the Tondiarpet blending unit by the Madras Chief Minister, Mr M. Karunanidhi, on April 4, Eastern Economist has great pleasure in producing this supplement.

The Dawn of Oil Age in India

KAMALJIT SINGH

Managing Director, Indian Oil Corporation, Marketing Division

AT THE time of attaining Independence, our dependence on the west for petroleum was absolute and total. Following the Industrial Policy Resolution of 1956, which brought the mineral oil industry under the purview of the state sector, there has, however, been witnessed an unparalleled breakthrough in all the facets of this industry — exploration, refining, marketing as well as pipeline transportation of petroleum products.

Between May, 1960, when oil gushed out of well No. 1 at Ankleshwar, and March, 1970, when the "Operation Leap Frog" commenced in the shallow waters of Aliabet, the public sector oil exploration agency, the Oil and Natural Gas Commission (ONGC), has made quite rapid progress. During the short span of a decade, its engineers have developed skills which, at one time, were considered to be the exclusive monopoly of a few countries of the west. The ONGC has till now established sizable crude oil resources in the sedimentary regions of Gujarat and Assam. Its current output aggregates to about 3.75 million tonnes a year. The Oil India Ltd, a 50:50 venture between the union government and the Burma Oil Company, which also came into being slightly before the incorporation of the ONGC, is prospecting for oil in Assam. Its annual output at present is around three

million tonnes per annum. So we are producing today approximately 6.75 million tonnes of crude oil. At the time of Independence, our production of crude was less than half a million tonnes.

In the field of refining, the first public sector refinery with a capacity of 0.75 million tonnes, based on Assam crude, was commissioned in January, 1962, in Gauhati with Rumanian assistance. The second refinery in the public sector was built with Soviet assistance at Barauni, in Bihar, a couple of years later, initially to process two million tonnes of crude from the Assam oilfields. The third public sector refinery was established in 1966 at Baroda, again with Russian assistance, to process three million tonnes of Gujarat crude. Before the advent of the public sector in oil refining, four private sector refineries were in the field. They were the Assam Oil Company's Digboi refinery, Burmah Shell's Trombay refinery, Esso Standard Eastern's Trombay refinery and the Visakhapatnam refinery of Caltex. The setting up two more refineries, one at Cochin and the other at Madras, with majority shareholding by the union government — foreign collaboration from Phillips Petroleum in the Cochin refinery and from the National Iranian Oil Company and the American Oil Company in the Madras

refinery — subsequent to the Baroda refinery, took the country further on the path of self-sufficiency in petroleum. Both the Cochin and the Madras refineries have capacity to process 2.5 million tonnes of crude oil per annum. Another refinery in the public sector is being constructed at Haldia, near Calcutta. It will also process, 2.5 million tonnes of crude per annum. The refining capacity, therefore, has also grown at a rapid pace, especially during the sixties. Today, we have refinery capacity to more or less meet our entire requirements of petroleum products. The public sector's capacity is 11.55 million tonnes. The private sector is processing crude to the extent of about eight million tonnes.

Thanks to assistance from abroad and such agencies as the Engineers India Ltd, the Indian Institute of Petroleum and the Council of Scientific and Industrial Research, there has as well been a demonstrable progress in the refinery design and construction. Laying the foundation stone of the Haldia refinery recently, the union Minister of Petroleum and Chemicals, Dr Triguna Sen, made a significant observation when he said that India had developed technical expertise and skill to plan, design and construct a wholly Indian-made refinery in the next five years. A modest beginning in the association of Indian talent in refinery construction was made at the Baroda refinery, but in the case of the Haldia refinery as much as 40 per cent of the technological process and engineering studies has been done by our own engineers. Our share in the supervision of construction of refineries has also gone up appreciably.

The indigenous content of equipment, plant and machinery in the Haldia refinery will be to the extent of as much as 70 per cent. The part played by the Central Design Bureau in refinery designing and construction has been significant in the recent past.

The progress achieved in the distribution of petroleum products through the public sector undertaking, Indian Oil Corporation, with which Indian Refineries Ltd, was merged a few years ago, has been no less significant. From a small company distributing imported kerosene, high speed diesel and furnace oil to a total quantity of about 32,000 kilolitres, valued at Rs 78 lakhs in the first year of its operation in 1960-61, the total sales of Indian Oil in 1968-69 exceeded Rs 569 crores. Nearly 8.1 million kilolitres of petroleum products were sold by Indian Oil through its distribution network during 1968-69. The estimated sales of the undertaking in 1969-70 were 10.4 million kilolitres, nearly 50 per cent of the total volume

of petroleum products marketed in the country in this year.

In the teeth of competition from foreign oil companies with their advanced research and marketing techniques, Indian Oil has outstripped them in building storage and distribution facilities, creating pipeline transportation, etc. Turnover-wise, Indian Oil tops all the companies in the corporate sector.

The entry of Indian Oil in the recent past into the aviation and liquefied petroleum gas business has added new dimensions to its marketing operations. With a network of aviation refuelling service stations at the international airports in the country, expert refuelling service is made available by Indian Oil to 11 international airlines. The refuelling service station at all airports and airfields, numbering 65, serve both civil and defence aircraft. More than 2,000 points have been created by Indian Oil to carry the much-needed kerosene to every nook and corner of the country. More than 2,500 petrol stations have been set up for the motor-ing public and over two lakh households use Indian Oil cooking gas in 36 cities.

The surplus products are exported by Indian Oil. These include motor gasoline, high speed diesel, furnace oil, naphtha and asphalt. Exports are made to Thailand, Ceylon and Japan. The

foreign exchange earnings from these surplus petroleum products amounted to Rs 35 lakhs in 1966-67. In 1967-68, they increased to about five crores of rupees. In 1969-70, these earnings are expected to be nearly Rs 5.4 crores. Lubricants are expected to be added to the list of exports during 1970-71. Indian Oil made a profit of Rs 18 crores in 1968-69. It, thus, proved its worth as a commercial unit.

With a view to producing premium-grade lubricating oils and greases, Indian Oil had recently set up two blending plants, one in Bombay and the other at Calcutta, in collaboration with Mobil Petroleum, the manufacturer of world renowned "Flying Red Horse" brand of lubricants. A third blending plant — the first wholly-owned and managed by Indian Oil — has now been added near the Madras refinery from where it will draw the base stocks to be blended into different formulations. With the commissioning of the Madras lube blending plant, with a capacity of 140,000 tonnes per annum, the production of base oils from the Madras refinery to the extent of 200,000 tonnes a year, along with the lube refinery set up at Trombay by Lube India Ltd, a 50: 50 partnership between Esso and the union government, the country's requirements of lubricating oils will soon be met from indigenous sources to a great extent. The chemical compounds

Madras Lube Plant at a Glance

Area	25 acres
Capacity	1,400,000 tonnes per year
Warehouse Area	5,760 S. metres to stack 25,000 drums and cans
Electronic Digital Blender	Capacity 900 litres per minute
Blending Kettles	Seven sizes: three of 100 KL; two of 50 KL; one of 25 KL; and one of 5 KL.
Drum Filling Machines	Eight — each, capable of filling 40 drums per hour
Can filling Machines	Three for filling— Five litre cans — 500 cans per hour One litre cans — 2160 cans per hour ½ litre cans — 1080 cans per hour
Storage tank for Base Oils	18 — each with capacity 22,000 kilolitres
Storage Tanks for Finished Products	Nine — each with capacity 1,800 kilolitres

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**AT INDIANOIL'S
BLENDING PLANT IN MADRAS**

and thinking of the possible remedial actions helped a great deal. Detailed work planning was done in advance so

that inter-dependent jobs were not held up because of delays in one job or the other. Another helpful factor was

that the engineers who were to execute the project were associated with it at the planning stage itself.

The Growing Lube Hunger

B. V. RANGANATH

Public Relations Manager, Indian Oil

lubricants during the fourth Plan period at eight per cent per annum. The following are its demand projections up to 1975.

3. Lube India Limited	1,64,000
4. Madras Refinery	2,00,000

The Haldia refinery of the IOC, currently under construction, will have a capacity to produce 200,000 tonnes of lube oils, including 70,000 tonnes of "bright stocks" not so far planned by any other refinery in India.

The production of indigenous lube oils during the current year is estimated to result in a foreign exchange saving of about Rs 30 crores. When the Haldia refinery starts producing lube oils in 1973, the foreign exchange savings are estimated to go up to Rs 42 crores.

With a view to meeting the growing demand for high grade lubricants and greases, the IOC entered into a 50:50 partnership with Mobil Petroleum in 1964 to set up two blending plants, one in Bombay and the other in Calcutta. The advanced lube blending techniques and expertise acquired by Mobil, thus, became available to the IOC. This incidentally brought back to India the "Flying Red Horse" ensign after its temporary exit for a few years.

The IOC plans to construct a large blending plant at Haldia. Yet another blending plant near Delhi is also on the anvil. Base stocks from Barauni, Haldia, Madras and Bombay are due to be blended at the Delhi plant which when established would conveniently cater to the lubricating oil demand in the area.

	Tonnes
1. Assam Oil Company	70,000
2. Barauni Refinery	46,000

Right Lubricants Save Machines

GEORGE JOHN

Technical Engineer, Indian Oil's Southern Branch

FOR THE layman, all lube oils are the same. In the past, plain straight mineral oils were used as lubricating oils for most applications. However, after the second world war, the lube oil additive technology and the base oil refining developed considerably with the result that today the "premium" branded lubricants, made from suitably selected base oils and blended with proper organic additives, give a far

superior performance, as compared to the straight mineral oils.

The base oils are obtained from the vacuum distillation of crude oil at the refinery. They may be of varying viscosity, from light spindle oils to heavy cylinder oil stocks. These oils as such are often referred to as base oils, pale oils, straight mineral oils, and sometimes neutral stocks. In the mar-

ket, they are commonly known as secondary grade, low grade or cheap oils.

The base oils are then subjected to various refining techniques, depending upon the type of the base oil and the degree of refining required. Among the commonly employed base oil treatment processes are the following: (1) solvent dewaxing; (2) solvent-refining;

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modern lubricants are responsible for extending the above useful and functional properties to the desired level. Numerous chemical compounds are available or suggested as "additives" but for the production of really efficient top quality lubricants, the "additives" must possess the following qualities:

(a) Solubility in the base oil or grease throughout the temperature range encountered in use; (b) compatibility with the base stocks used; (c) Insolubility in and resistance to reaction with water; (d) minimum volatility throughout the temperature range of an operation; (e) stability in blending, storage, and in use; and (f) compatibility with

other ingredients used in the finished lubricants.

To develop a modern lubricant for a particular end use, the following steps are necessary: (a) to assess the functional properties required of a lubricant and also to estimate the extent to which such functional properties must be imparted to the finished lubricant; (b) to identify the appropriate base oil and additives and to ascertain the proportions in which these ingredients when blended are expected to meet the base lines required of the finished lubricant; (c) to assess the property of the finished blend in a laboratory to ascertain as to whether the end use require-

ments are fulfilled; and (d) after laboratory assessment, when one hopeful formulation has been established, then the candidate sample is subjected to field trials in the appropriate machine for which this particular lubricant has been designed.

Great care and sagacity are obviously required to correctly follow the above steps. Many a difficulty is to be encountered. For the development of a suitable lubricant for modern machinery, it is imperative to have a well-equipped, well-organised and planned research laboratory with the best of the latest equipment and also with the best of the staff with knowledge, experience and sagacity.

A Tough Engineering Achievement

R. H. VORA

Senior Engineer, Indian Oil

THE SUCCESSFUL completion of the Madras lube blending plant has added a new dimension to the construction activities of Indian Oil. Hitherto, the engineering department of the IOC had been constructing large-size installations, depots, service stations, aviation depots, pipeline installations, etc. The Madras lube blending plant is the first construction activity of the Corporation in the production field.

Third in the series of its blending units, the Madras plant is wholly owned by IOC. The other two plants at Bombay and Calcutta are jointly owned with the Mobil Oil Corporation of the USA. They were designed by a foreign consulting firm and their management is fully entrusted to Mobil. In the Madras plant, the technical collaboration of Mobil is limited to only such aspects as may affect the standards of quality control of the finished lubricants.

The project report of the Madras unit was prepared by the Indian Institute of Petroleum. It has been built under the supervision of Engineers India Limited. The IOC set up a special project office at Madras under the charge of a project manager, equipped with full authority in respect of the construction of the plant.

The degree of sophistication aimed at in this plant was higher than that achieved in the existing plants. The engineers, therefore, encountered two main problems. On the one hand, they were to study the existing plants and bring out and evolve the best plant and design by incorporating the latest

concepts. On the other hand, they were expected to commission the plant according to a tight time schedule and that too through a particular procedure of tendering. In spite of all this, the project took just about 18 months to complete.

Sticking to the schedule was no easy job as EIL had fixed target dates for various activities by using the technique of PERT and CPM. Those who know the fundamentals of these techniques, would appreciate that a serious breakdown in one critical activity upsets the whole schedule. Such breakdowns occurred not on one but many critical activities, largely because of dependence on outside agencies. Tight follow-up corrective action was taken at every stage to get back to the critical path.

To avoid delays, attempts were made to localise the responsibilities of supply of materials and construction amongst as few agencies as possible. For instance, the job of supply, erection and commissioning of boilers, including all accessories, was entrusted to one firm. The same course was adopted in the case of compressed air supply plant. The piping job merits special attention. Normally, it is considered cheaper to buy the materials, consisting of numerous items, separately from various firms and entrust the erection work separately. This course of action is good enough when adequate time is available to process the purchases after the detailed drawings and schedule of materials are ready. In the case of this plant, however, the piping job was very critical. So it was decided to make

an all-inclusive contract with one single agency.

Judicious forecasting of all delays

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NOTICE

Notice is hereby given that the Board of Directors of the Company at their Meeting held on 4th April, 1970 have declared dividends on the Preference Shares of Rs. 100/- each in the Company, @ Rs. 8.57 per share of Series 'A' and 'B' for the year ending 31st March, 1970 and @ Rs. 9.30 per share of Series 'C' from 24th October, 1969 to 31st March, 1970, subject to deduction of tax under the provisions of Income-tax Act, 1961.

The dividends will be paid on or after Saturday, the 9th May, 1970 to those shareholders whose names stand on the Registers of Members of the Company as at the close of Saturday, the 25th April, 1970.

It may be noted that Registers of Members and the Transfer Books of the Company are not being closed for the above Purpose.

By ORDER OF THE BOARD
B.N. Puranmalka
Secretary

Birlagram, Nagda.
4th April, 1970.

and (3) hydro-finishing. Waxes, unstable hydro-carbons, aromatics, asphaltic hydro-carbons, etc., are thus removed and the oil is made clean and stable. This oil has high natural viscosity index (VI) and has good stability. The Madras refinery employs methyl ethyl ketone dewaxing, furfural solvent extraction and also hydro-finishing. Therefore, the refined base oils available for blending at the Madras lube plant are of high quality.

Though the lubes treated as above are of high quality, they are still not capable of meeting the various lubrication requirements. Therefore, for specific applications, suitable oils or their blends are carefully selected and then blended with the required additives

in the blending plant. These blendings are done in accordance with various formulations. Each of the formulations is arrived at after a series of trials both in the laboratory and in the field. In many cases, lubes have to meet the performance specifications laid down by various standards organisations. To meet these stringent quality requirements, strict and accurate controls are exercised at all the stages of the blending. Continuous research is also essential to keep pace with new developments in and changing demands for lubricants.

In the category of premium branded oils, there are two to three hundred various grades, each meant for a specific application. The proper selection

and application of lubricants calls for specialised knowledge and training. The lubrication engineers of the marketing organisations render this service to consumers and ensure the application of the right grade of oil at the right time and in the right way.

The price difference between the high grade oils and the low ones can be as much as 100 per cent. This clearly indicates the degree of difference in quality. A large quantity of low grade oils is consumed for non-critical applications in the industry where it is uneconomical to use high grade oils. However, substitution of low grade oils in uses in which additive type high grade is required, to save a small amount, is rather unwise and will prove dangerously costly.

Laboratory Testing of Lubricants

R. SRINIVASAN

Chief Chemist, Indian Oil Lube Blending Plant

WITH INCREASED modernisation of industries, the demand for specialised lubricants has gone up considerably. Being the largest supplier of petroleum products in the country, the IOC is committed to meet the requirements of lubricants to the strictest standards and specifications.

Some years ago, the variety of lubricants and additives used was limited. The conventional equipment for testing, therefore, was sufficient. The usage of indigenous additives in premium grades of lubricants and severe control specifications, laid by the defence and other government departments, however, has now necessitated the resort to modern and sophisticated equipment in the

laboratory.

Apart from providing routine testing facilities, the IOC's laboratory is equipped with costly modern instruments for testing sulphur content, pour-point of viscosity at very low temperatures, photo-electric calorimeter, filmimeters and, above all, the infra-red spectro photometer.

The IOC takes particular pride in having been able to equip its laboratory with the latest model of infra-red spectro photometer. Probably, apart from the government educational institutes, the IOC is one among the few to acquire this most sophisticated instrument. The chief advantage of this instrument is that it can be used to determine quickly

minute quantities of substances by simple means.

The infra-red technique is employed in the analysis of used and unused lubricants and in estimating concentration of additives. This particular equipment, as its name implies, is used only for measurements in the infra-red region VI 3, 2.5 to 25, and has a reproducibility of ± 0.01 .

Besides, the laboratory undertakes evaluation of lube base stocks from other refineries and is engaged in research and development work connected with the application and performance of various types of lubricants.

RECORDS AND STATISTICS

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

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April 10, 1970

estimated annual demand for wheel tractors and power tillers was:

Year	Wheel Tractors	Power Tillers
1969-70	70,000	20,000
1970-71	70,000	30,000
1971-72	75,000	40,000
1972-73	80,000	60,000
1973-74	90,000	80,000

Total 3,85,000 2,30,000

Industrial licences had already been issued for a capacity of 30,000 wheel tractors per annum. Eight new schemes for a total capacity of 68,000 per annum had been approved in principle. Five more schemes for a total capacity of 43,000 per annum were at present under various stages of consideration.

PROBLEMS OF TEA

Mr U.K. Patel, President, Indian Tea Merchants' Association described the recent months as eventful for the tea industry and trade. He pointed out that the growing imbalance between the international supply and demand of tea had reached a point which was already creating considerable hardship to all concerned. Prices of tea were declining fast. He stated that it was under these circumstances that 14 producing countries representing about 95 per cent of the world export met at Mauritius in July last year and decided to withhold from world export market some 90 million lbs. of black tea in 1970. FAO's Consultative Committee on tea, which met in Rome in December last, agreed upon an export quota of 1,307.5 million lbs. for export in 1970 for the countries covered by the agreement. The quota for India and Ceylon under this was 928 million lbs. Mr Patel stated that the representatives of India and Ceylon were to meet in April next to decide their individual share of this joint quota. In April the working group of tea producing and exporting countries were also scheduled to meet to draw a framework of a long-term agreement to stabilise world tea markets.

CHALLENGE TO JUTE

The jute industry in this country is confronted "with a pincer movement from synthetics on the one hand and from Pakistan on the other", Mr R.P. Goenka, chairman, stated at the annual general meeting of the Indian Jute Mills Association recently. He warned that the country must meet this "twin threat" by adopting appropriate counter-measures and said that this clearly called for "a complete rethinking" of the Government's fiscal policy. He asserted that export duties had done harm to the jute industry, once during 1949-55 and again since June 1966. In this connection, he mentioned that the

items of jute manufactures — webbing, tarpaulin and canvas — on which export duties had been reduced in the last budget represented a little over 1 per cent of the jute industry's total exports during 1969. Sacking exports, Mr Goenka pointed out, had practically been written off for some time and heavy losses were encountered last year also in the hessian markets. Hessian exports had dropped by 48 per cent during the last five years and it had been calculated that, if the present trend continued, India would be exporting little more than 125,000 tonnes of hessian by 1975.

HINDUSTAN STEEL OUTPUT

The Rourkela steel plant of Hindustan Steel Ltd, had a record output of finished steel of 806,000 tonnes in 1969-70. Record production was achieved in slabs, plates, sheets, coils and pipes. The Bhilai steel plant of HSL also attained its highest production in 1969-70 of 1.86 million tonnes of steel.

TRADE WITH E.C.M.

Mr J. Jean Rey, President of the Commission of European Economic Community, who was on a short visit to this country stated during a talk on European Economic Community and India at a function organised by the Indian Institute of Foreign Trade that this country could hope for a comprehensive commercial treaty with the European Economic Community. He hoped that negotiations in this respect would start in the next six months. He visualised that this country was bound to emerge as the spokesman of the Asia because of its size, geographical location and economic potential. Mr Rey indicated that some important decisions were taken at the last meeting of the European conference which included a common currency for ECM countries. Another direction in which the ECM was likely to grow was in the enlargement of the geographical size by inviting the rest of the European countries to join it.

NEW TECHNOLOGY IN INDUSTRY

Mr Milton B. Dobrin, Professor of Geophysics at the Rice University, and President of the Society of Exploration Geophysicists, in his talk at the opening session of the International Oil and Gas Education Centres Institute, on petroleum exploration and economics, at Houston, USA, stated that the future course of the petroleum industry depends now, more than ever before, on the continued progress in exploration technology. The gap between economically available oil reserves and increasing demand, both in the United States and in the world, was narrowing. "It is quite likely that we are at a stage where oil production in the US and in the world is at its peak and that the

course from now on will be downward", he added. One circumstance, according to Mr Dobrin, likely to arise is the development of geophysical methods to pin-point oil-bearing stratigraphic features.

SOYABEAN PRODUCTION

The Food Corporation of India is to explore the possibilities of processing and marketing soyabean in the country. This measure is intended to give a boost to indigenous cultivation and fuller utilisation of high-protein content of soyabean. According to nutrition experts, soyabean can be processed to provide edible soya flour, which is a rich source of protein and can be used for the production of infant and children foods. The continuous shortage of edible oil has necessitated large scale imports of soyabean oil to meet the requirements of vanaspati manufacturers. Imports of soyabean oil were around 80,000 tonnes during last year.

LOAN FOR WORLD BANK

The Bank of Japan and the World Bank signed an agreement on March 24, in Washington, for the loan to the World Bank of Yen 36,000,000,00 (US \$ 100,000,000 equivalent). This loan carrying interest at the rate of 7.14 per cent per annum, will be repaid in five equal instalments from March 1973 to March 1975. This is the second loan that the Bank of Japan has granted to the World Bank. The first also amounting to Yen 36,000,000,000 was granted in February 1970. The transaction thus brings to the equivalent of US \$200,000,000 the amount of funds recently made available to the world Bank by the Bank of Japan. In commenting on the second loan, Robert S. McNamara, President of the World Bank said: "The action by the Bank of Japan further internationalizes the market for World Bank obligations, a development that is of prime importance to future financing of our activities. Only through the broadening of sources of funds available to the World Bank, can it insure a continuing and sufficient supply of financing for its expanding loan operations."

MEGHALAYA

The autonomous unit of Meghalaya was created within the state of Assam on April 1, 1970. The Prime Minister, Mrs Indira Gandhi, inaugurated the new state. A five-member cabinet headed by Captain Williamson Sangma was sworn in on April 2 by Mr B.K. Nehru, Governor of Meghalaya, Assam and Nagaland. Other ministers besides the chief Minister sworn in were Mr S.D.D. Nicholas Roy, Industries and Agriculture; Mr B.B. Lyngdoh, Finance; Mr Edwington Bareh, Public Works and Mr Sandford Marak, Education, Health and Family Planning.

Company Affairs

STATE BANK OF PATIALA

THE WORKING of the State Bank of Patiala improved during the year ended December 31, 1969. The bank recorded a profit of Rs 8.56 lakhs during the year as against Rs 7.21 lakhs a year before. Deposits increased to Rs 54.32 crores as against Rs 43.04 crores on December 31, 1968, showing a rise of nearly 24 per cent in one year. Advances also increased in a big way to Rs 37.08 crores from Rs 22.61 crores last year.

ZENITH STEEL TUBES

The production of Zenith Steel Pipes Ltd. for 10½ months ending March 15, 1970, is placed higher at 30,500 tonnes against 30,000 tonnes during the same period last year. Exports are also higher at 15,000 tonnes valued at Rs 1.52 crores as against 13,000 tonnes valued at Rs 1.34 crores. The turnover has amounted to Rs 5.67 crores. The output of galvanised tubes is maintained at 24,000 tonnes. These figures were disclosed by Mr S.G. Nevatia, a director of the company, who presided over the extraordinary meeting held recently. All the resolutions placed before the meeting, including the one pertaining to the bonus issue, were unanimously adopted by shareholders. The company proposes to capitalise Rs 35 lakhs from general reserve for the issue of bonus shares to the existing shareholders in the ratio of one share for every three held.

T I CYCLES

To commemorate the production of four million cycles at T I Cycles of India the Company arranged a function at the factory on March 17 under the presidency of Mr. K. Vezhavendhan, Minister for Labour, Tamil Nadu. Mr A.M.M. Arunachalam, Managing Director, Tube Investments of India Ltd. welcoming the gathering expressed the hope that the government would take suitable steps to enable the cycle industry to keep its costs down. The Minister congratulated the company for its achievement and stated that it was a good example of effective productivity. The company gifted some cycles to suitable recipients.

ESCORTS

Escorts sales turnover increased beyond Rs 28 crores in 1969 against Rs 20.5 crores a year before. The company earned a net profit of Rs 112.80 lakhs

against Rs 100.46 lakhs in the previous year. This profit is after providing for depreciation amounting to Rs 75.82 lakhs, interest and finance charges of Rs 56.69 lakhs, managing agents' commission of Rs 11.73 lakhs and taxation of Rs 98 lakhs. The directors have recommended a dividend of 13 per cent on equity shares and on preference shares as per the terms of issue. It is expected that a part of the dividend will be free of tax under Section 80 of the Income Tax Act. This will absorb Rs 35.95 lakhs. After payment of this dividend the general reserves of the company would stand at Rs 109.98 lakhs. The directors have proposed the issuing of 580,608 rights equity shares in the proportion of one share for every five equity shares held at a premium of Rs 4 per share subject to the sanction of the Controller of Capital Issues and IFC. The proposed issue is mainly for investment in shares of Escorts Tractors Limited., a subsidiary of the company formed in collaboration with Ford Motor Company of USA for the manufacture of Ford tractors.

WARNER HINDUSTAN

Warner Hindustan Ltd has proposed an equity dividend of nine per cent for 1969 against eight per cent for the previous year. The dividend will be free from tax in the hands of the shareholders, the company having already received a provisional certificate in this connection. The company's net profit for the year has increased to Rs 25.34 lakhs from Rs 14.70 lakhs for the previous year. Its tax provision for the year has been smaller at Rs 2.90 lakhs against Rs 6.52 lakhs for the previous year because of the substantially higher claim to development rebate reserve.

NAGPAL AMBADI

Nagpal Ambadi Petro-Chem Refining Ltd enters the capital market on April 13 with an issue of 12,30,000 equity shares of Rs 10 each and 50,000 (9.5 per cent) redeemable preference shares of Rs 100 each. The company has been granted a licence for the manufacture of 15,000 tonnes of transformer oil, 8,000 tonnes of speciality oils including white oils, petrolactams and sulfonates and 16,000 tonnes of oleum. These products have a wide range of application in the electrical, pharmaceutical, cosmetic, toilet, food, plastic and other industries. The company's

plant is being set up near Madras adjacent to Madras Refineries Ltd, which will supply the main raw materials. The complete process design and technical know-how is being provided by the company's collaborator, Witco Chemical Corporation of the United States which was till recently the main supplier of these products to this country. The construction of the plant commenced in February 1969 and commercial production is expected to start in the middle of 1971. The total cost of the project is estimated at Rs 520 lakhs. The merchant banking division of National and Grindlays Bank Ltd, are financial advisers to the project.

CAMPBOR & ALLIED PRODUCTS

Camphor and Allied Products Ltd will enter the capital market with an issue of 7,000 (7½ per cent) debentures (1980-84) of Rs 1,000 each at par for cash. The subscription list will open on April 13, and will close on April 23, 1970 or earlier at the discretion of the directors but not before April 16, 1970. The entire issue has been underwritten. The company has in hand schemes for expansion and diversification to be implemented during the current year on the basis of industrial licence granted to it. The proceeds of the debenture issue will be utilised for financing a part of the cost of the scheme which relates to the erection of the new plant for the manufacture of perfumery compounds and other terpene chemicals and with the object of better utilisation of the by-products in the diversification activities of the company. The company proposes to manufacture various products like terpenool, capinone, isobornyl acetate, polyterpene resin, carene phenol resin, sodium formate, thanite, pine oil, terpene hydrate etc. The plant is located at Clutterbuckganj, Bareilly.

GUJARAT STEEL

The directors of Gujarat Steel Tubes Ltd have proposed to issue bonus shares in the proportion of one for five shares held, besides maintaining the equity dividend at Rs 10 for 1969. In spite of the closure of plant for 60 days owing to the shortage of raw materials, strike and communal riots, the gross profit of the company has increased by about 43 per cent to Rs 80.46 lakhs in 1969 as against Rs 56.18 lakhs in the previous year. Sales increased by about 13 per cent to Rs 4.62 crores from Rs 4.09 crores. Allocations include Rs 4.78 lakhs for managing agents' commission, Rs 9.54 lakhs for depreciation, Rs 50,000 for statutory development rebate reserve and Rs 37.75 lakhs for taxation. The net

profit amounts to Rs 27.89 lakhs as compared to Rs 21.46 lakhs, after adding Rs 5 lakhs being excess provision for taxation. The directors have transferred Rs 32.81 lakhs to the general reserve. The company has exported 45 per cent of its production to 35 countries in 1969 against 40 per cent to 13 countries in 1968.

BOOTS PURE DRUGS

Boots Pure Drugs Co. Ltd has earned a gross profit of Rs 43.76 lakhs during 1969 against Rs 35.84 lakhs for 1968. Its turnover increased to Rs 3.50 crores from Rs 3.09 crores. The directors have proposed an equity dividend of 16 per cent on a larger capital as raised by the one-for-two bonus issue. The company had paid the dividend of 22 per cent for 1968. Out of the gross profit, a sum of Rs 5.76 lakhs has been provided for depreciation, Rs 20.10 lakhs for taxation and Rs 10,000 for development rebate reserve. The net profit amounts to Rs 17.72 lakhs against Rs 14.40 lakhs. The proposed dividend will claim Rs 12 lakhs against Rs 10.56 lakhs.

ROHIT MILLS

Sales of Rohit Mills Ltd increased to Rs 6.21 crores during 1969 as against Rs 5.78 crores in 1968. The gross profit has also increased from Rs 24.59 lakhs to Rs 36.41 lakhs. The directors have recommended an equity dividend of Rs 8 for the year. Allocations are Rs 1.83 lakhs for depreciation, Rs 10.89 lakhs for statutory development rebate, Rs 1.65 lakhs for taxation and Rs 5.28 lakhs for general reserve. The dividend on ordinary and preference shares will claim Rs 5.93 lakhs against Rs 80,740 in the previous year.

HENLEY CABLES

Henley Cables India Ltd recorded during the year ended October 31, 1969, a loss of Rs 2.88 lakhs compared to the loss of Rs 18.94 lakhs in the previous year, after providing Rs 7.26 lakhs for depreciation. After making some adjustments, a net loss of Rs 24.91 lakhs has been carried forward. Owing to the inadequacy of profits, no provision has been made for development rebate reserve. Sales increased to Rs 113.56 lakhs from Rs 77.64 lakhs. During the year fresh capital expenditure amounting to Rs 5.61 lakhs has been incurred of which Rs 4.10 lakhs related to plant and machinery.

TATA MILLS

The directors of Tata Mills Ltd have passed over the dividend for 1969. They have, however, resolved to pay the dividend on preference shares which will be Rs 9.50 a share, subject to tax

and will claim Rs 2.85 lakhs. The company has made a gross profit of Rs 70.19 lakhs against a loss of Rs 14.32 lakhs in the previous year. After providing Rs 68.97 lakhs as depreciation, there is a disposable surplus of Rs 1.22 lakhs which has been adjusted against the loss. This leaves a deficit balance of Rs 13.04 lakhs to be carried forward to next account. The turnover of cloth, net of excise duty, is Rs 939 lakhs against Rs 827 lakhs.

MORANI CHEMICALS

A new benzoic acid plant has been set up in the Kalyan-Bhivandi area near Bombay. The plant will produce annually about 900 metric tons of high grade benzoic acid in bulk. This will make India not only self-sufficient in benzoic acid but also allow some exports to Australia, West Germany, Britain and the USA. Most of the country's demand for benzoic acid is at present met by imports. The indigenous production is very small and comes mostly as a by-product, which lacks the purity required by the pharmaceutical industry. The manufacturing processes adopted by the Morani Chemicals Pvt Ltd are totally indigenous. These were developed entirely in this country as a result of a 10-year research. Indigenous production is claimed to be cheaper than the imported acid by about 25 per cent.

CAPITAL AND BONUS ISSUES

Consent has been accorded to 12 companies to raise capital amounting to over Rs 4.91 crores. Eight of them are to issue bonus shares totalling over Rs 2.21 crores and the amount of bonus shares ranges between Rs 3,26,000 and Rs 84,00,000. The consents are valid for 12 months. The following are the details:

Mukand Iron and Steel Works Ltd, Bombay, has been accorded consent to capitalise Rs 24,46,010 out of its free reserves and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of one for ten shares held.

Saurashtra Iron Foundry and Steel Works Private Ltd, Bhavanagar, has been accorded consent to capitalise Rs 3,26,000 out of its general reserves and issue fully-paid equity shares of Rs 1,000 each as bonus shares in the ratio of two for three shares held.

Phosphate Company Ltd, Calcutta, has been accorded consent to capitalise Rs 3,93,700 out of its general reserves and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one for ten shares held.

Rajasthan Spinning and Weaving Ltd, Calcutta, has been accorded consent to capitalise Rs 13,15,470 out of its general reserves and issue fully-

paid equity shares of Rs 10 each as bonus shares in the ratio of three for every 10 shares held.

The Oudh Sugar Mills Ltd, Bombay, has been accorded consent to capitalise Rs 77,48,500 out of its general reserves and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one for every share held.

Hindustan Sugar Mills Ltd, Bombay, has been accorded consent to capitalise Rs 84,00,000 out of its general reserves and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one for two shares held.

The Peninsular Plantations Ltd, Trivandrum, has been accorded consent to capitalise Rs 6,00,000 out of its general reserves and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of one for two shares held.

Addison Paints and Chemicals Ltd, Madras, has been accorded consent to capitalise Rs 9,00,000 out of its general reserves and issue fully-paid equity shares of Rs 10 each as bonus shares in the ratio of nine for every 25 shares held.

East India Hotels Ltd, Calcutta, has communicated to the government its proposal to issue capital of Rs 83,36,270 divided into 6,22,667 right equity shares of Rs 10 each and 21,096 9.5 per cent right cumulative preference shares of Rs 100 each, at par, under clause 5 of the Capital Issues (Exemption) Order, 1969. The proceeds are to be utilised to repay short-terms borrowings of the company.

Rallis India Ltd, Bombay, has communicated to the government its proposal to issue capital of Rs 100 lakhs in debentures of Rs 1,000 each carrying interest at the rate of 7.75 per cent per annum, at par, to the public through the issue of a prospectus, under clause 5 of the Capital Issues (Exemption) Order, 1969. The proceeds are to be utilised for financing the expansion of the fan unit, setting up of a granulation plant, investing in Malabar Chemicals and Fertilisers Company Ltd, and repaying existing medium-term loans.

The Aluminium Industries Ltd, Kundara (Kerala), has been accorded consent to issue capital of Rs 65,00,000 in first mortgage debenture units of Rs 100 each at par to be offered to public by prospectus.

Automobile Products of India Ltd, Bombay, has been accorded consent to issue additional capital of Rs 21,37,420 in equity shares of Rs 10 each. The shares will be offered to the existing equity shareholders for cash and the proceeds are to be utilised mostly to meet the working capital requirement.

BALANCE SHEET OF THE STATE BANK OF

As at 31st December, 1968				CAPITAL AND LIABILITIES				As at 31st December, 1969			
Rs.	P.	Rs.	P.					Rs.	P.	Rs.	P.
				1. Capital :							
		1,00,00,000	00	Authorised Capital—1,00,000 shares of Rs 100/- each				1,00,00,000	00		
35,00,000	00			Issued, Subscribed and Paid-up Capital—(pursuant to Section 7(1) of the State Bank of India (Subsidiary Banks) Act, 1959)—35,000 shares of Rs 100/- each						35,00,000	00
33,85,000	00			2. Reserve Fund and other Reserves :						35,56,000	00
				3. Deposits and other Accounts :							
		22,63,54,070	91	*Fixed Deposits				25,69,92,433	18		
		11,63,75,452	26	Savings Bank Deposits				13,86,40,766	23		
43,03,96,614	12	8,76,67,090	95	*Current Accounts, Contingency Accounts, etc.				14,76,02,616	97	54,32,35,816	38
				4. Borrowings from other Banking Companies, Agents, etc. :							
		39,702	02	** (i) In India				1,10,38,952	10		
39,702	02			(ii) Outside India						1,10,38,952	10
59,54,008	63			5. Bills Payable						29,46,839	65
				6. Bills for Collection being Bills Receivable as per Contra :							
		2,17,85,945	72	(i) Payable in India				4,11,76,084	14		
2,17,85,945	72			(ii) Payable outside India						4,11,76,084	14
				7. Other Liabilities :							
		1,75,000	00	Dividend for the year				1,75,000	00		
		33,90,782	37	Branch Adjustments				80,78,116	60		
		76,83,873	73	Others				1,20,60,306	58		
1,14,92,397	16	2,42,741	06	Liability on account of assets taken for collection of taken-over Bank as per contra				1,64,755	21	2,04,78,178	39
1,20,51,628	88			8. Acceptances, Endorsements and other Obligations as per contra						1,21,35,881	28
				9. Profit and Loss :							
		935	87	Balance brought forward from last year				1,734	09		
		7,20,798	22	Profit for the year				8,55,262	78		
		7,21,734	09					8,56,996	87		
				Less appropriations							
		1,45,000	00	Amount transferred to Reserve Fund				1,71,000	00		
		3,90,000	00	Bonus to Staff				4,82,000	00		
		10,000	00	Amount transferred to Staff Welfare Fund				25,000	00		
1,734	09	1,75,000	00	Amount set aside for payment of Dividend				1,75,000	00	3,996	87
				10. Contingent Liabilities :							
		2,07,746	65	Claims against the Bank not acknowledged as debts				17,69,419	26		
		45,84,712	81	Guarantees given on behalf of customers				84,07,307	72		
		3,57,808	63	Outstanding Forward Exchange Contracts (Sale)				2,36,664	43		
48,86,07,030	62	TOTAL						TOTAL		63,80,71,748	81

*Includes Staff Welfare Fund, ownership where of vests in the Bank.

**Secured by pledge of Government Securities of the face value of Rs. 5,37,44,000/ as per contra.

PATIALA AS AT DECEMBER, 1969

As at 31st December, 1968				PROPERTY AND ASSETS				As at 31st December, 1969			
Rs.	P.	Rs.	P.					Rs.	P.	Rs.	P.
8,82,31,862	47			1. Cash :	In hand and with Reserve Bank and State Bank of India and its Subsidiaries (including foreign currency notes)					5,96,19,190	62
				2. Balances with other Banks :	On Current Account	On Deposits				75,190	59
1,51,768	27	4,137	94	(i) In India	Nil						
		1,47,630	33	(ii) Outside India	75,190	59					
2,54,00,000	00			3. Money at Call and Short Notice :							
				4. Investments : (at or below market value)							
				(i) Securities of Central and State Governments and other Trustee Securities (including Treasury Bills of Central Government Rs 1,48,87,500/- previous year nil)				14,27,93,847	63		
		10,34,08,431	30	(ii) Shares							
		4,770	00	(a) Fully Paid Preference		5,495	00	24,465	61		
		23,411	19	(b) Fully Paid Ordinary		18,970	61				
		8,90,000	00	(ii) Debentures or Bonds				8,90,000	00		
		2,00,000	00	(iv) Other Investments				2,00,000	00		
10,45,26,612	49			(v) Gold						14,39,08,313	24
				5. Advances :	(Other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)						
		21,66,87,864	98	(i) Loans, Cash Credits and Overdrafts, etc.				35,46,71,821	10		
				(a) In India							
				(b) Out-side India							
		93,65,891	71	(ii) Bills discounted and purchased				1,61,52,510	06		
22,60,53,756	69			(a) Payable in India						37,08,24,331	16
				(b) Payable outside India							
				(Particulars of advances : See separate statement appended)							
		2,17,85,945	72	6. Bills Receivable being Bills for Collection as per Contra :				4,11,76,084	14		
2,17,85,945	72			(i) Payable in India						4,11,76,084	14
				(ii) Payable outside India							
1,20,51,628	88			7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations as per contra						1,21,35,881	28
		7,57,497	19	8. Premises less Depreciation :	Total cost upto the 31st December, 1968			8,83,037	53		
		1,25,540	34	Additions				1,12,462	16		
		8,83,037	53	Less Depreciation				9,95,499	69		
7,29,437	11	1,53,600	42					1,74,327	68	8,21,172	01
		13,70,802	06	9. Furniture and Fixtures less Depreciation :	Total cost upto the 31st December, 1968			16,78,140	23		
		3,12,373	59	Additions				3,73,843	62		
		16,83,175	65	Less Deductions				20,51,983	85		
		5,035	42					4,250	19		
		16,78,140	23	Less Depreciation				20,47,733	66		
9,74,263	82	7,03,876	41					8,63,847	73	11,83,885	93
		74,96,180	12	10. Other Assets :	Adjusting Account of Interest, Commission, etc.			62,61,212	14		
		6,01,734	70	Stationery, Stamps, etc.				15,50,038	14		
		4,161	10	Security Deposits				5,138	10		
		81,02,075	92					78,16,388	38		
		79,469	29	Motor Car and Van	Cost as at 31st December, 1968		1,42,170	79			
		62,701	50	Additions			20,053	37			
		1,42,170	79	Less Depreciation			1,62,224	16	46,390	77	
		95,144	67				1,15,833	39			
		47,026	12	Property not used as Bank premises less depreciation				1,157	99		
		1,187	68	Assets taken over for collection of taken over Bank as per contra				1,64,755	21		
		2,42,741	06	Shares of Joint Stock Companies in liquidation (at estimated market value)							
		1	00	Advance payment of telephone rents under O.Y.T. Scheme				11,699	34		
		12,230	00	Unsold stocks of Rayianwala Estate						80,40,391	69
84,05,261	78			11. Non-Banking Assets acquired in satisfaction of Claims (at estimated market value)						2,87,308	15
				12. Profit & Loss							
2,96,493	39										
48,86,07,030	62			TOTAL						63,80,71,748	81

THE STATE BANK OF PATIALA PARTICULARS OF ADVANCES

As at 31st Dec. 1968			As at 31st Dec. 1969	
Rs.	P.		Rs.	P.
18,40,78,687	68	(i) Debts considered good in respect of which Bank is fully secured	31,49,56,719	02
40,20,642	75	(ii) Debts considered good for which the Bank holds no other security than the debtor's personal security	47,07,282	13
3,79,54,426	26	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	5,11,60,330	01
22,60,53,756	69	(iv) Debts considered doubtful or bad, not provided for	37,08,24,331	16
6,46,599	87	(v) Debts due by Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	9,07,106	17
..	..	(vi) Debts due by companies or firms in which the Directors or Local Board Members of the Bank are interested as Directors, Partners or Managing Agents or, in the case of private companies, as members. Please see separate statement on page 20	..	..
6,79,652	64	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	9,95,019	85
1,16,21,610	96	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies/firms in which the Directors or Local Board Members of the Bank are interested as Directors, Partners or Managing Agents or, in the case of private companies, as members	2,39,08,463	41
..	..	(ix) Due from banking companies	..	..

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1969

Year ended 31-12-1968		Year ended 31-12-1969		Year ended 31-12-1968		Year ended 31-12-1969	
EXPENDITURE		EXPENDITURE		INCOME		INCOME	
Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
1,52,03,250	63	1,69,42,168	50	2,27,71,852	07	2,51,29,574	34
81,57,105	02	96,46,705	67	29,45,681	34	42,01,692	54
2,830	00	2,960	00	26,511	29	22,295	23
3,33,872	48	4,16,791	94	38,325	00	2,45,159	70
1,00,371	60	78,317	72	..	..	..	..
3,28,606	13	3,77,931	48	..	..	..	..
6,000	00	6,000	00	..	..	..	..
2,10,896	44	2,58,338	20	29,775	95	38,141	76
2,31,726	03	2,74,130	29	..	..	..	..
6,93,211	61	8,42,479	49	1,76,522	51	64,222	50
7,20,798	22	8,55,262	78	..	..	..	..
2,59,88,668	16	2,97,01,086	07	2,59,88,668	16	2,97,01,086	07

PARTICULARS OF REMUNERATION RELATING TO THE GENERAL MANAGER, STATE BANK OF PATIALA, HEAD OFFICE, THE MALL, PATIALA For the Years 1968 and 1969

For the year ended 31st December	Salaries	Allowances	Sitting fees	Bonus	Employer's contribution to Provident Fund, Pension Fund or any other super-annuation Fund	Payment by way of gratuities, pensions or otherwise, in excess of the employer's contribution and interest thereon.	The monetary value of any other benefits or perquisites	Total of items (i) to (viii)
1968	Rs. 29,951.61	..	..	..	Rs. 3,917.50	..	Rs. 5,556.31	Rs. 39,425.42
1969	Rs. 33,290.00	..	..	..	Rs. 4,410.00	..	Rs. 5,565.91	Rs. 43,265.91

- Note : 1. Salaries include city compensatory allowance amounting to Rs 2,090.00 relating to the period from 1st April, 1967 to 31st December 1968.
2. Leave salary and pension fund and provident fund on leave salary amounting to Rs 5,051.16 paid to State Bank of India is not included in the above statement. (Previous year Rs 4,852.18).
3. Perquisites represent rent and medical expenses amounting to Rs 4,668.00 and Rs 897.91 respectively. (Previous year Rs 4,668.00 and Rs 888.31).
4. The General Manager is entitled to free use of Bank's residential furniture.

THE STATE BANK OF PATIALA

REPORT OF THE AUDITORS

TO THE STATE BANK OF INDIA

We, the undersigned auditors of the State Bank of Patiala, appointed under Section 41(1) of the State Bank of India (Subsidiary Banks) Act, 1959, report on the Balance Sheet and Accounts of the Bank as at 31st December, 1969.

We have examined the foregoing Balance Sheet of the State Bank of Patiala as at 31st December, 1969, and the Profit and Loss Account of the Bank for the year ended upon that date with the Accounts relating thereto of Head Office and with the Returns submitted and certified by the Branch Managers, which Returns have been incorporated in the foregoing Balance Sheet and Accounts.

WE REPORT THAT :—

- in our opinion the Balance Sheet is a full and fair one, containing all the necessary particulars and is properly drawn up so as to exhibit a true and correct view of the affairs of the Bank, according to the best of our information and the explanations given to us and as shown by the books of the Bank;
- where we have called for any explanation or information such explanations and information have been given to us and have been found satisfactory;
- the transactions of the Bank which have come to our notice have been within the competence of the Bank;
- the Returns received from the Branches of the Bank have been found adequate for the purpose of our audit;
- the Profit and Loss Account shows a true balance of profit for the year covered by such Account;
- in our opinion the Balance Sheet and the Profit and Loss Account are drawn up in conformity with the law; and
- in our opinion Books of Account have been kept by the Bank as required by law.

Bombay,
Dated : 10th February, 1970

GURDIAL SINGH DHILLON
Chief Accountant

K. V. ANAND
Dy. General Manager (Offg.)

K. SUBRAMANIAN
General Manager

N. M. RAIJI & CO.
Chartered Accountants

R. K. TALWAR
Chairman

Directors
V. P. Malhotra
B. K. Mehan
Bishamber Das Kapur
Bhalindra Singh
T. R. Varadachary
M. D. Dalal
Kesho Ram Passey
Ram Narain Virmani

STATEMENT GIVING AN ANALYSIS OF SUB-HEAD (vi) OF ADVANCES BEING DEBTS DUE BY COMPANIES OR FIRMS IN WHICH THE DIRECTORS OF THE BANKING COMPANY ARE INTERESTED AS DIRECTORS, PARTNERS OR MANAGING AGENTS OR, IN THE CASE OF PRIVATE COMPANIES, AS MEMBERS, REFERRED TO IN THE DIRECTORS' REPORT ON PAGE 16

As at 31st
December, 1968

Debts due by

1. Public Companies

in which the Directors of the Bank are interested

- | | | |
|-----|--|-----|
| Nil | (a) As Directors only (holding no shares) | Nil |
| Nil | (b) As Directors and Members | Nil |
| Nil | (i) Holding not more than 2 per cent of the paid-up Share Capital | Nil |
| Nil | (ii) Holding more than 2 per cent of the Paid-up Share Capital | Nil |
| Nil | (c) (i) As Managing Agents personally | Nil |
| Nil | (ii) As Partners in Managing Agency Firms | Nil |
| Nil | (iii) As Directors/Members of Managing Agents (This is included in items 1(b)(i) and (ii)) | Nil |

2. Private Companies

in which the Directors of the Bank are interested

- | | | |
|-----|--|-----|
| Nil | (a) As Directors only (holding no shares) | Nil |
| Nil | (b) As Directors and Members | Nil |
| Nil | (i) Holding not more than 2 per cent of the Paid-up Share Capital | Nil |
| Nil | (ii) Holding more than 2 per cent of the Paid-up Share Capital | Nil |
| Nil | (c) As Members only | Nil |
| Nil | (i) Holding not more than 2 per cent of the Paid-up Share Capital | Nil |
| Nil | (ii) Holding more than 2 per cent of the Paid-up Share Capital | Nil |
| Nil | (d) (i) As Managing Agents personally | Nil |
| Nil | (ii) As partners in Managing Agency Firms | Nil |
| Nil | (iii) As Directors/Members of Managing Agents (This is included in item 2(b)(i)) | Nil |

3. Firms

in which the Directors of the Banking Company are interested as Partners

- | | | |
|-----|--|-----|
| Nil | | Nil |
| Nil | | Nil |

We have checked the above analysis with the records of the Bank and with the certificates furnished by each of the Directors of the Bank regarding their respective percentages of holdings in the paid up share capital of the borrowing companies and have found it to be correctly made up.

Bombay
Dated, 10th February, 1970

N. M. RAIJI & CO.
Chartered Accountants

CHAIRMAN'S SPEECH



Shri K. M. Cherian

MADRAS RUBBER FACTORY LIMITED MADRAS-2

The following is the text of the speech delivered by **Shri K. M. Cherian, Chairman, at the 9th Annual General Meeting of the Company, held in Madras on Monday, 30th March, 1970.**

Gentlemen,

I have great pleasure in welcoming you to the Ninth Annual General Meeting of your Company.

At the outset let me, on your behalf and on my own, record our deep sense of sorrow at the sudden demise of President Dr. Zakir Husain. Through his death the country lost an eminent statesman and an erudite scholar.

May I also take this opportunity to place on record our heart-felt grief at the sudden death of Mr Dhiru Khatau, one of our Directors on the 20th of January, 1970. He was a Director of the Company from the beginning. He was kind and courteous and he took keen interest in the business of the Company.

Working Results

The Directors' Report and Audited Accounts for the year ended 30th September, 1969 have been in your hands for some time now and with your permission, I shall take them as read. During the year there has been all-round and commendable progress for the Company in production, sales and profits.

Sales increased from Rs 16.84 crores to Rs 20.33 crores. Net profit increased from Rs 80.82 lakhs to Rs 94.25 lakhs. And the net cash generation from operations increased from Rs 119.17 lakhs to Rs 147.89 lakhs.

The Directors have recommended the payment of a dividend of 12% on the paid-up capital of the Company as on 30th September, 1969.

I am happy to announce that we have

received the sanction from the Controller of Capital Issues, Government of India, to capitalise Rs 56.25 lakhs out of reserves and surplus and to issue the same as Bonus shares to the share holders of the Company on the basis of 3 shares for every 10 shares held.

Expansion

The Company has received Capital Goods Licence for a value of Rs 1.93 crores and orders for machinery and equipment are being placed with the foreign suppliers. Part of the new equipment required for our automobile tyre expansion will arrive during this year. The bicycle tyre pilot plant is operating successfully. The machinery and capital equipment are expected soon and commercial production is scheduled to begin by the end of the current year.

Towards the total investment required for our expansion and development programme in respect of automobile tyres, bicycle tyres and brake chamber diaphragms, the Company has been sanctioned long term loans of Rs 1.5 crores by the Industrial Credit and Investment Corporation of India and Rs 1 crore by the Industrial Finance Corporation of India.

Additional Capacity

The present licensed capacity of all tyre companies, including a new unit sanctioned, amounts to 55.79 lakh tyres. Government is contemplating to license a further capacity of 15 lakhs to a few new entrepreneurs and later on 10 lakhs to existing units. This will bring the total licensed capacity to 80.79 lakhs. Further, all are allowed to exceed their

production by 25%. Against this, the anticipated demand by the end of the Fourth Plan, i.e., by 1973-74 will be about 59.6 lakhs. The shortage of tyres brought about by labour strikes in two major tyre factories a couple of years ago has completely disappeared. Currently there is a slight surplus production of all types of tyres except Nylon tyres due to restrictions on import of Nylon yarn for production of tyres for indigenous use.

10% Export Performance

The Government of India has made it a condition that tyre factories should export 10% of their entire production. This is probably the most challenging of all tasks that the tyre industry has had to face so far.

In this context I have great pleasure in informing you that our Company exported 10% of its production during the calendar year 1969. You will also be interested to know that over 60% of the tyres exported by us during last year went to the USA, the home of tyres. The acceptance of our tyres in the USA is a testimony to their quality. We owe special thanks to Mr James H. Hoffman, President of the Mansfield Tire & Rubber Co., for these American export orders.

I am also happy to inform you that our Company has been selected for special award for outstanding activities in the field of market research, export publicity and exploration of new markets for the year 1968-69.

It is by no means an easy task to export 10% of production when our ex-

pansion is completed. While this export stipulation is a challenging task, I feel it is necessary that Government should examine the problems of the tyre industry so that all impediments in the direction of its efforts for reaching this target are removed and that those who reach or exceed the target are specially rewarded. Here I must acknowledge that the Government has already introduced a number of progressive measures as export incentives.

It is of great importance in the field of exports to foresee problems and prevent them rather than try to solve them after they have developed. Even the slightest interruption in exports can become a serious set-back as it is difficult to regain a foothold, once lost.

Flow of Technical Know-How

In this context, I should like to draw the Government's attention to a problem that will arise in the event of any alteration to the collaboration agreements in regard to royalty payments. This problem can cripple exports completely and hence its significance. While it is not my intention to debate the need for changes in collaboration agreements in general, I would urge the Government to give serious consideration to the special needs of the tyre industry before any change in the pattern of its collaboration agreement is effected. Tyre is a brand-oriented product even in the internal market and it can be imagined how important brand-image is in an export market where we have to compete with more established and well-entrenched brands. Tyre technology plays a significant role in the establishment of brand preferences. For example, it has led to the development of the Radial Ply tyre and the Bias Belted tyre, which are preferred in the tyre markets of Europe and the USA. Unless we keep pace with these developing trends, we may be pushed out of the export market.

It is therefore obvious that any interruption in the continuous flow of technical information from our collaborators will cause irreparable loss. Tyre technology is continuously changing owing to the development of new materials and more exacting demands of modern automobiles. The survival of the Indian Tyre industry as producers of quality tyres will depend entirely on the continuous flow of technical information.

Research & Development

The fact that the new types of tyres developed through original research in the USA, have been adapted successfully to suit the Indian conditions of road, climate, loading etc., is a tribute to our Research and Development capability. We are mainly engaged in

this process of adaptation as more and more new and original developments in tyres are passed on to us by our collaborators in the USA. It may also be mentioned that certain types of moulds, equipment and even rubber machinery are now locally fabricated on our own initiative.

We have to recognise that at present we do not have the massive resources in terms of finance, machinery and technology to set up original and fundamental research on a scale which would enable us to dispense with the continuous flow of technical information from our collaborators. We must also not forget that even advanced countries like Japan and UK are still depending on research and development on tyres taking place in other countries particularly in the USA. It will, therefore, be disastrous for our nascent industry to cut ourselves away from this continuous development of knowledge.

Raw Materials

It is also necessary to keep a constant watch on the cost of raw materials, as raw materials are a major factor in the cost of production of tyres. If all raw materials are made available at international prices, Indian tyre manufacturers will definitely have an edge over their foreign competitors owing to the comparatively cheaper labour available locally. On the subject of raw material, I wish to focus the attention of the Government to a problem I foresee. Nylon cord is at present permitted to be imported as there is no indigenous production. Nylon tyres now form the bulk of India's exports, as tyres made with imported nylon naturally work out to be more competitive in export market. Experimental indigenous production of nylon has now commenced and the quality of the Indian product is yet to be approved. While this is a welcome development the price quoted at present for the indigenous nylon is about 168% more than the international delivery price. This could lead to a very serious problem unless sufficient planning is done in advance to make this item available at international price.

I must also touch on the need for a steady policy in regard to export incentives. Exporting has to be done on a long range basis and this is possible only if the exporter is assured of a steady policy on the part of the Government. Frequent changes in the policy will be a strong deterrent for an exporter to accept large orders with supplies spread over a period of time.

Tyre Cord Conversion Capacity

Another serious problem that is likely to affect not only exports but indi-

genous production is the lack of conversion capacity for nylon and rayon tyre cord. We have to remember that the tyre cord is the most important component of a tyre as the strength of the tyre depends on it. As against the total requirement of 27,700 tonnes of tyre cord in 1973-74 there will only be a capacity for 20,950 tonnes. Government has called for applications from Tyre Cord manufacturers to increase their conversion capacity. I hope no effort will be spared to increase the production of this vital raw material without any delay.

Prospects

The working of our Company for the first five months of the current year, i.e., from October 1969 to February 1970 has been quite satisfactory. Our Company is well geared up to increase production. We are on a large scale expansion. If the same speed and rate of progress in production and sales is maintained, which I hope will be, I am sure the results for the year ending 30th September 1970 will be much better than those of the previous year.

Managing Agency

As you are aware, M/s. Young India Agencies (Private) Ltd., have been managing your Company from its inception. According to the Companies Amendment Act 1969, the office of the Managing Agents will expire on 3rd April, 1970. The necessary application for the appointment of a Managing Director and whole-time Directors is awaiting Government's approval. Let me take this opportunity to record our appreciation for the excellent work done by the Managing Agents in bringing the Company to its present position.

Collaborators

I gratefully acknowledge the continued technical help being rendered by our collaborators, the Mansfield Tire & Rubber Company, USA and the keen interest shown by their President Mr James H. Hoffman in the development of your Company.

Conclusion

Before I conclude, let me express my gratitude to all our dealers and customers for their unstinted support and co-operation. I thank all my colleagues on the Board, the management, the staff and the workers for the good work that all of them have done for the Company.

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

RECORDS AND STATISTICS

Import Policy for April 1970—March 1971

The main features of the import policy for the current year are: The role of the public sector agencies in imports has been further expanded. STC and MMTC will organise bulk imports of raw materials for sale to manufacturers. STC and MMTC will also play a greater role in the export effort. More facilities have been provided for building up of export production and export capability. Merchandising Export Houses and registered exporters will have special facilities for stepping up exports. The need-based policy will be followed for meeting the maintenance requirements of priority industries. Small-scale industrial units will receive greater encouragement. Imports will be reduced in respect of items for which indigenous production has been developed.

CANALISATION OF IMPORTS

Import of 38 additional items will be canalised through public sector agencies. A list of these items is attached (Appendix I).

Imports by STC/MMTC of raw materials licensable to actual users and registered exporters

(i) STC and MMTC will be organising bulk imports of certain raw materials for sale to actual users and registered exporters. The STC, in particular, is setting up an Industrial Raw Materials Assistance Centre (IRMAC) in order to do this.

(ii) These agencies will be making announcements from time to time in regard to raw materials which will be available with them for sale. Actual users and registered exporters will be able to draw upon these imported materials in one or more of the following ways:-

- They will be able to obtain supplies off-the shelf as and when they require against their valid licences.
 - Actual users in the small-scale sector, instead of obtaining licences in their own name, will be able to surrender their import entitlements in favour of these agencies and draw supplies off-the-shelf; and
 - Associate manufacturer exporters of these agencies will be able to receive raw material replenishment off-the-shelf even before the goods have been exported.
 - Other registered manufacturer exporters will also be able to draw raw material replenishment off-the-shelf after they have exported the goods, by surrendering to these agencies the export documents and entitlements.
- (iii) Registered exporters will be allowed to transfer their import replenishment licences in favour of the STC/MMTC.

PRICING

Sale prices in respect of goods imported by STC and MMTC will be determined by these agencies subject to the general control of the Ministry of Foreign Trade.

Role of the STC/MMTC in Exports:

- STC and MMTC will expand their developmental role to strengthen the export effort by providing assistance

in finance, marketing and general services.

(ii) In this role, the STC/MMTC will offer assistance in strengthening the home base in respect of procurement of raw materials, quality control, product standardisation, at the same time identify marketing opportunities abroad, and bring together prospective importers abroad and potential exporters at home.

(iii) These services will, in particular, be placed at the disposal of small scale industries where the need for standardisation and quality control and continuity of supplies is essential for an export effort. In the organised sector of industry, the STC will organise participation in international tenders and turn-key projects and help to coordinate efforts by special product plan. It will also help to build up marketing arrangements with department stores, and large manufacturers abroad for their component requirements.

Facilities for Build up of export production and export capability:

- Government have recognised the need for adequate orientation of licensing policy in order to step up the export effort. In pursuance of such recognition, policies and procedures are being evolved for consideration of applications for import of capital goods and approvals in the matter of foreign investments to provide for the expansion of installed capacity or the creation of new capacity in order to generate supplies to meet the external demand.
- Applications for supplementary licences will be considered from export-oriented units for import of machinery required for expansion, modernisation, diversification of production facilities as well as for research and development. A special allocation of foreign exchange has been provided for this purpose.
- In the case of exporting units with sustained and continuous export performance, the licensing of increased capacity over and above their existing licensed capacity to the extent of such export, will be favourable considered.
- Exports made in discharge of the export obligations imposed on capital goods licences will also qualify for the grant of import replenishment licences in accordance with the import policy for registered exporters.

FOREIGN COLLABORATION

- Foreign collaboration in the case of primarily export-oriented units will be accorded special consideration. The existing agreements providing for restraints on export franchise will also be suitably revised when due for renewal.
- Constraints of foreign collaboration in trading activities may also, where deemed necessary, be relaxed, provided

that such collaboration is intended exclusively for exports.

Export orientation of Actual User's Policy

(i) Industrial units in the priority sector exporting 10 per cent or more of their production will be granted preferred sources of supply and facilities for further expansion of their export production. A greater preference in the matter of sources of supply will be accorded to the units amongst these which export 25 per cent or more of their production. In the small-scale sector, such units will get their full requirements in free foreign exchange, whereas in the large-scale sector, at least 1/3rd of their requirements subject to a maximum of Rs. 10 lakhs will be met in free foreign exchange.

(ii) Units in the non-priority sector having a similar export performance will be treated as priority units, and will also receive the facilities indicated in (i) above.

Compulsory Exports for Certain Priority Units

Thirteen industries have been selected from the priority list for their export potential. Units in these industries, failing to export 5 per cent of their production, will be liable to cut in their import licences, apart from losing the facilities of preferred sources of supply and expansion of production capacity. Last year, there were 10 industries in this list, and three more industries, namely, pipes and tubes, transmission towers and weighing machines have been added.

Micro Approach

It is intended to offer micro level assistance to industrial manufacturers and exporters by discussing with them, where they wish, their export, targets, helping with negotiations abroad and rendering marketing, merchandising, research and development and financial advice. To this end, it is proposed to set up an Export Trade Development Agency/Authority which will endeavour to offer exporters, especially in the small-scale sector, some of the general facilities mentioned above.

Provisions to Strengthen Marketing Capabilities of Merchandising Export House.

The scheme for the grant of facilities to export houses, introduced last year, has been made more broad-based. Merchandising export houses will be enabled to look after the requirements of their supporting manufacturers in the matter of organising production, obtaining licences and other benefits. Director, Export Assistance, in the Ministry of Foreign Trade will co-ordinate action in pursuance of the scheme. In each licensing office also, an officer will be specially designated to help the export houses.

IMPORT FACILITIES

(i) Eligible merchandising export houses will have the following import facilities to enable them to organise production according to export needs:-

- Initial import licences to build up ready stocks of imported materials.
- Import replenishment licences against their exports.
- Import replenishment licences to the manufacturers nominated by them.
- Import replenishment licences transferred to them by registered exporters.

(ii) Eligible merchandising export houses will continue to have facilities of bulking

import on behalf of actual users, and also of operating the licences issued to the actual users without obtaining a letter of authority from the licensing office.

CONTROL OVER EXPORT HOUSES

Export houses will be required to maintain accounts of imports and disposal of raw materials as prescribed by the Ministry of Foreign Trade. They will also have to furnish periodical reports to the C.C.I. & E.

SIMPLIFICATION OF PROCEDURES APPLICABLE TO REGISTERED EXPORTERS

(i) Manufacturer-Exporters

The following additional facilities have been provided to manufacturer-exporters:-

- A system of "On Account" import licences is being introduced for the benefit of established registered manufacturer-exporters having a minimum export performance of the value of more than Rs 10 lakhs (f.o.b.) during 1969-70 in respect of non-traditional goods. The value of "On Account" licences to be issued will be equal to half of the value of the import replenishment licences obtained by the applicant under the import policy for Registered Exporters during 1969-70. The items allowed against such licences will be those appearing in the previous year's licences and which are permissible during 1970-71. The value of "On Account" licences will be adjusted against the normal import replenishment licences due to the applicant in 4 or 12 instalments, as the case may be, depending on whether the manufacturer-exporter makes his normal applications on a quarterly or a monthly basis. Applications for "On Account" licences will be considered by the regional licensing authorities concerned.
- Registered Exporters having a lower export performance, who are not eligible to "On Account" licences under (a) above, will be granted 'Imprest' licences if they are regularly in the export field. The value of such licences will also be adjusted in instalments against the normal import replenishment licences due to the applicants.
- Apart from the facilities mentioned in (a) and (b) above, the existing facility for the grant of 'Advance' import licences available to all the registered exporters against firm orders secured by them, will continue.
- The scope for nominations has been expanded. Registered Exporters will now be able to nominate manufacturers of products falling in the same 'category' to which the export product belongs. They will also be allowed to transfer their import replenishment entitlements to STC, MMTC, and recognised merchandising Export Houses.
- In the case of registered export contracts the exporters will continue to have the same levels of assistance as were available to them on the date of the contract. The qualifying delivery period for such contracts has been reduced from 12 months to 6 months. Further, in the case of public tender contracts of foreign governments and public utilities, there will be no minimum delivery period, and the crucial date for determining the level of assistance will be the date of tender, instead of the date of the contract.
- Apart from the quality of the indigenous

ous product, the quantum of indigenous production as well as its price will also be taken into consideration while allowing replenishment benefits against exports.

(g) A manufacturer holding REP licence will also be able to import items based on his valid actual user licences without having to obtain specific endorsement to this effect from the licensing authorities.

(ii) Merchant-Exporters

The facilities referred to against (b) to (f) above, regarding 'Imprest' licences, advance licences, nominations, registered contracts etc. will also be available to merchant exporters.

(iii) The procedures for registration of exporters, for verification of F.O.B. value of exports, and for processing of import applications have been further streamlined, as a result of which the import licences will be issued more expeditiously.

(iv) Drawback of Customs and Excise duties. In pursuance of the recommendations of the Drawback Enquiry Committee, industry-wise rates have been fixed in respect of 109 product groups and are available to the exporters. For expeditious implementation of the recommendations of the Committee, an officer of the rank of Collector of Customs and Central Excise has been put in charge of this work. Consultations are being held between exporters and government authorities for solving difficulties experienced by exporters.

IMPORTS BY ACTUAL USERS FOR DOMESTIC PRODUCTION

Need-based policy for priority industries

The import requirements of 59 priority industries in respect of raw materials and components will continue to be met on the basis of their actual needs for maintenance/expansion of production.

Non-priority industries

Import requirements of non-priority industries will be met as before, subject to the availability of foreign exchange.

Special assistance to small-scale industries

(i) A more liberal policy will be followed for new units in the small-scale sector. The upper limit of initial import licences for raw materials and components for such units has been raised from Rs 50,000/- to Rs 75,000/-. Existing units will continue to have the facility to claim import licences as new units if they find it more advantageous.

(ii) In order to encourage growth in the small-scale sector, the proportion of free foreign exchange will be increased from 33 per cent to 50 per cent while issuing import licences for raw materials and components to non-exporting units. The remaining portion of their import requirements will be allowed against U.S. AID or Rupee payment licence, which will not be convertible into free foreign exchange licences.

(iii) Public Sector agencies will be arranging bulk imports of certain raw materials for sale to actual users. They will be announcing from time to time the items available with them for sale and the manner in which actual users will be able to buy them off-the-shelf.

(iv) The Development Commissioner, Small-Scale Industries will arrange industry-wise and unit-wise assessments in the small scale sector in each state, in association with the state governments, to determine requirements of these units in respect of imported inputs with a view to enabling the units to achieve economic growth. To begin with, the studies will be carried out in respect of selected industries. After the studies have been completed, the position will be examined jointly by the DC (SSI) and the STC to suggest the method of procurement and distribution of raw materials to the units based on the assessments made. The basis of licensing for these industries will be adopted to the assessments so made having regard to the availability of foreign exchange.

Open General licence

The import of certain essential raw materials

Eastern Economist 25 Years Ago

APRIL 13, 1945

To set down objectives is a relatively easy task, although the composite character of these objectives renders the task of a precise definition extremely difficult. But the translation of these objectives into a workable scheme of attainment is the crux of the problem; and however difficult the task, it should be attempted. In the first place it cannot be too much or too strongly emphasized that the problem of agricultural prices is part of the general price-level, and it would be foolish and dangerous to think of agricultural price-level in isolation from general prices. We repeat this warning,

because opportunism in a politically dependent country like India is not the strong point of the politician alone; it seems to be very much the virtue of those who at present have the governmental machinery in their hands. The Finance Member in his budget speech did himself less than justice by saying that total national income might be maintained by taking care of agricultural prices and certain other components of income. The official view is being encouraged that all that we need to do is to support and prop up measures which would guarantee agricultural prices.

required by the industry, will continue to be on O.G.L. A list of these items is given in *Appendix II*

IMPORT SAVINGS AND IMPORTS SUBSTITUTION

More items banned for import

In view of the growing volume and quality of indigenous production, 159 items have been taken off the permissible list. These include certain types of ball bearings, taper roller bearings, small tools, machine tools, electrical ins-

truments, apparatus and appliances, textile machinery accessories, drugs and medicines and chemicals, several items of garage tools and cinema machinery, some parts of electro-medical apparatus, pressure gauges and slide rules. A list of these items is given in *Appendix III*.

Items restricted for import

56 items which were hitherto allowed to actual users without restriction, will now be permitted only on a restricted basis. These include certain types of ball bearings, drugs

and medicines, dyes and dyes intermediates and motor vehicle parts. A list of these items is given in *Appendix IV*.

Established importers' quotas reduced

In respect of 29 items, the quotas for established importers have been reduced. These include spare parts of various equipments, drugs and medicines, motor vehicles parts, garage tools and instruments. A list of these items is given in *Appendix V*. In the case of spare parts for earthmoving machinery, the importers will have to advertise their requirements before applying for licences.

APPENDIX I
LIST OF NEW ITEMS, THE IMPORT OF WHICH IS CANALISED THROUGH THE PUBLIC SECTOR AGENCIES DURING THE LICENSING PERIOD APRIL 1970—MARCH 1971

S.No.	S. No. and Part of the ITC Schedule	Description.
Part II		
1. 17 (a) (i)		Platinum
2. 17 (a) (i)		Palladium.
Part III		
3. 1-B		Aniline oil.
Part IV		
4. 80 (a)		Powdered milk.
87,109		<i>Drugs and medicines, the following—</i>
5.		(i) Sulphadimidine.
6.		(ii) Amidiopyrine.
7.		(iii) Analgin.
8.		(iv) Phenobarbitone.
9.		(v) Piperazine and its salts.
10.		(vi) Vitamin B1
11.		(vii) Vitamin B2.
12.		(viii) Folic acid.
13.		(ix) Chloramphenicol.
14.		(x) Streptomycin sulphate.
15.		(xi) Sulphathiazole.
16.		(xii) Sulphadiazine.
17.		(xiii) Sulphamethazine.
18.	122	(iv) Tetracycline.
19.		Graphite.
20.	172	Raw Silk.
Part V		
22,31.		<i>Chemicals, the following:—</i>
21.		(i) Formic acid.
22.		(ii) Dodecyl benzene.
23.		(ii) Pentaerythritol.
24.		(iv) Tartaric acid.
25.		(v) Meta aminophenol.
26.		(vi) Urea (chemical grade).
27.		(vii) Cyno pyridine.
28.	34-37 (f)	Lithopone.
29.	101-D	Cellulose nitrate sheets and flakes.
30.	116 (i)	Melamine pure.
31.	116 (iv)	Acrylic resins.
32.	122 (ix)	Cryolite.
33.	122 (xxv)	Nylon moulding powder.
34.	122 (xxv)	Polypropylene.
35.	Item No. 12 in Schedule 'C' in Appendix. 41.	Stainless steel (for non-priority industries other than those for whom there is a ban on import of this item, under A.U. policy.)
36.	Item No. 12 in Schedule 'D' in Appendix 41.	BP sheets either in coils or in cut lengths (Hot Rolled and Cold Rolled) for manufacture of drums, barrels and steel furniture.
37.	Item No. 19 in Schedule 'D' in Appendix 41.	Tinplate for manufacture of open top sanitary cans.
38.	45 (a) /I	Tin (for meeting the requirements of priority industries which are individually not more than 16 tonnes each).

APPENDIX II
LIST OF ITEMS THE IMPORT OF WHICH IS ALLOWED UNDER OPEN GENERAL LICENCE DURING APRIL 1970—MARCH 1971 (UPTO 30TH SEPTEMBER, 1970)

S. No. of Part of the ITC Schedule	Description
20/IV	Cashewnuts.
43/IV	Wattle extract.
44/IV	Wattle bark.
45/IV	Bark for tanning excluding wattle bark.
143 (c)/IV	Pickled hides, skins, pelts, splits and parts thereof.
144 (a)/IV	Hides and skins, raw or salted, where the value of hides and skins is more than that of wool/hair thereon.
6/V	Quebracho extract and Chestnut extract.

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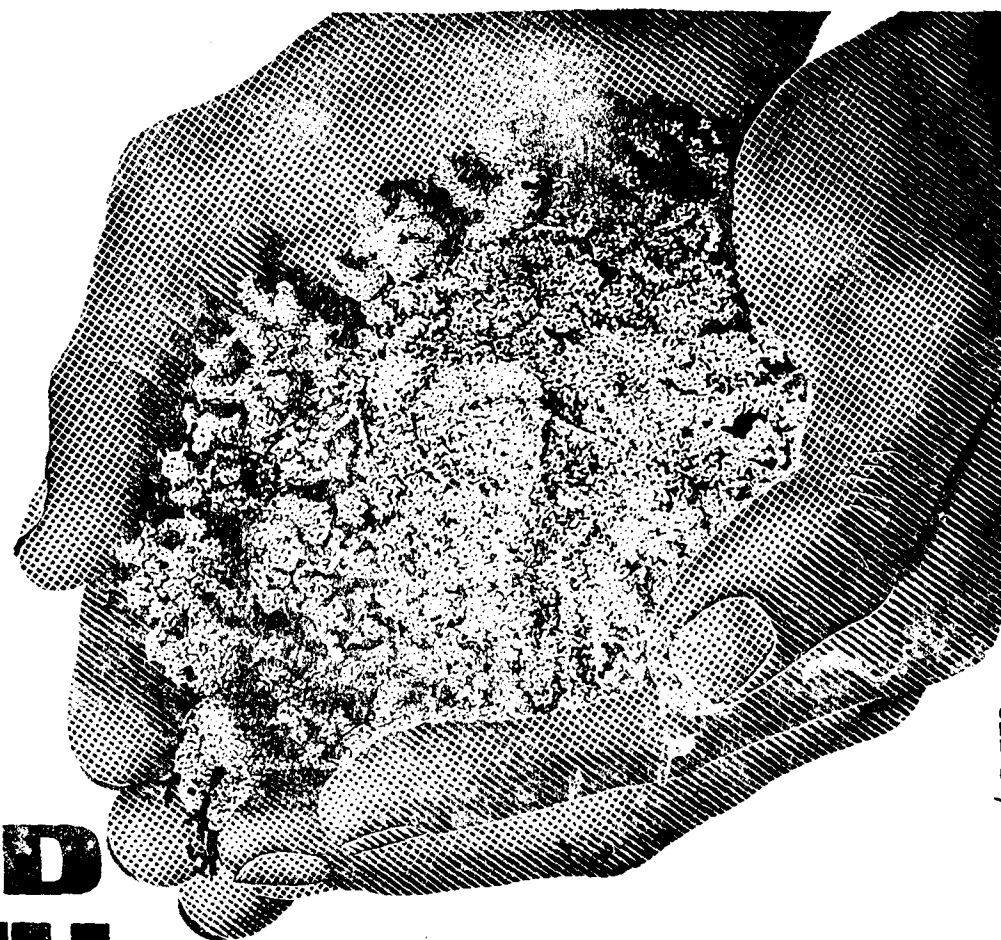
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THE GOOD EARTH



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One of the major problems of the country is self sufficiency in food. The yield of foodgrain in India is hardly 10 quintals/hectare as against 37 quintals/hectare in some of the most advanced countries of the world.

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FERTILIZER CORPORATION OF INDIA LIMITED

APPENDIX III IMPORT POLICY FOR APRIL 1970—MARCH 1971 List of items taken off the permissible list. (TOTAL NUMBER OF ITEMS : 159)

S. No. of Part of the ITC Schedule		Description															
Part I																	
17 (ii) (c)		Carbon Steel oil line pipes and tubes of the following sizes :															
<table><tr><th>Category</th><th>Outside diameter</th><th>Thickness</th></tr><tr><td>(i) E. R. W. tubes</td><td>219.0 mm to 508 mm</td><td>5.6 mm to 12.7 mm.</td></tr><tr><td>(ii) Seamless tubes.</td><td></td><td></td></tr><tr><td>(a) Hot finished</td><td>1.9", 4.5" to 8.5/8"</td><td>0.144" to 1".</td></tr><tr><td>(b) Cold drawn</td><td>2.25" to 5.5"</td><td>0.144" to 0.375".</td></tr></table>			Category	Outside diameter	Thickness	(i) E. R. W. tubes	219.0 mm to 508 mm	5.6 mm to 12.7 mm.	(ii) Seamless tubes.			(a) Hot finished	1.9", 4.5" to 8.5/8"	0.144" to 1".	(b) Cold drawn	2.25" to 5.5"	0.144" to 0.375".
Category	Outside diameter	Thickness															
(i) E. R. W. tubes	219.0 mm to 508 mm	5.6 mm to 12.7 mm.															
(ii) Seamless tubes.																	
(a) Hot finished	1.9", 4.5" to 8.5/8"	0.144" to 1".															
(b) Cold drawn	2.25" to 5.5"	0.144" to 0.375".															
17 (ii) (e)		Mild steel tubes of sizes mentioned below :—															
<table><tr><th>Category</th><th>Outside diameter</th><th>Thickness</th></tr><tr><td>E. R. W. tubes</td><td>219.0 mm to 508 mm</td><td>5.6 mm to 12.7 mm.</td></tr><tr><td>(i) Iron & Steel Checknuts, plugs and nipples in sizes 1/2" to 3" in each case excluding tees.</td><td></td><td></td></tr><tr><td>(ii) Cast fittings of all sizes.</td><td></td><td></td></tr></table>			Category	Outside diameter	Thickness	E. R. W. tubes	219.0 mm to 508 mm	5.6 mm to 12.7 mm.	(i) Iron & Steel Checknuts, plugs and nipples in sizes 1/2" to 3" in each case excluding tees.			(ii) Cast fittings of all sizes.					
Category	Outside diameter	Thickness															
E. R. W. tubes	219.0 mm to 508 mm	5.6 mm to 12.7 mm.															
(i) Iron & Steel Checknuts, plugs and nipples in sizes 1/2" to 3" in each case excluding tees.																	
(ii) Cast fittings of all sizes.																	
29		Steel wire ropes for use in mines upto depth 350 metres.															
36 (c)		Tacks anchor for shoes.															
38-A (a) & (b)		Reller/Special chains of certain specified sizes and parts thereof.															
38-A (d)		Other types of miscellaneous iron and steel chains, including items coming under miscellaneous hardware, such as Key chains, dog chains etc. n.o.s. and parts thereof.															
39-A		Steel Castings (Unmachined) upto 10 tonnes piece weight.															
S. No. & Part of the ITC Schedule		Description															
PART II																	
4.		Raw hemp excluding raw Mahia hemp (Fibre).															
7-A (b)		Jointings other than the following types— Asbestos based wire woven jointings, beater audition jointings, jointings required to withstand the action of strong acids/alkalies and jointings required to withstand refrigeration temperature.															
19		Ball bearings/tapered roller bearings, needle bushes/bearings of the following sizes. (i) Ball bearings of 1" in bore (Internal) dia and below :—															
<table><tr><th>ISI No.</th><th>Hofimann No.</th><th>S.K.F. No.</th><th colspan="3">Bearing dimensions</th></tr><tr><th></th><th></th><th></th><th>Bore</th><th>Outside Dia</th><th>Width</th></tr></table>			ISI No.	Hofimann No.	S.K.F. No.	Bearing dimensions						Bore	Outside Dia	Width			
ISI No.	Hofimann No.	S.K.F. No.	Bearing dimensions														
			Bore	Outside Dia	Width												
Deep Groove single row radial Ball bearings :																	
....		16002	15 mm	22 mm	8 mm												
....	S 4	EE 4	1/2"	1.8"	1/4"												
Single row angular contact Ball Bearings :																	
20BAO2	120 ACD	7204 B	20 mm	47 mm	14 mm												
(2) Ball bearings above 1" in bore (internal) dia and upto and including 2" in bore (internal) dia—																	
30BCO4	530 USL 13	6406 RL 12	30 mm 1.1/4"	90 mm 3.1/4"	23 mm 3/4"												
(3) Ball bearings above 2" bore (internal) dia and including 3" bore (internal) dia.																	
60BCO 3	360	6312	60 mm	130 mm	31mm												
....	..	6012	60 mm	95 mm	18 mm												
....	..	6013	65 WW	100 WW	18 mm												

Appendix III—Contd.

S. No. & Part of the ITC Schedule	Description
Part II—(Contd.)	
(4) Tapered Roller Bearings :—	
ISI NO.	Hoffmann No.
S.K.F. No.	Bearing dimensions
	Bore Outside Dia Width
....	30208 (40x 80 mm x18mm)
(5) Needle bushes/Shell type needle bearing/Thin shell needle bearings/Drawn cup needle bearings :—	
I.S.I. No.	Equivalent Nadella No.
No.	Nadella No.
	Bore Bearing dimensions
	Outside Dia Width
(1)	(2)
....	WL-1612
....	DL-1816
....	WL-2016
....	WL-2216
....	JL-188
....	JL-1816
....	JL-2012
20	Diamond Drilling bits for mining purposes including oil field drilling bits of all sizes.
20 (2) (a) (ii)	Wood working band saws.
20 (2) (b)	Machine worked cutters including all machines worked wood-working tools not elsewhere specified.
20 (3) (a) (iii)	Glass cutting or writing diamond tools.
20 (1)	(i) Steel measuring foot rules upto and including 1 ft. (30 cms.)
25 (a)	(ii) Granite surface plate 1000 x 1000 mm or smaller.
25 (b)	Emery fillets.
25 (c)	Crocus paper and emery polishing paper of standard micron gradings.
36 (5)	Water proof abrasive paper and cloth.
39 (a)	Tungsten Carbide tipped tools as spares for mining and other industrial machinery.
39 (b) (iii)	Power factor capacitor.
42 (b) (i)	Thermocouples.
42 (d)	Lightning arrestors of below 220 KV.
43 (a)	Power and distribution transformers of ratings not covered by S. No. 42 (a)/II and components and accessories of all types of transformers falling under S.No (42a)/II and 42 (d)/II e.g., oil coolers, radiators, bucholz relays etc.
45 (a)	Armoured cables.
46 (b)	Insulated (Plastic, rubber, paper, textile or other materials) cables other than those coming under S.No. 43 (d) and 45 (c).
46-A (c)	Carbon blocks equivalent to Morgan's CM 2 grade and metal impregnated grade.
1-B	IR 1 and IR 6 types of batteries.
5 (1)	Benzidine (free base)
	Textile machinery :
	1. Doubler winder upto 6" traverse for winding upto four ends.
	2. 1 x I Shuttle Box Automatic loom for the cotton textile industry upto 86 Reed space.
	3. Hard waste opener.
Part IV.	
9.	Powdered milk containing not less than 18 per cent cream intended for infant feeding.
14.	Ivory unmanufactured.
26	Cinnamon.
27	Cloves, all sorts whether ground or unground.
28	Nutmegs.
87,19	Drugs and Medicines, the following-(6 items)
Appendix 19	1. Dimenhydrinate B. P.
	2. Methyl ester of parahydroxy benzoic acid (Methyl Purralen).
	3. Papin.
	4. Propantheline Bromide.
	5. Salicylamide.
	6. Triple vaccine.
96	Tobacco unmanufactured.
122	Graphite containing graphite carbon content upto 90%.
168 (c)	(1) Sectional drawing paper
275 (b)	(2) Poster colours.
(Appendix 25)	Garage tools, the following—(28 items)
	1 Break drum lathe
	2 Brake lining, drilling, grinding, counter-sinking and revetting equipment.
	3 Brake bonding machine.
	4 Brake burnisher.
	5. Brushing tools including power brushing grinder and power reamer drive.

Appendix III—contd.

S. No. & Part of the I.T.C. Schedule.	Description
Part IV (Contd.)	
293, 295 & 297	6. Complete hydramatic and automatic Kit and complete power steering tool kit.
317	7. Cutter for plunger barrel seats.
	8. Crankshaft grinders and spare parts.
	9. Door handle tools.
	10. Decarbonising brushes.
	11. Flange tools.
	12. Fender spoons and hammer including magnetic hammers.
	13. Flexible file and holder.
	14. Flaring tools.
	15. Lubricating fittings, hydraulic
	16. Mica under cutters and spare cutters.
	17. Nipple forming and repair tool.
	18. Ratchets (reversible and non-reversible).
	19. Ratchet adapters.
	20. Tyre valve pull-out tools.
	21. Tyre demounting equipment and mounting equipment both for passenger and commercial vehicles.
	22. Tyre and tube weld master with accessories.
	23. Tube cutters also spare blades and cutters.
	24. Tube and tyre vulcanizer (shaler or similar)
	25. Valve grinder.
	26. Valve grinder bits.
	27. Valve cotter gun.
	28. V. Blocks
	Tyre tube valves, valve cores, caps and parts thereof.
	Cartridges of the following sizes :—
	22 Rifles.
	8 mm/.315 "Sporting Cartridges 244 grs. soft-nosed bullet.
	Cartridges 8 mm/.315" with 244 grs. split soft nosed, bullet.
	Cartridges 8 mm/.315" with 200 grs. solid bullet.
	Cartridges 22 RF short.
	Cartridges 22 RF long.
	Cartridges 22 High velocity.
	Cartridges 32" Revolver long.
	Cartridges 32 Revolver short.
	Cartridges 32 Revolver starter.
	Cartridges 32 (7.65mm) pistol.
	Cartridges 12 bore 2 1/4" of all shot sizes, BB, AAA, etc. LG/SG and spherical ball.
	Cartridges 12 bore 2 1/2" of all shot sizes.
	Cartridges 12 bore 2" of all shot sizes.
	Cartridges 16 bore
	Cartridges 20 bore
Part— V	
22, 31 (Appendix 28)	Chemicals the following :— (23 items)
	1. Cerium Nitrate.
	2. Cerium Oxide.
	3. Cerium salts, pure — others.
	4. Lanthanum nitrate.
	5. Lanthanum Oxide.
	6. Lanthanum salts, pure— others.
	7. Rare earth Oxide.
	8. Rare earth fluoride.
	9. Rare earth, pure
	10. Yttrium concentrates.
	11. Yttrium Oxide.
22, 31	12. Insecticides, weedcides etc., the following :—
	(i) Barium Polysulphide.
	(ii) Methyl Parathion.
	13. Benzene.
	14. Metasystox.
	15. Sexitol.
	16. Sodium orthosilicate.
	17. Sodium sesquasilate.
	18. Strontium carbonate
	19. Strontium nitrate.
	21. Ethyl olate.
	22. Iso butyl acetate.
	23. Toluol/Toluene.
34-37 (d) (Appendix 29)	Raw materials for paints, the following :— (5 items)
	1. Cadmium red.
	2. Cabalt acetate.
	3. Mercury oxide.
	4. Toluol/toluene.
	5. Octoate driers.
41 (Appendix 30)	Tyres and tubes of the following sizes:—
	(1) Giant-covers Tubes and Flaps.
	Sizes
	8-25-10
	(2) Power Tiller covers and Tubes.
	6 00-12
	Ply ratings.
	6
	2

Appendix III Contd.

S. No. & Part of the I.T.C. Schedule.		Description.																								
Part—V (Contd).																										
42 (a) (i)		Sundry wood of 4 ft. and above and Gewa wood of 3 ft. and above for manufacture of light cases and tool handles.																								
65 (1—4) (ii)		Cinema Machinery, the following items :— Projection screens having specially treated high-reflecting surface, such as glass-beaded screens. Tools jigs and Fixtures for maintenance and repairs of Projection and Sound Equipments. Interlock Kits (Electrical or Mechanical) and associated fitments.																								
65 (1—4) (ii)—Contd.		Special Jacks (sockets) and plugs. Fuses. Focussing and measuring microscopes or viewers. Pre-amplifiers—all types. Mixer Amplifiers—all types. Main amplifiers. Line amplifiers. Booster amplifiers. Voltage amplifiers. Filters—all types, such as high pass/Low pass, Hand Pass, effects, etc. Higher quality Monitor speaker/speaker-system with/without enclosure/cabinet. Transmission Amplifier Cabinets, racks, shell and Panels and mats. Control Units. B. HT Units (power supplies) A. LT Units (Power supplies). Voltage Regulators and stabilisers. Connectors, plugs, sockets, jacks, switches, jack-panels, patch-bays, patch-cords. MG sets with associated control gear. Matte-shot projectors. Rotary Convertors, inveners, with starters, regulators. Effects Discs. Coloured Glasses.																								
65 (1—4)		(1) Electric hoist blocks upto 10 tons capacity. (2) High Temperature, Liquid and/or vapour phase heating generators and indirect heating systems. (3) Industrial separators (4) Centrifuges (5) Continuous self cleaning centrifuges. (6) Marine gear Boxes upto 500 H.P.																								
65 (1—4) (v)		Refrigeration and Air-conditioning machinery, namely :—(10 items) 1. Commercial Refrigerators, Freezers, etc., for storage of meat, vegetables etc. 2. Air handling unit. 3. Fan coil unit. 4. Humidifier. 5. Filters and Driers. 6. Room Coolers. 7. Air conditioners. 8. Refrigerators. 9. Ductings. 10. Low pressure and high pressure cut out expansion valve.																								
67 (1)		The following items of Printing Machinery :— 1. All types of Duplicators. 2. Lead cutters. 3. Coating and laminating machine. 4. Registering tables.																								
76 (c)		Needles for industrial sewing machines, the following sizes :—																								
<table><tr><th colspan="2">Singer</th><th colspan="2">Equivalent system</th></tr><tr><th>Class variety</th><th>Catalogue No.</th><th>Size</th><th>Needles.</th></tr><tr><td></td><td>24 x 1</td><td>1111</td><td>14</td></tr><tr><td></td><td>88 x 1</td><td>1315</td><td>16</td></tr><tr><td></td><td>81 x 1</td><td>1225</td><td>11,16</td></tr><tr><td></td><td>71 x 1</td><td>1526</td><td>18</td></tr></table>			Singer		Equivalent system		Class variety	Catalogue No.	Size	Needles.		24 x 1	1111	14		88 x 1	1315	16		81 x 1	1225	11,16		71 x 1	1526	18
Singer		Equivalent system																								
Class variety	Catalogue No.	Size	Needles.																							
	24 x 1	1111	14																							
	88 x 1	1315	16																							
	81 x 1	1225	11,16																							
	71 x 1	1526	18																							
78 (vi)		Rectifiers and battery chargers and parts thereof.																								
78 (ix)		PH meters accuracy PH—0.075 PH																								
79		Components of X-Ray (Diagnostic therapy) and electro-medical apparatus, the following :— Round Winding Wires, super enamelled—ali gauges, upto 45 gauge including double cotton insulated or cotton paper insulated. Bakelite tubes, insulation tapes, triacetate foil. Stator Cables. Protection plates used in conjunction with screen frames and spot film devices. Selenium plates and silicon rectified plates. P.V.C. Sleeveings. Assorted items like pins, screws, nuts, washers, lock rings, worm screws etc. Aluminium filters. Mechanical hand timers. Anode Control Devices. Wire Rope Assemblies. All kinds of rubber parts. Electrode arms with extension pieces. Rotary switches upto 8 positions and Toggle switches of all types. High frequency fuses and special miniature fuses. Focussed lamps. Rectifiers used in diathermy circuits.																								

Appendix III. Contd.

S. No. & Part of the I.T.C. Schedule.	Description
Part —V (Contd.)	
87—88	Protective Aprons. Fluorescent screens. Intensifying Screens. Cassets. Articles and materials used in aircraft construction and books etc. for the purpose of maintenance, repair and overhaul of aircraft, aero-engines and their instruments and equipment, the following :— 1. Aviation Methanol. 2. Rust and Grease Remover, conforming to specification MIL-M-10578 B. 3. Transparent Cellulose self adhesive tape conforming to specification CS-2500C 4. Transparent P.V.C. self Adhesive Tape Water-proof conforming to specification DEF-1313. 5. Industrial Cloth Tape Water-proof (white) conforming to specification DEF-1314. 6. Tape indentifying conforming to specification DEF-1314. 7. Isopropyl Alcohol to specification BS-1595. 8. Aerolite 306 Glue and Hardener. 9. Water rinsable Paint Remover Conforming to specification No. 756-B. 10. Alkaline Rust-Removing compound Conforming to specification No. 900. 11. Emulsifier and Detergent conforming to specification No. 445A. 12. Heavy duty Carbon & Paint Remover conforming to specification No. 5542. 13. Red Dye Penetrant, Penetrant Remover and Developer conforming to specification No. 929. 14. Cleaning compound for aircraft exterior surfaces conforming to specification No. 5507. 15. Heavy Duty Carbon & Paint remover conforming to specification No. 5538. 16. Aluminium Alloy Sheets to approved aircraft specification 2L4, 2L16, 2L17, L59, L60 and L61. 17. Aircraft Plywood to BS and ISI specifications. 18. Brass Rods to specification DTD 627. 19. Glider Launching cables.
92 c)	Spare parts of the following weighing machines : 1. Portable Platform Scales (Dial type) 2. Cart Weighbridges & Dormants (Dial type) 3. Steelyard Road, Rail & Tram weighbridges. 4. Road, Rail & Tram weighbridges (Dial-Indicating type) 5. Road, Rail & Tram Weighbridges (Dial Recorder type) 6. Combined Rail Weighbridges (Dial-Indicating type). 7. Steelyard Combined Railway bridges. 8. Combined Rail Weighbridges (Dial Recorder type). 9. Self-indicating counter scales. 10. Platform Scales (Bench Dial type) 11. Pre-determined portable weighers. 12. Semi self-Indicating counter scale (1 Kg., 2 Kg. & 10 Kg.) 13. Counting Scales (5 Kg., 20 Kg.) 14. Milk weighers. 15. Steelyard Portable Weigher (120 Kg.) 16. Personal Weigher. 17. Railway Tippler Wagon Weighbridges. 18. Automatic Gross Weigher. 19. Baggage Weigher.
93-94 (e)	(1) Sphygmomanometer mercurial for measuring human blood pressure. (2) Medico Centrifuges, clinical centrifuges, Universal centrifuges except the vacuum and ultra centrifuges of 30 P.M.
93—94 (g)	Microscope slide and cover glasses.
122 (iii)	Bleaching earth for bleaching solvent extracted groundnut oil.
Part — VI (Appendix 11)	
The following items of Machine Tools :— (9 items) :— 1. Automatic multi tool lathes upto 410 mm swing capacity. 2. Centre Grinding and lapping machine. 3. Gear Tooth rounding machine upto 600 mm blank dia. 4. Friction Drop Type upto 2 tonnes. 5. Pop Rivetting guns. 6. Automatic Track veneer dryers. 7. Automatic guillotine jointer. 8. Rolling mills. 9. Relieving attachments.	

APPENDIX —IV

IMPORT POLICY FOR APRIL '70-MARCH '71
List of new items to be allowed to actual users on restricted basis.
(Total Number of items 56)

S. No. & Part of the ITC Schedule	Description
17 (i)	Cast Iron Foot valves above 12 dia.
17 (ii) (a) & (b)	Wrought Iron Steel Pipe fittings, n.o.s. and other steel pipe fittings n.o.s.
Part II	
19	Ball bearings/tapered roller bearings, the following sizes :
(Appendix 14)	(1) Ball bearings of 1 in bore (Internal) Dia and below :-

Appendix 4 Contd

S. No. & Part of the I.T.C.
Schedule

Description

Part II—Contd.
19

ISI No.	Hoffmann	SKF No.	Bearing Dimensions		
			Bore	Outside Dia	Width
..	..	6201K	..	..	..
..	..	6202K	..	..	..
..	..	6203K	..	..	..
..	..	6204K	..	..	..
..	..	6205K	..	..	..
..	..	6300K	..	..	..
..	..	6301K	..	..	..
..	..	6302K	..	..	..
..	..	6303K	..	..	..
..	..	6304K	..	..	..
..	..	6305K	..	..	..
..	N5877	..	..	..	..
..	108	EL8	8 mm	22 mm	7 mm
..	Special Ball bearings.				
BBL No.	..	393106	3/4"	1-3/4"	9/16"
BT 2004	..	..	..	1-1/16"	Outer ring Inner ring
(2) Ball bearings above 1 in bore (Internal) Dia and upto and including 2 in bore (internal) dia:—					
..	..	6207K	..	..	..
..	..	6210K	..	..	..
..	..	6306K	..	..	..
..	..	6307K	..	..	..
..	..	6308K	..	..	..
..	..	6309K	..	..	..
..	..	6310K	..	..	..
(3) Ball Bearings above 2 bore (Internal Dia and upto and including 3" bore (Internal) Dia—					
..	..	6313	..	..	..
..	..	6211K	..	..	..
..	..	6212K	..	..	..
..	..	6311K	..	..	..
65BCO 2	165	6213	65mm	120 mm	23mm
70BCO 2	170	6214	70mm	125mm	24mm
75BCO 2	175	6215	75mm	130mm	25mm
75BCO 3	375	6315	75mm	160mm	37mm
4) Cylindrical Roller Bearings:—					
..	..	NU 204	..	..	..
..	..	NU 205	..	..	..
..	..	NU 209N	..	..	..
..	L 064	..	..	..	..
5) Tapered Roller Bearings—					
..	..	KT 138	..	..	..
..	..	30211	..	..	..
..	..	30214	..	..	..
..	..	30216	..	..	..
..	..	3209	..	..	..
..	..	CK-33281/K-33472	..	..	..
..	..	CK-23100/K-23256	..	..	..
..	..	CK-2793/K-2720	..	..	..
..	..	CK-NA-44143/K-44363D	..	..	..
..	..	CK-2984/K-2924	..	..	..
..	..	CK-59187/K-59412	..	..	..
..	..	CK-3780/K-3720	..	..	..
..	..	CK-33891/K-33821	..	..	..
..	..	CK-28622/K-28622	..	..	..
..	..	CK-395A/K-394A	..	..	..
..	..	CK-47420/K-47490	..	..	..
..	..	CK-2780/K-2720	..	..	..
..	..	CK-3982/K-3920	..	..	..
..	..	CK-15125/K-15245	..	..	..
..	..	CK-42687/K-42620	..	..	..
..	..	CK-45284/K-45220	..	..	..
(6) Needle Bushes/Shell type needle bearings/ thin shell needle to bearing/Drawn cup needle bearings.					

ISI NO.	Equivalent Nadella No.	Bore	Bearing Dimensions	
			Outside Dia	Width
..	DL-1412	14mm	20mm	21mm
..	DL-1512	15mm	21mm	21mm
..	WL-1712	17mm	23mm	12mm
..	DL-2020	20mm	26mm	12mm
..	JL-168	1"	1-1/4"	1/2"
..	JL-1612	1"	1-1/4"	3/4"
..	JL-1616	1"	1-1/4"	1"
..	JL-1812	1-1/8"	1-3/8"	3/4"
..	JL-108	5/8"	1-3/16"	1/2"

Appendix 4 Contd.

S. No. & Part of I.T.C.
Schedule

Description

Part II—Contd

20 (2) (a) (i)	..	..	..	Circular saws, inclusive of inserted blade types.
20 (3) (a) (i)	..	..	..	Needle files and Jewellers files.
21 (1)	..	..	..	Outside Micrometers of sizes over 100 mm and spares thereof.
25 (d)	..	..	..	Brown synthetic aluminium oxide (Brown electrocorundum) abrasive grains.
28 (8) (b)	..	..	..	Steel conveyor belts (for manufacture of safety razors blades)
39 (c)	..	..	..	Flame proof fittings.
45 (a) (i)	..	..	..	Enamelled copper wire finer than 44 gauge.
45 (c) (ii)	..	..	..	Graphite stopper head and colloidal graphite.
46 (b)	..	..	..	Electric Exploders.
48-A	..	..	..	

Part III

1-B Dyes Intermediates, the following—(10 items)

1. M-Chloro aniline.
2. O-chloro aniline.
3. 2-5 Dichlore aniline.
4. R. Salt.
5. Chloro-2-Nitroaniline.
6. Naphthol ASG
7. 5 Chloro-o-toluidine.
8. Acid Anthranilic.
9. Para Amino Benzoic Acid.
10. Para nitro benzoic acid.

Part IV

87-109/IV (Appendix 19)

286 (b) Letter types for typewriters.

293, 295, 297/IV Motor Vehicle parts, the following:—

1. Synchronizer or Baulking Rings.
2. Magneto and parts thereof for motor cycles and Scooters.

Part V

22,31 (Appendix 28)

.. .. . Chemicals, the following:— (15 items)—

1. Benzyl Alcohol.
2. Benzyl Chloride.
3. Dichloro Benzene.
4. Esters of parapydroxy Benzoic acid (Methyl, Ethyl and Propyl)
5. Laboratory and reagent chemicals, the following:—
 - (i) Methyl Iodide pure quality.
 - (ii) Potassium Amyl Xanthate.
 - (iii) Potassium Ethyl Xanthate.
 - (iv) Potassium metabisulphite, analar quality.
 - (v) Sodium Bisulphite, pure and analar quality.
 - (vi) Sodium Ethyl Xanthate.
 - (vii) Sodium Iso Propyl Xanthate.
 - (viii) Sodium metabisulphite, pure and analar quality.
6. Meta substituted alkyl phenol (cardanol)
7. Mono chloro Benzene.
8. Pentachloro Phenol.
9. Potassium Bicarbonate.
10. Sodium Succinate.
11. Succinic Acid.
12. Chlorinated Diphenyls.
13. Tricresyl phosphate,
14. Nitrocellulose other than 15-20 seconds viscosity.
15. Solvent Naptha (Light and heavy)

111 Phenol formaldehyde moulding powder.

113H PVC resins for manufacture of storage batteries.

122 xxix) Filter aids.

APPENDIX V

IMPORT POLICY FOR APRIL 1970-MARCH 1971

List of items in respect of which quotas for established importers have been reduced.

S. No.	S. No. & Part of the ITC Schedule	Description	Import Policy	
			April '69—March '70	April '70—March '71
1.	Part —II 29	Spare parts of power driven road rollers.	20% on imports of spare parts or 2½ % on imports of complete road rollers.	10% on imports of spare parts or 1½% on imports of complete road rollers.
2:	30 (f) (iii)	Spare parts of diesel engines other than spares for road vehicular type diesel engines—Others.	(1) 25% or 4% on imports of complete diesel engines. (G.C.A.)	20% or 4% on imports of complete diesel engine. (G.C.A.)

S.No.	S. No. of & Part of the ITC Schedule	Description	Import Policy	
			April '69—March '70	April '70— March '71
Part II—Contd.				
			(2) 10% on imports of spare parts of diesel engines or 2% on imports of complete diesel engines. (U.S. AID)	10% on imports of spare parts of diesel engines or 2% or imports of complete diesel engines. (U.S.AID).
3.	31 (b)	Parts of petrol gas, and kerosene engines.	30% (U. S. AID)	2% (U.S. AID)
4.	32 (e)	Parts of motors	(1) 10% or 2% on imports of complete motors (G.C.A.)	7½% or 1½ % on imports of complete motors (G.C.A.)
			(2) 20% (U.S. AID)	20% (U.S. AID).
5.	32 (h)	Parts of generators.	7½% or 1½ % on imports of complete generators.	5% or 1½ % on imports of complete generator.
6.	36 (5)	Spare parts of jute, hemp, tea machinery etc.	40%	33·1/3%.
7.	46 (b)	Carbons	(1) 5%—G.G.A.	2½ %—G.C.A.
			(2) 15%—U.S. AID.	20%—U.S. AID.
Part III				
8.	4 (5)	Spare parts of textile machinery.	10% or 1½% on imports of complete machines.	7½% or 1½% on imports of complete machines.
9.	5 (2)	Spare parts of textile machinery.	10% or 1½% on imports of complete machines.	7½% or 1½ % on imports of complete machines.
Part IV				
10.	87,109	Drugs and medicines.	15 %	12½%
11.	144 (b)	Fur skins of leopard, tiger, deer, rabbit, fox, cat and other wild animals and reptiles skins.	150%	100%
12.	275 (b)	Garage tools.	(1) 10%—G.C.A.	7½% G.C.A.
			(2) 50%—U. S. AID	50%—U.S. AID.
13.	293, 295 and 297	Motor vehicle parts	10 %	8%
Part V				
14.	22, 31	Sodium cyanide, etc.	8%	5%
15.	34-37 (b)	Water and oil colours.	7½%	5%
16.	65 (1-4) (ii) and 65 (5) (i)	Cinema machinery and parts thereof.	12%	10%
17.	65 (5) (ii) (a)	Spare parts of earth-moving machinery.	(1) 20%—G.C.A.	15%—G.C.A.
			(2) 20%—U.S. AID	20%—U.S. AID.
18.	65 (5) (iii)	Parts of machinery when required for industries and undertakings other than cinema and refrigeration and also other than spare parts of machinery falling under S. No. 65 (1—4) (vii) (a) and (b) /V.	25%	20%
19.	68 (a)	Rubber blankets (including mackintosh) for Printing presses including requirements of cloth processing machines, viz., printing sanforizing, etc.	80%	60%
20.	70 (ii)	Parts of lifts.	40% on imports of parts or 8% on imports of complete lifts.	30% on imports of parts or 5% on imports of complete lifts.
21.	74 (iii)	Spare parts of agricultural tractors and for tractor drawn agricultural implements.	(1) 40% G.C.A.	30%—G.C.A.
			(2) 50%—U.S. AID.	50%—U.S. AID.
22.	79	X-Ray (Diagnostic therapy) and Electro-medical apparatus and parts thereof n.o.s. including ultraviolet and infra red lamps for medical treatment.	(1) 50% of quota certificates already issued or in relation to 50% of past imports during 1966-67 whichever is favourable. (G.C.A.)	40% of quota certificates already issued or in relation to 40% of past imports during 1966-67 whichever is favourable. (G.C.A.)
			(2) 25% of quota certificates already issued or in relation to 25% of past imports during 1966-67 whichever is favourable. (U.S. AID).	50% of quota certificates already issued or in relation to 50% of past imports during 1966-67 whichever is favourable. (U.S.AID).
23.	92 (g) (2)	Slide rules	2½%	Nil
24.	92 (n)	Instruments and apparatus and appliances and parts thereof etc.—others.	25%	20%
25.	93—94 (d)	Scientific and medical including surgical instruments, equipment and appliances and parts thereof made wholly/mainly of rubber and/or made wholly/mainly of glass including laboratory glassware.	10%	7½%
26.	93-94 (e)	Medical including surgical instruments, equipment and appliances and parts thereof not made mainly of rubber and not made mainly of glass.	20%	15%
27.	93—94 (f)	Scientific instruments, equipment and appliances and parts thereof not made mainly of rubber and also not made mainly of glass.	12½%	10%
28.	93—94 (i)	Dental instruments, equipment and appliances and parts thereof, not otherwise specified.	50%	45%
Part VI				
29.		Spare parts of permissible machine tools.	(1) 5% — G.C.A.	4% — G.C.A.
			(2) 5% — U.S. AID	5% — U.S. AID.

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Special Article	SA
From the Press Gallery	PG
Window on the World	WW
The Moving Finger Writes	MF
Trade Winds	TW
Readers' Roundtable	RR
Books Briefly	BB
Records and Statistics	RS
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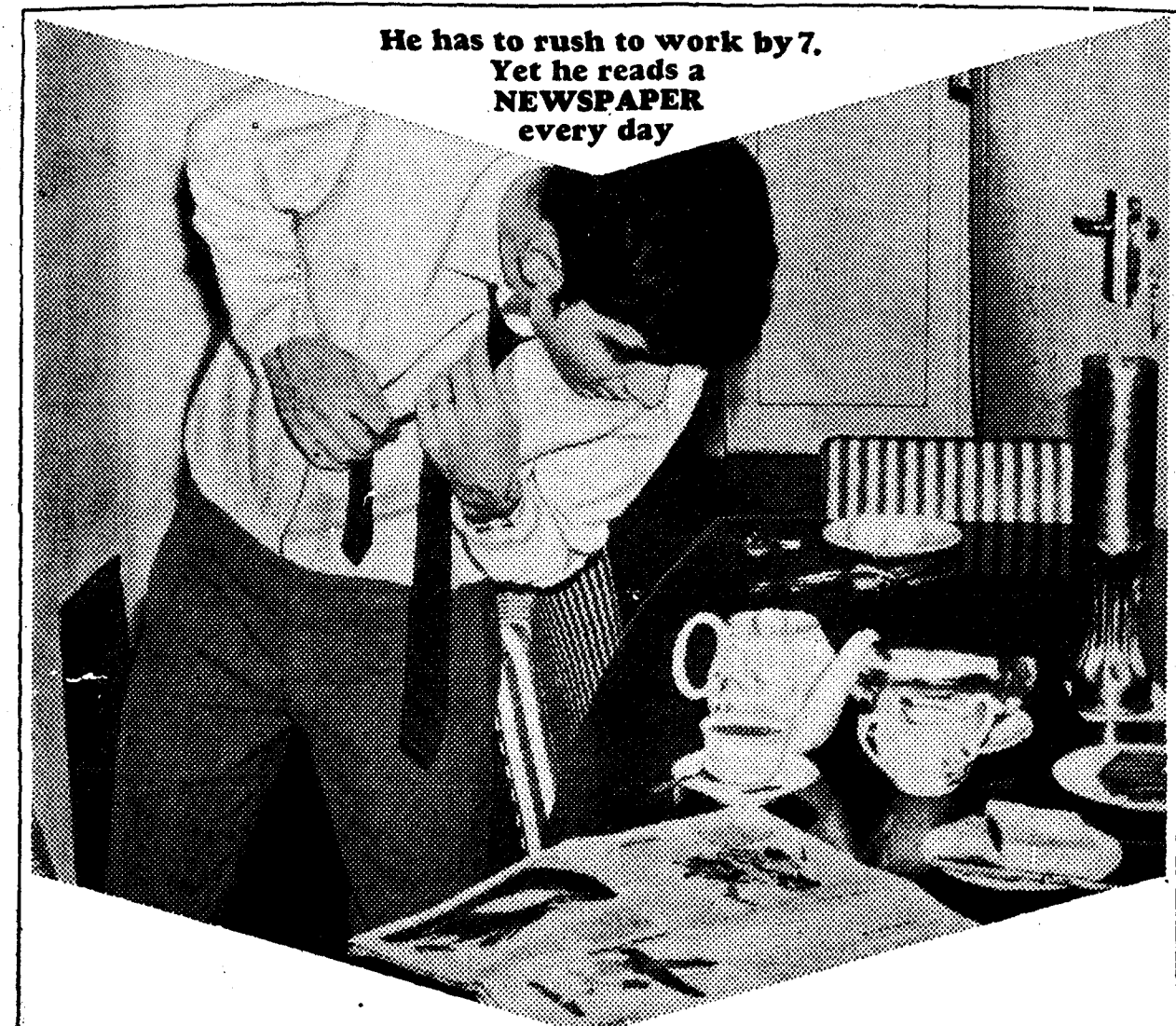
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Mr Talwar on "Viability"
Paper's Problems are not only on Paper

**Appadorai Discusses Social Change
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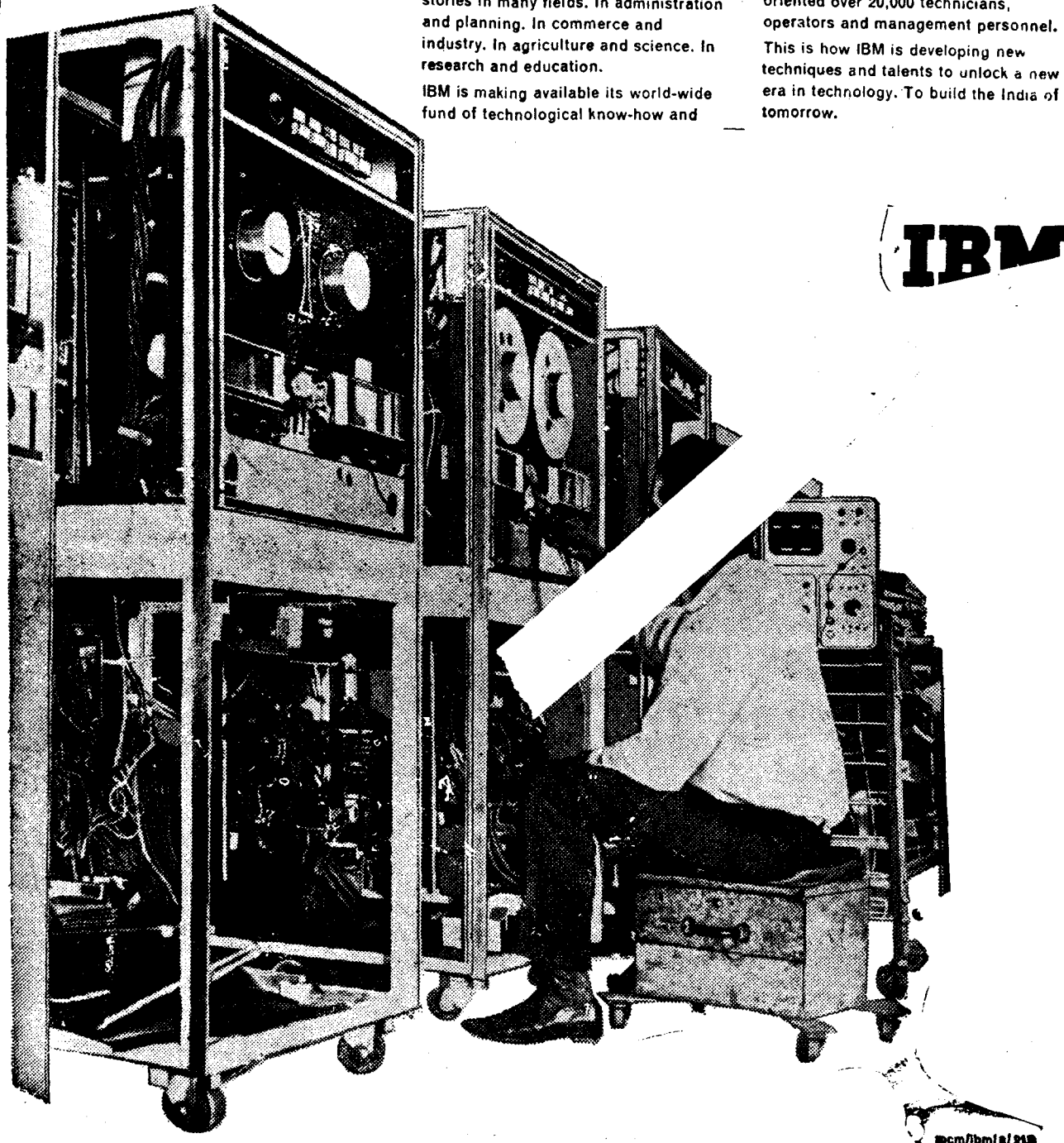
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MR GIRI TO THE RESCUE

ADDRESSING THE 37th annual session of the All-India Organisation of Employers in New Delhi on April 9, the union Minister for Labour, Mr D. Sanjivayya, made a predictably political speech. He sweepingly declared that he could not recall a single occasion when the employers had taken the initiative in suggesting a bold and progressive labour programme. He complained that the employers always resisted any new move and that they yielded only under pressure, thereby forfeiting the goodwill of workers and, presumably, the government. Such denunciations hardly help. On the contrary, they savour of political partisanship and opportunism in a minister who owes it to the government and the community to maintain a posture of credibility.

Fortunately, this conference happened to be inaugurated by the President of India, and Mr V.V. Giri, indeed, made a very statesmanlike speech. His, of course, has always been not only a masterful voice on issues of industrial relations but also an enlightened one on the related responsibilities of labour and management to the larger community. On this occasion, Mr Giri reiterated his firm faith in collective bargaining as the only true basis of creative industrial relations. He went so far as to suggest that adjudication was enemy No. 1 of genuine industrial peace and plead for its immediate and total abolition.

To such of us as have watched with mounting concern the steady erosion of a sense of obligation on the part of both labour and management to cultivate mutual understanding and trust, Mr Giri's heroic remedy certainly has attractions. Provided it could be ensured that no political pressures or influences operate on or through trade unions, the placing of direct and ultimate responsibility on management and labour to settle differences through bilateral talks and collective bargaining would certainly assist greatly the building of industrial peace on sure and stable foundations.

The question, however, is whether politicians will keep their hands off trade unions or managements. In a situation such as was obtaining in West Bengal under the United Front ministry, for instance, adjudication could hardly have been given up completely in favour of direct negotiations between labour and management when it was so clearly the case that workers were being manipulated by politicians for subversive purposes. It is, no doubt, true that the emphasis which Mr Giri desires to place on collective bargaining would itself serve to counter the grosser excesses of political interference with industrial relations, but considering the extent to which political bossism has come to dominate trade unions, managements, while agreeing in principle that adjudication should go, may yet be apprehensive of trusting totally to collective bargaining without reasonable assurance that bilateral talks between trade unions and managements would not have to suffer interference from political adventurers and opportunists.

Earlier this month, in his presidential address to the 37th annual general meeting of the Employers' Federation of India held in Bombay, Mr Naval H. Tata described the place of politics in industrial relations. He said:

"The split in the political parties has penetrated their respective labour wings. Both INTUC and AITUC have disintegrated into sub-groups, lacking cohesion, thus impairing the solidarity of the trade unions even within their respective camps. Inter-union rivalry, so often ridiculed by trade unions as a myth and a product of employers' manipulations, has developed into a malignant cancer in the body politic of the trade union movement. Such dissensions are undoubtedly responsible for politically motivated strikes, like the one in the engineering industry at Jamshedpur."

The President of the All-India Organisation of Employers, Mr Babubhai Chinai, we are sure, shares these views of Mr Naval H. Tata, although Mr Chinai agrees with Mr Giri that the existing industrial relations machinery has failed the cause of industrial peace. Mr Chinai's own remedy seems to be a drastic reorganisation of the existing machinery along the lines suggested by the National Labour Commission which has recommended the

constitution of a permanent industrial relations machinery which could function independently of the administration. Mr Sanjivayya, however, is prepared neither to end the present

Mr Talwar on "Viability"

It is only as the State Bank, its subsidiaries and the 14 nationalised commercial banks get more and more involved in financing the small man, be it in industry or in agriculture, that they will begin to realise the full implications of what they have been asked by the government to achieve. For the task involves not only a careful approach so as not to tread on the corns of co-operatives and other state agencies already in the field, although hopelessly ineffective, but also a thorough reorientation and, in a sense, re-equipment, administratively. No wonder, therefore, that, between reviews of each line of the Bank's business, Mr R.K. Talwar, Chairman, felt constrained to introduce a refrain by way of a reiteration of the concept of viability, in the course of his address to the shareholders at the last annual general meeting of the State Bank of India, which was held at Ahmedabad. But, as he demonstrated at a news conference on the eve of this meeting, he and his colleagues in the nationalised banks seem to be fully gearing themselves to the new challenges. At the same time, he did not minimise the gravity of many of the problems.

Perhaps the most pressing of these problems is, according to Mr Talwar, the need to garner resources for meeting the sharply increasing demand for bank credit from various sources and also to ensure that all bank operations conform closely to his correct but exacting concept of viability. This means that, first of all, banks must secure more deposits. In 1969, for instance, the average aggregate deposits of the State Bank registered a rise of 14.3 per cent. Satisfactory though this is, Mr Talwar felt that, if the State Bank and other nationalised banks have to fulfil the role expected of them effectively, this rate of growth must be stepped up well beyond the present overall level of around 15 per cent.

Now, deposits do not flow in all by themselves not even after the government has nationalised the 14 leading banks, and even if the entire countryside is dotted all over with branches. The first budget after the enforcement of bank nationalisation understandably therefore contained a measure to attract more bank deposits by including interest on bank deposits in the category of incomes eligible for tax exemption up to Rs 3,000. True, the State Bank of India

system nor mend it. He is simply content to blame employers for not being sufficiently soft towards political pressures operating on or through the trade unions.

and its subsidiaries alone are going to open 337 branches this year (1970) besides opening more offices in areas with good business potential. Under the 'lead bank' scheme, again, it has been allotted 89 districts out of a total of 335. But, as the State Bank of India chairman admitted, while the opening of a large number of offices may assist deposit mobilisation substantively, it will have to be backed up, at the same time, by suitable changes in procedures and improvement in services.

Indeed, as Mr Talwar himself noted, "the banks would require to modify their marketing and selling techniques to cater to the requirements of the new class of depositors in rural areas" and also effect changes in the existing deposit schemes to suit the special needs of the depositors in these areas. Even otherwise, the new pattern of interest rates introduced in the latest budget in regard to postal savings and national savings certificates, which has the effect of putting up term interest rates, makes it necessary for the banks seriously to consider an upward revision of the interest rates on deposits. The steady decline in profitability has made it more so. (A review of the trends in respect of the SBI, over the past six years, i.e. between 1964 and 1969, shows that, while the operating earnings rose by 2 1/2 times, operating expenses trebled, thereby more than halving the profits. This, in turn, was reflected in profitability. Thus, whereas the cost per employee increased by 60 per cent, the profit per employee decreased by 32 per cent. Even so, and especially after his own view that, *prima facie*, there is a case for stepping up interest rates on deposits, Mr Talwar was arguing (rather unrealistically) that "we shall not go in for increases in interest rates because productivity has declined." He explained that, in the event of the pressure of demand for advances rising beyond a point, banks would have to evolve a fresh scheme of priorities or, in the alternative, borrow from the Reserve Bank even at penal rates, if need be. Surely, as between rationing of a restricted quantum of credit and a rise in the cost of credit, bank clients would prefer the latter.

Mr Talwar has other views of dealing with the question of profitability, but one of them, it must be mentioned, is not to retrench hands, although he is

not averse to drawing relief from the declining growth rate in the Bank's employment figures. These views, (adumbrated by his predecessor, in fact) to which we shall presently refer, are no doubt interesting, but how effective they will prove to be is anybody's speculation. They concern the disclosure of reserves and profits by banks, and Mr Talwar was not indulging in any utopian essay in reiterating the suggestion, certainly not after what banks in Britain have done, even without any change to this effect in the banking legislation there. (In February, 1970, the major banks in the UK gave full details of their reserves and profits.) Two results from such disclosure were predicted by the SBI chairman: (i) this would foster a spirit of competition even among the public sector banks, as the disclosure of true profits would provide a convenient yardstick to measure the comparative efficiency of each bank; (ii) the disclosure would result in greater awareness of the problem (of profitability) among the employees and enable them to have a more direct stake in the institution. Theoretically every employee has, or rather must be presumed to have, a stake in the institution he works for, but, in practice, especially where employees enter the escalated class, talk of anything like a more or less direct stake is, to say the least, wishful thinking. But this is not to deprecate the suggestion for full disclosure of profits and reserves. In fact, we would urge such a reform being implemented forthwith, if only to disabuse the false ideas of secret reserves that some bank employees or at any rate those who back their demands for higher emoluments seem to entertain.

In the course of his address, Mr Talwar also raised the important question of guarantees of bank credits by managing agents. Now that the days of managing agencies are gone, the problem is whether banks should insist upon such guarantees, say, by a director or directors after the abolition of the managing agency system. If the banks insist, the directors concerned may not oblige unless they get a return for this service, which by the way, is recognised as such even by the Central Board of Revenue. After they are deprived of their managing agency, the directors are of course justified in demanding a price for a risk they have to take on themselves. The question to be considered, therefore, is not merely whether the banks should or should not insist on a guarantee but also the extra cost that the banks would charge for not insisting on guarantees. All good banks—not the SBI alone—value the independent management and financial strength of a company and there is

no special merit in the SBI chief volunteering to do away with this guarantee business after all the stringent provisos listed by him—these amount to, be it noted, being as good as, if not better than personal guarantee: (1) whether the company is truly independent, management decisions being taken by its own executives with reference to the company's interests; (2) whether the company's operations are viable and its financial pattern is satisfactory, and (3) whether the company would abide by any reasonable stipulations made by the bank on the basis of detailed credit analysis. And, after satisfying all these conditions—here is the crux of the question—how much extra will the SBI charge? About a quarter per cent lower, say. Given the alternatives, shareholders of many a company might prefer to pay their own directors a similar or even a slightly higher charge.

As a good and seasoned banker, Mr Talwar is, of course, right in taking all precautions and also in demanding detailed and up-to-date information on the operations of his clientele. Hence presumably his exhortation to companies in both public and private sectors to prepare and distribute detailed quarterly accounts as the State Trading Corporation has started doing. The

Exploring Export Markets

THE NATIONAL Council of Applied Economic Research (NCAER) has recently completed a survey of 25 countries in the Indian Ocean basin covering Japan, Australia, Kuwait, Iran, Hong Kong, Saudi Arabia, Thailand, East African Community, Republic of Korea, Burma, Singapore, Iraq, New Zealand, Malaysia, Libya, Zambia, Trucial States of Muscat and Oman, Ethiopia, Philippines, Indonesia and Malagasy Republic. There seems to be no basis for lumping together these countries for this study except that the region they are spread over happens to be capable of being brought into a geographical concept. The survey was conducted at the instance of the Export Promotion division of the US Agency for International Development in co-operation with the Ministry of Foreign Trade and Supply. It appears that both the Ministry of Foreign Trade and the US Agency for International Development agreed on the necessity of conducting such a survey and the NCAER took upon itself the challenge of completing it even though the countries covered were scattered widely and their economies were in various stages of development.

The primary finding of the study is

only other thing—and this too was apprehended by some—he did not suggest, as a public sector lending institution, was the reserve right to convert loans into equity. But this need not be ruled out.

It is not necessary in a comment like this to go into the details of the working of the State Bank. Suffice it to say that it has been ably fulfilling its obligations to the small man. During 1969, for instance, the Bank's advances to small-scale industries rose by Rs 53 crores, as against only Rs 19 crores in 1968; advances to small business under its new scheme initiated only towards the end of last year aggregated over Rs 11 crores; and total advances by the State Bank group to agriculture rose by Rs 84 crores to over Rs 116 crores, direct advances to agriculture alone accounting for an increase of Rs 30 crores spread over nearly 1,20,000 accounts. The scheme for financing qualified entrepreneurs did not come up to expectations (Mr Talwar said so too) and steps have been taken to remedy this. But it is doubtful if the State Bank chief's suggestion that experienced engineers working in large industries should leave them and set up their own small-scale units to take advantage of this scheme is well-conceived. The proposition begs far too many questions.

that there is potential in these 25 markets for doubling our exports by 1974. This optimistic forecast of the NCAER has synchronized with the release of the official figures of exports for January this year at Rs 145 crores, an all-time peak on monthly basis. Also, recently a contract valued at Rs 463 crores for iron ore export to Japan in the next eight years has been concluded. What is more, a delegation has just returned from Japan after having explored possibilities of exporting engineering goods and according to Mr K.L. Chowdhary, the leader of this delegation, there are bright prospects of exporting engineering products to that country. The impression has been created by these happy tidings that our exports to these countries in general and to Japan in particular are not as difficult as is usually made out and that the markets are there; we have only to seize them.

The historical trend of our exports to countries covered in the NCAER study shows that we have achieved substantial success in this regard in the sixties. The share of these countries in our exports was only 22 per cent in 1960-61 but it rose to 28 per cent in 1968-69. An extrapolation of this

trend does show a rosy picture. It is in this context that the detailed country-by-country and commodity-by-commodity studies made by the NCAER assume significance. In regard to primary products, the NCAER has come to the conclusion that very strong possibilities exist in Japan, Australia, Kuwait, Hong Kong, Saudi Arabia, Republic of Korea, Libya and Trucial States of Muscat and Oman. Regarding manufactured goods there are very strong prospects in all countries in the region except Burma, Singapore, Malaysia and Indonesia. The strategies to be adopted for specific markets have been spelt out by the NCAER.

Japan is the most important market in the area under consideration as it commands nearly half of our total exports to it; even in 1974, its share will remain more than 40 per cent of our total exports to this region. It is, therefore, obvious that Japan should receive constant attention of our exporters. The NCAER has given five specific guidelines in this regard. First, our country's entire minerals programme should be intensified with stress on bringing in new production linked to arrangements for long-term sales and improvement in productivity with particular regard to the need for ports to accommodate ships of 100,000 DWT with fast loading facilities. Second, negotiations should be held with Japan at both governmental and company level to secure contracts for our industry to produce labour-intensive components for Japanese industry. Third, increased attention needs to be paid to the expansion of our country's marine products, especially prawns. Fourth, there are increased possibilities of collaborating with Japanese firms in supplying industrial plants to third countries of the area with our country concentrating on labour-intensive equipment and Japan on sophisticated items. Lastly, continued pressure should be applied so as to make Japan remove some of the quota restrictions detrimental to our country, specially in regard to tea and other agricultural products. Similar guidelines have been listed for other markets as well. In the same way, the strategy to be adopted for the export of particular commodities such as iron ore, products of heavy industry, and agricultural and marine products have also been spelt out in detail.

The two broad conclusions which emerge from a study of this survey are that the Government of India should follow an unchanging export policy for a reasonably long period and also that our industries should be more efficient and competitive. While there is great merit in the identification of various

markets and the listing of guidelines for accelerating the exports of specific commodities to countries in the region, these two suggestions look like platitudes. Different industries in this country face a variety of problems for being competitive in the international markets. Proposals in this regard are put forward by these industries, though they do not always get the required assistance from the government. For example, Mr A.K. Basak, Chairman, Engineering Association, stated recently at the 59th annual general meeting of the association that the engineering industry could grow from strength to strength on the export front if it was given the tools of the trade, namely, raw materials at international prices, transport at competitive rates, productivity linked with remuneration and some guarantee of industrial peace. Thus, in the short period, a large number of industries will need assistance of one form or the other from the government to be competitive. The NCAER thesis exhorting industries to be competitive on their own which was elaborated by Mr S. Boothalingam, Director-General of the Council, while addressing industrialists recently at Bombay has application only in the long run.

In suggesting that the government should pursue an unchanging policy relating to exports, the NCAER seems to be asking for the impossible. The export policy of our government has been changing very frequently and despite repeated protests from exporters, it has not been possible to influence our government's thinking in this regard. It may be recalled that the 100-day crash programme evolved early this year was hardly over when the government initiated vital changes in its policy. The Ministry of Mines and Metals has banned the export of aluminium ingots while the Ministry of Steel the export of certain categories of iron and steel. Leave alone the development of a long-term perspective in exports, our government does not seem to be capable of adhering to a consistent policy even for the short period.

It does not follow that because the government is unable or incapable of fulfilling the basic postulates enunciated by the NCAER, our exports to the countries in the Indian Ocean basin would not increase. As in the past, the exporter is likely to fumble along and in the process increase, though at a slow pace, our share in the foreign trade of these markets in the coming years. The most relevant consideration today is the availability of exportable surplus. If in 1968-69, our country had been able to increase its exports by more than 13 per cent, it was all due to the fact that we had, because of the recession,

sizable unutilised capacity which would be turned to use for manufacturing goods for exports. Unless we generate exportable surplus of substantial magnitude, we will find it hard to attain the stipulated rate of seven per cent per annum increase in exports indicated in the draft fourth five-year Plan, not to speak of the rate of more than 15 per cent anticipated by the NCAER in its survey. In any case, the NCAER has done a good job in identifying the commodi-

ties as well as the countries where there are possibilities of increasing our exports provided our policies and procedures are changed so as to suit the requirements of these markets. The essence of market research is that it must throw up such vital information for the benefit of exporters as would enable them to cash on it. Let us hope that both the government and the industry would profit by the useful detailed work completed by the NCAER.

Problems Facing Paper

ACCORDING to the Economic Adviser's index of wholesale prices, the prices of paper and paper products have increased by about 10 per cent since May 1968 when the price control on paper was withdrawn by the government. The rise in the prices of certain special varieties which are in short supply has been higher than 10 per cent. It was in this connection that Mr Fakhruddin Ali Ahmed, the union Minister of Industrial Development, Internal Trade and Company Affairs, had recently asked the paper industry "to behave" and had held out the threat that the government would reimpose price control if the present rising trend in paper prices was not checked. The government has also under consideration the setting up of a paper corporation in the public sector, like the Cement Corporation of India, in order to supplement the production of paper and pulp.

Analysing the latest trends in supply and demand of paper and paper boards, the union Ministry of Industrial Development has, in its latest annual report come to the conclusion that the availability of paper at present "is just sufficient to meet the demand." At the same time, it has expressed its apprehension that "due to low rate of increase in production, this position might not continue for long." The moot question is: what factors have operated in slowing down the pace of expansion of this industry?

An important factor which has hitherto retarded the growth of the paper industry is the prolonged control on paper prices which did not fetch an adequate return on capital employed. In a recent study of the finances of the corporate sector, the Reserve Bank of India has shown that the gross profit as a percentage of capital employed for paper industry in 1966-67 was as low as 6.3 as against 9.3 per cent for all industries and 18.3 per cent for medicine and pharmaceutical preparation industries. The rate of return in the paper industry was thus nearly two-thirds of the average for the whole industry

and about one-third of the level of the most prosperous industry i.e. medicine and pharmaceutical industry. Since the paper industry could not obtain even an average rate of return on capital employed, it failed to mobilise resources for its expansion. Now with the decontrol of the paper industry, there is some chance of the industry obtaining an adequate rate of return on its assets and attracting equity capital to it but unfortunately it is being threatened with dire consequences for trends in paper prices which are not entirely under its control.

The second major problem which the industry faces is the paucity of raw materials such as bamboo, agricultural residues and hardwoods. Bamboo is indispensable because most of the other cellulose raw materials are of short fibres and their pulp has to be mixed with that of bamboo to make paper of good quality. The states of Assam,

Madhya Pradesh, Kerala, Mysore and Orissa where most of the bamboo is grown have not given sufficient attention to improve yield from bamboo forests. Continued neglect in this regard has reduced productivity of land under bamboo forests and has thus pushed up the price of the raw material for paper industry.

Despite these two severe limitations, the paper industry has made substantial progress during the past two decades. At the beginning of the first five-year Plan period, we had in this country no more than 17 paper and paper board mills whose total capacity was about 130,000 tonnes. At present, the total number of units is 57 with installed capacity around 800,000 tonnes. In the case of newsprint, however, there is only one unit (NEPA in the public sector) with a capacity of 30,000 tonnes a year but efforts are being made to expand its capacity to 75,000 tonnes. Two new plants are also proposed to be set up in the fourth five-year Plan period. In addition, there are about 50 small units with a total capacity of 100,000 tonnes a year.

The Planning Commission has estimated that the capacity of the paper industry would have to be raised to 1.2 million tonnes by 1973-74 so as to balance demand and supply. The estimates of some research units in regard to the demand for paper are on the higher side. The Economic and Scientific Research Foundation (ESRF), for example, has estimated that the demand for newsprint, writing and printing paper and industrial paper is likely to rise to 1.875 million tonnes in 1975. This forecast is based on the end-use method which in turn assumes realistic growth in per capita income, literacy and industrial production.

The relevant point here is that, unless the supply of raw materials is augmented, the demand for paper would not be fully met. The international standards suggest that we should have at least one-third of our land area under forests, as against 21 per cent at present. Every year more and more land is diverted to agricultural crops with the result that instead of increasing the area under forests, it is being steadily reduced. Moreover, the bamboo resources in the country, according to the ESRF, are most economically located in those areas where their physical availability is small while, on the contrary, they abound in those places which are at present inaccessible.

The ESRF has also estimated that keeping in view the projected demand for bamboo, its price is likely to rise at the rate of about four per cent a year till 1975 as against the rate of rise of

2.6 per cent per annum during 1953-54. If the raw material prices cannot be held in check, how can the industry maintain the price of the finished product at the same level?

The entry of the public sector in the manufacture of paper or pulp is not going to provide a long-term solution to the problem of shortages in this consumer product. The annual report of the union Ministry of Industrial Development for 1969-70 has tried to justify the establishment of the Paper Corporation of India on the plea that "adequate additional capacity is not likely to be developed in the private sector." Let us recall the situation which prevailed in the third five-year Plan period. If the paper industry failed to raise its output to match target fixed for the third Plan, it was because the pace of expansion of the economy had slowed down which reduced the demand for paper. Moreover, the statutory control on prices of paper had made investment in this industry unattractive and many

licences for new paper units were surrendered. The rigidity in regard to selling prices coupled with the increase in the prices of raw materials cut into the profitability of this industry making further investments in this industry rather difficult.

The mistakes made in the sixties need not be repeated. The investment in the paper industry should be allowed to fetch adequate return which alone would increase the flow of funds to this industry. Massive investments are needed to increase the capacity of this industry by 50 per cent in the fourth five-year Plan period. Besides retained profits, the industry will need liberal assistance from the lending institutions and sizable volume of equity investment. The reimposition of control will make it difficult for the industry to raise capital for the expansion programme, thus making it difficult to raise production of paper and paper products. Any such step would be a fatal blow to the paper industry.

The Protein Bottleneck

THAT THE Indian diet is notoriously lacking in protein is well-known. Perhaps not as well-known is the fact that, because of this, children's diseases, which are but a nuisance in the advanced countries, tend to prove fatal in our country. Worse still, for every child that may become a casualty to protein deficiency thus, there must be many times that number who survive to remain a drag on society for the rest of their earthly existence. For protein deficiency is responsible for short stature, makes for poor growth and affects the capacity to put forth the best effort, thereby leading to lower production (to project things to a national level). None of these, however, is to be dreaded as much as the recent finding of scientists that protein malnutrition can retard mental development,

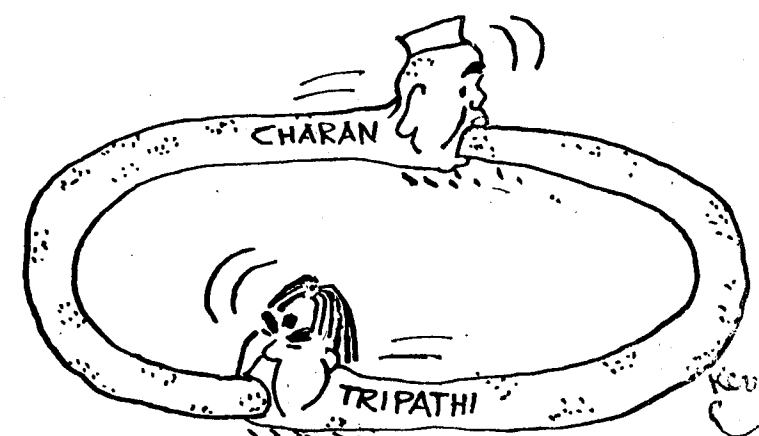
especially of children in pre-school years, and that perhaps irreversibly.

All these facts have no doubt been publicised adequately, particularly since the past two years, thanks to the Protein Foods Association of India (PFAI), which came into being in the wake of a conference of leaders of the food industry in India, technologists, scientists from both India and abroad, and representatives of the central and state governments, held in Bangalore in July, 1967. During its brief existence, the PFAI has done a lot of constructive work to arouse public consciousness in regard to the protein problem. There was, for example, its first project in its series of National Food Habits and Market Surveys, aimed basically at gathering data regarding the nature of

EASTERN ECONOMIST BUDGET NUMBER

In the issue dated March 13, 1970, which is a Special Number devoted to the central budget, *Eastern Economist* presents a study of the budget documents in their larger context as well as their details. This Special Number includes the relevant budget documents and statistical tables. This volume of 180 pages is priced at Rs 5 per copy (postage extra) but is available without extra payment to regular subscribers. Individual copies are on sale with leading booksellers and at the office of The Eastern Economist, UCO Bank Building, Parliament Street, New Delhi-1.

Manager



BKD and Congress are discussing merger.

markets for activating commercialisation of low-cost protein foods. Although restricted only to Maharashtra and Gujarat, the facts about food habits, tastes and preferences, income, education, attitudes and social customs of people — all impinging on nutrition — elicited by this survey (completed in October, 1968) are of crucial importance as much to formulating policy as to marketing, apart from being of interest to the public, which raises the question whether the price of Rs 5,000 per copy of the comprehensive report to non-members as decided by the PFAI is not unduly prohibitive. There should be many more of such projects and covering every nook and corner of the country, not necessarily limited to speeding up protein product development and marketing but also to increase the consumer awareness of the problem, as also of the value of protein foods. Happily both these are among the main objectives of the PFAI, but, unless the association makes available all its findings (not of markets, of course) directly to the public and not *via* the association or its members as the proposal so prohibitively to price its surveys seems to suggest, complete dissemination of all the relevant information may not be possible.

Be that as it may, what did the survey in question disclose? According to the PFAI chairman's statement at the association's last annual meeting, the data corroborated the existence of the protein gap, particularly among children, and gave some startling estimation of the degree of deficiency. The *per capita* daily protein intake of children between the ages of six months to one year is said to be less than 50 per cent of the requirement, for children between one and three years less than 75 per cent and for children between three and five years about 50 per cent. Also, the survey revealed that the nutritional deficiency was acute among the lower income groups.

In the light of these findings, it is obvious that any national nutrition programme must endeavour to reach the youngest age groups, as also the poorest sections of our population. And that means the protein deficiency must be made good in a particularly palatable form and also at a cheap cost. It is doubtful if the Rs 59.36 crores outlay on nutrition as per the draft fourth five-year Plan is sufficient to answer these needs.

Since its formation, the PFAI has done much to focus public attention on problems pertaining to fortification, weaning foods and food for pregnant and lactating women and new processed foods. After getting its commendation for fortification of wheat flour with vitamins, minerals and protein accepted by the Government of India, it has had the

satisfaction of seeing an atta fortification project taken up by the Government of Maharashtra. Today, the atta sold in Bombay city is fortified with proteins from groundnut flour and with essential vitamins and minerals. Incidentally, the cost of fortification (four paise per kg.) is borne by the government. But, as yet, atta constitutes only a very small portion of the wheat consumed, and this limiting factor is proposed to be overcome by enlarging the central processing of wheat to atta.

Preliminary to this, it is just as well that a pilot study (this is being financed to the extent of Rs 68,000 by the USAID) has been planned to find out whether consumers will accept fortified and packaged atta (to meet the cost of packaging, an extra price may have to be charged) and whether whole grain wheat purchasers can be motivated to purchase packaged fortified atta, apart from the causes of consumer resistance to atta. Meanwhile, some concentrated work seems to be called for extending the supply of fortified bread, inasmuch as the survey has revealed that bread has penetrated deeply in the urban areas, with as much as 45 per cent of the lower income families already consuming it.

Mr R. Ramaswami, the PFAI Chairman, revealed that one of the disturbing facts brought out by the survey was the absence (practically) of the weaning concept in Maharashtra and Gujarat, with mothers' milk being given to the child for as long as 18 months. A lot of educational work lies ahead here if such child-feeding habits have to be changed, and Mr Ramaswami did well therefore to urge industry (there are as many as 30 industrial institutions among the PFAI members) turn its immediate attention to this field, a field which has, to quote him, "both social purpose and commercial potential."

It is in the direction of new processed foods, however, that much imaginative and original work lies. It may take

some more years before this country can produce protein from oil, a field in which Britain, France and Japan have recorded some progress. Today, most of the protein comes from fishmeal and soyabean, but British Petroleum which has pioneered in the field of protein from oil, claims the percentage of protein is higher in its flaky and cheese-like product than in soyabean. Although the survey in Maharashtra and Gujarat showed, contrary to popular belief, that the incidence of vegetarianism is not as high as we have been made to believe all along (as much as 30 per cent in Gujarat and 60 per cent in Maharashtra eat egg, fish or meat, which knocks the bottom off the so-called social taboos and inhibitions), for quite some time to come, greater reliance would still need to be placed on soya bean or other vegetable products both for fortifying and for making new processed foods. Similarly, more studies are required to identify all the forms and variety of foods or drinks taken by people of different age and income groups, as well as communities. This is highlighted by such findings of the survey as that relating to tea-drinking even by children in the lower income families. It may be assumed that coffee-drinking is similarly common among children in the same income group in south India.

That all these aspects are already either under study or are being contemplated is a comforting thought. So too the commendable efforts in the field of nutritional education, as witness the protein film entitled "A Child's Horoscope" produced by the PFAI. But if all this work, enormous as it admittedly is, is to be effectively tackled, the association has to enlarge its activities and take on more and more the form of bodies like the nutrition foundations in Britain and America. The PFAI, we are glad to find, is already thinking along these lines.

Eastern Economist 25 Years Ago

APRIL 20, 1945

It is sad to reflect that the 'most powerful protagonist, in recent times, of democracy, inter-national co-operation and economic expansionism—President Franklin Delano Roosevelt—is dead. It is too early to appraise his achievements or to assign him his due place in the Roll of Honour. It is for the historian to decide, if he was a planet or a shooting star.

But he was surely the most daring experimenter in political economy. The future will speak for the quality of his achievements and for their long-term effects upon the politico-economic evolution of modern society. As for the present, it is a matter of profound regret that

the one man, upon whom the progressive forces had banked as the most reliable guarantor of a new economic order against any possible resurgence of the forces of reaction, should have gone off the world's stage in its most difficult hour.

Reluctant as we naturally are, at this moment, to assess the work of the great statesman, it is a little too difficult to forget his tremendous influence upon the economics and politics of his age. From the very first day of his coming to power—the day when the worst banking crisis in history had reached its climax and the whole financial system lay thoroughly paralysed—he made himself felt.

Social Change and the Constitution

DR A. APPADURAI

WITH THE Prime Minister's recent statement in Parliament that every living Constitution contains within itself the capacity to respond to changing needs and to new forces of history, there will be unanimous agreement. With the increasing pace of industrialization in the country, and with the increasing acceptance of the green revolution, both urban and rural life are being transformed; modern technology is indeed proving to be a harbinger of social change. "Basically", said the Prime Minister, "the people are on the move. They are impatient only because they see that change can be faster; they are impatient because they see that their difficulties and their hardships can be removed." Social and economic institutions must be adjusted.

The relevant question to ask, however, is how to enable society to make the necessary change in its social and economic institutions. The answer is two-fold.

Courts not the Third Chamber

First laws may be passed in the ordinary way to make necessary changes. The Sarda Act raising the age of marriage, passed years ago, is an instance in the social field; the Banking Companies (Acquisition and Transfer of Undertakings) Act of 1969 nationalizing fourteen major banks is an instance in the economic sphere. Where such an ordinary law is passed, in a country like India with a written Constitution, care has to be taken to see that it is in accordance with the Constitution, as otherwise it is likely to be struck down as *ultra vires*, as the Banking Companies Act of 1969 was struck down by the Supreme Court. This does not mean, as some politicians have argued, that the Court is a third house of legislature, or that the Court is a road-block in the way of progress. The Court, indeed, affirmed the principle that it had the power to strike down a law on the ground of want of authority, "but the Court will not sit in appeal over the policy of Parliament in enacting a law."

Thus, with reference to nationalization of the fourteen major banks, the Court held that it could not find fault with the Banking Companies (Acquisition and Transfer of Undertakings) Act of 1969 merely on the ground that

it was inadvisable to take over the undertaking of banks which had set up (according to the petitioners) an impressive and efficient business organization serving large sectors of industry. It was struck down on account of its inconsistency with the articles in the Constitution relating to equality of treatment and the payment of compensation.

Significant Role

I am not arguing that the Court may not, in any circumstance, question the policy approved by a law-making authority; judicial review has played a significant role in the development of the American Constitution, negative and positive. Two instances from American judicial history will be appropriate here, one conservative, the other liberal.

In 1916, Congress, with a view to restricting child labour in factories, prohibited inter-state trade in goods made by child labour. It relied upon a clause in the Constitution which gave it power to regulate inter-state trade. But this particular law interfered with industry, a matter within the jurisdiction of the state; the Supreme Court felt that it was not proper for Congress to use the commerce power for the purpose of regulating industry, and so declared the law unconstitutional (in *Hammer v. Dagenhart*, 1918). Again in 1919, Congress tried to restrict child labour in factories by resorting to its taxing power, but the Supreme Court declared that law also null and void. It is interesting to note that a later judgment — in *United States v. Darby* (1941) — reversed the decision in *Hammer v. Dagenhart*. The Court in 1941 held that the commerce power was complete in itself and acknowledged no limitations other than are prescribed in the Constitution. "The motives and purposes which lead Congress to regulate inter-state commerce are matters for legislative judgment upon the exercise of which the constitution places no restriction and over which the Courts are given no control." In 1935 the National Industrial Recovery Act passed by Congress in 1933 was declared unconstitutional in so far as it referred to industries within the states (in *Schechter Poultry Corporation v. U.S.*, 1935).

The Court ruled unanimously in 1954 that segregation of children in public

schools was unconstitutional. It thus rejected the doctrine of 'separate but equal facilities' which had been propounded by the Court itself in 1896 and which had become the basis for various state laws aimed at enforcing segregation. The Court declared that even if equal physical facilities were provided, segregation on the basis of race would deny equality of educational opportunities to Negro children.

What I am arguing is that the Supreme Court in India has accepted the position, as cited above, that it will not "sit in appeal over the policy of Parliament in enacting a law" — which, in my view, is a salutary principle, as otherwise the Executive will be tempted to pack the Court with judges favourable to its policy. Indeed, a proposal has already appeared in print, that "Now is the time for the Prime Minister of India to take powers in her hand by which the Chief Justice of India and the judges of the Supreme Court will be appointed by the Prime Minister of the land" — a proposal made obviously because the writer thought, erroneously, that the Supreme Court had sat in judgment over the policy adopted by the legislature. It is unlikely that informed opinion in India will support such a proposal.

Difficult to Amend

Second, the Constitution may be amended from time to time when its provisions are likely to block a desired social change. The ease or difficulty in respect of amending the Constitution depends, of course, upon the method of amendment provided in the Constitution. The method provided in the constitution of the United States is perhaps one of the most difficult among world constitutions. This can be seen from the fact that, during nearly two hundred years of the history of US constitution, only twenty-two amendments have been passed. Even so, important social and political changes have been made through the process of formal amendment. We may mention four of the most important: (a) the inclusion in the constitution of a list of fundamental rights of individuals, such as freedom of religion, of speech and of the press, and the rights of the people peaceably to assemble, to keep and bear arms, to be secure in their persons, houses, papers and the like and to trial by jury; (b) the abolition of slavery; (c) the direct election of senators; and (d) the adoption of woman suffrage.

Incidentally the extreme rigidity of the process of amendment partly explains why judicial review has played such a significant role in the United

*The Forum, February 1970, p. 9.

States, to which reference has been made earlier.

The method of amendment provided in the Constitution of India is, in the writer's judgment, a satisfactory one. An amendment of the Constitution here may be initiated by the introduction of a bill for the purpose in either House of Parliament, and when the bill is passed in each House by a majority of the total membership of that House and by a majority of not less than two-thirds of the members of that House present and voting, it is to be presented to the President for his assent and, on his assent being given, it will become law.

If, however, the amendment seeks to make any change in the distribution of legislative powers as between the union and the states, the representation of states in Parliament or the powers of the Supreme Court or other subjects specified in the proviso of Article 368, the amendment sought to be made has to be ratified by the legislatures of not less than one-half of the states.

A limited constituent power is also given to the legislatures of the states to initiate amendments regarding the number of houses of the legislatures. Such an amendment becomes law if a bill making such amendment is afterwards enacted by Parliament.

Striking Middle Course

It will be noticed that this method of amendment is not so difficult as the methods provided in the constitutions of Australia, Switzerland, or the USA, nor so easy as the method in the USSR. By providing that there must be a majority of the total membership of each House and also a majority of not less than two-thirds of the members of each House present and voting, it ensures that more than ordinary attention is given to the amendment of the Constitution; and by making the consent of a proportion of the units essential for a change, among other matters, in the distribution of legislative powers, the representation of states in Parliament and the powers of the Supreme Court, it ensures that the vital interests of the units receive due attention; on the whole the method of amendment strikes a middle ground between easy amendment and extreme rigidity.

The relative ease with which twenty-one amendments have been passed from 1951 to 1967 is noteworthy. And these amendments touch on vital matters affecting land tenures, the creation of new states and the boundaries of states, the inclusion of an additional (Sindhi) language in the Eighth Schedule, the ex-

tension of the period for which reservation of seats for the Scheduled Castes and the Scheduled Tribes in the House of the People and the legislative Assemblies of the states, the imposition of sales tax and the right to property. The ease with which constitutional amendments could be made is explained partly by the nature of the amending process provided, and partly by the fact that the party which had a majority at the centre had also a majority in the states. Whatever be the cause, incidentally,

The Strategy of Agricultural Development

SIR JOSEPH HUTCHINSON, C.M.G., Sc. D., F.R.S.

AGRICULTURE BEGAN when man began to destroy natural vegetation and replace it by sowing plants of his own choosing for his own use. For the greater part of agricultural history he has continued to do no more than this and has in the process had enormous success in improving his crop plants and making them more useful to him. We now have a limited number of useful plants that are far removed from their natural ancestors in both plant form and survival capacity. They are entirely dependent upon man and if the farmer discards them, they die out and disappear.

Crop plants and livestock we can manage and mould by selective breeding to meet our needs. The other main essentials of our farming system, climate and soil, are less easily controlled. Indeed the extent to which we can influence climate is very limited. For our own comfort we have built houses and we warm them with fires in winter and cool them with air-conditioners in summer. We undertake a little climatic amelioration of the same kind for livestock under intensive housing conditions. But for our crops we have to take the climate as it comes, and mitigate its effects only to the extent to which we can add water by irrigation where that supplied by natural rain is insufficient.

Soils are more manageable than climate, but not so easily controlled as crops and stock. It is with the study of soils and with their management and improvement that this lecture is primarily concerned. My justification for limiting my discourse in this way when I have taken a title that might be more widely interpreted, is that in my view, the management of soils is today the key feature of agricultural strategy.

For most of agricultural history, soils have been taken as they were found. They have been exploited with little knowledge and little consideration of

it has had the effect of limiting the significance of judicial review in the adjustment of the Constitution to changing times. The position has changed after the 1967 elections; at this stage it can only be said that appropriate remedies will have to be sought to maintain the flexibility of the Constitution when actual difficulties occur. One such difficulty has already arisen on account of the judgment in the Golaknath Case (February 27, 1967); the position has been discussed in an earlier article by the writer in this journal (January 3, 1969).

This is the text of the first Coromandel Lecture delivered recently in New Delhi by Prof Sir Joseph B. Hutchinson, F.R.S., Drapers Professor of Agriculture (Emeritus) at the University of Cambridge. Prof Hutchinson is an authority on genetics and scientific agriculture.

Instituted this year by Coromandel Fertilizers Limited, the Coromandel Lecture will be an annual feature at which eminent men of science and scholars, will be invited to speak on topical subjects.

The institution of this lecture carries the educational activities of Coromandel Fertilizers a step further. This company has been endowing scholarship in agricultural sciences at the university level for some years now. Last year it instituted a fellowship at the Indian Agricultural Research Institute for research in dry farming.

Introducing the lecture series, the Chairman of Coromandel Fertilizers, Dr Bharat Ram, pleaded for an "ecological attitude" while pressing into service new technology in the transformation from traditional agriculture to scientific agriculture.

of the crops grown on them. If they became exhausted, they were abandoned and the farmers moved elsewhere. If they proved fertile and capable of sustaining crop production indefinitely, the farming population settled down and multiplied, and the soil was exploited until it reached a level at which natural weathering and the casual return of wastes balanced the depletion from crop removal.

This was the stage reached when enterprising and imaginative farmers began to consider the improvement of soils. In general, two situations can be distinguished, shifting cultivation and low production settled farming. Shifting cultivation is practised very widely over the world. It is characteristic of vast areas of poor soils in Africa, but it is also practised in areas as far apart as New Guinea and Finland and it has recently been shown that this was the farming system of the first farmers of western Europe, in the Neolithic period.

Shifting cultivation involves clearing fresh ground every few years, and no

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farmers cut and burn heavy vegetation, often forest, to plant their crops unless they need to. This is the farming system of very poor soils, where a few years' cropping reduces yields below the level necessary to maintain the farmer and his family.

Settled farming is practised on better soils, but long continued cropping depletes the fertility level and the production at which yields are established is low and such systems provide little to the farmer beyond subsistence for himself and his family. It was on these better lands that farmers began to see the possibilities of improved production by improved soil management.

Manuring, is an ancient practice. Doubtless, it began when observant farmers saw that they reaped better crops in those areas where wastes and refuse from human and animal feeding were deposited. Modern manuring practice began with the systematic use of wastes to improve crop production in the Netherlands. As Europe emerged from the middle ages, there arose in the Netherlands, a number of prosperous towns, with expanding crafts and industries. They created a profitable market for the farmers round about and since the produce of local farms was not sufficient to feed them, grain was imported by sea from the Baltic. They used industrial crops such as dye plants, fiber plants and oilseeds and they depended for fuel on the nearby peat lands. All these left behind substantial wastes, ash from peat fires, spent vegetable matter from fibre, oil and dye extraction, and also household wastes and excrement. All this was sold to the local farmers and the resulting improvement in farm productivity was the first large scale demonstration of the rewards to be gained from manuring.

Green Revolution

British travellers observed this first 'Green Revolution', learnt from it, and when they returned home, initiated the changes in farming practice that led to what is known in British agricultural history as the 'New Husbandry'. The essential feature of the 'New Husbandry' was the planning of the farming system to conserve all the wastes produced and to distribute them fairly over the land from which they had come. Town wastes were also acquired, and in so far as they were derived from imported supplies, they added to the current stock of fertility.

A distinction must be drawn between conservation and improvement of fertility. To ensure that such fertility as the land possesses is not dissipated, is the beginning of wisdom, but it does nothing to enhance the productivity of land

that is only at a modest fertility level. At the stage in agricultural development illustrated by the 'New Husbandry' in 18th and 19th century Britain, fertility improvement depended essentially on fertility transfer. This is an ancient practice, often taking place more by accident than design. Pasturing cattle on forest land and herding them on cultivated land or in barns at night is an ancient livestock keeping system, still practised today, and it leads to the transfer through manure of the elements of fertility from the forest to the farm. The import of Baltic grain to the Netherlands and of American grain and African and Indian oilseeds to Britain, led to the transfer of fertility from distant continents to the farms of Holland and England. Indeed, so important has this become in Britain that the residual value of such increments of fertility is calculated and paid for on the transfer of a farm tenancy.

No Significant Gain

All this went on within the total farming system. Introductions from outside were limited to soil ameliorants such as lime, which neutralised soil acidity, and clay, which was used to give stability and water holding capacity to light sandy soils. No really significant net gain to the world's agricultural fertility was possible until the nature of fertility was understood. Only in the latter half of the nineteenth century was the scientific analysis of the nature of soil fertility began, with the classic laboratory studies of Liebig in Germany, and their extension in the field in England by Lawes and Gilbert at Rothamsted.

It is not my intention to trace the history of the analysis of the nature of soil fertility, but rather to follow the impact of the understanding so gained on the management of farm soils. Most of the work done was in north temperate regions, and there it became clear that much the most important elements in soil fertility were nitrogen, phosphorus and potash. As knowledge increased, and soil research expanded in other parts of the world, it was shown that there are areas where sulphur and calcium are so deficient as to rank as important nutrient requirements, not infrequently more important than potash. Moreover, a number of other elements, notably zinc, magnesium, copper, cobalt, manganese and molybdenum, are required by plants and animals in very small quantities and if they are not present in soils, they can be supplied.

The understanding of the main components of soil fertility opened up the possibility of supplying nutrients from outside the whole agricultural system.

Nitrogen is present in vast quantity, but in an unavailable form, in the air we breathe. Phosphorus, potash and sulphur occur as mineral deposits in various parts of the world. Lime has long been known and used to counteract soil acidity, and the nutrient requirements of calcium are readily met. Substantial problems nevertheless remained. The chemical technology whereby atmospheric nitrogen can be fixed has only been mastered in the last fifty years. Phosphate was first made available by the digestion of bones recovered from slaughter houses and similar animal sources. The chemical treatment of phosphate rock to produce a form of phosphate available to plants also took time and research effort to evolve. Potash has been easier, as natural deposits exist in which potash occurs in soluble form.

Fertiliser use began slowly. In 1845 the United Kingdom only used 50,000 tons of fertiliser and most of that was *guano*, which is in fact of biological and not mineral origin. There was only a slow increase during the next 70 years, though *guano* was replaced by sodium nitrate and ammonium sulphate. By 1942, consumption of all nutrients had only risen to 250,000 tons. But since the end of World War II, the increase has been very rapid. In 1964, the UK used nearly 1.5 million tons of the three major nutrients. World consumption has shown a similar pattern of increase and among the tropical countries, India's record stands high. About 62,000 tonnes of the major nutrients were distributed in 1952-53 and about 807,000 tonnes in 1965-66.

Long-Term Changes

Let us now consider the long term changes in productivity that have gone on in Britain. Britain serves best for this purpose because we have evidence of the extent of change from the period of low production exploitive agriculture in medieval times up to the high production fertiliser based period of the last few years. The sequence covers fertility transfer as well as fertility input, but our concern is with fertility however it may be gained, so this is acceptable. Yields of cereals in lb. per acre from the 13th century to the present day were approximately as follows:

Date	lb. per acre
13th century	800
16th century	1350
18th century	1950
20th century (beginning)	2000
20th century (7th decade)	3400

Compare northern Indian wheat yields, and it is fair to say that fertiliser prac-

tice, good irrigation, and new and productive varieties from the new world have made it possible to span six centuries of progress in western European countries in six years. So enormously does knowledge and technology gained in one part of the world over the long centuries facilitate progress in another over a few years.

This is the record, but the overall figures hide a host of problems and constraints, as well as successes and opportunities. And it is necessary now to return to the soil which is in fact the repository of fertility. Soil is not only highly complex mixture with characteristic chemical and physical properties. It is a biological system, with vast populations of very diverse micro-organisms. This biological system is related to the vegetation that grows upon it, and it changes as vegetation changes. So when land is cleared of natural vegetation, a natural soil is exposed, and under crop the natural soil changes in character. In a very real sense it is necessary to domesticate the soil in the same way, as our crop plants have been domesticated. The chemical composition can be improved by fertiliser application, but the physical structure is also important, and the role of organic matter as a moderator of physical condition is as important as its function as a reservoir of nutrient elements.

Problems of Fertiliser Revolution

It is in the failure to look upon soil as a living thing, to be domesticated, cared for, and fed that has led to many of the problems that have arisen in the fertiliser revolution. First and most important, fertiliser practice consists in making good current deficiencies in nutrient supply. In doing this, we may jeopardise the future in two ways. We may add incidentally unwanted elements that accumulate to the detriment of our soils. Two well known examples are the sodium ion added with sodium nitrate, which in temperate region clay soils may give rise to effects similar to those of alkalinity in soils of the dry tropics, and the sulphate ion in ammonium sulphate which may give rise to acidity that requires corrective application of lime. The tendency for the fertiliser industry to produce more and more concentrated fertilisers relieves this position substantially. For example, the use of ammonium nitrate and urea as nitrogen fertilisers means, of course, that there are no cumulative residues in the soil from them.

The second risk to the future lies in the possibility—indeed the expectation—that the provision of ample supplies of the currently limiting nutrients will result in a greater rate of consumption of nutrients hitherto in ample supply,

and new deficiencies will arise. This is obvious, and examples can readily be seen. The emergence of zinc as a limiting nutrient in highly fertilised crops in parts of India is a case in point. It is to be met by constant vigilance and regular fertiliser trials, in the light of which fertiliser recommendations can be changed as the need arises. These are the kinds of hazard that give rise, repeatedly, and in one country after another, to assertions that fertilisers are but a temporary stimulus, and that they ultimately result in a collapse of soil fertility. In many countries this assertion has been made, and in none has it been substantiated.

The elements of fertility are the same whatever their origin. Nitrogen is the same whether it is fixed from the air by rhizobium in a leguminous root, or by a chemical process in the fertiliser factory. The fertiliser factory is a new and more powerful tool of production and if mistakes are made in using it, the remedy lies in improving the skill of the operator, and not in discarding the tool.

In India, the fertiliser revolution has just begun. In Britain, it is well advanced. Considering these two countries, some indication of future prospects may be made. In India, the dominant factor in development will be in the future, as it has been in the past, the interaction between water and nutrients. Success so far has come where water supply could be improved to match fertiliser input. This has been by irrigation and there is in India a curious lack of confidence in the possi-

bility of carrying fertilisers on to the rainlands. In north temperate regions, most of the fertiliser is used on rainfed crops. Fertiliser lying in dry soil is not available to the crop, but this is a matter of technique of application. The main components of agricultural production, water soil and crop variety, are the same on rainlands as under irrigation, but on rainlands it is necessary to make use of the water as it comes and not as the farmer would wish it to come. The problem of raising fertility levels under these circumstances is no greater than in other countries where fertiliser use on rainfed crops is well developed. And a high fertility level is in itself an aid to crop stability in the face of rainfall uncertainty. Drought hazards in Britain are substantially less at a yield level of 3000 lb. per acre now than they were at 2000 lb. per acre forty years ago.

British experience is that wise fertiliser and manuring practice leads to a great overall increase in fertility level. Cooke has given figures for yields of cereals in the no-nitrogen plots of nitrogen fertiliser trials over the past sixty years. They are as follows:

Years	lb. per acre Yields of no-N plots
1900-1940	2125
1940-1955	2800
1955-1964	3350

Over the period the general fertility level went up by 50 per cent. Even more

RECORDS AND STATISTICS

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important is his observation that the response to nitrogen manuring was as high at the high yield level as it had been at the low level. Good fertiliser practice is most rewarding on good soils. This

is the challenge and the opportunity, to raise the level of production of India's soils, and to create a farming situation where high fertility and high response are linked together.

Unemployment and Manpower Planning

DR J. P. SAXENA

THE OVERALL economic development of a country rests upon the maximum utilisation of the available resources including manpower, which is the most important resource. The need for skilled manpower is complementary in the sense that development plans require skilled manpower, whereas development of skills in turn call for growing activities to utilise those skills.

The fact that manpower is an important resource had come to be recognised with the dawn of industrialisation. The machines built by man for the welfare of mankind involved special techniques. The growing needs for variety and comfortable living needed more sophisticated techniques; mere raw material, water and power resources are not enough. There is something more which is needed to bring about the much-needed fruits of prosperity and that in modern economic science is characterised as manpower resource. Technological development and its application for human welfare is dependent upon requisite skills in different fields.

Resource Development

Manpower resource has come to be distinguished with the change in socio-economic structure. In primitive society, life was easy and modes of production were simple. Lack of education and means of the exploitation of raw material resources did not create any urge for a sophisticated life. Once tempo is built up and a certain degree of social and economic progress achieved, the urge for a better standard of life motivates an individual to mobilise all the resources—existing and potential. It is this urge which is responsible for the advancement of science and technology. Stronger the urge, greater the advancement of science and technology, because it is only through the application of science and technology that society overcomes the various limitations or shortages of water, power, raw material and other resources. The experience of some of the advanced countries, e.g. Japan and Switzerland, is ample proof that highly skilled manpower can make up the relative scarcity of the natural resources.

For instance, shortage of coal can be overcome by generating hydel power or in its absence by means of atomic power. The scarcity of resources nevertheless is the driving force behind the technological advancement. The recent experiments in the field of agriculture, e.g. the introduction of schemes of land reclamation, HYVP and IDDP, checking soil erosion, and production of a variety of pesticides, fertilisers, improved agricultural implements are due to the scarcity of food-grains and the threat of famine.

All scientific and technological advancement has not only to be sustained but developed further in view of changing conditions. The element of cost, availability of raw material, a new technique or device alter the process of production; and with the emergence of every new invention or innovation, old techniques get outmoded and old values are lost. Similarly manpower skills are in a process of continuous change. The specialised knowledge in a particular field gains or loses value with the change of time, change of economic structure and technology. Sometimes skills development and their utilisation do not go together because employment growth and economic growth is seldom a simultaneous process.

Economic Disequilibrium

It is well-known that knowledge is not a legacy of an individual. Similarly the ownership of resources is not the exclusive right of an individual. Few persons in the society possess the maximum wealth, whereas the majority are poor. This phenomenon is known as economic disequilibrium, which is responsible, for disequilibrium in every walk of life. Similarly, few persons possess maximum skill and ability—hereditary or derived, as against the majority who are deprived of the privilege of acquiring higher talents. Higher skills, as a means of earning a better livelihood has caused competition in the market and more and more persons are taking to education and developing skills which of course lacks matured guidance from the government. As a result of this we find the market glutted with increasing numbers of inadequately taught urbanised rights-conscious young-

men into a society in which the type of employment they seek is not available. Besides these the majority of the people remain uneducated or fail to acquire or develop higher skills. Even this undeveloped or under-qualified manpower resource fails to find suitable employment because of its abundance or supply outstripping the demand for it. This phenomenon in economic terminology is known as unemployment.

Manpower planning plays an important role in the maximum utilisation of manpower resources, whether unemployed or under-employed. Manpower planning is the technique for systematic development of adequate skills *inter se* economic planning over years as per needs and their suitable utilisation, so much so that shortage and surplus of manpower resources at any point of time is almost eliminated.

Vocationalising Education

A system of graded education from primary to the university stage is a must to check unwanted entry of graduates, post graduates and matriculates in the labour market. Even if the intake capacity of the institutions in some unwanted courses of study is reduced or a brake is put on its expansion, it would not be unjust. There is no doubt that in a modernising society, despite any amount of educated unemployment, the right of education cannot be denied to those who want it. Thus a policy of restricted admissions is highly opposed by the public and is against the spirit of the Constitution. Therefore the alternative technique of vocationalisation of education and adoption of policy of recruitment at post-higher secondary level would be more appreciated. After post-secondary level of education, these youngmen may be trained in the specific jobs. This practice would have a two-way effect. Firstly, the expenditure on higher education is thereby saved. Secondly, the youngmen are saved from acute frustration and demoralisation through wastage of skills and talents in a vain search of job. Also these youngmen soon become assets rather than liabilities to the employer. Alternative courses in vocational or professional subjects may be introduced according to the needs of the economy. This need can be determined by means of employment market surveys which would reveal the trends of business, industry and profession. Of course, it is not easy to make dependable estimates of future manpower needs especially over a long-term period.

Unemployment of manpower resources is the most complicated of all the

economic and social problems and cannot be removed by a magic touch. It can be tackled by sustained efforts, and thorough manpower planning. Whereas the supply of manpower can be checked (through family planning) regulated and controlled (through systematic educational system and training programmes as per needs of the economy), the demand for it can be equally controlled by means of economic development plans. Maximum utilisation of the existing and potential economic resources through multiplicity of manufacturing, trade and commerce in a planned fashion with emphasis upon equitable ownership of resources and equitable distribution of national product contain in itself the seeds for maximising the employment of manpower resources.

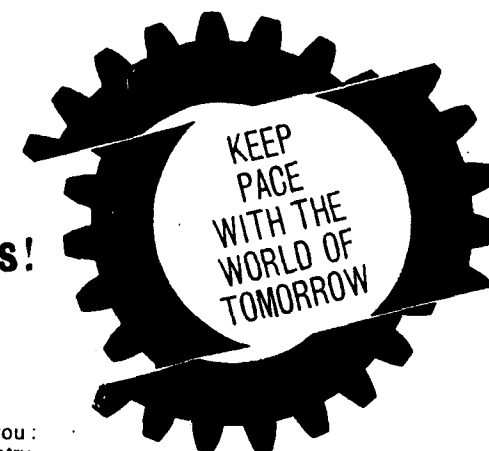
The recent controversy of labour-intensive or capital-intensive technique in developing economies is an outcome of the disequilibrium in the supply and demand for labour and capital. Whereas there is abundance of labour, there is definite shortage of capital resulting in retarded economic growth. Although labour and capital are not substitute to each other, yet the intensity of employment of either is subject to alteration. The degree of intensity would however depend upon the cost accruing with the adoption of either technique; and therefore whereas

the state may regulate the adoption of either technique, it can not ignore the basic economic principle of relative cost and benefit. In pursuance of this argument, despite the abundance of manpower lying idle in our country the labour-intensive techniques could not be adopted in all spheres of industrial activities. Even in irrigation, dam construction, textile, sugar, jute and other industries, more and more automation is being introduced at the cost of manual labour. The employers motive of maximising profit and reducing cost is contrary to the principle of maximising employment. Here we may quote one instance. Huge work-load on public counters e.g. electricity bill payment counters call for automatic machines. Here if instead of an automatic machine, four, five or ten counter clerks are appointed to cope the increased work load, that would be in line with state employment policy, but that would involve higher cost to the employer because expenditure on a calculating machine is of a non-recurring nature and would greatly add to the cost on establishment. Therefore more and more computers are coming into use. The signalling system in the Railways is being mechanised. The Posts and Telegraphs Department is taking to automation rapidly, thereby causing shrinkage in employment on the one hand, and creating need for specialised services to operate or supervise these automatic

systems. Not only this, larger the staff, greater the problems including that of housing, medical care etc. Thus from employers' point of view machine is better than man. Moreover the trade unionism and subversive activities in which the employees indulge, especially when their number is large pose a threat to peace and smooth working; and this is also one of the reasons why employer favours the idea of adopting automation rather than employing more workers. Here the element of wage rates, strikes, labour-discontent, cost of living, work-efficiency etc. come up. In mixed economy whereas government can regulate wages by means of legislation it cannot regulate employment, because employment is governed by the will of the employer—the will depending upon several factors e.g. work-load, efficiency of labour, wage rates, and hours worked (which are also subject to government regulations).

The public sector undertakings which are generally less guided by profit-motive can however be made labour-intensive; and it is here again that we find manpower planning subjugated to economic planning. Manpower planning unaccompanied by suitable economic planning would be fruitless; and therefore a comprehensive manpower plan along with economic plan would be necessary to tackle the present manpower problems.

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FROM THE PRESS GALLERY

Foreign Policy Assailed

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI : Saturday

THE DEMANDS for grants of two more ministries—the Ministry of External Affairs and the Ministry of Irrigation and Power—were passed by the Lok Sabha this week and those of the Ministry of Foreign Trade and Supply were debated inconclusively.

The foreign policy of the government came under severe attack during the discussion on the demands for grants of the Ministry of the External Affairs. Several members alleged that the policy of non-alignment had been abandoned, but they disagreed on which power bloc the government was leaning. The members with leftist leanings, particularly the communists, contended that the government was leaning more on the western powers; they buttressed their contention by citing the non-recognition of East Germany and the government's attitude towards North Korea, North Vietnam and Cuba. Those with rightist leanings, however, thought that the government was now more inclined towards the Soviet Union; they cited in support of their contention the support given by the Prime Minister, Mrs Indira Gandhi, to the Brezhnev Plan.

Relations with Neighbours

There was, however, absolute unanimity in the House over the need to develop closer political and economic relations with the neighbouring countries. The series of setbacks suffered by the country recently at the hands of Nepal and some west Asian countries, were assailed by many a member. Some members deplored that the government was not adopting a forward-looking policy towards the African nations. Several members complained that in spite of its professions, the government had not shown any inclination to resume dialogue with either China or Pakistan with a view to normalising the relations with these countries. But some others questioned the wisdom of opening a dialogue with these two countries as long as they continued to adopt a non-compromising posture.

The attempts of the Soviet Union at acquiring a dominant position in the Indian Ocean on the pretext of it being an Asian power and our government's attitude of unconcern about this was scathingly criticised by the non-communist opposition. The government, it

was contended, seemed to think that China, the USA and the USSR would somehow balance each other so that it did not have to do anything in the matter. They wanted the government to assert itself so that after the withdrawal of the British forces from the Indian Ocean, it could play its legitimate role in building up the security arrangements in the region.

Situation in S-E. Asia

A good deal of concern was expressed over the treatment meted out to the people of Indian origin in several countries, particularly in Africa. The working of our missions abroad was also vehemently criticised. It was stressed that these missions should do a good deal more for projecting the country's image. Several members referred to the explosive situation in Cambodia, Laos and Vietnam; they wanted that as Chairman of the International Control Commission (ICC), our country had a responsibility to convene a meeting of the ICC.

Replying to the debate, the Minister for External Affairs, Mr Dinesh Singh, stoutly defended the non-alignment policy. He also spoke of the emerging Asian personality. The Asian personality, Mr Dinesh Singh said, had been emerging of late as a result of the efforts made at inculcating co-operation among the Asian countries. India's role in fostering this co-operation, he added, was significant.

The Minister for External Affairs further stated that the government wanted not mere customary trade relations with the neighbouring countries, but much deeper co-operation in economic matters. Along with the efforts at co-operation at the regional level, attempts, he said, were being made for bilateral co-operation. In this connection, he referred to the arrangements worked out recently, by the government with Iran and Ceylon. Mr Dinesh Singh assured the House that while putting forward the economic aspects of co-operation the political aspects were not being ignored.

Mr Dinesh Singh, asserted that Asia was not a vacuum to be filled by other powers. It was a region of great human and material resources and its peace and security fundamentally lay in the economic development and political stability of the countries comprising the region. Referring to the Brezhnev

Plan, the minister said that the Government of India had welcomed it because it was nothing more than an echo of what Mrs Indira Gandhi had proposed in 1967. He recalled that the Prime Minister had suggested to the Asian nations that they should develop a convention ensuring respect for the independence, sovereignty and territorial integrity of the countries in the region and neutrality of those who wished to remain neutral. Mr Dinesh Singh denied that the Soviet Union had been recognised as an Asian power in order to let it dominate in the Indian Ocean. He asserted that nobody could deny that the greater part of the Soviet Union fell within the Asian region, no matter where the Soviet capital was. The Government of India's position in regard to the Indian Ocean, the External Affairs Minister emphasised, was clear. It was: the Indian Ocean has to be kept free of foreign navies.

Referring to the crisis in Cambodia and Laos, Mr Dinesh Singh pointed out the difficulties that had been faced in sending the International Control Commission back to Cambodia. The supervisory powers of this Commission—the Soviet Union and Britain—who had been contacted, he said, had negated the original efforts in this regard. The Government of India, however, was pursuing the matter. Mr Dinesh Singh expressed the government's distress over the extension of the area of war in the Indo-China region. He pointed out that all that India could do in the circumstances was to press again for the withdrawal of all foreign forces.

Relations with Pakistan

The External Affairs Minister came out strongly against the concept of Pan-Islamism which is being promoted by some Arab countries. He expressed the hope that the progressive forces in the Arab world would fight back this challenge. Referring to Pakistan, Mr Dinesh Singh observed that while the Government of India was prepared to discuss all the outstanding problems with this country, no satisfactory response was forthcoming from Pakistan. Even in regard to the Farakka project, Pakistan's attitude was not helpful. There appeared to be total lack of desire on the part of Pakistan to enter into any meaningful discussion with India.

In regard to China, the minister said that the Government of India maintained its position that it was willing to discuss all the differences with that country, taking into account, of course, the national honour and national interest. Continued watch, he assured, would be kept on the prospects of finding peaceful solution to the differences with China. At an appropriate time, the question

of exchanging ambassadors again would be considered.

Referring to Nepal, Mr Dinesh Singh said that we respect Nepal's sovereignty and independence. We must go on persevering in furthering co-operation with Nepal and not get into a position in which co-operation would be misunderstood for any kind of domination. Nepal, he cautioned, should not take India for granted. Nepal should not allow itself to be played against us. We would also guard against such a thing.

In regard to Europe, Mr Dinesh Singh said we welcome the trend among the European leaders to settle their problems through meaningful discussions. We would not be dictated by the Halls-stein Doctrine. Our endeavours to strengthen economic and political relations with the German Democratic Republic would continue. The minister regretted that the countries which could impose economic sanctions against those who were indulging in racial discrimination were not doing so. On the contrary, they were continuing to trade with South Africa. The UN resolution on economic sanctions against Rhodesia and South Africa, Mr Dinesh Singh stressed, should be strictly enforced.

Priority to Irrigation

During the debate on the demands for grants of the Ministry of Irrigation and Power, members from both the opposition and the treasury benches made a strong plea for according high priority to irrigation projects so that the country could quickly become self-sufficient in food. Some members demanded that the centre should give special financial assistance to state governments which were finding it difficult to complete irrigation project already started by them. The need for augmenting the power generation capacity and accelerating the pace of rural electrification was also generally stressed. It was further suggested that interstate disputes over the utilisation of water and power resources should be resolved expeditiously and the states should be made to co-operate among themselves in the interest of efficient utilisation of these national resources.

Replying to this debate, the Minister for Irrigation and Power, Dr K.L. Rao, expressed the view that in the larger interests of the country, it would be ideal to have a central authority to control the generation and distribution of power. This, he emphasised, would ensure economic generation and distribution of power at uniform country-wide rates. A modest beginning in this connection, Dr Rao revealed, had already been made by bringing in three power projects in Jammu and Kashmir, Himachal Pradesh and Manipur under the

central generation scheme. Power from these projects would be made available to the neighbouring states as well. Dr Rao further disclosed that a long way had yet to be traversed to fill the gap between the existing installed capacity of 15.5 million kw and the desirable 45 million kw. The main handicap in bridging this gap, he pointed out, was the non-availability of adequate resources.

Rural Electrification

Referring to the problems of rural electrification, Dr Rao said that there was need for providing adequate maintenance service. Flying squads, he opined, should be formed to attend to all the matters connected with power supply in the rural areas. He revealed that it was proposed to assign specific states to each member of the Central Water and Power Commission so that he could look into the cases in which there have been delays in installing new power stations. A committee of experts, Dr Rao further said, was also being set up to go into the question of faltering voltages.

Dr Rao regretted that due to rising costs, the Rs 1,940 crores already spent during the last 20 years on irrigation schemes had increased the irrigation potential by only 24 million acres, as against the original estimate that a similar amount would raise the potential by 46 million acres. He stressed the need for expeditiously completing the schemes which are currently under execution. As regards inter-state water disputes, Dr Rao preferred that they should be resolved through mutual discussions rather than through resort to the time-consuming process of arbitration.

During the inconclusive debate on the demands for grants to the Ministry of Foreign Trade and Supply, several members urged a second look on export duties in the interest of promoting exports. The opinion on the question whether our export performance was satisfactory, was sharply divided. While some members attacked the government for the decline in the country's share in world trade over the last few years, some expressed satisfaction at the recent uptrend in exports. Mr S. K. Tapuriah (SwT) alleged that the government's cotton textile policy was aimed at meeting the needs of the larger mills to the detriment of the smaller units. A Jana Sangh member wanted encouragement to labour-incentive programmes so that the unemployment situation in the country could be tackled effectively.

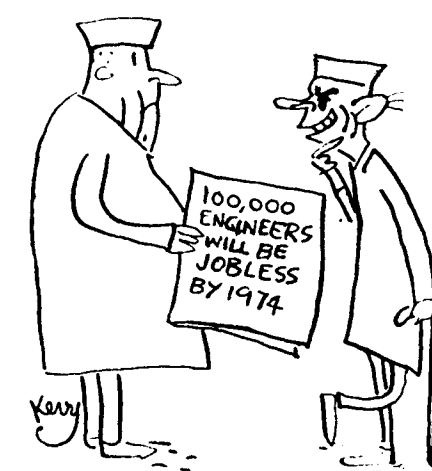
The non-official bill moved by Mr Madhu Limaye (SSP), seeking to end the special privileges of the officers belonging to the Indian Civil Service, received mixed reception in the House.

While the majority of the members who participated in this debate, lent support to the bill, several others warned the government about the adverse impact the withdrawal of the special privileges of the ICS officers would have on the administration and public life in the country. Those who supported the bill argued that although the services rendered by some ICS officers were commendable, the special privileges enjoyed by them were an anachronism in the changed circumstances in the country.

In its 100th report presented to the House this week, the Public Accounts Committee has urged the government to ensure strict implementation of its decision to discourage over-assessment of income-tax. The Committee has recommended a study of the over-pitched assets in important revenue circles in the light of the awards of courts and tribunals to curb the tendency to over-pitch demands. The Committee has also called for the evolving of suitable norms in ordering searches, to avoid resort to infructuous searches.

Kandhar-Zahidan Road

The Deputy Minister for External Affairs, Mr Surendrapal Singh, revealed in the House that a team of Indian experts would leave for Kabul shortly to help the Afghanistan authorities in the preparation, planning and construction of the Kandhar-Zahidan road, an ambitious project aimed at providing Afghanistan access to the Arabian sea. The deputy minister assured the House that the government would not be influenced in this venture by Pakistan's pressure tactics and would assist the Afghanistan government to the extent that government desired. The Kandhar-Zahidan road, the deputy minister, pointed out, would not only improve the Afghan economy but would also help increase the volume of trade between India and that country.



"Could we advance the date to 1972 and hire them for electioneering?"

April 17, 1970

attempt after another to translate the ideological in the almost comprehensible, but this time I admit total (-itarian) defeat. In keeping with this, about 85 per cent of investment growth is to be in manufacturing; there remains, therefore, only modest expansion for other branches, including infra-structure. Chemicals and electronics and electrical equipment were named priority investments, with growth rate targets from 40 to 50 per cent. Also heavily boosted will be manufacturing machines and vehicles, light industry, construction, as well as power production, water projects, and transport. In most other sectors, investment activity will presumably remain constant or decline.

In view of the development expected in private consumption, the demands on manufacturing production seem disproportionately large (manufactured consumer goods are to increase by 5.1 per cent, foods, beverages, and tobacco by 3.6 per cent, "real income" of the population by 4 per cent). With public consumption also expanding further and a considerable increase (13.6 per cent) likewise laid down for foreign trade turnover, the planned goods utilisation implies a further fall in material consumption and that "still-too-high inventory formation" (*Sic!*) will be reduced. Another possibility would be increasing imports of manufactured goods to bolster the goods supply. Plan data for foreign trade are not available, but many signs point to an import surplus for 1970. Stepped-up automation, declared to be 1970's most pressing economic assignment, may mean increased imports, especially in capital goods.

II

THE OUTLOOK

A country which seeks trouble-free economic growth and increased prosperity must get its supply and demand in tune with each other. The advance of research and the development of modern technology must coincide with the expansion of the most productive economic sectors. The infrastructure provides the supports and framework for growth; that is to say it must at least keep pace with, if not stay ahead of, development. This includes the planning of transport, power, supply, and housing as well as education and science, health and social programmes.

If, as in the GDR, growth is planned and controlled by the state, it is essential that economic organisation and growth targets should be realistic, and that instruments and methods of fulfilling the targets should be flexible—which is another word for "realistic".

The GDR's numerous reform measures are attempts to meet these requisites.

The GDR's economic development in 1969 and the economic plan for 1970 reveal, however, that the requirements for steady growth have not yet been fulfilled. Most of the goals designated as important for growth in this year's economic plan were also goals of past plans.

Note especially the signs of a structural policy aimed at the "dynamic proportioning" (*Sic!*) of the economy, which are accompanied by stepped-up efforts towards concentration. These include: the concentration of investment in "structure-determinative" (*Sic!*) production lines and systems, the creation of future-orientated (Good God!) system solutions, increasing specialisation and complex automation of factories. These objectives should be reached in combines founded or expanded expressly along these lines, working with large research centres. (I don't understand the last seven lines any more than you do!).

"Object Planning"

This "object planning", backed by improved forecasting methods and the application of econometric models, is said to be "symptomatic of increased efforts in the structural policy". Through it the pre-conditions for greater growth in the period of the long-range plan 1971 to 1975 are to be created.

Centralising of co-ordination and decision-making in these matters clearly means that the individual state enterprises have so far not been successful in developing production programmes to take full advantage of scientific and technical advances. This is, in the DIW's view, why the state and party leaders in the GDR assumed greater initiative in dealing with "structure-determinative areas" (*Sic!*). It remains to be seen whether this is the start of a trend towards centralisation.

The plan targets for 1970 place extremely high demands on the already strained GDR economy. Realisation of these expectations could make up for some past deficiencies and lay the groundwork for satisfactory future growth. The limited investment in important infrastructure branches, however, will probably keep growth well below target. Already in the first weeks of 1970 it has again become apparent that allotments, especially of power and transport space, are not adequate to cope with severe winter weather. If these shortcomings are not soon overcome, the GDR's inefficient infra-

structure will increasingly hinder economic growth in other areas as well.

III

W. GERMAN VIEWS ON PLANNING

Can prosperity be planned? The question is being asked, and answered differently, by various social systems the world around.

Recently the Federal Republic of Germany has been having its own experiences, as the attempt has been made to marry a free-enterprise economy to some degree of public planning.

Have things worked out? Does the recent West German record throw some new light on the promises and pitfalls of economic planning?

Planning as a means of pulling an economy out of a recession seems, in the West German case, to be a proved success. Industry credits a sensible measure of government initiative (for example, increased public expenditure to stimulate demand) with having helped the country emerge from its 1966-67 recession.

Planning as a way to maintain prosperity is still having its ups and downs on the success chart. Consider this zig-zag course of announced government intentions in one fiscal-economic sphere alone—taxes—in the few months since last autumn:

Autumn plan: lower taxes. Late December thinking: perhaps raise them. January "third thoughts": keep taxes as they are. February 20: Perhaps raise them some after all, cool off the economy and curb price rises. February 27: No; no tax increases now.

Or consider this radically differing pair of approaches to the current economic situation:

As of now, the Bundesbank and the government believe the problem is an overheated boom. Millions in planned public spending have been "frozen". Interest rates are at a record high (to discourage taking up of new credit, by businessmen and others). Appeals have been made to employers and employees to keep wage rises moderate.

Simultaneously, a respected industrial-research organisation says a slowdown in business activity has begun. The Ifo institute in Munich finds that domestic and foreign demand together will fall off during the rest of 1970's first half. Exports to major customers are likely to be curbed in the year's final half by events abroad (predicted US

April 17, 1970

economic stagnation; economic cutbacks and controls in western Europe). Price-and-seasonally adjusted, the gross national product may rise at only a 3 to 3½ per cent rate later this year, compared with a 5.5 per cent acceleration now. Recommendation: "expansionist-working public measures".

Who is right? Perhaps nobody—or everybody. A chronic problem with economic planning is the gap between the time that things happen and the time that the statistics show them to have happened. This "recognition lag" emerges as a major headache for central planners.

Meanwhile, private enterprise can not wait; its prosperity depends largely on day-to-day decisions. The industrialist's capital and sometimes the investments of thousands of others are at stake. So may be hundreds, even tens of thousands of jobs. So, in the case of whole industrial branches, may be the general prosperity. The entrepreneur has to take the pulse of the market constantly, and re-plan as often as is indicated.

Do West Germans Live to work?

"You Germans live to work." If this widely held opinion once was true, it seems not to apply to the present generation of West Germans. Highlights of a recent survey show that the average resi-

dent of the Federal Republic of Germany:

—works 1,824 hours,

—sleeps 2,555 hours,

—watches television 912 hours out of a year.

Put another way, a statistically typical West German puts in 10.8 weeks annually at earning a livelihood, 15.2 weeks in bed and 5.4 weeks before the television screen. Which leaves him or her with more than 20 additional weeks a year for hobbies, education, travel, sport and other forms of free-time activity.

Sources and acknowledgements: My references to East Germany are based on a report published (in German) in the latest weekly report of the Economic Bulletin, published by the Deutsche Institut für Wirtschaftsforschung (Berlin 33 Koenigin Luise Str. 5), one of West Germany's leading private economic study institutes. The DIW is not, however, responsible for my impatience with East Germany's economic jargon, nor for my critical comments on East Germany's planners, based on a variety of sources. My report on West Germany draws on the latest Bulletin of the Duetsches Industrie Institut. (Cologne 5, P.O. Box 67, Federal Republic of Germany).

Growth in ADB's Activities

THE ASIAN Development Bank has announced a rapid expansion of activities and the commencement of "soft" lending in 1969. The Bank also successfully made its first bond issue in September 1969 in an amount of Deutsche mark 60 million.

According to the Annual Report for 1969 the Bank approved 20 loans—including six on concessional terms—to 10 developing member countries in the aggregate sum of \$98.10 million, in comparison with seven loans totalling \$41.60 million in 1968. Thirteen technical assistance requests—mainly in agriculture and fisheries, transportation and development banking—from 10 countries were approved in 1969 for a total estimated outlay in grants of \$2.23 million, as compared with 11 proposals totalling \$1.14 million in 1968.

The Bank engaged in four significant regional activities during the year under review: a regional seminar on agriculture was held in Sydney at the time of the second annual meeting of the Board of Governors as a follow-up to the Asian Agricultural Survey completed in 1968; a conference of development banks of Asia was convened by the Bank in Manila in July; and two major

surveys were inaugurated—a regional transport survey and a study of the south-east Asian economy in the 1970s.

The annual report observed that collectively these developments during the year demonstrate that the Bank has laid "a solid groundwork for systematic growth in its operational activities." The Bank's performance in the first three years, the report noted, "clearly reflects its mounting impact on the region." "There is", said the report, "a growing appreciation of the fact that the Bank has a substantial and distinctive role to fulfil in the economic development of Asia. As a regional institution located within the area it serves, the Bank is able to establish attitudes and evoke responses which give good ground for confidence that a specially successful partnership with its regional clients is in process of emerging."

While the Bank's level of financing "is still modest in relation to the region's needs, the record and experience of 1969 lend substance to this confidence in the Bank's potential role," the report said. As of December 31, 1969, the Bank had approved in all 27 loans for a total sum of \$139.70 million for 26 projects in 11 developing member countries.

The interest rate for project loans made from ordinary capital was maintained at 6½ per cent while loans from the Special Fund's resources were made at interest rates ranging from 1½ to 3 per cent.

The loans approved in 1969 were spread over 19 projects in Ceylon Republic of China, Indonesia, Republic of Korea, Malaysia, Nepal, Philippines, Singapore, Thailand, and Western Samoa. The projects to be financed by these loans covered a wide range of developmental activity in fields of agriculture, including irrigation and fisheries; industry, including non-ferrous and medium-scale and small-scale enterprises and agriculturally-related industries; and power and transportation facilities, including roads, ports and airports.

Technical Assistance

Several of the projects financed in 1969, both from ordinary capital and special Funds resources, the report said, owed their origin from the technical assistance activities undertaken by the Bank in earlier years. In fact, the report added, "a notable feature of the year was the close link which emerged between the Bank's technical assistance activities and project financing operations."

A feature of some of the more recent technical assistance activities has been the increased emphasis on feasibility studies and project formulation. In some cases, associated technical assistance has been found to be necessary in the implementation of loan projects. Training of personnel and the strengthening of management have been other important features of the Bank's technical assistance activities. The Bank also provides advisory services in certain fields of economic activity. It is, for instance, helping to provide the basic material for the planning of overall economic development in several countries; it is supporting regional research institutions; and it is also carrying out surveys in fields of economic activity relevant to its own banking operations but not necessarily related in a direct way to individual projects.

Two developments of great importance during the year were (1) the commencement in June of lending by the Bank on concessional terms from Special Funds resources; and (2) additions to the Special Funds resources to the extent of \$39,404,000 consisting of \$24,829,000 from member countries and an amount of \$14,575,000 set aside from the Bank's ordinary capital by decision of the Board of Governors.

New agreements for capital contributions were concluded with Denmark, Japan and the Netherlands. Contribu-

tions or arrangements for contributions to the Technical Assistance Special Fund were made by Denmark, Finland, Federal Republic of Germany, Japan, New Zealand and the United States. In addition, Japan, the United Kingdom and the United States extended the periods of availability of their previous offers of technical assistance.

An encouraging feature of the latest contributions to the Bank's Special Funds was significant moves towards liberalization of terms. For the bulk of the new contributions (1) the area of procurement may be extended to include, as well as the contributing countries, developing member countries and other members making capital contributions to the Special Funds; and (2) the Bank, where need exists, may in consultation with the contributor, further ease the terms of its lending from contributed resources. The effect of these liberalisations was felt in Special Funds operations towards the close of the year, which included approvals for commitments amounting to \$8,410,000 at interest rates of 1½ to 2 per cent.

Loans Sanctioned

Six loans from Special Funds resources were approved during the year with a total commitment of \$22,055,000 spread over five countries—Ceylon, Indonesia, Nepal, Philippines and Western Samoa. Subscriptions of members to the authorised capital stock of the Bank stood at \$978 million at the end of the year. This amount includes the subscription of Hongkong, which became the 33rd member in March 1969.

The ordinary capital resources of the Bank, which include borrowings, ordinary reserve and net income but minus the capital set aside for special operations, increased to \$401.4 million of which \$339.4 million was in convertible currencies, the report said. At the end of 1969, the Bank's investments amounted to the equivalent of \$225.7 million, which represents the Bank's convertible currency funds not currently required for operations.

During the first half of 1969, a number of commercial banks in the United States and Japan responded favourably to the Bank's offer of participation in the maturities of several Bank loans for their own account and without recourse to the Bank. These participations amounted to \$285,000, raising total participations since operations commenced to \$3,085,000. The gross income of the Bank in 1969 amounted to \$12,979,813. The gross expenditure amounted to \$7,435,477, leaving a net income—after appropriating commission on loans—of \$5,503,902 compared with \$3,482,891 in 1968.

The Bank made its first bond issue in September—the main purpose being to

establish its credit standing and to familiarize investors with the Bank. The issue took place in the Federal Republic of Germany and consisted of DM60 million 7 per cent 15-year bonds, which were priced at 97½ per cent. The bonds which are dated September 1, 1969, are redeemable in 10 equal instalments commencing September 1, 1975, and can be called from 1975 onwards.

The Bank also continued the process of obtaining qualification legislation in the various states of the United States that would give its bonds as favourable

a position with respect to regulated investors as that enjoyed by bonds of the World Bank and the Inter-American Development Bank.

The reorganization of the operational departments of the Bank, approved late in 1968, was implemented early in 1969. As of December 31, 1969, the Bank had a total staff of 438 drawn from 29 countries. The administrative budget for 1970 provides for "Internal Administrative Expenses" amounting to \$7.36 million and for "Services to Member Countries" amounting to \$3.30 million.

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AN EASTERN ECONOMIST FEATURE

OUR RAILWAYS

Our railways, with an investment of Rs 4,000 crores, are the largest public sector undertaking in this country. More than one per cent of our population travel by train every day. The goods transported every day by the railways are over 550,000 tonnes. The railways thus constitute the life-line of the nation.

During the current week which is being celebrated as the Railway Week, the spokesmen of the railways are trying to explain to the public the measures which are being taken in order to make travel by train a pleasant experience. The articles which follow throw light on some of the problems which the railways have to face. Over-crowding in trains according to Mr. B.C. Ganguli, Chairman of the Railway Board, is being reduced both by increasing the number of trains as well as by raising their speed. It is significant that the railways are running a train every 3.2 minutes on crowded sections in Bombay. Efforts are being made to increase the number of trains on the non-suburban railway lines. Also, the number of coaches per train is being increased and their speeds are being enhanced through modernisation.

Mr M.N. Bery, General Manager, Northern Railway, has explained the challenging tasks accomplished by Northern Railway in 1968 and 1969. He has explained in detail the steps currently being taken in order to handle effectively the transport demands of Delhi area.

Steam locomotives are continuously yielding place to diesel and electric engine. In 1960-61, 89.9 per cent of freight (in terms of ton kilometres) was carried by steam locomotives; in 1968-69, their share was reduced to 35.7 per cent. The share of freight carried by diesel engines rose from 8.5 per cent to 44.4 per cent during the same period. Electrified trains also increased their share in freight traffic from 1.6 per cent in 1960-61 to 19.9 per cent in 1968-69. Modernisation of the railways has brought about sizable economy in operating costs.

Despite these achievements, the railways have to face a number of difficult problems such as mischievous pulling of alarm chains of trains, ticketless travel and pilferage of railway property. The railways can reduce their losses incurred because of such nefarious activities of some sections of society only through the co-operation of the public. Much depends upon the implementation of the eleven-point programme announced recently in Parliament by the Railway Minister, Mr Gulzari Lal Nanda. Eastern Economist wishes him success in this mission.

Two Years of Steady Progress

M. N. BERY

General Manager, Northern Railway

THE YEAR 1968 saw a remarkable upsurge in the originating freight traffic of the Northern Railway. We carried in 60 days what in previous years was transported in 12 months. And the year finished with an extra two and half millions of additional originating tonnage of revenue traffic.

In 1969 the story was repeated in the first quarter, April to June. The tonnage lifted was thirty per cent more than the year before. However, over the whole year the over-all gain in tonnage did not exceed half a million. This figure would have been larger but for the prolonged drought conditions in Rajasthan which resulted in a drastic fall in the salt output of that region. From the Railways' operational point of view one of the direct consequences of the drying up of water resources generally was the introduction, for the first time, of diesel traction on the metre gauge system of the Northern Railway. Water supplies for steam services had begun to deteriorate so fast in the first half of 1969 that there was no option but to dieselise the through goods services on the Jodhpur Division. While this brought about considerable economies in operations by speeding up the mobility of wagon stock, the deployment of diesel locomotives to this area did entail sacrificing the priority requirements of certain other

important routes of the Indian Railways considered as a whole.

This railway has the unique privilege of serving the capital city of our country. The Greater Metropolitan area of Delhi spilling over into three states — Delhi, Haryana and Uttar Pradesh — and surrounded by the towns of Palwal, Rohtak, Sonapat, Meerut, Hapur and Khurja is indeed a complex transport network of roads and railways. The basic pattern of this network is radial working outwards from a hard core in the city centres, a core in which congestion has grown considerably within the last ten years. In addition, the development of residential colonies, educational institutions and industrial estates is gradually and inexorably aggravating traffic conditions along the radial roads. The Greater Delhi Railway complex is highly sensitive. It is the hub around which the operations of the entire Western and Central Zone of the Northern Railway revolves; any dislocation or slowing down in the effective revolution of this wheel has widespread repercussions on the contiguous areas.

An endeavour has been made to offer increased facilities to meet the growing transport demands of the

metropolis that has changed beyond recognition. Construction of Goods Avoiding Line, Delhi Avoiding Line, Power Signalling of Delhi Main Station, provision of automatic signalling on Delhi-Ghaziabad and Shahibabad-Tilak Bridge sections, additional facilities at New Delhi Station such as suburban platforms and washing lines, are only some of the many innovations introduced and executed in Delhi area. There has been a stupendous increase in the flow of traffic in and out of Delhi. As against 86 trains handled at Delhi Main in 1952, as many as 158 were whistling in and out in 1969. Similarly, at New Delhi Station from 26 trains in 1952, the number has shot up to 76. During the last five years about 49 new trains including 19 suburban services, have been introduced in Delhi area. There has been a lot of improvement. It will be foolish to claim perfection as much more is still required to be done.

The highlight of 1969 in the field of passenger train facilities was the intro-

PRESIDENT GIRI'S MESSAGE

The growth and development of Indian Railways is a saga of India's economic progress. We have come a long way from the leisurely moving first train which linked Bombay with Thana in 1853, taking 75 minutes to cover a distance of 21 miles. Our fastest train has reached a speed of 120 kilometres an hour. Indian Railways today rank among the most modern in the world, what with the steady expansion of dieselisation and electrification programmes.

The progress made by Indian Railways since Independence has been spectacular. From total dependence on imports, Indian Railways have become more or less self-sufficient. They have played the role of a catalyst in the growth of a modern and versatile railway equipment industry in India.

I send my best wishes on the occasion of the 117th anniversary of the Indian Railways.

duction of the super-fast Rajdhani Express which provides luxury travel between Delhi and Calcutta. Delhi-New Delhi have also been linked with Bhubaneswar-Puri by a bi-weekly service and with Udaipur City by a daily service. During 1969, ten additional trains and 27 additional through service coaches were introduced to provide direct city to city services. From April 1, 1970, a new express train has been introduced between Allahabad and Lucknow. With a view to accelerate speed and provide additional coaches, dieselisation of important trains has also been carried out progressively.

It is true that several demands for additional trains have not been met in some areas. This is essentially due to insufficient line and terminal capacities. Such areas have, however, been identi-

fied and plans for improvement have been chalked out. Execution of plans has, however, necessarily to be based on the availability of funds.

The question of punctuality of passenger trains continues to be watched at the highest level. It has not been possible to achieve satisfactory results in this regard on account of heavy incidence of alarm chain pulling and communication failures caused by thefts of land line communication equipment. This railway has, however, taken some specific measures by way of introduction of incentive schemes for the staff, daily review of the performance of all important trains in the headquarters office, introduction of ACSR Aluminium conductor wire systems for communication, intensified maintenance of stock and prompt attention to failures so as to improve the punctuality of trains.

The challenging task of movement of rabi crop in 1969 from Punjab and Haryana within a few weeks was a no mean achievement. In fact, Northern Railways was very much ahead of the demands placed by the procurement agencies and the entire movement was completed early in July. Maximum loading capacity was attained in June when on an average, 1,009 wagons were loaded daily. While movement of the rabi crop had not been completed, distress movement of fodder for scarcity areas in western Rajasthan had also to be undertaken on priority basis. In the middle of August 1969, the Government of Rajasthan drew up a plan to load about 90 wagons of fodder a day for Jaisalmer, Pokran and Barmer districts. The railways did the impossible, loading 183 wagons in a single day. Besides these two priority assignments, natural calamities, floods, accidents and riots had to be faced. The railway accepted these challenges and rose to the occasion, often achieving the impossible.

During the financial year 1969-70 the average receipts of the Northern Railway through interchange points



Mr M.N. BERY

with the adjoining railways, was 4,940 wagons a day (which included 4,589 loaded wagons), registering an increase by 5.5 per cent over the previous year. The daily average originating loading on B.G. portion of the railway increased to 1,643 wagons as compared to 1,617 in 1968-69 and 1,380 in 1967-68.

Container services have been introduced between Delhi and Bombay, and Delhi and Howrah which provide fast door-to-door and damage-free transport facility to the trade. Guaranteed Quick Transit Services have been extended to 111 pairs of booking stations. A scheme for collection and delivery of goods consignments from and to the premises of the traders has been in operation in Delhi area since 1968.

A scheme of Freight Forwarders has also been introduced for the first time in connection with container service to Bombay which has brought substantial road-borne traffic for containerisation. Important goods sheds such as those in New Delhi, Kanpur, Amritsar and Delhi (Lahori Gate) have been exempted from operational restrictions so that goods traffic can be booked from these points

An Appeal For Co-operation

G. L. NANDA

On the occasion of the anniversary of the Railways I extend my felicitations to all railwaymen. Let each person working for the railways or associated with it in any capacity think of himself as a member of a great family which has inherited a glorious tradition of service of the nation—the larger family to which all of us belong. The railway system in India is the largest national undertaking of the country, which has been its major instrument for economic development. Its network covering all parts and extending to every nook and corner of the country is a powerful unifying factor and a symbol of the unity of the country. Since the advent of *Swaraaj* the Railways have expanded in a spectacular manner and have a much brighter future ahead of them. For that every railwayman has to make his utmost contribution by hard work, integrity and efficient performance.

The railway system is beset with many problems. I appeal to every railwayman for his active cooperation in the solution of these problems. The eleven-point programme announced by me in Parliament on March 12, 1970 highlights some of the tasks to which all of us have to address ourselves in the coming days. It will be my constant endeavour to enable everyone connected with the Railways to have a fair deal. You have all my best wishes.



Newfield

Spanning over 59,000 kilometres and connecting over 7,000 Railway Stations through the length and breadth of the country, Indian Railways provide a common platform for all—from East to West and North to South.

Indian Railways carry 62 lakh passengers and over 5 lakh tonnes of goods every day.

Here is the nation on the move—movement of colossal magnitude, service of extraordinary character.

Indian Railways play a unique role in forging national integration.

Indian Railways are the nation's biggest asset. With an investment of Rs. 4000 crores, Indian Railways are the largest network in Asia and the second largest under a single management in the world.

Indian Railways have a fleet of 11,600 locomotives, 34,000 coaches and 3,82,000 wagons.

Indian Railways are the largest employers with nearly 14 lakh men and women on their pay-roll. Ten thousand trains run daily to carry men and goods

To meet the rising urban traffic, a large-scale programme of electrification around principal cities has been adopted to provide efficient, fast and clean commuter service.

Diesel traction has been progressively extended on trunk and important routes.

Indian Railways have introduced a door-to-door container service for the benefit of Trade and Industry.

Indian Railways have achieved self-sufficiency in the manufacture of railway equipment and rolling stock.



117 YEARS OF SERVICE TO THE NATION

INDIAN RAILWAYS

every day without any interruption. Above all, considerable emphasis is being laid on rendering service of a personalised nature to customers.

As a result of these measures, the earnings of the Northern Railway continue to show an upward trend as indicated below:—

Year	Rs crores
1967-68	114.14
1968-69	134.14
1969-70	143.00 (Anticipated)

While the goods and passenger traffic tackled by the Northern Railway is steadily on the increase, additional line and terminal capacity is being developed not only to meet the present needs but also for the future to handle anticipated increase in traffic. Electrification of Kanpur-Tundla section which is already in hand is expected to be completed by the end of this year. A scheme for electrification of Tundla-Delhi section which forms the tail-end of the trunk route from Howrah to Delhi and is the only portion of this trunk route which has yet to be taken up for electrification, has been prepared and is awaiting sanction of the Railway Board. Doubling of Shakurbasti-Rohat section on Delhi-Firozpur line on this railway has already been approved and the work is likely to start very shortly.

Besides, extensive remodelling of Ghaziabad, Khanalampura, Tughlakabad and Ambala yards is in hand to equip these yards with additional facilities for handling increased flow of traffic. A new 27.5 kilometre broad gauge railway line from Hindumalkote to Shri Ganganagar was opened in December 1969 for goods traffic. This new rail link which reduces the distance from Shri Ganganagar to Bhatinda by about 20 miles will enable booking of goods traffic to Hindumalkote by an all broad gauge route, thus eliminating transit delay on account of transshipment operations at Bhatinda. The work on 75-kilometre Kathua-Jammu rail link sanctioned at a cost of Rs 10.8 crores is in full swing and is expected to be completed by March 1972. The new 57.6 kilometre rail link from Obra to Singrauli which was opened to coal traffic about six months ago is proposed to be opened for carrying goods traffic as well.

Other important engineering works in hand are the construction of a new diesel locomotive shed at Tughlakabad, Badarpur Thermal Power House siding (cost Rs 1.28 crores) to transport coal to the proposed Thermal Power House, Jhingurda siding for the NCDC to move coal from Singrauli coalfields to Obra and other thermal power stations at a cost of Rs 1.08 crores.

In keeping with the world-wide de-

velopment in technology and with the augmentation of indigenous industrial resources, modernisation of signalling and telecommunication facilities has been systematically undertaken so as to keep pace with the operational requirements and to reduce recurring expenses of operating staff. Control panels which enable a large number of points and signals situated over a large area to be controlled and operated electrically from a convenient central place by push buttons/switches under the system of relay interlocking have been progressively installed at several stations on the Northern Railway including Delhi Main station. We are now manufacturing these panels at the Signal Workshops at Ghaziabad. It has been decided to equip Kanpur Central, Juhi Yard, Ambala Cantt., Ghaziabad and

six way-side stations with such route relay interlocking very shortly.

For improving sectional capacity automatic multiple aspect colour light signalling which has already been existing on Delhi-Ghaziabad section has now been extended between Sahibabad and Tilak Bridge over the Goods Avoiding Line in Delhi Area. Similar signalling equipment will very soon be provided on Ambala Cantt-Rajpura section.

Simultaneously automatic telephone exchanges are being installed at various important rail centres. Seven automatic exchanges with capacity varying up to 400 lines have already been commissioned and the work is currently in progress on two exchanges, one 400-line and another 300-line.

The Problem of Overcrowding

At a Ratio Press Conference recently, the chairman of the Railway Board, Mr B. C. Ganguli, said that the railways were endeavouring to solve the problem of overcrowding in trains within the resources available. He said so far as metropolitan suburban traffic was concerned, there was need for a coordinated plan. The railways alone could not cope with the requirements of suburban traffic. There was a limit up to which the number of trains could be run especially during peak hours. At present the railways are running a train every 3.2 minutes on crowded sections in Bombay. As regards non-suburban traffic, the railways are introducing more trains every year and adding more coaches to the existing trains by introducing diesel locomotives.

Answering a question on the difficulties of long-distance passengers, Mr Ganguli said that sleeper coaches had been introduced to give comfort to long-distance third class passengers. The traffic pattern on trunk routes was constantly kept under study and train services were augmented from time to time in the light of the study.

In reply to another question, Mr Ganguli said



MR B. C. GANGULI
Chairman, Railway Board

that the railways had decided that basic amenities should be available at all railway stations in the country by March 31, 1971.

Asked about the steps being taken to modernise the railways, the chairman of the Railway Board said that heavy and growing density routes had been electrified or dieselised. Currently, about 3,300 route kilometres were under electric traction and 20,000 route kilometres under diesel traction. During the fourth Plan, it was proposed to extend electrification to another 1,700 kilometres and diesel traction to an additional 3,000 kilometres. Among other steps were the introduction of super express goods trains, high speed inter-city express services and higher capacity wagons.

Asked about the financial condition of the railways, Mr Ganguli, said that since 1966-67, the railways' net revenue receipts, after meeting the working expenses including depreciation and miscellaneous expenses, had been falling short of their liability to pay the dividend to the General Revenues at the prescribed rate. This situation had arisen partly because the facilities created by the railways for movement of traffic were not fully utilised in the field of goods traffic, as a result of the traffic not materialising to the extent anticipated. Another reason had been the steep increase in the cost of operation. While it was true that passenger and freight rates had been increased from time to time, this increase had been much below the increase in the various elements of costs. The expenditure on staff accounted for about 58 per cent of the working expense and that on fuel about 21 per cent. Since 1965-66, the increase in the per capita cost of staff had been 34 per cent and the increase in the price of coal 39 per cent. The price of iron and steel which constituted a substantial portion of railways' expenditure had increased by 33 per cent. Against this the increase in the average rate charged per passenger kilometre and per tonne kilometre had been only 8 per cent and 10 per cent respectively.

About ticketless travel, Mr Ganguli said that it was the railways' endeavour to see that checks against ticketless travel were as effective as possible and that the checking staff did not bypass the legal provisions. To deal with the problem of corruption, the railways had a Vigilance Organisation. Severest action was taken against all cases of proved corruption.

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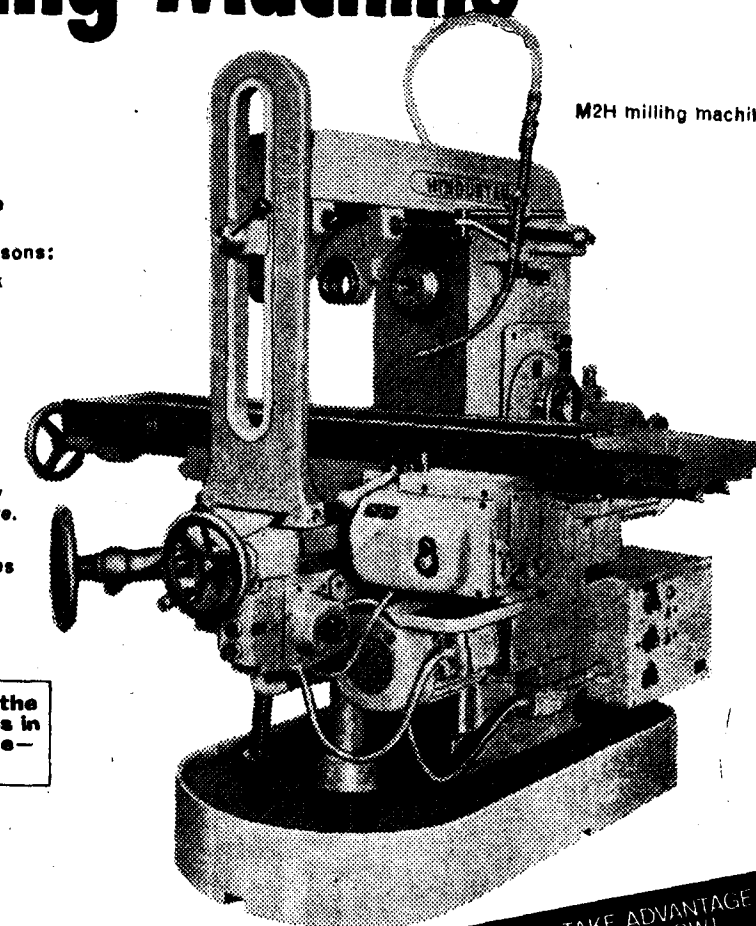
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INDIAN RAILWAYS

RAJDHANI EXPRESS

Electrification of Railways

J. P. MALHOTRA

Director, Railway Electrification, Railway Board

THE object of any transport organisation is to carry passengers and freight at the fastest speed and at the minimum cost. In railway transportation, electric traction is one such tool of modernisation whose worth has been proved beyond doubt. This mode of traction is being progressively adopted by as many as 41 railway systems all over the world. In terms of route length of railway lines electrified, India occupies the second place in Asia, the first being Japan. Amongst the world railways, India occupies the 11th position.

Due to congestion in big metropolitan cities, it becomes very necessary to spread the population to adjoining suburbs and this can only be encouraged if fast and cheap means of transportation are made available. The basic operating features of suburban traffic are that stations are closely spaced and hence frequent starting and stopping becomes necessary. In order to achieve a high average speed, it is essential to have rolling stock capable of obtaining high rate of acceleration and deceleration. To meet these requirements, electric multiple unit stock fitted with pneumatic or electric brakes is unrivalled in performance. Most of the electrification

schemes were taken up mainly to cater to the needs of suburban traffic.

Introduction of electric traction on the railways in our country dates back to 1925, when electrification of a 16-km. suburban section of Central Railway in Bombay City was commissioned at 1500 Volts DC system. From 1925 to 1936, suburban services around Bombay served by Central and Western Railways and Madras served by Southern Railway had been progressively brought under electric traction operating at 1500 Volts DC system. In the case of Central Railway, however, electrification covered main line also up to Poona in the South-East direction and up to Igatpuri in the North-East direction, because these lines pass through heavily graded ghat sections with a ruling gradient of 1 in 37 and a large number of tunnels. As a result of electrification, the travelling time from Bombay to Poona, over a distance of 192 kms., was brought down from 6 hours by steam traction to 3 hours by electric traction, making it possible for many to live in Poona and yet be able to attend to their daily business in Bombay.

In the fifties, the traffic in and around Calcutta had risen to about 3½

times of the pre-war level. Howrah and Sealdah stations along with the surrounding suburban sections had already reached the saturation points in moving passengers by steam trains and no further improvement in the conditions of travelling was possible under steam traction.

The number of trains were increased from 66 under steam traction to 126 under electric traction, thus providing an improvement of over 90 per cent. The travelling time from Howrah to Burdwan was at the same time reduced from about 3½ hours to about 2½.

On the Southern Railway, Madras-Tambaram section which was electrified in 1930 (DC system) was converted to 25 KV AC system and electrification extended up to Villupuram situated 163 kms from Madras.

Electrification of approximately 2,000 route kms has been proposed for the fourth five-year plan period. In fact, the work on Virar-Sabarmati section, consisting of 442 route kms, has already commenced. Currently works are also in progress on Kanpur-Tundla and Bilaspur-Durg sections of the Northern and South Eastern Railways.

WELDING IS A THREE-LETTER WORD

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Any damage to the Railways is ultimately the Nation's loss.

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They carry farm produce from surplus to deficit areas and articles of daily consumption to all parts of the country.

The Railways keep the wheels of industry moving by carrying raw materials to industrial units and finished products to consuming centres.

An attempt to dislocate train services has far-reaching consequences. Raw material cannot reach the industrial units on time; finished products cannot reach the consumers; food and essential commodities cannot reach the needy; commuters cannot reach their places of work and students their schools and colleges.

Squatters on a railway track may deprive a patient of timely medical aid and a candidate of an opportunity to find employment.

Your Railways are made the target of attack in support of demands that have little relevance to their organizational performance.



INDIAN RAILWAYS

RW/70/eng

The moving finger writes

THE PANICKY reaction of the central government to the onslaught launched from the opposition benches on the occasion of the adjournment motion in Lok Sabha on April 6 on the use of "excessive force" by the police earlier in the day to disperse an SSP demonstration in front of Parliament House was a revealing exhibition of the enfeebled state of the minority government of Mrs Indira Gandhi. Her over-prompt announcement of a judicial inquiry and the Home Minister's abject offer of "cent per cent apologies" clearly indicated that this government would pay any price to save its political skin. It was obvious that Mrs Indira Gandhi and her colleagues in the cabinet completely lost their nerves when confronted with the possibility of close voting on the adjournment motion. There is no doubt at all that, had there been a strong government at the centre, confident in its control of an effective majority in Parliament, the attitude of the Treasury Benches would have been different. In that event, even if a judicial inquiry had been conceded in the end, it would have been done only after some examination of the grounds for such an inquiry. On April 6, however, the government had become so demoralised and even disorganised by the threat of a snap vote going against it that its only thought was of its own survival.

The Opposition parties, especially those which are serious about toppling the present government, are naturally gloating over the fact that they were able to muster 113 votes against the government's count of 152. This has certainly boosted their morale and has perhaps even encouraged them to see visions of the government losing out sooner or later to a combined attack from the Opposition benches. I hope, however, that such of them as believe in a democratic way of life are not blind to certain aspects of the happenings of April 6 which relate to the basic issues of law and order and national security. The duty of the Opposition, no doubt, is to oppose, but I do wish that at least Congress (O), Jana Sangh and Swatantra realise that the morale of the police force can be undermined beyond a point only at grave peril to political stability. Even party politics must have its priorities, and I would, therefore, suggest that the issue of security is too important to

be made a pawn in the party game of power politics.

The Prime Minister perhaps feels less secure now than she ever did after the first few days of the split in the then united Congress party over the selection of Mr Sanjiva Reddy as the party's candidate for the office of President. This is less because of the damage which the other Congress, functioning from the Opposition benches, has been able to do to her prestige and authority than to the growing restlessness in the ranks of her own organisation. Far too many ordinary members of the ruling Congress party are beginning to believe that they are only being used by their leader for her political self-aggrandisement. This explains, at least in part, the reverses suffered by the ruling party in the recent elections to the Rajya Sabha.

An even more disquieting indication of this new mood in Mrs Gandhi's party is provided by the fissures which have started appearing at the level of the states. Mr Biju Patnaik's defection has seriously cut the ground from under the feet of Mrs Gandhi's group in Orissa. Of even more sinister import are the rumblings in Maharashtra. Mr S. K. Patil's success in ensuring the election of Dr Shanti Patel, candidate of the Congress (O), to the mayoralty of Bombay suggests that Mrs Gandhi and Mr Chavan would soon be discovering that even in Maharashtra there are an endless number of fences to be mended. In Uttar Pradesh, again, Mr Charan Singh is clearly calling the tune for the projected coalition ministry.

In the circumstances, it is not surprising that more and more ordinary members of Mrs Gandhi's faction are beginning to ask themselves what good the split has done to them. It is possible, of course, that, in the other Congress party, too, there is a certain amount of self-questioning of this kind and I have a feeling that there may soon be emerging, more or less into the open, a large body of opinion, cutting across the factional barrier, which may well favour a reappraisal, if not a reconsideration of the logic of the split and its aftermath. Already, quite a few Congressmen in both camps are asking why their political careers should be jeopardised simply because a few at the top could not get along with one another and had

fallen out. The time may soon be ripe for a serious move of *rapprochement*. Perhaps all that is needed to spark off this process is a leader of sufficient credibility. Whether such a leader shows up in Mrs Gandhi's camp or the other camp is a matter with which the average Congressman, whatever his present loyalties, is hardly likely to be greatly concerned.

I happened to go to Sevagram recently and I confess that I have come back with a heavy heart. The Government of India has just ceremoniously observed the Gandhi Centenary year and several lakhs of rupees have been spent on Gandhi Darshan in the capital. But what is the state of Sevagram today? I hope I am wrong, but I have a suspicion that Sevagram has already been allowed to pass into the limbo. In the United States, there are Red Indian villages, artificially maintained specifically as tourist attractions. I am afraid this is the kind of fate which has overtaken Sevagram, which is one reason why I am not greatly impressed by the fact that a very large number of people, including many from abroad, had visited this place during the Gandhi Centenary year.

If Gandhiji's memory is to be properly preserved, it could not have been done better than by ensuring that Sevagram lived on as a creative centre of the constructive programme for which the Mahatma stood. Actually what little of Gandhian activity there is in Sevagram, is largely a ritualistic observation of some of his famous practices, such as the prayer meeting. To say this is not to cast any reflection on the sincere and gentle men and women who are now looking after the physical shell of Sevagram. It is, essentially, a condemnation of us all and the times in which we live. There is no grosser hypocrisy than is typified by New Delhi's ostentatious indulgence in Gandhiana in the context of the present state of Sevagram. In the circumstances, it is perhaps not to be wondered at that, among the more prominent buildings in Wardha is one—a rather garish construction, housing a school—which is named after Mr Yashwantrao B. Chavan. A living minister, I suppose, is worth more than a dead Mahatma.

V.B.

Trade Winds

E.I. AND I.P.C.L. PACT

THE Engineers India Limited signed a contract recently with the Indian Petrochemicals Corporation Limited, in connection with the setting up of the Gujarat Aromatics Project, presently under consideration, at Baroda. The Gujarat Aromatics Project is the first of its kind in India, with an installed cost approximating Rs 20 crores. The main products of the plant—24,000 tonnes/annum of DMT and 21,000 tonnes/annum of O-Xylene—will be used in the manufacture of synthetic fibres and plasticizers respectively, with an expected saving in foreign exchange of Rs 10 crores/year. The plant will be fed from the existing Koyali refinery. The process package has been supplied by Krupps with licenced 'know-how' being furnished by Englehard, Krupps and Witten of West Germany. Engineers India Ltd was entrusted with the mechanical design and detailed engineering of the plant and its supporting facilities, indigenous equipment procurement—buying, expediting and inspection, construction supervision and overall project management including cost control and planning & scheduling. An important aspect of Engineers India Limited's design philosophy has been the maximum utilization of Indian manufacturing capabilities. Thus about 65 per cent of total equipment necessary for the plant is being obtained from indigenous sources, with a total foreign exchange requirement for the project amounting to about 33 per cent of the estimated installed cost. Work on the project was initiated during the last quarter of 1968 and is expected to be the first quarter of 1972. Presently 72 per cent of design engineering and 60 per cent of procurement work has been performed, with construction of the plant well under way. To-date the project is on schedule and we are quite confident of maintaining this.

BUREAU OF INDUSTRIAL COSTS

Mr N. N. Wanchoo took over on April 10, as Chairman of the Bureau of Industrial Costs and Prices in the Ministry of Industrial Development, Internal Trade and Company Affairs. In addition to his prime task of organising the Bureau, it is understood, Mr Wanchoo has been asked by the government to advise it immediately on the fixation of prices of aluminium. Mr Wanchoo was formerly Secretary, Department of Industrial Development. The government's decision to constitute

a Bureau of Industrial Costs and Prices in the Department of Industrial Development was announced on January 15, 1970. The Bureau, which will be a high-power body, will tender advice on various issues pertaining to cost reduction and improvement of industrial efficiency and the pricing problem in relation to industrial costs. The constitution of the Bureau follows a recommendation made by the Administrative Reforms Commission concerning the setting up of a body to provide advice to Government on continuing basis on industrial costs and prices. The Bureau will undertake cost studies pertaining to industries referred to it by Government. It may also take up cost studies for other industries where it feels such investigation to be desirable. To obtain maximum results at minimum cost the Bureau will have discretion to seek the assistance of consultants in its deliberations. It will also maintain close touch with other agencies dealing with matters that have a bearing on industrial prices and costs.

IMPORT OF SOYABEAN OIL

In pursuance of its decision to import considerable quantities of soyabean oil to improve the supply position of vanaspati in the country, the union government has initiated several measures. As a first step, the government has finalised arrangements for a quick import of 35,615 tonnes of soyabean oil from the United States of America under PL 480. The first consignment of 1,050 tonnes of soyabean oil under this arrangement has already reached Bombay. Another two consignments consisting of 16,665 tonnes and 1,900 tonnes of Soyabean oil were expected to reach Bombay/Kandla on April 11 and Madras on April 13, respectively. The balance of 16,000 tonnes was expected to reach this country in June. Besides these substantial imports under PL 480, another 10,000 tonnes of soyabean oil have been commercially purchased from the open market in the United States of America and Europe. Of this, a consignment of 6,000 tonnes is expected to arrive in this country either by the end of May or early June. The balance of 4,000 tonnes is expected to arrive either by the end of June or early July.

MICA EXPORTS

The union government has set up a 12-member advisory committee under the chairmanship of Mr C. N. Modawal, Director Ministry of Foreign Trade,

to recommend measures for promoting mica exports and its development on sound lines.

WORLD RICE OUTPUT

World rice production hit a record 285 million metric tons during 1969-70, the US Department of Agriculture reported recently. The report added that record or near record crops were grown in India, Pakistan, Indonesia, the Philippines, South Korea, Ceylon and Malaysia. Report also pointed out that India's rice imports increased during the period because of growing demand in urban areas and availability of cheaper rice in exporting countries.

FOODGRAINS IN 1969-70

The union Minister for Food and Agriculture, Mr Jagjivan Ram stated recently that despite adverse weather conditions in some parts of the country foodgrain production in 1969-70 was expected to touch an all-time record of about 100 million tonnes. Addressing the Central Advisory Committee for agricultural production he stated that among other commercial crops, jute production was 5.61 million bales in 1969-70 as against 2.93 million bales in the previous year. Similarly, the production of sugarcane and cotton also was expected to record increases as compared to the previous year, he added.

SALE OF SEEDS

Report of some instances of poor seeds being sold as high quality ones, especially those of the high-yielding varieties of foodgrains, came recently to the notice of the government. There also seems to be seriously inadequate awareness of the legal provisions relating to such matters. Provisions of the Seeds act 1966 relating to the control of seeds have already come into force from October 1, 1969. The safest procedure for farmers is to go in for certified seeds. Certification, however, is at present voluntary. But the law provides for the truthful labelling of notified varieties of seeds on a compulsory basis. Persons selling seeds of the notified varieties which cover almost all important high yielding varieties as well as certain other varieties are required to fully label the seeds in accordance with a prescribed label under the Act.

CO-OP. SUGAR FACTORIES

According to the decisions taken by the National Co-operative Development Corporation recently, the pattern of assistance to co-operative sugar factories has been revised in the context of the increased setting-up cost of new sugar factories. The condition relating to matching contribution made by members has been relaxed in respect of co-opera-

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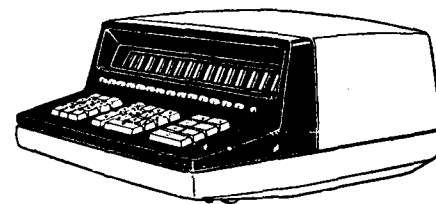


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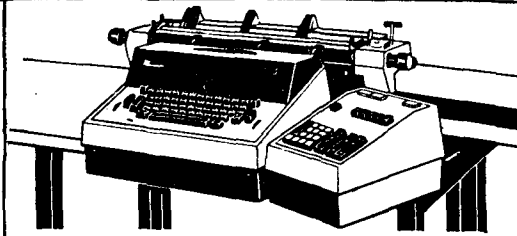
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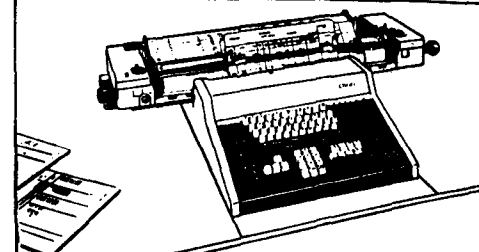


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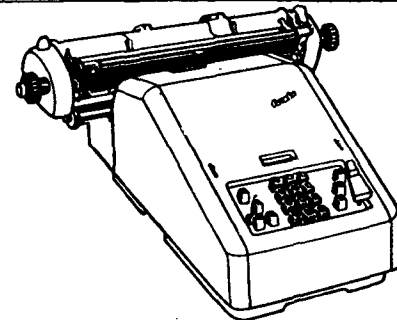


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tive sugar factories which may be set up particularly in co-operatively under-developed states and areas. In such areas, the government contribution and the member's contribution to the share capital of a co-operative sugar factory will henceforth be in the ratio of 2:1 instead of 1:1 as at present. The National Co-operative Development Corporation's assistance to state governments for contribution to the share capital of co-operative sugar factories has been raised to Rs 45 lakhs from Rs 35 lakhs. The Corporation has also approved a new scheme for giving financial assistance to co-operatives establishing soil testing laboratories as a part of fertiliser sales promotion strategy. During 1970-71, ten such laboratories will spring up with the Corporation's assistance.

PUBLIC SECTOR PERFORMANCE

Despite the marked rise in industrial activity over the past few months, the majority of public sector industrial undertakings continue to operate at levels substantially below their installed capacities, according to the latest official assessment of their performance. With the sole exception of the Nangal unit of the Fertiliser Corporation of India, which has been able to maintain a sus-

tained production level at 99 per cent of its installed capacity, most of the leading public sector undertakings such as Heavy Electricals, Heavy Engineering Corporation and the rest are operating around 50 per cent of their capacities. Some of the plants like the foundry forge of HEC and the antibiotics unit of IDPL have as much as 90 per cent of their capacity lying idle. The foundry plant at Ranchi was able to turn out only 10,062 tonnes of forgings last year as against its rated capacity of 143,112 tonnes. Its heavy machine tools plant fared even worse with an output of only 348 tonnes out of a total rated capacity of 10,000 tonnes. Difficulties in obtaining raw materials and imported components are cited as the main reasons for the low utilisation of capacity at these plants.

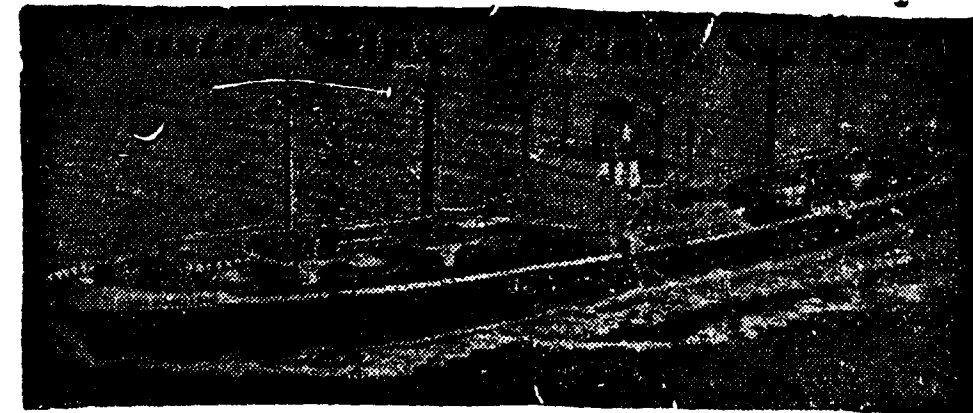
BHARAT STEEL TUBES

Bharat Steel Tubes Ltd, which received recently the FICCI award for export performance, celebrated its sixth foundation day on Sunday at Ganaur, Haryana. The plant, set up with US collaboration, has an annual installed capacity of 100,000 tonnes of steel pipes ranging in size from "1" to 6" diameter. The company employs 1,500 people directly. The company has marketed its

products in more than 30 countries, including the USA, the UK, Australia and New Zealand. Its turnover had gone up from Rs 2.56 crores in 1966 to Rs 10.80 crores in 1968-69. The company expects to reach a turnover of Rs 13 crores during the current financial year ending March 1970. The company's exports shot up from Rs 38.28 lakhs in 1966 to Rs 2.21 crores in 1968-69. During 1969-70 the figure moved up further to Rs 3 crores. The company was awarded a certificate of merit by the union government for its outstanding performance during 1966-68. It had been declared as the largest exporter of steel tubes and pipes during 1968-69.

NAMES IN THE NEWS

The Board of Directors of Atlas Copco AB, Sweden, has announced the appointment of Mr Erik Johnson as managing director of the Atlas Copco group of companies. Mr Erik Johnson succeeds Mr Kurt-Allan Belfrage. Mr Erik Johnson has been associated with Atlas Copco for 40 years and had been the deputy managing director, marketing, since 1959. Mr Belfrage, who has been the group managing director since April 1957, will now become deputy chairman of the board of Atlas Copco AB.



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Company Affairs

DUNLOP

Mr J. A. MOORE, Chairman, Dunlop India Ltd, stated at the annual general meeting held recently in Calcutta, that the demand for automotive tyres made by the company continued to exceed its capacity. He emphasised that the installed capacity of the entire tyre industry is also hardly adequate to meet the total demand. He indicated that there were likely to be serious delays in additional production coming into existence because the government recently announced its policy of giving additional capacity of 1.5 million automotive tyres and tubes to new entrepreneurs. The most logical method to meet the additional demand would have been to allow the existing eight manufacturers to increase their capacity, he added.

Mr Moore pointed out that the company was able to obtain its requirements of basic raw materials although there were some difficulties in obtaining steel for bicycle rims which necessitated a cut-back of production in December. He added that nylon was also in short supply which compelled the company to adjust its nylon tyre production programme. He indicated that tyre production at Sahaganj factory was not according to expectations primarily due to labour unrest. He hoped, however, that after discussions and negotiations the output for 1970 should be well above that of 1969. The Ambattur factory of the company recorded fairly good progress both in terms of output and productivity. The company has received a letter of intent to manufacture additional 250,000 automotive tyres and tubes and the chairman hoped that the additional capacity will be installed in 1971. Mr Moore indicated that the company required liquid resources to finance the expansion plans. Consequently the directors have proposed to transfer Rs 1.65 crores to general reserve.

During the year 1969 the company was able to export products worth Rs 2.8 crores showing an increase of 12 per cent over the previous year. The company has in hand orders amounting to over Rs 12 crores for delivery during 1970 and it hoped to cross the Rs 3 crore mark this year.

DRILLMAC

Drillmac Ltd will enter the capital market on April 20, 1970, with an issue of Rs 15 lakhs made up of 110,000 equity shares of Rs 10 each and 4,000

(9.5 per cent) redeemable cumulative (tax free) preference shares of Rs 100 each. The entire issue has been underwritten. The subscription list will close on May 4, 1970, or earlier at the discretion of the directors but not before April 24, 1970. The company has an authorised capital of Rs 50 lakhs and issued, subscribed and paid-up capital of Rs 3.85 lakhs. The company was incorporated for the manufacture and sales of drilling rigs for oil, water-wells and exploration, ancillary equipment and accessories. It has entered into a technical know-how agreement with M/s Reliable Water Supply Service of India Pt. Ltd, Foreign collaboration agreements entered into between Roscoe Moss Company, Los Angeles, California, USA, and Reliable Water Supply Service of India Private Ltd, for the manufacture of heavy duty percussion drilling rig, and percussion drilling tools have been transferred by Reliable to the company and the said transfer has been approved by the Ministry of Industrial Development, Internal Trade and Company Affairs. It is proposed to sell drilling rig ancillary equipment and accessories through Escorts Ltd. The company's factory will be located in the Ghaziabad Industrial Estate. The object of this issue is to set up manufacturing facilities for the manufacture of drilling rigs for water-wells and exploration and ancillary tools.

SCHRADER-SCOVIL DUNCAN

Schrader-Scovil Duncan Ltd, has maintained the ordinary dividend at 22.5 per cent for the year ended October 31, 1969. The company has earned an increased profit mainly because of diversification, satisfactory raw material stock position, increased demand in home market and favourable export performance. With the rise in sales from Rs 1.07 crores to Rs 1.13 crores, the net profit has increased from Rs 15.89 lakhs to Rs 16.06 lakhs after providing Rs 5.34 lakhs for depreciation, Rs 9,000 for development rebate reserve and Rs 21.60 lakhs for taxation. General reserve gets Rs 16 lakhs of which the proposed dividends, both interim and final at 10 per cent and 12.5 per cent making a total of 22.5 per cent are to be paid. The carry forward is Rs 15,549 against Rs 9,552 brought in. The directors have planned the addition of a further product line which awaits approval of the government. Exports sales have amounted to Rs 5.15 lakhs and the company has been awarded a certificate

of merit for its export drive. The company's overall indebtedness has been reduced further and the financial position is considered to be sound with reserves standing at Rs 40.69 lakhs.

KHANDELWAL FERRO

The directors of Khandelwal Ferro Alloys Ltd. propose to raise the dividend distribution for the year 1969 to 12 per cent from eight per cent paid for 1968. The entire dividend will be free of tax. The company's gross profit amounts to Rs 70.93 lakhs against Rs 42.78 lakhs. Its total turnover has increased to Rs 8.06 crores from Rs 4.23 crores. The company's sales of ferro manganese have amounted to Rs 3.55 crores against Rs 2.41 crores and of steel pipes to Rs 3.41 crores against Rs 1.17 crores. The directors have provided Rs 17.06 lakhs for depreciation and Rs 2 lakhs for development rebate reserve, leaving a net profit of Rs 51.87 lakhs against Rs 15.30 lakhs. The proposed equity and preference dividends will claim Rs 19.70 lakhs against Rs 14.73 lakhs. A sum of Rs 34.15 lakhs has been transferred to the general reserve. The surplus of Rs 12,594 is carried forward against Rs 2.11 lakhs brought in. The company's exports of ferro manganese totalled Rs 2.50 crores in 1969 against Rs 1.25 crores in 1968.

PODAR MILLS

The Podar Mills Ltd has declared an equity dividend of 10 per cent for 1969. The company had not paid any dividend for 1968 and 1967 and had paid six per cent for 1966. The sales during the year were around Rs 6.24 crores as against Rs 5.54 crores a year before. The company's gross profit consequently has increased to Rs 63.25 lakhs from Rs 22.87 lakhs. The better working results reflect an improved performance of both the textile and spinning units. An increase in the lease rent from Rs 12 lakhs to Rs 17.14 lakhs in respect of the company's processing units has also contributed to the better results. Of the gross profit, the directors have provided Rs 24.38 lakhs for depreciation and written-off share issue expenses amounting to Rs 3.58 lakhs. The entire balance of Rs 35.53 lakhs has been transferred to general reserve out of which the proposed preference and equity dividends amounting to Rs 15.50 lakhs will be paid. The directors have made no provision for taxation. They have directly transferred to the capital reserve a sum of Rs 16.05 lakhs, being the profit realised from the sale of the company's investment in the shares of the Sassoon and Alliance Silk Mills Ltd.

PHILLIPS CARBON

The directors of Phillips Carbon Black Ltd, state in their report for the year ended November 30, 1969, that

work on the 50 million pound expansion was completed in March, 1969, and simultaneously the company was able to install an off gas burning system which utilises the fuel value of effluent gases. The new technical development is expected to decrease the company's fuel costs. The company has also commissioned a new purge gas filter resulting in additional recovery of carbon black particles besides minimising pollution of the atmosphere. In keeping with the anticipated rising demand from its customers, the company has applied to the government for further expansion of the plant capacity. During the first half of the year, the plant produced at a high percentage of capacity. But in June it lost one of the coaltar stores in an accidental fire and this together with a general feedstock shortage, affected production from June to September. Although there has been a slight improvement in the feedstock receipts, the overall shortage still continues and the company is, therefore, exploring new sources for obtaining adequate supplies in future. During the year the plant produced two more grades of carbon black essential for the tyre and rubber industry. The company exported carbon black worth Rs 3 lakhs to the UAR, Ceylon and Iraq. It has now substantial export orders on hand for execution in the current year.

HERDILLIA CHEMICALS

During the year 1969, the turnover of Herdillia Chemicals Ltd, was around Rs 5.50 crores, substantially more than Rs 3.02 crores in 1968. The loss during the year was around Rs 30.75 lakhs as against a loss of Rs 126.57 lakhs last year. After making some adjustments and after bringing in the previous year's losses, a debit balance of Rs 169.56 lakhs has been carried forward. During the year, all plants except the phthalic anhydride unit operated satisfactorily. Repairs to this plant were undertaken on a crash basis, and it is now back in service. While the raw material position has shown an improvement in 1969, production was affected by power failures and to some extent sales were affected due to imports of products in the company's range of manufacture. The directors hope that imports will be restricted. The company has also entered the export field, but adequate facilities do not exist in the Bombay port for export of bulk hazardous chemicals. Necessary representations have been made to the authorities. Barring unforeseen circumstances, the directors consider prospects for 1970 better than in 1969.

ALBRIGHT MORARJI

Albright Morarji and Pandit Ltd, registered a gross profit of Rs 45.74 lakhs during the year ended October 31,

1969, as against Rs 17.50 lakhs during the previous year. The income of the company during the year under review was around Rs 1.80 crores as against Rs 1.27 crores last year. Depreciation claims Rs 23.73 lakhs. After adjusting the debit balance of Rs 3.20 lakhs brought in, the directors have transferred the balance of Rs 18.81 lakhs to general reserve. They have also transferred the balance of Rs 18.40 lakhs from the exchange reserve to general reserve, making a total addition of Rs 37.21 lakhs. No provision has been made for development rebate reserve or for taxation as there would not be any of the earlier losses and the depreciation carried forward for the purpose of assessment. The provision to be made for development rebate reserve now amounts to Rs 28.62 lakhs. The report observes that the import of sodium tripolyphosphate was banned from April, 1969, but its beneficial impact was felt only during the latter part of the year. The supply of imported rock phosphate was satisfactory and other raw materials were available indigenously.

SUNDATTA FOODS

The directors of Sundatta Foods and Fibres Ltd have skipped the dividend for the year ended October 31, 1969. The company's sales are higher at Rs 2.76 crores against Rs 2.27 crores in the previous year. The working results for the year show a gross profit of Rs 60,790 against Rs 13,891. The company has not provided for depreciation for the year. The directors attribute the adverse results to lower cotton crop in the south, high price for cottonseed and frequent interruptions in its working due to power breakdown and teething troubles in the vanaspati plant.

CAPITAL AND BONUS ISSUES

Consent has been accorded to ten companies to raise capital amounting to over Rs 2.38 crores. Six of them are to issue bonus shares totalling over Rs 85,07,100 and the amount of bonus shares ranges between Rs 47,500 and Rs 40,00,000. The consents are valid for 12 months. The following are the details:

The Surat Cotton Spinning & Weaving Mills Private Ltd, Bombay, has been accorded consent to capitalise Rs 40,00,000 out of its free reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one for two equity shares held.

Steelsworth Private Ltd, Tezpur (Assam), has been accorded consent to capitalise Rs 8,79,600 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in

the ratio of one for existing three equity shares held.

Mihir Textiles Ltd, Ahmedabad, has been accorded consent to capitalise Rs 10,00,000 out of its free reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one for three equity shares held.

Trade & Industry (Assam) Private Ltd, Tezpur (Assam), has been accorded consent to capitalise Rs 47,500 out of its free reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one for existing six equity shares held.

The Hooghly Mills Company Ltd, Calcutta, has been accorded consent to capitalise Rs 21,00,000 out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of five shares for four equity shares held.

Hydraulics Ltd, Madras, has been accorded consent to capitalise Rs 4,80,000 out of its general reserves and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one for one equity share held.

National Company Ltd, Calcutta, has communicated to government of its proposal to issue capital of Rs 53.33 lakhs under clause 5 of the Capital Issues (Exemption) Order, 1969, in equity shares of Rs 35 lakhs and preference shares of Rs 18.33 lakhs carrying 9.5 per cent rate of dividend, free of company's tax but subject to deduction of tax at source, to be offered to the existing shareholders under section 81 of the Companies Act.

Jolly Anil India Ltd, Bombay, has communicated to government of its proposal to issue capital of Rs 50,00,000 in 50,000 equity shares of Rs 100 each for cash at par, under clause 5 of the Capital Issues (Exemption) Order, 1969. The proceeds are to be utilized for the manufacture of moulded boards, particle boards, etc.

Travancore Chemical & Manufacturing Company Ltd, Alwaye, has been accorded consent to capitalise Rs 10,00,000 out of its general reserves and issue 1,00,000 shares of Rs 10 each in the ratio of one for three equity shares held.

Ganganagar Sugar Mills Ltd, Jaipur, has communicated to government of its proposal to issue capital of Rs 39,62,200 under clause 5 of the Capital Issues (Exemption) Order, 1969—Rs 31,72,100 in equity shares of Rs 50 each and Rs 7,90,100 in redeemable cumulative preference shares of Rs 50 each. The proceeds are to be utilized to install sugarbeet-sugarcane diffusion plant.



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COMPANY MEETINGS

NATIONAL AND GRINDLAYS BANK LIMITED

Points from the Statement by the Chairman, The Rt. Hon Lord Aldington, P.C., K.C.M.G., C.B.E. D.S.O. for the year ended 31st December 1969.

			1969	1968
Capital and Reserves	..	..	£ 41 m.	£ 21 m.
Deposits	..	...	£ 652 m.	£ 466 m.
Advances	..	..	£ 318 m.	£ 226 m.

Distribution of Nett Profits after Tax							
			1965	1966	1967	1968	1969
Asia	...	...	53%	39%	30%	31%	24%
Africa	..	..	12%	17%	11%	13%	11%
Mediterranean and Middle East		..	..	..	..	..	9%
London (including Subsidiaries)			35%	44%	59%	56%	56%
			100%	100%	100%	100%	100%

1969 brought to the Bank new Capital funds, new banking partners—First National City Bank—a spread of operations into the Middle Eastern countries, introduction of new types of business in India, Africa, London and Europe, and a new Headquarters. Each of these changes will bring substantial rewards in the long term.

Profits after tax and usual deductions amounted to £2.1 million. Inner Reserves have gained materially during the year. As a result of two agreements made in 1969, we now have important banking interests in Paris (extending to Geneva) and in Beirut. These consist of a 30% shareholding in the Societe Nouvelle de la Banque de Syrie et du Liban S.A.L. and a 40% shareholding in Banque Ottomane (France) S.A.

The Merchant Banking Division in India had a very successful first year; a similar Merchant Banking Division is to be established in Pakistan. Merchant Banking facilities are now available at our Head Office in Africa.

A radical review of our organisation is in progress with McKinsey & Co. examining our top Management structure and its relationship with the General Management overseas, with our Subsidiaries and with our Associates.

In India profitability was higher in 1969 by approximately 14%. A change

in our internal accounting procedures was responsible for a small part of this rise. Our deposits and business continue to expand at a healthy rate and I hope, with the introduction of our Regional Managers' Organisation and an increased attention to planning and marketing, our results will further improve during 1970. Our Merchant Banking Division has been able to assist a number of important companies, both Indian and foreign, by providing a highly skilled financial advisory service. Experience has amply justified our decision to set up this new Division.

The Government of India announced in the middle of 1969 the decision to nationalise the fourteen largest Indian Banks. We have neither the duty nor the right to comment on that decision. But we can properly welcome their decision not to nationalise any of the foreign banks, as we welcome the reasons which the Prime Minister of India gave for wishing to retain foreign banks in India. In February 1970 the Indian Supreme Court gave an important judgment on the 1969 Bank Nationalisation measure; as a result the Government of India have had to introduce a new Bill amending the basis of nationalisation but not extending nationalisation to banks other than the original fourteen. Again Government have lucidly explained the reason for not including foreign banks for nationalisation. The matter is, however, still one of political

controversy and at the time of writing we are well aware that the final outcome must await the decision of the Indian Parliament on the clauses of the Bill. When I was in India in January I did all I could to explain in public the assistance which National and Grindlays Bank by its presence can give the Indian economy. We can help Indian exporters, not only in finance but also in contacts with potential buyers through our branch network outside India. We can give guidance to the foreign industrial investor, whether in Britain, Europe or elsewhere, himself interested in India and wanted by India for the good of India's economy. We have an involvement in tourism in India, and we are strengthening this. We make foreign currency term loans and investments which enable suitable Indian enterprises to buy their capital equipment from overseas. And the additional banking facilities we are making available in India through our Merchant Banking Division and through our London base, when combined with our traditional banking know-how are, we believe, of great value to the future development of Indian banking. I also made it my duty to see that our General Manager in India and his Branch Managers understood that they had our full support in accelerating operations along these lines. I do not believe that India would gain by closing her banking windows on Western countries, nor that she really wishes to do so. But in the final count, the Government of India and the Parliament of India will make the decision and we have to limit ourselves to explaining the facts.

National and Grindlays Holdings

Including the first interim dividend paid in March 1969 by National and Grindlays Bank Limited, shareholders will have received a total rate of 14½% dividend for 1969 compared with 14% for 1968.

Copies of the Report and Accounts are available from the Secretary, National and Grindlays Bank Limited, 23, Fenchurch Street, London, E.C. 3.

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DUNLOP INDIA LIMITED

CHAIRMAN, MR. J. A. MOORE'S REVIEW

The following is the address by the Chairman, Mr. J. A. Moore, at the 44th Annual General Meeting held on April 13, 1970 at Calcutta

It is with pleasure that I welcome you to the 44th Annual General Meeting of the Company.

The Directors' Report and Accounts for the year ended 31st December, 1969, having been in your hands for some time, I propose with your permission to take as read.

The Year's Trading

The year 1969 posed many new problems which we have not had to face in the past, some of them causing serious loss of production which not only the Company but the economy of the country as a whole can ill afford. Apart from the effect on the supply of tyres within the country, our export drive suffered drawbacks through our inability to meet delivery dates and it has only been through hard work and our past good reputation that we have not so far lost any of our hard-earned markets. I sincerely hope that sense and reason will prevail and that no extreme attitudes will again be adopted which in the long run benefit no one.

Despite our problems, 1969 was again a year of continued progress although not up to our anticipated sales levels through lack of stocks.

The demand for our automotive tyres continued to exceed our capacity to supply. This would have been so even if we had been able to produce to maximum capacity, and again emphasises what I said last year that the installed capacity of the entire Tyre Industry is barely adequate to meet demand. Government fully realise this and have recently announced that additional capacity of 1.5 million automotive tyres and tubes will be licensed, but not to existing manufacturers. Applications from new entrepreneurs only will be considered at this stage. In my opinion this can only seriously delay the equating of supply and demand, thus leading to continued shortages. There are already

eight companies licensed to make automotive tyres and I can truly say that your company is not apprehensive of further competition, if any, from new units. It is not therefore on this score that I am critical of Government's present policy for expansion. I have already stated that the necessity for extra capacity is important and is also urgent. The quickest and most logical method to achieve this is through the existing tyre manufacturing units, who already have the sites, collaboration, and skilled managerial staff and workers to ensure quality as well as quantity. If any fears are harboured about the growth of monopolies, or concentration of economic power, these are completely unfounded in respect of the Tyre Industry, which is already controlled in practically all aspects of its operations. I would therefore earnestly request Government to permit expansion by existing units and would also add a plea that present licensed capacities should not inhibit improvements in productivity which take output figures beyond original estimates.

One more very important aspect must be mentioned and that is the question of continued technical collaboration. There appears to be a school of thought that if you have been making a tyre for a few years you need no further assistance, perhaps partially true if you want to exist in an isolated stagnant state. Consider, for example, the operation of trucks throughout the country. In a growing economy there is a constant increase in the volume of goods to be transported and also the speed with which they can be moved. It follows that the design of trucks is altered to accommodate heavier loads, the engine is redesigned to increase its pulling power and speed, the wheels require strengthening, and all of this rests on the tyres which are the sole contact with the road. The technical specifications of the tyres are therefore critical and this requires highly specialised and sophisticated equipment and skills which are not available in India and which would

be much too costly to import and maintain even if the foreign exchange were available. There is therefore a constant and continuing need to purchase technical know-how either by way of royalties or cost sharing agreements or a combination of both. Having said this, it in no way relieves manufacturing companies from the obligation to maximise their own efforts in Research and Development, thereby reducing to a minimum the ultimate dependence on purchasing outside assistance. Technical assistance will always be required, even the major tyre companies of the world have occasion to buy special know-how from time to time, but there are areas where it can be gradually reduced or even know-how exported. I am pleased to say that Dunlop India have this constantly in mind and are at present negotiating to export know-how on one of their important products, namely Cycle Tyres.

Our overall technical aid agreement expired last year and we have submitted new proposals to Government. I sincerely hope that finalisation will not be unduly delayed and that the absolute necessity of continuing to receive technical assistance will be fully appreciated by Government.

The consumer preference for Dunlop cycle tyres continues to create a brand shortage. We have not been allowed to increase our capacities as cycle tyre expansion is still on the banned list. Government have recently announced that further expansion of cycle tyre production will be reserved for the small-scale sector. Whilst fully appreciating the necessity to encourage the small-scale sector, the fact remains that cycle tyre production in the large-scale sector has many advantages. Apart from the obvious ones of economy of scale and quality, there is a fairly large potential for export. Within our existing capacities and bearing in mind our large commitment to the bicycle manufacturers, we are exporting to the maximum of our ability. The potential for further large export orders does exist

but we would only be in a position to expand and have some additional share of the growing domestic market.

The growth in the industrial and agricultural sectors during 1969 enabled us to improve our sales of Industrial Products. During the year we received Letters of Intent for the manufacture of tennis balls and golf balls. We also received orders from the Railways for the manufacture of sole pads. We are investigating further diversification possibilities into products which are capital intensive and require sophisticated technology.

Exports

During 1969 our exports reached a new record figure of Rs 2.8 crores, an increase of 12% over the previous year. Already we have in hand orders amounting to over Rs. 2 crores for delivery during 1970 and we hope to cross the Rs 3 crore mark this year.

Exporting is neither easy nor profitable but we fully recognise the necessity to maximise foreign exchange earnings. What we have achieved to date has largely been possible through the assistance of The Dunlop Co. Ltd., U.K., by proper market surveys, and by regular visits to overseas markets. What we can achieve in the future will depend upon the acceptance by Government of our expansion plants in both automobile and cycle tyres.

Raw Materials

By and large we were able to obtain our requirements of basic raw materials although there were difficulties in obtaining sufficient steel for bicycle rims, necessitating a cut-back of production in December. Nylon also was in short supply compelling us to adjust our nylon tyre production programme.

In many cases the margin between requirements of raw materials and availability was, and continues to be, very thin. Thus any dislocation in the pipe line caused by suppliers' plant breakdown, labour trouble, power cuts, transport bottlenecks, or procedural delays in the issue of import licences, can seriously jeopardise production.

The Tariff Commission Reports on natural rubber and rayon are still under consideration by Government and it is hoped a decision will soon be announced as these are our two main raw materials.

Production

During the year tyre production at our Sahaganj Factory fell below expectations.

This was entirely due to labour unrest and unscheduled holidays. However, following prolonged discussions and negotiations, tensions appear to have eased on all sides, and we are hopeful that an element of understanding and good faith has been restored. Given reasonably settled conditions, the output for 1970 should be well above that of 1969.

The output from the Industrial Products Division at Sahaganj Factory was virtually the same as that of 1968 despite the various problems encountered, not least among them being an acute shortage of cycle rim strip.

Our Ambattur Factory continued to make good progress during the year. Both the volume of output and productivity showed substantial improvement over the previous year.

Training and Development

The Company continues to give high priority to the training of its personnel at all levels. We are very conscious of the fact that the continued future progress of the Company will necessitate keeping up with modern techniques in production and management.

A wide variety of training courses are run within our own organisation. In addition, we utilise the services of independent institutions, and by no means least we have a constant flow of personnel to U.K. for training within the Dunlop Group and to attend the highly specialised courses available there.

During 1969 we introduced training programmes for our Sales staff designed to equip them for the challenge of changing market conditions. Suitable training courses were also introduced for our Depot Operating staff and an orientation programme on computer applications was designed to provide management with adequate knowledge as to how it could be used for deeper and more accurate information and control.

Profit and Loss Account and Balance Sheet

I do not propose to go into great detail regarding the financial results for 1969, the main features of which have been mentioned in the Directors' Report. However, there are a few points I would like to make.

As you will have seen from the Accounts, despite the increase in profits, the tax charge was lower than in 1968. This was mainly due to substantially higher capital allowances accruing from

increased capital expenditure and a revision in the rules relating to the calculation of capital allowances under the Income Tax Act, 1961.

We require very substantial liquid resources to help finance the expansion plans to which I have already referred and with this in view the Directors propose to transfer the balance of available profits for the year, amounting to Rs. 1,65,28,699, to general reserve.

The reduction in the balance sheet provision for taxation arises mainly from higher advance payments as required under the revised rules.

Future Prospects

As was mentioned last year, we received a Letter of Intent to manufacture an additional 2,50,000 automotive tyres and tubes. We anticipate that this expansion, which will take place at our Ambattur Factory, will be fully installed and partly productive by the end of 1971. It will be fully operative during 1972.

A licence has also been obtained to manufacture 1.5 million cycle rims at Ambattur. Work on this project is progressing and it should be completed by the middle of 1971.

Letters of Intent have also been received by us for the manufacture of tennis balls and golf balls, both of which will be implemented as quickly as possible.

During 1969 we concentrated, with considerable success, on improving the quality of our automotive tyres. We also laid down plans to introduce new patterns of truck tyres during 1970. Our objective is always to be looking ahead in order to offer our customers quality products of the latest design and specification.

As stated earlier, further expansion of automotive tyres and tubes and also cycle tyres and tubes will be necessary to meet the growing demand. We are planning on the basis that we shall share in such expansions and we are geared and ready with plant and equipment, sales, and finance, schemes to do so when the opportunity arises.

In conclusion, I should like to thank on your behalf all those employees who helped to make 1969 another year of progress. We look forward to the 1970's with confidence and optimism.

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

THE MADRAS ALUMINIUM COMPANY LIMITED COIMBATORE-18

Sri R. Venkataswamy Naidu's Review

Addressing the Shareholders at the Tenth Annual General Meeting of The Madras Aluminium Co. Ltd., Sri R. Venkataswamy Naidu, Managing Director, said:

I have great pleasure in welcoming you all to the 10th Annual General Meeting of the Company.

Your Board of Directors' Annual Report, Balance Sheet as at 31st December 1969 with the Profit and Loss Account and the auditors' report have been with you for sometime now. I am sure you would have noted with great satisfaction the excellent working results of the Company during the year under review and also the recommendations of your Board of Directors to step up the equity dividend to 12% after providing Rs 52 lakhs for reserves. In view of the sound liquid position of your Company, your Board of Directors thought it fit to increase the dividend on Equity shares, to compensate at least partially for the long gestation period during which you had to wait for your return. I am also very happy to note that our shareholders are dispersed among a large segment of the investing public and the Company is now considered a leader and investors are happy.

The Management and the foreign technical Collaborators, M/s. Montecatini-Edison, have been concentrating on further steps to implement and complete the expansion project at an early date, and the various technical details have already been finalised. M/s. Mediobanca, our Italian Bankers, have offered and, in fact, have been reserving the foreign exchange required for our expansion programme for a long time now. For the utilisation of the loan, the guarantee of the Industrial Finance Corporation of India is awaited. The imported machinery and components for the expansion have been brought down to a very small percentage of the total investment on the project and I understand that the import licences for these equipments are under issue. As the profitability of the Company increases with the increased production, our Company cannot afford to delay the implementation of the expansion to the full extent. One encouraging factor is that most of the equipments required for the expansion are either manufactured in India or can be fabricated at the site under the expert supervision of our technical and managerial staff, supplemented by our Collaborator's guidance and advice.

As regards rupee expenditure for expansion, our requirement is partly loans and partly Bank guarantee to indigenous machinery suppliers. Our application to Financial Institutions for loan is still under consideration. The Bank guarantee required for suppliers of machinery is pending with our Bankers.

Fortunately, your Company has built up substantial liquid resources. On account of excellent working conditions and good business relationship which your Company has built up, I am happy to inform you that the management has been contacted and offered financial assistance by various customers, suppliers of machinery and equipment and the general public. If for any reason, the Financial Institutions are unable to assist us with loans, the Company will endeavour to complete its expansion programme according to schedule, with the available liquid resources of the Company and with the expected generation of resources during the period of expansion and on top of it the financial assistance offered by our clients and public.

The debt position of your Company has come down considerably. By June, 1970 we would have paid off over Rs 4.90 crores in discharge of about 50% of our liabilities towards the Mediobanca loan. The liabilities of the Company in respect of borrowings in India have also been reduced.

With the production capacity rising without recourse to raising the share capital base, you can see for yourselves that the intrinsic worth and the earning potential of the Company will go up further.

All the world over the demand for Aluminium is so rapidly growing that many of the countries who have no raw material are embarking on establishment of Aluminium Smelters. I am happy that the Government of India are going ahead with developing further the Aluminium industry in the Public Sector. It is a good augury that your Company which had developed skill in fabricating certain types of machinery is in a position to be of service in offering certain machineries fabricated, to such public sector projects, thus avoiding expenditure of considerable amount of foreign exchange by the public sector projects. In such a context, it is highly essential that expansion of your Company should also be at a pace and according to schedule, if the growing demand for aluminium is to be met. Therefore, the future for this industry is assured.

Our expansion programme is well under way. The alumina facilities have already expanded to feed smelters of a capacity of 20,000 tonnes metal production.

For sometime now, there has been a declining trend in the investment in private sector industries and also in the utilisation of resources available with the financial institutions for the expansion and modernisation of industries in the private sector. The Governor of the Reserve Bank of India recently made pointed reference to this disquieting trend. This is not due to any non-co-operative attitude adopted by the private sector but due only to the genuine difficulties experienced by them in meeting the conditions stipulated, apparently on the recent changes in the thinking of the Government.

It is certainly a disquieting trend that the financial institutions are insisting upon conditions like conversion of loan into equity capital. Naturally, the private sector industries may not be interested in taking advantage of financial assistance under such onerous conditions. The policy of the financial institutions seems to be that they would charge interest on their loan during the period the company is in the formative or in the initial stages — the period during which the equity shareholders do not derive any return on their capital. But the moment the Company starts making profits, the financial institutions may convert the loan into equity capital to take advantage of the profit-making capacity of the Company. They want to have the best of both worlds. Naturally, this policy is being objected to by the equity shareholders as well as the foreign collaborators who have invested in Equity Capital as being patently unjust. Moreover, the conditions stipulated for the expanding companies tend to vitiate the commitments made to foreign collaborators and bankers on the initial stages of the Company. The foreign collaborators and bankers are naturally unable to appreciate the changes in the policy which would affect the interests guaranteed to them.

I also feel that it is essential for the development of Indian industries, that the Central as well as State Governments should not alter the terms of any agreements approved by them at the time of the establishment of such industries. The foreign bankers and Collaborators render financial credit and assistance not only from the point of investment but also with an intention to develop our economy. It will be easy for them to pick and choose avenues of investment anywhere

in the world among the developing nations. If they choose to come to India, it is because of their desire to render assistance to our country, incidentally improving their foreign trade. They are completely upset when agreements solemnly entered into at the time of starting up of the industries are unilaterally altered by the Government. In order to build up the confidence of the international investment, no change should be made in the agreements already entered into during the pendency of the agreement.

The incidence of 6% Sales Tax on Ingots sold within Tamil Nadu increases the cost to our consumers within the State. It puts us in a very disadvantageous position when compared to our competitors. Apart from this, the Tamil Nadu Government have proposed 5% surcharge on Sales Tax. Its effect would be that we would be losing about Rs 15 per tonne for all sales made within the State of Tamil Nadu. This will be an additional burden on us, when we try to help the industries in our State.

In tune with the change in the Companies Act, M/s. Salcoe & Company are no longer the Managing Agents of your Company. I am quite sure that you would like to place on record your sincere appreciation and thanks to M/s. Salcoe & Company and its Partners for the entrepreneurship, technical expertise and guidance they have brought to bear in promoting, sustaining and bringing to this stature your Company — that too with minimum remuneration. You have already been informed about the amendments proposed to the Articles of Association to make alternative arrangements for management, by the appointment of two Managing Directors who will be under the supervision of a Committee of Directors. In view of the special nature of the industry and in view of the secrecy clause attached to our foreign collaboration agreement and in view of the expansion programme on hand, the Board felt that there should be continuity in management. Their decision accords with the present thinking in the country that the management of companies should be in the hands of technocrats of competence. On behalf of Sri P.R. Ramakrishnan and on my own behalf, I wish to thank the Board for the confidence they have reposed in appointing us as Managing Directors in view of our knowledge of the industry and our ability to carry through the expansion project with minimum import content. I wish to assure you that we will discharge our duties to the best of our abilities to fulfil successfully your expectations.

Please also permit me to assure our foreign collaborators and foreign bankers that your Company would stand by the commitments it had made.

I am glad to welcome the new stance of the Tamil Nadu Government in industrial development not only in starting new industries, but also in expanding the existing ones. I am quite sure that under the enlightened leadership of the present Government, their policy will have favourable impact on the future industrialisation of the State. I thank the Government of Tamil Nadu, which is a progressive one, for agreeing to make available electricity at reasonable rates for our expansion.

I am glad to report that we have smooth and cordial labour relations and I hope that this would continue. I wish to assure our workers that their interests will be the prime concern of the management.

I wish to thank our Collaborators, M/s. Mediobanca of Italy, Industrial Finance Corporation of India, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India Limited and Punjab National Bank and my colleagues on the Board and all our Senior Executives for their help and co-operation.

In conclusion, I request you to join me in paying our tribute to our employees at all levels for their unstinted co-operation and loyal service.

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

TENDER NOTICE

Tata Engineering & Locomotive Co. Ltd.

JAMSHEDPUR-4.

Sealed tenders are invited for the purchase & removal of the following used equipments in 'as is' condition.

1. One Fielding & Platt (England) Horizontal three throw Reciprocating pump, capacity 62 g.p.m. Pressure 1500 p.s.i., complete with 75 H.P. electric motor and starter.

Spares for above:—(a) 6 pieces—Bearing caps.
(b) 90 pieces—Valve springs.

2. One John Shaw (England) three throw Reciprocating pump, capacity 92 g.p.m., Pressure 1500 p.s.i., complete with 130 H.P. electric motor and starter.

3. One Accumulator, max. capacity 145 g.p.m. normal capacity 90 g.p.m., dead weight type (about 23.6 tonnes), height 22 ft., hydraulic ram dia. 15" complete with (i) safety valve (ii) two limit switches, (iii) supporting structure and (iv) chain valve, all suitable for 3" dia pipelines.

Tenders should be accompanied by an earnest money deposit of Rs. 5000. The earnest money deposit should be made either by cash with our Financial Controller or by demand draft on any of the local banks in the name of Tata Engg. & Locomotive Co. Ltd., Jamshedpur. Tenders without earnest money will not be considered. Cheques are not acceptable. Tenders will be received upto 2.30 p.m. on 12.5.70 and opened at the same time & date.

Terms and conditions of the tender may be obtained from the undersigned. The equipment may be inspected earlier on any working day by appointment.

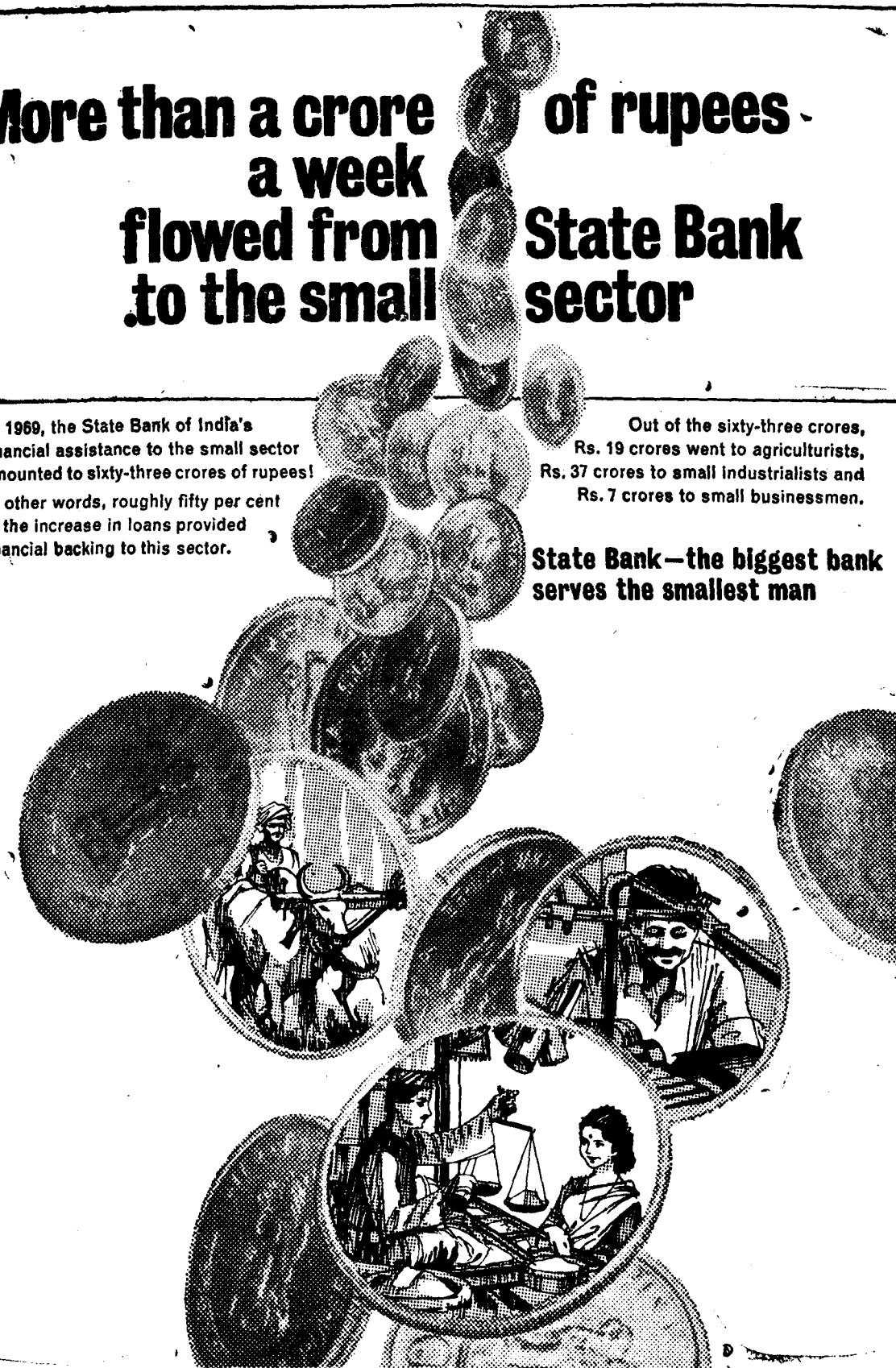
Stores Controller.

More than a crore of rupees a week flowed from State Bank to the small sector

In 1969, the State Bank of India's financial assistance to the small sector amounted to sixty-three crores of rupees! In other words, roughly fifty per cent of the increase in loans provided financial backing to this sector.

Out of the sixty-three crores, Rs. 19 crores went to agriculturists, Rs. 37 crores to small industrialists and Rs. 7 crores to small businessmen.

State Bank—the biggest bank serves the smallest man



AIYARS. S. 85

RECORDS AND STATISTICS

Performance of Public Sector Banks

AT THE recent economic editors' conference (March 30-April 2, 1970) in the capital, the Ministry of Finance distributed a paper which reviewed the working results of the public sector banks. The paper indicated that the public sector banks opened 609 new offices from July 19, 1969 to January 31, 1970, out of which nearly 50 per cent were located in the unbanked centres. During the same period, increased credit was given to farmers, small-scale industrial units, road transport operators, small traders and self-employed persons.

The full text of the paper follows:

Among the main objectives behind nationalisation are: (i) diversification of bank credit to ensure flow of financial assistance to the neglected sectors of economy in an increasing measure and (ii) mobilisation of deposits through a massive programme of branch expansion, especially in the unbanked rural areas. As the figures would bear out (tables attached), in spite of the shadow cast by the Writ Petitions challenging the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, and the stay orders of the Supreme Court, good progress has been made by the public sector banks in these directions

during the months following nationalisation.

Branch Expansion

During the period of a little over six months after nationalisation (from July 19, 1969, to January 31, 1970), 609 new offices were opened by the public sector banks of which a large proportion (nearly 50 per cent) were located in the unbanked centres. This compares with 484 branches opened by the public sector banks in the first half of 1969. As on July 19, 1969, the number of branches of the 14 nationalised banks in rural centres (i.e., places with population not more than 10,000) accounted for about 16.8 per cent of the total number of their branches. By the end of 1969, this percentage had gone up to a little over 20 per cent.

The branch expansion programme of major banks for 1970 envisages the opening of 1350 new offices. Of these, 1186 will be at unbanked centres i.e. nearly double the number of such branches opened last year. Of the 1,350 new branches to be opened, the share of public sector banks (i.e. the 14 nationalised banks, the State Bank of India and its 7 subsidiaries) will be 1300, and the bulk of this number (1300)

will be branches at hitherto unbanked places.

Besides, for intensive survey of banking potential and credit needs, each of the 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 more major banks (the public sector banks and two banks in the private sector) to act as the "Lead Bank" for the district. The 'lead bank' will act as a consortium leader and will take steps to initiate action for the development of banking facilities within the district allotted to it in co-operation with other banks which have branches and can also open new branches there.

Deposit Growth

During the period July 1969 to the end of February 1970, deposits of the public sector banks (excluding inter-bank deposits) went up by Rs 278.5 crores, from Rs 3874.3 crores to Rs 4152.8 crores, as against Rs 221 crores during the corresponding period last year (Table XI).

Credit to Neglected Sectors

During July, 1969 to January, 1970, the number of borrowal accounts of farmers, small-scale industrial units, road transport operators, small traders, self-employed persons and for purposes of education went up from 2,65,665 to 5,95,628 i.e. by more than 120 per

TABLE I
DIRECT FINANCE* (EXCLUDING PLANTATIONS) PROVIDED TO AGRICULTURE BY PUBLIC SECTOR BANKS

	End of June, 1969			End of January, 1970		
	No. of A/cs.	Outstandings (Rs lakhs)	Average per A/c. (Rs 000')	No. of A/cs.	Outstandings (Rs lakhs)	Average per A/c. (Rs 000')
	(1)	(2)	(3)	(4)	(5)	(6)
A. Fourteen nationalised banks :						
1. Central Bank of India	4,817	330.3	6.9	24,680	1264.9	5.1
2. Bank of India	16,696	413.4	2.5	22,257	710.4	3.2
3. Punjab National Bank	679	27.0	4.0	6,314	235.0	3.7
4. Bank of Baroda	7,605	302.5	4.0	19,046	999.0	5.2
5. United Commercial Bank	3,993	176.5	4.4	10,282	332.9	3.2
6. Canara Bank	41,995	292.9	0.7	71,770	585.1	0.8
7. United Bank of India	555	69.0	12.4	6,716	131.6	2.0
8. Dena Bank	4,945	180.2	3.7	11,143	327.2	2.9
9. Syndicate Bank	35,060	444.3	1.3	51,496	692.4	1.3
10. Union Bank of India	1,983	77.5	3.9	8,217	316.2	3.8
11. Allahabad Bank	813	43.4	5.3	2,277	162.2	7.1
12. Indian Bank	475	35.0	7.4	12,581	159.8	1.3
13. Bank of Maharashtra	2,522	113.0	4.5	3,665	245.0	6.7
14. Indian Overseas Bank	12,751	191.0	1.5	24,882	399.0	1.6
Total (1 to 14)	134,849	2696.0	2.0	2,75,326	6560.7	2.4
B. State Bank of India and its subsidiaries	37,031	1106.0	2.9	1,45,751	3745.0	2.6
Total (A + B)	171,880	3802.0	2.2	4,21,007	10305.7	2.4

Direct Finance comprises broadly of redit provided directly to farmers for financing production and development.
Note—Figures in this and other Statments of this set are provisional.

cent. (Table X). The amount outstanding in these accounts went up from about Rs 316 crores to about Rs 491 crores i.e. by Rs 175 crores during the same period (Table IX). The percentage of these advances to the aggregate amount of the credit of the public sector banks increased from 10.69 per cent in June, 1969 to 15.63 per cent at the end of January, 1970.

Direct Finance to Agriculture

The public sector banks advances to farmers (loans outstanding) increased from Rs 38.02 crores at the end of

June, 1969, to Rs 103.06 crores at the end of January, 1970, and the number of farmers' borrowal accounts jumped from 171,880 to 421,007 (Table I). For the 14 nationalised banks the number of farmers' borrowal accounts increased by 140,477 i.e. at the rate of about 20,000 accounts per month as against a monthly increase of about 9,300 during the year July, 1968, to June, 1969. The outstanding amount of advances granted to farmers by the nationalised banks increased by Rs 38.64 crores during the period i.e. at the rate of about Rs 5.52 crores per

month as against a monthly increase of Rs 1.86 crores during the one year preceding nationalisation

Small-Scale Industries

The outstanding amount of public sector banks advances to small-scale industrial units, which were already drawing substantial assistance from the banking sector, rose from Rs 251.46 crores in June, 1969 to Rs 324.85 crores in January, 1970. In the case of the 14 nationalised banks, the number of borrowal accounts of the small scale industrial units increased from 36,301

TABLE II
'INDIRECT FINANCE'* PROVIDED TO AGRICULTURE BY PUBLIC SECTOR BANKS

	End of June, 1969		End of January, 1970	
	No. of A/cs.	Outstandings (Rs lakhs)	No. of A/cs.	Outstandings (Rs lakhs)
	(1)	(2)	(3)	(4)
A. Fourteen nationalised banks :				
1. Central Bank of India	513	146.4	991	209.3
2. Bank of India	122	596.7	403	479.6
3. Punjab National Bank	72	917.0	494	704.0
4. Bank of Baroda	192	132.8	1946	323.7
5. United Commercial Bank	66	72.6	127	209.9
6. Canara Bank	357	136.9	3452	139.6
7. United Bank of India	25	92.8	300	129.3
8. Dena Bank	106	72.3	115	106.3
9. Syndicate Bank	1213	459.8	3253	557.3
10. Union Bank of India	945	231.4	64	172.6
11. Allahabad Bank	45	211.6	554	251.9
12. Indian Bank	139	29.2	143	133.2
13. Bank of Maharashtra	206	137.0	329	135.0
14. Indian Overseas Bank	46	111.0	63	128.0
Total (1 to 14)	4047	3347.5	12234	3445.8
B. SBI Group	709	8885.0	1368	7921.0
Total (A + B)	4756	12232.5	13602	11366.8

*'Indirect Finance' covers advances for distribution of fertilisers and other inputs, advances to State Electricity Boards and other types of indirect finance such as advances to custom service units and co-operative institutions financing agriculture.

TABLE III
ADVANCES BY PUBLIC SECTOR BANKS TO SMALL-SCALE INDUSTRY

	End of June, 1969		End of January 1970	
	No. of A/cs.	Outstandings (Rs lakhs)	No. of A/cs.	Outstandings (Rs lakhs)
	1	2	3	4
A. Fourteen nationalised banks :				
1. Central Bank of India	4,529	25,89.0	6,092	3321.2
2. Bank of India	2,478	12,05.3	3,322	1653.5
3. Punjab National Bank	1,820	9,10.0	2,492	1265.0
4. Bank of Baroda	2,793	11,54.0	4,713	1816.2
5. United Commercial Bank	2,084	8,60.7	3,035	1018.4
6. Canara Bank	5,574	11,49.0	7,422	1547.5
7. United Bank of India	486	3,83.9	1,107	492.7
8. Dena Bank	2,454	10,54.7	3,495	1394.6
9. Syndicate Bank	6,012	10,91.1	8,040	1478.5
10. Union Bank of India	1,101	5,64.3	2,515	844.1
11. Allahabad Bank	707	3,03.8	856	354.1
12. Indian Bank	762	11,48.0	929	788.0
13. Bank of Maharashtra	3,398	13,64.0	4,222	1670.0
14. Indian Overseas Bank	2,103	10,67.0	2,720	853.0
Total (1 to 14)	36,301	148,44.8	50,960	18496.8
B. SBI and its subsidiaries**	25,904	103,01.0	32,504	13988.1
Total (A + B)		251,45.8		32484.9

**Figures in cols. (1) and (3) relate to No. of units assisted and not borrowal accounts. Hence the figures under cols. (1) and (3) have not been totalled.

to 50,960 i.e. by 14,659 or about 2,000 accounts per month as against an increase of about 1,200 accounts per month during the one year preceding nationalisation. The outstanding amount of the advances of nationalised banks to small-scale industries increased during the period July 1969 to January, 1970 from about Rs 148 crores to Rs 185 crores i.e. by Rs 37 crores or at the rate of about Rs 5.2 crores per

month, as against a monthly increase of Rs 4 crores during the year ended June, 1969.

Road Transport Operators

Advances of the public sector banks to road transport operators recorded an increase of Rs 8.4 crores (from Rs 6.69 crores to Rs 15.09 crores) during the period July, 1969, to January, 1970. The bulk of these advances had gone to

taxi, scooter and auto-rickshaw drivers.

During July, 1969, to January, 1970, the number of borrowal accounts of retail traders with public sector banks went up from 28,037 to 74,372 and the amount outstanding in these accounts from Rs 19 crores to about Rs 45 crores. Many of the public sector banks have come out with liberalised schemes for financing small traders and self-employ-

TABLE IV
ADVANCES OF PUBLIC SECTOR BANKS TO ROAD TRANSPORT OPERATORS

	End of June, 1969		End of January, 1970	
	No. of A/cs	Outstandings (Rs lakhs)	No. of A/cs	Outstandings (Rs lakhs)
	(1)	(2)	(3)	(4)
A. Fourteen nationalised banks				
1. Central Bank of India	32	12.0	186	51.5
2. Bank of India	98	27.8	169	44.2
3. Punjab National Bank	..	..	191	26.0
4. Bank of Baroda	41	7.5	441	121.6
5. United Commercial Bank	35	6.8	202	49.8
6. Canara Bank	324	83.4	843	177.4
7. United Bank of India	40	11.5	157	24.1
8. Dena Bank	43	16.8	163	45.9
9. Syndicate Bank	1201	227.9	2236	472.3
10. Union Bank of India	22	6.9	107	28.1
11. Allahabad Bank	2	0.4	73	23.0
12. Indian Bank	299	195.0	226	156.8
13. Bank of Maharashtra	315	66.0	507	104.0
14. Indian Overseas Bank	75	7.0	109	19.0
Total (1 to 14)	2527(2147)	669.0(446.7)	5610(4869)	1343.7(1038)
B. S.B.I. Group	..	..	752*	165.8
Total (A + B)	2527	669.0	6362	1509.5

*Refers to number of units assisted.

Note : Figures in brackets indicate advances to taxi, scooter and auto-rickshaw drivers.

TABLE V
ADVANCES BY PUBLIC SECTOR BANKS TO RETAIL TRADERS

	End of June 1969		End of January, 1970		
	No. of A/cs	Outstandings (Rs lakhs)	No. of A/cs	Outstandings (Rs Lakhs)	Average per A/cs.(Rs 000)
	(1)	(2)	(3)	(4)	(5)
A. Fourteen nationalised Banks:					
1. Central Bank of India	..	137.1	2415	350.4	14.5
2. Bank of India	..	..	650	109.7	16.9
3. Punjab National Bank	..	..	1380	77.0	5.6
4. Bank of Baroda	..	..	2171	168.9	7.8
5. United Commercial Bank	..	..	N.A.	322.9	..
6. Canara Bank*	..	245.0	5059	170.2	3.4
7. United Bank of India	..	..	1155	101.5	8.8
8. Dena Bank	325	82.7	1786	445.2	24.9
9. Syndicate Bank*	1638	470.1	26160	715.0	25.3
10. Union Bank of India	22822	611.0	427	14.0	3.3
11. Allahabad Bank	..	..	830	46.8	5.6
12. Indian Bank	..	..	2511	94.9	3.8
13. Bank of Maharashtra	104	4.3	1976	272.0	13.8
14. Indian Overseas Bank	1707	223.0	4662	215.0	4.6
Total (1 to 14)	28037	1922.2	51182	3103.5	**
B. S.B.I. Group's advances under the head 'Small Business Finance' which includes loans to small traders and also self-employed professional groups.	..	..	23190	1352.0	5.8
Total (A + B)	28037	1922.2	74372	4455.5	5.8

* Figures in cols. (3), (4) and (5) relate to December, 1969.

**The average for 13 banks, in respect of which 'number of accounts' is available works out to Rs 5.4 thousand.

ed persons such as doctors, artisans, farm graduates, service stations, repair shops, etc. The outstanding amount of advances of the nationalised banks to self-employed persons increased from Rs 33 lakhs in June, 1969, to Rs 2.26 crores at the end of January, 1970 and

the number of borrowal accounts from 422 to 8072 (Table VI).

Education

The nationalised banks have also formulated schemes for extending credit to deserving students for carrying on

studies in India and abroad. The outstanding amount of advances for education by the nationalised banks went up from Rs 46 lakhs at the end of June, 1969 to Rs 1.19 crores at the end of January, 1970, and the number of accounts from 594 to 2,281 (Table VII).

TABLE VI
ADVANCES TO SELF-EMPLOYED PERSONS BY NATIONALISED COMMERCIAL BANKS

	End of June, 1969		End of January, 1970	
	No. of A/cs	Outstandings (Rs lakhs)	No. of A/cs	Outstandings (Rs lakhs)
	(1)	(2)	(3)	(4)
A. Fourteen nationalised banks :				
1. Central Bank of India	..	..	121	11.7
2. Bank of India*	..	..	116	7.0
3. Punjab National Bank	..	..	12	0.2
4. Bank of Baroda	..	..	272	7.9
5. United Commercial Bank	..	..	396	19.9
6. Canara Bank*	..	..	2022	40.4
7. United Bank of India	..	..	1	0.1
8. Dena Bank	1	0.1	344	3.9
9. Syndicate Bank	..	..	64	1.8
10. Union Bank of India	..	..	443	17.3
11. Allahabad Bank	..	..	2597	54.8
12. Indian Bank	..	..	585	47.0
13. Bank of Maharashtra	421	33.0	1099	14.0
14. Indian Overseas Bank	..	..	..	..
Total (1 to 14)	422	33.1	8072	226.0

*Figures in cols (3) and (4) relate to December, 1969.

Note : Data in respect of advances of S.B.I. and its subsidiaries to self-employed groups are included under "Small Business Finance" shown in the Statement on advances to retail traders.

TABLE VII
ADVANCES FOR EDUCATION BY NATIONALISED COMMERCIAL BANKS

	End of June, 1969		End of January, 1970	
	No. of A/cs	Outstandings (Rs lakhs)	No. of A/cs	Outstandings (Rs lakhs)
	(1)	(2)	(3)	(4)
A. Fourteen nationalised banks:				
1. Central Bank of India	..	..	8	0.8
2. Bank of India	..	..	7	0.9
3. Punjab National Bank	..	..	6	0.1
4. Bank of Baroda	..	..	135	11.5
5. United Commercial Bank	..	..	10	1.2
6. Canara Bank*	..	..	924	12.4
7. United Bank of India	2	0.1	2	0.1
8. Dena Bank*	2	0.5	57	0.8
9. Syndicate Bank	549	26.2	1017	57.5
10. Union Bank of India	..	..	15	1.3
11. Allahabad Bank	..	..	..	..
12. Indian Bank	10	7.5	26	7.2
13. Bank of Maharashtra	23	11.0	64	25.0
14. Indian Overseas Bank	8	0.3	10	0.4
Total (1 to 14)	594	45.6	2281	119.2

* Figures in cols. (3) and (4) relate to December, 1969.

TABLE VIII
PUBLIC SECTOR BANK ADVANCES TO VARIOUS NEGLECTED SECTORS AS PERCENTAGE OF THEIR AGGREGATE ADVANCES

	June, 1969	January, 1970
I. Agriculture		
(a) Direct Finance (Excluding plantations)	1.29	3.28
(b) Indirect Finance	4.14	3.62
II. Small-Scale Industry	8.50	10.34
III. Road Transport Operators	0.23	0.48
IV. Small Traders	0.65	1.42
V. Self-Employed	0.01	0.07
VI. Education	0.02	0.04
	14.83	19.25

NOTE : Percentages for cols. (1) are worked out in relation to aggregate advances of the public sector banks as on July 18, 1969.

TABLE IX
ADVANCES OF PUBLIC SECTOR BANKS TO AGRICULTURE AND OTHER NEGLECTED SECTORS
(Outstandings)

(Rs lakhs)

Advances to	OUTSTANDINGS	
	June, 1969	January, 1970
	(1)	(2)
I. Agriculture		
(a) Direct (excluding plantations)	38,02.0	1,03,05.7
(b) Indirect	122,32.5	1,13,66.8
II. Small-Scale Industry	2,51,45.8	3,24,84.9
III. Road Transport Operators	6,69.0	15,09.5
IV. Small Traders	19,22.2	44,55.5
V. Self-Employed	33.1	226.0
VI. Education	45.6	119.2
TOTAL (I to VI)	4,38,50.2	6,04,67.6
Total advances by the above mentioned banks	2,95,700*	3,14,123
Total Deposits of the above mentioned banks	3,87,010	4,12,978

*Relate to July 18, 1969.

A. Increase in the advances to agriculture and other neglected sectors between July, 1969 and January, 1970—Rs 166.2 crores.

B. Deposits accretion during July 1969 January, 1970.—Rs 260 crores.

C. 'A' as percentage of 'B': 63.9%.

TABLE X
ADVANCES OF PUBLIC SECTOR BANKS TO AGRICULTURE AND OTHER NEGLECTED SECTORS
(Borrowal Accounts)

	No of Borrowal A/Cs as at the end of	
	June, 1969	January, 1970
	(1)	(2)
1. Agriculture (excluding plantations)		
(a) Direct	1,71,880	4,21,077
(b) Indirect	4,756	13,602
2. Small-Scale Industry	62,205	83,464
3. Road Transport Operators	2,527	6,362
4. Small Traders	28,037	74,372
5. Self Employed	422	8,072
6. Education	594	2,281
Total (1 to 6)	2,70,421	6,09,230

TABLE XI
AGGREGATE DEPOSITS OF SCHEDULED COMMERCIAL BANKS (Rs Crores)

	Variations During					
	July, 19 1968	Feb. 28, 1969	July 18, 1969	Feb. 27, 1970	July 19, 1968 & Feb. 28, 1969	July 18, 1969 Feb. 27, 1970
	(1)	(2)	(3)	(4)	(5)	(6)
A. State Bank of India	856.9	924.9	959.2	1045.7	+68.0	+86.5
B. Subsidiaries of S.B.I.	259.6	260.0	288.9	303.3	+0.4	+14.4
C. Fourteen nationalised banks:						
1. Central Bank of India	398.8	408.1	441.6	471.0	+9.3	+29.4
2. Bank of India	303.4	323.6	357.8	377.1	+20.2	+19.3
3. Punjab National Bank	319.3	332.3	357.5	372.3	+13.0	+14.8
4. Bank of Baroda	231.4	253.2	282.7	301.4	+21.8	+18.7
5. United Commercial Bank	166.4	179.4	204.1	216.3	+13.0	+12.2
6. Canara Bank	118.4	133.2	147.8	164.9	+14.8	+17.1
7. United Bank of India	125.4	132.1	146.4	157.0	+6.7	+10.6
8. Dena Bank	104.4	111.5	125.0	132.4	+7.1	+7.4
9. Syndicate Bank	81.3	98.9	109.7	127.9	+17.6	+18.2
10. Union Bank of India	96.0	99.5	115.0	120.0	+3.5	+5.0
11. Allahabad Bank	100.0	106.9	113.8	122.3	+6.9	+8.5
12. Indian Bank	67.5	72.9	79.3	82.3	+5.4	+3.0
13. Bank of Maharashtra	66.3	72.8	78.2	86.4	+6.5	+8.2
14. Indian Overseas Bank	54.6	61.4	67.3	72.5	+6.8	+5.2
Total 'C' (1 to 14)	2233.2	2385.8	2626.2	2803.8	+152.8	+177.6
Total (A+B+C)	3349.7	3570.7	3874.3	4152.8	+221.0	+278.5
Other Indian Scheduled Commercial Banks	233.7	266.3*	299.2	307.9	+32.6	+8.7
Foreign Banks	436.8	442.3	482.4	490.6	+5.5	+8.2
Total for all Scheduled Commercial Banks	4020.2	4279.3	4655.9	4951.3	+259.1	+295.4

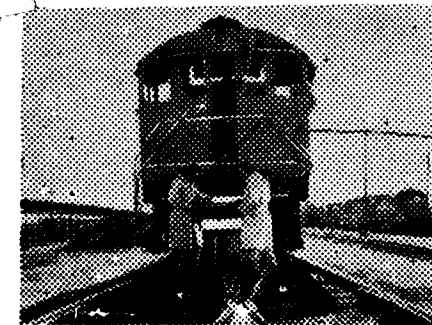
*Including figures of National Bank of Lahore and Bank for Behar which have since been merged with the State Bank of India.

Note: (1) Data are provisional. (2) Constituent items may not add up to the total shown in the statement due to rounding differences.

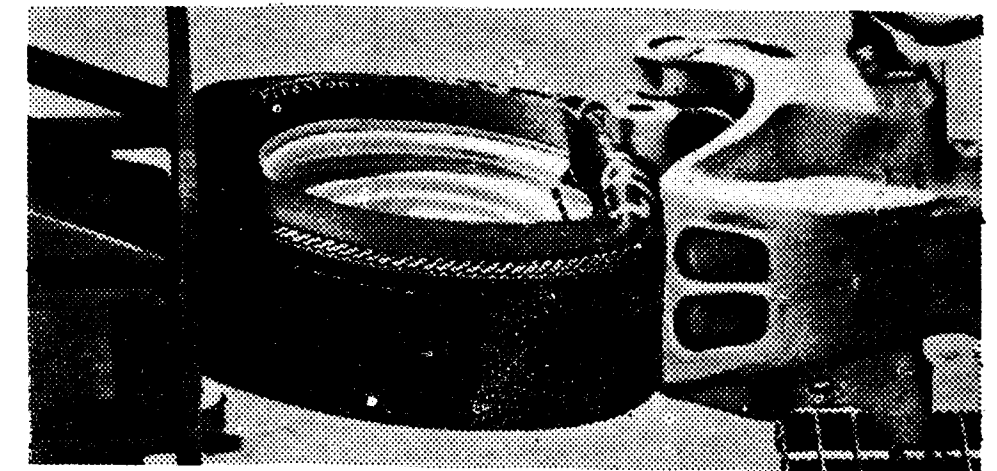
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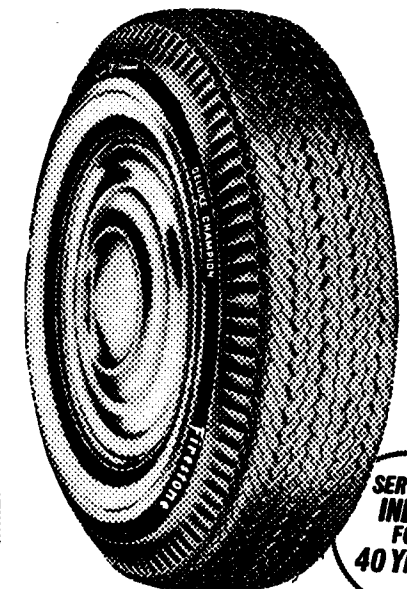
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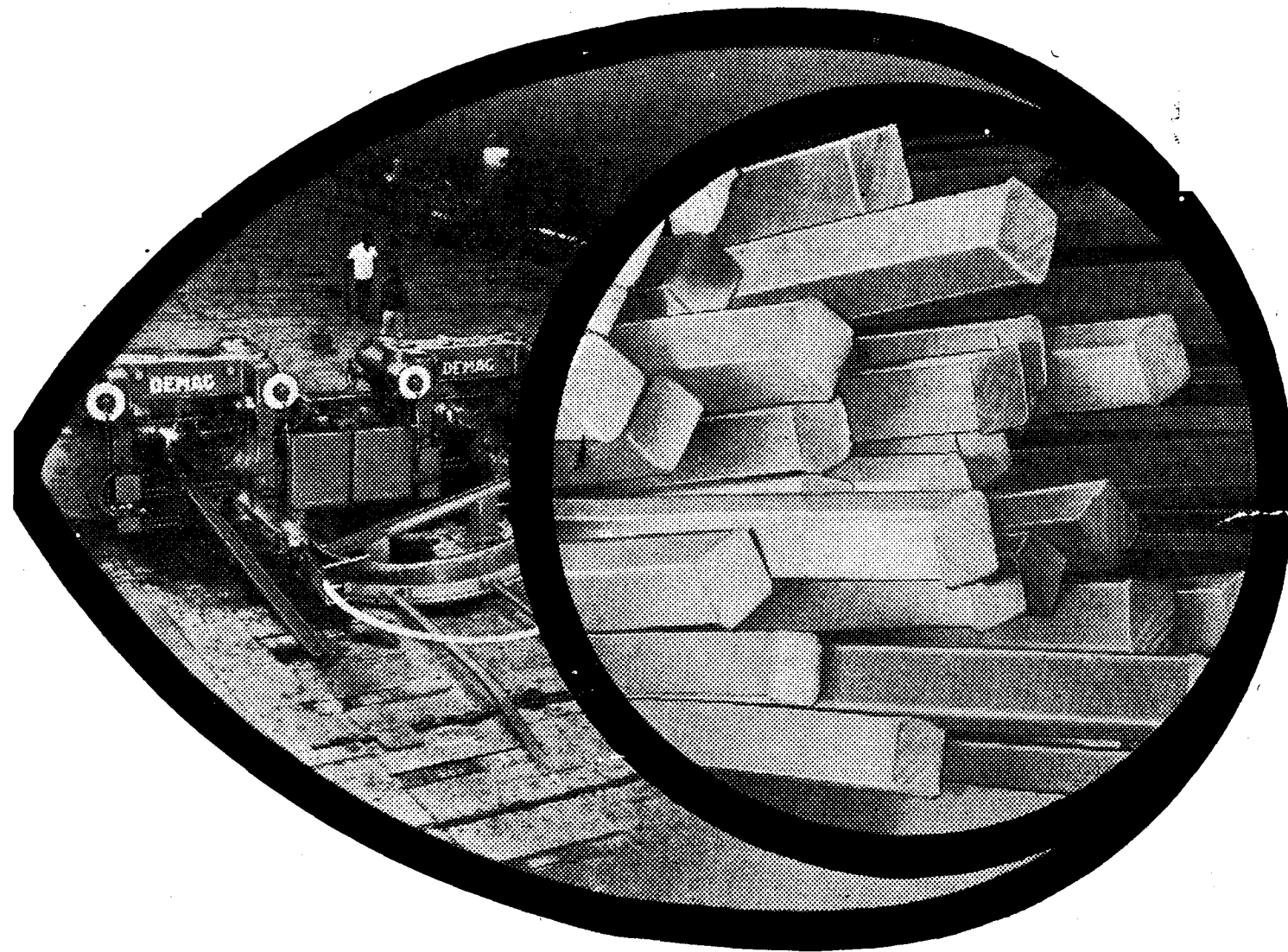


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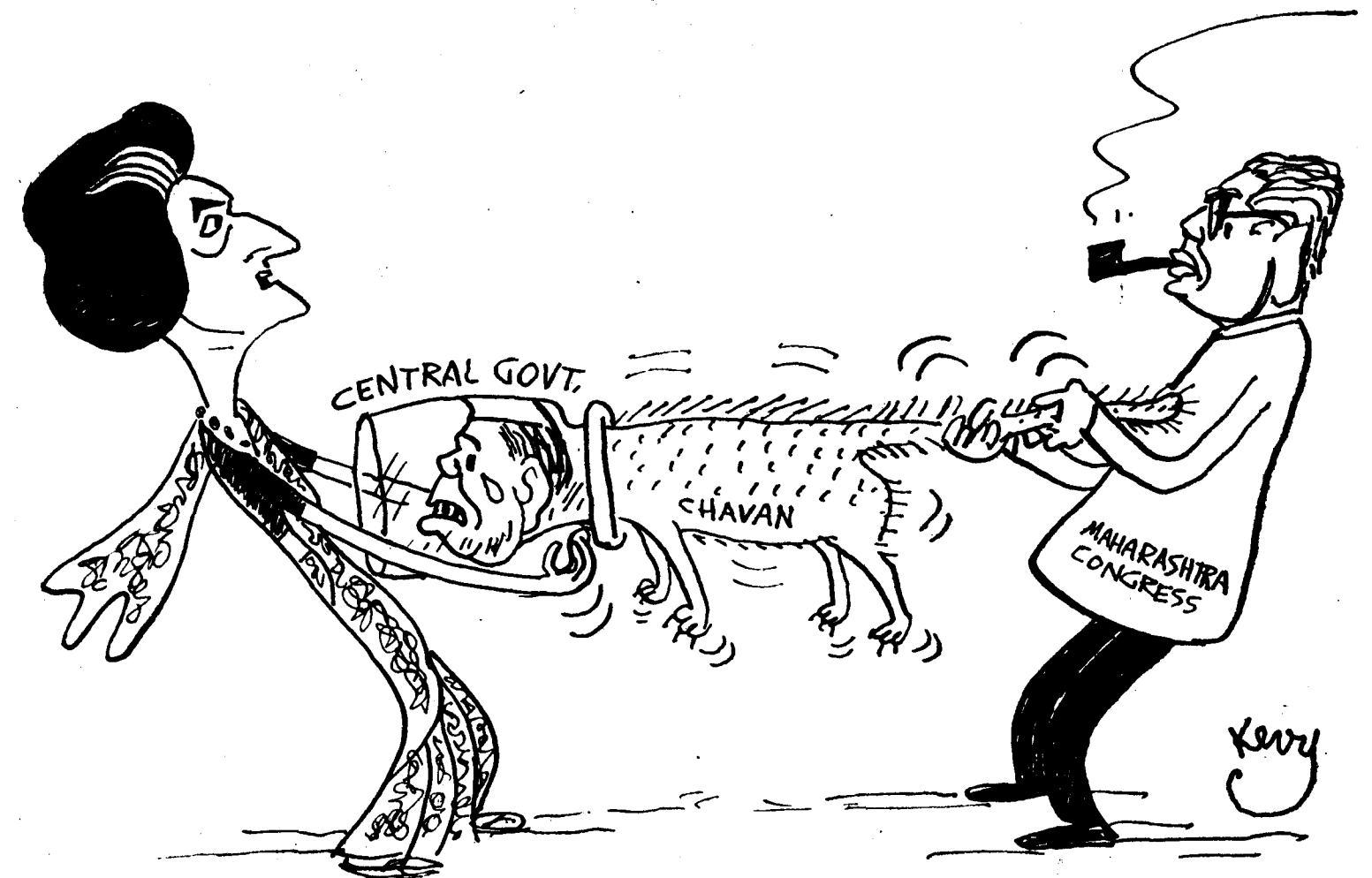
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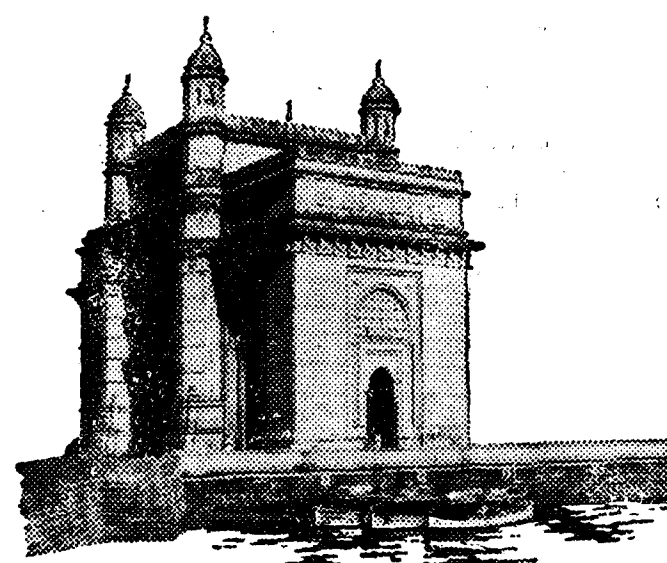
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FOOD AND FREEDOM

THE MINISTRY of Food and Agriculture, it is clear, is now caught in a clash of political opportunism with the clear logic of economic realities. With the production of foodgrains responding to the new agricultural strategy, it is becoming increasingly desirable that this green revolution should be consolidated with the help of a proper economic climate and context. The principal ingredient of this essential economic environment is, without doubt, the speedy elimination of barriers to the movement of or trade in foodgrains so that farmers may be able to benefit from the opportunities of a national market. Fortunately, we have a minister in the Ministry of Food and Agriculture in the central government, who has the gumption and the guts to comprehend this situation and act on its logic. Thanks to the leadership given by Mr Jagjivan Ram, a conference of chief ministers, held in New Delhi recently, was sensible enough to vote for the abolition of wheat zones, with the result that movement of and trade in wheat can now freely take place across state boundaries, except to the extent that the urban areas of Calcutta and Bombay continue to be under statutory rationing. In the case of rice, too, zonal restrictions will probably be terminated in the next kharif season; meanwhile, Tamil Nadu has done away with food control, except for a few restrictions, some of which are largely ritualistic.

These developments should, in the ordinary course, be accompanied by a growth in opportunities for normal trade channels to resume functioning in a regular way after years of government interference of all kinds. Actually, however, there seems to be more nervousness now in this section of the business community about its future than there was even in days when official procurement was, oppressive and statutory rationing extensive. This odd situation is entirely a creature of the politics of opportunism which is plaguing the nation today. The ruling party at the centre, having committed itself ideologically to state trading in foodgrains, businessmen dealing in these and other agricultural commodities are naturally apprehensive of the Damocles' sword thus hanging over their heads. At the same time, far from being demoralised, they are trying to educate public opinion against the unsoundness of schemes of monopolistic state trading in agricultural commodities.

The wholesale grain trade, for instance, held a convention in New Delhi some days ago and effectively exposed the political attitudes and prejudices behind proposals for the state taking over the wholesale trade in foodgrains and other agricultural commodities. This probably provoked Mr Jagjivan Ram to strike a pose in the Lok Sabha on April 14 and declare that he attached no importance to this convention or its resolutions. Ministers may be permitted their small vanities and, in any case, Mr Jagjivan Ram is not a particularly vain person. It can therefore be safely assumed that, in the event, his influence would be exercised more for the purpose of restraining or moderating politically-motivated decisions by the government than for egging the ruling party on in its pursuit of any irrelevant radicalism. This journal therefore entertains no excessive anxiety over the immediate future of the grain trade.

The Food Corporation of India has, no doubt, come to stay and this agency as well as the state governments will certainly continue to play a part in the purchase of foodgrains from cultivators. This intervention on the part of the state in the foodgrain trade, provided it is kept within reasonable bounds, may be accepted as a necessary instrument for ensuring a certain degree of price security to the farming community as an incentive to increased production. What must be of greater concern to businessmen are the practical difficulties they are up against when trading in foodgrains or other agricultural commodities. The President of the All-India Federation of the Foodgrain Dealers' Associations, Mr V.A. Agarwal, speaking at the New Delhi convention, complained, for instance, of the credit squeeze put on the wholesale trade in foodgrains.

There have been other grievances as well. Forward trading in groundnut, for example, continues to be banned and there is not even an indication that the government is prepared to consider this issue on its technical merits. Recently, forward trading was permitted in gur on the ground that it would help to arrest a decline in prices and stabilise the market in the context of higher production. Here the assumption, rightly, was that forward trading could serve the legitimate interests of the producer in the decentralised sector of industry. Forward trading, in other words, has been admitted to be capable of performing a socially desirable

function under certain circumstances. It follows that it cannot be held an undesirable activity *per se*.

This strengthens the argument that the case for the resumption of forward trading in groundnut should be examined *de novo* on its technical merits in the context of the present or the foreseeable future. It is true that there is a shortage of groundnut now and that prices have risen steeply. It does not necessarily follow, however, that the resumption of forward trading would accentuate this trend in prices. On the contrary, it may well have the opposite effect by permitting the market to take a view of prices in the perspective of a possible improvement in supplies in the future. If forward trading in gur is useful for arresting a steep decline in prices in the context of a glut, forward trading in groundnut may, on the same reasoning, be helpful in moderating the pressure on prices arising out of short-term bullish factors. There is also the fact to be considered that, in the case of groundnut, the principal buyers are

well-organised processing industries and there is every reason to believe that the interposition of properly regulated forward trading would bring a constructive presence to bear on the interests of the growers of groundnut.

To conclude, in our view, the prospects of a government monopoly of trading in agricultural commodities seem to be less real than the cold contemporary realities of the numerous obstructions and difficulties placed in the way of business in various agricultural commodities. The businesses and trades concerned would therefore do well to address themselves to the specific tasks of pleading or pressing for early solutions to their current problems rather than attempt to confront the politician on his own ground. As far as the union Minister for Food and Agriculture is concerned, we are inclined to be rather hopeful that his response would be positive and constructive to reasonable demands reasonably expressed.

Leaning on the Centre

DESPITE SUBSTANTIAL transfer of resources from the centre to the states as a result of the recommendations of the fifth Finance Commission, every state—with the exception of Andhra Pradesh — has disclosed a deficit in its overall budgetary position for 1970-71. This was not unexpected because the impression prevails among the state governments that the centre tends to assist those states which are in the red. The special assistance fund of Rs 175 crores which the Prime Minister intends disbursing in the current year has started a rivalry among the states and each one of them is keen to have as big a slice of this fund as possible by highlighting its backwardness, especially through a deficit budget.

The overall budgetary position of the states for 1970-71 shows a deficit of Rs 226.70 crores which is smaller than the deficit of Rs 271.60 crores indicated by the states in their budgets last year. If the opening balances of the states are taken into account, the overall deficit rises to Rs 343.44 crores. The special assistance fund will finance nearly 50 per cent of the shortfall in resources of the states while the balance will have to be covered through economy in expenditure. Some of the states whose budgets were finalised before the presentation of the central budget were not able to take into account their share of the additional central levies. This additional reve-

nue is also likely to be of assistance in covering a part of the shortfall in resources. It is desirable that the practice of presenting state budgets before the finalisation of the central budget should be given up because it would assist in improved assessment of the budgetary position of the states.

The largest overall deficit at Rs 37.30 crores was in the case of Orissa. Its revenue deficit was Rs 17.10 crores without taking into account the receipt of Rs 6.02 crores accruing from new taxes such as increases in electricity duty, irrigation rates and rates of mining royalty and the rationalisation of the system of agricultural income-tax assessment. The Chief Minister of Orissa, Mr Singh Deo, who also holds the finance portfolio, stated in his budget speech that the award of the fifth Finance Commission had been very unsatisfactory for Orissa and other weaker states and, hence, it would not be desirable to keep it valid for a full term of five years.

The second largest deficit at Rs 35.42 crores was in the case of Rajasthan. The new levies imposed by the state Finance Minister, Mr Mathura Das Mathur, are expected to yield Rs 3.87 crores. Sales tax on rice, poultry, biscuits, corn flakes, wheat flakes, automobile spare parts and electrical appliances has been raised; yield from this source is expected to be Rs 1 crore. The increase in state excise duties is

likely to yield Rs 1.55 crores. The tax effort is only a small fraction of the budgetary gap. According to Mr Mathur, the entire deficit in the state budget related to non-Plan expenditure and he hoped that the central government would take care of it.

Even though the overall deficit of Kerala at Rs 25.86 crores was lower than that of Orissa and Rajasthan, it was significantly large in relation to the size of the state. The state Finance Minister levied new taxes with an annual yield aggregating to Rs 1.90 crores but had to withdraw the proposed sales tax on soap, ice and ornaments made of gold and silver. As in the case of Rajasthan and Orissa, in the case of Kerala too the new taxes formed only a small proportion of the budgetary gap. Other states which have disclosed sizeable budgetary deficits are Bihar (Rs 19.16 crores) and Maharashtra (Rs 20.17 crores).

The revenue deficit for 1970-71 in the case of Tamil Nadu has been estimated by the state Finance Minister, Mr K.A. Mathiazhagan, at Rs 8.94 crores out of which six crores of rupees have been covered by additional imposts. Adjustments in the rates of sales tax on single-point commodities are expected to yield Rs 2.30 crores. Increases in the rates of tax on such "luxury goods" as motor vehicles, refrigerators, typewriters, clocks, watches, wireless sets, cinematograph and photographic equipment and gramophones will bring in another crore of rupees.

A new tax in the form of a 7½ per cent surcharge on sales tax on assesseees whose turnover exceeds five lakhs of rupees is expected to yield Rs 1.1 crores. Adjustments in the rates of motor vehicles tax are likely to yield Rs 1.6 crores. Increases in the rates of tax on aviation fuel and petrol will give additional revenue of Rs 0.5 crore while a hundred per cent enhancement in the entertainment tax on cinema houses will yield another Rs 0.5 crore. Some of the concessions provided for the benefit of state government employees, pensioners, employees and teachers in aided schools will take away a part of the yield from the new imposts, leaving about six crores of rupees with the state government.

The burden of taxation on such "luxury goods" as refrigerators, motor cars, wireless sets and gramophones in Tamil Nadu is increasing year after year because of the increase in sales tax rates by the state government and the enhanced excise duties by the centre.

Rising tax rates in the case of such goods are likely to defeat the very purpose of obtaining increased tax revenue because their sales are highly sensitive to changing prices. The demand for luxury goods being very elastic, rising prices consequent upon increased taxes tend to reduce sales thus scaling down the tax revenue. If both the central and state governments continue to increase the tax rates on these goods, besides reducing revenue from taxes on them, the programmes of production of these industries would be hurt because of reduced sales. The financial experts of both the central and state governments should look into this problem and devise ways and means of keeping the combined impact of all taxes to such a level that the growth prospects of these industries are not threatened.

No new taxes have been imposed by Andhra Pradesh, Bihar, Haryana, Madhya Pradesh, Maharashtra, Nagaland, Punjab, Uttar Pradesh and West Bengal. Mr K. Vijayabhaskar Reddy, Finance Minister of Andhra Pradesh stressed the necessity of raising additional revenue through new measures for the development of the state. Though additional funds are likely to accrue to Andhra Pradesh through the scrapping of prohibition, the financial needs of the state are growing. Said Mr Reddy: "Unless we prefer to remain static, we have to explore fresh avenues of taxation to fulfil commitments to people."

Mr K. L. Dube, Finance Minister of Madhya Pradesh, held out the hope that the deficit would be covered through economy measures and hence he felt no need of imposing any additional burden on the people. The deficit in the case of Maharashtra was only "apparent", as the Finance Minister, Mr S. K. Wankhede, had not taken credit of the open market borrowings and the share of the additional levies in the central budget for 1970-71; there was thus ample justification for not introducing new levies. According to Mr Balwant Singh, the saturation point had been reached in so far as taxation in Punjab was concerned. Punjab, he said, was already the most highly taxed state in the country and hence he felt no need for imposing new taxes. In Uttar Pradesh, the state Finance Minister, Mr Balbir Singh, did not impose any new taxes as the BKD government had been formed only two weeks before the presentation of the budget and he had very little time to formulate the policies of the government in detail.

Apart from the specific reasons men-

tioned by some of the finance ministers, there is another factor which has worked effectively against the levy of new taxes. The reference here is to the shaky political status of some of the state governments. Because of frequent defections of legislators the parties in power in respective states dare not take any measures which might prove unpopular among the people and give a handle to their opponents (both in the ruling clique and the opposition parties) to topple the government.

The seven states which did levy new taxes mobilised no more than Rs 25 crores. The leader in this regard was

Orissa (Rs 6.02 crore), followed by Tamil Nadu (Rs 6.00 crores), Mysore (Rs 5.0 crores), Rajasthan (Rs 3.87 crores), Himachal Pradesh (Rs 2.50 crores), Gujarat (Rs 0.65 crore) and Jammu & Kashmir (Rs 0.50 crore). Thus, in the second year of the fourth five-year Plan the states, whether individually or collectively, have not been too keen on increasing their resources through new tax measures. It follows that they will be depending increasingly on the centre for funds.

At present, nearly one-half of the expenditure of the states is financed by transfers from the centre. If the pre-

TABLE I
REVENUE BUDGETS OF STATES : 1970-71

(Rs crores)						
	Revenue receipts	Revenue expenditure	Surplus (+) deficit (-)			
Andhra Pradesh	265.96	265.43	—0.47			
Assam	111.03	110.69	+0.34			
Bihar	234.90	236.17	—1.27			
Gujarat	193.12	188.94	+4.18			
Haryana	92.44	90.60	+1.84			
Jammu & Kashmir	67.20	65.26	+1.94			
Kerala	144.47	157.95	—13.48			
Madhya Pradesh	220.43	212.39	+8.04			
Maharashtra	432.82	426.25	+6.57			
Mysore	233.47	248.95	—15.48			
Nagaland	33.93	33.93	—			
Orissa	126.36	143.46	—17.10			
Punjab	154.39	134.96	+19.43			
Rajasthan	168.64	188.07	—19.43			
Tamil Nadu	288.04	296.98	—8.94			
UP	455.25	413.80	+41.45			
West Bengal	279.31	285.42	—6.11			
Himachal Pradesh	20.64	47.99	—27.35			
TOTAL	3,522.40	3,548.24	—25.84			

TABLE II
OVERALL BUDGETARY POSITION OF STATES : 1970-71

(Rs crores)						
	Surplus (+) deficit (-)					
Andhra Pradesh	+14.30	(— 0.13)				
Assam	—16.88	(—41.86)				
Bihar	—19.16	(—21.74)				
Gujarat	— 8.70	(—29.97)				
Haryana	— 6.60	(—12.50)				
Jammu & Kashmir	— 0.57	(+ 1.69)				
Kerala	—25.86	(—39.60)				
Madhya Pradesh	— 3.28	(— 6.47)				
Maharashtra	—20.17	(—32.02)				
Mysore	—11.16	(— 8.20)				
Orissa	—37.30	(—36.89)				
Punjab	— 7.30	(— 7.42)				
Rajasthan	—35.42	(—63.23)				
Tamil Nadu	— 6.00	(— 5.45)				
UP	— 1.24	(+ 0.93)				
W. Bengal	—15.51	(—40.58)				
Himachal Pradesh	—25.84*					
	—226.70		(—343.44)**			

*Revenue Account Only.

**Excluding Himachal Pradesh.

Figures in brackets show in each case the total of overall budgetary position and the opening balance.

sent trend continues, the dependence of the states on the centre will increase and the chances of the former becoming autonomous and viable units will recede further.

In the wake of the agricultural revolution, agricultural incomes have increased sharply in some parts of the country. It would have been appropriate if the states had shown some courage in imposing taxes on agricultural incomes instead of relying on such

Success of Sorts

THE CENTRAL Government has completed its first stage of the borrowing programme for the current financial year successfully in the face of difficult conditions in the money market because the monetary authorities could adopt the necessary techniques for ensuring this success and were not much bothered about the adverse effects that might be induced, although temporarily, by a large diversion of funds from the banking system and other financial institutions. The list for the 5 per cent long-dated 2000 loan had to be kept open only for about two hours on April 11, as the required subscriptions could be secured promptly.

The details made available by the Reserve Bank show that total subscriptions were Rs 290.02 crores, out of which conversion applications accounted for Rs 140.12 crores. The maturing 4 per cent 1970 loan was outstanding to the extent of Rs 178.25 crores. Since on the last occasion conversion applications amounted to Rs 167.75 crores against the outstanding amount of Rs 202 crores in respect of the 4 per cent 1969 maturing loan, the funding operation this year has again been carried out satisfactorily. But what is surprising is the fact that net borrowing will be much higher at Rs. 111.77 crores against only Rs 73.01 crores in 1969-70 though banks were not in a position to part with large amounts in cash. The better achievement in the first tranche of the centre's borrowing programme for 1970-71 is due to the peculiar decision of the Reserve Bank to fix the notified amount for the loan at Rs 275 crores against only Rs 250 crores, previously.

No rational explanation can be given for this move of the monetary authorities as even with the large influx of funds into the money market with heavy disbursements by the central and state governments in the first week of April, the net benefit derived by the credit structure may not be tangible. What was pumped into the system by way of expeditious pay-

relatively inelastic sources of revenue as sales tax and excise duties. Let us not forget that a sizeable portion of our development effort is currently being spent on agricultural development. When, as a result of this investment, agricultural incomes move up, we must try to mop up a part of them for bridging the gaps in the resources of the states. The fifth Finance Commission has also made this suggestion but the states have so far turned a deaf ear to it.

ments against outstanding government bills has been siphoned away by large cash subscriptions to the long-dated loan.

It is not known who exactly put up the fairly large gross cash subscriptions of Rs 149.90 crores on April 11. But it is quite likely that the Life Insurance Corporation, provident funds and trusts did not account for more than Rs 80 crores at the outside limit, which would suggest that about Rs 70 crores was the share of the banking system in the shape of cash subscriptions. This is somewhat intriguing as credit institutions do not usually favour investments in a long-dated loan especially when there are indications that the Reserve Bank may be obliged to effect an adjustment in its lending rate to 5½ per cent from 5 per cent if there is no distinct improvement in conditions in the money market during the forthcoming slack season.

There have obviously been some window-dressing operations as heavy payments were made on April 15 in respect of the unconvered portion of the 4 per cent 1970 loan. As net borrowing was only Rs 111.77 crores, as stated above, banks and others may not have subscribed more than Rs 32 crores by way of cash to the long-dated loan and it is quite likely that there would be switching operations between the Reserve Bank and the major nationalised banks in the latter half of April in order to comply with the stipulation regarding the raising of the liquidity ratio by one per cent to 27 per cent. The gilt-edged market is practically inactive, as major transactions are concluded between the Reserve Bank and the nationalised banks and the adjustments may not be publicly known. If the earlier procedures are followed, it is only reasonable to presume that the Reserve Bank submitted large conversion applications and also put in some cash subscriptions.

The major banks too might have tem-

porarily supported the loan in the expectation of selling parcels of this loan to the central banking institution and buying back short-dated and medium-dated securities in their place. These adjustments have no significance from the money market point of view as the net drain of funds through cash borrowing can be offset only if there were heavy payments subsequently. It is, however, unlikely that these disbursements will have a neutralising effect as the outstanding bills could have been cleared substantially and the central government may effect adjustments only in respect of their liability towards the Reserve Bank or the overdrafts of the state governments. Thus, there may be cancellation of ad hoc securities or a sharp reduction in the overdrafts of the states.

The strategy adopted by the government in respect of its borrowing programme cannot, therefore, be satisfactorily explained. The proper course, as already discussed, would have been to limit borrowing only for Rs 200 crores in the first tranche, raise another Rs 100 crores in the second stage and carry out a purely funding operation in the third stage when the 3 per cent 1970-75 loan, outstanding for Rs 115.06 crores, falls due for repayment on October 15. Instead of this straightforward course which would have ensured complete success for the borrowing programme of the government and at the same time avoided unnecessary strain on the money market, the attempt to borrow heavily even in the first stage will result in a prolongation of the pressure on the money market till July and prejudice the prospects for the state loans. There can be a significant reduction in borrowings of scheduled commercial banks from the Reserve Bank only over a period particularly as there is the likelihood of the Food Corporation of India borrowing heavily from banks for carrying out its procurement operations.

It cannot definitely be said what will be the expansion of credit for this purpose. But even with the extension of the wheat zone to the whole country, except the statutorily rationed areas, if the Food Corporation of India attempts to procure sizeable quantities of wheat the amount involved may be anything between Rs 150-200 crores. This would indicate that even a vigorous growth in deposits in the next three months may not be adequate for meeting the needs of procurement. Borrowings of scheduled commercial banks can therefore record a significant decline only after July. Under these circumstances will the central government allow the state governments

to borrow their requirements towards the end of July or early in August and itself come on the market again to complete its second tranche of borrowing in the first week of October? The

Getting Close to Colombia

THE RECENT visit of an eight-member trade and economic mission led by Dr Hernando Gomez-Otalora, Minister of Economic Development of the Republic of Colombia is bound to help in the promotion of trade and economic co-operation between the two countries. This mission is a follow-up of an economic and trade delegation which visited Colombia in May 1969 under the leadership of Mr Ramnath A. Podar. That delegation had suggested that Colombians should come and observe at close quarters the industrial development and economic growth achieved by this country in recent years and explore trade opportunities and possibilities of collaboration in industry and technology.

Trade between Colombia and this country is meagre, but still some advance was observed during the last few years. For instance, as against a negligible level of imports from Colombia of the value of Rs 7,000 in 1963-64, this country bought goods worth Rs 81.36 lakhs in 1966-67. During the following two years the imports further doubled to be around Rs. 167.00 lakhs in 1968-69. This country has been importing from Colombia mainly emeralds, precious stones and small quantities of fertilizers. Exports from this country are mainly of shellac, electrical machinery and appliances, cement, zinc strips and palm fibre.

Colombia is a country with a great variety of mineral and natural resources. It ranks second in South America in petroleum output and leads in the production of gold, possessing around one-third of the known gold resources of that continent. It is the world's principal producer of emeralds and is one of the few places where platinum is found. One of the most promising sources of industrial potential is the country's coal reserves, variously estimated between 10 and 27 billion tonnes. In recent years Colombian industry has surpassed all other Latin American countries in growth rate because of increased private investment and efforts by government to attain economic self-sufficiency. Industrial production has been reported at around eight per cent for 1969, and one leading factor was the use of electric power, which rose nearly nine per cent between January and May, 1969. Vehicle production dur-

money market will be witnessing interesting developments in the next few months and there can be a distinct improvement in conditions only if there is a spectacular growth in deposits.

ing the current year is expected to be doubled. The opening in March of the Trans-Andean line from Putumayo fields of Texaco-Gulf has boosted Colombian production of oil in 1969 by nearly 25 per cent.

In view of the expanding industrial base, Colombia has substantial demand for technical know-how and plant and equipment, which this country can offer. There already exists co-operation between Colombia and this country in the twist drill manufacturing plant, which would initially manufacture 100,000 twist drills per month, to which later on items like milling cutters, screwing taps would be added. The total outlay on the plant is likely to be around \$ (US) 250,000 of which 40 per cent is to be contributed by the Colombian collaborators and the balance by others outside Colombia including this country.

The delegation led by Mr Podar discussed at length the possibilities of collaboration between these two countries and expressed desire to explore the possibilities to several joint industrial projects. Consequently, the present Colombian mission has shown keen

interest in the development of small-scale industrial sector, and requested for detailed information on the various promotional services and incentives which are being extended to it by the government in this country. Mr Venkataraman, Member (Industry), Planning Commission, told the visiting delegation during a meeting that this country had developed small-scale industries, which supplied ancillaries and components to large units, besides producing a number of consumer goods. He pointed out that certain categories of industries were offered financial support in the form of long-term loans, subsidies and technical and managerial services, price preferences, development rebate, tax concessions and drawback on exports.

Dr Gomez-Otalora made it clear that his country would be interested in collaborations in the large-scale industrial sector and added that there was considerable scope for a heavy machine tool industry. It was also recognised during the talks that the experience of this country in the establishment of labour-intensive industries could be of interest to Colombia and it was agreed that further practical steps would be taken to evolve schemes for technical co-operation between the two countries in large-scale sector.

In his talks with Mr B. R. Bhagat, the Minister for Foreign Trade, Dr Gomez-Otalora reaffirmed that a trade agreement would be concluded shortly in order to promote co-operation to the mutual advantage of both countries.

Eastern Economist 25 Years Ago

APRIL 27, 1945

The Press communique issued by the Government of India declaring their industrial policy, belated though it be, is to be welcomed. Not that it has succeeded, as the Government claim, in clearing up "the uncertainty which appears at present to be impeding the plans of development by private industry." That uncertainty will disappear only when the present Government comes peacefully but speedily to a close and a responsible government comes to the powers of the centre and provinces and States will be definitely distributed. For example, one of the most vital elements in planning, namely, central control and coordination is now necessarily left in doubt and uncertainty. "It is intended to be in operation for so long as the present constitution lasts; and to what

extent it will survive beyond that period is a matter to be decided by the future." The implication of this statement is far reaching. We have now reached a stage when the political uncertainty in the country is a hindrance to economic development. Nevertheless even to the future constitution-making authority the knowledge that "the progress of planning has made it abundantly clear that certain industries must be taken over under central control in the interests of co-ordinated development" will be valuable; and despite the temporary character of the proposed legislation, it is good that all the important industries of which 20 are listed, including iron and steel, automobile, shipbuilding, machine tools, chemicals, heavy machinery and heavy chemicals would be brought under central control.

To this end, the two delegations jointly prepared the first draft of a trade agreement for the further consideration by their respective governments. It was hoped that the agreement would be signed during the course of Mr Bhagat's visit to Colombia in the near

Society Versus Self

DR BHARAT RAM's lecture—the eleventh lecture in the Walchand Memorial Lecture Series sponsored by the Maharashtra Chamber of Commerce, Bombay—deserves to be publicised widely, as it lays bare the lag between thinking and reality which is really what is plaguing our country today. True, thinking is always ahead of reality, but the secret of leadership consists in integrating the two by relating them to a given situation and adapting them to a set of circumstances prevailing at a particular time, instead of automatically aping everybody. Do we have such leaders amidst us today? Dr Bharat Ram did not exactly pose the question in those terms, but his comparison—or is it contrast?—of the leaders in politics and business of old and those of today was as suggestive as a rhetorical question. What he said about our old politicians and businessmen is truly worth pondering over by their counterparts of today. For instance, our politicians may ask themselves the question whether they are aware (as their predecessors used to be) that there are always those who sow and those who reap?

How many of our political or business leaders today can claim to be the first to acknowledge their failures, say, as Mahatma Gandhi was? Do our top businessmen all speak in one voice to lend the weight of their authority to what they say as their predecessors were wont to do? Not all those who enjoy power, or are in some position, or have wealth, or are learned are leaders, but only he who enjoys power or position or privilege or wealth or learning and who seeks to guide others in the proper fulfilment of duties and who also succeeds in doing so is a real leader. It is on the full play of his human genius, even more than on any political philosophy or economic technique, that the fulfilment of his assignment depends. To quote Dr Bharat Ram, "It is only when human genius transcends the circumstances of the times and thought is generated on the universal plane and of universal interests that some worthwhile and abiding results can be brought about."

Dr Bharat Ram was seriously concerned with the gradual erosion of ideals and a coarsening of minds that

future. Dr Gomez Otorola also welcomed the decision of the union government to participate in the Bogota International Trade Fair to be held in July next and the intention of our government to send a delegation at the time of the fair.

has taken place since our independence. But he was not prepared to concede that all this is part of our economic expansion. Nor was he reconciled to the idea that "merely because the wheels of commerce move faster, there must necessarily be a deterioration in public standards and private morality."

As he rightly diagnosed, the present unwholesome state of affairs has developed, "because those who are in positions of power or influence have allowed themselves to place their own personal interests and pet theories in the forefront and relegate to the background the interests of the society as a whole." In this connection, he quoted a statement made over 2000 years ago and if he wondered whether this could be about India, he may well be pardoned. Here is that statement which, we feel, bears reproduction as, in our opinion, it precisely pinpoints the position that prevails in our country presently:

"In an age remarkable for good reasoning and bad conduct, for sound rules and corrupt manners, when virtue fills our heads, but vice our hearts—in an age when modesty herself is more ashamed of detection than delinquency; when independence of principle consists in having no principle; and free thinking, not in thinking freely, but in being free from thinking; in an age when patriots will hold anything, except their tongues, keep anything, except their word; and lose nothing patently, except their character—to improve such an age must be difficult, to instruct it is dangerous!"

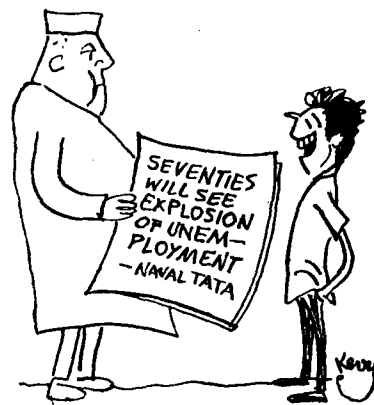
Apparently, the ICC president does not think it either difficult to improve things in this country today or dangerous to give a bit of his mind. And he did well to warn our leaders, or those who claim to be leaders, that they are going to be judged by their deeds rather than by their doctrines. It is also true that the people of India will still want to apply the same ethical yardstick as in the past for the evaluation and criticism of their political and economic leaders. "The tests will continue to be whether policies are informed by justice, honour and enlightened benefactions, and also as to whether the policies will be imple-

mented in a clean way without fear or favour."

According to Dr Bharat Ram, the first step towards deeds to be taken by our leaders today is "to have a correct understanding of the problems of the day and to look fairly and bravely in the face of the facts which lie behind them." While no one can quarrel with the emphasis on economic development and social justice, as he went on to say, "it is a matter of regret that there is considerable confusion in thinking, especially by describing this emphasis as a march towards socialism." This confusion arises because not only have the goals of economic justice, greater equality and security come to be themselves described as socialism, but also the means by which most socialists hope to achieve the ends of social justice.

The tragedy is that those who fervently believe in the ends of socialism do not fully realise the implications of the methods. With some socialists, therefore, the identification is total. But as the ICC president pertinently put it, "there are many others, in India as well as in other countries, who would put as much value to the ultimate ends of socialism as the most ardent socialist but, nevertheless, disagree with the methods". He gave two reasons why they do so. In the first place, the socialist methods involve dangers to the other values; secondly, the methods are not by any means the most efficient either.

This led him on to enquire whether there are any other means of achieving the ends of social justice and if so whether they have been given a fair trial. And his answer, to be sure, was that such means do exist and also that they have not been given a fair trial. He made out a case for economic freedom, whilst opposing central direction and conformity. He was quick, however, to add that this should not be confused, as it often happens, with a dogmatic view of



"Is he forecasting the fortune of ministries and ministers?"

laissez faire. Elucidating the point further, he said:

"The argument is really in favour of making the best possible use of the forces of competition as a means of co-ordinating human efforts and not as an argument for leaving things just as they are. It simply means that, whenever sufficient conditions are provided to create an atmosphere of effective competition, it is a better way of guiding individual efforts than others. Competition is superior not only because it is the most efficient method, but also because it is the only method for coordinating the economic activities of a large number of people in a modern society without coercion, in the sense of arbitrary intervention of the authority."

Another argument advanced by Dr Bharat Ram in favour of economic freedom was that it leads not only to diversification but also to a dispersal of economic power. How vital dispersal of economic power is was also indicated by him when he added: "When economic and political power converge, as in a collectivised economy, concentration is inevitable. But, if economic power is dispersed through economic

freedom and separated from political power, the dispersal of economic power through the market economy can then serve as a check to the growth of political power." It is needless to point out that this point has particular relevance to the state of affairs as obtain in our country today.

It is noteworthy that, while pleading for economic freedom, the ICC president made it very clear that he was not opposed to mixed economy. As a matter of fact, he maintained that, for the successful operation of the competitive system, certain government action was necessary. For instance, he said: "The functioning of competition requires adequate organisation of certain institutions such as money, markets and channels of information. Full advantages of a free competitive system can be obtained only under such conditions."

Dr Bharat Ram used an apposite analogy to bring out the peculiar position in which India is placed because of its geographical situation. He compared India to a beautiful poor woman who has to use a double circumspection, in that "her beauty will tempt others and her poverty herself". There are siren voices, as he remarked, and our leaders ought to rise to the occasion. They

should, to quote him, "show rare courage and educate the public that social justice can be attained only through greater production. It is equally necessary to accept as part of policy that all those who want to contribute to economic growth would be encouraged. A policy of denial will only defer growth. (This has reference to the disqualification that size has come to attract at the hands of our rulers). Above all, policies must be in accord with facts and realities."

To the business community in particular, the ICC president had a word of sound counsel. He wanted those in business, more than anybody, to accept change as the normal feature. So, he concluded, "if business leadership does not foresee and do something about social change caused by development, government will be forced to act and to act clumsily". We do not think the people of India need to have more convincing proofs than they have had already of how clumsily our government has shown itself capable of acting. Those in power or position or authority, whether in politics or business, would do well, therefore, to heed these pregnant words of caution of the learned doctor: "Our people will follow, but they can no longer be led."

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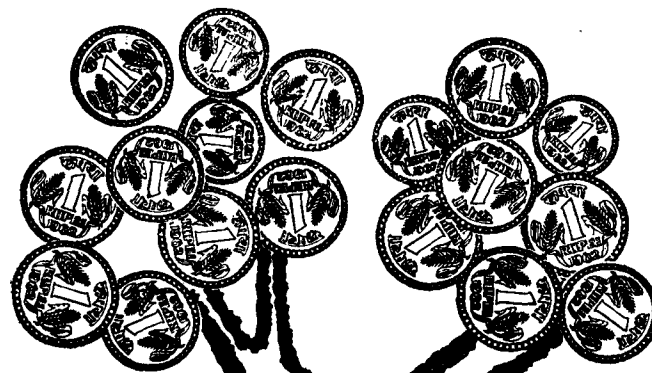
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'Privileges' of the Indian Civil Service

DR A. APPADORAI

WHILE POLITICIANS are debating sometimes wisely, sometimes foolishly, thousands of civil service men (not only the Indian Civil Service of whom there are only some 83 now) are busy with their daily tasks, living and dying, spending their strength and their health and the prime of their life in heavy toils, noticed by few and soon forgotten. It is from the point of view of the psychological impact on the minds of these service men that Madhu Limaye's bill for an amendment of the Constitution to delete Article 314 protecting the conditions of service of the old Secretary of State's services (to which the ICS and the IP still remain) must be considered.

Article 314 states :

Provision for protection of existing officers of certain services.—Except as otherwise expressly provided by this Constitution, every person who, having been appointed by the Secretary of State or Secretary of State in Council to a civil service of the Crown in India, continues on and after the commencement of this Constitution to serve under the Government of India or of a state shall be entitled to receive from the Government of India and the government of the state, which he is from time to time serving, the same conditions of service as respects remuneration, leave and pension, and the same rights as respects disciplinary matters or rights as similar thereto as changed circumstances may permit as that person was entitled to immediately before such commencement.

Tenuous Majority

What disturbs the present writer is not that a non-official member of Parliament introduced a bill of this kind; (members of Parliament naturally want to improve their public image and to introduce a bill which appeals to popular passions and prejudices is understandable) but that, if press reports are to be believed, the government is committed to supporting it. It is an index to the tenuous majority which the ruling party has that it seeks to maintain and increase its majority by taking advantage of crisis situations originated by non-government members of the party or members of other parties. The abolition of the privy purses and other privileges of the princes was an issue which was not initiated by the government, nor

the abolition of the privileges of the ICS; yet the government has backed both. It is the mark of statesmanship—which a government should display—that the long-run interests of society should receive its attention; a politician now lives only from hand to mouth.

Impact on Govt. Servants

It is not the impact of the passing of the Bill on the few men affected that is important; they are intelligent enough to protect their interests, if necessary, by moving the courts to have them upheld [for it cannot be forgotten that their rights are protected not only by the Constitution but by individual contracts made with the Government of India and the (then) provincial governments concerned]; even if they decide to accept the principle of the bill, they do not stand to lose much as the youngest ICS officer now has some 26 years of service and, according to rules, he is entitled to seek premature retirement on full annuity after 25 years of service. It is rather the impact of the bill on the thousands of government servants and society in general that is important. For if a government can, through the use of its power, connive at extinguishing rights promised by it, what guarantee is there that the rights of others will be maintained? A member of society may well argue, why he should respect the rights of others if he has the power to invade them successfully. The proverb in Sanskrit, *Yatha Raja thatha praja* (as the ruler, so the subjects) is well-known. The social value of keeping one's word is important.

Edmund Burke, who is equalled by few for sound political wisdom, has, in a well-known and often-quoted passage, described the state thus:

It ought not to be considered as nothing better than a partnership agreement in a trade of pepper and coffee, calico or tobacco or some other such low concern, to be taken up for a little temporary interest and to be dissolved by the fancy of the parties. . . . It is to be looked on with other reverence. . . . It is a partnership in all science, a partnership in all art, a partnership in every virtue and in all perfection. As the ends of such a partnership cannot be obtained in many generations, it becomes a partnership not only between those

who are living, but between those who are living, those who are dead, and those who are to be born.

A government, if it is wise, must judge carefully the impact of its actions on the whole body politic if it is to maintain the stability of society, and, through stability, progress.

While we are on this point, it is useful to stress—what is sometimes forgotten in polemical discussions—that the rights sought to be abolished were not *created* by the Constitution. Those members of the Indian Civil Service who remained in service after the transfer of power in 1947 continued "on the basis of a joint guarantee of *existing service rights* given by the Government of India and the provincial government concerned". Briefly, what we are discussing is "guaranteed conditions of service", not "privileges".

The terms of this guarantee were initially contained in an announcement made by the Viceroy on April 30, 1947. The announcement not only said that the Government of India undertook to preserve the conditions of service such as scale of pay, leave, pension and rights and safeguards and matters of discipline *which the service had*, but it also made the point that while Indian officers would not normally be entitled to the benefit of retirement with compensation as the European officers would be, they would be extended this benefit under certain conditions.

The Conditions

These conditions were that these officers would be such as : "(1) are not invited to continue to serve under the Government of India after transfer of power; or

"(2) can satisfy the Governor-General that their actions in the course of duty during their service prior to the transfer of power have damaged their prospects, or that the appointments offered to them are such as cannot be regarded as satisfactory in the altered circumstances; or

"(3) can show to the satisfaction of the Governor-General that they have legitimate cause for anxiety about their future in the province where they are now serving, and that no suitable transfer can be arranged."

Further, the rights sought to be taken away are themselves not important. As compared with members of the successor service, the Indian Administrative Service, an officer of the Indian Civil Service has better pay scales and pensions; and his pension is payable in pound sterling, according to a judg-

ment of the Delhi High Court notwithstanding an amendment to the rules made by the government in 1957; while an ICS officer can seek voluntary retirement prematurely on full annuity after 25 years' service, and on proportionate pension after five years' service, an IAS officer can retire on a proportionate pension only after the age of 50 and on full pension on completion of 30 years' service.

An officer of the ICS or the IP cannot be retired as a penalty unlike his counterpart in the successor services. Also he can be suspended from the service, pending disciplinary proceedings, only by the central government and not by a state government as his counterpart in the IAS and IPS can be.

The question may well be asked why then, if, on principle, it is undesirable to abolish the privileges through law, the government is keen about it? The discussions in Parliament on the bill throw some light on this: "the special privileges enjoyed by these officers were an anachronism in the changed circumstances in the country"—briefly they are not in keeping with the ideal of equality and non-discrimination. It is sufficient to say that it is a salutary principle in society that any social value must be promoted without endangering other equally important social values. Society has to maintain not only equality and non-discrimination but a number of others, liberty, order, and the sanctity of contracts. It would be part of wisdom to try to achieve the realization of social values gradually and without upsetting other fundamental values which are equally important.

Method of Persuasion

The present writer feels that if there were a statesman of Sardar Patel's stature the objective, which the government has, could well have been achieved by persuading the members of the Indian Civil Service to forgo their "privileges" voluntarily through a resolution passed unanimously in the Civil Service Association. Speaking in the Constituent Assembly of India on October 16, 1949, Sardar Patel said:-

I wish to assure you that I have worked with them during this difficult period—I am speaking with a sense of heavy responsibility....and I must confess that in point of patriotism, in point of loyalty, in point of sincerity and in point of ability, you cannot have a substitute....if, during the last two or three years, most of the members of the services had not behaved patriotically and with loyalty, the union would have collapsed. Is there any premier in any province who is prepared to work with-

out the services? He will immediately resign. He cannot manage.

C. B. Rao, a member of the Civil Service writes:-

I can make bold to say that, if there had not been the ICS actually to do the work, it would have been impossible to refashion the country's map as smoothly and expeditiously as was done. The credit for running the whole thing belongs undoubtedly to the non-ICS Secretary of the States Ministry, but with all his extraordinary drive and ability Mr V. P. Menon would not have been able to translate Sardar Patel's gigantic political blue-print into such a triumph of administrative engineering.

In any case, this is a fit subject, indeed as was suggested in Parliament by a member, on which the government can still consult the Supreme Court under Article 143(1) before taking any action. Among the wisest things said recently in Parliament was that Parliament should not be used to "break a word given".

It is appropriate to conclude this arti-

cle with a tribute paid to the Indian Civil Service by a former Secretary of State, Sir Samuel Hoare, which places the service in a proper historical perspective.

When the history of the British Empire is written, its two greatest achievements will be the development of parliamentary institutions and the organization of the civil service, unconnected with party politics and uncontaminated by selfish interests. The development of an efficient and disinterested civil service is the greater of these achievements. The Indian Civil Service, the oldest civil service in the world, is the author of that great institution. It has built up a record which even Hastings could not have conceived possible.

References :

1. *Constituent Assembly Debates*, Vol. X. No. 1, pp. 48-50.
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UP in the Socio-Economic Map

M.P. SRIVASTAVA*

THIS DISCUSSION, which attempts to determine the position of different states in the socio-economic map of India, is intended to indicate, on the basis of accepted economic indicators, the relative development or underdevelopment of these states in different fields.

With a population of 73.7 millions (in the census of 1961) and an area of 1.14 lakh square miles, Uttar Pradesh is the largest state in the country. During the period 1951-61 the population of the state increased by 10.5 millions, which gives a growth rate of 1.67 per cent per annum as compared to the all-India average of 2.15 per cent. This rate of growth of population is not a new experience for Uttar Pradesh, as Uttar Pradesh had always a substantially high rate of growth than the rate recorded by many other states of the country. Thus between 1941-1951 the average rate of increase in population in UP was 1.18 per cent per annum whereas the corresponding rate for India as a whole was 1.3 per cent. This means that during the decade covering the first two plan periods, UP's growth rate was 42 per cent great-

er over the growth rate in the previous decade.

The position in other states of India could be seen from Table I.

TABLE I
PERCENTAGE INCREASE IN
POPULATION BETWEEN 1941-51
AND 1951-61

State	Annual growth rate in 1941-51 (per cent)	Annual growth rate in 1951-61 (per cent)	Percentage increase in the growth rate
Andhra Pradesh	1.40	1.57	12
Assam	1.93	3.45	79
Bihar	1.03	1.98	92
Gujarat	1.87	2.69	44
Kerala	2.28	2.48	9
Madras	1.47	1.19	19
Madhya Pradesh	0.87	2.42	178
Mysore	1.94	2.16	11
Orissa	0.64	1.99	209
Uttar Pradesh	1.18	1.67	42
West Bengal	1.32	3.28	148
India	1.3	2.15	65

This change in the growth rate is

due to improvement in the survival rate consequent on better public health measures, which reduced the death rate in Uttar Pradesh from 27.2 in 1951 to 24.9 in 1961. There is no basis to conclude that this rate of growth will come down or even remain constant over coming years. Rather there is reason to believe that it will go further up, due to the simple fact that the death rate is likely to be further reduced, on account of expansion in public health facilities, for which massive investments are programmed. It may be noted that the infant mortality rate in UP is 91.7 per thousand of live births which is fifth in the country. A comparative idea can be formed (about the backlog in public health measures) from Table II showing infant mortality rate in different states in 1961.

TABLE II

State	Infant mortality per 1,000 live births	Rank
Orissa	135.0	1st
Rajasthan	115.9	2nd
Punjab	96.1	3rd
Madhya Pradesh	93.0	4th
Uttar Pradesh	91.6	5th
Madras	91.6	6th
Maharashtra	91.2	7th
Assam	87.0	8th
Gujarat	81.4	9th
Bihar	80.4	10th
Andhra Pradesh	79.5	11th
West Bengal	76.7	12th
Mysore	61.6	13th
Kerala	39.8	14th

Another indicator of economic development and underdevelopment from the demographic aspect is the composition of population and its ratio between its rural and urban components. Uttar Pradesh with its 87 per cent of population living in villages and 13 per cent in towns (majority of which are in fact villages rather than towns in modern sense) is the 11th urbanised state in India. This can be seen from Table III.

From the above statement, it is evident that the level of economic development of Uttar Pradesh on which depends the growth of towns and urban population is eleventh in the country. Another aspect of measurement of economic efficiency of a population would be to study its composition. If a population has a large concentration of tribal or backward people, the level of their economic activity is likely to be at a low and primitive stage, as they have been cut-off from the main current of modern technology and way of life. According to the 1961 Census, the

backward population of Uttar Pradesh including tribals was 21 per cent of the total population. Table IV shows the distribution of backward population in different states and the *inter se* population of states in this regard.

pending percentage of 54.1 for all India.

TABLE IV
DISTRIBUTION OF BACKWARD
POPULATION IN 1961

State	Percentage of backward population to total population	Rank
Orissa	40	1st
Madhya Pradesh	34	2nd
Rajasthan	28	3rd
West Bengal	26	4th
Assam	24	5th
Bihar	23	6th
Uttar Pradesh	21	7th
Gujarat	20	8th
Punjab	20	8th
Madras	19	9th
Andhra Pradesh	17	10th
Mysore	14	11th
Maharashtra	12	12th
Kerala	10	13th

Another characteristics of the age composition of Uttar Pradesh's population is that there are proportionately more young people below the working age group than in other states. This would be seen from its age-pyramid, which has a broad flat base that tapers rather rapidly at the higher age brackets, indicating high degree of dependency. On account of this, the problem will remain most acute in the present decade, during which the multitude of youngsters have to be fed, educated and trained to join the working force in the next decade. As pointed out by Coale and Hoover, "The relevant consideration is the non-productive expenditures at any moment in support of non-productive persons. Since the proportion of children rises, the economy must

The age and sex composition of a country's population are important factors in influencing the working force of a country. In India 39 per cent of the population were in the working age group 15-64 in 1961 compared to 43.7 per cent in Japan, 46.3 per cent in the UK and 51.4 per cent in France. The percentage of the population falling within the working age-group of 15-59 years in Uttar Pradesh is 54.4 which is almost identical with the corres-

TABLE V
HOSPITALS AND DISPENSARIES PER 1,000 POPULATION AND
ITS RATE OF GROWTH DURING THE PLAN PERIODS

State	No. of hospitals and dispensaries per 1000 population			Rate of growth during the 1st Plan period i.e. in 1956 over 1951	Rate of growth during the 2nd Plan period i.e. in 1961 over 1956
	1951	1956	1961		
Orissa	..	0.030	0.025	0.023	-16.7
Punjab	..	0.026	0.043	0.042	65
Assam	..	0.025	0.053	0.052	112
Rajasthan	..	0.024	0.033	0.031	37.5
Mysore	..	0.024	0.036	0.039	50
Uttar Pradesh	..	0.012	0.017	0.019	41.7
Madras	..	0.026	0.018	0.026	-31

Source: CSO's Statistical Abstract

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'waste' more of its substance on non-productive persons."*

In a welfare-oriented society, it is the primary function of the state to provide adequate medical and public health facilities. In modern times, it has been recognised that expenditures on public health are not merely a humanitarian measure, but a necessity more out of considerations of economy, efficiency as productivity in high-death-rate areas is, usually low. But due to dearth of resources progress in this field has not been very significant in Uttar Pradesh as could be seen from Table V indicating the position during the first and second Plan periods in different states.

This shows that the rate of expansion in the number of hospitals is slower compared to the increase in population, which places Uttar Pradesh at a comparatively low level of development.

If we compare the inter-state position in terms of numbers of hospital beds, it would also be noticed that Uttar Pradesh ranks eighth in medical facilities in India. This is revealed from Table VI.

TABLE VI

NUMBER OF BEDS PER 1,000 POPULATION IN 1965

State	Number of beds per 1,000 population in 1965	Rank
Kerala	0.91	1st
Mysore	0.81	2nd
Madras	0.68	3rd
Punjab	0.67	4th
Rajasthan	0.53	5th
Assam	0.44	6th
Orissa	0.44	6th
Madhya Pradesh	0.40	7th
Uttar Pradesh	0.38	8th

Source : Report of the Study Group on Hospitals, Ministry of Health Family, Planning and Urban Development.

It is significant to note that the improvement in medical facilities in Uttar Pradesh, in spite of the progress made in other directions in the first two Plan periods is very marginal.

Another basic criterion for judging the level of development of a country is the level of educational attainment and cultural standards of its people.

*A.J. Coale and E.M. Hoover, "Population Growth and Economic Development in Low-income countries".

During the first two Plan periods, considerable efforts have improved the position, but even then the deficiency is still conspicuous which could be seen from the fact that according to 1961 census, percentage of literate persons in Uttar Pradesh was 17.6 as against 24.0 for India as a whole. In primary education Uttar Pradesh is backward as compared to many other states but is more developed in respect of higher education. This imbalance has resulted in the prevalence of an excessive supply of persons with general college education. The objective for the future must be to check this imbalance and to divert facilities to technical and vocational training.

It is reasonable to hold that percentage of literacy may not be a sufficient and satisfactory indicator of level of education of the people and that the number of matriculates per thousand of population may be a better guide, as at this stage the gateway to different technical, scientific, professional and other higher training and studies are opened. Viewed in this light, Uttar Pradesh stands seventh in rank. Table VII indicates the inter-state position on the number of matriculates to thousand population.

TABLE VII

NUMBER OF STUDENTS PASSING MATRICULATION EXAMINATION

State	Number of candidates passing matriculation examination per thousand population in 1961	Rank
Gujarat	2.92	1st
Punjab	2.50	2nd
Kerala	2.46	3rd
Maharashtra	1.44	4th
West Bengal	1.42	5th
Mysore	1.38	6th
Uttar Pradesh	1.17	7th
Bihar	1.16	8th
Rajasthan	1.14	9th
Madras	1.00	10th
Assam	0.85	11th
Andhra Pradesh	0.83	12th
Madhya Pradesh	0.59	13th
Orissa	0.51	14th

Source : CSO Abstract.

This is also confirmed by the volume of investment on education. The per-capita expenditure on education in Uttar Pradesh is Rs 4.86 as against Rs

6.83 all-India. Here UP ranks twelfth.

Of different criteria normally applied to test the relative development or underdevelopment of different regions, the crucial tests are, of course, the per capita income and consumption levels. It is however recognised that the methods of estimating national and states incomes based on sectoral approach and the widespread imbalance in the pattern of income distribution make it rather difficult to identify the per capita income as a true average. To quote Dr V.K.R.V. Rao "We have been talking of increasing the per capita income by such and such percentage and we have taken for granted that if this is achieved, it would automatically bring about an equivalent rise in the average levels of consumption. And we have been identifying the average with the mass, the per capita income with the poor man's income. Recent events have shown that this is not true". Though one is conscious of this limitation, it still admittedly serves as the most important single indicator of the state of development of the economy and its movement over time, the best index of economic growth.

Similarly, the per capita consumption expenditure figures also are important to provide direct proof about levels of living, or the degree of poverty.

According to the estimates prepared by the state Statistical Bureau, the state income in 1960-61 was Rs 1,770 crores, the per capita income being Rs 240. In a study of 'Inter-district and Inter-state Income Differentials—1955-56', relating to 289 districts in the country, the National Council of Applied Economic Research found that out of 29 most backward districts in the whole country (with a per capita income of less than Rs 146) eleven were in Uttar Pradesh. In another group of 29 districts (with per capita income between Rs 147 and Rs 173) 11 were in UP. Nearly 35 per cent of the entire population of these backward districts is in UP alone. The NCAER came to the conclusion that since the aim of planning is not only to increase per capita income but also to reduce regional disparities in income, it is necessary to give special attention to low income states in allocating development projects, otherwise it is likely that these may continue to be low income and backward states even if substantial progress is achieved in stepping up the per capita income of the country as a whole.

A comparative idea can be had from the per capita income estimates made by

the National Council of Applied Economic Research for 1960-61 at current prices for different states, which is given in Table VIII.

TABLE VIII

PER CAPITA INCOME OF DIFFERENT STATES FOR THE YEAR 1960-61 AT CURRENT PRICES

State	Per capita income (in 1960-61)	Rank
	Rs.	
Maharashtra	479.4	1st
West Bengal	461.9	2nd
Punjab	441.3	3rd
Gujarat	402.8	4th
Madras	343.8	5th
Assam	328.4	6th
Kerala	326.2	7th
Mysore	313.2	8th
Madhya Pradesh	292.4	9th
Uttar Pradesh	291.1	10th
Andhra Pradesh	289.1	11th
Rajasthan	272.0	12th
Orissa	267.9	13th
Bihar	222.0	14th

Source : Estimates of State Income, National Council of Applied Economic Research.

Table VIII shows that there is a conspicuous gap between Uttar Pradesh and more prosperous states such as Maharashtra, West Bengal, Punjab, etc.

Rural capital formation is the crux of the problem of agricultural development.

TABLE IX

RURAL CAPITAL FORMATION

State	Average capital formation per household (Rs)	Rank
Mysore	94	1st
Gujarat	85	2nd
Punjab	77	3rd
Rajasthan	69	4th
Madras	65	5th
Maharashtra	62	6th
Kerala	61	7th
Andhra Pradesh	50	8th
Uttar Pradesh	46	9th
Bihar and Madhya Pradesh	30	10th
Assam and Orissa	26	11th
West Bengal	25	12th
All-India	50	

Source : Reserve Bank of India Bulletin, December 1963.

It has been pointed out by the Reserve Bank in its rural Credit Survey reports that creditworthiness of cultivators in Uttar Pradesh is comparatively low. The latest estimates of the Reserve Bank on rural capital formation per household in 1961-62 in different states is given in Table IX.

Table IX shows that although the all-India average per household capital formation is Rs 50 per year, the corresponding figure for Uttar Pradesh is Rs 46 but it is only about half of the capital formation of such states as Mysore and Punjab. Under such conditions, capital required for agricultural development cannot be adequately provided by the cultivating class itself.

For increasing the per capita income, during the first and second Plans, a total investment of Rs 724 crores is estimated to have taken place in the state constituting only 7.2 per cent of the all-India investment. Although the share of Uttar Pradesh in all-India investment has improved somewhat it will still be less than one-tenth of the total investment in the country.

Uttar Pradesh being predominantly

a rural economy, the contribution of the agricultural sector to total income is proportionately larger in the state. Thus in 1960-61, agriculture contributed about 61 per cent of the total income of the state, compared to 49 per cent in the country. By the year 1964-65, there had been diversification in the economy and the contribution of agriculture had declined to 57.6 per cent. However, in spite of its large share in the economy, agriculture in UP is still not progressive. The main characteristics are : (1) The size of holdings is small, and (2) cost of cultivation is high and average yield of important crops poor. The average holding in the state is only 1.56 hectares and 57 per cent of the cultivators have a holding of less than one hectare. It has been estimated that the cost of cultivation as a percentage of gross value of output comes to 19.3 in UP as compared to 16.1 for all-India.

It is interesting in this context to examine the availability of cropped area per 1,000 population in different states, see Table X.

The cropped area per thousand of population in Uttar Pradesh is 306

TABLE X

AVAILABILITY OF CROPPED AREA

State	Total cropped area 1958-59 (000 hectares)	Population in lakhs 1958-59	Cropped area 1000 population (in hectares)
Andhra Pradesh	12,089	347.7	348
Assam	2,429	9.59	253
Bihar	11,079	445.4	249
Gujarat	28,600	195.4	146
Jammu & Kashmir	761	34.8	219
Kerala	2,241	160.6	140
Madhya Pradesh	17,730	308.0	576
Madras	6,619	328.0	211
Mysore	10,535	255.4	476
Orissa	6,275	168.3	273
Punjab	9,926	129.7	515
Rajasthan	13,727	191.1	718
Uttar Pradesh	21,770	711.2	306
West Bengal	6,092	327.7	186
India	151,074	4197.1	360

Source : Statistical Abstract of the Indian Union, 1962.

hectares as against 249 hectares in Bihar, 186 in West Bengal, 253 in Assam. In other words Uttar Pradesh is in a more favourable position compared to many of the states, so far as availability of land is concerned.

The low output and low productivity of the state are due, among other factors, to the low average yield of some of the principal crops as may be seen from Table XI.

Wheat is the major crop of the state. The economy of the state is greatly

influenced by the production of wheat and rice. But the yield of rice is low as compared to the neighbouring states of Rajasthan, Bihar, West Bengal and Madhya Pradesh.

The topographical conditions of the neighbouring states are nearly the same. The agricultural output and yield rate depends mainly on the soil fertility, agricultural technology and other available facilities. Being situated in the same region, it is expected that the soil fertility of the state is as good as that of the other states of the region.

TABLE XI
AVERAGE FIELD OF SOME OF THE PRINCIPAL CROPS
IN INDIA 1961-62

(In quintals per hectares)

State	Commodities			
	Rice	Wheat	Pulse	Maize
Andhra Pradesh	12.5	2.5	8.2	9.1
Assam	9.5	7.5	—	—
Bihar	8.4	6.3	5.1	8.7
Gujarat	9.0	9.1	9.1	13.8
Jammu & Kashmir	11.3	6.1	—	9.1
Kerala	13.5	—	16.0	—
Madhya Pradesh	8.3	6.8	3.3	8.6
Madras	15.1	10.0	9.9	10.0
Maharashtra	11.1	4.5	7.4	4.8
Mysore	13.2	2.3	8.2	10.0
Orissa	9.1	5.7	4.2	4.1
Rajasthan	13.5	9.8	—	10.4
Uttar Pradesh	8.1	10.2	6.4	6.4
West Bengal	10.9	7.6	2.7	5.5
India	10.1	8.8	7.7	9.1

Source : Statistical Abstract of Indian Union, 1962.

TABLE XII
LAND UTILISATION AND AREA IRRIGATED
(Area in '000 hectares)

State	Total cropped area 1958-59	Net area sown 1958-59	Area sown more than once 1958-59	Col. 5 as % of Col. 2	Total area irrigated 1958-59	Col. 6 as % of Col. 2
1	2	3	4	5	6	7
Andhra Pradesh	12,089	11,049	1,040	8.60	2,550	23.65
Assam	2,429	2,071	358	14.73	621	25.57
Bihar	11,079	79,688	3,111	28.08	2,059	18.58
Gujarat	28,600	27,291	1,309	4.57	9,550	33.35
Jammu & Kashmir	761	646	115	15.12	299	39.29
Kerala	2,241	1,856	385	17.17	359	16.02
Madhya Pradesh	17,730	15,696	2,034	11.47	838	21.15
Madras	6,919	5,798	1,121	16.20	2,261	32.67
Mysore	10,535	10,175	360	3.42	778	7.38
Orissa	6,275	5,832	484	7.71	954	15.21
Punjab	9,926	7,482	2,447	24.65	2,980	30.00
Rajasthan	13,727	12,587	1,140	8.30	1,445	10.52
Uttar Pradesh	21,770	17,046	4,724	21.69	4,912	22.56
West Bengal	6,092	5,232	860	14.11	1,351	22.17

Source : Statistical Abstract of Indian Union, 1962.

Hence the backwardness of the state is due to lack of other facilities such as irrigation, fertiliser, etc.

From Table XII it is clearly seen that only 22.56 per cent of the total cropped area of the state have irrigation facilities as against 30.00 per cent in Punjab 32.67 per cent in Madras, 33.35 per cent in Gujarat and 25.57 per cent in Assam.

In respect of agricultural technology and availability of fertilisers also it is clearly seen that only 21.69 per cent of the total cropped area is sown more than once whereas it is 24.65 per cent in Punjab and 28.08 per cent in Bihar. If more area can be brought under multiple cropping pattern, it would add to the total cropped area, thus bringing the level equal to that of Punjab.

To sum up, Uttar Pradesh is not much advanced in its agricultural development. Table XIII illustrates the growth rates of different states during 1952-53 to 1961-62.

TABLE XIII
GROWTH RATE OF AGRICULTURAL PRODUCTION 1952-53 TO 1961-62

State	All crops (per cent)
Punjab	5.67
Madras	5.01
Madhya Pradesh	3.64
Mysore	3.65
Bihar	3.40
Rajasthan	2.92
Uttar Pradesh	2.23
Andhra Pradesh	1.89
Assam	1.33
Orissa	1.88

Source : Statistical Abstract of Indian Union, 1962

The growth rate of agricultural production for Uttar Pradesh is 2.23 per cent only whereas Punjab has 5.67, Madras 5.01 and Madhya Pradesh, Mysore and Bihar are more than 3 per cent.

Industrially, Uttar Pradesh is among the background states in India. The 'organised' sector of industry provides only 15 per cent of the total industrial employment and contributes about 48 per cent of the total manufacturing output. In this sector sugar and textiles are the only two major industries. Some progress has recently been made in

establishing modern engineering industries but their share in the total industrial sector is still very small.

The Table XIV shows statewide productive capital employed in factories registered under the Factories Act and also the per capita capital employed in these industries.

TABLE XIV
PRODUCTIVE CAPITAL EMPLOYED—1961

State	Productive capital* employed in 000's Rs	Productive capital per capita Rs
Andhra Pradesh	7,37,094	20.48
Assam	5,50,752	46.39
Bihar	25,12,784	54.09
Gujarat	18,35,419	88.95
Kerala	4,55,396	26.94
Madhya Pradesh	6,49,150	20.05
Madras	12,21,076	36.25
Maharashtra	52,87,805	133.69
Mysore	8,60,544	36.48
Orissa	3,49,957	19.94
Punjab	7,31,646	36.03
Rajasthan	1,99,272	9.89
Uttar Pradesh	16,18,781	21.95
West Bengal	47,99,617	137.42

*Related to Census Industries.

Among these states Uttar Pradesh occupies the tenth position. West Bengal or Maharashtra, employs productive capital three times more than Uttar Pradesh. But the picture would be worse if productive capital is calculated on a per capita basis. Table XIV shows that per capita capital investment in industries is Rs 21.95 in Uttar Pradesh whereas in states of Bihar, and West Bengal it is almost three and six times more than UP. Almost half of the states of India have invested more capital than Uttar Pradesh.

The factory employment position is given in the Table XV.

In the year 1961, for every 100,000 of population of Uttar Pradesh only 368 persons were employed in factories whereas in West Bengal, Gujarat and Maharashtra 1,988, 1,645 and 1,834 persons were employed, respectively;

Uttar Pradesh stands fourth where factory employment is concerned.

Due to inadequate allocations for power projects in the first two Plans specially during the second Plan, the state was reduced from the position of fourth biggest producer/consumer of electric energy in 1950-51 to the seventh position in 1962. The per capita consumption and generation of electricity in the state is still the lowest in the country. Such states as Madras, Punjab, Maharashtra, West Bengal and Gujarat had several times higher per capita generation and consumption.

The road mileage in Uttar Pradesh stood at 14,542 miles at the end of March 1961, giving the state an average of 12.8 miles per hundred square miles and 20.0 miles per lakh of population against all-India average of 12.2 and 32.6 miles respectively. The state in 1961 was still short by 2,000 miles of the level required under star and grid-formula and the position was far from satisfactory compared to other states in the country. The unsatisfactory posi-

tion of road mileage in the state is shown in Table XVI.

TABLE XVI
SURFACED ROAD MILEAGE IN 1961

State	Surfaced road mileage	
	Per hundred square miles	Per lakh of population
Andhra Pradesh	16	45
Bihar	12	18
Kerala	34	30
Madhya Pradesh	9	46
Madras	35	42
Maharashtra	14	38
Mysore	22	71
Punjab	14	32
West Bengal	25	24
Uttar Pradesh	13	20

Source : Basic Road Statistics of India, 1961.

TABLE XV
EMPLOYMENT IN FACTORIES 1959-1961

(Per lakh of population)

State	Employment in factories per 100,000 of population		
	1959	1960	1961
Andhra Pradesh	606	632	572
Assam	740	737	656
Bihar	435	411	380
Gujarat	1,841	1,742	1,645
Jammu & Kashmir	273	262	235
Kerala	895	979	952
Madhya Pradesh	371	352	449
Madras	858	896	876
Maharashtra	1,921	2,031	1,834
Mysore	553	590	697
Orissa	156	191	163
Punjab	595	582	611
Rajasthan	258	277	261
Uttar Pradesh	376	379	J
West Bengal	2,117	2,152	1,988
All-India	826	843	805

Source : Statistical Abstract, CSO.



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FROM THE PRESS GALLERY

Public Sector Under Attack

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Saturday.

THE DEMANDS for grants of three more ministries—the Ministry of Foreign Trade; the Ministry of Petroleum, Chemicals, Mines and Metals; and the Ministry of Industrial Development, Internal Trade and Company Affairs—have been passed by Lok Sabha this week.

Severe criticism of the Indian Drugs and Pharmaceuticals Ltd (IDPL) and of the slow progress in oil exploration and fertilizer manufacture marked the debate on the demands for grants of the Ministry of Petroleum, Chemicals, Mines and Metals. Assailing the losses incurred by the IDPL, Mr Manubhai Patel (Cong.-O) alleged that the Rishikesh unit of this undertaking was producing out-dated medicines that could not be utilised, and its Madras unit, meant to turn out surgical instruments, was thinking of manufacturing consumer goods after making cutlery. He urged the Minister, Dr Triguna Sen, not to submit to political considerations in toning up the working of the various manufacturing units under the charge of his ministry.

Undue Delay

Mr Viren Shah (Swi) regretted that there was undue delay in exploring for oil in the Bombay high area where geological surveys had indicated rich crude reserves. Mr Rajendranath Barua (Cong.-R) called for a positive policy for oil exploration to curtail imports of crude. Mr Ganesh Ghosh (CPM), however, came down heavily on the foreign oil companies operating in the country.

Apart from the slow progress made by it in exploring for oil, the Oil and Natural Gas Commission (ONGC) was subjected to vehement criticism on the basis of the audit objection for the payment of Rs 24 lakhs as compensation to a tea estate while the original agreement between the ONGC and the tea estate was said to involve the payment of only Rs 10 lakhs. Mr Manubhai Patel also feared that the naphtha cracker of the Gujarat Petro-Chemicals Complex might run into difficulties because the supply of crude oil from Ankleshwar was expected to go down at not very distant future.

The slow progress on the fertilizer

front was assailed, among others, by Mr S. S. Kothari (JS). Mr O. L. Bohra (Cong.-R) suggested that if a project of key importance could not be included in the public sector, the government should not hesitate to entrust it to the private sector in the interest of the nation's economic development. In this context, he welcomed the licence given to Birlas for the Goa fertilizer project. The affairs of the Fertilizers and Chemicals Travancore (FACT) were also scathingly criticised by several members. They regretted that this Rs 45-crores undertaking had not declared any dividend after it was taken over by the central government in 1963.

Streamlining Mineral Policy

Pleas were also made for streamlining the mineral policy of the government. Particular mention was made in this regard to the problems of the coal industry. It was regretted that the problems of this industry were not being properly appreciated. The higher prices of drugs in the country as well came in for a good deal of criticism.

Replying to the debate, the Minister for Petroleum, Chemicals, Mines and Metals, Dr Triguna Sen, honestly admitted the lags in the implementation of various programmes of his ministry. But at times he convincingly brought out the factors responsible for these lags. For instance, he readily conceded that the IDPL had incurred heavy losses, but pointed out that there were certain inherent difficulties of this undertaking. He indicated that the IDPL has shown some improvement of late and hoped that in about two years, it will be able to reach the break-even stage.

Talking about the oil industry, Dr Sen firmly ruled out nationalisation of the foreign oil companies. There was no justification, economic or otherwise, for this, he stressed. But at the same time, Dr Sen regretted that the foreign oil companies were not taking adequate notice of the changing circumstances in the country. They had indeed done a great job in developing the Indian oil industry. But the changed circumstances, he pointed out, warranted a revision of the refinery agreement entered into in early 1950's. The Minister called upon the foreign oil companies to co-operate with the government on terms fair to both the sides. He also urged them to

adjust their product patterns to suit the requirements of the country.

Reviewing the work done in regard to off-shore oil exploration, Dr Sen referred to the various proposals for collaboration received from foreign firms, but asserted that it would be better in the larger interests of the country, if it itself came to possess suitable equipment for off-shore drilling. The government's policy, he emphasised, was to take up off-shore drilling on the entire continental shelf as an 'assisted-owner operation'. The deal of the ONGC with the above-mentioned tea estate in Assam, the minister said, was being referred to the CBI for investigation.

Self-Sufficiency in Metals

Earlier, intervening in the debate, the Minister of State for Mines and Metals, Mr Jagannath Rao, outlined the government's programme for attaining self-sufficiency in metals and minerals. He revealed that a committee would soon be appointed to ensure that there was no lopsided development of the fuel resources of the country. Mr Rao stressed the need for concerted efforts at developing mineral resources in the interest of reducing the heavy drain of foreign exchange on account of imports.

The Minister of State for Petroleum and Chemicals, Mr D. R. Chavan, who also intervened in the debate, assured the House that the Gujarat Petrochemicals Complex would not be allowed to suffer in any way; if necessary, it would be sustained on imports of naphtha. Referring to fertilisers, Mr Chavan said that 1.3 million tonnes capacity for nitrogenous fertilisers had already been set up and another 2.1 million tonnes capacity was either under implementation or was being cleared for implementation. The total demand for nitrogenous fertilisers by the end of the fourth Plan would be 3.2 million tonnes (N). The indigenous supply position, therefore, should be quite comfortable.

The performance of the public sector as a whole came in for strong denunciation during the debate on the demands for grants of the Ministry of Industrial Development, Internal Trade and Company Affairs. Another line of major criticism in this debate was that the government was adopting measures deliberately to block the expansion of industries.

The bitterest critics of the government's industrial policy obviously were Mr P. D. Himmatsingka (Cong.-O) and Mr D. N. Patodia (Swi.). Mr Himmatsingka mentioned a number of public sector enterprises which were showing huge losses; among these were included

the IDPL, the Hindustan Organic Chemicals, Singreni Collieries, Hindustan Steel, and Hindustan Machine Tools. He also referred to the unduly mounting capital costs of various public sector units, for instance the Bokaro steel-works and the Khetri copper project. Mr Patodia's observations, however were even more telling. He alleged that with Rs 35,000 crores investment in it—nearly 50 per cent of the total investment in the industrial sector—the public sector's contribution to industrial production was only 13 per cent.

Referring to the slow growth of industries in the past few years, Mr Himmatsingka said that heavy taxation had eroded the investible funds in the hands of the private sector. So not many industries had come up since 1965. This had resulted in the emergence of serious shortages of many industrial goods. The interpretation given to interconnected undertakings in the Monopolies Bill, Mr Himmatsingka pointed out, was working to the detriment of industrial growth. Unless the definition was changed, he feared, it would create havoc. Mr Patodia alleged that the Ministry of Industrial Development was diversifying scarce materials in wrong directions.

The stulted growth of the industrial sector was also adversely commented upon by some members from the treasury benches. For instance, Mr S. R. Damani observed that no new capacity was being created and the increase in industrial production in the last two years had resulted primarily from better utilisation of the existing capacity. Along with several other supporters of the government, Mr Damani welcomed the new industrial licensing policy, but suggested that in the case of smaller entrepreneurs, investing Rs 25 lakhs or so, the 10 per cent limit set for import of plant and machinery should be raised to 20 per cent.

Dispersal of Industries

The tardy progress in the dispersal of industries to backward regions was also criticised by many a member. The proposal to set up a small car project in the public sector, despite the limited resources available for the fourth Plan, was vehemently criticised by Mr Baburao Patel (JS). He pleaded that instead of investing huge sums of money in the small car project, the existing manufacturers of automobiles should be allowed to expand their capacities. Mr R. K. Birla (Ind) felt that the image of the private sector in the country was not bright as they did not adopt the Gandhian concept of trusteeship.

Replying to this debate, the Minister for Industrial Development, Internal Trade and Company Affairs, Mr Fakh-

rudin Ali Ahmed, stoutly defended the public sector's role in the economy and expressed the view that its troubles were primarily due to the fact that several of the public sector units had been designed with a view to meeting future requirements of the country and not the immediate ones. There, therefore, was a good deal of unutilised capacity.

The industrial picture of the country as a whole, the minister said, had improved considerably during the last two years; not only production had gone up but the number of licences and letters of intent sanctioned by the government to new entrepreneurs were also showing a good deal of improvement. As compared to the early 1960's, the decline in the new licences issued, the Minister stressed, was due to the fact that under the de-licensing policy, many units which had come up were not required to take out licences. Mr Ahmed denied the charge that any deliberate attempt was being made to block the expansion of industry. The new policy, he said, was aimed at encouraging smaller and medium-scale entrepreneurs. The curbs on the expansion of the bigger industrial houses and units were warranted to avoid concentration of economic power.

Small Car Project

Referring to the small car project, Mr Ahmed said that the Planning Commission's refusal to allot funds for this scheme under the fourth Plan might not be an insurmountable difficulty for going ahead with this project. With the availability of funds from financial institutions now a distinct possibility, it ought to be possible to quickly set up this plant in the public sector. Mr Ahmed, however, did not hold out any promise that the car proposed to be manufactured at this project would be really a low-priced car. He indicated that it might be just about Rs 5,000/6,000 cheaper than the existing models.

The Minister also dwelt at some length on the growing paper shortage in the country. The shortage, he said, was expected to grow to around 300,000 tonnes in 1972. He regretted that in spite of the incentives offered, a sufficiently large number of units had not come up. He revealed that he would be shortly convening a meeting of manufacturers, dealers and consumers of paper to help find a solution to the problem. Most of the other observations of Mr Ahmed, particularly those regarding regional dispersal of industry and the new industrial policy, did not contain anything new.

The main points of criticism heard during the debate on the demands for grants of the Ministry of Foreign Trade

were reported in the last issue of this journal. Replying to this debate, the Minister for Foreign Trade, Mr B. R. Bhagat, unfolded a four-point scheme to add "new dimensions" to the country's efforts to achieve a seven per cent compound rate of growth in exports during the fourth Plan period. The four-point programme he revealed was: (i) giving an export orientation to industrial production; (ii) special emphasis on developing labour-intensive industries to cater to the demand in the developed countries who were finding it difficult to produce such products at competitive rates due to high cost of labour; (iii) forging of new trade links and bonds with the developing countries; and (iv) fostering of industrial co-operation in joint ventures among the developing countries.

Growth Points Marked

Mr Bhagat disclosed that the government had already marked out growth points and identified the sectors which had export potential. These were: (i) industrial products like engineering goods chemicals, plastic, leather and leather goods; (2) agricultural products such as fish and fish products, fruits, vegetables, flowers and cashew kernel; (3) mineral products like iron ore; (4) textiles which included cotton yarn and apparel, handloom silk and carpet backing, and (5) miscellaneous items such as handicrafts.

Mr Bhagat felt that a higher rate of growth in exports could not be achieved unless the demand for raw materials, specially steel, was met fully. With a view to fuller utilisation of the existing capacity, the government, he revealed, had decided to release adequate foreign exchange for bringing in raw materials, specially iron and steel, from abroad. Mr Bhagat also announced that a trade and development authority would be set up shortly to explore the possibilities to stepping up exports of small and medium industrial units.

Talking of canalisation of imports and exports, Mr Bhagat said that the government would take over the import of raw cotton before the next cotton season starts. Steps were being taken to canalise the import of cashew kernel through a public sector undertaking.

Dwelling upon the prospects of setting up joint ventures abroad, Mr Bhagat said that the World Bank and the Asian Development Bank were being sounded for a credit to enable us to take up turn-key projects in other developing countries.

Regarding jute exports, the minister confessed that the position was not satisfactory largely because the recession in the jute goods demand in the USA and competition from Pakistan.

WINDOW ON THE WORLD

The World Wheat Glut

JOSSLEYN HENNESSY

I THE IMPACT ON CANADA

LONDON:

WARM WINDS will soon be blowing across Canada's Prairies, melting snow and thawing some of the world's richest farmland. Already Canadian farmers are tinkering with tractors, getting them ready for the day when they will move out on to the land to work the soil for this year's crop.

The crop this year, however, will be far different from any other in recent memory. While wheat has historically been by far the biggest single crop in the mix of agricultural products on Canada's Prairies, if the federal government's recently announced plan to induce farmers to take up to 22 million acres out of wheat production this year were to have its maximum impact, practically no wheat would be grown in western Canada in 1970.

Complete Reversal

This would be a complete reversal of the situation which existed only a few years ago. In the mid-sixties, contracts for the sale of huge quantities of wheat, negotiated with the USSR and China, caused concern over Canada's ability to meet export commitments and farmers were urged to increase production. Now, with export sales falling and world wheat markets glutted, Canadian wheat stocks have been rising sharply. In fact, the minister responsible for the Canadian Wheat Board estimates that at the end of the current crop year (July 31), stocks of wheat on hand will still amount to 950 million bushels, nearly double estimated annual domestic consumption and expected export sales.

While the decline in exports has had an immediate and important impact on the current situation, other factors have also been at work.

On the supply side, technological improvements in wheat growing appear to have drastically reduced the chances of serious crop failures. Even in 1967, when there were widespread drought conditions in Saskatchewan, the crop exceeded the long-term average. New hardier crop varieties, greatly improved farm equipment, increased use of pesti-

cides and herbicides, and heavier applications of fertilisers have been some of the reasons for the high yields per acre achieved in recent years. The new technology has also enabled farmers to put into production lands which formerly had been considered marginal. It is significant, in this connection that in 1968 nearly a million tons of fertiliser were worked into Prairie land, compared with only 85,000 tons in 1950.

As a result, Canadian wheat crops in the latter part of the sixties have been extremely large. The crop harvested in 1966 was the largest on record and last year's was the fourth highest ever.

Advances in India and Pakistan

Improved farm technology, a big factor in expanding Canadian wheat production, has increased crops in other countries as well. Indeed developments elsewhere have been equally if not more dramatic. For example, new wheat strains suited for warmer climates have led to improved harvest in many developing countries; recent increases in India and Pakistan have been particularly important. Advances in milling and baking technology have also enabled many countries to use more locally produced wheat and thus to lessen their dependence on Canada's hard wheat varieties.

Another factor slowing the growth in Canada's wheat markets has been an increase in wheat production in importing countries under the encouragement of incentive support prices which, in many cases, are set at levels well above world prices. The European Economic Community, for example, has become self-sufficient in wheat in this way. EEC imports, however, have been maintained because exports of wheat have been fostered by means of subsidies.

According to a recently published study by the Economic Council of Canada, a further factor detracting from the competitiveness of Canadian wheat exports has been a lack of consistent quality as measured by the uniformity of protein content. In the view of the author of the study, Canada's present grading system, last reviewed in 1930, badly needs to be brought up to date. Other important wheat

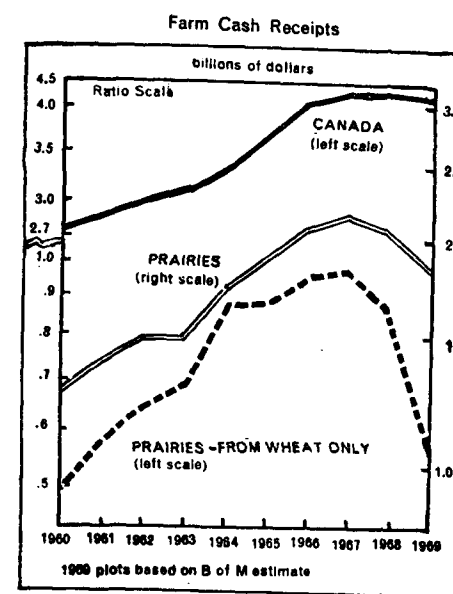
exporters have already recognised such a need and are now chemically testing their wheat for protein content and other factors associated with baking qualities.

II

STAGNATING WORLD MARKETS

In sum, then Canada's current wheat problem basically arise because soaring wheat producing capability not only in Canada but around the whole world has resulted in stagnating export markets, and, in the more competitive conditions, Canada's market share appears to be slipping. Furthermore, the longer-term outlook for Canadian wheat sales is also a cause for concern. The Economic Council's study in fact concludes that Canadian exports in 1975 may well be 25 per cent below the average for the 1963-68 period.

Some idea of the impact of lagging wheat sales can be had by looking at the Farm Cash Receipts chart. As can be seen, in the recent period when most economic groups in the community have been substantially increasing their money incomes, farmers generally have been faced with virtually no increase in their cash receipts. Since 1967 there has, in fact, been a 42 per cent drop in cash receipts from the sale of Prairie wheat and this, in turn, has resulted in a 19 per cent drop in total farm cash receipts on the Prairies. As farming is so dominant



there, the impact on the Prairie economy (with the exception of Alberta) has been significant. For example, it has not been surprising that while in 1969, retail sales rose 6 per cent in the country as a whole, in Manitoba and Saskatchewan the gain was only 1½ per cent and in Saskatchewan alone

there was a 2 per cent decrease. Other business indicators have similarly lagged.

Thus, the wheat problem is having serious repercussions on the total Prairie economy and far-reaching changes in Canadian agricultural policy are to be expected. One important step was the government's recently announced wheat acreage reduction programme for 1970. Under this scheme, farmers who reduce wheat acreage below 1969 levels and increase summerfallow (land on which no crop is grown but which must be cultivated to keep down weeds) or perennial forage (land seeded to grasses) will receive compensation payments of \$6 per acre for additions to summerfallow or \$10 per acre for additions to perennial forage. Compensation payments will be available to a maximum of 20 million acres of additional summerfallow and 2 million acres of additional perennial forage. A maximum of 1,000 acres for any individual producer will be eligible.

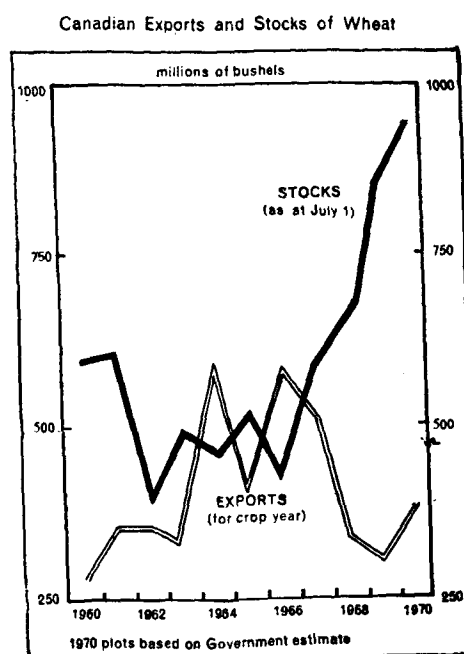
The cost to the government will vary with the number of acres that farmers actually take out of wheat. While the government estimates the cost at \$100 million, maximum payments could total \$140 million. To the individual farmer there is, of course, the cost of fuel, machine time and capital in having his land lie idle in summerfallow and an additional cost for seed in the case of converting to perennial forage. However, improved yields in subsequent years could result from fallowing and offset some of this cost.

Further Incentives

Beside the compensation payments, there is a further incentive to farmers (many of whom have large quantities of wheat stored on their farms) to take part in the programme, since wheat delivery quotas for the 1970-71 crop year will be based, not on wheat acreage planted, but on the total of: (a) 25 per cent of summerfallow acreage as stated on the producer's 1969 permit book; (b) total acreage of summerfallow in 1970; and (c) the amount by which acreage in perennial forage in 1970 exceeds the similar acreage in 1969.

It seems likely that the government's programme will have a major impact and that the wheat crop this year will amount to only a small fraction of the 500-700 million bushels which has now become the normal range. While this will alleviate the immediate problem by helping to reduce stocks, it will provide

only a short breathing space for longer-term policies to be formulated.



Clearly Canada's agricultural product mix will be changing markedly in coming years and while wheat will no doubt continue to be an important crop, it will no longer be so overwhelmingly dominant on the Prairies as it used to be. In the long run, the Bank of Montreal's *Business Review* thinks that this may be all to the good. But there are major hurdles to overcome in shifting resources from the highly specialised field of growing wheat into other equally specialised areas of agriculture such as raising livestock, where the problems of production are quite different and where capital costs are extensive. The next few years, therefore, will be no easy time for Canadian

agriculture and for the policy-makers who shape its destiny.

In 1947, wheat importing and exporting nations drew up an international agreement to provide price and quantity controls in the world wheat market. The first agreement became effective in 1949-50 and provided for maximum and minimum prices at which a guaranteed quantity of wheat would be traded. The prices laid down were for No. 1 Northern in store at the Lakehead. The IWA was revised periodically and the last agreement ended on July 31, 1967, with only the administrative provisions extending until July 1, 1968, when the International Grains Arrangement came into force.

Kennedy Round

During the Kennedy Round trade negotiations, a Cereal Sub-Group was set up. Canada and the other major wheat exporters (the United States, Australia and Argentina) attempted to obtain higher price ranges than those provided by the expiring International Wheat Agreement. Increases were obtained and the new arrangement resulted in maximum and minimum prices of No. 1 Northern at the Lakehead of \$2.38½ per bushel, \$0.21 above the previous IWA levels. The IGA also provided a schedule of maximum and minimum prices for most other major classes and/or grades of wheat moving in international trade. The agreement, however, lacked any overall purchase commitments by importers and, in view of heavy supply conditions, the minimum prices came under great pressure almost from the start and, in fact, were soon breached. Another feature of the agreement was that all members, including both wheat importing and exporting countries,

SUMMARY STATISTICS OF CANADIAN WHEAT PRODUCTION

(crop years: August 1—July 31)

	1959-60	1965-66	1966-67	1967-68	1968-69	1969-70
Acres seeded (thousands) ..	23,065	28,282	29,692	30,121	29,423	24,968
Yield per acre (bushels) ..	17.9	22.9	27.9	19.7	22.1	27.4
Production (millions of bushels) ..	413.5	648.9	827.3	592.3	649.8	648.3
Exports (millions of bushels)	277.3	584.9	515.3	336.0	305.8	375*
Domestic Requirements (millions of bushels) ..	147.6	156.9	155.4	168.2	159.8	165*
Carry-over at year-end (millions of bushels) ..	537.6	420.1	576.8	665.5	849.8	950*

*Government estimate.

agreed to make a specific quantity of grain available either in kind or by a cash contribution to a multilateral food aid programme.

Sources and acknowledgements: The foregoing summarises a special study

in the latest issue of the *Business Review* published by the Bank of Montreal (P.O. Box 6002, Montreal 101, P.Q., Canada), but the Bank is responsible neither for the emphasis of my summary nor for my comments based on a variety of sources.

Seeds of Change

H. R. VOHRA

WASHINGTON :

AN INTERESTING thing to do is to read "Seeds of Change" by Lester R. Brown which gives a global view of the green revolution, the way it began and the direction it is heading.

I have enjoyed the simple, direct and unvarnished account of the dramatic recent happenings in the field of agriculture partly because of my friendly association with the author. I met him about six years ago when, in his early thirties, he was rapidly gathering fame as a statistician in a corner of the colossal US Agricultural Department.

He heralded the eye-opening prophecy that there was sure doom ahead for the developing countries whose agricultural output was either going down or was ascending so insignificantly that they could not hope to meet the growing food needs of their expanding populations.

Tell-Tale Curves

Lester Brown drew tell-tale curves of agricultural output and population growth which collided and crossed as if in midair to create gruesome impressions of mass hunger. Soon enough there was a world-wide explosion of fear propelling the acceptance of the seeds of change and the fertilizers which must sustain them besides other inputs.

There were other prophets, the Paddock Brothers, for instance. Lester Brown differed with them in one main respect. He seemed to say that there was a little time and, if only the countries heeded his danger bells, they could, perhaps, still save the dismal situation, as he saw it. He retained a speck of hope. Others were pure pessimists. They relished their diet of gory predictions.

Lester Brown has returned to the world stage in a garb of humility but resplendent self-satisfaction to note that he was right only because others cared for his grim warning. He says with characteristic modesty: "I am

fortunate enough to have had a front-row seat in this historic drama."

The broad sweep of this drama is now well known. It originated here in the US where in the post-war years it mushroomed into a glut of food, grown over receding acreage by a shrinking number of farmers. Today only 8 per cent of the total population is engaged in agriculture while millions of acres lie fallow lest the glut turned into a deluge.

Heart of the Revolution

The US is the heart of the world agriculture revolution. From here it overflowed into Mexico where in about 25 years wheat production tripled. From Mexico, two oceans apart, the Mexican wheat seed brought similar results to India and Pakistan. The boundaries of the revolution are expanding to Iran and Turkey and wherever else wheat is grown and prized.

The Mexican success forged a marriage of the two renowned foundations—Ford and Rockefeller—who established the International Rice Research at Los Banos in the Philippines. Their joint efforts soon yielded a dwarf rice variety, IR-8, now deservedly known as "miracle-rice". It did for the rice-growers what the Mexican cross-breeds had achieved in wheat.

What is the true meaning of the change? It would be tempting to say that all is well and the problem of food has been licked. Not for Lester Brown. He remarks in sobering language that the new seeds "do not provide an ultimate solution to the food-population problem."

"The collision between population growth and food production has been averted only temporarily." For him the agricultural improvement has bought time for a breakthrough in contraception comparable to the breakthrough in plant breeding.

This is no place to review how the new seeds were evolved. I would have to be content by saying that they are the product of what has come to be known as biological engineering

which holds infinite possibilities. Through this technique, one can generate seeds to suit variations in soil and climatic conditions.

There are only two sets of heroes in this business—the biological engineers and the farmers who lap up their products, disproving the traditional myths that farmers are hard to change or that they are too illiterate to accept advice. They have, instead, demonstrated over wide areas in differing climes that they hunger for new but proven ideas and if the pace of the revolution has now slowed down they are not to blame.

They are up against the problem of irrigation resources. Water supply, not their inertness, is acting as the principal constraint. The extent of the revolution will be determined by the extent to which they are enabled to gain recourse to assured irrigation. This could be a problem of pumps, electricity or finance or a combination of all three.

"We must, therefore, concern ourselves more with man-ratio and less with man-land ratios," advises Lester Brown.

The new seeds work their magic only where man-water ratios are favourable, as we in India have discovered. The question now is whether the new seeds would promote stability besides prosperity for those who can avail of their benefits? The answer is: Not necessarily.

Harbingers of Turmoil

They can also be the harbingers of turmoil as has happened in Pakistan where in its two wings development was uneven. And development can be uneven as between neighbours. Landless labourers can grow very envious of the landed farmer, particularly of the farmer who is ostentatiously big in the midst of little fellows.

There is also scope for a heartburn as between a city trader who pays heavy taxes and a coddled farmer who goes scot free. In India, as in many adjoining countries, the farmer enjoys privileges which are outside the reach of the city dweller. The urban sector bears the major burden of the federal, state and city exactions. The urban sector in fact, appears to have turned into a milch cow to be drawn up by every thirsty taxing authority. The conclusion is irresistible that the urban dweller subsidizes the growth of the rural sector now. How long can this disparity continue? The question is bound to be asked insistently and loudly as time goes by.

Lester Brown makes another interesting point. "If price supports

are set too high, they may provide production incentives and higher incomes to farmers but, at the same time, they will create social discontent among city dwellers whose food costs will rise. If supports are set at a lower level most of the cost benefits of the new technologies will be passed on to the consumer, but the farmer may be unable to afford the inputs needed to exploit the new seeds." Here is a dilemma which can only be solved by a compromise between the needs of the two sectors.

It is time to look forward to the possibility beyond national food self-sufficiency when prices begin to be depressed unless foreign markets are developed to absorb the excess. There must also be orderly progress in the development of agricultural industries and agribusiness.

In this exposition of current dangers and of dangers ahead, Lester Brown traverses known ground. He talks of the inadequate state of marketing, storage and market intelligence and makes out a case for international co-operation in each of the three spheres. He would like to see national and international development assistance agencies help close these gaps. He suggests that this would also be a fit subject for particular attention for the World Bank.

Export Surpluses

He foresees achievement of self-sufficiency in many countries and since growth can never be a precisely balanced affair, there are bound to be surpluses needing to be exported. Countries which for years have remained dependent on US surpluses would thus acquire a different kind of dependence—the willingness or the ability of other countries to buy what they have to offer. They would need to seek export markets.

The alternative is diversification. As incomes rise in poor countries, there will be growing demand for fruits and vegetables which are also exportable commodities. Taiwan exports bananas worth millions of dollars besides mushrooms. The Soviet Union could be an important outlet for Pakistan's dry fruits now that a road link has been established between the two countries. There are possibilities for the expansion of trade in canned fruit besides feed grains.

There could also be expansion of poultry and livestock production in which feed grains play a major role. This development is mentioned as a certainty. The consumption of poultry

and livestock meat expands in proportion to prosperity. In poor countries, it is a fraction of the average 120 lbs of meat (excluding poultry) consumed yearly per person in the European Economic Community and the 180 lbs in the United States.

Poultry, husbandry offers special advantages. Modern techniques make it less costly than grain-fed pork or beef. A broiler flock requires only three pounds of grain to produce a pound of chicken meat, four pounds to produce a pound of pork and seven pounds for a pound of beef.

The poultry machine works quicker. Chicks hatch in 21 days and are ready to be marketed in 10 to 12 weeks enabling investors to recoup their capital quickly.

No Reason for Worry

While these possibilities offer themselves to the farmer in the developing countries, there is no reason to worry for farmers in the US and Canada. This consolation is offered by Lester Brown to people here in order to support his thesis that it pays to help development everywhere.

There is no doubt that until recently and for a decade or more, North America has held a predominant position as an exporter of foodgrains. This area exported 5 million tons of foodgrains between 1934 and 1938, 23 million

tons between 1948 and 1952, 39 million tons in 1960 and 59 million tons in 1966. During this period western Europe has remained a net importer.

Canada and the US were able to export about 60 million tons of grain a year while the US withheld, 50 million acres of crop land from production. What will happen when agriculture expands in Africa and Asia? For sure, food aid will decline. But this is no cause for great worry for Lester Brown.

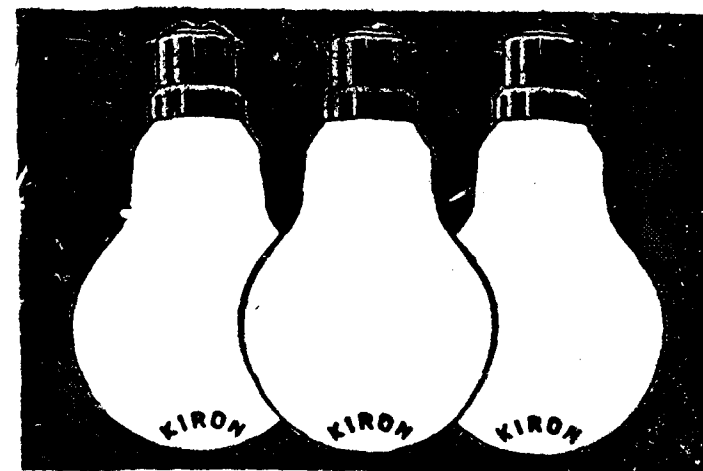
Costly Food Aid

Two reasons are adduced to meet American fears. First, food aid, he says, is more costly to the treasury than subsidy to farmers to take land out of production. "The net income to the farmer may be the same whether he produces wheat or is paid not to produce it since the payment for non-production usually approximates his net income."

Secondly, he thinks that there will be no, or very little, throttling of trade in farm products as various countries achieve self-sufficiency in wheat or rice. Brown holds that as incomes rise, consumers everywhere demand a much greater variety of food. The US itself, despite its overflowing farm production, imports four billion dollars worth of farm products.

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should hope to export his agricultural specialities to the rest of the world more than now because, being self-sufficient in essentials, a country can afford to consume some luxuries.

That is where the US can excel in supplying.

He therefore wants the US to welcome the green revolution which it has done so much to promote.

Company Management in Europe

E. B. BROOK

VIENNA :

IN MANY ways Europe has been a pupil of the United States in commercial affairs and has often learnt slowly. There are exceptions to this statement and the United States itself is by no means the monolithic economic unit as some appear to regard it any more than any other alleged monoliths—the communist world or the Soviet Union itself—are in fact.

But in few things is Europe more indebted to the United States for showing the way than in the matter of company management. It took west Europe quite a time to realise that the Americans had stolen a march on it in establishing multinational European companies that crossed national boundaries and enjoyed the advantage of free interchange of staff and information.

Learning from Mistakes

It is probably true that, to the extent that Americans had the same misconception over Europe as many Europeans have over the USA in thinking of it excessively as an entity, they blundered into their success. But, having realised their success and its opportunities, the Americans were quick and active to develop it. Their misconception over Europe as an entity led the Americans into quite a number of early disasters as they ran up against differences in laws, customs practices, states' monopolies and taxation peculiarities, but they assimilated these disasters as lessons and, unlike the Europeans, adapted after learning quickly.

But, after some 15 to 20 years of having a number of commercial rings made round him, the European is slowly taking up the international corporate idea himself. There is still an overriding tendency to let the governments and the Common Market act first. The Market and its member governments have still a long way to go to reduce differences between and co-ordinate such commercial essentials as customs practices, state monopolies, tax variations, idiosyncracies in patent laws and so on. GATT has done a good deal to help along these lines as well as struggling to reduce the level of tariffs but the length of GATT's campaign and the

extent to which its Geneva headquarters have to keep working at these problems is a measure of their extent and, particularly, of their depth. Internationalism, the Market notwithstanding, is still a long way off and this generation will certainly not see the end of state monopolies, such as that in Italy over salt and in Austria over tobacco.

But European business must be credited with beginning to awake to the possibilities of wider trading not only on the old style of exporting and perhaps having a few manufacturing subsidiaries in other countries. The aim of the more progressive is to think in terms of an international European company with divisions operating in several countries, with an international staff, many of them competent in several languages. The up and coming bright young managers are rapidly becoming a multilingual group and acquainted with the characteristics and practices of their fellows in other countries. The new manager with a future has a high calibre intelligence, sound knowledge and wide understanding and is able to think in ways quite different to those native to his own country. This is a mid-20th century phenomenon that is growing fairly fast in Europe (less fast in Britain) and is one with which more conservative business institutions will have to reckon increasingly since men of these types are able to choose their companies rather than be selected by them.

Contact with E. Europe

Another factor in the same field is the increasing contact with east Europe which, in commercial matters, often puts its best men forward. Contact with some of these highly specialised, multilingual and well-informed men from the Soviet Union, Hungary, East Germany, Poland and other countries has been a surprise and something of a shock to many senior west European executives who have found themselves, on confrontation, sometimes somewhat fumbling. It is no small success for the USSR to have senior representatives of the UK's Federation of Industries, of leading West German firms and French syndicates as well as the bright businessmen of Italy not only seeking trade but travelling widely in the Soviet Union to

extend business and technical collaboration. If there is anything that celebrates the Lenin Centenary this year with an open tribute it is this commercial and very capitalistic fact.

International combines have, of course, their difficulties, as several in Europe have found. A big chemical combine between West German and Belgian firms spent some time rather painfully sorting out differences in work methods, differences in approach and, above all, differences in staff attitudes. Central European and Swedish business is fairly intensely stratified whereas the Belgians and the Italians are more flexible. By comparison, the Americans give their bright young executive his head and it is up to him to make a success of his opportunity. This staff stratification in Europe is a great hindrance to the growth of internationalism in commerce and the probability is that it will slowly break down before the necessity to grow internationally.

Forcing the Pace

The Americans are going ahead fast in Europe and forcing the pace. Overseas affiliates of US companies plan this year to boost their plant and equipment by spending a fifth more than in previous budgets. The total sum coming into US plant and equipment expansion abroad this year is nearly 13 billion dollars and the biggest share will be devoted to Europe a fact that makes much European business snap its eyes. Because of the current US curbs on capital outflow it is probable that a great part of the projected expansion will have to be financed in Europe's already strained capital markets. Another major area for US expansion in capital investment this year is Canada.

The US expansion in Europe may increase existing tensions between the USA and the Common Market. The latter has already complained that US companies are absorbing all available European capital. Last year US companies in Common Market countries increased their outlays by 16 per cent. For 1970 they project a 37 per cent rise, the largest for any major area. The principal American growth is in the machinery industry, a fact largely accounted for by the introduction of more advanced computers and related equipment into west European business houses. Because of the Common Market's barriers many American firms are choosing to manufacture their products in Europe to avoid import charges and restrictions.

The Common Market, to face the challenge of what could be American

industrial domination, has stressed, in a 400-page document, the need to give special help to European-owned companies to grow bigger and more powerful. The idea will probably take several years to be adopted and, if it is eventually taken up, could further strain relations between Brussels and Washington, since the latter would regard the measures as an extension of

European protectionism. The Europeans also will hesitate to compete too openly since wages and salaries in most Common Market area companies are at least 40 per cent lower than those in US companies and their efficiency is about 30 per cent less. The European is watching the American and his apt pupil, the Japanese, with increasingly wary anxiety.

Revolutionary Aid Programme for the Poor

GERARD A. DONOHUE

WASHINGTON:

IN SPITE OF the tremendous growth of the economy—the gross national product is approaching the \$1,000,000-million mark—and massive federal and state government as well as religious and other private charities, “poverty”, says President Nixon, “remains our most pressing domestic Problem.” About 25 million persons out of a population of more than 200 million have incomes below the “poverty level” as defined by the federal government. This level is about \$3,700 per year for a non-farm family of four.

But great progress has been made in bringing families up above the poverty level. Ten years ago, about 40 million persons were considered poor, and back in the depression days of the 1930's, President Franklin D. Roosevelt described one-third of the nation as “ill housed, ill clothed and ill fed.” That description now applies to only one-eighth of the Nation. It was during that time of economic upheaval when millions were out of work because factories, workshops and stores were closed, that the federal government in Washington began emergency relief and welfare programmes. Until that time, responsibility for the poor, the aged, children and the sick had rested in the hands of state and local governments and private charities. President Roosevelt was called a “revolutionary” and a “radical” (and some unprintable terms) for that the federal government must take care of those who cannot help themselves.

But the problems of the poor in a depression, when highly skilled men could not find work, are far different from the problems of the poor in a high employment, high technology economy.

“The poor today”, says the Committee for Economic Development—an organization of leading businessmen and educators—“are largely those un-

equipped by reason of some disability—age, sickness or other physical incapacity, by lack of education, of training, by discrimination because of race, or some other circumstance over which they have no control—to find gainful employment either in the private or the public sectors of the economy even though jobs are available.”

There is no argument that plenty of jobs, ranging from dishwasher to computer scientist, are available—as a glance at the “positions available” or “help wanted” listings in the newspapers shows—and is further shown by the complaints of businessmen about their difficulties in finding competent employees. However, the welfare and relief programmes of today are generally built on the programmes of the 1930's and, though greatly expanded, are not going to bring greatly improved living standards to the remaining poor. In

fact, some of the rules of the welfare programmes seem almost designed to keep people poor rather than to give them incentives and help in improving their living standards. Those receiving welfare payments, for example, usually have their payments reduced if they earn money. “Why work?” say some, “it only costs me money.”

Aware of growing resentment of the present welfare system, and a general conviction that it was not ending poverty, President Nixon submitted to the Congress a plan that he said was a “revolutionary effort to reform a welfare system in crisis.” The Administration's programme will provide direct federal payments to all families with children, with incomes below certain amounts. All families will be included whether the head of the family is working or not, and if earnings take total income over the guaranteed minimum amount they will be permitted to keep most of it, up to a certain limit.

For those who are able to work, the President's plans called for incentives to gain larger incomes through education and training programmes. But those who are able, but unwilling, will lose their portion of the family's benefit. The House of Representatives, where the plan has been under study, seems certain to pass it with only minor changes, for, as Congressional Quarterly says, “It mixes a guaranteed income, backed by Liberals, with a work requirement, demanded by Conservatives.”

RECORDS AND STATISTICS

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

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The moving finger writes

WITH THE successful retrieval of the Apollo-13 astronauts, the space technology of the United States has truly come of age. Although this mission was not successful in its assignment of landing the astronauts on the moon for further exploration of the lunar surface, its very failure was the occasion of a great triumph of the human spirit as well as the wisdom and resources of science. If everything had gone according to schedule, Apollo-13 would only have been one in a series of lunar missions coming in the wake of the pioneering achievement of Apollo-11. It was precisely because things did not go according to schedule and the command module suffered a failure of equipment of calamitous proportions that the courage and skill of the three astronauts and the magnificent perfection of the mission control at Houston and, indeed, of the entire NASA were stretched and strained to test the limits of human possibilities and as dramatically vindicated. James Lovell, Fred Haise and John Swigert have had their faith and nerve tested beyond what might have been thought to be the frontiers of human endurance and, by fighting through this ordeal, they have shown that the human potential, in fact, knows no bounds at all. Functioning through and for them, the resources of American space technology have proved that they are equal to the tremendous task of coping with momentous emergencies in the outer spaces beyond the earth's atmosphere.

* *

I am at a loss to understand why so many people are so readily disposed to assume that, when the next major cabinet reshuffle comes along, Dr V.K.R.V. Rao and Dr Triguna Sen would find themselves discarded. As Minister for Education, Dr Rao may not exactly have brought off a revolution in men's minds, but he at least has not been creating any major problems for the Prime Minister. This apart, Dr Rao, despite his political inconsequentiality, is one of the few members of the council of ministers who could lend it distinction of any kind at all. As for his political affiliations, they, such as they are, are of a kind which do not and need not cause any embarrassment either to the Prime Minister or himself. I do not, therefore, see any compelling reason for Dr Rao being disturbed.

As for Dr Triguna Sen, I confess that

I was not very enthusiastic when he was moved from the Ministry of Education to the Ministry of Petroleum, Chemicals, Mines and Metals. Seeing how trivial or tiresome his tenure as Education Minister had been, I was plainly unhappy that he was being entrusted with a major economic ministry the proper administration of which was of considerable importance to the nation. My apprehensions about his suitability, I am glad to say, are now very considerably allayed. In fact, I am ready to admit that Dr Sen is proving to be a remarkably cool and competent operator. This is in spite of the handicap he has to suffer in the form of a socially over-committed Secretary in the Department of Petroleum and Chemicals. It may be added also that his having the exuberant Mr D.R. Chavan for his Minister of State does not make his lot any easier.

Dr Sen's great virtue, in his present job is that he is able to visualise clearly certain specific advantages to be gained for the community and pursue these objectives in a pragmatic as well as resolute manner. The steady pressure he has been applying on the pharmaceutical industry for making them cut down their profit margins on essential drugs so that these may be retailed at lower prices is a case in point. It is no secret that drug prices are “managed” prices, the managers being the manufacturers. The government, therefore, is wholly justified in trying to bargain with the pharmaceutical industry on behalf of the public. Dr Sen is doing a good job of it.

His other remarkable achievement has been the beating down of international oil companies on the issue of the price of imported crude. The question now is not whether these companies had a case. What matters is that they had an opportunity to respond to a suggestion from the government that they should voluntarily offer a reasonable reduction. They made no serious attempt to avail themselves of this opportunity. On the contrary, they kept protesting to the last that any substantial reduction was impossible. This, however, did not prevent them from surrendering ultimately to an ultimatum from the government and agree to a reduction in prices as dictated by the latter. Incidentally, one of the three international oil companies chose to do so with the utmost

ill-grace imaginable. After all this, it is going to be difficult, indeed, for the oil companies to persuade the press or public opinion about the credibility of their attitudes when the next confrontation occurs between them and the government.

It will be wise, indeed, for the oil companies to avoid confrontations with the government in future. This is all the more so because Dr Triguna Sen appears to be in a reasonable frame of mind regarding the future role of international oil companies in the nation's expanding oil economy. He has publicly stated more than once his position that the existing refinery agreements should be re-negotiated so that their contents and conditions could be brought up to date and made more relevant to the realities of the developing national and world oil situations. I do not doubt that the international oil companies have a great deal to contribute to the sound growth of our oil economy. If they are genuinely interested in doing so, they ought to be ready to realise that the terms will have to be right as much from our long-term national interests as from their current or projected commercial interests.

Provided the oil companies are willing to play the game without far too many cards up their sleeves, they should find in Dr Sen a responsible and responsive other party. Whether the Secretary of the Department of Petroleum and Chemicals will have a useful role to play in the matter of re-negotiating the refinery agreements is, however, a different matter. Having publicly described the refinery agreements as “scraps of paper”, he clearly has to recant as publicly before he qualifies to participate in any conference for re-negotiating these agreements. As for Dr Sen himself, it would be fairly safe to assume that he could and would take care of genuine national interests without playing to the gallery by taking up needlessly aggressive postures. From this view of things, I am indeed happy to note that Dr Sen is sticking to his request to the Governing Body of Jadavpur University that he be relieved of the Chancellorship. The implication, obviously, is that he takes a more confident view of his tenure in the cabinet than those observers of the New Delhi political scene who have been regularly predicting that the next reshuffle would see him out.

V. B.

Trade Winds

IRON ORE EXPORTS

THREE CONTRACTS concluded recently are expected to give a big push to our exports of iron ore. The first contract, signed in Tokyo on April 3 by the Minerals and Metals Trading Corporation (MMTC) with Japanese steel mills, envisages export of nearly 61 million tonnes of lump iron ore from Bailadila which will fetch foreign exchange worth over Rs 500 crores. Nearly 15 million tonnes of this ore are due to be shipped between 1971 and 1974 through the present inner harbour at Visakhapatnam and the rest nearly 46 million tonnes between 1974 and 1979 through the outer Vizag harbour. These sales will be in addition to the supply of 3.9 million tonnes of ore to Japan by the MMTC from the Bailadila area during the current financial year i.e., 1970-71 for which a contract was signed in December last.

The second contract envisages stepping up of exports of basic grade ore to Japan through the other east coast ports from 2.5 million tonnes to 3.5 million tonnes during each of the years 1970-71 and 1971-72. Of these 3.5 million tonnes, exports to the extent of 1.7 million tonnes per year will be made from the Barajamda area in Bihar and Orissa through Paradeep—almost double the quantity shipped in 1969-70. One million tonnes will be obtained by the MMTC from Bellary-Hospet area to be shipped through the Madras port. The balance of about 0.8 million tonnes will be initially loaded at the present port of Calcutta with upturning of the same vessels at Kakinada.

The third contract for high grade ore increases the assured off-take by Japan from the Bellary-Hospet ore over a period of four years, i.e. between 1970 and 1974, to 3.4 million tonnes—2.65 million tonnes through the present port of Madras and 0.75 million tonnes through the minor port of Cuddalore.

Over and above these increased sales to Japan from the east coast ports, large exports of Daitari ore to Rumania are being made via Paradeep and of Bellary ore to various European buyers via Madras. From the west coast, fairly large quantities of iron ore continue to be exported to Japan through Marmugao and some additional quantities through Redi. Exports are also being effected to Europe through Karwar, Mangalore and Belikeri. The total iron ore exports during 1970-71 are expected to exceed 21 million tonnes

which will earn over Rs 100 crores worth foreign exchange.

With a view to stepping up iron ore exports further, in addition to the construction of the outer harbour at Visakhapatnam, mechanised loading facilities are being put up at the Haldia port and at an outer harbour at Madras. The construction of the Cuttack-Paradeep rail link has also been sanctioned. When the above projects are completed and the Marmugao port is modernised, iron ore exports per year are expected to reach 30 million tonnes level.

With a view to meeting Japan's order on the Bailadila mines in terms of the April 3 contract a second mine is being opened by the MMTC in this area. The foundation stone of this mine will be laid by the Home Minister, Mr Y. B. Chavan on April 25.

The Japanese steel manufacturers have also shown interest in importing fines in the form of pellets from the Bailadila area. The new mine, which will be developed at a cost of nearly Rs 38 crores, will be exporting four million tonnes of iron ore annually from 1974 onwards.

U.K. IMPORT CURBS REDUCED

The British government reduced import curbs and eased bank lending rates in the national budget presented on April 14. The bank rate was reduced from 7.5 per cent to 7 per cent. Mr Roy Jenkins, the Chancellor of Exchequer, stated that improvement in Britain's balance of payments was substantial. Borrowing requirements of previous year had been replaced by surplus of around £ 600 million in the financial year just ended. For 1969-70 it is likely that the surplus will not be less than £550 million, and may be larger.

ASIAN TRADE FAIR

The Indian Ambassador, Dr P. K. Banerjee, who is the acting leader of the Indian delegation to the 26th session of ECAFE in a statement at the conference opened on April 14 proposed that the leaders of Afghanistan, Australia, Indonesia, Malaysia, New Zealand and Philippines be elected vice-chairmen of the conference. The proposal was unanimously approved by the conference. Executive Secretary U Nyun, in the course of his statement thanked the union government for offering to host the Third Asian International Trade Fair in early

1972 at New Delhi. He expressed on behalf of the conference "our warmest gratitude for this kind offer".

NEW STEEL PLANTS

The Prime Minister, Mrs Indira Gandhi, stated recently in Parliament that the fourth five-year Plan has a provision of Rs 110 crores for the development of new steel plants during the current Plan period and the government has decided that work should be started during the Plan period on two integrated plants for the production of mild steel and the third one for special steels. Taking into account the advantages of locating a steel plant in the proximity of a port, which should facilitate the export of steel products as well as the import to the extent necessary of the required raw materials, the government has decided that one of the new steel plants which is to be taken up during the fourth Plan period would be located in the coastal region of Visakhapatnam. There are vast resources of iron ore of high quality around Hospet which in the absence of a steel plant in the area are, at present, being utilised only partially for export purpose. Therefore a steel plant has been proposed to be set up at Hospet.

The proposed plants at Hospet and Visakhapatnam will mainly produce mild steel. There is, however, a considerable demand in the country for special steels, and a good deal of this demand is from the states of Tamil Nadu and Mysore where there are a large number of consuming units for such steel engaged in the manufacture of engineering goods including automobiles and automobile ancillaries. To meet this demand and also to encourage further industrial development of the area, the government has decided to locate a special steels plant in the district of Salem based on the local iron ore and Neyveli lignite. The government proposes to initiate the necessary preliminary work on these three steel plants within the fourth Plan period and with the utmost expedition.

INDO BULGAR FOODS

President V. V. Giri performed the inauguration of the Indo Bulgar Foods factory at Ghaziabad on April 18, 1970. The Indo Bulgar Foods factory has been set up by Crown Timber and Foods Private Ltd. with technical know-how from Techno-Export from Bulgaria. The unit is made up of two sections—one for the manufacture of dehydrated vegetables and fruits and the other for the manufacture of canned fruits, vegetables, fruit-juices and jams. Cold storage with a capacity of over 5,000 tonnes has been equipped with modern and up-to-date machinery. The capacity of the dehydrated plant is

around two tonnes of finished products per day and manufactures this quantity from between 20 to 40 tonnes of raw materials every day. The capacity of the canning line is around 10 tonnes of finished products per day. This unit took nearly 10 months to complete. The variety of dehydrated products will consist of potatoes, peas, onions, carrots, cauliflower, apples, pears, french-beans, okra, etc. The company will be canning a large variety of vegetables such as potatoes, peas, carrots, cauliflower, Karela, parwal, tinda etc and fruits such as mangoes, guava, guava-juice, mango-juice, tomato-juice etc. The products will be marketed under the brand name SNAP.

ALUMINIUM PRICES

The union government has set up a working group to look into the matters relating to the pricing policy of aluminium. The working group will examine the existing structure of the aluminium industry, including semi-industries, and will make suitable recommendations, as quickly as possible on the selling prices for different products, as also on the pricing and distribution policy to be followed. The group will take into account the present and estimated cost of production of aluminium and aluminium products; the growth envisaged for the industry and the expansion programmes of different producers; the needs of the user industries in the context of their importance in the economy; and any other items germane to the study. The group will have as its chairman, Mr N. N. Wanchoo, Chairman of the Bureau of Industrial Costs and Prices; and Dr Ashok Mitra, Chief Economic Adviser to the Government of India; Mr N. Krishnan, Chief Cost Accounts Officer, Ministry of Finance, Dr P. Dayal, Industrial Adviser, Directorate General of Technical Development, and Dr P. N. Dhar, Director, Institute of Economic Growth, Delhi University as members. Mr A. Krishnan, Director, Department of Mines & Metals, Government of India, will be the Member-Secretary.

TELEVISION CONFERENCE

President V. V. Giri inaugurated the Television Manufacturers' Conference sponsored by the Indian Society of Advertisers on April 16, in New Delhi. The President felt that this country should make its own transmission and reception arrangements. As for the nature of the future network, the President felt that to be effective it would have to be regionally and locally oriented. In spite of the recent agreement with the US for satellite communications, the conventional TV net-

work, which was ground-based, might remain the mainstay of the Indian system till Indian scientists developed their own satellites. Welcoming the 400 Indian and foreign delegates, Mr Bharat Ram, chairman of the reception committee, stated that television was "full of promise for changing the lives of our millions." In his address, the chairman of the society, Mr K. Mahindra, indicated that "economic progress called for attitude changes which could be brought about by mass TV". He suggested an autonomous corporation outside the control of either business or the government to ensure that no one segment of society had unilateral control over television.

The Minister for Defence Production, Mr L. N. Mishra, called for the manufacture of television sets on a large scale, especially as the government had taken a decision to set up five more television stations at Bombay, Calcutta, Madras, Kanpur and Sri-nagar. Addressing the conference, Mr Mishra stated that the TV manufacturers could play a very important role in popularising this mass medium by making available good quality sets at reasonable prices, which would be within the reach of the middle class families. With the production of picture tubes by Bharat Electronics Ltd and the production of other components, the import content in television sets would be reduced substantially. The Department of Defence Supplies had also taken steps to set up indigenous production of some special components like EHT transformers, deflection coils, and channel tuners required for the television industry and these components were expected to be available in about 12 to 18 months' time.

EXCISE DUTY ON TEA

A notification was issued recently by the union Ministry of Finance fixing the rate of rebate of central excise duty on tea exported on or after April 15, 1970, at 30 per cent of the F.A.S. (Free alongside ship) price in excess of a base price subject to a maximum of 75 paise per kg. The base price is fixed at (i) Rs 5.25 per kg for loose tea; (ii) Rs 9.75 per kg for tea in metal containers; and, (iii) Rs 6.25 per kg for tea in other containers. In respect of loose tea exported on consignment account the rebate will be at 30 per cent of the sale price (in London auction) in excess of Rs 6.50 per kg subject to a maximum of 75 paise per kg.

SHAREHOLDERS' CONFERENCE

A two-day all-India shareholders' conference will be held in New Delhi on May 2 and 3. Convened by Northern India Shareholders' Association

the inaugural session of the conference on May 2 will be presided over by Mr M. Hidayatullah, Chief Justice of India, Mr Justice J. C. Shah, of the Supreme Court, will deliver the inaugural address. The subjects for discussion will include: (i) rights and obligations of shareholders and company managements; (ii) changing pattern of corporate management, and (iii) trends in capital market. A reception committee has been formed for the purpose, with Mr Charat Ram, as chairman, and Mr V.H. Dalmia, Mr Raunaq Singh and Mr V. K. Mohan as vice-chairmen.

SUGAR ORDER REVISED

The union government issued on April 14, 1970, the Sugar (Packing and Marking) Order, 1970, in replacement of the previous order on the subject. The object of the revised order is to enable the government to exercise check on the quality of sugar produced by factories from the stage of packing to the stage of sale and deliveries by them. The order provides for packing of sugar in new 'A' twill jute bags which will contain a uniform quantity of 100 kgs. of sugar net. It also provides that the sugar factories shall mark the bags indicating the trade mark of the factory, quality of sugar in terms of Indian sugar standards, location of the factory, net weight of sugar contained in the bag and the year of packing. The producer is required to mark on the bag at the time of packing the quality of sugar in terms of Indian sugar standards in force at that time and shall also ensure that the quality of sugar contained in the bag corresponds to the quality of sugar marked thereon until it is sold and delivered by him. The previous provision was that he was to ensure the correct quality at the time of delivery only.

LOAN FROM BANK OF FRANCE

A financial protocol relating to the alleviation of Indian external debt for 1969-70 was signed in Paris recently. Under the protocol, the French government has put at the disposal of our government 27.7 million francs by means of loans provided by the Bank of France. The loan carries 3.5 per cent interest and is repayable in 18 semi-annual instalments beginning from April 1, 1973.

DELEGATION FROM HONGKONG

A six-member businessmen's delegation from Hongkong, arrived in Delhi recently after visiting Calcutta, Madras, Bangalore and Bombay and held detailed discussions with Commerce Secretary, Mr K.B. Lall, and officials of the Foreign Trade Ministry. During the discussions, members of the delegation

showed interest in importing from India engineering products, textiles, leather and leather manufactures, wigs and human hair, cement and agricultural products like tea. The delegation also discussed the prospects for setting up joint ventures in Hongkong with Indian machinery and know-how. The question of investment by Hongkong businessmen in India for production for export is also understood to have figured in the discussions. The delegation also held discussions with the officials of the State Trading Corporation. Mr Tandon, Chairman of the STC, informed the delegation that the STC would shortly open its office in Hongkong for providing effective service to Indian exporters and expanding India's trade with and through Hongkong. The members of the delegation were: Sir Sik-nin Chau (leader), Mr Paul Y. Tso, Mr Hari N. Harilela, Mr M. P. Ladharam, Mr A. Gopi and Mr Obi Mohan.

INDO-SWISS TRADE TIES

Discussions were held recently in New Delhi between Mr K. B. Lal, Secretary, Ministry of Foreign Trade, and Mr Hans Buhler, Minister Plenipotentiary in the Federal Division of Commerce in the Government of Switzerland, on the question of Indo-Swiss trade exchanges and the need for developing closer commercial relations between the two countries. It was agreed that the joint commission composed of representatives of the two governments which was set up through an exchange of letters on October 10, 1959, in Berne, should be reactivated. The joint commission will meet annually and will review the progress on Indo-Swiss trade with a view to identifying trading opportunities and providing support and guidance to the agencies and enterprises engaged in Indo-Swiss trade exchanges.

TRADE IN FEBRUARY

Foreign trade of this country in February 1970 revealed an adverse balance. Exports including re-exports in February were around Rs 96.78 crores and imports during the same period were around Rs 132.03 crores. There was, therefore, a deficit balance of Rs 35.25 crores during the month of February 1970.

NETWORK TECHNIQUE

In order to ensure timely completion of public sector projects, the Bureau of Public Enterprises in the Ministry of Finance has drawn up guidelines based on the Network Technique for construction, planning and scheduling of projects. Known also as Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM), the

Network Technique is a recent development which provides an integrated construction management for projects of complex nature. All public sector projects with an investment of one crore of rupees and above are already required, according to a government directive issued some time ago, to have a complete master plan of construction based on the Network Technique. The guidelines now drawn up by the Bureau of Public Enterprises will serve as framework for detailed plans which may be drawn up by the undertakings.

SAMPLE SURVEY ORGANISATION

The union government has decided to set up a National Sample Survey Organisation in the Department of Statistics of the Cabinet Secretariat.

SEAMLESS TUBE MILL

After the satisfactory commissioning and operation of the 60 Kw high frequency plant supplied by Siemens for the existing 2" seamless tube mill, Jain Tube Co (1964) Ltd, decided to place their repeat order for the HF generator and its ancillaries with Siemens, for their new mill for manufacturing seamless tubes from 2½" to 6" dia. The mill is designed for inductive longitudinal seam welding of split tubes with oscillator circuit using 250 Kw, 350 kc/s high frequency generator. The use of high frequencies for welding resulted in considerable improvement in quality of the tubes, as well as increase in the production, since in this new process, current was no longer required to be transferred through sliding or rotary contacts. Also with this process not only abrasion marks on the

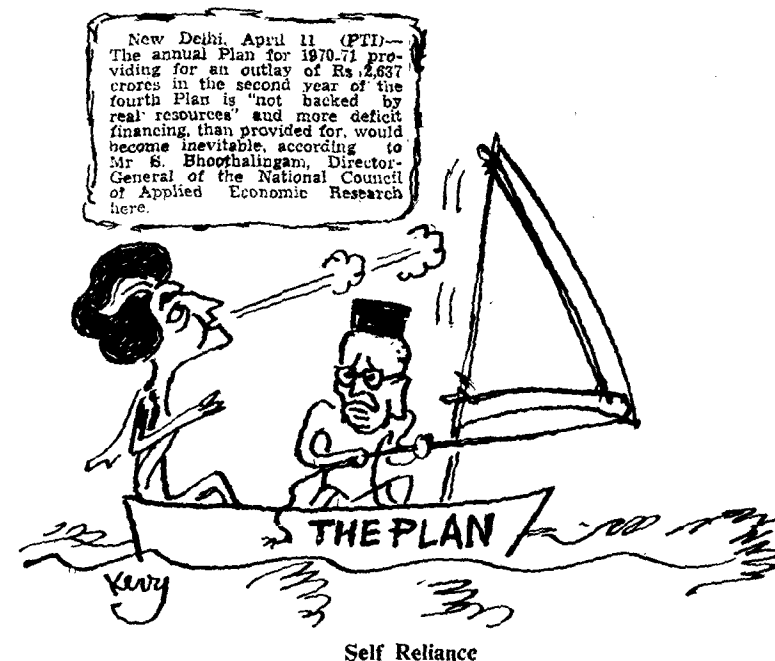
tube walls are avoided but penetration by burning and contact wear are also no longer there.

PUNJAB NATIONAL BANK

The Punjab National Bank proposes to open about 125 more branches during the current year at the unbanked rural and semi-urban centres. This information was given by the custodian of the bank, Mr T. R. Trikha. The bank completed 75 years of service on April 13. The custodian indicated that the bank had now 640 branches spread over almost all the states. It had about 1.6 million deposit accounts, representing over 10 per cent of the total number of deposit accounts with the entire banking system of the country. Sixty-four per cent of the total number of branches, he said, were in relatively small places. Mr Trikha stated that apart from increasing the resources of the banking system by mobilisation of deposits, the bank had also taken a number of steps to extend credit to priority sectors such as agriculture and to weaker sectors of society.

NAMES IN THE NEWS

Mrs Sumati Morarjee, director in charge of Scindia Steam Navigation Company, was felicitated recently on the completion of her 60th year. Mr Jayaprakash Narayan, who was the chief guest at the function, released Mrs Sumati Morarjee felicitation volume and presented her a purse of Rs 1.61 lakhs collected by the Felicitations Committee. Mrs Morarjee declared that the amount would be spent for social and educational purposes.



Company Affairs

MADRAS ALUMINIUM

Mr R. Venkataswami Naidu, Chairman, Madras Aluminium Company Ltd, stated at the annual general meeting held recently that the company has been concentrating on the implementation of its expansion project at an early date. Various technical details have already been finalised. He added that imported machinery and components had been reduced to the minimum. Mr Naidu pointed out that the profitability of the company was likely to increase considerably with the increased production, which was a sufficient incentive for the company to implement the expansion to the full extent at an early date. The company, he added, had built up substantial liquid resources. With the availability of liquid resources and with the expected generation of resources during the period of expansion along with the financial assistance offered by its customers, suppliers of machinery and equipment, the company is likely to complete its expansion programme shortly.

The fact that the union government is developing the aluminium industry in the public sector is likely to help Madras Aluminium considerably. Mr Naidu pointed out that Madras Aluminium had developed skill in fabricating certain types of machinery and is in a position to offer its fabrication to public sector projects whereby avoiding foreign exchange expenditure by the public sector.

Mr Naidu indicated that during the year ended December 31, 1969, the company had achieved considerable good results thereby declaring a dividend of 12 per cent after providing Rs 52 lakhs for reserves. He indicated that the dividend on equity shares had been placed at a comparatively high level in order to compensate, though partially, for the long gestation period during which the shareholders had to wait for returns.

MADRAS RUBBER

Mr K. M. Cherian, Chairman, Madras Rubber Factory Ltd, stated at the annual general meeting held recently that sales of the company held during the year ended September 1969 increased to Rs 20.33 crores from Rs 16.84 crores a year before. Net profit also increased to Rs 94.25 lakhs against Rs 80.82 lakhs. Therefore the directors recommended the payment of a divi-

dend of 12 per cent. Mr Cherian indicated that the government had allowed the company to capitalise Rs 56.25 lakhs to issue bonus shares on the basis of three shares for every ten shares held. The company also received capital goods licence valued at Rs 1.93 crores against which machinery and equipment had been ordered with the foreign suppliers. Part of the new equipment, he added, was required for automobile tyre expansion which was expected to arrive during the current year. The company had also been sanctioned a loan of Rs 1.50 crores by the ICICI and Rs one crore by the Industrial Finance Corporation of India.

Mr Cherian pointed out that the present licensed capacity of tyre companies in the country including a new unit sanctioned has been placed around 5.58 million tyres and the government was contemplating another capacity to be licensed of around 1.50 million to a few new entrepreneurs, and another one million to the existing units. This will make a total licensed capacity of around 8.1 million. In view of the fact that anticipated demand by the end of fourth Plan would be around six million tyres and tubes, the recent shortage would be wiped out in the near future. In view of the fact that all producers were allowed to exceed their production by 25 per cent, it would be possible for the manufacturers to export around 10 per cent of their entire production. Mr Cherian indicated that his company had been able to export around 10 per cent of its production during 1969. He suggested that the government should examine the problems of the tyre industry, so that impediments in the direction of its exports were removed and those who reach or exceed the target were specially rewarded.

The chairman made a significant point regarding continuous flow of technical information from collaborators. He added that tyre technology is continuously changing with the development of new materials and with exacting demands of modern automobiles. Under these conditions the survival of Indian tyre industry in the foreign market will depend largely on the continuous inflow of technical information. Tyre being a brand-oriented product, brand-image has considerable importance in foreign markets. Consequently, he suggested that the government should give serious con-

sideration to these special needs of the tyre industry before any change in the pattern of its collaboration agreement was effected. He added that research within the country had made possible the adaptation of tyres to Indian conditions.

BHARAT STEEL TUBES

Bharat Steel Tubes Ltd, proposes to raise fresh equity capital of Rs three crores and (9.5 per cent) cumulative redeemable preference capital of Rs one crore to finance its new Rs 12 crore rolled steel strip mill project with a capacity of 120,000 tonnes. The company is arranging a foreign currency loan for Rs 3.75 crores, the amount required to meet the entire foreign exchange component of the imported equipment. It proposes to invest Rs 2 crores from its internal resources and arrange rupee loans for the balance of Rs 2.25 crores. M. N. Dastur and Company has been asked to prepare a detailed project report for producing 80,000 tonnes per year of hot rolled strip, on a two-shift basis, for making tubes ranging from 15 to 100 mm diameter. The present paid-up capital of the company is Rs 1.80 crores, comprising Rs 1.35 crores in equity shares and Rs 45 lakhs in preference shares. It was pointed out recently that the company's total turnover during the year ended March 31, 1970, is about Rs 12.70 crores of which exports are valued at Rs 4.35 crores. About 40 per cent of the company's production was exported last year. For this performance, the company has been granted the FICCI export award for 1969. Meanwhile, Raunaq and Company Private Ltd has decided to set up at Faridabad (Haryana) a Rs one crore project for the production of 50,000 tonnes of malleable casting entirely for export, earning foreign exchange of the value of Rs 2 crores a year. This factory is expected to go into production in October this year.

CUREWELL

Curewell (India) Ltd, an Indo-Bulgarian joint venture, will shortly enter the capital market to raise a portion of the finance for its project to manufacture gamma globulin and albumen. It will offer for public subscription equity shares worth about Rs 7 lakhs and preference shares worth Rs 9 lakhs. The company has already completed preliminary preparations for implementing its project. It has bought land for the purpose at Faridabad and the construction of factory buildings and the erection of the plant will be undertaken shortly. The company is expected to commence production by early 1971. The plant is being set up with financial and technical collaboration of Messrs.



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Technoexport of Bulgaria. The total cost of the project is estimated at Rs 72 lakhs. The Industrial Development Bank has granted the company a loan of Rs 28.20 lakhs. It expects to reach a total turnover of Rs 70.43 lakhs in the first year of production. It will earn foreign exchange worth Rs 40 to 50 lakhs annually by exporting its products, the collaborators having guaranteed exports to the tune of 50 per cent of the production.

INDIAN CARBON

Indian Carbon Ltd entered the capital market on April 20, 1970, with an issue of 10,000 (9.3 per cent) redeemable cumulative second preference shares of Rs 100 each at par. The issue will close on April 25, 1970, or earlier at the discretion of the directors but not before April 23, 1970. The company has an authorised capital of Rs 1.50 crores and issued and paid-up capital of Rs 70 lakhs. The present issue has been underwritten. The company has established a plant in Gauhati for the manufacture of calcined petroleum coke. It has now planned to set up plants to manufacture calcined anthracite at Budge-Budge and mono-di-tri ethanalamines at Bombay. The company has obtained technical know-how and operating experiences from Great Lakes Carbon Corporation of the USA. The plant for calcined anthracite will be ready around the middle of 1970. The second plant at Bombay is to be set up with the technical know-how from Naphtachimie of France and this plant will go into production by the end of 1971.

WIMCO

The gross sales of the Western India Match Co Ltd, have risen from Rs 24.87 crores to Rs 26.54 crores in 1969 and the gross profit from Rs 1.53 crores to Rs 2.28 crores. The directors have proposed a higher distribution of 12 per cent against 11 per cent in the preceding year. The board also proposed to capitalise Rs 82.50 lakhs out of the general reserve and issue bonus shares in the ratio of one share for every five shares held. The managing agents' commission has risen from Rs 7.90 lakhs to Rs 10.53 lakhs and the provision for depreciation has been raised from Rs 31.50 lakhs to Rs 32.55 lakhs. The development rebate reserve claims Rs 4.51 lakhs and the provision for gratuity is Rs 8.52 lakhs. After providing Rs 1.06 crores for taxation, including Rs 5.30 lakhs for surtax, against Rs 64.50 lakhs, there is a surplus of Rs 74.39 lakhs and this has been transferred to the general reserve. The proposed equity dividend which will claim Rs 49.50 lakhs is to be paid out of the general reserve. The directors

state that sales of matches were about 25,000 cases higher than in the preceding year. The demand for matches is rising with the increase in population and purchasing power. Paper production rose from 5,257 tonnes in 1968 to 6,284 tonnes. The production of potassium chlorate has risen from 3,862 tonnes to 4,182 tonnes.

RAYMOND

The directors of the Raymond Woolen Mills Ltd, propose to capitalise Rs 21 lakhs out of the company's general reserve and issue bonus shares, subject to sanction of the government, in the ratio of one share for every five equity shares held. The directors have recommended a dividend of 12 per cent for 1969, the same as was paid in the preceding year. A proportionate dividend is payable on 50,000 shares issued last year. Sales and other income have gone up from Rs 8.78 crores to Rs 9.55 crores. Export sales have amounted to Rs 1.25 crores against Rs 1.15 crores in 1968. The gross profits has risen from Rs 63.90 lakhs to Rs 89.97 lakhs. The provision for depreciation has gone up from Rs 26.93 lakhs to Rs 31.81 lakhs. After raising the provision for taxation from Rs 10 lakhs to Rs 22 lakhs, the profit after tax comes to Rs 36.06 lakhs. After providing Rs 6.20 lakhs for development rebate reserve, the directors have transferred Rs 8 lakhs to deferred taxation reserve and Rs 21.86 lakhs to general reserve No. 2. The proposed equity and preference dividends will absorb Rs 14.06 lakhs and will be paid out of the general reserve No. 2.

UNIVERSAL TYRES

Universal Tyres Ltd, has made a gross profit of Rs 42,276 for the year ended December 1969, after providing Rs 33,537 for expenses. Depreciation absorbs Rs 2,276 and taxation Rs 40,000. Dividends on preference and ordinary shares have been skipped. The debit balance of Rs 26,400 from last year's account is again carried forward.

CAPITAL AND BONUS ISSUES

Consent has been accorded to eight companies to raise capital amounting to over Rs 5.99 crores. Four of them are to issue bonus shares totalling Rs 92.89 lakhs and the amount of bonus shares ranges between Rs 7,00,000 and Rs 50,52,000. The consents are valid for 12 months. The following are the details:

Mafatlal Gagalbhai & Company Pvt. Ltd, Bombay, has been accorded consent to capitalise Rs. 50,52,000 out of its free reserves and issue fully paid equity shares of Rs. 100 each as

bonus shares in the ratio of one for three equity shares held.

Best & Company Private Ltd, Madras, has been accorded consent to capitalise Rs 22,50,000 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

Bombay Ring Travellers Company Ltd, Bombay, has been accorded consent to capitalise Rs. 12,87,000 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.

Ralliwolf Limited, Bombay, has been accorded consent to capitalise Rs. 7 lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of seven for thirty equity shares held.

India Steamship Company Ltd, Calcutta, has communicated to the government its proposal to issue capital of Rs 2.25 crores under clause 5 of the Capital Issues (Exemption) Order, 1969 (equivalent to US \$3 million) by creation of mortgage of 'Indian Tribune' in favour of ICICI and second mortgage in favour of Concord of India Insurance Co. Ltd, for a guarantee to be provided by the latter.

Sulekha Works Ltd, Calcutta, has been granted consent to capitalise Rs 1,46,380 from general reserves and utilise such sum for increasing the paid-up value on 29,276 equity shares from Rs 20 to Rs 25 per share.

Sundaram Fasteners Ltd, Madras, has communicated to the government its proposal to issue capital of Rs 30 lakhs under clause 5 of the Capital Issues (Exemption) Order, 1969 divided into equity shares of Rs 10 each to be offered to the existing shareholders on right basis. The proceeds are to be utilised to meet part of the cost of the company's expansion.

Nagpal Ambadi Petro-Chem Refining Ltd, Bombay, has communicated to the government its proposal to issue capital of Rs 250 lakhs (including Rs. 70 lakhs already issued privately) divided into 20,00,000 equity shares of Rs 10 each, and Rs. 50,000 equity cum redeemable preference shares of Rs. 100 each, carrying dividend at 9.5 per cent. free of company's tax but subject to deduction of tax at source. The proceeds are to be utilised to finance the project for the manufacture of transformer oil and other oils.

RECORDS AND STATISTICS

FOREIGN COLLABORATIONS

DURING THE quarter October-December 1969, government approved 21 cases of foreign collaboration. Four of these involved financial collaboration. There were four collaboration cases with Japan, three each with the UK, the USA, West Germany and France, two with Switzerland and one each with Canada, Holland and Roumania.

Name of the Indian company	Name of the foreign collaborator	Item of manufacture
INDIA-CANADA		
M/s Walchandnagar Industries Ltd., P.O. Walchandnagar, Distt. Poona (Maharashtra).	M/s Foster Wheeler of Canada.	Water cooled bagasse furnaces integral with water tube boiler.
INDIA-FRANCE		
M/s Burlingtons Exports, Ashoka Hotel, New Delhi.	M/s Christian Dier, Paris (France).	Fashion readymade garments.
M/s B. G. Shrike & Co. 1205, R.B. Apte Road, Poona-4 (F).	M/s Minato Societe Aneuyne Nanterre, France.	Vibro concrete building blocks, vibro reinforced concrete T. beams making machines, and building components making machines.
M/s Handicrafts & Handlooms Exports Corporation, New Delhi.	Madame Jean O'Merr Costume Jewellery Designers, Paris.	Export of Indian costume Jewellery.
INDIA-HOLLAND		
M/s Philips India Ltd., 53, Jorbagh, New Delhi.	M/s N.V. Philips Gloelampenfabrieken, Holland.	Carbon resistors.
INDIA-U.K.		
M/s Braithwaite & Co. (India) Ltd., Hide Road, Calcutta-43.	M/s Thomas Smith & Sons (Rodley) Ltd., U.K.	Mobile cranes.
M/s Metal Lamp Caps (India) Pvt. Ltd, 2, Murphy Road, Ulsoor, Bangalore-8.	M/s Thron Electrical Industries Ltd., U.K.	Lead in wires.
M/s Umasone Equipment & Accessories, 1178, Narayan Cottage, Parel, Bombay-12.	M/s K. & F Treatments Ltd., London.	Armourcoat of flueon coated aluminium kitchenwares.
INDIA-U.S.A.		
Wholly-owned subsidiary of foreign firm (F).	M/s Honeywell Inc.	To facilitate exports of machine tools produced by H.M.T.
M/s Kamani Brothers Pvt. Ltd., Ballard Estate, Bombay. (F)	M/s Columbain Barbon Co. New York, USA.	Carbon Black
M/s Plastile Corporation, 5-8/A, Industrial Estate, Kota (Rajasthan).	M/s Decrowall Corporation Yonkers. New York (USA).	Vinyl wall panels.
INDIA-WEST GERMANY		
M/s Beegee Corporation Pvt. Ltd., Patiala-2. (F).	M/s Hako Works Hans Koch & Sohn, West Germany.	Power tillers.
M/s Ideal Plastic Industries, 2427, Ballimaran, Delhi-6.	Mr. Thomas Engel, West Germany.	Plastic goods.
M/s Tata Engg. & Locomotive Co. Ltd., Bombay House, 24, Bruce Street, Bombay-1.	M/s Daimler-Benz A.G. West Germany.	Direct injection engines and synchromesh Gear Box
INDIA-JAPAN		
Beni Ltd, 1, Crooked Lane, Calcutta.	Hitachi Ltd., Japan.	Controlling equipment for electric locomotives and EMU coaches.
Best & Co. Pvt. Ltd., 13/15, North Beach Road, Madras-1.	Hitachi Ltd, Japan.	High speed lifts.
Kerala Ceramics Ltd, P.O. Kundara (Kerala).	Wako Bussan & Co Ltd, and Oharu Mfg Co, Japan.	Modernising mining and refining of china clay.
Kerala Ceramics Ltd, P.O. Kundara (Kerala).	Japan Ceramics Engg. Co Ltd, Tokyo, Japan.	Ceramic transfers.
INDIA-ROUMANIA		
Martin and Harris (Pvt) Ltd, Mercantile Buildings, 9 Lall bazar, Calcutta-1.	Industrial Export, Roumania	Roumania Salicylic acid.
INDIA-SWITZERLAND		
Hindustan Brown Boveri Ltd., 264-265 Dr Annie Besant Road, Bombay-25.	Brown Boveri & Co Ltd, Switzerland.	Power Line carrier equipment.
Audco India Ltd, P.O. Box 278, Bombay-1.	Serck A.G. Swtzerland.	Audco hyoperseal type pressure/lubricated taper plug valves and audco stainless steel plug valves.

'F' indicates cases involving financial participation.

WHY SO HAPPY ?

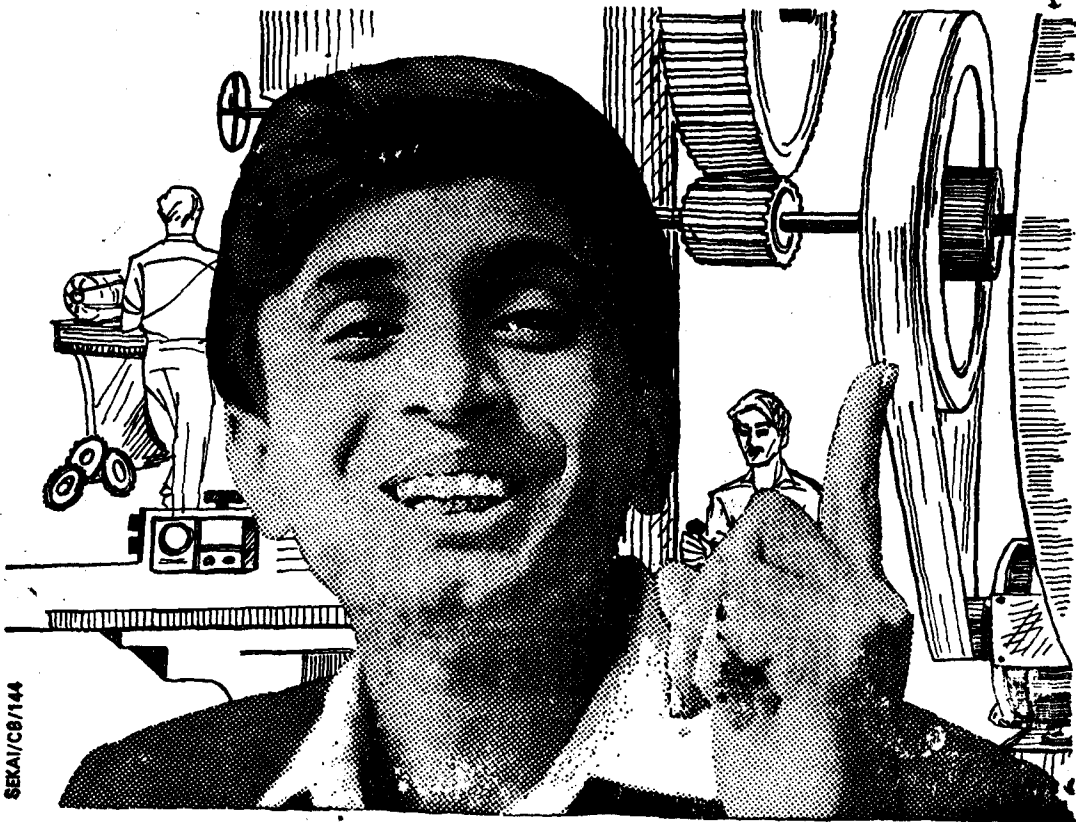
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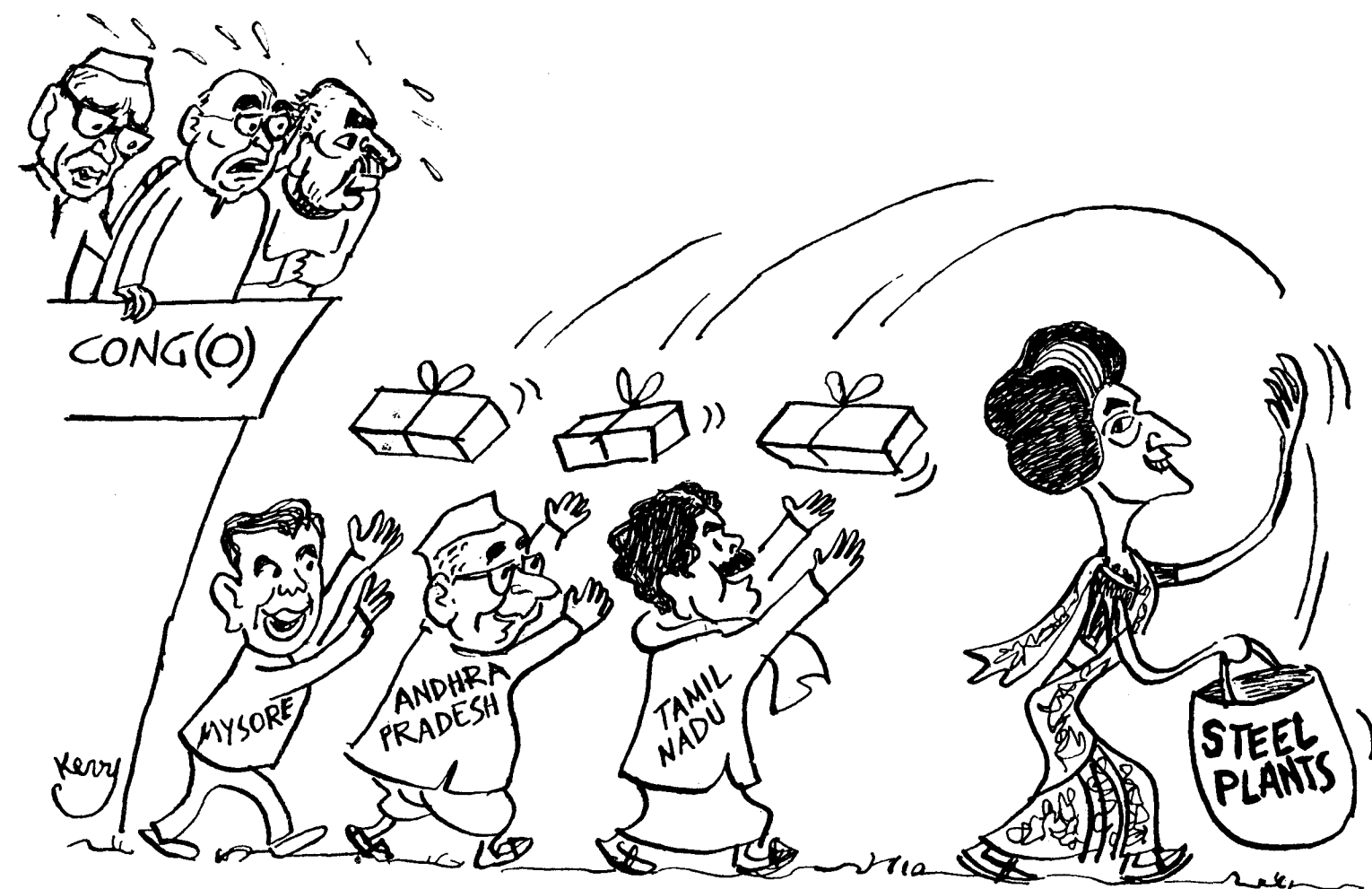
MAY 1, 1970

VOL. 54

RESOURCES FOR THE PRIVATE SECTOR

In the fourth Plan, out of the proposed investment of Rs 8,980 crores in the private sector, as much as Rs 2,650 crores are to be in industries. We are doubtful whether private sector will be able to make such an enormous scale of investment from corporate savings and by attracting new investments. Corporate taxation and personal taxation are extremely high at present. In the current year's budget, the likely investors at the higher income groups—whether rich or the professional class—have been soaked with a level of taxation which will hardly leave any saving for investment. It is of crucial importance to remember that the problem of employment cannot be solved by the growth of the existing industrial units alone. It is only possible by creation of new enterprises with the help of broad-based entrepreneurship.

—Dr Pranlal J. Patel



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EASTERN ECONOMIST

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Sound Lead from A-IMO

THE ALL INDIA Manufacturers' Organization, holding its 30th annual session in New Delhi a few days ago, displayed not only maturity but ripe judgment. At earlier stages in its career, the A-IMO was attempted to be exploited by politicians, not excluding Jawaharlal Nehru, who wanted to rig it up as a rival to big business represented by the Federation of Indian Chambers of Commerce and Industry. We are glad to note that this policy of "divide and rule" has totally failed and that the A-IMO has now acquired enough experience and self-confidence to speak as one of the authentic voices of the business community in its entirety. Both in the speech delivered by its president, Dr Pranlal J. Patel, and the resolutions passed by it, the A-IMO spurned the thought of acting for sectional interests in the business world and chose to view the problems of economic growth and employment in terms of the full participation in industrialisation of all sectors of industry, large-scale, medium or small-scale.

More important still, it refused to be a party to the political game of "young" entrepreneurs being set up against "old" business leaders and spelt out in no uncertain terms its conviction that the entrepreneurial and managerial abilities of the leading business houses were a very considerable asset to the nation in its pursuit of economic progress. Thus, Dr Patel, speaking on the great deal that remains to be done for the country and its people through widespread and rapid industrialisation, said:

"Even in the industries established before Independence and in the post-war period, like iron and steel, cement, paper, sugar and infrastructure services like roads, electricity, water supply, communications, etc, we experience chronic shortages from time to time. Besides establishing these industries and services, we have to look forward to the establishment of new industries based on advanced science and technology to bridge the technological gap and rank India up to the developed countries. Electronics, petroleum refining, petrochemicals, man-made fibres, industrial plastics, organic and inorganic chemical industries, heavy and light industries, chemical pharmaceuticals, etc. are yet untapped fields. These enterprises call for massive mobilisation of resources from all walks of life — whether small or big. To provide for this growth process too, political considerations need to be subordinated to economic ones." (Italics ours).

Thinking along these lines, the A-IMO called for the reorientation of the economic policy of the government and demanded that all entrepreneurs who created employment opportunities — whether in large, medium or small units — should be accepted as useful, deserving encouragement and support. It also urged the removal of all restrictions in the licensing of entrepreneurs who volunteered to set up industrial units, irrespective of the size of the units. In other words, the A-IMO clearly considered it anti-national for the Government of India or any of its ministers or ministries to mount a campaign of political persecution or economic suppression against any part of the business community for ideological or pseudo-ideological reasons.

In emphasizing the need for a reorientation of economic policy, the A-IMO tended to place the greatest emphasis on the employment issue. Here it received both inspiration and direction from the speech of the President of India who had inaugurated the session. Mr V.V. Giri, who declared that the unemployment situation was fraught with grave danger, recognised without reservation that sufficient employment opportunities could be created within a relevant period of time only through the co-operative endeavours of the government, on the one hand, and the rest of the community, in all its parts, on the other. The A-IMO felt that this national effort, of which the President of India spoke, should proceed along certain broad directions.

These were spelt out as rural development by modernising agriculture, a large-scale housing programme, a labour-intensive public works programme with particular reference to road development, the rapid expansion of small-scale, cottage and ancillary industries and accelerated development of heavy industries for items in which there were critical shortages. The A-IMO took note of the fact that any strategy for rapid economic growth generally or the expansion of employment opportunities in particular must depend for its success not only on the maintenance of industrial peace, but also on improvements in the productivity of machines, men and management. It, consequently, expressed concern over the present unsatisfactory state of employer-employee relations, which it was inclined to blame on what is considered to be the manipulation of trade union movement by, to quote Dr Patel, "the new political entrepreneurs" who had infiltrated it. While placing

squarely on the shoulders of management a large part of the responsibility for creating favourable climate for industrial peace and advising them to announce their objectives and policies regarding labour in terms which would bring about mutual trust and understanding, the A-IMO made a forthright denunciation of inter-union rivalries which are doing as much damage to the cause of workers and their interests as to the business community or the nation's economy.

To sum up, the A-IMO exhibited a sound sense of priorities in its deliberations and resolutions. It recognised the urgency as well as the basic importance of the problem of employment. It wisely thought and said that this problem could be effectively dealt with

Not Forgetting the Donkey

DISCONCERTING TRENDS have re-emerged on the export front. Even the crash programme for boosting exports of engineering goods, which was drawn up in December last, has not been very helpful. After the initial spurt, which led to a sharp rise in exports in January to about Rs 145 crores from nearly Rs 116 crores during that month in 1969, the enthusiasm appears to be petering out. In February 1970, our total exports were of the order of about Rs 97 crores, as against approximately Rs 102 crores in February, 1969. The fiscal 1969-70 may therefore end with just about three per cent increase in exports over 1968-69, as against the fourth Plan target of seven per cent.

Various reasons are put forth for this deceleration in exports. The more important among these are the revival in the domestic demand; considerable loss in production as well as movement of export consignments due to industrial unrest; shortage of raw materials, particularly of iron and steel; fall in the unit value as well as the volume of some of our traditional items of export; and the slow growth in the setting up of new industrial units. All these reasons, apparently, have a common denominator. This is that exportable surpluses have tended to shrink. Unless, therefore, production is stepped up, there is not much hope of our raising exports. The other reasons for the slow growth in exports such as the restrictive practices of the importing countries, the continuance of export duties, etc., though not small hurdles in themselves, pale into relative insignificance at the present juncture.

Judged against this background, the import policy for the current financial year, announced on March 31, can be termed as a mixed bag. It indeed goes

only when political considerations were subordinated to economic considerations by the government while dealing with the business community. It recognised that labour had a right to participate according to its needs in the economic and social gains of growth and it was equally emphatic that workers should develop healthy trade union attitudes and give their full co-operation to managements in increasing production or improving productivity. Thus, this session of the A-IMO made its own impressive contribution to the large volume of responsible and constructive advice which is now available to the government for working out positive and dynamic policies for the rapid industrialisation of our country.

some way in encouraging production, particularly of exportable items, through liberalisation of imports of scarce raw materials in general; advance import of certain raw materials and intermediates by the State Trading Corporation and other such public sector agencies for building up a sort of raw material bank from where supplies can be had off-the-shelf against valid import licences; grant of "on account" import licences to manufacturer exporters and 'imprest' licences to merchant exporters etc. For assisting exports (the donkey?), to move forward, "the carrot and stick" policy has been continued and three more industries, namely, pipes and tubes, transmission towers and weighing machines, have been added to the list of 10 industries drawn up last year—

the manufacturing units in these categories are given the facility to import their raw materials, components and spares from their preferred sources of supply if they export more than a certain percentage of their production; if they fail to export the minimum expected of them, they not only lose this facility but also are liable to cuts in their import licences. It is also proposed to offer micro-level assistance to manufacturers and exporters by discussing with them their export targets, helping in negotiations abroad and rendering marketing, merchandising, research and development and financial advice. Towards this end, it is proposed to set up an export trade development agency/authority which will endeavour to offer exporters, especially in the small-scale sector, some of the above facilities.

But the large-scale canalisation of imports in the new import policy, whatever its justification on the ideological considerations of the government, may create difficulties in the way of raising production. This is because of two reasons. First, the quality of canalised imports may not strictly match the requirements of actual users. Secondly, the criteria for the fixation of prices at which these imported materials are to be made available to the consuming industries have yet to be finalised. In the past, instances have not been wanting of not only unsuitable or inferior materials being imported, but also of the state agencies indulging in profiteering. If the prices of the items whose imports have been canalised are arbitrarily fixed unduly high, it will have an adverse effect on the cost of production of the consuming industries.

Eastern Economist 25 Years Ago

MAY 4, 1945

A time there was, when the markets and the Government's of the world used to wait with breathless expectancy for the budget speech of the British Chancellor of the Exchequer. From the time of Peel onwards, the British budget used to be a historic event in the world's annual round of financial events. Indeed the budgets of Peel, Gladstone and Lloyd George constitute historic advances not only in the practice but also in the theory of public finance. But times have changed. The world markets and Governments look forward with eager expectancy, not to London but to New York. This process of the diminishing importance of the British Exchequer in the world's economic life began with the end of the last war and is now almost complete. The public finances of the U.S.A. overshadow, not only by their magnitude, but

also by the range and quality of their repercussions, the public budget of Great Britain. This, however, is not the only reason, why the British Budget is now a rather commonplace event. War overshadows all events; and what is more, it has standardized the budget, which has consequently lost all its "announcement effect". The people get what they expect: no relief in taxation. Income-tax continues to be 10 shillings in the £, and the same rates for E.P.T. and estate duties continue. Foreign debt has gone up to £ 3,000 million and may well go up to 4,000 million. Though the total expenditure budgeted for next year is less than last year's actual by nearly £500 million, a supplementary budget is threatened when the Far Eastern position becomes clearer.

Further, only time will show whether the canalised imports will be arranged in adequate quantities and in time.

The major cloud on the horizon of industrial production, however, is the new industrial licensing policy which seeks to contain the operations of the larger industrial houses, foreign firms and dominant undertakings on the pretext of checking the concentration of economic power. Although assu-

The New Tribe of Export Researchers

THE THREE-DAY seminar on export research held in the capital from April 16 to 18 under the joint auspices of the National Council of Applied Economic Research (NCAER), the Indian Institute of Foreign Trade (IIFT) and the Export Promotion Division of the USAID turned out to be a fitting occasion for an assessment of the research facilities available in this country for the promotion of our exports. The topics which came up for discussion included, among others, the credentials of the institutes conducting such research, their role in finding out vital information which could lead to increased exports, the part played so far by the USAID in promoting export research, the future of the 40-odd export research agencies which have sprung up in this country, the need for avoiding the concentration of research activities in government and semi-government agencies and the establishment of such new outfits as would fill the information gaps which exist at present in regard to export products or markets.

Only four years ago when the USAID Export Promotion Project came into being, the number of established market research agencies in this country having experience in export research could be counted on the fingers of one's hand. Some research outfits which had hitherto limited their attention to market and economic research within the country, thought of expanding in the experiment started by the USAID. Some enterprising persons hurriedly set up research agencies and collaborated with the USAID for studying markets abroad for specific commodities. The Ministry of Foreign Trade took an active part in this venture as contracts as well as contractors were approved by the USAID in consultation with it.

As was expected, not all the reports prepared by the contractors have given satisfaction either to the Ministry of Foreign Trade or the USAID. Mr Ludwig Rudel, chief of the Export Promotion Division, USAID mission in this country, has clearly stated in his background paper entitled 'Towards

ranes have been given to the effect that, when the interests of exports are involved, a pragmatic view will be taken and these three categories of manufacturers will be given industrial licences liberally, past experience shows that the professions and practice seldom go together. If ideological considerations are also brought to bear upon the administration of import policy as is being done in the case of the industrial policy, exports must necessarily suffer.

an Export Expansion Capability' that "we are not satisfied with the quality achieved in these tomes"; his use of the word "tomes" in regard to these reports is justified because some of them run into six or seven volumes each, with the total number of pages exceeding 2,000. Incidentally, there was considerable discussion during the seminar on the size of an export market report and the consensus seemed to be in favour of producing a small summary of each report leaving the detailed information to be listed in the main report.

Mr S.K. Modwel, Deputy Secretary in the Ministry of Foreign Trade, also drew attention to the inadequacies in the commodity and functional surveys completed so far under the auspices of the Export Promotion Division of the USAID mission in India. He said that these reports suffered from certain perceptible lacunae, the most prominent of which was the lack of "practicality and sharpness in their findings." However, these reports revealed gaps, both quantitative and qualitative, in this country's export research activities. The project initiated by the USAID in 1967 is scheduled for completion in June next year. Assuming that there are no second thoughts and this programme is not extended or resumed, the question arises to what extent the Market Development Fund, administered by the Ministry of Foreign Trade, is likely to be able to fill the gap. Not unnaturally, the research agencies are very keenly interested indeed in this matter. In fact, they are already plainly dissatisfied with what they consider to be a low rate of utilisation of the resources of this Fund. Will this programme suddenly come to an end, leaving these researchers high and dry? One of the groups participating in the seminar, which discussed this question in detail, urged that "the minimum expenditure from the Market Development Fund for this purpose should be Rs one crore annually based on a carefully prepared design to cover 20 major export areas and 30 or 40 minor ones to illuminate the priorities which government set for themselves in their de-

tailed export planning." To this the reaction from quite a few was that Rs one crore could well be an inadequate amount rather than otherwise if the momentum of research is to be sustained and developed in consonance with the larger dimensions of the export know-how which needs to be built up through the collection and study of relevant information or data.

According to the import policy statement for the year ended March 1971, the Government of India is committed to the establishment of an Export Trade Development Agency (ETDA) which will endeavour to offer to exporters, especially in the small-scale sector, some facilities which would lead to increase in their exports. The ETDA would give micro-level assistance to industrial manufacturers and exporters by discussing with them their export targets, helping them with negotiations abroad and rendering marketing, merchandising, research and development and financial advice. In other words, "export research" would be one of the many functions of this authority. In addition, the government has under consideration the setting up of another unit dealing entirely with export information and has tentatively named it as Market Information Service.

In July 1963, the government had set up the Market Development Fund for grants-in-aid to export promotion councils and other organisations for the development of exports and for financing the expenditure on export promotion schemes and on projects concerning foreign markets for Indian products and commodities. Some of the functions of the export development authority and the market information service are likely to be the same as that of the Market Development Fund and, therefore, a clear demarcation of the functions of each one of these agencies will be needed. Multiplicity of agencies for export research might create confusion. The new organisations should not therefore be set up in a hurry.

Mr S.K. Modwel spelt out in his paper, entitled 'Feasibility of a Central Research Co-ordinating and Dissemination Body and Export Promotion Centre', the broad contours of the export trade agency which should be set up in this country to replace the activities of the Export Promotion Division of the USAID. He said that a proposal had been submitted to the Department of Economic Affairs, Ministry of Finance, for the establishment of a unit in the Indian Institute of Foreign Trade for trade development, research and analysis. If this scheme was accepted, this unit would be required to identify the

gaps in the research work already completed and to specify the requirements for further research in new fields, to draw up annual programmes of market research and analysis and to supervise the execution of the projects. The task involved is obviously too large for a unit in the Indian Institute of Foreign Trade to handle competently. It is in this connection that the recommendation of one of the working groups has relevance in that the private sector agencies should be asked to join hands with the IIFT to accomplish the tasks listed above. The IIFT would be hampered in its efforts to discharge its obligations in an impartial manner as it might hesitate to put forward a frank criticism of government policies because of its semi-government character. What is needed is that a partnership between the private and public sector agencies should be evolved so as to reduce monopoly in export research.

One of the hard realities which has come to light as a result of the discussions was that, not to speak of conducting market surveys in depth (excluding the USAID surveys), we have not evolved so far a machinery whereby the available statistics could be processed so as to cull useful information from them. Mr A.R. Cooper of Tata Consultancy Services discussed the feasibility of a system for a central data bank and export information services. He pleaded that, in addition to the processing of our own trade statistics, we should have up-to-date information in relation to the trade of other countries for commodities which are of interest to us and to plan a system for keeping track of the prices of these commodities. This proposal does have merit but because it involves the use of electronic data processing machines, it would take some time to be put into practice. In Calcutta, the office of the Director-General of Commercial Intelligence and Statistics did make an effort to put to use computers in a limited way but it proved unsuccessful due to the resistance of employees. A special committee under the chairmanship of Mr R. Venkataraman, Member, Planning Commission, is at present looking into the whole problem relating to the use of computers. Until the release of its report, there does not seem to be any possibility of adopting the system suggested by Mr Cooper.

Some of the participants drew pointed attention to the recent shift in official policy whereby any field of export trade could be monopolised at short notice by the public sector agencies. It was rightly urged that the government should make a clear policy statement in regard to the canalisation of exports so that private export houses did not waste their resources on market research in

areas which were likely to be taken over by the government agencies. This is undoubtedly a legitimate demand because it would enable the export houses in the private sector to conduct market

research "without fear that the areas of their operation would be denied to them by nationalisation or canalisation, rendering their export research infructuous".

Export Promotion Council for Jute

THE GOVERNMENT of India is reported to have decided to set up an export promotion council for jute goods. The initiative for this project has come from the industry. For the past several years, the Indian Jute Mills Association has been spending large sums of money on its export promotion activities with offices in the USA, Britain and Belgium. The annual expenditure incurred by the IJMA on this work is of the order of Rs 13 lakhs but it has been receiving on an average only about Rs 5 lakhs per year from the Market Development Fund set up by the Government of India. In a memorandum to the Government of India last year, the IJMA pointed out that the Association was not getting assistance from MDF according to the Code of Grants but on an *ad hoc* basis, that is, 25 per cent on the first Rs 10 lakhs of expenditure and 75 per cent thereafter.

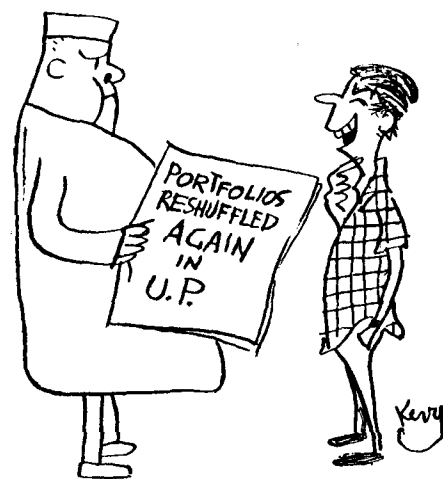
Though the ceiling to which the IJMA is entitled has been raised, the money it has been receiving has been much less than what it would have got if payment had been made under the Code of Grants. The IJMA therefore suggested the formation of an export promotion council for the jute industry so that it would become eligible for more government funds. But, instead of setting up a separate export promotion council, would it not have been better and easier to amend the procedure of the Code of Grants so that the IJMA could have become entitled to adequate funds from the MDF for its export promotion work?

However, now that a decision has been taken to set up an export promotion council, it is hoped that the jute industry will be able to undertake its export promotion work more intensively and systematically. The objective should be to strengthen its hold on the existing markets and explore new markets in various parts of the world. Though competition from synthetics and from Pakistan is becoming more intense, it should still be possible for our jute industry to make headway not only in traditional markets such as the USA, the UK, west Europe and Australia but also in east Europe and the countries nearer home. The markets in the

Soviet Union and other countries do not seem to have received adequate attention from our jute industry.

For example the export of some of our jute products to the Soviet Union has suffered a set-back in recent years. Our export of sacking bags to Russia declined from 54,319 metric tons in 1966-67 to 41,245 metric tons in 1968-69 and jute corn sacks from 3,698 metric tons to 221 metric tons in the same period. But our export of hessian cloth rose sharply from 5,700 metric tons in 1966-67 to 26,133 metric tons in 1968-69 and hessian bags from 16,092 metric tons to 35,391 metric tons in this period. It is not known if our carpet backing cloth has a large demand in the USSR. Our jute exports to other countries of east Europe have also shown wide fluctuations. We exported 2,922 metric tons of sacking bags to Czechoslovakia in 1967-68 but none in 1968-69. Similarly there was no export of sacking bags to Yugoslavia in 1968-69 though in 1966-67 we had exported 4,877 sacking bags. The export promotion council would do well to survey the market potential of the east European countries and examine the prospects of increasing our exports.

The markets in the Indian Ocean basin and nearby areas also offer scope



"Sounds like a house of cards."

for larger exports of jute goods. This has been indicated in a study recently released by the National Council of Applied Economic Research. The 26 countries selected by the Council account only for about 10 per cent of the total export of our jute goods. But with appropriate measures, it should not be difficult to step up our exports to many of these countries. The main problem is price. For instance, the Council says that in 1967 the three countries of east Africa imported jute goods valued at \$8.3 million. But India's share was only 31 per cent. "Our prices", says the Council, "were 30 per cent higher than those offered by the competitors. The quality of Indian sacks and hessian is appreciated and it is reported that India can still hold a major part of the market even with a price difference of 2 to 5 per cent above the Pakistani prices". In Zambia whose demand is estimated at 15 million tons by 1974, Indian prices are higher by 15 per cent than those of Pakistan. In the other countries of this region such as Libya, Ethiopia, Iran, Iraq and Kuwait as well as in south-east Asia there is a fairly large potential for jute goods which India should be able to exploit. The export promotion council should survey these markets in greater depth than what the National Council of Applied Economic Research has done.

To what extent the export promotion council will be able to succeed in finding new markets for our jute goods and in strengthening our position in the existing markets will, of course, depend on New Delhi's attitude to this industry. The government should use the council not merely for facilitating the flow of financial assistance to the jute industry but as an effective instrument for export promotion. The difficulties of the jute industry should receive greater appreciation in New Delhi and they should be tackled more speedily and imaginatively than in the past.

The jute industry also should energise its activities both in regard to research and export promotion. It has been spending only about 0.2 per cent of its sales on research compared to 4 to 5 per cent spent by the man-made fibre industry in the USA. The jute industry should also give greater attention to other problems such as stability in prices and prompt deliveries.

"The year 1970 is a stepping-stone into a period calling for tremendous efforts in achievement", said Mr R.P. Goenka who recently retired as Chairman of the IJMA. Speaking at its annual meeting on March 28, he said, "The jute industry must prepare itself for these efforts and must equip itself to discharge its legitimate role in the

undertaking of these efforts. 1970 will thus be a crucial year, perhaps most crucial in its long history. The pattern of the industry will have to be adjusted and the next ten years will undoubtedly witness a vast change in our methods

Home Truths About Aid

IT IS gratifying that Bombay was selected as the first venue for holding the general meeting of the Indian National Committee of the International Chamber of Commerce (ICC) (thanks to its recent decision to hold these meetings in different Indian centres). The ICC and its work are yet to be widely recognised in our country and Bombay could be in a good vantage position for some necessary and useful publicity.

As Mr Pravinchandra V. Gandhi, the INC president of the ICC observed, it is the responsibility of the ICC to impress upon the business interests in both the developed and the developing countries that they have an equal stake in the success of global development and that, consequently, the responsibility for speeding up development rests with equal weight on both. "Business in the developed world", he added, "must be more forthcoming to accept a policy of eliminating import duties on non-competing products of special interest to the developing countries." This was also the point that Maharashtra's Governor, Nawab Ali Yavar Jung, sought to make out when he inaugurated the annual meeting recently. The Governor actually complained that the developed countries had failed to undertake programmes to arrest the widening disparity in incomes and wealth between the developed and the developing nations. More, he averred that the fear of protectionism being adopted by the developed countries still persisted.

Now, there is a tendency among the spokesmen of developing countries to keep harping on these points, which to us seems rather pointless, especially after what the Pearson Commission has said so pointedly. True, as Maharashtra's Governor reminded the meeting, not all the developed countries have fulfilled the target of transferring one per cent of their GNP to the developing countries (only five developed countries have reached the target), but he was unduly harsh in stating that "the developed countries have failed to appreciate the concept of economic partnership". If this were so, how can one explain the latest announcement by Australia of a new series of tariff concessions to the less developed countries, including our own, and her enhance-

ment of the value of import quota for 1970?

It may not be known to many that Australia is among the few developed countries which have volunteered to reduce tariffs on our exports of manufactured goods to that country within the framework of the GATT. In the case of some, e.g., pure silk, art silk, cotton textiles, sewing machines, barbed wire etc., tariffs have been completely removed.

Similarly, few have cared to note, and fewer still to react to, the recent proposal of the US Administration to its Congress to end certain non-tariff barriers to trade and President Nixon's call to the other adherents of the GATT also to reduce their non-tariff barriers, such as quotas and administrative rulings, that inhibit imports from developing countries. As a matter of fact, in an unprecedented break with traditional US policy of opposing any discrimination or preference for any nation or nations, Mr Nixon asked leading western European nations, Japan, Australia and New Zealand even to agree to a general plan to eliminate almost all tariffs on manufactured exports from the developing countries.

This surely must have stemmed from a genuine concern for the developing countries and a realisation that these countries have to expand their exports to obtain the foreign exchange needed to finance development and that, to facilitate it, they require preferential treatment so as to be able to compete with the industrialised nations. Indeed, this forms the main plank of the trade policy adumbrated in the US strategy for peace, a part of America's foreign policy for the seventies. Here is an extract from "Partnership and the New Doctrine", which succinctly sums up the international economic policy of the United States:

"Finally, we proposed a liberal system of tariff preferences for exports of the developing countries. This proposal is designed to meet one of the world's major economic and political problems,—the struggle of the developing countries

to achieve a satisfactory rate of economic development. Development can be promoted by aid, but aid cannot and should not be relied upon to do the whole job. The low-income countries need increased export earnings to finance the imports they need for development. They need improved access for their products to the massive markets of the industrialised nations. Such export increases must come largely in manufactured goods, since the demand for most primary commodities—their traditional exports—grows relatively slowly. And these countries are at early stages of industrialisation, so they face major hurdles in competing with the industrialised countries for sales of manufactured goods.”

We wonder whether the developing countries could greatly improve upon

this passionate plea for a new impetus to their economic development. And yet amazingly few, if any, commercial organisations in the developing countries, let alone their slow-moving governments, have come forward wholeheartedly to welcome this epoch-making address of President Nixon.

At the same time, there would appear to be no hesitation on the part of the developing country, (A) to criticise America for having extended credit on easy terms to the developing country, (B) because, in the process, exports from the former to the latter are going to be hit. Incidentally this is one of the offshoots of the Indonesian government's latest decision to allow medium credit facilities to be extended to the imports of commercial vehicles from all donor countries using “credit BEs”. Hitherto, these credits applied only to American credits, but following pressure from Japan, these have been extended to imports from all donor coun-

tries. It is a pity Indian trucks would be the worst victims of this new development, but the Government of India should lose no time in providing Indian credit so as to enable Indian exporters of trucks (only lately have Tatas begun to explore the market for their trucks in Indonesia) to compete with their rivals from the USA and Japan.

It does not lie in the mouth of a developing country (which is itself receiving easy terms of credits against purchases from developed countries) to ask any developed country to restrict these and not extend them to any other developing country even when it is painfully aware that its interests are going to suffer. In view of this, the developed countries would perhaps do well to explore the feasibility of triangular deals to take care of the existing export markets of developing countries among themselves. This should not defy the ingenuity of imaginative developed countries, especially the USA.

Steel Plants for the South

A CORRESPONDENT

THE CENTRAL government's decision to erect two conventional steel plants at Hospet in Mysore and at Visakhapatnam in Andhra Pradesh and an alloy steel plant at Salem in Tamil Nadu marks the first major step to bring about the dispersed development of this basic industry. The demand for new steel units in the southern region had been put forward by the respective governments for quite some time. But the centre could not think of granting permission for new units outside the steel belt in north-west India as it was not known what would be the country's requirements in terms of steel and whether there would be any need at all for starting a fifth steel plant, not to speak of a sixth. It had also been decided to proceed with the scheme for expanding the capacity of the Bokaro project to four million tonnes from 1.7 million tonnes on a continuing basis.

Serious Delays

The latest estimates regarding consumption of steel in the next few years, however, indicate that serious mistakes had been committed in steel planning and the inordinate delay in executing the expansion schemes of the three public sector units has given rise to a situation in which there may be continuing shortage of steel for some years. Though it was planned that the capacity of the Bhilai, Rourkela and the Durgapur units should be increased to 5.9 million tonnes of steel ingots by 1965-66, the various schemes were completed in all respects only in 1969-70 and the teething troubles may be got over fully only in the current year. This grievous slipping of the schedule of implementation led to the decision to execute the Bokaro project on an ambitious scale and the shelving of the second stage of expansion of the Durgapur and Rourkela units. It may not serve any useful purpose now to bemoan the decision of the government to construct the Bokaro project in a manner which will block large amounts. But in order to avoid similar mistakes in planning in future and also adopt corrective measures even at this stage it will be advisable to take stock of the new situation and formulate schemes in a pragmatic way so that a continuous increase in steel output can be ensured.

The output of steel in 1969-70 has been roughly estimated at 4.8 million

tonnes with the share of the public sector units being about 2.80 million tonnes. Having regard to the fact that Hindustan Steel should theoretically achieve an output of 4½ million tonnes of finished steel, it will be readily agreed that even allowing for the difficulties relating to raw materials and teething troubles, an output of 3.8 million tonnes could be easily secured. The shortfall of one million tonnes on this basis has been responsible for accentuating the shortage of steel especially as exports also are being effected on a large scale and may be around 700,000 tonnes in 1970-71 even with a cut-back in orders.

Operative Efficiency

It may be argued that with a further pruning of exports and an increase in the operating efficiency of the three public sector units, the immediate problems can be got over and the output of engineering goods raised substantially. But with a larger outlay on Plan schemes in the current year and the necessity to step up outlays significantly in the remaining three years of the fourth Plan, it would not be surprising if the gap between demand and availability of steel was more than three million tonnes in 1973-74 as estimated in some quarters. The Bokaro steel project may be able to produce about one million tonnes on an optimistic estimate in 1973-74 while the expansion scheme of Indian Iron and Steel Company would yield another 300,000 tonnes. The unfilled gap will thus be a minimum of 1.7 million tonnes and may be very much more if the pace of industrial development gathers momentum and the green revolution also is sustained.

It has even been emphasised in some quarters that the progress of the fourth Plan would be impeded if there was no liberalisation of imports of steel and Hindustan Steel did not play its due role. The recent efforts at increasing operating efficiency of the Bhilai and Rourkela units and slowly overcoming the ills of Durgapur may be helpful in avoiding heavy expenditure on imports. But the situation will have to be managed somehow with a pruning of steel exports and imports of required types of steel for the engineering industries, which have large export orders. A saving on account of reduced imports of fertilisers may be helpful in avoiding

undue strain on the balance of payment position. But the difficulties in a short period can be overcome only if there is perspective planning and a re-allocation of the resources available for the development of the steel industry so that maximum results are obtained without much difficulty.

It is in this sense that the latest decision of the government relating to the location of two conventional steel plants at Hospet and Visakhapatnam and an alloy steel plant at Salem imparts flexibility to steel planning. The Bokaro project has no doubt to be examined at this stage whether the first stage of expansion will have to be stopped with 2.5 million tonnes in order to release funds for quicker implementation of the three new units in the southern region. It has not been indicated by the government what is exactly the schedule of construction for these three projects. The plans will probably take concrete shape only after some time as greatest emphasis will be laid on fabricating machinery within the country to the maximum extent possible and employ also Indian technical personnel without seeking elaborate foreign assistance. This idea is laudable. But it would be worthwhile to examine how standardised equipment can be manufactured and a diversion of plant and machinery for Bokaro's second stage of expansion can quicken the pace of construction of the Hospet, Visakhapatnam and Salem units.

Consortium Recommendations

The British-American Steel Works Consortium of India recommended some time back that the conventional steel plants can have an initial capacity of 1.5 million tonnes and that it can be expanded to 4 million tonnes ultimately. There is no problem of securing ore supplies in the Hospet area while coal can be brought from the mines in Madhya Pradesh or by sea through Goa. Visakhapatnam is ideal as a deep-water site while Salem has the advantage of the principal raw materials, iron ore, limestone and lignite being available in a compact area. There are also developed communication facilities and the mines can be made to raise the required quantities of iron ore as pilot operations are already in full swing. If an additional Rs 200 crores can be allocated in the current Plan period and the amount intended for the second stage of expansion of Bokaro can also be utilised, there is every prospect of the new units coming into being by 1975-76. It is indeed claimed that the Salem steel plant can be completed in four years if only the necessary resources in rupees and foreign exchange can be provided as the project reports are well conceived

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and have been prepared by eminent experts.

By recasting the steel plan in this manner, it would be possible in the fifth Plan to produce five million tonnes of steel ingots additionally from Hospet and Visakhapatnam and 2.3 million tonnes from Bokaro. In that event there will not be serious gaps in availability during the period of the fifth Plan and with a raising of the capacity of Tata Iron and Steel to three million tonnes from two million tonnes and Indian Iron and Steel to two million tonnes from 1.3 million tonnes and of the three existing public sector units by 1.5 million tonnes, a total capacity of over 22 million tonnes of steel ingots can be established by 1980. This kind of approach will also enable quick decisions being taken in regard to the location of new units in other areas

Thoughts on the Central Budget

SURESH CHANDRA SRIVASTAVA

THE OBJECT of this article is to outline the main changes introduced in some important direct taxes such as income-tax, wealth tax, gift tax and corporate tax in the union budget for 1970-71, and assess their economic implications and effects. It makes recommendations for changes required in the budget proposals with a view to serving better the requirements of growth and social justice.

The budget proposals in respect of income-tax, wealth tax, gift tax and corporate tax are as under:

Income-tax : Rates on personal income over Rs 40,000 have been raised; they will now go up to 85 per cent on the highest slab over Rs 2 lakhs against 70 per cent up to Rs 2.50 lakhs and 75 per cent over Rs 2.50 lakhs at present. With a surcharge at 10 per cent, maximum rate now is 93.5 per cent in the slab over Rs 2 lakhs, against 82.5 per cent over Rs 2.50 lakhs at present. A uniform exemption limit of Rs 5,000 for all non-corporate assessees, irrespective of whether they are married or have children has been introduced. Exemption limit now varies from Rs 4,000 to Rs 4,800 depending on the number of dependents.

Wealth Tax : Rates in the case of individuals and Hindu undivided families have been stepped up from the present 0.5-3 per cent to 1-5 per cent. Slabs of net wealth remain the same. Additional wealth tax now is leviable on the values of land and buildings in cities and towns with the population exceed-

which too are considered suitable.

The expectations of a doubling of the consumption of steel over 10 years cannot be considered extravagant as after a particular stage, if the experience of Japan is any guide, the growth rate becomes more pronounced. It could not have been visualised a decade back that Japan would be able to add to its capacity by eight million tonnes annually, what India proposes to do in a period of five or six years. The developments in the current Plan period may give a precise indication of our steel requirements and there should be no hesitation to revise allocations if it is found ultimately that the steel gap cannot be bridged without a quickening of the tempo of construction of the new plants. If timely decisions are not taken, a difficult situation that has been experienced in regard to the availability of fertilisers may be repeated on the steel front.

ing one lakh and with an initial exemption ranging from Rs 4 to 7 lakhs at rates from one per cent to 4 per cent. The rates have been stepped up to 5 per cent on the value of urban lands and buildings in excess of Rs 5 lakhs and 7 per cent on the value in excess of Rs 10 lakhs.

Gift Tax : Rates have been revised from existing 5-50 per cent to 5-75 per cent. Exemption limit for gift tax has been lowered from Rs 10,000 to Rs 5,000.

Corporate Tax: The corporate sector has again got a reprieve. The only points at which it has been touched are entertainment expenditure and the expenditure on guest houses or business concerns which would be disallowed in computing profits.

The sharp stepping up of income-tax rates on incomes above Rs 40,000 and wealth tax and gift tax rate is not justified at all; it is bound to exercise an adverse effect on work and enterprise. There was hardly any scope of further taxing the rich in the non-agricultural sector.

Ours is the highest taxed country in the world. It is misleading to take the ratio of tax revenues to gross national product which works out at 12.5 per cent for India. It has been rightly argued that "India is the highest taxed nation in the field of direct taxes and in the sense that enterprise and endeavour in the non-agricultural sector are taxed at

higher rates than anywhere else with the possible exception of Burma which has no trade or industry in the private sector."

The incidence of personal taxation in India is the highest in the world. The marginal rate of income-tax at present is higher in this country than in any other countries. The maximum rate of income-tax in India is 82.5 per cent on incomes beyond Rs 2,50,000 per year. In comparison the maximum rate of income-tax in the USA is 70 per cent, in the UK 91.25 per cent, in Japan 75 per cent, in Canada 80 per cent, in France 70 per cent, in West Germany 54.6 per cent and in Belgium 66 per cent. Thus except for the UK, the maximum rate of income-tax in all other countries is lower than in India. It is, however, only apparently that the rate is higher in the UK. The real incidence becomes much higher in India when the wealth tax is taken into account. In the UK, no wealth tax is levied while in India the combined incidence of these two taxes is sometimes even higher than the entire income itself. Even apparently, the maximum rate at 93.5 per cent will be higher than in the UK.

Higher Maximum Rate

The maximum rate of income-tax in India is higher than the rates in some other developing countries also. For example, the maximum rate in Ceylon is only 65 per cent, in Malaysia 60 per cent, in Nigeria 75 per cent, in Turkey 60 per cent and in Pakistan 70 per cent.

Again, the maximum rate at present becomes operative in India at a much lower slab of income, i.e., when an individual's income exceeds Rs 2,50,000 per year. As compared to this, in the USA the maximum rate is operative at a far higher slab of income, i.e., Rs 15,17,244, in Canada at even a higher slab of Rs 32,70,876, in Japan at over Rs 12,68,028 and in the UK over Rs 2,71,840. This brings out significantly how the Indian assessee is called upon to shoulder a much heavier tax burden. Now with maximum rate at 93.5 per cent operative on a lower slab of over Rs 2,00,000, the burden will be all the more heavier.

The extent of the excess tax borne by an Indian assessee compared to his counterparts in other countries may be seen from the following figures when the tax payable by an individual with an income of Rs one lakh is shown: at the income level of Rs one lakh per year the tax payable in West Germany is Rs 23,710, in France Rs 27,780, in Canada Rs 20,970, in Brazil Rs 29,640 in the USA Rs 13,550, in the UK Rs 28,620; in Japan Rs 27,780, whereas in

India at present the amount is as high as Rs 52,261. As per budget proposals, it is expected to go up to Rs 57,200.

Further, if the cumulative effect of all other direct taxes in the country is considered, a tax-payer in India is sometimes placed in the unenviable position of losing his whole income. It happens when income from properties, share-holdings and the like exceeds Rs 4 lakhs. The position is that at certain income levels the tax-payer has to pay the tax from his capital. Thus, if a person invests his capital and gets from such investments a total income of Rs 8 lakhs he will have to pay a tax of 111.7 per cent of his income. Such a heavy tax burden is not only oppressive but actually expropriatory and leads to erosion of capital.

In many countries the total tax liability has been limited to a certain percentage of assessable income. In Sweden, Denmark, Norway, Ceylon and Japan the law provides that the total liability of an individual assessee must not exceed 80 per cent of his taxable income. Prof. Kaldor had described 80 per cent tax as confiscatory. But in India there is no such ceiling on aggregate liability of personal taxation; the tax burden is unlimited. With proposed increases in all forms of direct taxes, the tax burden is apt to increase considerably.

Disparity in Tax Base

Besides the inordinately high tax rate, there exists disparity in the tax base. The whole burden of personal taxation is borne by only a handful of persons—merely 2.8 million out of a total population of about 540 million. Their number would be reduced to 2.3 million at the higher exemption limit of Rs 5,000 per annum proposed in the budget. Thus even less than half per cent of the population would bear the whole burden of personal taxation in India. Income-tax statistics reveal that less than 0.2 per cent of the population bear 80 per cent of tax burden. As compared to this, the income-tax base covers 31 per cent of population in the USA, 39 per cent in the UK, 41 per cent in Australia and 21 per cent in Japan. The extremely narrow base in India, covering just about half a per cent of population imposes a disproportionately heavy burden of taxation on an individual assessee and any further increase in the rates at various income levels will be confiscatory.

It can, thus, be convincingly argued that our tax system is designed to lead to individual dissaving above certain levels of wealth, and curtails incentives to further saving and investment once a point of maximum disposable income is

reached. Hence, any further indiscriminate increase in taxation on this group would not be desirable. It will not affect unearned incomes, but we cannot expect people to save if the savings or the income from them is taxed very heavily. A proper balance between taxation of earned and unearned incomes has to be maintained so that savings are not discouraged. The scope of direct taxation in taxing the rich further, therefore, appears to be limited.

No Scope for Increase

Similarly, there is hardly any scope for increasing the rates of income-tax in the middle ranges. At all levels of income between Rs 5,000 and Rs 75,000 we have been paying in the current year a higher percentage of income as income-tax relative to our counterparts in Japan, the UK and the USA. The percentage rate of tax in 1969 in different countries is given in table below.

In addition to this, the amenities provided by the state, such as social security, education, health service, etc., to the lower middle (between Rs 5,000 to Rs 30,000) income group in the other countries are far more than in India. In India, in most cases the wife of a person in this income group does not earn any income by seeking work herself and the burden of supporting the family falls entirely on the earnings of the husband. The average size of the family is also bigger. The middle class in India has been sandwiched between the inroads of taxation and inflation. Its income particularly of the fixed income group has not increased in proportion to the rise in prices. The consumption of commodities subject to indirect taxes is relatively more in this group and its tax burden increases relatively more when there is an increase in indirect taxes. Hence, even when the rate of income-tax is not stepped up, the tax burden on this group would rise when indirect

taxes are increased, as per budget proposals.

It is, however, worthwhile to raise the exemption limit for direct taxes. This would provide relief to lower income groups and would be in the interest of better tax administration. By removing a large number of assessee from the scope of income taxation, income-tax officers will have more time to devote to larger cases where the gains to revenue would be correspondingly greater. The need of the hour is to concentrate on the bigger assessee and to plug the loopholes in tax laws or in their administration so that evasion is effectively checked.

As regards urban immovable property, the rate of total wealth tax will go as high as 12 per cent. These rates are very high and "amount to expropriation without payment of compensation". The only result will be that several urban buildings will pass into the hands of black marketeers who will thrive on illegal 'puggies'. It would therefore be undesirable to levy such a high tax on urban immovable property.

Corporation Tax

A company in India has to pay income-tax at the rate of 55 per cent if it is a company in which the public is substantially interested, and at the rate of 65 per cent, if it is a private company. Besides, companies in India have to pay a surtax at the rate of 25 per cent on profit in excess of 10 per cent of their capital plus reserves and long-term borrowings. The cumulative effect of all these taxes is such that the total taxation in many cases works out to be as much as 70 per cent of the companies' profits. In no other country in the world is there such high taxation on company profits.

Out of 150 countries of the world, 143 do not exceed the rate of 50 per cent

COMPARATIVE RATES OF INCOME TAX IN INDIA AND OTHER COUNTRIES IN 1969

(On Earned Income for Married Individuals with Two Children)

Income	(per cent of income)			
	India	Japan	UK	USA
5,000.0	0.22	Nil	Nil	Nil
10,000.0	5.61	Nil	Nil	Nil
20,000.0	13.8	5.9	8.5	Nil
30,000.0	22.0	10.2	16.4	3.6
40,000.0	30.3	13.8	20.3	7.1
50,000.0	35.2	16.9	22.7	9.1
75,000.0	45.9	22.7	26.0	12.3

Source : Ministry of Finance

on corporate profits, taking distributed and undistributed profits together. The rate of corporation tax in the UK is 42.5 per cent, in France it is 50 per cent, in West Germany 51 per cent (15 per cent on distributed profits), in the USA, 48 per cent, in Canada 50 per cent, in Japan 35 per cent (with a reduced rate on distributed profits) and in Australia 42.5 per cent. These are the rates in some of the developed countries of the world. In many developing countries the rate of corporate taxation is much lower than in India. For instance, in Brazil companies are taxed at the rate of 30 per cent only; in Malaysia and Nigeria they are taxed at the rate of 40 per cent (plus 10 per cent surtax in Nigeria). Even in Pakistan the rate of corporation tax is only 45 to 50 per cent. Consequently, such taxation is a disincentive to the inflow of foreign capital to India.

Comparative Rates

The incidence of tax on companies in India becomes even heavier than that in other developing countries in view of the absence of the liberal system of allowances and reliefs that are granted in many of these countries. For example, in Nigeria and Malaysia the tax-holiday for a new industrial undertaking is a complete holiday from taxation. In India this relief is restricted only to a low return of 6 per cent on the capital of the undertaking. Further, in the above two countries, under the income-tax law, the depreciation allowances can be postponed to the end of the tax-holiday and their benefit, therefore, is not lost to the company. In India, this is not permitted with the result that the benefit of the tax holiday becomes illusory. Again, the development rebate, which is given in India also becomes illusory in many cases, since it is allowed for the first eight years only when there are not enough profits with the company to absorb development rebate after providing for depreciation.

Also, in most countries including the USA, France, Sweden and Australia, a substantial rebate or deduction is allowed where the company's income includes dividends from another company. In Sweden, dividends received by a company from another company are exempt from taxation. In France, up to 95 per cent of a parent company's income from a subsidiary is exempt from taxation. In the USA 85 per cent of dividends received from other companies are allowed to be deducted from the total income of the company. In India, a company is allowed a deduction of only 60 per cent of the inter-corporate dividends. The cumulative effect of all this is that in India the bur-

den of taxation on companies becomes the highest in the world. The burden is likely to increase further due to, first, the lowering of the development rebate from 35 to 25 per cent, and second, the withdrawal of the tax rebate allowed for achieving an increase in production.

The foregoing examination of the budget proposals reveals that an increase in some direct taxes, such as personal income taxation, wealth tax and gift tax would prove to be unbearable and is bound to exercise an adverse effect on work and enterprise. It will also hamper savings and investment. The incidence of personal income taxation at all levels is the highest in the world and any enhancement in these rates at all levels will prove to be the last straw on the camel's back. In respect of corporation taxation too India is the highest taxed nation. Hence, status quo in this respect will not "maintain a stable climate for investment decisions."

Trend Towards Lower Taxes

In western countries the latest trend is towards lower taxation. In the USA, as a result of the late President Kennedy's proposals in 1962, personal taxation was reduced from the range of 20 per cent and 91 per cent to the range of 14 per cent and 65 per cent (subsequently 70 per cent). Company taxation has also been reduced in the USA; in the UK as a result of the tax reforms in 1965, the rate of company taxation was brought down from 53 to 42.50 per cent. What is thus required is a drastic reduction in these taxes. I would, therefore, make the following suggestions:

Reduce the highest tax rate in the top slab to 66½ per cent and retain it at that level up to the fifth Plan period.

A more effective assessment and collection can be made by concentration on the fewer assessees. Gradation may be in three main blocks, with intervening slabs:

Tax rate (Per cent)	Income group (Rs)
No tax	Less than Rs 5,000
5-20	5,000—20,000
20-50	20,001—50,000
50	Over 50,000

The revenue objective is to be concentrated in the last two categories.

Check or minimise tax evasion. The tax-payers in the higher income groups

should be asked to submit a comprehensive return showing their income, capital transactions and investment. If evasion could be checked, additional yield from income-tax would be about Rs 100 crores. This is no mean achievement in view of the fact that the total yield from income-tax is about Rs 362 crores per year. It should be remembered that any substantial increase in revenue from the rich and the income-tax paying class can be expected only by checking evasion.

Amending the Law

Tax the self-employed persons, small traders and moneylenders who completely escape taxation. There are a large number of people in the lower and middle brackets who completely escape taxation because they keep no regular accounts and present no concrete evidence of being liable to taxation in terms of the existing provisions of the Income-tax Act. In order to check this evasion, the income-tax law will have to be amended. In the case of traders and moneylenders who do not keep regular accounts, the law should provide assessment by the old method of presumption. An alternative method also has been suggested. "For a self-employed shop-keeper a schedular system might be devised whereby taxes may be assessed as a fixed percentage of turnover unless the person produces books to show that the tax would be lower if based on net income." A suitable device embodying either of the principles suggested above, to deal with the cases of self-employed, small traders and moneylenders is one of the most urgently needed reforms in India.

On corporate incomes, have a relatively low flat rate of 40-49 per cent and keep it up till the fifth Plan period. Keep strict watch on the expense accounts of companies.

Enlarge and extend incentive devices such as the development rebate and depreciation allowances on the lines prevalent in some of the developed and developing countries.

Avoid any increase in wealth tax or gift tax and reduce the rate of total wealth tax on urban immovable property to 5 per cent. Taxation of capital should be resorted to mainly to plug loopholes.

Reduce the emphasis on redistributive tax objectives and devices till the fifth Plan period.

Nobody can deny that, in a developing economy at the initial stages, an increase in production is far more desirable an objective than reduction in in-

equalities of income and wealth. The proposals that I have made are largely based on this consideration. In 1978-79, that is, at the end of the fifth Plan a detailed inquiry may be made to ascertain if development has been ade-

Lenin's Ideas of Scientific Planning

NIKOLAI BAIBAKOV

THE FOUNDATIONS of the planned management of the economy in all its branches were laid under the leadership of V.I. Lenin. Lenin believed that the management of the economy should be based on scientific principles, the ability to see correctly the prospects and priority of the tasks ahead, the use of the latest achievements of science and engineering and the ability to quickly and precisely react to changing conditions.

Soviet society has passed through a number of historical periods in its development. And each of them is marked with some progress of the system of state planning of the national economy. It is a long way from the first annual plans of individual industries to complex programmes co-ordinating all branches of the economy.

Guided by Lenin's theory of planning, by an analysis of the prospects of social development, the CPSU works to create an advanced economy in the world. This aim is pursued by the economic reform carried out in accordance with the decisions of the March and September 1965 plenary meetings of the CPSU Central Committee and the 23rd Congress of the party. The paramount tasks are to raise the efficiency of production, to reduce labour and to increase the efficiency of capital investments and of the basic funds.

Targets Achieved

The reform has enhanced economic activity of enterprises and helped to achieve major targets of the five-year plan. The enterprises working in the new conditions today account for 84 per cent of the products and for more than 91 per cent of profit in industry. In the first years of the new methods of work alone they put out, in addition to what was initially approved by the plan, almost 11 billion roubles worth of products and gave about 2 billion roubles profit.

The raising of efficiency of the national economy is directly connected with further improvement of the structure of social production. This presupposes a high rate of growth of all branches of industry and agriculture and the creation of new, highly efficient types of

quate and any change in taxation policy is required. In case the economy has made adequate progress in these directions, the structure of direct taxation may be reviewed with special reference to the distributive aspect.

Mr Baibakov is Vice-Chairman of the USSR Council of Ministers, and Chairman of the State Planning Committee of the USSR.

production with saving of capital and current expenses on the basis of all-round intensification of production.

The development of progressive structure of social production, the rate of growth and the level of social product and national income are greatly influenced by balanced relationship between the branches and within the branches. The most important thing here is the development of the power economy, chemical industry and machine-building, instrument-making and radio-electronics, as well as a number of other branches, which affect the prospects of growth and technical progress in all branches of the economy, the size of capital investments, better use of labour, productivity and the volume of production.

Technical Progress

The correlation of the rates of development of the above branches and of industry as a whole and the structure of the fuel and power industries, machine-building, chemical industry and ferrous and non-ferrous metallurgy are major economic problems. Growth of these branches accelerates the rate of technical progress.

Electrification of the whole country which is being carried out in the Soviet Union is the main condition for the creation of an effective structure of social production. That is why production of electric energy is developed at a high rate through the commissioning of new, thermal power stations and hydro-electric power stations. The efficiency of social production also depends on the level of development of machine-building, chemical and petrochemical industries and production of ferrous and non-ferrous metals.

In the development of our national economy we must now rely primarily on the use of quality materials and on the growth of labour productivity. The output of products must be increased not so much through new capital investments or the large number of workers employed as through a fuller and more rational use of the existing capacities, the renewal of machines and equipment, quick introduction of scien-

tific and technical achievements and rational use of labour and material resources. This is the way to ensure a high rate of growth of the Soviet economy in the future as well.

This policy requires rapid and steady development of agriculture. The measures adopted in accordance with the decisions of the 23rd party congress, the March 1965, May 1966 and October 1968, plenary meetings of the CPSU Central Committee to strengthen the material and technical basis of agriculture and to increase the role of economic incentives have made it possible to increase the production of grain, raw cotton, sugar beet, potatoes, meat and milk and to accelerate the growth of the entire gross farm produce. The average annual output of grain, for instance, will in the current five-year plan period approximate 165 million tonnes as against 130 million tonnes in 1961-1965.

The fulfilment of the agriculture programme calls for a considerable change in the proportions and distribution of the national income and material resources in favour of agriculture. Capital investments in agriculture grow more rapidly as compared with the entire national economy. The policy of encouraging agricultural development will be continued in the ninth five-year plan period.

Measures are being taken to organise the work of planning organizations more efficiently. Long-term planning requires taking steps for a better use of production resources. An increased role will be played by economic, scientific and technical forecasts. In accordance with the state plan of scientific research for 1966-1970, many economic and scientific-technical forecasts are being worked out in the Soviet Union.

Scientific Problems

The current five-year plan envisages the study of about 250 scientific and technical problems concerning all branches of the national economy. As a rule, they are complex problems and are elaborated by the USSR Academy of Sciences, ministries and other organizations.

A number of measures have of late been taken to improve planning in the distribution of productive forces, with more detailed elaboration of the 1971-1975 indices.

Work is now under way to draw up the draft of the ninth five-year plan of development of the national economy for 1971-1975. The general idea of the plan is the intensification of the use of material resources and the improvement of all branches of the economy to raise the living standards of the Soviet people.

FROM THE PRESS GALLERY

Ambitious Steel Programme

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Saturday:

THE DEMANDS for grants of two more ministries—the Ministry of Steel and Heavy Engineering and the Ministry of Education—were passed by the Lok Sabha this week. The House also adopted the West Bengal Legislature (Delegation of Powers) Bill.

The main points of criticism during the debate on the demands for grants of the Ministry of Steel and Heavy Engineering were the (i) heavy losses being incurred by Hindustan Steel; (ii) shortage of steel in the country and its adverse effect on the export of engineering goods; (iii) poor performance of the Heavy Engineering Corporation (HEC); (iv) alleged political overtones of the decisions about the consultancy services for Bokaro and the location of the three new steel plants in the public sector in south India; (v) mounting costs of steel production; and (vi) labour unrest, particularly at the Durgapur steel plant. The HSL was also criticised for diverting to exports steel earmarked for distribution within the country. Allegations of corruption were made against some officials of the Durgapur steel works. Pleas were made for setting up steel plants in the Bailadila (Madhya Pradesh) and Orissa areas which had ample raw material resources.

Significant Observation

Replying to the debate, the Minister of State for Steel and Heavy Engineering, Mr K. C. Pant, made many a significant observation. He stressed the need for rapidly expanding the steel manufacturing capacity in the country, no matter what the cost was. In view of the sharp increases expected in the demand for steel, he felt that the steel making capacity would have to be stepped up by a million tonnes every year during the current decade or alternatively by two million tonnes every two years. The HEC, Mr Pant pointed out, could supply equipment for such a programme of steel manufacture, but obviously bunching of orders on this public sector undertaking had to be avoided.

In the steel industry, Mr Pant further observed, there had to be taken a long-term view. The government, he revealed, was therefore now planning the steel programme on a 15-year basis. An economic planning cell was being set up in the Steel Ministry to go into the investment and other relevant aspects of this

programme. All the future steel plants, Mr Pant assured the House, would be designed and fabricated without foreign collaboration and entirely with the indigenous technical know-how and expertise.

In this connection, Mr Pant referred to the expertise being developed in the Central Engineering and Designs Bureau (CEDB) of the HSL through entering into agreements not only with the Soviet Union but also with the steel consultants in other countries for procuring know-how. Defending the role of the CEDB during the construction of the second stage of Bokaro, Mr Pant stressed that there was no justification for the allegation that Dastoor and Company was being edged out of the field. The future steel programme was so massive that both the CEDB and Dastoor and Company would have ample work.

Continuous Process

Refuting the charge that political considerations had weighed with the government in deciding the location of the three new steel plants in the public sector and attempting to assuage the feelings of those clamouring for steel plants in their areas, Mr Pant emphasised that the installation of plants was a continuous process and that the search for new sites would always be on.

Speaking for the near-term expansion of the steel making capacity, Mr Pant disclosed that not only the two stages of Bokaro were being telescoped to produce four million tonnes of steel, but the capacity of Bhilai too was to be raised by 1.7 million tonnes to 4.2 million tonnes. At Durgapur, also, the capacity of the alloy steel plant was being doubled from the present 100,000 tonnes ingots to 200,000 tonnes ingots annually. At Rourkela, a cold roll grain-oriented steel unit was proposed to be added during the fourth Plan.

Referring to the huge accumulated losses of the HSL (Rs 191 crores), Mr Pant urged members to take into account the depreciation provided by this undertaking to the tune of Rs 400 crores. Rs 190 crores paid as interest and about Rs 250 crores contributed as excise duty to the central exchequer. He was hopeful that the HSL would show profit next year.

Mr Pant briefly referred to the working of the HEC and assured the House

that its capacity would be utilized fully. The tasks ahead of his ministry, he said, were of an order that would keep the HEC and others as well fully employed.

The question of steel exports was dealt with by the Deputy Minister for Steel and Heavy Engineering, Mr Mohd. Shafi Qureshi. Denying that there was any rift between the Ministry of Steel and Heavy Engineering and that of Foreign Trade over steel exports, the Deputy Minister observed that it would be a "short-sighted" policy to continue to export prime steel at the cost of the country's own industry. He stressed that we should now export only high priced items. Steel exports, Mr Qureshi further observed, would have to be regulated to meet the internal demand. The Deputy Minister revealed that the domestic distribution of steel would be streamlined soon. To make available steel to consumers directly, depots would be set up in all the states. The government, he added, was trying to meet the entire requirements of the engineering industry, if necessary, by increasing imports from the present 34,000 tonnes level.

Vehement criticism of the working of the Council of Scientific and Industrial Research (CSIR) and the National Council of Educational Research and Training (NCERT), the deterioration in the standards of education, the growing unrest among students, the undue delay in implementing the Directive Principles of the Constitution in so far as they concern primary education, and the slow progress towards making the regional languages as the medium of instruction at the university level characterised the debate on the demands for grants of the Ministry of Education.

Startling Allegation

Assailing the working of the CSIR, Mr Samar Guha (PSP) and Mr Madhu Limaye (SSP) made a startling allegation against the Sarkar committee which went into the affairs of this Council some time ago. The allegation was that under the influence of the Prime Minister, the Sarkar committee had deleted from its report or watered down many an "unpalatable remark" against the former Director-General of the CSIR, Mr H. Zaheer. Along with several others, they deplored that the CSIR was a hotbed of corruption, nepotism, inefficiency, bureaucracy and power politics. Because of this, many talented young scientists, they alleged, were getting frustrated and leaving the country. It was also suggested that instead of concentrating on fundamental research, which ought to be done primarily in the universities, the CSIR should devote its energies to applied research. As regards the NCERT,

it was alleged that four crores of rupees were being wasted on it without much result. The NCERT, it was pointed out, was also suffering from bureaucracy; it was functioning as a technical wing of the Education Ministry. One of the main causes for unrest among students, it was stressed, was the growing unemployment. In the interest of equality for education, the SSP members urged, public schools should be closed down. It was generally regretted that educational standards were going down and that the growth of educational facilities was not keeping pace with the growth in population.

Winding up this debate, the Education Minister, Dr V.K.R.V. Rao made two important announcements. He rejected the plea for closing down public schools and announced that in the interest of creating equality for students in education, a fairly ambitious scheme for giving scholarships to the students coming from rural areas was being planned. The scheme would cover talented children in the final year of their middle school education in the 5,000 community development blocks in the country. Each child to be selected through a competition will be given a Rs 1,000-a-year scholarship and placed in the best secondary school in the district. In the first year of the institution of the scheme, 10,000 scholarships would be given. In the fourth year of its operation, the number of scholarships would be raised to 36,000.

Programme for Textbooks

The second announcement made by Dr Rao was that a crash programme of screening nearly 10,000 textbooks now in use in classes I to XI throughout the country was being undertaken to detect passages promoting communalism, linguism, casteism, untouchability and other such unsocial and undesirable tendencies. The objectionable portions, he said, would be brought to the notice of the state governments. Since education was a state subject, his ministry, Dr Rao observed, could be just a clearing house for states on educational research, innovations and achievements in all parts of the country. Dr Rao rejected the demand for granting autonomy to the NCERT. He pointed out that this was the only agency the centre had to implement the national primary and secondary education policy.

The Education Minister cleverly skirted the Sarkar committee issue by offering a full-scale debate on the subject. He denied the existence of any report of this committee other than the one released officially. The government, he said, was not concerned with any draft or interim report the Sarkar com-

mittee might have considered during its deliberations.

Dr Rao listed the pilot projects undertaken by his ministry to improve educational standards and to liquidate adult illiteracy as also those which were aimed at removing difficulties in teaching children belonging to scheduled castes and tribes and linking vocational training with regional economic development.

Earlier, intervening in the debate, the Minister of State for Education, Mr Bhakt Darshan, expressed doubts whether it would be possible to achieve the revised targets of providing free and compulsory education for the age groups of 11 and 14 by 1975 and 1980, respectively. The paucity of resources, he said, stood in the way.

The debate on the West Bengal Legislature (Delegation and Powers) Bill, which sought to authorise Parliament to legislate on behalf of West Bengal after the promulgation of President's rule in that state, was quite lively. The law and order situation in the state, particularly the activities of Naxalites, figured prominently in this discussion. Assurances were also sought specially by CPM members, that President's rule would not be continued for long. Allegations were made by the members belonging to the former United Front in the state against the role of each other's party in bringing down the United Front Ministry. Another important point stressed by some leftist members was that the Consultative Committee of Members of Parliament which was proposed to be set up to advise the government on the administration of West Bengal, should be composed in such a manner that it reflected the proportion of the strength of the parties on the state legislature and not in Parliament.

The Minister of State for Home

Affairs, Mr V. C. Shukla, who piloted this bill, declined to accept the proposal regarding the composition of the Consultative Committee and stressed that this committee would have a national character and would reflect the position of various parties as in Parliament. He could not say how long President's rule would be continued in the state. The issue, he emphasised, could not be decided by the executive authority of the government; only Parliament was the ultimate forum where it would be decided. Mr Shukla, however, made it clear that if a fresh election were necessary, the centre would ensure that it would be held fairly.

The operations of the Mining and Allied Machinery Corporation have come in for scathing criticism at the hands of the Committee of Public Undertakings. The committee has found that the overall picture of the Corporation is highly depressing. It has suggested that in the interest of avoiding further drain on the public exchequer, this state-owned undertaking may be wound up.

The committee points out that the MAMC had suffered till March 31, 1969, a colossal loss of Rs 20.16 crores, as against an equity investment of Rs 19 crores. The loss, it felt, was due to faulty and unrealistic planning, mis-management and lack of proper execution of the production programme. Even the minimum interest of the government in the working of this undertaking, the committee deplores, was absent. The committee further stated that not only have there been delays in the execution of orders but also the rejection rate of the items produced by the undertaking has been very high—in some cases as much as 100 per cent. The cost of production too has been highly excessive.

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WINDOW ON THE WORLD

A New Philosophy of Taxation

JOSSLEYN HENNESSY

I

ROY JENKINS'S BUDGET

LONDON:

THERE ARE lessons to be drawn from Roy Jenkins's Labour budget, not only for the UK but also for other governments and electors faced with the problem of coping, on the one hand, with ever rising public expenditure and, on the other, with the repercussions of inflation on the balance of payments of countries which, like the UK, must export to live.

Roy Jenkins's problem originated in three facts.

First, the (unplanned) devaluation of the £ in November, 1967, eventually initiated an export boom and piled up record payments surpluses, which have enabled the UK to pay off virtually the whole of her massive borrowings. Overseas buyers became anxious to buy in the UK market where prices had become really competitive.

Secondly, however, the Labour government (as I reported in detail on August 22, 1969, February 13, and March 27, 1970) retreated before what Peter Jay, the *Times*' (very much to the left-of-centre) Economics Editor described on April 15 as "The inflationary pressure on wage and prices in strategic sectors from the sudden unleashing of naked market power by strongly-placed unions and other groups of organised workers in the labour market."

Thirdly, a general election looms ahead and the public opinion polls show the Tories in the lead. Hence the government's supporters were desperately hoping that the Chancellor would give the Labour party a shot in the arm by generous tax reductions.

In fact, Mr Jenkins produced a budget of perfect economic propriety. His tax concessions surrender a mere £220 million, the effect of which will be to raise the expected growth in output from 3 to 3.5 per cent.

If the workers, as taxpayers, have gained little (or, inflation continues, nothing) from Mr Jenkins's third budget, the reason is simple: the workers have already taken their budget bonus

in wage awards or claims. Look at the table. Mr Jenkins foresaw that the preservation of Britain's competitive position was one of the key aims in his budget judgement.

"There are dangers for this country in the present situation to which I must draw attention", he said. "There is a danger that, under the pressure of steeply rising incomes, unit costs will go up more rapidly and we may move on to a much steeper trend in inflation than we have known in the past.

"If others achieve greater stability this will obviously affect our competitive position, and therefore the balance of payments, adversely. But there is perhaps even more cause for concern from the domestic social point of view. If serious inflation gets a grip it will be difficult to shake it off; and in all sorts of ways it will be the weaker members of society who will suffer.

"The illusion that money incomes can be pushed up by the kind of figures which have become common in industrial bargaining recently without producing harmful effects of this kind is a dangerous one."

In short, Mr Jenkins is already staring into the face of runaway inflation and until he knows when the election is to be, he cannot afford any cash gifts of the kind for which Labour back benches have been praying.

Mr Edward Heath, the Leader of the Opposition, told the Chancellor that all the benefits that he had given would be wiped out by one month's increase in prices, and judging by the roars of fury from the Labour benches at this thrust, Mr Heath had scored a point which went home. Facing rows of gloomy Labour faces, Mr Heath raised loud Opposition laughter when he said "We have witnessed today not quite a unique event, but a rare event — a Socialist Chancellor announcing a reduction in taxation. The last occasion when this occurred was in 1949!"

II

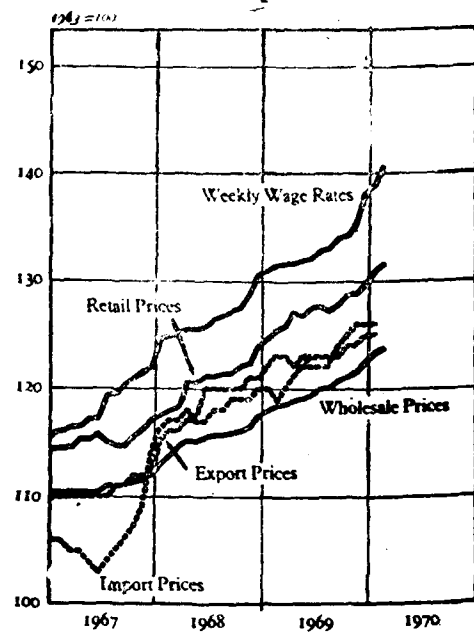
ALTERNATIVE TORY PROPOSALS

It is, of course, easy to criticise. What one wants to know is what the Tories will do if they win the next elec-

tion. The rest of this article reports their statements and analyses the tax philosophy underlying them.

In the five and a half years since the UK Labour government came to power, rates of taxation have risen by over three thousand million pounds. The actual amount collected has more

PRICES AND WAGES



		Latest	Previous month	Year Ago
1963=100				
Weekly Wage Rates	Feb	140.5	138.9	131.4
Retail Prices	Feb	131.5	130.8	125.3
Wholesale Prices	Feb	123.6	123.2	118.3
Export Unit Values	Jan	125	125	122
Imports Unit Values	Jan	126	126	120

The rise in basic rates of wages in February was largely by due to increases affecting workers employed in agriculture, the building industry and civil engineering construction. Since the autumn of 1969, a higher rate of nationally negotiated wage settlements has become apparent. The size of settlements becoming effective for manual workers in December and January, influenced by the second stage of the engineering agreement, averaged 7½-8 per cent.

The rise in the index of retail prices during the month was widely spread.

There was a sharp rise, of 5½ per cent, in the index of prices of home sales by the steel industries in February: increases over a wide range of steel products having been made in the last few days of January. This index has risen by 19 per cent since February 1969.

Although the rounded figures for export and import unit values were unchanged in January, both rose by nearly ½ per cent, with the largest rises, as in most recent months, being in metal prices.

than doubled — from £6,644 million in 1963 to an estimated £13,325 million in 1969-70.

There have been eight tax-raising budgets; and at least five entirely new taxes: corporation-tax, capital gains tax, betterment levy, gambling taxes and the notorious selective employment tax. Nobody today remembers Harold Wilson's pledge in 1964 to carry out his programme 'without any general increase in taxation'.

The Effects

No one *likes* paying taxes. Even though Socialists talk of people getting their money through the 'social wage', nothing alters the fact that taxation is money taken from the individual by the state. Nor has the Labour government's higher tax bill led to any noticeable improvement in the services for which governments are responsible.

This, however, is not the most important reason for opposing high taxation. The Tory party's fundamental objection is that however well-designed the system of taxation, the higher the taxes, the greater the power of the state over people's lives.

The effect of Labour's tax increases since 1964 has been to raise the proportion of national output taken in central government taxation from 25 per cent to over 32 per cent. If rates and social security contributions are included, the figure is up from 33 per cent to about 44 per cent, i.e., taxation now takes over 8 shillings out of every pound that the nation earns. Rising taxation, therefore, steadily reduces freedom of choice. Money which people would otherwise have been able to save or spend according to their own preferences is, more and more, spent for them by the state. Simultaneously, the financial power of the state becomes steadily larger. The point has already been passed where the public sector as a whole accounts for over half the British economy — and the Tories assert that such accumulation and centralisation of economic power becomes, in the end, a threat to political freedom.

The Tax System

The UK is not yet the world's most highly taxed country, but the way in which British taxes are levied deters people from working, earning, saving and investing. To begin with, there is the balance between direct taxes on incomes (e.g. income-tax and sur-tax) and indirect taxes on spending (e.g. purchase tax and excise duties on beer, tobacco, etc.).

Apart from savings, of course, the

amount that a man earns and the amount that he spends are the same thing — taxing one is equivalent to taxing the other. Three factors, however, make the balance between direct and indirect taxation important:—

(1) The greater the emphasis on taxing, spending rather than earning, the greater is the *incentive to save*. If there were no taxes on income at all, money saved would be free of tax at the time that it was earned; only if savings were eventually spent would tax be levied.

(2) It is usual for direct taxes to be progressive — that is, for a larger proportion of one's income to go in taxes the more that one earns. Indirect taxes, however, are broadly a fixed percentage of what one spends. (Though this is modified by exempting food from tax, and levying higher rates of purchase tax on luxuries).

(3) Direct taxes are more *buoyant* than indirect taxes — i.e., the amount they bring into the exchequer rises more rapidly as the national income increases. It has been calculated that the yield of income-tax goes up by 2 per cent for every 1 per cent increase in incomes, whereas the yield of the whole tax system goes up by only 1.1 per cent. This, however, is a result of the progressive nature of income-tax, and because more and more people begin to pay as money incomes rise (irrespective of whether incomes are worth more in real terms).

Direct Personal Taxes

If 'direct taxation' is defined as income tax, surtax and the employees' part of social security contributions (i.e. what is deducted on one's pay slip), and indirect taxation as purchase tax, excise duty, SET and other duties on the things one buys (i.e. *excluding* corporation tax, capital gains tax and estate duty), the balance between then today is: Direct — 51.1, Indirect — 48.9.

The Tories believe that priority should be given to cuts in direct taxation of incomes. It follows that there must be a shift of the balance towards taxing spending rather than earning.

Why do the Tories believe that direct taxes should be cut?

First, because a steadily rising level of taxation on incomes is itself a disincentive to greater effort and initiative. During the thirteen years between 1951 and 1964, the standard rate of income tax was reduced from 9s. 6d. to 7s. 9d. in the £. Personal and other allowances were simultaneously increased, so that, in spite of large increases in income since

1959, the numbers paying were about the same (just under 18½ millions). In 1964, direct taxes (income tax, surtax and employees' social security contributions) took under 13 per cent of personal incomes.

Since Labour came into office, the standard rate of income tax has risen from 7/9 in the £ to 8/3. Despite some increase in allowances, nearly 2 million more people are paying income tax (even after the 1969 Budget, supposedly taking 1 million people out of the income tax bracket). In 1968 direct taxes were taking 15.6 per cent of personal incomes, and the figure is now over 17 per cent. From the point of view of incentives, however, it is not so much the *overall* level of direct taxes that matters as the *marginal* rate — the proportion taken away of each additional pound earned.

Three aspects of the British system of taxes on incomes stand out:—

(1) Even at a level of only £15 a week, the average tax rate of a single man is rising fast (the figure is higher for the man with a family). Thus, a man who hopes to increase his income by doing some overtime finds that his take-home pay is taxed at a higher rate than before.

(2) The rate of income tax on incomes over £1,500 is higher than in most industrial countries. The level of incentives among, for example, middle management is thus higher abroad than in the UK.

(3) Rates of tax on incomes over £5,000 a year rise to heights that tower above most industrial countries. The net income that can be earned in Britain can hardly ever go above £10,000 a year — and to get that, the employer must pay £50,000 a year, £40,000 of which goes to the Exchequer. If there were a maximum tax rate on incomes of 15s. in the £, the Exchequer would only lose £30 million a year, but return on the marginal £ earned would be increased by nearly three times, from 1s. 9d. to 5s.

III

INDIRECT TAXES

Not only direct taxes have risen since Labour came into power. Indirect taxes have gone up too — even faster, in fact. Purchase tax, fuel, tobacco and alcohol duties and vehicle licences have risen by a total of £1,380 million. Gambling taxes are bringing in £80 million a year more and selective employment tax another £615 million.

These *tax* increases have been directly responsible for *price* increases of at least 1s. 5d. in the £.

Labour's most unpopular innovation has been the selective employment tax. When introduced in 1966 it was levied at a rate of 25s. per man employed in 'service' industries — other industries received the money back, and 'manufacturing' industries received, in addition, a premium of 7s. 6d. In 1967 an additional regional premium of 30s. was introduced for manufacturers in the development areas; after devaluation, however, the 7s. 6d. premium was withdrawn *outside* the areas. In 1968 the rate per man went up to 37s. 6d., and in 1969 up again to 48s. Now the 7s. 6d. premium is to be withdrawn in the development areas as well, leaving the 30s. premium.

Apart from the absurdities involved in its application, the selective employment tax is based on an erroneous economic theory — that people should be encouraged to leave 'unproductive' service industries and work in manufacturing industries instead. The natural trend in a growing, developing economy is in exactly the opposite direction. Far from 'not helping exports,' the service industries have enabled the country to balance its payments through invisible earnings.

Value Added Tax

If Britain succeeds in joining the European Economic Community, she will eventually have to introduce a form of value added tax. Since all three British political parties are in favour of joining the Community, VAT is also an agreed policy.

VAT is a tax on the value which each firm adds to a product before passing it on to the next stage of manufacture or to the consumer. For example, suppose that all products pass through three stages before reaching the customer. The first producer sells them for, say, £150 and is taxed at a VAT rate of 10 per cent; tax paid = £15. The second stage of production increases the value to £250; the tax on that firm is therefore £10. (£250 less £150 = £100 at 10 per cent = £10; alternatively £250 at 10 per cent = £25, less tax already paid £15 = £10). At the final stage the products are sold for £300. The tax on this firm is £5 (£300 less £250 = £50 at 10 per cent = £5; or £300 at 10 per cent = £30 less tax already paid £25 = £5). The Exchequer receives £15 + £10 + £5 = £30, 10 per cent of the final value. Every factor which goes to make up the final price is therefore taxed equally, and *taxed once only*. Tax already levied on, say, raw materials is deducted from the

VAT levied on the final product. If a VAT is introduced, it will replace purchase tax and food will be exempted. It is possible, too, to have different rates on different goods, as in the case of purchase tax. On the other hand, any complexities increase the costs of collection.

The way in which taxes are levied on companies and the way in which allowances given for investment in new machinery, etc. affect the dynamism of the economy. It is not only important, for example, to have a *high* level of investment — the investment should also be *profitable*.

Corporation Tax

Before the Labour Government came to power, the profits of companies were subject to two main taxes; profits tax, at 15 per cent; and income tax. The dividends of shareholders were not then subject to any further income tax on distribution.

In the 1965 budget the Labour Government announced a new corporation tax on company profits, eventually fixed at 40 per cent. The rate went up to 42 1/2 per cent in 1968, and to 45 per cent in 1969. Under this system, profits are not only subject to corporation tax; shareholders must also pay income tax on dividends they receive. As a result, there is a strong bias against distribution. The system can lead to the 'survival of the fittest': firms which expand profitably will build up idle reserves or plough back to a poor rate of return rather than allow their shareholders to put the money into something better. Expanding companies, moreover, will need to keep up dividend payments in order to attract new investors, and will be paying higher total taxation.

The corporation tax system also includes provisions for 'close companies'. These are firms controlled by four or five families, or in the control of three directors, and in which less than 35 per cent of the shares are held by the public; they form about 60 per cent of all firms paying corporation tax. These companies are *obliged* to distribute 60 per cent of trading profit. It is precisely, however, the small family firm which needs to build up capital by 'ploughing back.'

Investment Incentives

Before 1964, there existed a comprehensive system of investment incentives of particular value in the development districts where new employment was needed. This system was based on tax allowances — firms investing in new

plant paid less tax on their profits. The Labour Government abolished this and introduced cash grants instead. These are worth 20 per cent of the value of new investment, plus another 20 per cent in the development areas. The cost is now running at nearly £600 million a year. This grant system has two drawbacks:

(1) It makes no distinction between profitable and unprofitable investment. Tax allowances benefit companies only to the extent that they make profits, whereas grants can be paid even if subsequently the company never makes a penny.

(2) To overcome this, grants are paid subject to approval by the appropriate ministry. The rules according to which they are given, however, are so vague that the effect their allocation depends upon the judgement of officials. The grant system has necessitated an increase of 1150 civil servants. The Tories assert that:

(1) the basic 20 per cent investment grant should be abolished, to be replaced either by tax allowances or tax cuts, and (2) additional investment incentives, in a different form, should be preserved for the regions. The emphasis should be on building up the 'infrastructure' — roads, electricity, etc. — rather than on indiscriminate subsidies like the Regional Employment Premium.

Savings and Wealth

A high level of personal savings is important. The higher the level of savings, the more scope for reducing taxation. Out of savings comes the investment which is the foundation of economic growth. Most important of all, the ownership of a stock of capital gives an individual security, wider freedom of choice and a stake in the nation's economy. The Tories are committed to policies designed to build up a Capital Owning Democracy — the spreading of wealth more widely throughout the community.

The Conservative Government introduced in 1962 a speculative gains tax, which made increases in the value of stocks and shares liable to income tax if they were bought and sold within six months (three years for land and buildings). This was in order to bring within the tax net income derived from short-term buying and selling. The Labour Government (1) replaced the speculative gains tax on buildings and building by the 40 per cent 'betterment levy', for which there is no time limit, and (2) added on top of the speculative gains tax on other assets the Capital

gains tax, levied on the increase in their value between buying and selling, irrespective of the interval of time between. The rate is 30 per cent; alternatively up to £5,000, half the owner's marginal income tax rate. The tax falls particularly heavily on the small investor. Those with a large stock of capital can usually choose when to sell, and can offset gains with losses. The small saver on the other hand may often be forced to sell assets to meet an unexpected emergency. In a climate of inflation, moreover, much so-called 'capital gain' is merely a result of a fall in the value of money. Prices have risen since 1964 by over 4 per cent a year — the £ today is worth only about 16s. compared to 1964.

Finally, the capital gains tax has proved monumentally complicated to operate. The staff of the inland revenue rose by 5,000 between 1964 and 1968 — and we have today warnings that the work-load is proving too heavy.

Estate Duty

Estate duties, or death duties, have been described as a 'tax on bad luck'. They are payable on any property owned by an individual when he dies, and also on property which he may have given away up to a certain number of years beforehand. Various ways of avoiding estate duties have been practised, including making property over to an heir, and hoping to live on for the required number of years.

The exemption limit for death duties was steadily raised throughout the period of Conservative Government, until in 1963 no tax was paid up to £5,000, and there were reduced rates up to £8,000. Gifts *inter-vivos* became liable at a gradual rate, declining to zero if made over 5 years before death. The rates of tax varied from 1 per cent to 80 per cent, depending on the size of the estate. The 45 per cent rebate on agricultural land was extended to the industrial assets of family businesses. In 1968, the Labour Government increased the period in which *inter-vivos* gifts would be taxed to 7 years, with the reduced rates applying to gifts over four years. In 1969 the basic exemption limit was raised to £10,000. Despite the 45 per cent rebate, estate duty combined with capital gains tax, is still one of the greatest hazards faced by small businesses, particularly farms. A more equitable system would be an inheritance or capital transfer tax. Instead of levying duties on an estate according to its size, individuals would be charged tax on any capital they received. The rate would depend upon the amount that each one received, and perhaps also upon how much property they already had.

Because of 'earned income relief',

income received from savings — interest, rent, dividends, etc. — is taxed at a higher rate than income from employment. This is a disincentive for would-be savers of modest income, particularly when the standard rate of income tax is high. Two possible ways exist to remove this discrimination: (1) Income from employment and income from savings might be taxed at the same rates, at least up to a certain level. (2) Income from savings might qualify for separate allowances for example the first £50 of savings income might be relieved of all tax.

There are three ways in which cuts can be made in the level of British taxation: a higher level of economic growth; a higher level of savings; and a lower level of government expenditure.

1. Faster Growth. Labour's promises in 1964 to increase social spending, without increasing taxation, by "getting the economy moving" have spread

scepticism about this formula. On the other hand, this is what was achieved during the previous thirteen years of Conservative Government. Public spending on pensions, roads, schools, universities, hospitals, etc. rose; and at the same time tax rates were *cut* by £2,000 million a year.

2. Lower Public Expenditure. There are several policies that could cut government expenditures: a "war on waste", a saving on council house and agricultural subsidies, a reform of investment grants, an end to nationalisation and 'back-door' nationalisation, and a pruning of the bureaucracy.

These are some of the tax reforms which the Tories have committed themselves to introduce if they are returned to power.

Source : National and Commercial Banking Group's Monthly Summary for April.

Whither Common Market

E. B. BROOK

VIENNA:

HOW FAR can the Common Market be regarded as a simplifying and unifying agent in world commerce? This question is arising increasingly as tensions between trading groups increase and as the Market shows itself still chary of enlargement and slow to settle its internal problems.

To a large extent the Common Market has been fortunate so far in its companies. It experiences no comparison with the Communist Comecon of east Europe because the political concepts behind the two groups is different and opposed and since the stage of industrial-commercial development in west Europe is far in advance of that in the east. The other group, the European Free Trade Association, has never been a rival of the Market even though it was set up under the Stockholm Agreement of 1958, very largely by Britain, as a counterpoise to the Market. EFTA quietly swallowed a snub from the Market when its letter of eight years ago suggesting consideration of a merger was not even acknowledged. EFTA contemplates with calm the persistent efforts of Austria to leave it and join the Market. EFTA sees no threat in Scandinavian efforts to join the Market or to form a northern group. It quietly contemplates also its own demise if and when Britain manages to get into the Market. EFTA has no foes, as has

the Market; it plods quietly on its way with an extraordinarily mixed membership of those who can't get into the Market but, apart from the recent accession of Iceland, does not grow. But neither does it fall apart. In any case, EFTA is no challenge to the Market.

It is when the Market meets the non-European world that it meets also criticism and competition. Criticism it accepts with an equanimity approaching almost that the EFTA, except that the USA has the Market needed into protest. Competition it shrilly and combatively resents. At present relations between the Market and the United States are frankly bad; to the protests of the "third world" of industrially-developing states against its external tariffs the Market either maintains indifference or makes minor adjustments to accommodate the more aggressive of its external tariffs to the necessities of "third world" importers.

Nor does the Market show much willingness to make itself more accommodating. The West German Foreign Minister, Herr Walter Scheel, gained nothing more than polite attention when he suggested to the Market's Ministerial Council that a committee should be set up and should hold regular meetings to provide closer contacts with the US government and United States' importers to the Market area to try to elim-

inate discriminatory prices on either side and to provide a forum for the friendly airing of grievances.

Herr Scheel's idea is unlikely to gain anything more than polite attention since most other members of the Market find more profit and satisfaction in maintaining what the US describes as "unfair trade restrictions" and in complaining of American commercial penetration of Europe. The Market appears to fear American collaboration, having seen examples of US adaptability and efficiency in its handling of company formations in Europe and its readiness to acquire controlling interests in European firms. The Market prefers the present system of trade intelligence and trade contacts usually through diplomatic channels which it is accustomed to handling rather than direct across-the-board methods in which the Americans are much cleverer and more experienced.

Integrated Policy Needed

The Market has, in fact, expressed its opinion officially through a memorandum to its ministerial council from its Commission that the only way to equal and beat the USA in trading and manufacture is by industrial mergers within the Market. The Commission has warned the Six's member states that unless they adopt an integrated industrial policy they cannot hope ever to catch up with the United States in industrial power. The Market is urged to develop "transnational European companies" to meet the challenge of the American trans-continental organisations. The Commission stressed the necessity for this purpose of a common west European company law, a joint European capital market and a common European strategy in technological progress. As matters stand today European industry is scarcely more European and as essentially national as it was when the Common Market was formed.

The Market now has before it the so-called Colonna plan for industrial integration, the Barre plan for unifying financial policies and the Mansholt plan for modernising agriculture. It appears to be doing little about any of them except that, in an effort to reduce huge surpluses of milk and butter, it has most expensively had some 300,000 cows slaughtered.

The only compellants towards a form of unification the market has some regard for, because it needs this type of unification, is the tremendous expansion of technological adaptation in industry and of the military necessity within NATO of putting forward as technically unified a force in readiness

as that presented by east Europe through the armies of the Warsaw Pact.

There are those who see the Common Market as a disintegrating rather than as a unifying force and the integration of western Europe as an illusion. They point to the fact that whereas West Germany, with US approval, is moving as fast towards east Europe as the latter will suspiciously tolerate France, is tying up its industrial and commercial interests with the United States as fast as it can. Within the Market there is no

unity yet over the agricultural policy, the final obstacles being an agreed policy over wine, and until this form of unity is achieved France will not agree even to begin looking at the British suggestions for membership. Europe also, will be inclined to wait until the British have had their general election before beginning talks with them on Market membership. Those who doubt the Market's influence see more prospect for the future in Britain and other maritime states looking once more overseas for collaboration in a technically modernized commerce.

Government Regulatory Agencies

GERARD A. DONOHUE

WASHINGTON:

SOME OF America's major industries — such as banking, transportation and communications among others — have outgrown their institutional framework and are probably in for some drastic changes. There is a general feeling, both within and out of government, that many industries which are under strict government surveillance are being hindered, at the expense of the public, by obsolete or rigid rules.

The President's Council of Economic Advisers, in their annual report issued in January said, "the time has come for a thorough examination of needed changes in our financial institutions and our regulatory structure." The President now is selecting members of a commission to make just that broad study and examination and come up with recommendations to strengthen and modernise these institutions and make the industries more adaptable to technological change. In the economic field in the United States, the government tries to protect its citizens from fraud and deception; promote vigorous free and competitive markets and maintain an efficient financial system. In some industries here competition was deemed not feasible — transportation or communications, e.g. — the government, in trying to protect the public, has regulated operations, prices and profits for many years.

In transportation, this undoubtedly made good sense 70 years ago, when railroads enjoyed almost a pure monopoly. The Interstate Commerce Commission (ICC) now regulates most of the Nation's railroads, trucking companies, bus operators, barge lines and pipe lines and, according to the council of economic advisers, is a "Classic example of the attempts to cure competition through regulation." The ICC as a quasi-judicial body decides cases on precedent, and, according to many observers, tends to discourage new ideas, price reductions, mergers or new

entrants into the industry. Similar complaints are heard of other regulatory agencies. Henry C. Wallich, a noted economist and a senior adviser to the Secretary of the Treasury, says, "public regulation of business has a long history of coddling regulated industries to death." Mr Wallich believes that banks are too heavily regulated, unable to take advantage of technological change and satisfy the demands of their customers.

While almost all big industry in the United States operates on a national, if not international basis, banks are restricted by law to their home state and usually to their home city. World famous banks such as First National City, or Chase Manhattan, do not have branches within the United States outside of New York City. Laws against mergers of banks, whether large or small are quite strict. One consequence — the United States has about 14,000 banks; some 85 per cent of these are considered small, with deposits of less than 25 million dollars.

Banks are also forbidden to pay interest on checking accounts, and have limits on the amounts they can pay for time deposits. These rules were originally set up to protect depositors from Bank failures, but in times of high interest rates, banks have a difficult time attracting depositors. The President's Commission will almost certainly study the influence of the big mutual funds; corporation and union pension funds and insurance companies on the flow of capital investment. The full scope of the commission's studies has not yet been determined and it will not be easy to do so, for the financial services that will be required in years to come are difficult to determine today. Then, too, it may be difficult to get the necessary legislation to change laws of long standing. But as the council of economic advisers said, "our financial institutions and financial structure must have the flexibility that will permit a sensitive response to changing demands."

The moving finger writes

THE LENIN centennial is more than an entry in the national calendar of the Soviet Union or the catalogue of international communism. He was truly one of the great father figures of the world of this century. He thought, spoke and acted for peoples divided by political frontiers or dispersed over generations in time. He dreamed with fierce intensity of a future some of which has already been captured in the chronicles of his time and ours. Like Gandhiji, whose centenary is just behind us, he saw the world for the violence in which it breathed and moved and had its being, but unlike Gandhiji, he chose to settle with this violent world more on its terms than his, that is by countering its violence and seeking to master it through more violence. Hence it is that the quality of his greatness is and must be less than universal for there will always be men and women who, in some remote corner of the heart, feel a little angry and a great deal sad that Man's moral evolution could be deflected even for the sake of his economic or political salvation.

Vigyan Bhavan had lately had to accommodate quite a series of seminars or conferences within its commodious confines. The subjects were a truly mixed lot with the prospects of television in the seventies competing for attention with the problems of export research or the present state of the family planning campaign. The hit of the television show, I understand, was Dr Karan Singh, the Minister for Tourism and Civil Aviation. This conference was sponsored by the Indian Society of Advertisers which, I imagine, must be as sophisticated and hard-headed a bunch of people as is to be found anywhere and yet an audience of this character was reportedly carried off its feet by the wit and warmth which Dr Karan Singh dispersed in the course of a highly professional but seemingly effortless performance, at the mike. Not that he made any very profound observations either about television or about the seventies. What clicked was his spontaneous good humour and lack of pretensions.

In contrast, Dr V.K.R.V. Rao's performance from the same platform, I hear, was annoyingly professorial in tone and in places even mildly offensive. The substantive business before this conference naturally was the role of the government and its politicians and bureaucracy in the evolution of TV in the country over the years ahead.

The consensus seemed to be in favour of an autonomy of authority and organisation in the development of TV so that this media of mass communication might grow in a sound and dynamic manner as an instrument of entertainment, education and commercial publicity.

While the three-day conference of state health secretaries and family planning officers, which also met in Vigyan Bhavan, might have missed by way of sparkle due to the absence of Dr S. Chandrasekhar — now, unfortunately, merely a lame-duck Minister of State in the concerned central ministry —, it probably made up through a painstaking application to the prose and mechanical minutia of family planning activities in the country. One of the important facts brought out at this conference was that the programme needed to employ or be served by many more women field workers than are at present available to it. Here is a challenge for women's organisations and I cannot help deploring the fact that a leader of the aggressively dynamic calibre of Mrs Durgabai Deshmukh does not seem to be anywhere on the contemporary scene.

This conference, incidentally, had the distinction of serving as an occasion for the publication of some highly interesting details about an imaginative plan for linking centres of medical education to the extension of medical services and facilities, including family planning services, to the countryside. The Director-General of Health Services, Dr P.K. Duraiswamy, has for this project an enthusiasm which very easily communicates itself to others and there is, therefore, some hope that even the Government of India may be moved to address itself seriously to the possibilities of this concept.

As for the seminar on export research, there were Mr S. Bhoothalingam, Director-General of the National Council of Applied Economic Research, and Mr H.D. Shourie, Director-General of the Institute of Foreign Trade, to see to it that this conference, which had been organised by these two institutions in collaboration with the USAID, conducted its deliberations in as precise and purposeful a manner as possible. In this, they were largely successful and a commendable feature of the seminar, consequently, was that the various participants seemed willing to sacrifice almost everything to brevity. The reports of the three working parties of the seminar were mainly concerned with two

considerations — first, there should be an adequate financial basis for stabilising export research activities in depth over a period and, secondly, that the fruits of the labours of research agencies should be promptly availed of by exporters and the government in the practical business of export promotion. With reference to the latter point, the word "implementation" was practically on everybody's lips most of the time and although the seminar might not have been wholly successful in hammering out a formula for the purpose, it did have a lively time throwing up ideas and then throwing them out.

Two famous personalities associated with the House of Scindias were the recipients of affectionate and admiring felicitations at public functions held in Bombay some days ago. They were Mrs Sumati Morarjee, Executive Director of Scindias, whose 61st birthday fell in the third week of April and Mr G.L. Mehta who completed his three scores and ten in the same week. As the Chief of Scindias and President of the Indian National Steamship Owners' Association in 1957, Mrs Sumati Morarjee has a very considerable record of service to the development of Indian shipping.

Of Mr G.L. Mehta, as he enters his seventies, it is difficult to speak without emotion or even sentiment. Men of his calibre have become rare indeed in our public life. In him wit and wisdom have kept company, wit humanising wisdom and wisdom ennobling wit. I have always liked to speculate on what might have been had Mr G.L. Mehta become Finance Minister at the centre in the early years after Independence. I would rather like to believe that this would have made for a liberal tradition of stewardship of our economy which might have brought the nation rich dividends in terms of sound and rapid economic growth. Mr Mehta, in fact, very narrowly escaped being drawn into political life and the story of how he was just able to avoid being inducted as finance minister of West Bengal in the cabinet of the late Dr P.C. Ghosh is a delightful anecdote, especially the way Mr Mehta tells it. Of the many virtues of this kindly and extremely able man, the one to which I attach particular value is his sense of humour. By no means an unduly modest person, he recently wrote that he had been lucky in the choice of his parents. The parents were lucky too.

V.B.

Trade Winds

ELECTRICAL PARTS FOR U.A.R.

AN EXPORT order worth over Rs 8 lakhs from the UAR has been obtained by Best and Co. Private Ltd, Madras, for the supply of automotive electrical equipment such as dynamos, starter motors and regulators and for electric lifts and components. A part consignment has already been exported and the balance will be shipped shortly. The ordering firms were highly satisfied even at the stage of the laboratory tests and field trials of the sample equipment sent with the original offer. This augurs well to be the forerunner of many more orders in the near future.

INDIA-CANADA AGREEMENT

The governments of India and Canada signed recently a development loan agreement under which Canada will provide Rs 11.8-crores (Canadian \$ 17 million) to be used by Indian industry for the import of Canadian industrial commodities. The Rs 11.8-crore development loan, on which there is no interest, is to be repaid over 50 years. These terms are the most favourable available to India from any source. The loan is the fifth commodity loan concluded by India and Canada since 1967. These now total Rs 43.2 crores (\$ 62.3 million). The present loan will provide India with funds to buy lead, zinc, nickel, asbestos, pulp, newsprint, ferro-alloys, aluminium and synthetic rubber. Canada has been providing industrial commodities to India since 1953-54 when copper and aluminium were first provided under grant assistance. Between 1953-54 and 1967-68, Rs 69.8 crores (Canadian \$ 100.5 million) were provided to finance the purchase of commodities under grant assistance. The provision of industrial commodities by Canada continues to play an important role in the expansion and productive capacity of Indian industry. They are essential raw materials either not produced in India or produced in quantity insufficient to meet the needs of Indian manufacturers.

I.D.A. CREDIT

Selected industries in this country will be able to maintain and expand their production of capital goods and agricultural chemicals with the assistance of a credit of \$75 million from the International Development Association (IDA). The credit from the World Bank affiliate will provide part of the industries' foreign exchange requirements

for imports of materials, some components and spare parts, IDA said in a press release. The following industrial sectors were selected because of their particularly high priority in India's economic development: commercial vehicles, agricultural tractors, automotive ancillaries, machine tools, cutting and small tools and abrasives, electric motors, and fertilizers and pesticides. The credit will be extended to this country for a term of fifty years, including ten years of grace. It will be interest free but will carry a service charge of three quarters of one per cent.

THIRD PAY COMMISSION

The union government announced recently the appointment of a third Pay Commission for central government employees. The five-member commission will be headed by the former Supreme Court judge, Mr Raghuraj Dayal, the other members of the commission being Dr Nihar Ranjan Ray, Prof. A. K. Das Gupta, Dr V. R. Pillai and Mr H. N. Ray. The announcement on the commission and its terms of reference were placed on the table of the House by the Minister of State for Finance, Mr P. C. Sethi. The terms of reference also cover government employees in union territories and defence combat personnel. The commission, which has been asked to submit its report as soon as possible, will also go into the question of retirement benefits to all employees and examine the question of interim relief as a result of increase in the cost of living.

HALDIA FERTILIZER PROJECT

The Fertilizer Corporation of India recently signed the sixth additional licence agreements with Messrs Montecatini-Edison of Italy for the ammonia synthesis and urea plants of the Haldia Fertilizer Project. These agreements are in continuation of the ammonia synthesis and urea plants collaboration with the same firm entered into in the case of Durgapur, Cochin, Barauni, Namrup expansion, Talcher and Ramgundam. With the implementation of the present licence agreements, the FCI would have built an annual ammonia synthesis capacity of 1.6 million tonnes based on the Montedison process. Similarly, Montedison process would have been used by FCI in the construction of urea synthesis capacity totalling 2.5 million tonnes annually. The Haldia Fertilizer project to be built at a total capital outlay of about Rs 74

crores would be located next to the petroleum refinery already under construction at Haldia. The basic feedstock of the production of ammonia would be drawn by the project from the refinery. Location of the project close to the Haldia docks will facilitate import of rock phosphate and movement of salt from the south and west coast of India. The project would have facilities for the annual production of 165,000 tonnes of urea, 379,000 tonnes of (20-20 type of) NP fertilizers and 60,000 tonnes of soda ash. Subject to the finalisation of preliminary arrangements within the current year, the project is expected to be commissioned by the end of 1973.

PRICES OF LEVY SUGAR

The ex-factory prices of levy sugar produced in 1969-70 for the various zones recommended by the Tariff Commission (1969) were fixed by the union government on February 20, 1970, on the basis of estimates of recovery and duration available at the beginning of the season. Representations were, however, received from a number of states that the recoveries being obtained by the factories during the season were substantially lower than their earlier estimates. The government has reviewed the position in consultation with the state governments concerned and have revised the ex-factory prices of levy sugar for the current season in respect of factories in central and east UP, north and south Bihar, Gujarat and Maharashtra. The earlier prices and those now fixed for D-29 grade sugar (exclusive of excise duty) are given below:

	Prices notified on March 1, 1970	Revised prices
	(Rupees per quintal)	
Central UP	120.27	125.34
East UP	122.85	126.40
North Bihar	123.13	128.67
South Bihar	137.42	147.86
Gujarat	115.09	119.16
Maharashtra	110.03	117.60

TARIFF VALUE OF SUGAR

The union government has revised the tariff value of free market sugar from Rs 140 to Rs 120 per quintal for the purpose of assessment of central excise duty. The revised tariff value is effective from April 23, 1970.

DRUG PRICES

Drug prices will be slashed shortly by 20 to 70 per cent. The central government has already worked out a detailed scheme on the basis of the Tariff Commission recommendations for effecting these cuts. Announcing this the union Minister for Petroleum and Chemicals, Dr Triguna Sen, stated

that the government had also decided to set up a cell in his Ministry to determine the cost of production of each drug.

DARIUS CRUDE PRICE

The National Iranian Oil Company has rejected the request from this country for a reduction in the price of Darius crude being supplied to the Madras refinery. The Pan-American International Oil Company and NIOC (an Iranian government-owned company) are partners in the Madras refinery and this country had entered into a long-term contract for the supply of crude. The price stipulated in the contract is \$ 1.35 per barrel and this country had contracted to buy a total of 42 million tonnes of Darius crude at this price. Since the capacity of Madras refinery is 2.5 million tonnes annually, the contract will have to run for about 14 years more.

REVISED FORMS FOR TAX

The Central Board of Direct Taxes has pointed out that a few changes have been made in the forms of return of income for all categories of taxpayers as well as net wealth for individuals and Hindu undivided family. The revised forms have come into force with effect from April 1, 1970, and have to be used for making returns for the assessment year 1970-71, as also for the earlier assessment years where such returns are furnished after that date.

A.I.M.O MEET

The President, Mr V.V.Giri, inaugurated the annual conference of the All India Manufacturers Organisation on April 19, 1970. Mr Pranlal J. Patel, president of AIMO expressed great concern over the shortages of raw materials and increasing prices. He suggested that raw materials banks be set up to feed the industry and urgent measures be taken to make production efficient. In his address of welcome the newly elected president of AIMO's northern region, Mr S.K. Modi expressed concern over the deteriorating law and order situation in certain parts of the country. This situation, he added, had vitiated the whole atmosphere of industrial peace, production progress and prosperity. The AIMO considered a resolution on the economic policy and employment opportunity and another on national labour policy.

EXPORTS OF CASTINGS,

The State Trading Corporation is negotiating with certain reputed manufacturers in western Europe for supply of castings, forgings and automobile components. This was stated recently by the Deputy Minister for Foreign Trade, Mr Ram Sewak. Regarding export of coaches, Mr Ram Sewak stated

that negotiations were going on with several countries. With Taiwan negotiations were in progress for export of 100 reversible chair coaches, 130 bogies and 113 passenger coaches, with Sudan for export of 77 air-conditioned coaches, and with Iran for 55 coaches. Negotiations were also held with New Zealand for eight bogies on trial basis for an ultimate order of 101 bogies. In 1969-70 as many as 100 bogies were exported to Taiwan.

PEPPER EXPORTS

Exports of black pepper during the current season have made a bad beginning with a sharp fall in the first two months, November and December 1969. Exports during November and December amounted to 2,263 tonnes only against 4,405 tonnes, in the same months of 1968. The fall is owing to a poor demand for Indian black pepper from overseas buyers, who turned to Singapore to meet bulk of their requirements.

CLINKER PLANT IN KUWAIT

Associated Cement Company Ltd has received an order worth Rs 1.91 crores for the erection and supply of a clinker grinding and packing plant in Kuwait. The plant will have a capacity of 300,000 tons a year. The erection work, which will commence in a couple of months, is expected to be completed within 18 months. The export deal has been signed with the Kuwait Cement Company. A feature of the deal is that the earnings are freely convertible in US dollars.

SALAL PROJECT

The Prime Minister is to formally inaugurate in September this year the construction of the Rs 57-crore Salal hydro-electric project in the Jammu & Kashmir state. This 270 Mw project, which will be under the centre, will ultimately benefit both the state and the entire northern power region. Dr Rao assured the J & K government that finances would not stand in the way of completing the project by 1975-76. About Rs 15 crores would be provided during the next three years. Necessary technical staff would start functioning in the next few months to start construction work. He assured the state that though the project would be in the central sector, staff from the state government would be utilised to the fullest extent possible.

WEANING FOOD FOR CHILDREN

An agreement on a project for making weaning foods for children which is expected to reach a production level of 6,000 tonnes a year ultimately, was signed recently between the Government and the Kaira District Co-operative Milk Producers Union, Anand, Gujarat. The project is important for

fighting protein mal-nutrition among children and would go a long way in providing comparatively cheaper food for low income groups. It has been assisted by UNICEF and USAID. UNICEF will supply necessary machinery and equipment to the extent of Rs 63 lakhs in a phased manner for the operation of the plant. USAID will provide a sum of Rs 20 lakhs under PL 480 funds to cover marketing and educational campaign costs.

RADIO INDUSTRY

At a press conference in the capital on April 23, the All-India Associations of Small-Scale Radio Industry and Trade demanded reservation of radio manufacture in the small-scale sector. It suggested that the manufacture of sophisticated electronic products should be earmarked for the large-scale units. Tracing the history of the declining share of the small-scale sector since 1965, a spokesman of this industry stated that whereas the production of radio sets increased from 1.1 millions in 1965 to 3.3 millions in 1970 (estimated), the share of the small-scale sector rose from 0.55 million to 0.8 million in the same period. The large-scale manufacturers increased their output from 0.55 million in 1965 to 2.5 millions in 1970 (estimated). In other words, the large-scale manufacturers increased their share from 50 per cent of the total production in 1965 to 72 per cent of the total production in 1970. The number of units manufacturing radios in the small-scale sector has dropped from 3,000 in 1967-68 to 2,000 in 1969-70. A large number of workers have been rendered jobless. The small-scale sector is thus being slowly stifled.

FOOD OUTPUT

According to the latest indications, the total production of foodgrains during 1970 is expected to be around 100 million tonnes which will be the highest on record. The annual report of the union Department of Food for 1969-70, circulated recently, confirmed that the food situation in the country continued to be comfortable for the third year in succession. The report stated that the increased level of production had brought about a large measure of stability on the food front. According to the report, during 1969 market availability of foodgrains remained generally easy and the seasonal fluctuations in their prices were by and large normal. Internal procurement of foodgrains crossed the six million-mark for the second year in succession while imports of foodgrains reduced further from 5.7 million tonnes in 1968 to 3.9 million tonnes. The off-take from the public distribution system declined from 10.4 million tonnes in 1968 to 9.6 million tonnes,

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Company Affairs

HINDUSTAN ALUMINIUM

THE DIRECTORS of Hindustan Aluminium Corporation Ltd have proposed to maintain the equity dividend at 10 per cent for 1969. Sales of the company increased to Rs 34 25 crores from Rs 26 07 crores during the previous year, and the gross profit increased to Rs 10 11 crores from Rs 6 60 crores. The directors have provided Rs 3 65 crores for depreciation and Rs 4 crores for development rebate reserve. The dividends will absorb Rs 80 32 lakhs. The company's working during the year has been considered very satisfactory. Production of primary metal totalled 72,231 tonnes as against 59,707 tonnes in the previous year. Production of aluminium and aluminium fabricated products also increased during the year. The company exported more than 10,600 tonnes of aluminium and its products and earned around Rs 4 46 crores in foreign exchange. At present the company is working at a capacity of 80,000 tonnes of primary metal per annum. Further expansion programme up to 120,000 tonnes per annum has been kept in abeyance since May 1969, following government directions and is awaiting official clearance. The directors visualise a good future for the company.

In keeping with the social obligations of corporate bodies, Hindustan Aluminium has adopted two villages near its plant site. It would be the endeavour of Hindalco to turn these into model villages. Proper planning of drainage, sewage, roads, repairs to houses, supply of technical information for scientific farming and supply of high-breed seeds and fertilisers on credit and with small subsidy, and construction of tube-wells for irrigation will be among the many facilities that the corporation would be making available to these villages. The corporation hopes that these villages would serve as an example from which other adjoining villages would also benefit.

HINDUSTAN LEVER

Mr V.G. Rajadhyaksha, Chairman, Hindustan Lever Limited, took the opportunity of annual general meeting held recently to express his opinion on consumer rights and aspirations. He pointed out that the philosophy of his company is closely linked to the recognition of consumers' rights and the fulfilment of consumers' aspirations. Healthy competition amongst suppliers

and availability of the product in sufficient quantity can protect the consumers' right to choose, particularly when the product is an article of mass consumption. The chairman stated that Hindustan Lever considered the average housewife as its consumer and her right to choose provided an average housewife a strong weapon against unscrupulous manufacturers. The chairman added that a factor which vitally affects the consumer's rights to choose is distribution and in the absence of wide distribution the choice of the consumer gets limited.

Mr Rajadhyaksha stressed that advertising plays a significant role by making the consumer aware of the range of choice. He added, however, that the code of ethics in advertising is also quite important. Hindustan Lever, he pointed out, takes care to see that its products live up to their advertising claims on the basis of scientific tests. In order to assess the complaints of consumers Hindustan Lever, frequently makes detailed assessments of consumer reactions by carrying out market research surveys. Hindustan Lever also welcomes consumers' complaints which not only allow the company to make amends whenever possible but also alert it to the products' defects. This attitude, the chairman added, helped the company to formulate its popular Lux toilet soap and develop Super Surf.

The elimination of adulteration at every stage is also important and Mr Rajadhyaksha pointed out that no reputable manufacturer would take the risk of putting on the market a product which is not entirely safe. It involves, in the case of food products, extensive testing to establish the absence of side defects and in the case of detergents and toilet preparations the absence of allergic or other reactions particularly when new ingredients are used. The manufacturer, he added, also had to take precautions against unscrupulous parties selling spurious goods. The trade marks investigation department of the company kept a strict eye on any kind of spurious sales and in 1969, alone the company took action in nearly 140 such cases all over the country.

PFIZER

The directors of Pfizer Ltd have proposed a final equity dividend of 13.7 per cent for the year ended Novem-

ber 30, 1969. They have also proposed the first interim dividend of six per cent for the current year ending November 30, 1970. The company has paid an interim dividend of 10.3 per cent for 1968-69. The total dividend for the year will thus be higher at 24 per cent compared to 21.7 per cent for 1967-68 (comprising 9.7 per cent interim and 12 per cent final). The company is making an application to the tax authorities for provisional determination of profits exempt from tax. If this is granted, a portion of the final dividend for 1968-69 will be exempt from tax. The company's sales have increased by 13 per cent to Rs 15 89 crores. The net profit, after providing for depreciation, taxation and development rebate reserve, was higher at Rs 1 57 crores. The tax liability was estimated at Rs 2.39 crores.

PHILIPS INDIA

The directors of Philips India Ltd. have proposed a final equity dividend of Rs 1 30 per share taxable for the year ended December 31, 1969. Together with the interim dividend of a rupee, the total distribution comes to Rs 2 30 per share or 23 per cent for 1969 against two rupees per share for 1968. The company's sales increased from Rs 26 55 crores to Rs 30 20 crores. The profit after providing Rs 91 lakhs for depreciation and before tax has amounted to Rs 5 27 crores against Rs 4 58 crores in the previous year. The net profit amounts to Rs 1 87 crores against Rs 1 53 crores, after providing Rs 3 4 crores for taxation. A sum of Rs 20 lakhs has been provided for development rebate reserve and Rs 10 lakhs for debenture redemption reserve. An amount of Rs 3 lakhs has been written back from development rebate reserve. The proposed final dividend, absorbing Rs 47 lakhs, will be paid out of the general reserve. The company's proposal to issue bonus shares in the ratio of one for two ordinary shares has been approved. This will rank *pari passu* in all respects with the existing ordinary shares except for the dividend for 1969.

BARODA RAYON

The directors of the Baroda Rayon Corporation Ltd propose to maintain the company's equity dividend for 1969 at eight rupees per share, the gross profit amounting to Rs 197 86 lakhs against Rs 198 88 lakhs on an increased turnover of Rs 6 73 crores against Rs 6 57 crores. The proposed dividend amounting to Rs 38 24 lakhs will be paid out of the general reserve No 1 and a sum of four rupees per share will be exempt from tax. The profit of the company for the current year will, however, be subject to the full rate of tax, the directors having made the full provision for development rebate. The company does not envisage any tax

liability till the end of 1969. Out of the profit, depreciation claims Rs 64.92 lakhs, development rebate reserve Rs 82 lakhs and managing agents' remuneration Rs 8.26 lakhs, leaving a net profit of Rs 42.68 lakhs. With the balance of Rs 77,555 brought in, the disposable surplus amounts to Rs 43.46 lakhs out of which a sum of Rs 43 lakhs has been transferred to the general reserve No. 1. In the previous year provision was made also of Rs 49 lakhs for deferred development rebate reserve and of Rs 24 lakhs for the special depreciation reserve, but provision under these heads is not considered necessary now and the directors have transferred the amounts lying in these accounts to the general reserve No. 2. The company's plant worked to its full capacity and the output was higher by about 10 per cent compared to that in 1968.

BORAX MORARJI

Borax Morarji Ltd proposes to distribute a dividend of 15 per cent for the year 1969 as against 12 per cent paid last year. This dividend is payable on increased capital of Rs 40 lakhs resulting from the bonus shares issued in February last. The total turnover of the company was around Rs 1.66 crores as against Rs 1.10 crores last year. There was a gross profit of Rs 34.89 lakhs out of which a sum of Rs 3.66 lakhs was provided for depreciation, Rs 16,000 for development rebate reserve and Rs 16 lakhs for taxation. The net profit at Rs 15.07 lakhs was higher than the previous year. The dividend was proposed to be paid out of general reserve.

STANDARD MILLS

Sales of Standard Mills Co Ltd in the first quarter of the current year have been 12 per cent higher than those in the same period of the previous year. The same trend was expected to be maintained by the company throughout the year. It was indicated that profits in the current year will be maintained or probably might show a rise over those for 1969. The company's chemical division has been working at its rated capacity for various products. It has plans to go ahead with its modernisation of its textiles division. Out of 2,600 looms 742 are at present automatic. The company wants to replace the ordinary looms with automatic looms in the next two or three years. It has no diversification plans at present. It does not anticipate any tax liability for the current year, but from next year it might be liable to tax. The question of issuing bonus shares, it was pointed out, could be considered only after the conversion of bonds into equity shares on July 1, 1971. The

management of the company believed in a steady dividend policy.

MODELLA WOOLLENS

The working of the Modella Woollens Ltd has resulted in a gross profit of Rs 22.96 lakhs. Out of this the directors have provided Rs 9.50 lakhs for depreciation, Rs 12,000 for development rebate, Rs 2.35 lakhs for taxation resulting in a surplus of Rs 10.99 lakhs to which is added Rs 191 balance brought forward leaving a net surplus of Rs 11 lakhs. The directors have recommended writing off the balance of preliminary expenses of Rs 50,000, proportionate loan expenses Rs 7,000, transfer to exempt profits reserve Rs 5.20 lakhs, transfer to general reserve Rs 5.22 lakhs leaving a balance of Rs 653 to be carried forward. The directors have further recommended the payment of a dividend of 7½ per cent amounting to Rs 4.88 lakhs subject to deduction of tax, if any, and the same on the approval of the members will be paid out of the exempt profits reserve. The company is making an application to the income-tax authorities to determine the quantum of dividend exempt under Section 80-K and it is believed that the entire dividend is likely to be so exempt.

INDEQUIP

The directors of Indequip Engineering Ltd, have proposed a distribution of eight per cent for 1969. The last dividend was six per cent for 1966. The company has produced better results for the year with an increased gross profit of Rs 25.07 lakhs against Rs 11.88 lakhs for the previous year following an increase in sales to Rs 1.98 crores from Rs 1.21 crores. Out of the profit, depreciation accounts for Rs 9.02 lakhs and development rebate reserve for Rs 5.83 lakhs leaving a net profit of Rs 10.22 lakhs. After adjustments, a sum of Rs 5.66 lakhs has been transferred to the general reserve out of which the proposed preference dividends for 1968 and 1969 and the equity dividend for 1969 will be paid. The company proposes to undertake the manufacture of various types of agricultural implements and power tillers. It has plans to manufacture machinery for synthetic fibres also.

PAPER COMPANIES' MERGER

The directors of Shree Gopal Paper Mills Ltd and Ballarpur Paper and Straw Board Mills Ltd, propose the merger of the two companies. This merger has been considered necessary in order to give the two companies increased opportunities and resources. This measure is likely to promote their growth and stability. It has been pointed out that both units have inadequate

raw materials. However, from other points of view these units are complementary to each other. Shree Gopal after merging into Ballarpur would be placing a sizable amount of liquid assets at the disposal of the latter and the two would be financially strong and stable with the net worth of over Rs 10 crores, assets totalling over Rs 21.50 crores and the gross profits around Rs 4 crores. This should enable these units to develop an operational base to build an increase in paper production. On the basis of the combined performance of both the units the production is estimated to go upto 204,000 tonnes by 1975-76, amounting to over 10 per cent of total production of paper in the country.

NEW INDIA INDUSTRIES

The directors of New India Industries Ltd propose to maintain the company's equity dividend for 1969 at 15 per cent. The company's gross profit for the year was around Rs 92.12 lakhs as against Rs 96.84 lakhs for the previous year. The fall in the profit contrasts with a rise in sales to Rs 399.50 lakhs from Rs 383.83 lakhs. Out of the gross profit, the directors have provided Rs 12.51 lakhs for depreciation, Rs 66,000 for development rebate reserve, Rs 40.50 lakhs for taxation, and Rs 5.39 lakhs for managing agents' commission. The entire surplus of Rs 33.07 lakhs against Rs 32.64 lakhs has been transferred to the general reserve out of which the proposed dividends, including equity distribution of Rs 15.94 lakhs, is to be paid.

UNIT TRUST OF INDIA

During the third quarter of the current financial year (January to March 1970) the Unit Trust of India received nearly 4,600 new applications and sold units worth Rs 2.05 crores. During the same quarter last year sale proceeds of units gathered Rs 1.93 crores. The repurchases during January-March 1970 have aggregated to Rs 43.40 lakhs compared to Rs 22.42 lakhs in the corresponding quarter of the previous year. The total sales of units in the first nine months of the current year have amounted to Rs 20.76 crores compared to Rs 15.70 crores in the same period of the previous year and the repurchases have amounted to Rs 1.52 crores. Of this an amount of Rs 39.47 lakhs was invested by non-residents under 479 applications against Rs 16.58 lakhs under 226 applications in the corresponding period of last year. This indicates growing popularity of units as a medium of investment, particularly among the middle income groups. The total number of accounts registered with the Trust at the end of March 1970 was 320,242 and the aggregate Unit capital exceeded Rs 75.88 crores.

COMPANY MEETING

CONSUMER RIGHTS AND ASPIRATIONS

Speech delivered by Mr V. G. Rajadhyaksha, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held at Bombay on Friday, 24th April, 1970.

So closely is the philosophy of your Company linked to the recognition of consumers' rights and the fulfilment of consumer aspirations, that I thought I should make these the subject of my speech to you this year.

Let me begin with consumer rights. At a time when the question of fundamental rights is being debated in the country, it is relevant to examine what the fundamental rights are that a consumer should enjoy in a free society, and how these rights can be protected. The consumer, we believe, has the following rights:

- The right to choose
- The right to be informed
- The right to be heard
- The right to safety
- The right to enjoy the fruits of technological progress.

Any industrial or economic policy which restricts or ignores these rights cannot be in the national interest. How does current policy affect these rights?

The Right to Choose

Perhaps the most basic of all rights that the consumer has is the right to choose. It is a right which healthy competition amongst suppliers protects and which shortages threaten. While legislative measures such as the Monopolies and Restrictive Trade Practices Act, constructively implemented, can, in special circumstances, help to prevent the exploitation of the consumer, there is really no effective answer to the

situation that is created when demand regularly exceeds supply. Particularly when the product is an article of mass consumption sold through lakhs of shops and used by millions of consumers, the problems become even more intractable.

The inevitable administrative measures that follow a shortage of such articles, namely, price controls, distribution controls, levies, etc., are not only a poor substitute for the consumer's right to choose, but create problems both for the authorities and the manufacturers. The disincentive to manufacturers to produce more or to invest in research and development, the pressure to cut corners on quality in order to avoid losses, all work against the consumer's interest. When controls become excessively harsh, many forms of malpractices which lower the level of trade and consumer morality come into play. In such a situation, the worst hit sections are the honest manufacturers and the more vulnerable consumers.

The right to choose gives the consumer — and we generally think of the Hindustan Lever consumer as the average housewife — her strongest weapon against unscrupulous manufacturers; she just need not buy again. You cannot deceive a consumer twice and you cannot build a successful business by deceiving her once. Keen competition in a free market keeps a company on its toes, encourages investment in research and development, and makes risk-taking — the core of the entrepreneurial challenge — worthwhile. One has only to look at areas where such competition has been allowed to develop — transistor radios are a good

example — to see how the consumer has benefited.

Unfortunately in two of your Company's most important products, soaps and vanaspati, demand is today in excess of supply, and price controls are making it increasingly difficult to give the consumer the choice of products to which she is entitled.

One of the less understood factors which vitally affects the consumer's right to choose is distribution, especially in a large country like India. Unless goods are widely distributed, the range of choice is limited. Here again, undue restraints on prices or production force manufacturers to contract the area of distribution to markets closer to the factory and narrow the choice available to the distant consumer. Your Company is one of the few which tries to ensure that its products are available to potential consumers throughout the length and breadth of India. It has been pushing deeper and deeper into the rural market over the last two decades. There are few villages, even in the less developed parts of India, where your Company's more popular products are not known. It is the right of these customers to choose, which our distribution system helps to protect.

The Right to be Informed

In order to help the consumer to choose, she must be made aware of what the range of choice is. Shopkeepers may not be able to carry or display the goods of every manufacturer. Advertising, through its many media, including soon we hope television, protects this vital right. With thousands of new consumers coming into the market

every day, this right is far more important in a country like India than it is perhaps in Europe and the USA where consumer awareness of most products is already at a high level, and the goal of advertising is often just a greater share of the market.

The customer has, equally, the right not to be misinformed, and the importance of a code of ethics in advertising cannot be under-estimated. In many countries legislation demands that the claims made for a product have been fully substantiated by scientific tests. You will be reassured to know that your Company takes care to see that its products live up to their advertising claims on the basis of scientific tests. A significant portion of the Research and Development expenditure incurred is spent on devising better and more accurate tests for evaluating products.

The Right to be Heard

Not only has the consumer the right to reject the product she is offered, but she is entitled to criticise it and demand that her criticism be heard. Though we do not come into direct contact with the bulk of the consumers who buy our goods through the two lakhs outlets we serve, they do talk to shop-keepers, who in turn talk to our sales force of over 450 persons. Keeping their ears close to the ground and listening to consumer reactions to our products, new and old, is an important part of the salesman's job. In addition, we frequently make more detailed assessments of consumer reactions by carrying out market research surveys, sometimes even testing the attitudes that consumers would have to a new product idea long before the product itself is produced and tested.

In spite of all the precautions we take, we cannot avoid making mistakes. We may develop the wrong product, or package it badly, or our quality control systems may let the odd sub-standard unit through. When this happens we welcome consumers writing to us and complaining, not only because this allows us to make amends whenever possible, but also because it alerts us to the product's defects. It was this constant monitoring of consumer atti-

tudes that led us to reformulate our popular Lux Toilet Soap, develop Super Surf, and introduce a new range of talcum powders. In 1969, in response to favourable consumer reaction, we launched in a few selected markets nine new food products and a new synthetic detergent bar.

One of the most effective ways in which consumers can make themselves heard is through consumer associations, already a potent force in many Western countries. In India they are still in their infancy, but they can count on the fullest support of your Company to develop into effective bodies using scientific methods for evaluating consumer products.

The Right to Safety

In a country where adulteration is rampant, safety must loom large in the eyes of the consumer. In safeguarding this right, we believe that the manufacturer himself is the most effective. He alone can build in safety at every stage from procurement of the raw material to the selection of the packaging material. Government, Municipalities etc are often able to take remedial action and punish offenders, but only after the damage has been done.

No reputable manufacturer will take the risk of putting on the market a product which is not entirely safe. This may involve, in the case of food products, extensive testing to establish the absence of side effects or, in the case of detergents and toilet preparations, a careful watch for allergies or skin reactions, particularly when new ingredients are used. Here, as in many other areas, the close links your Company has with Unilever's extensive international research and testing facilities make such testing quicker and more thorough.

The manufacturer has to go even further in protecting the consumer by ensuring that unscrupulous parties do not take advantage of public confidence in his product through the sale of spurious goods. Branded products packaged in pilfer-proof containers and backed by the reputation of a trusted company, must be the consumer's main protection against this very serious hazard. Infringements of our trade marks and

designs is a serious problem, and our Trade Marks Investigation Department keep a strict eye on such activities. In 1969 they successfully took action in nearly 140 cases all over the country.

The Right to enjoy the Fruits of Technological Progress

In consumer products, as in every field of industrial activity, the tempo of technological progress is growing. It manifests itself in products which draw closer to the consumer's conscious or latest desires. It could be a vanaspati which is nutritionally better than ghee, has an attractive flavour and texture, but costs only half as much. It could be a dehydrated food which saves the housewife hours of drudgery, or a washing powder which performs just as well in hard water as in soft. If technological progress can provide such products, and this is what your large and well-equipped Research and Development Centre at Andheri is built to do, the customer has a right to enjoy them. She has a right to the best value her money can buy, and respecting this right is one of the foremost objectives of your Company.

It is thus a matter of much concern that in some quarters the notion is gaining ground that consumer products require no research and development, and that they can be uniformly reserved for the small-scale sector. The small-scale sector has a growing and valuable role to play in making a vast variety of products; ancillaries for engineering industries is a good example. Such goods can be produced and sold just as well and just as efficiently by this sector as by any large scale unit. But it would be wrong to assume that all consumer products, merely because they are not as capital intensive as, say, basic chemicals or heavy engineering plants, do not require substantial investments to benefit from the economies of scale, or do not require managerial and scientific sophistication to forge the 'innovation chain' from the birth of the product in our research department to its sale in the shop.

To put a blanket ban therefore on the growth of consumer product industries outside the small-scale sector

without taking into account the greater value for money that only the larger units can provide, must be against the national interest. It does not seem right that vulnerable sections of the population—the lower grades of government and municipal employees, the factory worker and the landless labourer, the small shopkeeper and the domestic servant—should have to suffer for the sake of the small entrepreneur, who although not always affluent is relatively better off. If the consumer's right to the fruits of technological progress is to be preserved, there is a strong case for developing and applying a set of national economic criteria before reserving an industry for the small-scale sector.

Consumer Aspirations

All these rights that the consumer has or should have must reflect the changing world she lives in. And that India is changing in its towns and villages cannot be in dispute. No longer is austerity and asceticism synonymous with goodness. From various platforms come the promises of a better life ahead for the common man; from the universal urge to imitate those we believe to be on a higher social plane comes the pressure to acquire better and more sophisticated goods; through the radio and the cinema, through newspapers and magazines, through hoardings and posters, the consumer is shown how these goods can be bought.

The urge towards material progress, whatever its faults, is today a driving force in the totality of Indian life. Even the faithful now take a bus to Badrinath to meditate in the comforts of electricity and a well-stocked bazaar. Social distinctions are disappearing fast. More austerity no longer automatically commands respect. Cigarettes and cinemas, man-

made fibres and transistor radios, processed foods and plastic buckets, have begun to span a wide spectrum of social and economic urban strata. Vegetarianism is on the wane. Even in villages, prosperity has brought in its wake demands for new goods: sewing machines and bicycles, furniture and transistor radios, that twenty years ago were the status symbols of the wealthy few.

The structure within the family is also changing, slowly but inexorably. The days of total deference to the head of the family are past and decisions are often shared—where the next holiday shall be, what make of refrigerator will be bought; and the wife may demand a different toothpaste to that her husband prefers. A large number of wives now work outside the home, the demand for leisure is growing, and servants in the larger towns are getting more and more expensive.

The result of all this is that the consumer has aspirations which the products of yesterday cannot meet. Its impact on your Company's activities, both directly and indirectly, has been profound. The demand for cleaner, brighter-looking clothes, coupled with the national scarcity of oils for making soaps, led us to pioneer the rapid growth of synthetic detergents. A measure of the extent to which new attitudes are sweeping the villages is their insatiable demand for our small tablets of toilet soap. Sinks and basins, tiles and stainless steel utensils—among the first visible signs of prosperity—have led to an ever-growing demand for our scourers, and the day when changing consumer attitudes create a mass market for liquid detergents is perhaps not far away.

Aspirations for leisure and the high cost of servants have led us to create for the housewife foods which reduce

drudgery in the kitchen. The trend away from vegetarianism has led to a manifold increase in the demand for eggs and chicken, and our animal foodstuffs department is busy helping small and large entrepreneurs to go into poultry farming on a scientific basis.

Anticipating these changing aspirations, creating new products to meet them, producing them efficiently, selling them to the right customers when they are fully tested, and keeping close tabs on the market reaction to the product, is a difficult task, but this is what large companies like yours are created and trained to do. If they are to continue to perform this vital task—a task which, if left undone, will hinder the economic and technological progress of the country—they must be allowed to grow. Without steady growth, any company caught between the inexorable pressure of rising costs on the one hand, and price controls on the other, will not merely stand still but begin to wither away.

We believe, however, that this situation will not, in fact, arise; that it cannot be the objective of sound economic policy to discourage large companies which, through their massive investments in research and development, are providing economical, safe and efficient consumer goods for the common man; which through their marketing and distribution organisations are taking these goods to every corner of this vast country; which, in short, because their size and management skills enable them to do so, are helping to protect consumer rights and meet consumer aspirations.

Bombay,
24.4.1970.

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



Welcome to our new shareholders

ITC's recent issue of 37,90,000 Equity Shares met with an overwhelming response and was swiftly oversubscribed.

We greet our new shareholders and thank them for their confidence in the Company.

Nearly six crores of rupees have now been invested in the equity capital of ITC by the general public and 47,90,000 shares are held by over 20,000 shareholders throughout the country.



Your participation in ITC encourages us to meet the challenges of the future with renewed vigour as we strive to realise national aspirations in every aspect of our operations.

The Imperial Tobacco Co. of India Ltd.
Pioneers Yesterday—Leaders Today 1910-1970

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BOOKS BRIEFLY

Role of Profit in a Free Economy

Profits in the Modern Economy: Edited by Harold W. Stevenson & J.R. Russell Nelson; Vora & Co., Publishing Private Ltd., Bombay; Pp 200, Price Rs 5.

Indian Public Finances: R.N. Bhargava; B.D. Bhargava & Sons, Chandausi; Pp 402; Price Rs 15.

Under-Development in Spanish America: Keith Griffin; George Allen and Unwin Ltd.; Pp 288; Price 63 s. (in UK only)

Public Enterprises in India: Laxmi Narain; S. Chand & Co., Delhi; Pp 256; Price Rs 20.

Modern Marketing Management: Dr Rustom S. Davar; Progressive Corporation Private Ltd., Bombay; Pp 632; Price Rs 37.50.

International Policy for the World Economy: J.O.N. Perkins; George Allen and Unwin Ltd., London; Pp 232; Price 38 s.

Reviewed by Prof. S.S.M. DESAI

Profits in the Modern Economy is based upon papers presented at a conference on 'Understanding Profits' held at the University of Minnesota in 1964. The papers present various viewpoints on measurement, use and significance of profit.

Henry Ford II in his paper writes that the idea that profit is good is hard for many people to accept and that higher profits are even better is still harder to accept. Their instincts tell them that one man's profit is another man's loss, and so they conclude that profit means exploitation. But experience teaches that in a competitive economy businesses profit most from those ventures that best serve the general economic welfare. It should be noted that in 1962 of all the corporations in the USA 40 per cent had operated at a loss. The American economy is a profit-and-loss economic system and not just a profit system. Whether business costs are raised by taxes, by collective bargaining, by new labour legislation or by other developments such as inefficiency of entrepreneurs, the effects will be the same—lower profits, less investment, slower economic growth, fewer jobs, and lower income for everyone. The entrepreneur has to find justification for profit by making it the engine of economic growth and progress.

Record of Profits

The second section is concerned with the development and use of aggregate profit data and limitations of the figures. In the first paper Richard Holton discusses the record of profits. He cautions that though return on investment is conceptually an attractive measure of profit performance, it has some important limitations. Corporate profit data may include not only pure profit

but return to entrepreneurial risks, but may not include executive incentive compensation and certain other items deducted in the accounting process.

Leif Olsen explains the corporate profits series, and using this series asserts that the absolute level of corporate profits in the USA stands at a record high. But Dexter Keezer suggests instituting a series on corporate losses also. He argues that since profits reflect the experience only of the largest and most successful firms, the series on profits does not reveal the experience of the overwhelming number of corporations that suffer losses.

Three Measures

Edmund Mennis mentions three measures of profit: profits reported to stockholders, profits reported for tax purposes and profits reported in the national income accounts. He concludes that for general economic analysis, the third measure provides the most useful information.

The third section of the book is concerned with the problems of 'Profits in the Firm'. True profits are of course not determinate for a firm because of all the changes in products, factors of production and prices in the real world.

For the lay readers the last section is extremely illuminating. Walter W. Heller, once chairman of the Council of Economic Advisers to the President of the USA writes on 'The Role of Profits in National Economic Policy'. According to Dr Heller, the role of profits in national economic policy is essentially a derived one—derived from policies of growth for full employment, for price stability, for balance of payments equilibrium and for equality

of economic opportunity. For private business, profits are an end of policy; but for government, profits are primarily a means. They enter growth policy as a goad to private risk-taking and innovation, as a source of funds for expansion, and as a guide to efficient resource flow. They enter balance of payment policy as an incentive to productivity advances that bring about lower costs and a stronger competitive position. They enter price policy both indirectly as a stimulant to cost-cutting modernization and directly as a reflector of rapid productivity gains, that permit price reductions. Thus profits are sometimes an instrument of national economic policy, sometimes a result, sometimes a guide, sometimes a target. We must not lose sight of the abiding role assigned to profits in both the classical and Keynesian economics. As Kenneth Boulding has said, making money (profits) may not be a heroic, romantic, or self-sacrificing occupation, but it at least avoids the particular morass of corruption into which mankind is apt to slip when it makes utopias.

This book provides excellent basis for a better understanding of the nature and role of profits in a free economy.

PUBLIC FINANCE

Indian Public Finances is the revised and enlarged edition of the book first published in 1961.

In an underdeveloped country, the main problem is to raise adequate resources for financing an ambitious development programme, framed in the light of the national objectives. This necessitates an increase in domestic savings and the diversion of an adequate proportion of these to the state fisc to finance outlays in the public sector. The author has examined the various alternative methods of raising resources for the public sector and has critically explained the advantages and limitations of each. Of all the fiscal weapons taxation is the most important, especially in underdeveloped economies. The author has examined at great length the various union and state taxes. He has devoted nearly half the book to this aspect. The analysis of the operation of individual taxes is extremely informative.

While analysing the general problems of taxation, the author states that though the percentage of national income raised by taxation in India has increased from 6.6 in 1950-51 to approximately 14 in 1965-66, it is still lower than the percentages in some underdeveloped countries such as Burma where it was 15 per cent and 17.7 in Ceylon in 1954-55. The author is of the opinion that the limit of

taxation has not yet been reached in many of the underdeveloped countries including India and an improvement in the tax collecting machinery and greater political courage in imposing taxes seem to provide much scope for the mobilisation of additional resources.

It should however be admitted that taxation tolerance in India appears to be relatively low for some very good reasons. There is strong feeling that with the present level of public expenditure, 20 to 30 per cent better results could be achieved, if there were no inefficiency, corruption and waste. Before the level of taxation is further raised there is necessity of increasing administrative efficiency at all levels and uplift the standards of honesty and morality in government departments and public enterprises.

The author has pointed out that the net contribution of public enterprises to union revenues increased from Rs 23.6 crores in 1950-51 to only Rs 98.27 crores in 1967-68, in spite of large investments amounting to more than Rs 3000 crores. In the case of state governments this amount increased from Rs 24.92 crores in 1950-51 to only Rs 79.71 crores in 1967-68.

It is unfortunate that the chapter on "State Enterprises" is extremely sketchy and inadequate. The author has devoted just nine pages to the analysis of this important source of revenue. Analysis of the financial working of some of the important individual state enterprises would have been most appropriate. Similarly, the treatment of deficit financing appears rather inadequate.

Programme Budgeting

So far as the analysis of the expenditure side is concerned, the author has not cared to present the behaviour over years of individual items of expenditure as he has done in the case of taxes. The reader therefore does not get a proper picture of the changing pattern of public expenditure in India. But there is good analysis of 'programme budgeting' and 'performance budgeting' and the various difficulties in the way of their introduction in India.

Chapter XII on future horizons and the present trends in Indian public finances is possibly the best part of the book. The author has drawn attention to the increasing dependence of state governments on the centre. While the Finance Commission is an *ad hoc* semi-judicial body, it is appointed only after every five years. On the other hand the Plan grants and loan finance are made available to the state governments on the recommendations of the

Planning Commission. On account of the growth in the size of the five year Plans, the importance of loan finance and Plan grants has considerably increased and they are now much more than the flow of funds made on the recommendations of the Finance Commission. Thus, in 1966-67, out of the total resources of Rs 1,708 crores transferred to the states, loans amounted to Rs 916 crores, share of taxes and duties, to Rs 373 crores and the rest were grants. According to the author, it is desirable that the Finance Commission should be made a permanent body and loan finance, Plan grants and all other transfer of funds should be distributed on its recommendations. The suggestion is being repeatedly made and is worth consideration. The controversy over the discretionary grants of Rs 175 crores this year at the time of the recent budget discussions is fresh in the minds of readers.

Tax on Agricultural Sector

Along with many others, Bhargava has pointed out that agricultural sector has not been adequately taxed. The prices of agricultural produce have increased more rapidly than the costs to the agriculturists. The wholesale price index (1952-53=100) for food articles increased from 112.5 in 1950-51 to 217.6 in 1967, i.e. by 93.4 per cent, while during the same period the index of manufactures increased from 103.3 to 167.5 or by 62.1 per cent only. The agriculturists have also improved their position as a result of the abolition of intermediaries. A very large proportion of the development expenditure is also agriculture oriented. As against this the burden of taxation on agriculture has increased very little. There is therefore a strong case for imposing additional taxation on the agriculturist. Heavier taxation will also force him to increase the marketable surplus. The economic case for additional agricultural taxation in India appears to be fool-proof. It is the political consideration which is coming in the way of such an imposition. The alleged refusal by the Punjab government to collect agricultural wealth tax imposed by the union government in its latest budget has made the problem more complicated than ever before.

The warning by the author that the aim of the state should not be to become a monolithic organisation controlling all avenues of investment and employment, but to fill up the gaps left by private enterprise is worth heeding. Our socialistic objective should imply destruction of poverty, not of income and wealth of any section of society. A country does not progress by levelling down process but by levelling

up. It would be dangerous to be guided by any ideology.

The book, though not exhaustive, will be found useful to the students and teachers of Indian public finance.

DEVELOPMENT STRATEGY FOR SPANISH AMERICA

We are generally interested in problems of our own country and at the most in problems of countries nearer home. One would therefore be very much inclined to keep aside *Under-Development in Spanish America* almost instinctively. If one does so, one will have missed one of the most stimulating and provocative books on the subject of economic development of backward countries.

The book is concerned with the interpretation of economic backwardness in the Spanish speaking countries of South America, namely Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela. It contains an extremely penetrating analysis of the forces restraining social and economic progress in those countries as also suggestions for development strategy which would combine economic growth with stability.

The fundamental characteristic of Spanish America is its poverty and the enormous disparity in incomes between the developed countries and the nine Spanish American republics. For example in 1965 the income of General Motors was \$ 20.7 thousand million. No Spanish American country had a gross national product as large as that, the GNP of Argentina the largest of them falling short by 25 per cent.

Per capita agricultural production and particularly food production for domestic consumption has failed in many Spanish American countries to keep up with the rate of population growth. The rapid demographic increase and the extensive migration of labour from rural to urban areas have thrust an impossible burden on the cities to create employment opportunities and provide essential social services. And yet from Uruguay to Colombia the government has failed to provide minimal services to the agricultural sector, to encourage rural areas to retain their labour and productively employ them or alter land tenure in favour of agricultural labour.

This means the economy of Spanish America is characterised by poverty, resource immobility, slow growth and extreme and worsening income inequality. The author has shown that

the volume of exports has increased slowly and that Spanish America's share of world trade has declined steadily and that throughout the 1950s the terms of trade deteriorated sharply. The region therefore has borrowed heavily from abroad and the burden of foreign debt is rising rapidly. These tendencies have combined to produce an acute shortage of foreign exchange.

The root of many of the region's problems, it appears to the author, can be found in the past, and particularly in the colonial period. For it was during this period that Spanish America became incorporated into the world economy. The result of Spanish America's integration into the world economy and present international division of labour has been to hinder the emergence of a vigorous indigenous industrial entrepreneurial class, to weaken the ability of the economy to transform resources and to reduce the capacity of the society to accept change.

Thus mere contact between rich and poor countries often works to the disadvantage of the latter. Through the imitation of patterns of consumption and techniques of production, through importation of inappropriate institutions, and through the normal flow of commodities, knowledge and factors of production, the outcome of unrestricted economic intercourse between Spanish America and the industrial west is to accentuate underdevelopment. Once the nation becomes underdeveloped for whatever reasons, strong economic forces tend to keep it there. The author concludes that it is the contact between unequal partners of the world community that prolongs underdevelopment and it is in periods when this contact is broken that the first step towards development often begins.

Purposeful Planning

Griffin is of the opinion that development in Spanish America would be accelerated if regulation of international economic intercourse were coupled with purposeful national planning, social reform and political reorientation. It is essential to raise the rate of investment, improve its allocation and increase expenditure on technical education and applied research as also to overhaul the tax system and introduce sweeping agrarian reforms in these countries.

An agrarian reform is necessary to increase food output and raise nutritional level of an under-nourished population, to provide a more equitable distribution of income and wealth and to increase the size of the domestic market for mass produced manufactured goods. The major thrust of development, how-

ever, must occur in the industrial sector.

The possibilities of increasing the production of primary commodities for export are limited due to the relatively slow rate of growth of world demand. Unfortunately industrialisation through import substitution at the national level has been inefficient due in part to the small size of domestic markets and consequent inability of producers to take full advantage of the economies of scale. At the same time, production of manufactured goods for export is extremely difficult, if not impossible, as Spanish American countries are high cost producers and are likely to remain so until they have acquired experience and knowledge of industrial techniques, additional skilled labour and established profitable commercial relations with potential buyers.

What seems needed is a policy for industrialisation that concentrates on regional planning. Such a strategy presupposes and is contingent upon a high domestic saving effort and ability of the government to mobilise an agricultural surplus. This means that industrial strategy must form part of a much wider programme for economic development of the regions.

Regional Development

It is in this context that the regional scheme of development presented in detail by the author becomes significant. It would ease the foreign exchange bottleneck facing most of the Spanish American countries and would allow each of the participating nations to establish at least one industrial complex. Further, the possibility of efficient production would be encouraged by the formation of a large regional market in which the economies of scale could be fully exploited. The existence of large regional market and the installation within it of adequate capacity in the capital goods industries would enable Spanish America's growth rate, for the first time, to become independent of the growth of world demand for primary products. According to the author the current attempts at regional integration within LAFTA are thoroughly inadequate.

This is certainly one of the most thought provoking and stimulating books on the developmental process that is taking place in backward countries. The author in the introduction which runs over 50 pages has very ably discussed some of the important aspects of the theories of economic development. For all practical purpose he has torn to pieces the theories of dualism and the stage theories of Rostow. He

firmly believes that economic history and theories firmly based upon historical knowledge would appear to be essential in understanding the nature of underdevelopment. He has also dealt very ably with some other problems such as the adverse effects and influences of foreign aid and consequences of brain drain from developing countries to advanced ones. This extremely stimulating and excellently produced book will be useful not only to those studying or concerned with Spanish American countries but also to all those who are concerned with the economic development of other backward countries of Asia and Africa. Inclusion of maps of the Spanish American countries and their geographical, social, historical and political background would have greatly enhanced the utility of the book by giving the readers comprehensive historical background of the countries on which the author so much insists throughout his analysis. The book is a must to the students of economics of development.

PUBLIC IMAGE OF THE PUBLIC SECTOR

Public Enterprises in India presents the results of an intensive study of the annual reports of public enterprises in India.

In a democracy public enterprises have not only to be good but also must be seen to be good by the public. Unfortunately in spite of their increasing role, no serious thought has been given in India to provide a proper perspective of their position and problems to the public. A keen consciousness has to be necessarily created at all levels in public enterprises that they have to justify themselves at the bar of public opinion.

As regards public relations, the author is of the opinion that as public opinion counts for everything, it is necessary to provide a strong link between the public enterprises and the community at large, and for this the responsibility should be with the public enterprises. It was found that only 25 out of about 55 enterprises studied have public relations, public or information departments; in 18 cases public relations is a subsidiary or part-time function of some official in the enterprise and in 12 cases the function was not recognised at all in any distinct way.

Of the various segments of the public, from the public relations angle, very inadequate efforts are made to maintain contact with or keep a track of the views of the legislators. Little is done in the matter of maintaining and

improving consumer relations and in regard to community relations. Similar is the case with dealers and suppliers. However, much attention is paid only to press relations through contacts with the press, issuance of press releases, holding press conferences and in many informal ways. Public relations is wrongly considered as a defence mechanism meant to tide over temporary difficulties and not as a long-term exercise to be pursued with consistency, resilience and initiative. Intensive training and orientation courses in public relations appear to be an absolute must in most of the public enterprises. At the same time an undue and unsophisticated enthusiasm for public relations should be avoided as distinct possibility exists that with a strong PR department an enterprise may deceive itself into a false image of efficiency and progress.

As regards annual reports, the author is of the opinion that, if carefully prepared, they can greatly help in providing a clear picture of the operations and policies of public enterprises. The statutory provision in public corporations generally ask for a full and faithful disclosure of the enterprise's working. The implementation of these provisions is in most cases not very satisfactory. Carefully prepared annual reports would help in raising the standard of parliamentary discussions and also ensure more constructive criticism.

Defective Reports

In chapter III Laxmi Narain has dealt with directors' reports. He is of the opinion that most of directors' reports do not provide the total figure of persons employed in the enterprise, and only a few give its categorywise distribution. These reports generally do not contain information about manpower planning, efficiency with which manpower is being utilised, recruitment policies and programmes of training of personnel. They contain hardly any material on industrial relations and information about mandays lost due to strikes, loss of production in physical and financial terms, and efforts made to avoid the recurrence of similar situations.

Also though the directors' reports generally contain detailed reference to various welfare activities, they do not refer to finances involved in them. Welfare expenditure where it makes inroads into profits should be clearly stated. Expenditure on housing and its effect on productivity is generally not indicated. Similarly no information is provided regarding workers' participation in management, workers' education and their

safety in industry. The directors' reports do not state the basis of fixation of production targets. Quality control is not referred to. Reporting about sales is generally meagre, nor is anything stated about the distinguishing features of price policy. Not a single enterprise thinks in terms of long-term plans, nor gives information in regard to new lines of development contemplated. Reporting about organisation and administrative aspects is practically non-existent. Admission of shortcomings would not undermine confidence in public enterprises, if attempt is made at the same time to state the measures which are being taken to improve the situation.

Simplified Statements

As regards accounts and audit reports, the author is of the opinion that in preparing and presenting financial statements, public enterprises do not seem to fully bear in mind the requirements of the average reader as well as their own responsibility to the public at large. Some thinking and planning would be necessary to improve the presentation of accounts. A simplified version of financial statements would prove very useful for the average reader.

In view of the magnitude and wide scope of the public sector in India, it is a matter of the utmost importance to ensure that the working of these public enterprises on which the economic future of the country depends is accurately and objectively presented to the public, that their policies are properly understood and that they are susceptible to public criticism and suggestions. If these public undertakings have to be genuinely public and not the vested interests of certain political fadists and discarded bureaucrats the main problem which they must solve is how to combine efficient working with public accountability. The problem of more efficient working which however is the essence of the matter remains outside the scope of this book.

This study is based on the annual reports for the year 1962-63 and since then some improvement might have taken place. But basically the findings of the author remain valid even today. If the powers concerned choose to give effect to certain constructive suggestions made by the author, Dr Laxmi Narain's work would have made a worthwhile contribution to the development of public sector in India.

INTEGRATED MARKETING

Marketing is a challenging and exciting subject, especially in a country such as India which has embarked on a gigantic scheme of industrialisa-

tion. At the same time marketing has been a neglected area in our country for a number of years due to the existence of protective controls and sellers' market in most of the products. However the recent recessionary trends in India, gradually increasing levels of education and sophistication of customers have forced the attention of our businessmen to the subject of market management. Dr Rustom S. Davar has done an excellent job by bringing out his fairly exhaustive book entitled *Modern Marketing Management*.

Marketing management may be defined as "the process of ascertaining consumer needs, converting them into products or services and then moving the product or service to the final consumers or users to satisfy such needs or wants with emphasis on profitability and insurance that optimum use is made of the resources available to the organisation." The marketing concept thus places emphasis on consumer orientation and profitability of the operations. Apart from overall general planning, market management is concerned more specifically with product planning, pricing strategy, physical distribution and promotion. All this requires marketing research which is concerned with gathering all the relevant facts about markets.

Overall Objective

Dr Davar refers to what is called 'integrated marketing' in which all the departments of an enterprise such as finance, production and marketing must gear their activities in terms of satisfaction of consumer needs. The chief marketing executive must be clear as to the product policy, pricing policy, distribution strategy as well as appropriate type of advertising and sales promotion required to achieve the marketing objectives and thereby the overall objectives of the company.

The author has emphasised the role of marketing research. Marketing research includes market analysis involving a study of the characteristics of the market, sales analysis, which is concerned with the analysis of sales data, consumer research including motivation research which seeks to analyse consumer attitudes, reactions and preferences, and advertising research aimed at helping advertising and all promotional efforts. Appropriate marketing research can result in minimising the risks involved in marketing decisions by supplying the current information required. The author has however drawn attention to the fact that the main drawback of motivation research techniques in India lies in the paucity of skilled experts required for designing

the tests and interpreting their findings.

The chapter on pricing policies and practices is easily one of the best chapters in the book. Pricing is a critical decision as it affects sales revenue and ultimately profits. To be in a position to determine adequate pricing strategies, the marketing manager must be familiar with the relevant economic concepts affecting pricing methods based on costs. According to the author the different pricing objectives can be 'skimming the cream', penetrating mass markets rapidly with a low price, discouraging potential competitors, securing a target rate of return on investment, stabilising prices and maximising profits.

Chapter on advertising and sales promotion is equally instructive. The problem areas of advertising are the determination of advertising objectives, choice of advertising messages, selection and use of media, coordination of advertising with the other tools of sales promotion, evaluation of advertising and control of advertising budget. Though the art of advertising has been making progress in India in recent years, it is yet not receiving due attention by many firms and industries due to the belief that it is difficult or impossible to measure advertising effectiveness.

Interesting and Instructive

In the context of India's need for export promotion, the chapter on international marketing is both interesting and instructive. According to Dr Davar there are some special considerations which must be borne in mind while preparing marketing strategy for penetrating markets abroad. Indian exporters face a tougher task than exporters from developed countries.

The author has emphasised that if India desires to market its products in such areas as the USA and Europe with a more sophisticated population, greater expertise will obviously be required and Indian exporters will have to be armed with the latest marketing techniques.

Adequate and continuous marketing research will be necessary and here a number of Indian companies will have to pool their resources together as the task would be beyond the reach of individual companies. It may also be more practicable to engage the services of an agent abroad rather than try to sell through one's own office in the initial stages. The whole chapter giving various technical details such as export procedure, export documentation, legal requirements, etc. will be found very useful to Indian exporters

struggling hard at present to enter foreign markets.

Though *Modern Marketing Management* is a fairly bulky book, there is not a dull minute while reading it. Every chapter beginning with theoretical analysis of various topics carries striking case studies of well-known companies in India. This naturally drives the point home very convincingly and makes for both better reading and better understanding. There are a number of most appropriate cartoons which are both revealing and amusing.

This book would serve as a model text book for commerce students of Indian universities and as an extremely helpful companion to market managers and business executives in India.

INTERNATIONAL MONETARY SYSTEM

The succession of international monetary crises during the 1960s, especially the series beginning with the devaluation of sterling in November 1967 drew widespread attention to the international monetary system. But international monetary arrangements have significance only because, they facilitate international trade and payments. Dr Perkins in his *International Policy for the World Economy* is of the view that there are also other areas of international economic policy no less important than those connected with monetary arrangements. For example aspects such as the removal of barriers to the growth of international trade and to the flow of capital among the countries of the world, the efforts to liberalise trade among limited groups of countries and the coordination of policies of different countries for achieving and maintaining internal balance (i.e. full employment without inflation) and external balance (i.e. a healthy balance of payments) in such a way as to promote economic health of the world economy as a whole, are as important as international monetary aspects and must not be considered apart from that.

Often these different aspects are thought of and analysed in almost water-tight compartments. But it is important to realise that decisions in any one of these areas will have significant repercussions upon all the others. The present study by Dr Perkins lays emphasis on the ways in which these different fields interact with one another, rather than endeavouring to analyse in great detail any of these important areas of policy.

In the case of each one of the above issues, Dr Perkins has very succinctly

analysed the underlying issues instead of recording the success achieved in these fields so far. The author has emphasised the need for governments of all the participating countries to find ways and means of properly co-ordinating their international trade policies in all aspects in order to solve some of the common problems of the world community and economy. This emphasis is necessary in view of the fact that many governments while theoretically accepting the repercussions of their policies on other countries still formulate their economic policies as if they are of no relevance to the other countries of the world. In this connection it is however gratifying to note that the practice of international consultation on important national and international decisions has been steadily growing in recent years.

Removal of Barriers

In chapter IV where the author discusses the problems of 'Freeing the World Trade', he strongly pleads for progressive removal of various barriers erected by developed countries to obstruct exports from underdeveloped countries. This will not only result in a higher level of world trade but will also reduce the balance of payments difficulties currently being faced by developing countries. The present trend of liberalisation of exports of only richer and highly industrialised countries among themselves does nothing to solve this problem of balance of payments of these countries; rather it is only accentuating the problem. Dr Perkins insists that the future efforts should be directed at removing the obstacles which are hindering developing countries from increasing their exports to developed countries of the west and the USA. This will obviate the various short-term and temporary measures which are being taken at the present to help developing countries to overcome their recurrent balance of payments problems.

In chapter V the author discusses another very important topic namely 'Regional Arrangements for Freer Trade.' He has analysed the advantages and disadvantages arising out of such regional arrangements. He is of the opinion that such regional arrangements for freer trade among developing nations may not have as significant implications for the world economic community as regional arrangements among developed countries.

Dr Perkins admits that the protectionist policy followed within a group of countries that have entered into a trade agreement, with an illiberal trade policy towards the non-members will lead to disastrous results. The

USA has already withdrawn several concessions granted to EEC countries to counteract the protectionist policy followed within the EEC and has promised to offer some special concessions to exports from the developing countries.

There are several books available dealing at length with several topics which Dr Perkins has tried to cover in this book. But there appears to be no

book of such a compact size and also very well produced which considers all the current and urgent interrelated aspects of international trade emphasising their effects on one another. He has especially shown great sympathy and understanding in analysing the international trade problems of the developing countries. The book certainly deserves to be read by students especially interested in international economics and economics of growth.

Year Books

The Past Year in Retrospect (An Objective Account of Political and Economic Events in India in 1968-69): Prepared and published by Indian Oxygen Ltd, P. 34, Taratala Road, Calcutta-53; Pp 136; Price not stated.

Manorama Year Book 1970: Published by Manorama Publishing House, pB No 26, Kottayam-1, Kerala State; Pp 720; Price Rs 10.

Reviewed by B. GANAPATHY SARMA

The fall of coalition ministries through defections and dissensions, imposition of President's rule, mid-term elections to state assemblies, strains and tensions in centre-state relations, disputes—frequently turning acrimonious—on inter-state boundaries and sharing of river waters, agitations for separate regions which at times snowballed into major maelstroms, reports of violence by extremist elements in political parties, frequent policy statements by the centre regarding collaborations, exports, and licensing procedures and a host of other developments in economic, political and social fields occur in such quick succession in one year in a vast sub-continent like ours that at the end of the year one is left with hazy impressions of even the most important developments that have happened during the year. Obviously there had been a long-felt need for a publication, which will sum up all the year's significant happenings within a compass of a handy little book. Prompted thus, Indian Oxygen Ltd, the publishers, brought out its first edition which gave an objective chronicle of all the political and economic events that took place in our country during 1967-68. Encouraged by the enthusiastic response accorded to the first edition, the publishers have brought an enlarged edition of *The Past Year in Retrospect*, which again attempts to review within 136 pages a comprehensive account of political and economic events in India in 1968-69.

This edition covers events up to March 31, 1969, and is even more detailed in its coverage than its earlier issue. It is divided into three sections. Section I deals with in "General" of all the developments of importance that have occurred during 1968-69. A

balance-sheet of the economy, so to say, is given in the "Economy" section. This section besides giving a comprehensive review of all the facets of the economy, recounts all the events of economic significance and value that have taken place last year. All essential and latest economic data are given in the statistical tables which are appended to the book. Considering the lucidity of style, nice presentation and comprehensive coverage of events, it is doubtless that this publication will prove as a useful book of ready reference.

Manorama Year Book 1970, bears its own individuality and distinction. As an Year Book it is exceptionally different from other year books. The special significance and an outstanding feature of the publication is that every subject in the Year Book is dealt with in the form of an article, giving a general outline with critical comments wherever necessary. This approach has been adopted keeping the general readers in mind. For experts and specialists too, the Year Book provides latest and authentic information on all facets of the subject.

Keeping in view the expanding and varied needs of the readers, the publishers have paid particular attention not only to cover as wide a range of topic as possible but also to cover in depth all information.

The topics are surveyed in four distinct sections. The earth, evolution of life, milestones of history, religions, languages, population, mineral wealth, agriculture and food, international organs, continental organs, military alliances, nations of the world, colonies and dependencies, heads of states, and gazetteer of cities are dealt with in the

"World" section. The "Outer Worlds" (or the outer space as the modern phrase goes) section is devoted to the universe in general and the conquest of space in particular. The third section, "India", discusses threadbare every subject and developments in every sphere of activity. Besides exhaustive treatment, mass of statistical and economic data are provided wherever necessary. The "General information" section gives in a nutshell a chronicle of world events, international sports and games, administrative and diplomatic personnel, nobel laureates, general elections and a host of other vital information. Latest particulars regarding major industrial units in the corporate sector in India are also appended to enhance the utility and reference value of the publication.

Such wealth of data on India, the world and the outer worlds has rarely been so systematically assembled and neatly displayed in an Year Book. Considering the rich information it gives there is no doubt that this encyclopaedic work will serve as an indispensable and invaluable book of reference to busy executives, businessmen, journalists, research scholars and university students in particular and educational institutions in general. Further, it will be of immense benefit to readers who are interested in keeping themselves abreast of times.

BOOKS RECEIVED

Marketing Management and the Indian Economy: Edited by S. Neelamegham; Vikas Publications; Pp 459; Price Rs 36.

Practical Benefits of Space Exploration: A Digest of Papers presented at the United Nations Conference on the Exploration and Peaceful Uses of Outer Space, Vienna 1968; published by the United Nations; Pp 78; Price US \$ 1.00.

The Calcutta Stock Exchange Official Year Book (1969-70): Published by the Calcutta Stock Exchange Association, 7, Lyons Range, Calcutta; Pp 691; Price Rs 25.

Company Organization Theory and Practice: M.C. Barnes, A. H. Fogg, C. N. Stephens and L. G. Titman (PA Management Consultants Ltd); George Allen and Unwin Ltd; Pp. 235; Price £ 3.50 in UK.

Marketing and Higher Management: Esmond Pearce (PA Management Consultants Ltd); George Allen and Unwin Ltd; Pp. 250; Price £ 3.50 in UK.

Statistical System in India: Compiled

by the Central Statistical Organisation, Department of Statistics, Cabinet Secretariat; Published by the Manager of Publications; Pp 128; Price Rs 9.25 (Inland).

The Arab World: Desmond Stewart and the Editors of Life; Time-Life International; Pp 160.

A Study in Development: A. Vermeulen and C. Sanders; Rotterdam University Press, PO Box 1474, Rotterdam-2, Netherlands; Pp 326; Price Dfl 33.65.

Studies in the Sociology of Development: Ralph Pieris; Rotterdam University Press; Pp 222; Price Dfl 27.40 (Cloth bound).

Objectives of Planning in India: Murarji J. Vaidya; Popular Prakashan; Pp 168; Price Rs 15.

Facets of Social Control and Nationalisation of Banks in India: A Selected annotated Bibliography compiled by Mohinder Singh; Published by Messrs Balgovind Prakashan, Gandhi Road, Ahmedabad-1; Pp 136; Price Rs 15.

Studies in the Taxation of Agricultural Land and Income in India: T. M. Joshi, N. Anjanaiiah and S. V. Bhende; Asia Publishing House, Calicut Street, Ballard Estate, Bombay-1; Pp 381; Price Rs 35.

The State of Food and Agriculture, 1969: Published by the Food and Agriculture Organisation of the United Nations; Pp 196; Price \$ 6.00.

Macroeconomics: K. R. Gupta; Atma Ram and Sons, PO Box 1429, Kashmir Gate, Delhi-6; Pp 393; Price Rs 16.

Problems of Economic Transition (Indian Case Study): Ranajit Das Gupta; National Publishers, 206 Bidhan Saranee, Calcutta-6; Pp 416; Price Rs 25.

Fiscal Policy in Underdeveloped Countries: Raja J. Chelliah; George Allen and Unwin Ltd; Pp 216; Price £1.75 in UK.

History of the Reserve Bank of India (1935-1951): Prepared by S. L. N. Simha under the guidance of an editorial committee comprising Dr C. D. Deshmukh, J. J. Anjaria, R. G. Saraiya and Dr Bhabatosh Datta; Published by the Reserve Bank of India; Pp 878; Price Rs 50 (Inland); Foreign \$ 10.



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RECORDS AND STATISTICS

Finances of Government Companies, 1967-68

THE DEPARTMENT of Statistics of the Reserve Bank of India has analysed the working results of 81 public sector undertakings for 1967-68. Its findings have appeared in the Monthly Bulletin of the Reserve Bank for February 1970. The most significant conclusion of this study is that the profitability of these undertakings has continued to decline. The 'gaint' companies showed a loss of Rs. 55.0 crores in 1967-68 as compared with a loss of Rs 35.8 crores in 1966-67. In the case of 'non-giant' companies, the profits before tax recorded a fall of Rs 8.5 crores or about 35 per cent in 1967-68 as compared with 1966-67.

Excerpts from this study follow :

This study analyses the working of 81 operating non-financial, non-promotional government companies each having a paid-up capital of Rs 5 lakhs and above and is based on the accounts closed during the year ended March 31, 1968. For the purpose of this study, a company is considered to be 'operating' if its accounts include a profit and loss account and a major part of the expenditure is not charged to capital account.

As at the end of March 1968, there were 241 government companies at work with an aggregate paid-up capital of Rs 1559.30 crores. Out of these, 61 companies (total paid-up capital : Rs 63.56 crores) were engaged in finan-

cial, promotional or developmental activities and fall outside the purview of the study. Out of the remaining, 33 companies with an aggregate paid-up capital of Rs 194.63 crores had not yet reached the production stage and hence were not included in the study.

Another 41 companies (total paid up capital : Rs 0.81 crore) were small companies with a paid up capital of less than Rs 5 lakhs each and so were excluded. An attempt was made to cover all the remaining 106 companies with a total paid-up capital of Rs 1300.30 crores in the study but 25 companies (total paid-up capital Rs 21.75 crores) could not be included because of reasons such as non-availability of their accounts. Thus, this study covers 81 companies (total paid-up capital : Rs 1278.55 crores) which account for 98 per cent of the aggregate paid-up capital of all 'operating' non-financial, non-promotional government companies as on March 31, 1968. Taking into account all non-financial, non-promotional government companies, whether in the operating stage or not, the paid-up capital coverage of the study is about 86 per cent.

The statistics presented in the statements are compiled from the audited balance sheets and profit and loss accounts of the companies. In case where a company had several depart-

ments engaged in more than one type of activity and the products of one department were the inputs of another, the inter-departmental transfers were ignored for the purpose of analysis. The unit of analysis is thus the company and not the individual departments or units in the company and, therefore, the primary inputs and the final outputs, from the standpoint of the company as a whole, are considered for the analysis.

A majority of the selected companies were those registered during the three plan periods from 1950-51 to 1965-66. As many as 28 companies were registered during the third five-year Plan period and 19 companies during the second five-year Plan period. 11 companies were registered during the first five-year Plan period and the rest were in existence prior to this period. Of the 11 'giant' companies covered in this study, nine were registered during the second and third five-year Plan periods.

Of the 81 selected companies, 42 were central government companies and the remaining 39 state government companies. The central government owned the entire paid-up share capital of 31 out of the 42 central government companies. Of the 39 state government companies, the share capital of 20 companies was held wholly by state governments. There was equity participation by state governments in 9 central government companies while the central government contributed to the share capital of two state government companies. An overwhelming part of the paid-up capital of selected companies was accounted for by central government companies; 96 per cent of the total share capital of all the selec-

COMPOSITION OF SELECTED COMPANIES

(Rs crores)

Participants	Number of companies	Total paid-up capital as on 31-3-1968	Paid-up capital contributed by		
			Central government	State governments	Others
Central government companies	Central government only	31	1133. 69	—	—
	Central and state governments	5	75. 53	73. 49	2. 04
	Central and state governments and 'others'	4	19. 53	11. 92	5. 08
	Central government and 'others'	2	2. 51	2. 15	—
	Total :	42	1231. 26	1221. 25	7. 12
State government companies	State governments only	20	30. 40	—	30. 40
	Central and state governments and 'others'	2	7. 74	2. 61	4. 03
	State governments and 'others'	17	9. 15	—	6. 06
	Total :	39	47. 29	2. 61	40. 49
	Total :	81	1278. 55	1223. 86	47. 61
All selected companies					7. 08

ted companies was held by the central government.

During 1967-68, both the value of production and sales of the 'giant' companies rose by Rs 168.3 crores and Rs 160.0 crores respectively, over the previous year. The stocks of finished goods and work-in-progress held at the end of 1967-68 also showed a substantial rise of Rs 50.8 crores as against the rise of Rs 42.3 crores in 1966-67. Because of the larger growth in inventories (28.7 per cent), the net capital formation was 11.5 per cent, though the net fixed assets formation was only 7.4 per cent. The assets formation was financed predominantly by external sources which accounted for more than four-fifths of the total funds.

Meagre Profit

The increase in the value of production (Rs 168.3 crores) was outstripped by the increase in expenses excluding interest (Rs 176.7 crores) during the year under review and in consequence the gross profits of the 'giant' companies were too meagre to meet the interest obligations. As a result, the profits before tax of the 'giant' companies were converted into a loss of Rs 55.0 crores in 1967-68 as compared with Rs 35.8 crores in 1966-67. Gross profits of 'giant' companies during 1967-68 dropped sharply to slightly more than one-third of the level recorded in 1966-67.

The sales and value of production of 'non-giant' companies increased by Rs 87.2 crores and Rs 70.7 crores respectively. The stocks of finished goods and work-in-progress at the end of the year showed a rise of Rs 17.3 crores in 1967-68 compared with the rise of Rs 33.7 crores in 1966-67. The net fixed assets formation of 70 'non-giant' companies was at 12.0 per cent and their net capital formation was at 14.7 per cent. The assets formation of 'non-giant' companies was financed mainly by the external sources which formed more than four-fifths of the total funds.

The growth in expenses excluding interest (Rs 75.4 crores) of 'non-giant' companies being higher than that in their value of production (Rs 70.7 crores), the gross profits declined by Rs 5.2 crores (14.6 per cent) in 1967-68.

Sales of the 11 'giant' companies increased by Rs 160.00 crores (22.2 per cent) and stood at Rs 881.8 crores in 1967-68 as compared with Rs 721.8 crores in 1966-67. The value of production of these companies recorded an increase of Rs 168.3 crores in 1967-68 from Rs 764.3 crores in 1966-67 to Rs 932.6 crores in 1967-68. This in-

crease was more than offset by the increase in the total expenditure excluding interest payments which moved up from Rs 764.3 crores in 1966-67 to Rs 941.0 crores in 1967-68, recording a rise of Rs 176.7 crores (23.1 per cent). The rise in expenditure in 1967-68 resulted in the fall of the gross profits of these 'giant' companies from Rs 9.1 crores in 1966-67 to Rs 3.3 crores in 1967-68. The important items of expenditure which showed increases during the year under review were raw materials, components etc., consumed (Rs 79.7 crores) excise duty and cess (Rs 28.6 crores) other expenses (Rs 17.2 crores) and salaries, wages and bonus (Rs 16.3 crores). Depreciation provision stood higher by Rs 14.0 crores in 1967-68. Stores and spares consumed, power and fuel, other manufacturing expenses and repairs to machinery, during the study year were the other items of expenditure which witnessed increases ranging from Rs 3 crores to Rs 5 crores. The overall working of the 11 companies largely reflected the poor performance of the two 'giant' viz., Hindustan Steel Ltd., and Heavy Engineering Corporation Ltd, accounting for 56.3 per cent of the total paid-up share capital of the selected 'giant' companies. The slowing down of capital formation, the restrictions on developmental outlays in the public sector and the relative stagnation in industrial production exerted a powerful influence on the earnings of the former company. The depression in the earning capacity of the latter company was caused by the general recession obtaining in the country and an almost complete cessation of work during a portion of the year under review.

Value of Sales

The value of sales reported by the selected 70 'non-giant' companies was higher by Rs 87.2 crores (22.6 per cent) and stood at Rs 472.5 crores in 1967-68 as compared with Rs 384.8 crores in 1966-67. The value of production also increased by Rs 70.7 crores and stood at Rs 489.3 crores in 1967-68. The rate of growth at 16.9 per cent in value of production was lower than the rate of growth in sales (22.6 per cent). The rise in the value of production was outstripped by the higher increases (Rs 75.4 crores or 19.0 per cent) in the total expenditure excluding interest payments incurred by these companies and consequently the gross profits moved down from Rs 35.4 crores in 1966-67 to Rs 30.2 crores in 1967-68, recording a fall of 14.6 per cent. Increase in raw materials, components etc., consumed (Rs 56.6 crores) accounted for nearly three-fourths of the total increase in expenditure. Among the other heads of expenditure which showed increases

during the year, mention may be made of salaries, wages and bonus (Rs 6.8 crores) 'other' expenses, (Rs 3.3 crores) depreciation provision (Rs 2.4 crores) and other provisions (Rs 1.2 crores).

Among the 70 'non-giant' companies, the companies classified under the industry groups 'miscellaneous' and engineering recorded maximum growth in sales (Rs 53.3 crores or 23.5 per cent and Rs 28.5 crores or 36.3 per cent, respectively) and in value of production (Rs 42.7 crores or 17.3 per cent and Rs 27.4 crores or 31.7 per cent respectively) in 1967-68. Companies in chemicals group came next with increase in sales of Rs 6.4 crores (22.9 per cent) followed by companies belonging to mining and quarrying groups with increase in sales of Rs 1.7 crores (9.5 per cent), the corresponding increase in the value of production of these two groups was to the extent of Rs 5.4 crores (18.0 per cent) and Rs 2.1 crores (10.8 per cent). Only the companies included in the group 'other manufacturing' showed declines in the value of sales (Rs 2.6 crores or 7.6 per cent) and value of production (Rs 6.9 crores or 19.1 per cent) during 1967-68; the total expenditure excluding interest payments of companies in this group also dropped by Rs 3.5 crores (9.8 per cent) in 1967-68.

Increase in Expenditure

On the other hand, the companies belonging to the other industrial groups recorded increase in their total expenditure. The increase was of the order of Rs 46.0 crores (19.1 per cent) in 'miscellaneous', Rs 24.2 crores (31.3 per cent) in engineering, Rs 5.8 crores (21.9 per cent) in chemicals and Rs 2.8 crores (16.3 per cent) in mining and quarrying. The increase in the raw materials, components etc, consumed, which was the main item of expenditure, contributed more than three-fifths of the increase in the total expenditure of companies in engineering, chemicals and 'miscellaneous' groups. Similarly the fall in the total expenditure reported by the companies in the group 'other manufacturing' was chiefly due to the lower consumption of raw materials, components etc. Higher levels of expenditure were observed in almost all other items in respect of all the industry groups. Consequent to the higher levels of expenditure compared to that of value of production, the gross profits of companies in the industry groups, mining and quarrying, chemicals, and 'miscellaneous' declined during the year, the extent of decline being steep in the 'miscellaneous' group. In the case of 'other manufacturing' the higher level of expenditure compared with that of value of production resulted in a loss for the year. As against this, the gross profits of companies in the

group engineering moved up sharply by Rs 4.7 crores or 41.1 per cent due to higher increase in the value of production.

The sales (Rs 1280.6 crores) and value of production (Rs 1346.7 crores) of selected central government undertakings stood higher by Rs 244.3 crores (23.6 per cent) and Rs 240.1 crores (21.7 per cent), respectively, during the study year. On the other hand, while sales of state government companies numbering 39 rose by Rs 2.8 crores (4.0 per cent) from Rs 70.3 crores in 1966-67 to Rs 73.1 crores in 1967-68, the value of production declined by Rs 1.0 crore (1.3 per cent) from Rs 76.2 crores in 1966-67 to Rs 75.2 crores in 1967-68. The higher rate of increase (Rs 246.4 crores or 22.6 per cent) in the total expenditure of the central government companies than that in the value of production (Rs 240.1 crores or 21.7 per cent) resulted in the gross profits moving down by Rs 4.0 crores, from Rs 38.4 crores in 1966-67 to Rs 34.4 crores in 1967-68. In respect of state government companies, the higher level of total expenditure and the fall in the value of production resulted in a loss of Rs 0.9 crore in 1967-68 as compared with the gross profits at Rs 6.0 crores in 1966-67. The bulk of the increase in the total expenditure of central government companies was on account of higher consumption of raw materials, components etc (Rs 136.8 crores or 55.5 per cent), while in the case of state government companies, the major part of the increase in total expenditure was borne by salaries, wages and bonus (Rs 3.1 crores or 55.5 per cent).

Higher Interest Payment

The sharp fall in the gross profits (Rs 5.8 crores) of the 'giant' companies deteriorated further as a result of higher interest payments, and the profits before tax were converted into a loss of Rs 55.0 crores in 1967-68 as compared with the loss of Rs 35.8 crores in 1966-67. The tax provision being marginal the fall in the profits before tax got fully reflected in the profits after tax also. Besides the company which declared dividend in 1966-67 also, one more company came forward with dividend declaration in 1967-68. Thus, in the overall position, the quantum of dividends declared by all 'giant' companies put together recorded an increase of Rs 2.2 crores from Rs 4.0 crores in 1966-67 to Rs 6.2 crores in 1967-68 and as a consequence there was sharp increase in overall losses to the extent of Rs 21.3 crores in 1967-68.

The gross profits of 70 'non-giant' companies moved down by Rs 5.2 crores, from Rs 35.4 crores in 1966-67 to

Rs 30.2 crores in 1967-68 and this fall in gross profits was further affected by the higher interest payments (Rs 14.5 crores in 1967-68 as against Rs 11.1 crores in 1966-67) and, as a result, the profits before tax recorded a fall of Rs 8.5 crores or about 35 per cent in 1967-68 compared with 1966-67. Tax provision absorbed a slightly higher amount at Rs 14.8 crores in 1967-68 as against Rs 13.3 crores in 1966-67 and consequently the profits after tax at Rs 1.0 crore in 1967-68, registered a sharp fall of Rs 10.0 crores from Rs 11.0 crores in 1966-67. The profit after tax was not sufficient to meet the dividend obligations and the companies were, therefore, compelled to withdraw from their reserves to the extent of Rs 2.5 crores to pay the dividends which were stepped up slightly by Rs 0.4 crore during 1967-68. This was in comparison to the position in 1966-67 when the profits ploughed back into business of these companies stood at Rs 7.9 crores.

Engineering Fared Better

Industry group-wise, companies belonging to the industry group engineering fared better than companies in the other industry groups with the gross profits showing an increase of Rs 4.7 crores or 41.1 per cent. All the other industry groups reported declines in gross profits, the decline being Rs 4.6 crores in 'miscellaneous', Rs 3.6 crores in 'other manufacturing' and Rs 0.8 crore each in mining and quarrying and chemicals. The higher interest liability which the selected companies had to bear, resulted in the decline in the profits before tax during 1967-68 in all the groups except engineering. In the case of engineering group, the increase in the gross profits being higher than the increase in interest payments the profits before tax stood at Rs 10.6 crores in 1967-68 as against Rs 7.1 crores in 1966-67; even this rise in profits before tax was further eroded by higher tax provision (Rs 6.2 crores in 1967-68 as against Rs 3.3 crores in 1966-67) and the profits after tax of the group showed only a nominal rise of Rs 0.6 crore. With the dividends declared showing an increase (Rs 0.8 crore), the profits retained in business moved down fractionally by Rs 0.1 crore. The companies belonging to mining and quarrying, chemicals, and 'miscellaneous' groups had to meet higher interest payments but their tax provision was lower and as result the decline in the after tax profits was lower than that in the case of profits before tax. While dividends declared by companies in chemicals group remained at the previous year's level, those announced by the companies in the group mining and quarrying were fractionally lower during 1967-68. Companies in the 'mis-

cellaneous' group, however, declared a little higher dividends. In the net result, companies in the chemicals group reported declines in profits retained in business while those in the mining and quarrying and 'miscellaneous' groups had to resort to withdrawal from reserves to meet their dividend obligations. Despite a marginal reduction in the dividends payments, the losses of 'other manufacturing' group increased during the year due to the increase in interest and tax payments.

The working of companies owned by central government resulted in a decline in their gross profits (Rs 4.0 crores), while the companies under state governments' ownership, reported a loss (Rs 0.9 crore). The gross profits of central government companies were not sufficient to meet the interest liability and consequently, the profits before tax were converted into losses. The significantly higher interest payments of the central government companies (Rs 66.6 crores in 1967-68 as against Rs 51.4 crores in 1966-67), further increased the pre-tax losses considerably by Rs 190.3 crores while an increase in interest obligations (Rs 1.4 crores) of the state government companies turned the profits before tax of Rs 1.4 crores in 1966-67 into a loss of Rs 6.9 crores in 1967-68. The marginal rise of Rs 1.7 crores in tax provision and the increase in dividends declared during the year (Rs 2.8 crores), increased the losses of central government companies by Rs 23.8 crores in 1967-68. Compared to this, the increase in losses of state government companies in 1967-68 was Rs 7.9 crores in spite of lower tax provision and decline in distribution of dividends.

Gross Profit Declines

The ratio of gross profits to sales, of 'giant' companies moved down from 1.3 per cent in 1966-67 to 0.4 per cent in 1967-68. The ratio of 'non-giant' companies also declined from 9.2 per cent in 1966-67 to 6.4 per cent in 1967-68. Group-wise, only engineering companies showed an improvement in this ratio which rose to 15.1 per cent in 1967-68 from 14.6 per cent in 1966-67, while in the case of other groups the ratio recorded decline. The other significant profitability ratio i.e., gross profits as percentage of total capital employed also receded in the case of both 'giant' (from 0.4 per cent in 1966-67 to 0.1 per cent in 1967-68) and 'non-giant' companies (from 5.9 per cent in 1966-67 to 4.4 per cent in 1967-68). Industry group-wise, the rise in this ratio in engineering (from 5.8 per cent in 1966-67 to 6.9 per cent in 1967-68) was more than offset by the sharp declines in all other groups and the net result was an overall fall in this ratio

for the 'non-giant' group as a whole. In consonance with the declines in these two aforesaid ratios, the ratio of profits after tax as percentage of net worth for both the 'giant' and 'non-giant' companies was lower in 1967-68 than the corresponding ratio in the previous year. Despite this declining trend in the profitability ratio, the ratio of dividends to paid-up capital and also to net worth moved up fractionally during the year under review for both the 'giant' and 'non-giant' companies. Among the 'non-giant' companies, the marginal increase in the respective ratio of dividends as percentage of net worth and of paid-up capital of the engineering group (from 1.4 per cent and 1.9 per cent in 1966-67 to 2.3 per cent and 3.0 per cent in 1967-68, respectively) and the fractional improvements in the 'miscellaneous' group (from 1.6 per cent and 2.7 per cent in 1966-67 to 1.7 per cent and 2.9 per cent in 1967-68, respectively) were offset by the declines in the corresponding ratios of the companies in the group mining and quarrying (from 1.6 per cent and 2.1 per cent in 1966-67 to 0.5 per cent and 0.6 per cent in 1967-68, respectively) and 'other manufacturing' (from 2.4 per cent and 3.1 per cent in 1966-67 to 1.5 per cent each in 1967-68). As against this, the corresponding ratio of the companies in the chemicals group remained stationary.

Increase in Assets

The selected 'giant' companies increased their assets by Rs 367.3 crores or by 12.9 per cent in 1967-68. About 60 per cent of the increase was in the form of fixed assets (Rs 224.7 crores) of which the main constituent was plant and machinery (Rs 182.4 crores). Inventories (Rs 112.5 crores) cash and bank balances (Rs 11.7 crores), other assets (Rs 11.0 crores) and receivables (Rs 6.9 crores) were other important items of assets formation. External sources financed the bulk of assets formation (88.4 per cent). Among the external sources borrowing (Rs 188.8 crores) was the major source financing assets formation (51.4 per cent), the bulk of which was from government (Rs 143.7 crores). Among external sources trade dues and other current liabilities (Rs 74.6 crores) and fresh issues of capital (Rs 61.2 crores) were the other important sources of finance. Internal sources (Rs 42.5 crores) financed only 11.6 per cent of total assets formation and provisions constituted the most important internal source of finance and accounted for Rs 105.2 crores, the bulk of which was in the form of depreciation provision (Rs 100.2 crores). There was a net reduction of Rs 62.7 crores in reserves and surplus of these 'giant' companies due to overall loss

incurred by these companies during the year under review.

The gross assets formation of the 70 'non-giant' companies amounted to Rs. 108.7 crores. The growth rate of gross assets formation was higher at 16.4 per cent than in the case of 'giant' companies. Fixed assets formation at Rs 44.2 crores accounted for about 40 per cent of the total assets formation. The gross capital formation of these companies was Rs 78.1 crores or 15.4 per cent. Increase in plant and machinery was Rs 26.6 crores or 60.2 per cent of total gross fixed assets formation. Inventories (Rs 33.9 crores) and receivables (Rs 24.4 crores) were the other important items of assets formation accounting for 31.2 per cent and 22.4 per cent, respectively. As in the case of 'giant' companies, external sources accounted for the bulk of the assets formation (Rs 89.6 crores or 82.4 per cent). Trade dues and other current liabilities (Rs 50.3 crores or 46.3 per cent) and borrowings (Rs 31.3 crores or 28.8 per cent) were the important external sources financing assets formation. Nearly two-fifths of the borrowings as a source of finance was from government and about one-third from the banks. Fresh issues of capital amounted to Rs 8.4 crores (7.7 per cent). Among the internal sources of finance (Rs 19.1 crores) which financed 17.6 per cent of the assets formation, provisions contributed Rs 20.0 crores, of which depreciation provision was Rs. 14.9 crores. As in the case of 'giant' companies, there was a net reduction of Rs 0.9 crore in the reserves and surplus.

Chemicals Top the List

Industry-wise, the rate of assets formation was the highest in the case of companies in chemicals group (20.0 per cent), followed by those in engineering (19.2 per cent) 'miscellaneous' (15.9 per cent), mining and quarrying (10.7 per cent) and other 'manufacturing' groups (11.2 per cent). Gross fixed assets accounted for about 116 per cent of assets formation while inventory showed a decline in 'other manufacturing' group. Among other industry groups, the share of gross fixed assets in the assets formation was the highest at 52.5 per cent for mining and quarrying followed by 42.9 per cent for chemicals and about 28 per cent for 'miscellaneous' and engineering groups. The share of inventory accumulation in the assets formation was the highest in engineering (42.4 per cent), followed by mining and quarrying (40.5 per cent) 'miscellaneous' (34.9 per cent) and chemicals (31.2 per cent). Receivables formed more than 20 per cent of the assets formation for engineering, chemicals and 'miscellaneous' groups and 13.1 per cent and 11.6 per cent in

the case of mining and quarrying and 'other manufacturing' groups respectively. External sources financed not only the entire assets formation of 'other manufacturing' group but also offset the net reduction in reserves and surplus due to losses during the year. The share of external sources in financing the assets formation was more than 80 per cent for chemicals and 'miscellaneous' groups, while it was more than two-thirds for mining and quarrying and engineering groups. Depreciation provision was the main internal source of finance for all the industry groups. Reserves and surplus also contributed to internal funds in the case of engineering, chemicals and 'miscellaneous' groups.

Rise in Inventories

The value of total net assets of the 'giant' companies at Rs 2,719.7 crores in 1967-68 recorded an increase of 10.9 per cent as compared with Rs 2,453.8 crores in 1966-67. The share of net fixed assets in the total net assets declined from 68.3 per cent in 1966-67 to 66.2 per cent in 1967-68, while the share of inventories rose from 16.0 per cent in 1966-67 to 18.5 per cent in 1967-68. On the liabilities side, share capital accounted for a slightly lower share at 42.1 per cent of the total liabilities in 1967-68 compared with the share of 44.2 per cent of total liabilities in 1966-67. The share of borrowings in the total liabilities increased from 46.6 per cent in 1966-67 to 49.0 per cent in 1967-68.

The value of total net assets of the 70 'non-giant' government companies stood at Rs 693.0 crores in 1967-68 as against Rs 597.7 crores in 1966-67 accounting for the growth rate of 16.0 per cent. Only marginal variations were observed in the shares of the various items on the assets and liabilities sides and the general pattern was more or less same for both the years except in the case of trade dues and other current liabilities, the share of which rose from 22.9 per cent in 1966-67 to 27.0 per cent of total liabilities in 1967-68. The share of net fixed assets in the total assets ranged around 40 per cent and that of inventories at about 32 per cent. Borrowings on the liabilities side, was about 40 per cent of the total liabilities while share capital and reserves and surplus was about 19 per cent and 7 per cent, respectively.

Industry-wise, the share of net fixed assets in total net assets declined in the case of engineering, chemicals and 'miscellaneous' groups from 36.8 per cent, 49.8 per cent and 31.8 per cent in 1966-67 to 33.6 per cent, 47.2 per cent and 30.4 per cent, respectively, in 1967-68; there was a marginal decline in

the share of net fixed assets in the total net assets of mining and quarrying group from 46.6 per cent in 1966-67 to 46.2 per cent in 1967-68. The share of inventories in the total net assets showed a rise in all the above industry groups, the rise in the engineering being only marginal. The share of receivables in the total net assets also showed a rise in all the above industry groups except in 'miscellaneous' where the share showed a marginal decline. In the case of 'other manufacturing' group, while the share of net fixed assets in the total net assets showed a rise, there was a fall in the share of inventories and marginal rise in receivables. On the liabilities side, the share capital accounted for a lower share in all the industry groups in 1967-68, while that of trade dues and other current liabilities showed a rise. The share of borrowings showed a decline in mining and quarrying, engineering and 'miscellaneous' and a rise in chemicals and 'other manufacturing' groups.

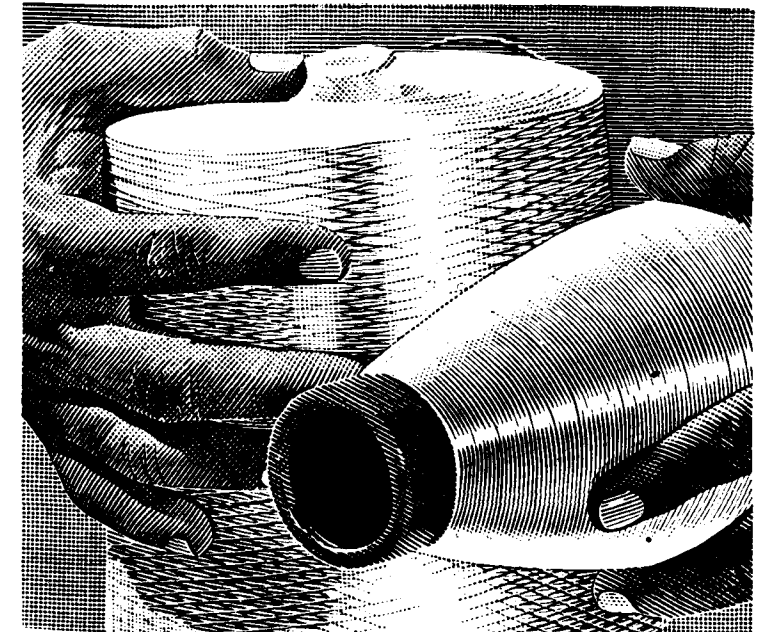
For the selected 'giant' companies, the stock of raw materials, components etc., and stores and spares in relation to the consumption of these materials stood lower at 77.5 per cent in 1967-68

compared with 78.6 per cent in 1966-67. The ratio of closing stock of finished goods and work-in-progress to sales rose from 16.3 per cent in 1966-67 to 19.1 per cent in 1967-68, indicating thereby accumulation of stocks. In addition to this accumulation of stocks, a deterioration in the rate of recovery of the amounts receivable was also witnessed during 1967-68, as revealed by the ratio of sundry debtors to sales. Dues from sundry debtors which accounted for 14.0 per cent or 1.7 months' value of sales in 1966-67 rose to 15.5 per cent or 1.9 months' sales. Even though the ratio of current assets to total net assets increased from 29.3 per cent in 1966-67 to 31.2 per cent in 1967-68, there was a fall in the ratio of current assets to current liabilities from 1.78:1 in 1966-67 to 1.75:1 in 1967-68. The ratio of debt as percentage of equity rose from 110.4 per cent in 1966-67 to 129.5 per cent in 1967-68.

The results of the working of the 70 selected 'non-giant' companies were somewhat different from those of the 'giant' companies in certain aspects. The declining trend observed in the ratio of stock of raw materials, components

etc., and stores and spares to the consumption of these materials for 'giant' companies was also witnessed in the case of 'non-giant' companies (i.e., from 31.3 per cent in 1966-67 to 30.9 per cent in 1967-68). The ratio of closing stocks as percentage, of sales, however, moved down in the case of 'non-giant' companies, indicating a better off-take of the stocks, during the year. Dues from sundry debtors formed 18.2 per cent or 2.2 months' sales in 1967-68 as against 19.1 per cent or 2.3 months' sales in the case of 'non-giant' companies which was again at variance with the results observed for 'giant' companies. The other financial ratios of 'non-giant' companies in respect of current assets in relation to total net assets and current liabilities showed similar trends as observed in the case of 'giant' companies. Thus the ratio of current assets as percentage of total net assets increased from 53.6 per cent in 1966-67 to 55.3 per cent in 1967-68, while the ratio of current assets to current liabilities declined from 1.36:1 in 1966-67 to 1.26:1 in 1967-68. Debt as percentage of equity rose from 88.0 per cent in 1966-67 to 93.5 per cent in 1967-68.

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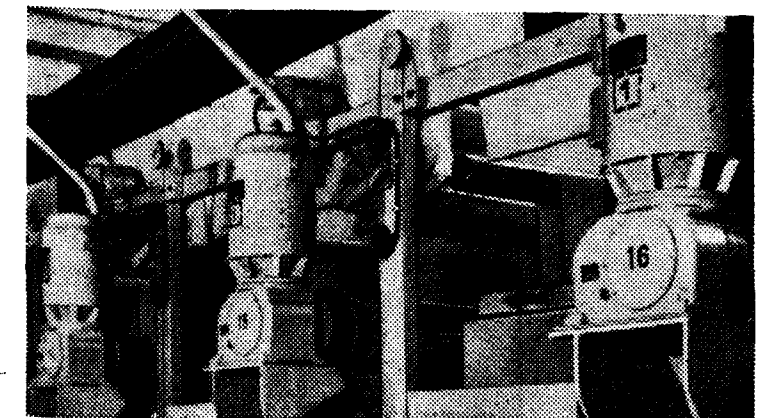
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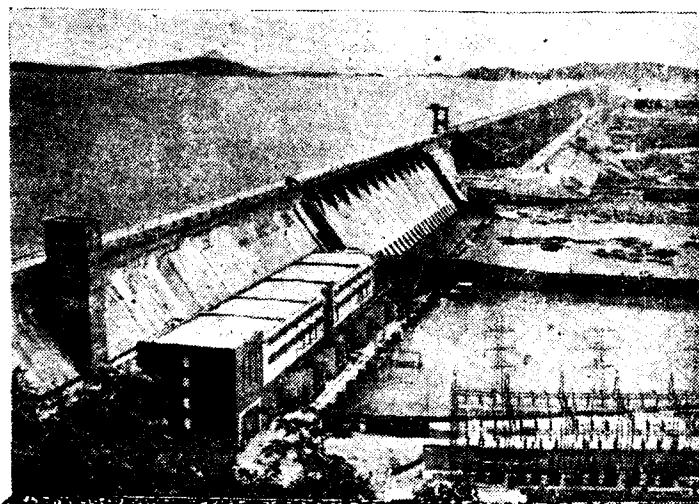
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VOL. 54

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—B. M. BIRLA

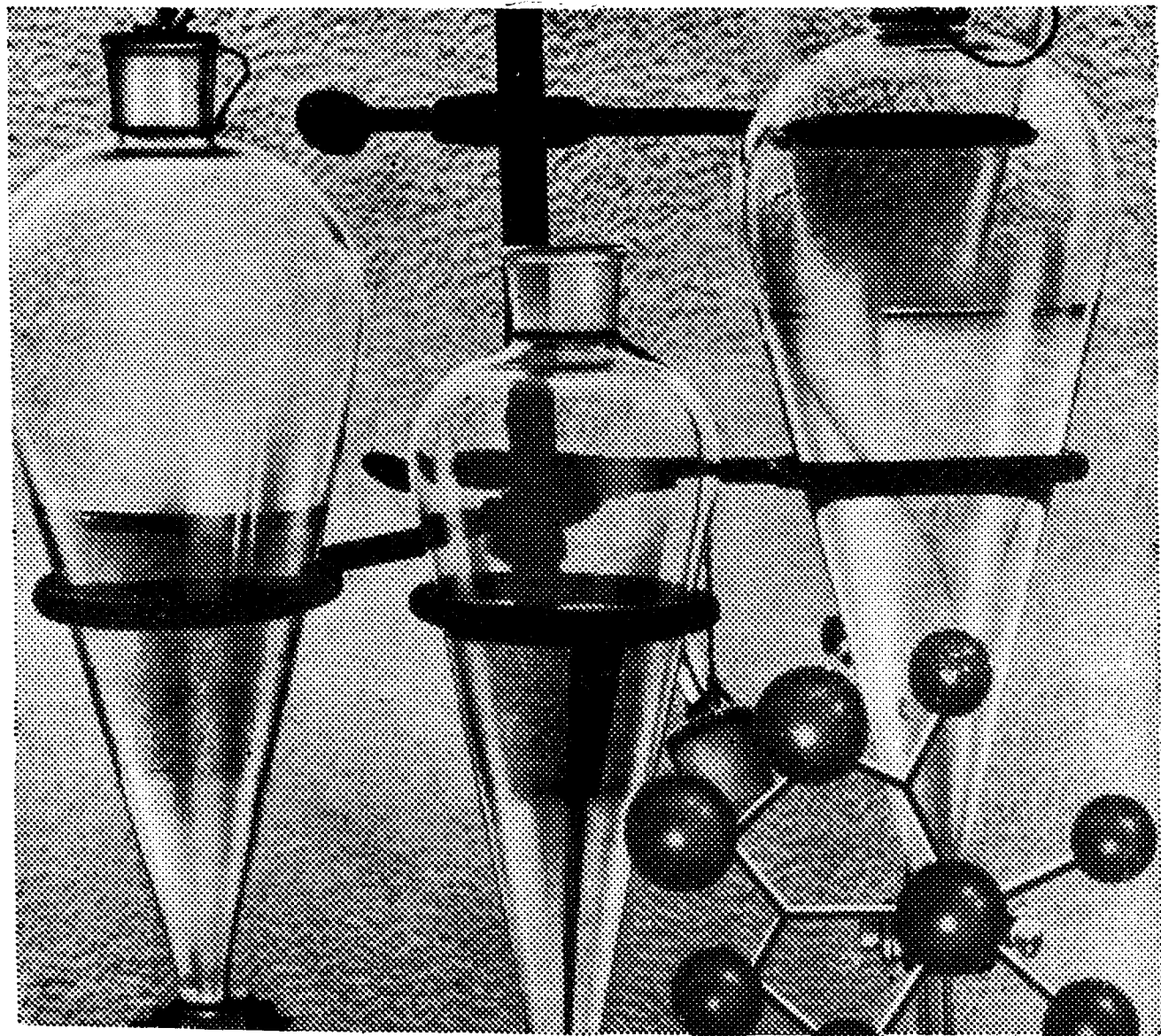
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KASTURBHAJ LALBHAJ

THE CELEBRATION of Mr Kasturbhai Lalbhai's 75th birthday last week in Ahmedabad was an occasion to which we may refer with particular pleasure because, in the politician-dominated public life of contemporary India, it has become rather rare for excellence in other walks of life to be recognised and respected. Particularly in the case of business leaders, the demagogues in the various political parties have been so successful in sowing prejudice and mistrust in the public mind that the enormous contributions which captains of industry and commerce have made and are making to the economic growth of the nation and the well-being of its people are not only being made light of but are even being misrepresented as a form of exploitation of the community, especially its poor.

Fortunately for him, Mr Kasturbhai Lalbhai himself has remained apart from much of the dust and din raised by politically motivated campaigns against big business houses. One consequence of this is that his image as one of the great builders of the industrial importance of Ahmedabad and the economic progress of Gujarat remains untouched by current controversies. This journal which, in its infant years, was dedicated to spreading the message of the Bombay Plan, has particular reason to think of Mr Kasturbhai Lalbhai with affection and regard on this happy occasion of his 75th birthday since he was one of the authors of the Bombay Plan along with Mr G.D. Birla, Mr J.R.D. Tata, the late Shri Ram, the late John Mathai and the late Ardeshar Dalal.

Mr Kasturbhai Lalbhai, thus, was among those men of great faith and broad vision who, in the early forties, dared to visualise the shape of an industrialising, dynamic India, once it became free and the master of its destiny. In the past 23 years much has happened, no doubt, in the economic progress of our nation confirming Mr Kasturbhai Lalbhai's faith in its future. At the same time, there has been much else too which must often make him wonder whether he and the other authors of the Bombay Plan had not taken the tribe of politicians for granted. It is, therefore, entirely fitting that Mr B.M. Birla, who presided over the birthday celebrations, chose to speak with admirable candour on the political attitudes or policies of the government which are frustrating the economic potential of the country and condemning it to an unjustified and unnecessary continuance of mass poverty and unemployment. At a time when the business community has become so demoralised that its spokesmen are often found to be apologetic or on the defensive, it was refreshing to find Mr B.M. Birla asserting in no uncertain terms the social worth and economic utility of the services of businessmen to the rest of the community.

Expounding his central theme that a nation could make genuine economic progress only in terms of the self-reliance of the individual and the family and the initiative and enterprise of the entrepreneurial, managerial and technical personnel, Mr Birla drew on the experience, both historic and contemporary, of many countries of the world and gave a clear picture of how the growth potential of our nation was being frustrated by the refusal on the part of politicians either to think for themselves or to profit from the experience of others. Business leaders of the vintage of Mr Kasturbhai Lalbhai were fortunate in that, during a considerable period of their active business careers, they could at least have lived and worked in the faith that, in an independent India, its business community would come into its own and be recognised and honoured as a constructive force of great national importance. If the present and future generations of businessmen in this country are in the fortunate position of being able to draw inspiration from the lives and work of industrialists of Mr Kasturbhai Lalbhai's quality, it is because these elder statesmen of the business community have become, in Mr B.M. Birla's phrase, "institutions" before politicians could learn to exploit planning as a means to political power and privileges.

Government in the Dock

THE EDITOR

WITH EVERY day that passes the nation is certainly being impressed more and more with the skill with which the present government at the centre is doing its tight-rope walking. Nevertheless, it is possible that the Prime Minister herself is becoming uneasily aware of the fact that the rope has now been drawn so taut that it may snap any moment.

Despite the stray successes that continue to attend her manipulation of the political scene, Mrs Gandhi is now being called upon to face a barrage of criticism which is being directed against her administration from every conceivable political angle. In other words, a consensus seems to be developing against the Prime Minister's handling of the economic and political affairs of the nation, although those who criticise her do so from widely varying motives or for sharply divergent reasons.

Perhaps the most arresting broadside against the Prime Minister was the one delivered by Mr V. K. Krishna Menon some time ago. Commenting with the utmost sarcasm on Mrs Gandhi's recent advice to her party that it should not be obsessed with the idea of toppling unfriendly state governments, Mr Menon declared that having done her worst in the toppling game, Mrs Gandhi was clearly in no position to strike attitudes of piety at this stage. His ire, naturally, was not because of what had happened in Uttar Pradesh or very nearly took place in Orissa or is threatened in Gujarat. His resentment was for the reason that the Nambudiripad ministry had been forced out of office in Kerala. But, even if Mr Menon had his own axe to grind, his outburst showed that Mrs Gandhi was beginning to be profoundly mistrusted even in quarters which were prepared to go very far indeed in providing opportunistic support to her and her government at the centre.

Then, there has been the speech of Mr Young Turk Chandra Shekhar in the Rajya Sabha on the Appropriation Bill. With characteristic abandon, he denounced the men (including the Woman) in power at the centre with having betrayed the Glorious Revolution of July, 1969. Although I have no particular admiration for Mr Chandra Shekhar, whether as a parliamentarian or even as a mere politician, I could easily appreciate the *Patriot's* enthusiasm for the orator, for was not Mr Chandra

Shekhar out-Menoning Mr Menon? I must confess, however, that I was rather puzzled by the even greater exuberance exhibited by the *National Herald* in reporting Mr Chandra Shekhar, since the *National Herald* is generally considered to be Mrs Gandhi's House Journal.

So much for those who seem to have a vested interest, up to a fairly far point, in the survival, if not the solvency of the present administration at the centre. No wonder, then, that the open opponents of the ruling party were also in a clearly aggressive mood. Mr S. D. Mishra is a solid enough debator, no doubt, but his eloquence is not of the kind which could set even an oil refinery on fire, let alone the Jamuna. Even he could draw enough inspiration from the occasion to make a telling speech against

This is a reproduction, with additions, of an article which was published in *The Hindustan Times* of May 8.

the government's economic policies—a speech which was all the more effective because he had done his home work.

In the Lok Sabha, again, discussion on the Finance Bill provided an opportunity for a formidable array of talents headed by Mr Dandekar to arraign the government from the opposition benches for its sins of omission and commission in the management of the economy. Parliament, in fact, has been the forum for the last many days of one indictment after another of the government's failure to push on with the economic development of the country. Mr Surendra Tapuria, for instance, speaking in the Lok Sabha on the Demands for Grants of the Ministry of Foreign Trade, effectively countered the officially sponsored euphoria about the progress of our export trade. His observations are worth quoting in some detail, if only because the entire machinery of official propaganda has been mobilised for presenting a misleading picture of the present state of our export trade to the public. Mr Tapuria said:

"As I comb through the statistics provided in the report, I cannot resist the temptation of comparing them with a bikini bathing suit. It has been said of a bikini that what it reveals is suggestive but what it hides is vital. The same is the case here. If you go through the statistics, it mentions a 3.9 per cent rise in exports in 1969. But it fails to mention that this rise was against a planned

target of 7 per cent compound growth and that the rise was less than half of the 8.7 per cent growth achieved in 1968.

"Further, if you closely analyse the 21 major items which constitute nearly 80 per cent of the total export trade of India, you will find that in 12 items the performance in 1969 has been poorer than earlier records. If you search elsewhere, you will find that India's share in total world exports has gone down from 1.2 per cent in 1961 to 0.7 per cent in 1969.

"The Ministry tries to justify the slow-down in growth by saying: 'An important reason for the decline in rate of growth in exports was the generally unfavourable world trade conditions that obtained during the period under review'. But when you study the latest official world trade figures released by the International Monetary Fund you find that world exports rose by 14 per cent against less than 12 per cent in 1968. The trend is not declining.

"Again, these figures reveal that, while India's exports rose by only \$80 million in 1969, the rise in world exports was a massive \$30,000 million from \$220,000 million in 1968 to \$250,000 million in 1969.

"I thought that probably all Asian countries were passing through a lean period. So I tried to look into the performance of other Asian countries and I found that during 1969 the rise in exports of Hong Kong, Malaysia, Korea and Singapore were to the tune of 25, 24, 30 and 22 per cent respectively. Where then, is the slow-down in world trade?"

It was, however, the Ministry of Industrial Development that provided, naturally, the most spacious occasion for critical performances in the two Houses of Parliament. Mr R. K. Birla, in a characteristically witty, even if somewhat rambling speech compared this ministry with an old wife who believed in 'don'ts' rather than in 'dos'. Recalling an observation made some time ago by Mr L. K. Jha, who was Governor of the Reserve Bank until lately, that the economy could not be expected to improve with so many 'ifs' and 'buts' in government policy, Mr R. K. Birla pleaded with Mr Fakhruddin Ali Ahmed that the Ministry of Industrial Development should be made to shed its 'don'ts', 'ifs' and 'buts'.

Concluding his speech with a dash of good humour mixed with a whole lot of biting sarcasm, Mr Birla narrated the story of a certain prime minister of a princely state in the past, who, when confronted with an accumulation of files on his desk on the eve of a visit by the viceroy, merely directed that half

their number should be placed on his right and the other half on the left and then blandly declared that the files on the right were passed and those on the left rejected. Said Mr R. K. Birla: "I say that even if this policy is accepted by this government, the disposal of the files will be very quick."

It was, however, left to Mr Manubhai Shah in the Rajya Sabha to marshal statistics to show how grave had been the deceleration of the pace of industrialisation in the last four years. He pointed out that as against the growth of eight per cent in the compound rate of industrial production over the years from 1960 to 1966 there was virtually no growth at all in the year 1966 or 1967. On the contrary, industrial production actually declined in 1967 and even more in 1968 over preceding annual levels. He said that, despite successive good harvests, the recovery had been half-hearted, with the result that the country could expect only an increase of 6.5 per cent in industrial production in 1969 over the low levels of the previous two years.

Even after allowance is made for the first person singular with which Mr Manubhai Shah liberally sprinkled his speech, it could be said that he did succeed in making the point that the administration of industrial policy in the last few years had been anti-growth and therefore, a very objectionable reversal of previous governmental attitudes or performance. According to Mr Shah, on an average, about 2,000 entrepreneurs were coming forward with applications from year to year over the period 1961 to 1965, but from 1966 to 1969, the number of applications has gone down to 1,100 per year on an average. The applications sanctioned, moreover, were a miserable 415 per annum during 1966 to 1969 as against an average of 880 during 1961 to 1965.

Castigating the negative and even obstructive attitude of the government generally, and the Ministry of Industrial Development in particular, Mr Shah ridiculed the perverse and wayward manner in which the witch-hunt of entrepreneurs was being organised through ill-qualified committees and commissions. Borrowing a famous phrase, he condemned the Dutt Committee's report as a "a drain inspector's report". He brought out forcefully the harm which this loaded report had done not only to the image of the industrial development which had taken place in the past but also to the climate for further expansion. To quote Mr Shah:

"If you go to the lobbies of the Ministries, the officers are afraid; they are nervous as to who will be handed over to the police; everybody fears that there will be inquiry against him. Why should anybody work? Questions are

asked why the licences are issued in two or three or seven months or one year. Delay is encouraged and quick action is punished. This is the atmosphere."

Proceeding, Mr Shah had some harsh things to say about the mentality which the Minister for Industrial Development was bringing to bear on the working of his ministry and pleaded that, unless the administration of this ministry became production-oriented and investment-oriented, the industrialisation of the nation would become progressively debilitated.

Parliament will be in session for the greater part of this month and in the days ahead there will, no doubt, be more occasions when the representatives of the people, cutting across party lines, will give further expression to the rising discontent in the nation over the slowing down of industrial growth. When Mr Young Turk Chandra Shekhar complains loudly of "frustration", he is perhaps speaking only of the frustration of ambitious politicians left out on a limb. Such dissatisfactions which are of a personal nature may be dismissed as the business of the individuals concerned. But when the rightful and reasonable hopes of a whole nation are thwarted, it is quite a different matter.

In Mr Manubhai Shah's savage phrase, the Ministry of Industrial Development has become a Ministry of Industrial Ignorance and Industrial Stagnation. It is, however, not a particular ministry or a particular minister who alone can be blamed for what is after all a failure of the government as

Aluminium Shortages

AS IN steel, a serious shortage has developed in aluminium. During 1969-70 we produced approximately 147,000 tonnes of this metal. But against this, the demand was estimated around 205,000 tonnes. If the government, therefore, has taken the decision to stop exports of primary aluminium and to consider the supplies made to the cable industry against export orders as fulfilment of the aluminium industry's own export commitment, it is not surprising.

This year we may be able to produce about 165,000 tonnes of aluminium and that too if the various units in the industry work to near-full capacity. This is because the total installed capacity is not more than 168,850 tonnes, spread over as many as six units — Indian Aluminium's Alwaye plant 15,850 tonnes, Hirakud smelter 20,000 tonnes and Belgaum unit 30,000 tonnes; Alumi-

nium Corporation's Asansol smelter 9,000 tonnes; Hindustan Aluminium's Renukoot plant 80,000 tonnes; and Madras Aluminium's Mettur unit 14,000 tonnes. With the demand expected to rise at a much faster rate this year, as a result of the implementation of the fourth Plan gathering momentum, the imports of aluminium may have to be stepped up. Already they are said to have shot up to about Rs 10 crores from less than five crores of rupees only about a year ago.

The shortages of aluminium will be accentuated further in the next three years, as, while the demand is anticipated to go up to as much as 315,000 tonnes, no material addition to existing capacity is likely. As many as seven schemes have been sanctioned for augmenting capacity. These are:

(a) *Public Sector:* (i) Korba Project

100,000 tonnes; (ii) Koyna Project 50,000 tonnes.

(b) *Private Sector*: Renukoot expansion 40,000 tonnes; (ii) Belgaum expansion 70,000 tonnes; (iii) Mettur expansion 11,000 tonnes; (iv) Asansol expansion 3,500 tonnes and (v) Orissa smelter 30,000 tonnes.

Except for the expansion of the Renukoot plant, all the other schemes, on current indications, are expected to be completed only in 1973-74. They may be in full production early during the fifth Plan period. Renukoot's expansion may materialise in about a year or so but all work on it is at standstill at present thanks to the serving of a notice on the company last year to show cause why the licence for expanding its capacity from 60,000 tonnes to 120,000 tonnes, which was granted in December 1966, should not be revoked as no effective steps have been taken to implement it!

It is indeed intriguing why the government thought of serving the above show-cause notice on Hindustan Aluminium. The company, as its last year's production figures show, is already turning out 80,000 tonnes of aluminium. Since the expansion programme envisages enlarging the capacity from 60,000 tonnes to 120,000 tonnes, the present rate of production means that one-third of the expansion programme has in fact not only been executed but also stabilised. Further, after completing the preliminaries, the company asked the government in the middle of last year for a licence to import equipment worth about three crores of rupees. But no reply has yet been received from the government. The real reasons for serving the show-cause notice, thus, appear to have their genesis elsewhere, probably in the ideological approach of the government towards the larger industrial houses.

Another hurdle that has come in the way of the implementation of the expansion programmes of the private sector units is the pricing of the metal. To be able to appreciate the controversy about prices, we have to go back to the budget proposals of 1967 under which the excise duty on primary aluminium (including 20 per cent special levy) was raised drastically from Rs 360 to Rs 1,140 per tonne. The industry was not allowed to pass on the whole of the additional excise burden to the consumer. The bigger units having more than 10,000 tonnes production were asked to absorb duty to the tune of Rs 250 per tonne; the smaller units were to absorb duty to the extent of Rs 150 per tonne. But to compensate the industry for this absorption, the govern-

ment allowed it 25 per cent rebate in the basic excise levy on production in excess of the 1964-65 level, under the tax exemption scheme. Under this arrangement, the prices of the metal came to be informally controlled in as much as no increases in prices were to be made by the industry without prior consultations with the government.

As a result of mounting costs, the industry approached the government for a price revision in May last. But its plea fell on deaf ears. To worsen the situation, the excise burden was raised by this year's budget proposals through changing the basis of the excise duty. The specific rate of duty of Rs 950 per tonne (on primary aluminium or bars) was changed into an *ad valorem* duty of 25 per cent. The special excise levy of 20 per cent was continued. Not only that, the concession in the duty for production in excess of 1964-65 level was withdrawn. The change-over from specific to *ad valorem* duty alone has meant an increase of the duty by as much as Rs 564 per tonne. When, following the above increase, the industry tried to pass on the entire excise burden to the consumer, a statutory control was clamped on its prices, the controlled prices being calculated on the basis of the 1967 formula under which the levy to the extent of Rs 250/150 per tonne was to be absorbed by the industry. As no decision was taken on the industry's plea made in May

last for a raise in prices in view of the increase in the cost of production owing to factors beyond the control of the industry, and also the concession in duty on production in excess of the 1964-65 level were withdrawn, it legitimately felt that the old understanding had been violated by the government. The entire question is now being considered by the Bureau of Industrial Costs and Prices in the Ministry of Industrial Development, Internal Trade and Company Affairs.

The point that needs to be stressed is that the government cannot hold the industry responsible for the so-called slow implementation of its expansion schemes when it takes an unduly long time even to consider its legitimate requests. Unless a suitable adjustment is made in the prices of aluminium, adequate internal resources may not be available for financing expansion. With the capital market also showing no signs of revival, the raising of additional capital from the open market too may not be an easy job. This will necessitate resort to public financial institutions at a time when the right given to these institutions to convert their loans into equity at their option can be expected to scare away corporate borrowers. To sum up, then, unless the government's attitude towards the aluminium industry changes radically, the economy will be in for severe shortages of this essential metal.

What Policy for Export Houses?

THE NEW import policy of the Government of India contains some provisions to enable export houses to play a more active role in the country's export drive. "The object of the scheme", says the Ministry of Foreign Trade in the Red Book, "is to strengthen export houses in their negotiating capacity for sales abroad, to build up a more enduring relationship between export houses and their supporting manufacturers, to enable them to keep their supporting manufacturers supplied with imported raw materials from stocks required for export production, and to develop co-operative relations with their counterparts in overseas markets".

Under the policy, export houses will be granted initial import licences for import of raw materials, components and spares; import replenishment licences against their own exports under the import policy for registered exporters; and import replenishment licences transferred to them by registered exporters under the import policy for registered exporters. They can also apply for imprest li-

cences on behalf of the registered manufacturers associated with them.

The government's move to strengthen the export houses is welcome. But it is not known to what extent the policy will be actually implemented. The import policy for 1969-70 also entitled export houses to receive import licences. But for some reason or the other, it was not properly enforced. As recently as on January 19, 1970, Mr A.L. Mudaliar, Chairman of Imkemex India Ltd, an export house which received a government award for excellence in exports, said in Calcutta, "About a year ago, the Government of India announced a scheme whereby export houses would be granted import licences. This was widely welcomed and we hoped that the scheme would be pushed through with vigour, as it would help such houses and manufacturers to plan ahead *vis-a-vis* the markets they wish to penetrate. There is very little progress to report as we are still not aware as to how the scheme is proposed to be implemented".

Export houses have been complain-

May 15, 1970

ing of inordinate delay not only in getting import licences and cash assistance but also grants-in-aid from the Market Development Fund. The government is said to be not prompt also in fixing incentives for new export products and in taking decisions for opening of foreign offices by export houses.

The government's indecision and indifference to the problems of export houses are hardly surprising. No less a person than Mr K.B. Lall, Secretary of the Ministry of Foreign Trade, admitted only a few weeks ago that the government was not quite clear about the role of export houses. At a meeting organised by the Federation of Indian Export Organisations, in New Delhi on January 13, 1970, Mr Lall said, "The movement for setting up export houses started as far back as 1958. This is the eleventh or twelfth year of the operation of this scheme. The scheme itself has undergone many changes over this period. Neither the export houses nor the FIEO and least of all the government is clear in their mind as to the purpose and direction of this movement. I am not drawing attention to this inadequate apprehension of purpose and direction as a point of criticism either against ourselves or against you. It is quite inevitable in the circumstances in which we are placed that we should be groping for the correct techniques and for the right instruments for the development of the country's export trade."

The new import policy seems to create the impression that New Delhi has now a clear idea of the role of the export houses. There is no doubt that if the Government of India effectively utilises the talents and resources of export houses, it will be possible to make much progress in diversifying our exports. The scope in this direction is vast indeed. In many countries of Asia and Africa, India's non-traditional goods have made little headway. Even in our traditional markets like the USA, the UK and west Europe, a steadily increasing demand can be created for various types of India's manufactured goods as well as for other items like fruits, flowers, vegetables and even rice of the superior variety. It is also important to develop a two-way trade through export houses. As Mr A.L. Mudaliar rightly remarked in his speech referred to above, "The foreign buyer, besides wanting to know of the products which he can import from India, wants simultaneously to discuss the opportunities India offers for exporting his products. The establishment of a two-way trade through export houses will improve their viability and infrastructure. It

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will also help in organising export trade to ensure that the most favourable prices are obtained from overseas and that India's import requirements are obtained at the lowest prices and most favourable terms".

The Government of India has been keen to persuade the small industries to play an increasing role in exports. Accordingly, the new import policy provides for various facilities to the small units. But as most of them lack the experience and expertise in exports, it will be in their interest to use the services of the export houses. As Mr P. A. Narielwala, President of the Federation of Export Organisations, said recently, "Export houses—particularly merchandising export houses—could well afford to extend such assistance to the small units by undertaking scientific marketing methods on their behalf, collecting vital commercial information from overseas and adopting aggressive publicity projects. Export houses should focus their attention on the small-scale sector with a spirit of dedication and urgency, and should establish a continuous and constant commercial dialogue with the small-scale sector." Mr Narielwala at the same time disclosed that many of the export houses were not able to operate at a profit even after ten years of existence. Unless therefore the government creates such conditions as will make exports remunerative, the liberalisation of import policy by itself is not going to

contribute much to export promotion.

The latest official statistics reveal that our exports in 1969-70 are likely to be substantially below the seven per cent growth target envisaged in the fourth-five-year Plan. The government, of course, will explain away this poor performance by referring to the unfavourable trading conditions in the world, the increasing resort to non-tariff barriers by the developed countries, and other factors over which India has no control. But such explanations will hardly convince those who have been watching our export efforts in relation to the performance of other countries. The leader of the trade delegation from Hong Kong which visited this country recently disclosed that his country's exports had on an average increased by 25 per cent per year. This tiny colony has a population of only about four million but the value of its annual exports exceeds that of India. The reason for this spectacular success has been the utmost encouragement given by the Government of Hong Kong to productive activity and the dynamism of its businessmen. State trading has no place in Hong Kong though our State Trading Corporation has just opened an office in that country. The success stories of Hong Kong and many other developing countries should make New Delhi think again about its export promotion strategy and in particular about the role of export houses.

RECORDS AND STATISTICS

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Travel as a Trade

SURENDRA PRASAD

INTERNATIONAL TOURISM, has assumed an important place among the "invisibles" in the export trade which fetches valuable foreign exchange. More than this, "it is a potential force in stimulating international trade and thereby helping to extend and intensify international exchanges".¹ It is to this aspect of tourism that this article addresses itself.

An important feature of the tourist industry is that although it consists of physical "commodities" and invisible services, these are not traded by being moved physically to consumers; instead they attract the overseas (and home) "customers" and persuade them to spend as much of their moneys as possible in the host country. It is in this that the industry differs from all other export industries and helps earn vital and valuable foreign exchange without depletion of the original resources.

Special Characteristics

Secondly, it is the only industry in the world in which almost all the countries of the globe—developed and developing alike—are interested and have some sort of advantages, natural, historical, scientific and artificial. However, from the point of certain characteristics each country has more

or less a monopoly in its travel services. "Each country is famous for a particular kind of food and has its own tradition, pageantry, history, special events or customs which are of interest to the travellers".² It may, therefore, be one of the reasons of unequal distribution of world tourist traffic among the different regions and among the different countries of the same region.

Top Industry

Tourism is among the top industries in the present-day world. The total turnover of the world's tourist industry is over \$ 15 billion in the current year—about the same as in the oil industry.³ The industry, in fact, has occupied an important place in the economic system of many capitalist, mixed and socialist economies. "The earnings from tourism have helped to meet the deficit of Spain's balance of payments and to finance the development plan of 1964-67".⁴ "Since World War II, the tourist industry has become the largest earner of foreign exchange in Italy".⁵ "The receipts from tourism represent about five per cent of the total exports of Sweden."⁶ It has become a significant industry in Kenya and adds to the diversity of economic activity.⁷ Even communist countries have thrown open their doors to

international tourism. "Between 1963 and 1967 the total of foreign currency receipts from tourism in Bulgaria, Hungary, Rumania, Poland, Czechoslovakia and Yugoslavia increased more than four times and exceeded \$374 million."⁸ In Yugoslavia tourism "has replaced agriculture as the second largest foreign currency earner after industry and is challenging transport as the leading source of invisible exports."⁹ The Soviet Union is encouraging the visit of foreigners for the currencies they bring with them.¹⁰

Revealing Statistics

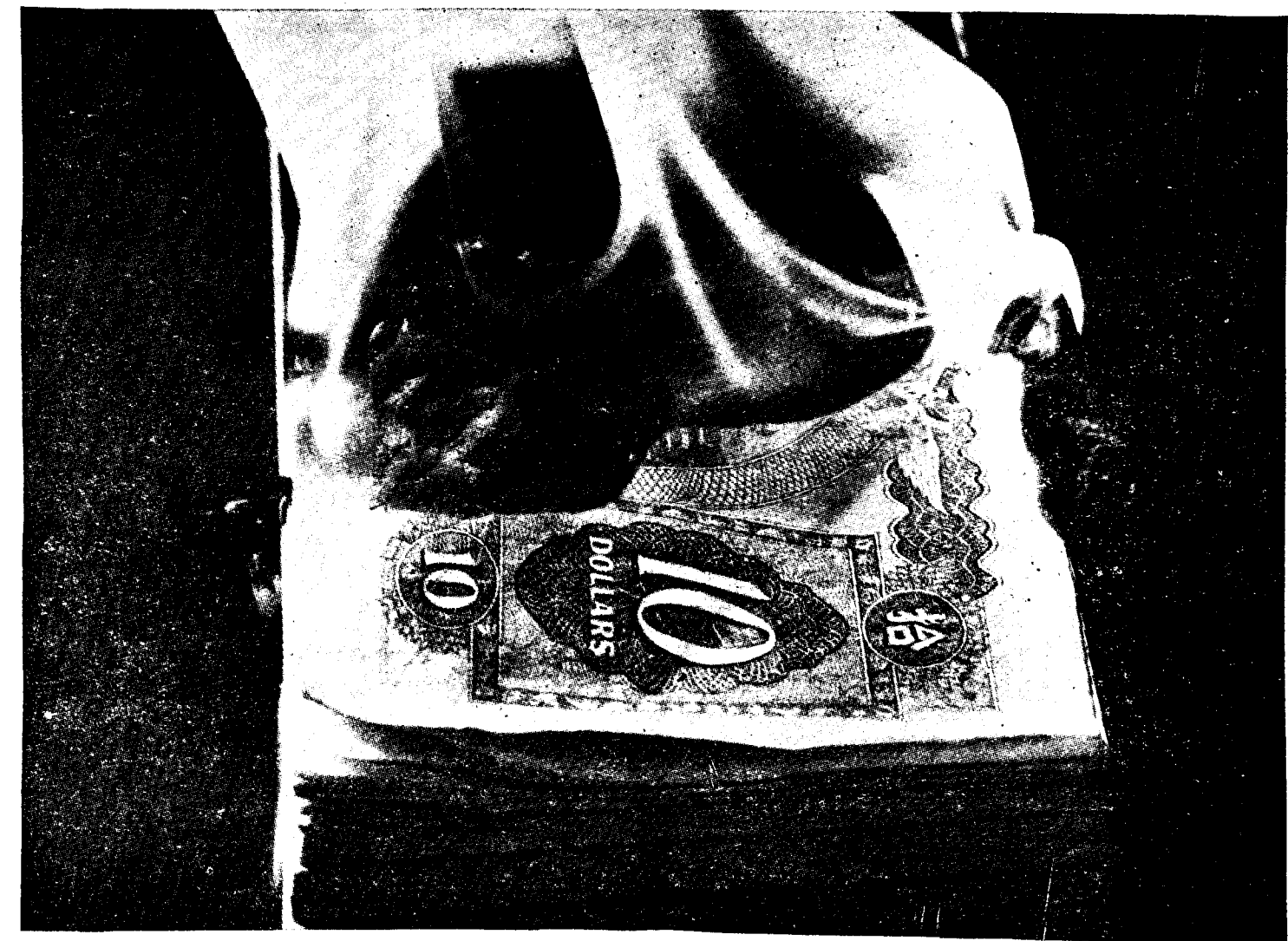
Taking into account the economic benefits accrued to Italy, Spain, Sweden, Kenya, Yugoslavia and other countries, it is believed that developing countries, which are in need of foreign currencies for importing basic raw materials, machines and technical know-how for their economic development, will be successful in alleviating the shortages of foreign currencies through travel trade. However, statistics indicate that it has benefited only those countries which are most prosperous in the world. Table I shows international tourist arrivals and receipts by regions and for the world as a whole. The table reveals that foreign tourist arrivals in America and Europe represented some 94.5 per cent of 1967 total arrivals and 92.3 per cent of total receipts in the world. This trend is naturally not in the interest of economic development in general and healthy development of tourist industry in particular of developing countries. In fact, "if tourism is to be used as a lever to uplift the less developed countries from the morass of poverty and

TABLE I
INTERNATIONAL TOURIST ARRIVALS AND RECEIPTS
(1966-1967)

Region	Arrivals					Receipts				
	1966		1967		Change per cent	1966		1967		Change per cent
	Number	Per cent	Number	Per cent		\$000,000	Per cent	\$000,000	Per cent	
1	2	3	4	5	6	7	8	9	10	11
Africa	18,33,000	1.4	19,26,000	1.4	5	191	1.5	210	1.5	10
Americas	2,68,40,000	20.6	3,08,58,000	22.2	15	3,863	29.3	4,565	32.5	18
South America ..	8,69,000	0.7	10,17,000	0.7	17	321	2.4	369	2.6	15
Central & North America ..	2,37,53,000	18.2	2,73,79,000	19.7	15	3,252	24.7	3,870	27.6	20
Caribbean	22,18,000	1.7	24,62,000	1.8	11	290	2.2	326	2.3	13
Europe	9,59,75,000	73.6	10,03,22,000	72.3	4	8,194	62.3	7,378	59.8	3
Middle East	31,38,000	2.4	25,10,000	1.9	-20	359	2.7	245	1.7	-32
Pacific Areas	21,66,000	1.7	25,35,000	1.8	17	451	3.4	524	3.7	16
Eastern Asia	18,10,000	1.4	21,14,000	1.5	17	333	2.5	385	2.7	16
Oceania	3,56,000	0.3	4,21,000	0.3	18	118	0.9	139	1.0	18
South-east Asia ..	3,74,000	0.3	5,49,000	0.4	16	102	0.8	117	0.8	15
TOTAL	13,04,26,000	100.0	13,87,00,000	100.0	6	13,160	100.0	14,039	100.0	7

Source : International Union of Official Travel Organisations, Geneva, cf. *Britannica Book of the Year*, 1969 Edition, page 734.

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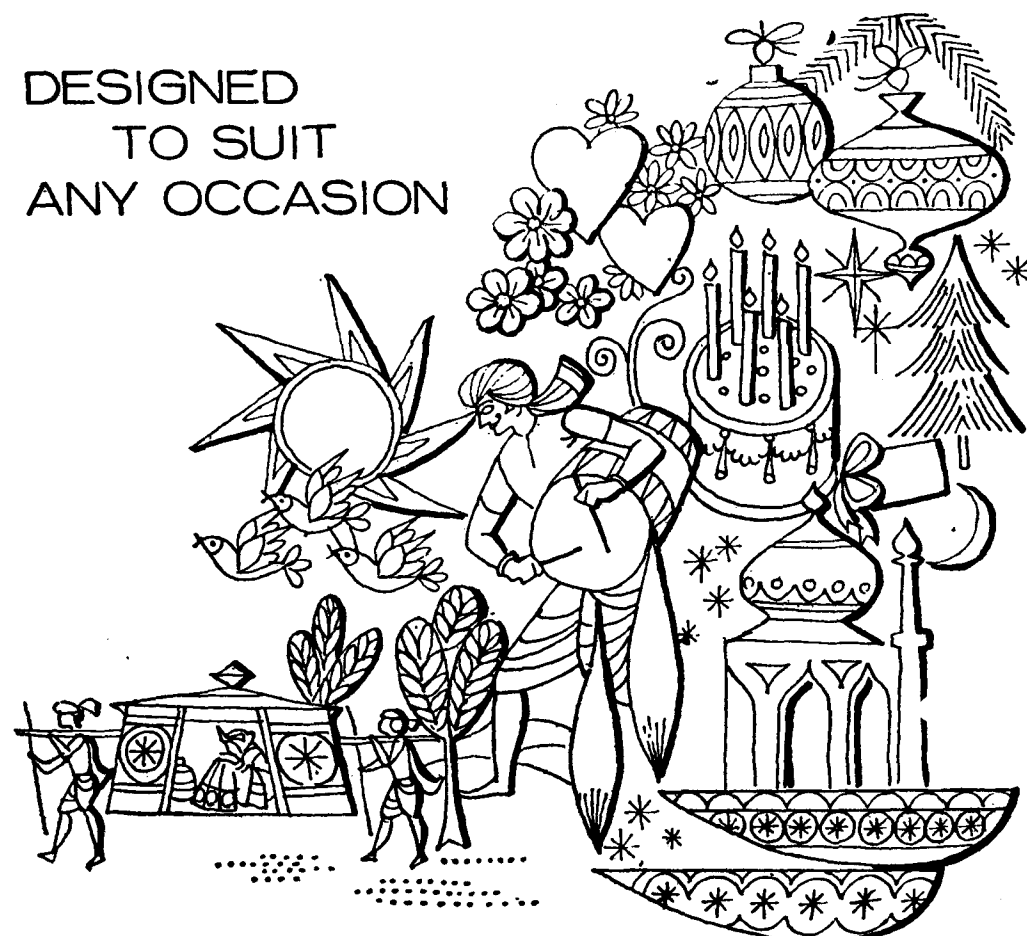
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stagnation, and to assist them in achieving speedier economic and social progress, this imbalance has to be rectified.¹¹ To raise their competitive position in the travel trade, many developing countries are now engaged in exploiting their natural resources, maintaining historical monuments and making large-scale investment in hotels, roads and airfields. The United Nations has also started providing aid to these countries for the organisation of tourism and establishment of tourist facilities.

The importance of tourism for a developing country such as ours which has to buy machinery and basic raw materials on a massive scale from abroad can never be exaggerated. It is, however, a matter of great surprise that India, which is rich with a variety of tourist attractions,¹² earns only two per cent of its total export earnings from international tourism and thus compares poorly with such countries as Spain, Italy, Sweden, Yugoslavia and Kenya, where tourism plays a vital role.

Disturbing Fact

Another disturbing fact is that the share of its earnings from world tourist boom is declining for the last ten years. Table II reveals the poor performance of our travel trade in the world turnover. The table presents that whereas the total world turnover has increased by 309.0 per cent during 1958 to 1967, our share has decreased from 0.67 per cent in 1958 to 0.24 per cent in 1967.

Yet another matter of great distress is

TABLE II
INDIA'S SHARE IN THE TOTAL
WORLD TURNOVER

Year	World's earnings (Rs crores)	India's earnings (Rs crores)	India's earnings as percentage of world's earnings
1	2	3	4
1958	2,588.28	17.46	0.67
1959	2,777.33	19.14	0.69
1960	3,249.95	20.56	0.63
1961	3,459.90	18.49	0.53
1962	3,812.83	19.62	0.51
1963	4,175.25	20.56	0.49
1964	4,776.60	23.00	0.48
1965	5,554.18	21.59	0.39
1966	8,043.33	22.61	0.28
1967	10,597.50	25.23	0.24

Source : Estimates Committee, 1968-69 (Fourth Lok Sabha), Ninetieth Report, Ministry of Tourism & Civil Aviation, Department of Tourism, issued by the Lok Sabha Secretariat, New Delhi, April 1969, Page 13.

that though the volume of foreign tourist traffic in India increased from 1,56,673 in 1964 to 1,79,565 in 1967, the earnings from them, however, rose from Rs 23 crores in 1964 to Rs 25 crores in 1967. These two figures pinpoint the paradox that whereas the average rate of growth of tourist traffic was about 4.7 per cent per annum, the increase in tourist receipts lagged behind, increasing only by 3.1 per cent per annum. This is particularly disappointing in comparison to the growth of tourist traffic and receipts in some other countries during the same period. For example, average rate of growth of tourist traffic and receipt during 1964 to 1967 in Iran was 19.2 per cent and 37.0 per cent, in Japan 10.6 per cent and 12.8 per cent and in Yugoslavia 18.2 per cent and 29.5 per cent, respectively.

Obvious Question

Now the obvious questions are: How to get a larger slice of the international tourist cake? How to make tourism a profitable and perennial source of earning foreign currencies and a source of powerful support to the country's balance of payments position? These are the questions which are agitating the minds of the authorities and those engaged in the travel trade and implementation of the programmes in our country.

This calls for a travel trade policy with such programmes as (a) intensifying efforts in the tourist originating countries to persuade the people to visit the country in large numbers, (b) persuading the tourists to spend more nights in the country and (c) every opportunity should be utilised to make them spend as much of their money as possible in the country. These programmes are inter-related and mutually complementary and it would be a mistake to believe that any one of the programmes will fulfil the main objective of bringing valuable foreign exchange. For instance, as compared to this country Thailand is getting more foreign tourists, still it is earning less foreign exchange from them.

Taking into account this fact almost every country is trying (a) to frame its travel trade policy in such a way as to incorporate all the three programmes mentioned above and (b) to remove or reduce those barriers which affect the travel trade adversely. It may be pointed out that we are suffering from four barriers,¹³ viz., administrative, informative, hygienic and facilitative, and hence are not receiving larger portion of the world tourist traffic. Our aim and plan therefore should be to remove these barriers by doing

away with visas and other documentary formalities (at least on a reciprocal basis), by providing valuable information to the would-be tourists in the tourist originating countries and ensuring hygienic atmosphere and hotel and transport facilities of international standards.

It is contended that travel trade is a two-way traffic and the developing countries, in order to attract large numbers of overseas tourists, should remove restrictions on their nationals from travelling abroad for business, education, recreation and other purposes. The theory is based on the assumption that "personal propaganda through business contacts, acquaintances maturing into friendships across frontiers and, even from time to time international marriages, are far more effective than posters and pamphlets, which cannot convey personal enthusiasm"¹⁴. My study however reveals that the policy is at least not suitable for a country such as ours. Table III presents the estimated tourist receipts and expenditures of certain developed and developing countries for the years 1961 through 1965.

Unsuitable Policy

Most of the developing countries are having tourist deficits. This means, travel trade instead of playing the role of bringing valuable and vital foreign exchange is actually creating problems for these countries. Moreover, faced with balance of payments position, many developed countries have imposed restrictions on the overseas movement of their nationals. For instance, "Britons, who together with the Germans, are most eager to take their holidays abroad, have for past three years had their holiday plans blocked by the £50 ceiling on their holiday expenditure in foreign countries"¹⁵. Even President Johnson, appealed to Americans, in 1968, to restrict travel outside the western hemisphere to the bare minimum. That appeal was due to the greatly increased deficit on travel account that the United States had suffered during 1967.

Moreover, we cannot generalise the theory that travel is a two-way traffic. For example, in 1965 Spain earned as much as \$385 million from foreign tourist travel, whereas Spaniards spent only \$78 million abroad. During the same year the Government of Thailand released \$24 million for its nationals to spend abroad, against which it could earn only \$17 million. It, thus, highlights non-existence of any such relation between the two. Taking this fact into account, many countries, which are short of foreign currencies, have im-

posed restrictions on the travel of their nationals in other countries.

It should, however, be noted that the earnings from foreign tourism do not necessarily depend only on the volume of tourist traffic¹⁶ but also on certain characteristics of the tourists, viz., income, age-structure, frequency of their visits, purpose of visit, etc. For the purpose of this article I have discussed and analysed these qualitative aspects of tourist traffic and have tried to find out how they are helpful in earning foreign exchange.

Income-Group of Tourists

Because of its close relationship with income levels and leisure time, tourism was considered to be an activity of the affluent classes. Accordingly, each and every country used to concentrate its attention towards arranging facilities for these types of tourists. However, the economic development of many countries resulting in higher levels of income and benefit of "leave with pay" have encouraged the erstwhile underprivileged classes to visit other coun-

tries. In fact, holidays with pay have become part of the life of non-agricultural workers almost throughout the world¹⁷. Consequently a large number of foreign tourists fall under the middle and lower income groups. The volume of such tourists is likely to rise with the introduction of jumbo jets in the near future and of supersonic planes a little later resulting in a fall in air fares.

Unimportant Group

It may, however, be pointed out that from the viewpoint of earning foreign exchange this group of visitors is not important as their per capita expenditure will be substantially less than the luxury loving tourists. Nevertheless, taking into account the growing participation of the middle income tourists in the international tourist traffic, it is just possible that the total income derived from this group of tourists may far exceed that from the luxury loving tourists. This suggests we should aim at attracting middle and lower income travellers in large numbers. It is of particular significance that India has become an year-round tourist centre to people abroad. American and European

tourists keep visiting India even in the summer months. It is because of the fact that in addition to marvels of architecture such as the Taj, we have hill stations and mountains of incomparable beauty, game sanctuaries and parks.

The Survey of the Foreign Tourists conducted by the Indian Institute of Public Opinion at the instance of the Department of Tourism, shows, on the basis of the first six months of the survey, that more tourists are coming from the middle income bracket of Rs 25,000 to Rs 50,000 per annum; their share in 1968-69 being 24.6 per cent of all tourists against 15.9 per cent in 1965-66. Taking into account the increasing volume of this group of tourists we should build our travel trade on a foundation of moderately priced but efficiently run hotels which can count on the regular customers of moderate income.

Age Structure

The age-structure of tourist traffic, resulting in different attitudes towards

life, may have an important impact on the development of the infrastructure of the tourist industry. For example, a child tourist, who is economically dependent on his parents may spend less nights and lesser amount of money in the host country than those who are self earners. His demand for facilities naturally may be quite different from all other age-groups of tourists. Similarly, tourists, belonging to the age-group of 50 years and above, are generally leading retired lives and due to lack of money are not in a position to stay in the host country for a long-time. Further, due to old age, they may rarely go for an evening entertainment after a whole day of engagements at the place of tourist interest. This fact should be taken into consideration while planning for the development of infrastructure of tourist industry.

Urge for Leisure

The desire to spend leisure in a pleasant, refreshing, attractive and romantic surroundings is common among the young as well as the old. However, a country may be getting a larger proportion of a particular age-group of visitors. For example, in India, visitors of two age-group, viz. (i) young people belonging to the age-group of 17-30 years, and (ii) middle aged people of 31-50 years predominate. This trend is favourable as these groups of tourists do have higher spending habits.

Our statistics however indicate that though middle-aged people dominate in the tourist arrival statistics of any year, it has not risen, as revealed by Table IV, in the same proportion as that of the young people and persons belonging to the age-group of 50 and above. It shows lack of awareness on our part on the changing character of tourists. Gone are the days when people used to go to other countries mainly to visit historical monuments and places of tourist interest in

leisure. The tourists of today are holiday makers and like to be in pleasant and refreshing surroundings in their brief vacation. Realising this fact, every effort should be made to attract the visitors belonging to this age-group by providing swimming pools, golf courses, tennis courts, billiards, fish-ponds etc. in resort areas and cocktail lounges, supper lounges, night clubs, gambling casinos, piano bars, cabaret, Giesha girls, Indian dances etc. in hotels.

TABLE IV
TOURISTS CLASSIFIED BY AGE GROUPS

Age-group	Year		Percent-age decrease/increase over 1959
	1959	1968	
1	2	3	4
3-16	16,935	14,014	-17.2
17-30	23,217	51,541	122.0
31-50	44,410	76,248	71.7
50 & above	22,216	42,609	91.8
Not available	2,686	4,408	64.1
TOTAL	1,09,464	1,88,820	72.4

Source : India Tourist Statistics 1959 and 1968.

The travel industry consists of two types of tourists. In the first type are those persons, who, due to low level of income and less leisure, visit a country or a place of tourist interest only once in a life time, while the second type of tourists are repeat visitors. The latter characteristic of the tourist traffic is important in the sense that it shows, on the one hand, the capacity of the industry to satisfy the tourists and on the other, these satisfied tourists act as ambassadors on behalf of the tourist industry of the host country. The former type of tourists, if they have time and money, can be persuaded to take repeat trips. It will thus ensure a constant flow of particular group of tourists

in the country in addition to new travellers, meaning thereby an increase in the volume of tourist traffic and earnings of foreign exchange.

Table V shows the frequency of visits by foreigners to India. The table shows that approximately 36 per cent of the total tourist traffic in 1957 have visited this country more than once. It also reveals that repeat visits are largely confined to people travelling for reasons of business rather than pleasure. It is important the average expenditure of business travellers—habitually higher spenders—is quite high as compared to the sight-seeing tourists.

The surveys conducted in 1965-66 and 1968-69 also show that per tourist expenditure of those who come for business, official and educational purposes is quite high as compared to pleasure travellers. It is, however, a matter of surprise that these surveys have not cared to know about the extent of the repeat visits. It is believed that the affluence noticeable in many countries will result in increased repeat travels for leisure and relaxation during the coming decade.

Earnings from Tourism

The earnings from tourism can be increased in two ways, viz. (i) by persuading the tourists to spend more nights in the country, and (ii) by offering the tourists new ways to spend money. The number of nights per visitor can be increased by persuading the tourist to visit as many places of interest as possible and these increased nights coupled with facilities of accommodation, good food, wine, theatre, etc. will automatically increase the expenditure by the tourist.

The earning potential of travel trade can be enhanced not only by increasing

TABLE III
ESTIMATED TOURIST RECEIPTS AND EXPENDITURES FOR YEARS 1961-65
(In millions of US dollars)

Country	1961		1962		1963		1964		1965	
	Rec.	Exp.	Rec.	Exp.	Rec.	Exp.	Rec.	Exp.	Rec.	Exp.
1	2	3	4	5	6	7	8	9	10	11
Developed Countries										
Austria	277	61	354	74	423	110	503	118	561	141
Denmark	119	89	130	109	144	120	167	137	190	165
Germany, West	507	828	539	1,069	608	1,085	681	1,176	729	1,391
Finland	19	49	24	59	28	59	34	69	41	75
Greece	63	19	76	32	95	28	91	39	108	42
Ireland	122	46	128	54	139	63	165	73	190	79
Italy	755	108	847	123	932	183	1,035	209	1,288	227
Japan	47	52	48	48	54	65	62	78	71	88
Netherlands	160	155	180	174	213	214	241	265	276	309
Spain	385	53	513	47	679	68	918	66	1,105	78
Sweden	71	108	77	129	76	147	98	169	94	207
Switzerland	420	171	470	191	511	213	590	243	633	268
Turkey	7	12	8	18	8	21	8	22	14	24
United Kingdom	493	560	512	588	527	675	532	731	441	812
USA	885	1,735	878	1,85	934	2,090	1,095	2,201	1,212	2,400
Yugoslavia	20	12	31	9	53	9	68	13	81	18
Developing Countries										
Argentina	10	26	9	41	4	21	2	51	NA	49
Costa Rica	7	6	8	7	10	8	10	9	11	10
China (Taiwan)	4	2	2	3	3	1	7	3	11	6
Ghana	4	18	4	17	4	10	neg.	9	1	12
India	33	24	32	25	34	21	37	22	NA	..
Israel	30	18	38	26	53	38	55	37	56	44
Mexico	557	288	585	310	657	349	704	377	782	414
Philippines	4	21	4	42	11	33	15	29	28	53
Peru	21	23	21	23	25	24	26	38	25	40
Kenya	NA	NA	NA	NA	20	19	26	19	31	18
Thailand	8	12	9	16	10	17	12	22	17	24
Tanzania	5	7	6	7	6	6	7	6	7	6
Ceylon	2	5	1	4	1	5	1	3	1	3
Ethiopia	4	4	2	6	2	6	2	6	3	6
Burma	NA	NA	1	3	1	1	1	3	1	2
Pakistan	2	8	2	9	2	10	2	12	NA	NA

Source : International Monetary Fund, *Balance of Payments Year Book*, 1965.

TABLE V
TOURISTS BY NUMBER OF VISITS, PURPOSE OF VISIT AND AVERAGE EXPENDITURE PER TOURIST NIGHT

Purpose of visit	Average expenditure per tourist night (Rs)	Number of visits						
		One	Two	Three	Four	Five	Six to ten	Many
1	2	3	4	5	6	7	8	9
Pleasure	81.98	626	92	28	9	5	21	18
Business	90.91	262	108	44	26	16	30	34
Official	76.60	185	42	23	5	8	11	36
Others	72.52	94	35	16	13	10	13	11
TOTAL	81.20*	1167	277	111	53	39	75	99

* Overall.
Source : Report of Tourist Traffic Survey 1957, Research & Statistical Unit, Department of Tourism, Ministry of Transport and Communications, Government of India.

the number of tourists but also by increasing the number of "tourist nights"—nights that a tourist spends at a destination. More "tourist nights" mean more earnings from tourism. Table VI presents average stay and expenditure of a tourist in 1965-66 in India. The table shows that the average expenditure of those tourists are quite high who spend more nights. The table, however, reveals that the average expenditure of the tourists of affluent countries are higher than those of the developing countries. In spite of many favourable conditions India is not earning much from foreign tourism because of the fact that about 33 per cent of its tourists stay with their friends and relatives (Table VII). The average expenditure of these tourists is 27 per cent less than those who stay elsewhere, resulting in proportional

loss to our earnings. This facility some times leads to the leakage of foreign currencies.

Tourist expenditure is an important source of foreign exchange earning. World spending on travel has increased almost three times in the last nine years and more than one-and-a half times faster than the export of goods¹⁸. Taking into account the economic development of so many countries it can be safely said that tourist expenditure, like spending on luxuries, will rise faster than per capita income. It shows people are keen to travel and spend money and we must cash in on this world-wide phenomenon.

The travellers spend money not only on transport, lodging and sight-seeing but also on the goods and services

they normally consume and utilize when at home. They also spend considerable sums on handicrafts, jewellery and many other items which they take as souvenirs or gifts for their friends and relatives. This suggests that we should plan our tourism policy in such a way that it includes, apart from others, the following programmes:

(i) There should be enough arrangement for evening entertainment. Son-et-Lumiere, Cinemas, Cabaret floor shows, Indian dances etc. can be helpful.

(ii) A very high standard of cuisine—Indian and/or western—should be served at hotels and restaurants with carefully selected music and dance entertainment giving a glimpse of our culture.

Constructive Suggestion

At a recent convention of the International Hotels Association in New Delhi, Dr Karan Singh, Minister for Tourism and Civil Aviation, came out with a constructive suggestion that hotels in each country should reflect "the special genius of its cultural heritage". "The Indian hotels furnished with gaily painted bowls and ash-trays of papier-mache, sandstone figurines of Orissa can serve, in a sense, as an agent of Indian Tourist Industry". This may also, help us by persuading the visitor to purchase our attractive handicrafts.

(iii) Restriction on the consumption of liquor by the foreigners should be discontinued.

(iv) The tourist information bureaus and travel agents should include many places of attraction in a tourist's programme. This will increase the number of tourist nights. A disturbing factor, however, is that nearly 12 per cent of

all tourists, as revealed by the 1968-69 survey conducted by the Indian Institute of Public Opinion, had to cancel their normal trips for want of such facilities as air and rail bookings, accommodation, etc.

(v) Those travel agents should be suitably awarded by the Government of India who bring in large number of destination tourists in India.

(vi) Well maintained shops should be established at places of tourist attraction and near transport offices, tourist information bureaus, hotels, etc., in order to make available standard goods at fixed prices to the tourists. The Indian Institute of Public Opinion has found that expenditure on shopping has increased by 46.4 per cent over 1965-66. In percentage terms the share of this item in the total expenditure has increased from 20.8 per cent in 1965-66 to 27.4 in 1968-69. Obviously, we must look upon the provision of shopping facilities as a major element in tourist development. Within the item "shopping" tourists show preference for silk and handloom products and handicrafts.

These items account for as much as 71.3 per cent of the total outlay on shopping. These sectors therefore, merit special attention. The operation of duty free shops can help us a lot. It has been found that these shops have attracted more tourists than any other shops. Last year the foreign exchange earnings from these shops amounted to Rs 6.15 lakhs. It is, however, a matter of great regret that while several imported items such as liquor, perfumes, cigarettes, watches, pens and films are being sold in these shops duty free, indigenous goods such as tea, tobacco, coffee, cigarettes, Indian wines, transistors and gramophone records are receiving step motherly treatment from the Government of India in the sense that the government has not yet exempted the levy of excise duty on such goods. The government should, therefore, take an immediate decision to supply these goods excise duty-free to these shops. This will make our goods popular in the foreign countries and may thus help us in earning more foreign exchange.

Economic development of our country is very closely related to our foreign trade and international tourism is an important constituent of foreign trade. International tourism, a gold mine of the twentieth century, can yield valuable foreign exchange, if we follow the programme suggested above. But this is a big "if" as there is tremendous competition in the world for every dollar a tourist spends. Our country must pre-

sent a new image abroad—the image of an "exciting tourist destination"¹⁹.

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Bottlenecks in Rural Electrification

DR M. N. UPADHYAY

THE RECENT technological developments in the field of our agriculture have brought in their train a variety of problems which need to be looked into on the eve of the fourth five-year Plan. The All-India Rural Credit Review Committee appointed by the Reserve Bank of India has recommended the formation of a rural electrification corporation with an outlay of Rs 45 crores. The corporation is expected to energize five lakh wells during the course of the fourth Plan period. This recommendation of the Rural Credit Review Committee has been accepted by the Government of India and the draft fourth Plan proposes that Rs 150 crores may be raised for this purpose of which Rs 45 crores would be provided by the government and the balance raised from other sources. In addition to the foregoing it has been proposed to energize 12½ lakh dug wells and three lakh tube wells during the fourth Plan period. The experience in the implementation of rural electrification programmes, thus far, has revealed several bottlenecks, which, unless taken care of, are likely to multiply as a result of the targets set for the ensuing Plan.

Though there is a general dearth of credit facilities, difficulties have been experienced in mobilising loan applications for energizing wells. This reluctance on the part of the farmer is primarily due to the large number of hurdles that have to be crossed before he can hope to get the loan amount. Thus, in certain areas, where schemes for minor irrigation were to be implemented, camps

had to be organised and drives launched for the mobilisation of loan applications. Ordinarily, a loan application has to pass through several stages and the borrower applicant is often bewildered at the time-consuming procedure at each stage. The completion of the elaborate loan application proforma along with its appendices and enclosures is the first major difficulty of the borrower who is usually illiterate and does not appreciate the complexities of form-filling.

In one state the application proforma is in the form of a slim register of about 50 foolscap pages. The loan application is to be submitted to the Gram Sevak who is an important and busy person and not always available. Instances were reported where individual borrowers took nearly two months to complete the application proforma. The Gram Sevak is not equipped to scrutinise the application and merely forwards it for public enquiry which in some cases had taken nearly six months. Even at this stage the discrepancies are not noticed and they come to light only after the application reaches the land development bank. The discrepancies are not always pointed out at one instance but piecemeal which causes avoidable wastage of time. Next, the land development bank sends the loan applications to the government valuers who verify the land and give the valuation report. This again is a time-consuming process; the certificate of right to be obtained from village revenue authorities is a major hurdle. When the village patwari provides the

TABLE VI

AVERAGE STAY & EXPENDITURE OF TOURISTS

Nationality/nationality group	Numbers	Average stay (nights) tourist	Average expenditure per tourist (Rs)	Average expenditure per tourist per night (Rs)
1	2	3	4	5
United States of America	1,454	13.4	1,137	84.8
North & Central America	143	14.2	1,079	76.0
South America	38	8.6	749	87.1
United Kingdom	650	29.8	1,162	39.0
Western Europe	776	19.1	1,093	57.2
Eastern Europe	107	23.0	1,508	65.6
Japan	162	18.7	1,263	67.6
Other South & South East Asia ..	678	47.0	607	12.9
Africa	328	59.2	938	15.8
Middle East	170	29.1	575	19.8
Australia	307	10.4	569	54.7
Overall	4,813	25.1	997	39.7

Source : "Economic Survey of Tourism in India" prepared by the Directorate of Transport Research on the basis of a Survey conducted by the composite Ministry of Transport, Shipping and Tourism in 1965-66.

TABLE VII

AVERAGE STAY AND EXPENDITURE OF TOURISTS WHO STAYED WITH FRIENDS AND OF OTHERS

Nationality/nationality group	Tourists who stayed with friends/relations				Others			
	Numbers	Average stay (night)	Average expenditure per tourist (Rs)	Average expenditure per tourist per night (Rs)	Numbers	Average stay (nights)	Average expenditure per tourist (Rs)	Average expenditure per tourist per night (Rs)
1	2	3	4	5	6	7	8	9
United States & America	177	18.7	1,078	57.6	1,277	12.6	1,145	90.9
North & Central America	24	23.2	965	41.6	119	12.4	1,102	88.9
South America	8	22.3	1,061	47.6	30	5.0	666	33.2
United Kingdom	223	43.1	1,016	23.6	427	22.9	1,239	54.1
Western Europe	163	31.7	808	25.5	613	15.7	1,168	74.4
Eastern Europe	14	20.0	1,078	53.9	93	23.5	1,573	66.9
Japan	27	17.9	824	46.0	135	18.9	1,351	71.5
Other South & South East Asia ..	424	63.9	538	8.4	254	18.8	720	38.3
Africa	241	70.6	903	12.8	87	27.8	1,034	37.2
Middle East	66	40.1	382	9.5	104	22.2	697	31.4
Australasia	53	21.8	726	33.3	254	8.0	8.0	6730
Overall	1,420	47.6	794	16.7	3,393	15.7	1,082	68.9

Source : "Economic Survey of Tourism in India" prepared by the Directorate of Transport Research on the basis of a Survey conducted by the composite Ministry of Transport, Shipping and Tourism in 1965-66.

records it is found that these are not always correct and have to be returned for rectification.

The usual practice in accepting land as security while sanctioning loans is that the value of land is arrived at on the basis of available records in the village. The loan eligibility of the borrowing member is taken to be fifty per cent of the value of land. However, in actual practice the valuation of land in a village is not done periodically, say every year, with a view to determining the current value which is generally appreciating. The value of land available with the village authorities is three to five years old. The valuation of land is done by the registrar of co-operative societies on the basis of data received from district collectors only when a specific request to this effect is made. It has been found that such specific requests are few and far between and the borrower suffers because his loan eligibility is reduced due to the depreciated value of land reckoned for purpose of giving loans.

The loan sub-committee of the primary land development bank consisting of the assistant registrar of co-operative societies, president and secretary of the land development bank, the deputy director of agriculture and the collector or his nominee consider loan applications for sanction. Here again the primary land development bank has ceilings up to which it can sanction loans and these ceilings are not adequate for the digging of a well and its energization. So, the loan application has to go to the apex land development bank which again scrutinises the loan application in all its details. It has been reported that the sanction of a loan application can take up to six months during which period the harassed borrower is drawing upon both his physical and financial resources.

Array of Problems

Even after the loan has been sanctioned almost an identical array of problems seem to crop up in the disbursement of loans and its utilisation. Instances have been noticed where the first and second instalments of a loan for digging a well have been released but even after months the third instalment is not released. Meanwhile the borrower has completed a part of the well and finds himself at the mercy of the rains which neutralise his efforts in well-digging. Literally the first and second instalment amounts are sunk.

Sometimes the primary land development bank does not have adequate funds at its disposal to disburse the sanctioned loan amounts. It has to depend upon overdraft facilities from

the district central co-operative bank which charges 8 to 9 per cent interest on overdrafts. At this rate of interest borrowing becomes uneconomic for the primary land development bank which is left with no margin.

Instances have also been noticed where loan applications were sanctioned but amounts were not disbursed. There did not seem to be any plausible reason for this non-disbursement of sanctioned loan amounts.

The major bottleneck in energizing dug wells and/or tube wells is the slow pace of rural electrification. Thus, even when schemes have been sanctioned and wells have been dug these have not been energized due to lack of electrification. The electricity board insists on a 50 HP load being available for every mile to be covered under the electrification programme.

Lack of Co-ordination

In certain areas, particularly where the government subsidised lift irrigation scheme was in operation earlier, the cultivators are reluctant to pay the present higher cost of electrification. This was in spite of the fact that they were informed that the subsidised lift irrigation scheme had been withdrawn. The electricity board has several alternate proposals with the required load per mile and sees no particular reason why the scheme for minor irrigation should be preferred for electrification in the absence of the required load per mile. The concerned authorities also do not see to it that such areas are chosen for the purpose of minor irrigation which are either already electrified or are to be electrified in the near future. Thus, we find that schemes for minor irrigation and for rural electrification do not always co-ordinate.

Sometimes, the execution of a programme of rural electrification is interrupted by the lack of equipment and components. Instances were noticed where the programme for rural electrification had been kept in abeyance due to the non-availability of conductors and brackets both of which are made in India.

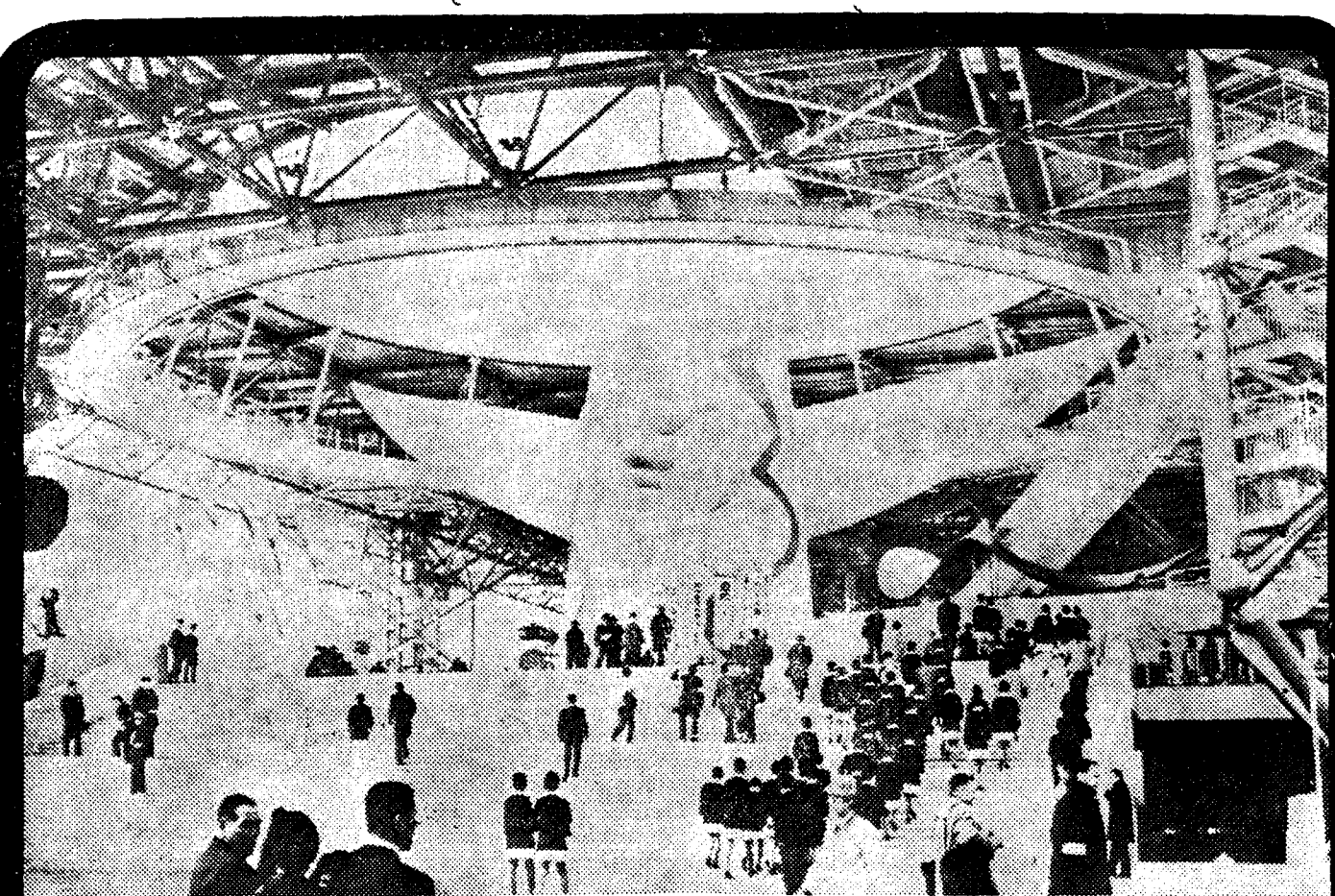
The paucity of rigs is a major problem in the digging of tube wells. Even with the help of non-official agencies we are not able to achieve the desired progress due to the lack of this equipment. On the one hand a large number of tube wells are planned for drilling while on the other the very equipment with which this is to be done is not available. In one state, the government has 14 tube well schemes on hand with the estimated outlay of Rs 9.29 crores

while it has about 20 rigs in operation. Thus, it is difficult to achieve the target with the available equipment.

While the concept of balanced regional economic development has been accepted in all responsible quarters as a worthwhile proposition, in its operative aspect we find that several backward pockets, even in prosperous areas, have been unable to avail of the facilities of rural electrification due to the foregoing restrictive factors. The small farmers, particularly the tribal farmers, are the hardest hit. Their problem is basic in the sense that they do not have the required acreage of mortgageable land which can provide the security for loans. In the draft fourth Plan the recommendation of All India Rural Credit Review Committee regarding the small farmer development agency has been accepted and it has been stipulated that 30 selected districts would be chosen to provide comprehensive ameliorative measures for making these small farmers economically sound; a provision of Rs 30 crores has been made in the fourth Plan. This agency has been asked to investigate and identify the problems of the small farmers and obtain the services and supplies required by them. Individual small farmers are to be helped to secure loans from co-operative banks for sinking of wells. However, the crux of the matter is that co-operative banks will not be able to provide the necessary funds unless the desired security is available.

Joint Mortgage

I suggest that a number of small farmers in a contiguous area should be asked to provide a joint mortgage of their properties to serve as loan security for digging a well and its energisation. The benefits of irrigation could be availed of by all the small farmers who have offered the security. In addition, the development agency or similar organisations could dig and energize wells and sell the water to the small farmers in the area. Unless these, somewhat radical, steps are taken in favour of small farmers it is feared that the gap between the rich and poor farmers will widen and the small farmer will ultimately be forced out of his land. I further feel that piecemeal efforts at providing isolated facilities to small farmers will not be any solution. What is required is a project approach wherein the entire spectrum of the small farmers' problems are identified and squarely met by one single agency. The energies of several bodies should not be frittered away without any tangible benefits to the small farmers. It is not necessary to provide subsidised or preferential treatment to the small farmers since this can at best be a short-term measure.



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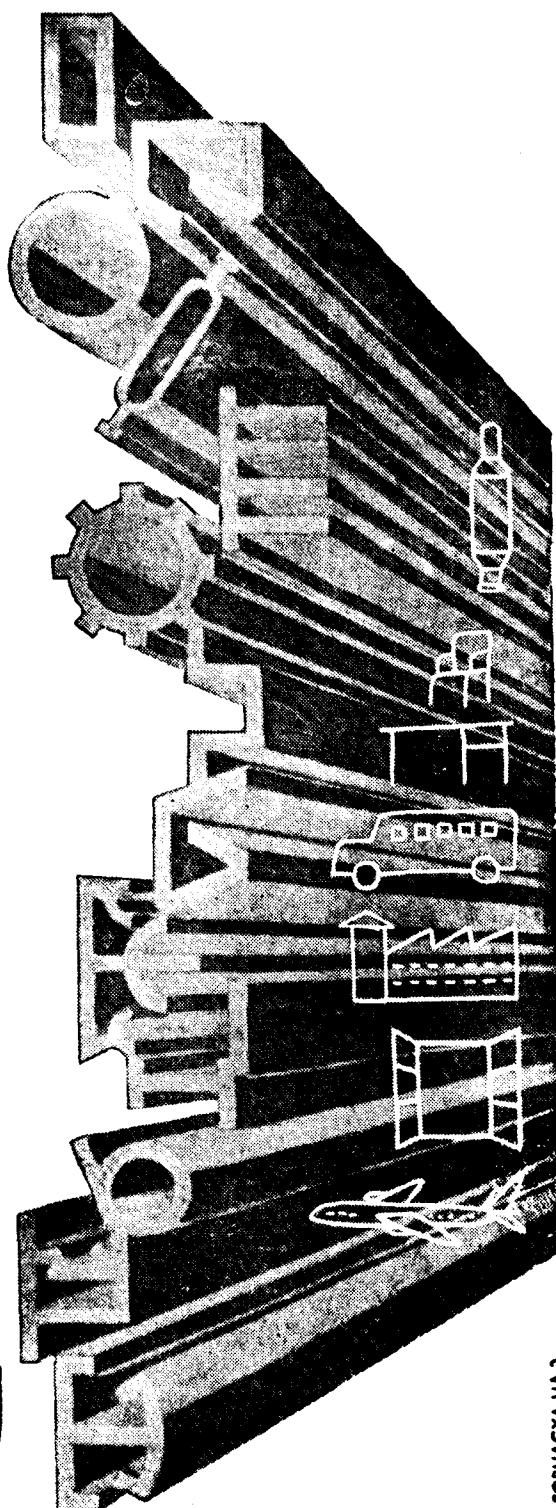
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FROM THE PRESS GALLERY

Finance Bill Adopted

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI : Saturday

BY ADOPTING the Finance Bill this week, the Lok Sabha set its seal of approval on this year's union budget. The Rajya Sabha passed the Appropriation Bill for the current financial year.

Before the Finance Bill was adopted by the Lower House, the opposition wrested one more concession from the Prime Minister and Minister of Finance, Mrs Indira Gandhi. This was the raising of the standard rate of reduction from salaries for computing income-tax from Rs 50 to Rs 60 per month in the case of tax-payers owning scooters and motorcycles and from Rs 20 to Rs 35 a month in the case of those using bicycles or other similar conveyances. It also secured a promise that the government would consider withdrawal of the extra levy proposed on sugar if the prices of this commodity went up unduly high.

The rest of the modified taxation proposals, of course, were stoutly defended by Mrs Gandhi. She did not think that the tax burden proposed by her was excessive; the more oppressive, she stressed, was the burden of poverty and social injustice borne by the people. The pace of nation's advance, she said, could be accelerated only through additional mobilisation of resources, however inconvenient this might be for some. Additional taxation, she added, had also to be resorted to for effecting a progressive reduction in inequalities which were rampant in the society. Notwithstanding the fact that the taxation on personal incomes had been raised to as high a level as 93.5 per cent in the top income bracket, the Prime Minister observed that it was her firm belief that ours was among the lowest taxed nations in the world.

Savage Proposals

The above observations of Mrs Gandhi apparently were in reply to the sharp criticism of her budget by Mr N. Dandekar (Swt.), Mr Shantilal Shah (Cong-O) and Mr S.S. Kothari (JS). Marshalling his facts and figures quite cleverly and effectively, the spokesman of the Swatantra group described the budget proposals as savage. The continued resort to heavy deficit financing (which he thought might turn out to be as high as Rs 450 crores this year, as against Rs 225 crores assumed in the budget) would have a disastrous effect on the cost of living, particularly of the

salaried classes. Personal taxation, Mr Dandekar opined, had reached a murderous stage; after a certain level, out of every Rs 100 earned by a person, the government would take away Rs 93.50 as tax. This, he was sure, would encourage tax evasion. Regarding tax on companies, the Swatantra leader observed that it was the highest in the world. Over and above this, the government was talking in terms of refusing licences and permission to some big business houses to expand their activities. The consequence of all this on productivity and employment, he warned, would be disastrous, especially if the industrial houses were made to disinvest on a large scale.

Vehement Criticism

Mr Shantilal Shah took particular exception to the disallowing of expenditure on entertainment and the maintenance of guest houses for the purposes of computing income-tax. He also vehemently criticised the taxation proposals regarding charitable trusts. In the opinion of Mr Shah, reasonable restrictions in regard to both entertainment expenditure and the affairs of charitable trusts could be appreciated. But the budget proposals, he said, were far too severe. If the intention of the government in respect of charitable trusts was that they should not be utilised for promoting business and industries, the proper solution, he pointed out, was to impose a ceiling on accumulations in trusts or to regulate share-holding. The proposed modifications in the taxation structure, he felt, were indicative of the dislike of the Prime Minister for all charitable trusts. Mr Shah also questioned the desirability of regulating the working of the charitable trusts through the Finance Bill, instead of through a separate bill.

Mr Kothari feared that deficit financing during the fourth Plan period would be nearly Rs 1,000 crores over and above the level envisaged in the Plan document. This, he opined, was largely due to the increased outlay on the public sector which was envisaged not on economic grounds, but because of political pressures from the "so-called radicals in the ruling party." The Jana Sangh spokesman pleaded for raising the exemption limit from income-tax to Rs 7,500.

As against the above criticism

of the members belonging to Congress-O, the Jana Sangh and the Swatantra party, the leftist members of the House felt that the tax system in the country was weighted in favour of the rich and not much was being done for giving a socialist bias to the government's policies.

Pleas were also made during this debate for modification in the proposals regarding tax on capital gains of agricultural lands; some members even expressed themselves totally against the central government legislating on this issue. A good deal of concern was expressed over the growing unemployment, specially of the educated. Some members clamoured for the location of new public sector plants in their areas.

The Prime Minister did not share the view that the extent of deficit financing would be more than what was anticipated in the budget. The latest reports, she pointed out, suggested that the budgetary deficit in 1969-70 would be less than Rs 290 crores. During the current financial year, it would be even smaller. This, she stressed, was largely due to better collection of taxes and similar other measures taken by the government.

The Prime Minister also did not agree to the further raising of the exemption limit for income-tax; with the concession already given by her, she emphasised, some 500,000 assesseees had gone out of the tax register. The further raising of the exemption limit would mean a significant loss to the exchequer. She, however, appreciated the concern of members for relief to the people in the lower income brackets.

Agricultural Wealth Tax

Defending the proposal to tax agricultural wealth, Mrs Gandhi said that this would cover only those who had agricultural wealth more than Rs 1.5 lakhs over and above the exemption limit of one lakh of rupees already allowed under the Wealth Tax Act. She did not share the pessimistic view taken by some members in regard to the levies on sugar and tea.

To those who had pleaded for concessions, Mrs Gandhi's reply was that there could be no tax holidays or excise holidays. There was no scope for letting up in the efforts being made to mobilise resources. She denied the contention of some members that commodity prices had spiralled in the wake of the budget. The incidence of price increases directly attributable to the budget, she said, was of the order of just about 0.6 per cent. Even the overall picture, she added, did not reveal an increase of more than one per cent.

Referring to the criticism of the tax liability of trusts, the Prime Minister

assured the House that it was not her intention to dry up the spirit of charity; on the contrary, she wanted the trusts to be more charitable by showing charity to the government as well. The bonafide charitable cause, she stressed would not be curbed by her taxation proposals.

During the Rajya Sabha debate on the Appropriation Bill the attack on the government's economic policies was no less severe than in the Lower House. The Congress-O spokesman, Mr S.D. Misra, charged the government with "talking big and doing nothing." He painted a very dismal picture of the state of the economy. An interesting point made by Mr Misra was that there should be a constitutional limit to the borrowing powers of the government. The law and order situation in the country, Mr Misra felt, had deteriorated considerably; the deterioration had to be checked expeditiously. Mr Misra also charged the government with trying to influence newspapers. All India Radio, he urged, should be turned into the statutory corporation. In foreign affairs, the government, Mr Misra said, had become "a satellite of Russia." He pleaded for the manufacture of atom bomb in view of the Chinese threat across our borders and the advances made by that country in space technology.

Plea Reinforced

Mr Misra's plea for limiting the borrowing powers of the government was, interestingly enough, shared by Mr Ram Niwas Mirdha (Cong.-R). A limit, Mr Mirdha felt, should also be fixed for guarantees given by the centre and the state governments for foreign loans. He as well wanted placing of restrictions on further concessions in taxes and electricity rates to industrialists and drawing up of a long-term programme for augmenting the production of cash crops. The Jana Sangh spokesman in this House, Mr D. Thengari, suggested the setting up of a national commission to go into the pattern of industrial ownership. This commission, Mr Thengari further said, could also recommend certain industries in which only workers should have a say. Several members pleaded for streamlining the administration of public sector undertakings. The recent flare-up in Indo-China also figured prominently in this debate. Strong plea was made for a five-year industrial truce in the interest of raising production.

Winding up this debate, the Minister of State for Finance, Mr R.K. Khadilkar, denied the charge that the government had been borrowing excessively. All the borrowing programmes of the government, he pointed out, were

brought before Parliament. Similarly, the details of the guarantees on foreign loans were also made available to members. The government, Mr Khadilkar further stated, had, following the recommendations of the Public Accounts Committee, examined at the highest level more than once since 1962 the proposal for statutorily limiting its borrowing powers, but it was not found to be feasible. Of the total public debt incurred during the last 20 years—Rs 12,368 crores—74 per cent,

he said, was accounted for by loans to state governments and public commercial and other undertakings. This amount was lower than the actual disbursement made to the states. Whatever borrowings were undertaken by the government, he pointed out, were used for productive purposes. The government investment, he revealed, had paid this year a dividend of Rs 638 crores, which was larger than the interest that had accrued on the public debt (Rs 507 crores).



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WINDOW ON THE WORLD

Tour of the Western Horizon

JOSSLEYN HENNESSY

LONDON:

FRANCE

SOME PROGRESS is being made in France as a result of the economic recovery programme initiated in September last. The trade deficit has been cut, reserves have improved and deflationary measures have stabilised the domestic economy. Rationalisation within industry continues and efficiency is being increased. The growth rate for 1970 is officially at 4 per cent.

Credit remains tight. Bank rate, raised from 7 per cent in October last year, is still at 8 per cent and restrictions on bank lending are to remain in force until the end of June. However, a relaxation of some hire purchase restrictions took place earlier this year and there are indications that the situation may become easier in the near future. As a result of the deflationary policy, domestic demand eased during the last quarter of 1969 and accompanying this slowdown, savings have risen appreciably. During 1970 savings are expected to rise by over 12 per cent but price increases may have a detrimental effect. Prices have risen above expectations lately — the retail price index rose by 0.8 per cent in January — and it is generally felt that it may be difficult to keep within the 3.9 per cent limit in the rate of inflation for 1970 because of a number of wage increases recently agreed and because of substantial price rises, the effects of which have still to be felt.

Long-Term Objective

A long-term objective is to improve industrial competitiveness and, to this end, large, powerful, industrial combines are being encouraged. Firm plans have been announced for further extensive expansion of the steel and chemical industries in the next few years. A fully integrated steel plant is to be built at Fos, near Marseilles, which should have a capacity of 7 million tons by the end of the decade. Both Shell and Esso are to expand their chemical interests in France by investing in new plant and a considerable amount of concentration has taken place in the pharmaceutical sector of the industry. Similarly, there has been substantial investment and reorganisation in the textile industry where ten firms now account for nearly a third of the turn-

over. Some contribution to industrial efficiency could be made by the proposed Institut de Developpement Industriel (IDI) — a similar institution to the United Kingdom's Industrial Reorganisation Corporation — which, with a capital of 1,000 million francs, will promote mergers and general reorganisation where these are thought desirable.

Worker Participation

Worker participation in industry is attracting interest, and a project to create shares in the nationalised Renault Motor Company and to distribute them among employees has been approved. The first part of a general plan to encourage worker participation — introducing profit sharing — has yet to be completed. Large industrial groupings, such as the recently formed Societe Nationale Industrielle Aerospatiale, a conglomerate created by the merger of Sud Aviation, Nord Aviation and SEREB, should, it is hoped, encourage involvement of workers, though personally I don't see why it should do anything of the kind. Proposed legislation covering corporate acquisitions has been published in outline. Industrial concentration is to take account of market possibilities rather than "product orientation" (I take this to mean that viable industries and products will be supported and that funds will not be wasted on declining industries).

France's aim is to make industry competitive within the Common Market and fully prepared for prospective transnational amalgamations. France is showing an increasingly liberal attitude (a) to the trend towards larger sized corporations and (b) to foreign investors. At the same time France is encouraging investment leading to the establishment of new sources of production, although some government supervision will be maintained when foreign companies amalgamate with French companies. Takeover bids, and rumours associated with them, have created a flurry of speculation on the stock exchange. The share market became distinctly more active after last October and this year more stable conditions should return to the market with continued general progress in the economy.

Agriculture is also undergoing

changes. Whereas in 1951 agriculture employed as much as 61 per cent of the working population, today the percentage has fallen to 16. Further reductions are expected and, with more technical and financial help as well as the effect of the new Common Market farm finance policy, French agriculture should (in so far as government prodding and subsidies can achieve anything) become more efficient. The aim of France's new farm finance system is to reduce and eventually eliminate national budgets for agriculture and to have one central EEC fund in their place. When the plan comes into being all farm import levies and customs duties will be paid directly to a central fund from which the EEC's agricultural budget will be financed. Doubtless all this may make for greater efficiency in administration and possibly in production. What, however, it will not do is to bring down the price of food. Only a market economy could do that and millions of rural electors in the EEC would unite to vote against such a proposal.

Confidence in the ability of the Pompidou government to manage the economy successfully is increasing and, apart from the difficulties with payments and inflation (a big qualification!), a start has been made on the longer term problem of restructuring industry. The government hopes that any slow-down in the West German, Italian, or US economies will not repercuss too much on France's foreign trade and that prices can be effectively controlled. The publication later this year of the Sixth Economic Plan will reveal further what courses the government will seek to steer but, barring fresh industrial unrest and excessive inflationary pressures (again two big qualifications!), most observers believe that France is on the way to an economic recovery.

Quick Look All Round

Keen inflationary tensions continue throughout most western economies, but the desire to ensure continuity of expansion and full employment stymies the efficacy of anti-inflationary policies. This dilemma is particularly noticeable in the USA where, because of the fall in industrial activity and despite the rapid rise in prices, the authorities have announced "flexibility" in their budgetary and monetary policies. In the United Kingdom, bank rate has been lowered but the poor showing of the trade balance in February is an awkward reminder to Harold Wilson's government that the position of sterling is as yet far from being as completely assured as government spokesmen like to imply. In Europe, the rise in the West German and Italian

bank rates has confirmed — if there was any need for confirmation! — that henceforth there are unlikely to be areas of moderate bank rates in the western world. In general, the universal difficulties experienced in combating inflation have led to the reappearance of some distrust of (what used to be called) paper monies, especially the dollar, and the price of gold has been on the rise on the London gold market.

THE UNITED STATES

For the seventh consecutive month the index of industrial production drooped in February. The fall amounts to 3 per cent from the peak reached in July 1969; the fall is thus both longer and most pronounced than that recorded between January and May 1967 (five months and 2.5 per cent). In addition the labour market is showing a certain easiness. Nevertheless, in spite of all this, prices continue to rise with exceptional rapidity compared both with previous American experience and that of other OECD countries.

In the twelve months ended last January, the rise in retail prices was 6.2 per cent and of wholesale prices nearly 5 per cent. The purchasing power of industrial wages tended to fall (plus 5.4 per cent in nominal gains in manufacturing industry), while salaries in service industries have ceased to rise.

The official explanation is that the slowing down of the speed of inflation lags behind the slowing down of physical expansion and that in addition the "inertia of the mechanism" means that expansionary measures, especially in the United States, must be inaugurated sufficiently early if unnecessary prolongation of a recession is to be avoided.

In accordance with this view, some modifications have been made in the credit policy. The rate of surtax on individual incomes and on companies has been lowered by one half from January 1 (from 10 to 5 per cent); simultaneously, social security pensions have been increased by 15 per cent; and it has been decided to release \$1,500 million of building subsidies.

In monetary policy, the Federal Bank's open market policy has been directed towards increasing liquidities, notably by purchases of government securities. It is difficult to assess precisely the effects of this policy, the more so because an inflow of liquid capital has blurred official policy. Nevertheless a fall in interest rates has been achieved, e.g. the rate of interest on three months Treasury bonds fell from 8 per cent at

the beginning of January to less than 7 per cent at the end of February.

The American authorities are anxious to avoid any further fall in industrial production and any noticeable rise in the level of unemployment. The Administration will obviously be anxious to see expansion pick up in the summer months to provide a happy background for the November elections. What emerges with limpid clarity is that the manoeuvres that I have described above are not conducive to any solution of the problems arising from inflation and the rapid depreciation of the dollar. It is fantastic to think that I am not referring to some feeble Latin American peseta but to the Almighty Dollar!

THE UNITED KINGDOM

The British economy — in spite of Roy Jenkins's cautious budget and in spite of the opinion polls which, at the time of writing, suggest the possibility of a Labour victory with a majority of perhaps 20 seats at the next general election, or perhaps because of these phenomena (who knows!) — seems once again to be entering a difficult phase. The rise in the balance of payments was substantial in the last months of 1969 and in January 1970, but in February a deficit on the trade balance reappeared. It is to be expected that at least until July the levelling out of US imports will hamper the expansion of British exports. At the same time the approach of the general election must incite the government — unless it has suicidal tendencies which neither Roy Jenkins and still less Harold Wilson display — to relax its austere (but economically sensible) policies.

The government's margin for manoeuvre is, however, of the narrowest. The position of the pound sterling remains relatively precarious and, domestically, there is no sign whatsoever (repeat-whatsoever) that inflation is being held. That is an understatement: the fact is that we are in a period of strongly rising prices. Every week sees announcements of increased charges for railway travel, cups of tea, milk, telephones, etc. etc. etc. Within the twelve months ended February 1970, the cost of living rose 5 per cent. As a matter of fact since the summer of 1969 the index of retail prices has risen by more than 6 per cent. Salaries (including, notably, the highest ranks of the Civil Service, whose discreet threat of "industrial action" secured them an immediate and substantial rise) and wages are soaring and, after a period of relative calm, wild cat strikes are multiplying. Harold Wilson is therefore faced with a nice piece of steering between

Scylla and Charybdis: i.e. between what is economically possible and electorally imperative.

WEST GERMANY

The West German expansion continues. The rise in the trade surplus seems, however, to be levelling out not so much because of an increase of imports as because of a levelling off of exports, the volume of which has dropped substantially.

As in every other western country so, alas, even in West Germany, which once set us all so splendid an example, the acceleration in the rise of prices thrusts itself upon the attention. The index of the cost of living rose by 0.3 per cent in February. Over twelve months the rise was 3.55 per cent against 2.3 per cent between February 1968 and February 1969 and 1.2 per cent between February 1967 and February 1968. It follows that in spite of the revaluation, the slow inflationary slide of the West German economy continues.

The Bundesbank is striving to restrict the increase in credit and raised the bank rate in the second half of March. West German interest rates will henceforth be in line with international rates.

Nevertheless the prevailing impression is that the West German authorities expect that the revaluation will produce the desired effects sooner rather than later. The rise of West German prices in foreign currency values has already led to a fall in export orders to an extent which could counterbalance the strains on production arising from the acceleration of domestic consumption.

ITALY

The prolongation of the political crisis and the continued flights of capital abroad are testing the strength of the lira on the foreign exchange markets. The balance of payments ended in 1969 with a deficit of around \$1,400 million, a higher total than that recorded in 1963 which was a year of inflationary crisis. In January, 1970, the foreign deficit was \$435 million. The central bank has decided to take over the exclusive control of buying foreign currencies; the bank rate has been increased and a supplementary credit swap (\$500 million) has been obtained from the United States. That ought to please the Americans! Italy actually helping out the USA's adverse balance by raising a dollar loan!

Italy is in for inflation in 1970. The rise in wages will be lively following the increases obtained last autumn and this, of course, will speed up domestic consumption. Installed in-

dustrial capacities will however find it difficult to meet any substantial rise in demand and a deficit in the trade balance is therefore extremely likely.

Glancing back over what I have written about the United States, the United Kingdom, West Germany and Italy, it occurs to me that the names of these countries could be shuffled around and placed over any of the sections devoted to any one of them without misleading readers, because the tale is the same in all: inflation everywhere and anxiety everywhere to ensure expansion and full employment counterbalancing policies that could correct inflation. Well, why not, some may ask. The answer is that if we all pay ourselves higher and higher wages without producing correspondingly more goods and services, we gain nothing. We merely pay out more money for the same stock of goods and supply of

USSR in the Lenin Centennial

E. B. BROOK

VIENNA:

THE CENTENARY of Lenin's birth and last year's celebration by the Soviet Union of its half century combine to make it appropriate to examine the progress of a European-Asian country that, from being a large but backward power, has become the second mightiest in the world. This immense achievement is the more remarkable for having been accomplished in face of initial international hostility and under continuous international critical examination and criticism.

Three factors have favoured this Russian achievement. The size of the Soviet Union has protected it from collapse against even the most formidable invasions; the remoteness of much of its territory has enabled development without outside interference or, sometimes, outside knowledge; its protective isolation is increased by the unfamiliarity of its languages and the endurance assured by the traditional hard living conditions of the Russian countryman. Whatever government rules in the Soviet Union has also the great advantage of a people accustomed to leaving matters to the governors and obeying them.

These factors of isolation, unfamiliarity and internal conformity have formed a fruitful soil for the Soviet principles of central direction in all spheres of activity. There is one government, one party, one policy and the party is the kernel of the entire system. Soviet trading policy is based

services; satisfactions decrease, dissatisfactions rise; and everybody is resentful and angry with everyone else.

Sources and Acknowledgements:

The interest of the section on France above is that it summarises a British assessment of the economic situation in France, namely, that of the Intelligence Unit of Barclay's Bank Ltd. (54 Lombard St. London E.C. 3), while the sections on the USA, the UK, West Germany and Italy summarise a French view of these economies, namely, that published (in French) in the latest issue of the Journal of the Conseil National du Patronat Français, the French Employers Federation, 31 Avenue Pierre I du Serbie, Paris 16, but neither Barclays Bank nor the CNPF are responsible for the emphasis of my summaries nor for my irreverent comments, based on a variety of sources.

on certain principles which amount to what is described as equality, respect for sovereignty, non-interference in the internal affairs of others, mutual benefit and most-favoured nation treatment. There appear at times to be variations of these principles but all forms of discrimination in finance, credit and transport are ruled out.

Starting in the period of late 1917 till early 1924 (when Lenin died) the Soviet Union took over amid turbulence, civil war and invasions a vast land whose agriculture had grown stagnant and whose industry had almost broken down under the strain of war. The Soviet emphasis has always been on heavy industry and remains so today despite diversions, which can be described as minor, into light industry to supply relatively modern living equipment to Soviet householders and motor cars for Soviet citizens. Much is written on these matters, largely to encourage the idea that the 1966 economic reforms stressing slightly the profit motive and introducing a slight degree of decentralization, have had more success than is actually the case. It would be an error to imagine that the Soviet Union's 241½ million inhabitants are, or are likely to be, living in a degree of comfort approximating to the general urban level in western Europe. Living quarters are still cramped and insufficient, and outside Moscow and a few other towns open to foreign visitors conditions approximate still in the main to those of 18th century Russia.

The achievements are vast but it is

necessary to remember that most of the Soviet Union is still closed to foreign visitors and that progress is concentrated in the major cities and the new industrial towns, the oil-fields, natural gas fields and a few selected (mostly seaside) holiday resorts. The most revealing fact is that, once the Soviet citizen has his motor car, the next thing he will seek are passable roads to travel over.

Much has been written recently, also, suggesting that the urban European Russian, living in increasing ease and unwilling to burden himself with a family, is being outgrown in number by the Asian Russian. The growth rate in many of the Asian areas of the USSR is higher — over 40 per cent — than in the Slavic republics of Soviet Russia, which have averaged about 11 per cent over the last 11-year period, but the Russian Federation, Byelorussia and the Ukraine still account for about 70 per cent of the Soviet Union's population. The citizens of these republics, also, are the most mobile in the whole union, are found in large numbers in the union's other republics as well and are very largely counted on to lead and operate the industrial and commercial development of the country.

Trade Linked with Politics

However much the Soviet Union maintains the traditional Russian practice of shutting itself in upon itself it has never closed itself against foreign trading. Fifty years ago Lenin said there was no reason why a socialist state could not have unlimited business relations with capitalist countries. The Russians have always set great store by trade for commercial and political reasons and the Minister of Foreign Trade, Mr N.S. Patolichev, remarked recently on the close connection between economics and politics. In socialist east Europe every action has a political reason and the basis of politics — even more than theoretical Marxism-Leninism — is what is feasible and expedient. As Mr Patolichev remarked in *Pravda*, Russia's economic and trading relations are important instruments of Soviet foreign policy, — a fact which applies to all countries but with particular force in the USSR.

The Soviet Union's economic achievements are immense also because they have been made from a very low level basis but now that momentum has been established foreign trade turnover is expected to grow even more impressively. Between 1960 and 1980 the USSR expects to increase its trade turnover more than four times, and the target is likely to be reached. The failings revealed last year are being taken in hand by reorganization, by

legal penalties and by trade union sanctions. Already growth has shown a significant improvement. Compared with the first three months of last year Soviet industrial production grew in the first quarter of this year by 8.9 per cent and labour productivity by 7.9 per cent — compared with 6 per cent and 3.3 per cent last year. It is significant that some of the best improvements are shown in the important instrument, automation and control system industry (20 per cent rise), the building materials, chemical, oil refining and petrochemical industries (13 per cent rise) and the gas and medical industries (12 per cent increase).

The anticipated four-fold foreign trade increase can be expected to be achieved because production for export amounts to less than 5 per cent of the Soviet Union's gross national product. Even another one per cent share of this GNP would make production for export rise considerably. If the USSR doubled the share of its output devoted to foreign trade its exports could be formidable.

Only about one-third of the USSR's foreign trade is conducted with non-socialist countries; two-thirds at least is carried on mostly with Comecon member countries — the east European group within the Organization for Mutual Economic Aid. Trade within this group consists largely of export by the Soviet Union of large quantities of raw materials to its associates for their manufactures but in the last ten years there has been a remarkable growth in exchanges of machinery and equipment.

But Soviet trade with non-communist countries is growing faster than its trade within Comecon. Soviet trade with industrially developing countries has grown rapidly in the last five years from 1,700 million to 2,500 million roubles. Most of this trade is with Asian and African countries and consists principally of plant, machinery and transport equipment.

Trade with W. Europe

Soviet trade with western Europe over the same period has grown from 2,800 million roubles to 4,300 million. In return for imports mostly of technological equipment and automated plant the Soviet Union supplies timber, furs, tinned foods and grain and some industrial manufactured goods, machinery and equipment. Soviet welding is of high quality but many of its manufactures are still unable to compete for precision and finish with west European products. The Russians score, however, in providing equipment for smaller

manufacturers at reasonable prices and in keeping them well supplied with spares and service—a field in which they do better than most west European firms.

If and when hostilities cease in south-east Asia the prospects are that the USA will develop in force its present puny and restricted trade with the USSR. In the meantime all west European countries are developing their trade with the USSR as well as political and strategic restrictions permit. The American restrictions irk

the Russians who have just established themselves as the world's second largest producers of aluminium after the USA with an annual production approaching four million tonnes. The other market the Russians seek to develop is Japan whose assistance is being utilized in developing timber, oil and gas industries in Siberia. Japan is a country with which the Soviet Union hopes to develop its trade considerably and in which it is running an extensive sales campaign for its industrial machinery and consumer goods.

Wall Street in Jitters

GERARD A. DONOHUE

WASHINGTON:

THERE is not much joy in the canyons of Wall Street; in the executive offices of corporations or the homes of their stockholders, and among workers whose industries have been hit by the slowdown in the American economy. Prices of shares of stocks are at their lowest in six years, and nobody—individual stockholders, or the big mutual and pension funds that deal in thousands or millions of shares—seems anxious to buy. Dividends paid by many of the major corporations are being reduced as profits decrease, and there is not much indication that profits will be moving up soon.

The nation's two largest steel producers—US Steel and Bethlehem—reported this week a drop in first-quarter profits of about 30 per cent. The three biggest automobile manufacturers—General Motors, Ford and Chrysler—said sales and profits were considerably below the first-quarter of last year. Similar reports are being heard from companies in many industries across the nation and stock market analysts, were almost unanimous in predicting that corporation earnings for this year will be lower than last year. While nobody is happy at this slowdown in the American economy, almost no economist or businessman believes that the United States is in danger of a serious recession or depression.

For this slowdown is the heart of the government strategy to halt inflation and reduce the rate of price increases that have plagued the nation since 1965. The Administration is attempting to maintain a budget surplus by keeping taxes high and government spending low, while the Federal Reserve Board is keeping a tight rein on the money supply. The effects of these

policies are clearly shown in reduced profits. As the First National City Bank of New York, says in a recent Newsletter, "profits play a key role in transmitting the effects of monetary tightness throughout the economy. When lower sales make it difficult to recoup rising costs through higher prices, managements intensify programmes designed to improve efficiency and cut costs, and the result is usually fewer job opportunities." While prices have not actually started going down the rise is more gradual than it has been, and there is evidence that some companies are making sales below their officially listed prices. And while unemployment has not risen much—now 4.4 per cent compared with last December's 3.9 per cent—many economists and businessmen believe that it will rise as profits and sales remain low.

Pressures of the market place on businessmen will force them to hold back on price rises and then not only inflation, but the persistent belief among many that inflation will continue, will be ended. The reason for the delay, Paul W. McCracken, the President's Chief Economic Adviser, explained to the stock market analysts, is the time lag between government economic actions and the movement of prices. "The price level in 1969," he said, "is reflecting the delayed price level effect from our having forced the economy well beyond its reasonable potential in 1968." The Administration's anti-inflation measures received a strong vote of support from the stock market analysts, but they were divided as to whether the economy would resume its upward movement in the second half of this year—as the Administration believes—or in the first half of next year. A strong majority of them, however, believe that prices of shares on the stock markets will be considerably higher by the end of the year.

The moving finger writes

WHETHER Mr R.K. Khadilkar is lucky in love or cards I do not know, but he certainly seems to be lucky in 'Law'. While directing that the petition for initiation of contempt proceedings against him should be 'filed', the Supreme Court, in an order read out by the Chief Justice on behalf of a six-judge Bench, observed that people who indulged in the vilification of the institution of courts, administration of justice and the instruments through which the administration acts "should take heed, for they will act at their own peril". I would leave the reader to read between the lines.

Talking of the Supreme Court, it is indeed a matter for rejoicing that this vital institution of democracy in a free society has set very high standards for itself. At a time when opportunist politicians and other demagogues are doing their worst to provoke and encourage a destructive rivalry between the legislature and the judiciary, the Supreme Court, under the leadership of its present Chief Justice, has sternly refused to walk into the trap. Thanks to the occasion provided by an appeal by certain disciples of the Shankaracharya of Puri against the judgment of the Delhi High Court, which had dismissed their suit for damages against the former Lok Sabha Speaker, Mr N. Sanjiva Reddy, and four other Members of Parliament, the Chief Justice, delivering the judgment, recognised and upheld Parliament's right to discuss "everything" and ruled that Members of Parliament participating in such discussions were immune from any court proceedings.

Explaining that the words "anything said in Parliament" mentioned in Article 105 of the Constitution had the widest connotation, Mr Hidayatullah emphatically declared that the "court should have no say on the discussion in the House and should have none about whatsoever that is said in Parliament." I am sure that similar political wisdom and maturity of judgment could be expected of legislatures as a whole when the rights and privileges of the judiciary and the independence guaranteed to it in the Constitution are considered or discussed.

The Supreme Court's order in the 'automobile price case', directing the Government of India to set up a commission to inquire into the manufacturing costs and recommend fair prices

emphasizes the state of disrepute into which the Tariff Commission has been reduced almost as if by a deliberate policy of the central government. The Tariff Commission is not an ordinary body. It is an institution which, in the ordinary course, ought to have developed into an august body commanding the respect and enjoying the confidence of the public. Unfortunately, the central government, in its craze to hold all the strings of economic interventionism in its hands, has systematically stifled the evolution and growth of the Tariff Commission to its legitimate dimensions.

Far too often industrial prices have been manipulated for a variety of reasons by central ministries concerned. On great many occasions political pressures or political considerations have played their part and on others, industrial prices have been deliberately juggled with for the purpose of raising political funds. Besides all this, graft and corruption have also been having their 'cut'. In these circumstances, it has clearly not suited the books of the government to permit the emergence and functioning of the Tariff Commission as an independent expert body the views and recommendations of which cannot easily be overruled or overlooked.

Hence, over the years the government has been adopting various means for reducing the importance and effectiveness of the Tariff Commission. One of them has been the systematic dilution or down-grading of the calibre of its composition or personnel so that its personality and prestige may steadily dwindle. The other main strategy has been to reserve more and more of industrial price decisions to the discretion of the government. Some semblance of respectability was recently attempted to be imparted to this process through the setting up of a Bureau of Costs and Industrial Prices in the Ministry of Industrial Development. Now, the Supreme Court has considered it necessary that a special commission should be appointed to examine automobile prices since the court was not satisfied with the fixation of automobile prices by the government on the basis of a report which the Tariff Commission had submitted. It is clear that if this course of affairs continues, the Tariff Commission will soon become quite a negligible body. It is high time, therefore, that the government had done some

serious and honest thinking on the stature and role which must be restored to the Tariff Commission.

There is growing appreciation in the country that the macro-approach to industrial planning has not been and is not being sufficiently supported and sustained by intensive studies of specific proposals or projects. The estimates and postulates made at the aggregate levels have often gone awry in the absence of detailed investigations which could have more realistically related these assumptions to the developing economic situations. A conspicuous example of failure of this kind has been noticed in several capital goods and consumer goods industries, where the macro-approach has not been helpful in arriving at fairly accurate demand projections. Partly as a result of this there has been considerable under-utilisation of installed capacities in industry.

It follows that in the future more attention should be paid to the micro-approach being given its proper place in the planning scheme. Here the technical consultancy services may be expected to play an important part. Project authorities, whether in the public sector or the private, may be expected to draw more and more on the services of the consultancy agencies at various stages of the execution of the scheme, beginning with the preparation of the project report and ending with the commissioning of the plant. It is therefore a good development that independent consultancy agencies are beginning to come up on our economic scene. One such agency is Manavasi Consultants (P) Ltd, New Delhi, under Mr S. Balakrishna, an engineer-economist, who was formerly Technical Director of the National Council of Applied Economic Research. Although this agency has just completed the first year of its functioning, it has already to its credit a varied list of projects completed or in progress. The studies range from a project for the manufacture of aluminium alloys to scope for the packaging industry in Uttar Pradesh. According to Mr Balakrishna, one of the most essential services which independent consultants should be able to provide to the national economy is to help make entrepreneurs and managements productivity-and-cost conscious even from the stage when preliminary investigations for a plant are undertaken.

V.B.

Trade Winds

CAR PRICES

THE SUPREME COURT recently passed orders recommending that the union government may appoint a three-member commission for the purpose of fixing fair prices of the three Indian made passenger cars—Fiat, Ambassador and Standard Herald. The order was passed by a five-judge bench of the court presided over by Mr J.C. Shah. Appearing on behalf of the government, common respondent to all the petitions, Mr Niren De, Attorney-General, told the bench that its earlier suggestion for the appointment of a price recommendation commission was acceptable to the government. Recording the agreement of all the parties to the appointment of such commission, Mr Shah dictated a written order. The order stated that the commission should have as its chairman either a judge sitting or retired of a high court, or a retired judge of the Supreme Court. A chartered accountant and an automobile engineer should be the two other members of the commission.

YEN CREDIT FOR IRON ORE

Japan has offered to provide yen credit to the tune of Rs 1 04 crores for purchase of equipment from Japan for Bailadila iron-ore mine deposits. Disclosing this the Minister of State for Petroleum and Chemicals and Mines and Metals, Mr Jagannath Rao, stated that Japan had already given financial assistance worth \$21 million for the iron-ore mine at Bailadila deposits. Mr Rao said that out of \$21 million financial assistance made available by the Japanese steel mills as suppliers' deferred credit for the purchase of equipment for the railways and the Visakhapatnam port, a sum of \$7 million was utilised for the mine for the purchase of plant and equipment from Japan and certain other countries, and for procurement of technical supervisory services from Japan in connection with the erection and commissioning of the equipment.

VIZAG ZINC SMELTER

The union government has decided to revive the preparation of a detailed project report for a new 30,000 tonnes zinc smelter at Visakhapatnam in the public sector based on imported concentrates. This was announced by Mr Jagannath Rao, Minister of State for Mines and Metals, while inaugurat-

ing the international galvanizing year celebrations recently. The government would take a decision on the project after studying the report, expected shortly, and investigating the possibilities of finalising arrangements for a long-term supply of zinc concentrates from abroad. India's requirements of zinc, estimated at 80,000 tonnes at present, were expected to rise to 142,000 tonnes per annum by the end of the fourth Plan. Against this, the installed capacity of the two existing smelters was 38,000 tonnes which was proposed to be doubled during the fourth Plan period. A mining plan for full exploitation of the Zawar-Rajpura-Dariba deposits was under government's consideration. The proved probable ore reserves in the Zawar and adjoining Dariba-Rajpura areas were now estimated at about 140 million tonnes.

BEER FOR U.S. FAIR

Narang Breweries will be sending six dozen bottles of one of its newly marketed beers, Esquire, to the United States. This will, for the first time, be exhibited at an international beer festival being organised in the USA. The sample consignment that is being sent on to the festival is being made at Nawabganj in Uttar Pradesh. The firm's breweries at this location are today doing a turnover of 25,000 bottles every day. It plans to expand the capacity to 50,000 bottles daily.

An agreement has been signed recently by the Narang Group with the Artos Soft Drinks, East Godavari District in Andhra Pradesh to set up a modern

brewery at Ramachandrapuram. It is expected that the new brewery at Ramachandrapuram will be set up within a period of 12 months. The total capacity of the brewery will be initially 10,000 bottles a day. The brewery is being designed so that future expansion to 25,000 bottles a day can be achieved without substantial expenditure. All the plant and machinery will be manufactured indigenously.

PLASTICS MEET IN JAPAN

A 22-member delegation of the All-India Plastics Manufacturers' Association left for Japan recently to attend the "Japanplas" the third international fair of plastics held in Tokyo. The delegation was led by Mr B.L. Boolani, vice-president of the association. With the establishment of petro-chemical complexes, the Indian plastics industry is making rapid progress. There is a need for diversification in the processing techniques and application of plastics. The delegation, which will visit besides Japan some other countries in the south-east Asian region, will make a special study in this respect.

STARTERS FOR PHILIPPINES

Cutler-Hammer India Ltd has entered the export market with a shipment of three-phase motor starters to the Philippines recently. This order has been secured against stiff competition from established firms. The company has also on hand another order for the supply of three-phase motor starters to the Philippines.

HANOVER FAIR

The 1970 Hanover Fair (April 25 to May 3) was marked by an impressive display of a large variety of products. Exhibitors numbering over 6000, including firms from Europe and other countries, came to show their latest

May 15, 1970

production lines and production programmes. Exhibits were sub-divided according to individual branches of industries. Visitors to the Hanover Fair had discussions with industrialists, leading technicians and businessmen and negotiated prices and delivery dates. They made comparisons and found solutions to their problems. The Hanover Fair, in short, provided a wealth of information on various branches of industries.

ALKALI AND CHEMICAL

The Alkali and Chemical Corporation of India, the first of the ICI manufacturing companies in India, is intending to double its capacity for producing rubber chemicals from 3,000 to 6,000 tonnes per annum. The plant is located at Rishra. The application for an industrial licence to undertake this major expansion has already been made and the licence is expected shortly. The project, which includes an increase in capacity for essential intermediates, will involve a fresh investment of approximately Rs 1.50 crores. The foreign exchange required will be around Rs 15 lakhs.

FERTILISER IMPORTS

There has been a decline in the volume of fertiliser imported during 1969-70, according to the annual report of the Ministry of Supply for 1969-70. The report indicated that a tentative allocation of Rs 225 crores was made for the year since it was expected that the

EASTERN ECONOMIST

pattern of import of fertiliser would continue to be the same for some more years. However, as a result of a re-assessment of requirements, the Department of Agriculture found that it was not necessary to keep up to the old level of import. The value of purchases during the year is, therefore, likely to be less than originally anticipated.

HOTEL GANPAT

Madras will soon have a luxury hotel in the heart of the city. The foundation stone for this new venture "HOTEL GANPAT", was laid on May 1, 1970. The hotel will be constructed on the Nungambakkam High Road, and will come into being within 18 months from now. The hotel's cost is expected to be around Rs 60 lakhs.

NATIONAL TEXTILE CORP.

Mr K.K. Dhar has taken over as Managing Director of the National Textile Corporation Ltd. The corporation is guiding the working of 21 textile mills which have been taken over by the government under the Industries (Development and Regulation) Act and are run, at present by the authorised controllers appointed by the Government of India. The corporation is also lending working capital to restart the mills and state governments are participating in this financial arrangement. In addition, the corporation is operating a scheme for the supply of cotton to these mills on a no-profit no-loss basis. For this purpose,

a sum of Rs 178 lakhs has, so far, been invested.

FRIGATE BUILT BY MAZAGON

The country's second Leander Class frigate built by the Mazagon Dock Ltd for the Indian Navy was launched recently. It is the successor to the INS-NILGIRI which was launched in 1968 by the Prime Minister. The Leander Class frigate is a sophisticated warship fitted with anti-aircraft and anti-submarine weapons, a helicopter for aerial reconnaissance, long-range radar and other up-to-date detection equipment.

A.I.R. NOT TO BE CORP.

The government has decided that AIR should not be converted into an autonomous statutory corporation for the present. The setting up of a statutory corporation for AIR and a separate corporation for TV were among the recommendations made by the Committee on Broadcasting and Information Media, headed by Mr Asok K. Chanda. In a statement the Minister for Information & Broadcasting and Communications, Mr Satya Narayan Sinha, stated that the government had examined the question in detail and decided against setting up of an autonomous statutory corporation for All India Radio for the present.

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Eastern Economist 25 Years Ago

MAY 18, 1945

Trusteeship is an ancient doctrine with a distinguished parentage. Aristotle is its first known author in the history of philosophical thought. Even now it is held by such a distinguished man as Mahatma Gandhi. But if, as Gandhiji holds, the capitalist can be a trustee for labour and the landlord a trustee for his tenant, there is no logic in denying the right of trusteeship to an imperial power in respect of a dependent nation. Really the whole doctrine of trusteeship is an entirely vicious doctrine in the context of modern economics and politics. Trusteeship of medieval philosophy was entirely a moral concept based on the mutual acceptance of certain rights and obligations. Modern

trusteeship has no moral foundation. It is based on the domination of one party by another and is sustained entirely by force. Its purpose is private profit for the members of the dominant party at the expense of the material and human resources of the dominated party. To call this Trusteeship, as Mr Attlee, the leader of the British delegation to San Francisco, did, is a mockery and a fraud. Of course, Mr Attlee will carry the day, however hoarse Mrs Pandit may cry herself out in defence of colonial peoples' right to self-determination; for the world is on the side of the big battalions and bargaining power is of the essence in international transactions; and we have no bargaining power.

for the production of methylamines. The plant to be commissioned in about two years time will be the first of its kind in the country and will lead to substantial foreign exchange savings—currently Rs 34 lakhs per year are being spent on importing methylamines. The plant will be set up at Trombay where the raw materials—ammonia and methanol—required for manufacturing Mono-Di-Tri Methylamines, are already available.

PLATINUM EDGED BLADES

Hind Razor & Blade Co. P. Ltd, Bombay, has succeeded in perfecting the first platinum-edged blade ever made. It was first made in 1969, after intensive research conducted with equipment from the Bhabha Atomic Research Centre. Hind Razor has applied for a patent on both the process and equipment, in India and abroad. Platinex is a stainless steel blade sputtered with platinum, one of the most expensive of metals, by a unique and exclusive process invented by Hind Razor & Blade Company. Heavy platinum atoms are bombarded at high velocity under low pressure onto the blade edge. These atoms knock out the minute burrs and fill in microscopic cracks along the edge of the blade. Being soft and ductile, platinum moulds

itself along the fine cutting edge. The difference between shaves with this and other blades is clearly seen when after-shave lotion is dabbed onto the shaved cheek. The usual burning sensation which one feels with other blades is practically absent in Platinex shaves.

AIR FRANCE INCREASES CAPACITY

Air France has announced a major boost in the number of seats it will offer over the Atlantic during the 1970 peak travel season. The increased capacity is a result of the inauguration of Boeing-747 service from three of the French airline's top trans Atlantic gateways in the coming weeks. For instance, as compared to last summer, available seats on the New York—Paris route will rise by 33.5 per cent, with 78 per cent additional first class and 29.5 per cent more economy class seats. Each of the giant jets will have 36 first class and 324 economy class seats. The new Boeing-747 flights will supplement the services offered on all Air France trans Atlantic routes by its fleet of Boeing-707 aircraft.

AIRLINES SIGN AGREEMENT

An important agreement was signed in Paris on April 28, 1970 between

Aeroflot, Air France and Japan Airlines. The terms of this new agreement are that the new route PARIS—MOSCOW—TOKYO via SIBERIA, inaugurated on 28th March, 1970, will from now onwards be operated in pool by these three companies, each of them offering two flights a week. The six services of the pool partners during the week will bring about close commercial co-ordination between the carriers and will contribute to the development of this route which links Paris and Tokyo in only 13 hours and 45 minutes, including a stopover of one hour at Moscow, against 12 hours via the Pole and 24 hours via India.

NAMES IN THE NEWS

Mr Mohammed Fazal, managing director of Hindustan Insecticides Limited, has been appointed managing director of the Indian Consortium for Industrial Projects, a new company under the Ministry of Steel and Heavy Engineering.

Mr Fenton J. Reighley has been appointed managing director of Firestone Tyre and Rubber Co. of India Private Ltd. Mr Reighley joined Firestone, USA, in 1941.



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Company Affairs

ANDHRA BANK

Mr K. Gopalrao, chairman, the Andhra Bank Ltd, told the shareholders at the annual general meeting held recently that during the year ended December 31, 1969 the bank increased its deposits by Rs 11.41 crores from Rs 40.90 crores to Rs 52.31 crores, showing an increase of 27.9 per cent over the preceding year as against the average of 14.5 per cent for the banking system as a whole. This performance appears all the more creditable in view of the fact that the per capita deposit in Andhra Pradesh is as low as Rs 33.8 as against the all India figure of Rs 77. The number of depositors went up by 59,000 to 3,32,000 in 1969. There was a rise of Rs 9.98 crores in its total advances which increased from Rs 25.47 crores to Rs 35.45 crores, showing a rise of 39.6 per cent over the preceding year. Out of the increase of Rs 9.98 crores, priority sectors accounted for Rs 8.22 crores. Advances to priority sectors during the year 1969 increased by 174.5 per cent over the preceding year and worked out to 68.3 per cent of deposit accretion during 1969. Advances to the priority sectors amounted to Rs 12.93 crores or 36.47 per cent of the bank's total advances. Advances to agriculture were spread over 31,000 agriculturists, many of whom were small farmers including tenant farmers and in a number of cases the amount advanced was as low as Rs 100. Advances to small-scale industries increased from Rs 1.8 crores to Rs 3.69 crores which included Rs 18 lakhs to transport operators and the number of units increased from 265 to 628. Since January, 1970 there has been a further increase by Rs 2.24 crores. As on December 31, 1969 the limits sanctioned were Rs 12.11 crores which increased to Rs 12.96 crores as on February 28, 1970. At the beginning of the year the bank had 121 branches. It opened 34 branches last year. Of these 17 were opened in places where the bank was the only one. Out of the 155 branches as on December 31, 1969, as many as 131 were in Andhra Pradesh itself. Since the beginning of this year 12 more branches have been opened up to March 31, 1970, taking the total number of branches to 167.

ZUARI AGRO CHEMICALS

The Zuari Agro Chemicals Ltd is entering the market with a public issue of Rs 2.58 crores in equity shares of Rs 10 each and Rs 4.12 crores in pre-

ference shares of Rs 100 each. The subscription list will open on May 20 and close on May 30 or earlier but not before May 23. The entire public issue is underwritten. The company is setting up a fertilizer project in Goa in technical collaboration with US Steel Corporation. The company has an industrial licence for the production of compound fertiliser and urea with a capacity of producing 220,000 tonnes of ammonia per year and 150,000 tonnes of compound fertiliser per year. The main feed stock for the manufacture of ammonia is naphtha which will be supplied by the Indian Oil Corporation from its proposed main installation at Marmagao. The annual requirements will be 200,000 tonnes. In case the Indian Oil Corporation is unable to meet this requirement the company would be allowed to import naphtha from abroad. The construction of the plant and its auxiliaries has been entrusted with the Tokyo Engineering Corporation of Japan on a turn-key basis. The company expects the plants to be ready by July 1972. The capital outlay on the project is estimated at Rs 56.55 crores. Buildings, plant and machinery are expected to cost Rs 51.70 crores. The foreign exchange component of this project is estimated at Rs 26.17 crores.

HINDUSTAN MOTORS

The directors of Hindustan Motors Ltd, have proposed to apply to the Controller of Capital Issues to permit the company to issue, subject to the approval of the financial institutions, secured or unsecured debentures up to Rs 5 crores and cumulative redeemable preference shares of Rs 1.50 crores. The company has plans to expand its Madras plant for the manufacture of dumpers, crawlers, tractors, loaders and scrapers. The fresh issue of debentures and preference shares is likely to finance this expansion plan.

CENTURY

The directors of the Century Spinning and Manufacturing Co. Ltd, have proposed to maintain the final equity dividend at Rs 25 per share for 1969. Together with the interim dividend of Rs 15 per share already paid, the total dividend for the year is Rs 40 per share, the same as last year. The company has reported higher gross sales of Rs 48.39 crores compared to Rs 45.23 crores in 1968. Its gross profit has risen

to Rs 12.60 crores from Rs 10.62 crores during the year. Out of the gross profit of Rs 12.60 crores, the directors have provided Rs 339.52 lakhs for depreciation, Rs 19.03 lakhs for managing agents' remuneration, Rs 43 lakhs for development rebate reserve and Rs 450 lakhs for taxation. The net profit thus works out to Rs 418.60 lakhs. Interim dividends at Rs 15 per share had absorbed Rs 53.23 lakhs. The directors have transferred Rs 265.37 lakhs to the general reserve and Rs one crore to dividend equalisation reserve. Preference dividends will absorb Rs 12.85 lakhs and final equity dividend Rs 88.72 lakhs and will be paid from the dividend equalisation reserve. All the departments of the company have contributed to the improved working during 1969. The working in the current year so far is stated to be satisfactory. The company applied to the government recently for revival of the bonus proposal submitted earlier, which is awaited. It has not so far obtained the official sanction for its proposed cement plant.

ESCORTS

Mr H.P. Nanda, President of the Escorts Ltd, anticipates a big glut of tractors in the Indian market this year but is confident of meeting the challenge by increasing the sales and service outlets. He is sure that the company will be able to hold its present large share of the market because of its reputed after-sales service established for over 20 years. The long-awaited Rajdoot scooter, he says, has now come on the assembly lines and a few hundred machines have been produced as pilot production. The current year will see commercial production of scooters. Production of motorcycles is being substantially increased both for the international and home markets. The production of automotive shock absorbers, gear boxes and other items has further progressed.

A new company styled as 'Escorts Tractors Ltd,' has been established to undertake manufacture of Ford 3000 48 hp tractors in collaboration with the Ford Motor Company, USA. The Ford-Escorts Rs 9-crore tractor project has made much headway and production is expected to commence in January next year. This was revealed by Mr H.P. Nanda, at a Press conference in New Delhi recently. The company has an authorised capital of Rs 2.5 crores out of which Escorts is contributing 60 per cent and Ford 40 per cent. Escorts Ltd has proposed to issue rights shares at a premium of four rupees a share in the ratio of one to five to the existing shareholders and the proceeds will be utilised to finance the Ford trac-

tor project. The issue is awaiting sanction of the Controller of Capital Issues.

INDIAN ORGANIC

The subscription list for the public issue by Indian Organic Chemicals Ltd, will open on May 20 and close on May 28, or earlier, but not before May 22. The company is making a public issue of 184,000 equity shares of Rs 100 each and 100,000 (9.3 per cent) redeemable cumulative preference shares of Rs 100 each. A sum of Rs 25 per share is payable on application and Rs 25 per share on allotment. The company's present capital is Rs 70 lakhs in equity shares of Rs 100 each. It is now making a capital issue of Rs 3.80 crores—Rs 2.8 crores in equity shares and Rs one crore in preference shares. Of this, equity shares of Rs 70 lakhs are offered to the existing shareholders and shares worth Rs 19.28 lakhs are offered to Chemtex Fibres Inc. of New York, the technical collaborators. Equity shares for Rs 6.65 lakhs have been reserved for directors and employees of the company. The equity shares now offered will be entitled to dividend with the commencement of the financial year 1972-73. The proceeds of the issue will be utilised to meet a part of the finance required for the company's Rs 12-crore polyester fibre project.

RECKITT AND COLMAN

Reckitt and Colman of India Ltd, with which is amalgamated Atlantis (East) Ltd, will enter the capital market on May 20, with an offer of 675,000 equity shares of Rs 10 each at a premium of Rs 3 per share for public subscription. A sum of Rs 7 per share, including Rs 2 on premium account, is payable on application and the balance of Rs 6, including a rupee on premium account, on call. The entire public issue is being underwritten. The issue will close on May 30 or earlier but not before May 23.

The company is at present a wholly-owned subsidiary of Reckitt and Colman Ltd, UK, but after the proposed issue the latter's interest will drop to 70 per cent. of the equity capital. The government has consented to the capital issue on the condition that within the next five years the company shall increase Indian public participation to 40 per cent by the issue of further shares.

The authorised capital of Reckitt and Colman Ltd of India is Rs three crores in three million shares of Rs 10 each, the issued, subscribed and paid-up capital being Rs 1.75 crores in 1.75 million equity shares of Rs 10 each. The company is increasing its capital by Rs 75 lakhs by the issue of 750,000 shares at a premium of Rs 3 per share. Of these new shares, 75,000

equity shares have been reserved for directors, friends and employees and the balance of the issue is being offered to the public.

The company, which owns three factories in India manufacturing a wide range of consumer products including polishes, toiletries, pharmaceutical products and ultramarine blue, has been granted a letter of intent to manufacture para-chloro metaxylenon (PCMX) (50 tonnes per year), soluble analgesics (60 tonnes per year) and chocolate laxatives (50 tonnes per year). The cost of the programme, including expansion, is Rs 1.36 crores.

GUJARAT STEEL TUBES

The directors of Gujarat Steel Tubes Ltd, have stated in their annual report for 1969 that despite the government's policy to encourage exports by assuring adequate supplies of steel to exporters, shortage of steel continued throughout the year because of the uncertainty of supplies. The company has now received permission from the government to manufacture pipes of sizes of five inches and six inches in diameter and steps for the implementation of this project have already been taken. The company exported products worth Rs 178 lakhs during the year against worth Rs 148 lakhs in the previous year. Its share in the country's total exports of mild steel tubes during the year was 24 per cent. The gross block of the company has increased from Rs 1.67 crores to Rs 1.84 crores and the net block is placed around Rs 1.37 crores.

KOTHARI MERGER

Kothari (Madras) Ltd, a company to be formed on the amalgamation of five companies belonging to Kothari group, will have a strong financial base and diversified activities, such as manufacture of tea, production of coffee with

a curing works, and manufacture of textiles and yarns. Waterfall Estates, Blue Mountain Estates, Balmadies Plantations, Kothari Textiles and Adoni Spinning are being merged into one unit, namely Kothari (Madras) Ltd. The amalgamation will be effective from September 1, 1969, subject to the approval of the shareholders of the five companies and the sanction of the High Court and the government. The issued capital of the new company will be Rs 2.40 crores—Rs 2.22 crores in equity shares of Rs 10 each and Rs 18 lakhs in 9.3 per cent preference shares of Rs 10 each. Its reserves will amount to about Rs 75 lakhs. The new company's turnover in the current year to end on August 31, 1970, is estimated at Rs 9 crores against the total sales of Rs 8.15 crores for all the five companies in 1968-69. Its gross profit will amount to about Rs 75 lakhs against the combined profit of Rs 51 lakhs.

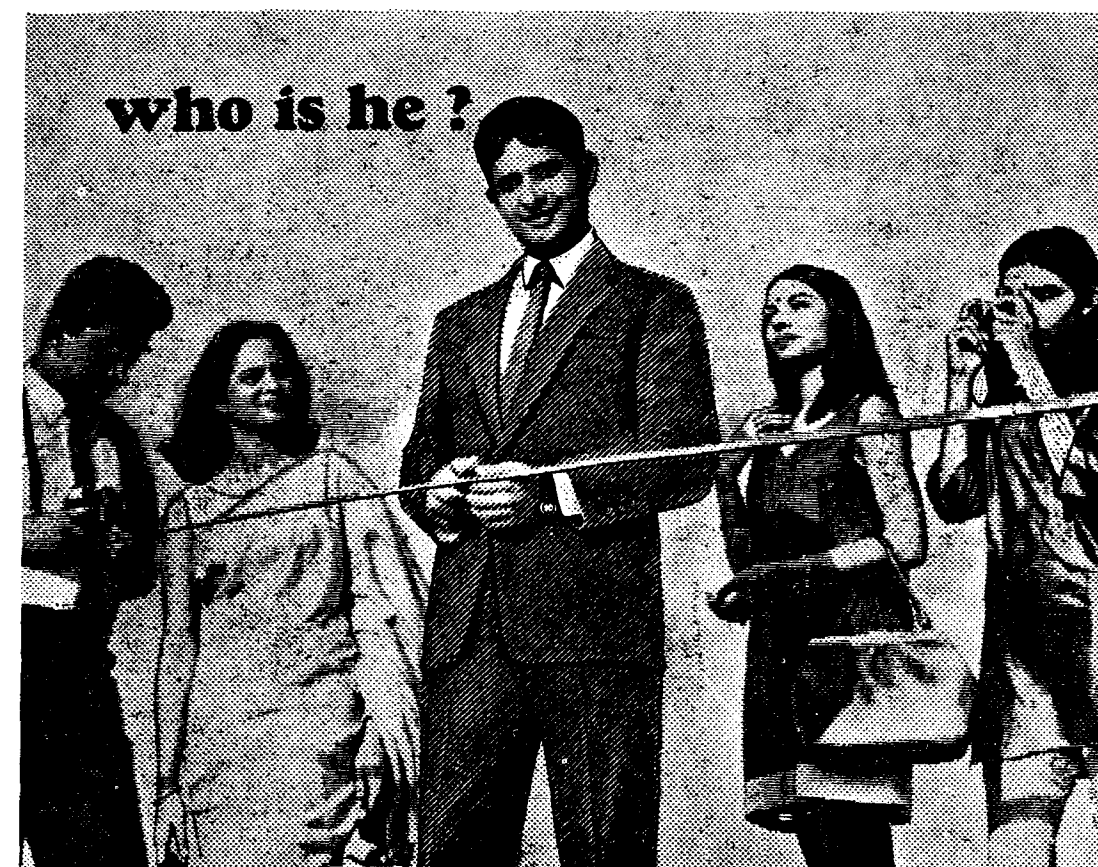
CATERPILLAR

Caterpillar Tractor Company's worldwide sales of heavy equipment and engines totalled a record US \$2 billion during 1969, according to Mr F.N. Grimsley, Managing Director of Caterpillar Far East Ltd, Hong Kong. Figures for 1967 and 1968 were US \$1.47 billion and US \$1.71 billion respectively. Profits for 1969 totalled US \$142.5 million, or \$2.51 per share of common stock.

Nearly half the 1969 sales—47.5 per cent—came from sales outside the United States. In India too, Caterpillar crawler tractors, bulldozers and other equipment proved useful. Tractor Engineers Ltd, a company jointly owned by Caterpillar Tractor Company, USA and Larsen & Toubro Ltd, manufactures undercarriage parts for earthmoving and agricultural equipment.



Good heavens! How would that affect Belgaum's future?



who is he?

a popular stylist

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he lends the town a-hooting;
his models are the cream;
in gay



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

COMPANY MEETINGS

THE ANDHRA BANK LIMITED

The following are extracts from the Statement of the Chairman, Mr K. Gopalrao at the 46th Annual General Meeting of the Bank on April 30, 1970

Nationalisation

THE most significant event of the year was the nationalisation of 14 major banks on July 19, 1969. With this, 85% of the total bank deposits and business has gone to the nationalised sector and only 15% remains in the non-nationalised sector which includes the Foreign Banks with deposits amounting to 11% of the total bank deposits. We are now the first among the Indian Commercial Banks in the non-nationalised sector. Since the ushering in of the policy of social control in June, 1968, commercial banks in the country were cast into the new role of financing, on a priority basis, agriculture, small-scale industries and exports. Their security oriented outlook was transformed into a need oriented outlook. Many people and many sectors could be more productive and more creative if adequate and timely credit facilities were extended to them. Our Bank has to keep this new philosophy of lending constantly before it in the conduct of its business.

Economic Outlook

After observing that the Green Revolution resulting in the greater output of foodgrains and cash crops for the third season in succession was the major factor in arresting recessionary trends and in reviving economic activity, the Chairman said : "the first year of the Fourth Plan may well mark the beginning of a new era of dynamic expansion of the Indian economy, if fresh progress is not impeded by happenings in other sectors. The time appears opportune for launching programmes for rapid economic development".

The Union Budget

The Prime Minister deserves to be congratulated on presenting a social welfare budget with future growth potential. Bankers are particularly happy at the generous incentive given to investors by way of tax-free allowance upto Rs 3,000/- income earned by an investor in investing in Units of the Unit Trust, shares of Indian companies,

etc., and deposits in banks. The enlarged exemption limit of Rs 1,50,000/- for wealth tax will now include deposits in banking companies. For the first time commercial banks have been placed on a par with the Postal Savings Bank in regard to exemption of interest on deposits from income-tax. It may be recalled that this was one of the suggestions made by me in my speech last year for consideration by the Government.

Banking Commission

The appointment of the Banking Commission under the Chairmanship of Sri R. G. Saraiya, a distinguished Co-operator assisted by eminent economists and bankers is another important landmark in the history of Indian banking. With the nationalisation of the 14 major banks in the country, the significance and scope of the work of the Commission has undergone a change. It is to be devoutly hoped that as a result of the recommendations of the Commission which are expected to be far reaching in their importance, productivity in the banking industry would increase which is absolutely necessary if banking is to spread throughout the country and serve the largest number. Greater productivity and efficiency are the only means left through which profitability of banks can be improved.

Rural Banking

The focal point of our economic activity in the seventies will be the village and we have to reorient our approach, methods of operation and banking concepts in conformity with this new trend. Banks will be going to villages not merely as gatherers of savings but as pioneers of development, to help greater production of crops, to generate more income for the farmers, to create opportunities for investment in new small scale industries in the rural sector and to attract enterprise, talent, and technology into the country side.

The following figures give an idea

of the spread of our advances and deposits on the basis of population :

Population	(in crores of Rs)	
	As on December 31, 1969	
	Advances	Deposits
Below 10,000 (Rural)	4.57	3.03
10,000 to 50,000	9.04	13.14
50,000 and above	21.84	36.14
Total	35.45	52.31

It may be noted here that the advances in rural areas are higher than the deposits in those areas. This means that funds have to be raised from urban areas for advances in rural areas at least for the first few years. Opening of rural branches is, therefore, a challenging job for any bank. The approach to rural banking itself is entirely different. Recovery of advances will have to be linked to the harvests. In dealing with the new type of clients, not used to banking, a flexible and pragmatic approach within the framework of rules and safety of bank's funds will have to be adopted.

In my address last year, I made an appeal to the State Government to place commercial banks engaged in agricultural finance on a par with co-operative banks in the matter of stamp duty and registration on documents. I also suggested that every municipality in the State should be notified as approved for creation of mortgages by deposit of title deeds. It is a matter of immense gratification that the Government of Andhra Pradesh has promptly reduced to a specific duty of Rs 2.30 per instrument the ad valorem stamp duty on documents of hypothecation and pledge. About 15 new places in Andhra Pradesh in addition to all District Headquarters towns have been approved for creation of mortgages by deposit of title deeds. I suggest that considering the size of our State and the population more centres be notified for mortgages by deposit of title deeds under Section 58(f)

of the Transfer of Property Act. I further suggest that the stamp duty and registration on documents executed by at least the small farmers should be entirely abolished. The beneficiary being the same viz. the farmer, there does not appear to be any justification for distinction in such matters hereafter between commercial banks and co-operative institutions.

There is much to be said in favour of removing all legal impediments in the way of commercial banks financing the farmers. A working group appointed by the Reserve Bank of India is presently engaged in studying this problem in all its aspects and it is to be hoped that its recommendations will receive prompt consideration of the Central and State Governments.

Branch Expansion

At the beginning of the year we had 121 branches. We opened 34 branches last year. Of these 17 were opened in places where our bank was the only bank. Out of the 155 branches as at December 31, 1969, 131 branches are in Andhra Pradesh itself. Since the beginning of this year 12 more branches have been opened upto March 31, 1970, taking the total number of Branches to 167.

The following table gives the spread of our branches on the basis of population :

Population	Number of Branches		
	1968	1969	Upto March 1970
Below 10,000	18	33	38
10,000 to 50,000	52	54	57
50,000 to 1 lakh	11	12	13
Above 1 lakh	40	56	59
	121	155	167

It will be seen that 64% of our branches are presently located in places with population below one lac. The number of branches where Andhra Bank was the only bank at the time of opening has gone up from 21 in 1968 to 42 by the end of March 1970.

We have started operating special type of branches known as 'Cluster Branches' or 'Satellite Branches'. 28 villages in Andhra Pradesh divided into three groups are to be so covered. I am happy that it has been possible for our Bank to be the pioneer in starting such rural branches, an idea which was advocated by me quite sometime ago.

Competition

The problem of viability of rural

branches becomes more acute if branches of more than one bank are permitted to be opened at small places which do not have any real need for more than one banking office. Such a policy leads to unhealthy and wasteful competition among banks and causes a frittering of energies and resources which could be better utilised for opening branches in more unbanked centres. I must confess I feel greatly concerned over this, as we are a regional bank and our viability can be seriously impaired by the bigger banks rushing into small rural centres after we have developed them as pioneers at considerable sacrifice.

There is an urgent need for a rapid expansion of banking to rural areas but this can only be achieved if such rural branches can earn a profit within a reasonable time. A more realistic wage structure for the staff of the rural branches is an urgent necessity if rural banking is to progress fast and prove a success. I especially commend to State Governments that they should exempt banks from certain provisions of the local Shops & Establishments Acts where they are in conflict with the agreements between banks and their workmen (at the All-India level), the Industrial Disputes Act and the various Awards.

Lead Bank

We have been designated as the 'Lead Bank' in 4 districts—East and West Godavari and Srikakulam in Andhra Pradesh and Ganjam district in Orissa. We are also joint 'Lead Bank' with the Indian Bank in the district of Krishna and Guntur. Though the scheme of financing Primary Agricultural Societies is entirely within the scope of nationalised banks, our Bank has voluntarily agreed to join the scheme.

Staff Orientation

Banks now serve an increasing number of customers and the average size of each deposit and advance tends to be smaller. To service such increasing numbers, effective delegation of powers at various levels and adoption of latest management techniques is absolutely necessary. We have to ensure that the junior-most officer of to-day does not merely implement decisions taken at the higher level but gets trained in making decisions on his own.

Observing that there is a serious shortage to-day of adequately trained personnel, the Chairman said, "our Bank's management is seized of this problem and we are engaged in working out projections of the Bank's business during the next five years, its requirements of human resources and the streamlining of its recruitment methods and promotion policies. We are exposing our officers to various training pro-

grammes for the development of special skills and to every aspect of managerial development. The success of the Bank depends upon the extent to which we are able to reorient the attitude of our staff at all levels and instil into them a strong sense of belonging to the institution they serve and a sense of involvement in its developmental programmes."

Bank's Progress

During the year under review our deposits increased by Rs 11.41 crores from Rs 40.90 crores to Rs 52.31 crores i.e., an increase of 27.9% over the preceding year as against the average of 14.5% for the banking system as a whole. The per capita deposit in Andhra Pradesh, it must be remembered, is as low as Rs 33.8 as against the all India figure of Rs 77. The number of our depositors has gone up by 59,000 to 3,32,000 in 1969 as against an increase of 29,000 in 1968.

Advances

There was a rise of Rs 9.98 crores in our total advances which increased from Rs 25.47 crores to Rs 35.45 crores, a rise of 39.6% over the preceding year. Out of the increase of Rs 9.98 crores, priority sectors accounted for Rs 8.22 crores—i.e., for 82.37% of the increase during the year. Our advances to Priority Sectors during the year 1969 increased by 174.5% over the preceding year and work out to 68.3% of deposit accretion during 1969.

Priority Sectors

Our advances to the Priority Sectors amounted to Rs 12.93 Crores or 36.47% of the Bank's total advances.

Agriculture

As on December 31, 1969 our advances to agriculture were spread over 31,000 agriculturists many of whom are small farmers including tenant farmers and in a number of cases the amount advanced was as low as Rs 100/-. The following figures will give an idea of the break-up of advances to agriculture:

	(In lacs of Rs)		
	As on 31-12-68	As on 31-12-69	As on 28-2-70
Limits Sanctioned			
Direct	225	468	475
Indirect	nil	525	565
TOTAL	225	993	1040
Outstanding			
Direct	145	416	429
Indirect	nil	276	244
TOTAL	145	692	673

The number of farmers financed

increased to 34,300 as at February 28, 1970. A sum of Rs 64 lacs was advanced to retail traders.

Small-Scale Industries

Our advances to small-scale industries increased from Rs 1 8 crores to Rs 3 69 crores which includes Rs 18 lacs to transport operators and the number of units from 265 to 628. Since January, 1970, there has been a further increase by Rs 2 24 crores. As on December 31, 1969 the limits sanctioned were Rs 12 11 crores which has increased to Rs 12 96 crores as on February 28, 1970. We have created a technical cell at the Head Office where the entrepreneurs intending to start industries will be assisted in choosing the industries, preparation of schemes, selection of machinery, etc. Our Technical Officer visits the units and suggests steps to achieve economies, to improve productivity, etc. I am also happy to say that we have made a good beginning in our scheme for Technocrats.

Staff Relations

I have always held the view that a contented staff is a must for the progress of any institution. The new challenges which banks now face can be met successfully only if there is a complete understanding between the staff and the managements. I am happy to say that

during the year under review we held discussions and arrived at satisfactory understanding with the organisation of our workmen on all pending matters and also accorded recognition to the Andhra Bank Employees Union. I have every hope that all issues that may arise will be discussed across the table with a view to their peaceful settlement. Trade unionism in the country has reached a degree of maturity which makes the old agitational approach unnecessary and out of date.

Acknowledgment

We deeply appreciate the wise counsel and leadership which the Reserve Bank of India has been providing to the Commercial Banks. We are also grateful for the willing and enthusiastic co-operation we have been getting from the State Government both at the Capital and at the District level. I must confess that but for this support, we would not have been able to give such a satisfactory account of ourselves in the matter of advances to agriculture, small industries and of rural banking itself.

I am indeed grateful to my colleagues on the Board, each of them a specialist in his line, for the ready co-operation and guidance they have been giving me. I express my appreciation of the efficient and loyal services of our General Manager, Mr. M. V. Subbarao and all

officers and members of our staff at Head Office and Branches.

Conclusion

While, in the matter of implementation of the new policies, the nationalised and non-nationalised banks in the country are marching hand in hand, and in some respects our bank has taken on itself voluntarily certain functions meant only for nationalised banks, one often comes across instances of unjustified discrimination operating to the detriment of banks in the private sector. I submit that in the matter of the deposit of funds of Government and quasi-Government institutions, Universities, Local Self-Government Bodies, etc., there should be no distinction between the two classes of banks.

Banking of the 70's is a new concept; an instrument for social service, a guide and helper of the small man, the small trader, the artisan, the small industrialist and the self-employed. It is our desire to be the small man's bank to promote him in every way we can, to play our part in the economic development of the country and especially of Andhra Pradesh. I feel an exaltation when I look into the future of this industry.

This does not purport to be a summary of the proceedings of the Annual General Meeting of the Bank.

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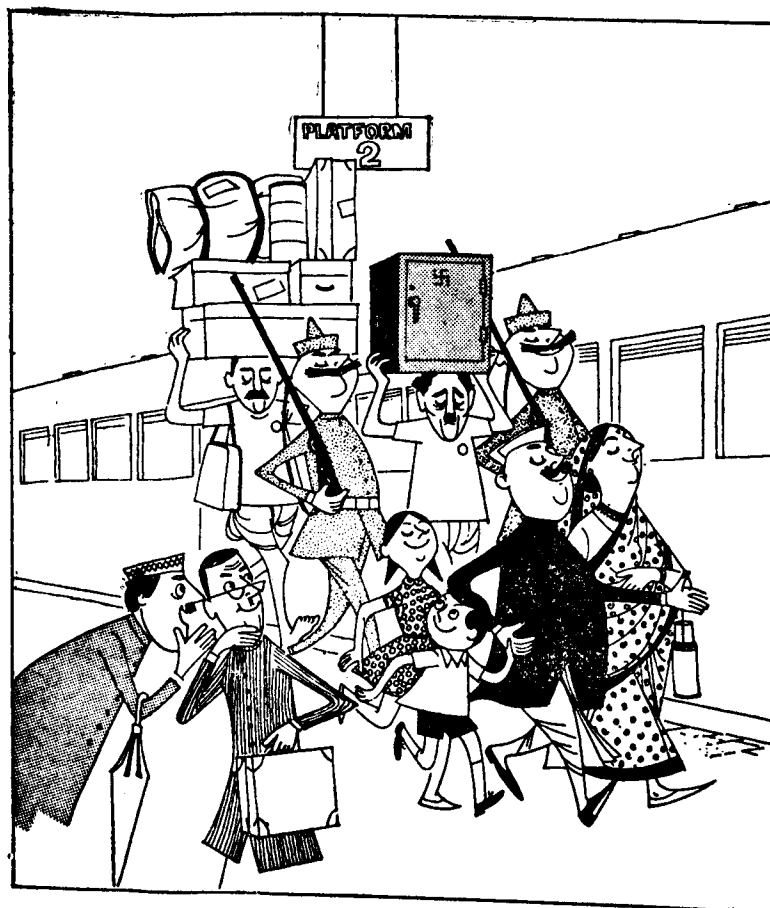
The State Bank of India issues its own Rupee Travellers Cheques in denominations of Rs. 50 and Rs. 100. These can be cashed at any of the over 2600 offices of the State Bank of India and its Subsidiaries. They are also encashable at encashing agents at airports, and hotels and shops; in India and abroad. They're good anywhere, anytime, even after banking hours.

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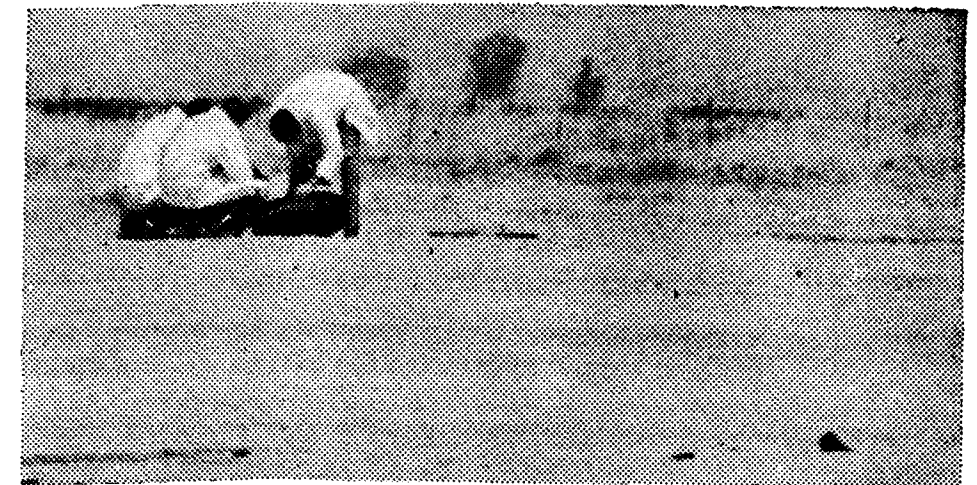
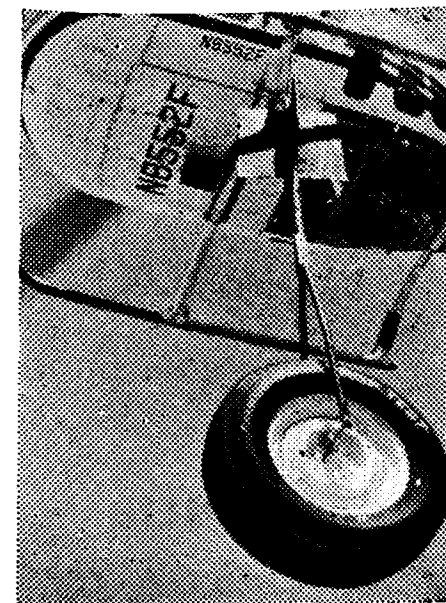
HOW DO YOU PROVE
HOW STRONG A FIRESTONE TYRE CAN BE?
WE AIR-DROPPED THIS TYRE FROM 305
METRES AND IT'S STILL RUNNING

If you're looking for something extra in kilometres, you're looking for a tyre with something extra in strength.



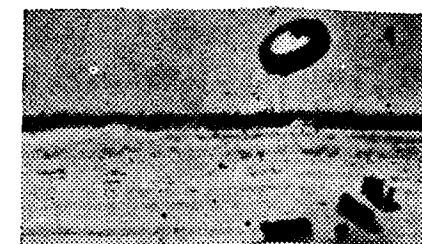
We air-dropped this Firestone tyre 305 metres onto a macadam airstrip. (Even if we dropped it from higher up it wouldn't fall any faster or hit any harder.)

It hit with a speed of 278 kms. per hour — an impact so great it bent the 11 kgs. steel rim almost in half!



Tyre engineers checked the tyre inside and out and said it was still ready to roll... the body, sidewalls and tread were strong as ever!

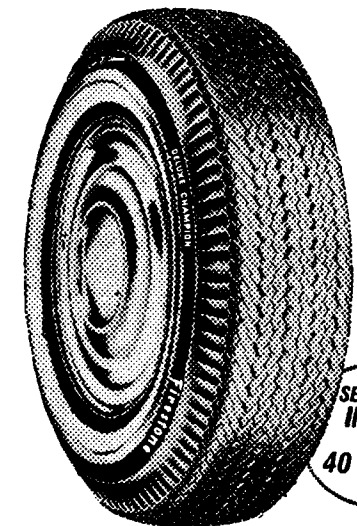
We mounted this tyre on a new rim and started running on it. Night and day. And months later, we were still running on it and the engineers said it looked as if we'd get as many kilometres as we would on a new one. And that's a lot of kilometres — more kilometres for your money.



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GOODYEAR INDIA LIMITED

**Managing Director Mr. R. E. O. Carey's Address
to the Shareholders**

The following is the full text of Mr. R. E. O. Carey's address to the Shareholders at the 9th Annual General Meeting of the Company held in Calcutta on 6th May 1970.



Mr. R. E. O. Carey

Ladies and Gentlemen:

If I may begin on a personal note, I would like to mention that this is the Ninth year that I have appeared before you as Chairman of Goodyear—India's Annual General Meeting, and since I shall be retiring early next year, this will be the last meeting at which I shall have the privilege of addressing you.

Unfortunately, we only have an opportunity to meet with our shareholders as a group once in a year, but the interest of our shareholders in enhancing their investment in the company is our interest and our first objective. This is one of the reasons why I would like to start off today by reviewing Goodyear—India's progress during the sixties.

We have travelled a long way since our first tyre plant was commissioned at Ballabgarh. Although Goodyear has been in India since 1922, we started manufacturing automotive tyres at our Ballabgarh plant in 1961 with a modest manufacturing capacity of 2,10,000 p.a. out of the total Industry capacity of 1.5 million tyres. Today, our licenced capacity is 6,00,000 automotive tyres and tubes. In terms of tonnage, we have increased our production from 655 metric tonnes in 1961 (after start up in August) to 13,856 metric tonnes in 1969. To give you another example of the growth of your Company, the total assets of Goodyear—India have increased from Rs. 6.99 crores in 1961 to Rs. 14.08 crores in 1969. Sales in 1961 were Rs 8,27,23,736 as compared to Rs. 28,72,95,063 achieved in 1969. Profits before tax in 1969 were Rs. 2,89,72,547 while profits for the year 1961 totalled Rs 28,06,383.

When our current substantial expansion project is completed later this year, our plants at Ballabgarh will be the largest Goodyear manufacturing facility in Asia.

I would also like to call your attention to a survey made by the ECONOMIC TIMES in which your company ranked tenth of all public

limited companies in India on the basis of its 1968 performance in terms of gross return on total capital employed.

The company is looking forward to even greater growth in the seventies which should enable us to increase our share of the expanding market in tyres and tubes and other rubber products. As you are aware, we are presently engaged in constructing two new plants at Ballabgarh—Plant II for the manufacture of 2 million bicycle tyres and tubes and Plant III for the manufacture of automotive, tractor and earthmover tyres and tubes. Production from these two installations is scheduled to go on stream towards the end of this year. We also decided, last month, to build another plant for the manufacture of airplane tyres and tubes.

As the Directors' Report and the Audited Accounts have now been with you for some time, I would like, with your permission, to consider them as read.

I am pleased to advise you that your Directors are recommending an increase in the dividend from 15 to 17½% for 1969. The decision for the amount of the proposed dividend has been taken after giving careful consideration to the major capital expenditures and high working capital requirements anticipated for implementation of our expansion projects.

In February this year, the Association of Rubber Manufacturers in India conducted a Rubber Seminar in Delhi where representatives of Rubber Product manufacturers, Raw Material suppliers and Government discussed various aspects pertaining to requirements necessary for the future growth of the rubber industry. The seminar was inaugurated by the Honourable Mr. Fakhruddin Ali Ahmed, Minister for Industrial Development, Internal Trade and Company Affairs. Your Managing Director, in his capacity as Chairman of the Association of Rubber Manufacturers in India, particularly stressed the importance of Government raising

the licenced capacity of the tyre industry from 5.6 million tyres to 7 million Automotive tyres to meet the Fourth Plan requirements for the substantial growth expected in the transport industry and India's ambitious export goals. We believe the tyre industry will play a very important role in the development of the Agricultural and Transportation sectors in the seventies.

Although the target of 7 million tyres for the Fourth Plan is expected to be adequate, it is my opinion that a safer figure would be 8 million tyres by 1974. This higher target would take care of strikes, go-slows and similar afflictions and also provide cushion against delays in the implementation of some of the licences. A higher capacity would also generate a greater export effort.

Government have plans to issue new manufacturing licences up to 1.5 million automotive tyres and tubes and these licences, it is reported, will be exclusively for new units. For the remaining 1 million tyre capacity to reach the target of 8 million, I would urge the Government to consider expansion licences for existing factories. The financial resources, land, power, transport, technical know-how and trained personnel already available with the existing tyre companies will ensure a speedy implementation of the expansion and thereby avoid a recurrence of the shortage our country experienced during the last two years.

Another very important point discussed at the rubber seminar was the future availability of major raw materials. The basic raw materials required by the Industry for the manufacture of tyres and tubes are natural and synthetic rubber and rayon and nylon tyre fabric. It is also essential that substantial improvements be made in the yield of our natural rubber plantations. In recognition of this fact, and that additional natural rubber production will be required in future, Government is

taking active steps to establish new plantations and to assist plantation owners in replanting with higher yielding clones. It is also proposed by Government to set up a new synthetic rubber plant at Koyali, in Gujarat, keeping in view the substantial increase anticipated in tyre and tube production requirements for the country's needs in the coming years. The present plans are, however, unlikely to satisfy all of the additional natural and synthetic rubber requirements.

The next important raw material in which a shortage in supply is currently anticipated is rayon fabric, due to the existing conversion capacity of rayon yarn being totally inadequate. Steps should also be taken immediately by Government to ensure that adequate manufacturing facilities for nylon tyre yarn and, its conversion are available for the Industry's current and future domestic and export requirements.

I am pleased to report that your company's products continue to enjoy high consumer acceptance. The consumer preference for our products was once again established at the All India Car Rally early this year. Out of a total of 12 winners from all classes of cars, six participants won their awards on our G8 Super-Cushion passenger car tyres. We believe this excellent consumer acceptance is attributable to our high technological proficiency, as well as to the high quality of our products. To maintain and, where possible, improve upon our consumer acceptance, we have plans to manufacture even more sophisticated tyres which will continue to be most suitable for Indian road conditions and which will enable us to compete in the international export market. However, in order for us to achieve these two objectives of better serving our domestic consumers and to be able to compete on equal terms in the highly competitive export markets, it will be necessary that the flow of improved technological information from our collaborators, The Goodyear Tire and Rubber Company, continues in the future without any interruption. Tyre sizes, types and designs have to keep in step with the changing technology in vehicle, highway and transportation development not only in India but in our growing export markets. For your information, the latest type of tyres, the bias belted and radial ply tyres are now growing in preference in most overseas markets over conventional bias angled tyres such as are now being produced in India. Fortunately, we do have a collaboration arrangement with the world's largest tyre manufacturers, namely The Goodyear Tire and Rubber Company of USA. This Company maintains a pool of information at an annual cost in excess of Rs. 825 crores (\$110 million) which covers

research and development. More than 4000 Goodyear scientists and specialists work solely in Research and Development at the Company's massive technical centres in the United States and Europe and in manufacturing installations throughout the world. (Even if Goodyear — India were to attempt to develop its own technology to compete with other international tyre companies, it would cost us more than all our resources). Our present collaboration agreement will be expiring in 1971 and we are sure that Government will recognise the need for renewal of this agreement to enable us to continue to improve upon our products in the years to come.

As mentioned in the Directors' Report, our exports were affected adversely during 1969 by the sharp cutback in export duty drawback rates imposed in February of 1968. The Government did, however, reintroduce this subsidy in September 1969 and, fortunately, we were able successfully to re-enter certain export markets previously lost to other foreign suppliers and obtain substantial export orders for delivery during 1970. We are hopeful that our 1970 exports will substantially exceed the Rs 42 lakhs exported in 1969.

The training of our personnel has been, and still is, of prime importance to your company. Training courses have been set up for the benefit of all employees. We have also sent a number of our senior management personnel abroad to subsidiaries and our parent Company for training and study of our methods of operation used by other Goodyear organisations. Personnel of

Goodyear — India are also well represented at various management development seminars being conducted around this country. It is our intention to give even more emphasis in the coming years to management training, as we are a company that has been dedicated over the years to the principle that "People are our most important asset."

I now have come to a sad part of my address. Mr. B. Chaudhury, who served us with distinction as our Sales Manager for Industrial and Special Products, passed away in January of this year at the early age of 48 years. Mr Chaudhury made a very significant contribution to the progress of your Company. He worked in close co-operation with me and I must express a very personal sense of loss in his sad and untimely death.

I would like to take this opportunity to express my warmest thanks to our employees, dealers and shareholders, without whose close co-operation it would have been impossible to achieve the continuous progress of your Company since its formation.

As mentioned earlier, I will be retiring from the Company early in 1971 and this will be my last opportunity to address you in the capacity of Managing Director. It has been my privilege to steer the course of your Company during the last ten years and I would again like to express my personal thanks for the very generous support you have given me in carrying out this task.

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

N C A E R

Latest Publications

- | | |
|--|-----------|
| 1. Development Prospects for Goa, Daman & Diu (Cloth bound) | Rs. 20.00 |
| 2. Dry Farming in Mysore State (Cloth bound) | Rs. 22.50 |
| 3. Export Prospects for Footwear (Art card cover with jacket) | Rs. 18.00 |
| 4. Demand for Man-Made Fibres in India (Paperback) | Rs. 6.00 |
| 5. Economics of Rural Electrification in Kerala (Paperback) | Rs. 6.00 |
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Reports in the Press

- | | |
|--|---------------------|
| * Regional Transport Survey of Mysore State | Rs. 45.00 |
| * Projections of Demand and Supply of Agricultural Commodities | Rs. 18.00 |
| * Incidence of Taxation in Gujarat | Rs. 20.00 (Approx.) |

Available from
Publications Division
National Council of Applied Economic Research
Parisila Bhawan, 11-Indraprastha Estate,
New Delhi-1.

RECORDS AND STATISTICS

Industrial Development in 1969

ACCORDING TO the annual report of the Ministry of Industrial Development, Internal Trade and Company Affairs, the general index of industrial production (base: 1960=100) which had recorded a decline of less than 1 per cent in each of the two years 1966 and 1967 increased by 6.4 per cent in 1968. In the first ten months of 1969, this rate of growth has not only been maintained but accelerated and several industries have shown noticeable increases in output.

During the first 10 months of 1969 there was a spectacular increase in the output of the main food manufacturing industries. The output of sugar increased by as much as 90 per cent. Among intermediate industries, the output of automobile and tractor tyres increased by nearly a quarter. There were also substantial increases in several chemical products such as sulphuric acid, caustic soda, liquid chlorine, bleaching powder, bichromates and soap. There has been a significant improvement in the fertilisers industry. Ammonium sulphate recorded an increase of over 25 per cent in output. New types of chemical fertilisers have also been introduced and their output is expanding rapidly. Among the non-metallic mineral products, high tension insulators showed a marked increase in output and there were also moderate increases in the output of cement and asbestos cement sheets. Output of basic metals industries such as finished steel and aluminium showed appreciable increases, the production of aluminium increasing by 11 per cent. The output of copper and lead also recorded substantial increases. Side by side with the improvement in basic metal industries, the output of several metal products industries registered sizable increases.

Impressive Growth

The most impressive improvements were observed in capital goods industries, most of which recovered from the recessionary trends. The output of tractors showed an increase by a third, while diesel engines and power-driven pumps recorded similar increases. There was also an improvement in the output of machine tools, cutting tools and small tools.

The improvement in regard to the manufacture of electrical machinery was even more striking. Several items of electrical equipment such as dry ba-

tteries, storage batteries, electric lamps, electric fans, radio receivers, house service meters and bare copper conductors, recorded significant increases in output. In regard to transport equipment also there was rapid advance particularly in motor-cycles, scooters and three-wheelers.

The increase in industrial output was, however, moderated by the decline in the output of one of the major industries, namely, textiles. While the decline in mill-made cotton cloth was small (3.3 per cent), it was as high as 22 per cent in jute textiles.

Important Indicator

An important indicator of industrial development is the additions made from time to time to the existing industrial capacity. Substantial additions to the installed capacity aggregating over 50 per cent were made during the first ten months of 1969 in several industries, such as, acetic acid, acetic anhydride, liquid chlorine, phosphoric acid, polyesterene moulding powder, PVC resins, staple fibre, nylon filament yarn, urea, penicillin and motor starters. Additions ranging between 20 per cent and 50 per cent were made in several other industries, such as, infant milk food, automobile tyres, tractor tyres, tractor tubes, liquid chlorine, hydrochloric acid, nylon mono filament yarn, PAS and its salts, sewing machines, cast iron spun pipes, domestic refrigerators, power transformers, storage batteries, dry cells, incandescent filament lamps, miniature lamps, electric fans and radio receivers. Additions below 20 per cent were registered in some other industries, such as flour milling, rubber foot wear, cycle tyres and tubes, adv tyres, and tubes, automobile tubes, water proof fabrics, copper sulphate, sodium sulphide, alumina ferric, sodium sulphate, super phosphate, LT insulators, asbestos cement products, razor blades, stationary tyre, diesel engines, power driven pumps, electric motors, winding wires, and fluorescent lamps.

In the case of several industries, such as flour milling, infant milk food, paper and paper board, newsprint, chrome tanned hides, caustic soda, liquid chlorine, soda ash, bleaching powder, calcium carbide, sulphuric acid, copper sulphate, nitrophosphate, ammonium phosphate, ammonium sulphate, sulphur black, vat dyes, penicillin, sheet glass, cement, viscose filament yarn, acetate filament yarn, plywood,

aluminium, thermos flasks, tractors, machine tools, motor cycles, scooters, mopeds and bicycles, there was an up-trend in the utilisation of the existing capacity.

Serious efforts are continuously being made to reduce the imports to the minimum level possible by taking various steps in the diverse sectors of the industry to produce indigenous substitutes as a part of the import substitution programme.

Import Substitution

There has been an increasing consciousness in the government departments, public and private sectors of the industry for achieving maximum possible self sufficiency in the country. The Federation of the Indian Chambers of Commerce and Industry, organised a seminar on the subject sometime back and one of the more important recommendations made by the seminar was to appoint a High Level Agency for evolving a positive and deliberate programme for import substitution and co-ordination. While it has been appreciated that the work of the import substitution has to be attended to in a practical manner on industry by industry basis and only through technical agencies like DGTD, etc., a High Level Committee on import substitution was appointed early in 1969 with Secretary, Department of Industrial Development as the Chairman and Secretaries of all the economic ministries, the DGTD and DC(SS1) as its members. The composition of the High Level Committee was later enlarged to include representatives from the Federation of Indian Chambers of Commerce and Industry, All India Manufacturers' Organisation and Federation of Associations of Small Industries in India. The High Level Committee held two meetings during the year and the more important decisions taken by this High Level Committee in these meetings have been:—

(a) Each ministry/department would undertake an immediate exercise to identify the components and spares aggregating to a value of Rs one crore and more in a year which were being imported as also the components etc. considered critical, even though their import was of lesser value and furnish these lists within a period of 3 months to DGTD who would continue to function as a central co-ordinating agency for organising necessary developmental action in consultation with the other concerned authorities.

(b) DC (SSI) would arrange for the setting up of an association of small

groups of entrepreneurs with diverse types of capacities in close proximity to large industrial complexes for meeting the requirement of components and spares etc. Arrangements would also be made by him to provide for such existing or new groups, the necessary testing facilities which would be more in the nature of process control.

(c) A cell would be set up in the office of the Economic Adviser to review the price trends in respect of selected items of equipments etc. which have been placed on the banned list for imports. The cell would work in consultation with the DGS&D, DGTD and the Department of Economic Affairs.

(d) To encourage further, the technological substitution of imported raw materials at the primary as well as intermediary stages, Technical Officers in the DGTD and the other ministries/departments would undertake intensive studies on raw material substitution in other countries and pass on the results of these investigations to the DGTD for arranging co-ordinated action.

(e) Request for the import of balancing equipment of value not exceeding Rs 1 lakh and request for the import of prototypes for facilitating the development of new equipments in the country as a measure of import substitution, would be considered more generously, on merits.

(f) Foreign exchange saving was not the only consideration, underlying the programme of import substitution. The basic idea was to achieve maximum degree of self-sufficiency, particularly in respect of the items required for the defence of the country, which should be developed and produced in the country irrespective of the consideration of foreign exchange.

(g) The year 1968-69 should be adopted as a base year, for the purpose of evaluating the future performance in this field.

The Directorate General of Technical Development also have prepared and circulated a review of the work done by them in the field of import substitution during the last seven years. According to this review during the seven years ended 1967 a saving of Rs 2,108 million in foreign exchange has been achieved as a direct result of the import substitution.

Licensing of Industries

On a review of relaxations in respect of diversification, orders were issued in June, 1969 that such free diversi-

fication shall not be allowed into such industries as have been banned for the purpose of licensing additional capacity whether for establishment of new industrial undertakings or for expansion of existing industrial undertakings and require imported raw materials or scarce indigenous raw materials notwithstanding the fact that such industries fall in the "priority" group of industries for the purpose of raw material imports.

Foreign Collaboration

The policy of the government in respect of foreign investment and collaboration continues to be that such collaboration is welcome, particularly, in selected fields and sectors of industry. A measure of re-orientation has, however, been brought about against the background of the strong and diversified industrial base that has developed in the country over the last two decades and the pressing needs for developing exports of manufactured products. As a result, greater selectivity is now being exercised in the matter of approval of foreign collaboration applications. With a view to avoid repetitive import of technology for the manufacture of same or similar products, efforts are made to conduct co-ordinated negotiations when a number of units are proposed to be set up for the manufacture of the same item at about the same time. Technical collaboration agreements are now usually approved for a duration of only five years from commencement of production and care is also taken to ensure that, as far as possible, collaboration agreements do not have restricted export franchise clauses and that provision is made which permits know-how to be passed on to another Indian company, should it become necessary, on terms to be mutually agreed to by all concerned including the foreign collaborator and subject to the approval of the government.

The Foreign Investment Board, which is responsible for all matters relating to foreign private investments and collaborations, completed one year of its existence in December, 1969. During this period of one year, it held 27 meetings. The Sub-Committee of the Foreign Investment Board also held 16 meetings during the same period. The Board and its Sub-Committee considered about 240 proposals, and recommended approval in 180 cases. These cases include new collaboration proposals, extensions of existing proposals, and proposals pertaining to capital issues. 47 cases were recommended for rejection, and consideration on a few other items was deferred pending further examination and clarification.

By and large, with the establishment of the Foreign Investment Board, procedural delays in the processing of applications for foreign collaboration have been minimised to a large extent.

Import of Capital Goods

During April 1, 1969 to December, 31, 1969, the total Capital Goods approvals accorded by the Capital Goods (Main) Committee, Capital Goods (*Ad-hoc*) Committee and Capital Goods Committee on Export Oriented Industries were as under :-

	Value approved (Rs lakhs)
Capital Goods (Main) Committee ..	3966.36
Capital Goods (<i>Ad-hoc</i>) Committee ..	637.59
Capital Goods Committee on Export Oriented Industries ..	344.58

The industry-wise breakup of approvals accorded by the Capital Goods (Main) Committee is as follows :-

Industry	Value approved (Rs lakhs)
Automobiles ..	75.84
Electricals ..	214.42
Engineering ..	329.01
Iron and Steel ..	140.55
Metals (other than iron and steel) ..	13.61
Cement, ceramics & refractories ..	86.61
Rubber ..	802.03
Chemicals ..	706.34
Paper & paper board ..	303.15
Textiles (Non-Cotton) ..	1137.28
Miscellaneous ..	157.72
TOTAL ..	3966.36

Production in the Organised Sector

While the units in the small-scale sector are looked after by state directors of industries, those in the large and medium scale sectors are registered with the Directorate General of Technical Development. The following figures relate to the units in the organised sector :

May 15, 1970

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PRODUCTION OF INDUSTRIES IN 1968 AND 1969

Name of the Industry	Accounting unit	1968			1969			Remarks
		No. of units	Installed capacity	Actual production	No. of units	Installed capacity	Actual production	
1	2	3	4	5	6	7	8	9
INDUSTRIAL MACHINERY								
Sugar Mill Machinery ..	Rs Lakhs	16	2100.00	1159.80	16	2100.00	1200.00	
Cement Mill Machinery ..	Rs Lakhs	10	2300.00	817.58	10	2300.00	1000.00	
Boiler (Industrial + Power) ..	Rs Lakhs	13	900.00 +1.3 (M.K.B.)	1980.50	13	900.00	2200.00 +1.3 (M.K.W.)	
Conveyors & Wagon Tiplers ..	Rs Lakhs	18	756.50 + (112.00)	591.64	18	868.50	600.00	
Drilling Machinery ..	Rs Lakhs	10	300.00	136.79	10	300.00	160.00	
Reduction Gear ..	Rs Lakhs	14	353.00 + (Marine Gear) Not indicated	264.94	13	363.00 + M.G. 1500 Nos.	370.00	
Gas-Cylinders (L.P.) ..	Rs Lakhs	4	245.00	292.32	6	245.00	390.00	
Printing Machinery ..	Rs Lakhs	5	48.00	10.27	5	48.00	24.00	
Chemical Pharmaceutical Machinery ..	Rs Lakhs	46	1240.00	1100.00	46	1310.00* to be fixed.	1300.00	
Paper & Pulp Machinery ..	Rs Lakhs	13	640.00	271.00	12	445.00	360.00	Licence granted to one unit has been cancelled.
Mining Machinery ..	Rs Lakhs	9	963.00	299.00	9	9630.00† to be assessed as one case.	1240.00	
Steel Plant Equipment ..	Rs Lakhs	2	Separate capacity is not available. Total licensed capacity incl. other items is 92,000 tonnes valued approx. Rs. 4,600/- Lakhs	1020.00*	2	Separate capacity is not available. Total licensed capacity incl. other items is 92,000 tonnes valued approx. Rs. 4,600-Lakhs.	700.00**	*This includes total production of HMBP. **This is only for steel plant equipment.
Metallurgical Machinery ..	Rs. Lakhs	10	**	135.00	10	**	175.00	** Parties have Combined industrial licences for various items and no separate capacities are available for this industry.
Construction Machinery ..	Rs. Lakhs	17	587.00	104.58	17	587.00	90.00	**As in item above
Rayon Machinery ..	Rs. Lakhs	1	**	58.48	3	**	85.00	
Bread Plant & Bread making Machinery ..	Rs. Lakhs	1	12.00	9.62	1	12.00	NIL	This fall in production is due to non-availability of orders.
Tea Processing Machinery ..	Rs. Lakhs	6	200.00	178.00	6	200.00	135.00	Reduction in production is due to lack of orders.
Weighing Machinery ..	Rs. Lakhs	4	185.00	165.00	4	185.00	160.00	

(Contd.)

PRODUCTION OF INDUSTRIES IN 1968 AND 1969—(Contd.)

1	2	3	4	5	6	7	8	9
Modern Rice Mills	Rs. Lakhs	1	415.00	10.28	3	982.00	25.00	All the three firms are in initial stages of production.
Pesticide Equipment, Agr. Sprayers & dusters	Do.	3	816.00	219.00	3	816.00	220.00	
Dairy machinery	Do.	3	257.00	93.00	3	257.00	122.00	
Asbestos-Cement Product Plants	Do.	1	280.00	47.00	1	280.00	50.00	
Industrial filtration Equipment, including centrifuges	Do.	5	190.00	74.00	5	190.00	128.00	
Industrial Screens	Do.	5	212.00	49.00	6	212.00	87.00	
Electroplating equipment	Do.	2	40.00	33.00	2	40.00	43.00	
Feed mill plants	Do.	1	22.75	62.00	1	22.75	37.00	
Book processing equipment including bottling machinery	Do.	6	70.00	11.00	7	110.00	23.00	
Rubber machinery	Do.	2	20.00	17.00	2	20.00	24.00	
Coil Winding & Impregnating & coating plants	Do.	1	25.00	21.00	1	25.00	23.00	
Oils & Gas firing equipments	Do.	5	97.00	16.00	5	97.00	23.00	
Industrial Dry-cleaning & Laundry machinery	Do.	1	40.00	40.00	1	80.00	57.00	
Ceramics machinery	Do.	1	10.00	8.00	1	10.00	8.00	
Paint & Varnish machinery	Do.	4	15.00	11.00	4	15.00	11.00	
TOOLS & ABRASIVES								
Machine Tools	Do.	70	5139.00	1721.00	72	5757.00	1954.00	
Machine Tools Access.	Do.	14	156.00	82.34	14	139.00	97.00	
Wood Working Machines	Do.	4	25.00	54.92	4	35.60	10.80	
Portable Tools	Do.	7	257.00	125.93	7	265.00	159.58	
Other Metal Forming Machinery	Do.	4	90.00	47.92	5	160.00	70.90	
Plastic Working Machines	Do.	3	132.00	87.03	3	182.00	124.20	
Furnaces	Do.	14	484.00	307.32	14	650.00	335.75	
Gas Welding & Cutting Equipment	Do.	2	104.00	81.60	3	109.00	75.28	Fall Due to less off take.
Electric Welding	Do.	2	65.00	56.95	2	70.00	67.64	
Other (Re-rolling Plant etc.)	Do.	4	61.00	42.33	4	97.00	52.20	
Grinding Wheels	Kgs.	4	48,00,000	37,30,276	4	49,40,000	41,54,576	
Coated Abrasives	Reams	3	2,72,000	1,47,057	3	2,72,000	1,46,065	
Steel Files	Th. Nos.	6	11,800.0	12,220.8	6	10,100.0	13,094.0	
Twist Drills	Do.	6	9,960.0	8,462.9	7	10,060.0	10,378.0	
Reamers	Nos.	10	2,20,000	2,03,262	14	2,88,000	2,07,564	
Threading Tools	Do.	9	3,20,000	21,87,213	10	28,07,000	18,23,168	Fall
Milling Cutters	Do.	13	3,29,000	2,54,498	16	4,20,000	2,84,500	
Bandsaw Blades (Wood)	RM	5	11,80,000	7,56,185	5	12,05,000	7,38,576	Fall
Bandsaw Blades (Metal)	RM	4	10,60,000	8,79,125	4	11,35,000	10,94,564	
Hacksaw Blades	Th. Nos.	5	27,050.0	30,790.7	5	41,000.0	29,837.2	
Tungsten Carbide (S)	Kgs.	5	1,16,000	60,932	5	1,46,000	1,08,928	
Lathe Tools (Tool Bits)	Nos.	8	8,71,000	7,38,469	10	10,01,100	8,34,928	
Diamond Drill Bits	Do.	4	36,000	15,262	5	45,000	14,005	Fall
Tungsten Carbide Tipped Tools	Do.	7	8,80,000	5,61,323	7	926,000	5,22,400	Fall
Broaches	Do.	1	2,400	1,576	1	2,400	2,765	
Measuring Tapes	Do.	2	19,30,000	10,76,508	2	30,03,000	17,74,164	
Industrial Knives	Do.	3	5,00,000	89,837	5	7,00,000	1,53,324	
Forged Hand Tools	Rs. Lakhs	8	310.00	312.68	9	364.00	426.36	
Micrometers	Nos.	1	12,000	10,097	1	12,000	8,772	
Hand Saws	Do.	2	2,00,000	1,30,664	2	2,00,000	1,11,140	

(To be Continued)



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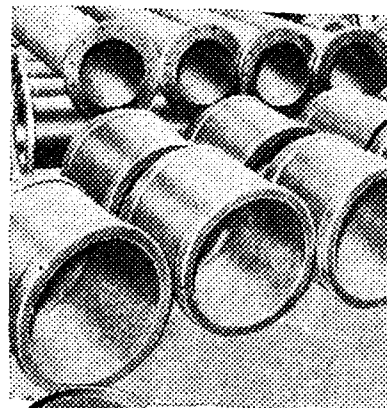
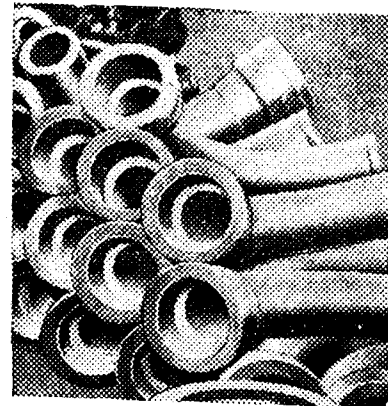
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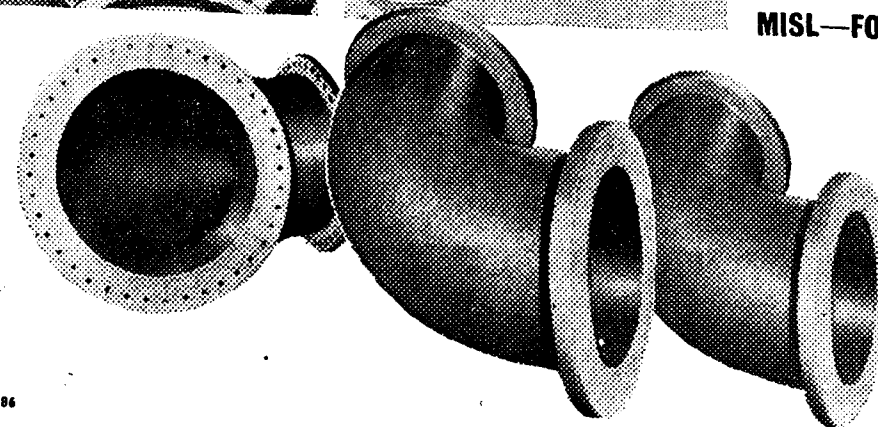
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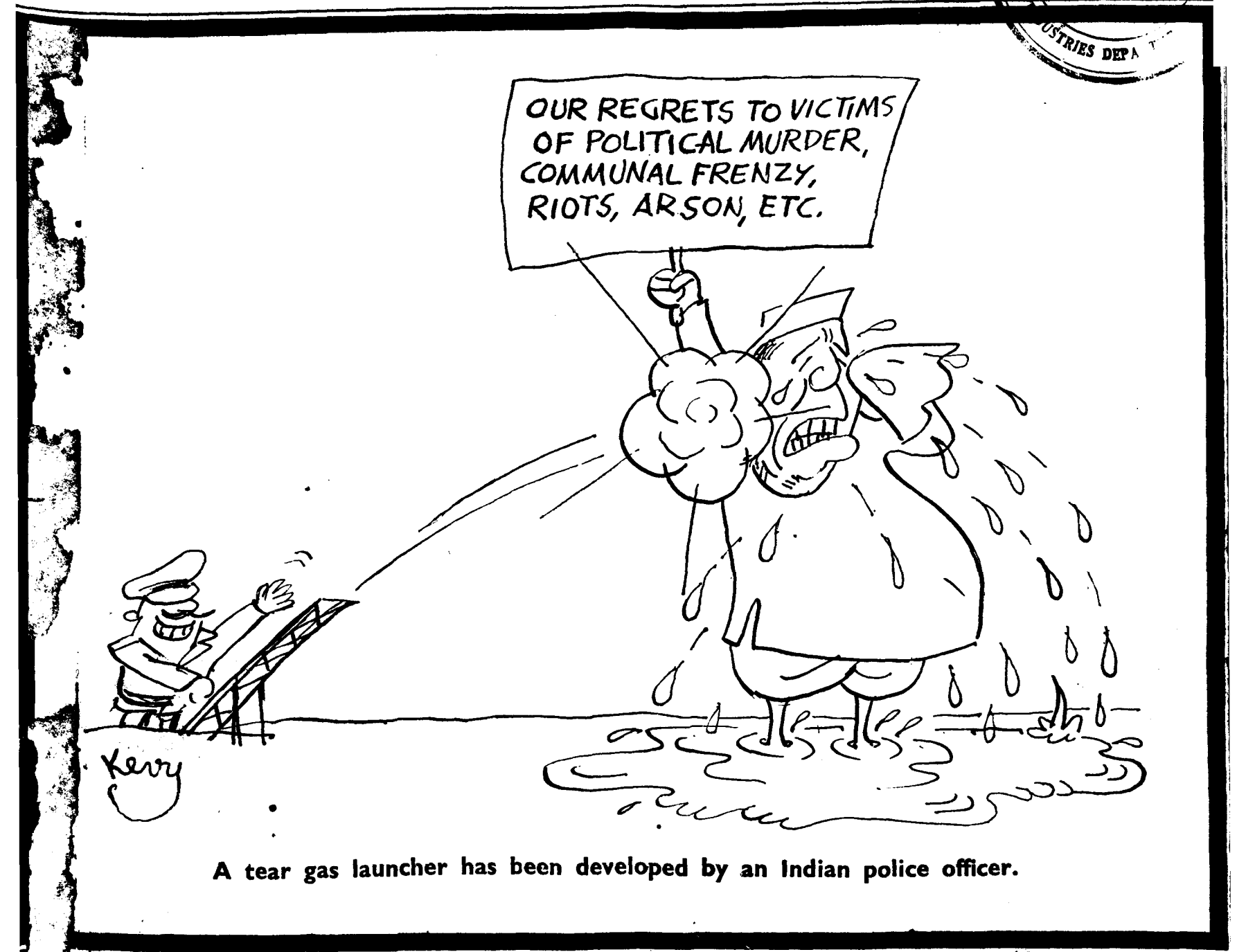
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VOICES OF PROTEST

High Cost of Public Sector

STAGNATION IN WEST BENGAL

THE PILL : A CONSUMERS' ASSOCIATION REPORT



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

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VOICES OF PROTEST

MRS INDIRA Gandhi assumed the office of the Prime Minister of India on January 24, 1966. She has thus been holding this position for four years three months and 29 days. During this period she has been aided and abetted in her functioning by a number of senior Congressmen who were or are still in the central government. It would be fair to inquire whether this body of people generally, or Mrs Gandhi in particular, is proud of how this country has fared over this time. It would not be fair, of course, to suggest that before Mrs Gandhi became Prime Minister all was well with the public life of our country, its politics or its economy. But it seems to us to be a reasonable proposition that since she became Prime Minister more things have gone wrong than right.

The most obvious disappointments have been in the economic sphere. Despite the opportunities provided by a spell of good agricultural years, the nation has failed to make headway with industrial production or investment or the building up of its employment potential. The development process has been arrested and the industrial sector, after a recession in some of its parts, is drifting without purpose or vision. The nation's educational institutions are turning out illiterate or trained manpower by the millions, but industry and the professions seem to be lacking in means sufficient to employ this expectant and urgent youth in productive or rewarding work. In world terms, this country is sliding down in gross national product or per capita income in comparison with many other peoples.

It is, however, in the quality of its public life that the nation has seen the most tragic deterioration. The mass of the people has lost faith in or respect for political parties and their leaders. The natural consequence is that parliamentary institutions have fallen into disrepute. The very politicians and political parties whose greedily selfish behaviour has brought about this development have further contributed to the worsening of the situation by indulging unreservedly and unashamedly in a brand of the politics of opportunism which has prompted many earnest men in public life to think furiously and seriously whether the nation is not being asked to pay too high a price for the shadow of a parliamentary form of government the substance of which has been corrupted and is rotting away. If things continue at this rate, it may not be long before the question is raised whether democracy itself has not become a luxury for our country and its people.

It is in the context of these realities of our national life that the observations of men, such as Gen. K. M. Cariappa, should be studied and examined. The Home Minister was merely exhibiting the arrogance of the politician in power some time ago when he sought to dismiss the General's views as the wandering notions of a confused man. After the deliberate and thoughtful statements which Gen. Cariappa made at a meeting with the press in New Delhi last week, it may not be easy for Mr Chavan and his tribe to get away with such high-and-mighty attitudes.

The General has now made it clear that he never advocated and is not now advocating military rule for the country. His contention is that the parliamentary system of government, as it is at present being worked by political parties or politicians, has failed to ensure good government and has brought about a situation in which threats to law and order have become endemic and the stagnation of the economy chronic. Gen. Cariappa would, therefore, suggest a temporary suspension of the parliamentary system and the introduction of President's rule for a limited period. He has proposed that the President should be advised and assisted in the administration of the country by a council of public-spirited men of integrity, knowledge and experience. He further feels that it may be necessary for the President to seek the help of the Defence Services in maintaining law and order and running the administration in certain areas of the country which have become disturbed due to the subversive activities of certain political groups.

It would be no answer to Gen. Cariappa to complain that he is merely thinking in terms of desperate remedies, if only for the reason that his views are neither so eccentric nor so extreme as they may appear to be at first sight. Other responsible

men in public life, who have applied their mind to the problems of the current national situation, have also been driven to ask themselves whether a presidential form of government may not be the only means of really retrieving democracy for our country and its people. Mr J. R. D. Tata, for instance, has been pleading for new thinking on the subject.

It is obvious that neither the Prime Minister nor other ministers or politicians have it in their power to order these thoughts or talk to vanish into thin air, for these ideas express in a profound and inevitable way the frustrations and even the positive resentments that are welling up in the hearts of the people. It is certainly not obligatory on the part of the young people of this country, needing and seeking employment and the means of livelihood, to accept with resignation the manipulations by the politicians in government of the economy of the country on lines which have so obviously led to a stunting or stalling of economic growth. The millions of men and women of our country, again, can only view with dismay political trends which seem to be moving increasingly in the direction of initiative and action being wrested by extremist ideological groups

which are making no secret of their extra-territorial sympathies or affiliations. Worse still, ordinary people in their daily lives are finding themselves more and more sharply divided among themselves by linguistic or communal passions with the result that language agitations or communal riots have been taking place frequently enough to fashion after their evil image the very character of our political parties or public life.

In the circumstances, it would be surprising indeed were the nation to continue to accept the Prime Minister or the central government at her or its face value. The mere fact that Mrs Gandhi and her administration are managing to continue in power may soon amount to less than nothing if the corrosion of the people's confidence in her or her policies is not stopped. Gen. Cariappa and others of his thinking are, therefore, speaking particularly to her although their words are addressed to a more public audience. There is perhaps still time for the Prime Minister to recognise the gravity of the national crisis and try to figure out what she must do in order that not only her government may have another chance but also that parliamentary democracy may not be denied its chance in this country even temporarily.

High Cost of Public Sector

THE MASSIVE financial investment made during the last two decades in many of the big industrial units of the public sector has remained largely unremunerative because of a number of factors, the chief among them being the under-utilisation of capacity. While examining the "production management" of public undertakings, the Committee on Public Undertakings (CPU) in its 67th report has analysed in detail the various causes which were responsible for the failure of these undertakings to use their capacities up to the maximum. It has come to the conclusion that grievous errors were made in working out the demand projections of the products of many of these units. The belated attempts to diversify the activities of these undertakings have not borne fruit with the result that they continue to be a drag on the economy.

An examination of the working of 14 large-sized public sector undertakings in 1968-69 showed that five of them were not able to utilise even one-fourth of their capacities. The lowest utilisation of capacity was in the case of Heavy Engineering Corporation Ltd (HEC) whose Heavy Machine Tools Plant employed only 2.2 per cent of its installed capacity while the various wings of its Heavy Machine Building Plant utilised

capacities ranging from 11 to 22 per cent.

The other units which fared badly in this regard were: Bharat Heavy Electricals Ltd, (minimum oil circuit breakers utilised six per cent of capacity), Hindustan Machine Tools Factory, Hyderabad (8.2 per cent of capacity), antibiotics plant of the Indian Drugs and Pharmaceuticals Ltd (penicillin six per cent, streptomycin nine per cent) and Mining and Allied Machinery Corporation Ltd (nine per cent). The only major public undertakings which worked up to full capacity were Heavy Water Unit of Nangal Fertiliser Factory, Kiriburu and Bailadila Iron Ore Projects of the National Mineral Development Corporation Ltd, and Gauhati Refinery of the Indian Oil Corporation Ltd.

Hindustan Steel Ltd (HSL), the largest public sector undertaking, did not put up a good performance. Capacity utilisation in terms of ingots in its steel plants was 68 per cent at Bhilai, 67 per cent at Rourkela and 50 per cent at Durgapur. The Alloy Steel Plant at Durgapur operated up to 40 per cent of its capacity. The steel plants suffered from different shortcomings but the common factor in each case was the incompetence of the management in handling

various problems which cropped up from time to time.

The Bhilai Steel Plant failed to attain the rated capacity due to the non-availability of the right type of refractories and delay in the timely replacement of locomotives. The spokesmen of the HSL conceded that there had been failure in planning the replacement of locomotives which had become over-age. The Rourkela Steel Plant is said to have the rated capacity of 1.8 million tonnes a year but its available capacity is not above 1.3 million tonnes because of inadequate maintenance. Similarly, the rated capacity of Durgapur Steel Plant is said to be 1.6 million tonnes a year but its actual capacity is nearly 1.1 million tonnes a year as three out of its four coke oven batteries have been damaged. As rebuilding of one of the batteries took two years, these three batteries are now likely to take six years for being put into working order. Durgapur, like Rourkela, also suffers from the problem of poor maintenance of machinery and equipment.

The representatives of the HSL assured the CPU that Bhilai would attain its rated capacity in 1970-71 while Rourkela also would rise to its rated capacity by the middle of next year; no such assurance was forthcoming in the case of Durgapur. The rebuilding of batteries is likely to take much longer time than the repair of the machinery of the other two units indicating that the troubles of Durgapur were relatively deep-rooted.

Another factor which acted as a stumbling block in working the steel plants to full capacity is the paucity of qualified staff both for operating and maintaining them. The HSL is now taking steps to ensure the training of the technical personnel both in its own plants and abroad. Foreign technicians working in these plants have Indian under-studies who are being trained for the mastery of the production and maintenance techniques.

The miserable performance of the HEC was due to "non-installation of full complement of plant and machinery, shortage of skilled supervision personnel and workers, limited supply of castings and forgings from Foundry Forge Plant to the Heavy Machine Building Plant, low productivity, teething troubles, and the pattern of orders being different from that contemplated in the detailed project reports." The ills which plague the HEC are thus many and there does not seem to be an early solution to them. In regard to orders, its position beyond 1972-73 is bleak. There would not be sufficient demand for its products unless the Government of India sanctioned the expansion of

Bokaro steel plant to its second stage. The capacity of the HEC had been built on the assumption that the installed capacity for steel in this country would rise by one million tonnes a year. Since the capacity for steel has not been rising at this rate and there does not seem to be even a remote possibility of its doing so in the fourth five-year Plan period, the troubles of the HEC are not likely to diminish in the next few years.

The Mining and Machinery Corporation Ltd, (MAMC) has followed the footsteps of the HEC. As stated above, only nine per cent of its capacity was utilised in 1968-69. The MAMC had come into being primarily for supplying machinery to the coal industry which has expanded for the last few years at a much slower pace than expected by the Planning Commission. The target of coal output fixed for 1965-66 was 90 million tonnes but even in 1969-70, its production is expected to be less than 80 million tonnes. Belatedly, the MAMC has started diversifying and one of its first attempts has been the fabrication of equipment for ore-handling at ports. Like the HEC, its future working is also linked with the expansion plan for Bokaro steel plant which might keep it busy for two to three years.

Both the HEC and the MAMC are passing through a period of distress due to the inaccurate demand projections made before deciding upon their capacities. The forecasts in this regard were off the mark by 90 per cent. This shows the degree of carelessness exhibited while taking decision in regard to the establishment of these units. The CPU felt helpless in suggesting ways and means for better working of these units. All that it recommended was that in future no undertaking should be launched "unless a scientific and accurate assessment of demand has been made by the government and a proper scrutiny of feasibility studies and project report has been made". In another report, the CPU had recommended the winding up of the MAMC.

The Heavy Electricals (India) Ltd (HE) and the Hindustan Machine Tools Ltd (HMT) have both suffered for lack of orders for their products and the CPU is of the view that the demand surveys were not made accurately before setting up these undertakings. Moreover, these undertakings had not chalked out aggressive sales policies in order to counteract the effect of the recession. The CPU has therefore suggested that the public undertakings should periodically review their product mix so as to bring it in line with the changing pattern of market demand.

The 67th report of the CPU is a document which has laid bare the weakness

of the public sector in handling complex problems which arise in the management of industrial units. It has shown that the investment made in many of the public sector units has been wasted and that there is a clear case for stopping further

Stagnation in West Bengal

THE ANNUAL meetings of the Bharat and the Indian Chambers of Commerce, held in Calcutta last month highlighted the plight of West Bengal's economy. Mr B.D. Kanoria, President of the Bharat Chamber, and Mr A.K. Jain, President of the Indian Chamber, made some constructive suggestions to revive the state's economy in the short period. Both of them emphasised that the administration under President's rule should not confine itself merely to the restoration of law and order but should also try to create a climate of confidence so that industry and trade can flourish and contribute to West Bengal's prosperity.

Mr Kanoria said that the initiative for stimulating the revival had to come from the centre and from the state government. He added that positive actions on a war-footing must be undertaken to deal with some of the basic maladies and emergency funds must be found for the purpose. He urged the imperative need to activate the West Bengal Industrial Development Corporation for promoting at least one medium-scale industry in each district for which a comprehensive incentive scheme should be announced without delay.

But a perusal of Mr Jain's speech makes one wonder whether revival of West Bengal's economy is likely to take place in the near future. He referred to the loss of the people's faith in the ability of the guardians of

investment in the public sector. Unless the existing public sector units are put on a sound footing, the government has no right to go on pumping the hard-earned money of the people in similar wasteful efforts.

law to come to their rescue when needed and pointed out that the police "still remain idle spectators when gheraos take place." A citizen is still unable to get police help without the assistance of search warrants and court orders. The situation in the districts is much worse than in Calcutta. He emphasised that unless the sense of personal security was restored speedily, the people could not put their heart in the pursuit of their avocations. Mr Jain said that at present West Bengal presented a picture of "all-round stagnation" and that "its declining industrial importance, loss of millions of man-hours in production, closure of over hundreds of factories, vast and growing unemployment and complete disruption of education are eroding its economic and social structure."

In this background it is doubtful whether President's rule will be able to make a favourable impact on the economic conditions in West Bengal. Even if it can contribute to some extent to the revival of business confidence some political parties seem determined not to allow this to happen. The main complaint against the UF government was that it was not able to maintain law and order because of the non-co-operative attitude of the Marxists who held the Home portfolio. But now the Marxists and their allies appear anxious

Eastern Economist 25 Years Ago

MAY 25, 1945

The British White Paper on the future of Burma is a cruel fraud on the Burman people. About the emphasis and vagueness of its political features, viz., the suspension of even the 1935 constitution, the sway of the Governor camouflaged by an executive council, the transitional stage for economic rehabilitation, and the provision for agreed constitution when the time comes—obviously to be decided at Britain's pleasure—Press comment in this country has been rightly adverse. With the Britisher, it is always jam tomorrow never today. The surprise is that the Burma plan is suggested as the model of the kind of political generosity to be dispensed to peoples yet to be "liberated." The economic argument adduced against immediate self-government is that a transition period is needed for restoring the economy, especially agriculture and communications, if normal life is to be restored and

elections are to be possible. This is plausible, but not valid. Philippines suffered at least as much economic damage as Burma, yet the U.S.A. did not find any difficulty in installing a people's Government. Indeed a people's Government would appear to be the pre-condition of any effective economic restoration. Again, what can agricultural rehabilitation mean, while the question of Indian and other rights in Burman agriculture remains unsettled? In fact, this is one of the serious omissions of the White Paper; contrast this with Mr Amery's assertion that every facility will be given to British firms to resume their activity in Burma. The transition seems to aim at giving time to British business to re-entrench itself. It will be no fault of the Burmese people if they look upon the White Paper as a plan for reoccupation by Britain rather than as one for liberation.

to show to the world that law and order could not be maintained even under President's rule and that the situation might even become worse. If, in this process, the state's economy deteriorates and causes more misery, so much the better for those parties which thrive on chaos!

It is therefore difficult to see how the central government can effectively help West Bengal's economy to revive. New Delhi can perhaps make more funds available for the development of Calcutta and for other projects in West Bengal. But, contrary to popular impression, money is not much of a problem at present. Mr Jain revealed that the funds set apart for projects connected with roads, bridges, drainage and water supply had often lapsed in the past due to inaction on the part of the state government. Mr Jain said, "Substantial sums have been earmarked for specific projects and even the World Bank is prepared to assist in a large way as projects get implemented and results are seen. The business community is keen to involve itself in the civic problems. Time and again, we have offered assistance to raise funds and our skills and expertise to implement these programmes effectively and speedily. I would urge once again upon the state government to harness and utilise all the available resources, human and material, from whatever source they come in the urgent task of rebuilding Calcutta."

There is therefore no use blaming the centre for not realising its responsibility towards Calcutta and West Bengal. The Government of India was very keen that the Durgapur-Asansol region should be developed into the Ruhr of India. This area contains vast resources of various types and if only the state government had given serious attention to its development, it could have been one of the brightest spots in the country's economy. But what is the situation today? Let Mr Jain speak: "Durgapur, instead of becoming a great industrial township, has become a battle-ground for various politically motivated unions to gain control of the working force. Durgapur-Asansol belt presents a picture of despair. Many industrialists who had obtained licences and have been allotted lands and power have not gone ahead with their projects. The name of Durgapur instead of attracting investors is scaring them away."

Mr Jain therefore cautioned that Haldia should not become another Durgapur. He urged the Government of West Bengal to adopt "a business-like approach" towards Haldia's development. He urged immediate provision of roads, transport, communications, water supply and power. With the installation of a refinery and a fertiliser plant,

a large petrochemical complex could be built around Haldia. He suggested that the state government should appoint expert consultants to examine the possibilities and prepare project reports which could be made available to the intending entrepreneurs; and where the latter themselves prepared such reports, the state should be willing to bear at least 50 per cent of their cost. This seems a reasonable proposal since a similar concession is given in many other states. Haldia also provides scope for a free trade zone.

But the progress of Haldia and other projects will depend largely on the type of attitude that labour will adopt. Out of 16 million man-days lost in India in 1969, West Bengal accounted for ten million. Mr Jain said, "The industrial relations machinery in the state has broken down and has failed to serve its purpose. Both employers and employees appear to have lost all faith in its efficacy."

Banks and Exports

ALTHOUGH IT is nearly a year since the major commercial banks were nationalised, not much thought has been given to the ways in which they could be effectively used for increasing and diversifying our exports. Some of the leading banks have been devoting special attention to financing exports and the Reserve Bank has also been urging the banking system to give top priority to this problem. But these efforts have not been adequate. It is not enough if the banks just provide financial facilities to those exporters who seek them. The time has come for the banks to seize the initiative and draw up a bold and comprehensive programme for promoting our exports. Many of the banks especially the State Bank of India are well equipped for this task and the others also can be adequately trained for this assignment. Achievement of a seven per cent annual growth in our exports should not prove difficult if the country's banks in the public sector and in the private sector co-operate and actively assist industry and trade to increase production and exports.

The export finance facilities at present available mainly consist of the re-finance scheme of the Reserve Bank under which re-finance facilities are given to the scheduled banks at concessional rates of interest; medium-term financing for periods exceeding six months but less than five years by the Industrial Development Bank; and the insurance and guarantee schemes of the Export Credit and Guarantee Corporation. Although these schemes, on the whole, appear to have been working satisfactorily, there is said to be considerable room for im-

Mr Kanoria remarked, "the whole atmosphere has become murky for development. The worst danger has come again from the poison-pill of 'no work' that has been administered consciously and concertedly for quite a few years. This attitude that has been nurtured erodes and ultimately kills any organisation."

It is estimated that at least 200,000 new employment opportunities have to be created in West Bengal every year in industries, housing construction and other activities. But at present the right atmosphere for this is not available. Now that they are not burdened with the responsibilities of office, the political leaders of West Bengal should ponder carefully over the causes and consequences of West Bengal's economic distress and consider to what extent they are prepared to subordinate their own interests to those of the state and the nation.

provement in some directions. In this context, the discussions at the Workshop on financing exports, sponsored by the National Institute of Bank Management in Calcutta from May 3 to 7 assume importance. The participants included representatives of the leading banks, Indian and foreign, the State Trading Corporation and the Indian Institute of Foreign Trade. The discussion would have been more purposeful if the export managers of the leading commercial firms had also been invited to offer their suggestions on the role of banks in export promotion.

The topics discussed at the workshop included simplification of export financing procedures, establishment of an inter-bank export information centre, creation of export departments in banks, and development of export business by integrated financing. The workshop rightly stressed that the banks should consider extending clean advances by way of packing credit as soon as an export/manufacturer received a firm order and/or a letter of credit. The banks were urged to provide an adequate mechanism for handling and negotiating export bills at a larger number of inland centres and to weed out the sources of delay. These proposals deserve quick implementation. But it is not clear how far the suggestion to empower the banks to effect payment of cash subsidies and drawbacks is practical. Exporters will, of course, welcome this procedure since it will enable them to get their dues promptly. Till now the incentives in the form of cash assistance and refund of duties have not had the desired impact on exporters because of the

inordinate delay and cumbersome formalities. But will the union Finance Ministry agree to entrust the banks with the disbursement of the export benefits? This is doubtful because of likely objections from the audit department and the difficulty in evolving a fool-proof formula to prevent over-payments.

Some of the proposals made by the workshop relating to the deferred payment exports with special reference to the problem of exchange cover are also worthy of consideration. At present the participation of the Industrial Development Bank in financing medium and long-term exports is confined to industrial concerns as defined in their scheme. It excludes established exporters and specialised engineering consultants or firms who supply capital goods to foreign parties and get their fabrication done by sub-contractors. It was suggested that such participation be extended to these exporters as well. Decentralisation of the machinery of processing and sanctioning of the IDBI proposals, which is now concentrated in Bombay, to Calcutta and Madras also needs to be implemented.

The workshop did well in highlight-

ing the role of banks in encouraging new entrants into exports. It was pointed out that in inland centres the exporters were not generally aware of the financial assistance available for exports under the priorities, that they were often ignorant of the methods of export finance and of preparing the basic export documents and that sometimes they were unable to interpret the term of a letter of credit received by them. The banks can play an active part in educating the exporters and traders. For this purpose the creation of efficient export departments in the head offices of banks or at the key export centres will certainly be useful. But it is necessary to stress the need for banks to have some kind of division of labour among themselves so that the country can derive the maximum benefit. For example, some banks may concentrate their efforts on promoting trade with east Europe, some on west Europe, others on Latin America and so on. Not all countries are of equal importance from the point of view of our export promotion. It is necessary for the banks to work in close co-operation with the official and non-official organisations in ascertaining the export

potential and in adjusting their strategy accordingly.

The workshop rightly suggested that the export business of banks could not be tackled in isolation from other activities like small-scale industry, agriculture and organised industry. "Export business", it was stated, "should no longer be a matter of negotiating documents. It should entail the location of export possibilities and provision of suitable assistance to nurture these proposals to effective export realisation". It is this lack of integrated approach that has often impeded the effective and continuous increase in exports. For instance, even the Ministry of Finance and the Ministry of Foreign Trade have been unable to agree on such major issues as the role of export duties and cash incentives. The Ministry of Industrial Development has yet to show an acute awareness of its part in export promotion. Unless New Delhi is able to ensure effective co-ordination among its departments and between them and the state governments the efforts of the banks to play a vigorous role in exports cannot achieve much success.

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Centre-State Relations

DR A. APPADORAI

THE CONVENING of a national convention on union-state relations by three all-India institutions of repute (the Institute of Constitutional and Parliamentary Studies, the Indian Institute of Public Administration and the Indian Law Institute) at Delhi a few weeks ago highlights the stresses and strains to which those relations have been subjected since 1967. From 1950 to 1967 stresses and strains had not been felt primarily because a single party had control over affairs at the centre as well as most of the states; the extra-constitutional contacts established through the dominance of the same party helped to smooth over difficulties and resolve incipient conflicts. But with the disappearance of that dominance, the stresses and strains began to appear.

At the political level, the resort to President's rule in several states and more than once in the same state (as in West Bengal), the unwillingness, and even the refusal, of some states to receive the Central Reserve Police (as e.g. in Kerala in September 1962), and the unseemly controversies over the appointment and retention of governors (e.g. of Mr Dharma Vira in West Bengal) point to how the wind blows. The recent controversy in Uttar Pradesh over the state's unwillingness to incur the financial obligations of maintaining security steps in connection with the Prime Minister's tour in the state is another instance of the political tensions involved when a party, different from the party in power at the centre, was in power in the states [here it will be recalled that the Congress (O) was in power in UP as against Congress (R) at the centre].

Inter-State Disputes

Several inter-state disputes have arisen over the distribution of water and over areas on the border. The protracted negotiations and the tensions which arose over Chandigarh, claimed by the Punjab and Haryana, the Cauvery water dispute and the still unsettled border dispute between Mysore and Maharashtra over Belgaum are instances in point. They show that the centre's word does not receive that consideration which before 1967 it received.

At the financial level, there are several problems to be solved. The complaint has been frequently heard that

the scheme of distribution of the revenues as between the centre and the states is unjust, for the scheme is tilted in favour of the centre. Are not the resources for raising funds available to the states inelastic, while the responsibilities of development vested in them under the subjects allotted to them under the Constitution—education, agriculture, health and so on—require ever-increasing expenditure? The result is that they became dependent too much on the centre's loans and grants. "Expressed as a percentage of the total expenditure incurred by the states", it has been competently estimated, "resources transferred from the centre to the states rose from 42 per cent in the first Plan to 52 per cent in the third." The indebtedness of the states to the centre has been increasing at an alarming rate—from Rs 259 crores in 1952 to Rs 4094 crores in 1967.

States Freedom Restricted

The result of it all is, it is complained, the states' independence of policy and action is more and more, in effect, restricted. In theory, of course, the states are not bound to accept grants or to borrow; but as development is bound to suffer, this argument is too theoretical to merit discussion.

It is true that, as the Vice-President of India recently remarked, federalism is, by its nature, a system in which differences between the centre and the states *inter se* are inevitable and that these are not peculiar to the Indian Constitution. In an earlier article in this journal (November 20, 1969), I referred to the tensions between the English-speaking provinces and the French-speaking provinces in Canada. But there are historical and practical factors in India which make the position here somewhat more difficult.

Unlike in most other federations, the Indian federation was not constituted out of originally independent states, but out of one unitary state. It was a natural desire of the Constitution-makers, therefore, that the unity that had already been achieved should be preserved, more especially in the fiscal, economic and commercial fields. Besides, the experience of handling the stupendous administrative problems, which arose in the wake of partition—and the Constitution was being ham-

pered out in 1947-1949—tilted the balance in favour of the centre.

This will be clear from a look at some of the provisions of the Constitution;

The Constitution authorizes the governor of a state to reserve a bill for the consideration of the President. It is, however, obligatory for the governor to reserve any bill for the President, which in his opinion would, if it became law, so derogate from the powers of the high court as to affect its independence. The previous sanction of the President is necessary for the introduction of certain types of bills into the state legislature and for promulgating certain types of ordinances. Notwithstanding the division of powers, Parliament has power to make any law for implementing any treaty or agreement with other countries, even though the subject of the treaty may fall in the state list. Parliament has power to legislate on a specified state subject for the whole of India, if the Council of States declares by a resolution supported by not less than two-thirds of the members present and voting that it is necessary or expedient in the national interest that Parliament should make such a law. If the President is satisfied that a grave emergency exists whereby the security of India is threatened whether by war, external aggression, or internal disturbance, he may make a proclamation to that effect and thereupon, among other consequences, Parliament is empowered to make laws even in respect of the matters enunciated in the state list.

Compliance to Central Laws

It is laid down that the executive power of every state must be so exercised as to ensure compliance with the laws made by Parliament, and so as not to impede or prejudice the executive power of the union, and the executive of the union shall extend to the giving of such directions to a state as may appear to the Government of India to be necessary for these purposes. Moreover, (i) the executive power of the union includes the giving of directions to a state as to the construction and maintenance of means of communication declared to be of national or military importance; (ii) with the consent of a state, the President of the union may entrust to that government functions in relation to any matter to which the executive power of the union extends; and (iii) in emergency, the executive power of the union extends to the giving of directions to any state as to the manner in which its executive power is to be exercised.

Besides the legislative and administrative powers of the union in relation to

the states indicated above, we must note that in respect of the distribution of revenues between the union and the states, the union has in fact the deciding voice, and that by means of grants-in-aid the union is in a position powerfully to influence the policy of the states; that governors are appointed by the President; and, above all, the union is charged with the duty of protecting every state against external aggression and internal disturbance and of ensuring that the government of every state is carried on in accordance with the provisions of the Constitution.

If the President on a request or otherwise is satisfied that a situation has arisen in which the administration of the state cannot be carried on in accordance with the normal provisions of the Constitution, the President may by proclamation assume to himself all or any of the functions of the government of the state and declare that the powers of the legislature of the state shall be exercisable by or under the authority of Parliament.

Reduction in Strains

I think that the tilt in favour of centralization is inescapable in a technological age and in the conditions of India. But that does not absolve us from attempting to reduce the stresses and strains in the centre-state relations. The Administrative Reforms Commission in discussing this subject, in fact, evades the issue. They say: "The basic constitutional fabric of ours is quite sound and must remain intact. The Constitution is flexible enough to ensure the successful working irrespective of whichever party may be in power, provided that those who are in power mean to work it and not wreck it. We are convinced that it is not in the meaning of the Constitution that the solution of the problems of centre-state relations is to be sought but in the working of the provisions of the Constitution by all concerned in the spirit in which the founding fathers intended them to be worked. There is no other way of ensuring cordial and fruitful centre-state relations."

Twenty years' experience has been there, and if men have not worked the Constitution "in the spirit in which the founding fathers intended them to be worked", are we to sit quiet and watch like Micawber for "something to turn up"? At least one state, Tamil Nadu, has appointed a Centre-State Relations Inquiry Committee headed by a former Chief Justice of Madras. The committee's terms of reference ask it "to suggest measures necessary to augment the resources of the state and for securing utmost autonomy in the executive, legislative and judicial fields as

well as suggest amendments to the Constitution for the purpose."

I suggest that three changes in the Constitution are demanded by the situation. I shall briefly mention them here; there is no space to develop the points:—

(i) The basic difficulty has arisen in my view because of the fact that the ruling party at the centre is, and may be, different from the ruling parties in the states. There is no foreseeable change in the situation. And ruling parties at the centre or in the states are bound to adjust their policies with a view to getting votes; that is the essence of politics. The preservation of the strength of the central government—which is a 'must' in Indian

conditions to meet external threats and to maintain law and order within—demands that the government at the centre must have a presidential executive. I have developed this point in an earlier issue of this journal (December 26, 1969).

(ii) Inter-state disputes must be settled by arbitration, which means a third-party judgment.

(iii) Readjustment of the financial relationship between the centre and the states in order to make each self-reliant as far as possible and to enable each to meet the responsibilities assigned to it by the Constitution is essential.

A political consensus in these directions must be worked out and suitable constitutional amendments may follow.

Compensation on Bank Shares

A CORRESPONDENT

WITH THE placing of the Act renationalising 14 major banks on the statute book, the consequential procedural formalities are beginning to be observed. The new boards of directors are likely to be constituted shortly while efforts are being made to evolve uniform procedures and even achieve uniform pay scales for the employees though the earning capacity of the different banks might be unequal and considerable disparity existed in regard to the pay scales. In time attempts may also be made to integrate the working of banks on a regional basis and also merge some institutions with others.

While the new arrangements might be completed over a period and the opening of new branches also rationalised in order to cover large unbanked areas and eliminate unnecessary competition, the shareholders of erstwhile banks are concerned to know what will be the future of the institutions in which they are interested and how the compensation amounts received from the government will be disbursed to them. Unlike in the earlier invalidated Act, there will be no difficulty for the erstwhile banks to get compensation, as specified in the Act, from the government. For, the amounts have been already fixed and the quantum of compensation is not justiciable. Also, there will be no valuation of assets and liabilities for determining the quantum of compensation. Many banks have, therefore approached the government for getting compensation and it has been reported that even some institutions have received payment in government securities.

As any request for payment in cash

will involve delay, since cash will be payable in instalments, almost all the affected banks have elected to receive payment in 5½ per cent 1999 loan. It is noteworthy that no institution has offered to take the compensation in the form of the medium-dated loan as there is confidence that the holdings in government securities can be sold in the open market at or above par. There will also be the advantage arising out of a higher rate of interest on the long-dated loan, the income received being useful for meeting incidental expenses. Already nearly one year's interest has accrued as the banks have been nationalised with effect from July 19, 1969. It is likely that the payments will be completed in the next few weeks and the managements of the former banks will have a problem of deciding about the distribution of the compensation amount to the shareholders or utilising the funds at their disposal for starting other businesses with the approval of the shareholders.

However, the task of distribution of the compensation amount would appear to be complicated as it is not known what procedures should be adopted and what exactly is the liability for taxation in respect of the compensation at the hands of the affected banks and subsequently in the hands of the shareholders. No clear thinking has emerged so far on the subject and various opinions have been canvassed. The government, however, would be making full payment to the banks concerned and the question of liability for taxation will probably be tackled by the Income-tax Department. There is a view that no tax liability can arise because the mode of compensation has not been dis-

closed, and the affected interests have not also been compensated for the loss of profits on account of an abrupt termination of their business.

On the other hand, some experts have been arguing that there will be liability towards taxation as in almost all cases the compensation amount will be in excess of the paid-up capital and accumulated reserves and this excess can be taxed as capital gain. Here again, it is contended by other experts that it will be difficult to establish what exactly constitutes capital gain as undisclosed reserves also will have to be taken into account and allowance will also have to be made in respect of the appreciation of the value of immovable property up to a particular point. The uncertainties in this regard would probably be cleared only after some time and it may eventually turn out that the tax liability, if any, of the institutions may not be appreciable.

Practical Difficulties

But practical difficulties will arise in the process of the payment of compensation or implementation of new schemes for transacting other forms of business with the concurrence of shareholders. Some institutions are not keen on remaining in business and may be voluntarily liquidated. But it is learnt that quite a few are anxious to undertake new forms of financing business and even embark on industrial ventures. The success of the new schemes, however, will depend on the attitude of the Life Insurance Corporation and the Unit Trust of India if these two institutions happen to be important shareholders in the institutions which were thinking on these lines.

While it will be known in the next few weeks what exactly will be the course adopted by many banks, the question has been raised whether payments in excess of the paid-up capital will be taxed as income where they related to distributions out of tax reserves. Considerable hardship will be experienced by those holders who had acquired their shares from the open market and anomalous situations may arise. It is difficult to visualise at this stage how these conundrums will be solved.

In the stock markets, however, trading in bank shares has been taking place cautiously. As soon as it was known that there will be no delay in the payment of compensation and quick payments might be expected from the institutions which were thinking in terms of voluntary liquidation, a sharp rise in quotations was recorded in the principal

centres. But after particular stage investors have not been prepared to push up prices as the uncertainties relating to tax liability and payments were being discounted in current prices. It is thus interesting to note that in many cases, the ruling market values are about two-thirds of the gross value of the shares which could be computed on the basis of the compensation notified by the government. A fresh rise in quotations for shares of the affected banks

Are Deposit Rates Realistic?

SUHAS JOSHI

THE UNION budget for 1970-71, by raising interest rates on postal deposits, has almost set at rest the acrimonious controversy over the interest elasticity of deposits, which was sparked off in our country in 1966 by the late Mr V.T. Dehejia, when he expressed 'radical' views on credit and fiscal policies. In his annual statement to the shareholders of the State Bank of India in March 1966, he had tried to relate higher deposit rates to incommensurate deposit growth and pleaded for lower deposit rates. His advocacy for lower deposit rates was then based on three main reasons — firstly, 'normal' growth rate in deposits in spite of higher rates, secondly, higher market expectations of the yields on liquid funds due to higher Bank rate and thirdly, higher cost of banking operations thwarting banks' efforts at mobilisation of deposits. Some bank chairmen including Mr K.M.D. Thackersey, the then Chairman of the Indian Banks' Association, supported Mr Dehejia's contention while some other bank chairmen and some prominent economists pleaded for higher rewards for savers. But curiously enough, after nearly two and a half years, Mr Dehejia himself while delivering his V.L. Mehta Memorial Lecture in October 1968, had suggested higher deposit rates, which according to him, would act as a sufficient incentive for weaning rural people from habits of investing in gold and silver and from incurring heavy expenditure on marriages and funerals.

RBI Attitude

There is no gainsaying the fact that the Reserve Bank of India, which has hitherto supported a comparatively high interest structure for advances, had failed to evolve realistic interest rates for effective mobilisation of deposits. The Reserve Bank's interest in higher advance rates could be attributed to two main reasons: Firstly, in the short run, the Reserve Bank attaches more importance to higher interest rates as a

restrictive measure of curbing the demand for credit. This is indicated by the former Governor, Mr Bhattacharyya, while delivering the B.F. Madan Memorial Lecture in Bombay in 1966. "I believe it is generally conceded that whatever be the limitations of the role of the interest rate structure as a regulator of overall investment, in the particular field of inventory investment, interest rates do have some influence.... To the extent to which credit availability is made more difficult for such purposes (speculative inventory build-up) and its cost raised whether by way of rate of interest or by way of increasing margins, the object is to prune down such non-essential expenditure." The second reason for maintaining higher interest rates was that higher Bank rate reflects the general scarcity of capital in the country, thereby indicating the need for a more economical use of it.

Monopoly Power

The levering up of deposit rates has always lagged behind a Bank rate hike for three important reasons. Firstly, a cartel agreement among a large number of member-banks over the maximum rates to be charged on deposits has undoubtedly conferred some monopoly power on banks. As a consequence, it is generally argued, the maximum rates prescribed under the agreement over the years have become the minimum rates, reflecting its obsolete character. Secondly, every rise in the Bank rate is not necessarily associated with the raising of deposit rates in the absence of an automatic link between the Bank rate and deposit rates. Advance rates being linked to the Bank rate vary automatically with the Bank rate while the deposit rates have to be deliberately lowered or raised, through the Reserve Bank directive, such an action being determined by various considerations of its impact on the cost of operations, inflationary structure, etc. Further, in the history of the Reserve Bank,

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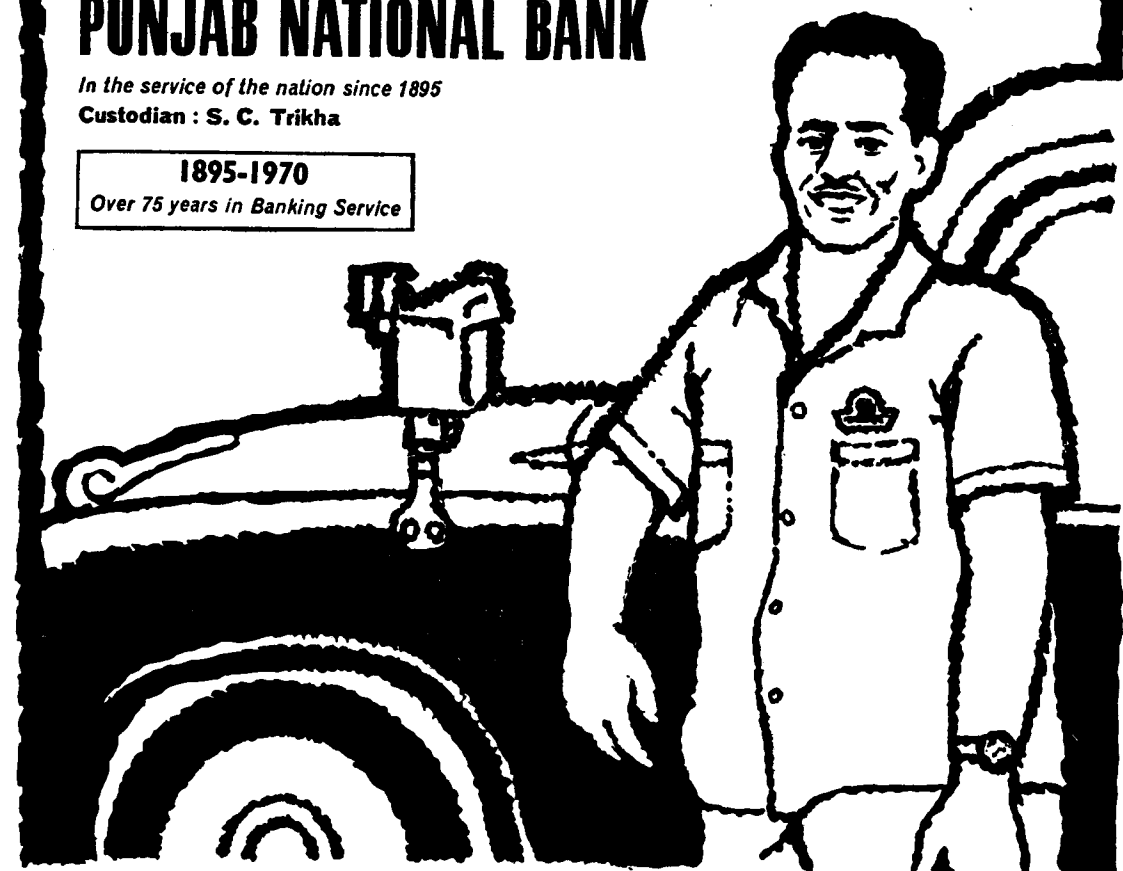
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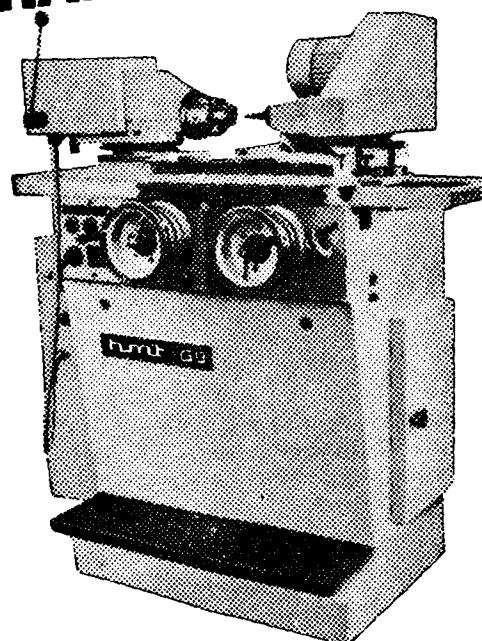
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there are more occasions for raising of the Bank rate and, therefore, of levering up the advances rates. As a result of this, during the period 1957 to 1961, the spread between the average rate of interest received by banks on advances and the average rate paid by them on deposits had widened from 3.50 to 4.21. Thirdly, the Reserve Bank has always tried to safeguard banks' profitability. This is evident from the fact that the Reserve Bank lowered the deposit rate structure in March 1968 with the reduction in the Bank rate and also from the prohibition of payment of interest on current deposits from January 1963 and on short-term deposits up to 14 days with effect from September 1964. It is very interesting to note here that this Reserve Bank policy provoked the *Financial Times* (London) to make pungent remarks:

"Interest rates on deposits could have been raised a good deal more — to reflect the real scarcity of savings. But the Reserve Bank seems worried that simultaneously the cost of servicing the government's own rupee debt would increase greatly. The interest rates on advances could have been raised even more sharply, to reflect the scarcity of investible capital and to encourage its more economical use. But here again the Reserve Bank has been pusillanimous; it seems to fear that higher advance rates might disturb the comfort of trade and industry which have been accustomed to the subsidy implicit in cheap money, so it maintains the ceiling of 10 per cent on the advance rates of the larger Indian (and foreign) banks.

"Bankers and industrialists are happy to connive at a policy of unrealistically low interest rates. The domination of industrialists over Indian banking makes this not only possible but highly respectable — even in an economy which has suffered from an acute shortage of savings and a serious misuse of capital. The Reserve Bank, the government, the industrialists, traders and bankers — all have developed a vested interest in relatively cheap money. The banking system has become for them an instrument for drawing subsidies at the cost of savers and depositors."

Link with Bank Rate

A strong case therefore could be made for linking deposit rates with the Bank rate as in Great Britain, which would not only introduce automatic adjustment of deposit rates with the Bank rate rise or fall, but would also strengthen the monetary management mechanism of the Reserve Bank of India. But this automatic levering up of deposit rates does not seem to be a possibility in the near future as a hike in the Bank rate is ruled out both by the government and the Reserve Bank of India and also in

view of the government's borrowing programme. Banks themselves will have to consider the issue of raising deposit rates, which has now become more urgent in view of the proposed upward adjustment of postal savings rates. Secondly, the offer of higher rates on bank deposits would certainly help the banks in effective mobilisation of deposits at the present time when their resources are strained by increasing demand for credit both from the priority and non-priority sectors. Thirdly, with the withdrawal of the ceiling of 9½ per cent on advance rates charged by the major banks, these banks can no longer resist any move to raise deposit rates as they can make good the rise in their cost by charging higher rates to big industrial borrowers or to consumers of durable goods such as air-conditioners, refrigerators, etc.

The union budget for 1970-71 has raised the interest on Post Office Savings Bank deposits from 3½ per cent to 4 per cent per annum from April 1, 1970, which enjoy complete exemption from income-tax, as against the present rate of 3½ per cent on savings bank deposits with the scheduled commercial banks. Further, the new post office time deposit scheme has been made attractive through the offer of a higher yield. Though the yield on such one-

year deposits is 5½ per cent, equal to bank deposits of one year and over but less than two years, the three-year and five-year postal time deposits would earn higher rates of 6½ per cent and 6¾ per cent respectively as compared to rates of 6 per cent and 6½ per cent on bank deposits of equal maturity. It is true that commercial banks, which were adjudged superior and more efficient than co-operative banks in regard to deposit mobilisation by the All-India Rural Credit Review Committee (1969) may not face any competition from post office savings banks in urban and metropolitan centres. But in the countryside, commercial banks, which are now increasingly spreading their branch network, will, in future, have to reckon with the competition from post offices. Further, the proposed rural debenture scheme offering an attractive rate around 7½ per cent is likely to attract sizable rural savings. Commercial banks, therefore, cannot afford to relax their efforts towards deposit mobilisation in view of the inclusion of interest earned on bank deposits for the first time in the maximum tax exemption of Rs 3,000 made by the union budget, but will have to consider seriously not only the raising of deposit rates, but also the introduction of a dual rate structure prescribing slightly higher rates for rural deposits.

Public Undertakings in M P

R.S. TIWARI

AN IMPORTANT common characteristic of economic planning in almost all developing countries is the significant role assumed by the public sector on the path of economic development. Ours is a mixed economy. The Industrial Policy Resolution of 1956, assigned a key role to the public sector. Although, political, defence and ideological considerations have had a significant bearing on the demarcation of spheres of public and private sectors, yet it is primarily the compulsion of rapid economic development which has decided the actual investment pattern in public sector enterprises. During last three Plans (and thereafter as well) the investment in public sector has increased progressively and is likely to rise at a still higher rate. Apart from others, one of the main aims of fast as well as vast expansion of public sector is the acceptance of socialism as the goal of the national policy. Here an attempt is made to review and analyse the working of public sector enterprises in Madhya Pradesh.

Madhya Pradesh is one of the most backward states of the Indian union, even though, endowed with vast natural resources and potentialities of econo-

mic development. One of the reasons, for its backwardness has been that large areas which now constitute present Madhya Pradesh were formerly princely states (one part A, one Part B and two part C states) big and small, but none big enough to undertake schemes of development. Even during the first Plan period the utilisation of its resources was not effective in the absence of accelerated industrial activities. The National Council of Applied Economic Research in their survey observed (in 1958-59) that despite vast mineral and forest resources, the state has not embarked upon the path of industrial development. A review of the state's endowment in agricultural, forest and mineral potentials leaves no doubt that it has an excellent resource-base for a number of important industries.

However, during second and third Plans a number of public sector undertakings were started in the state to exploit these resources. They may be classified in two categories:

(i) *Undertakings in central sector*: These are established and financed by the central government, mainly in the

sphere of basic industries. These are :

(1) Bhilai Steel Project :The project was established in 1955 in collaboration with the USSR, which provided technical and financial assistance. It is one of the three major steel projects of the country managed by Hindustan Steel Ltd, Ranchi, registered as a company in 1953. The plant had started production, in February 1959 and achieved its full rated capacity of steel production in January 1962. Later on its capacity was raised to 2.5 million tonnes. The capital cost of this plant up to this stage was around Rs 202 crores. The total investment in Hindustan Steel Ltd and the financial results during last few years are given in Table I.

Steel Industry

A little over 40 per cent of the total public investment has gone into the steel industry, but owing to economic recession these three units suffered a cumulative loss of Rs 85 crores up to 1966-67. This, naturally raises the question on wisdom of investing such a large proportion of meagre economic resources of the country. However, export promotion and reduction of costs are the two ways to prove its worth.

(2) Heavy Electricals, Bhopal is another public sector undertaking. It was administered departmentally till August, 1956, thereafter. It was registered as a company managed by an autonomous board of directors. M/s Associated Electrical Industries of United Kingdom are the technical consultant of the company. HEL is designed to manufacture heavy electrical equipments, including turbines. It is in fact a complex of eight factories at one place. The manufacturing activity was

commenced in a small way late in 1960, which has progressively increased. The production of the factory has gone up from Rs one crore in 1961-62 to Rs 19 crores in 1967-68. The total cumulative output of the factory amounts to over Rs 60 crores. It has, now been possible to recover all costs of operation except depreciations and interest charges from the sales of 1966-67. The total investment up to March 1968 has been Rs 104 crores. Despite bright prospects, the project in past years has incurred losses as given in Table II.

(3) The National Newsprint and Paper Mills, Nepanagar : The company was started in January 1947 as a private enterprise for the production of newsprint. Subsequently, it has come to be predominantly owned by the Government of India and the Government of Madhya Pradesh. The newsprint production of the mill has increased considerably.

TABLE III
PRODUCTION OF NEPA MILLS

Year	Production (000 metric tons)
1956	10.9
1960	22.6
1967	31.2
1968	30.9

The total investment up to March 1967 has been Rs 541.5 lakhs (including 47.0 lakhs as loan) in the mill. The mill has

TABLE I
FINANCIAL RESULTS OF HINDUSTAN STEEL

	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
Investment (Cr.)	724.1	804.1	885.1	960.1	1028.5	1083
Net profit (+) or loss (—)(Cr.)	—23.90	—4.80	+2.10	+1.66	—20.56	NA
Profit as percentage of paid up capital	L	L	0.5	0.4	L	—

Source : Annual accounts of undertakings and annual reports on the working of central government undertakings.

TABLE II
FINANCIAL RESULTS OF HEAVY ELECTRICALS
(Rs crores)

	1964-65	1965-66	1966-67	1967-68
Loss	—6.8	—5.74	—5.18	—5.62

Source : Commerce, 22-6-1968 & Eastern Economist, 6-6-1969.

earned profit as given in Table IV.

TABLE IV
FINANCIAL RESULTS OF NEPA MILLS
(Rs lakhs)

	1962-63	1965-66	1966-67	1967-68
	55.5	39.0	21.2	20.0

Besides these three certain other central government undertakings viz., National Coal Development Corporation Ltd, National Mineral Development Corporation, Security Paper Mills, certain defence project, are also under operation in the state. In general, (except Nepa Mills) all other industrial undertakings of the central government are incurring losses during recent years.

(ii) *Undertakings in the state sector* : These may be classified in three categories:

- Statutory corporations/boards.
- Government companies.
- Departmentally managed government undertakings:

Statutory corporation/board : The Administrative Reforms Commission in its report on public undertakings has recommended that the public sector projects in the field of industrial, manufacturing, promotional and developmental agencies should, as far as possible, be run as statutory corporations. However, government considered that for certain enterprises providing public utilities which are primarily intended to develop the basic infrastructure facilities it is preferable to form statutory corporations, but in others, particularly the commercial field, the existing pattern of companies may be allowed more flexibility. The statutory corporation enables the undertaking to run as an independent entity free from interference by the bureaucratic machinery of the government. There were five statutory corporations/boards in the state as on March 31, 1967.

(1) MP Financial Corporation : The low level of savings in the country and particularly in MP, has been one of the major cause of backwardness. Prior to reorganisation of states, the MB Financial Corporation was established by a notification dated June 30, 1955 of the Government of Madhya Bharat. The main objective of the corporation is to provide medium and long-term liberal financial assistance to the prospective industrialists of the state both in the medium and small sector by way of loans and underwriting. The corporation grants loans ranging from Rs 10,000

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to Rs 10 lakhs, in case of private limited companies, partnership firms and individuals and up to Rs 30 lakhs in case of public limited companies and co-operative societies. The loans are normally granted for a period of 10 to 12 years, on the basis of a first mortgage of the fixed assets of the borrowing units. The progress of the corporation is apparent from Table V.

By the end of 1967, the corporation

TABLE V
PROGRESS OF M.P. FINANCIAL CORPORATION

As on	Loans outstanding (Rs lakhs)	% of outstanding loans to paid-up capital
31-3-1957	5.50	5.5
31-3-1961	43.64	43.64
31-3-1966	339.45	339.45

Source : Audit Reports and reports of the Corporation.

TABLE VI
FINANCIAL RESULTS OF M.P. FINANCIAL CORPORATION
(Rs lakhs)

	1960-61	1965-66	1966-67
Share of government	58.35	58.35	58.35
Total capital employed	108.06	388.65	502.66
Total return (including interests)	+3.91	+18.35	+29.03
% return on capital	3.6	4.72	5.78
Subvention	1.62	2.00	1.50

Source : Audit Reports

TABLE VII
WORKING RESULTS OF M.P. ELECTRICITY BOARD
(Rs lakhs)

	1964-65	1965-66	1966-67
Loans by the state government	9710.62	12311.64	13287.47
Total capital employed	12540.52	16217.30	17106.45
Total revenue	1043.12	1210.36	1652.45
Total expenditure	1094.60	1456.94	1679.19
Loss during the year	—51.48	—246.48	—26.74
Total loss by the end of year	—87.68	—334.26	—361.00

Source : Audit Reports

TABLE VIII
FINANCIAL PERFORMANCE OF THE M.P. STATE WAREHOUSING CORPORATION
(Rs lakhs)

	1960-61	1964-65	1965-66	1966-67
Paid-up capital	23.50	38.00	38.00	40.00
Share of Government of Madhya Pradesh	15.00	19.00	19.00	20.00
Total capital employed	23.51	38.01	38.01	40.01
Net results	—0.12	—1.85	+2.69	+1.53
% return on capital	—	—	7.08	3.82

Source : Audit reports

EASTERN ECONOMIST

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has provided financial assistance to the extent of Rs 5.74 crores in 271 cases. The summary of financial results of the corporation is given in Table VI :

Although, the percentage return on capital has been increasing steadily (except during the year 1964-65), the return was not adequate to provide for the minimum guaranteed dividend of 3½ per cent for which the government has to grant subventions regularly, which was ever increasing up to 1963-64. The total subvention received or receivable by the corporation from its inception to the end of 1966-67 amounted to Rs 20.03 lakhs.

(2) MP Electricity Board: As a result of the reorganisation, the erstwhile MB Electricity Board of 1952 was dissolved and reconstituted on April 1, 1957, which covers all the units of the present Madhya Pradesh. At the end of the first Plan the total installed capacity in Madhya Pradesh was only 78 Megawatt. During the second Plan period an additional capacity of 147 MW was created and in the third Plan against the target

of 473 MW, only 81.5 MW capacity could be generated. Thus, by the end of the third Plan, the aggregate installed capacity amounted to 287.5 MW. The principal schemes of the board are Chambal, Ranapratap Sagar, Tawa multipurpose, Korba thermal, Chandi thermal project, Amarkantak, Satpura thermal station, Gandhi Sagar power station etc. Besides, generation of capacity, the board has engaged itself in the construction of transmission lines, electrification of villages, supply to irrigation pumps, etc.

The capital expenditure of the board is met by loans advanced by the state government. However, the final amount of loan which was to have been advanced to the board is yet to be determined. The working results of the board for three continuous years are given in Table VII.

Defective storage, wrong payments, wrong and faulty contracts, delays, avoidable and extra expenditure, and unfruitful outlay, all resulted in a huge loss to the board. The board is not functioning on proper commercial lines, resulting in wastage of public money every year.

(3) MP State Warehousing Corporation: This autonomous corporate institution was established by the Government of Madhya Pradesh in the year 1958, under the Agriculture Produce Act 1956. The Central Warehousing Corporation has also taken equal interest in the establishment of this institution. The main objectives of the corporation are to establish and run warehouses in the state for the scientific storage of agricultural produce, seeds, manures, fertilizers and agricultural implements and to provide easy credit facilities to the producers who keep their product in warehouses of the corporation against the pledge of the warehouse receipts.

The state government and the Central Warehousing Corporation have subscribed equally towards the share capital of Rs 2 crores of the corporation. It is stated that for economical working of warehouses a minimum occupancy ratio of 75 per cent is necessary. It is disappointing to note that the corporation could not achieve this ratio in any year since its inception. The ratio was 72.99 per cent for the year 1965-66. The financial performance of the corporation is given in Table VIII.

The accumulated loss to the end of 1964-65 amounted to Rs 7.37 lakhs. A large part of the paid up capital remained unutilised in banks.

(4) MP Road Transport Corporation: The corporation was formed on June 1, 1962, by amalgamating and taking

over the erstwhile MB Roadways Gwalior and the CPTS Jabalpur. The central and state governments have agreed to contribute capital in the ratio of 1:3. The analysis of capital employed in the corporation is given in Table IX.

TABLE IX
CAPITAL EMPLOYED IN M.P. ROAD TRANSPORT CORPORATION
(Rs lakhs)

	on 31st March		
	1963	1964	1965
Central government	30.00	50.00	90.00
State government*	248.79	280.79	348.79
Loan by state government	25.00	36.50	25.00

*It includes Rs 233.79 lakhs representing inherited capital from the ex-

undertakings as on June 1, 1962 taken provisionally.

The corporation is extending its business progressively which is given in Table X.

However the working results of corporation are not satisfactory as can be seen from Table XI.

(5) MP Housing Board: The board was originally set up in 1951 under the MB Housing Board Act, 1950. It as reconstituted after reorganisation of the states on November 26, 1956. The assets and liabilities of the erstwhile board have not yet been finally apportioned between the reconstituted boards in MP and Maharashtra. The financial results of the board are given in Table XII.

The accumulated loss up to 1963 by the board was Rs 6.34 lakhs.

B. Government Companies. On March 31, 1967, there were seven companies

TABLE X
WORKING OF M.P. ROAD TRANSPORT CORPORATION

	No. of vehicles	No. of bus routes	Average daily mileage (KM)	Average monthly mileage per vehicle (KM)
May 1962	..	..	571	361
June 1968	..	..	1535	849
			119877	3971
			330939	5166

TABLE XI
FINANCIAL WORKING OF M.P. ROAD TRANSPORT CORPORATION
(Rs lakhs)

	1964-65	1965-66	1966-67
Revenue receipts	1043.12	1210.36	1652.45
Revenue expenditure	1094.60	1456.94	1679.19
Loss during the year	-51.68	-246.58	-26.74
Total loss upto the end of year	-87.68	-334.26	-361.00

TABLE XII
FINANCIAL RESULTS OF M.P. HOUSING BOARD
(Rs lakhs)

	31-3-1961	31-3-1962	31-3-1963*
Capital works in progress	16.80	23.29	34.56
Outstanding loans from government	177.31	231.64	339.61
Subsidies from government	14.00	19.85	22.48
Working results			
Gross receipts	5.05	10.58	16.63
Gross expenditure	9.39	11.43	16.99
Net deficit	4.34	0.84	0.36

*Results for the later years are not available.

in the state, in which government has shares of Rs 281.87 lakhs. Out of these, Bank of Kawardha (having investment of Rs 1.35 lakhs) suspended its business from December 31, 1957 and is under liquidation; and Dhar Transport Co (investment amounted to Rs 1.10 lakhs) ceased to function from April 1, 1956.

The Provident Investment Co. Private Ltd, Bombay: The Company was incorporated under the Indian Companies Act in 1926. The main business of the company comprises lending money and negotiating loans, buying and selling bonds, debentures, securities, shares and stocks, underwriting and execution of trusts dealing in property—land, buildings of business concerns and acting as bankers, financiers, etc. Besides, it acts as agent of the MP Government and the Government of India for the management of immovable properties. The shares were purchased by the erstwhile Gwalior State. Now, the government owns 98 per cent of its total paid-up capital. The financial results of the company are summarised in Table XIII.

These figures reveal that performance of the company has been improving steadily up to 1965.

Laghu Udyog Nigam was set up in December 1961 totally financed by the state government with the objective to provide aid to small-scale industries in the state. In order to develop the existing industries and to explore the possibilities of establishing new industries, surveys were conducted in all the districts of the state. The financial results of the Nigam presents no healthy picture (Table XIV).

MP State Industries Corporation: This is a fully state owned corporation incorporated on April 11, 1961, with an authorised capital of Rs 1.50 crores to run medium-scale industries in the state and to undertake development of new industries. Most of the units of the corporation are incurring losses as given in Table XV.

The total accumulated loss after making provision of income-tax and development rebate funds, come to Rs 33.19 lakhs up to March 31, 1966.

MP Mining Corporation: In January 1962, the government established the corporation as government company, for proper exploitation of the vast rich and extensive deposits of minerals of the state. The working results are given in Table XVI.

MP Adyogik Vikas Nigam: The company has been established on September 13, 1965, by the state govern-

ment. Its main purpose is to provide underwriting support to and participate in the share capital of new large and medium-scale industrial ventures in the state. Besides, it will also provide long-term loan assistance to them. Since the day of its inception up to January 31, 1967, the Nigam on the investment of Rs 25 lakhs sustained net loss of Rs 0.43 lakh.

Besides these, two departmental undertakings viz. National Text Book Scheme and Milk Supply Scheme, Bhopal, also exist in the state, but no report to their working has so far been presented to review their working.

The performance of the state sector with regard to the overall financial results, represents a dismal picture, of decelerating return on capital. Although in major corporations and government companies, the investment increased from Rs 4974.68 lakhs in 1961-62 to Rs 17,056.27 lakhs in 1965-66, yet the return on it was Rs 58.65 lakhs in 1961-62 which turned into loss of Rs 30.74 lakhs in 1965-66. Unless a proper policy to improve the working and efficiency of the public undertakings of the state, is adopted, the large investment would not be justified on economic grounds.

However, the rate of return from investment has shown optimistic trend during 1965-66 and 1966-67 as given in Table XVII.

The investment and return estimated thereafter (i.e., 1966-67) is given in Table XVIII.

TABLE XVIII
RETURNS IN 1966-67

	(Rs lakhs)			
Year	Investment	Return	% of return on investment	
1967-68	2943.85	103.32	3.5	
1968-69	3352.21	88.82	2.6	
1969-70	3691.23	91.25	2.5	

Source : State government budgets

Undoubtedly, this is a dismal picture. However a comparative picture with other states with regard to state government investment reveals that the state's performance is better than many of the other states in the country. This may be seen from the Table XIX.

Madhya Pradesh rank second (after Gujarat) as percentage return on investment. A similar trend is visualised with regard to performance of electricity

TABLE XIII
FINANCIAL RESULTS OF PROVIDENT INVESTMENT CO
(Rs lakhs)

	1961	1965	1966
Share of government	46.44	48.62	48.62
Total capital employed	188.23	186.05	182.38
Total profit	4.73	6.09	2.95
% return on capital	2.5	3.48	2.98

TABLE XIV
FINANCIAL RESULTS OF LAGHU UDYOG NIGAM
(Rs lakhs)

	28-3-61 to 31-3-63	1963-64	1964-65
Share of government	10	20	20
Total capital employed	20.40	23.57	79.37
Subsidy by government	1.00	1.00	1.00
Total return	+0.55*	+0.66*	+4.83*
% return on capital	2.7	2.8	—

(*This is arrived at after taking credit of Rs 1 lakh received from government as subsidy.)

TABLE XV
M. P. STATE INDUSTRIES CORPORATION
(Rs lakhs)

	1963-64	1964-65	1965-66
Share of government	142.07	142.07	146.73
Total capital employed	172.10	199.91	194.00
Total profit	+9.90	-5.81	-12.87
%return on capital	5.75	—	—

TABLE XVI
WORKING RESULTS OF M.P. MINING CORPORATION
(Rs lakhs)

	1964-65	1965-66	1966-67
Government investment	5.80	8.80	18.80
Total capital employed	5.80	9.64	20.08
Net result	-0.12	+1.46	+1.56
% return on capital	—	15.14	7.77

TABLE XVII
INVESTMENT AND DIVIDEND/INTEREST
(Rs lakhs)

Investment in	At the end of 1965-66	Return	% return	Investment at the end 1966-67	Return	% age return
Statutory corporation	362.35	2.04	0.65	667.30	10.59	1.59
Government companies	495.47	16.45	3.31	594.00	17.32	2.9
Joint stock companies	102.89	5.36	5.21	102.89	6.07	5.9
Co-operative banks and societies	756.73	1.53	0.20	938.07	10.64	1.1
Total	1717.44	26.38	1.59	2302.26	44.62	1.93

(Calculated from budgets and audit reports: Finance Accounts. The investment and return estimated thereafter (i.e. 1966-67).

boards in various states. The return on capital invested in electricity boards during 1968-69 and the installed capacity of electricity in other states is given in Table XX.

Thus, although Madhya Pradesh ranks eighth with regard to installed capacity of electricity, yet with regard to percentage return on capital it ranks second, Andhra Pradesh being the first.

However, irrespective of the relative position of performance, considering the backwardness of the state (relative as well as absolute) the state undertakings must improve their performance and avoid losses accruing to the economy since last few years. Lack of autonomy and undue interference by the bureaucracy, wastage and misuse of resources, lack of profit-motive and

indifference of top-management towards business principles are some of the common drawbacks of all public enterprises in the country. Industrial strife is another malady in these state undertakings. Strikes have been one of the major factor affecting adversely the output and efficiency. Table XXI shows the number of disputes and mandays lost since 1964. It is apparent from the above figures that although the number of disputes have increased considerably, yet the loss of mandays has been reduced.

Public enterprise in this state has a recent history and a modern and progressive outlook is expected from it. This is conspicuous by its absence. The pace of development could otherwise have gathered momentum, Madhya Pradesh being endowed with vast and extensive natural resources.

TABLE XIX
RATE OF DIVIDENDS ON STATE INVESTMENTS

					(Rs lakhs)		
States					Total investments as at the end of 1967-68*	Dividends in 1968-69 (RE)	Rate of dividends %
Andhra Pradesh	..	..	..	..	4188	29	0.69
Assam	..	..	..	..	1349	1	0.07
Bihar	..	..	..	..	NA	3	NA
Gujarat	..	..	..	..	2911	98	3.37
Jammu & Kashmir	..	..	..	..	896	1	0.01
Kerala	..	..	..	..	3027	28	0.92
Madhya Pradesh	..	..	..	..	2890	89	3.08
Maharashtra	..	..	..	..	5023	90	1.79
Mysore	..	..	..	..	3414	41	1.20
Orissa	..	..	..	..	3071	10	0.33
Punjab	..	..	..	..	1557	16	1.03
Rajasthan	..	..	..	..	824	16	1.94
Tamil Nadu	..	..	..	..	2525	19	0.75
Uttar Pradesh	..	..	..	..	2684	49	1.83
West Bengal	..	..	..	..	2241	1	0.04
Total	..	..	..	..	36600	493	1.35

*Other than electricity boards.
Source : Finance Commission Report; V, 1969, p. 191.

TABLE XX
RETURN ON CAPITAL OF ELECTRICITY BOARDS OF VARIOUS STATES

States	Installed capacity (MW) in 1967-68	Rate of return on total capital outlays (percentage)
Andhra Pradesh	646	6.0
Assam	152	1.1
Bihar	159	1.3
Gujarat	424	4.8
Haryana	1173	NA
Jammu & Kashmir	NA	—
Kerala	528	3.2
Madhya Pradesh	471	5.6
Maharashtra	786	5.1
Mysore	231	2.9
Orissa	366	4.9
Punjab	1138	5.5
Rajasthan	361	—
TamilNadu	1070	4.3
Uttar Pradesh	1075	3.9
West Bengal	392	5.3
Total	1330 (appx)	4.4

(Source: Report of the Fifth Finance Commission, 1969, Tables 37 and 38. Notes on Approach to fourth Plan: Indicators of growth: Table 4).

TABLE XXI
INDUSTRIAL STRIFE IN PUBLIC SECTOR OF THE STATE

Year	No. of disputes	Labour involved	Manday lost
1964	60	27,782	2,35,494
1965	64	24,977	1,31,732
1966	102	21,183	1,12,026
1967	113	33,356	1,65,596
1968*(p)	138	42,956	1,05,074

(Figures relate to state undertakings only)
* From January to October only.
(p) Provisional.

FROM THE PRESS GALLERY

Rajya Sabha Too Approves Budget

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Saturday:

By returning the Finance Bill, as adopted by the Lower House last week, the Rajya Sabha also put its seal of approval this week on this year's union budget. Having completed its deliberations on the budget, the Lok Sabha took up the legislative business scheduled for the current session and adopted two bills — the North-East India Council Bill and the University Grants Commission (Amendment) Bill. The recent communal disturbances in Maharashtra also figured prominently in this week's proceedings in the two Houses.

With a view to completing the consideration of the Finance Bill expeditiously so that it could get the assent of the President within 75 days of its introduction, the Rajya Sabha practically rushed through the bill; no member from the ruling party participated in this debate. The opposition's criticism was more or less on the same lines as voiced in the Lower House. A good deal of concern was expressed over deficit financing, heavy taxation, rising prices, growing unemployment and the neglect of rural economy and education. Pleas were made for a reappraisal of the policy towards the development of atomic power in the light of the advance made by China in this field and space technology. Before the bill was taken up for consideration, it encountered an unprecedented hitch. The Leader of the Opposition, Mr S.N. Misra (Cong-O) alleged that it was not a purely money bill in terms of the Constitution and contained several extraneous matters. He argued that unless these extraneous matters were removed, the House could not consider it. The objection, however, was overruled by the chair.

In Defence of Public Sector

The Minister of State for Finance, Mr P. C. Sethi, who piloted this bill, stoutly defended the budget proposals as modified in the Lower House and argued that the budget reflected the need for raising additional resources for development. He stressed the role of the public sector and pointed out that the experience of the recent past had made it abundantly clear that whenever there was a lag in investment in the public sector, the private sector too lagged behind. The tax base, Mr Sethi emphasised, was being widened for promoting growth as well as for imparting

social justice. The stupendous problem of unemployment, he observed, could be tackled only by stepping up investment and checking the growth of population. The Minister assured the House that the tightening of administration and plugging of loopholes in the Act had produced heartening results in checking tax evasion. As a result, the collection of income-tax had gone up considerably.

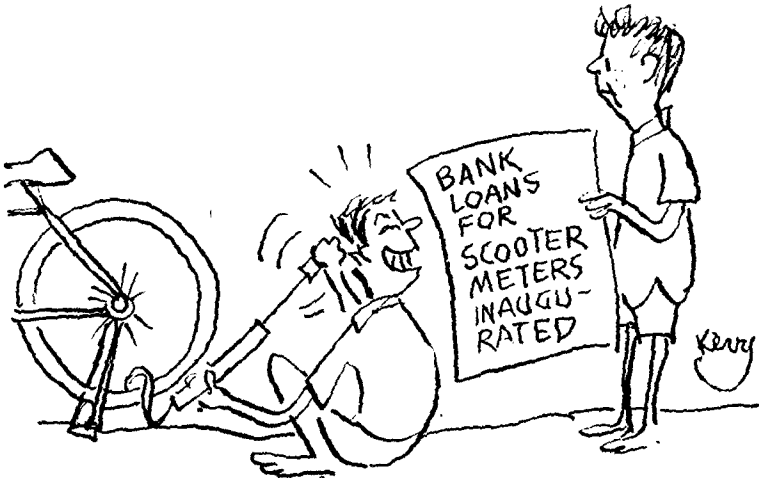
Clarifying some of the budget proposals, Mr Sethi said that agricultural wealth would come under the purview of taxation with effect from this year. Utmost care, he assured the House, would be taken at the time of the collection of agricultural wealth-tax to ensure small farmers were not harassed, assessment was made only with respect to fairly large-size holdings and the genuine agriculturists were not put to any inconvenience. The wealth-tax on agricultural assets, he emphasised, would not be a heavy burden as it had been decided to exempt from the ambit of the tax, farm houses (whatever their value) in addition to the exemptions already granted for farm implements, tractors, wells, etc. Mr Sethi urged the House to view the budget proposals in their totality. The pleas for modifications in the excise duties on confectionery, pasteurized butter, coffee, glucose, dextrose and tea were turned down by him. He also rejected the demand for a permanent Finance Commission.

The main point of criticism during the

debate on the North-East India Council Bill, which sought to set up this council to facilitate a co-ordinated approach to the development and security of Assam, Meghalaya, Manipur and Tripura, was the refusal of Nagaland to join the council. The critics pointed out that the exclusion of Nagaland from the council would set an unhealthy precedent. The Home Minister, Mr Y.B. Chavan, however, felt that probably what had prevented Nagaland from joining the council was that the state government did not want to give the impression that it was surrendering some part of its autonomy. He assured the House that efforts to persuade the Nagaland government to join the council were still continuing. The bill also kept the door open to the State of Nagaland.

During the discussion on the University Grants Commission (Amendment) Bill, which aimed at strengthening the UGC to enable it to better discharge its supervisory functions over universities, pleas were made for the replacement of English by regional languages at the university level. It was also suggested that moral and spiritual subjects should be included in the university curricula. It was further urged that religious denominations such as "Hindu" and "Muslim" should be dropped from the names of universities. A good deal of concern was expressed over unrest among students. In his replies to the opposition's criticism at the various stages of the consideration of this bill, the union Education Minister, Dr V.K.R.V. Rao, spelt out the measures his ministry was taking to improve educational standards and to readjust the education policy to the changing circumstances. He hoped that these measures would usher in a new era of academic development.

The recent communal disturbances in Maharashtra provided an opportunity



How about bank loans for bicycle pumps ?

for the Lower House to have a special full-length debate on the communal situation in the country. The main highlight of this debate was the clash between the Prime Minister, Mrs Indira Gandhi, and the leader of the Jana Sangh group, Mr A.B. Vajpayee. Mrs Gandhi saw in Mr Vajpayee shades of Adolf Hitler. She sensed behind his eloquent utterings the naked voice of fascism, as she put it. Even Mr Vajpayee's gestures — his hand held aloft — she noted were reminiscent of the Nazi leader. She felt that the Jana Sangh leader's utterances in the House posed a serious threat to the minorities as a whole.

Vajpayee Undaunted

Mr Vajpayee, however, was undaunted and unrepentant as the Prime Minister mounted her attack on his party. He challenged her to produce even one shred of evidence to support the claim that the Jana Sangh was responsible for fomenting the communal disturbances in Maharashtra. Mrs Gandhi just side-tracked this issue as also the allegation of Mrs Tarakeshwari Sinha (Cong-O) that it was Mrs Gandhi as the President of the Indian National Congress who had brought about the ill-starred

alliance between the Congress and the Muslim League to topple the first Nambudiripad Ministry in Kerala.

Communalism Pampered

What apparently incensed the Prime Minister was the observation of Mr Vajpayee that Muslim communalism ought not be pampered; every time there was a riot, the authorities lost no time blaming it on the Hindus. This had led to a certain militancy among the Hindus. Mr Vajpayee took serious objection to the statement made earlier in the Upper House by the Home Minister in which Mr Chavan had said that Muslims had suffered most in Bhiwandi, and asserted that such rash observations created, on the one hand, dissatisfaction among Hindus and roused, on the other hand, the feelings of Muslims. Giving his analysis of the causes of the repeated occurrences of communal incidents, Mr Vajpayee wondered if one of the reasons could be that the Muslims saw no future for themselves in India and had given in to a do-or-die mood of desperation. Or, was it, he asked, that a section among them had links with Pakistan and was allowing itself to be used to malign the image of India? Or was it that some

Muslim leaders, the Mullahs particularly, were keen that Muslims should not identify themselves with the mainstream of Indian life.

Besides the Prime Minister, Mr Vajpayee was strongly criticised by the ally of the ruling Congress, Mr S.A. Dange (CPI). The political overtones of the attack of the Prime Minister and Mr Dange on Mr Vajpayee's analysis of the situation, however, could easily be discerned.

Foreign Remittances

The Minister of State for Finance, Mr P.C. Sethi, revealed in the Rajya Sabha that remittances abroad on account of profits, dividends, royalties and technical know-how fees totalled Rs 65.96 crores in 1968-69, as against Rs 58.80 crores in 1966-67 and Rs 67.63 crores in 1967-68. The outstanding foreign private business investments in the country at the end of March, 1967, totalled Rs 1,137.6 crores. Of these, the shares of the United Kingdom and the United States were Rs 655.4 crores (57.6 per cent) and 168.7 crores (14.8 per cent), respectively.

WINDOW ON THE WORLD

Consumers' Association on 'the Pill'

JOSSLEYN HENNESSY

I

LONDON:

WOMEN HAVE now been using the Pill for about 10 years. In Australia and New Zealand over a third of married women under 45 now take it; in the USA a quarter, and in the UK about one-sixth. The number of women throughout the world taking the Pill in 1969 was about 20 million.

From the first tentative trials with one ingredient, the Pill has now blossomed into many different formulations. There are about 30 different brands on the market in Britain, and more appear all the time. Although people tend to lump them all together as 'The Pill', there are great differences between some brands.

The Pill is the first method of contraception, other than sterilisation, which can be virtually one hundred per cent effective. Because this massively popular drug has now been found, in a few cases, to have harmful effects, it has attracted massive publicity — much of it alarmist, unbalanced, or just plain wrong.

Cent Per Cent Effects

As with many other widely used drugs, there is still much that is not known about the Pill, how it works and how it affects women. It will probably be many years before it is fully understood, and it is certain that in the next few years, many new types will be introduced.

There are now three basic types of the Pill on the market — *combined*, *sequential* and *continuous*.

All three use synthetic hormones — oestrogens or progestogens. They are similar to natural hormones — oestrogens and progesterones — occurring in the body. There are only two types of oestrogen which are currently being used in the Pill, but there are about 10 different progestogens. The synthetic hormones are usually derived from plants.

Combined: These contain both an oestrogen and a progestogen in the same

pill. One pill is taken daily for about three weeks in each monthly cycle, followed by about one week without pills. Sometimes dummy pills are taken during this week. There are 22 brands.

Sequential: Each month's supply contains two different types of pill. One contains oestrogen only, and is taken for 14 to 16 days, then another, containing both destroyed and progestogen, is taken for a further five or seven days. There is then a gap for about a week without pills; dummy pills may be taken instead. In one new brand (Ovanon) an oestrogen pill is taken for seven days, and an oestrogen and progestogen one for 15. There are six brands.

Continuous: These contain only a progestogen, and are taken one a day, continuously. So far, only two brands are on the market, and few women in the UK use them as yet.

The *combined* type of pill usually stops eggs from being released from the woman's ovaries. Very occasionally, though, an egg may be released, but the Pill then prevents pregnancy in other ways. It changes the consistency of the mucus in the cervical canal, making it more difficult for the sperms to swim through. And it changes the way the lining of the womb builds up each month, so that it cannot receive a fertilised egg. The periods of a woman on the combined type of Pill are therefore generally lighter than normal.

Similar Results

The *sequential* type also usually stops egg release but the lining of the womb and the cervical mucus are less affected (though the lining does not build up in quite the same way as normally.)

The *continuous* type sometimes stops egg release, but sometimes doesn't. And it probably changes the lining of the womb to some extent, and makes it harder for sperms to get through the cervical mucus. The woman may have heavier periods than normal, or irregular ones. She may have light bleeding at odd times — particularly when first starting on the Pill.

These are the most important ways

in which the three types of the Pill work. The changes are caused by the synthetic hormones in the Pill, which are thought to have some direct effect on the womb, and some effect on the way the pituitary gland influences the woman's monthly cycle.

The *combined* Pill is the most effective reversible method of contraception. Provided the woman doesn't forget pills, accidental pregnancy is very unlikely indeed. If she forgets, the risk increases with the number forgotten.

The *sequential* Pill is less reliable than the combined type (though still very reliable). And missed tablets are more serious than with the combined Pill.

The *continuous* Pill has not been long out, so only a few trials have been conducted. It seems to be less effective than the combined Pill, and probably less effective than the sequential one.

II

A great deal of research has already been done, all over the world, into the safety of the Pill. The experience of the millions of women now using the Pill goes at least some way towards answering the questions which most worry women.

Thrombosis: Thrombosis is a condition in which a blood clot forms in a blood vessel. It can be fatal if it blocks the supply of blood to a vital organ. It affects both sexes, and is more likely to occur in older or overweight people.

Thrombosis is a fairly common disease — though much less common among otherwise healthy women under 35 or so. As the number of young women who get thrombosis is relatively small (whether or not they take the Pill), and as it is more often young women who take the Pill, it is difficult to establish relationships between taking the Pill and getting the disease. In the last few years the results of a number of investigations have been published, and it is now certain that there is a link between Pill-taking and some types of thrombosis. The most recent figures suggest that, of those women on the Pill, about one or two in every 100,000 under 35, and about four in every 100,000 older women, will die of thrombosis each year, who would otherwise have survived. The risks of thrombosis for women not taking the Pill are about seven times smaller. It is important to get these risks — which at first glance look alarming — into perspective. They are small compared to many other that women take. Driv-

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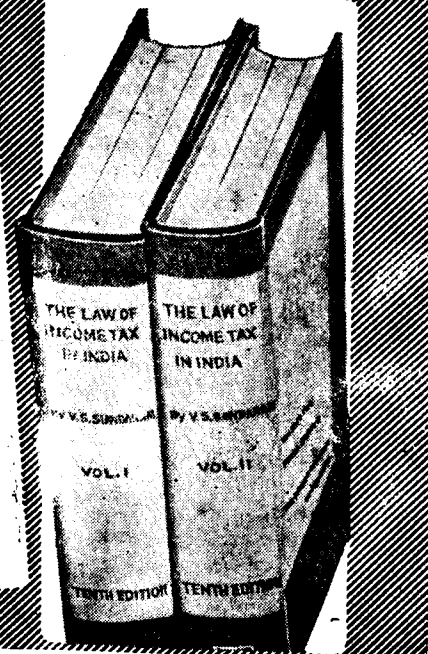
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ing a car or smoking, for instance, you run a greater risk of death. Perhaps more important is that about 24 in every 100,000 pregnant women die every year as a result of their pregnancy, in the UK. Women using less effective forms of contraception are more likely to become pregnant and run this risk.

If one looks at possible failure rates of other contraceptive methods, and the resulting risk of death through pregnancy, it appears that a woman taking the Pill and avoiding pregnancy might run a lower risk of death than a woman who uses a method as effective as, say, withdrawal — or nothing at all. In other words, of 100,000 women using withdrawal, for instance, up to 20,000 might become accidentally pregnant in a year. Of these, five might die because of the pregnancy — against only about two in 100,000 women on the Pill who might die of thrombosis.

This, of course, is looking at the risks over a large population. For the individual, there may be other factors to be considered. If a woman has had thrombosis in the past, it might be advisable for her to avoid the Pill if any other reliable method suits her. On the other hand, women of blood group O run less risk of thrombosis than women of other groups.

Less Dangerous

As it appears to be the oestrogens in the Pill which are primarily responsible for such risk as there is of thrombosis, the progestogen-only continuous Pill may well carry even less risk of thrombosis.

Cancer: Doctors have been looking carefully for any possible link between the Pill and cancer.

The only work which so far suggests there could be a connection is a study recently carried out in the USA. It found that women on the Pill showed more signs of pre-cancerous changes in their cervix than women who were using a diaphragm. These differences could, however, have been caused by other factors, and do not show that the Pill causes cervical cancer (though they may indicate that the diaphragm is some protection against it).

Anyway, if a woman has a cervical smear taken regularly — as she should, if she is on the Pill — this pre-cancerous condition can be detected and cured early on.

At the present, there is no evidence that the Pill causes any type of cancer — though doctors are being cautious about prescribing the Pill to women who

have had certain types of cancer in the past.

There is some evidence that the Pill may produce various other changes in a woman's body. So far there is no evidence that any of these slight changes normally matter, or have any harmful effect. However, a woman should tell her doctor carefully about previous illnesses like jaundice, and also about any unpleasant symptoms she may have had during pregnancies.

III

When a woman stops taking the Pill, her body quickly returns to normal. At one time, it was thought that women were more fertile after stopping the Pill. It is now thought that this is not true. There is no evidence that the baby will be affected in any way. Pregnancy and birth will be normal, and there is no more risk than is usual of the baby being abnormal.

Side-Effects: The Pill can cause a number of minor changes in a woman's health. Some are good, others can be irritating or unpleasant. All normally disappear as soon as the Pill is stopped. Different brands may have different effects. An unpleasant effect can often be cured by changing brands. No two women react in quite the same way to the Pill. For instance, a few women find that it changes how much they enjoy sex. But, some enjoy it more, some less.

Good Effects: The Pill has a considerable effect on the menstrual cycle, and women who normally have painful periods, or heavy ones, often find that the Pill cures them partially or completely. Many women get pre-menstrual tension. This might show itself as depression, irritability, headaches, or just a general feeling of being bloated. The Pill often relieves these effects. Acne is also often helped by the Pill (though occasionally it has been known to get worse). Some women worry about lighter menstrual bleeding when they are on the Pill. They need not.

Unpleasant Effects: Some women gain weight when they start the Pill: this may happen for only the first few months. The cause may be a better appetite, in which case you should watch your diet. Or it may be the hormones in the pills, in which case change of brand may help. The breasts tend to get bigger (some people consider this an advantage). The Pill occasionally may cause headaches or migraine, and there is some evidence that women taking it may be more susceptible to depression. Occasionally women with contact lenses find that the Pill makes their eyes more

tender. You should tell your doctor at once. You may have to give up either the Pill or contact lenses, to avoid the risk of eye damage. Vaginal discharge is sometimes increased and, if there is already a mild infection, the Pill can make it worse. The Pill can also cause a dry vagina (in which case, a lubricating jelly might help during intercourse).

In the UK you can get the Pill only on prescription from a doctor. Family planning associations and other clinics also prescribe it, but write to your doctor first, for his consent. The doctor or clinic should give you full instructions on how to take it; most of the packs also include some helpful notes. Your doctor may not have the time to explain in detail the reasons for the instructions, or what to do if anything unusual happens. Of course, if you are worried about anything, you should always go back to the doctor and ask.

Different brands sometimes vary a little, but we explain here the general principles of what to do, and why.

Most women are protected from pregnancy from the first day that they start the Pill, that is, usually on Day 5 of their menstrual cycle. However, there is a slight risk for the first week or so of your first pack, if you often have cycles of less than 25 days, or if you are starting a sequential, continuous or low dosage Pill. During this time you should use another method of contraception.

No Risk

With the brands where you stop taking pills for about a week before starting the next pack, there is no risk of pregnancy during the time when pills are not taken — so long as you did remember to take all the pills in the last pack.

Most women find it easier than they expected to remember to take a pill every day. It helps to make a routine at a particular moment each day (for example just as you get into bed).

If you forget to take a *combined* pill on time, take it as soon as you remember. If you don't remember until the following day, you should take two pills to catch up. Forgetting a pill for only 24 hours is not serious, and the risk of pregnancy is negligible. If you forget two or more combined pills, there is a slight risk of pregnancy: it would be wiser to use an extra method of contraception for the rest of that pack. However, you should go on taking the pills until the pack is finished.

If you are taking a *sequential* or

continuous Pill, the risk of pregnancy through forgetting pills is greater, because they have a less powerful contraceptive action than the combined type. It might be sensible to use other contraceptives until you are well into the next pack, even if you have forgotten only one pill. It is more risky if you forget pills at the beginning of a pack than it is at the end. Always remember to get the next month's supply in plenty of time.

Most women find that one great advantage of combined or sequential Pills is that their period always comes at a regular time each month. Occasionally, particularly when starting the Pill, women get bleeding in the middle of the pack. If this bleeding is slight — just a few small spots, which barely need a sanitary towel, carry on taking your pills as if nothing had happened: you will probably have a normal period at the end of the pack. If this slight spotting continues, see the doctor — it can often be cured by changing to a different brand. If this bleeding is as heavy as your period, you should, with most brands, finish the pack as if nothing unusual has happened, and start a new one after either five or seven days — depending on the instructions. Some instructions may instead recommend that you stop taking pills, treat the bleeding as a normal period, and start a new pack on the fifth day of bleeding (or sometimes after seven days).

No Harm to Baby

Occasionally women on the Pill find that a period does not come at the expected time. If you have taken the last pack of pills correctly, it is extremely unlikely that you are pregnant. You should start taking the next pack at the usual time. If, by any remote chance, you are pregnant, they will not harm your baby. If you miss a period for several months, you should tell your doctor. He will probably change you to another brand that may suit you better.

Illness: If you get a serious illness, remind your doctor that you are on the Pill: he may want to take you off it for a time, while giving you other drugs. If there are plans for you to have an operation, tell your doctor or hospital, immediately you know about it, that you are on the Pill. They may want you to come off the Pill for at least a month before the operation. Minor illnesses like colds or 'flu' will not affect the working of the Pill. Carry on taking it. If you get diarrhoea or vomiting for any reason your pill may not be properly absorbed. If your stomach is upset for several days, use some other form of contraception for the rest of the month and for several days, use some other form of contraception for the rest of the

month, and for the first week or so of the next pack. But if the upset lasts for only a day or less, you can simply treat the pill for that day as a missed one, and take another afterwards, to make up.

If for any reason you want to put off your period for a few days, and you are on the *combined* Pill, just go on taking pills from a new pack after the end of the old one. Your period won't come until you stop.

IV

At the time of the report going to press there were 22 brands of *combined* Pill on the UK market, six *sequential* brands and two *continuous* ones. But new brands are appearing all the time. There is no such thing as an 'ideal' Pill for everyone. Depending on the natural hormone balance in your body, you may be affected in different ways by different brands. Your doctor will probably choose the brand that he thinks will suit you best. This part of the report will help you to understand his choice and to talk to him about it.

The problem of finding just the right Pill to suit you is not easy. Although all the Pills (except *continuous*) contain one of two oestrogens, a number of different progestogens are used, of different strengths and in different amounts. Only after a pill has been used for a considerable time, by large numbers of women, can doctors be sure what effects it has (even then, they are not always in agreement).

The two hormones, oestrogen and progesterone, which occur naturally in a woman's body will, in many women, be fairly balanced. When a woman takes the Pill, her natural hormone balance may be altered by its synthetic hormones, and this may result in irritating side-effects. Different brands of *combined* Pill often have a different — oestrogen/progestogen balance. If the first brand that you try produces unpleasant side-effects, a change to a different brand will often help. Your doctor may even change you to a different type — *sequential* (where an oestrogen is

taken alone for part of the month) or *continuous* (where a progestogen alone is taken).

When the Pill was first marketed, it was thought that to work effectively it needed large doses of synthetic hormones. It is known that much lower doses give complete protection, with less side-effects. It is now thought that the lower the dose of oestrogen in the pill the less the risk of thrombosis. So it is probably worth choosing from among the brands in the lowest group in the table. (All sequential pills have higher doses of oestrogen than these).

The table shows all brands of combined Pill, in descending order of oestrogen strength. (The two different oestrogens are comparable). Bracketed brands have the same quantity of oestrogen.

Lyndiol		
Conovid-E	Ortho-Novin	0.5
Demulen 0.5	Ortho-Novin 2 mg	}
Norinyl -2	Ovulen	
Nuvacon	Previcon	
Ortho-Novin 1/80		
Conovid	Norolen	}
Lyndiol 2.5		
Anovlar 21	Norlestrin	}
Gynovlar 21	Orlest 28 1 mg	
Minovlar	Validan	
Minovlar ED	Validan 21	
Norinyl-1		

The various progestogens used in the Pill vary in strength, and it is impossible to list all brands in order of progestogen strength. But some brands use the same progestogen. The higher brands in each group in the table below (the groups are separated by vertical lines) have higher doses of the progestogen (bracketed brands have the same quantity).

We can't rank *sequential* pills in order of strength. The two *continuous* brands use identical doses.

An ergonomist examined each pack, to see how easy it was to use, and how helpful the instructions were.

With Minovlar ED, Orlest 28 1mg, Serial 28 and Normenon you took a pill

Anovlar 21	Ortho-Novin 2 mg	Ovulen	Lyndiol
Gynovlar	Norinyl-2	Demulen	Lyndiol 2.5
	Ortho-Novin 1/80		
	Norinyl-1		
Minovlar	Ortho-Novin 0.5		
Minovlar ED			
Orlest 28 1 mg			

every day once you had started, starting a new pack immediately you finished the last. This was very easy, as it meant you didn't have to remember a starting date.

With all the others you took pills for 20 to 22 days, then stopped for five to seven days. Some told you to wait for your period and start the next pack on the fifth day of bleeding. Others (those with a 22 or 21 pills in each pack just told you to start either six or seven days after finishing the last pack. This was probably little easier, as it meant you always started a new pack on the same day of the week.

The packs varied a lot in how carefully they had been designed to aid a woman's memory. On some, the woman had to remember to write in the first day of her period, or had to remember to stick a slip in the pack showing the days of the week. The better designed packs were laid out consecutively in a continuous track, with the days of the week marked in—you just started the pack on the appropriate day and followed round the track. The packs which the UK Consumers' Association thought were most helpful in making remembering as easy as possible were Minovlar ED, Ortho-Novin 2 mg. 1/80 and SQ, Normenon and Verton.

Helpful Instructions

Manufacturers should provide clear and helpful advice, in case you forget your doctor's instructions. Some packs had full and helpful instructions—explaining what to do if anything unusual occurred (like bleeding at odd times), and advising you to go back to your doctor if anything unusual happened. The packs with the most detailed instructions were Anovlar 21, C-Quens 21, Conovoid, Conovoid-E, Feminor 21, Gunovlar 21, Minovlar, Minovlar ED, Ovanon, Previson, Sequens, Verton and Volidan.

Conclusions: The Pill is a highly effective contraceptive, convenient and reasonably cheap. Any risk to health appears to be small. The combined type is the most effective, but your doctor may suggest that you try a sequential or continuous one, if you are troubled by unpleasant side-effects with the combined type.

Your doctor will choose a brand for you, but this section should help you to understand his choice, and talk to him about it if there is anything which worries you.

Remember that many women have minor side-effects for the first month or so. They usually disappear quickly, so it's worth persevering. If the side-effects are persistent or unpleasant, your doctor will probably be able to change you to another brand which

suits you better. But try not to blame every little change in health on the effect of the Pill.

Prices vary considerably, usually because the more expensive brands contain higher doses of the hormones. If you are put on an expensive brand—the cost of the dosage worries you—then it might be worth asking your doctor if there is a good reason why you should be on that particular brand.

Sources and Acknowledgements: The foregoing summarises by special arrange-

Is 1929 Crisis Repeating Itself ?

H. R. VOHRA

WASHINGTON:

GOD FORBID that it should. The world is too closely tied together by economic bonds to escape the tremors of another crash in the US. More so than in 1929. Such an event now could thwart the development of poor countries for many years. So it is not an event which one can calmly contemplate. But what is one to do when such economic sages as Professor John Kenneth Galbraith say that the "insanity" of 1929 is repeating itself?

Acting Cassandra, though not for the first time, he predicts that the collapse of the stock market would cause "a decline in consumer spending, in luxury spending, in higher income construction, in travel and in gifts."

He adds: "The manufacture and sale of corporate jets will have a slump. It will be possible to get good ones second hand. I am not saying that collapse will translate itself into a depression. But the stock market had a strong effect on consumer and investment behaviour in 1929 and will this time."

Jerry-Built Structures

Evidently Professor Galbraith thinks that a stock market crash is coming and will reveal the excessive speculation of many houses which no one before suspected. There will be, he asserts, a certain number of great bankruptcies "among these jerry-built structures constructed of debt and romance."

As if the picture so far is not bleak enough, he adds: "There will be bankruptcies in the weaker conglomerates and possibly in some of the stock market houses and massive liquidations in mutual fund securities. A number of men considered respectable will be found to have had their hands in the till or to have resorted to other illegal efforts to shore up their position."

Whether he is right or wrong, when

ment with the publishers, Consumers' Association, 14 Buckingham St, London, WC 2, Section 3 of an 80-page *Which?* supplement on Contraceptives, price 15 sh. post free from the publishers. Other sections of the supplement (not summarised here) are 1. Conception: The Woman, The Man. 2. Which method? 4. Buying Contraceptives. 5. Abortion. 6. Pregnancy testing. Use ful Addresses. Further Reading.

The Supplement is profusely illustrated.

Professor Galbraith speaks he has a readymade audience and as such the power to induce results he seeks to prove. In this case, however, he cannot claim the distinction of being alone or first to recall the affinity between the stock market of 1970 and 1929. There are many others including newspapermen of trustworthy vintage. They describe the pervasive gloom in Wall Street with touching sympathy.

The Dow Jones industrial average has dropped in the last few days to the lowest closing level since the day in 1963 when President Kennedy was assassinated. Brokerage houses have started laying off workers while executives are tightening their belts and accepting substantial pay cuts.

Street of Despair

There is dejection and sadness in Wall Street which has lately invited the description "a street of despair." Things are so bad that people no longer joke or laugh. The *Wall Street Journal* puts it this way:

"Newcomers to the street have never seen such bad times. Old-timers here have and more than a few are comparing 1970 to 1929."

Bradford Mills, a partner in the Big Board house of New York securities asks: "I keep asking myself: How long can the Street survive?"

Brokers are not alone in expressing unhappiness. The pall has also spread to shopowners, bars, and restaurants in the district. They are all affected by the shrinkage in the security business. For them the situation is no longer a mere recession. They swear it is depression if ever there was one. Hundreds of brokers have left the business and gone into oblivion.

How many persons have actually been affected across the country is not

known. Bache & Co, one of the biggest security dealers, have laid off 500 after reporting an \$8.7 million loss in the fiscal year ended January 31. The American Stock Exchange has dismissed 100 persons—10 per cent of its staff because of reduced volume. Two fairly large companies—Maidonnel & Co and Gregory & Sons—have closed their doors. There are expectations that many others are about to follow suit.

Brokerage houses carrying capital in stock are bound to die if prices continue to go down. This could develop into a chain reaction. It could be like a house of cards falling down inducing all round panic. President Nixon has tried to discourage the bears by wishing that if he had money, he would be buying shares now. Even this hasn't helped the market. Evidently, his advice is discounted. People think that if the President has to make such a statement, things must really be bad. So the stock market continues to go down, down...

There are reasons galore for the melancholia—the economic uncertainty, the tight money market, the continued inflation and the fear that the budget is running to deficit again. Now another cause has been added—the Cambodian fiasco and the extension of war beyond the Vietnam boundaries, inducing the fear that it may flare into something even bigger. And unlike any other known period Wall Street has become peace-minded. Gone are the times when war sent prices soaring. Now peace-promoting news helps. War extending news plummets prices. The worry about Cambodia has poured cold water on dying embers.

Margin Calls

The sharp decline in stock prices is forcing banks and brokers to make an increasing number of margin calls on their customers. Major mutual funds are increasingly selling their stocks in order to build up their holdings of cash and government securities.

The immediate effect of the Cambodian plunge is clear enough, A *Washington Post* economic expert says dramatically: "All bets on economic conditions are off."

The dismal conclusion is prompted by the memory of the early days of the Vietnam war and escalation of hostilities of 1965. Officials then made the reassuring forecast that expenditures would not rise very much. No mention of increased expenditures has yet been made and may not be for some time to come. But who can deny that the cost would need to be counted. And, when it is, either in-

creased tax burden would result or increased inflationary pressure, particularly if the plunge is both deep and long. If the President wishes to continue his war with inflation, he cannot expand it in Vietnam without summoning more revenues. There is no third way to pay for the war.

People ruefully recall that on September 5, 1965, Gardner Acklay, then chairman of the Council of Economic Advisers said that 10-billion dollar cost of war was "a figment of someone's imagination." Events proved that the cost rose to twice the figure and the figment was, in fact, an understatement.

Once again economic observers must ask a political question: "Will President Nixon be able to adhere to his promise of bringing back 150,000 troops by the middle of the next year? The answer is important because the fiscal 1971 budget shows a drop of six billion dollars in projected defence budget primarily based on the expectation of continued withdrawal of troops. If there is delay in the withdrawals, the defence budget will again show a rise, the balance a bigger gap.

Delayed Action

One thing seems pretty certain in the otherwise uncertain situation. The recent promise of easier money to control the recession which has cooled the economy is bound to be delayed. The patience of the business world will be ill-rewarded. The fight against inflation will be longer and harder.

The hope of better times takes second place when pessimistic opinions outweigh the cheerful ones. They seem to say that things are bound to get much worse before they get better. The omens are that unemployment will continue to rise. Business profits will continue to tumble. Money will be hard to come by. Prices will not fall in the near future. Inflation in March continued at the annual rate of 4.8 per cent. With Cambodia the rate may even jump higher. For a long time, certainly longer than might otherwise have been, we might experience the continuation of a downward business trend and an upward price spiral.

The Administration has done nothing, either verbally or otherwise, to curb the visible trend in the inflationary effect of wage settlements. Indeed, it is in no position to do so having recently accepted a very substantial raise in federal salaries. And how can Congress deny wage increases to others having appropriated for Congressmen a spectacular increase in their emolu-

ments? So there is no avoiding ascending the slippery slopes of wage demands.

The Administration's options are limited by its economic philosophy of free enterprise which debars even discussion of price controls. It hasn't even done what President Johnson tried to do—twist arms of labour to make them desist from excessive wage demands and of industrialists to check rapacious price increases. President Nixon has relied mainly on fiscal and monetary policies which have succeeded in damping business without cooling prices.

Effect of Nixon Policy

Hitherto one could have said that in the US one of the easiest things is to raise money. Up to Nixon's arrival, it was abundant and cheap. An effect of his policies is to be seen in the growing complaint that business houses are in danger of a liquidity crisis which is approaching the magnitude of those that periodically sent business through the wringer in the latter part of the 19th century, as two financial writers in *New York Times* point out.

Tilford C. Gaines, Vice President and Economist of the Manufacturers Hanover Trust Company told the Financial Analysts Federation in Dallas a few days ago that if the liquidity situation was not a crisis, "it is as close to one as any of us are able to remember from personal experience."

Liquidity is the ability of a company or an individual or a nation to raise cash to meet debts as they mature. In this process, the proportion of cash to debt is important. After being subjected to a period of tight money, American business is far less liquid than, as many analysts think, is prudent.

Many instances can be given to prove the point.

Corporate holdings of cash and government securities varied between \$60 billion and \$70 billion in the last decade. Corporate liabilities due and payable within a year have shot up from \$153 billion at the beginning of 1960 to \$334 billion at the beginning of this year, greatly chopping liquidity in the process.

Companies are trying to solve their cash problems by deferring payments for goods bought on credit. Corporate receivable accounts are \$259 billion against \$99 billion 10 years earlier. The amount has risen by \$24 billion in 1969 alone.

How long can these tactics help?

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The moving finger writes

FROM MANY points of view the nation may derive relief from the judgment of the Supreme Court upholding the election of Mr V.V. Giri as President of India. It does not, however, follow that the petitions which had challenged the validity of Mr Giri's election were unwarranted. It is God's truth that this election was held under circumstances which rendered its being questioned in a court of law almost inevitable. It is, therefore, rather strange that *The Hindustan Times*, in its editorial of May 12, should have considered it proper to characterise the legal proceedings in question as "the unnecessary case", thereby rebuking the petitioners by implication. This particular comment could very well have awaited the full judgment of the Supreme Court, giving the reasons for its decision, which is to be delivered in July when the court reassembles after the summer vacation. Meanwhile, it is significant that the court stated that "there will be no order as to costs". I, for one, feel that the petitioners have only done their duty by the country and that, as a result of their patriotic initiative, the cause of the purity of elections to public offices has been strengthened. Pending what the Supreme Court has to say in its full judgment, it would certainly not be fair to suggest that the petitions were either frivolous or misconceived.

* *

I reproduce a report which appeared in *The Hindu* of May 8 and which was sent to that paper by its correspondent in Tokyo:

"Intentionally or otherwise, the Japanese press today (May 7) snubbed Foreign Trade Minister, Mr B.R. Bhagat, by asking him practically no questions at the hour-long press conference which had been arranged for him under the auspices of the National Press Club.

"Whatever the intentions the attitude of the reporters reflects an utter lack of interest on the part of Japanese press in Mr Bhagat's current visit here.

"The press conference was attended by over 20 reporters representing major Japanese newspapers and news agencies. After Mr Bhagat had made his opening remarks the floor was thrown open to questions, but for an embarrassingly long time no one came up with one.

"To save the situation the presiding

officer, Mr Susumu Ejiri, Secretary-General of Japan Newspapers Publishers and Editors Association, started the ball rolling with a question on India's economic situation. But after Mr Bhagat had answered it the ball failed to keep rolling and there ensued another embarrassingly long silence.

"An Indian correspondent came to the rescue with a question. Then silence again with the Minister's party desperately looking in all directions to see if anybody would shoot a question. At last the reporter from Japan Broadcasting Corporation came up with a question. However, till the end the press conference dragged on in this fashion.

"In one hour there were only five questions of which only two came from the working Japanese press. Of two other questions one each came from another Indian correspondent and the Japanese reporter for an American news agency."

It appears that Mr B.R. Bhagat who, on his return to New Delhi, met local journalists at a press conference on May 11, referred to this report and suggested that one of the reasons why there were only a few questions at the press conference held in Tokyo was that much of the time was taken up in translation from Japanese into English and vice versa. With due respect to Mr Bhagat, this explanation is rather unconvincing and given the very precise nature of the report in *The Hindu*, it must be taken as proved that this particular press conference was a flop. I am rubbing in this point not because I want to make Mr Bhagat feel small. On the contrary, he is one of the few ministers at the centre for whom I have genuine admiration since I consider that his quantum of intelligence or constructive energy is more than what the ministerial average is for these respective qualities. What I am concerned in suggesting here is that so long as India — or, rather, the Government of India — does not manage the economic affairs of the nation wisely so as to produce substantial results in terms of economic growth, this country and its people are not going to be taken seriously in Japan or, indeed, anywhere else. It is true that Mrs Gandhi was flattered by much publicity in the Japanese press when she visited that country some time ago. But this popularity, in its essence,

was no better and no worse than that which the white tiger, Dilip, from the Delhi Zoo is now enjoying at the India Pavilion of Expo 70 at Osaka.

Talking of the India Pavilion, it occurs to me that the Japanese visitors to this Exhibit are being put through an unjustified ordeal by those who are managing the show. Judging from the feature that is being televised in New Delhi, entirely harmless and often elderly men or women of Japan are being pestered with questions about India as they enter or leave the pavilion. The fact that it is our well-advertised Expo girls who carry out this inquisition may not make it any the less disagreeable to its victims. The questions are crudely phrased and brusquely asked with the result that those who are questioned are not only made to confess their utter ignorance of anything Indian but are also being forced to feel apologetic or even abject about this gap in their knowledge. Overdoing things is a common attribute of our national character and it is perhaps natural that we have put this trait on show at Expo 70 even as we are parading there the white tiger or the Yogasanas.

* *

The communal riots in certain areas of Maharashtra are yet another reminder that the emotional integration of the Hindu and Muslim communities can be delayed only at grave peril to national solidarity. It would be easy, of course, to point an accusing finger at Hindu communal organisations or political parties, but the real culprit, in my view, is the party ruling at the centre. Mrs Gandhi and her fellow partymen have been so anxious to attract the political support and votes of Muslims that they have not hesitated to make it appear that they alone are the champions and protectors of this minority community against the intolerant sections of the majority community. This political opportunism has clearly served to aggravate the alienation of Muslims from Hindus and vice versa.

I wholeheartedly agree that communalism is too explosive an issue for politicians to play with. But I would assert that it is the ruling party which, while talking of secularism, has been most cynical, if also most subtle, in exploiting communalism as a political issue.

V.B.

Trade Winds

INDO-SOVIET SHIPPING SERVICE

A SEVEN-MEMBER Soviet shipping delegation led by Mr A. V. Loukjanenko, Deputy Minister of Shipping of the Government of USSR, arrived here recently to hold discussions with the Government of India and representatives of Indian shipping lines. During their two weeks stay in India, the Soviet shipping delegation reviewed the progress of Indo-Soviet shipping service. The other members of the delegation are Mr Bylinski of the USSR Ministry of Merchant Marine, Mr L. D. Yalovoi of the Black Sea Shipping Co, Odessa, Mr B. S. Svistunov of the USSR State Committee for Foreign Economic Relations, Mr B. N. Borisov of Sovfracht, Moscow, Mr Y. S. Zaikovski of V/O Sojuzvneshttrans and Mr V. Meshkov of Inflat, Odessa. The visiting delegation would be joined by their local representatives, Captain A. Krivobokov, Mr V. U. Liapaev and Mr I. Platonov.

Speaking at the inaugural meeting of the talks with the Soviet shipping delegation, Mr Iqbal Singh, Deputy Minister for Parliamentary Affairs, Shipping and Transport, stated that the co-operation between USSR and India in the field of running a joint shipping service was full of hope and expectations for the future and for the extension of this co-operation to other areas of shipping, like ship building and ship repairs, where considerable scope exists. At the end of 1969, our fleet aggregated about 2.253 million GRT. We have now plans to increase our fleet further to 3.5 million GRT by the end of our fourth five-year Plan, with an additional half a million tons on order.

The Indo-Soviet Shipping Service operates ships between the ports of India-USSR. The service was started in 1956. This shipping service constitutes one of the most important planks in the economic relations between the two countries. Till date, this service has transported more than 7 million tons of cargo between the two countries. At present the trade between the two countries is about one million tons annually. To carry this volume of trade about 40 to 45 ships are employed at any point of time. Half the units are provided by Soviet shipping line viz. M/s Black Sea Steamship Co., Odessa, and the other half is provided by a consortium of three Indian shipping lines viz. the state-owned Shipping Corporation of India Ltd, Bombay, the Scindia Steam

Navigation Co. Ltd, Bombay, and the Indian Steamship Co. Ltd, Calcutta.

FOREIGN TRADE : 1969-70

This country had a favourable trade balance of Rs 2.60 crores in March 1970. Exports (including re-exports) in March amounted to Rs 128.14 crores and imports Rs 125.54 crores. The table below shows the trade figures for March 1970 as compared to March 1969 :

	(In crores of rupees)	
	March 1969	March 1970
Exports (including re-exports)	115.59	128.14
Imports	201.03	125.54
Balance of trade (—)85.44	(—)85.44	(+) 2.60

The cumulative figures for April-March 1969-70 as compared to the same period in 1968-69 are given below :

	(In crores of rupees)	
	April to March 1969-70	April to March 1968-69
Exports (including re-exports)	1410.01	1357.78
Imports	1567.49	1910.20
Balance of trade (—)157.48	(—)157.48	(—)552.42

EXPORT OF SPICES

According to the provisional statistics compiled by the Spices Export Promotion Council, exports of spices from this country have registered an all-time record during the year 1969-70. Exports during 1969-70 were to the tune of Rs 34.31 crores as against Rs 25.04 crores during 1968-69 registering an increase of Rs 9.27 crores. During the year 1969-70 exports of pepper amounted to Rs 16.04 crores as against Rs 9.72 crores during 1968-69. Export of cardamom also recorded a substantial increase to Rs 8.86 crores during 1969-70 compared to Rs 6.74 crores during 1968-69. Turmeric export during 1969-70 amounted to Rs 3.59 crores registering an all-time record. Exports of turmeric during the year 1968-69 were Rs 2.11 crores, the then record. Celery seed is another spice which showed an

all-time record of Rs 141 crores during 1969-70.

SILK CONGRESS : 1970

Addressing the Silk Congress: 1970, held at Paris, Chowdhary Ram Sevak, Deputy Minister of Foreign Trade and leader of the Indian delegation, stated that the silk industry has to face a new challenge of techno-economic changes in the same way as Louis Pasteur met the challenge of pebrine disease and thus helped in the stabilisation of the silk industry. The Silk Congress was held under the joint auspices of International Silk Association and the International Sericultural Commission from May 11 to 15. The delegation of four members led by Chowdhary Ram Sewak was in Paris to participate in the congress. Referring to the progress made by this country in the field of silk industry, the Deputy Minister stated that Indian silks were finding increasing demand in Europe, the USA, Japan and more than 50 other countries all over the world. India's exports which were nearly Rs 4.5 crores in 1968 had reached Rs 14.80 crores in 1969. India had drawn up a target of about Rs 59 crores for the fourth five-year Plan. He felt confident that India would be able to take a greater share in the world trade of silk fabrics.

FREIGHT CONTAINER FAIR

The second International Freight Container and Container Handling Exhibition will be held at Earls Court, London from September 28 to October 1, 1971. Organized jointly by Iliffe Exhibitions Ltd. and the Society of Motor Manufacturers and Traders, the exhibition is designed to encourage and promote, on an international scale, the use of containers and modern container handling techniques. Exhibits will include the latest heavy duty cranes and mobile plant for handling containers at ports and terminals, industrial trucks of all kinds, and the complete range of 150 containers.

Further information about the exhibition can be obtained from the Freight Container Exhibition Joint Committee, Halkin Street, London SW 1.

GENERATOR COMMISSIONED

The first 33,000 kw. water turbine and generator set at Obra in Uttar Pradesh, supplied by the Heavy Electricals factory at Bhopal, has been successfully commissioned. The spiral casing of the set carries about 200 cubic metres of water per second and is among the largest in the world. The rotating portions of the set weigh 240 tonnes. In the completion of the job accuracies up to a fraction of a millimetre had to be achieved. It was

the first of the three generating sets being supplied by Heavy Electricals for the 100,000 kw. hydro power station at Obra. The remaining two sets are under advanced stage of erection at the site.

NEW BANK BRANCHES

The union Minister of State for Finance, Mr P. C. Sethi, revealed recently that the Reserve Bank had taken a decision regarding the opening of 1,300 new branches of nationalised banks in the rural areas. He added that after the take-over credit extended to agriculturists had increased nearly three-fold, from Rs 38 crores to Rs 103.06 crores and that bank accounts had increased from 170,000 to 472,000.

FOREIGN COLLABORATIONS

During the quarter October-December 1969, the government approved 21 cases of foreign collaboration. Four of these involved financial collaboration. There were four collaboration cases with Japan, three each with the UK, the USA, West Germany and France, two with Switzerland and one each with Canada, Holland and Rumania. The items of manufacture included are water cooled bagasse furnaces, vibro concrete building blocks, controlling equipment for electric locomotives, modernising mining and refining of china clay, power line carrier equipment, mobile cranes, power tillers, direct injection engines and synchronous gear box.

JUTE CROP PROSPECTS

The Indian jute industry's recovery will depend principally on the availability of raw jute at reasonably steady prices over a long period, and in this context the next jute crop is of crucial importance. The setback suffered by the industry from shortage and high prices of jute due to three successive crop failures was only fractionally corrected by the relative abundance of fibre during the current season. To offset the effect of inclement weather on jute the most significant developmental aid, according to IJMA, was nitrogenous fertiliser. Noting that the official programme of distributing 10 kg of urea per acre free to every cultivator had failed to register an impact, IJMA has asked the government to be prepared to give at least 20 kg, the minimum per acre required free or make the free distribution of 10 kg dependent on the cultivator's buying a like amount.

BAILADILA IRON ORE MINES

The exploitation of the iron ore deposit No. 5 at Bailadila marked another big step forward in the development of hitherto little developed area of Madhya Pradesh, stated Mr Jaganath Rao,

union Minister of State for Petroleum, Chemicals, Mines & Metals recently. He was laying the foundation stone of the project. Referring to the construction of a railway line connecting this area to Visakhapatnam, laying of metalled roads, modern and electrified township at Kirindul and provision of medical and educational facilities, he added that the picture of the area was already becoming very different. With the operation of giant machines in the area in the next two to three years, he hoped the existing forest at Bacholi would house one of the most modern townships in Madhya Pradesh pulsating with industrial activity and various other incidental and ancillary industries would also come up speedily. The Deposit No. 5, which is being developed at an estimated cost of Rs 36.53 crores, contains about 165 million tonnes of very high grade iron ore. It would be exploited by the National Mineral Development Corporation through mechanised operations at the rate of 4 million tonnes of lump ore annually.

IMPORTED COTTON

The union government has released a further quantity of 50,000 bales of global cotton from areas other than the UAR and Sudan. This quantity is being offered to all mills on spindle basis in the usual manner. The last date for shipment is August 31, 1970. Mills are required to register their demands with the Indian Cotton Mills' Federation together with details of their spindle working for the computation of eligible quotas. The qualifying ratio for basic quotas will be one bale for 240,000 spindle shifts. The fee payable to the credit

of the Export Promotion Fund is Rs 250 per bale for basic quotas and Rs 275 per bale for additional quotas. The demands from mills accompanied by guarantees to ensure lifting of total quantities demanded by them, must reach the Indian Cotton Mills' Federation on or before May 25.

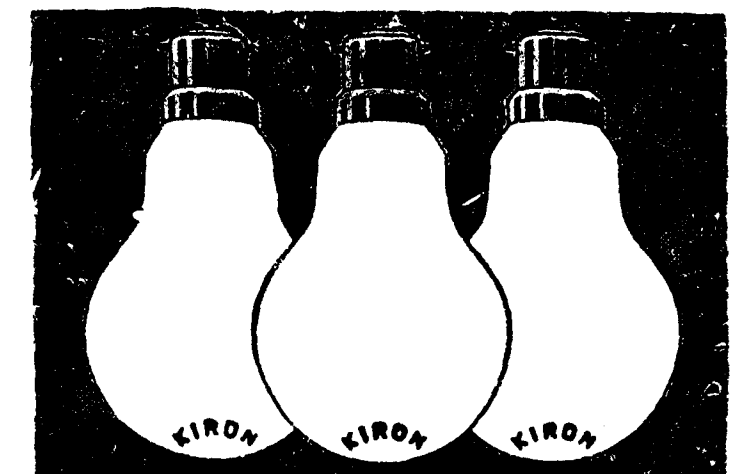
EMPLOYMENT IN RAILWAYS

The union Minister of Railways, Mr. G. L. Nanda, told the Consultative Committee of Members of Parliament for the Southern Railway recently that a ban had been imposed on further employment in the Railways. Economy in administration was being effected with maximum emphasis on efficiency. The number of railway employees had increased from 900,000 ten years ago to about 1,400,000 now.

LEAD BANK SCHEME

The State Bank of India has now completed a training programme organized by its special studies division for the field staff selected for conducting the district surveys under the Lead Bank Scheme. The bank has selected four districts to be surveyed immediately. These districts are Bolangir in Orissa, Srinagar in Jammu & Kashmir, Junagadh in Gujarat and Parbhani in Maharashtra. Four officers and 16 investigators have been selected for the survey work. These trainees who are familiar with local conditions in the concerned districts, will start the survey work. There are 89 districts where the State Bank of India and its subsidiaries will play the Lead role. They will survey the resources and potential for banking development in each of the allotted

KIRON



Lights Brighter, Lights Longer

districts so as to locate centres suitable for opening new branches, to identify credit gaps and to assess the deposit potential. Pending completion of the district surveys, the State Bank group has gone on opening new branches as programmed. Out of the target of 372 offices (337 in unbanked centres), fixed for 1970, the State Bank group has so far opened 124 offices out of which 98 are in unbanked centres.

WAREHOUSING CORPORATION

Mr D. Ering, union Deputy Minister of Food, Agriculture, Community Development and Co-operation, recently commended the Central Warehousing Corporation for its rapid expansion providing scientific storage and cheap credit facilities to the farmers all over the country against agricultural produce and other commodities. Delivering the valedictory address at the concluding session of the nineteenth All India Warehousing Training Course, Mr Ering stated, that today 15 state warehousing corporations were functioning at state level. At present, 750 centres were providing scientific storage facilities in all the areas with a total storage capacity of 2.7 million tonnes. To meet the present needs of many organisations for training personnel in scientific storage, the Central Warehousing Corporation has so far organised 19 training courses.

TWA

Trans World Airlines in April, 1970 flew 1,311,628,000 passenger miles according to preliminary figures, showing an increase of 2.4 per cent from the same month last year. Cargo volume totalled 56,442,000 ton miles, up 19.0 per cent. TWA flew 898,322,000 passenger miles on its US routes in April, a decrease of 7.5 per cent over the corresponding month in 1969. This decrease domestically resulted wholly from the air-traffic controllers sick-out which at its height during the first half of April, forced TWA to cancel a substantial number of flights. International passenger miles flown during April totalled 413,306,000 an increase of 33.7 per cent over April 1969. April cargo volume moving over TWA's US routes totalled 34,077,000 ton miles, an increase of 22.0 per cent. International ton miles were 22,365,000 up 14.6 per cent over April a year ago.

NAMES IN THE NEWS

Mr T.A.G. Kelley takes over from Mr W.E. McKie as BOAC's manager for central & south India in Bombay. He will be responsible for BOAC's activities in the states of Maharashtra, Gujarat, Madhya Pradesh, Goa, Mysore, Kerala, Andhra Pradesh and Tamil Nadu.

MMGI among the first five

	1969 figures Rupees in Crores
Capital and Reserves	1.40
Departmental Reserves	1.60
Total Assets	5.36
Net Premium	3.02

Transacts

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OFFICES ALL OVER INDIA



Company Affairs

GOODYEAR

MR R.E.O. Carey, Managing Director, Goodyear India Limited, indicated recently at the annual general meeting that the company started manufacturing automotive tyres in its Ballabgarh plant in 1961 with the modest manufacturing capacity of 210,000, although Goodyear has been known in this country since 1922. He added that the licensed capacity of the company has now increased to 600,000 automotive tyres and tubes. The company has been engaged in setting up two new plants at Ballabgarh — Plant II for the manufacture of two million bicycle tyres and tubes and Plant III for the manufacture of automotive, tractor and earth-mover tyres and tubes. Production of these two units is likely to go on stream towards the end of the current year. The company, he revealed, had decided recently to build another plant for the manufacture of aeroplane tyres and tubes. In line with the increased production capacity, Goodyear has improved its sales performance. Mr Carey revealed that sales during 1969 increased to Rs 28.73 crores as against Rs 8.27 crores in 1961. Consequently profits also increased and the figure before tax was Rs 2.90 crores as against Rs 28.06 lakhs in 1961. The directors, he added, have recommended increased dividend from 15 per cent to 17½ per cent for 1969.

Mr Carey, as the Chairman of Association of Rubber Manufacturers of India, recently stressed during the rubber seminar held recently that the government should raise the target of seven million tyres for the fourth Plant to eight million tyres. He added that this increased target would take care of strikes and go-slows and would provide cushion for delays in the issue of licences. He said that in view of the fact that licences to the extent of 1.5 million automotive tyres and tubes were proposed to be given to new manufacturers establishing new units, it would be worthwhile to raise the target from seven million to eight million tyres and offer this additional one million to existing factories for expansion. Substantial improvement is necessary in the yield of natural rubber plantations in the country and the managing director indicated that the government had been taking steps to encourage new plantations. The government also proposed to set up a new synthetic rubber plant at Koyali in Gujarat. Mr Carey indi-

cated that these proposals were not likely to satisfy the additional demands for natural and synthetic rubber. He, therefore, stressed the fact that the government should lay increased stress on improving the availability of natural and synthetic rubber. He also proposed that steps should be taken immediately by the government to ensure that adequate manufacturing facilities for nylon tyre yarn and its conversion were made.

M.M.G.I.

During the year 1969, Madras Motor & General Insurance Company Ltd., has created a new record with increase in the gross premium income to Rs 322 lakhs from Rs 273 lakhs in 1968. The net profit before depreciation and taxation was higher at Rs 78.58 lakhs against Rs 68.05 lakhs in 1968. The directors have recommended a final dividend of 12 per cent taxable, making with the interim, 22 per cent taxable for the whole year on a capital increased by the issue of bonus shares during 1969, in the ratio of one share for every five shares held, against 21 per cent taxable paid for the year 1968. This absorbs a sum of Rs 19.80 lakhs against Rs 15.75 lakhs. The Departmental Reserves stood at Rs 159.83 lakhs as against Rs 136.24 lakhs. The total assets at the end of the year were Rs 535.89 lakhs as against Rs 462.48 lakhs a year before.

BURMAH-SHELL REFINERIES

The directors of Burmah-Shell Refineries Ltd have revealed that during the year ended December 31, 1969, a quantity of 3.69 million tonnes of crude oil was consumed by the refinery. The company has informed the government that it is now in a position to increase its output to about 5.25 million tonnes per annum and that this additional refining capacity could be utilised with advantage to meet the growing demand for petroleum products in the country. Gross income from refining amounted to Rs 18.43 crores and profit before taxation at Rs 7.62 crore was Rs 94.7 lakhs higher than for 1968, largely as a result of lower cost of crude oil. Operating expenses for the year were up by Rs 68.5 lakhs mainly on account of increased consumption of drum steel and fuel, partially offset by reductions in depreciation, past service contribution to pension fund and maintenance expenditure. The net profit for

the year, after providing for taxation, amounted to Rs 3.70 crores. During the year the directors declared and paid three interim dividends amounting to Rs 41 per fully paid share and Rs 25.88 per partly paid share. The total payments of Rs 5.96 crores were met partly from general reserve and partly from current year's profits. The directors recommended no further dividend for the year 1969. Total capital expenditure amounted to Rs 135 lakhs during the year including expenditure on projects in course of completion.

TATA IRON

The directors of the Tata Iron and Steel Co Ltd have decided to make a public issue of 7.75 per cent debentures of a nominal value of Rs 20 crores. The proceeds of the issue will be utilised to finance a part of the capital expenditure programme of the company. The company proposes to seek the approval of its shareholders for the debenture issue at the forthcoming annual general meeting. It will shortly hold discussions with the leading financial institutions for getting the issue underwritten. The public issue is likely to be made towards the end of September or the beginning of October.

GLOBE PRESTOLITE

A new company, Globe Prestolite Spark Plugs Ltd, is being promoted by Globe Industries Pvt. Ltd, for the manufacture of spark plugs. The company has applied to the government for a licence to produce 2.4 million plugs a year. The project is estimated to cost Rs 30 lakhs and will be financed by a capital issue of Rs 25 lakhs and borrowings of Rs 5 lakhs. The plant will be set up at Vapi in Gujarat.

CEAT TYRES

The chairman of Ceat Tyres of India Ltd stated recently that the company received in October 1969 an import licence for machinery required for implementing a substantial expansion of its automotive tyre manufacturing capacity. The company has already placed orders for the plant and equipment on foreign and domestic suppliers. Some of the machinery has already been shipped and received. The rest of the machinery is expected to be delivered in the second half of this year and first half of 1971. The civil and structural work of the factory is nearing completion and when all the machinery has arrived and is installed, the company will have a capacity to produce 650,000 tyres and tubes as compared with the present licensed capacity of 400,000 tyres and tubes. On the present schedule, the company hopes to achieve an increase in the production of tyres and

tubes of about 20 per cent from the last quarter of 1970. The company's application for a licence for importing machinery for the manufacture of cycle tyres and tubes has been cleared by the Capital Goods Committee and the licence is awaited. The company will not, however, be ready to market its bicycle tyres till the end of 1971 or early 1972.

JAGATJIT INDUSTRIES

Jagatjit Industries Ltd. has recorded a profit of Rs 20.30 lakhs for the year ended December 31, 1969, as against Rs 16.32 lakhs for the preceding year after providing taxation at Rs 28.20 lakhs and development rebate reserve at Rs 1.70 lakhs. The directors have recommended a dividend of 12 per cent subject to tax. If approved, this equity dividend (other than bonus shares issued in 1970, which are not entitled to dividend for 1969), absorbing Rs 3.95 lakhs, will be paid out of general reserve. The company has issued 1,31,803 bonus shares of Rs 10 each to the shareholders in the ratio of two to five shares held. It has secured a letter of intent for the manufacture of glass bottles and miscellaneous wares. Steps are being taken to establish this Rs 1.25-crore project. The company took up 1,800 equity shares of Rs 100 each in Hyderabad Distilleries and Wineries Ltd., which was incorporated on September 5, 1969. Since the company holds 60 per cent of the present total paid-up capital of Hyderabad Distilleries and Wineries Ltd., the latter has become its subsidiary.

J.L. MORISON

The Directors of J.L. Morison, Son and Jones (India) Ltd., have proposed to skip the equity dividend for 1969. The company had paid a dividend of 20 per cent for 1968. The directors have come to this conclusion after the recent announcement of the government's policy on drug prices and the uncertainty which it has brought regarding the prospects in the current year. Sales for 1969 have touched a record level of Rs 2.8 crores compared to Rs 2.3 crores in 1968. The profit before tax is higher at Rs 9.65 lakhs. The provision for taxation is Rs 6.50 lakhs and for development rebate reserve Rs 9,233. After making some adjustments, the directors have transferred Rs 4.55 lakhs to general reserve. Last year dividends had absorbed Rs 1.70 lakhs.

KAMANI ENGINEERING

The chairman of Kamani Engineering Corporation Ltd. has stated that during the first six months of the current year (October 1969 to March 1970) produc-

tion was higher at 19,889 tonnes compared to 19,038 tonnes in the same period of last year. The despatches of transmission towers and other equipment to Iran under the package deal amounted to Rs 2.30 crores. This order is expected to be completed by the end of 1971. The estimated turnover in the first half of the current year is Rs 7.20 crores compared to Rs 3.86 crores in the same period last year. If the turnover of Rs 2.70 crores on account of ACSR and other conductors is excluded the comparative figures are Rs 4.51 and Rs 3.86 crores respectively. The chairman has said that the company may not get government sanction for its proposed bonus issue in the ratio of one for every ten shares held in view of the recent conditions stipulated by the government. The company is seriously considering to go into the fields of re-rolling and steel making. Its Jaipur unit is expected to be geared up to its installed capacity.

A.C.C.

The ACC has won a contract for the supply of clinker grinding and cement packing plant to Kuwait Cement Company. The plant will have a capacity of 300,000 tonnes a year and the erection work is to be completed within eighteen months. The export contract will fetch the country over a crore of rupees in foreign exchange. A feature of the deal is that the earnings are freely convertible in US dollars. In addition to the Kuwait order, ACC has also succeeded at home with letters of intent received for two projects, one for a 600-tonne per day cement plant at Gokajan, Assam, for the Cement Corporation of India, and the other for a slag granulation and slag cement grinding and packing plant at Durgapur for Birla Jute Company. This plant will have a capacity of 1,800 tonnes per day.

GUJARAT FERTILIZERS

The directors of Gujarat State Fertilizers Co. Ltd., have proposed a maiden equity dividend of eight per cent for the year ended March 31, 1969, and cleared all the arrears of preference dividends. The maiden dividend follows a marked rise in the company's sales and earnings. The company's gross profit has increased by 33 per cent to Rs 7.48 crores from Rs 5.62 crores for 1968-69. The company has declared its first dividend after about 32 months of commencing its operations. The company's sales have increased by 57 per cent to Rs 26.49 crores from Rs 16.78 crores. The directors have provided Rs 4.96 crores for depreciation leaving a net profit of Rs 2.52 crores against Rs 2.17 crores. After writing off preli-

minary and capital issue expenses amounting to Rs 22.44 lakhs, and bringing in Rs 23.87 lakhs, the directors have transferred a sum of Rs 2.54 crores to the general reserve. In the previous year, the net profit was adjusted against the accumulated losses of Rs 1.93 crores. The total dividend on the 300,000 preference shares up to March 31, 1970, will claim Rs 108.54 lakhs and the proposed equity dividend will absorb Rs 72 lakhs. The total dividend distribution of Rs 1.81 crores will be paid out of the general reserve.

COMINCO BINANI

During the year 1969 Cominco Binani Inc. Ltd. has shown encouraging results. While the production of zinc and sulphuric acid during the year has amounted to 13,165 tonnes against 10,325 tonnes, and 21,430 tonnes against 15,366 tonnes respectively, sales have risen by 45 per cent to Rs 5.10 crores in 1969, against Rs 3.51 crores in the previous year. The company has also started production of cadmium, producing 16,746 kg. of the metal during the year. The directors envisage further improvement in the overall production during the current year. Following higher sales, the company's gross profit has shown an improvement to Rs 62.17 lakhs during the year, against Rs 29.71 lakhs. After providing Rs 65.34 lakhs for depreciation and Rs 5.27 lakhs for development rebate reserve, the company has been able to reduce its loss substantially to Rs 8.33 lakhs against Rs 52.63 lakhs, bringing in a debit balance of Rs 2.96 lakhs, the total deficit of Rs 3.04 crores has been carried forward. In view of the world-wide shortage of zinc concentrates, the directors feel it imperative that the import licences should be issued on a long-term basis to ensure the timely supply of raw material.



Is it the problem of separating food from the Congress presidency?

COMPANY MEETINGS



DUNLOP

Sir Reay Geddes comments on the proposed Dunlop Pirelli union

At the 71st Annual General Meeting of The Dunlop Company Ltd. held in London on May 18th, the Chairman, Sir Reay Geddes, K.B.E., referred to a number of changes in the composition of the Board of Directors.

Mr. John H. Lord retired at the end of last year and Mr. John Dent, who is the Director of Engineering Group, subsequently joined the Board.

Mr. M. F. Coop, who was Company Secretary from 1948 to 1968, retired at the conclusion of the meeting, and Mr. Eric Holt and Mr. E. W. Madge both have expressed a wish to retire before the next Annual General Meeting. Sir Reay recorded the appreciation of the Board and shareholders for the very valuable contributions which they had made to the fortunes of Dunlop throughout their long service.

Sir Reay also referred to the proposal to elect Sir Frank Roberts as a Director and to his distinguished diplomatic career as a former Ambassador to the U.S.S.R. and the Federal German Republic. He said that in an expanding international company, Sir Frank's counsel and advice would be of special value.

The Year 1969

Sir Reay continued: It has become a truism to say that one of the most important assets of any company is people. In view of the increasing interest in, and importance of, human relations, we are circulating to shareholders a separate report that we have called 'Dunlop at Work in Britain 1969'. This is a first modest attempt to provide information on the Company's employment of people at home and on some of the policies and practices which affect them.

But you know that many of the Group's achievements last year were in other countries. So to Dunlop men and women everywhere your Directors would like to record the appreciation of this Meeting.

Dunlop and Pirelli

Early in March, shareholders were informed of our proposed union with the Pirelli companies, but there are some aspects of this proposal - the first cross-frontier union of its kind involving a British company in over 40 years - which deserve emphasis. This union is proposed for the sole reason that it makes good commercial sense; it fits the Company's longer term objectives and with our assessment of the changing trade environment in which the Company and our industry will be operating in the years ahead. We live in an increasingly competitive

world. The competition is based on innovation, with all that implies in terms of research, development, and marketing effort and expense, and investment, but if we are to continue to attack and compete successfully around the world we need to generate profits and to command resources and skills on a scale which the market and modern technology demand.

Our future, we believe, lies not in using our existing position of strength in the United Kingdom to build up a bigger national, perhaps even nationalistic, unit, but in creating a European-based multi-national Group on a truly American scale: as you know, the U.K. Government has warmly welcomed the proposal.

But it is not just a question of international size or scale. Separately, both companies are quite large. The extra dimension in this union is suitability.

Those of us who have had the privilege of dealing with the Pirelli directors and senior managers find that they organise and run their business very much as we do.

The two companies, which are similar in size, have a common technology, and with each partner contributing its own particular flair we shall be able to mount a much greater and more varied research and technical effort. Our international activities fit together with little overlap, and both companies will obtain a significant extension of product range; for Dunlop, diversification into electrical cables; for Pirelli, into plantations, sports equipment and precision engineering. But most of all, together we shall be able to undertake new ventures on a scale neither could do individually.

So, this union is the logical and agreed response of two major companies to changes in their industry and in their trading environment. It is a vigorous, outward-looking union; it is in no sense defensive.

With the increasing complexity of taxes, exchange controls, monopoly regulations and so on, there are many hurdles to be surmounted. Some of them have already been overcome.

Work on the necessary valuations is proceeding, and it is our intention to put detailed proposals to you later in the year. Whilst many of the details concerning the structure of the combined Group have yet to be worked out, as you already know, it is our intention that each company should take substantial shareholdings - ranging between 40% and 49% - in the operating activities of the other, but with the existing parent companies responsible to their respective shareholders, and with domicile unchanged.

A Central Committee - or steering committee - would be formed to co-ordinate the operations of the combined Group. Nevertheless, the goodwill of our well-known names and products will not be lost; rather they will become even better known throughout the world.

The multi-national Company

This proposed union would bring together two major companies with combined sales of nearly £1,000 million from over 200 factories situated throughout the world, and employing nearly 200,000 people. Some commentators profess to see such multi-national companies as potential threats to national sovereignty. It is said, for instance, that they may be in conflict with particular national policies and that they will not be answerable to any government; that research and development may be stifled or transferred; that exports will be restricted in favour of some 'foreign' source; that investment policy could be against the 'public interest'; or that employment policy may not accord with national objectives.

I cannot accept that these fears are relevant. This is a union of private enterprise but we acknowledge the interest of governments in the behaviour of large companies within their jurisdiction. Both Dunlop and Pirelli have had long experience of this in overseas operations.

So countries where the combined Group operates need expect no change in our attitude to investment, employment and future development. We are not likely to forget our responsibilities and obligations; nor, in our experience, would national governments allow us to do so.

One further point - the success of our proposal does not depend on British entry into the Common Market. But as a leading member of the Common Market Commission said recently - "Only a process of concentration at the trans-national level can adequately solve the problems of re-organising European industry to bring it into line with European integration".

While we accept and endorse the general argument, the primary purpose of our union is to increase the profitability of the parent companies. We believe that it can be done; subject to your agreement in the autumn, it will be our job to see that it is.

Current Prospects

With the modest expansion now taking place in the United Kingdom, we expect that 1970 will be a better year for the Group at home. However, it seems probable that faster rates of growth will be achieved abroad, so that our overseas companies are likely to make the running again this year.

In the first four months, Group turnover is 9% up on last year, and I see no reason why sales should not reach the forecast increase of 10% for the year as a whole. However, with the mounting pressure for higher wages and salaries and the rising burden of other costs, it will be difficult to achieve a commensurate increase in profits. But everything possible is being done to offset these unfavourable factors.

The Dunlop Company Limited

BINNY LIMITED

Chairman's Speech

Presiding at the First Annual General Meeting of the Shareholders held at the Company's Office at Madras on Monday, the 18th May 1970, Mr. M. K. Vellodi said:—

GENTLEMEN,

I am pleased to welcome you to the First Annual General Meeting of Binny Limited.

The Directors' Report and Accounts for the period ended 31st December 1969 have been in your hands for the prescribed period and, with your permission, I shall take them as read.

1969 has been a memorable but difficult year. It will be memorable in history as the year in which Man landed on the Moon but for your Company it will be memorable because it was the year in which the amalgamation of the Binny Group of Companies along with the Madura Co. Private Limited and the Ganges Transport and Trading Co. Ltd., was completed and Binny Limited, incorporated on 30th June 1969 starting operations on 1st November 1969. It was memorable because it was the 200th Anniversary of the birth of the Founder John Binny and for the more mundane reason that the production of 4 shaft drills was removed from production and price control from 1st November 1969. It is not possible to estimate accurately the damage these controls did to your Mill Units over the past five years but it must run into crores of Rupees.

It has been a difficult year for a variety of reasons which will be brought out in the course of my speech but here I would like to mention that the continuing high tempo of modernisation involving the removal of old looms and installation of new looms created problems, especially in the Madras Mills during the first half of the year and had it not been for the use of the PERT technique the problems would have been greater. Another major difficulty was the unsettled condition of various markets at different times during the year.

REVIEW

Textiles Division

Last year my predecessor expressed the view that the Mill Units would benefit greatly as the new looms replaced the old Northrops: he also expressed confidence in the future pros-

pects but cautioned that the problems of 1968 would continue throughout 1969. Those predictions have materialised.

The excise duty relief granted in the 1969 Finance Act for the majority of mills improved their profitability and trading conditions generally through inadequate finance compelled most dealers to reduce their volume of stocks. For a few mills, however, including yours, there was a no excise duty relief, on the contrary the burden was greater than in any single year in the past. Details have been given in the Report of the Directors from which you will see that the total excise duty paid by the two Mill Units increased from Rs. 363 lakhs in 1968 to Rs. 539 lakhs in 1969, an increase of 48.2%. This unprecedented burden had its inevitable impact on turnover and profits. The 1970 Finance Act imposes further burdens on the Textile Industry by way of duties on dyes and chemicals etc., but the heaviest imposition is yet another severe levy on Polyester fabrics on which the estimated total imposition on consumption in the Madras and Bangalore Mills is Rs. 55/60 lakhs in a year. Only part of this extra duty can be passed on to consumers, the balance being borne by the Company. It may be of interest to you to know that the excise duty content of every metre of our Marlborough Terene Cotton Suiting is Rs. 14.31 while the ex-mill price inclusive of Excise Duty is Rs. 26.43.

Last year's Chairman referred to the delay in receipt of wool by the Bangalore Mill Unit. In the event wool was received towards the end of the year so that the production of Cotswol and Varsity had to be rushed through with undesirable haste so as to reach the market at the fag end of the season. I am glad to say that through co-operation by the State Trading Corporation and Woolcombers in Calcutta the outlook for 1970 is much better in that these qualities are now already in production and arrangements have been made as far as is humanly possible for continuity of supply. I sincerely hope that this year there will be no disruption in despatches from Calcutta.

In spite of the acute water shortage in Madras caused by the successive fail-

ures of monsoons, production did not suffer and thanks to co-operation by the Corporation of Madras the supply of water to the Madras Mills was cut by only half a million gallons per day but measures costing Rs. 13 lakhs for the provision of water from new wells sunk on our own land very nearly made up for the cut in supplies. This expenditure has resulted in a reduction of water consumption which has considerably reduced the annual cost of water to the Madras Mills.

The overall production of the two textile mills was higher than in the previous year notwithstanding a seven day stoppage of work and subsequent heavy absenteeism in the Bangalore Mill Unit in May/June and this extra production plus increased production of man-made fibre blended fabrics resulted in sales totalling Rs. 33.30 crores, a 12% increase on 1968. Productivity however was not entirely satisfactory, particularly on the old Northrop looms and in the Spinning Departments where increased three shift working adversely affected productivity. All sections of the two mill units also continuously faced the adverse effect of absenteeism which was even worse in 1969 than in the previous year.

It takes time to reach a normal level of productivity on the new BAZL BAZL looms now being installed but after an initial period of adjustment satisfactory levels have been attained.

Statutory Price and Production controls operating since October 1964 and without any price increases since May 1968 continued to have a most serious effect on profitability especially in the Madras Mills: however, as I mentioned earlier, 4 shaft drills which constitute a large part of the Madras Mill's production were removed from control on 1st November 1969 providing a relief long overdue: but in view of earlier contractual commitments, this relief provided little benefit in 1969.

Manufacturing expenses of the Mill Units with some notable exceptions to which I will refer, were reasonably well contained. The bulk of the increase in cost of raw materials was due

to greater consumption and the higher cost of 'Terene' on account of the increased duty on fibre amounting to Rs. 106 lakhs. Almost 60% of the increased cost of Rs. 66 lakhs of stores and spare parts was accounted for by the higher prices of dyes and chemicals used as well as by increased consumption. Salaries and wages increased by Rs. 56 lakhs mainly on account of the additional labour employed to achieve the required quantum of production but also on account of increased D.A.

As mentioned in the Report of the Directors, the profits of the two Mill Units for the year 1969 were disappointing. However, the second half of the year witnessed a marked improvement in profits and strenuous efforts to increase production and improve margins during that period produced encouraging results although, in the case of the Madras Mills, severe setbacks in the earlier months of the year could not be fully absorbed. The improvement has been sustained in the first three months of 1970 and it is anticipated that barring unforeseen circumstances, this improvement will be maintained throughout the year. However, a matter for serious concern is the shortage and price of raw materials, especially Indian Cotton, and the continuance of unsettled conditions in many parts of the country.

Exports

Exports by the two Mill Units increased by 34% to Rs. 2.61 crores—a creditable performance when the export of piecegoods of the Textile Industry as a whole declined during the year by 5.5%. Although the general climate for the export of piecegoods is not favourable, I am nevertheless confident that the two Mill Units will maintain their improvement in 1970.

Unfortunately orders for Cotswol were lost due to the inordinate delay in delivery of wool tops but as a result of an agreement with the State Trading Corporation and co-operation by Woolcombers to which I referred earlier, I hope wool tops will this year be made available to the Bangalore Mill Unit to enable them to offer prompt delivery to Overseas customers. If so, it should be possible to re-establish much of the business which has been lost over the last few years.

Cotton

I will not go into statistical details except to mention that the 1968/1969 Indian Cotton Crop was only 58 lakh bales compared with 62.7 lakh bales in the previous year. The 1969/70 cotton season started off with favour-

able reports and a crop of 65 lakh bales was freely mentioned. Since then, for various reasons the size of the crop has been marked down so that it is currently estimated at 57/58 lakh bales, or even less. Consumption by Mills remains at a high level with the result that Cotton prices have increased over last year's level by 35% to 40%. Various artificial measures have been taken, such as credit and stock restrictions, in an endeavour to keep prices down but none of these measures produces cotton.

The Cotton Textile Industry is vital to the economy of the country. Cotton constitutes 45% to 50% of the cost of cloth and yet virtually nothing has been done by those in authority to increase the yield per acre of cotton which remains not only the lowest in the world but at a level barely half of the next lowest. My predecessors have consistently harped on the necessity to increase the yield per acre of cotton as a pre-requisite for the health of the Textile Industry as well as for the benefit of the cotton grower: I make no apology for continuing to emphasise this matter as this perennial problem for the industry and consequential wastage of foreign exchange in importing cotton must be solved.

The total irrigated area is not less than two million acres or one-tenth of the total acreage and produces about one-fifth of the crop, or 12 lakh bales. The I.C.M.F. over several years has proved without doubt that by improved methods and at a cost of Rs. 80/90 per acre the yield in irrigated areas can be increased by not less than 100%. Thus, reduced to its simplest terms a crash programme for those two million irrigated acres could yield an additional 12 lakh bales valued at say Rs. 90 crores for an input of not more than Rs. 18 crores. Such a programme needs co-ordination and though I have no doubt the necessary expertise is available in the country may I take this opportunity of suggesting that the matter is of such great importance to the Textile Industry that a part of the PL.480 funds might be made available to import a team of experts to implement such a crash programme within the next two seasons. I also suggest the Fertiliser Manufacturers could be harnessed to such a scheme to the advantage of themselves, the growers and the Industry. I believe it is only by such drastic action will a really purposeful start be made in solving this vital problem.

Modernisation

During the year, substantial progress was made with the modernisation programme when 490 BAZL looms

were installed in the two Mill Units in addition to preparatory and finishing machinery. The magnitude of the Mills modernisation in 1969 is clearly illustrated by the value of the new machinery which exceeded Rs. 250 lakhs. As a result, during the second half of the year there was a noticeable improvement in the quality of the cloth and a marked reduction in damages.

The implementation of the modernisation programme continues and the bulk of the new looms should be installed by the end of this year.

The Textiles Division of the Company has had the benefit of a higher rate of Development Rebate at 35% on new machinery added, during the year 1969. It is, however, unfortunate that this higher rate of Development Rebate which partly met the Textile Industry's long standing claim is to last in respect of new machinery added only up to 31st March 1970. The Industry's representations to Government in this matter have evoked little response so far.

Garment Factory

The development of the Garment Factory continued to be satisfactory and planned peak production of 2,500 shirts per day was achieved in November. Progress with the production of trousers, however, was slower than originally anticipated though permo-crease trousers were offered in the market in December and sales are encouraging. A separate line to produce industrial garments has been installed and will presently be enlarged when heavy duty machines due shortly have been commissioned.

Total sales for the year amounted to Rs. 101 lakhs of which Rs. 12.28 lakhs were exports. Prospects for increasing exports are encouraging and on the whole the export order book is now satisfactory.

I am glad to report that the factory has operated profitably since the middle of 1969 and I expect the results for 1970 to be satisfactory.

ENGINEERING DIVISION

Madras Works

Steady progress was made in these works during the year with substantial improvement in profitability during the second half of the year. This progress is being maintained though the shortage and price of steel is a matter for concern. A considerable degree of mechanisation and modernisation of the Foundry has already been achieved and will be accelerated by the commissioning

of the Electric Furnace and further mechanisation this year. There was a marked improvement in productivity and I hope there will be a further substantial increase in productivity and production in the course of 1970. A programme to modernise the Light Machine Shop is also being initiated and the benefit of greater production and higher precision work should be attained in 1970.

As mentioned in the Report of the Directors progress was made in the production of balancing equipment for Satake Rice Mills imported by the Food Corporation of India and with the implementation of the Binny-Satake collaboration progress in the manufacture of Binny-Satake Rice Mill machinery is satisfactory.

During the year, negotiations with Co-operatives in Gujarat and Orissa for the supply and commissioning of Sugar Mills were conducted jointly with Messrs. Andrew Yule & Co. Ltd., Calcutta and orders for the supply of two Sugar Plants in Gujarat and one in Orissa have since been received. The value to the Works of these orders is Rs. 114 lakhs. I am confident that the noticeable improvement that has taken place in the operation of these Works over the past year will be sustained resulting in higher profitability in both the short and long term.

Giovanola-Binny Limited—Subsidiary

Although progress was made in reviving this Factory during 1969 and an Industrial Licence to build small Ships such as Trawlers has been received, the manufacture of Pressure Vessels developed — including the manufacture of two of the largest vessels made in India — India's first export order secured for penstocks for the Matucanna Project in Peru, and an Incentive Scheme introduced, nevertheless the future outlook is still uncertain. This is due to the non-availability of steel and its crippling effect on production and to the lack of co-operation by a section of labour in increasing productivity which is injurious to their own and the Company's interests.

Given reasonable co-operation by labour and adequate supply of raw materials, I am confident that with the diversification and other measures that have been implemented, this Company could revert to profitability.

Trading and Agency Division

The turnover of the Handloom Tex-

tiles Department again increased by about 12% to Rs. 156 lakhs with an improvement in profits. This was due to further diversification of products offered by this department, to the benefits of economies effected and to active co-operation of the staff.

The Engineering & Agency Department also improved turnover by about 20% with higher profit. I am glad to say that though the sole selling agency for South India for English Electric products had to be terminated towards the latter part of 1969, on their initiative new arrangements have since been implemented to our mutual satisfaction and will, I hope, result in the continuance of our long established association for many more years.

The Agency for the Bank Line was acquired during the year and is operating satisfactorily but I regret that both the Steamer and Stevedoring Departments continue to be adversely affected by the reduction in import of food grains and fertilisers and by unprofitable rates for stevedoring. There has, however, been an improvement in the development and profitability of the Travel & Clearing & Forwarding Departments.

Though the profit from the Madura Unit was higher than in previous years earnings from the shipping activities on the West Coast declined sharply towards the end of the year. They are, however, now improving. Sale of Flux produced by the Flux Factory was on the whole satisfactory and with greater technical assistance now available, the working of the Factory should improve in coming years and contribute to the profits of the company.

I am confident the Trading and Agency Division will expand materially, both immediately and in the long term as, consequent upon amalgamation, the Company is no longer inhibited by the restrictive provisions of Section 18A of the Foreign Exchange Regulations Act and active steps are being taken to expand our range of agencies.

Labour

Relations between labour and management continue to be cordial in all units marred only by a closure for seven days in the Bangalore Mill Unit on account of the activities of an unrecognised Union followed by abnormally high absenteeism during May/June resulting in a heavy loss of sales revenue. Absenteeism continues to be an increasingly serious problem

affecting, as mentioned last year, not only production but also quality. The seriousness is illustrated by figures: the average percentage of absenteeism among regular workers in the Madras and Bangalore Mill Units increased from 13.16% in 1968 to 15.36% and from 11.52% to 13% respectively. Absence from work on medical grounds certified by the E.S.I. Medical Officers also remains high — in the Madras Mills 6.96% and Bangalore 5.61%. This is a National problem and it seems no purposeful efforts are being made to tackle it. The Employers contribution to the E.S.I. scheme has been raised from 3½% to 4% of wages and D.A. at a cost to your Company of Rs. 6 lakhs per annum. The rate was 3% in 1969.

Following the Engineering Wage Board's recommendations a settlement was reached with the Madras Engineering Works Union regarding the daily rated workers. Negotiations are in progress with the recognised Unions of the Madras and Bangalore Mills following the Textile Wage Board's recommendations but so far it has not been possible to reach a settlement owing to the unrealistic demands made by the Unions.

There was a substantial increase in Dearness Allowance payable to the workers in the Bangalore Mills due to the introduction of the SIMLA Series of Cost of Living Indices by the Mysore Government. The Tamil Nadu Government have also introduced the SIMLA Series with a consequent increase in Dearness Allowance.

A number of welfare measures were introduced during the year the most notable being the Binny High School, the project to supply water to individual houses in the Binnypet village, a Creche in the Garment Factory at Hebbal and the introduction of the CARE food and family planning schemes. The Annual Sports days are also growing in magnitude and popularity and a scheme to provide workpeople's houses is being investigated.

FINANCE DIVISION

Financial information

The financial position of the Company is sound and the amalgamation affords opportunity to make better use of financial resources but higher working capital requirements and implementation of modernisation schemes continue to increase the pressure on



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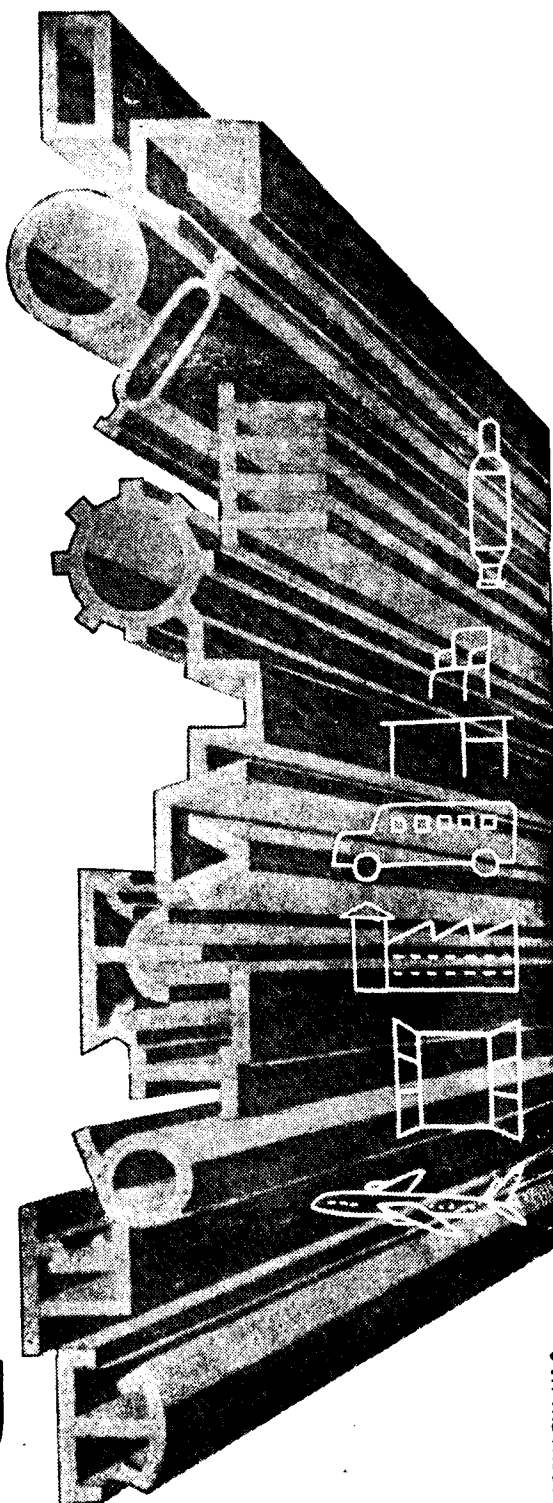
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liquid resources resulting in higher interest costs.

The profit of your Company for the period to 31st December 1969, after providing for depreciation, was Rs. 60.96 lakhs. Shareholders will note that a sum of Rs. 67.28 lakhs has been transferred to Development Rebate Reserve.

I think it is appropriate to draw your attention to the fact that from 1970 onwards substantial provision is required to be made for redemption of Debentures in accordance with the Debenture Trust Deeds and also for repayment of loans taken for the modernisation schemes.

Dividends

Your Directors have recommended a dividend of Rs. 6 per share on the Equity Shares, which necessitates the transfer of Rs. 51.70 lakhs from General Reserve.

Development and Planning

A Department for Development, Planning and Management Services is now in the process of being formed and is already undertaking the detailed study of projects but it is too early for me to comment on these except to say

that the objective is to achieve a greater degree of diversification.

Future Prospects

The results achieved during the latter part of 1969 and so far in 1970 lead me to be cautiously optimistic of the immediate future, while the results obtained from the vast modernisation programme of the Mill Units and to a lesser extent of the Madras Engineering Works, the further reorganisation taking place and the prospects of developing new interests make me confident of the prospects of your Company for the future.

I would, however, be foolish not to qualify my optimism by emphasising the necessity that for any Industry to prosper law and order must be maintained throughout the country so that the Industrial and Commercial communities have the confidence to go about their business in a normal manner: also Industry must be assured of raw materials at the right time and at a reasonable price.

Acknowledgements

I mentioned at the beginning of my speech that 1969 had been a difficult

year and I take this opportunity on your behalf of paying tribute to Officers, Staff and Employees of your Company for the manner in which they met those difficulties.

My Colleagues, Messrs. P. Thomas and J. Deavin, both executive Directors of this Company, retired in April this year. Mr Thomas had served the Binny Group for 30 years and Mr. Deavin for 7 years. Mr. J.M. Parsons, a Director of this Company, also retired. I would like to place on record our appreciation for their valuable services and wish them many years of happy retirement.

I would also like to express my appreciation for the help and support I have received from my Colleagues on the Board and in particular pay tribute to the long and valued services rendered to The Buckingham & Carnatic Co. Ltd., by Dr. Sir Arcot Lakshmanaswami Mudaliar and Mr. Jamna Doss Dwaraka Doss who served on the Board of that Company for 15 years and 10 years respectively until its amalgamation into this Company.

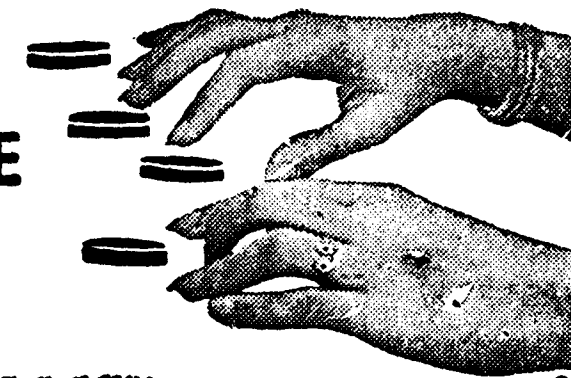
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RECORDS AND STATISTICS

Oil Prices Committee Report

THE GOVERNMENT of India has accepted the Oil Prices Committee's (OPC's) recommendations that the principle of import parity for calculating the initial basic ceiling selling prices of bulk-refined products (including naphtha and bitumens) should be retained.

The recommendation of the OPC that in addition to the eight main ports (Calcutta, Vishakhapatnam, Madras, Cochin, Bombay, Goa, Kandla and Okha) all the four inland refineries (Digboi, Gauhati, Barauni and Koyali) should also become pricing points, has been accepted. Till now only the above eight main ports and Digboi (Assam) were the pricing points. The country was divided into various zones and each zone was notionally linked with one of these ports for the supply of petroleum products to it. The price of a product in any town in a zone was arrived at by adding the freight charges between that town and the related port to the import price of the product at that port.

Since the pricing points have increased from eight to twelve, the zones will be re-demarcated. As a result, with the three inland refineries becoming pricing points, the prices of petroleum products in the areas linked with them will now come down. This will also meet the demand of the concerned state governments in the past.

Surcharge on Fuel Products

The OPC has pointed out that, as a consequence of the above decision, oil companies are likely to suffer because they will be paying more freight charges than they will be able to recover whenever they move products out of their zones or by coastal shipping. The companies, therefore, the committee felt, should be compensated to the extent of the actual freight paid by them. For this purpose a surcharge should be levied on the total consumption of major fuel products. The government has accepted this recommendation.

The rate of surcharge and detailed mechanism of reimbursement are being worked out by the government and will be communicated to the oil companies.

The OPC is of the view that the introduction of uniform prices throughout the country is not feasible. It has also advised against a regional pool.

The government has concurred with this view.

Till now to determine the import price, the posted FOB (freight on board) price, without discount at Bunder Maha-Shahr, was taken as base price. But now, while calculating the base price, a four per cent discount will be applied on the posted price at Bunder Maha-Shahr. The basic ceiling selling prices of the petroleum products (excluding aviation gasolines) will, therefore, be recalculated for each port.

The committee has recommended reduction in the prices of imported crude oil by obtaining more discounts.

Oil Companies Consent

The private oil companies have already agreed to give a discount of 51 cents per barrel on the posted price for Agha-Jari crude.

The dealer's commission on motor spirit (Rs 41.80 per kilo litre), on kerosene (Rs 7.70 per kilolitre) and on the high speed diesel oil (Rs 17.60 per kilolitre) will continue as at present. The government has not found it possible to accept the committee's recommendations to increase the commission of the dealers who sell high speed diesel.

Under the new pricing arrangement, the prices of almost all petroleum products to the consumer are expected to remain more or less at the same level as at present. In case of motor spirit 93-Octane (which is used for fancy cars), naphtha, furnace oil and bitumens (of certain grades), there will be a marginal increase. However, there will be a general decrease in prices in areas near the inland refineries, e.g., at Koyali (Gujarat) the price of motor spirit is likely to come down by Rs 54 per kilolitre and of inferior kerosene by Rs 32 per kilolitre.

As a result of the implementation of the recommendations, the exchequer is expected to earn about Rs 5 crores per annum.

The government decisions will come into force from June 1, 1970, so as to afford adequate time for making the calculations of the revised selling prices

throughout the country on the new basis.

The decision will be effective initially for a period of three years.

As regards the determination of ceiling selling prices for lubricating oils, greases and specialties, the OPC is continuing its deliberations and proposes to give its recommendations in the near future through a supplemental report. Final orders of the government on that subject would, therefore, follow on receipt of this report.

The OPC was set up on June 14, 1968, under the chairmanship of Mr Shantilal H. Shah, MP to advise on the manner of determining ex-refinery and landed prices of petroleum products in the future and on other connected matters. It gave its report on November 1, 1969. The summary of conclusions and recommendations of the report follows.

An analysis of the working results of the oil companies, on the basis of their published accounts for 1967 (1967-68 for IOC and CRL), shows that except in the case of Esso the gross profit on the integrated operation of refining and marketing and of refining only in respect of CRL has not been less than 11.50 per cent on capital employed.

Annual Sale

For the years 1970 to 1972 an average annual sale of 23.29 million kilolitres of bulk refined products, bitumens, lubricants, greases, specialties, naphtha and LPG is estimated for Burmah-Shell, Esso, Caltex and IOC, the share of each being 20.39, 12.31, 6.67 and 60.63 per cent respectively.

The arrangements for supply of crude oil to ESRC, BSR and CORIL are designed to ensure that imports are made from their affiliates/associates abroad and the prices actually paid to the original suppliers of crude in the middle east are not known.

The modified agreement in respect of CRL, provides for certain unusual incentives and concessions to Phillips.

The crude oil sales agreement for 22 years in respect of MRL contains no provision for adjusting prices according to the discounts on crude available from time to time.

The agreement in question does not provide for sufficient assurance that the price chargeable for crude supplied to MRL will be reduced when tran-

sactions take place in the world market at lower rates.

The agreement for the supply of crude oil to Haldia refinery leaves room for considerable uncertainty about a reduction in the contract price in the event of a fall in world prices.

BSR, ESRC and CORIL receive foreign exchange allocation for transportation of crude oil at INTASCALE with AFRA variation but it is not known whether marine freight is actually paid to the carriers on the same basis.

The entire requirements of crude oil of the country should be imported through a single agency by inviting competitive bids for supply over a specified period. The existing agreements/contracts may be re-negotiated to remove any impediments in the way of crude oil being imported at world competitive prices.

World Supply and Demand

The world supply and demand position of crude oil has undergone a radical change in recent past indicating the probability of a marked downward trend in prices of middle east crudes over the next few years.

Within three months and after formally communicating to the Committee that it had failed to secure any reduction in the price of crude oil, Burmah-Shell informed government that its suppliers had offered a reduction of 4 cents per barrel. Similar reductions were offered by Caltex and Esso.

The following rates of discounts on the fob posted prices of crude oils are recommended :-

	US\$/bbl
(i) Iranian light (Agha-Jari)/Arabian light	0.51
(ii) Arabian medium	0.34
(iii) Arabian heavy	0.37
(iv) Iranian heavy	0.43
(v) Kuwait	0.38
(vi) Darius	0.38

Government should build up their own system of intelligence regarding discounts available in the world market from time to time.

The posted prices of products also are subject to discounts, although the private oil companies deny the prevalence of discounts in this case.

Import parity is no longer an adequate basis for price fixation; however, government's commitment to permit the oil companies to maintain the prices of their products at import

parity makes it impossible to adopt any other basis.

After prices are determined for a period on the basis of import parity, such prices should be kept unchanged for that period, except for major known variations in the cost of production actually incurred.

Taking into account the rate of discount recommended by us on light Iranian crude, principally in use in India, we have applied a uniform discount of four per cent to posted prices of products. If the discount on light Iranian Agha Jari crude increases, the discount on posted prices of products should be increased by four per cent for every 10 cents extra discount on crude.

It would be anomalous to stick to a port based pricing system when a growing proportion of the country's requirements is being met from inland sources. The consumers in the region where the refineries are located have a right to benefit by the growth of local production. We, therefore, recommend that all inland refineries should be treated as pricing points in addition to the eight main ports and the supply areas should be revised.

When movements are regulated on an all-India plan, all under-recoveries may be deemed to have resulted from movements considered necessary in the national interest and should, therefore, be borne by the general body of consumers and not by the oil companies; the latter should be reimbursed for the entire net under-recoveries incurred by them, including the under-recoveries on coastal movement.

Levy of Surcharge

A surcharge be levied on the total consumption of major fuel products on a budgeted basis and the oil companies be compensated for their net under-recoveries out of the proceeds of this surcharge. The estimate of such a surcharge is Rs 7.05 per kl.

The introduction of uniform prices all-India is not considered feasible. A regional pool is also not recommended.

The concept of free delivery zone currently applicable at main ports and concentrated upcountry markets for motor spirit and HSD should be extended to other products, particularly furnace oil.

The existing system of pool prices for motor spirit and kerosenes in the Assam supply area should be continued. The rates of surcharge are present-

ly revised only on the basis of AOC's operation. In future the data for IOC should also be taken into account.

The under-over-recoveries arising in the Assam supply area as a result of inland refineries being made pricing points should be taken into account along with the all-India under-recoveries and not lumped with the pool account for motor spirit and kerosenes applicable to supplies in that area.

In the pricing formula the notional element of marine freight has been included at GP vessel rates for all products except furnace oil and bitumens for which it has been included at MR vessel rates.

The incidence of marine freight has been calculated on the basis of INTASCALE and should be modified according to WORLDSALE from the date it comes into effect.

No Change in Commission

The rate of agents, commission for light diesel oil has been adopted at the existing rate, viz., Rs 6.60 per kl.

In respect of bitumens, the bulk parity prices have been adopted for all the eight ports and cost of packing has been included on the basis of indigenous experience.

The selling prices of imported products may be at par with the ceiling prices recommended for domestic products.

With the increase in production of lubricants, the oil companies should be expected progressively to introduce specification grades in place of branded products.

For lubricants and greases, which are predominantly imported and are only blended and packed in the country, the existing system of Block Control on marketing/distribution charges and profit should continue.

On the basis of the data for Burmah-Shell, Esso, Caltex and IOC, the ceiling rates recommended for marketing/distribution charges and profit are Rs 84.12 and Rs 23.60 per kl, respectively.

To remove the difficulties experienced in the past in the operation of Block Control, the oil companies should review their prices at frequent intervals and make prompt adjustments to obviate large accumulations of over/under-recoveries.

The prices of those lubricants and greases which are predominantly pro-

duced in India together with the prices of lube base stock will be examined in the next part of the enquiry. For the present such lubricants and greases may also continue to be subject to the system of Block Control applicable to imported products.

Some aspects of the system of Block Control, viz. regulation of blending and packing charges for individual products, groups of products, or on a block basis, will also be examined during the next part of the enquiry.

The selling prices of mineral turpentine and jute batching oils ex-companies' storage points should continue at the existing levels and these products should be exempted from Block Control on marketing/distribution charges and profit.

SBP spirits/hexane/solvent oils, roofing materials and household specialties should be exempted from Block Control on marketing/distribution charges and profit because of their relatively small volume of sales.

A ceiling price need not be fixed for LPG supplied in bulk to industrial consumers.

The current selling prices of LPG of the private oil companies to domestic consumers should be reduced all over India by Rs 207 per tonne or Rs 3.00 per cylinder of 14.5 kg. As IOC is already charging 86 paise per cylinder less, its price to domestic consumers should be reduced by Rs 2.14 per cylinder of 14.5 kg.

Naphtha Prices

The ceiling prices for naphtha have been determined on the basis of the import parity for light fuel.

All the main eight ports and the inland refineries should be the pricing points for naphtha as for other bulk refined products.

No ceiling prices are proposed for carbon black feedstock, hot heavy stock, iomex, JP-4/JP-5, low sulphur heavy stock, malarial larvicidal oil, petroleum coke, pesticides, refinery gas and tea drier oil. The price of RFC to the Gujarat State Electricity Board and other consumers in Gujarat should be Rs 45 per tonne.

Petroleum coke should be used for industrial purposes to the maximum extent possible and its use as domestic fuel should be curtailed and the possibility of exporting larger quantities should be explored.

The packed/bulk differential for 18.5 litre tins has been estimated at

Rs 3.60 per tin; escalation being allowed on the basis of standard consumption of 1.15 kg. of tinplate per tin, for any variation in the average all-India price of tinplate compared with the price of Rs 2.663 per kg.

IOC, Burmah-Shell, Esso and Caltex are expected to meet during the period 1970 to 1972 about 95 per cent of the total demand in the country. The future estimate of marketing/distribution charges has been based on the data relating to these companies.

The average charges during 1967-68 per kl. of sales came to about Rs 20 in the case of IOC, while the same ranged in 1967 between Rs 34 to Rs 37 in the case of the foreign oil companies.

Room for Economy

There is considerable room for economy in marketing charges in the case of the foreign oil companies but they should be allowed reasonable time to effect such economy in order to soften its impact on employment and the established channels of distribution.

The quantum of marketing/distribution charges allowed per unit of each product is given in Table I.

A return of 12 per cent on capital employed is considered fair and reasonable for the marketing activity.

In respect of bulk refined products, bitumens, lubes and greases but excluding LPG, naphtha and specialties, the net value of the block has been estimated at Rs 32.16 per kl., working capital at 10 per cent of the annual cost of sales at Rs 53.19 per kl. and the total capital employed at Rs 85.35 per kl. The return on capital employed in marketing is 2.09 per cent of the cost of sales.

The quantum of profit allowed per unit for each product is given in Table II.

The dealer's commission for motor spirit may remain at the existing rate of Rs 41.80 per kilolitre. The rate of commission for high speed diesel oil, however, may be revised to Rs 37.60 per kl. Since this is inclusive of the service charge at present levied in some parts of the country, the dealers should not recover any service charge in future.

Licence fees charged to any dealer should remain unchanged at the average rate charged to that dealer during the last completed financial year of the company, but, if the commission earned by a dealer increases by substan-

tially more than 50 per cent, the licence fee may be raised by not more than five per cent of such increase provided such increase is essential to earn a reasonable return on the investment of the oil

TABLE I
MARKETING CHARGES FOR VARIOUS PRODUCTS

Products	Unit of sale	As per current price formulation	As estimated by us
Aviation spirit	KL	Rs 85.25	Rs 119.44
Aviation turbine fuel	KL	40.88	47.21
Motor spirit	KL	53.79	52.37
High speed diesel oil	KL	38.37	39.22
Kerosene superior/inferior	KL	23.79	24.05
Light diesel oil	KL	17.65	16.45
Furnace oil	KL	6.60	9.36
Bitumen	MT	22.90	13.75
Lubes and greases	KL	73.73	84.12

TABLE II
PROFIT PER UNIT OF PRODUCT

Products	Selling Unit	As in the existing price formulation	As allowed by us
		Rs	Rs
Aviation spirit 100/130	KL	21.89	21.62
Aviation spirit 115/145	KL	22.31	22.11
Aviation spirit-73 clear	KL	21.19	20.82
Aviation turbine fuel	KL	11.47	9.44
Motor spirit-79	KL	19.18	17.15
Motor spirit-93	KL	19.18	18.02
High speed diesel oil	KL	17.64	13.39
Kerosene superior	KL	11.44	8.69
Kerosene inferior	KL	7.73	4.44
Light diesel oil	KL	6.95	5.30
Furnace oil	KL	4.58	3.09
Bitumen St.	MT	8.84	6.66
Bitumen cut-back BS	MT	9.85	7.75
Bitumen cut-back RC	MT	10.13	8.02
Lubes and greases	KL	20.63	23.60

company. The licence fee if levied on a new outlet in the first year of its operation should not exceed 10 per cent of the commission earned by a dealer in that year.

Government should look into the dealership agreements to modify any harsh clauses creating a sense of insecurity for the dealers.

No increase is proposed in the existing rate of commission to kerosene agents/dealers of Rs 7.70 per kilolitre but the local authorities should use their discretion to allow reimbursement of any extraordinary expenditure which the dealers may have to incur under local conditions.

The recommended ceiling prices exclusive of non-recoverable duties and dealer's retail commission wherever applicable are given in Table III. In the past the government has followed the practice of keeping the current prices unchanged and imposing non-recoverable duties at uniform rates on sales at all ports on the basis of the average difference between the current and the recommended prices. This system has some drawbacks hence, certain modifications have been recommended.

The pattern of sales for the future is based on the data furnished by Burmah-Shell, Esso, Caltex and IOC through the different ports during 1970 to 1972.

The reduction in the aggregate annual gross receipts of the four major oil companies from various products excluding naphtha resulting from the difference between the recommended ceiling prices and the current ceiling prices is estimated at Rs 192.783 million.

Validity for Three years

The price structure recommended by us should remain valid for three years from the date of its implementation, subject to adjustments on account of the specified factors.

The price of packed bitumen is subject to adjustment for changes in the cost of drums on the basis of delivered price of drum sheets to BSR over Rs 1486 per tonne of 24 gauge drum sheets for a consumption of 63.2 kg. per tonne of bitumen straight grades

and Rs 1,428 per tonne of 21 gauge drum sheets for a consumption of 90.3 kg. per tonne of bitumen cutbacks.

The import parity for products should be adjusted for variations in marine freight and wharfage only to the extent of their effect on the cost of crude. But such variations may be allowed to be recovered in the case of imports of deficit products to the extent of actuals. Refineries moving products by coast to Indian ports should also be entitled to recover the actual increases in costs due to variations in wharfage.

The surcharges on ceiling prices applied from the May 1, 1968, to compensate the oil companies for the notional increase in marine freight on products following the middle east crisis should be limited to the actual increases in the cost of crude oil to the refineries.

Additional Duties

The additional (non-recoverable) duties levied on the refineries may, for the time being, be continued at the existing rates and the over/under-recoveries calculated in the light of the ceiling prices now recommended may be recalculated annually on the basis of the anticipated production pattern of the individual refineries for the years 1970 to 1972 and adjustments made in the existing rates of additional (non-recoverable) duties on the basis of such annual assessment.

Government may take suitable action to consider the feasibility of reducing expenditure in foreign exchange on account of marine freight on coastal movement of products, which was of the order of Rs 41 million in 1967 and Rs 43 million in 1968.

The present situation is unsatisfactory from the point of securing the best prices for our exports of surplus products. The State Trading Corporation should equip itself to handle exports, so that better prices may be secured with proper planning and improved arrangements for intelligence.

Action should be taken by government to prevent the burning of olefins by the refineries, except where they are satisfied that separation of this ma-

terial from the refinery gas is not feasible.

Government should review the basis on which the oil companies are being allowed to make remittances to their principals on account of overseas expenses and other services, with a view to reducing them and over a period of time eliminating them altogether.

The suggestions made by the oil companies for improvement of the existing system regarding levy and collection of duties and rail and road transportation of products have been dealt with separately.

There should be a proper investigation into the cost of indigenous crude by an independent agency. A substantial quantity of Roostam crude has now become available to government from the Iranian off-shore areas, but it is understood that government is unable to sell this crude to the private refineries in India because of the right conceded to them to import crude from their own sources. It is anomalous that government should have to seek foreign markets for the disposal of this crude when large quantities of crude of more or less similar quality, are being imported at higher prices.

The concept of import parity ignores the cost of production of indigenous refineries and thus diverts attention from the relative levels of efficiency at the various refineries.

National Petroleum Commission

In particular, it is recommended that a National Petroleum Commission be established on a statutory basis to renegotiate the agreements with the foreign oil companies and to serve as the policy-making and co-ordinating authority in respect of all aspects of this industry, from exploration and supply of crude to the marketing of products.

Greater attention should be devoted to increasing domestic production of kerosene.

The actual operation of Block Control on lubricants and greases is not fair to the consumer as the oil companies are not asked to reduce prices suitably to prevent continuing over-recoveries in future.

TABLE III

RECOMMENDED CEILING PRICES (EXCLUSIVE OF NON-RECOVERABLE DUTIES, AND DEALERS RETAIL COMMISSION IN CASE OF MOTOR SPIRIT 93-OCTANE AND 79-OCTANE AND HIGH SPEED DIESEL OIL) EX-COMPANIES' STORAGE POINT ETC FOR REFINED PRODUCTS WITH FOB AS ON 28th MAY, 1969

(Rupees per unit)

Product	Unit	Kandla	Okha	Bombay	Mormugao	Cochin	Madras	Vizag	Calcutta
1. Aviation Spirit 100/130									
Ex Storage point	KL	991.74	989.84	992.42	987.51	989.49	1001.27	993.85	1015.30
Ex International airfield	„	1036.34	1034.44	1037.02	1032.11	1034.09	1045.87	1038.45	1059.90
Ex other airfield	„	1053.84	1041.94	1045.52	1049.61	1051.59	1063.37	1055.95	1077.40
2. Aviation Spirit 115/145									
Ex Storage point	KL	1016.06	1014.16	1016.58	1011.76	1013.81	1025.48	1018.08	1039.02
Ex International airfield	„	1060.66	1058.76	1061.18	1056.36	1058.41	1070.08	1062.68	1083.62
Ex other airfield	„	1078.16	1076.26	1078.68	1073.86	1075.91	1087.58	1080.18	1101.12
3. Aviation Spirit-73 Oct.									
Ex Storage point	KL	952.61	950.71	953.22	948.34	950.36	962.11	954.69	975.93
Ex International airfield	„	997.21	995.31	997.82	992.94	994.96	1006.71	999.29	1020.53
Ex other airfield	„	1014.71	1012.81	1015.32	1010.44	1012.46	1024.21	1016.79	1038.03
4. Aviation Turbine Fuel									
Ex Storage point	KL	428.12	429.45	428.17	426.88	427.60	439.46	432.89	439.65
Ex International airfield	„	448.22	449.55	448.27	446.98	447.70	549.56	452.99	549.75
Ex other airfield	„	465.72	467.05	465.77	464.48	465.20	477.06	470.49	477.25
5. Motor Spirit-93 Oct.									
Ex Storage point	KL	858.91	857.00	859.77	854.74	856.65	868.56	861.13	883.23
Ex Port local lumps and									
Ex up country pumps	„	870.27	868.36	871.13	866.10	868.01	879.92	872.49	894.59
6. Motor Spirit-79 Oct.									
Ex Port local pumps and									
Ex up country pumps	KL	828.18	826.27	828.81	823.92	825.93	837.67	830.26	851.59
7. High Speed Diesel oil									
Ex Storage point	KL	643.16	645.46	643.40	642.01	642.78	654.83	648.54	655.60
Ex Pumps	„	650.43	652.73	650.67	649.28	650.05	662.10	655.81	662.87
8. Kerosene superior									
Ex Storage point	KL	420.08	421.41	417.05	418.84	419.57	427.47	424.85	431.63
9. Kerosene inferior									
Ex Storage point	„	212.69	214.02	209.65	211.47	212.07	220.17	217.53	224.47
10. Vaporising oil									
Ex Storage point	„	Sales negligible : Selling price not estimated							
11. Light Diesel oil									
Ex Storage point	„	252.32	253.63	252.66	251.23	252.02	267.15	257.89	265.27
12. Furnace oil									
Ex Storage point	„	143.38	144.68	144.35	142.48	143.34	158.08	149.70	157.12
13. Bitumen—Straight Gr.									
Ex Storage point	MT	318.66	318.21	316.72	316.43	316.51	329.42	326.09	333.56
14. Bitumen—CB/BS									
Ex Storage point	„	371.77	371.42	369.93	369.64	369.72	382.63	379.30	386.77
15. Bitumen—CB/RC									
Ex Storage point	„	384.95	384.60	383.11	382.82	382.90	395.81	392.48	399.95
16. Lubes and Greases									
Ex Storage point	NL	—	—	—	107.72	—	—	—	—

NOTE : (i) To the above prices for Motor Spirit and High Speed Diesel Oil Dealers' Retail Commission will be added.
(ii) A differential of Rs 3.60 per tin will be chargeable for delivery of bulk refined products in 18.5 litre tins.

May 22, 1970

Industrial Development in 1969

ACCORDING TO the annual report of the Ministry of Industrial Development, Internal Trade and Company Affairs, the rate of growth of large and medium scale industries during 1969, has not only been maintained but accelerated and several industries have shown noticeable increases in output. Some of the figures for the large and medium scale industries were given in *Eastern Economist* dated May 15, 1970. Figures for some more industries are given below:

Production of Industries in 1968 and 1969

Name of the Industry	Accounting unit	1968			1969			Remarks	
		No. of units	Installed capacity	Actual production	No. of units	Installed capacity	Actual production		
		1	2	3	4	5	6		7	8	9
AUTOMOBILE AND ANCILLARIES									
Automobiles									
Commercial Vehicles	.. Nos.	6		35,947	6		40,000		
Jeeps	.. Do.	1		7,790	1		9,000		
Cars	.. Do.	3		35,799	3		36,000		
Motor Cycles & Scooters etc.									
Motor Cycles	.. Nos.	3		31,164	3		35,000		
Three Wheelers	.. Do.	3		4,727	3		5,250		
Scooters	.. Do.	3		39,609	3		52,250		
Mopeds	.. Do.	4		9,104	4		10,000		
Fuel Injection Equipment									
Nozzles	.. Nos.	3		10,48,690	3		11,00,000		
Nozzle holders	.. Do.	3		5,44,317	3		6,00,000		
Elements	.. Do.	4		11,40,699	4		12,00,000		
Delivery Valves	.. Do.	3		10,11,288	3		12,00,000		
Single Cylinder Pumps	.. Do.	3		3,27,599	3		4,00,000		
Multi Cylinder Pumps	.. Do.	1		49,076	1		55,000		
Filter (Oil, Air, Fuel)	.. Nos.	4		2,13,747	5		2,20,000		
Filter Inserts	.. Do.	4		9,41,121	4		10,00,000		
Thin Walled Bearings	.. Do.	3		71,45,689	3		75,00,000		
Radiators	.. Do.	6		86,386	6		95,000		
Dynamos	.. Do.	4		1,14,997	4		1,20,000		
Starter Motors	.. Do.	4		1,02,385	4		1,15,000		
Electric Horns	.. Do.	6		2,15,895	6		2,25,000		
Dash Board Instrument	.. Rs. Lakhs	2		157.72	2		165.00		
Gaskets	.. Nos.	3		5,15,35,880	3		5,25,00,000		
Wheels & Rims	.. Do.	2		5,84,322	2		6,00,000		
Engine Valves	.. Do.	4		37,25,128	4		40,00,000		
Oil Seeds	.. Do.	7		56,71,313	7		60,00,000		
Pistons Rings	.. Do.	3		1,33,88,522	3		1,40,00,000		
Pistons	.. Do.	4		16,71,426	4		18,00,000		
Cylinder liners	.. Do.	3		2,42,885	3		20,50,000		
Shock Absorbers	.. Do.	6		8,95,076	6		10,00,000		
Clutch Facings	.. M. Tons.	3		127.058	3		140.000		
Brake Linings	.. Do.	5		1740.514	4		18,00.000		
Clutch Assembly	.. Nos.	1		1,28,067	1		1,40,000		
Spark Plugs	.. Do.	2		18,25,609	2		20,00,000		
Tie Rod ends	.. Do.	2		4,74,358	2		5,00,000		
Taxi Meters	.. Do.	1		1,108	1		1,500		
Propeller Shafts	.. Do.	1		72,566	1		75,000		
Fly Wheel Gears	.. Do.	1		39,013	1		65,000		
Carburettors	.. Do.	3		39,645	3		40,000		
Wiper Motors	.. Do.	2		95,416	2		1,00,000		
Wiper Arms & Blades	.. Do.	1		4,43,479	1		4,50,000		
LIGHT ELECTRICAL ENGINEERING INDUSTRIES									
G.L.S. Lamps	.. Million Nos.	8	59.35	84.51	10	77.35	94.00		
Fluorescent Tubes	.. Do.	6	7.20	7.69	7	8.20	9.50		
Miniature Lamps	.. Do.	5	24.80	27.44	6	30.80	36.00		
Electric Fans	.. Nos.	15	14,89,600	14,66,339	16	18,15,600	15,00,000		
Storage Batteries	.. Do.	6	7,47,200	8,70,472	6	9,18,000	10,40,000		
Dry Batteries	.. Million Cells	4	379.00	408.54	6	479.00	460.00		
House Service Meters	.. ..	..	..	..	..	..	..		Transferred to Instruments Directorate.
Domestic Refrigerators	.. Nos.	5	26,800	49,897	6	38,800	50,000		
Room Air Conditioners	.. Do.	7	20,050	12,933	7	28,280	13,000		
Elect. Wiring Accessories	.. Do.	4	72,28,000	64,10,847	4	7,22,800	6,20,000		
Brass Lamp Holders	.. Do.	4	22,19,000	7,00,396	4	22,19,000	6,90,000		
Industries Air Conditioners Refri. Equipment	.. Rs. in lacs.	18	1,400	574.00	18	1400.0	560.0		Two big factories had a strike in their factories.
Industrial Cooling Tower	.. Do.	3	135.00	162.00	3	135.00	157.00		

Production of Industries in 1968 and 1969 (Contd.)

1	2	3	4	5	6	7	8	9
HEAVY ELECTRICAL INDUSTRIES								
Electric Motors	.. Million H.P.	19	2.70	1.91	20	2.57	2.00	
Transformers	.. Million KVA.	21	6.00	4.84	21	6.00	5.00	
Motor Starters	.. Nos.	12	2,34,064	3,52,920	11	3,77,764	4,30,000	
Elect. Steel Sheets	.. M Tonnes	1	18,000	28,112	1	18,000	28,000	
CABLES & WIRES								
VIR & PVC Cables	.. KM	26	8,09,942	3,68,434	25	8,82,700	3,90,000	
ACSR & AAC	.. M. Tonnes	27	89,713	64,860	30	94,830	70,000	
(Winding Wires)								
(a) Enamelled Wires	.. Do.	24	22,316	8,894	25	25,448	4,200	
(b) Paper Cotton covered wires & strips	.. Do.	—	—	2,800	—	—	10,000	
(c) Paper Insulated power cables	.. K M	7	8,360	2,358	7	8,360	2,300	
(d) PVC Power cables	.. K M	10	11,210	11,677	10	13,692	14,200	
Bare copper	.. M. Tonnes	4	14,427	1,007	4	14,427	1,700	
HEAVY ENGINEERING INDUSTRIES								
Steel Castings	.. MT	42	1,37,270	47,202	41	1,32,470	43,110	
M.T. Castings	.. Do.	14	22,260	11,100	14	22,260	12,700	
S.G. Castings	.. D.	12	8,088	892	13	8,808	1,460	
C.I. Castings (incl. Alloy Iron)	.. Do.	127	4,10,800	1,75,600*	95	8,84,400	1,58,000*	
C. I. (spun pipes)								
(a) C.I. spun pipes	.. M.T.	8	4,38,360	1,33,078	8	4,38,360	1,20,000	
(b) Vertically cast	.. Do.	12	31,180	2,316	10	27,380	10,000*	
C.I./Steel shots and Grits	.. Do.	2	6,600	1,400 (Est)	3	7,200	2,600	
INSTRUMENTS								
Industrial Process Control Instruments	Rs Million	9	129.2	21.8	7	129.92	26.00	
Scientific & Surveying Optical Instruments, Mathematical Instruments	.. Do.	12	37.5	26.17	12	37.5	17.00	
Water Meters	.. Nos.	6	3.5	1.07	6	3.5	1.25	
X-Ray Electromedical equipment	Rs. Million	5	(lakhs) 23.5	(lakhs) 16.14	5	(lakhs) 23.5	(lakhs) 15.00	
Medical/Surgical Instruments Equipments	.. Do.	7	30.00	7.15	7	30.00	8.00	
Photographic Industry	.. Nos.	1	88,000	74,492	2	88,000	80,000	
Electrical Measuring Instruments	.. Do.	8	1.53	1.2	8	1.53	1.5	
House Service Meters (Poly Phase and Single phase)	.. Do.	14	(lakhs) 17.30	(lakhs) 13.2	14	(lakhs) 17.36	(lakhs) 15.00	
HEAVY MECHANICAL INDUSTRIES								
Bright Bars	.. M/Tonnes	9	50,780	31,00	9	57,500	47,000	
Seamless Steel Tubes	.. Do.	1	30,000	24,429	1	39,600	27,000	
E.R.W. Tubes	.. Do.	4	29,400	21,301	6	44,400	27,000	
Black & Glav Tubes	.. Do.	13	4,09,280	2,55,495	11	4,70,460	3,00,000	
Welding Electrodes	.. M R	18	427	217	20	479	230	
Steel wire ropes	.. Metres	9	34,440	13,372	10	36,240	17,110	
Railway Wagons	.. M/Tonnes	9	34,440	13,372	10	36,240	17,110	
Lifts	.. Nos in terms of 4-Wheelers	16	35,199	14,500	16	30,409	16,000	
	.. Nos.	4*	590	402	4*	790**	540	
Cranes (other than mobile Trucks Crawler mounted)	.. M/Tonnes	23	24,000	5,572	27	37,000	7,000*	
Steel structural fabrication like Tr. Towers, buildings structures Bridges	.. M/Tonnes	107	4,58,000	1,41,957	116	4,96,000	1,70,000	
Penstocks Hydraulic structures and light & medium structure	.. Nos.	8	8,800	427	9	8,800	700	
Electric hoists	.. Do.	5	12,900	2,098	5	12,900	2,500	
Chain pully blocks	.. Do.	5	12,900	2,098	5	12,900	2,500	

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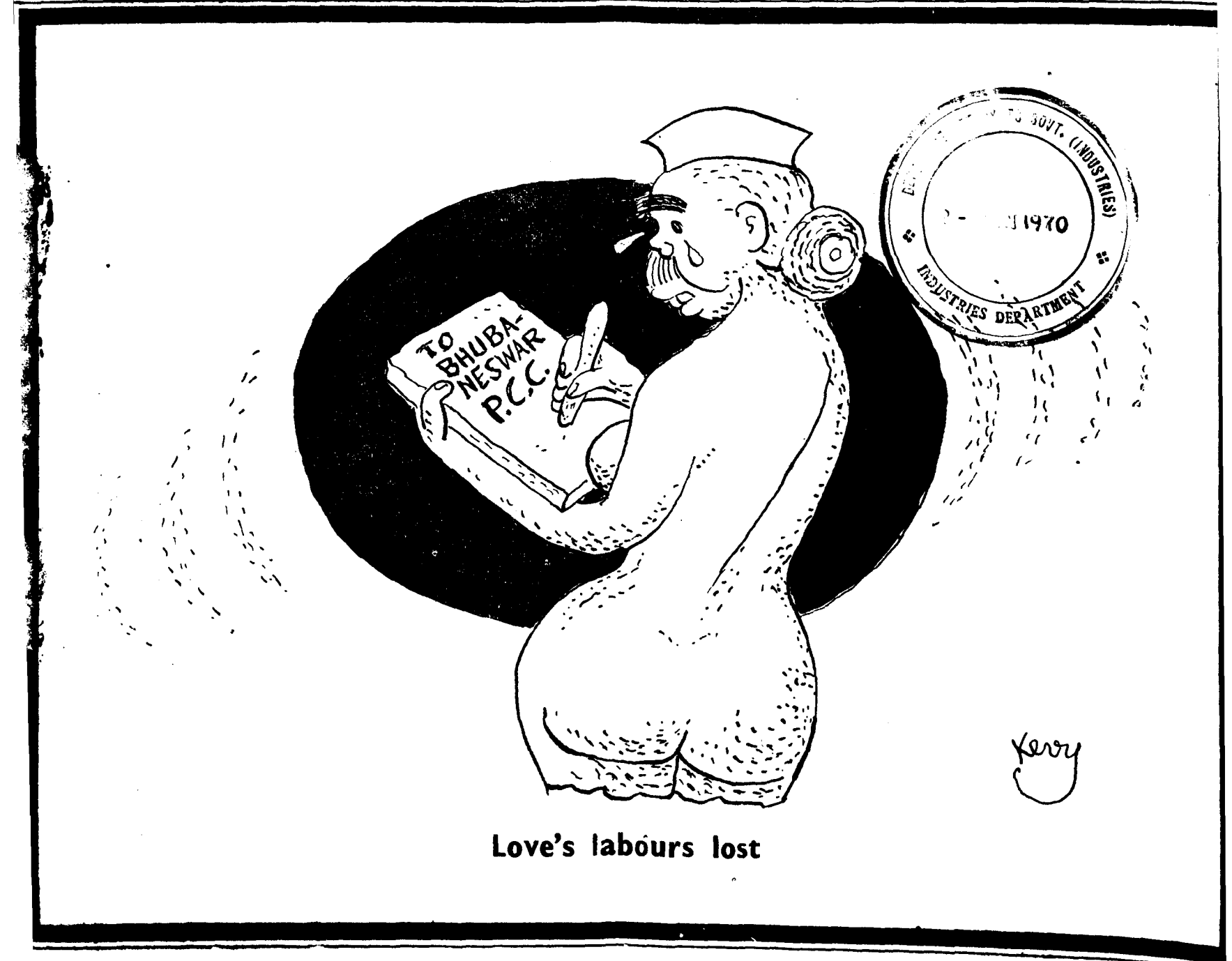
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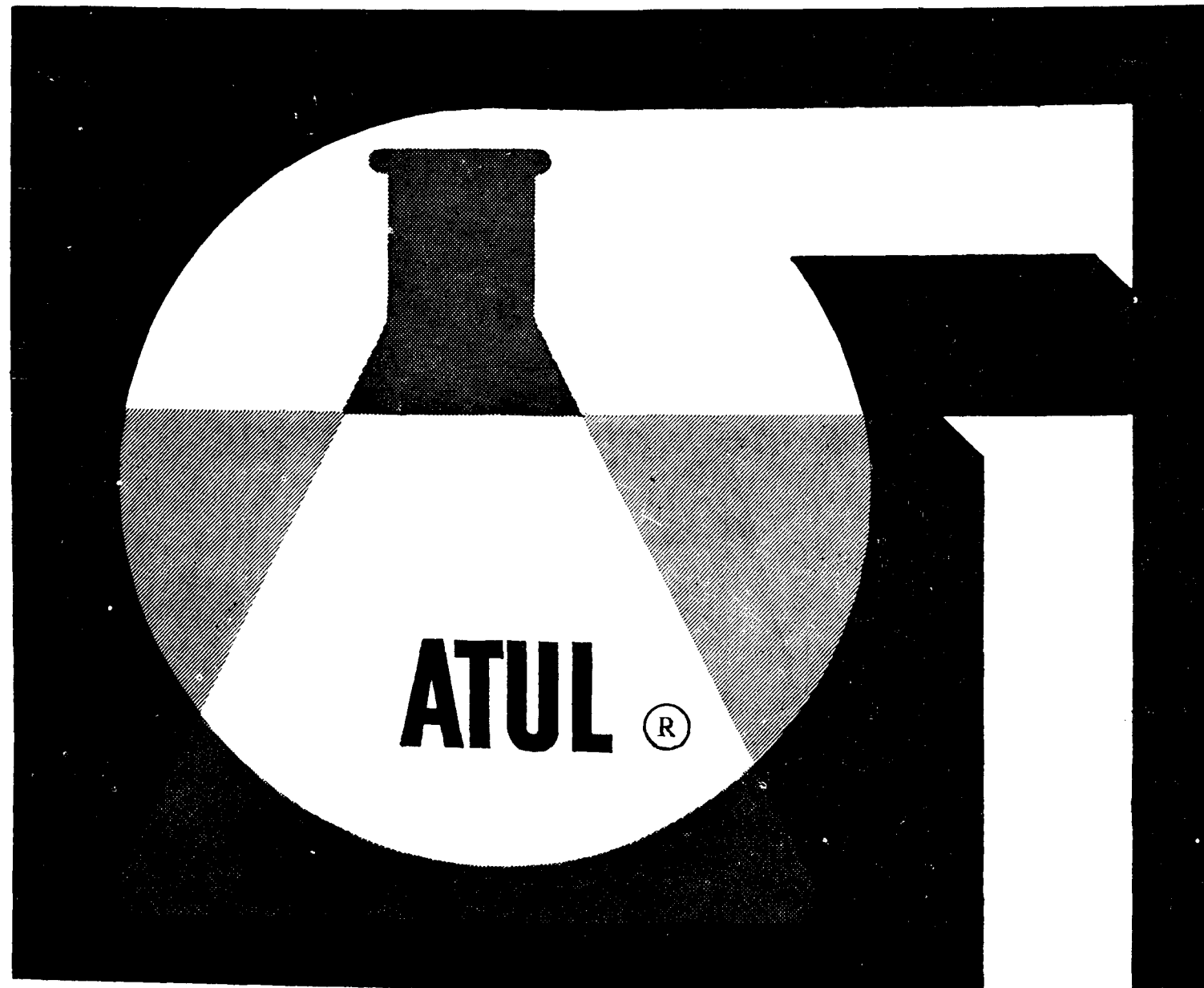
SUGAR AND THE STATE

I am confident that a dispassionate study would go to show that there is no economic justification for nationalising this (sugar) industry. On the contrary, with the nationalisation of the industry, the element of healthy competition which presently exists in the industry will disappear. The perpetuation of rigid controls on the industry, which will inevitably flow from nationalisation, will destroy the growers' economy and make sugar dearer for the consumers. For, controls by their very nature are restrictive and retard production resulting in shortages thereby adversely affecting the interests of consumers. On the other hand, growers' interests would also suffer as they will have to rest content with the statutory minimum cane price and it will never be possible to get higher prices as received during the last two seasons under the policy of partial decontrol.

—V. H. DALMIA



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SUGAR AND THE STATE

It is a measure of the tyrannical impact of the government's excessive presence in industry and trade that business organisations and business leaders are increasingly behaving like courtiers. Even if the frequency of the epithet "sir" in the presidential address of Mr V.H. Dalmia at the annual general meeting of the Indian Sugar Mills Association, inaugurated by Mr Jagjivan Ram, the union Minister for Food and Agriculture, in New Delhi last week, was to be attributed merely to inelegant draftsmanship, the praise showered on the Minister for his achievements, real or imaginary, could only be considered an exercise in the art of flattering to please.

Thus, we had Mr Dalmia saying most solemnly that the country's food outlook, which was so bleak when Mr Jagjivan Ram assumed office, promptly changed into the miracle of the "green revolution" thanks to the guidance and leadership provided by the present Minister for Food and Agriculture. While this journal has always been ready to express its appreciation of the virtues of Mr Jagjivan Ram as an intelligent minister and competent administrator, it is unable to endorse Mr Dalmia's reading of our recent economic history.

It is — or ought to be — general knowledge that Mr Jagjivan Ram inherited most of the programmes and, in fact, the new agricultural policy which has ushered in the green revolution. His predecessor in the portfolio of Food and Agriculture, Mr C. Subramaniam, may not be the most likeable politician in our midst, but this is not enough justification for Mr Dalmia's memory being so short about Mr Subramaniam's role in the agricultural expansion of recent years. What may truly be claimed for Mr Jagjivan Ram in this respect is that he has been continuing the good work with characteristic competence.

In any case, there is no need to attribute imaginary achievements to Mr Jagjivan Ram since his actual performance is impressive enough. Thus, when Mr V.H. Dalmia paid a tribute to the minister's bold and imaginative policy of partial decontrol of sugar, it was the bare truth that he was stating. The sugar industry has always been and still is the plaything of politics. But, within the limits imposed by this situation, Mr Jagjivan Ram has been able to inject a massive dose of common sense and practical wisdom into the government's policy for the industry. The results are there for all to see. Production has strikingly expanded, sugar has become freely available to the public at lower prices and cane growers have had two successive seasons of remunerative returns.

As a result, the problems which this industry now faces are qualitatively different from those which had plagued it in the days of rigid government control. The most pressing of them was highlighted by Mr Dalmia when he pointed out that, following the expected peak level of production at 4.3 million tonnes in the current season, the industry may be required to carry and finance stocks of the order of about 3.3 million tonnes by the end of May this year as compared with the corresponding figure of 1.2 million tonnes for the last season. How best the industry may be assisted in dealing with this prospect is a matter which must receive the immediate consideration of the government.

The rational solution, of course, is for the government and the industry to take steps to stimulate offtake and consumption. This must mean that retail prices should be allowed to come down without injury to the economics of manufacture. It follows that the government will have to reconsider the current level of central excise duty, especially as the incidence of this duty has been unreasonably, and perhaps unthinkingly raised by the latest budget. The government has been endeavouring to give relief through marginal rebates in the excise duty, but this would only be tinkering with the problem.

Provided the official attitude becomes realistic with regard to the excise duty, the industry may be inclined to reconsider its own plea for an increase in the price of levy sugar. If consumption is to be stimulated, sugar must come to cost the public less and not more, whether at the fair price shops or in the open market.

There is, in fact, some suspicion already in the public mind that the present system of regulated releases of sugar by the government is helping to bolster the price level. While there is a case, certainly, for the avoidance of a slump in prices which might dislocate the economics of the industry by discouraging crushing as well as straining the capacity of the mills to make prompt payments to cane growers, it is obvious that a healthy balance could be restored to the sugar economy only if both government and industry are able to move away from manipulated supplies or managed prices.

That the consumer, in the context of increased production and accumulating trade stocks, should have the assurance that he is getting a fair deal in the matter of supplies and prices is a consideration which has become all the more important because it is only with goodwill and understanding on the part of in-

formed public opinion that the industry and the government can deal constructively with such ticklish problems as the subsidising of exports. To sum up, then, the proper management of the sugar economy would continue to call for economic statesmanship on the part of both industry and government. This task could be rendered less difficult if senseless distractions, such as glib talk about nationalising the industry in this state or that, is avoided like the plague. Mr Dalmia was perhaps understating the sugar industry's case against nationalisation when he pleaded that the state governments of Uttar Pradesh and Bihar should at least await the findings of the committee to be appointed by the central government for making a study of the problems of the industry in the context of the demand for nationalisation. Understatement is supposed to be a virtue. Let us hope that this assumption will be borne out in this case.

Insurance with Imagination

IN HIS presidential address at the annual meeting of the Indian Insurance Companies Association held in Calcutta on May 12, Mr M. R. B. Sheth described as substantial and creditable the progress made by the general insurance industry in recent years. He revealed that Indian insurers today accounted for about 77.6 per cent of the total net premium income and that in some types of business their share was even 82.7 per cent. But the fact remains that the insurance industry has not shown as much drive and initiative as its counterpart in foreign countries. As Mr Lakshmiapat Singhania said, in his inaugural address at the Association's annual meeting, in India "almost all the same type of properties and goods are covered as some twenty years before". Fire and marine business accounted for 70 per cent of the total business in 1950

and in 1968 their combined share was about 60 per cent.

Mr Sheth cogently argued the case for permitting general insurance companies to do life business also. He referred to the decline in investment by the Life Insurance Corporation in the private sector and one of the ways by which this trend could be reversed is by permitting the private general insurance companies to enter life insurance. This step will improve the efficiency of the LIC, expand life insurance business and create more employment.

The table below compares the LIC's distribution of investment between 1957 and 1969.

But in the present political situation when economic decisions are being influenced unduly by ideology, it is

	31.12.1957		31-3-1969	
	Rupees in crores	Percent-age	Rupees in crores	Percent-age
Public sector	255.12	77.37	919.52	73.1
Co-operative sector	3.96	1.20	107.98	8.6
Joint sector	..	..	6.54	0.5
Private sector	70.66	21.43	223.98	17.8
	329.74	100.00	1,258.02	100.00

doubtful if New Delhi is likely to give serious consideration to the proposal to permit the private sector to undertake life insurance business. The analogy of some private airlines being allowed to operate on certain routes and the coexistence of the nationalised banks with the banks in the private sector is unlikely to carry conviction with the Government of India. But even if this is not allowed, the general insurance industry has still a vast and lucrative field for its operation.

Mr Singhania indicated some specific areas where the general insurance industry could make headway. These were : breakage during erection, machinery breakdown, deterioration of stocks in cold storage, all-risk policies on pumping sets, tractors and agricultural machinery and equipment in rural areas, and breakage of engineering goods particularly cast iron goods. There seem to be very promising and profitable fields in view of the revolutionary changes now taking place in our agriculture. Mr Singhania extolled the example of Lloyds of London, who are prepared to insure any kind of risk whether it is Hull case or aircraft or even hijacking.

There is also scope for augmenting the income from invisible exports. The premium underwritten outside India by Indian insurers is less than 20 per cent of their total business. This figure would be lower still if we took devaluation into consideration. The great scope for expansion in insurance business becomes clear by a comparison of our performance with other countries. The growth rate in non-life premium (volume) during 1951-66 was only 184.5 per cent in India compared to 2313.1 per cent in Israel, 749.1 per cent in Italy, 815.8 per cent in Japan, and 732.4 per cent in France. The percentage of non-life premium to the total premium in India in 1965 was 27.4 compared to 77.4 per cent in Israel, 66.8 per cent in Belgium and 76.0 per cent in Italy.

But it is difficult to see how the general insurance industry can expand vigorously when it is constantly faced with the threat of nationalisation. Even before social control came, this industry was working under many restrictions. Since June 1969, under social control many changes have been brought about. These, according to Mr Sheth, are the following :

"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 place 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".

The investible resources of all Indian

Export Houses for Increased Exports

OUT OF more than 21,000 exporters in our country in 1968, the number of export houses was 80 which claimed more than one-fifth—21.8 per cent to be precise — of our exports. The number of public sector export houses was seven, the rest being all in the private sector. The share of the public sector export houses was 46 per cent of the total exports of all export houses and the remaining 53 per cent was shared by the 73 export houses in the private sector.

It was this not very encouraging performance of the export houses in the private sector which had prompted the Ministry of Foreign Trade to approve in June last year the conducting of a study of export houses in this country. Sponsored by the Export Promotion Division of the USAID, this study has now been completed by Industrial Development Services, a private sector consulting agency. Besides analysing the working of the existing export houses and suggesting ways and means of improving their operation, the study has examined the general marketing structure of the exports of non-traditional goods and the part

insurance companies in the private sector amounted to Rs 61 crores at the end of 1967 compared to the Life Fund of Rs 1434 crores of LIC, deposits of Rs 2312 crores of the fourteen banks nationalised last year and Rs 4085 crores of all the scheduled banks. "General insurance", said Mr Sheth, "is essentially a service industry and its margin of profit is low, the average net profit of the private Indian insurance companies taken together being only Rs 2.5 crores per annum". It is claimed that the general insurance has been the only industry where the cost to the consumer in the form of premium rates has declined during the last 15 years. For instance the fire premium rates have been lowered by about 40 per cent, marine by 30 per cent and miscellaneous rates by 10 per cent. Every year the industry issues about 3 million policies and settles about 500,000 claims. But unlike life insurance where the policies are more or less standardised, in general insurance "each policy calls for a balanced judgment for determination of terms and conditions which have to be evolved after a close study of the character of the specific risk to be covered". In the light of these facts and figures, the insurance industry needs more freedom and less control to enable it to expand with vigour and imagination.

played by export houses in exploring new markets.

The IDS has come to the conclusion that the export houses, whether in the private sector or the public, have put up a poor show. While the private sector export houses work under serious limitations, the public sector export houses are placed comfortably in many respects. For example, the managerial and financial resources at the disposal of the public sector houses are impressive and they have the support of stronger and bigger overseas sales organisations than the export houses in the private sector. Also, they enjoy a sizable import business which is profitable.

Despite these advantages, the public sector export houses have not done well. The annual exports of STC are only one-third of its imports. They could certainly be increased significantly provided imaginative sales promotion techniques are adopted as has been done by the Handicraft and Handloom Export Corporation (HHEC), a subsidiary of the STC. The sales of the HHEC have increased sizably in the wake of

the establishment of retail shops in foreign markets.

The failure of the export houses in the private sector, according to the IDS, is due to two reasons. First, the managements of the firms do not feel that, as a result of recognition, some special responsibility has fallen on them to push exports at a rate higher than they were, in any case, planning to do. Secondly the government does not provide the export houses with any special assistance, other than that available to all exporting firms, despite the assurance of "liberal" assistance promised in the March 1968 scheme, and the April 1969 offer of import business. It is this absence of both "internal motivation" and "external pressure" which has been responsible for the failure of the export houses in attaining increased exports.

The annual turnover of a majority of the export houses in the private sector is not large. For instance, 47 export houses in the private sector handled less than one-fourth of the total exports of all private sector export houses. Because of their small-scale operations, they are not in a position to set up their own offices in the foreign markets and are forced to operate through agents. Out of 73 private sector export houses, only 23 had 56 overseas offices. Again, the private sector export houses do not undertake any systematic market surveys in the foreign markets. The IDS has found that only two export houses in the private sector have carried out scientific market surveys. The export houses are hardly taking any steps to improve their knowledge of the foreign markets. Very often they depend upon the assessment made by their representatives during their visits to foreign markets. No worthwhile attempt is being made by them either for sales promotion or advertising.

Many of the export houses in the private sector are "manufacturer exporters." In view of the profitability of the domestic market, their export activity is of a marginal nature. Also, they do have overseas offices but they are designed to service their imports of machinery and raw materials. They hardly possess any expertise for increasing exports.

A review of the functioning of export houses in Japan, the UK, Holland, Sweden, the USA, Singapore, Korea and Taiwan by the IDS has provided a few useful guidelines for making the working of export houses in our country a success. Thus, the export house scheme in our country should be confined to merchant ex-

porting firms. The leading manufacturer-exporters could be included in this scheme provided they undertook to export at least one-third of their exports on behalf of small exporters. Accent should be placed on product specialisation which is the key to success in this business. The supply line should be secured before the search for overseas markets starts. The export houses must provide ready finance to manufacturers. Finally, the sales organisation in the foreign markets should be of international standards.

The IDS has made detailed suggestions regarding the recognition of export houses in this country. It has recommended that the minimum turnover of Rs 25 lakhs which is at present prescribed for non-traditional goods, should be raised to Rs 50 lakhs. The paid-up capital of the applicant should be at the minimum level of Rs 10 lakhs. Before according recognition to a firm, five important aspects such as the history of its growth, its experience in handling the present and proposed products, its present and proposed overseas markets, its managerial set-up and its export plans should be carefully scrutinised. It has been suggested that exporters with an annual turnover of Rs 2 crores and above should be encouraged to set up their own showrooms and offices abroad.

Realising that all its recommendations in themselves regarding the es-

tablishment of export houses might not result in increasing our exports the IDS has given equal importance to the general marketing structure which however has thrown up certain familiar generalities. The IDS has admitted that "in an overall review of the type attempted, some generalisations are inevitable". For this purpose, it has relied on the research work of other institutions. Quoting from the NCAER's recent survey of India's export potential in the Indian Ocean basin and nearby areas, it has highlighted the importance of "quality, price, delivery, packaging, supply and shipping" in promoting our exports. Stressing the fact that "time is the essence" in export trade it has relied upon the memorandum of the Punjab, Haryana and Delhi Chamber of Commerce to the CCIE wherein it has been urged that the export drive should not be allowed to turn into an obstacle race. And there are many more similar references to the works of other organizations.

Apart from the general review of the export trade wherein the usual "musts" have been listed, the merit of the IDS study lies in analysing the problem of export houses in this country and in coming up with some fruitful suggestions despite the fact that all the export houses did not accord full co-operation and those which did, requested it to keep their identities as well as their spheres of operations secret.

Assistance from Canada

THE RECENT agreement signed with the Government of Canada for the import of industrial commodities worth around Rs 12 crores by this country is likely to provide substantial relief to the industrial units using lead, zinc, nickel, asbestos and pulp as raw materials. This is the fifth such agreement with the Canadian government for the supply of industrial commodities against development loans involving repayments over a period of 50 years. This country has already received by way of assistance from Canada substantial quantities of copper, aluminium, pulp and newsprint, zinc and zinc concentrates, nickel, asbestos etc. valued at around \$ (CDN) 162 million over the last few years (Table I).

Economic assistance by way of industrial commodities is not the principal constituent of assistance from Canada to this country. Out of a total assistance of over \$ (CDN) 900 million during the last two decades, the single largest constituent has been the

supply of food and fertilizers (Table II). Wheat was despatched from Canada to this country from time to time in order to tide over the periods of food scarcity. At the same time fertilisers and fertiliser materials such as sulphur and potash were made available to accelerate the agricultural output. The total assistance on account of food and fertilisers since 1951-52 adds up to around \$ (CDN) 400 million, most of which was in the form of grants. Canada has also provided project assistance for industry, power, irrigation, transportation and communications and other sectors of our economy.

It may be pointed out that Canadian assistance till 1961-62 was entirely in the form of grants and even after that year nearly 50 per cent of development assistance continued to be on that basis. In the initial stages after 1961-62 it was proposed that long-term loans would be offered for specific projects and these loans would involve a service charge of 3/4 of one per cent which

also was withdrawn thereby making development loans from Canada free of any interest.

Some of the projects which were completed with Canadian assistance include power projects at Mayurakshi in West Bengal, at Umtru in Assam and at Kundah in Tamil Nadu. Canadian assistance has also made possible the setting up of an atomic reactor at Bhabha Atomic Research Centre. Railways in this country have received from time to time diesel and steam locomotives and other equipment. Currently assistance from Canada is flowing into some important projects such as Idikki power project in Kerala state, Rajasthan atomic power project, communications project of the Indian Posts and Telegraphs Department and Satellite Communication Station in Maharashtra.

The Idikki hydro electric project has made substantial headway since its inception in October 1967 and its first generator is likely to be completed by the middle of 1973. This project envisages the creation of a reservoir with gross capacity of 74,400 million cft. by the construction of three high dams— one across the Periyar river at the Idikki Gauge, the second across the Cheruthoni river and the third across Kilivaly Thodu at Kulamavu. It is also proposed to divert the water collected into the adjacent basin of the Muvattupuzha river through a water conductor system consisting of a power tunnel and two underground pressure shafts and through an underground power house. When completed the power house will have six generators, generating 130,000 KW each for a total power output of 780,000 KW. The project also involves the construction of a dam downstream from the power house collecting the tailwaters and a system of canals to irrigate an area of 130,000 acres. The Canadian development loan is being utilized to purchase equipment for the project. It includes the supply of three generators and ancillary equipment. In addition, Canada has allocated \$ (CDN) 5.5 million in grant aid for the purchase of construction equipment and engineering services. Also counterpart funds totalling \$ (CDN) 24.87 million have been allocated for the project for local costs.

The first stage of the Rajasthan atomic power project at Rana Pratap Sagar has already been completed and the second stage is in progress. It is being set up for the construction of a nuclear power station of the CANDU type (Canadian Deuterium Uranium) with a net electrical output of 200,000 KW. The

CANDU nuclear power station, developed by Atomic Energy of Canada Ltd, is an advanced type of plant using heavy water as a moderator and coolant and natural uranium for fuel. This fuel gives the advantage of freedom of choice in selecting sources of uranium including use of indigenous sources where available as is the case in this country. The Canadian contribution has been used for the purchase of Canadian services, materials and equipment. During the early years information valued at \$ (CDN) 5 million already developed as a result of Canada's special experience in heavy water systems was transferred to the union government without any cost. With the second unit of 200,000 KW the total power output of the project will be 400,000 KW. As in the first stage of the project, Montreal Engineering Company is providing engineering services for the second stage too.

The Satellite Communication Station being set up near Poona was taken up in May 1968. It will enable this country to be tied to the global satellite system providing high quality multi-circuit telecommunications with the rest of the world. The contract for the project has been awarded to the RCA Victor Company of Montreal. The four-million-dollar Canadian loan is financing the supply of equipment and technical assistance from RCA, who will furnish specialised electronic apparatus for satellite tracking and communications. This satellite station is one of the major items in the expansion of this country's overseas communications service and has been given high priority.

The Canadian government has offered \$ (CDN) 40 million for the expansion and improvement of telecommunications facilities proposed during the fourth five-year Plan period. This loan is likely to cover nearly one-fourth of the total foreign exchange requirement of this programme. The proposed expansion is likely to result in 600,000 new telephone connections, improved long distance calling facilities through an increase of 30,000 additional long distance circuits, and increased subscriber access to long distance calling facilities by 66 per cent. A part of the loan will also be used to purchase 12,000 kilometres of underground telephone cable.

Apart from these projects in the public sector, two important private sector units— Cominco Binani Zinc and Indian Aluminium Co. Ltd, both in Kerala—have received notable assistance from Canada which needs to be mentioned. The Cana-

dian equipment installed in the plants of Cominco Binani Zinc was received in various forms and the Consolidated Mining and Smelting Company of Canada provided \$ (CDN) 2 million to cover part of foreign exchange cost.

Similarly the Aluminium Co. of Canada has provided a substantial part of foreign exchange for the Indian Aluminium's projects at Belgaon in Mysore Alupuram in Kerala and Loharga in Bihar.

TABLE I
INDUSTRIAL COMMODITY ASSISTANCE
1953-54—1970-71

(\$ CDN Million)			
Commodity	Grant	Development loan	Total
Copper	32.16	10.38	42.54
Aluminium	37.90	2.00	39.90
Nickel	5.55	6.04	11.59
Zinc & zinc concentrates	6.75	9.25	16.00
Lead	1.98	3.31	5.29
Asbestos	6.28	8.38	14.66
Newsprint	7.37	11.50	18.87
Woodpulp	0.97	3.89	4.85
Synthetic rubber	0.24	2.80	3.04
Butyl rubber	0.70	..	0.70
Ferro alloys	..	3.17	3.17
Ferro tungsten	..	0.53	0.53
Carbon blocks & anthracite coal	..	0.54	0.54
Carbon blocks & aluminium fluoride	0.30	0.28	0.58
Acetylene block	0.25	..	0.25
Unstructured balances	0.21	..	0.21
Total	100.46	62.27	162.72

TABLE II
CANADIAN ASSISTANCE BY SECTOR
(\$ CDN Million)

Sector	Grants	Development loans	Export credits	Special loans	Counterpart funds	Total*
Food & food research	323.50	3.30	..	23.00**	4.20	349.00
Industrial development	100.92	62.31	10.59	..	17.35	173.82
Power & irrigation	56.20	19.54	97.60	..	246.95	173.35
Transportation	34.67	23.79	7.70	..	2.56	66.16
Agriculture	21.08	42.04	..	..	94.21	63.12
Communications	0.25	44.35	..	..	..	44.6
Scientific & industrial research	11.12	..	4.20	..	12.01	15.32
Oil & mineral exploration	1.51	4.00	..	..	..	5.51
Health	1.52	..	..	..	..	1.52
Education	0.22	..	..	..	11.85	0.22
Debt relief†	2.68	..	..	..	..	2.68
Technical assistance	7.09	..	..	..	..	7.09
Unstructured balances††	6.90	1.56	..	..	12.47	8.56
Exchange adjustment‡	..	..	..	..	23.33	..
Total	567.67	201.00	120.09	23.00	424.93	911.76

* Totals exclude Counterpart Funds.

** Loans were originally for £ 33.00 million, but \$ 10.00 million were written off in 1966-67 and 1967-68.

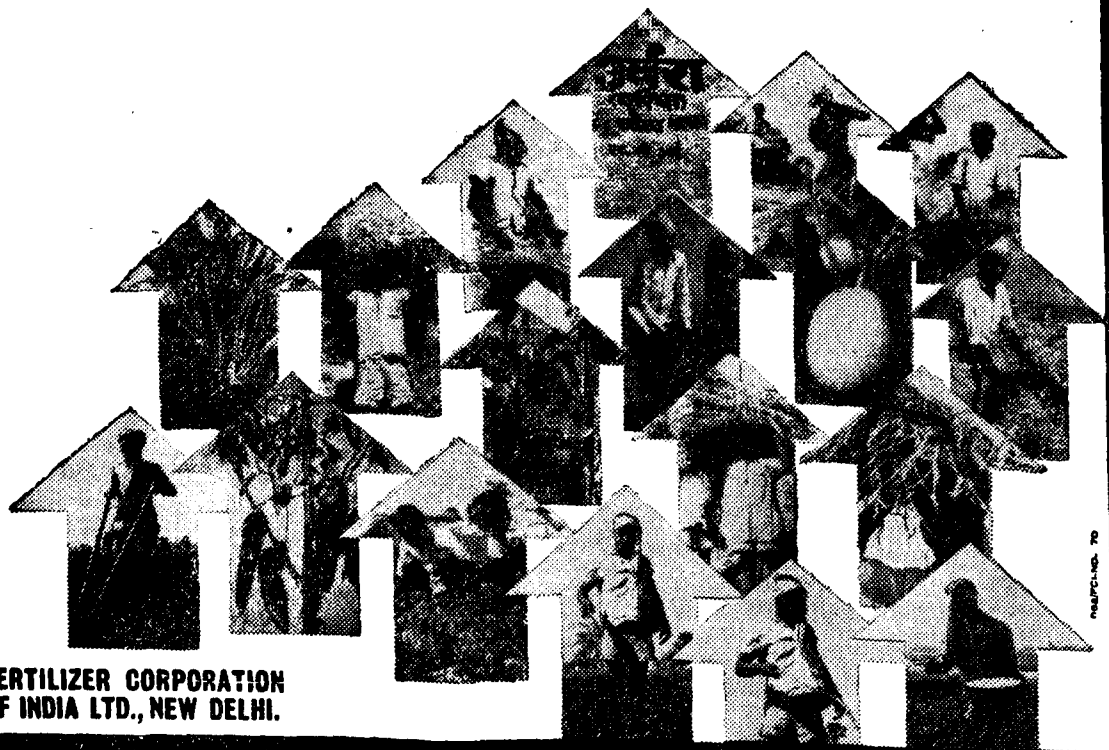
† Assistance resulting from the lengthening of the repayment period for export credits extended in 1963, 1964 and 1965.

†† Funds allocated by Canada to India for which project development has not been finalized.

‡ Allocations from the Counterpart Funds are in rupees and exchange adjustments are necessary since it is difficult to determine precise exchange rate at date of allocation.

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Regional Demand for Electricity

I. J. SINGH AND V. K. PANDEY

SINCE 1951, the amount of energy generated, per capita consumption of electricity and use of electricity for irrigation and dewatering in the country has been particularly impressive. For example, during 1951-65 total energy generated increased from 5,858.403 million kWh to 29,563.079 million kWh, per capita consumption increased from 17.78 kWh to 57.07 kWh and use of electricity for irrigation and dewatering increased about seven times from 203.048 million kWh in 1950-51 to 1,396.698 million kWh in 1964-65 (Table I).

With the increase in total energy generated, demand for electricity in terms of energy sold has also considerably increased in the states. Out of this total energy sold to various states in different years, sales for irrigation and dewatering have enormously increased. The sales for irrigation and dewatering have also varied widely in the states during 1951-65. For example, these

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sales in UP increased about 2.1 times in 1964-65 as compared to the sales in 1950-51 and in Kerala during this period sales for irrigation and dewatering increased by about 3.5 times. On the other hand in Punjab, these sales were about 254 times higher in 1964-65 than in 1950-51.* During 1952-53 to 1964-65, the compound growth rates of agricultural production in UP, Kerala and Punjab were 1.66, 2.27 and 4.56 per cent respectively. The linear growth rates of agricultural production in these states were respectively 1.82, 2.52 and 5.56 per cent†. These data, therefore, show that electricity sales for irrigation and dewatering in a state and its rate of growth in agricultural production are highly correlated.

Increasing total demand for electricity as well as the power demand for irrigation and dewatering in different states of the country calls for the quantitative

*Public Electricity Supply All-India Statistics 1964-65 (Government of India, Ministry of Irrigation and Power, Central Electricity Authority) P. 54, P. 61 and P. 63.

†Growth Rates in Agriculture 1949-50 to 1964-65 (Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India, March, 1966, Pp. 36-37)

**Public Electricity Supply All-India Statistics 1964-65 General Review Op. Cit Table 39. Assam, Nagaland, Orissa, West Bengal and Union Territories have not been included in the analysis due to paucity of data.

estimates of these demands not only to assess the current needs of power supply but also future requirements for evolving proper strategy of electricity supply in different states in the years ahead.

This article, therefore, attempts to estimate (i) total electricity sales and electricity sales (demand) for irrigation and dewatering for each state during 1951-1965, and (ii) to project total electricity sales and sales for irrigation and dewatering for the years 1973-74, 1978-79 and 1983-84.

The data used in this article are contained in a report published** by the

TABLE I
GENERATION AND CONSUMPTION OF ELECTRICITY

Year	Energy generated (million kWh)	Per capita consumption (kWh)	Electricity sales for irrigation and dewatering (million kWh)
1950-1951	5,858.403	17.78	203.048
1955-1956	9,662.113	26.40	316.178
1960-1961	16,937.012	38.15	832.921
1963-1964	26,817.575	53.64	1,153.180
1964-1965	29,563.079	57.07	1,396.698

Source: Public Electricity Supply All-India Statistics 1964-65 (Central Electricity Authority, Ministry of Irrigation & Power, Govanment of India). Pp. 14, 15 and 48.

TABLE II
REGRESSION EQUATIONS FOR ELECTRICITY SALES (Est)

S. No.	State	Electricity sales	Regression Equation	R ²
1	Andhra Pradesh	(a) Et=80.05 (b) Eit=3.551	0.8311 0.1829	0.85 0.82
2	Bihar	(a) Et=99.91 (b) Eit=3.572	0.9900 0.6013	0.92 0.98
3	Gujarat	(a) Et=306.00 (b) Eit=1.017	0.5603 0.3994	0.95 0.98
4	Jammu & Kashmir	(a) Et=13.22 (b) Eit=0.303	0.6451 0.5195*	0.98 0.94
5	Kerala	(a) Et=150.80 (b) Eit=5.900	0.5168 0.4329	0.88 0.97
6	Madhya Pradesh	(a) Et=46.61 (b) Eit=0.207	0.9847 0.2119	0.88 0.87
7	Maharashtra	(a) Et=1192.00 (b) Eit=2.080	0.4135 0.9449	0.85 0.79
8	Mysore	(a) Et=359.10 (b) Eit=6.372	0.4281 0.6764	0.93 0.95
9	Punjab	(a) Et=76.08 (b) Eit=0.498	0.1208 0.1250	0.80 0.92
10	Rajasthan	(a) Et=36.73 (b) Eit=1.226	0.6593 0.6917*	0.64 0.55
11	Tamil Nadu	(a) Et=464.90 (b) Eit=7.586	0.5904 0.3596	0.82 0.71
12	Uttar Pradesh	(a) Et=387.30 (b) Eit=87.880	0.4880 0.2565*	0.73 0.52
13	All India	(a) Et=5099.00 (b) Eit=0.16739	0.57783 0.69753	0.86 0.82

* Not significant at 10 per cent confidence limit.

Note : (a) Total Electricity Sales; (b) Electricity sales for irrigation and dewatering.

Government of India in 1969. The data from each state were used to fit Cobb-Douglas functions of the following forms:—

$$Et = Aot t^b \quad (1)$$

$$\text{and } Eit = Ait t^b \quad (2)$$

Where E_t is total electricity sold (demanded) in million kWh at the end of period t , Eit is electricity sold (demanded) for irrigation and dewatering at the end of period t , Aot and Ait are fixed sales of total electricity and fixed sales of electricity sold (demanded) for irrigation and dewatering at the end of period t , t is time period which shows shift in the total electricity sold including sales for irrigation and dewatering during 1951-1965. Where $t=1, 2, \dots, 15$; (1950-51=1, 1952-53=2, 1955-56=6 and 1964-65=15). b is elasticity of sales (demand) when time t is varied from 1 to 15 during the period (1951-1965) analyzed.

Table II shows estimated total electricity sales and electricity sold for irrigation and dewatering for each state during 1951-65. The regression coefficient of time period t , is not significant in equations for electricity sales for irrigation and dewatering for Jammu and Kashmir, Rajasthan and Uttar Pradesh. This coefficient is significant in all other equations for different states. The non-significance of the regression coefficient of time period t indicates that there has been probably no significant change in the electricity sales for irrigation and dewatering in Jammu and Kashmir, Rajasthan and Uttar Pradesh during 1951-65.

Future projections for total electricity sales and electricity sales for irrigation and dewatering are shown in Table III. The projections in this table are based on the assumption that the emphasis on the generation of electric power in future would be at least similar to the 1951-65 period and the future sales of electricity would increase. For the country as a whole, by 1983-84, total electricity sales are estimated to be 38,541 million kWh and sales for irrigation and dewatering are projected to be 1918.10 million kWh. By 1983-84, total electricity sales in Maharashtra are estimated to be the highest being 5062 million kWh and lowest in Jammu and Kashmir being 126.20 million kWh as compared to other states in the country. Electricity sales for irrigation and dewatering by 1983-84 in Punjab would be highest being 840.30 million kWh and in Jammu and Kashmir lowest being 1.86 million kWh. If we assume that electricity sales, that is, electricity supply by the electricity boards, corporations and companies is predetermined at point in time t , then the electricity supply is virtually same as demand for electricity since the electricity supplied is assumed

to be consumed instantaneously. Therefore, projections for electricity sales for the years 1973-74, 1978-79 and 1983-84 are the projections for electricity demand in these years.

In Table III, electricity sales projections for 1968-69 have been presented for comparison with actual electricity sales in 1964-65. All-India projections of electricity sales for 1968-69 in Table III and actual electricity sales in Table I show that the regression equations for electricity sales in Table II on which projections in Table III are based, under-estimate the actual electricity sales. This is because from 1951 to 1956 and from 1956 to 1961 increases in total electricity sales as well as in electricity sales for irrigation and dewatering were much less as compared to increase from 1961 to 1965. These equations were estimated by pooling electricity

sales for the period 1951-65 for each state as well as for the country as a whole. Statistically in logarithmic models as used in this study, even though all equations are transformed to appear linear in logarithms, there is a problem of aggregation because electricity sales data for time-series (1951-1965) aggregates are ordinary arithmetic sums, and the logarithms of these sums are not the same as the sum of logarithms. Electricity demand projections for the years 1973-74, 1978-79 and 1983-84 are, therefore, "conservative". The policy implication of the projections in Table III, however, is that the country as well as each state would need at least the amount of the total electricity and electricity for irrigation and dewatering as shown against these states for the years projected. Therefore, these estimates of the future electricity demand may be taken as a basis for the national

TABLE III
PROJECTIONS FOR ELECTRICITY SALES

S. No.	State	Electricity sales	Estimated electricity sales in million kWh			
			1968-69	1973-74	1978-79	1983-84
1	Andhra Pradesh	(a)	884.50	1084.00	1277.00	1463.00
		(b)	108.50	145.50	182.80	222.10
2	Bihar	(a)	1747.00	2227.00	2707.00	3184.00
		(b)	20.31	23.54	26.50	29.24
3	Gujarat	(a)	1545.00	1773.00	1980.00	2170.00
		(b)	53.12	81.85	107.80	135.70
4	Jammu & Kashmir	(a)	85.35	99.95	113.50	126.20
		(b)	1.36	1.55	1.71	1.86
5	Kerala	(a)	671.60	762.30	843.90	918.70
		(b)	20.62	22.95	24.97	26.81
6	Madhya Pradesh	(a)	802.80	1022.00	1241.00	1458.00
		(b)	7.47	9.25	11.74	14.33
7	Maharashtra	(a)	3941.00	4360.00	4730.00	5062.00
		(b)	31.93	40.25	48.49	56.61
8	Mysore	(a)	1238.00	1374.00	1495.00	1604.00
		(b)	45.02	53.14	60.70	67.82
9	Punjab	(a)	1942.00	2556.00	3186.00	3830.00
		(b)	231.80	380.10	592.80	840.30
10	Rajasthan	(a)	246.90	290.02	330.50	368.20
		(b)	9.05	10.72	12.28	13.76
11	Tamil Nadu	(a)	2562.00	2960.00	3325.00	3664.00
		(b)	21.45	23.43	25.14	26.67
12	Uttar Pradesh	(a)	1587.00	1788.00	1969.00	2133.00
		(b)	184.50	196.40	206.50	215.50
13	All India	(a)	27092	31212	34972	38541
		(b)	1256.90	1491.10	1710.60	1918.10

Note : (a) Total sales; (b) Electricity sales for irrigation and dewatering.

and state planning for the electricity supply.

Two main observations are made on the basis of above discussion:—

(1) Total electricity supply as well as electricity sales for irrigation and dewatering have increased considerably during 1951-65 and the rate of growth of agricultural production of a state is

highly correlated with the use of electricity for irrigation and dewatering.

(2) For the country as a whole, total demand for electricity for the years 1973-74, 1978-79 and 1983-84 is estimated to be 31,212, 34,972 and 38,541 million kWh. In these years, demand for electricity for irrigation and dewatering is estimated to be 1491.10, 1710.60 and 1918.10 million kWh respectively.

A Case for More Coffee

A CORRESPONDENT

A TICKLISH situation is arising in regard to the availability of coffee for internal consumption and export on account of a serious shortfall in production in 1969-70. Against the earlier expectation of a crop of 72,000 tonnes the actual output for the current season may not be more than 63,000 tonnes, the lowest on record in the past few seasons. The Coffee Board has been proceeding so far on the assumption that about 30,000 tonnes can be easily exported as international prices are extremely remunerative with an increase in demand for higher grades of coffee and lower world production.

Foreign Exchange Earnings

If only Indian coffee could be freely exported, sizable foreign exchange earnings could be secured as in the first six months of 1969-70 (April-September) alone the value of exports was Rs 16.20 crores. In the whole of 1968-69 the value of exports was only Rs 17.96 crores though it was considered a creditable achievement. It has, however, been necessary to cut back the quantum of export by 3,000 tonnes out of the current crop though the effect will be felt fully only in 1970-71. In the absence of full details it is not possible to say what was exactly the value of exports in the whole of 1969-70, but it would have been easily Rs 25 crores, even allowing for a slight slowing down in the growth of exports due to fears of a short crop.

It has been tentatively decided that in 1970-71 the total exports should not be more than 27,000 tonnes. But the question is whether even this quantum can be exported as internal consumption has been increasing at a fast rate as a result of the extension of the coffee drinking habit in several parts of the country. It has now become clear that an increase in the purchasing power of the agricultural income groups is being reflected in a higher level of consumption of oilseeds, tea, coffee and other items and it will be necessary to increase the output of these agricultural commodities if an

undue rise in prices and a diminution of export surpluses are to be avoided.

The rise in prices for edible oils has been grossly exaggerated even though the current crop is not estimated to be very much lower than the previous best yields. In regard to tea there has been a larger offtake of medium and low grades and with better prices at the London auctions tea estates are having a good time. The coffee planters, for their part, are having a difficult time in meeting demand and they are now in a quandary because from their point of view export sales are more attractive than sales at the internal auctions. The larger demand for tea and coffee and a liberal use of sugar for various purposes have been reflected in a big rise in sales of refined sugar and it may not be surprising if internal consumption in 1969-70 season proves to be as much as 36,000 tonnes against only 27,000 tonnes in 1968-69.

No Shortages

Fortunately sugar and tea are available in the required quantities and there is no danger of the emergence of shortages, but the story in regard to coffee is entirely different. With the estates committed to export about 27,000 tonnes out of the current crop, not more than 36,000 tonnes will be available for internal consumption. It is variously estimated that the home market will need 42,000 to 45,000 tonnes and in some circles it is pointed out that even 48,000 tonnes can be easily marketed. Since new arrivals against the 1969-70 crop have been completed and those against the new crop may not be received before November-December in volume, there are fears that there may be a sharp increase in internal prices in the third quarter of this year and export commitments will have to be staggered if an awkward situation is to be avoided. With the expectations of a good crop in 1970-71, the blossom showers are reported to be very good, it may be possible to make available for internal consumption about 43,000 tonnes assuming that exports are pegged at 30,000 tonnes. It is difficult to say, however,

whether the present expectation will materialise as coffee yields have been fluctuating widely. But a short crop is always followed by a larger crop and an output of 70,000 tonnes would be a safe assumption.

While there may be an improvement in the supply situation towards the end of the year and internal prices can be prevented from rising sharply it has to be recognised that the export trade in coffee can be maintained at the existing level only if there is sustained growth in internal production. For some reason or other, a new trend in the output of coffee has not emerged and in the absence of an increase in the area under the crop and vigorous replantation of the existing acreage, the Coffee Board may be compelled to curtail exports drastically. It is quite likely that by 1975 there will be an increase in consumption by over 50 per cent to 65,000 tonnes, which would suggest that the output will have to be raised to nearly one lakh tonnes if exports are to be maintained at the existing level, not to speak of an increase in the quantum for enabling the country to realise larger foreign exchange earnings. In the 'fifties' impressive progress was recorded with a virtual doubling of production. But thereafter as a result of greater emphasis on the output of Arabica coffee and the implementation of replantation schemes no decisive trend in total production has emerged. The peak of 73,000 tonnes for 1966-67 is still to be surpassed. It is, therefore, apprehended that in the absence of a definite policy aimed at increasing the yield per acre and extending the area under cultivation, there will be no exportable surplus after some years. Indeed, there may even be a shortage as internal consumption may exceed availability.

New Developments

It is therefore necessary to take note of the new developments and institute new measures so that this plantation industry can increase its output at an annual rate of 15 per cent. It has been complained that the heavy incidence of taxation imposed by the Mysore government (the bulk of the output of coffee is accounted for by Mysore state) has been responsible for the slowing down of the rate of growth and that the industry should be granted larger replantation subsidies besides depreciation of field assets. As Indian coffee is in good demand in international markets, being required for blending purposes, and internal consumption cannot be discouraged if there is sustained improvement in the purchasing power of the rural population, it should be examined whether coffee can be grown on a large scale in other states as well.

FROM THE PRESS GALLERY

Hazards of a Minority Government

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Saturday : HEADING A minority government, the Prime Minister, Mrs Indira Gandhi, must have heaved a sigh of relief at the end of the budget session of Parliament this week. She and her government had to face many an anxious moment during this session and if the government has been able to survive, it has been primarily due to the fact that it has been frequently yielding to pressures from its allies, particularly the two communist groups and the DMK party. The lack of effective co-ordination among the other opposition parties, owing to their heterogeneous outlook and economic philosophy, too helped, at least to some extent, Mrs Gandhi in remaining in power.

The pressure tactics of government's allies, especially from the communist ranks, as a matter of fact, started even before Parliament assembled for the budget session. This is evident from the fact that even though the government favoured, in early December, an extension of the Preventive Detention Act beyond that month, it allowed it to lapse because the United Front government in West Bengal desired so. Later on, when the rapidly deteriorating law and order situation in that state warranted stepping in by the centre, the government vacillated for an unduly long time even though the West Bengal Chief Minister, Mr Ajoy Mukherjee, had to go on fast against the attitude of the Communist-Marxists whose leader, Mr Jyoti Basu, held the Home portfolio in the Mukherjee government.

Railway Budget

The hazards of a minority government crystallised further when the Minister for Railways, Mr G. L. Nanda, had to withdraw his proposal to enhance third class passenger fares even before the railway budget was taken up for discussion. This hurried retreat, under fears of the government being voted down, has indeed put the fourth Plan development programmes of the railways in jeopardy. It remains to be seen how finances for them would be arranged. Compromises were also effected by the government on the union budget. The most notable example of this was the government yielding to the demand of its allies for the enhancement of the income-tax exemption for the maintenance of bicycles.

The most embarrassing moments for the government, however, came at the time of voting on a non-official bill,

moved by Mr Madhu Limaye, which sought to abolish the privileges of the members of the Indian Civil Service, and when the police excesses on an SSP organised demonstration, in which three MPs belonging to this party were injured, came up for discussion.

Ruling Party's Discomfiture

The ruling party had lent its full support to Mr Limaye's bill and had issued a whip to its members. But the bill failed to secure, even at the first reading, the majority vote required for an amendment to the Constitution. To the discomfiture of the ruling Congress, a substantial number of its members abstained from the Lok Sabha at the crucial juncture of voting.

Incidentally, the failure of Mr Limaye's ICS Privileges (Abolition) Bill to secure the majority vote necessary for a constitutional amendment at the stage of the first reading has raised a legal controversy that may eventually have to be decided by the Supreme Court. The controversy is whether a bill seeking to amend the Constitution should secure an affirmative vote of at least half the total membership of the House and not less than two-thirds of the members present and voting at every stage of its passage through Parliament or at only the final stage i.e. the third reading.

The government really had a hair's-breadth escape during the voting on the demand for a judicial inquiry into the police excesses on an SSP-led demonstration about 250 yards from the Parliament House on April 6. Many a communist and DMK member had to be prevailed upon to abstain from voting

on the issue even though their spokesmen had condemned the police excesses in unmistakable terms.

Another non-official bill, sponsored by Mr T. Vishwanathan, seeking to do away with the period of limitation for writ petitions to the Supreme Court or high courts too could have landed the government in hot waters. But the government at the last minute resiled from its position of not referring it to a select committee.

Bill on Privy Purses

The introduction of the government bill to abolish privy purses and privileges of the rulers of the erstwhile princely states in the country, just two days prior to the *sine die* adjournment of the Lok Sabha was also indicative of the vulnerability of the government. Although the ruling Congress is firmly committed to the abolition of these privy purses and privileges, it hesitated to bring the bill before Parliament lest it should face the same discomfiture as it faced in the case of the bill seeking to abolish the privileges of the members of the Indian Civil Service. The privy purses bill, of course, was introduced just by voice vote. But a good deal of behind-the-scenes efforts had to be done for getting it introduced. As many as 70 MPs belonging to the ruling party had urged the government to seek the advice of the Supreme Court on the bill before introducing it in Parliament. There was indeed a danger of the bill running into hot weather even at the time of introduction.

Several other instances of the government's yielding to pressure can also be cited. But the very fact that the ruling party's parliamentary committee hesitated even to take disciplinary action against those who defied the whips at one time or another is enough evidence to show that the survival of the government is dependent on making compromises. Can the government govern this way?

Eastern Economist 25 Years Ago

JUNE 1, 1945

The plan for the establishment of trunk air route services which had been accepted by the Policy Committee on Posts and Aviation has now been approved by the Government of India. The total mileage of the air routes planned for comes to 11,000 but it emphasised that the present plan is for the initial post-war period and it does not mean that planning for the development of external services or the extension of the internal air mileage will not be undertaken. Indeed, the question of external services is now under examination, and Government are confident that the existence of trunk air routes will stimulate the development of a considerable number of feeder services for local and private enterprise. The preliminaries for the setting up of these services have also been worked out and plans for the construction

of the necessary aerodromes and connected buildings and for the organization of the air routes completed, as well as the plans for the necessary works organization, the tele-communications organization, the headquarters organization and the requisite training institutions to put these plans through. The Government of India has also decided as to which would operate these air services. The Government of India will take some financial interest in selected cases, but even here it will not seek a controlling interest in the companies although it will appoint a Director on the Board. In specific instances the Government may at its discretion also render financial assistance to the operating companies, but such assistance will always be under certain conditions.

WINDOW ON THE WORLD

Eire: The Latest "Miracle" Country

JOSSLEYN HENNESSY

I
ECONOMIC STRUCTURE

LONDON :

EIRE is the latest country on the road to an economic "miracle". When Eire achieved independence in 1921, the economy, wholly agricultural, was stagnant and emigration in search of jobs abroad was reducing the population year by year.

Agriculture is still Eire's biggest single industry, employing 25 per cent of the labour force, providing one-fifth of GNP, and three-fifths of exports. Cattle breeding constitutes 80 per cent of agricultural output. Eire's humid climate is unfavourable to cereals but kindly towards pasture. Cattle breeding has also been aided by the rise in the price of meat and milk products in recent decades.

Eire's agriculture remains plagued by small holdings; 74 per cent of units hold less than 50 acres and cover 42 per cent of agricultural acreage. Many units, especially in the west, are less than 25 acres and are uneconomic. Productivity per head is relatively low and is kept down by the lag in agricultural prices relative to industrial, so that the difference between urban and rural standards of living is noticeable and causes some social tension in rural areas. To encourage small holders to raise their output, the government makes special grants to those who adopt officially approved growth programmes.

Non-Existent Industry

Eire's industry was virtually non-existent until after independence when it was launched with the aid of protective tariffs, originally aimed solely to supply the domestic market. It followed that growth was slow until some fifteen years ago when the government realised that faster growth depended on competing in foreign markets, and that industry could not be built up without attracting foreign investment.

From 1956, the government initiated a series of liberal measures, applied in favour of investors, whether national or foreign, and intended to encourage export industries. These measures include generous tax exemptions in favour of companies, i.e., all new enterprises are exempt from both income and profits taxes for fifteen years on all revenues from export sales. For another five years, partial exemption is allowed.

Old established companies benefit from these exemptions on revenues deriving from increases in exports.

Not least, one of the Eire government's shrewdest and most enlightened measures is that *shareholders* also get the benefit of these tax redemptions on export successes, both on income-tax and surtax. It is something of a miracle in itself to be able to cite a government which does not regard shareholders as parasites but, on the contrary, recognises that they have a positive contribution to make by saving and investing soundly, and that a "sound" investment is one which yields a high profit. *Mrs Indira Gandhi might usefully invite India's ambassador in Eire to send her a detailed report on Eire's taxation of companies and shareholders.* She might learn something to her advantage and to yours.

The government provides subsidies to train workers in new industries. These subsidies can cover in full wages paid to workers doing a training course in Eire and, if necessary, the cost of travel, and full wages and expenses for workers doing a course in foreign country.

Concessions to Foreign Investors

Foreign investors are not only allowed to benefit from these various measures of encouragement, but can repatriate without restriction all the profits that they derive from them.

Since Eire is the only country in western Europe which has not attained full employment, foreign investors have excellent opportunities of recruiting skilled workers (or of training the unskilled) at wage rates which compare favourably with any European country. It is thus possible for the foreign investor to go ahead in Eire with expansion plans which he might find difficult to carry out in his own country for lack of labour.

Finally, to set up a plant in Eire enables foreign investors to sell without incurring tariff duties a part of their production not only in Eire but in the British market and throughout the European Free Trade Area.

Foreign investors have shown themselves keenly alive to these advantages. Between 1959-67, three hundred foreign industrial enterprises have set up in Eire, almost all specialising in exports.

Of these 40 per cent are English, 20 per cent West German, and 17 per cent American—between them they cover a wide variety of industries, ranging from mechanical engineering, to clothing, and processed foods.

The concessions thus granted to foreign investors are, of course, a charge on Eire's taxpayers, but the balance of advantages is heavily in the tax-payers' favour because the foreign companies established in Eire have not only brought capital with them, but also their technical expertise, and their knowledge of overseas markets; they have created an entire industrial potential which Eire lacked.

Although the rise in Eire's industrial potential by attracting new enterprises has been spectacular, the country faces another task, no less important because it is less obvious: to adapt established enterprises launched behind the shelter of protective tariffs; they must be induced to raise their productivity in order to defend their competitiveness in the internal market and to seek to compete in new markets abroad. Here, again, the state has provided inducements to the older established sheltered enterprises to streamline themselves.

These efforts at restructuring the economy have been successful and as far back as 1959, thanks to an upward surge of the UK economy, Eire's industrial production, which had stagnated for years, gathered pace and, despite fluctuations in the foreign business cycles, has kept up a remarkable growth rate. The index rose by 80 per cent between 1960-69, and the percentage of production exported went from 19 to 28 per cent.

Power Resources

Eire lacks power resources, so that despite her relatively low demand, she is largely dependent on imports for her power needs, of which two-thirds are imported petrol, one-third coal. This dependence on imports of fuel, serious in the 19th century when coal was the chief source of power, is less so today when all European countries are obliged to import vast quantities of petrol.

Eire's most important source of power is peat, of which, with 6,500,000 tons a year, she is the world's third largest producer. Peat fuels the thermo-electric stations. Eire produces only 250,000 tons of coal out of the 2,000,000 tons that she needs.

Despite heavy rainfall, Eire's hydro-electric resources are limited because she lacks mountains high enough to provide waterfalls that can produce much power. Profitable waterfalls, which are all exploited, account for

only three per cent of total power consumption. Thermo-electricity is still capable of further big development.

Hydrocarbon requirements, the biggest of which is unrefined oil, all have to be imported. Oil refining, which at present totals only 2,500,000 tons, is mostly done around Cork. Consumption has tripled since the refineries were built in 1959.

Since 1968, Eire has been an important staging post in the transport of oil to the refineries of west Europe. Gulf oil has organised the deep waters of Bantry Bay, on the south-west coast, for the reception of six tankers each of more than 300,000 tons, which provide economical transport from the ports of the Persian Gulf, but which are too big to enter European harbours. The oil is unloaded into twelve reservoirs of 80,000 tons capacity each and then pumped into medium-sized tankers which serve the company's refineries in the Netherlands, Denmark, the UK and Spain. This traffic is the equivalent of 35 entries a year by giant tankers, and 150 exits by relay tankers.

Mining Industry

The mining industry has progressed greatly in the past ten years since Eire relaxed the mining code and encouraged foreign prospectors by generous tax exemptions.

Ten years ago, copper was the only ore mined; production was negligible until 1967 when a Canadian company began successful open cast mining. This company's discovery in 1961 of strata of lead, zinc, and silver at Tynagh boosted the industry. Reserves are estimated at 15 million tons of eight per cent grade. Output is now 700,000 tons gross a year, yielding 150,000 concentrated tons, which are exported to three refineries—French, Belgian, and West German—associated with the Eire producing company, whose equipment they have largely financed.

Processing industries account for more than four-fifths of total industrial production. Food processing is important, including pork and bacon, milk (generally handled by co-operatives), sugar beet, whisky and above all beer, of which Eire is the world's biggest exporter. (Doubtless even prohibition-India knows that "Guinness is good for you!").

The processing industries have pushed out in new directions spectacularly between 1960-69, especially in chemicals (plus 170 per cent), cement (158 per cent), and industrial equipment (100 per cent).

II

ECONOMIC POLICIES

Eire is a mixed economy. The government, while not socialist, controls an

important part of the nation's capital and seeks actively to develop the economy by monetary and fiscal measures.

The substantial costs of investment that the government undertakes involve an annual budget deficit, amounting to 15 or 20 per cent of total expenditure. Since this deficit is covered by borrowing, the public debt has doubled (in constant terms) in ten years. By March 31, 1969, the debt totalled £914 million (of which £859 million were internal and £55 million external), equal to 72 per cent of GNP in 1968. This is high compared with 53 per cent in Belgium, 33 per cent in the USA, and 16 per cent in France. The service of the debt is heavy and accounts for about one-fifth of current expenditure.

The greater part of budget revenue is raised by indirect taxes. Individuals pay income-tax at a basic rate of 35 per cent, after deduction for family allowances etc. Incomes above £2,500 attract surtax. Individual tax rates vary widely; thus a man, with two children, would pay 2 per cent on a salary of £1,000 and 43.5 per cent on £10,000.

Companies pay a 35 per cent basic income-tax, but dividends are paid to shareholders free of tax. Companies also pay a corporation tax, varying from 7.5 to 23 per cent, so that a company pays total taxes of between 40 and 50 per cent. The tax burden was 29 per cent of GNP in 1968.

Money and Prices

Since Great Britain is Eire's biggest market, the Irish £ has always been kept at par with the £ sterling, and was therefore devalued in September, 1949, and November, 1967.

Eire has managed to combine satisfactory growth with reasonable stability of money and prices. A slight rise occurred in 1953, because of increased domestic demand for consumers goods following rises in wages, agricultural incomes and swollen bank credit. The structure of Eire's economy, essentially agricultural at that period, did not permit domestic demand to be fully satisfied nor exports to be developed rapidly. Rising imports led to a balance

of payments deficit. The restrictive policies that followed caused a recession which lasted till 1958.

The present phase of growth, dating from 1959, is solidly based on the structural reforms initiated in 1956. The rise in internal demand, especially marked in the capital goods, has gone hand in hand with expanding exports so that, although imports have also risen rapidly, they did not rise fast enough to threaten the balance of payments, at least in the first years. The appearance of an increasing deficit, due to the size of the structural changes now going on, led the government to re-impose credit restrictions in July, 1965, particularly a large reduction in public capital expenditure, in order to slow down the rise in incomes and prices. The growth rate therefore lagged in 1966, and the restrictions were then eased. The stability of the currency was not at risk because of the big inflow of foreign investment.

Until recently insufficient investment was one of Eire's chief weaknesses. In the years 1950-60 new investment averaged only 15 per cent of GNP, a level well below that of other west European countries. Owing to government policy, more than half of this investment went into building, especially residential housing, and as long as this continued Eire's economy remained structurally backward and the growth rate minimal. Around 1956, however, the shortcomings of this policy became clear to the politicians and in 1958 they initiated a programme of economic expansion of which an essential point was not to renew expenditure on certain completed programmes in the expansion of the social services and to divert the economies so achieved into productive investment, notably in steel, peat, and transport, and subsidies to agriculture to raise productivity.

Between 1960 and 1968, the volume of investment rose (in constant terms) from £90 million to £255 million, and the average rate of gross capital formation rose from 13 to more than 20 per cent. Foreign investment was substantial and was specially important because capital goods industries

are still underdeveloped, so that most capital goods need to be bought abroad.

Despite the expansion of private investment, the state continues to play a dominant role by financing about half of total investment, either directly or through state enterprises. And when account is taken of state capital expenditure in agriculture and private industry by means of subsidies or tax exemptions, the state's influence on total investment is seen to be even greater.

III

FOREIGN TRADE

Eire's foreign trade has greatly expanded, in line with her internal development. Foreign trade is all important because Eire needs to import most of her raw materials. In 1968, imports represented 39 and exports 26 per cent of GNP, particularly high percentages, comparable with those of the Netherlands and Belgium. All three countries are therefore sensitive to fluctuations in international trade.

Sixty per cent of Eire's imports are raw materials notably oil, coal, steel, non-ferrous metals, textiles, and chemicals, and fifteen per cent are capital goods machinery, and vehicles. The majority of exports are agricultural, notably cattle on the hoof and butcher's meat, but industrial goods—35 per cent in 1963 and 49 per cent in 1968—are catching up.

The UK is Eire's biggest single customer, supplying, in 1968, 46 per cent of her imports and taking 57.5 per cent of her exports. The commercial balance between the two countries is in rough equilibrium.

In December, 1965, the UK and Eire signed a commercial treaty creating a free trade area between them. The UK undertook to abolish all tariffs and quotas on imports from Eire, except for quotas on cereals, sugar, bacon and butter. Eire undertook to reduce her tariffs by 10 per cent annually on imports from the UK and to abolish quotas.

The eventual entry of Eire and the UK into the EEC would modify the trade exchanges between them. Eire's exports to the UK would rise strongly because of the application of the EEC agricultural policy of Eire, whereas the UK's exports to Eire would encounter much stronger competition from other EEC members.

Eire's trade balance is in chronic deficit, although the percentage of cover of imports on exports has risen because of increased industrial invest-

ment. Before World War II the percentage was 56, today it is 66.

While Eire's trade balance is in equilibrium with the sterling area, it piles up persistent deficits with the rest of the world. The devaluation of 1967 affected Eire unfavourably for two reasons. First, the rise in the prices of imports from non-sterling countries affected a bigger volume of exchange than the reduction in prices of goods exported to them. Secondly, since two-thirds of imports were raw materials, they could not be easily reduced.

The deficit in the trade balance is mostly covered by a surplus in the balance of services due especially to receipts from tourism. The hotel industry has in recent years become Eire's biggest foreign exchange earner. Overnight bookings of foreigners rose from 7,000,000 units in 1960 to 21,000,000 in 1968, and foreign exchange earnings from £42 million to £76 million.

While the balance of payments on current account is usually in deficit, foreign capital inflows usually swing it into surplus and the reserves rose from \$324 million in 1960 to \$545 million in 1968, the equivalent of finance for five and a half months of imports.

The encouraging results that Eire

has obtained in the last ten years suggest that she could raise her growth rate by increasing her trade with more advanced industrial countries, especially because she offers them the advantage of considerable reserves of manpower. Certain natural weaknesses, such as the shortage of power and of raw materials, which used to be serious, can now be largely countered by diversifying industry and improving transport, so that vast economic changes are now possible.

Provided that a backward country enjoys political stability, all the evidence now suggests that it can catch up pretty rapidly because, in the ultimate analysis, the prosperity of a country depends on the skills and energy of its people. Thus, for example, Italy, a poor country only twenty years ago, has worked herself into a leading industrial nation, and Spain has greatly increased her productive capacity in the past fifteen years.

Sources and Acknowledgements: For facts and figures, I have drawn on an interesting study in the latest issue of the *Economic Review* published (in French) by the Banque Nationale de Paris, but the bank is not responsible for my interpretative comments, based on a variety of sources.

U S Money in Europe

E. B. BROOK

VIENNA:

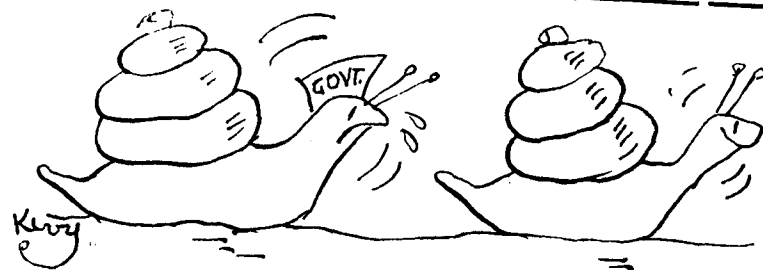
WEST EUROPE has long since reconciled itself to the fact that its financial affairs are inextricably intermixed with those of the United States and that US money is one of the most potent factors in its markets. But for some little time there has been growing concern over two aspects of this intimate connection—US attitudes to international exchange rates and the increasing influence of the Eurodollar market. Left to themselves, the Europeans would seek to diminish the influence of American money in their continent; the Americans, disenchanted with some of the ways in which Atlantic monetary co-operation is functioning are quietly campaigning to upgrade the effectiveness of certain pivotal activities in Paris.

The American initiative is a recent official move set in motion within Europe to get more decision-making in trans-Atlantic monetary co-operation quietly into the hands of an inner group who would be able to move beyond the rehearsed positions of existing forums. This inner group that the Americans seek would be of great

importance in working out such problems as financing the US balance-of-payments deficit and in resolving fresh monetary crises as they arise.

The initiative for this more vigorous concentration in decision-making machinery comes from the chairman of President Nixon's Council of Economic Advisers, Mr McCracken, and has the tacit support of senior officials of the Organization for Economic Co-operation and Development. This influential Euro-American group is concerned at the length of time trans-Atlantic and other financial problems hang in the air while conferences designed to resolve them spend themselves in retailing well-known positions. Senior financial experts on both sides of the Atlantic are concerned also over the lingering unresolved uncertainties surrounding the US balance of payments position, the price inflation affecting the US economy and over many inefficiencies remaining in monetary co-operation within Europe and between it and the USA.

European markets have not yet become reassured about the current American position. US military in-



Government measures to control the pestilential snail population of the Andamans are not succeeding.

volvements in south-east Asia and unrest within the USA have shaken confidence afresh. Hopeful forecasts by the most responsible American economic leaders are read with some scepticism. When Mr Burns, Chairman of the US Federal Reserve Board, repeatedly declares that the price inflation in the US economy can be cured by prudent policies, the frequency with which he says this is regarded rather as whistling in the dark to keep up one's courage. European markets and financial authorities, having had a series of alarms in the last decade, are decidedly jumpy about the present one and see very little in world affairs to reassure them. It is very possible they over-react and that Mr Burns is wiser than they in taking long-term view and envisaging, as the present explosive growth in US imports tails off, an expansion in both exports and imports and a successful curtailment of America's price inflation.

An authoritative optimistic voice is valuable at a time of widespread inflations among the Atlantic industrial nations and when higher interest rates continue to worry bankers. It is very possible, according to bankers in Zurich and Vienna, that interest rates will rise even higher for some time in an effort to check the price spiral. The most reassuring feature in the overall economic scene is the considerable increases in US corporate investment in plant and equipment which is being

matched on a lower scale in Europe also.

This generally depressed line in trans-Atlantic attitudes is made more anxious by differences in European and US thinking on policy regarding exchange rates. While the USA urges Europe to keep an open mind on the flexibility of exchange rates the Europeans favour more rigidity. The point has been discussed recently in Washington by officials of the International Monetary Fund and will come up for further discussion in September when the Fund holds its annual session in Copenhagen. US officials are encountering strong European resistance to the introduction of even a limited degree of flexibility in exchange rates. The French, as their Finance Minister made clear to the US Treasury, are solidly against frequent changes in exchange rates and fear that any system of "crawling pegs" would result in more devaluation than revaluation in important currencies. If, finally, the IMF recommends any permitted fluctuation at all in exchange rates it is unlikely to exceed the margin of 2 per cent.

Eurodollar Market

The Eurodollar market—Europe's second American worry—has been upsetting prudent bankers because it appears to operate without any bounds or regulations. Eurodollars (US dollars invested in Europe) have come in a few years almost to dominate the whole

field of the continent's international finance and the bankers have become more and more heavily involved. But no one knows for certain where the money comes from, how many times it has been re-lent and who is the lender in the last resort. This worries the banks a good deal when there is a growing tendency for the terms of Eurodollar transactions to lengthen. Loans, originally for not more than two years, are now extending to seven-year arrangements. This looks in Zurich and elsewhere like an unwelcome switch to taking short and lending long which could involve banks in running short of funds through excessive lending at long term. The banks have to live with an international capital market to an extent unknown before and understand uncomfortably little about the credit effect of the way in which it works and have little control over its effects on national economies and national monetary policies.

No one can detect what will be the effect, through the working of the Eurodollar market, if a serious US dollar deficit develops. A deficit of some 5,000 million dollars is in prospect and outflows of this size over a long period could very seriously affect European banks which are genuinely concerned at the prospect in the next five years of wholesale repatriation of dollars which may demand some adjustment in European fiscal policies and, in some cases, some crises of confidence for the banks also.

The moving finger writes

IT SEEMS to me that the Minister for External Affairs in the Government of India is presently engaged in some discreet sniping at the foreign policy of his own government. This suggestion, let me assure the reader, is not as outrageous as it may sound. It is no secret that Mr Dinesh Singh only reigns over his ministry and does not rule it. Rabat was neither the first occasion, nor was it the last when he was made to recognise the limits of his ministerial authority. There have been several other instances of this minister being overruled or by-passed in matters falling formally within his jurisdiction. Having known for some time now that he has simply ceased to link up with the chain of command or even communication between his secretariat and the super-secretariat of the Prime Minister, the Minister for External Affairs perhaps feels morally free to be objectively critical about certain commitments or dispositions which are taking place in the ordering of our relations with other countries, particularly the United States and the Soviet Union. It is true that Mr Dinesh Singh has not been publicly expressing his feelings or views, but, then, there are many ways of getting things said or done without oneself having to say or do it.

Talking of Mr Dinesh Singh, I am tempted to refer to the current political gossip which runs to the fact that, in the event of any major changes being made in the Council of Ministers at the centre, Mr Dinesh Singh is likely to come out a loser. Although few people are inclined to speculate in terms of his being sent right out of the cabinet, quite a number of observers of the political scene in the capital seems to have persuaded itself that the Minister for External Affairs is about to be kicked downstairs to a less prestigious portfolio. That Mr Dinesh Singh is presently going through a waning phase in his influence and popularity in the ruling party has naturally added fuel to the fire of conjectures about his immediate ministerial future.

How precisely Mrs Gandhi deals with Mr Dinesh Singh or whether she is going to deal with him at all is the business mainly of Mrs Gandhi and Mr Dinesh Singh. I do hope, however, that, in the event of her making major changes in the Council of Ministers, she will not be guided only by personal con-

siderations or feelings. The public will have a right to feel disappointed if the government were not to become a little more efficient or effective even after a reshuffle. Granted that she has not much manoeuvrability, the Prime Minister should still find it possible to remove some demonstrated weak spots in the personnel of government. Industrial Development and Steel, for instance, are among the important economic portfolios which must be entrusted to relatively young ministers who have both knowledge and drive. The Ministry of International Trade should normally be happy in the leadership of Mr B.R. Bhagat, but I must mention the widespread impression that Mr Bhagat is not devoting to the hard and urgent problems of this portfolio as much thought and energy as he ought to. There is much talk, in fact, of Mr Bhagat being interested more in other matters than in those which are the proper business of this ministry.

It is generally assumed that the Prime Minister would now attempt to pay off some of her political debts and that she would try to do this by shedding politically expendable colleagues so as to make room in the Council of Ministers for some at least of the claimants to the flesh-pots of office. The names of Mr K.K. Shah, Dr V.K.R.V. Rao and Dr Triguna Sen seem to be common to most lists of possible "rejects", but I do hope that, at least in the case of Dr Sen, Mrs Gandhi will not be influenced entirely by considerations of her political convenience. Dr Sen, as I had said before, is doing a fine job in the Ministry of Petroleum and Chemicals and this, in my view, is more than enough compensation for his muddling the Education charge which he had held earlier. There seems to be little justification, therefore, for disturbing him now. In contrast, Dr Rao, who had previously been a fairly effective Minister for Transport and Shipping, has miserably floundered in his present portfolio.

Where Mr K.K. Shah is concerned, few tears will be shed in the event of his being left out. His identification with the Prime Minister in the politics of the "Great Split" has been so obviously opportunistic that he is unlikely to receive sympathy if he were to be duped by his hopes. Finally, there is, in this context, Mr Satya Narayan Sinha. Mr Sinha, it is said, has got great faith

in his stars and Mrs Gandhi, for aught I know, may also nurse a secret belief in astrology. I am referring here, of course, to the story of the court astrologer, fallen into royal disfavour, who saved himself from the public hangman at the last moment by confidently declaring that his horoscope indicated that he would pre-decease his sovereign by a day.

As for possible new entrants, I confess that very few of the probables, whose names are being mentioned in the press, inspire me. For instance, Mr Hanumanthaiya, at his age and in his physical condition, must surely be thinking of other things than the attractions of active public office. On Mr Kamalapati Tripathi I have no particular views, except that his record does not show that he would be any considerable asset to the cause of strong or efficient government at the centre. Of Mr A.K. Sen, however, it may perhaps be expected that he could bring to the cabinet more than an average of ministerial intellect or general ability and that his induction could consequently be valuable provided he is given a portfolio which really interests him. He could make, for instance, a good Minister for Industrial Development.

An interesting question thrown up by these speculations about what June may have in store for the central cabinet is whether Mrs Gandhi will persuade herself to part with the Finance portfolio. I had always been against the Prime Minister adding this charge to her direct ministerial interests and I would therefore be happy to see her appoint a whole-time minister to this portfolio. What is really happening at present is that the Finance Ministry is being run by the Prime Minister's secretariat and this is not a healthy state of affairs since it encourages the syndrome of power being exercised without responsibility. Mrs Gandhi's excessive dependence on the inner circle of the Prime Minister's secretariat in administering the Finance portfolio must soon destroy, if it has not destroyed already, the integrity and effectiveness of the Finance Ministry's own secretariat. Provided Mrs Gandhi does not nominate any obviously unsuitable colleague for this job, any whole-time minister at the Finance Ministry is likely to serve the country better in that capacity than the Prime Minister holding additional charge of this portfolio.

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Trade Winds

PUBLIC SECTOR PERFORMANCE

DURING 1968-69 the public sector enterprises showed a steady increase in production, according to the annual report on the performance of public undertakings presented to Parliament on May 11. In the case of Hindustan Steel Ltd (HSL) the production and despatches in all the steel plants with a production capacity of 5.9 million tonnes, showed an improvement over the previous year. In steel ingots production, there was a rise of 7.8 per cent from 3.45 million tonnes in 1967-68 to 3.72 million tonnes. Saleable steel production increased from 2.42 to 2.62 million tonnes—an increase of 8.3 per cent. The total steel despatches in 1968-69 were 2.81 million tonnes as against 2.38 million tonnes in the preceding year. The output of alloy steel plant was of the order of 23,641 tonnes and despatches totalled 16,370 tonnes. In the previous year, the plant produced 6,576 tonnes and despatched 3,903 tonnes. Calcium ammonium nitrate production, in the Rourkela fertilizer plant went up from 189,500 tonnes in 1967-68 to 235,900 tonnes in 1968-69.

Eleven undertakings were under construction in 1968-69. Excluding these and the Life Insurance Corporation, the performance of the remaining 73 enterprises showed improvement during the year. Of these, 42 made a profit of Rs 66.23 crores as against a profit of Rs 48.95 crores made by 40 undertakings in the preceding year. A net loss of Rs 93.90 crores was incurred by 31 undertakings, whereas in 1967-68, 27 public enterprises incurred a net loss of Rs 86.84 crores. The overall position shows a reduction of Rs 10.22 crores in net loss, from Rs 37.89 crores in 1967-68 to Rs 27.67 crores during the year under review. The net loss of Rs 27.67 crores has been arrived at after allowing Rs 149 crores for depreciation and amortisation, Rs 95 crores for interest payments and Rs 18 crores for taxation. The gross surplus, however, amounted to Rs 234 crores as against Rs 179 crores in the previous year. These figures have been arrived at after allowing for the township and maintenance costs and other social overheads, which amount to about Rs 25 crores. Earnings from exports by public sector undertakings in 1968-69 amounted to Rs 70 crores as against Rs 50 crores in the previous year. In addition to this, air and shipping corporations, through

their services, brought in Rs 72 crores in foreign exchange.

DRUG PRICE CONTROL ORDER

A Drugs (Prices Control) Order 1970 was issued on May 16, 1970, by the union government under the Essential Commodities Act 1955, to implement the government decision on the prices of drugs. The order came into effect immediately. The drugs have been divided into two broad categories: (a) bulk drugs and (b) formulations. The former have been sub-divided into essential bulk drugs and other bulk drugs. Ayurvedic (including Siddha), Unani (Tibbi) and Homeopathic medicines, coal-tar disinfectant fluids and certain insecticides have been excluded from the purview of the order. The central government has taken power to fix the selling prices of 17 basic drugs in respect of which the Tariff Commission had recommended fair selling prices. In the case of other bulk drugs, every manufacturer, importer or dealer is required to report to the government, within a fortnight, the name of the drug marketed by him or used by him for making formulations, and its maximum selling price or notional price. This price can now be increased only after obtaining approval of the government.

The order lays down that the retail price of all formulations will be recalculated according to a specific formula. The order requires the manufacturers, importers or distributors to issue within two months revised price lists showing the manufacturer's price and the retail price. (The period may be extended to four months in cases where the number of formulations marketed by a manufacturer is large and detailed calculations are involved).

TALKS ON STEEL PLANTS

The union Minister of State for Steel and Heavy Engineering, Mr K. C. Pant, will have a round of talks with the three state governments regarding the steps to be taken for setting up of the three new steel plants at Hospet, Salem and Visakhapatnam. Immediate steps are proposed to be initiated first with regard to the acquisition of land and building and other infrastructure, including the supply of raw materials, water and power to plants. Mr Pant's brief visit to Mysore, Tamil Nadu and Andhra Pradesh where the new steel

plants are to be located, is also intended to ascertain the views of these governments on various matters connected with overall administrative set-up for undertaking the construction of the plants. Mr Pant will be in Bangalore on May 31, Madras on June 1 and Hyderabad on June 2.

STEEL IMPORTS

The first consignment of 9,700 tonnes of CR sheets, coils and MS plates for the fabrication of engineering goods for export have already arrived at Bombay and Calcutta and another 2,000 tonnes are on the high seas. The entire quantity of 29,000 tonnes will arrive by August 1970. The Hindustan Steel was asked by the government in October 1969 to import scarce categories of steel and foreign exchange of about six crore rupees was released in November 1969. The contracts were all concluded by end of December. A further tender of 5,000 tonnes of HR coils under the USAID is being placed early June, 1970. Although HSL is the agency for importing of steel, the distribution of this is entirely controlled by the Engineering Export Promotion Council in consultation with the Joint Plant Committee and Ministry of Foreign Trade. EEPC has been able to issue allocation for 2,250 tonnes recently. HSL is anxious, so also the consumers for quick distribution of the material as and when allocations are received from EEPC. The material will be available at Joint Plant Committee price irrespective of the landed cost which is generally higher than home prices at present. HSL also intends to inform all concerned by issue of public notices from time to time regarding the arrival of this material.

MINERAL PRODUCTION

According to the Indian Bureau of Mines, the value of mineral production in this country was Rs 27.7 crores in February, 1970, registering a fall of about 5 per cent compared to January, 1970. This excludes the value of petroleum and natural gas, minor minerals, minerals declared as proscribed substances under the Atomic Energy Act, 1948, value of output from Goa and common salt. Mineral fuels (coal and lignite) accounted for 77 per cent of the total value of production, metallic mineral's share was 13 per cent and non-metallic minerals accounted for 10 per cent. Iron ore and manganese ore are the most important constituents of the metallic group, accounting for Rs 1.9 crores and Rs 60 lakhs respectively. Among the non-metallic group, limestone accounted for Rs 1.6 crores and mica accounted for Rs 15 lakhs. With base 1960=100 the overall index of mineral production was 172 in

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February, 1970, compared to 180 in January, 1970, and 164 in February, 1969.

FERTILIZER PRODUCTION

During 1969-70, the production of nitrogenous fertilizers in the country increased to 716,000 tonnes in terms of nitrogen as compared with the production of 543,000 tonnes in 1968-69. This shows an increase of 32 per cent. While only 42 per cent of country's requirement was being produced indigenously in 1968-69, the ratio went up to 57 per cent in 1969-70. As a result of this improvement, imports of nitrogenous fertilizers were reduced by 21.2 per cent from 847,000 tonnes in 1968-69 to 667,000 tonnes in 1969-70. In achieving the production, targets for the year 1969-70, the Nangal unit of the Fertilizer Corporation of India, the Kota unit of the Delhi Cloth Mills and the Gorakhpur unit of the Fertilizer Corporation of India ranked first, second and third respectively and, in fact, overfulfilled their targets. Above average production was achieved by four public sector units and three private sector units. On the other hand, fertilizer units which showed large shortfalls from targets were the Ennore unit of EID Parry Ltd, Kanpur unit of Indian Explosives, the Rourkela unit of Hindustan Steel and Fertilizers and Chemicals Travancore Ltd.

I.D.A. FARM ASSISTANCE

A credit of \$35 million from the International Development Association (IDA) to this country will provide funds for an agricultural credit programme in the State of Gujarat. Under the programme, loans will be made to farmers for investments in minor irrigation works, mainly dugwells and tubewells, and farm mechanization. At full development, after three years, foodgrain production should increase by over 60 per cent on farms of participating farmers. This will provide more food for the growing population of the state, and substantially increase farmers' incomes. Since 1965 this country has given highest priority to agricultural development, with a major effort being made to accelerate the introduction of new agricultural technology. The results have been encouraging, but with credit available many more farmers could take advantage of the new technology. In late 1968 a mission comprising members of the World Bank and the Food and Agriculture Organization of the United Nations (FAO), under the Bank/FAO Co-operative Programme, reviewed agricultural credit institutions and on-farm investment requirements in selected parts of India in order to identify high-priority farm credit projects.

February, 1970, compared to 180 in January, 1970, and 164 in February, 1969.

TAX RECEIPTS

The union tax collections during 1969-70 recorded an increase of Rs 23.76 crores over that of the previous year. The figures show a rise of Rs 16 crores over the revised estimates for the year indicated in the union budget for 1970-71. The improved tax receipts and some savings in expenditure have helped to lower considerably the budgeted deficit of Rs 290 crores for last year. The income-tax and corporation tax collections totalled Rs 421.88 crores and Rs 358.79 crores respectively, against Rs 378.47 crores and Rs 299.77 crores in the previous year. The excise duty receipts totalled Rs

1461.32 crores while there was a shortfall in customs duty yield at Rs 419.03 crores. Direct tax receipts exceeded the revised estimates by Rs 61 crores. The reduction in customs duty collections reflected the slash in imports.

COMPENSATION FOR BANK

The directors of United Bank of India Ltd have asked the union government that the entire amount of compensation totalling Rs 4.20 crores may be paid in 5.5 per cent Bank (Acquisition and Transfer) Compensation Bonds, 1999. These bonds carry interest from July 19, 1969.

ECONOMY IN RAILWAYS

Inaugurating the meeting of the National Railway Users' Consultative Council recently, the Minister of Railways, Mr Gulzari Lal Nanda, stated that he had taken the initiative to improve the financial position of the railways by effecting economies and preventing pilferages. He had already launched a Save Fuel Campaign with a view to reducing the expenditure by 5 to 10 per cent. The railways spend Rs 100 crores on coal every year. Guidelines had been sent to the concerned railway officers for effecting economies. Pilferages also cost the railways heavily and his next drive would aim at strengthening security arrangements to prevent pilferages.

NAMES IN THE NEWS

Mr T.A.G. Kelly has taken over from Mr W.E. Mckie as BOAC's Manager for Central & South India in Bombay.

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Company Affairs

CENTURY MILLS

THE CEMENT and rayon grade wood pulp projects of the Century Spinning and Manufacturing Co. Ltd are making good progress, according to the directors of the company. Land for the proposed cement plant has been acquired on lease from the Government of Madhya Pradesh and the orders for the main plant and machinery have already been placed.

As for the rayon grade wood pulp project, negotiations with the authorities concerned for the supply of necessary raw materials for the proposed wood pulp factory in UP have already been finalised. Suitable forest land has been selected in consultation with the state government. Negotiations for machinery and equipment supplies are progressing well and, as required by the new industrial licensing policy, the government has been approached for its approval to this scheme. The final approval of the union government to the seamless steel pipe scheme is expected shortly. As soon as the approval is received the company will go ahead with the implementation of the project.

During the year 1969, 213 auto looms, 43 ring frames and other ancillary machinery have been replaced in the company's cotton textile mills. Another 60 looms are being replaced in the current year. Orders for 204 auto looms 51 ring frames for replacement and other ancillary machinery valued at about Rs 92 lakhs have been placed mostly on deferred payment basis under the IDBI scheme.

The company purchased during 1969 from Vallabh Textile Mills Ltd an up-to-date running textile unit engaged in the manufacture of blankets situated at Thana. The unit which is equipped completely with imported machinery has been named as heavy fabrics division of the company. Apart from blankets, the highly sophisticated machinery of this unit is capable of producing many varieties of fancy fabrics.

The government's permission for the necessary endorsement on the relevant industrial licence in favour of the company has been applied for. Due to an increase in demand from tyre companies, the government has granted an industrial licence to the company for expanding tyre cord weaving capa-

city from the original level of 50 per cent to 75 per cent. Necessary steps for the installation of additional machinery are being taken.

BINNY

Presiding over the first annual general meeting of Binny Limited recently, Mr M. K. Vellodi stated that the year 1969 has been memorable for the company because the amalgamation of the Binny group of companies along with the Madura Company Pvt Ltd and the Ganges Transport and Trading Co. Ltd was completed in this year and Binny Ltd started operating on November 1, 1969. During the year ended December 31, 1969, overall production of the two textile mills improved as against the previous year which resulted in sales turnover of around Rs 33.30 crores showing a rise of 12 per cent over the previous year. Mr Vellodi pointed out, however, that the profits of the two mill units for the year 1969 were not encouraging. In spite of elaborate efforts by the company to improve its performance, there were signs of a reduced margin during the year under review due to shortage and high prices of raw materials.

A creditable aspect of the company's performance was its exports to the extent of Rs 2.61 crores showing an increase of 34 per cent over the previous year. The performance in terms of exports could have been improved still further but for delay in the delivery of wool tops thereby causing a loss of export orders for cotton wool. He hoped that during the current year wool tops would be made available as a result of an agreement with the State Trading Corporation.

Mr Vellodi pointed out that substantial progress was recorded in the field of modernisation. During the year 490 BAZL looms were installed in the two mill units in addition to preparatory and finishing machinery. The value of new machinery installed during the year 1969 exceeded Rs 2.50 crores resulting in a noticeable improvement in the quality of cloth and a substantial reduction in damages. He hoped that the bulk of the new looms would be installed by the end of the current year. Mr Vellodi expressed satisfaction over the performance of the garment factory which achieved the planned peak production of 2,500 shirts a day in November, 1969. A separate line, he added, to produce industrial garments had been installed

which would be enlarged when heavy duty machines were commissioned.

PHILIPS INDIA

Philips India's annual report for 1969 shows an all round growth of the company during the year. Sales of locally manufactured products increased by 20 per cent over those of last year while sales of imported technically advanced equipment, which were an important feature in 1968, were virtually absent in 1969. As a result, total sales of Rs 302 million in 1969 were around 13 per cent higher than those of 1968. The company's continued efforts directed towards the rural areas have resulted in a considerable increase in its distribution channels thus further strengthening the already existing all-India organisation. The company's concerted efforts towards the promotion of exports resulted in export sales of Rs 75 lakhs in 1969. This has been possible because its products conform to international specifications, design and quality. The directors expect to build up exports progressively and have submitted plans to the government for long term export activities. The profits for 1969 before tax amounted to Rs 5.27 crores after charging depreciation of Rs 91 lakhs. The profit after tax increased by Rs 34 lakhs to Rs 1.87 crores. Provision for tax amounted to Rs 3.40 crores as against Rs 3.05 crores in 1968. A sum of Rs 20 lakhs has been transferred to development rebate reserve while Rs 2.9 lakhs has been released. The amount released is no longer statutorily required. As in the previous year, Rs 10 lakhs have been set aside towards the debenture redemption reserve. A provision of Rs 32 lakhs, created in earlier years, has been written back as it is no longer required. The directors have proposed a final dividend of Rs 1.30 per share subject to tax payable out of general reserve absorbing Rs 4.7 million. This together with the interim dividend of Re 1 less tax per share, paid in December last would bring the total distribution to the shareholders for 1969 to Rs 2.30 per share as against Rs 2 per share in the previous year. The total dividend for 1969 will absorb Rs 84 lakhs compared with Rs 73 lakhs for 1968.

HONG KONG & SHANGHAI BANK

The working of the Indian branches of the Hong Kong and Shanghai Banking Corporation during the year ended December 31, 1969, revealed a profit of Rs 2.97 lakhs as against a loss of Rs 1.79 lakhs during the previous year. Advances of the bank towards the end of the review stood around Rs 16.15 crores, as against Rs 17.56 crores on December 31, 1968. Commission, exchange and brokerage brought in Rs



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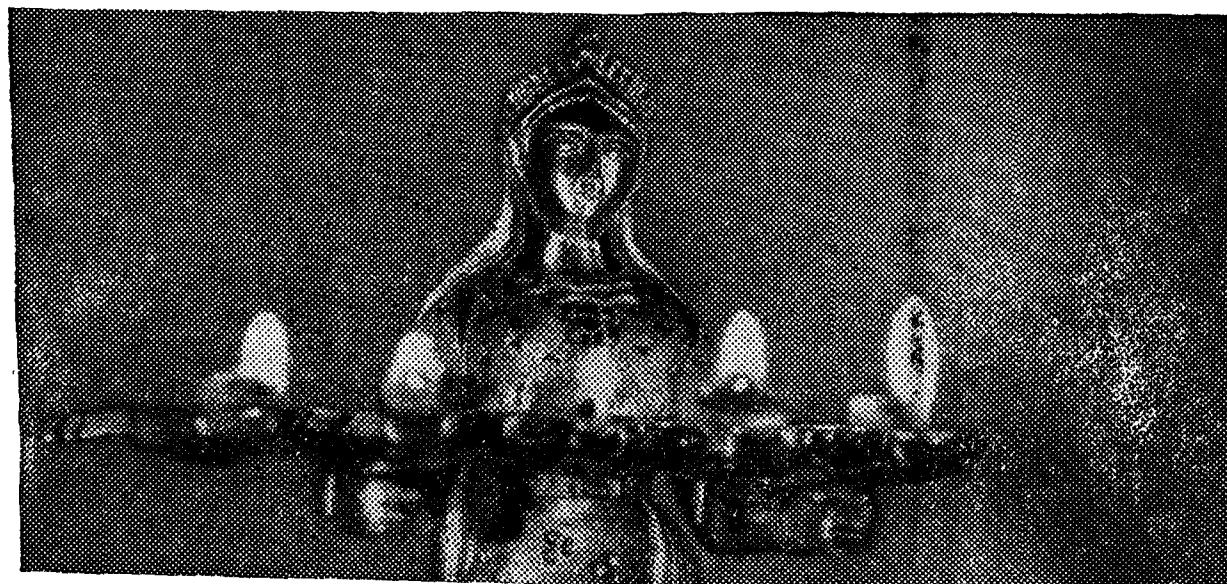
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22.25 lakhs and income from interest and discount was to the extent of Rs 79.70 lakhs. Net profit on sale of investments, gold and silver, land premises and other assets was Rs 2.75 lakhs as against Rs 71,158 a year before.

G.E.C.

The directors of the General Electric Company of India have declared an interim dividend of Rs 1 per equity share of Rs 10 each in respect of the year ended March 31, 1970. The interim dividend will be paid on all equity shares of the company including the new shares issued to the previous shareholders of Associated Electrical Industries (India) Limited as a result of the scheme of amalgamation with that company which took effect last year. The shareholders will be entitled to a final dividend for the year ended March 31, 1970, which will follow a recommendation of the directors to be made on the audited accounts of the company for presentation to the annual general meeting to be held in August, 1970.

SANDOZ

The directors of Sandoz (India) Ltd have decided to maintain the dividend at Re 1 per share for the year 1969.

GLAXO

Glaxo Laboratories (India) Ltd have declared an interim dividend of 60 paise per share.

INDIAN COPPER

Indian Copper Corporation Ltd has earned a gross profit of £ 1.68 million for 1969 against £ 1.92 million for the previous year. The directors have proposed to maintain the dividend at 8.889 per cent, or 16 paise per stock of two shilling for the year. The company's net profit amounted to £694,570 against £809,514 after providing £319,669 for depreciation, £135,798 for development rebate reserve, and £530,556 for taxation. After making adjustments, a sum of £689,341 has been transferred to the general reserve, £35,477 to capital development rebate reserve and £11,671 to capital reserve.

ANTIFRICTION BEARINGS

The chairman of Antifriction Bearings Corporation Ltd stated recently that both production and sales in the first four months this year were higher at Rs 40.46 lakhs and Rs 46.46 lakhs respectively. Provided the raw material position continued to be satisfactory as at present the company's progress was expected to be carried further. The factory was fast reaching the rated capacity, and it was, therefore, proposed to expand its activities. The management had applied for an import licence worth Rs 1.80 crores to meet the

needs of the expansion plan. The company was carrying large orders on its books. The diversification plans were continuing. In view of the projected expansion, the chairman ruled out the issue of bonus shares for the time being.

PODAR MILLS

The chairman of Podar Mills stated recently that so far in 1970 its working was quite satisfactory. He visualised good prospects for well managed textile units in coming years. He said that the sale of the company's yarn might be adversely affected due to troubles in Bhiwandi, a large weaving centre. The chairman ruled out the possibility of a bonus issue in the near future. He also indicated that a higher dividend for the current year would not be possible in view of the understanding between the company and the State Bank which had given a long-term loan of about one crore rupees. The company should take the State Bank's permission for a dividend of higher than six per cent. He added that the State Bank agreed to the dividend of 10 per cent for 1969 in view of the rise in profits.

COIMBATORE COTTON

The directors of Coimbatore Cotton Mills Ltd have proposed a dividend of 10 per cent for the year 1969 as against five per cent paid in the previous year. The company has earned a higher gross profit of Rs 30.99 lakhs compared with Rs 13.70 lakhs in the previous year. The company's turnover went up from Rs 2.80 crores to Rs 3.39 crores. Its production of yarn and cloth has increased due to better utilisation of labour and machinery. Allocations for the year included Rs 1.98 lakhs for managing agents' remuneration, Rs 10.20 lakhs for depreciation, Rs 1.10 lakhs for development rebate reserve, Rs 10 lakhs for taxation and Rs 7.71 lakhs for general reserve. The proposed dividend will claim Rs 3.60 lakhs. The directors have transferred a sum of Rs 7.76 lakhs from the development rebate reserve so far accumulated to the general reserve and also a sum of Rs 0.49 lakhs from the gratuity reserve.

ALKALI & CHEMICAL

The trading results of Alkali and Chemical Corporation of India Ltd for the half-year ended March 1970 reveal that the company's sales have increased to Rs 930 lakhs from Rs 591 lakhs last year. The profit after tax, amounts to Rs 42 lakhs which compares very favourably with Rs five lakhs for the corresponding period of last year and Rs 45 lakhs for the whole of 1968-69. The upward trend in profit after tax, achieved in the second half of 1968-69 has been maintained. This substantial improvement is attributable mainly to

adequate supply of alcohol, which has made it possible to maximise production and sale of polythene. Higher production and sales of paints and rubber chemicals, application of modern management techniques and economies achieved in costs have also contributed to the better trading results. The directors have, in the meanwhile, proposed an interim dividend of 50 paise a share for the year ended September 30, 1970. A total of 15 per cent was paid for 1968-69.

DIGVIJAY CEMENT

Shri Digvijay Cement Co Ltd has reported a rise in its production, sales and earnings during 1969. The directors have, therefore, proposed an increased equity dividend of nine per cent against six per cent paid for 1968. The company has earned a gross profit of Rs 130.22 lakhs against Rs 82.55 lakhs for 1968. Its sales of cement have increased to Rs 9.01 crores from Rs 6.85 crores and of asbestos Rs 2.98 crores from Rs 1.25 crores. Its production of cement was higher at 676,000 tonnes against 540,000 tonnes. Its output of asbestos increased to 34,534 tonnes from 19,442 tonnes. The directors have provided Rs 58.04 lakhs for depreciation, rupees seven lakhs for development rebate reserve, and Rs 9.47 lakhs for taxation. They have transferred a sum of Rs 18.93 lakhs to expansion reserve, Rs 25 lakhs to debenture redemption reserve and Rs 11.90 lakhs to the general reserve. During 1969, the company exported 69,654 tonnes of cement against 70,414 tonnes in 1968. It has exported nearly 33,000 tonnes of cement so far in the current year.

HARINAGAR SUGAR MILLS

The Harinagar Sugar Mills Ltd has suffered a set-back in its working for the year ended September 30, 1969. The sale of sugar declined from Rs 2.63 crores to Rs 2.28 crores. The gross profit also declined from Rs 42.75 lakhs to Rs 22.19 lakhs. The equity dividend is, however, proposed to be maintained at 20 per cent. The provision for depreciation is at Rs 1.10 lakhs against Rs 1.27 lakhs. The development rebate reserve claims Rs 13,863. The provision for taxation has been reduced from Rs 34 lakhs to Rs 16 lakhs. The allocation to the general reserve has been maintained at Rs two lakhs and the dividend equalisation reserve has also been maintained at Rs 50,000. The provision for reserve for bad and doubtful debts is Rs 40,000. A sum of Rs 31,136 is carried forward against Rs 26,184 brought in. The output of sugar has risen from 108,000 quintal bags to 147,000 quintal bags. The sugar recovery at 10.55 per cent obtained by the company during the season is considered quite high.

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ASSOCIATION MEETING

PROBLEMS AND PROSPECTS OF SUGAR INDUSTRY

Presidential address delivered by Shri V. H. Dalmia at the thirty-seventh Annual General Meeting of the Indian Sugar Mills Association, held at New Delhi on Saturday, the 23rd May, 1970.

THE SUGAR Industry had to its credit the unique distinction of exceeding the production targets laid down during the First, Second and the Third Plans. Then followed a sudden transition from an era of plenty to that of shortage in 1966-67 when production declined sharply from 35.3 lakh tonnes achieved in 1965-66, the last year of the Third Plan to about 21.6 lakh tonnes. The reasons were the decline in cane availability to sugar factories due to shrinkage in acreage and large-scale diversion of cane to gur and khandsari manufacture. It was quite on the cards that if Government had pursued their policy of rigid controls on the Sugar Industry in 1967-68 also, sugar production might have further declined to as low as 16 lakh tonnes. Realising the exigency of the situation Government announced the policy of partial decontrol which not only helped maintain production in 1967-68 season at the slightly higher level of 22.5 lakh tonnes but also paved the way for a steadily rising trend in sugar output. Enabled by the limited freedom allowed under the new policy, sugar factories offered higher cane prices to the growers and the drop in cane acreage was very largely made good. Naturally, this has had its effect in the following season 1968-69 when the sugar output rose to 35.6 lakh tonnes. The impact of the policy has been felt in a fuller measure this season when we expect the production to reach the peak level of about 43 lakh tonnes.

With plenty of sugar to go round, Government have been able to increase the monthly releases of both levy and free sugar. Consumers have been thus assured of plentiful supplies at much lower rates. Thus, judged by all considerations the bold and imaginative policy of partial decontrol has been a unique success.

Besides the expected peak level production of 43 lakh tonnes, the industry has carried forward a sizeable stock of 13 lakh tonnes. The total availability of sugar this year is thus of the order of 56 lakh tonnes. By the end of April sugar production had already reached 36.8 lakh tonnes as against 31 lakh tonnes produced last year reflecting an

increase of 5.8 lakh tonnes. The crushing season is still in progress and in certain areas, it may extend till the end of June or even middle of July. By the end of April, stocks with the mills amounted to 31 lakh tonnes. They are expected to rise further to about 33 lakh tonnes by the end of May. These are higher by 12 lakh tonnes over the last season's peak of 21 lakh tonnes reached during April/May. Apparently, the internal off-take despite higher releases and much reduced rates, has not shown the desired buoyancy. Government on their part have been releasing much larger quotas but the off-take has continued to stagnate; the average for the first four months of the year (January-April) being about 2.65 lakh tonnes per month. This compares poorly with the average monthly release of 3.25 lakh tonnes during this period. Even after providing for a higher rate of consumption during the remaining part of the season and providing additional 1 lakh tonnes for festivals etc., the total off-take during the year does not promise to be more than 34 lakh tonnes. Besides, exports are likely to account for 3.2 lakh tonnes at the most. Still the industry would be left with a carryover stock of 19 lakh tonnes at the end of the year i.e. on 30th September, 1970 as against 13 lakh tonnes carried forward this year from the preceding season. This represents a net increase of 6 lakh tonnes to our carry forward stocks.

With this statistical position, it is natural for the Government and the industry to feel somewhat anxious. For, it is not merely a question of finding extra finance which will be of the order of about Rs 75 crores or additional go-down space but much wider issues bearing vitally on the cane growers are involved. In the first place, it has to be ensured that the factories are able to crush all the available cane in the interest of the growers. At the same time, it has also to be ensured that the factories are able to start the next crushing season in time and no undue strains develop during the earlier part of the season.

Both these issues, in fact, are inter-

linked and have to be tackled simultaneously. The question of getting all the available cane crushed is of immediate importance. This is a must. While sugar factories should endeavour their utmost to crush, as far as possible, all the available cane, some of their pressing difficulties in this connection need urgent attention of Government. The industry, legitimately feels elated about what has been achieved. For, indeed, it was the enterprising spirit of the factories that in the face of great risks involved they undertook to pay much higher prices than the statutorily fixed price for sugarcane. It is no exaggeration that during the seasons 1967-68 and 1968-69 the industry paid as much as Rs. 192 crores over the statutory cane price. It is this inducement to growers, made possible under the policy of partial decontrol, that helped the country to get rid of the scare of sugar shortage. There is plenty of sugar to go round and that too at considerably lower prices. What could be more satisfying for an industry which has the privilege of serving the vast multitude of sugar consumers in the country? Sugar is an essential item of consumption, particularly for the children and the old. It is, therefore, in the fitness of things that the industry should be able to serve the community at large by catering to their requirements in full and at reasonable prices. The industry would always prefer a situation where it has to deal with surplus stocks rather than shortages which vitiate the very fabric of the life of people. It is not only scared of the scarcity conditions but of higher prices too which benefit no one while causing undue hardship to the large mass of sugar consumers.

In the context of the present situation it is essential that adequate and satisfactory measures are adopted to ensure crushing of all the available cane now and also there is no delay in next season's crushing. How we tackle these issues would largely condition the future developments in this second largest industry of the country. No doubt, cycles are inherent in agricultural commodities. They cannot be entirely eliminated but, surely, their severity can be reduced through judicious and well-planned

timely measures. As in the past, for lack of adequate measures the present situation should not procreate a period of sugar shortage again in the near future.

It is necessary to ensure adequate credit facilities to sugar factories so that they are able to finance their increased output and maintain regular cane payment. As stated earlier, by the end of the current month the stocks with the industry are expected to rise to about 33 lakh tonnes. For financing such stocks, the industry will require about Rs. 413 crores, valuing the entire stock at the average levy price of Rs. 125 per quintal. After providing for a margin of 10%, the total financial requirement of the sugar industry from commercial banks would be of the order of Rs. 370 crores. The Reserve Bank, who have appreciated the industry's increased financial requirements, should ensure that funds of this order are made available to the sugar factories. Still quite a few mills have to get their limits raised adequately. Also the question of reduced margins on free sugar remains unsettled. In a matter like this where larger interests are involved, the commercial banks should agree to adopt a uniform pattern. The margin on free sugar should also be reduced to 10% as on levy sugar. The resources of the mills are strained to the utmost. Unless the margin is reduced, even the higher limits sanctioned may not be availed of by the mills, and consequently, cane payments may suffer.

Along with this, it is also necessary to ensure that the levy prices fixed by the Government, at which 70% of the production is procured, take into account the fall in recoveries which would inevitably result in much higher costs. Recoveries have already started declining quite rapidly, and as the season progresses further, the rate of decline will get accentuated. It is necessary that this aspect of the matter is fully taken into account and the levy prices are revised suitably. An early assurance to the industry, in this behalf, would be helpful. While revising the prices, it is necessary that the Government also take into account incidence of other costs which have been left out in the computation of provisional prices. For instance, rates of depreciation have gone up. So also the cane freight charges. There is also the incidence of the Wage Board recommendations. Besides, there are certain lacunae in the new cost schedules which should be rectified to ensure a fair cost structure for the industry.

Government have decided to allow a rebate in basic excise duty of Rs. 8 per quintal on production exceeding

105% of last year. It was indeed a well-conceived and well thought out measure to deal with the anticipated situation of surplus cane. It is seldom that Government take such anticipatory measures. The problem however has turned out to be of much larger magnitude than could be anticipated earlier. Diversion of sugarcane from gur and khandsari is on much wider and heavier scale. This is also understandable. For, the low returns available to the growers from gur and khandsari have greatly distressed them. As against the statutory minimum price of Rs. 7.37 per quintal fixed for sugar factories, the realisations from gur and khandsari are only of the order of about Rs. 4 per quintal. Growers are therefore anxious to divert their cane, as much as possible, to sugar factories. It is in this contest that the rebate announced in excise duty should be reconsidered. It is necessary that the rebate should be permissible on the entire additional production achieved over last year which itself was a year of heavy production. The quantum of rebate should also be raised suitably consistent with the declining sugar recoveries to enable the factories to recoup their losses.

The State Governments of U.P. and Maharashtra too have recognised the need for assisting the factories in their endeavour to prolong crushing operations to crush the extra cane now available to them. Both the State Governments have announced remission of purchase tax on cane from 15th May. In view of the intensity of the problem it is suggested that this concession should be extended from 1st May. The other State Governments should also extend similar facility to the factories in their States in the larger interests of the cane growers so that their entire remaining crop is crushed by factories.

Simultaneously with the question of utilisation of this year's cane crop, the question of reducing the burden of carry-over stocks to reasonable level should also be considered to minimise the strains developing during the earlier part of the next crushing season. No doubt, the most effective way of achieving this is to stimulate internal consumption. A *pari passu* balance between supply and demand of sugar can be maintained only through stimulation of its consumption. This is a must if the rising tempo of sugar output has to be sustained. In this context, the steep increase in the Central Excise Duty on sugar under the Central Budget for 1970-71 has come as a bolt from the blue. While the present *ad valorem* duty of 23% has been raised to 25% on levy sugar, on free sugar it has been increased to 37.5% for which there is

no justification. Even at the existing rate of duty the contribution of the sugar industry to the Central Exchequer in the form of excise duty has been of singular dimension being of the order of over Rs. 100 crores per annum. Further, it was only last year that the excise duty on sugar was increased by changing the basis of levying excise duty from a specific rate of Rs. 28.65 per quintal to an *ad valorem* duty of 23%. In the words of the then Finance Minister this had 'an incidental effect of an additional revenue of Rs 27.5 crores'. In actuality, however, Government have realised about Rs 42 crores; Rs 15 crores more than the estimated budget amount. This being so, a further rise in sugar excise in somewhat extraordinary. It is bound to stifle consumption at a time when a determined effort is required to stimulate it.

A novel feature of this year's budget proposal is that discriminatory rates of excise duty have been imposed on levy sugar and free sale sugar, the respective rates being 25% and 37.5% *ad valorem* for which there is hardly any justification. The imposition of such discriminatory and disproportionately high rate of excise duty on free sugar will defeat the very basic and long term objectives of the Government's sugar policy of ensuring a competitive cane price to the growers and steadily increasing sugar output. It is a self defeating measure.

Taking into account the increased internal off-take of sugar, even at a uniform rate of 25% *ad valorem* duty both on levy sugar and free sugar, Government would more or less realise the estimated revenue of Rs. 125 crores. Then, where is the need for a higher discriminatory duty on free sugar? It is also a mistaken notion that higher rate of duty on free sugar is not of much consequence. It is just the reverse. For, free sugar is consumed widely by the general public, specially in rural areas where rationing is not in vogue. Even in the rationed areas, free sugar is in fair demand by the general consuming public. No doubt, one of the big consumers of free sugar are industrial and commercial consumers and as such its price has a direct bearing on the prices of their products like sugar confectionery, biscuit, syrups, medicines and pharmaceuticals, canned fruits, etc. In other countries, industrial consumption of sugar is encouraged through rebates in excise duty. Here too with production outstripping the demand industrial consumption of sugar has to be encouraged. Even on this consideration, a higher rate of duty on free sugar will be a highly retrograde step.

With the imposition of such dis-

proportionately higher rate of duty on free sugar, the open market prices have virtually crashed. In fact, the ex-factory free sugar realisations now are even lower than the levy prices in almost all the regions. Inevitably, this has affected the factories financially who are already hard pressed due to poor off-take and the resultant higher costs due to longer carriage of stocks. In such circumstances, continued prevalence of low open market rates is not conducive to prolongation of crushing operations. So long as the free market continues to be sluggish and depressed, the lifting of levy sugar will also remain slow and the off-take will suffer. If this situation persists and free market prices continue to rule lower and depressed, it may affect crushing. Factories may be rendered just helpless. Indeed, it will be an unfortunate development. In the face of such compelling economic constraints of the situation, reduction of excise duty on free sugar to the same level as on levy sugar seems an emergent necessity. Otherwise, larger interests will suffer.

Closely related to this is the question of fixation of realistic tariff value for the assessment of duty on free sugar. It is important that the tariff value should be fixed consistent with the actual average free sugar realisations of the factories. It is indeed a matter of regret that the tariff values fixed have been invariably higher than the actual realisations. Due to fixation of such unrealistic higher rates of tariff values, the industry has been unjustifiably required to pay extra duty to the extent of about Rs. 130 lakhs. Undeniably, this has further accentuated the drop in ex-factory free market realisations of factories adding to their hardship.

It is also desirable that instead of the existing practice of fixing one all-India tariff value, it should be fixed on regionwise basis in view of price disparities prevailing in different markets. Since, such disparities have become more or less a normal feature, it is only fair that tariff values are fixed regionwise.

The present policy of releasing excessive quotas should be discontinued and it should be the policy of the Government to maintain a reasonable balance between the quantities released and the actual demand. Excessive releases unnecessarily dampen the market sentiments which tend to restrict the off-take while that is not the objective of the Government in releasing extra sugar. It is, therefore, suggested that forthwith the monthly releases should be reduced to 3 lakh tonnes; 2 lakh tonnes for levy sugar and 1 lakh tonnes for free sugar. Government should consider increasing this quota after it has

been possible to stabilise the demand in the country at this level.

It may be pointed out here that factories still have in stocks about 2 lakh tonnes levy sugar of 1968-69 season's production. This quantity has remained with them since the State Government nominees have not lifted their quotas. The concerned factories are hard-pressed as their finances are locked up with consequent loss of interest charges and the quality of sugar is deteriorating with the passage of time. It is essential that effective measures are adopted by Government to ensure deliveries of such sugar preferentially.

Exports and buffer stocks are necessary adjuncts to the production-oriented sugar policy. In an agro-based industry, it is always not possible to precisely balance the output with the requirements. It is only through a policy of exports and buffer stocks that a *pari passu* balance can be maintained without undermining the vital interests of cane growers. In the matter of exports, no doubt we have to operate under quota limitations, our present annual quota being only 3.17 lakh tonnes — 0.92 lakh tonnes are intended for U.K. (NPQ) and U.S.A. and the balance 2.25 lakh tonnes is under the International Sugar Agreement. It is a matter of profound regret that last year despite a sizeable output of 35.6 lakh tonnes and more than normal stock position, Government of India thought it advisable to surrender the International Sugar Agreement quota of 2.25 lakh tonnes in toto, on the consideration that such exports would involve considerable losses. It was an unfortunate decision. It is common knowledge that in licensing new capacity during the various Plan periods including the current Plan, Government have provided for extra capacity for exports and buffer stocks knowing fully well that exports would entail loss. Despite this, additional capacity was sought to be put up and also efforts were made to secure higher export quota for the country. Now when more sugar has been produced in the country, it appears strange that Government should have restricted exports on considerations of losses.

It appears that it may be possible to export full quota this year. No doubt, considerable time has been lost and shipments have been delayed. Every time when we have surplus sugar to export, it should not be made a matter of inter-ministerial consultations. On the contrary, exports should be made an integral part of the sugar policy.

Like exports, buffer stocks also become essential to stabilise the sugar

economy and maintain the stocks with the industry at a reasonable level. Recently Government have already indicated their intention to create buffer stocks. It is essential that Government will see their way to implement the scheme expeditiously.

The 1969 Tariff Commission has also emphasised the need for creating buffer stocks in gur. There are apparent difficulties in stocking gur since the gur produced in the country is mostly of inferior quality and would not stand longer storage. It is necessary to carry on adequate propaganda amongst the growers on the methods for producing better quality gur. For ensuring an economic gur price to the growers the factories may also be induced to convert gur into sugar. And to provide the factories with the additional cost involved, it will be necessary to forego excise duty on such sugar and also free the molasses produced in the process.

No doubt, lasting stability on the sugar front can be brought about only by stepping up cane development activities. The cane quality and per acre yields vary considerably from region to region. The quality of cane and the yields are much better in Deccan and the South than in the North. Climate conditions may be a contributory factor but these by themselves cannot explain the wide disparities.

For achieving success in the work of cane development, it is of paramount importance that the agency responsible for implementation of the schemes should be suitable for the purpose. In the north Indian States, cane development work is being looked after by the State Governments themselves. Besides, cane cooperative societies, which were primarily set up with the sole objective of marketing of cane, have been charged with the additional responsibility of cane development. With their establishment sugar factories have lost their direct link with the cane growers. As a result, factories have not been able to participate effectively in cane development programmes in their areas. This is the one single factor that has contributed materially to the slow progress.

In Maharashtra and the South where there are no cooperative societies, sugar factories have been able to take larger interest in the matter of cane development. In the north also if the factories are charged with the responsibility of sugarcane development in their areas more tangible results can be achieved. Both the expert bodies — the Gundu Rao Committee and the Sen Sugar Enquiry Commission — have un-

reservedly recommended that the responsibility of cane development in factory areas should be entrusted to sugar factories and Government should place adequate funds at their disposal to implement the various schemes. If only in about 50% of the reserved areas, development work is carried out through the agency of sugar factories as recommended by the expert bodies, it would provide a healthy competition between the existing development agency and the factories and tangible results would emerge.

There is also the need for ensuring a remunerative cane price to the growers. For maintaining sugarcane output at the desired level, the minimum cane price should be raised to Rs. 9 for all the States except those of Southern India, namely, Tamil Nadu, Andhra Pradesh, Mysore, Kerala and Pondicherry. Having regard to the higher yields and the returns available to the growers from other competing crops in these States, the present price is considered quite adequate. In fact, for these States cane price should be fixed at Rs. 6.62 per quintal linked to a base recovery of 8% which would, in effort, mean the present price of Rs. 7.37 at 9.4% recovery. Since sugar recoveries in most of these areas are low, the present base of 9.4% does not provide any incentive to growers there. For the rest of the country, as suggested, the cane price should be raised to Rs. 9 per quintal. It will of course be necessary to equalise the costs between the two regions arising out of such disparity in cane price through certain appropriate measures by Government.

In the last Railway Budget, sugarcane freight has been given a steep increase amounting to as much as 40% over the previous freight. The sugarcane traffic being a short distance traffic, is conducted mainly in the rejected wagons and the operating cost of the railways is considerably low. Moreover, sugarcane is a perishable commodity and any increase in its freight has a direct bearing on the welfare of the cane growers. It may also curtail sugar output. It is, therefore, essential that the old freight charges should be restored.

Recently there has been a demand for

nationalisation of the sugar industry in Uttar Pradesh and Bihar. The two State Governments have set up Committees to make suggestions on the form and procedure of the take-over of the sugar industry in the respective States.

This matter was discussed at length by both the Houses of Parliament. During the debate, the Union Food Minister had announced appointment of a Central Committee to assess 'the financial, administrative and managerial problems involved as also the organisational structure necessary to implement the recommendations of the Committee'.

In this context, it is indeed a matter of great surprise and regret that the two State Governments should have considered it desirable to proceed in the matter even without waiting for the findings of the above Committee. The appointment of the two State Committees to examine a question that is already scheduled for a thorough examination by a Central Committee is indeed inexplicable.

In a matter like this involving larger national interests it is essential that the issues are investigated dispassionately by an expert body, as proposed by the Union Government, and no extraneous considerations are allowed to vitiate them.

A dispassionate study would go to show that there is no economic justification for nationalising this industry. On the contrary, with nationalisation of the industry, the element of healthy competition which presently exists in the industry, will disappear. Perpetuation of rigid controls on the industry, which will inevitably flow from nationalisation, will destroy the growers' economy and make sugar dearer for the consumers. For, controls by their very nature are restrictive and retard production resulting in shortages thereby adversely affecting the interests of consumers. On the other hand, growers' interests would also suffer as they will have to rest content with the statutory minimum cane price and it will never be possible to get higher prices as received during the last two seasons under the policy of partial decontrol.

Nationalisation of the sugar industry

in U.P. and Bihar will not serve the desired public interest. Cooperativisation too will lead to similar results not serving the objectives of public interest.

Nationalisation or cooperativisation will only retard the growth and development of the industry generally and in U.P. and Bihar in particular. In fact, it will dampen fresh investments in these States and further wider development of these regions which is asserted as essential for reasons of higher employment and political stability will suffer.

Further, any such action by a State Government is likely to have much wider repercussions on the economy as a whole. If Bihar and U.P. Governments nationalise sugar, it is not unlikely that other States will also follow suit by nationalising their principal industries. Undeniably, a situation like this will be highly detrimental to the country's basic economic unity. The larger national interests, therefore, demand that the State Governments should desist from taking any such hasty step which may well prove to be disastrous to the country's economy. The State Governments of U.P. and Bihar should at least await the findings of the Central Committee.

Recently the U.P. Government has handed over the management of certain units to official receivers on the ground of non-payment of cane price and/or Government dues. Payment of cane price is the first charge on a factory and there can be no justification for its non-payment. However, the precipitate action taken might only tend to aggravate the malady and perhaps this is what has happened. The arrears of cane price today with some of the units placed under receivers have gone up considerably. Mere appointment of receivers, who are entirely new and inexperienced to the task of factory management, cannot help. On the contrary, the working of such factories might suffer resulting in more arrears. It will thus become a vicious circle. The U.P. Government, instead of resorting to such precipitate action should have taken the industry into confidence and gone at the root of the problem so that appropriate measures could be evolved to deal with the situation.

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TEXTILE MACHINERY CORPORATION LTD.
Notice

NOTICE is hereby given that the Thirtieth Annual General Meeting of TEXTILE MACHINERY CORPORATION LIMITED will be held on Monday, the 29th June, 1970 at 4 p.m. at the Registered Office of the Company at Belgharia, 24-Parganas, West Bengal to transact the following business:

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 31st December, 1969.
2. To declare dividend on Preference Shares.
3. To appoint Directors in place of Dr. S. C. Law and Shri Surottam P. Huthiesing who retire by rotation and are eligible for re-election.
4. To appoint Auditors and fix their remuneration.

NOTICE is further given that the following business will be transacted as SPECIAL BUSINESS in the Meeting:

5. To appoint a Director in place of Shri K. K. Birla, who was appointed as an Additional Director by the Board of Directors and whose term of office expires at this

Annual General Meeting under Section 260 of the Companies Act, 1956, and in terms of Articles of Association of the Company, and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director and signifying his intention to move the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Shri K. K. Birla be and is hereby appointed a Director of the Company".

6. To appoint a Director in place of Shri A. L. Goenka, who was appointed as an Additional Director by the Board of Directors and whose term of office expires at this Annual General Meeting under Section 260 of the Companies Act, 1956 and in terms of Articles of Association of the Company, and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director and signifying his intention to move the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Shri A. L.

Goenka be and is hereby appointed a Director of the Company."

The Register of Members of the Company will remain closed from 16th June, 1970 to 29th June, 1970 both days inclusive.

By Order of the Board
O. P. JHUNJHUNWALA
Secretary

Belgharia,
18th May, 1970.

N.B. (1) A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member.

(2) Dividends, when declared, will be paid to the registered shareholders whose names would appear on the Company's Register on the 29th June, 1970 or to their order or to their Bankers.

(3) The Explanatory Statement as required under Section 173 of the Companies Act in respect of Resolutions Nos. 5 and 6 is being forwarded to the Shareholders of the Company along with this Notice.

INDIAN COPPER CORPORATION LIMITED.

(Incorporated in England with liability of its members limited)

DIVIDEND NO. 44.

NOTICE IS HEREBY GIVEN that at the Fortysixth Annual Meeting to be held in Committee Room No. 2 (2nd Floor) of the Bengal Chamber of Commerce and Industry, Royal Exchange, Calcutta-1, on Wednesday, the 22nd July, 1970 at 11-30 A.M. the Directors will recommend payment of a Dividend (No. 44) for the year ended 31st December, 1969 of 8.889% (2.1333 pence i.e. 16 Paise per unit of stock) subject to deduction of Tax, in respect of the Issued Capital £2,571,188, amounting to £228,550 (last year 8.889% amounting to £228,550). Subject to confirmation of members, the dividend will be paid on or after the 17th August, 1970 to all members registered in the books

of the Company at the close of business on the 1st June, 1970.

The Registers of Members will be closed from the 2nd June, 1970 to the 22nd June, 1970, both days inclusive.

The profit before Taxation for the year ended 31st December, 1969 after providing £319,669 for depreciation (£208,465 last year) and £135,798 for Development Rebate Reserve (£36,634 last year) was £1,225,126 (against £1,670,625 for previous year), out of which £530,556 has been provided for Taxation (against £861,111) leaving a net profit for the year of £694,570 (against £809,514). To this has been added, £41,919 (last year £35,501) being the Development Rebate Reserve written back in respect of prior year, making a balance available

for distribution of £736,489 (against £845,136). Out of this balance, £ Nil (against £92,869) has been written off against Miscellaneous Expenditure, £35,477 (against £34,131) has been transferred to Reserve for Capital Development, £11,671 (against £17,750) to Capital Reserve and the balance £689,341 (against £700,386) to General Reserve. The Directors will recommend the payment of the dividend referred to above out of General Reserve.

BY ORDER OF THE BOARD,
E.A. JOHNSTON,
Secretary.

Gillander House,
Netaji Subhas Road,
Calcutta-1.

Dated the 20th May, 1970.

THE RIGHT KIND OF CLOTH/

J.C. FABRICS

SPECIALITIES :

SUITINGS	ROLLER &
SHIRTINGS	SCREEN PRINTS
LENOS	TAPESTRIES
POPLINS	DHOTIES
TOWELS	SAREES

ETC. ETC.



Jayajee Rao
**COTTON
MILLS, LTD.**
BIRLANAGAR (M.P.)

RECORDS AND STATISTICS

Fourth Plan : 1969-74

THE FOURTH five-year Plan, 1969-74, aims at acceleration of the tempo of development in conditions of stability and reduced uncertainties. It has also to provide the next step forward in attaining accepted aims and objectives of Indian planning.

This is the general approach to the fourth Plan, as stated in the final document, presented to Parliament on May 18.

The document also says that in formulating the fourth Plan the successes and failures so far, the observed continuing trends in the economy and the specific experience of recent years have been taken into consideration. The most notable lesson is that the current tempo of economic activity is insufficient to provide productive employment to all, extend the base of social services and bring about significant improvement in living standards of the people. The continuity of even this moderate rate of growth is likely to be threatened if instability emerges because of the weakness on the food front and too great a dependence on foreign aid.

Safeguards against Fluctuations

The Plan document says that it is proposed to introduce safeguards against fluctuations of agricultural production as well as the uncertainties of foreign aid in the period of the fourth Plan. Together with programmes of increased agricultural production the Plan provides for the building of sizable buffer stocks to even out the supplies of foodgrains and other measures to stabilise foodgrain prices and the price level in general.

Further, in regard to the financing of the Plan emphasis is being placed on additional mobilisation of internal resources in a manner which will not give rise to inflationary pressures. The outlays on the Plan are proposed to be closely related to the possibility of raising resources in a non-inflationary way. National self-reliance and growth with stability can be attained only if additional effort is put forward at every level. Dependence on foreign aid will be greatly reduced in the course of the fourth Plan.

It is proposed to do away with concessional imports of foodgrains under PL 480 by 1971. Foreign aid net of debt charges and interest payments will be reduced to about half by the end of the fourth Plan period compared to the current level. Planned

increases in production of foodgrains, raw materials and manufactured goods are calculated to make it possible to limit the growth of other imports to manageable proportions.

A sustained increase of exports by about seven per cent a year is another essential element of strategy in the fourth Plan to secure balance on foreign account and approach speedily towards the goal of self-reliance.

Investment Outlays

These measures which seek to limit the extent of foreign aid and to avoid inflationary financing have influenced the total investment outlays proposed in the Plan. The resource position having improved it is possible to increase investment in public sector industrial activity, although the outlays will still be modest. It is hoped, however, that even with these outlays the tempo of economic activity will be stepped up significantly in the initial years of the Plan. If the performance is better, the Plan outlays in later years could be larger than provided for now. Success depends essentially on the extent of internal effort made in saving and investment and on the operational efficiency and economic discipline displayed by official and non-official agencies and establishments.

The problem of imbalance in development as between states is described by the planners as "highly complex." Differences in development between state and state arise out of variations in activity in the three sectors — co-operative, private and public.

Development of the co-operative sector is related to the strength and coverage of co-operatives in the state. The internal resources of the co-operatives depend on this factor; it is even more important that the co-operatives obtain financial assistance from national financial institutions such as the Reserve Bank of India, the Agriculture Refinance Corporation or the Life Insurance Corporation. Development of this sector, therefore, will depend on the efforts of the government and the people of each state towards building up co-operative organisations. No specific new programmes or policies of the central government could help materially in this regard.

The private sector activity depends on the extent of entrepreneurship within the state, the resources commanded by it and on infrastructure and other de-

velopments within the state conducive to development of such activity. Attracting entrepreneurs from outside the state is also dependent mainly on the services and facilities available within the state. To a limited extent this can be stimulated by special concessions.

Public sector outlays are provided for programmes of building up the infrastructure, or of conservation and development of natural resources and for direct entry of the state in industrial or other productive activity. The first could promote development of activity in all sectors, and the second may partly make up for lack of development in the co-operative and private sectors. Both depend on the extent of financial resources of the state and their proper utilisation by government.

Availability of resources with state governments for planned development is the heart of the matter. This in turn depends on the economic strength of the state and the efficiency shown in the management of its affairs, particularly financial.

In this connection, the directions in which the centre can help are: (1) allocation of central assistance; (2) location of central projects; and (3) adjustments in procedures and policies of national financial and other institutions.

Assistance to States

To the extent that the deficiency of resources in a state is not due to defects of management, the allocation of central assistance to the state might help. However, in the existing arrangements such help will not be substantial.

The policy of locating large central projects in backward states and areas, wherever such deliberate placement is possible, is already accepted. However, this cannot be a major factor in correcting imbalances. The possibility of inducing additional public and private sector investment through changes in policies and procedures of financial and other national institutions is under consideration.

Balanced regional development and dispersal of economic activity are closely interrelated. Growth and diversification of economic activity in an under-developed area can take place only if the infrastructure required for this is provided in an adequate measure and programmes for conservation and development of natural resources undertaken.

Within a state, development planning has to satisfy these primary needs of each region or area. Proper attention must be paid to development of agricultural production. This will be made

possible also by schemes for dry areas.

In the development of animal husbandry, attention must be on the broadening and strengthening of the economic base of small farmers and other rural producers. An important aim of industrial development must be to meet local demand through local processing and utilisation of locally available material. Diffusion of industrial activity will be facilitated by the rural electrification programme on which large outlays are proposed.

A major objective of the Plan is stated to be to create more employment opportunities in the rural sectors on an increasing scale. In the rural areas, this will be through labour intensive schemes such as minor irrigation, soil conservation, ayacut and special area development and private house building. Extension of irrigation and multiple cropping should result in a considerable increase in the demand for agricultural labour in many areas.

An Important Aspect

An important aspect of the Plan is to give support at a much higher level to institutional finance for rural development. In determining the volume of urban employment recent experience indicates that employment in the manufacturing industry plays a crucial role.

The growth of employment in the field depends to a considerable extent on public sector investments in industry and minerals, in transport and communications and in power. Plan investments and the expected increase in national incomes would lead to activation of the economy.

The greater self-reliance now attained in indigenous manufacture of plant and equipment, coupled with increased investment and resumption of industrial growth should be reflected in fuller employment as well as wider job opportunities throughout the country.

Further as a consequence of the increased tempo of agricultural and industrial activity, larger employment is expected in the tertiary sector, particularly in road transport. In the aggregate, therefore, the effects of the Plan proposals in improving the employment situation may be expected to be significant.

In planning it is necessary to aim not only at an increase in total income and employment but also at an appropriate distribution of such increase. The distributive aim is particularly relevant to the goal of attaining a national minimum. Calculations indicate that with the expected growth in national income during the next two Plans, a reasonable

level of average per capita income may be attained at the end of 10 years.

The possibility of progress in the desired direction during the fourth Plan depends on the success of a number of programmes proposed in the Plan. There are, for example, the special package scheme for small farmers, programmes of animal husbandry to support the economy of small farmers and landless labourers, administration of forestry schemes to benefit contiguous rural areas and forest labourers and dwellers, long-term programmes of rehabilitation and development on a viable basis of individual rural industries, and measures for dispersal of industry and for the protection and continuous technological progress of small-scale industries. A pilot project to test the possibility of making a standing offer of employment to local labour in selected areas is under consideration.

The objective of fuller employment and social justice will not be realised without stricter economic discipline and greater readiness on the part of the relatively well-to-do to accept restraints on their rising consumption in order to release resources for the faster development of the economy. Speedier progress towards social justice also postulated more radical policies of income distribution. When incomes are rising the objectives of growth and social justice are easier to reconcile. In conditions of relative stagnation, however, progress towards these objectives is beset with very considerable difficulties particularly in the context of a parliamentary system of government.

Nationalisation of Banks

The plan document states that nationalisation of banks is expected to help progress in the direction of socio-economic democracy. It can do so by ensuring that availability of credit for various types of small producers and other business units is adequate and on reasonable terms. This will require not so much diverting large resources for the purpose as creating appropriate institutions, speeding them through all areas and evolving suitable procedures.

Revised calculations have indicated that during next four years it should be possible to step up mobilisation of saving through credit institutions and that a part of this additional mobilisation could be made available in the form of borrowings by the governments, public corporations and financial institutions. The increase in resources in the public sector has been utilised to raise outlays for purposes for which larger allocations were considered necessary in the Plan.

Moreover, it is now possible to move in at least a few areas with a comprehensive type of total development oriented to employment.

It is also stated that an important concern of national policies is that all strategic economic decisions are made by agencies informed with a social purpose. Emphasis on dispersal of enterprise and the clear statement that expansion of the public sector should not mean centralisation of decision making is designed to improve efficiency of operation. Decentralised decision making is also a value in itself.

In the rural sector the extension of co-operative activity could lead to the desired combination of social purpose and decentralised decision making. In modern industry the important general allocatory control that exists today relate to the licensing of imports and to long-term finance through public financial institutions. The nationalisation of banking should lead to major decisions being informed with social purpose over the whole sphere of organised institutional credit.

Storage Capacity

Outside of credit and productive activity, the major sphere is training and storage. The Plan makes substantial provision for increasing storage capacity in the hand of public agencies. In trade the main sensitive areas are those of the allocation of scarce imported commodities, the wholesale trade in agricultural commodities, especially foodgrains, and the distributive system in relation to essential goods of mass consumption. It is proposed to establish substantial control of public agencies over these sensitive areas during the Plan period. Import and distribution of the more important imported commodities with demand from many sources will be appropriately entrusted to relevant public agencies.

It is expected that planned growth of the co-operative distributive system, linked effectively with the co-operative marketing system will take a larger share not only in distribution of foodgrains but also in distribution of other goods obtained by producers and those paid by consumers, specially for agricultural commodities.

Modern large scale industry is subject to some specific price and allocation controls and to general capital issue and licensing controls.

There is, however, one direction in which exercise of greater vigilance by government is imperative. This is in relation to location of industries in metropolitan and large city centres. This should be effected in two ways; firstly by positive assistance and incen-

tives given for dispersal of industry, and secondly, by disincentives imposed in large cities and positive steps taken for decongestion of metropolitan areas.

Reference is made to policy in relation to the operation of public sector enterprises. This is linked with action proposed in two separate directions. First is in the direction of much greater coordination and integration. Though investment in the public sector have been large and their composition varied, the different units within the sector do not act sufficiently in concert. It is suggested that this defect be removed by creating appropriate machinery for effective coordination. When this happens the plans of individual units will become more purposeful and their operations efficient. Secondly, it is proposed that detailed decision making in the individual units should be effectively decentralised. This is a specifically stated objective of government policy which has yet to be attained.

The Plan document says that the objective of national planning in India is not only to raise the per capita income but also to ensure that the benefits are evenly distributed, that disparities in income and living are not widened but in fact narrowed, and that the process of economic development does not lead to social tensions endangering the fabric of the democratic society. In part these can be achieved by seeing that, in the implementation of the programmes, the weakest are looked after first and the benefits of development are made to flow by planned investment in the underdeveloped regions and among the more backward sections of the community.

Long-Term Perspective

In a study of long-term perspective for 1980-81, the fourth Plan document says that on the basis of production targets for various sectors, judged feasible after careful examination, the economy is expected to achieve an average annual increase of about 5.5 per cent in total production during the fourth Plan period, 1969-74.

The growth of output in the fifth Plan (1974-79) will, to a considerable degree, be determined by investments and the preparation undertaken during the fourth Plan for increased investment in the future.

A steady acceleration of the growth rate must be aimed at but it would be unrealistic to postulate a growth rate far in excess of what is realised in the fourth Plan. Furthermore, the goal set for the period beyond 1973-74 must be of a magnitude which can be sustained with reasonable price stability and on the basis of progressive self-reliance.

The long-term projections are based on a careful assessment of the demo-

graphic prospects, feasible growth in agricultural production, mobilisation of internal savings, efficiency of investment, growth of exports and import substitution. Taking these considerations into account, a target of growth of around 6.2 per cent per annum for the fifth Plan and up to 1980-81 is considered feasible.

It is also stated that the projections are presented up to 1980-81 so that the detailed investment planning in the fifth Plan will take fully into account the need for advance preparation in respect of additional output in long gestation sectors to be realised in the early years of the sixth Plan.

On this basis, net domestic product (valued at 1968-69 prices) would reach Rs 58,200 crores by 1980-81, that is, double the level attained in 1968-69. Since population would, in the meantime, have risen by about a third, per capita output of Rs 844 in 1980-81 would be 53 per cent higher than the per capita output of Rs 552 in 1968-69.

The Plan document says that population growth is an important variable determining the rate of improvement in per capita income.

The assumptions relating to population growth are explained by the planners. According to the Registrar General's recommended projections (medium variant), which form the basis of the calculations, the population would increase at the rate of around 2.5 per cent during the fourth Plan. This rate would fall thereafter, reaching 1.7 per cent a year by 1980-81.

Implicit in these projections is the assumption that there will be a decrease in birth rate from 39 per thousand of population in 1968 to 25 in 1980-81 on the basis of an active family planning

programme and a decline in the death rate from 14 per thousand of population to less than nine over the same period.

The current programme of family planning seeks to achieve a somewhat faster rate of reduction of birth rate than implied in these projections. Without a successful effort at limiting population growth, it would be difficult to achieve the degree of acceleration in improvement of living standards implied in our projections for the period. Its significance for the more distant future is even greater. If population growth is brought down to 1.7 per cent by 1980-81 and further to 1.0 per cent by the end of the century, the population in the year 2000 (estimated at 890 million) will be 260 million less than what it would be if the present rate of growth continues unchecked.

Population growth on this scale can be a crippling handicap, since population in relation to resources is already large, incomes are low and economic development is a desperate need. The speed at which a country develops depends largely upon its ability to direct a larger part of its growing resources to investment rather than current consumption.

Population growth thus presents a very serious challenge. It calls for a nation-wide appreciation of the urgency and gravity of the situation. A strong, purposeful government policy, supported by effective programme and adequate resources of finance, men and materials is an essential condition of success.

The projected evolution of the economy over the next 12 years since 1968-69, viewed in terms of broad aggregates, as indicated in the Plan document, are given in Table I.

In order to reach the target level of

TABLE I
PROJECTED EVOLUTION OF ECONOMY
(Rs 100 crores at 1968-69 prices)

Item	1968-69	1973-74	1978-79	1980-81	Index of growth 1980-81 over 1968-69
Net domestic product at factor cost	290.7	383.1	517.0	582.2	200
Net domestic product at market prices	317.6	418.6	571.0	644.4	203
Net imports of goods and services	3.1	2.3	(—)1.0	(—)2.0	
Net domestic expenditure of which:	320.7	420.9	570.0	642.4	200
net investment	32.3	55.0	86.2	102.5	317
government consumption	31.0	41.0	55.0	62.0	200
private consumption	257.4	324.9	428.8	477.9	186
Per capita private consumption (Rs)	488	545	644	693	142
Per capita net domestic product (Rs)	552	643	776	844	153
Projected mid-year population (in million)	527	596	666	690	131

income in 1980-81 and sustain a growth rate of at least 6.5 per cent per annum beyond that year, it is essential to raise the ratio of net investment to net national product from the current level of 11.2 per cent and the planned 14.5 per cent in 1973-74 to 17.18 per cent by 1980-81. Since growth involves steady expansion of productive capacity the need for an adequate level of saving and investment is self-evident.

The targets of income and investment are sought to be achieved without calling for any significant increase in foreign debt beyond the fifth Plan. This implies that internal savings of the economy after 1978-79 should be sufficient to finance not only investment but also the payment liabilities on foreign debt, and that the growth of imports and exports is so managed in the context of the requirements of the growing economy that after 1978-79 the economy has a foreign trade surplus (inclusive of invisibles), equivalent to at least the interest payment to foreign creditors.

If 28 per cent of the postulated increase of income each year were saved, the internal savings needed to support the Plan could be assured. The foreign exchange aspect of the problem could be taken care of by exports growing at seven per cent a year, and non-food imports at 5.5 per cent a year (with food imports being progressively eliminated during the course of the fourth Plan).

Aggregate Consumption

With savings rising considerably faster than income, aggregate consumption necessarily has to increase at a relatively slow rate. Aggregate consumption in 1980-81 is estimated to be 87 per cent higher than in 1968-69, implying a rate of growth of 5.3 per cent per year compared to a six per cent growth rate of aggregate income. The public consumption expenditure is estimated to rise somewhat faster than private consumption. A rapid growth of public expenditure on education, health and social services is one of the most effective instruments for improving the productivity and earning capacity of the less privileged sections of the population.

Allowing for population growth and in pursuit of our objectives of promoting greater equality of opportunity and paying special attention to the poor, an 8-9 per cent rate of expansion in public expenditure on these services should be provided for.

Other elements in public consumption, namely defence and non-development outlays are projected to grow at 4 to 5 per cent a year.

In the course of the next twelve years private consumption can thus be raised

by 86 per cent in the aggregate and about 42 per cent in per capita terms.

The average per capita private consumption, valued at 1968-69 prices, would reach Rs 693 by 1980-81 (compared to Rs 488 in 1968-69). The consumption levels of the poor segment of the population would naturally be much lower than the average. In the rural areas the per capita consumption of the poorest decile of the population is roughly 35 per cent of the average in rural areas and about 28 per cent in the case of urban areas. This segment of the population consists mostly of destitutes, disabled persons, pensioners and others who are not fully in the stream of economic activity. Their income and living standards cannot be expected to rise with the growth of the economy in the absence of special assistance.

Benefit to Masses

The remaining 90 per cent of the population could be expected to benefit directly from the growth in production and employment. If the pattern of inequality in consumption were the same as observed in 1967-68, the second poorest decile of the population would have a per capita consumption level (valued at 1968-69 prices) of about Rs 320 per annum or about Rs 27 per month by the end of the period. This would be equivalent to the consumption level of Rs15 per month in terms of 1960-61 prices, which is appreciably below Rs 20 per capita per month, which was deemed a minimum desirable consumption standard.

The plan document observes that growth with stability should remain the objective of the Perspective Plan, as it is of the fourth Plan. This essentially means that the supply of consumer goods should increase commensurately with the expansion of demand for these goods, after allowing for the specified level of investment.

What is sought to be ensured is

TABLE II
AREA, YIELD AND PRODUCTION OF MAJOR CROPS:
PROVISIONAL PROJECTIONS

Crops	1968-69			1980-81		
	area mill. ha.	yield kg/ha	produc- tion mill. tonnes	area mill. ha	yield kg/ha	produc- tion mill. tonnes
1	2	3	4	5	6	7
Cereals	99.2	843	83.6	107.0	1389	148.6
Pulses	21.3	488	10.4	25.0	744	18.6
Oilseeds	14.6	473	6.9	20.0	760	15.2
Sugarcane	2.5	4878	12.0	3.2	6875	22.0
(gur equivalent)						
Cotton (lint) ..	7.7	124	0.95	11.5	172	1.98

ha—hectare.

stability in the price level of essential consumer goods taken as a whole—the criterion of “essentiality” being the importance of the particular good or class of goods in the consumption of the mass of the people. Reasonable changes in relative prices should be permitted to provide for flexibility in the economy and for imbalance between the pattern of supply and of demand to adjust themselves.

Nearly 60 per cent of the total household consumption and 85 per cent of the commodity consumption of households consists of agricultural products or manufactures based principally on agricultural raw materials. The prospect of achieving the projected growth in incomes under conditions of price stability is almost entirely a function of the prospect of growth of agricultural production.

Data from the National Sample Survey suggest that the overall elasticity of demand for food products is of the order of 0.8. Using this elasticity and the projected growth of population and per capita private consumption, the demand for farm products is estimated to rise at the rate of 4.7 per cent a year.

Agricultural Production

Agricultural production will have to increase a little faster than demand during the fourth Plan so that the dependence on imported foodgrains may be eliminated. Thereafter, the requirements of price stability would be largely met if the gross value of agricultural production were to increase at the same rate as demand. Over the period as a whole agricultural production will have to increase by 5 per cent a year.

The provisional projections of the area, yield and production of major crops in 1980-81 and comparative figures for 1968-69 are given in Table II.

Gross cropped area is projected to

reach 188 million hectares by 1980-81 compared to 156.6 million hectares in 1966-67. The implied rate of increase of 1.3 per cent per annum is roughly the same as for the first three Plan periods. Some new land can be brought under cultivation with the spread of irrigation in such arid areas as the Rajasthan canal tract, reclamation of saline or water-logged lands and culturable waste.

The introduction of improved soil and moisture conservation practices, the spread of irrigation and the increased use of chemical fertilisers can be expected to augment net sown area through a reduction of fallows.

The major part of additions to cropped area will, however, have to come from multiple cropping. The increase in cropping intensity is largely a function of the expansion and improvement of irrigation combined with development of crop varieties which can be fitted into tight rotations.

It is visualised that gross irrigated area would reach 58 million hectares by 1980-81 and that cropping intensities in irrigated areas would reach 1.5. In unirrigated tracts a slight increase in cropping intensities is projected largely in continuation of observed trends over the first three Plans. The projected growth of crop area in 1966-67 and 1980-81 are given in Table III.

TABLE III
PROJECTED GROWTH OF
CROP AREA
(in million hectares)

Item	1966-67	1980-81
Net sown area	137	151
Gross sown area	156.6	188
Gross irrigated area	32.8	58
Gross unirrigated area	123.8	130

With gross cropped area increasing only at 1.2 per cent per annum, the fulfilment of agricultural production targets calls for a sharp increase in the rate of improvement in yields per hectare. There is reason to believe that the recent technological developments and the rapid growth in fertiliser use would permit substantial acceleration in yield increases of cereals.

The major problem-area is in respect of pulses, oilseeds, and cotton. The yields of these crops have increased slowly. Nevertheless there is considerable scope for improvement.

The prospects for the animal husbandry sector, the demand for whose

products will grow much faster than for other farm products, hinge primarily on the rate at which the supply of fodder and of grains and other concentrate feed will increase. Measures for bringing about significant improvements in breed will take time to give results. The prospects for increasing grain production and ensuring increasing supplies for feed purposes appear reasonably good. Even so there is room for apprehension regarding possible imbalances between supply and demand of animal products.

The increase of agricultural output as projected, and in particular the production of foodgrains, is stated to be an essential condition for attaining self-reliance as much as it is for price stability. The balance of payment projections are based on the assumption that food imports will be progressively eliminated during the course of the fourth Plan.

Industrial Development

Referring to the rate and pattern of industrial development, it is stated that on a rough estimate an overall rate of expansion of around 9 per cent in the net output of mining and manufacturing industries and construction would appear to be consistent with the projected growth in aggregate income and agricultural production.

The pattern of industrial expansion over the next decade or so should continue to be guided by the necessity of meeting the requirements from domestic production of a wide range of manufactures which admit of economic production. Quantitatively the most significant branches of industry which need attention from this view point are fertilisers and fertiliser raw materials, me-

tals, petroleum products and machinery. In all these areas a sizable proportion of our total requirements is met by imports. It is estimated that in 1968-69, 60 per cent of finished fertiliser requirements, 64 per cent of crude oil, 65 per cent of alloy and special steel, seven per cent of mild steel, 74 per cent of copper, and 79 per cent of newsprint were met by imports.

Machinery Imports

Imports of machinery and components amounted to Rs 516 crores and represented about 30 per cent of the machinery requirements. Over the next decade, the projected growth of income and investment will increase the requirements of mild and alloy steel at the rate of 10 per cent per annum, machinery and equipment more than 10 per cent, nitrogenous fertilisers 10 per cent, phosphatic fertilisers 19 per cent and petroleum products nine per cent. The dominance of these products in our import trade and the fact that the demand for them is growing rapidly underscores the importance of reducing dependence on import in these areas if the balance of payments objectives were to be met.

Domestic production in all these branches will have to increase faster than the expected growth of internal demand with a view both to reducing the imports and taking advantage of prospective export opportunities.

The requisite level of production of selected agricultural, mineral, and manufactured products for 1968-69 to 1980-81 is given in Table IV.

The projected expansion of metals,

TABLE IV
REQUISITE LEVEL OF PRODUCTION OF SELECTED AGRICULTURAL, MINERAL AND MANUFACTURED PRODUCTS

Commodities	Unit	1968-69	1973-74	1978-79	1980-81
Foodgrains	mill. tonnes	94*	129	155	167
Sugarcane (in terms of gur)	mill. tonnes	12	15	20	22
Oilseeds	mill. tonnes	6.9	10.5	14	15.2
Cotton yarn	thou. tonnes	959	1150	1500	1680
Sugar	thou. tonnes	3559	4700	6500	7500
Fertilizers-nitrogenous ..	thou. tonnes nitrogen	541	2500	5200	6400
Fertilizers-phosphatic ..	thou. tonnes P ₂ O ₅	210	900	2100	2500
Coal	mill. tonnes	69.5	93.5	130	145
Petroleum products	mill. tonnes	15.4	26	39	46
Electricity-generation ..	billion Kwh	51.7	85	148	180
Iron ore	mill. tonnes	28.1	51.4	71	83
Cement	mill. tonnes	12.2	18	27	32
Finished steel	mill. tonnes	4.7	8.1	12.5	15
Alloy and special steel ..	thou. tonnes	43	220	410	450
Aluminium	thou. tonnes	125.3	220	450	500
Machine tools	Rs. million	247	650	1000	1150
Commercial vehicles ..	thou. nos.	35.6	85	150	175

*Likely production in 1969-70 is estimated at 100 million tonnes.

chemicals and machinery says the Plan document would make an important contribution to import substitution. However, there will still be a number of products for which increased imports will have to be provided. Principal among these are fertiliser materials (rock phosphate and sulphur), non-ferrous metals other than aluminium and crude oil, for which India has neither adequate indigenous resources nor economical indigenous substitutes. Much of the increased requirements will have to be imported. Essentially the same considerations apply to specialised items of industrial raw materials and machinery which cannot yet be produced economically within the country. Some allowance will have to be made for the possibility that production and

demand may not move in accordance with the profile as projected.

Taking these considerations into account, non-food imports over the next decade or so are estimated to grow at around 5.5 per cent per annum. A broad picture of the projected composition of imports upto 1980-81 and the comparative adjusted figures for 1968-69 (the latest year for which complete data are available) are given in Table V.

The fourth Plan document says that expanding exports provide one of the important measures for raising import capacity and have a crucial role in a developmental strategy aiming at self-reliant growth. India's share in world exports is less than one per cent. Even

with the growth of exports envisaged in 1980-81, India's share in world trade will not be significantly higher. The implied rate of growth of export earnings is seven per cent per year over the entire period of 10-12 years. This rate cannot be considered as too high. To sustain it over a long period, would require a bold approach, considerable diversification of our exports and a concern for quality and price competitiveness. The projected pattern of export growth 1968-69 to 1980-81 is given in Table VI.

Traditional Exports

The growth of our major traditional exports and, in particular, tea, jute and cotton textiles is likely to be slow. The major direction of future diversification will lie in metals and metal manufactures (including machinery, equipment and engineering goods), iron ore, chemicals, and allied products. The world demand has been growing and will continue to grow at a much faster rate than for most other items. With its wide and expanding industrial base India should be in a position to take advantage of the growing trade opportunities in this range of products on a competitive basis. Of the projected increase in commodity exports, nearly two-thirds would be obtained by the expansion of trade in minerals and manufactures. The share of tea and jute manufactures, two of the major traditional export items, is expected to be reduced from about 28 per cent of the total exports in 1968-69 to about 15 per cent in 1980-81. The relatively rapid growth of demand for leather and leather products, fish, fresh and processed fruits and oilcakes in the world market, however, offers a promising avenue for expansion.

The scheme of long-term development seeks to eliminate dependence on foreign aid by 1980-81. Commodity imports in 1968-69 according to balance of payments data, were Rs 1,740 crores. Foreign exchange payment on account of interest and amortisation on account of foreign debt was Rs 277 crores.

There was a substantial net outflow on account of invisibles, net private capital transactions and other miscellaneous items of Rs 202 crores, making a total foreign exchange outgo of Rs 2,219 crores. As against this, the commodity export earnings were only Rs 1,367 crores leaving a deficit of Rs 852 crores. This was covered by external assistance (including Rs 118 crores of PL 480 assistance). By 1980-81, commodity imports are expected to increase to Rs 2,950 crores and debt service charges to Rs 650 crores. The balance on account of invisibles, private capital transactions and other miscellaneous

items is expected to show a modest surplus by 1980-81. This together with the estimated export earnings of Rs 3,020 crores would be adequate to meet the commodity import requirements as well as interest obligations on foreign debt.

The objective of self-reliant growth requires that the supply of domestic savings be increased to a level adequate to finance projected investment and to pay at least interest on foreign debt. In order to reach the projected level of income in 1980-81 and to sustain at least a six per cent rate of development thereafter, the net investment in the economy will, on a provisional estimate, be required to reach Rs 8,600 crores by 1978-79 and Rs 10,250 crores by 1980-81.

Given the objective of dispensing with net aid after 1980-81 the volume of domestic savings will have to increase from Rs 2,530 crores in 1968-69 to approximately Rs 8,600 crores in 1978-79 and Rs 10,450 crores by 1980-81. This means diverting approximately 28 per cent of the increase in national income for savings throughout the next twelve years. The average rate of savings will rise from about 8.8 per cent in 1968-69 to nearly 13.2 per cent in 1973-74 and to 18 per cent by 1980-81.

Estimates of the increase in savings likely to be generated on the basis of the postulated growth in national income are given in Table VII.

The estimates of the household savings are based on a marginal savings rate on disposable income of 12 per cent—the rate observed in the past and assumed in the projections for the fourth Plan period. A significant increase in public savings over the next decade is anticipated. From 1.4 per cent of the national income in 1968-69, they are estimated to rise to 4.5 per cent by 1973-74 and 6.3 per cent by 1980-81.

Aggregate savings on the above calculations would rise from 8 per cent of the national income in 1968-69 and the planned 13.2 per cent for 1973-74 to 16.6 per cent by 1980-81. The savings likely to be generated in the normal

course will, however, fall short of the requirements for that period. The gap represents the additional effort of resource mobilisation needed to reach the projected levels of development. In order to raise total savings to 18 per cent of the national income and taking into account the possibility that taxes might cut into private savings, it would be necessary to raise additional taxation amounting to two per cent of the projected national income by 1980-81.

Manpower planning is pointed out to be a critical area where long-term requirements will have to determine current decisions. The decisions on the intake capacity in engineering and medical education are cases in point. With marginal adjustments in the intake capacity of the institutions, the requirements during the fifth Plan are expected to be met. The emergence of temporary imbalances of supply and demand should not be allowed to influence admissions to long duration courses, as these judgements, based as they are on current market conditions, are not relevant to evaluating the supply and demand position several years ahead when the trainees will be seeking jobs. A long-term view of development of the economy can alone provide guidance for such calculations.

One of the major purposes of having a long-term view of the economy's development is to quantify the nature and magnitude of tasks implied in the specified overall objectives. A rate of growth of six per cent per annum sustained over a number of years can produce tangible impact on the life and living standards of the people. This will be more noticeable if there is, at the same time, a marked reduction in population growth as contemplated in the long-term strategy.

A total outlay of Rs 24,882 crores is envisaged for the fourth Plan 1969-74). Of the aggregate outlay, Rs 15,902 crores is for the public sector and Rs 8,980 crores for the private sector programmes. In the public sector Rs 13,655 crores have been provided for investment and Rs 2,247 crores for current outlay. The total investment for

the creation of productive assets aggregates to Rs 22,635 crores.

The total public sector outlay includes Rs 8,090 crores for central schemes, Rs 781 crores for centrally-sponsored schemes, Rs 6,606 crores for state schemes and Rs 425 crores for schemes in the union territories. The state Plan outlays will be supplemented by the outlay for centrally-sponsored schemes which are mainly under agriculture, health, family planning and welfare of backward classes.

On the basis of the programme of investment proposed for the fourth Plan and the level of outputs expected to be reached in different sectors by 1973-74, it is estimated that the overall rate of growth during the fourth Plan will be about five and a half per cent a year. The detailed sectoral estimates of net national product for 1968-69 to 1973-74 (in rupees crores at 1968-69 prices) are given in Table VIII.

TABLE VIII
SECTORAL ESTIMATES OF NET NATIONAL PRODUCT

Item	1968-69	1973-74
Agriculture	14250	18212
Forestry and Logging	449	539
Fishing	165	200
SUB-TOTAL	14864	18951
Mining & Quarrying	317	465
Large scale manufacturing	2242	3490
Small scale manufacturing	1559	2011
Construction	1142	1722
Electricity, Gas & Water Supply	237	370
SUB-TOTAL	5497	8058
Transport and Communication	1309	1785
Railways	469	595
Communications	181	265
Transport by other means	659	925
Trade, Storage, Hotels and Restaurants	3105	4357
SUB-TOTAL	4414	6142
Banking & Insurance	440	554
Real estate and ownership of dwellings	675	797
Public Administration and Defence	1308	1444
Other Services	1873	2360
SUB-TOTAL	4296	5155
Net Domestic Product	29071	38306
Net factor income from abroad	(—)270	(—)408
Net National Product at Factor Cost:		
National Income	28801 or 28800	37898 or 37900

TABLE V
PROJECTED COMPOSITION OF IMPORTS
(Rupees crores)

Items	1967-68	1968-69	1973-74	1978-79	1980-81
Metals including metal-liferrous ores and scrap	200	181	355	380	450
Machinery and transport equipment and metal products	517	530	740	1,010	1,080
Crude oil and petroleum products	125	133	180	270	330
Fertilisers and fertiliser raw materials	212	185	310	385	430
Others	514	538	605	635	660
Total non-food imports	1,568	1,567	2,190	2,680	2,950
Foodgrains	518	337	30	—	—
Total imports	2,086	1,904	2,220	2,180	2,950

TABLE VI
PROJECTED PATTERN OF EXPORTS

Group of commodity	Rupees crores		Rupees crores		Annual rate of growth (%)
	1968-69	1973-74	1978-79	1980-81	1968-69 to 1980-81
Agriculture and allied products	450	605	850	958	6.5
tea	153	170	185	190	1.7
marine products	23	48	98	116	14.4
All other products	271	387	567	652	7.6
Minerals	132	203	273	316	7.6
Iron ore	88	155	215	252	9.2
Other minerals	44	48	58	64	3.2
Manufactures	704	1,010	1,429	1,639	7.3
Cotton textile and jute manufactures	289	333	367	380	2.3
Engineering goods including metals	67	190	360	400	16.1
All other manufactures	348	487	702	859	7.8
Other exports unspecified	74	82	98	107	3.1
TOTAL—All exports	1,360	1,900	2,650	3,020	6.9

The Plan document says that according to the estimates of the Registrar General, population is expected to grow at the rate of 2.5 per cent per year during the five-year period. The increase in per capita income over the Plan period will be about three per cent per year. The increase in foodgrain output visualised in the Plan of five per cent per annum will enable the country to dispense with concessional food imports by 1971. The rate of growth in various sectors of industry is envisaged at 8 to 12 per cent per year. Efforts will be made to limit the growth of non-food imports to 5.5 per cent per year while securing an annual increase of seven per cent in exports. In order to realise the rates of growth postulated, it will be necessary to step up the rate of domestic savings from the level of 8.8 per cent in 1968-69 to 13.2 per cent and that of investment from 11.3 per cent to 14.5 per cent by the end of the Plan.

As a result, the requirements of foreign aid, net of debt repayment and interest payments, in the terminal year of the Plan will be brought down to about half the level in 1968-69. A few selected macro-economic projections for the fourth Plan are given in Table IX.

Analysis of Outlays

A comparison of the proposed public sector outlay in the fourth Plan with the expenditure in the third Plan and annual plans (1966-69) under each head of development is given in Table X. Compared to the third Plan, substantially increased provisions have been made in almost all sectors. The more noteworthy increases are in respect of agriculture and allied sectors, power, industry, scientific research, family planning and water supply.

The distribution of the public and private sector outlays by major heads of development is given in Table XI.

The estimate of development outlays do not include most of the expenditure by local bodies out of their own resources on development schemes. Expenditure on the maintenance of developmental services and institutions established during the earlier Plans as well as the annual Plan years (1966-69) will be provided for in the normal budgets and does not form part of Plan outlay.

The Plan document says that the principles of allocation and the pattern of central assistance to the states have undergone a change. Under a formula adopted by the Committee of Chief Ministers of the National Development Council it was decided that after

providing for the requirements of the states of Assam, Nagaland and Jammu and Kashmir, the central assistance to the remaining states for the fourth Plan is distributed to the extent of 60 per cent on the basis of their population, 10 per cent on their per capita income if below the national average, and 10 per cent on the basis of tax effort in relation to per capita income, and that another 10 per cent be allotted in proportion to the commitments in respect of major continuing irrigation and power projects.

The remaining 10 per cent, it was decided, should be distributed among the states so as to assist them in tackling certain special problems, like those relating to metropolitan areas, floods, chronically drought affected areas and tribal areas.

In order to simplify the procedure for central assistance, to avoid adoption of standard schemes, unsuited to local conditions and needs as well as to ensure equity among states in regard to

the grant assistance for the Plan, it has been decided that in future there will be no schematic patterns of assistance.

Central assistance will not be related to any specific scheme or programme under the state plans but would be given to the states through block grants and block loans. Each state will get a fixed proportion (30 per cent) of central assistance in the form of grant and the balance (70 per cent) by way of loans. To ensure that the overall priorities of the Plan are adhered to, outlays under certain heads or sub-heads of developments and specified schemes will, however, be earmarked and will not be diverted to other heads of developments.

The Plan document says that states will now have much greater initiative in the formation of schemes and programmes. Till now the state plans had been formulated by and large in terms of standard schemes which had been approved by the central minis-

TABLE IX
SELECTED MACRO-ECONOMIC PROJECTIONS

Item	Unit	1968-69	1973-74
National Income	Rs crores at 1968-69 prices	28,800	37,900
Population (October 1)	Million	527	596
Per capita income	Rupees	546	636
Domestic savings as percentage of National Income	Per cent	8.8	13.2
Net investment as percentage of National Income	Per cent	11.3	14.5

TABLE X
PUBLIC SECTOR OUTLAY IN FOURTH PLAN

Head of Development	Third Plan	1966-69*	Fourth Plan
Agriculture and Allied Sectors	1,088.9	1,116.6	2,728.2
Irrigation and Flood Control	664.7	457.1	1,086.6
Power	1,252.3	1,182.2	2,447.5
Village and Small Industries	236.0	144.1	293.1
Industry and Minerals	1,726.3	1,575.0	3,337.7
Transport and Communications	2,111.7	1,239.1	3,237.3
Education	588.7	322.4	822.7
Scientific Research	71.6	51.1	140.3
Health	225.9	140.1	435.0
Family Planning	24.9	75.2	315.0
Water Supply and Sanitation	105.7	100.6	405.8
Housing and Urban and Regional Development	127.6	63.4	237.0
Welfare of Backward Classes	100.4	68.5	142.4
Social Welfare	19.4	12.1	41.4
Labour Welfare & Craftsmen Training	55.8	35.5	39.9
Other Programmes	173.1	123.5	192.3
TOTAL	8,573.0	6,756.5	15,902.2

*Subject to final adjustments.

tries and the Planning Commission and which carried with them a quantum of assistance in the shape of loans and grants. Central assistance being pre-determined, the size of the states' plans will now be dependent largely on the efforts of the individual state to marshal its own resources for Plan programmes.

The Plan document points out that ever since the first Plan, a variety of programmes had been launched through schemes in which a uniform pattern of staffing and administrative organisation were laid down by the centre. They usually carried with them substantial central assistance during the Plan period. These were called centrally-sponsored schemes. The responsibility for financing the committed expenditure for these at the end of the Plan fell on the states.

The states felt that most of the programmes envisaged in these schemes could be more appropriately carried out

by them through their own Plans. It has been decided that in future only those centrally-sponsored schemes will be taken up which fulfil the following criteria: that they relate to demonstrations, pilot projects, surveys and research; that they have a regional or inter-State character; that they require lump sum provisions to be made until they could be broken down territorially; and that they have an overall significance from the all-India angle.

The position was reviewed in the light of these considerations and a shorter list of centrally-sponsored schemes was drawn up and approved by the Committee of the National Development Council in September, 1968. The list contained 52 schemes compared to 92 originally included. Subsequently, the Planning Commission and the Ministry of Food, Agriculture, Community Development and Co-operation had decided that the seven schemes to be administered by the Indian Council

TABLE XI
PUBLIC AND PRIVATE SECTORS OUTLAY AND INVESTMENT
(Rs crores)

Head of Development	Public sector		Private investment	Public and private sectors		
	Current outlay	Investment		Total investment	Total outlay	% Distribution of total outlay (Col. 6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Agriculture and Allied Sectors	610	2,118	1,600	3,718	4,323	17.4
Irrigation and Flood Control	14	1,073	—	1,073	1,087	4.4
Power	—	2,448	75	2,523	2,523	10.1
Village and Small Industries	107	186	560	746	853	3.4
Industry and Minerals	40	3,298	2,000	5,298	5,338	21.4
Transport & Communications	40	3,197	920	4,117	4,157	16.7
Education	545	278	50	328	873	3.5
Scientific Research	45	95	—	95	140	0.6
Health	303	132	—	132	435	1.7
Family Planning	262	53	—	53	315	1.3
Water Supply and Sanitation	2	404	—	404	406	1.6
Housing, Urban and Regional Development	2	235	2,175	2,410	2,412	9.7
Welfare of Backward Classes	142	—	—	—	142	0.6
Social Welfare	41	—	—	—	41	0.2
Labour Welfare and Craftsmen Training	20	20	—	20	40	0.2
Other Programmes	74	118	—	118	192	0.8
Inventories	—	—	1,600	1,600	1,600	6.4
TOTAL	2,247	13,655	8,980	22,635	24,882	100.0

of Agricultural Research may be classified as purely central schemes with the result that in the fourth five-year Plan (1969-74) the total number of centrally-sponsored schemes is 45. These schemes will hereafter be wholly financed by the central government.

Distribution of Outlay

The distribution of outlay between the centre, centrally-sponsored schemes, states and union territories under major heads of development for the fourth Plan is summarised in Table XII.

The Plan document points out that the outlay under agriculture does not fully reflect the anticipated step-up in as much as it does not take into account the substantial investment to be financed in this sector by some of the financial institutions, namely, agro-industries corporations, land development banks and central co-operative banks.

The investment in agriculture to be financed by these institutions from resources other than Plan outlays would amount to Rs 950 crores. The Rural Electrification Corporation will make a supporting investment of Rs 150 crores. The relevant figures of investment in agriculture from different financial institutions are given Table XIII.

The broad distribution of state outlays, central assistance and state resources for the fourth Plan shown in the Plan document are given in Table XIV.

The outlays for union territories plans for the fourth Plan are given in Table XV.

The Plan document points out that

TABLE XV
FOURTH PLAN OUTLAYS 1969-74
(UNION TERRITORIES)

Union Territories	Revised Outlay
Andaman and Nicobar Islands	14.00
Chandigarh	7.75
Dadra and Nagar Haveli	2.30
Delhi	162.65
Goa, Daman and Diu	39.50
Himachal Pradesh	101.40
Laccadive, Amindivi and Minicoy Islands	2.00
Manipur	30.25
NEFA	17.99
Pondicherry	12.50
Tripura	34.66
TOTAL	425.00

the central Plan also includes provision to the extent of Rs 545 crores by way of support to the state programmes through such institutions as Agricultural Refinance Corporation, Land Development Banks, Rural Electrification Corporation and Indian Dairy Corporation. Provisions have also been made in the central sector Plan for a few schemes which will directly benefit the states. Among them are the schemes for small farmers and agricultural labourers (Rs

115 crores), dry farming (Rs 20 crores) and area development (Rs 15 crores). Thus a significant proportion of the additional outlay in the central sector plan is designed to support the development programmes included in the state plans and the total Plan expenditure in states (excluding purely central sector programmes, as for example railways, large industries, and ports) will be substantially larger than the outlays of state plans. The state Plan outlays by major

heads of development are given in Table XVI.

The targets aimed at the results anticipated in selected fields in 1973-74 along with actuals for 1960-61, 1965-66 and 1968-69 (estimated) are given in Table XVII.

The assessment of resources for the fourth five-year Plan (1969-74) has taken into account the award of the fifth Finance Commission, the nationalisation of 14 major commercial banks, acceleration in their branch expansion and deposit mobilisation, particularly in rural areas; reorientation of investment policies of the Life Insurance Corporation and the Employees' Provident Fund; and the more recent trends in receipts and expenditures of public authorities.

The total resources for the fourth Plan are expected to amount to Rs 24,882 crores, of which Rs 15,902 crores would be available for financing the public sector Plan and Rs 8,980 crores for financing private investment.

Departure in Scheme of Financing

Analysing the details of estimates of resources for the public sector Plan, against the background of the experience of financing the third Plan (1961-66) and the three annual Plans (1966-69), the Plan documents pays that the scheme of financing the fourth five-year Plan, as now envisaged, marks a distinct departure from the previous Plans. It has been specially designed to serve the objective of growth with stability and promote progress towards self-reliance.

The share of domestic budgetary resources in total resources 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. External assistance (net of loan repayments but without allowing for interest payments) for the public sector Plan is to go down from 28 per cent in the third Plan and 36 per cent in the three annual Plans to nearly 17 per cent of the total resources in the fourth Plan.

Deficit financing is placed at only 5 per cent of the total resources for the fourth Plan in the public sector, as against 10 per cent in the three annual Plans and 13 per cent in the third five-year Plan.

The comparative figures showing pattern of financing public sector outlay are given in Table XVIII.

The estimates of resources mobilisation by the centre and the states in the fourth Plan are given in Table XIX.

In the scheme of Plan financing, central government and their enterprises

TABLE XII
DISTRIBUTION OF OUTLAYS BETWEEN CENTRE & STATES
(Rs crores)

Head of Development	Centre	Centrally sponsored	Union territories	States	Total
Agriculture and Allied Sectors	1,104.26	126.83	71.58	1,425.51	2,728.18
Irrigation and Flood Control	23.50	—	12.68	1,050.39	1,086.57
Power	424.72	22.00	81.78	1,919.07	2,447.57
Village and Small Industries	148.65	5.10	10.41	128.97	293.13
Industry and Minerals	3,150.86	—	3.79	183.06	3,337.71
Transport and Communications	2,622.00	42.00	90.72	482.54	3,237.26
Education	241.00	30.00	51.77	499.89	822.66
Scientific Research	140.26	—	—	—	140.26
Health	53.50	176.50	19.28	185.75	435.03
Family Planning	—	315.00	—	—	315.00
Water Supply and Sanitation	3.80	2.00	43.33	356.66	405.79
Housing, Urban and Regional Development	48.60	—	21.33	167.10	237.03
Welfare of Backward Classes	0.50	59.50	4.95	77.43	142.38
Social Welfare	27.43	2.00	1.41	10.54	41.38
Labour Welfare and Craftsmen Training	10.00	—	2.88	27.02	39.90
Other Programmes	90.68	—	9.09	92.54	192.31
TOTAL	8,089.76	780.93	425.00	6,606.47	15,902.16

TABLE XIII
INVESTMENT IN AGRICULTURE
(Rs crores)

Institution	Investment Loans Advanced			1969-74		Other resources to be raised
	1966-67	1967-68	1968-69	Total Plan investment loans outlays financed		
Agricultural Refinance Corporation	2.1	5.7	10.0	200.0	200.0	—
Agro-Industries Corporation	—	—	—	100.00	50.0	50.0
Land Development Banks	60.0	78.0	100.0	700.0	200.0	500.0
Central Co-operative Banks	15.0	15.0	15.0	150.0	—	150.0
Indian Dairy Corporation	—	—	—	95.0	95.0	—
Commercial Banks	—	—	—	250.0	—	250.0
TOTAL	77.1	98.7	125.0	1,495.0	545.0	950.0

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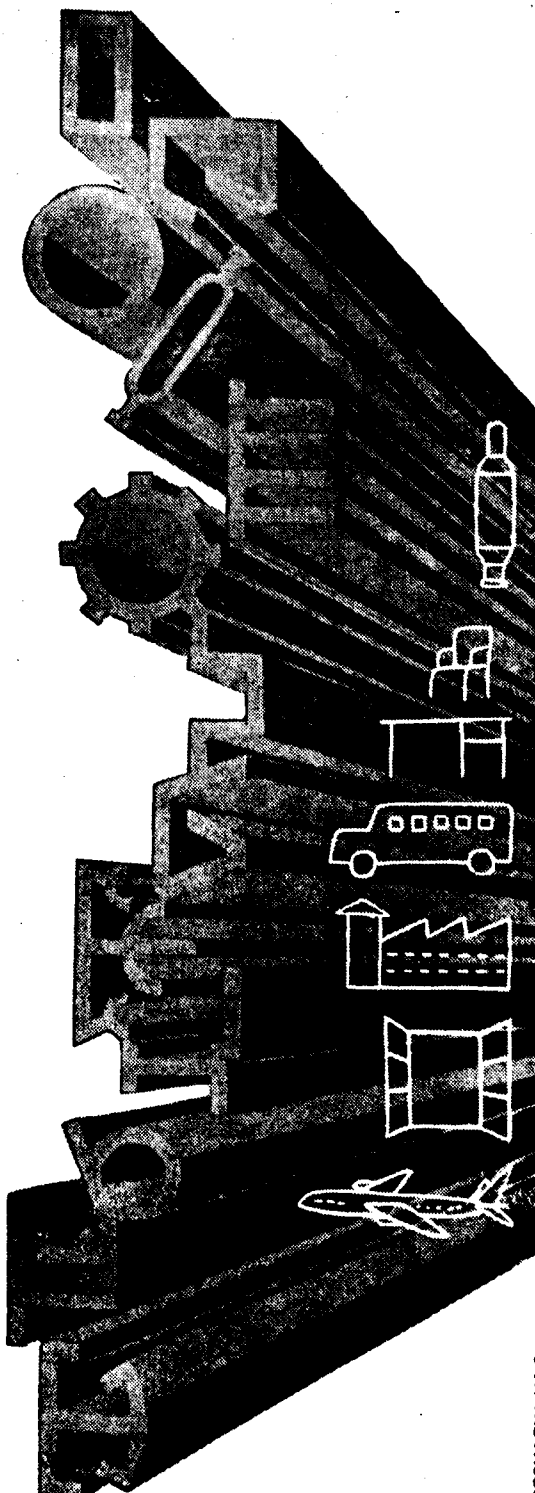
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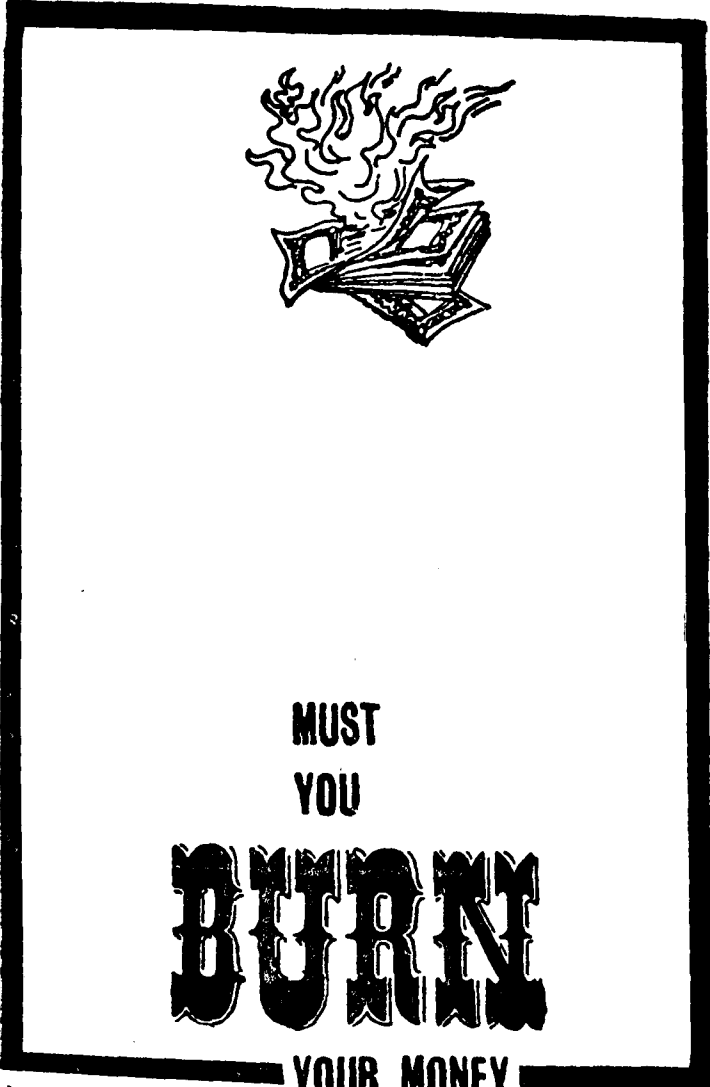
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will be raising an aggregate of Rs 12,796 crores. Of this, Rs 3,500 crores will go to the states as central assistance, leaving Rs 9,296 crores for the central schemes, centrally-sponsored schemes and the Plans for union territories.

All the states together will be mobilising resources amounting to Rs 3,106 crores over the fourth Plan period. With central assistance of Rs 3,500 crores, the total resources available for the state plans will be Rs 6,606 crores.

Commenting on estimates of resources to be mobilised by the central and state governments during the fourth Plan, it is pointed out that the centre's balance from current revenues for the fourth Plan at 1968-69 rates of taxation is estimated at Rs 1,625 crores. In the states, the balance from current revenues at 1968-69 rates of states taxation, but inclusive of the share in additional

mobilisation by the centre in 1969-70, is estimated at Rs 48 crores.

In working out these estimates, provision has been made for only a moderate increase in non-Plan outlays from year to year. This implies that a conscious effort would be made to restrain increases in non-Plan outlays and effect such economies as might be feasible.

Special accommodation has been extended to such states as had non-Plan gaps in their resources on the condition that the gaps in resources of the individual states would be contained and that the states concerned would make an effort to increase their Plan outlays through additional resources mobilisation. It has now become possible for all the states to use the entire proceeds of their additional resources mobilisation

during the Plan period for expenditure on development schemes.

Ten states are now expected to make a positive contribution to the Plan resources from their current revenues at 1968-69 rates of state taxation. Their positive contribution adds up to Rs 368 crores. Seven states, however, are expected to incur deficits aggregating to Rs 320 crores.

These deficits are partly attributable to the fact that the Finance Commission has not allowed devolution from the centre for covering fully the appropriations which these states propose to make from their current revenues towards reduction or avoidance of debts on the basis of their existing practices. In part, it is also attributable to the assumption made by the Finance Commissions for its assessment of revenue deficits of states.

Referring to surpluses of enterprises it is stated that the original estimates of railways contribution have been kept unchanged. This means that the shortfall in the railways' contribution at 1968-69 fares and freight rates will have to be made up through additional mobilisation by the railways beyond the level of Rs 150 crores taken credit for in the scheme of financing under additional resource mobilisation.

In the case of Posts and Telegraphs (P & T), there is no change in the earlier estimate of Rs 225 crores in respect of the contribution at 1968-69 rates of postal charges. Contribution of central government enterprises other than Railways and P & T is, however, likely to show an improvement of Rs 100 crores as compared to estimates made early in 1969 on account of the expected improvement in the financial working of some of the industrial undertakings, particularly those benefiting from the revision of prices of steel and coal announced during 1969-70.

Further, credit has been taken in the latest estimates for an amount of Rs 259 crores in respect of resources to be made available by Indian Dairy Corporation (Rs 57 crores), Agricultural Refinance Corporation (Rs 10 crores), Rusal Electrification Corporation (Rs 105 crores), Damodar Valley Corporation (Rs 49 crores), and Central Power Generation (Rs 38 crores). These had not been taken into account in the earlier estimation of resources.

On the basis of the latest estimates furnished by state governments, the surplus of the state government enterprises is estimated at Rs 495 crores—state electricity boards contributing Rs 482 crores and road transport and other state undertakings Rs 13 crores. The

TABLE XIV
CENTRAL ASSISTANCE TO STATES (Rs crores)

States	States' Resources	Central Assistance	Total Outlay
Andhra Pradesh	180.50	240.00	420.50
Assam	41.75	220.00	261.75
Bihar	193.28	338.00	531.28
Gujarat	297.00	158.00	455.00
Haryana	146.50	78.50	225.50
Jammu and Kashmir	13.40	145.00	158.40
Kerala	83.40	175.00	258.40
Madhya Pradesh	121.00	262.00	383.00
Maharashtra	652.62	245.50	898.12
Mysore	177.00	173.00	350.00
Nagaland	5.00	35.00	40.00
Orissa	62.60	160.00	222.60
Punjab	192.56	101.00	293.56
Rajasthan	82.00	220.00	302.00
Tamil Nadu	317.36	202.00	519.36
Uttar Pradesh	439.00	526.00	965.00
West Bengal	101.50	221.00	322.50
TOTAL	3,106.47	3,500.000	6,606.47

TABLE XVI
DISTRIBUTION OF STATE PLAN OUTLAYS (Rs crores)

Heads of Development	Third Plan	Annual Plans 1966-69	Fourth Plan
Agriculture and allied sectors	972	779	1,426
Irrigation and Flood Control	655	448	1,050
Power	1,139	970	1,919
Industry and Minerals	203	146	312
Transport and Communications	294	210	483
Social Services	844	456	1,324
Other Programmes	58	43	92
TOTAL	4,165	3,052*	6,606

*Actuals for 1966-67 and 1967-68 and anticipated for 1968-69.

estimated surplus of state electricity boards takes into account the anticipated increase in the generation and sale of power and allows for repaying of market loans by the boards over the fourth Plan period.

Credit has also been taken in Plan resources for a sum of Rs 202 crores likely to be made available by the Reserve Bank of India over the fourth Plan period for agricultural and industrial investment.

The Plan document says that additional resources will also be available for financing the public sector Plan consequent on the nationalisation of 14 major commercial banks. It is estimated that bank deposits would grow at a compound rate of 11 per cent per year against the earlier estimate of 7 per cent per year. This will mainly result from the more positive policy of opening additional branches and more purposeful drive by the nationalised banks to attract deposits, particularly from the unbanked and rural areas. The aggregate mobilisation of deposits over the fourth Plan period is now estimated at Rs 3,000 crores. In the scheme of financing for the Plan, the contribution of the banking sector to the borrowings of the central and state governments, borrowings by important financial institutions such as Industrial Finance Corporation, Industrial Development Bank and Agricultural Refinance Corporation, borrowings by state enterprises, particularly state electricity boards, and borrowings by Food Corporation of India for buffer stock operations has been taken at a total of Rs 955 crores.

The contribution of Life Insurance Corporation and Provident Funds to the borrowing programme of the centre and the states is also expected to be larger than what was assumed earlier. This has become possible on account of reorientation of the investment policies of the LIC and Provident Funds.

On the whole, the total net market borrowings of the central and state governments over the fourth Plan period are estimated at Rs 1,415 crores. Besides, gross market borrowings of state enterprises are estimated at Rs 258 crores.

Additional resources to be mobilised for the fourth Plan are now placed at Rs 3,198 crores. Of this, the state governments have indicated their intention to raise about Rs 1,098 crores and the balance of Rs 2,100 crores will be mobilised by the central government. This latter figure is net of the states'

share in additional taxation at the centre.

The broad areas to which the specific measures could be directed are raising of rates of returns from electricity boards, irrigation projects and industrial and commercial undertakings other than public utilities; mobilising of additional resources in the rural sector by floating rural debentures or adopting similar devices for financing agro-industries, irrigation schemes, rural electrification, housing and the provision of drinking water, benefiting the

rural population directly; raising more resources from the agricultural sector for financing its development by imposing an additional burden on the well-to-do farmers; stepping up of commodity taxation to restrain conspicuous consumption by the affluent sections of society, generate exportable surpluses and bring about a desirable allocation of productive resources; inter-state uniformity in sales tax rates, attained by levelling up rates where they are low; raising taxation on income in middle and higher ranges and on wealth; taxation of land values to appropriate

TABLE XVII
ACHIEVEMENTS AND TARGETS

Items	Unit	1960-61 actuals	1965-66 actuals	1968-69 estimated	1973-74 estimates
(1)	(2)	(3)	(4)	(5)	(6)
Agriculture and Allied Sectors					
foodgrains production ..	mill. tonnes	82	72	98*	129
sugarcane (in terms of gur) ..	mill. tonnes	11.2	12.1	12*	15
oilseeds ..	mill. tonnes	7	6.3	8.5*	10.5
cotton ..	mill. bales	5.3	4.8	6*	8
jute ..	mill. bales	4.1	4.5	6.2*	7.4
tobacco ..	thou. tonnes	307	298	350	450
high yielding varieties (area covered) ..	mill. hectares	—	—	9.2	25
Consumption of Fertilisers					
nitrogenous (N) ..	thou. tonnes	210	550	1145	3200
phosphatic (P ₂ O ₅) ..	thou. tonnes	70	130	391	1400
potassic (K ₂ O) ..	thou. tonnes	26	80	160	900
plant protection (area covered) ..	mill. hectares	6.5	16.6	40	80
short and medium term loans advanced by primary co-operative credit societies ..	Rs crores	202	342	450	750
membership of agricultural co-operative credit societies ..	mill. nos.	17	26	30	42
Area irrigated (gross)					
major and medium ..	mill. hectares	13.1	15.2	16.9	20.8
minor ..	-do-	14.8	17	19	22.2
agricultural pumpsets energised ..	thou. nos.	191.8	512.9	1087.6	2649
Industry and minerals					
steel ingots ..	mill. tonnes	3.42	6.53	6.5	9.8
alloy and special steel ..	thou. tonnes	—	40	43	220
aluminium ..	thou. tonnes	18.3	62.1	125.3	220
machine tools ..	Rs crores	7	29	20	65
sulphuric acid ..	thou. tonnes	368	662	1038	2500
caustic soda ..	thou. tonnes	101	218	304	500
soda ash ..	thou. tonnes	152	331	405	550
refinery products (in terms of crude throughput) ..	mill. tonnes	58.8	9.4	15.4	26
petroleum crude ..	mill. tonnes	0.41	3.02	6.06	8.5
paper and paper board ..	thou. tonnes	350	558	647	850
plastics ..	thou. tonnes	9.5	3.3	58.1	225

ACHIEVEMENTS AND TARGETS (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)
Fertilisers production					
nitrogenous (N) ..	thou. tonnes	101	232	541	2500
phosphatic (P ₂ O ₅) ..	thou. tonnes	53	123	210	900
cement ..	mill. tonnes	8	10.8	12.2	18
Cloth					
mill-made ..	mill. metres	4649	4401	4597	5100
man-made fabrics ..	mill. metres	546	870	1090	1500
handloom, powerloom and khadi ..	mill. metres	2067	3141	3596	4250
Minerals					
iron ore ..	mill. tonnes	11	24.5	28.7	51.4
coal excluding lignite ..	mill. tonnes	55.7	66.7	69.5	93.5
Power					
installed capacity ..	mill. kw	5.65	10.17	14.29	22.07
Transport					
railway freight originating ..	mill. tonnes	156	203	204	265
surfaced roads ..	thou. kms.	236	287	325	385
commercial vehicles and road ..	thou. nos.	225	333	386	585
shipping tonnage ..	thou. GRT	857	1540	2140	3500
Education					
General Education students in schools ..	mill. nos.	44.7	66.3	74.3	96.4
Technical Education Admission Capacity ..	thou. nos.	13.8	24.7	25	25
degree ..	thou. nos.	25.8	48	48.6	48.6
diploma ..	thou. nos.	—	—	—	—
Health					
hospital beds doctors ..	thou. nos.	185.6	240.1	255.7	281.6
practising ..	thou. nos.	70	86	102.5	137.9
Family Planning					
rural ..	numbers	1100	3676	4326	5225
rural sub-centres ..	numbers	—	7081	22826	31752
urban centres ..	numbers	549	3181	1797	1856

* Base level.

increments and finance programmes of urban development including low-income housing, slum clearance, improvements in transport and water supply and drainage; and withdrawal of tax incentives when the purpose served by them is not commensurate with the revenue loss.

With regard to resources for private sector it is stated that firm estimates of private savings are not available. On a rough calculation the private sector is expected to generate savings amounting to Rs 14,160 crores during the fourth Plan period. The household and co-operative sectors will contribute Rs 12,210 crores and the balance of Rs 1,950 crores will be contributed by the corporate sector. The central and state

governments will draw on this pool of private savings as much as Rs 5,210 crores for the public sector Plan. Private savings thus available for private investment would amount to Rs 8,950 crores. Adding to it the net amount of foreign funds directly flowing to the private sector of the order of Rs 30 crores, the total resources available for private investment would be Rs 8,980 crores.

Private savings estimated here will be dependent on the rate of growth of national income. This underlines the necessity of ensuring that the postulated rate of growth of national income is actually realised. It is also intimately linked with the preservation of relative stability in prices for any upward pres-

sure on prices would encroach upon private savings.

Bulk of the household savings during the period is likely to be generated in the rural sector. Financial institutions such as the LIC, banks, co-operatives and land development banks will have to intensify their efforts to mobilise a sizable part of rural savings for investment. This will call for a certain measure of reorientation in their policies, streamlining of their operations and a stronger net-work of branches.

Referring to external resources it is pointed out that the estimate of budgetary receipts corresponding to external assistance indicated in the scheme of financing for the public sector Plan and the net inflow of foreign funds for the private sector represent only a part of the economy's requirements of foreign exchange resources. They refer only to public and private investment during the Plan period. The total requirement and availability of foreign exchange resources are much larger.

During the fourth Plan the economy will require total imports valued at about Rs 9,730 crores. Of this, Rs 7,840 crores will be maintenance imports or imports of raw materials and components required for stepping up the rate of growth of industrial and agricultural production. These include imports of fertilisers, pesticides, crude oil, chemicals, non-ferrous metals, special varieties of steel and components and spare parts of machinery.

About Rs 1,300 crores will be required to finance project imports or imports of plant and machinery for expansion or creation of additional capacity in selected lines which cannot be met from domestic sources of supply. The balance of Rs 590 crores would be the cost of food imports during the Plan.

Import policy will have to be so framed as to eliminate all non-essential imports while ensuring the availability of items not produced indigenously in sufficient quantity.

Excluding official grants and interest payments, invisible transactions during the fourth Plan are expected to result into a net outgo of Rs 140 crores.

The total debt service payments (amortisation plus interest on foreign loans) are estimated at Rs 2,280 crores. In addition there would be repayments due to the International Monetary Fund amounting to Rs 280 crores during the fourth Plan.

Exclusive of debt servicing, the total requirements of foreign exchange during the fourth five year Plan will therefore be Rs 10,150 crores. This will have to be met out of the net receipts from external assistance plus exports earnings.

In accordance with the policy object-

ives of the Plan, the aggregate external assistance, net of debt servicing, required during the fourth Plan is estimated to be Rs 1,850 crores. This will be available only if gross aid utilisation in the economy is of the order of Rs 4,130 crores comprising PL 480 food aid of Rs 380 crores and the project and non-project aid of Rs 3,750 crores. The requirement of aid in the first two years of the Plan will continue to be high and aid commitments will have to be obtained well in advance to enable the programmes and projects to progress in accordance with the Plan.

The balance of foreign exchange requirement amounting to Rs 8,300 crores will have to be met out of export earnings. This will require export earnings to go up from the expected level of Rs 1,360 crores in 1968-69 to around Rs 1,900 crores in 1973-74, or at a compound rate of about seven per cent annum. This rate of growth will call for proper reorientation in policies and institutional arrangements for export promotion.

On the basis of these estimates, domestic savings during the fourth Plan period would amount to nearly Rs 20,000 crores, Rs 14,160 crores being private savings and Rs 5,830 crores public savings. To mobilise this order of domestic savings, the average rate of savings in the economy will have to be stepped up from the 1968-69 level of 8.8 per cent to 13.2 per cent by the end of the fourth Plan. Such a step-up implies a marginal savings rate of 28 per cent over the Plan period.

This, says the Plan document, is not out of line with past achievement. The average savings rate rose from around 8 per cent in 1960-61 to 10.5 per cent in 1965-66. It slipped down to 8 per cent by 1967-68 but has since begun to look up. Public subscriptions to central and state government loans have been higher than the original expectations in the budget. Small savings collections are improving. Bank deposits are growing at a faster pace. Money market is relatively easy. The capital market shows signs of revival. These gains could be further consolidated.

With the total external assistance, net of loan repayments only, taken at Rs 2,644 crores (public sector Rs 2,614 crores and private sector Rs 30 crores), the investible resources would be sufficient to finance the fourth Plan investment outlay of Rs 22,635 crores—Rs 13,655 crores in the public sector and Rs 8,980 crores in the private sector.

This size of investment implies raising the average rate of investment from the level of 11.3 per cent in 1968-69 to 14.5 per cent in the last year of the fourth Plan. This compares with the

increase in the average rate of investment from 11 per cent to 13 per cent during the third Plan.

A major constraint on the fourth Plan is the availability of external resources. A net inflow of external assistance of the order of Rs 1,850 crores is postulated during the Plan period, as compared to a net inflow of Rs 3,500 crores (in post-devaluation rupees) during the third Plan.

With this greatly reduced net inflow of external assistance and a substantially larger investment programme during the fourth Plan, the balancing of the external account would call for much greater efforts than in the past in the

direction of both export expansion and import savings and substitution.

Reviewing export performance of the country since 1950 and in detail in 1961-69, the Plan document says that exports in 1969-70 are estimated to be around Rs 1,400 crores, representing an increase of Rs 40 crores or about three per cent over 1968-69. Subsequently, they are expected to rise progressively during the period of the fourth Plan and reach a level of around Rs 1,900 crores in 1973-74, showing a rise of Rs 540 crores over the base year (1968-69) level of Rs 1,360 crores.

This would mean an increase of about 40 per cent in exports over a period of five years or a compound rate of growth

TABLE XVIII
FINANCING OF PUBLIC SECTOR OUTLAY
(Rs crores)

	Third Plan (actuals)		Three Annual Plans 1966-69 (anticipated)		Fourth Plan (estimated)	
	Amount	Per- centage	Amount	Per- centage	Amount	Per- centage
Plan Outlay	8,577	100	635	100	15,902	100
Domestic budgetary resources	5,021	58.5	3,648	54.0	12,438	78.2
Budgetary receipts corresponding to external assistance	2,423	28.3	2,426	35.9	2,614	26.5
Deficit financing	1,133	13.2	682	10.1	850	5.3

TABLE XIX
RESOURCE MOBILISATION BY CENTRE AND STATES
(Rs crores)

	Centre	States	Total
Domestic budgetary resources other than negotiated loans from LIC etc. & State enterprises			
market borrowings	7,232	1,502	8,734
Additional resource mobilisation	2,100	1,098	3,198
(a) By Centre			
(i) 1969-70 measures	725	—	725
(ii) Measures to be undertaken in subsequent years	1,375	—	1,375
TOTAL (a)	2,100	—	2,100
(b) By States			
(i) 1969-70 measure	—	414	414
(ii) Measures to be undertaken in subsequent years	—	684	684
TOTAL (b)	—	1,098	1,098
Loans from LIC, etc. and state enterprises' market borrowings (gross)	—	506	506
Total domestic budgetary resources	9,332	3,106	12,438
Budgetary receipts corresponding to external assistance (net)			
(a) Other than PL 480	2,614	—	2,614
(b) PL 480 assistance	2,234	—	2,234
Deficit financing	380	—	380
Aggregate resources	850	—	850
Central assistance for state Plans	12,796	3,106	15,902
Resources for the Plan	9,296	6,606	15,902

of seven per cent per year. On this basis, exports during the fourth Plan period as a whole are expected to aggregate to Rs 8,300 crores.

In regard to export commodities by economic categories among ores and minerals, iron ore is the only commodity that is expected to record a substantial increase in export value. In the category of manufactures, the largest increases are expected in engineering goods, iron and steel, chemicals and allied products and footwear. These commodities are generally regarded as "new manufactures". Among other manufactures, sizable increases in export value are expected in the case of leather manufactures (excluding footwear) and jute manufactures. In the group agriculture and allied products, the main increases are postulated in fish and fish products and cashew kernels.

An essential pre-condition for the fulfilment of the export programme, says the fourth Plan, is the realisation, according to schedule, of the production targets set in the agricultural, mineral and industrial sectors. Moreover, while care has been taken in setting the

production targets to allow in general for an adequate or normal growth in domestic consumption concurrently with the postulated growth in exports, in the case of some commodities it may be necessary to restrain the growth of consumption through fiscal or other measures in order to make adequate surpluses available for export.

Since export promotion is a dynamic process which takes place under constantly changing circumstances—internal as well as external—there is need to keep the requirements of exports constantly in view in licensing additional industrial capacity as also in permitting diversification of capacity. Another important pre-condition of success in achieving the export goals during the fourth Plan is the maintenance of reasonable internal price stability. In the interest of promoting exports, regulatory or restrictive measures in the form of outright bans or export quotas should be kept to the minimum, specially in the case of primary agricultural products unless there are over-riding considerations to justify such action.

On the front of export policy design-

TABLE XX
EXPORTS OF PRINCIPAL COMMODITIES DURING 1960-69
(Rs crores)

Commodity	1960-61	1965-66*	1968-69*
Oilcakes	14.3	54.6	49.5
Tobacco—unmanufactured	14.6	30.8	33.2
Spices, of which	16.6	36.4	25.1
Pepper black	8.5	17.5	9.7
Vegetable oils—non-essentials	8.5	6.4	11.7
Sugar	2.4	16.5	10.1
Fruits & vegetables, of which:	26.0	54.8	76.4
Cashew kernels	18.9	43.1	60.9
Cotton raw	8.7	15.3	11.1
Fish	4.6	10.7	22.2
Tea	123.6	180.9	156.5
Coffee	7.2	20.4	18.0
Iron ore	17.0	66.3	88.4
Manganese ore	14.0	17.4	13.5
Mica	10.1	17.8	13.5
Cotton piecegoods	57.3	87.4	70.5
(a) Mill made	52.8	74.8	65.5
(b) Handloom	4.8	13.1	5.0
Jute manufactures	135.2	288.0	218.0
Coir yarn & manufactures	8.7	16.6	13.8
Leather & leather manufactures including footwear	27.9	53.0	81.8
(a) Leather & leather manufactures excl. footwear	24.8	44.8	72.7
(b) Footwear	3.1	8.2	9.1
Engineering goods	5.6	26.2	67.4
Iron & steel	5.5	13.1	74.4
Chemicals & allied products	3.4	14.4	17.5
Handicrafts	9.7	43.8	69.1
Others	139.0	198.1	218.3
TOTAL EXPORTS	660.2	1,268.90	1,360.0

*The figures for 1965-66 and 1968-69 are in post-devaluation rupees.
Source: Customs data except for Handicrafts for 1960-61 and 1965-66.

ed specifically to provide facilities and incentives to exporters, it is of primary importance to ensure stability in the structure that has been evolved over the years since devaluation. At the same time, it is necessary to provide a measure of flexibility in the basic framework so that the problems created by changes in conditions abroad or in the domestic economy can be effectively met.

Competitiveness in cost and quality is an important pre-requisite of success in the export effort particularly in the case of manufactured products. Constant and determined efforts will, therefore, need to be made for improving efficiency and reducing costs. Attention will have to be paid to the improvement of the quality of export products in line with technological developments abroad.

Improvement in port and shipping facilities is of vital importance in the promotion of exports, particularly of bulk commodities. The fourth Plan provides for the development of major ports and their modernisation and re-equipment. Handling, loading and berthing facilities at the ports are being improved. The development of outer harbour facilities in major ports at strategic intervals on India's coastline will improve bulk handling and attract deep draft heavy tonnage ships. Special attention will also be given to the enlargement of the shipping tonnage in view of the growing volume of foreign trade.

The Plan document says that in the case of major traditional exports such as cotton textiles and jute manufactures, adequate provision has been made for modernisation and rehabilitation of manufacturing units as part of the export promotion effort. Similarly, funds have been provided for replantation of tea bushes and modernisation of processing and packaging facilities. In the case of certain traditional items particularly those facing competition from synthetics, further programme for industrial research will be necessary. For increasing exports of non-traditional items, special emphasis will be placed on wider publicity and adequate after-sale service. A statement of exports of principal commodities in 1960-61, 1965-66 and 1968-69 is given in Table XX.

Efforts for the location and development of export markets will have to be intensified. Technical and financial assistance, along with deferred payment terms for facilitating exports of machinery and equipment to developing countries will be strengthened.

The present institutional framework

for export promotion is sound and has contributed to the development of exports. It may, however, be necessary to strengthen from time to time certain constituent elements of this structure as the need may arise. In particular, it is visualised that the public sector will play an increasing role in export trade. Moreover, since there has been a substantial expansion of the public sector in the industrial fields notably metallurgy, engineering and chemicals, it is expected that exports from public sector enterprises will increase progressively. The role of co-operative organisations of proved ability in the field of export trade will be encouraged.

After giving a historical analysis of exports trends in the country since 1951 and more particularly in 1961-69, the Plan document says that the total import requirements of the economy during the fourth Plan period are estimated at Rs 9,730 crores. These are made up of Rs 590 crores of food imports (including these under PL 480 arrangements) Rs 7,840 crores of maintenance imports or imports of raw materials, components and spares needed for sustaining and accelerating the growth of industrial and agricultural production and about Rs 1,300 crores of project imports.

The maintenance import requirements totalling Rs 7,840 crores include major items such as fertilisers and fertiliser materials, chemicals, non-ferrous metals, special varieties of steel, components and spare parts of machinery.

More than half of the requirements of maintenance imports during the fourth Plan period will be on account of iron and steel, non-ferrous metals, POL (crude and refined), fertilisers (including fertiliser materials) and components and spares for machinery and transport equipment. With the increase in industrial production and overall growth in the economy, requirements of such materials, intermediate products and components would increase significantly from year to year. Imports of chemicals, drugs, dyes, newsprint, paperboard and pulp are expected to show only a nominal increase. Imports of agricultural raw materials are likely to show a generally declining trend.

Imports of principal commodities in 1960-61, 1965-66 to 1968-69 are given in Table XXI.

Project imports have been estimated on the assumption that the requirements of complete machinery, plant and equipment would be met largely from domes-

tic production and that only plants and machinery of the more complex and sophisticated kinds which are yet to be produced within the country will be imported. The major part of project imports is accounted for by the three sectors of industry and minerals, transport and communications, and irrigation and power.

The Plan document says that an important assumption underlying the import estimates is that the basic ingredients of the import policy evolved in the years since devaluation would be continued, so that liberal import facilities for the priority industries, export industries and units and the small-scale sector would be provided.

With the expansion of production in the different sectors and the efforts to be made to promote exports, the requirements of essential imports of raw materials, components and spares will grow. It would, therefore, be necessary, to keep the total import bill within the limits determined by the likely

availability of foreign exchange resources.

A determined and sustained drive will have to be undertaken towards import substitution and rationalisation. It would be appropriate to give special attention to bulk areas like metals, fertiliser and machinery and equipment of all kinds, since progress in import substitution in these areas would result in sizable savings of foreign exchange. It will be desirable to review periodically the efforts made in the field of import substitution, to keep a watch on progress achieved, to provide guidelines and to identify new areas where import substitution is feasible.

In line with the government's recently announced policy to canalise progressively imports of industrial raw materials through state trading agencies, it would be necessary to undertake studies of the various categories of industrial raw materials which are now being imported and to devise an appropriate time-schedule for the progressive canalisation of their imports.

TABLE XXI

IMPORTS OF PRINCIPAL COMMODITIES DURING 1960-69

Commodity groups	(Rs crores)		
	1960-61	1965-66*	1968-69*
Cereals & cereal preparations	181.4	507.2	336.6
of which :			
PL 480 foodgrains	150.0	422.1	130.0
Cashewnuts	9.6	23.8	31.4
Raw cotton other than linters	81.7	72.8	90.2
Jute raw	7.5	8.8	9.3
Fertilisers (crude & manufactured) ..	12.1	70.6	150.2
Mineral fuels, lubricants and related materials	69.5	107.7	84.2
Chemical elements and compounds ..	39.3	56.4	82.7
Medicinal and pharmaceutical products	10.5	13.9	17.5
Dyeing, tanning and colouring materials	10.5	10.4	8.9
Synthetic plastic materials	5.7	9.1	14.4
Crude rubber and rubber manufactures	14.0	9.4	8.8
Paper, paper board and manufactures thereof	12.1	21.1	18.3
Synthetic yarn	11.1	9.0	4.1
Base metals	169.8	262.1	175.1
of which :			
(a) Iron & Steel	122.5	154.0	86.1
(b) Non-ferrous metals	47.3	108.1	89.0
Machinery & parts thereof	260.6	660.9	451.1
Transport equipment	72.3	110.1	65.4
Manufactures of metals	22.9	28.5	13.5
Others	149.1	236.5	300.9
TOTAL IMPORTS	1,139.7	2,218.4*	1,861.6

*The figures for 1965-66 and 1968-69 are in post-devaluation rupees.
Source : Customs data except for PL 480 imports (unadjusted).

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JUNE 5, 1970

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Aid Without Tears
Financing the Plan • Petroleum Prices
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The succession



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EASTERN
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AID WITHOUT TEARS

THE SECRETARY for Economic Affairs in the Ministry of Finance, who had led the official team to the meeting of the Aid-India Club held in Paris, was reported to have told journalists in the French capital that he was the only one to bring up the bank nationalisation issue during the two-day session. This observation breathes a spirit of bravado, which, we would like to think, is uncharacteristic of Dr I.G. Patel. If his purpose was to suggest that the aid-giving countries had at last accepted the position that the Government of India knew best how to manage the economic affairs of India, it would be quite proper to ask him whether he had deceived himself to the extent of believing that this line could be sold to reasonable and responsible people in our country or elsewhere.

It is, no doubt, true that, as Mr Dilip Mukerjee wrote in *The Times of India* of May 30, the aiding countries are less inclined to deliver sermons to the government in New Delhi, but this may well have to do more with deaf ears than converted minds. It would be certainly unrealistic to suggest that serious reservations are not being entertained around the world either about the efficient utilisation of aid by our government or on the more general issue of the handling of the requirements or problems of rapid economic growth by our planners and administrators, whether they are politicians or bureaucrats.

Much is now being made of the generally favourable assessment by the World Bank of the performance of our economy in recent years. But it is possible to work to death the 'plus' points, such as the improvement in agriculture, the partial recovery from a partial industrial recession, the advance in exports and the progress of family planning. But no honest evaluation of these gains can be complete, surely, without account being taken of their limitations or the stubborn problems of their continuance or consolidation. We do not believe that the World Bank is unaware of the other side of the picture and it is quite understandable that its report to the Aid-India Club, which has a specific purpose to serve, should have chosen to be selective. Aid-giving has become as much of an exercise in empire-building as aid-receiving and is equally expansively run by vested interests of institutions if not individuals. The late President Kennedy had remarked, no doubt, that foreign aid had no constituency, but it does have lobbies of international agencies, besides government departments and export industries and trades in the aid-giving countries, working for it.

In any case, even the extremely tactful report of the World Bank has not found it possible to avoid deprecatory references to what is undoubtedly the most relevant issue currently related to aid, viz., our government's policies and attitudes towards foreign private capital. If, nevertheless, international institutions or national governments engaged in the business of giving or administering aid are less keen now than they were before to hand out admonition or advice along with their dollars or other currencies, it is essentially because there is an almost fatalistic recognition in many countries of the world that the aided governments must be expected to subordinate economics to politics in the light of their reading of what is good for their own survival. Whether this attitude is part of the general syndrome of aid-weariness or not, it does seem to represent a transition from the stage of 'uncle knows best' to a stage almost of 'uncle may still know best, but he cannot care less'. It follows that it is now becoming the primary as well as the ultimate responsibility of aid-receiving countries, including ours, to make an effort, in their own interest, to ensure that aid is put to the most effective use within a framework of economic policies designed to promote sound and rapid economic growth.

It is possible that this is the lesson which the Patel team of officials may have brought from Paris for the private consideration of the Finance or other ministries of the Government of India. In statistical terms, the discussions at the Paris meeting have served to improve both the continuity and certainty of the level of development assistance which the country is receiving or may hope to receive in the future. The Aid-India Club has accepted our government's estimate of our country's aid needs at \$1,100 million this year and it has also been indicated that this scale of need is expected to persist for the rest of the fourth Plan period. Hopes have also been held out that the gap between aid promised and funds committed by the assisting governments would be reduced as compared with what had been happening in the past. According to Mr Peter Cargill, Director of the World Bank's South Asia Department, our country may, therefore, hope to receive considerably more than the amount of \$825 million pledged last year. We should, however, be prepared for Mr Cargill turning out to be too optimistic, since resistance in the United States to the enlargement

of aid commitments by Washington cannot be minimised, particularly in view of President Nixon's difficulties with Congress.

In qualitative terms, out of the expected aggregate assistance of \$1,100 million, \$100 million will be for providing relief in respect of repayment of aid received in the past. This would leave about \$600 million for non-project aid and \$400 million for project assistance. What may ultimately be the respective figures of non-project and project assistance would be determined partly by the quantum of aid actually committed by the members of the Aid-India Club in pursuance of the Paris decision and partly by our own effective programmes and proposals for receiving and absorbing these types of assistance. This, of course, has always been so and in this sense, as in many others, fine arguments about the arithmetic of aid remain academic to a great extent.

Financing the Plan

THE RESOURCES budget of the fourth Plan postulates an increase in the outlay in the public sector by Rs 1,504 crores to Rs 15,902 crores. Thus, the process of large-scale diversion of resources from the private sector to the public sector continues, involving the imposition of more and more taxation on the former. The mobilisation of additional resources is proposed to be attempted by imposing fresh taxation of Rs 489 crores more than what was contemplated in the draft Plan and raising through open market loans an extra Rs 249 crores. There is also to be greater reliance on the banking system for direct and indirect assistance since it is expected that, as between requirement of the financial corporations and the Food Corporation of India, as much as Rs 405 crores will have to be found. Besides, the loans from Life Insurance Corporation and market borrowing by state enterprises are estimated to fetch Rs 163 crores while it is assumed that there will be an increase in foreign assistance by Rs 100 crores.

There are small changes in other heads, which will result in a net contribution of resources of Rs 26 crores while as a result of the implementation of the recommendations of the Finance Commission, balances from current revenues will be lower by Rs 782 crores. But miscellaneous capital receipts will be higher by Rs 555 crores. This increase is obviously due to the benefit that will be derived by many state governments due to the rescheduling of

In practical terms, as Mr G.L. Mehta has pointed out in his Kennedy Memorial Address on "Foreign Aid: Stimulus or Soporific?" delivered in Bombay last week, foreign aid has been making possible an annual rise of one per cent of national income in the case of our country. Mr Mehta proceeded to suggest that, given our population growth rate, almost the entire growth in per capita income can be attributed to foreign aid. In his view, even if foreign aid has not enabled India to become affluent, it has at least helped to prevent an increase in the pauperisation of the society. This may be an uninspiring evaluation of the role of foreign aid in our economic development, but it may well have the virtue of being true and should, therefore, serve to induce in our politicians and bureaucrats a more modest view of our government's performance in receiving and utilising aid than may be encouraged in visiting officials from India by the exciting air of the French capital.

debt repayments or other adjustments. The contribution by public sector enterprises and from other sources will be higher by Rs 299 crores. With the above details it is possible to get a tally for the additional outlay of Rs 1,504 crores, the deficit financing being unchanged at Rs 850 crores.

The fast growth in deposits of the banking system has undoubtedly encouraged the planners to formulate the resources budget on more ambitious lines and it must be admitted that the expectations of an increase in bank deposits by Rs 3,000 crores over the period 1969-74 will be more than fulfilled. This is because, in 1969 alone, the additions to deposits of scheduled commercial banks were as much as Rs 642 crores. In 1970 these may be much higher at Rs 750 crores as a large number of new branches are being opened in underbanked areas and the growth in deposits in the first 4½ months of 1970 has been even slightly in excess of the high rate witnessed in the corresponding period in 1969. It would not, therefore, be surprising if the increase in deposits of all banks in a five-year period amounted to even Rs 4,000 crores. It should therefore be possible for the banking system alone to invest additionally about Rs 1,000 crores in central and state government loans. If the contribution of the Life Insurance Corporation, provident funds and trusts are also taken into account the target of Rs 1,415 crores for net market borrowing of the central

and state governments will be easily exceeded.

The receipts from small savings have been estimated conservatively, due perhaps to the feeling that brisk sales of savings certificates cannot be effected with a faster growth of deposits of banks, co-operative credit societies and post offices. The tax effort will no doubt be oppressive, as the centre is compelled to raise additional resources for Rs 500 crores because of the transfer of large amounts to the states as their share of central revenues in pursuance of the recommendations of the Finance Commission and the proposal to lend special assistance to states, which have large non-Plan deficits even after completing the various adjustments.

It may, however, be asked whether savings from current revenues would be of the anticipated dimensions as with the increase in emoluments of government employees and rising administrative expenditure the estimates in this regard may go awry. But there has been buoyancy in tax revenues and if agricultural production is maintained at a high level and there is also a reasonable growth in industrial output, the collection of larger tax revenues may more than offset any increase in non-Plan expenditure that may take place in the next three years.

As regards additional taxation, the central government has already made a big effort and it will not be furthering its objectives if any attempt were to be made in the next three years to levy additional taxes for overcoming any shortfall in the receipts of the state governments through new levies as had happened in the third Plan period. The taxes levied in 1969-70 by the central government are expected to fetch Rs 725 crores in five years on the Planning Commission's own reckoning while in the latest budget the new crushing levies may fetch about Rs 800 crores in four years allowing for growth in revenues. This would mean that but for the new target fixed by the Planning Commission the tax effort contemplated in the draft Plan has already been substantially completed. It will, therefore, be necessary for the central government particularly to adopt a careful policy as the problem for some time may not relate to the availability of resources.

Indeed the problem, if at all, will pertain to a stepping up of Plan expenditure in 1971-74. For, the average level of outlay on Plan schemes in this period will have to be as much as Rs 3,500 crores as not more than Rs 5,000 crores may be spent in the first two years. Unfortunately unexpected shortages of physical resources have emerged, threatening to slow down the pace of economic development. The required

tempo can be achieved only if the existing weaknesses in the agricultural economy are eliminated by stabilising the output of coarse cereals and increasing substantially the yield of raw cotton and oilseeds. There will also have to be full utilisation of the capacity of the steel units besides vigorous execution of the new projects so that the growth in exports may be brought about to the desired extent and im-

Petroleum Prices

WITH NEARLY 60 per cent of the country's requirements of crude oil being met from imports and the position not expected to change materially for several years to come, the recommendation of the Oil Prices' Committee (popularly known as the Shantilal Shah Committee) that the ceiling prices of bulk petroleum products should continue to be determined on the basis of import parity but with one difference from the past, that is, that the inland refineries should also be pricing points in addition to the eight port towns, is appropriate. The acceptance of this proposal by the union government was a foregone conclusion. The making of the inland refineries as the pricing points by transplanting the prices worked out on the basis of import parity at the port towns should redress the long-standing grouse of the state governments which have inland refineries in their jurisdiction, that even though petroleum products were produced in these states, their people had to pay more than what others who were nearer to the port towns had to pay even though the supplies might have come from the inland refineries.

Apart from this, the decision to make the inland refineries pricing points should improve the profitability of the Indian Oil Corporation which not only owns these refineries but also markets their products. This is because it will not be at any disadvantage as compared to the coastal refineries. Hitherto, if the products of a refinery were marketed outside its economic zone, it had to suffer loss due to under-recovery of freight which sometimes could not be fully compensated by the over-recoveries on freight within the economic marketing areas. The classical example of this was sale of the products of the Noonmati refinery down south in West Bengal. Under the new decision of the government, while there will be under-recoveries of freight on products sold outside the economic marketing area of a refinery or if the products are moved by coastal shipping, there will not be any over-recoveries as only actual freight is to be charged from consumers in the economic marketing areas over the refinery prices. To meet the loss on

ports also are prevented from rising awkwardly.

The fourth Plan will thus have reasonable prospects of success only if there is a firm grip on the agricultural economy and serious efforts are made to maximise industrial production. For this purpose the private sector will have to be given the necessary scope and encouragement.

account of under-recoveries, a pool is to be established by putting a surcharge of 10 paise per kilolitre of the bulk petroleum products on the prices calculated on the basis of import parity. Out of this pool, all marketing companies will be compensated for the actual under-recoveries on freight.

The actual ceiling prices, which have come into force with effect from June 1, 1970, however, will be four per cent lower than the lowest of Platt's posted f.o.b. prices ex-Bandar Mahshahr as on March 26, 1969, with suitable additions of marine freight. This is in line with the recommendation of the OPC. The basis for the four per cent cut is that crude oil prices, since March 1969, have come down by 10 cents a barrel and the softening of crude prices has to be reflected in a fall in the posted prices for petroleum products. In future also, whenever there is a 10-cent fall in the prices of crude oil, the product prices are to be lowered by 4 per cent in principle. But a point that needs consideration is that there is always some time lag between the increase in the discounts on the posted prices of crude and the fall in the posted prices of products. How allowance is to be made for this time lag, the government resolution does not enlighten us. It merely says: "The government reserves the right to deal with the situation as it arises depending on the conditions obtaining at that time".

This should suggest that the OPC's recommendations and the government's decisions on them are by and large wholesome. But two implications of the new policy would raise many an eyebrow. The first is the increase in the price of naphtha by about Rs 25 per kilolitre. This is bound to raise the production costs of naphtha-based fertilizer units which, at the present level of fertilizer consumption in the country, is hardly warranted. An argument adduced in favour of an increase in the price of this feedstock for the fertilizer industry is that we have to diversify the raw material use for fertilizer manufacture since naphtha is soon going to be in short supply. The higher price of

naphtha, it is felt, will encourage the use of other materials, particularly coal, which is in abundant supply in the country. But is it not possible to diversify the raw materials use for fertilizer manufacture through selective subsidy, instead of raising the cost of production of this vital farm input in general? Selective subsidies would cost much less to the national economy than a general higher price of fertilizers.

The second implication of the OPC's recommendations and the government's decisions on them which is open to serious objection is the raising of the price of furnace oil to compensate the oil marketing companies for the loss on the sale of aviation fuel. The prices of aviation fuel have to be maintained at the present level although on the basis of the import parity they would have been higher. We fail to understand the logic behind maintaining the prices of aviation fuel when no attempt has been made to avoid an increase in the cost of manufacturing fertilizers.

The prices of aviation fuel in our country are admittedly unduly higher than elsewhere in the world and they are adversely affecting the operations of civil aviation. But this is due to the fact that the excise duty on this product was raised sharply last year. The appropriate way of maintaining the prices of aviation fuel would have been to offset the likely increase in them (worked out on the basis of import parity) by scaling down of the excise duty. The primary object of meeting the loss on aviation fuel through the device of raising the price of furnace oil obviously is to curtail the consumption of the latter. There may be a case for curbing the consumption of furnace oil so that the demand for coal can be stimulated. But by doing so is not the government discouraging the attempts of the industrial units situated at places distant from the main coal belt of the country at containing their cost of production? It can further be argued that since the government has decided to levy the surcharge on bulk petroleum products (for offsetting the under-recoveries on freight) at 10 paise instead of 7.05 paise per kilolitre as recommended by the OPC, the loss on the sale of aviation fuel too could be met from this source instead of unduly burdening the consumers of furnace oil.

It is indeed questionable that the government should only be concerned with its own revenues. As a result of the new pricing policy, it has tried to mop up as much as slightly over five crores of rupees for the central exchequer. If past experience is any indication, substantial sums from the pool for offsetting under-recoveries of freight will also be appropriated by the government; at the

current level of consumption of petroleum products, this pool will have as much as Rs 17 crores in a year. The taxation on petroleum products is indeed exorbitantly high in our country. If in addition to this, even modest gains to the consumer are to be mopped up by the government on one consideration or another, the above inference is irresistible.

An important departure in the government's decisions on the recommendations of the OPC is the continuance of the commission of the dealers in high speed diesel oil at Rs 17.60 per kilolitre. After a detailed consideration of the memorandum submitted to it by

the Federation of All-India Petroleum Traders, the OPC had recommended this commission to be raised to Rs 37.60 per kilolitre by merging the present rate of commission of Rs 17.60 per kilolitre and the service charge of two paise per litre collected by dealers in some parts of the country. A rationalisation of the HSD dealers' commission apparently was called for in view of the increased requirements of capital and the mounting costs of dealership on various other counts such as high evaporation loss (in money terms), increased electricity charges, land rent, etc. The government's reasons for overlooking this remain to be clearly stated and defended.

Send Back a Friend

IN A letter to the editor published in *The Hindu* last month, a group of four German tourists complained that right from Srinagar to the borders of Tamil Nadu, no accommodation was available to it "in any of the tourist bungalows, inspection bungalows and travellers' bungalows" and almost all of them were occupied by government officials on duty who enjoyed this privilege at "concessional rates." Even elementary courtesy, such as the use of bath rooms, was not shown to the tourists despite the fact that one of its members was a lady. This is one of the instances of frustration experienced by tourists visiting our country which makes a mockery of the slogan recently publicised by the Director-General of Tourism: "Welcome a visitor — send back a friend."

It has to be conceded perhaps that it is not possible for us to give satisfaction to each and every tourist visiting this country because we are still not fully seized of the importance of tourism. However hard we might try, some tourists are likely to return home frustrated with their experience of stay in our country. But what is the percentage of such cases? A sample survey conducted in 1968-69 by the Indian Institute of Public Opinion (IIPO) at the instance of the Department of Tourism showed that, out of 5,247 tourists who were interviewed, 93 per cent had enjoyed their visit to this country. It follows that, one out of 14 tourists was dissatisfied with his visit to our country. Again, 4.4 per cent of the tourists described hotel accommodation (no questions were asked about government bungalows) in our country as poor. The statistics, it must be admitted, could have been more frightening.

That some of the steps taken by the government for promoting tourism during the past few years have borne fruit, though to a limited extent, is

apparent from the fact that the number of tourists to this country has nearly doubled from 134,360 in 1962 to 240,000 in 1969. The average expenditure per tourist being Rs 1,368, the total foreign exchange earnings were about Rs 33 crores in 1969. There is certainly scope for increasing our foreign exchange earnings manifold through tourism as currently our share of the world trade is insignificantly small. In 1967, for example, the total world turnover from tourism was Rs 10,598 crores but this country's share was Rs 25.23 crores only. Other Asian countries such as Iran, Malaysia, Japan and Thailand have made rapid progress in developing tourism while we have failed "to tap the potential to the full" for such reasons as paucity of personnel and resources. Even after the necessary resources have been provided by the government, we will succeed in our efforts only when the importance of tourism is realised by all concerned including the central and state governments, the local bodies, the business community and the general public.

The creation of a separate ministry of Tourism and Civil Aviation under the charge of a cabinet minister was expected to give a fillip to tourism in this country but the performance so far has not been up to expectations. It is likely that incompetent handling of the affairs of the India Tourism Development Corporation (ITDC), the premier public sector agency for the development of tourism, has been one of the factors. Recently, an additional secretary to the government was appointed as part-time chairman of the ITDC. This appointment flouted the recommendation of the Committee on Public Undertakings (CPU) which, in its 36th report dated April 1969, dealing with the affairs of the Indian Airlines Corporation, had observed as follows:

"The Committee are not convinced

that the interests of either the government or the corporation can be best served by the secretary of a ministry being the chairman of a corporation. The Estimates Committee have pointed out the defects in such an arrangement, and there should not normally be an exception to the general rule. However hard a person works objectively and balances the two interests, when interests conflict, it is not possible to take a detached view. In fact in the formulation of a decision within the ministry the officials of the ministry are likely to assume that the views of the corporation have the approval of the senior-most executive of the ministry and as such their views are likely to be biased. Another drawback in such an arrangement is that the presence of a senior-most officer of the ministry in the board hampers the autonomous functioning of the corporation and does not provide sufficient incentive to its chief executive to take independent decisions, however hard he may try to do so. The Committee also do not agree with the plea that proper co-ordination between the DGCA and the air corporations can be maintained only by having the secretary of the ministry as the chairman of the corporation. These are in fact matters which should be settled at departmental levels. The present arrangement of having the secretary of the ministry as the chairman of the corporation is not satisfactory and should be ended."

It is not known why the government has deliberately ignored the advice of the CPU which in its 70th report has once again expressed surprise over the appointment of an additional secretary to this post. The Administrative Reforms Commission also opposed the practice of a secretary to the government having anything to do with a public sector undertaking.

What is more, there does not seem to be a clear-cut demarcation of activities between the ITDC and the Department of Tourism. The CPU has examined this question in detail and has come to the conclusion that the role of the ITDC should be to look after the commercial activities while the Department of Tourism should promote tourist activities.

Will the government heed the advice of the CPU? It will not do to simply urge the public in this country to treat every tourist as a friend; the government must see to it that the affairs of the public sector undertakings engaged in this important task are well-managed and the suggestions of the parliamentary committees and other expert bodies are given due consideration before they are rejected.

Parliament's Review of Our Foreign Policy

DR A. APPADORAI

A READING of the debate on foreign policy, when Parliament's approval was sought for the demands for grants for the Ministry of External Affairs on 7 and 8 April, makes painful reading. Most of the participants in the debate, including the Minister for External Affairs, do not appear to have touched on the basic issue which ought to be considered in any meaningful discussion on foreign relations.

Let us, first, have a bird's-eye view of the significant things that were said during the course of the debate.

On non-alignment, one did not know, a critic said, if government was non-aligned so far as ideology was concerned, because the entire stance of the government showed that they had no understanding about the ideological confrontation in the world. Non-alignment had been reduced to non-speech, lest we should say something which might hurt someone somewhere, but foreign policy was not carried on by maintaining a vow of silence! Again was it pure non-alignment we were following? To some it appeared that our foreign policy leaned towards the Soviet side, in fact one member even expressed the view that "the government had reduced this country to the status of a Soviet satellite." The stage was reached "when for every action of ours India required Soviet approval. Our ambassadors, our governors and even our ministers had to be pro-Soviet. Now our legislation, our plans and even our textbooks had to be pro-Soviet." This view was of course challenged. The non-recognition of East Germany and the continuance of the practice of giving information to the USA "on our arms purchases" suggest, it was said, that we were leaning too much on the USA.

Himalayan Neighbours

If Nepal wanted to play one against the other and always put India on tenter-hooks, we might say to her 'Peace for Yourself'. If she wanted to overplay her part, it would ultimately not work. Nepal should realise its sense of proportion. She was exploiting India too much and it was time the Government of India woke

up a little and stood firm against all her manipulations, threatening that they would go to China. If they wanted it, let them have it. But it should not be allowed to browbeat India.

India was following a policy of friendship with all. All that we should do in the context of the international situation dominated by two or three powers was to bring some approach which they could appreciate, and that could be done only by friendly talk and by reasonable argument, and not by threatening any country. That was why our Prime Minister had been able to pay many visits to foreign countries, and their representatives had paid visits to us.

Realistic Nuclear Policy

The aim of our foreign policy should be definite and precise. Our policy of non-alignment might be good, but it was only a means because the ultimate end should be a federation of the world. That seemed to be the only solution to avoid the evil consequences of all power blocs, aggressions and ideological attitudes. Therefore, whether it was in the United Nations or in international conferences, India must always try to project the image of world federation being a desirability not at a distant future, but within a reasonable period of time so that the world could get rid of wars and mutual conflicts.

It was high time we had a re-thinking in regard to the development of nuclear power. A Parliamentary Commission for nuclear affairs should be set up because this House had the right to participate in the many dimensions of this problem and should not be told from time to time that it was the External Affairs Ministry or the Defence Ministry or the Atomic Energy Department which was concerned with this problem. Government should also make a specific declaration on the retention of a nuclear choice. Further, India should make a declaration that the non-proliferation treaty was considered by us as a denial of the theory and practice of general disarmament.

Much was said about the possibility

of Indo-Pakistani understanding. But it was a very difficult thing. Understanding with Pakistan would come only if the west stopped its military assistance to Pakistan.

In the forties and fifties India had the image of a rising power in Asia and the African countries looked to us as champion of their freedom. What happened in the sixties and the beginning of seventies? In spite of our support to the African cause in the United Nations and outside against Rhodesia, South Africa and Portugal and in spite of our support to the African National Congress and other liberation movements in Angola, Mozambique and Portuguese Guinea, there was very little appreciation of our stand and at crucial time found no friend, in Africa.

Better External Publicity

One of the reasons for our failure on the diplomatic front was our defective external publicity. There were countries in the world which did not know that there were 6-7 crores Muslims in India. Our external publicity had failed to counteract Pak propaganda in regard to Kashmir. A high level analysis should be made to find out the weak points in our foreign policy which were responsible for our failure on the diplomatic front.

Even America was now talking to China in the matter of trade and commerce. Japan was taking keen interest in Chinese affairs. The Russian government had started trade talks with China in the midst of inter ideological differences. Therefore, there was no reason why the Government of India should not take the initiative for breaking the stalemate that existed in our relations with China. As a first step they should raise the status of the Consul to the ambassadorial level.

and so on.

Replying to the debate, the Minister for External Affairs made several platitudinous statements, which did not carry forward our understanding of the basic issues. Thus he said:

In a world in which we had seen conflicts come up from time to time the only answer lay in building up a system of co-operation based on the equality of all nations, the recognition of their sovereignty, the recognition of their territorial integrity and the giving up of the use of force to settle all differences.

We had attached very great importance to the strengthening of our relations with Asian countries.

We were trying to build in this area the links that were destroyed by hundreds of years of colonialism. It had been our feeling that this could best be done by establishing close economic co-operation between the Asian countries.

The Prime Minister Mrs Indira Gandhi had put forward a positive proposal in 1967 to forge close Asian identity. The Prime Minister had suggested the idea of having a convention among the nations of Asia ensuring respect for independence and sovereignty and territorial integrity of the countries of the region and neutrality of all countries which wished to remain neutral. Such a convention should be signed not only by all countries of the region but also by the great powers. It should incorporate in it the five principles of peaceful co-existence and the concept of economic, cultural, scientific and technical co-operation.

We had been deeply distressed and pained to see extension of hostilities in Indo-China.

Friendship for All

The withdrawal of all foreign forces from all the three countries of what was called Indo-China was the only solution to the problem. Once foreign forces were withdrawn, the peoples in these countries would be able to find a way of their own to sort out their differences.

It was our desire to forge close links with Pakistan on the basis of the Tashkent Declaration which was being attempted. So far the response from Pakistan had been negative.

....We would continue to recognise Nepal as a sovereign country and it would not be our desire to interfere in their internal affairs.

We had very deep relations with Arab countries and we had continued to maintain them. The idea of Pan Islamism was one of the most dangerous thoughts that had been prevailing in that part of the world.

We had very close co-operation with the countries of Africa when they were fighting for their independence. The co-operation that we could give now in consolidating that freedom was by having closer economic co-operation with them. We were doing that. But the chronic problem of Africa still remained. Racial discrimination, as it was practised in South Africa, South

West Africa and now in Rhodesia, was not only a crime against the people against whom it was practised but it was against the conscience of humanity as a whole.

The members of the Foreign Service, scattered as they were all over the world, had a difficult task to perform. India's Foreign Service was rated as one of the best Foreign Services in the world.

I said earlier that the debate did not touch on the basic issue regarding our foreign policy. That basic issue is, I suggest, our national interest in safeguarding our territorial integrity.

This issue is in fact a two-fold one. First: Is it intended that the territories now under Pakistani and Chinese occupation—about 31,250 sq. miles and 14,500 sq. miles respectively—will be recovered; and second, how do we ensure that the integrity of the rest of our territory is not threatened?

On the first, past records indicate that an offer was made by the Prime Minister of India to Pakistani leaders in 1955 that the international boundary be established at that cease-fire line, and that India had no desire to take "the part of Kashmir which is under you" by fighting,¹ but the offer was not accepted. Does the offer still stand? If it stands, India must perhaps write off the Indian territory under Pakistan's occupation as lost to the Indian union, for it would be too optimistic to expect that Pakistan would voluntarily surrender the territory under her occupation to India. The problem of recovering the territory under Chinese occupation, too, bristles with difficulties. China has become a nuclear power since 1962; she is unwilling to accept the Colombo Proposals; she is in league with Pakistan.

The problem of safeguarding our territorial integrity in the context of the threat from China and Pakistan, is in all conscience, a serious one. It is true that India has learnt from her experience of 1962 and 1965. Nehru's statement before the Conference of state Ministers of Information on October 25, 1962 deserve to be quoted: "We were getting out of touch with reality in the modern world and we were living in an artificial atmosphere of our own creation. We have been shocked out of it, all of us, whether it is the government or the people."²

President Radhakrishnan said early in November 1962 that "our credulity

and negligence have caused us some reverses."³ It will be correct to say that since 1962, according to available information, the lesson has been learnt, a higher place has been given to military power and the weakness in India's military preparedness to defend her security has been made up. According to those who should know, "We have gained confidence over the years that our military potential is adequate—if not to deter war against Pakistan, certainly to ensure a favourable outcome in the event, even if only marginally"; and again, "Indian forces have more fire-power per man than the Chinese, and with vastly improved communications and transportation can move quickly to reinforce critical areas. The Indian forces deployed forward are much larger than they were in 1962 when the Chinese attacked."⁵

In my view, however, there is still one lacunae: China has produced the hydrogen bomb and is known to be perfecting its making as well as making the missiles necessary to carry it across to the enemies' territory.

It behoves India to re-examine her earlier decision not to make nuclear weapons. The world respects strength. India has, fortunately, not been a party to the nuclear non-proliferation treaty.

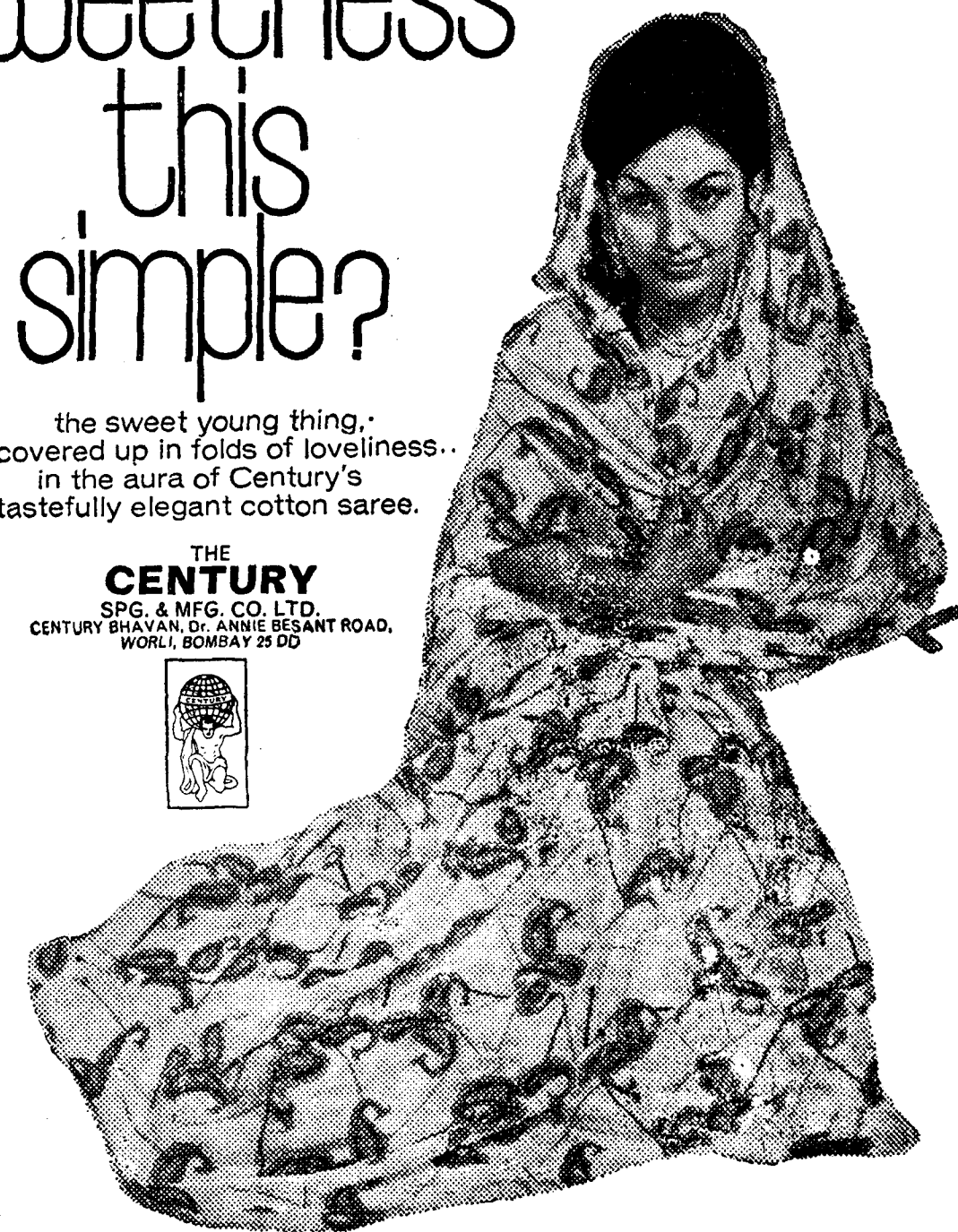
Better Understanding

Next a word may be said about the co-ordination of defence and foreign policy. That such co-ordination has been lacking in India (and has been one of the main causes of the debacle of 1962) is evident from the following remarks of General Cariappa: "I have always been saying that the strength, the training and equipment of an army are so closely related to the foreign policy of the government of one's country. As far as I can remember at no time was there any political indication given of any physical threat to the security of our country, sufficiently in advance of time, to enable the army planners to give serious thought to implement their plans in regard to equipment, weapons, training and so on. On the other hand on occasions the soldier's warnings of things to come were slighted."⁶ This charge by an army chief against the civilian authority of failing to give any "political indication" to the Armed forces is counterbalanced by the charge by a civilian against the armed forces of failing to evolve "any really integrated matrix of defence doctrine." S.S. Khera has written that "there has failed to emerge any really integrated matrix of defence

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doctrine, policy, strategy; fiscal and financial planning in relation to defence; and the requisite industrial and other developmental planning for defence. There have been a number of *ad hoc* decisions as each emergency compels a decision; no integrated view into the future, even in the early 70s."

A properly co-ordinated foreign and defence policy should start with the dictum of McNamara that defence policy has "only one purpose and that is to act as the servant of foreign policy." This would imply that (i) national security demands that it is the task of diplomacy to secure national objectives without war if possible, and (ii) if that fails, national security demands, too, that the objectives be achieved by bringing the armed forces into the picture. The co-ordination needed is (a) for the Ministry of External Affairs to judge (1) how far the objectives could be achieved without using the military arm, and (2) when that arm would have to be used and (b) for the armed forces to be ready when called upon to execute their task with the optimum efficiency.

Home Work Needed

"To be ready when called upon" implies a lot of homework at leisure keeping in touch with the Ministries of Defence and External Affairs; in particular it should be the job of the Chiefs of Staff to study the report of the Joint Intelligence Committee which is under them, assess it and make recommendations. Major Gen D. K. Palit has also pointed out one more objective for the diplomatic wing: it must aim at providing 'a minimum buffer period of preparation during which national security can convert from a largely political programme to one of defence by military potential.'" It does not matter whether this is done by last-minute offers of negotiations or by temporarily mobilising international opinion; what is important is to prevent the breaking out of war at short notice.

Let me add, finally, that "The first condition of a good foreign policy is a good domestic policy"; let me hasten to add that the phrase is Prime Minister Gladstone's. A united people, well above the poverty line and baneful of the baneful influences of casteism, communalism and regionalism is the only sure base for an effective foreign policy. To the extent that our top leaders, supported by the people, realize the meaning of this statement, and bend all their energies to it and succeed in their efforts, to that extent they will not only improve India's image abroad but will also enhance the role of

India in world affairs in her national interest. It is interesting to recall that Prime Minister Nehru realized the close connection between foreign policy and domestic policy. He told the Constituent Assembly "External affairs will follow internal affairs."⁸ He told the Lok Sabha more clearly, "Any part we want to play in world affairs depends entirely on the internal strength, unity and conditions of our country. Our views might create some impression on others for the moment but they will attach importance to our voice only in proportion to the strength they know we have. Therefore, both from the point of view of our primary needs and from the point of view of any desire we might have to play a part in world affairs we have to pay the first attention to our own country's affairs."⁹ Wise words. I have every hope, that the Government of India, which professes

to follow Nehru's principles, will count the connection between internal strength and a fruitful foreign policy among the most important of them.

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Issues Before Automation Committee

A CORRESPONDENT

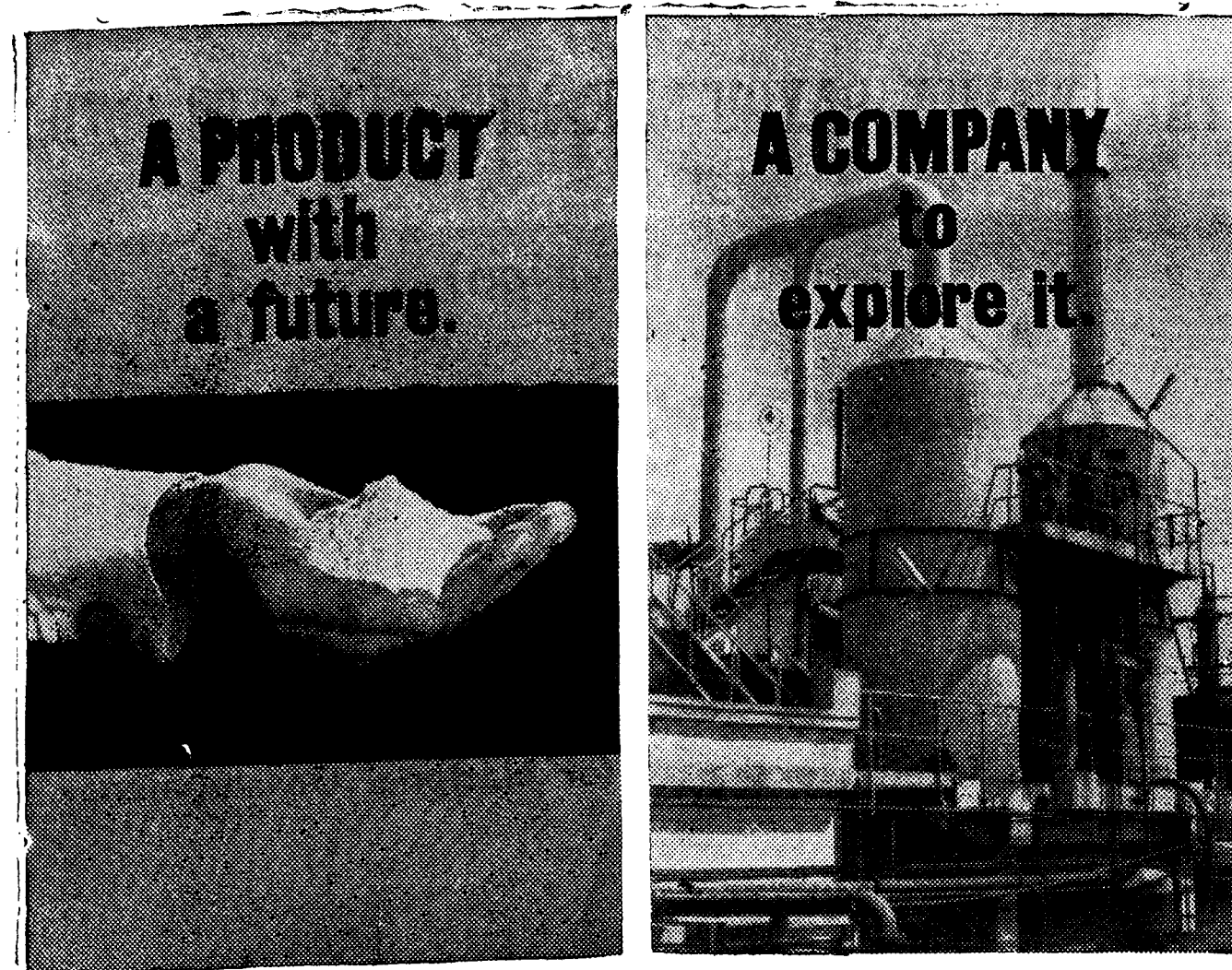
THE SOCIO-ECONOMIC effects of automation in industry, offices, administration and other related fields have been a subject of much debate in the country. On the one hand it has been argued that in an economy with so much unemployment and under-employment, the impact of automation would be so harmful as to outweigh any advantages. On the other hand it has been contended that automation, as a part of technological progress, is inevitable for industrial and economic progress and would, in the long run, create more employment. The Venkataraman Committee appointed by the Government of India is at present engaged in investigating all aspects of automation.

A great deal of ground has already been covered both by the National Labour Commission. Its report was made over a month after the appointment of the Venkataraman committee. Now a study group, which was appointed by the Government of Maharashtra long before the Venkataraman committee came into existence, brought out a comprehensive report on the subject. There are points common to both these reports, e.g. the inevitability of the introduction of automation in certain spheres and industries. It would save much time and labour if the Venkataraman committee does not go into any detail to support this proposition on which there can be not two opinions, but concentrate on the various problems of automation so that the pace and procedure of its introduction is properly regulated in the interest of the community. As has been admitted by

the INTUC in its reply to the questionnaire of the Venkataraman committee, "India having committed to economic progress and social justice cannot say 'No' to automation in all circumstances... It has already come to stay. The real problem is to set it in right direction and regulate its pace, method and the manner whereby its involvement serves the purpose of economic progress as visualised by our nation in its basic objectives without any intolerance either by individuals or groups."

Maharashtra Findings

Here it is necessary to make a reference to some of the conclusions of the Maharashtra government study group on automation, which will no doubt receive the consideration of the Venkataraman committee. The study group report is good and progressive in parts, but some assumptions in it appear to be unwarranted, there are some inconsistencies and the approach is not free from some of the old prejudices and inhibitions that have surrounded the subject of automation. I may refer first to the conclusions on which there would be general agreement. The group has rightly observed that automation is indispensable in certain fields of our national activities, strategic tactical, policy-making or operational for accomplishing the desired objectives, that there is a certain amount of inevitability regarding automation and technical change and the group has no choice except regulating the speed and selecting the spheres of its operation on a priority basis, that it is on advanced



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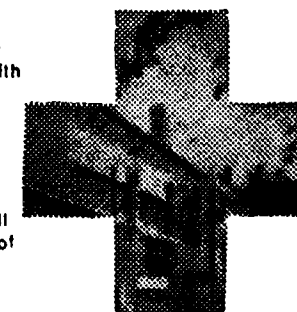
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technology that we largely depend for the realisation of the fruits of civilisation and it is for us to convert the same into an instrument of economic growth and social progress, organisationally feasible, individually beneficial and socially desirable.

Inadequacy of Data

But on the subject of the effects of automation on employment its analysis is halting, if the group is not able to make up its mind. The data selected, extended only a few computer installations in one state, was inadequate, but this was not the group's fault. But apart from the inadequacy of data the findings of the effects of automation on employment at various places in the report are confusing and also not consistent. The long-run effects of automation on employment cannot be judged by the method or in the manner that the group has adopted. The theory of automation leading to unemployment or reducing potentials of future employments rests on the fallacious assumption that in a community there is, at a given time, a fixed quantity of work for producing goods and services and that if machines do more of it, there would be less work for labour. But the assumption is wrong. Technology may eliminate particular jobs but does not eliminate work. If goods and services can be cheapened by automation, there would be greater demand for them. If fewer workers are needed for a given output, on account of technological progress, it is a gain to the community. The total output of goods and services required by the community is not limited, for the wants of mankind are practically unlimited. There might be reduction in potential employment in particular industries, but there is, in the long run, increased employment in the general economy.

The overwhelming weight of experience in other countries is that technology does not reduce employment in the economy as a whole; technology permits labour to be put to more efficient uses but does not reduce the total demand for labour in the economy. It might be mentioned that experience of other countries has shown that in the major industries where automation was introduced, it has led not only to more production and reduction in costs and consequent cheaper prices, but also increase in employment potential. Technological advances have not only increased the national per capita income of those countries but bettered the standard of living of the workers. History has shown that mechanisation has enabled the advanced industrialised countries to raise their standard of living, so that products which were con-

sidered luxuries have come within the reach of the common man.

The study group rightly recognises, at one place in the report, that a negative approach on the part of labour and the labour movement to automation cannot be allowed and that the more knowledgeable leadership in the labour movement concedes that computerisation by itself is not contributing to the present state of unemployment in the country. Yet, there is, throughout the report, an extreme sensitivity to labour opposition to automation and the views of the study group in this respect, if accepted, would not in any way advance automation (which the group recognises as inevitable) even when it is essential and accompanied by proper safeguards for labour, as evidenced in the model agreement on rationalisation which is applicable also to automation. In fact, unlike in USA, automation here is not permitted if it would lead to retrenchment.

At one place the group surprisingly observes, "Their (labour's) apprehension is perhaps, based on the bitter experience of the working class in the industrial and business sectors where computerisation in their view has had adverse effect on the manpower situation." In fact there is nothing in the report to show that this apprehension is grounded in facts. Again, at another place, the group says, "If the employers take labour unions into confidence, consult them and reach a mutual agreement with them, having regard for the interest of the society at large, much of the current misapprehensions, misunderstandings and resistance will be reduced and the well-meaning progress of computerisation greatly facilitated." If introduction of automation, where it is necessary in the interests of the community is to depend on agreement with the unions, it is in effect giving them a veto. Consultation, yes, but agreement cannot be a *sine qua non* if the interests of the community are taken into consideration. Readers are aware how,

for example, in the case of the Life Insurance Corporation, which introduced automation in Bombay after consultation with the then recognised union (not agreement) and with the sanction of government, the union subsequently refused the offer of the management to discuss the transitional problems created by automation unless the scrapping of automation was included in the agenda! The study group also admits that there are unions which want no automation for 10 years. It might be mentioned here that the National Labour Commission has stated that automation should be introduced where necessary and under certain safeguards after consultation with the union (not agreement).

Before concluding, it might be mentioned that increased productivity and not adherence to old methods is the key to improved standards of living. The history of western countries bears ample testimony to this. Growth of industries and more employment of machines to help workers to produce more and increase their productivity go together. The development that have taken place for example, in Japan—which is an Asian country and has also had to face the problem of a dense population, — have proved that the adoption of the latest methods of production through automation and computerisation could enable a country to come to the forefront of developed economies. This article may be concluded by quoting Lee A. Du Bridge, President of the Institute of the California Technology, who has aptly written, "Those who object to and resist today's automation must logically reject yesterday's mechanisation and then reject as undesirable the whole of modern industrial development. They must advocate, in short, the return to the most primitive forms of society of hundreds of years ago — a society which, by now, with inevitable population increases— would be checked and paralysed by hunger, disease and poverty. No one advocates that..."

Eastern Economist 25 Years Ago

JUNE 8, 1945

The French Government is putting into circulation new notes in exchange of all old issues which would cease to be legal tender after June 16. The purpose is to make a census of fortunes and black market profits and to discover the amount of notes removed from France by the Germans. Similarly, Great Britain is all out to catch the marketer awkwardly with his ill-gotten profits. In order to evade income-tax and detection, the black marketer used to take payments either in cash or in uncrossed cheques which he cashed and hoarded. On April 30, the British Government withdrew from circulation all bank notes over £ 5 and these ceased to be legal

tenders. Large fortunes made by black marketing were naturally hoarded in high-denomination notes; now the black marketer was forced either to keep his fortunes in the form of thousands and hundreds of thousands of small notes, or to deposit them in banks where they would be recorded. Thereafter the black marketer replied by taking all payments in uncrossed cheques which they cashed either themselves or through agents. The British banks on June 4, struck a new blow at the black marketer, by banning the cashing of uncrossed cheques worth over £ 10 except when they are presented by the drawer and by his known agent.

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WINDOW ON THE WORLD

What is Willy Brandt up to?

JOSSLEYN HENNESSY

I ALL EUROPEAN "CONVERGENCE"

LONDON:

SINCE WEST GERMANY'S Social Democratic Party (SPD) came into office their chief concern and successes have been in foreign affairs. Herr Willy Brandt has won widespread acclaim inside his country, and in Europe, for policy of "opening towards the east, while maintaining all West Germany's connections with the west". As the *London Times* said recently "Relations with Poland have greatly improved and there has been an official meeting between the heads of government of West and East Germany, but at the same time West Germany has vigorously pursued the strengthening and enlargement of the Common Market and has kept loyally within NATO. West Germany has come into her right as the most powerful country in western Europe and Herr Brandt has handled this great responsibility with skill and moderation."

Evolution of a "New Order" ?

Not everyone shares this rosy view of Brandt's policies. One of West Germany's leading papers, *Die Welt*, has just published seven long articles by its distinguished Foreign Editor, Dieter Cycon, arguing in detail that Brandt's hopes of evolving (1) a "new order" of all-European peaceful co-operation that would enable east and west bloc policies to "converge" amidst relaxed tensions, and (2) internal policies that would enable the social and economic structures of West and East Germany to "converge" as a preliminary to some kind of fundamental co-operation, are both riddled with contradictions and incompatibilities.

Dieter Cycon's articles are interesting and important because (1) — if one reads between the lines — they constitute an informative exposition of Willy Brandt's policies, and (2) if you don't agree with Cycon's criticisms, he puts the case that you have to answer.

What are the ideas inspiring Chancellor Brandt's policies?

Some observers think that Brandt is merely showing greater outward flexibility while pursuing unchanged the previous government's policies.

East and west policies are of course interdependent. If Russia continues to

impede the West German government's efforts to loosen up relations with the Warsaw Pact states, it will discourage those in West Germany who aim at greater flexibility in foreign policy. On his trip to Washington, Chancellor Brandt stressed the close relations between the USA and West Germany more than he had done in recent months, possibly because of his disappointment with the talks so far held with Moscow, East Berlin and Warsaw. Nonetheless Brandt's meeting with Stoph was evidence of his desire for rapprochement with the eastern bloc. This is a long-term policy towards recognition of the German Democratic Republic (while maintaining the rights of the Allies) which is likely to emerge from small cumulative measures of recognition. Although West Germany will probably maintain that recognition will not make the GDR a foreign country, that will hardly affect the final outcome.

Bonn shows similar willingness to meet other demands which the Soviet bloc has long been making on West Germany. What lies behind this policy which, at first sight, looks like involving a series of gratuitous partial capitulations?

Bonn shows similar willingness to meet other demands which the Soviet bloc has long been making on West Germany. What lies behind this policy which, at first sight, looks like involving a series of gratuitous partial capitulations?

Washington and London seem to believe that Brandt's aim is to reduce tensions between the two blocs without changing the system of either. In West Germany many believe that the aim is to reduce frictions between the East and West Germany without influencing the orientation in world policies of either. These static ideas are in line with the boredom of Anglo-American public opinion and even wide circles in West Germany with the whole problem of "reunion", but they are difficult to reconcile with the ambitions of the West German Social Democratic Party (SPD).

The erroneous assumption that the SPD seeks to maintain the status quo should never have arisen. The SPD leaders are too sensitive to the national impatience over the prolonged division of Germany for that, and too few of

them have been able to swallow their aversion to thinking in terms of power politics; and the hope of an early move towards a national solution is, too, obviously incompatible with integration in a western bloc. Influential SPD members have always disliked Adenauer's West Germany and the international system into which it was integrated.

Brandt is in line with the SPD attitude in trying to wrap his policy under the clock of "continuity". For even in those statements which attracted most attention, the outlines of his foreign and home policies were blurred. They reveal the idea of a new international order into which alone his present actions fit credibly. The key word in foreign policy is "all-Europe", and in social policy is "convergence", i.e. that the social systems in east and west will over the years converge through compatible reforms.

II

DISSOCIATION FROM THE ATLANTIC CONCEPT

Chancellor Brandt first referred to his all-European policies on August 8, 1969. Efforts towards "progress in the west European sphere", he said, should proceed merely alongside the work of overcoming the partitioning of Europe. Only an "all-European peaceful order" could bring lasting security and prosperity. The notion of the "peaceful European order", introduced by the previous Chancellor Herr Kiesinger, was thus transformed so as to implicate Russia more closely and was later changed in content.

From that date on, Brandt continued to emphasise that only an "all-European rapprochement can enable the two parts of Germany to move closer together."

America Excluded

An "all-European" policy aiming through "all-European co-operation" to reconcile the two Germanies, must differ from the Atlantic policy of Herr Brandt's predecessors. "all Europe" includes Russia and excludes the USA; the more it relates to east Europe and Russia, the less Atlantic can it be. It cannot be reconciled with the maintenance of an intimate and lasting American-west-European alliance.

Bonn's new foreign policy obviously implies: that (1) the present international constellation with its American-Russian polarity is the cause of German partition; (2) the American-Russian polarity will persist, otherwise an "all Europe" concept would not be neces-

sary for rapprochement in Europe and Germany; (3) despite the persisting American-Russian opposition, parts of Europe are to be drawn out of the spheres of the great powers as a prerequisite for rapprochement.

What this will mean for relations between west and central Europe on the one side and Russia on the other is unclear. Russia, a European power, cannot be excluded from an all-European society. The communist parties' network would at least give the USSR continued control over the nations of central eastern Europe. From this a loosening of European-American relations must follow — otherwise the talk would also be of "Atlantic-European" co-operation not of "all-Europe."

The West German government does not wish to hasten out of the old system of alliance nor even to dispense entirely with American support. The Social-Democrat-Liberal coalition seems to regard the American presence in Europe as essential for the time being. But equally the West German government is not seeking to extend the old system of alliance. Brandt's priorities differ from his predecessors. He regards the American presence in Europe as dispensable as soon as the desired changes have occurred in Europe.

III

"PEACEFUL ORDER" TO REPLACE U.S. PRESENCE

Herr Brandt told the Bundestag that that "the government will do all in its power to ensure the military presence of the USA in Europe until the day when in the collaboration of forces in east and west a peaceful order is created". This foreshadowed an end to the American presence in Europe after peaceful order is established. Herr Kiesinger's Grand Coalition government also talked of a peaceful European order, but he never hinted that such an order implied that the Americans should get out of Europe.

Before going to meet President Nixon, Herr Brandt told the Associated Press that "it should be possible to find out whether Russia would also be prepared to debate how the alliances should be organised or how strong they should be in the centre of Europe." Obviously the idea of such a debate would be to reduce the troops of both great powers, and perhaps of local powers, in this area, i.e., the old idea of "thinning out" in central Europe. But when Brandt asks whether Russia would "also" be prepared to debate on "the organisation of the alliances" this can only mean a loosening-up of the alliances. Herr

Brandt himself declares his readiness for this, despite Russia's ambivalence.

What does Brandt mean by a "peaceful European order" which could make America's presence dispensable? When Kiesinger introduced the term "peaceful European order", he still meant reunification.

The Brandt government cannot have the same concept today, for it has, in so many words, written off reunion of the two Germanies. A statement by Brandt in Erfurt allowed only the conclusion that the "peaceful European order" is to be erected on the basis of two German states.

On the Basis of the Status Quo

In Dieter Cycon's view, the core of an "all-European peaceful order" as Brandt sees it, is a "European security system" — i.e. a new East-West military-political structure arching over NATO — supplemented by general recognition of postwar frontiers and by "human easements" based on the present political order in Europe. The Brandt government's desire for a European security system and its preliminaries, European security conferences, is known and the western powers have repeatedly tried to curb his zeal for such ideas.

Inevitably, however, European security conferences and systems would intensify the USA's inclination to withdraw troops from Europe, and that is the very reason why the USSR wants a security conference and a new system.

What disturbs *Die Welt's* Foreign Editor is that the loosening of American west-European relations is evidently not envisaged after revision of the present political order in Europe but substantially on the basis of the present order — an order which guarantees Moscow's predominance in Europe.

Brandt Wants Politics out of the EEC

De Gaulle's "all-European" ideas have influenced Brandt, who perhaps regards himself as the only man able to execute the General's political testament. De Gaulle could not take detente and entente in Europe far, because he felt loyalty to his West German ally, who at that time regarded free elections throughout both Germanies as a prerequisite for reunification, and he never thought of recognising the Oder-Neisse line — obstacles to entente which he could not overcome. Today the Brandt government itself is clearing such hurdles out of the way, and it there fore believes that it can "bring Europe together" without a French mediator.

What form "all-European co-opera-

tion" should take is as hard to discern in Brandt's thinking as it was in De Gaulle's. But as far as the outlines are discernible of what Brandt is thinking as it was in De Gaulle's. But as far as the outlines are discernible of that Brandt is thinking today and of what De Gaulle thought, they don't coincide.

Military Counterweight

De Gaulle sought influence as a power politician. For him, a prerequisite for all-European rapprochement was the creation of a west European political and military counterweight to the colossus in the east. He wanted a politically homogeneous bloc in western Europe led by France to meet the eastern bloc on equal terms. For De Gaulle the EEC was only the precursor of political union. He wanted to keep Britain out because the American special relationship would have rendered impossible the formation of a political bloc under French domination.

When Brandt urges British and Scandinavian admission to the EEC, he must realise that any geographical and economic extension of the EEC implies its political loosening.

Where his predecessors urged the building of political blocs in western Europe, Brandt points out that "that time is not ripe for supranational institutions in western Europe". His government seems to give the nuclear non-dissemination pact — the Soviet interest — priority over broad nuclear collaboration in west Europe, and his efforts to bring neutral Sweden closer to the EEC suggest that he does not attach undue importance to political unity in western Europe.

At a dinner in honour of the Swedish Prime Minister, Herr Brandt said the extension of the Common Market was "specially important" as a contribution to a "lasting European peaceful order." Now a "lasting peaceful order" for Europe is only possible if it harmonises with Russia's wishes. But Russia is hostile to political organisation for western Europe. An extended EEC can therefore not have a political character if it is to serve the "all-European peaceful order". Russia's rejection of any firm political grouping in western Europe would make impossible a simultaneous policy of integration in the west and of rapprochement with the east.

The Chancellor evidently seeks an elastic organisation in western Europe to promote economic integration and to give West Germany a measure of political support. In his eyes, however, the incompatibility with "all European aims" is probably not the only hind-

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rance to west European political integration, which would, indeed, even be irrelevant for an all-important factor in Herr Brandt's all-European concept: the grand reform of social policy.

IV

CONVERGENCE Via SOCIAL REFORM?

In Brandt's view, far reaching social reforms are necessary in West Germany not so much for themselves alone as for a rapprochement between the two parts of the German nation and in the future of Europe. The Chancellor has complained that society in West Germany had failed to make a "radical break with the past" and has also predicted a "broad dynamic of social evolution" to replace the "ideology of planlessness" by "sober thinking on the future", which included foreign relations. It will "depend on an optimally exemplary internal order whether we succeed in making national unity possible for the German people." The industrial democracy in the coming decades has the task of laying the foundations. These are at once German and European aims. If these internal tasks are neglected there will be no hope of national unity. And the specific experience and manifest achievements of the people in the other part of Germany, in the GDR, will be a factor in this development.

So social reform is to be one of the methods for converging the two parts of Germany. Brandt's closing sentence quoted above makes it clear that the reform is to lead to certain eastern and western ideas on society integrating — on West German soil to begin with.

Convergence Theory

Behind this idea there lies the "convergence" theory, which Brandt described as "at once wrong and right". He called wrong the idea that "the two German states are developing automatically towards each other." It was right insofar as "the necessities of modern industrial society in west and east compel reforms whatever the political and social conditions."

This, and the assumption that societies in east and west will assimilate in the wake of these reforms (not that the two German states will move closer together) is the nucleus of the controversial "convergence" theory, which seems to boil down to "synthesis" between capitalism and socialism, whatever that may mean.

Brandt thinks that "all-European co-operation" can only be achieved through social reform. But if the two camps in Europe and in Germany are to be

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brought closer together through social reforms, what, one wonders, happens to "all-Europe's" relations with the USA? Social reform would lead to a more or less homogeneous European social structure, but not until the Soviets considered that the socially reformed association of west European countries had ceased to be an appendage of capitalist America would they be likely to co-operate with it.

If the SPD believes that "all-European co-operation" with a "broad dynamic of social evolution" in West Germany can re-unite the German nation, then of course the SPD's policy of concessions to Russia looks consistent, but the question is: Are Herr Brandt's premises correct? Did he really receive a mandate from the electors to apply a "broad dynamic of social evolution"? Did they want far-reaching social reforms in which the "specific experience and manifest achievements of the people in the GDR can be a factor"? Do the voters agree that a "radical break with the past" is desirable? Or did Brandt only get in because the voters wanted a change and expected only a slightly "modernised" continuity?

The idea that an "optimally exemplary internal order" can bring the two Germanies together assumes that the USSR is also striving for an identical optimal internal order.

Preserving Dictatorship

In Dieter Cycon's view, however, the hope that a social evolution could lead to understanding and ideological com-

promise between western and eastern Europe vanished when the Soviets invaded Czechoslovakia. The USSR is not out to achieve any "optimum social system" other than its own and to impose that on its satellites. The USSR seeks to streamline its system — except on one basic point: the maintenance of Soviet dictatorship. The moment that any reform touches this, the USSR intervenes ruthlessly.

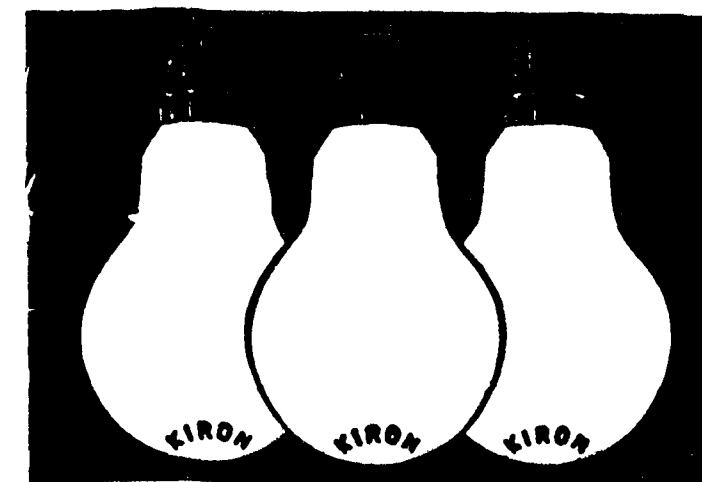
Conflict of Principles

Nor does the future promise anything else. For a social "convergence" which would not smother the basic feature of western life — individual freedom — would not only clash with the bases of Russian society but would threaten to liquidate the entire present leadership of the east-bloc states.

The USSR can therefore only regard the attempt to build an even more "exemplary order" in West Germany as a menace. A social-policy bridgehead from the west must expect hostility from the east. The Soviets, in fact, reject the "convergence" theory, which they denounce as "ideological aggression." SPD planners who think that social reform will bring them closer to the eastern bloc can therefore only aggravate the conflict of principles between east and west.

Thus the SPD policy for Germany is based on a false assessment. If the East German regime is so weak that an East-West German debate could reform and humanise it, the USSR will not allow it. If the East German

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regime is so strong that is need not fear closer "inter-German" relations, its relations with USSR will remain unchanged and it will remain as hostile to the west as ever; and every concession to the Communists can only help them to undermine the west's free system.

The German David with the Palm

To force the USA out of Europe is the USSR's main aim. If the Brandt government brings this aim within reach, the USSR can afford to run certain risks which momentarily might arise from enhanced competition with a western social system. The USSR can hope that Europe without an American presence would be clay in her hands.

The Polish paper 'Trybuna Ludu', writing on July 24, 1969 on 'Peaceful Coexistence', made clear what the communists think of the SPD's "peaceful European order": "They think falsely who assert that peaceful coexistence is equivalent to accepting the social and politi-

cal *status quo* in the world... The policy of peaceful coexistence does not aim to leave imperialism a free hand, but further to restrict imperialist aggression, to weaken its influence on world development, and to wrest from it in peaceful struggles, the positions that it still holds."

Instead of hearkening to this clear warning, SPD policy marches in the opposite direction. Concentrating on an "all-European peaceful order" it reduces the protection which West Germany can in the long run receive from the USA. The more that West Germany talks about "all-European co-operation" and "peaceful European order" the easier it is for US isolationists to work for drastic reductions in US troops in Europe. What would an American guarantee for Brandt's peaceful European order be worth if it were no longer supported by America's military presence? That is the question asked by Willy Brandt's critics.

The Franc as a way of life

E. B. BROOK

VIENNA:

IN SOME senses France is the most typically European of the European countries; on the continent it has been the most imitated in manners, culture, governmental method and military affairs. Every ruler has at one time or another sought to justify for himself the French king Louis XVI's boast "L'Etat c'est moi", the government and military pattern from pre-revolution Moscow westwards through Berlin based its essential methods on those of Paris. Today, France, with growing industries based on an essentially peasant economy, continentally ambitious while concentrated on internal interests, provides the fundamental pattern of the European state. Blessed with the most fluid and sensitive language in the continent the Frenchman is hardheaded, a ruthless and persistent seeker after money, a cautious hoarder, only excelled in these characteristics by his shrewd wife.

This essay at analyzing the French is necessary to appreciate the French story in this century and the French economic position today. A middle-aged Frenchman can recall two invasions and one occupation of his country, two costly European victories, the loss of empire, a series of disastrous devaluations of his currency from 1920 onwards and, within recent years, a succession of governments whose frequency diminished their repute. Until recently the Frenchman was obliged to regard politics as a game played by little men

who brought the democratic system into dangerous disrepute. For nearly two centuries now politics and statecraft in France have been a field of experiment and innovation which have obliged the Frenchman to look more to himself than to governments for well-being, which explains De Gaulle's remark that "politics are too dangerous to be left to politicians" and why Gaullism, even when the French have tired of the old man, still appeals as restoring to France its European posture.

Franc: a way of life

It explains also why France recovers quickly from disasters, can absorb losses without collapse and why the Franc is the core of French life. It is more than the national currency, it is of the essence of France. No other country has bestowed its own name on its currency, the fact that the coin of France is the franc is more than an accident of nomenclature, it comes in the tradition of the Louis — for Louis was the king and the king was the state.

This essentiality of the franc accounts for its having survived the disastrous devaluations of the '20s, the state's collapse of the early '40s and, after devaluation last year to keep reasonable parity with the devalued pound and the revalued mark the recovery of its stability in six months.

Unlike the British and the Americans, the French put internal considerations first. The overall balance of the budget

and the growth of the money supply are scrupulously watched and the Banque de France deliberately maintains an eight per cent bank rate (Europe's highest) so that it can use the interest weapon to deter bank lending and individual borrowing. The French see themselves today as the nation with the highest proportion of population with all assets paid for and money in the bank also, as an area of relative price stability in an inflationary world. There is hopeful talk of getting on terms with the mark of the ferociously industrious Germans and there are even visions of a readjustment of continental parities, led by the franc, against the dollar.

French achievements

The French are proud of two achievements: of pulling themselves together under de Gaulle's guidance and of controlling the Common Market. France has made a very good thing out of the Common Market — while preserving its own sovereignty it has been able effectively to interfere in the affairs of others; it has obtained the best terms for its excessively large agricultural economy and it has for so long made itself unpleasant in Brussels that its Market partners are now excessively grateful that the smile of Pompidou replaces the scowl of De Gaulle and will do anything within reason to keep matters that way. This fact has enabled the French to improve their morale even farther by being extremely difficult to the Americans — expelling NATO from Paris, forbidding several US bids at industrial combines within France and setting Common Market limits to American industrial enterprise in western Europe.

With its economic stability restored a high level of activity, especially in the building trade, is being maintained in France. The country's main task now is to maintain steady progress without inflation, to avoid unemployment and to encourage savings and exports. Last year's devaluation increased French ability to compete in foreign trade and, at home, deflationary policies, combined with a strict exchange control, have steadied general economic conditions. The French have no intention of merging their markets into the world financial system until the latter has reformed to their satisfaction.

The French government keeps a close eye on its own expenses, a keen look out for tax dodging (much less closely watched in Germany and Austria) and a genuine effort is being made to moderate taxes so as to ensure that people pay in proportion to their true incomes.

The French have more brilliant success in stabilizing currency and

building foreign trade than they have in inducing their countrymen to save in public funds. Interest rates, which may be improved, are not very attractive and the old continental (not exclusively French) custom of keeping cash for a rainy day in a mattress has by no means disappeared.

France's troubles are mostly parochial; the small shopkeeper who feels he faces unfair competition from the supermarket, the farmer who riots and throws tomatoes at the Prefecture because he cannot get good prices for his crops. Some supermarket practices, especially that of selling at a loss to clear stock, will be controlled, credit and technical help will be extended to the small trader who is much more numerous than in Britain or in Germany.

France's post-devaluation targets of a balanced budget, a balanced trade

account — now in surplus — and controlled price increases have all been met. The balance of payments \$697.8 million for the last quarter — is strong but and appears to be rising. Debts to the IMF and French banks total \$1,372 million but since reserves now amount to \$2.72 billion they are no problem.

France has passed through two years of economic uncertainty but that period has now closed. The country is now able to speak with a more authoritative voice in transatlantic councils as well as in Brussels and to lead European opposition to American support for flexible exchange rates. Thirty years after its wartime collapse France stands as one of the most solidly prosperous and authoritative components of the European continent and of its Common Market in face of American enterprise and of the communist bloc's hostility to what it regards as NATO's economic arm.

Mergers in the Soviet Union

ACADEMICIAN N. FEDORENKO

&

PROFESSOR P. BUNICH, DSC. (ECON.)

PRACTICE HAS shown that lack of proper integration in production leads to the dissipation of capital investments, the shortage of financial resources and disruption in co-ordination of economic ties. The management of units becomes top-heavy and this leads to an increase in cost of production as well as distortion in direction of production.

In order to avoid these pitfalls it is necessary to effect proper integration in production in order to create optimal size single complexes of various production units of a similar or associated character. This can be achieved by integrating (merging) several units in a particular line under one organisation. Experience gained by mergers of certain firms in Leningrad is a convincing testimony to the fact that such mergers meet the demand of scientific and technological progress and the economic reform to the fullest possible extent.

Production mergers may be of several types. The first type is of large-output optimum concentrations, which include co-operation among enterprises manufacturing the end-product. They embrace the production of different goods within a branch, and sometimes of several branches. This type also includes agro-industrial, scientific-production, industrial-commercial and other complexes.

Examples of this type may be seen in the Magnitogorsk Iron and Steel

Although the USSR is a country with high integration of production, the interests of increased efficiency demand that this trend in the conditions of scientific and technical revolution should be further promoted.

Certain interesting experiments have been carried out in Leningrad and some other parts of the Soviet Union, in which a single complex has been created for managing a number of units of a similar and associated trades. The authors of this study throw light on this aspect of the problems of economic management.

Works, the Berenzniki Chemical Plant, the Tashkent Textile Mill, the Moscow Likhachov and the Gorki automobile plants, large-capacity petro-chemical complexes and diversified food-industry plants.

In this type of merger former autonomous enterprises lose some of their independence and are sometimes turned into production affiliates and industrial shops. Somewhat greater rights, as a rule, are given to outlying affiliates as well as to plants which manufacture finished products.

These mergers may be territorial or linked on a nation-wide scale. If they are territorial, and there are few of them comparatively, then two links in the system of management appear: the merger and the ministry it comes under. This system is expedient for all-union (country-wide) mergers. If the number of territorial complexes is large,

then a special association of nation-wide (covering a republic) significance (of the type of Yugosta and Tsentrkhim) may stand in between. In this case the scheme of management will be built in the following way: the territorial complex — the all-union merger — the ministry.

The second type of merger — the trust — embraces enterprises to manufacture products which are similar. The horizontal integration of production is possible in this case, when the centre performs many functions of operational management. This is characteristic of mergers which make the same goods, in a narrow assortment of products. This is typical of power grids, oil-mining associations such as "Bashneft" and "Tatneft", the Leningrad "Svetlana" Associations, the optics-mechanical association and others. Sometimes enterprises retain certain of their juridical rights, but always in a lesser degree than they would possess as separate economic-production units.

Mergers of the trust type are, as a rule, forms of the optimum branch centralization of a comparatively limited number of functions. This is typical of mergers producing a wide assortment of goods. In these cases supplies, for instance, are individualized according to separate enterprises, while sales are conducted in lesser consignments of goods and it would be inexpedient to centralize them fully. These are associations of enterprises making knitted goods, the Moscow association of the furniture-making industry, the sewing firm "Latvia", the sewing association "Ukraina", the all-union firm "Melodya" producing, gramophone discs and others.

Economic Advantages

The economic advantages of a merger of any type are obvious. All the units comprising the collective have a common interest to make their association a profitable paying concern. The general services are more reliable and better able to meet the needs of enterprises. The associations elaborate long-term prognoses and organize links in supplies and sales. Accounting work and patent services become centralised and cheaper.

This provides for a more efficient synchronization of scientific research, designing, testing of new products, the elaboration of their technology in manufacturing and the training of personnel.

In a merger it is more profitable economically to apply automated systems of management based on the use of electronic computers than at one enterprise,

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the more so if it is small. Automated systems of management in this case become instruments for selecting the optimal variants for the solution of perspective and current problems. Prospects are opened for creating special groups to develop new methods of management, to improve the structure of production and the systems of incentive, as well as to provide scrupulously examined grounds for all kinds of norms.

Experience shows that associations make it possible to provide for the greater financial stability of production and a reliable guarantee for the interests of the state budget.

Aids to Development

A very important advantage of mergers also consists in the fact that they create prerequisites for the further development of the economic reform and increase its efficacy. This means the great improvement of the working economic mechanism, the transition to the self-financing of capital investments, the creation of means for scientific research, for the maintenance of the management personnel and so on. Not only the funds of incentive may be placed at the disposal of associations, but the resources for expanded reproduction at the expense of establishing a long-term quota on the basis of their calculated profit.

The enlarged rights of big economic units will make it possible for them to deal with current problems now conducted by ministries as well as with a considerable part of the operational work.

Efficient economic ties among production units, synchronization and rhythm in work are characteristic of mergers, particularly of the concern type. Every unit is placed under such conditions that obliges it to fulfil all its functions, in all parameters, in the given time-limit, to fit in exactly into the production complex plan. The solution of strategic problems in the development of production such as the distribution of the sums of capital investments, the use of the sources for financing them, the establishment of long-term contracts with scientific institutions, the study and shaping of the demand for the finished product are all matters which become concentrated in the hands of the general directorate.

This type of association leads to the great intensification in the specialization of the main production and the considerable acceleration of technical advancement. Since all the in-between production units begin working for the main one, they are freed from manu-

facturing unnecessary goods and can specialize on the output of blocks, parts and in special operations. It is precisely in conditions of increased integration that new machines and equipment are compensated far more quickly on the basis of mass and large-series manufacturing of goods. Certain small enterprises in the merger change over to one field of work, which makes them economically more profitable and efficient.

The broad integration of general services, the cheaper and simpler management apparatus are characteristic of mergers of similar enterprises. Since associations of this kind will tackle more serious production problems than those of separate enterprises, their managers must take a special course of training; they must know the latest achievements in the field of management and must be able organizers, specialists in production and scientists.

The creation of all types of mergers

which will become paying concerns is a very complex task. The desired effect will only be achieved if we base our efforts on scrupulous economic calculations and not on existing structures of management. The organization of any merger must be backed by figures revealing the estimated profit in making such a move. Moreover, these projects should not be studied by separate associations, but in correlation with one another, otherwise important "pros" and "cons" may be ignored and variants of the interchange of enterprises in the links of the system will not be given proper consideration.

The plan for creating a merger should be a document which must determine exactly the deeper specialization of production, the concentration of many services and the development of scientific research. Moreover profit from the merger should be planned to give returns in the nearest future and still greater within two or three years.

Wind of Change in Africa

BAKSHI RAM CHAUDHRY & OM DUTT CHAWLA

In 1960 Africa accounted for about 8 per cent of the world's average population; its average per capita income (US \$110-120) was about 1/12th of the average of the industrialised countries.* Africa possesses 28 per cent of the estimated world's electric power potential, but she has only one per cent of the installed capacity. On the basis of about 140-150 industries, A.F. Ewing in his classical book *Industry in Africa* points out that the industries which have either been installed or have the possibilities of being established in the next two decades are food, textiles and allied industries, forest, non-metallic minerals, metals, chemicals and fertilisers, metal products, mechanical and electrical industries and transport equipment.

"Planned Economy" approach

The UN Economic Commission for Africa in one of its reports** in 1963 has observed, "that if political independence has been the watchword in Africa for the last ten years, rapid economic growth will no doubt be the overriding preoccupation for the years to come." The newly independent nations of Africa after liberating themselves from foreign domination are engaged in fighting poverty and underdevelopment.

Every country of this part of the world is eager for economic development. The leadership is aware of the aspirations of the masses. The emphasis in their economic plans is on improvement of the standard of living of masses

by providing them with the basic necessities of life, such as education, health, housing etc. In order to realise these objectives, the need for industrialisation has been accorded high priority in their economic development plans.

Irrespective of size and level of development African countries are busy trying to substitute imports of mainly consumer goods†. They also manufacture some simple intermediate goods; mills to manufacture flour, beer and beverages, clothing, boots and shoes, sawn wood and tannery, plastic manufacture, soap, liquid air, paints, metal products, household utensils, repair of automobiles, and where possible, repair of railway equipment or small ships. For executing this programme of industrialisation most of the African countries have accepted planning; some countries have joint development programmes with neighbouring countries.

The economic plans of most of the African countries, have naturally underlined the paramount importance of creating the necessary preconditions for industrialisation, such as improvement and expansion of trans-

*UN Economic Commission for Africa: *Industrial Development in Africa* (1967)

**UN Economic Commission for Africa: *Industrial Growth in Africa* (1963).

†Singh, V.B. "A model for African Development" *Economic and Political Weekly*, November 2, 1968.

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small and medium scale industries producing consumer goods such as food, beverages and tobacco products, clothing, apparel and footwear, leather products, rubber, printing and publishing. These products constitute as much as 75 per cent or more of the total industrial output in a majority of the African countries.

In some countries, however, increasing importance has been attached to the development of such industries Cement, metallic products, fertilisers and Chemicals product as well port facilities, power and water, communication systems and other infrastructure required for removal of the existing bottlenecks in the growth of the manufacturing, mining and other commodity-producing sectors. Allocations for planned investment in these basic facilities have been large, often larger than the share of manufacturing in the total plan outlay as shown in Table I

There have been inherent limitations in the industrial growth process of the African countries, such as scarcity of capital and skilled labour, small size of the market and the inadequacy of technical knowhow. These limitations have led many of them to concentrate on or emphasise the establishment of as a wide range of engineering items such as simple tools and implements, durable domestic appliances, assembly of transport equipment, refrigeration units and other electrical goods. Planned growth of such industries is under way in Ethiopia, Kenya, Nigeria, Senegal, the Sudan, Tunisia and the UAR. Iron and steel complexes have been erected in countries such as Kenya, Nigeria, Ghana, Mauritania, Liberia, Tunisia, the UAR and others. Thus, in a number of countries, development is going apace in such manufacturing industries as produce intermediate and capital goods.

This development has given rise to a shift in the pattern of import demand from consumer goods to machinery and equipment which also primary raw materials. Thus, Africa's balance of payments problems are, by and large, a symptom of economic growth.

The Intra-African Trade

Africa depends heavily on foreign trade, which accounts for one-fourth of her gross net product. The pattern of trade between Africa and the rest of the world consists of exports of primary goods against import of manufactures or semi-manufactures. Intra-African trade accounts for less than one-tenth of the continent's total trade, an essential limitation being the fact

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that nearly all African countries produce the same products.

An important observation of Ewing in his book *Industry in Africa* is that "the only real way to increase African trade is by more intra-African trade. To some extent this can be facilitated by reduction of tariff and other trade barriers, better trading mechanisms and harmonisation of payments arrangements, but the secular solution is development of regional and sub-regional markets.

Within an overall policy of industrial growth following projects have high potential. (i) metal (iron and steel; aluminium and copper); (ii) timber products; (iii) basic building materials (cement, concrete and asbestos cement); (iv) chemical industry (fertiliser manufacture as it provides agricultural inputs and requires production of basic chemicals which leads to production of chemical products); (v) metal manufactures (metal products, mechanical engineering

and transport equipment, each comprising many industrial products); and (vi) major agro-based consumer goods. These recommendations are based on a scientific assessment of African resources. Ewing in his book mentioned above emphasises that the location of factories is often confirmed by detailed feasibility and engineering studies. For accelerating Africa's economy the need is for steadily increasing co-operation among African countries, moving towards economic integration among suitable groupings in accordance with a planned industrialisation programme.

African countries have varying rates of saving and investment. The lowest rates of saving and investment are recorded by Mali (4.1 per cent and 7 per cent, respectively); and the highest (33.2 per cent and 32.3 per cent, respectively) by Gabon. Since alternative means of raising capital are inadequate and uncertain, public financing assumes a crucial role. Domestic savings can be mobilised through banks, unit trusts, life insurance organisations and through

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Scope for Indian Economic Co-operation

India can play an important pioneering role in the industrialisation of African countries because of the complementary nature of the economies of India and a number of these countries.* India can participate and assist in the creation of the socio-economic infrastructure as well as in setting up small and medium scale industries which form major part of Africa's economic development programme. In these fields, which require simple techniques, Indian partners would be more acceptable than the entrepreneurs of developed countries who may not find it economical to invest their resources in such labour-intensive industries. The highly mechanised and sophisticated plants which they can establish competently would neither be viable nor suited to the economic conditions existing in Africa. In the light of these economic realities, our readiness and willingness to undertake joint industrial ventures have to be demonstrated vigorously.

The tremendous scope for economic development plans of a number of African countries remains unexplored. There is, therefore, an urgent need for our industrialists to intensify their efforts at collaboration. Proposals for the establishment of the joint ventures include setting up of (i) printing presses,

(ii) manufacture of automobile spare parts, (iii) aluminium products, (iv) steel furniture, (v) pressure stoves, (vi) plastic goods, (vii) readymade garments, (viii) crockery, (ix) all types of earthenware, (x) porcelain (xi) hair dyes and (xii) corrugated boxes. The climate for investment is favourable in all east African

countries which have enacted laws protecting foreign investments which provide for repatriation of capital and earnings and offer ample safeguards against foreign competition. Thus, India's role in the development of Africa can be a great asset in accelerating her economic tempo.

TABLE 1

SHARE OF BASIC FACILITIES AND INDUSTRIES IN TOTAL PLANNED INVESTMENT TO SOME AFRICAN COUNTRIES

Name of the country	Plan period	Percentage of the total planned outlay	
		Basic facilities	Industry
Cameroon	1961-65	10	41
Ethiopia	1963-67	35	28
Ghana	1963-70	23	20
Kenya	1964-70	23	20
Libya	1963-68	38	4
Morocco	1957-65	10	23
Malawi	1965-69	33	24
Malagasy (Republic)	1964-71	50	16
Mauritania	1963-66	50	30
Sierra Leone	1962-67	37	9
Sudan	1961-70	40	..
Tanzania	1967-69	37	16
Uganda	1961-66	17	21
UAR	1960-70	28	29
Upper Volta	1963-67	28	22
Zambia	1966-70	40	17

Source: UN Economic Commission for Africa — Industrial Development in Africa 1967.

*Srivastva, J. C. India's Role in Economic Development of Africa, Africa Quarterly, a Journal of African Affairs Oct—Dec. 1968.

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The moving finger writes

GOD, it appears, was the invisible sixth judge on the special Bench of the Supreme Court which, some days ago, upheld the election of Mr V. V. Giri as the President of India. The President's latest south Indian tour (with wife and family) I notice, included, a thoughtful visit to Tirupati. The press reports said that they offered worship at the two important shrines there. The report did not mention that the President transacted any business of an official nature while he was in Tirupati. The visit, therefore, was a matter of the spirit and the soul or, in other words, a pure pilgrimage. It should be interesting to know whether the President's journey to and stay at Tirupati has been classified and treated in the official records as private travel undertaken for a private purpose by the President in his personal capacity. Lord Venkateswara, at any rate, is generally supposed to be a stickler for proprieties in such matters.

* *

The Prime Minister's honeymoon with her party is over. It was evident from the proceedings of the three-day conference of the leaders of this party (which was held in New Delhi last week) that, if Mrs Gandhi manages to continue in her present position as party boss or Prime Minister, it would be only because those of her own party who would like to see her go are not able to agree on an alternative. There are large and spreading areas in her party where a sense of frustration has taken hold. There are, naturally, acute private discontents, stirred up by personal disappointments or frustrations. This apart, there is also a genuine non-personal disillusionment cutting across ideological divisions within the party. More and more of its members are beginning to wonder whether their organisation under Mrs Gandhi's leadership would really develop between now and the next general election into a decisive political party able to call the tune in the new legislatures at the centre and in a sufficient number of states.

Recent by-elections on the whole have been kind to the party, but political trends of more basic significance have been far less reassuring. The Prime Minister, hypersensitive as she is to possible threats to her power or office, has been quick to recognise in Jana Sangh the most serious emerging challenge to her organisation. It is possible

that she is beginning to crack under the strain. Her tirades against the Jana Sangh as a nakedly communal fascist force may well alienate from her party the bulk of the Hindu electorate in the Hindi-speaking states and also western India. If it is true that a militant Hindu communalism is taking shape as a major political force, the strategy which Mrs Gandhi seems to have adopted against it is about the worst that she could have chosen. A weak government uttering flamboyant threats which it cannot carry out would only encourage fanaticism and not weaken it.

Viewed realistically, no single political party in the country is in a position to fight effectively communalism, whether Hindu, Muslim or any other, once communalism gets organised as viable political parties. The Prime Minister's problem is that, if she desires to fight the Jana Sangh effectively at the political level, she will have to look among the communist parties for substantial allies. As it is clearly part of the tactics of the communist parties to exploit communalism as well as the reaction to it, Mrs Gandhi, it may be assumed, cannot be enthusiastic about the price which will have to be paid for such an alliance. It follows that Mrs Gandhi is extremely unlikely to go to the polls earlier than she has to, although there is some speculation currently that she might decide that a mid-term poll for Parliament could be to her party's advantage. The truth seems to be that Mrs Gandhi just does not see her way to working out an electoral alliance which would be more a help to her than an embarrassment to her party. A leader of a minority government placed in this position must necessarily be in a vulnerable position with regard to pressure groups within her party. Hence the easy insolence of a Chandra Shekhar or the airs put on by K. D. Malaviya. Mrs Gandhi, therefore, must accustom herself to being continually on the defensive. For this reason, if for no other, she is likely to keep faith with Mr Y.B. Chavan or Mr Jagjivan Ram rather than attempt to assassinate them politically. Suggestions that Mr Chavan is going to be kicked out or that Mr Jagjivan Ram is on the verge of being cut to size, consequently, leave me cold.

* *

The return of Mrs Sirimavo Bandaranaike to power in Ceylon at the head of

a Leftist coalition can be no gain to the cause of political stability or peaceful economic progress in south-east Asia. During her earlier spell of power from 1960 to 1965, Ceylon suffered from an administration which was both amateurish and adventurist. The coalition through which she will now seek to govern the country is hardly to be expected to do better. We, with our experience of united fronts (and, let me add, a woman Prime Minister) should offer our island neighbour our sympathy.

It may perhaps be said that it was the cost of living rather than the coalition which brought down the government of Mr Dudley Senanayake at this general election. Countries more resourceful than Ceylon and governments far better placed than its have failed and are failing to deal with inflation which, in the case of Ceylon, is very likely to get worse when Mrs Bandaranaike and her coalition set out to turn the words of their election promises into deeds. While Ceylon will no doubt learn to live with the consequences of the verdict of its electorate, the one thing which the Ceylonese cannot afford to be complacent about is the defence of the democratic character of their polity. Not the least disturbing aspect of the political change in Ceylon is that, under the new dispensation, an organised attempt may well be made by the coalition in power to weaken the rule of law or dilute the authority and prestige of the judiciary and the parliamentary institutions.

* *

Elsewhere in this issue there is a discussion of the movement towards mergers of industrial enterprises in the Soviet Union. This journal has particular pleasure in publishing this article since it seems to echo almost everything that has been said in capitalist economies about the virtues of integration and the desirability of large-scale industrial organisation as a tool of technological advance and efficient business management. I hope that our Minister for Industrial Development would read this article. But, then, who said that Mr Fakhruddin Ali Ahmed gives higher priority in his scheme of things to the industrial progress of this country than to the political or other exploitation of the "big business" bogey?

V. B.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS.
ANNOUNCEMENT REGARDING THE ISSUE OF 15,000 7.75% REGISTERED DEBENTURES (1981-82) OF RS. 1,000 EACH
AT PAR FOR CASH PAYABLE IN FULL ON APPLICATION.

The subscription list will open at the commencement of banking hours on Monday 15th June 1970 and will close at the close of banking hours on Wednesday 24th June 1970 or earlier at the discretion of the Directors of the company, but not earlier than the close of banking hours on Wednesday 17th June 1970.

Persons interested in the issue are requested to obtain copies of the Prospectus and Application Forms which are available with the Bankers to the Issue, Underwriters, Managing Brokers and Brokers hereunder mentioned.

KESORAM INDUSTRIES & COTTON MILLS LIMITED

(Incorporated on 18th October 1919 under the Indian Companies Act, 1913)

Registered Office: 15, India Exchange Place, Calcutta-1.

HISTORY, BUSINESS ACTIVITIES AND OBJECTS OF ISSUE

The Company was incorporated on 18th October, 1919 under the Indian Companies Act, 1913. The main objects of the Company are (*inter alia*) to carry on business as spinners and doublers, combers, bleachers and dyers, manufacturers, processors and sellers of all kinds of cotton, nylon, rayon, and other fibres whether natural or artificial and products made of them; as manufacturers of chemicals, transparent paper, cement, asbestos, refractories, spun pipes; and also as foundry engineers, mechanical engineers, structural fabricators and electrical engineers.

The activities of the Company may broadly be classified under the following Sections, namely—

Textile Section: This Section has textile mills with 75,824 spindles and 2215 looms at 42, Garden Reach Road, Calcutta-24 and manufactures various types of cotton textile goods which have earned reputation both inside and outside India.

Rayon Section: This Section has plants at Raghunathpur, Tribeni in the district of Hooghly in West Bengal and produces 13 tons of rayon yarn approximately per day.

Transparent Paper Section: The plant of this Section also is situated at Raghunathpur, Tribeni as aforesaid and daily production of this Section is at present nearly 8 to 9 tons per day.

Spun Pipes & Foundry Section: The plant of this Section which manufactures cast iron spun pipes and pipe fittings is at Bansberia in the district of Hooghly in West Bengal and has an installed capacity of 30,000 tons of cast iron spun pipes and fittings per annum.

Refractory Section: This Section has a refractory factory taken on lease at Kulti in the district of Burdwan in West Bengal and is engaged in the manufacture of fire bricks and/or refractories of all kinds.

Cement Section: This Section has a cement plant at Basant Nagar in the district of Karimnagar in Andhra Pradesh with an installed capacity of 2 lacs tons of cement per annum.

The second phase of the cement plant with a capacity of 2 lacs tons more per annum is under construction and likely to start functioning in the first half of 1971.

Other Activities: The Company has set up a retail shop at Park Street in Calcutta, which is run under the name and style of "MANJUSHREE"

The amount of the present issue of the Registered Debentures will be utilised to meet the financial requirements of the second phase of the cement plant of the Company and also other financial commitments of the Company.

BOARD OF DIRECTORS

- SHRI BASANT KUMAR BIRLA,
Merchant,
 "Basant Vihar"
 18, Gurusaday Road, Calcutta-19.
 SHRI PRABHU DAYAL HIMATSINGKA,
Solicitor,
 11, Queen's Park, Calcutta-19.
 SHRI RAM KUMAR BHUWALKA,
Merchant,
 38-C, Garcha First Lane, Calcutta-19.
 SHRI HIRA LALL SOMANY,
Merchant,
 13, Gurusaday Road, Calcutta-19.
 SHRI KRISHNA GOPAL MAHESHWARI,
Merchant,
 36, L. Jagmohandas Marg, Bombay-6 (W.B.)
 SHRI BARENDRA PRASAD RAY,
Solicitor,
 2A, Dhanada Ghose Street, Calcutta-5.

SECRETARY

- SHRI SHIV KUMAR PARIK, B. Com., F.C.A.
 P. 875, Lake Town, Calcutta-55.

SHARE CAPITAL

Authorised Capital:

20,000 10% Cumulative Preference Shares of Rs. 100 each	Rs. 20,00,000
1,40,000 9.3% Redeemable Cumulative Second Preference Shares of Rs. 100 each	Rs. 1,40,00,000
34,00,000 Ordinary Shares of Rs. 10 each.	Rs. 3,40,00,000
	Rs. 5,00,00,000

Issued, Subscribed and Paid up Capital:

20,000 10% Cumulative Preference Shares of Rs. 100 each fully paid up	Rs. 20,00,000
99,844 9.3% Redeemable Cumulative Second Preference Shares of Rs. 100 each fully paid up	Rs. 99,84,400
29,99,411 Ordinary Shares of Rs. 10 each fully paid up	Rs. 2,99,94,110
393 Ordinary Shares of Rs. 10 each—application money received—pending allotments	Rs. 3,930
196 Ordinary Shares of Rs. 10 each to be allotted as Bonus Shares against the above unallotted 393 Ordinary Shares	Rs. 1,960
	Rs. 4,19,84,400

OUTSTANDING DEBENTURES

17,500 7% Registered Debentures 1975/78 of Rs. 1,000 each fully paid up	Rs. 1,75,00,000
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TRUSTEES

For the existing 7% Registered Debentures 1975/78:

1. SHRI RAMANLAL BHOGILAL SHAH,
10, Brabourne Road, Calcutta-1.
2. SHRI NATHMAL HIMATSINGKA,
Solicitor,
6, Old Post Office Street, Calcutta-1.

For 7.75% Registered Debentures (1981-82)

- Now being issued
 DALHOUSIE HOLDINGS LIMITED,
 29, Netaji Subhas Road, Calcutta-1.

UNDERWRITERS

The present issue of Debentures of Rs. 1,50,00,000 has been underwritten in full by the following Underwriters:
 Name and address of Underwriter Issue price of Debentures underwritten

1. UNIT TRUST OF INDIA,
45, Veer Nariman Road, Bombay-1 Rs. 50,00,000
2. THE INDUSTRIAL CREDIT & INVESTMENT CORPORATION OF INDIA LTD.,
163, Backbay Reclamation, Bombay-1. Rs. 35,00,000
3. UNITED COMMERCIAL BANK,
10, Brabourne Road, Calcutta-1. Rs. 20,00,000
4. CENTRAL BANK OF INDIA,
Mahatma Gandhi Road, Fort, Bombay-1. Rs. 15,00,000
5. HARKISONDASS LUKHMIDASS,
Stock Exchange Building,
Apollo Street, Bombay-1. Rs. 15,00,000
6. THE NEW BANK OF INDIA LTD.,
Brady House, Veer Nariman Road,
Bombay-1. Rs. 10,00,000
7. CHIMANLAL J. DALAL & CO.,
107, Stock Exchange New Building,
Dalal Street, Bombay-1. Rs. 5,00,000

BANKERS TO THE ISSUE

- STATE BANK OF INDIA,
 Varanasi-2.
 UNITED COMMERCIAL BANK,
 Chowk, Varanasi-1.
 CENTRAL BANK OF INDIA,
 CK 39/71, Chowk, Varanasi-1.
 THE NEW BANK OF INDIA LTD.,
 Brady House, Veer Nariman Road, Bombay-1.

AUDITORS

- MESSRS. PRICE WATERHOUSE, PEAT & CO.,
 B-4, Gillander House, Netaji Subhas Road, Calcutta-1.

SOLICITORS

- MESSRS. P.D. HIMATSINGKA & CO.,
 6, Old Post Office Street, Calcutta-1.
 MESSRS. ORR, DIGNAM & CO.,
 29, Netaji Subhas Road, Calcutta-1.

MANAGING BROKERS

- HARKISONDASS LUKHMIDASS,
 Stock Exchange Building, Apollo Street, Bombay-1.

BROKERS

CALCUTTA

- Place, Siddons & Gough (Private) Ltd.
 6, Lyons Range, Calcutta-1.
 Stewart & Co.,
 14, India Exchange Place, Calcutta-1.
 Jhawar & Co.,
 8, Lyons Range, Calcutta-1

DELHI

- H.P. Mehta & Co.,
 302, Akash Deep, Barakhamba Road, New Delhi-1.
 Harbans Singh Mehta & Co.,
 33, Regal Buildings, Parliament Street, New Delhi-1.

BOMBAY

- Harkisondass Lukhmidass,
 Stock Exchange Building, Apollo Street, Bombay-1.
 Navalchand T. Shah & Co.,
 Union Bank Building, Dalal Street, Bombay-1.
 Rasiklal Maneklal & Co.,
 Stock Exchange Old Building,
 Dalal Street, Fort, Bombay-1.
 Dhirajlal Maganlal Purshotamdas,
 Stock Exchange Building,
 Apollo Street, Bombay-1.
 Chimanlal J. Dalal & Co.,
 107, Stock Exchange New Building,
 Dalal Street, Fort, Bombay-1.

AHMEDABAD

- Chinubhai Chimanlal Dalal,
 Muhurat Pole, Manek Chowk, Ahmedabad-1.

MADRAS

- Paterson & Co.,
 Vanguard House, 11/12, Second Line Beach, Madras-1.

BANGALORE

- M. Nanjappaiah Jahgirdar,
 205, Cavalry Road, Bangalore.

HYDERABAD

- Laxmi Narayan Rathi,
 Hasmatgunj, Sultan Bazar,
 Hyderabad, A.P.

Copies of the Prospectus and Application Forms can be obtained from the Underwriters, Bankers to the Issue, Managing Brokers and Brokers mentioned above. They may also be obtained from the main office of the abovementioned Bankers to the Issue at Ahmedabad, Bangalore, Bombay, Delhi, Hyderabad, Indore, Madras or Calcutta as the case may be.

Trade Winds

CAR PRICES COMMISSION

AS RECOMMENDED by the Supreme Court, the union government has appointed a commission for recommending fair selling prices for the Ambassador, Fiat and Standard cars. The commission will consist of: (i) Justice Sarjoo Prasad Singh, retired Judge of the Patna High Court—chairman. (ii) Mr R.K. Khanna, Chartered Accountant—member. (iii) Brig. V. Minas, Director of Inspection (Vehicles), Department of Defence Production—member. Mr R.K. Tikku, Deputy Secretary, Department of Industrial Development, will function as the secretary of the commission. A government resolution on the subject stated that in recommending fair selling prices of cars, the commission will take into account all matters relevant to the determination of fair prices and will be at liberty to obtain the assistance of other persons including experts in cost accounting. It will submit its report within four months.

Since about 1957 government had been exercising informal control over the prices of the three passenger cars namely, Ambassador, Fiat and Standard and the manufacturers of these three cars accepted that control. In May, 1966, in response to requests by these manufacturers for price increases, government requested the Tariff Commission, under Section 12(d) of the Tariff Commission Act, 1951, to undertake an enquiry into, *inter alia*, the cost structure and the fair selling prices of these three passenger cars and to make suitable recommendations. While the recommendations of the Tariff Commission were under examination, one of the three manufacturers of passenger cars increased the price of his car by a substantial amount and another gave notice of his intention to do so. To meet this situation and to ensure availability of passenger cars at fair prices, the government, after consideration of the recommendations of the Tariff Commission and taking the subsequent relevant factors into account, determined the fair prices at which the three passenger cars should be bought and sold and notified the prices by an order under Section 18G of the Industries (Development and Regulation) Act 1951 on September 21, 1969. This order was challenged by the three car manufacturers in writ petitions before the Supreme Court. After hearing the writ petitions the Supreme Court re-

commended that a commission be appointed for the purpose of recommending fair price for all the three cars, viz. Fiat, Ambassador and Standard Herald.

STANDARD MOTORS CLOSURE

The 22-year old Standard Motors, one of the three car manufacturers in this country has closed down its plant at Vandaloor, near Madras, on "economic grounds." The closure is the culmination of persistent labour trouble in recent months resulting in interrupted production and heavy losses. The profitability of the company has also been seriously affected by the government's car price policy. The company has been complaining that the price fixed by the government was not adequate to cover the costs. These two factors, namely recurrent labour trouble and the unremunerative price fixed by the government, were cited by the management as mainly responsible for the "heavy losses" incurred by the company.

OIL REFINERY FOR GOA

The union Ministry of Petroleum, Chemicals, Mines and Metals is understood to be considering Goa as a possible site for setting up an oil refinery. Hitherto, only a new refinery somewhere in north-west India was being considered. Goa is being considered as an alternative site in view of the fact that it will be much less costly to transport Rustam crude from the Persian Gulf concessions of the Oil and Natural Gas Commission (ONGC) and its collaborators, Philips Petroleum and ENI, to this place than to an inland site in north-west India. Currently the share of the ONGC in this crude, including the share of the National Iranian Oil Company which the ONGC may have to lift under the terms of the concession agreement, is estimated between 1.65 and 1.70 million tonnes. It may go up to two million tonnes or so if the recent second oil strike in this area is found to be commercially exploitable. The sale of this high sulphur crude has been arranged for the time being with CFP of France as the processing of it in the present refineries in the country is not found economical. A tailored refinery for this crude may have to be set up ultimately. The economic marketing areas of the present refineries are being re-assessed as a sequel to the recent decisions of the government—(i) the decision to retain one million tonnes

additional crude for processing in Assam; and (ii) the decision to make the inland refineries also the pricing points for petroleum products. The decision on locating the new refineries will take into consideration this reassessment also.

ESSENTIAL DRUGS

A close watch is being kept by the union government on the supply position of the life-saving drugs the prices of which were slashed down recently. The government is also getting ready for the import of these drugs in case any scarcity develops in the market. A small committee has been set up to identify the drugs which may have to be imported. The Finance Ministry, it is understood, has already been requested to earmark some free foreign exchange for the purpose which can be drawn upon at a short notice.

All the genuine difficulties of the small-scale manufacturers of the life-saving drugs, arising out of the new drugs control order, it is stressed by official sources, will be removed expeditiously. The government is stated to be looking into the representations made by these manufacturers.

TRADE DEVELOPMENT

Several new projects relating to the Foreign Trade Ministry are to be integrated into the new Trade Development Authority (TDA) to be set up shortly. The TDA is thus likely to be bigger and more comprehensive than originally envisaged. It will absorb new projects like the trade information centre, computerisation of trade statistics, a unit for trade development research and analysis, and a centre for interim comparison of export-oriented industries. As against the proposed four divisions, the TDA will now have five divisions—information division, research and analysis division, merchandising division, export production division and special products and R. and D. division. The idea of setting up the TDA is to have a package approach to export development so that one autonomous body can have all export promotion facilities under one umbrella. At present export assistance is disaggregated, with the export promotion councils providing operational guidance, the Indian Institute of Foreign Trade giving research and training facilities, the Directorate of Export Promotion giving export advice, and financial institutions providing export finances.

GOODYEAR EXPORTS TO RUSSIA

Goodyear India has recently secured an order to export truck tyres to Soviet Union worth around Rs 18 lakhs. Goodyear has been exporting tyres to eastern Europe for the past few years, but this is for the first time that the

company would be entering the Russian market. Delivery is expected to be completed by the end of this year. It may be recalled that the company exported tyres worth Rs 42 lakhs in 1969, and hopes to exceed this figure in the current year.

DUTY FREE CONCESSION

From June 27 duty-free import of articles as personal baggage will be limited to Rs 500 worth in terms of total value. The ceiling at present is Rs 800 per adult. Instruments and appliances which have been in professional use of a person, will continue to be duty free if the owner has resided abroad in a particular country for over three months. According to a government notification issued on May 27, duty-free concessions shall not apply for TV set, tape-recorder and radiogram unless they are battery-operated, amplifier, movie camera, movie projector, fire arms and golf clubs. One bottle of alcoholic liquor and 200 cigarettes would be allowed in duty free. Additional duty free allowance of Rs 500 will be permissible for those who have lived abroad for more than three months. But only articles actually used for running the passenger's household, like linen, utensils, kitchen appliances and ironing implements will be allowed under this category.

IRON ORE TO BULGARIA

Bulgaria signed for the first time a contract with India, for the purchase of one lakh tons of iron ore. Bulgaria's needs would soon rise to over a million tons from India alone.

TRADE WITH BURMA

Burma and this country have concluded a trade agreement in a move to develop economic and trade relations between the two countries. The agreement was signed by Colonel Kyaw Zar, trade secretary, on behalf of the Government of Burma and by Mr S. Venkatesan, Joint Secretary, Ministry of Foreign Trade, leader of the visiting Indian trade delegation on behalf of the Government of India. The agreement, reached after three-day talks, was in pursuance of a recent understanding between the Indian Prime Minister, Mrs Indira Gandhi, and General Ne Win to expand trade and promote greater economic operation between the two countries. The two governments also signed a rice contract under which India will buy 100,000 tonnes of Burmese rice this year. This reduces India's rice import from Burma by 50 per cent over last year when India bought 200,000 tonnes of Burmese rice. The trade agreement will cover a period, ending December 21, 1971. It is expected that there would be all round increase in the volume of trade between the two coun-

tries with India offering to supply Burma a wide range of engineering goods and industrial products.

AID-INDIA CONSORTIUM MEET

The Aid-India Consortium met in Paris on May 27 and 28, 1970 under the chairmanship of the World Bank. Apart from the representatives of the governments of Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States, there were observers from Norway, the International Monetary Fund and Organization for Economic Cooperation and Development.

The meeting commended continued improvements in India's economic situation in 1969-70. All the Consortium members welcomed continuation of momentum in agricultural production with another record foodgrain harvest, further recovery in industrial production, maintenance of reasonably stable price level and substantial effort made for further domestic resources mobilisation in the current year. The export performance with regard to engineering goods continued to be very encouraging, increase in such exports being 30 per cent in 1969-70 after having doubled in previous two years. The members agreed that for the year which began April 1, 1970 the level of new commitments of non-project assistance of about dollars 700 million would be desirable. Towards this total of dollars 700 million most members indicated contributions they would be able to make, subject to necessary approvals, and others expected to be able to do so later in the year. Within total members indicated actions which would result in more than dollars 100 million in debt relief. With this, the target set for debt relief of dollars 300 million over three years would be surpassed. The Consortium members also agreed that new commitments of about dollars 400 million of project aid could be utilized effectively and that efforts would be made to meet this amount.

It was generally agreed that further measures to improve the quality of aid were necessary and members were asked to consider possible steps towards this, which might include easing of restrictions on use of aid; in particular procurement timing, further improvements in terms of aid and possibly further debt relief.

TELEX SERVICE TO DJIBOUTI

The Director General, Overseas Communications Service has notified that international telex service to French territory of the Afas and Issas (Djibouti) will be available from June 1, 1970. The service will be available daily from 11-30 hours to 14-30 hours and from 17-30 hours to 22-30 hours (IST) throughout the week, except on Sun-

days when it will be closed. Rates will be Rs 57 up to three minutes, Rs 19 per every additional minute or part thereof and Rs 5 per report fee.

P.M. TO VISIT MAURITIUS

On the invitation of the Prime Minister of Mauritius, Dr S. Ramgoolam, extended during his visit to India in December, 1969 the Prime Minister, Mrs Indira Gandhi proposes to pay a state visit to Mauritius from June 2 to June 6, 1970.

IMPROVED CARBON PAPER

Kores (India) is now developing a new plastic type carbon paper for export purposes. It is found that a plastic coated carbon paper can be used over and over again, many a time, without smudging hands of a typist. It is, therefore, an improvement over coated carbon paper.

SUGAR OUTPUT

According to the Indian Sugar Mills Association, the sugar production in April, 1970, the seventh month of the 1969-70 season, was 5,87,000 tonnes against 4,80,000 tonnes during the corresponding period last season. This brings the total production during the first seven months of the season to 3,677,000 tonnes against 3,095,000 tonnes during the corresponding period last season.

BANK COMPENSATION

Ten of the 14 nationalised banking companies have opted for compensation in 30-year securities carrying interest at 5-1/2 per cent per annum. The compensation payable to the 10 banking companies is Rs 68.50 crores out of a total of Rs 87.40 crores. Two other banks (Allahabad Bank and Indian Overseas Bank) have opted for cash compensation amounting to Rs 5.60 crores. Cash compensation is payable under the nationalisation law in three annual instalments. Two others, Punjab National Bank and the Union Bank of India, have applied for interim payments in cash and the rest of the compensation in securities of both kinds, ten-year at 4-1/2 per cent and 30-year at 5-1/2 per cent.

NAMES IN THE NEWS

Dr P. K. Narayanaswamy, till recently Deputy Director General, Ordnance Factories, Calcutta, has taken over as Managing Director of the state-owned Hindustan Insecticides Ltd, New Delhi. Hindustan Insecticides Ltd has factories at Delhi and Alwaye (Kerala) producing insecticides.

Bhai Mohan Singh, Managing Director, Ranbaxy Laboratories Ltd, was recently elected Chairman of the Punjab Haryana and Delhi Chamber of Commerce and Industry for 1970-71.

Company Affairs

KESORAM INDUSTRIES

KESORAM INDUSTRIES & Cotton Mills Ltd will enter the capital market on June 15, 1970, with an issue of 15,000 (7.75 per cent) registered debentures (1981-82) of Rs 1,000 each at par for cash payable in full on application. The issue will close on June 24, 1970, or earlier at the discretion of the directors but not before June 17, 1970. The company has an authorised capital of Rs 5 crores and issued, subscribed and paid-up capital of Rs 4.19 crores. The present issue has been underwritten by Unit Trust of India (Rs 50,00,000), the Industrial Credit and Investment Corporation of India (35,00,000) United Commercial Bank (Rs 20,00,000), Central Bank of India (Rs 15,00,000) New Bank of India Ltd (Rs 10,00,000), Harkisondass Lukhmidass (Rs 15,00,000) and Chimanlal J. Dalal & Co (Rs 5,00,000). The company has textile mills, rayon plant, transparent paper plant, spun pipes and foundry unit, refractory factory and cement plant. The second phase of the cement plant with an additional capacity of 200,000 tonnes per year is under construction at Basant Nagar in Andhra Pradesh and is likely to start functioning in the first half of 1971. The amount of the present issue will be utilised to meet financial requirements of the second phase of the cement plant and also other financial commitments of the company.

INDIA TOBACCO

Mr A. N. Haksar, Chairman, the Imperial Tobacco Company of India Ltd. announced in Calcutta on May 22, that the name of the company has just been changed to India Tobacco Company Ltd. The consent of the shareholders was obtained at an Extraordinary General Meeting on May 14, and the new name has been approved by the authorities and recorded with the Registrar of Companies, Calcutta. The name of this 60-year old company has been changed as the company believes that "INDIA TOBACCO" is more in keeping with the all-India nature of its operations as well as with its fundamental desire to identify its own objectives with the national aspirations of the country. Moreover, it believes that the new name more fittingly describes the significant steps it has taken over many years to contribute to the economic and social targets of the country. ITC pioneered, with the help of its sis-

ter organisation, Indian Leaf Tobacco Development Company Limited, cultivation of Virginia leaf tobacco in India. Today, leaf tobacco earns about Rs 45 crores every year for over 50,000 farmers in India and yields for the country over Rs 35 crores in foreign exchange from exports. (ITC/ILTD group's contributions being about Rs 10 crores each year).

ZUARI AGRO CHEMICALS

Zuari Agro Chemicals Ltd announced that its equity issue which opened for public subscription on May 20 was heavily over-subscribed. The company decided to close the list of equity shares after banking hours on Monday, May 25. The subscription list for the public issue of preference shares of Rs 4.12 crores was, however, kept open till the close of banking hours on Saturday, May 30.

ATUL PRODUCTS

The Chairman of Atul Products Ltd has visualised encouraging prospects for the company. The company's sales increased by Rs 2.32 crores in 1968 and by Rs 1.95 crores in 1969. The increases have been largely due to the naphthalene intermediates and bases plants. The company hopes to do better in the next two years. The chairman is confident that its profits will be commensurate with the size of the investments. The various intermediates plants that have been put up have increased the company's self-sufficiency and reduced its dependence on imported raw materials. They have also helped in increasing its dyes production and exports. The caustic chlorine plant has shown improved working. The company has also put up four new cells and other equipment which will make the plant balanced and remunerative. Exports have amounted to Rs 16.44 lakhs in 1969 and are expected to increase in the current year.

MANEKLALS

T. Maneklal Manufacturing Co Ltd and SLM, Maneklal Industries Ltd, have agreed with Messrs William Jacks and Co Ltd, London, for the purchase of the controlling interest in their Indian subsidiary, William Jacks and Co (India) Private Ltd. The T. Maneklal group will buy 70 per cent of the paid-up capital of William Jacks and Co. (India). The paid-up capital of the latter is Rs 38 lakhs and the brought forward

loss at the end of 1969 is Rs 12 lakhs. Thus the book value of the company's capital is estimated at about Rs 26 lakhs. The T. Maneklal group's investment will be about Rs 18 lakhs. The proportion of the capital to be taken up by T. Maneklal and SLM Maneklal will be decided with the consent of the government. The proposed investment is subject to the approval of the government and shareholders of both the companies in the group. William Jacks has a large marketing organisation with offices throughout India. The company has selling agency of 40 Indian companies and 200 foreign manufacturers. In the past few years it had not fared well. In 1969 sales turnover was about three crore of rupees and commission on direct sales was Rs 26 lakhs. In the current year the company hopes to make some profit. Maneklals will get the benefit of the large selling organisation set up by William Jacks.

CURWEL

Curwel (India) Ltd will soon enter the capital market with a public issue of Rs 16.02 lakhs, comprising 70,250 equity shares of Rs 10 each and 9,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each. The entire public issue is underwritten by various financial institutions. The company has an authorised capital of Rs 50 lakhs and a paid-up capital of Rs 20.47 lakhs. The company is setting up a plant in Faridabad, Haryana for the manufacture of gamma globulin and albumen in technical and financial collaboration with Technoexport of Bulgaria. The Indian company will hold 51 per cent while the balance will be held by the Bulgarian enterprise. It is the first plant of its kind in the commercial production of these items from human placenta and placental blood. The plant is capable of handling placenta and placental serum from 262,500 births per year. The plant is already under construction and is expected to go into production in March 1971. The capital outlay on the project is estimated at Rs 72 lakhs.

CALICO

The directors of the Ahmedabad Manufacturing and Calico Printing Co Ltd, have proposed to issue bonus shares in the ratio of one share for every two shares by capitalising a sum of Rs 2.5 crores out of the company's reserves. While recommending the issue, the directors have stated that it should not be taken for granted that because the share capital is increased by the issue of bonus shares, the total amount that may be paid as dividend will be correspondingly larger. The directors have proposed a final dividend of Rs 11 per share for the year ended March 31, 1970. This together with the interim

June 5, 1970

dividend of Rs 7 per share makes a total of Rs 18 per share for the year. Both the interim and the final dividends are payable on a larger capital of five crore of rupees as raised by the one-for-seven bonus issue. For the previous year, the company paid a total dividend of Rs 19.75 per share on a capital of Rs 4.37 crores. The total equity dividend distribution will amount to Rs 72 lakhs against Rs 69.12 lakhs. The company has earned a higher gross profit of Rs 371.58 lakhs against Rs 321.26 lakhs for 1969. The company's turnover has increased to Rs 32.12 crores from Rs 28.23 crores. The directors have provided Rs 11.87 lakhs for managing agents' commission, and Rs 136.81 lakhs for depreciation. The provision for taxation is higher at Rs 118.70 lakhs against Rs 68.91 lakhs. The allocation to the development rebate reserve is lower at Rs 11.34 lakhs against Rs 25.25 lakhs. This leaves a net profit of Rs 92.86 lakhs against Rs 96.08 lakhs. The directors have transferred a sum of Rs 76.98 lakhs to the general reserve.

JOHN FOWLER

The sales of John Fowler (India) Ltd for 1969 have crossed Rs one crore mark and amounted to Rs 1.07 crores against Rs 64.82 lakhs, an increase of 65 per cent. Its gross profit has increased to Rs 17.71 lakhs from Rs 5.64 lakhs. The directors of the company have proposed a higher equity dividend of 12.5 per cent for 1969 against 7.5 per cent paid for the previous year. A part of the proposed dividend will be exempt from tax in the hands of shareholders.

RALCON ENGINEERING

The directors of Ralcon Engineering Co Ltd state in their report for 1969 that production gradually accelerated and in the last quarter of 1969 it amounted to Rs 8.20 lakhs. At the end of 1969 the plant was operating at about 80 per cent of its capacity. The company hopes to operate the plant at its rated capacity in the current year. During 1969 preparations were completed for the manufacture of heavy duty chains, mainly used in excavators and shovels. Initial sample chains have been released to the indigenous manufacturers for field trials. The company hopes to increase production in the coming years. Its sales were Rs 22.19 lakhs. The working has resulted in a profit of Rs 21.48 after providing Rs 3.19 lakhs for depreciation. After bringing in the previous year's losses, a debit balance of Rs 3.96 lakhs has been carried forward.

JAYASHREE TEXTILES

The directors of Jayashree Textiles and Industries Limited have proposed to

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skip the dividend again on the equity shares for 1969. The last dividend of 10 per cent was paid for 1967.

DENA BANK

Dena Bank Ltd has received from the central government full and final compensation of Rs 359.50 lakhs in 5.5 per cent Bonds (Acquisition and Transfer) Compensation Bonds 1999 in addition to the previous payment of Rs 50,000 in cash. Dena Bank Ltd, along with other banks, had sought clarification from the Company Law Board regarding the preparation, audit and presentation of accounts of the company for 1969 arising out of nationalisation and since the matter is still under consideration of the Company Law Board, the company has in the meanwhile applied to the Registrar of Companies, Maharashtra, for extension of the period for holding its annual general meeting by three months, from June 30, 1970.

LICENCES AND LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the two weeks ended January 10, 1970. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting and annual installed capacity.

LICENCES ISSUED

(during the week ended January 3 and 10, 1970).

TELECOMMUNICATIONS

M/s Mulchandani Electrical & Radio Industries Ltd; Sukh Sagar, Hughes Road, Bombay-7. (Maharashtra)—Radio Receivers—4,00,000 nos. per annum. (SE).

OFFICE & HOUSEHOLD EQUIPMENT

M/s International Computers India Manufacture Ltd; Magnet Houses, Dougall Road Bombay-1. (Maharashtra) Data Processing Equipment : 1. Hand Punches—3,000 nos., 2. Sortes 55 nos., 3. Electric Punches—265 nos., 4. Elect. Verifiers—200 nos., 5. Reproducible—91 nos., 6. Collators—116 nos., 7. Interpreters—106 nos., 8. Calculators—14 nos., 9. Gaug Punches—16 nos. (SE).

DRUGS & PHARMACEUTICALS

Alembic Chemical Works Co. Ltd, Alembic Road, Baroda-3. (Gujarat) 1. Diphtheria Tetanus and Pertussis Vaccine BP (Triple Antigen)—3,000 litres; 2. Tetanus Toxoid BP (Purified and Concentrated Tetanus

Vaccine)—400 litres. 3. Tetanus Antitoxin BP (ATS—Anti Tetanus Serum) 70 litres. (5000—5500 I.U. per ML.) 4. T.A.B. Vaccine BP (Typhoid Paratyphoid A & B Vaccine)—100 litres. 5. Diphtheria Antitoxin BP —Anti-diphtheria Serum)—70 litres. (5000—5500 I.U. per ML.). 6. Cholera Vaccine—50 x 10 doses. (NA); M/s Cynamide India Ltd; Nyloc House, 254-D2, Dr Annie Besant Road, Bombay-25. (Maharashtra)—Myambutol—(Ethambutol Hydrochloride) Tablets—200 mg. 25 lakhs tablets p.a. (NA); M/s Unichem Laboratories Ltd; 4, 5, 6, Jogeshwari Estate, Jogeshwari West, Bombay-60 (Maharashtra) 1. Mathazualone—3000 Mgs. p.a.; 2. Lignocaine Hydrochloride—1000 Kgs. p.a. (NA).

TEXTILES

M/s Northbrook Jute Co. Ltd; Chartered Bank Buildings, Calcutta-1. (West Bengal) Carpet Backing Cloth. (77 broadlooms to produce 3912 tonnes) (SE); M/s Budge Budge Amalgamated Mills Ltd; 8, Clive Row, Calcutta-1. (West Bengal) Jute Carpet Backing Cloth. (72 broadlooms to produce 3658 tonnes) (SE); M/s Dalhousie Jute Co. Ltd; Chartered Bank Buildings, Calcutta-1. (West Bengal) Jute Carpet Backing Cloth. (94 broadlooms to produce 4775 tonnes) (SE) M/s Bhupendra Kumar Navnitilal & Co, Behind Alcock Cement Pipe Factory, Gomtipur, Ahmedabad-21. (Gujarat) Cotton Tapes—15 tape looms (45,000 rolls per year) (SE); M/s Union Jute Co Ltd, Chartered Bank Building Calcutta-1. (West Bengal) Jute Carpet Backing Cloth—104 broadlooms to produce 5288 tonnes of Carpet Backing Cloth (SE); M/s Auckland Jute Co. Ltd; Chartered Bank Building, Calcutta-1. (West Bengal) Jute Carpet Backing Cloth—129 broadlooms to produce 6553 tonnes of carpet backing cloth (SE).

ELECTRICAL EQUIPMENT

M/s Hindustan Cables Ltd, P.O. Hindustan Cables, Burdwan (West Bengal) Telephone Cables. (NA/SE); M/s Hindustan Brown Boveri Ltd; 264-265, Annie Besant Road, Bombay-25. (Maharashtra) Air Blast Indoor type Circuit Breakers of 11 KV rating, 400 MVA to 1500 MVA—50 nos. (NA).

TRANSPORTATION

M/s Tata Engineering & Locomotive Co Ltd; Bombay House, 24, Bruce Street, Fort, Bombay. (Maharashtra) (i) Pneumatic Tyred Traction Units. (ii) Front and attachments for above like. (a) Fork lift attachments capable of handling loads of 8 tonnes. (b) Front-end Loader attachments, with bucket capacities of up to 2½ Cu. Yds. (NA); M/s Ex-Cell-O India Ltd; 79-B, Dr Annie Besant Rd, Bombay-18 (Maha-

rashtra) Steering Gears—1,20,000 nos. p.a. after expansion (SE).

INDUSTRIAL MACHINERY

M/s Swastik Bansidhar Engg. Ltd, Bansidhar House, Kankaria Road, Ahmedabad-17 (Gujarat) Automatic Flat Bed & Rotary Screen Printing Machines—6 nos. p.a. (NA); M/s Star Textile Engg. Works Ltd; Planet Mill Street, Ferguson Road, Lower Parel, Bombay-18. (Maharashtra) Automatic Flat bed & Rotary Screen Printing Machines—6 nos. p.a. (NA); M/s Lakshmi Card-clothing Mfg. Co Pvt Ltd, Kuppuswamy Naidupuram, P.O. Palladam Taluk, Coimbatore Distt. (Tamil Nadu) Metallic Card Clothing—2,400 sets p.a. (SE).

CHEMICALS (Other than Fertilisers)

Shri Hargovind Bajaj, c/o Bajaj Steel Industries, Pvt Ltd; Imabada Road, Nagpur-2. (Maharashtra) D. Polyethylene Woven Sacks—5 million nos. (2) A. D. Polyethylene Woven Laminated Fabrics—800 tonnes (NU).

DRUGS & PHARMACEUTICALS

M/s Ranbaxy Laboratories Ltd; Okhla, New Delhi-20. (Delhi) (i) Chloramphenicol—18 tonnes, (ii) Chloramphenicol Palmitate—2 tonnes/p.a., (iii) Chloramphenicol Succinate—2 tonnes p.a. (NA); M/s Alta Laboratories Ltd; Vissonji Park, Naigaum Cross Road, Dadar, Bombay-14. (Maharashtra) Hydroxy Quinoline—60 tonnes p.a. (NA).

FOOD PROCESSING INDUSTRY

M/s Kaira Distt. Cooperative Milk Producers Union Ltd; Anand, Kaira. (Gujarat) (i) Cocoa Powder & Chocolate—450 tonnes p.a., (ii) Malted Milk Food—1500 tonnes p.a. (NA); M/s Ghaziabad Cold Storage & Ice Factory D.M. Road, Ghaziabad (UP) Sterile Preserves, Turbid-Juices Concentrates—4000 tonnes. Sterile Preserves of Vegetables of Fruits—1800 tonnes. (NU).

GLASS

M/s Caprihans (India) Pvt Ltd; Block 'D', Shivsagar Estate, Dr A. B. Road, Worli, Bombay. (Maharashtra) P. V. C. Bottles & Containers—20 ml. nos. per annum (NU).

CHANGES EFFECTED IN THE NAMES OF OWNERS OR UNDERTAKINGS

M/s Trackparts of India, Kanpur to Trackparts of India Pvt Ltd; Kanpur; M/s J. B. Advani Oerlikon Electrodes (P) Ltd to M/s Advani Oerlikon Pvt Ltd; International Franchises (P) Ltd to Crookes Interfran, Ltd.

LICENCES REVOKED OR SURRENDERED

M/s Jaipur Metals & Electrical Ltd; Jaipur. Phosphor Bronze Wires & Strips; M/s G. S. Bhandari, Rampurawala Building, M. G. Road, Indore. Skim Milk Powder & Whole Milk Powder.



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BOOKS BRIEFLY

New Approach to Rural Reconstruction

Modernizing Peasant Societies—A Comparative Study in Asia and Africa : Guy Hunter; Published for the Institute of Race Relations, London; Oxford University Press; Pp 324; Price Rs 27.50.

Land Reforms in Vidharbha : K. R. Nanekar; Oxford & IBH Publishing Co.; Pp. 334; Price Rs 20.

Wages and Productivity in Selected Indian Industries : J. N. Sinha & P. K. Sawney; Vikas Publications, Delhi; (1970); Pp. 190; Price Rs 22.

New Trade Strategy for the World Economy : Edited by Harry G. Johnson; George Allen and Unwin Ltd; Pp. 344; Price \$ 45.

An Analysis of Investment and Advances of Scheduled Banks in India : M. C. Vaish; Ratna Prakashan Mandir, Agra; Pp. 288; Price Rs 25.

Public Finance : K. K. Sharma; The Bangalore Printing and Publishing Co. Ltd, Bangalore, Pp. 593; Price Rs 22.50.

Reviewed by : PROF. S.S.M. DESAI

THIS is easily one of the profoundest books on the nature and speed of growth in the peasant societies of Asia and Tropical Africa. It is however not merely a study of agricultural development in these countries. It is rather "a study of agricultural society regarded as a living whole. For a study of agricultural change is inseparable from other non-economic elements in social life — its history, beliefs, institutions, education, politics, administration, ambitions and ideals." All these elements so often studied separately as 'economics', 'sociology' and 'politics' go together to form a long groundswell of social and technological change which we call modernization. And if indeed this wholeness is taken seriously, we must expect to find that every element is changing, affecting all other elements.

The problem posed by the author is to find out, if possible, some reasoned theory of how Asia and Africa can achieve faster sequence of growth in the new environment of the modern world. The developing countries of Africa and Asia, from their relative weakness, cannot and may not wish to follow the same course as the western countries at their moment of greatest relative strength. Though many similar things will have to be done in Africa and Asia if the peasant societies are to be enriched and liberated, their path of change will have to be unique. It will not be exactly the same things which are done, nor in the same order nor by the same methods, nor in the same modality.

Guy Hunter has devoted several chapters to prove convincingly how impossible it is for the countries of Africa and Asia of today to recapitulate earlier paths followed by the present-day developed countries in the field of economics, in administration, in politics and in education. According to the author the precedents set by the developed countries of western Europe are ambiguous or misleading or irrelevant for developing countries of Africa and Asia. The older prescriptions are still constantly quoted and pressed upon developing countries. Instead of this a new path must be found by the developing countries of Africa and Asia by which they will progress. "The history of man in society can give some helpful indications of its general course; its detail is a matter of exact and patiently accumulated knowledge of the social topography of each special case." In fact the purpose of this book is to emphasise the above fact and not to give detailed prescriptions for action or to lay down a set course which just cannot be done.

Stages of Progress

The author has made use of the concept of multidimensional 'stages' of progress. The first stage is the stage of traditional society, which is regarded as a social structure intimately related to its religious basis, to its tools and techniques, to its political history and system, to forms of administration and to its educational system. In this stage security will

often be the most crucial factor for the people in accepting or rejecting new ways. A vast number of Indian villages fall in this category and the policies to be followed in respect of these areas for modernizing them must not go against the sense of security which people in these villages are seeking. The change will have to be gradual in these areas. The second stage is designated as the stage of partial modernization and perhaps tension is the most dominant feature of this stage. In this stage society is torn between the tempting rewards which new ways can offer and the pieties and fears which still attach to the older ways of life. Many villages and urban areas in India which have felt the impact of planning belong to this second stage. The third and the final stage is the one in which "commitment to new rewards and risks has already taken place." Many of the developed urban areas in India belong to this category. In this third stage the familiar rules and methods of developed countries at least begin to fit in. It is however from the premature application of these rules and methods to the first and second stages, that many of the mistakes, failures and frustrations in Africa and Asia have sprung up.

Individual Treatment

The author has very fervently and convincingly argued for largely individual treatment for many different areas in a country which are in the different stages of development. This individual treatment will have to take account of the physical environment and social psychology of each area. Developmental planning and administration must learn "to combine certain overall economic parameters and political ideals with a high degree of tactical agility in the districts, to take advantage of every opening for growth, often foreseen, often unforeseeable a few years earlier, which emerges from the process of change." It is not merely that the British or French or Dutch or American models which have evolved gradually over centuries and amidst their peculiar environments (institutions such as representative government, local government, trade unions, extra-mural functions of universities etc.) may be unsuitable in peasant societies; it is that each stage may well need political, economic, social, ethical and educational structures and institutions properly tailored to its needs.

Among Asian countries, India needs to learn this lesson, above everything else. Thanks to the first generation of our westernised political leaders and administrators, we have made it a habit to borrow wholesale ideas and insti-

tutions from others. Our constitution (for which Sir B. N. Rao went around the world), our other political institutions such as adult franchise, parliamentary democracy and cabinet system, our planning techniques, our educational system, even our sports have all been borrowed either from the west or from communist countries of the east. If these alien political and economic institutions failed to take root and flourish in this environment it is not to be wondered at. We have yet to learn that our various institutions must be in consonance with our social and natural environment. It is only when we take the natural path that there would be speedy progress on all sides, while with borrowed institutions from totally different environment, the result would be disastrous. We have already traversed this wrong path so long and so far that beginning anew is impossible while proceeding ahead along the wrong route would be catastrophic. This is the real crisis which India is facing.

Guy Hunter in this book has made no prophecies regarding the speed of growth in different countries of Africa and Asia. According to the author some peasant societies however have potentialities to achieve a civilization with qualities which the west may well envy. He concludes "Europeans have much to give to these countries, if it is given modestly, they may also have much to learn from them."

This extremely stimulating book will explain to the readers the limitations of the standard approach which most of the developing countries are adopting to achieve progress and modernization. The book points out a new approach which it would be worthwhile for countries to evolve and follow. But it will be for each country to find out this new path appropriate to itself. Not to have read this book is to have missed reading a really great book.

A HOAX ON THE LANDLESS

The first five-year Plan declared: "The future of land ownership and cultivation constitutes perhaps the most fundamental issue in national development." Dr Nanekar in his book *Land Reforms in Vidharbha* has made an attempt to study the implementation of land reform legislation in the Vidarbha region of Maharashtra state. The study is based on a sample of plots and holdings in the eight districts of Vidarbha, over the period of 1950-51 to 1961-62.

Land reforms constitute a very crucial part of our strategy for economic

development in general and agricultural reconstruction in particular. And therefore one goes through the assiduously collected data with great expectancy and hope that in Vidarbha which is a part of a relatively progressive state of Maharashtra land reform legislation must have left a fairly deep impact. And what are the findings that await the hopeful reader?

Feudal interests have been legally abolished, though the reform does not seem to have proceeded any further. The feudal interests (ex-proprietors and big landowners) visualising the possibility of more radical measures, carried out all the adjustments that saved them from loss of land or its market equivalent in money. Changes in ownership were brought about by regular sales, partitions and other methods. Total land holding as well as acreage per legal owner have been systematically adjusted within the limits prescribed by the Ceiling Act of 1961!

Fails in Purpose

It might appear that as a result of land reform, the size of the land-holdings of the big landowners having been reduced, the extra land must have been distributed evenly, the aim of the land reform being making land available to tenants, small landowners and the landless. Unfortunately while the partitioned land remains with the families of the big landowners, much of the land disposed of through sale has mainly gone to those who already possessed some land. Total amount of land going to tenants, petty landowners and the landless has been negligible.

The tenancy acts have also proved to be quite ineffective. The collected data show a continuous fall in the tenanted land during the period. It should be noted that this is not because tenants have become owners but because more and more land has been taken away from them. Many of those who would have continued to be tenants in the absence of land reforms, have in fact been reduced to the status of hired labourers. Even after the Tenancy Act of 1958 there were large-scale surrenders and termination of tenancy which tell the ineffectiveness of the so-called radical act.

Rents have continued to be exorbitant in spite of the maxima fixed by the tenancy acts of 1951 and 1958. Owing to insecurity and high rents, land improvements (which were expected after the tenancy legislation) have been conspicuous by their absence. Though the feudal interests have been legally abolished, they have now monopolised newer sources of power and thwarted the very implementation of the acts which they

themselves got passed either personally or through their representatives in the legislature.

According to Dr Nanekar the causes of the ineffectiveness of the land reforms were many. The halting and piecemeal nature of land reform measures gave time for many adjustments in land relations in anticipation of the legislation, so that when a particular legislation did come, it had very little to implement in terms of practical results. Thus, intermediaries were abolished in 1950, but the Ceiling Act came after 10 years. The Berar Regulation of Agricultural Leases Act was passed in 1951 but the much progressive act of 1958 came seven years later. The land reform legislation could not do anything in the face of constitutional validity of planned partitions of land-holdings and sales which took place in anticipation of the legislation. Further, legislation itself contained loopholes which could be easily exploited. The notorious clause pertaining to personal cultivation in the Tenancy Act was exploited to the maximum by powerful landlords for evicting the tenants. The administrative inadequacy, inefficiency, partiality, faulty records and utter ignorance of the potential beneficiaries were also the causes of ineffectiveness of the land reform legislation.

If the author has convinced himself that the land reforms proved ineffective only due to the above reasons, he betrays ignorance of some deep-rooted fundamental causes. His analysis and conclusions are based on his tacit assumption that the government's aim behind land reform legislation was to bring about effective distribution of land among the landless and peasants on the principle of 'land to the tiller.' Subsequent developments such as purchase of land in the name of family members by the most highly placed among the governmental hierarchy lends support to the view that commitment to redistribute land among the peasants and landless was not the chief motive behind the land reform movement. Whatever gains have accrued to the tenants are only incidental.

Plugging the Loopholes

All this means that the policy implications which the author has drawn from his analysis namely that the peasantry should be well-informed about the implications of the legislation, that there should be greater concentration on effectively implementing the existing measures before attempting any new measures of reform, that loopholes which permit the circumventing the laws should be filled up, that comprehensive legislation dealing with all the aspects of land ownership and land management

should be passed instead of piecemeal legislation spread over many years, and that the land reform legislation should be considered in relation to constitutional law are all good in so far as they go. But they do not go far enough. Therefore the author's second suggestions that the land reform legislation must be informed with a deep sense of social purpose obviously assumes fundamental importance, all the defects of implementation having stemmed from the absence of such a deep-rooted commitment to help the poor peasantry and the landless agricultural labour.

In these days when the number of acts passed is often quoted as the index of actual progress achieved, Dr Nanekar has rendered a great service by pricking this bubble by showing the ineffectiveness of land reform measures meant to benefit the poor peasants and the landless in the states. Though his conclusions pertain only to Vidarbha, one would not be far wrong in concluding that his conclusions also hold good for the rest of the state of Maharashtra and for India.

THE ROLE OF PRODUCTIVITY

The first five-year Plan while giving considerable emphasis on the promotion of workers' well-being also pointed out: "On the side of labour, there should be a keen realization of the fact that in an undeveloped economy, it cannot build for itself and the community a better life except on the foundations of a higher level of productivity to which it has itself to make a substantial contribution." All responsible bodies (e.g. the Fair Wages Committee) have come to recognise that the only enduring basis of rising wages is the rising level of productivity. If this is accepted, it follows that productivity analysis should occupy a central place in the study of wage problems and wage policies.

Labour productivity is determined by number of factors like plant modernization and rationalization, adequate flow of raw materials and managerial efficiency. Some of these factors are independent of workers' efficiency. This means that not all the increase in output is due to increase in the efficiency of labour. Factors other than labour have therefore as strong a claim to higher earnings as workers to higher wages.

Operationally the simple formula for linking wages to productivity is to grant increase in wage rates proportional to increase in labour productivity. This formula can however provide little guidance until specific assumptions are made about capital productivity and rate of return to capital. This implies that ana-

lysis of trends in output-capital ratio is as significant as labour productivity in any analysis of wage-productivity relationship.

Wages and Productivity in Selected Indian Industries examines wage productivity relationships in five selected Indian industries viz. cotton textiles, cement, sugar, jute and paper and paper board, for the period 1950-63. For this purpose the authors have put forward the concept of 'net distributable output' as distinguished from "net output" or 'value added in real terms'. To measure 'net distributable output' as the amount actually available for distribution between labour and capital, the value of raw materials (at current prices) is deducted from the value of output (at current prices) and the amount thus obtained is deflated by the index of output prices. The authors have introduced another methodological refinement by introducing the distinction between 'real wage' and 'product wage'. The former obtained by deflating the money wage by the index of cost of living indicates workers' well-being; the latter, as a quotient of the indices of money wages and output prices, measures real wage burden in the industry.

Labour's Gains

The study brings out significant improvements in output-labour ratio, the trend rate of annual increase being 4.7 per cent in cement and sugar, 3.9 per cent in paper and paper board, 2.8 per cent in jute and 1.9 per cent in cotton textiles. However when only the net distributable output is considered, the trend rates are somewhat depressed in cement and paper (4.2 and 2.1 per cent respectively) by the relative rise in the prices enjoyed by the suppliers of raw materials. The net distributable output is lower in sugar industry also; but this is due to declining productivity of raw materials. On the other hand economy in the consumption of raw materials has contributed to relatively more favourable trend in the ratio of net distributable output to labour in jute and cotton textiles (3 and 2.9 per cent increase per annum, respectively).

An important finding of this monograph is the inverse relationship between the share of labour in productivity gains and the rates of productivity advance. What is even more important is that labour enjoys positive gains (implying rise in labour earnings relative to product prices) even in periods of productivity decrements. This evidently weakens its claim for proportionate share in periods of positive productive gains.

It is further noted that except for jute industry where workers suffered a decline in real wages at the trend rate of

0.7 per cent per annum, the other industries show improvements in workers' real earnings. The trend rate of annual increases was 1.2 per cent in cotton, 3.1 per cent in cement and 3.2 per cent in sugar. In paper industry the real wage does not show any significant trend.

Increase in Product Wages

Interesting results are obtained from the analysis of product wages. In cement industry, product wage rose at the rate of 5.1 per cent faster than labour productivity. This together with the declining ratio of output to capital stock kept the return to capital depressed over most of the period under review compared to the base year. In sugar industry also, the product wage increased at a rate higher than that of labour productivity. But relatively high output-capital ratio enabled the industry to maintain high rates of return between 1954 to 1961. On the contrary, in cotton textiles, the lag between product wage and labour productivity contributed to higher rates of return to capital compared with the base year in all but only three years. Similar situation is noticed in paper industry. Jute industry presents a paradoxical situation. It shows a significant increase both in product wage (3 per cent per annum) and in labour productivity (2.9 per cent per annum); but the workers suffer a fall in their real earnings and at the same time owners have to put up with a fall in the rates of return to capital. This anomaly arises due to a fall in the prices of its product.

The authors conclude with the observation that for operational purposes the principle of linking wages to labour productivity needs some qualifications. In the first place it is absolutely essential to take due account of changes in productivity of factors of production other than labour. Secondly the amount divisible between labour and capital which determines their respective compensation will also depend upon prices of raw materials relative to output prices. Finally, parity between product prices of the industry and all other prices is needed if linking wages to rising productivity is to yield simultaneous increase in real wages and real rates of return.

Problems of wage fixation are probably the most difficult among all the economic problems on the operational side, and especially so because the problems have assumed political colouration. Sinha and Sawhney have built a very good model providing operational basis for linking wages with productivity and have shown its operation in some of the important Indian industries. This is probably the first study of its kind in

India and therefore is extremely welcome.

INTERNATIONAL TRADE

During the major part of 1960s, the international trade policy after the Kennedy Round was in a state of flux. Most of the European countries faced balance of payments difficulties which threatened any further liberalisation of international trade. In the USA there was for some time at least a resurgence of protectionism. Britain received another rebuff in its attempt to join European Economic Community. France was compelled to adopt crisis measures. The imbalance of European currencies and the inadequacy of international reserves held a threat to the smooth flow of international trade and to its further expansion. Though generalised tariff preferences for developing countries were agreed in principle, the practice remained as distinct from preaching as ever. There is in recent times greater appreciation than ever before of the impact of international trade on the course of nations' economic development and it is this fact which had made such books as *New Strategy for the World Economy* important and significant.

This book edited by Harry G. Johnson has five parts. In Part I Johnson has made certain proposals for multilateral free trade association. The author has in view the global concept that is gaining increasing currency in many countries of the world. The proposal is for a multilateral free trade association initiated by North Atlantic powers which might exert considerable political and economic influence on other countries. The USA, Canada, Britain and other members of the European Free Trade Association would be the nucleus of what would be the North Atlantic Free Trade Area (NAFTA). But the plan would be an openended one which means Japan, Australia, New Zealand and other countries of the European community could subsequently join if they so wished. According to Johnson, from Britain's point of view such membership would strengthen the economic base of her political power which would facilitate her admission to the European Economic Community.

In Part II Gerard Curzon and Victoria Curzon compare the alternative strategies for liberalisation of world trade. They seem to be convinced that the ultimate objective is international free trade and this ideal could be realised either by the creation of many more regional free trade areas along the pattern of NAFTA and EFTA or by gradually reducing tariffs on a multilateral basis and

on the principle of the most favoured nation.

In Part III Lionel Gelber has examined the political case for British participation in the EEC and has shown that the membership of EEC is fraught with a number of contradictions. This could be also a justification for British membership of an open-ended Atlantic-based free trade area.

Maxwell Stamp and Harrie Cowie have as their theme for analysis the economic consequences of the British participation in NAFTA. According to them the British participation in NAFTA would have beneficial effects both on the volume of Britain's international trade as also on her balance of payments. Further, such membership would not involve a surrender of national sovereignty and derogation of national powers to a supranational authority as would happen in the case of Britain joining the EEC.

Benefits to Britain

In the concluding chapter David Robertson has examined in detail the principles that should be embodied in the NAFTA treaty. He feels that the membership of NAFTA would present Britain with a chance to stabilise trading relations with EFTA and with major Commonwealth countries by removing uncertainty about the future. This would be a significant gain as the economic development of the developing Commonwealth countries is an urgent problem of the day. The author also is of the opinion that the benefits which might accrue to Britain from the membership of NAFTA would be at least equal to those offered by their membership of EEC on the basis of estimates available. Further, British membership of NAFTA would not be inconsistent with greater European unity in the long run. If, as it is hoped, the EEC countries could be persuaded to join NAFTA, the process of political integration in Europe could proceed without the disruptive influences of discriminating trading arrangements.

This book edited by Harry G. Johnson is only for the specialised students of international economy and trade. The book assumes knowledge of the theory, practices and recent developments in the field of international trade. And yet since the international trade practices such as regional trade agreements which are in vogue at the present directly affect the economic development of developing countries, the Indian specialists in this particular field would do well to keep a close watch on the trend of thinking which is evolving in those countries so that they are

not taken unaware. From this point of view this scholarly book is welcome.

CONTRIBUTION OF SCHEDULED BANKS

The objective of Prof. M.C. Vaish in writing *An Analysis of Investment and Advances of Scheduled Banks in India* is to analyse the pattern and growth of Indian scheduled commercial banks' investment and advances during the period of the three five-year Plans, namely 1951-52 to 1965-66 and to examine what contribution they have made to the planned economic development of the country.

Prof. Vaish's study reveals interesting facts and trends regarding the use of scheduled commercial banks' resources for investment purposes (i.e. purchases of government or trustee securities and share and debentures of joint stock companies, etc.). It is noted that the Indian scheduled banks, due to their small capital base seem to be guided more by consideration of liquidity than profitability. As a consequence they prefer short-term to long-term securities. Further, it is also found that due to lack of adequate alternative channels of investment, their investment portfolio shows a very heavy dependence on government securities, though of late this dependence is diminishing. This implies that the scheduled banks' investment in other domestic securities, particularly trustee securities, have been increasing during recent years, both in absolute amount and also as percentage of total investment.

The reason for scheduled banks' comparative lack of enthusiasm to invest in shares and debentures of joint stock companies is that investments of this type do not count as approved securities for purposes of calculating the statutory liquidity ratio prescribed for them. Prof. Vaish is of the opinion that in order to enable the Indian scheduled commercial banks to play a more vital role in the industrial development of the country, the shares and debentures of some of the well-known companies should be declared as approved investments for purposes of calculating bank liquidity ratio. This will have the effect of making the investment portfolio of commercial banks more broad-based. But at the same time it must not be forgotten that since bulk of investments of scheduled banks happen to be in domestic government securities, it means that the commercial banks have helped substantially financing of expansion and development of the public sector in India.

As regards scheduled commercial banks' advances, their aggregate advances as well as their distribution among different sectors of the economy are subject to seasonal variations,

depending upon marketing seasons of important crops such as sugarcane and paddy and operation of agro-industries such as sugar and gur. It should also be noted that the share of industrial advances in the aggregate scheduled commercial banks' credit has risen significantly from 32 per cent in 1951 to 64 per cent in 1966, showing that while the flow of scheduled banks aggregate credit has increased from Rs 476 crores in 1951 to Rs 2,347 crores in 1966, the direction of this flow has tended increasingly in favour of financing big industries so that the ratio of industrial advances to total advances has kept on progressively increasing over years. In absolute terms the figure increased from Rs 156 crores in 1951 to Rs 1,510 crores in 1966, advances to cotton textiles, cement, iron and steel, coal, engineering and sugar industries having increased absolutely as well as relatively. The increase in industrial advances appears to be particularly rapid after 1955. An important and notable feature is that since Indian

scheduled commercial banks have supplied credit to certain new industries such as fertilisers, plastics, leather goods, rubber products and hotels, there has been a welcome broadening of the base of scheduled bank advances.

Lack of Faith in Agriculture

As is well-known the Indian commercial banks did not take any significant part in providing credit to agriculture during the period under review as is clear from the fact that the aggregate scheduled bank credit to agriculture actually fell from Rs 11 crores in 1951 to Rs 5 crores in 1966. Also during this period the commercial banks kept themselves away from small-scale industries in the matter of provision of credit. Prof. Vaish has very satisfactorily explained the reasons for scheduled commercial banks in India not advancing substantial amounts to agriculture. There is no sense in blaming the commercial bank for this failure because

apart from organisational difficulties such as their relatively low capital and deposit base, their preoccupation with liquidity and elements of risk involved in advancing money to agriculture, as was pointed out by H.V.R. Iengar... it was never the intention of anybody that commercial banks should engage themselves in direct loans to farmers. The idea had always been that it was a job left to co-operative societies, district and state co-operative banks and specialised institutions like land mortgage banks." As a fact even the State Bank of India whose objective was to provide increasing amount of credit to Indian agriculture, has done less in this field compared to other scheduled commercial banks. It should also be mentioned that no sooner the 14 major scheduled commercial banks started thinking of entering the field of agricultural finance after they were nationalised, the co-operative financial sector raised the voice of protest that the former were encroaching on their field

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and that whatever credit the scheduled commercial banks wanted to provide to the agricultural sector should be routed through them.

In addition to the topics of investment and advances as indicated in the title of the book, the author has also analysed various other aspects of commercial banking in India such as the historical development of Indian commercial banking and the role of the Reserve Bank of India in regulating credit supply and policies etc., etc. If not as a text book, as supplementary reading on Indian commercial banking the book will be found useful to the students of banking in particular and of Indian economy in general.

PROBLEMS OF PUBLIC FINANCE

In developing countries, along with monetary policy, fiscal policy is also being made use of to a greater extent to successfully tackle many of the problems of economic development. It is being used to mobilise resources for the public sector, to reduce inequalities in income distribution and for various other purposes. On account of the increasing role assigned to public finance, we come across a spate of books these days on this subject. *Public Finance* by K.K. Sharma is one more addition to this stream.

The first twenty chapters contain the theoretical analysis of the various topics in the field of public finance. The author has relied heavily on a number of well-known authors on public finance such as Dalton, Ursula Hicks and F. Shirras who dominated the thinking on this subject during the last generation. There is hardly mention of authors like Musgrave. The consequence is that the treatment is traditional and patchy and the beginners will fail to get a comprehensive and integrated picture of the role of public finance in the process of economic development by reading such books.

The author has devoted the next 25 chapters to the analysis and discussions of the problems of India's public finance. The best aspect of the book is that it gives the most comprehensive historical review of the development of Indian public finance, factual as well as analytical. Since the author has compiled and presented figures under various headings from 1939 to 1967-68, one can see the gradual but phenomenal development which has taken place during the last three decades in several fields. But it should have been pointed out that the figures before 1947 belong to pre-partition India while later figures cover only India after partition. The same applies to various figures of state budgets, reorganisation of states in India having taken place in 1956 and

reorganisation of certain states again in 1960. Due care must be taken in interpreting this historical data, though the trends in regard to patterns of taxation, expenditure, public debt etc., etc. are unmistakable.

The author has drawn attention to various problems which India is facing in the field of public finance. The centre-state financial relations is one such problem. The author is of the opinion that to bring continuity in union-state financial relations and to make a continuous and detailed study of the financial needs of the states, the Finance Commission should be a standing body continuously examining the financial relations between the union and the states and making appropriate suggestions. There is no doubt that the present *ad hoc* arrangement of appointing a Finance Commission at the end of every five years is unsatisfactory.

The author's further suggestions that the functions of the Finance Commission be enlarged so as to include dispensation of loans, grants as well as devolution of revenues merits consideration. The Commission would then be in a position to make effective recommendations after taking into account the interdependence of capital and revenue expenditures of the states in an integrated manner. It is only a permanent Finance Commission which can continually keep under review state governments' taxation and other policies and effectively serve states' financial interests in a realistic manner and put the financial relations between the union and the states on a sound footing. The union-state financial relations are passing through a critical stage after the general election of 1967 and they are bound to be more complex if the present political trends continue in future. It is, therefore, essential that a permanent and satisfactory solution to this problem be found before it becomes intractable.

The author, like many others, makes a plea for the taxation of agricultural sector as a source of revenue for the states. Agricultural income tax according to Budget Estimates for 1968-69 yielded only about Rs 11.93 crores and land revenue increased from Rs 92.54

crores in 1957-58 to only Rs 108.72 crores in 1968-69, the increase being mainly due to the abolition of intermediaries. This means that there is much scope for mobilising resources in the agricultural sector.

Public sector enterprises of the states must also be managed properly to produce net revenue. The author on page 371 has given an illuminating comparison between the working of the public and private sector undertakings. The author has shown that the performance of the public sector undertakings from the investor's point of view is extremely unsatisfactory. Private industry earns about 11 per cent net profit as against two per cent of the government undertakings. In the case of private industry dividends as percentage of net worth have averaged six per cent while in government undertakings the figure is as low as 0.5 per cent. The author has worked out that there is a national loss of Rs 22 for every Rs 100 of capital used in the public sector, the average income being Rs 31 in the private sector and only Rs 9 in the public sector. Taking the investment outlays only in the second, third and fourth plans the aggregate loss in net industrial output would be in the neighbourhood of Rs 100 crores annually. Though there may be scope for difference of opinion regarding the aims and objectives of public sector undertakings, there is no doubt that their performance as judged by their contribution in terms of profitability is poor. Attention will have to be given to this aspect of public enterprises in view of the fact that the public enterprises are expected to contribute about Rs 1,500 crores towards financial resources during the period of the fourth Plan. The author has analysed this aspect of the public enterprises very convincingly.

Public Finance is a simple and straightforward account of the problems of India's public finance. Some of the tables compiled by the author giving the picture as it developed from 1938-39 to 1967-68 are very instructive. The book will be found useful to the graduate classes of Indian universities and to the general readers who are not initiated in sophisticated treatment of the problems of public finance.

Public Sector in Perspective

A Handbook of Information on Public Enterprises 1969 (Comprehensive Volume) : Compiled by the Information and Research Division of the Bureau of Public Enterprises, Ministry of Finance; Pp 124.

Commerce Year Book of Public Sector 1970 : Editor Vadilal Dagli; Published by Commerce (1935) Ltd, Manek Mahal, 90, Veer Nariman Road, Bombay-20; Pp 203; Price Rs 25.

If much of the current discussion of the public sector has little economics and even less statistics in it, the politi-

cians are mainly to blame. It suits their books to pontificate without reference to facts or figures. Fortunately, enlight-

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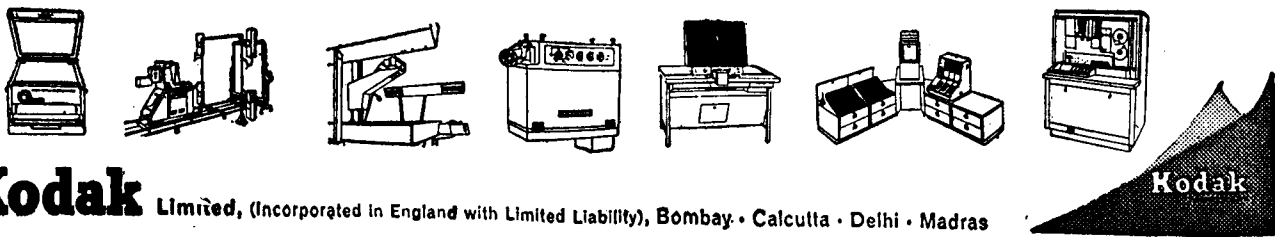
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Production of Industries in 1968 and 1969 (Contd.)

		1	2	3	4	5	6	7	8	9
CARBON PRODUCT										
Cinema arc carbons	.. Million pairs	2	7.2	5.18	2	7.2	4.0			
Calcined petroleum coke	.. Tonnes	1	65,000	65,338	1	65,000	66,000			
Pencils	.. Lakh gross	3	8.4	5	3	8.4	5.0			
Midget electrodes	.. Million pcs.	1	250	324.8	1	250.0	313.0			
Graphite electrodes	.. Tonnes	1	5,400	2,402	1	5,400	2,991			
Carbon Paste	.. Do.	1	3,600	2,593	1	3,000	3,944			
Carbon block	.. Do.	..	..	..	..	30	38			
CERAMICS										
Refractories	.. Tonnes	43	10,88,900	6,61,610	43	10,80,900	6,50,000			
Insulators H.T.	.. Do.	7	16,200	13,280	7	16,200	15,500			
Insulators L.T.	.. Do.	13	10,632	1,236	14	11,832	2,000			
Sanitaryware	.. Do.	13	15,970	12,772	13	17,970	13,000			
Glazed Tiles	.. Do.	4	8,240	14,080	4	8,240	17,000			
Crockery	.. Do.	19	21,010	10,680	19	21,010	12,800			
Stoneware pipes	.. Do.	11	65,100	35,001	11	65,100	32,000			
Stoneware containers	.. Do.	11	12,530	9,949	11	12,530	9,000			
Abrasive Grains	.. Do.	1	7,000	1,935	1	7,000	2,400			
PAPER INDUSTRY										
Paper and Paper board	.. Tonnes	56	7,30,000	6,48,000	56	7,30,000	6,80,000	No fall.		
Newsprint	.. Do.	1	30,000	30,800	1	75,000	45,000	Higher estimates production due to expansion project being implemented.		
Rayon Grade Pulp	.. Do.	1	56,000	55,800	1	56,000	60,000	No fall.		
Paper Grade Pulp	.. Do.	1	30,000	4,000	1	30,000	20,000	Regular production in this new unit started only in last quarter of 1968. It is expected that full production will be achieved only during 1970.		
TIMBER INDUSTRY										
Plywood of medium (a) Teacheat	.. Million sq. Mtr.	71	36.65	11.585	27*	23.991	6.703	*From 1st April 1969, 44 Plywood Units with a capacity of 13.559 millions sq. meters have been transferred to the State Director of Industries.		
(b) Commercial	.. Do.	—	—	16.836	—	—	17.793			
Hard Board	.. Million Sq. Mts.	3	8.58	4.815	3	8.58	6.934			
Insulation Board	.. Metric Tons	1	6,000	1,813	1	6,000	2,172			
Particle Board	.. Million Sq. Mts.	8	4.17	0.755	8	4.17	0.974			
Cork Products										
(a) Cork Stoppers	.. Mill. gros	2	1.38	1.430	2	1.38	2.224			
(b) Cork Discs	.. Do.	2	4.50	9.588	2	4.50	8.880			
(c) Cork Sheets	.. Do.	2	1.305	1.145	2	1.145	1.639			
Safety Matches	.. Mill Boxes	6	4.287	30.729	6	4.287	32.470			

Production of Industries in 1968 and 1969 (Contd.)

1	2	3	4	5	6	7	8	9	
LEATHER INDUSTRY									
Vegetable tanning of	..	Cow Hides (1 buff. hide—2 cow hides)	33	48,28,320	28,35,422	33	48,28,320	23,28,000	The fall in production is due to shortage of raw hides.
Chrome Tanning of Hides	..	Hides	12	15,79,800	8,09,878	12	15,79,800	8,25,000	The rise in production is due to better utilisation of existing capacity.
Western Type of Leather Footwears		Pairs	9	83,28,600	96,00,706	9	83,28,600	95,00,000	The production is steady.
Indian type leather footwear	..	Do.	9	Depends upon demand.	85,57,509	9	Depends upon demand	85,00,000	The production is steady.
Glue		Kgs.	4	23,40,000	18,61,310	4	23,40,000	21,16,000	The rise in production is due to better utilisation of existing capacity.
Pickers		Nos.	1	8,64,000	5,35,680	1	8,64,000	Nil	No units have reported.
Myrobalan Extracts		Tonnes	2	7,704	954	2	7,704	700	The fall in production is due to normal fluctuation in demand.
RUBBER MANUFACTURES									
Automobile Tyres		Nos.	8	33,43,000	34,38,351	8	33,43,000	41,00,000	The difference in no. of units during 1968 and 1969 is as a result of transfer of units in the small scale sector whose investment in Plant and Machinery was less than Rs 7.4 lakhs.
Automobile Tubes		Do.	7	33,43,000	32,98,060	7	33,43,000	41,00,000	
Bicycle Tyres		Do.	12	215,66,000	246,19,926	11	2,12,96,600	24,00,000	
Bicycle Tubes		Do.	13	2,15,66,600	1,81,89,869	11	2,12,96,600	18,00,000	
Camel Back		M. Tons.	11	10,850	11,649	11	10,850	12,000	
Rubber & Canvas Footwear		Million pairs	17	56,875	57,235	14	56,875	56.0	
Fan & Vee Belts		Nos.	6	38,50,000	52,76,278	6	38,60,000	55,00,000	
Carbon Black		M. Tons	2	13,400	27,496	2	35,700	32,000	
Reclaim Rubber		Do.	4	91,200	9,906	4	9,120	10,000	
PAINTS AND SURFACE COATING MATERIALS									
Paints		Tonnes	50	1,06,000	64,663	17	77,520	46,676	The difference in no. of units during 1968 and 1969 is as a result of transfer of units in the small scale sector whose investment in Plant and Machinery was less than Rs 7.4 lakhs.
Titanium Dioxide		Do.	1	6,600	4,909	1	6,600	4,089	
Aluminium Paste/Powder		Do.	3	1,200	674	3	1,200	845	
Zinc Oxide		Do.	6	18,280	6,586	4	16,500	3,519	
Red Lead		Do.	4	10,800	3,396	3	9,600	2,074	
White Lead		Do.	1	1,040	651	1	1,040	485	
Synthetic Resins		Do.	22	17,133	12,041	18	16,000	9,746	
Chrome colours		Do.	9	2,160	1,427	5	—	1,461	
N. C. Lacquers Pigmented and Ancillaries)		M. Litres	8	345	1,924	4	2,484	1,944	
COSMETICS AND TOILET PREPARATIONS									
Soap		M.T.	43	2,12,674	2,16,494	43	2,12,674	2,35,000	Marginal fall due to market demand fluctuation.
Glycerine		Do.	20	18,236	10,236	20	18,236	11,000	
Metallic Stearates		Do.	6	1,125	216	6	1,125	120	
Fatty Acids		Do.	10	36,150	12,968	10	16,150	21,000	
Synth Detergents		Do.	4	30,580	18,675	5	33,280	21,600	
Textile Auxiliaries		Do.	13	22,600	12,426	13	22,600	16,900	
C.M.C.		Do.	2	3,900	3,302	2	3,900	3,500	
Resins Finishes		Do.	6	8,900	5,676	7	9,200	5,800	
Tooth Powder		Kgs.	5	10,58,900	4,48,188	5	10,58,700	4,34,600	
Tooth Paste		Do.	16	40,50,860	38,01,689	8	40,50,860	48,25,800	
Talcum Powder		Do.	16	64,28,000	37,72,775	16	64,28,000	39,63,000	
Face Powder		Do.	11		3,97,227	11		12,709	
					41,70,002			39,75,709	
Face Cream & Snow		Do.	5	11,33,000	11,91,900	13	11,33,000	6,72,000	

Production of Industries in 1968 and 1969 (Contd.)

1	2	3	4	5	6	7	8	9
FOOD PROCESSING INDUSTRIES								
Biscuits	Tonnes	30	36,450	61,789	32	76,260	62,600	
Confectionery	Do.	29	40,188	15,862	29	40,188	9,879	
Flour Milling	Do.	111	33,99,288	13,70,907	129	37,87,936	15,64,860	
Cigarettes	Mill Pcs.	13	56,400	60,416	13	56,400	59,423	
Breakfast Foods								
(i) Corn & wheat Flakes ..	Tonnes	1	900	350	1	900	167	
(ii) Processed & Rolled oats ..	Do.	1	2,100	300	1	2,100	331	
(iii) Processed Pearl Barley ..	Do.	3	5,328	1,700	3	5,328	1,910	
Malt Extract	Do.	2	4,800	2,166	2	4,800	2,025	
Guargum	Do.	5	26,100	10,476	5	26,100	5,800	
Fruit & Vegetable preservation ..	Do.	36	74,000	45,000	36	74,000	48,600	
Meat & Meat Products	Do.	4	1,600	483	4	1,600	737	
Filter Rods for cigarettes	Mill. Pcs.	1	360	428	1	360	590	
Aerated Water	100 bottles	21	43,74,520	45,41,000	22	43,84,520	60,41,051	
Protein Isolates	Tonnes	1	1,500	68	1	1,500	57	
Open Top Sanitary cans	Do.	8	49,151	12,645	8	50,001	11,696	
Liquid Glucose	Do.	5	41,450	21,949	5	41,450	22,000	
Dextrose	Do.	2	9,600	9,300	2	9,600	9,500	
Industrial Enzymes	Do.	1	7,300	513	1	7,300	1,062	
Chocolate & Cocoa powder								
(i) Chocolate and Drinking chocolate	Do.	3	—	1,296	3	—	1,300	
(ii) Cocoa powder	Do.	3	642	191	3	642	200	
Sweetened Condensed Milk ..	Do.	4	10,800	8,144	4	10,800	6,440	Due to drop in production of one unit.
Infant Milkfood	Do.	5	12,233	11,829	5	12,233	14,255	
Milk Powder whole & skim ..	Do.	7	13,983	8,154	7	12,983	8,000	
Malted Milk foods	Do.	7	9,467	8,864	7	9,467	9,130	
Weaning Foods	Do.	2	620	246	2	620	295	
Protein Foods	Do.	3	485	222	3	485	284	
Instant Tea	Do.	2	256	88	2	256	228	
Instant Coffee	Do.	2	1,500	873	2	1,664	717	
Modified milkfood for infants ..	Do.	2	504	376	2	504	401	
Starch	Do.	8	2,05,500	77,000	8	2,05,500	1,06,150	
Cigarettes machinery	Machines plus spares	1	40	6	1	40	14	*44 Value in Rs Lakhs.
GLASSWARE AND ALLIED INDUSTRIES								
Glass and Glassware	Tonnes	46	4,10,000	2,50,000	46	4,10,000	3,00,000	
Enamelware	Million Pcs.	6	30	25.6	6	30	25	
Synthetic Stones	Kgs.	1	16,000	156,00	1	16,000	16,000	
INDUSTRIAL GASES AND MISCELLANEOUS CHEMICALS								
Oxygen	Th. M.	50	57,873	34,444	50	57,873	35,000	
D. Acetylene Gas	Do.	34	10,857	5,646	34	10,857	5,700	
Nitrogen Gas	Do.	11	5,356	1,930	11	5,356	2,500	Demand in the steel industris increased.
Hydrogen Gas	Do.	6	1,029	659	6	1,029	700	
Argon Gas	Do.	3	364	145	3	364	130	Labour trouble in Asansol Plant.
Nitrous oxide	M. Litres	3	300	213	3	300	215	
Carbondioxide Gas	Tonnes	24	17,960	10,127	24	17,960	10,200	
Basic Electroplating Salts								
Nickel Sulphate	Tonnes	6	1,100	415	7	1,360*	430	Shortage of Nickel in the international market.
Nickel Carbonate	Do.	3	33	4	3	33	2	
Nickel Chloride	Do.	5	213	76	5	213	75	*Capacity increased as one more unit has gone into production.
Nickel Ammonium Sulphate ..	Do.	—	—	—	—	—	—	
Nickel Oxide	Do.	2	—	10	2	—	—	
Cadmium Oxide	Do.	—	—	—	—	—	10	
Chromic acid	Do.	5	1,005	507	5	1,005	500	
Heat Treatment Salt								
Cyanide type	Do.	3	1,800	784	3	1,800	800	
Non-cyanide type	Do.	3	450	609	3	450	650	
Tempering salts	Do.	1	100	33	1	100	35	
Economisers, Tempering & cutting oils	Do.	2	1,210	399	2	1,210	400	

Production of Industries in 1968 and 1969

	1	2	3	4	5	6	7	8	9
Water Treatment Salts									
Sodium Hexemeta Phosphate	Do.	1	720	465	1	720	450		
Aloflo Powder	Do.	1	508	639	1	508	600		
Sodium Tripoly-phosphate	Do.	1	13,560	3,889	1	13,560	4,000		
Sodium Aluminate	Do.	2	1,620	639	2	1,620	600		
Fluxes									
Gas welding	Do.	3	408	17	3	408	15		
Soldering	Do.	1	—	5	1	—	5		
Submerged Arc welding	Do.	2	460	192	2	460	200		
Foundry Chemicals									
Fluxes	Tonnes	1	1,680	711	1	1,680	750		
Binders	Do.	3	9,080	786	3	9,080	800		
Dressings	Do.	2	500	463	2	500	450		
Dioxidizing Tubes	Do.	1	60	203	1	60	200		
Exothermics	Do.	1	1,410	207	1	1,410	200		
Misc. Compounds	Do.	1	120	245	1	120	250		
Barium Salts									
Barium sulphate	Do.	1	1,860	437	1	1,860	300		
Barium	Do.	3	1,740	800	3	1,740	1,000		
Barium Carbonate	Do.	2	1,800	1,500	2	1,800	1,500		
Catalysts									
Vanadium Pentoxide catalyst	Kilo Litres	1	152	116	1	152	120		
Platinum Rhodium catalyst	Kgs.	2	200	234	2	200	225		
Nickel catalyst	Tonnes	1	200	121	2	225	125		
Misc. Chemicals									
Activated bleaching earth	Do.	1	3,648	2,224	1	348	2,200		
Activated carbon	Tonnes	2	465	586	2	465	500		
Rare Earth chloride	Do.	1	4,200	4,091	1	4,200	4,000		
Potassium Permanganate	Do.	1	720	746	2	1,500	1,000		
AGRO INDUSTRIES									
Agricultural Tractors	Nos	5	24,500	13,799	5	24,500	16,000		Capacity increased One unit taken back on the rolls of D.G.T.D.
Power Tillers	Do.	1	3,000	228	1	3,000	300		Increase in produc- tion due to better utilisation of Plant.
Diesel Engines (stationary)	Do.	30	62,300	11,847	30	62,300	1,25,000		Only slight increase. Slight increase though many units have been trans- ferred to SSI.
Petrol Kerosene Engine	Do.	5	61,600	23,470	5	61,600	25,000		Slight increase.
Power driven pumps	Do.	32	1,32,533	3,30,672	32	1,32,533	3,40,000		Do.
Petrol Dispensing to pumps	Do.	1	750	998	1	750	1,300		Increase due to very high demand.
CONSTRUCTION EQUIPMENT									
Loco/Diesel Shunters	Nos	1	148	58	1	148	75		
Air compressors	Do.	11	7,734	6,267	11	7,734	5,362		
Road rollers	Do.	6	1,920	142	6	1,920	343		
Fork Lift Trucks	Do.	7	5,060	502	7	5,060	672		
Fans & Blowers	Do.	9	16,104	17,960	9	16,104	17,187		
Mobile Cranes	Do.	1	188	87	1	188	75		
Shovels/Excavators	Do.	2	100	74	2	100	74		
INDUSTRIAL EXPLOSIVES									
Blasting Explosive	Tonnes	1	26,000	24,393	1	26,000	26,000		
Safety fuse	Mill Coils	2	15.09	9.37	2	15.09	8.536		
Detonators	Mill Nos.	2	104	86.14	2	168	108.23		
Detonating fuse	Mill Mets.	1	6.1	8.0	1	6.1	10.348		
L.O.X. Explosives	Tonnes	1	2,000	1,712	1	2,000	1,920		

(Concluded)

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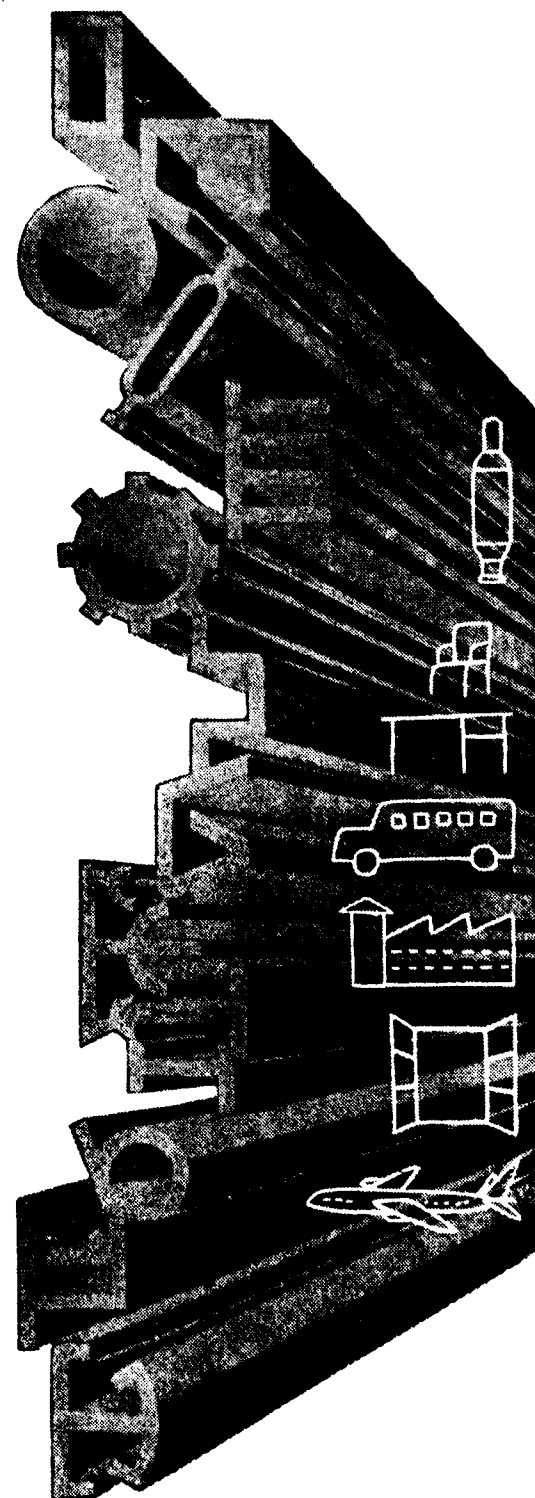
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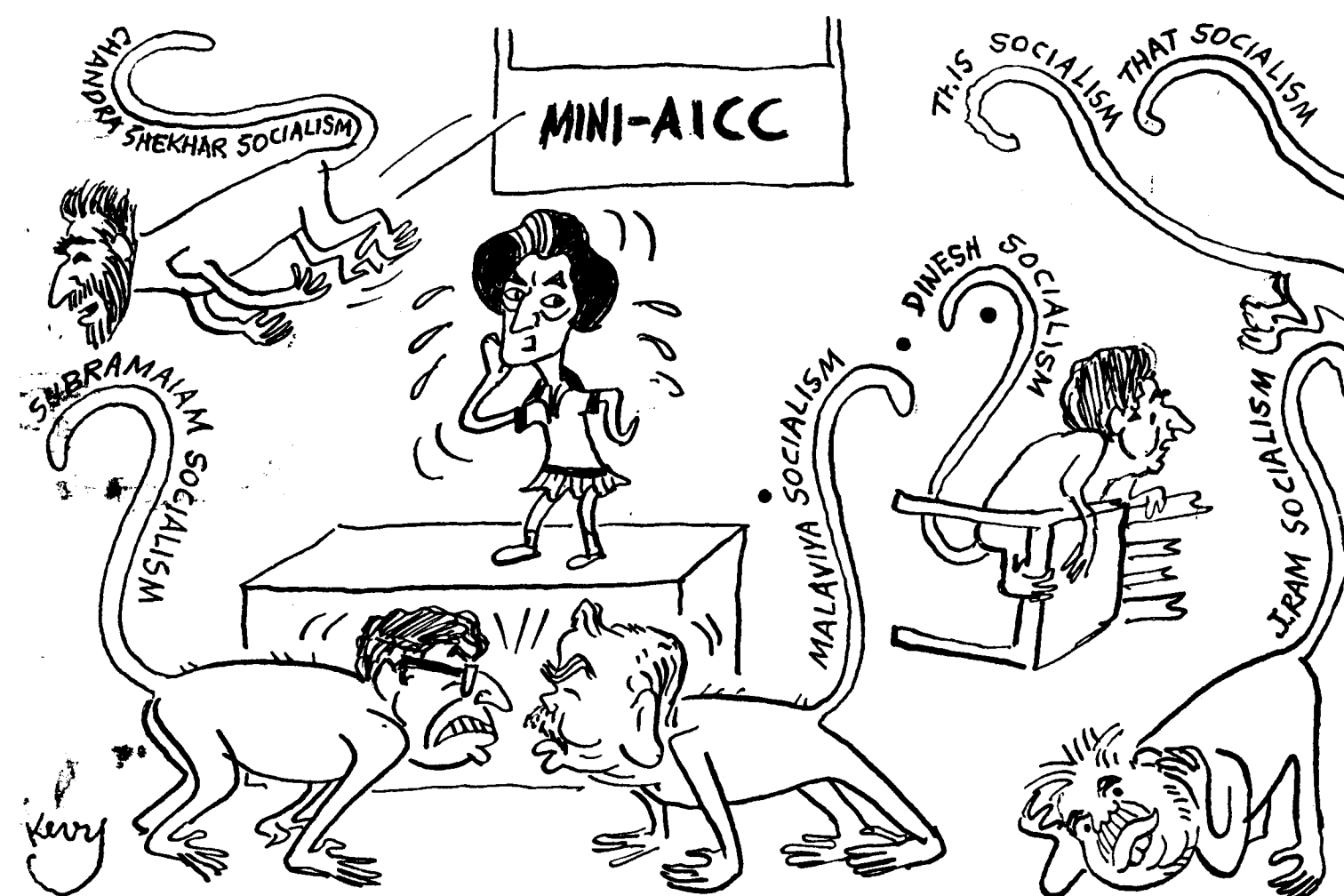
VOL. 54

The Politics of Persecution

The State of Mother Machines

SARABHAI SETS HIS SIGHTS • MEHTA ON AID

What Ails US Economy?



In her teens Mrs Gandhi organised a youth wing of Congress called the monkey brigade.



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his models are the cream ;
in gay



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

JUNE 12, 1970

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THE POLITICS OF PERSECUTION

THE MOVE initiated by Mr S.A Dange and other communists and fellow-travellers to organise a campaign of criminal intimidation against certain business houses or business families is the logical culmination of the campaign of vilification of the business community in general and some business leaders in particular which has been carried on for some time now by a number of opportunistic politicians scattered among various political parties, including, most regrettably, the party of the Prime Minister.

Mr Dange and his associates have announced plans for the observance of October 1 as "anti-monopoly, anti-Birla day" which is to be celebrated with a "gherao" of managers of "Birla concerns". A threat has also been held out that preparations would forthwith be started for a Bengal *bundh* which is to be enforced as a protest against certain administrative measures taken by certain business undertakings in Calcutta, inaccurately lumped together and described as "Birla concerns", to ensure better management as well as deal with indiscipline among certain sections of the staff. As a bonus to the wolves of his pack, Mr Dange has further declared that the working class of Delhi would occupy Birla House in the capital should the government fail to take over the place within six months.

Although a certain group of businessmen or business families has been singled out for this proposed persecution, Mr Dange has disclosed that his crusade has wider ambitions. Indeed, the Tatas have been named as the next target and it is only too obvious that all these threats are the stirrings of a conspiracy for terrorising one after another the business leaders, families or groups whom it has become fashionable to stigmatise as "big business". The aims of the projected agitation are obvious enough. They are to disrupt industrial peace, interrupt industrial production and capital construction, bring about shortages of capital and consumer goods in the country and thereby create conditions of economic distress and social unrest which could help the communist cause especially in the period preceding the next general election.

The communists and fellow-travellers know well enough that they have become alienated from other political forces and influences in the nation besides being distrusted and denounced by the extremist activists in their own camps. Mr Dange's party, the CPI, has a special disadvantage, moreover, of having lost in prestige and glamour to the more dynamic CPM. It must be easy to appreciate therefore why Mr Dange and his accomplices should be feverishly searching for means of creating distractions and diversions by capitalising on a propaganda which has been going on against business leaders or the larger business houses.

Mr Dange's threats of political blackmail or physical coercion, in themselves, are, of course, far from being formidable. We may assume that, if and when occasion arises, the central or state governments would be both willing and able to deal with attempts to carry out these threats as an issue of maintenance of law and order which is what they are. More important still, there is sufficient reason for us to have faith in the good sense of the bulk of organised labour and their trade unions that they will not lend themselves to be used or rather abused by the Dange conspirators as tools for a subversive political purpose which they themselves cannot possibly share.

What we are concerned about, then, are not Mr Dange's antics or heroics, but the attitudes or conduct of politicians or political parties who are not communists or at least not avowedly so and have, nevertheless, been active in encouraging a climate of passions and prejudices against the business community or its more prominent members. In this context, a grave responsibility rests on the so-called "Young Turks" or other elements in the ruling party at the centre who have been guilty of outrageous excesses of political persecution of individuals who have served the country well by developing its industry and commerce. To the extent that persons in authority in this party have been cynically permitting this persecution to go on, either out of political cowardice or because of their own political opportunism, they have certainly been betraying the responsibilities of their public or official positions for mean, personal ends. From the broad national point of view, it is indeed a terrible situation that the country's leaders in politics or government should be proving so unworthy of their stations.

Perhaps the grossest expression of this politics of persecution is to be found

in the unprincipled agitation in favour of the acquisition of Birla House in New Delhi by the central government for purposes of setting up a Gandhi memorial in the place where the Mahatma was assassinated. It is natural for the people of this country to desire that the spot where the Mahatma's martyrdom occurred should be preserved with due solemnity as a place of pilgrimage for his countrymen. Some steps were taken soon after the tragic event of the assassination to provide for the public having access to the hallowed spot. These arrangements continue to this day and they may perhaps be improved and made more adequate or suitable in consonance with the felt needs of those who are genuinely interested in properly nursing the sanctity of the place.

It is worth noting that most of the criticisms made from time to time against the approaches to or upkeep of the place can be satisfied only with the co-operation of the municipal or other public authorities. Strangely enough, the agitators have never shown any interest in approaching the problem from this angle. On the contrary, they have twisted and distorted the whole matter into a political issue the essence of which is the mean and ugly persecution of certain private individuals.

It has been frequently asserted by these political campaigners that the persons whose private property Birla House in New Delhi happens to be have sinned against the nation by failing to make a free gift voluntarily of the entire grounds and buildings for a public memorial to the Mahatma. This accusation, in our view, is impertinent since this gifting or not gifting is and must be a matter for the individuals concerned to decide. Neither the community nor the government has or can claim to have any right to force a particular decision on individual men or women in matters of this kind. This is for the simple reason that no third person, however disguised as an institution or however clothed with authority, can presume to pronounce on all the subjective considerations that must enter into a matter of this kind from the point of view of the private individuals concerned.

The unthinking comparison often drawn between the donation of the Agha Khan Palace at Poona and the affair of the Birla House in New Delhi illustrates this point clearly. While we certainly do not want to belittle the quality of the Agha Khan gift, we would like to point out that the palace at Poona was not a residential dwelling alive with personal sentiments and private associations for its previous owner as Birla House in New Delhi is for those to whom it belongs. This house is not just an item among numerous properties

scattered across the world. It is a place which is being regularly lived in and which, in the course of that process, has come to acquire intimate and even sacred meanings for its owners. For instance, Mr J.K. Birla, the eldest of the four brothers — the others are Mr R.D. Birla, Mr G.D. Birla and Mr B.M. Birla — lived and died here. He was a pious and gentle soul and spent the greater part of his long life in good works. It is not an improper desire, surely, for his surviving brothers or other relatives to entertain certain sentiments about the place where he had spent his last days. The question whether such private and personal feelings should be subordinated to other considerations is surely one which must be left to the judgment and emotions of the persons concerned.

Instead, the nation is being treated to the almost obscene spectacle of politicians of dubious antecedents or tainted motives carrying on a campaign of character assassination or downright abuse with the declared purpose of forcing the owners of Birla House or coerce the government to take a decision in a particular way. It would be a sad

day, indeed, for the country were these tactics to succeed or even appear to succeed and, in our view, the owners of Birla House erred in entering into negotiations with the government under duress, especially as some of the suggestions they have made in the course of their discussions are liable to be misinterpreted by malicious propagandists. Indeed, their only reward has been a further intensification of the campaign of vilification and if they are to derive any satisfaction at all it can only be from the fact that the credentials and motives of the campaigners for the "take-over" of Birla House stand even more starkly exposed than before. We do not know whether those leaders in politics or government who have been playing a part — openly or behind the scenes—in this dirty game have become aware at least now of the far-reaching implications which this kind of political persecution of private individuals can have for the moral and psychological health of the nation. The poison-plant of an intolerant or oppressive society is not easy to detect in its beginnings and must therefore be uprooted all the more ruthlessly when its first vicious bud is seen to pollute the air.

Sarabhai Sets His Sights

in the fourth five-year Plan period.

There are some critics who have tried to run down this programme of the AEC on the plea that power from this source is more costly than from conventional sources. This question has been discussed threadbare at many levels and it has been conceded that the cost of generating nuclear power in the first stage is higher than the cost of thermal power. With increase in the sizes of the nuclear power plants from 200 MW to 500 MW, the capital cost of atomic power generation would be reduced. Moreover, the natural uranium power stations yield plutonium as a by-product which cannot be had from abroad as a commercial product. Plutonium in turn is needed for setting up of breeder power stations. Thus there is ample justification for going ahead with Dr Sarabhai's atomic energy programme. Whether the AEC will be able to set up all the proposed atomic plants before 1980 is a separate matter. Its record so far has been far from flawless. The Rana Pratap Sagar plant is behind schedule by nearly two years and it is now being claimed that its first stage will be ready by the middle of 1971. As for the Kalpakkam plant, the pace of work is so slow that no definite date has been indicated even for the first stage as against the original target of late 1972 set in January 1968. There is certainly

THE 10-YEAR perspective plan regarding the nuclear and space programmes of this country, outlined by Dr Vikram Sarabhai, Chairman of the Atomic Energy Commission (AEC), on May 25, has provoked a debate about the implications of its timing since it came in the wake of China's launching of its first satellite and the demand made by some members of Parliament and scientists in a seminar in the capital that our country must go in for its own atom bomb. Dr Sarabhai's projections, however, do not seem to compromise in any manner the Government of India's declared commitment to the use of atomic energy for peaceful purposes only.

The atomic energy programme envisages the generation of 2700 MW of power before 1980. At present, the only nuclear power plant which has become operational is the one at Tarapur with a capacity of 400 MW. Construction of two other plants, one at Rana Pratap Sagar with a capacity of 400 MW and the other at Kalpakkam with a capacity of 200 MW are in progress.

Dr Sarabhai has suggested that the capacity at Kalpakkam should be doubled to 400 MW and three more plants built for an additional capacity at 1,500 MW. It is proposed that work on these plants should be started

room for improvement in the working of the commission.

In space technology Dr Sarabhai's plan envisages the launching into orbit of a satellite of about 40 kg. payload by 1973-74 followed by the development of an advanced rocket system capable of putting 1200 kg. payload into orbit. Here, again, doubts may arise about the capacity of the AEC to deliver the goods. So far it has little work to its credit in this field. Dr Sarabhai has estimated that during the next three years the rate of growth in this field will have to be about 50 to 100 per cent a year. Only then this country will be able to reach the minimum critical size "for successfully implementing large-scale projects of space technology." Already, we have entered into an agreement with the National Aeronautics Space Agency (NASA) of the USA regarding the "instructional television satellite experiment project" for one year; this country will use NASA launched satellite to beam broadcasts to rural areas. Later on, the programme will be handled by our engineers without any assistance from NASA. In view of the fact that we propose to

The State of Mother Machines

THE COMPLETION of the 1968 Census of Machine Tools has filled a big lacuna in our planning for this industry. Although such censuses are a regular feature (five-yearly or so) in almost all the advanced countries, the 1968 census in our country was just the second attempt in the past 20 years. The first census here was undertaken in 1954. Covering hardly 800 units, it was only a modest attempt. The 1968 census was indeed an ambitious project. It covered the entire spectrum of our engineering industry as well as maintenance service units, technical institutes, etc. The response too was quite encouraging — 83.7 per cent from the large-scale units and 70.7 per cent from the small-scale ones. The overall response was slightly over 76 per cent.

Several interesting and important facts have been thrown up by this census. The first is that there are installed in the country today more Indian than foreign machine tools. In 1968, of the total 382,000 machine tools we had, the indigenous machines accounted for as much as 63.6 per cent. The balance 36.4 per cent machines were of foreign manufacture. In 1949, barely two decades ago, the pattern was just the reverse. Almost 65.7 per cent of the installed machines in that year were of foreign origin. The remaining 34.3 per cent were indigenously made. This

set up television centres in a number of places during the next decade, the synchronous satellites could be profitably used for broadcasting programmes to educate the rural masses in regard to the exciting developments taking place in this country.

The Department of Atomic Energy had estimated that it would need an outlay of Rs 398.10 crores for research and development, industries and power for the fourth five-year Plan period. The Planning Commission, however, slashed the demand by Rs 129.19 crores, the largest cut of Rs 83.80 crores being for the power programme. This cut was imposed by the Planning Commission after taking into account the priorities in different sectors of the economy. Dr Sarabhai's plan is thus an appeal to the people who, in his view, should persuade the government and the Planning Commission to restore the cut. If the allocation for the AEC in the fourth Plan period is enhanced, it should clearly be understood that it is for the attainment of realistic targets and not for the perpetuation of the myth, that we are in some clandestine way inching towards the acquisition of military nuclear power.

indicates that there is no bias against the locally manufactured machine tools. The use of indigenously made machines is widespread in both the large and small sectors.

In the large-scale sector, which includes maintenance services as well, of the total machines installed in 1968, the percentage of Indian to foreign machines was 47.6 in the case of metal cutting machines, 40.3 in the case of metal forming machines and 52.5 in the case of joining machines. The lowest percentage was recorded in the case of other equipment, presumably the special-purpose machines. In the small-scale sector, the indigenous machines in the metal cutting, metal forming and other equipment categories accounted for as much as 86 per cent of the total number of machines. In the case of joining machines, the percentage was slightly lower around 76. In each major group in the metal cutting and forming categories the percentage of Indian and foreign machine tools in the year of census is given in table alongside.

As the table shows, the scope for producing milling, boring, tap-thread-screw, gear cutting, broaching and lapping and honing machines in the metal cutting category and forging and riveting machines in the metal forming categories is substantial.

The second important fact revealed by

the census is that as many as 63.7 per cent of the installed machines in 1968 were young in age — less than 10 years. In the metal cutting group, the percentage of young machines was 63.9. In the case of metal forming machines, this percentage was 59.7. In the former category of machines, the percentage had gone up slightly compared to the 1963 percentage of 63.6. In the latter category, there had been a significant fall from 63 per cent. The percentage of young machines in the joining and other machinery too has gone down but not so significantly; the decline was from 71.9 per cent in 1963 to 69.5 per cent in 1968. The very high percentage of young machines in our country, as compared to the global standard (50 per cent), should suggest that the replacement demand is likely to be very small for several years to come. The replacement demand can primarily be expected in the case of machines required in the manufacture or maintenance of ships, railway locomotives and rolling stock; the percentage of young machines used in these spheres of activity in 1968 was only 45. In two other industries also — fabricated metal products and special industry machinery — the percentage

Type of tool	Total No.	(Percentage of total)	
		Indian	Foreign
Metal Cutting			
Turning	91,835	68	32
Drilling	44,217	71	29
Grinding	39,319	56	44
Milling	16,710	49	51
Shapers	14,304	76	24
Saw, file, cut off	11,856	67	33
Polishing, buffing	9,045	74	26
Tap, thread, screw	5,521	43	57
Planers	3,926	60	40
Boring	3,552	12	88
Gear cutting, finishing	1,838	5	95
Lapping, honing	1,781	45	55
Broaching	342	8	92
Other metal cutting	2,047	30	70
Metal Forming			
Bending forming	3,995	57	43
Presses	24,170	59	41
Punching, shearing	10,900	53	47
Forging	4,527	41	59
Drawing O.T. wire	7,877	61	39
Riveting	976	32	68
Other metal forming	4,106	48	52

of young machines was somewhat lower in comparison with the world standards.

The third major revelation made by the census is that in tool efficiency, we are nearly about a decade behind European countries. We are using very simple machine tools to the extent of about 26 per cent. The degree of automation is not very high. In future, we have, therefore, to devote greater attention to the production of more sophisticated and somewhat automatic tools. The manufacture of forming machines too has to be stepped up. Of course, in view of the abundant labour supply, highly automatic numerically controlled machines may not be used in this country for quite some time on any large scale. There are today just about 10 such milling machines installed in the country. The manufacture of these highly automatic machines, therefore, will not be an economic proposition unless exports are effected.

As a result of the census, our machine

Big in Name

THE NATIONAL Food Congress held in the capital under the joint auspices of the union Ministry of Food and Agriculture and the Food and Agriculture Organisation (FAO) of the United Nations between May 11 and 15 was started on a grander title than was justified by its performance. First, it failed to attract the attention of the people as nothing very new or highly meaningful was stated during its four-day long deliberations. Second, the five commissions which discussed different aspects of the food problem of this country, came up with suggestions most of which have already been listed in the five-year Plan documents. Third, wherever obvious contradictions in approach to certain problems came to the surface, the commissions instead of resolving the conflicts preferred to state all points of view without arriving at any conclusion for the guidance of the policy-makers. It was hardly surprising therefore that the National Food Congress was reduced to no more than a gathering of experts who took delight in repeating platitudes *ad nauseam*.

The Prime Minister, Mrs Indira Gandhi, who inaugurated the Congress is reported to have stated that the country could not rest on its laurels in view of the recent successes attained in the output of foodgrains. No one would disagree with her on this point. The surest way of continuing to increase the production of foodgrains is to ensure the needed supply of such inputs as improved seeds, chemical fertilisers and pesticides. The

tools industry can draw up its expansion and diversification programmes much more realistically than was the case hitherto. Our progress in this industry since the first Plan has indeed been creditable. In early 1950s, we were producing machine tools to an aggregate value of just about one crore of rupees. Now our annual output amounts to nearly Rs 30 crores. But we have yet to go a long way even to be self-sufficient in the relative term of producing nearly 75 per cent of our requirements locally and meeting the rest from imports, which should be financed through foreign exchange earnings from export of machine tools. Currently, we are importing nearly 46 per cent of our annual requirements of machine tools, the import bill being nearly Rs 27 crores. Our exports of machine tools last year aggregated approximately three crores of rupees. This year we may be able to step up these exports by another crore of rupees. The projection for 1973-74 is exports worth Rs 7.5 crores.

consumption of fertilisers and pesticides per hectare of land under foodgrains is pitifully small in our country in comparison with some of the advanced agricultural countries and we have to go a long way in attaining their levels of consumption. The Prime Minister's reference to the "new danger from indiscriminate and over-use of chemicals for agriculture" was misplaced because no study made in this country by our agronomists has indicated any such trend.

It is conceded that in some countries such as the UK and the USA, the excessive dosages of chemicals in food crops have been noticed to bring about harmful consequences for consumers but nowhere in this country have we

come across such misuse of chemicals on any significant scale. The Prime Minister could have more relevantly urged farmers to go in for increased quantities of chemicals instead of discouraging them by citing the example of a threat which has reared its head abroad, but not in this country. The agriculture departments of the government, both at the centre and in the states, have been working ceaselessly to educate the farmer in the use of chemicals. The Prime Minister's reference to the harmful effects of excessive use of chemicals is likely to mislead the farmers and it is likely to undo some of the work done by the official and non-official agencies.

Now that we have had good harvest of foodgrains for three agricultural years and imports of foodgrains have been falling while their stocks in the country have been swelling, it is but natural that we should turn our attention to the diet of our people which has so far been far from balanced. The first commission discussed this aspect of the problem and recommended that measures should be adopted to fill the gap between the anticipated availability and required levels of proteins. For this purpose, it has made a number of suggestions such as increasing the production of pulses, soyabeans and other oilseeds, milk, poultry, animal products and fish, laying emphasis on the production of quality grain containing high protein contents and taking steps for raising the production of fruits and vegetables. The upshot of its discussions was that the food and nutrition policy outlined in the fourth five-year Plan document should be "actively pursued and implemented." Not content with this platitudinous reference to the fourth five-year Plan document, it also suggested that recommendations of the national seminar on nutritional food in the fourth Plan

with a whimper. Business men must at least be organizationally ready to tackle constructively the enormous tasks confronting the post-war economy of this country. In fact they must be the sponsors and organisers of the Government's new economic policies. To achieve the maximum well being for the nation, business men must immediately begin to organise themselves not only more effectively but also more creatively.

period held at Coimbatore should be taken note of. Instead of listing the well-known nutritional deficiencies in the diets of families which live below the poverty line, the commission should have indicated as to what proportion of the problem would be tackled by an outlay of Rs 45.18 crores which has been earmarked for this purpose for the fourth Plan period. On this aspect, the commission thought it proper to keep silent.

The second commission which deliberated upon the problems and programmes of food production in this country, came up with certain points which have been discussed very often for the last two decades without any concrete results. For example, it suggested that besides formulating agricultural programmes at the state and all-India levels, an effort should be made to formulate programmes at "smaller regional and geographical levels." As to who should work out the implications of regional planning, the commission made no suggestion. This is one of those vague generalisations which are usually put forward at such seminars and which nobody takes seriously.

Again, the question of different levels of productivity of high-yielding varieties of wheat in different states came up for discussion by the second commission. The point was made that "the soil and climatic conditions prevailing in different areas were partly responsible for the different productivity levels." The deficient soils can be improved by increased use of chemical fertilisers but farmers in some areas still do not have the capacity to purchase them. They are thus caught up in the vicious circle of reduced yields due to inadequate supply of fertilisers which in turn is due to lower productivity of land. The commission hardly made any suggestion as to how the farmer could resolve this dilemma. All that it did was to repeat the oft-repeated view that "emphasis has to be laid on increased yield and multiple cropping for raising productivity."

The second commission failed to resolve the controversy regarding the suitability of nitrophosphates for our soils which, being cheaper than other fertilisers, have been recommended by some experts. All that the commission did was to suggest that "a committee of scientists should examine this aspect and give its opinion on this subject." We seem to have taken a liking for committees and commissions even for such subjects as need expert advice based on field work. Multiplication of committees is hardly the solution of the problems facing our agriculture.

The third commission which dealt with the question of distribution of foodgrains was clearly unable to throw up

any useful suggestion. It thought it proper to summarise the viewpoints presented by different members. The supporters of private trade listed the advantages of keeping distribution of foodgrains with private sector while the protagonists of state trading in foodgrains stated that it "was not only desirable but to a certain extent, was inevitable." Not satisfied with these two viewpoints, the commission also suggested that "there was need to scrutinise as to why the co-operatives, though considered desirable, did not function satisfactorily." In short, no one was any the wiser because of the discussions of this commission.

The fourth commission which was to chalk out a scheme for the participation of the people in the various programmes for increasing the output of foodgrains, stressed the importance of motivating, "large numbers of farmers with small holdings and agricultural labourers whom the new strategy has not been able to involve so far." Its further contribution to knowledge took the form of the advice that the time had come to appeal to the sense of patriotism of all people in agriculture — farmers, rural institutions, government servants, financial institutions, food trade etc.—"to mobilise public opinion on a nation-wide scale in favour of accelerated food production in order to cut off food imports."

What is intriguing is that the re-

commendation to appeal to the sense of patriotism of the rural folk was made after the commission had successfully listed no less than seven factors which had operated as impediments to the involvement of the people in the speedy growth of agriculture in this country. Poor land-man ratio, tardy implementation of land reform measures, underemployment (as well as unemployment) in rural areas, inadequacy of financial investment in the agricultural sector, insufficient attention to the building and maintenance of infrastructure such as land reclamation, irrigation, marketing etc., absence of rapport between local officials and non-governmental field organisations and widespread illiteracy are indeed valid reasons for the relative sluggishness of agriculture in vast areas of the country. Unless steps are taken to reduce the incidence of such retarding influences, no amount of appeal to patriotism will be of any avail.

The fifth commission covered a wide field including research, technology, education and training. In all 31 suggestions were made by it many of which were sensible and worthy of implementation at the earliest possible. However, the cumulative incidence in terms of financial expenditure for all of them would be so big as would take at least two decades or even more to implement them. Such catalogues of recommendations is therefore unlikely to be of much use to policy-makers.

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Eastern Economist 25 Years Ago

JUNE 15, 1945

Business organizations in India are yet in a state of infancy. They suffer greatly from immaturity and lack of co-ordination. Their main duty seems to be at present just wild and random criticism of Government, whether right or wrong. Often the Government deserves it, for its organization and policy are almost always out of accord with the nation's interests. But times are changing and a national government may come upon us not with a bang but

Sugar Under Strain

A SPECIAL CORRESPONDENT

THE CENTRAL government has no proper understanding of the difficulties faced by the sugar industry in a year of record production with abundant availability of cane. Even mills in Uttar Pradesh have been obliged to continue crushing in May when they would have normally closed down for the season by the end of March or April, because of the compulsion to handle the quantities of cane offered to them by growers. The Uttar Pradesh government and even the Maharashtra government have stated that they would not levy the cess or purchase tax on cane crushed in the hot summer months in order to give the producers the necessary inducement for overcoming the adverse effects of a lower recovery. In the southern region too a similar concession has been demanded by the producers, but no gesture has been made so far by any state government. It is, however, expected that many units will have to continue their crushing operations up to August or even September and the quantities of cane handled by them will be unprecedented. Thus, even with a lower recovery for all India, the output for the 1969-70 season is expected to be as much as 4.3 million tonnes against 3.56 million tonnes in 1968-69 which was in itself a record.

Fear of Losses

The industry is, therefore, worried about the handling of this huge output without incurring heavy losses as the latest reports indicate that cane will be again available in 1970-71 and if only mills can continue their operations it will not be difficult to manufacture at least four million tonnes of sugar. The government, however, has not been appreciative of the serious difficulties experienced by mills in several parts of the country and has been acting in the belief that these difficulties will be resolved by releasing large quantities of sugar for controlled distribution and for sale in the open market. The latest quota is as much as 400,000 tonnes consisting of 300,000 tonnes for levy sugar and 100,000 tonnes for free sale and it is estimated that internal consumption for 1969-70 will be 3.4 million tonnes and with the likelihood of exports being around 200,000 tonnes, the carry-over into the next season will be from 1.9 to 2 million tonnes. But for the sharp increase in internal

consumption from around 2.7 million tonnes to 3.4 million tonnes, the carry-over could have easily exceeded 2.5 million tonnes.

But while there is reason for satisfaction that new trends in consumption have emerged and the sugar industry will have to maintain output in the coming years at over four million tonnes, the question has been asked in industrial circles how the government expects sugar mills to continue their operations at a loss and what exactly is the reason for their refusal to appreciate the genuine hardships of even the efficient units. So far the government has not been agreeable to effect a reduction in the differential *ad valorem* excise duty on sugar which was increased to 37½ per cent in the latest budget. The *ad valorem* duty on levy sugar is 25 per cent.

Sharp Slump

With the releases of bigger quotas for levy sugar and for free sale there has been a sharp slump in prices in the open market and many units in Tamil Nadu have been obliged to sell sugar in the open market at Rs 125 per quintal even with the *ad valorem* duty being levied on a tariff value of Rs 120 per quintal. This price is lower by Rs 10 per quintal as compared to the price fixed for levy sugar. It has been complained that even on the basis of levy prices sugar mills are not earning reasonable profits as the actual recovery has declined by more than ½ per cent in quite a large number of cases. Also, heavier interest charges have to be borne on accumulating stocks apart from rising wages. As losses are being incurred on open market sales, the experience for the whole season is expected to be very disappointing.

In the absence of a reduction in the *ad valorem* duty on sugar for free sale and with the refusal of the government to restrict releases of sugar for controlled distribution as well as for free sale, it has been demanded by the organisations representing the industry that buffer stocks of about one million tonnes should be created. In that event it is reckoned that there will be a substantial saving in interest charges amounting to as much as Rs 12 crores and there will also be no headache in regard to the provision of funds for maintaining huge stocks. The government, however,

has not indicated its reaction to the proposal for creating buffer stocks and it is probably under the impression that with bigger releases the burden of these stocks can be reduced.

The industry, however, has been pointing out repeatedly that released quantities have not been fully absorbed and traders also are afraid to hold large stocks because of declining prices. There may probably be quicker absorption of sugar in the forthcoming festive season. But it is unlikely that even on the most optimistic estimates stocks at the end of the season will be less than 1.8 million tonnes. This represents an increase of 500,000 tonnes over the previous season and about 1.2 million tonnes as compared to 1966-67. The normal level of stocks is about 600,000 tonnes so that the industry is compelled to bear additional interest charges of about Rs 15 crores, which works out to Rs 3.5 per quintal on a total output of 4.3 million tonnes. As a result of poor generation of internal resources, the locking up of funds in accumulating stocks and payment of heavy interest charges many mills have been obliged to postpone payments to growers against their cane purchases and the state governments have been fretting over the delays in these payments.

Buffer Stocks

It was expected that the union Minister for Food and Agriculture, Mr Jagjivan Ram, would make an important announcement at the annual meeting of the Indian Sugar Mills Association held recently in New Delhi, about the government's decision in regard to the creation of buffer stocks. But beyond stating that the industry's request for a liberalisation of credit facilities in regard to financing of sugar stocks intended for free sale was being considered there was no reference to the buffer stock scheme. There are many ticklish questions that have to be tackled if it is ultimately decided to maintain buffer stocks.

The best course would be to compensate the industry fully for the losses sustained by way of additional interest charges out of the revenues realised from excise duties which are expected to be over Rs 110 crores in 1970-71. Alternatively the levy prices will have to be suitably revised apart from a reduction in the *ad valorem* excise duty on sugar for free sale to the same level as that for levy sugar. However, instead of thinking on constructive lines, Mr Jagjivan Ram urged members of the Association that they should bear the loss of over Rs 500 per tonne that will have to be incurred on export of sugar at international prices. The quota of 225,000

tonnes excluding the quantities supplied to preferential markets can be easily fulfilled if the government would agree to bear the loss fully. It is, therefore, necessary to inquire what exactly is the reason for the refusal of the government to assess properly the critical situation developing in this major industry when it is crystal clear that even with the payment of the minimum price of Rs 73.70 per tonne, adjusted suitably for higher recovery wherever necessary, the efficient units

cannot earn reasonable profits which will enable them to adequately provide for depreciation charges and pay a decent dividend on the equity capital. It is needless to say that, with the losses sustained on open market sales, the experience for the current year will be extremely disappointing. It would surely be unrealistic to expect that the industry will be able to maintain output at a high level in 1970-71 without a change in official attitudes or policy.

Mehta on Aid

R. V. MURTHY

IN THIS ever-changing world of ours, no concept seems so sacrosanct as to claim that it has remained or will ever remain without a change. The concept of aid is no exception. Such is not surprising when even the concept of charity seems to have, if it has not already, changed, as witness the resolutions reportedly adopted at a recent conference of beggars in East Pakistan laying down the maximum waiting period of, and the minimum alms that must be given to, a beggar! So it is no longer the donor that decides or determines the extent, form or duration of aid or alms; it seems to have become as much the prerogative or the right of the recipient or the beneficiary. At the same time, it is gratifying to find, world opinion too has slowly veered round to the view that aid must be given without expectations or "without strings", to use aid parlance, a sort of *Nishkama karma* as laid down in the *Gita*. (Could it be the result of more people in the world taking to the *Gita* now than at any time before?).

Desirable Orientation

All this reorientation, however, has not come by itself. It is due, in no small measure, to the imperceptible impact of inspiration of world leaders such as John F. Kennedy and, more recently, to the valuable report on the philosophy of aid by Mr Lester Pearson, former Prime Minister of Canada. Credit must be given to the President of the World Bank for assigning this arduous task to Mr Pearson and also to the US President for having appointed a task force headed by Mr R.A. Peterson, former President of the Bank of America, to report on US Foreign Assistance in the seventies. These two—Mr Pearson, and Mr Peterson—have made comprehensive inquiries not only into the subject of aid as such but of "international development and the need for a constructive and enduring relationship between developing and developed nations in a new and interdependent world

community," as Mr G.L. Mehta, Chairman of the Industrial Credit and Investment Corporation of India (ICICI), appropriately observed in the course of the fourth annual Kennedy Memorial Lecture organised by the Indo-American Society, Bombay, and delivered by him on May 29, 1970. Perhaps this explains the greater appreciation by members of the World Bank consortium of this country's needs and achievements at Paris recently and the possibility of larger consortium aid to India in the current year. To some extent, it may also be due to the fact that India has become an expert in adapting itself to foreign aid availabilities, as Mr I.P.M. Cargill, Director of the South-East Asia Department of the World Bank, put it.

Help Them Help Themselves

Mr Mehta's Kennedy Memorial address in Bombay was delivered on the same day that the consortium discussed the aid needs of India for the current year. It is worth recalling the declaration of the late President of the United States that "to those people in the huts and villages of half the globe struggling to break the bonds of mass misery we pledge our best efforts to *help them help themselves, for whatever period is required* — not because we seek their votes, *but because it is right*."

Mr Mehta endorsed the soundness of this objective behind aid — "to help them help themselves" — and quoted with approval Barbara Ward's view that aid must serve as a springboard and not become a sofa. He then paid a well-deserved tribute to Kennedy for wanting to do a thing not because of any reciprocal advantage it carried but because of its inherent rightness (this may be appropriately described as what Kennedy conceived as his *dharma*). Next, he stressed the phrase "for whatever period is required" to underscore this point that aid is likely to be a long-

term phenomenon and not just a give-away business to be endured for a short while.

Mr Mehta attempted to answer the three main objections to aid, namely, (i) that aid-giving countries cannot afford aid; (ii) that aid is not used effectively and does not yield dividends even in political friendship, and (iii) that aid does not seem to be the answer to the problem of development. He had only to quote from the Pearson Commission report to show that, by and large, aid has been used efficiently and led to improvement in productive capacity and living standards. He then referred to the Peterson report, and stressed the new direction to aid policy which this report seeks to give. Its recommendations, he said, go towards increasing the efficiency of aid in realigning aid, in making it more acceptable and in giving it a kind of constituency. In this connection, he noted that the US has been a pioneer in aid policies. Thus, it was the first to provide food aid, the first to provide aid against repayment in local currency and also the first to conceive of the soft terms for aid loans — all achievements of which the US can be proud.

Stimulating Ideas

In a stimulating passage of constructive suggestions, Mr Mehta put forward certain ideas, about the form in which aid should be provided or repaid. Where project aid is provided, provision should be made to transfer unused portions to other agreed projects or to a separate fund for other use; secondly, he stressed the necessity for providing at least 10 per cent of the aid on an unallocated basis, i.e. aid untied to any project or country, so as to serve as a sort of buffer stock, to be used in areas which are of the maximum advantage to the country.

On the issue of repayment, Mr Mehta emphasised the point that borrowing countries would naturally like to repay and would want facilities to do so, he suggested that one such facility should be "tied repayment", i.e. imposing an obligation in the part of the lending country to buy locally to the extent of outside normal purchases by the aid-giving country. Unless this is defined, it might lead to some distortion in the prevailing pattern of trade between the countries concerned. It also presupposes that the aid-receiving country is in a position to offer goods or services that the aid-giving country may require. This is seldom the case. No such difficulty seems to arise, however, in respect of Mr Mehta's other suggestion that, while providing further aid, such aid should be allowed to be utilised not only in the donor country but also in

a third country (to the extent of repayment by that country). The merit of this suggestion lies in the fact that it will facilitate repayment and reduce the real burden of transfer of resource by a donor country.

Aid, it has been rightly said, marks the first recognition of the problems of international equality and, therefore,

Role of Foreign Capital in India

C. DAYAKAR

A NATION which embarks on development planning has, to some extent, to depend upon assistance from outside sources. The under-developed nations are generally short of technical know-how and expertise. Further, the foreign exchange resources are not sufficient to finance the new projects that are undertaken. It is in this context that the importance of foreign capital will be appreciated.

There are various forms which foreign capital can take. The following are the different forms of foreign investment:

1. Foreign capital can enter in the form of direct investment by subscribing to stocks and debentures of concerns in India. This is called portfolio investment. It can also be that a company incorporated in a foreign country opens a branch or subsidiary office in our country.

2. There may be joint participation of foreign and domestic capital. This is commonly known as foreign collaboration. This can take place in any of the three forms — joint participation between private parties, between foreign firms and the Government of India and joint participation of foreign and Indian governments.

3. Advanced countries provide grants and loans to governments of backward countries. This is called foreign aid. These inter-government loans are playing a significant part in the economic development of under-developed nations.

4. Loans from international financial institutions such as the World Bank and its affiliates.

Foreign capital played notable role in the early development of the country. During the pre-independence days, foreign investment was always private. But then the public viewed it with suspicion. It has, however, to be conceded that, historically, the major instrument of transformation of our

represents a further development of the right of all societies and all human beings to a good life. True, as Mr Mehta said, we have made considerable strides in this direction, but if his hope that this direction is not going to be changed is to be fulfilled, aid must continue to be regarded as "the normal attribute of a developed society in the age of affluence", to quote Barbara Ward.

economy has been foreign capital. Without it there would, in the nineteenth century, have been no railways or jute mills or the tea industry.

After the advent of independence, the Government of India realised the need and desirability of foreign capital. This culminated in the statement by the late Mr Nehru in Parliament. He assured that the government would not discriminate between foreign and local undertakings, and that as far as possible remittance of profits and repatriation of capital would be allowed.

He had further assured that in the event of nationalisation fair and equitable compensation would be paid to the investors. The Constitution had also provided for it. But what transpired later simply discomfited this provision.

The Constitution (Fourth Amendment) Act, 1955, substituted Clause 2 of Article 31 with the following: "No property shall be compulsorily acquired or requisitioned save for a public purpose and save by authority of a law which provides for compensation for the property so acquired or requisitioned and either fixes the amount of the compensation or specifies the principles on which, and the manner in which, the compensation is to be determined and given; and no such law shall be called in question in any court on the ground that the compensation provided by that law is not adequate."

The first part of this clause is all right. But the difficulty is with regard to the second which prohibits judicial review of compensation. This provision has been acting as a damper for the foreign investors who do not like to stake their capital in a country which does not allow judicial review of compensation in the event of acquisition of property and in the event of the compensation being felt unfair and inequitable.

There are a number of other impediments in the way of foreign capital, namely, unfavourable investment cli-

mate, risks of inconvertibility of the funds of investors, heavy taxation, unfamiliarity with investment opportunities, Indianisation of personnel and, more important, the opposition by Indian business.

The slow, trickling flow of foreign capital is not a whit less due to the ignorance of the foreigners about the various avenues of investment in India. In order to remove this hindrance the Indian Investment Centre was established in 1960 with headquarters at New York. This centre brings foreign and Indian collaborators in touch with each other. It informs the government in an informal manner of the difficulties of investors. It explains to the foreign investors of the rules and regulations concerning establishment of industries in India, interprets the laws of the governments and brings to their attention the fields in which investment is eagerly awaited in India.

Unimaginative Attitude

It is interesting to note that the Indian Investment Centre had carried out a confidential survey of 425 firms in the USA in order to acquaint itself with the problems faced by American investors and to pinpoint the causes why foreign investors hesitate to plunge into Indian investment arena. Many of the Americans felt that the unimaginative, doctrinaire and dogmatic attitude of the government towards private enterprise in general was a major factor holding them aloof.

The Government of India is proverbially sloven and sluggish in disposing of foreign offers for investment or collaboration. Vexed and annoyed at the inordinate delays the investors are generally obliged to withdraw their offers. Prof. Max. F. Millikan, the Director of the Centre of International Studies, Massachusetts Institute of Technology, writes, "Many American businessmen who have had extended dealings with Indian bureaucracy have come away profoundly irritated by the delays and frustration." It is a matter of utmost regret that a country which faces formidable problems on the social and economic planes and wants to catch up with the rapidly developing nations should be so insouciant in disposing of investment offers.

Every proposal for foreign collaboration must have the approval of the government. While considering the proposals, regard is had for planned priorities, to existing capacities in the country and future requirements. The country generally requires capital into those fields in which technical know-how is not locally available or where domestic capital is inadequate.

If, as a result of collaboration, there is prospect of relief on the foreign exchange front, then also the proposal is favourably considered. Theoretically this is all right. But a number of hedges are put in while actually dealing with proposals. This is the result of confused thinking at the highest levels.

The Research Bureau of the *Economic Times* publishes periodically the results of the survey on foreign collaboration in Indian industry. Its seventh survey, covering the period from January 1957 to June 1967 revealed that the total number of foreign collaborations was 2,730. Table I gives the particulars.

TABLE I

FOREIGN COLLABORATIONS APPROVED BY GOVERNMENT

1957	81
1958	103
1959	150
1960	380
1961	403
1962	298
1963	298
1964	403
1965	242
1966	261
1967	111
(upto June 30)	
Total	2,730

From the above table it is evident that the number of collaborations had gone up upto 1961 and again there was a spurt in 1964 after which there was a steady decline. The reasons for this trend are (a) during the fifties and early sixties there were a number of opportunities for investment but soon these opportunities exhausted. By about 1964 most of the profitable avenues had been covered; (b) in traditional industries, the need for foreign technical know-how was limited; and (c) the engineering industries were the most important field of collaboration and this area of industry at present suffers from widespread excess capacity.

The country-wise analysis of foreign collaboration agreements (Table II) shows that the highest number of these agreements were concluded with the UK companies. The first five countries accounted for more than 77 per cent of the total agreements and the first two countries accounted for more than half of the total number.

Foreign capital has been playing a significant part in India's economic

development as can be seen from Table III in which the foreign capital content of the Plans is given.

The amount of foreign capital required has been increasing with each successive Plan.

The need of foreign private capital cannot be overemphasised. At no time was the need for this capital so great as it is today. If loans are taken from foreign financial institutions and governments these loans, coupled with servicing charges, soon become top heavy. The burden of foreign debts and their servicing can be clearly seen from the following figures. Out of every \$100 earned by India by merchandise exports during the year 1967, no less than \$28 had to be used for debt servicing. The figure for 1961 was \$15. In addition to servicing, the debts which fall due have to be repaid. The total debt repayment for 1969-70 is estimated at \$725 million which is expected to go up to \$835 million in 1970-71. Repayments would consume nearly one-third of our export earnings. In these circumstances it will be prudent on our part to provide incentives to foreign capitalists to bring in their capital in large quantities.

In the changed international political situation we should not lean too heavily on other countries and expose ourselves to the political tantrums and caprices of the aid givers. We cannot, however, completely dispense with aid at least for another five years. This does not mean that we should continue grovelling at the feet of other countries for help. This only highlights the need for relying more on private sources and for creating facilities for larger inflow of private capital. As Mr G.L. Mehta said, while welcoming the West German business delegation in Bombay in January 1970, in the context of the

TABLE II

FOREIGN COLLABORATIONS COUNTRY-WISE

UK	749
USA	489
West Germany	407
Japan	236
Switzerland	129
France	98
Italy	74
East Germany	60
Holland	41
Sweden	43
Others	404
Total	2,730

industrial development programmes under the fourth Plan particularly in the more sophisticated industries, a larger inflow of foreign private investors and technical know-how, is essential.

TABLE III

FOREIGN CAPITAL CONTENT IN PLAN OUTLAYS

	(Rs crores)		
	Total outlay (Public sector)	Total foreign capital (Public sector)	(2) as percentage of (1)
	(1)	(2)	(3)
First Plan	2,012	293	10.1
Second Plan	4,600	1,000	21.7
Third Plan	7,500	2,200	29.3
Fourth Plan	15,902	4,000	25.1

No investor will be carried away by the profit he gets on his investment. While making the proposition the investor takes into consideration risks, uncertainties and other special problems of private investment. So the responsibility is on the shoulders of the government to create propitious climate in which private enterprise can thrive.

It may not be impertinent to mention here that India which has been committed to planning for over a decade and a half figures among the last 23 in a list of 118 countries for which growth rate figures for 1961-67 are published in the World Bank atlas. Our annual growth rate is a poor 0.9 per cent which is far below the level of other developing countries. With a per capita rate of \$90, India, in the matter of gross national product, falls in the same category with countries such as Guinea, Congo and Sudan. This indicates that no useful purpose will be accomplished by simply following the mildewed policies based on false apprehensions and baseless misgivings. The need of the hour is to explore and exploit every conceivable avenue to our advantage. Why should we fear the entry of foreign capital on a large scale when the government has in its armoury a number of powers to control the economic system as a whole?

It is uncharitable on the part of anyone to say that foreigners make large profits in our country. As a matter of fact, profit-making is not brigandage. It is reward for "waiting" and "risk

bearing". It is the goad for all productive endeavour. Even in a communist country such as the Soviet Union the importance and relevance of the concept of profit is being increasingly realised.

Foreigners' Apprehensions

It is generally stated that the demand for Indianisation of personnel in companies owned or controlled by foreigners is an impediment to foreign capital. It is also that people in certain quarters are piqued at the preference of the foreigner for his own nationals for superior posts. On these bases it is argued that whereas the foreigner does not require our talent, why should we allow him into our midst and allow him to make a hash of all of us? I would say that it is natural for the foreigner to be careful and discreet in recruiting superior officers. He wants men having a high standard of managerial or technical skill, and such men are generally not available in our country. It is, however, a happy augury that there is increasing Indianisation of personnel in the various companies owned or controlled by foreigners. Statistics speak for themselves.

The number of Indian employees drawing Rs 1,000 or more a month in foreign owned or controlled companies rose from 21,067 in January 1967 to 24,157 in January 1968. The number of foreigners working in these companies dropped from 2,218 to 1,876 during the same period, which means 92.8 per cent

Banking Business in Mysore State

K. KESHAVA AMMANAYYA

AT THE time of the nationalisation of the larger commercial banks and perhaps even earlier, the nation's attention was focussed on the progressive character of banking in Mysore state as pioneered and promoted by two leading commercial banks, the Canara Banking Corporation and the Syndicate Bank, both of which were among the 14 major commercial banks which were nationalised in July, 1969. Although the banking scene in Mysore state has been dominated by these two giants, this region has had its share in the multiplicity of small banks which has been a feature of banking development in our country.

It is interesting to recall that the first bank to be established in Mysore was the Chitradurg Savings Bank which was set up in Chitradurg on July 13, 1870. This bank functioned for nearly a hundred years until it was merged with the Karnataka Bank in December

Indianisation of superior posts in these companies. In January 1967 there were 1,873 Indians and 700 non-Indians in the salary range of Rs 3,000 to Rs 5,000. By January 1968 the number of Indians had shot up to 2,161 and the non-Indians drawing monthly salaries of more than Rs 5,000 registered a decline for the first time from 1,072 to 1,027. In eleven groups of companies, the percentage of Indian employees was higher than the national average of 92.8 per cent. All this clearly shows that in the coming few years there will be complete Indianisation of personnel in these companies.

Estimated Investment

At present the total private foreign investment in the country is estimated at about Rs 1,500 crores which represents a small proportion of the aggregate industrial investment. The fresh flow of foreign capital into the private sector continues to be small and is currently maintained at an annual rate of just Rs 100 crores of which about three-fourths is in the form of portfolio investment, especially creditor capital (debentures etc.). The devaluation of the rupee in 1966 has not stimulated the inflow of foreign capital as anticipated.

Unless we offer more incentives and create greater opportunities for private foreign investment it will be difficult for us to achieve the accelerated development of the economy as visualised in the Plans.

1964. The next bank to come up in the state was the Nanjangud Sri Kanteswara Bank Limited, which saw the light in December, 1885. This bank had a less happy ending than the one mentioned earlier since it had to close its doors in 1965, after a career of 80 years, thanks to the refusal of licence by the Reserve Bank.

The turn of the century saw the emergence of the South Canara district as the centre of banking activity in Mysore state. The Canara Banking Corporation Limited was started in Mangalore in May, 1906. The Syndicate Bank, the other nationally well known banking institution of Mysore state, also hails from the South Canara district. This bank was inaugurated in Udipi in October 1925. Another leading bank in the state, the Karnataka Bank Limited, also has its head office in Mangalore in South Canara.

In spite of a considerable growth of

the branch banking in villages and small towns in the state, there are many places which still do not enjoy banking facilities. According to the Reserve Bank of India Bulletin dated April 1969, there were 37 unbanked towns in Mysore state. Out of them 19 were small towns with populations of less than 5,000 each, while 13 had populations between 5,000 and 10,000 each. There were four towns with populations exceeding 10,000 but below 20,000 which had no banking facilities. This was also true of one town the population of which was in the 20,000—50,000 range. Even in the advanced districts, such as South Canara, there are unbanked areas, such as Panja of Sullia Taluk, which has a population of more than 10,000 spread over five villages. There is therefore much scope for further branch expansion and the extension of banking facilities to small towns and rural areas even in Mysore state despite the good work done by banks, such as the Syndicate Bank and the Canara Banking Corporation.

Organisation of Branches

Experience in South Canara has shown that the mobilisation of deposits in rural areas would depend to a very large extent on the organisation of a network of branches. It is only where there is sufficient branch banking of this kind that a bank could identify itself with the economic development of the area and thereby win the confidence of the villagers and be accepted by them. At present there are about 700 bank branches in the state and their performance in the field of deposit mobilisation has been rather uneven.

While branches in South Canara and Belgaum have given a good account of themselves, branches in most other districts have been poor performers. It is interesting and even intriguing to note that bank deposits have not been showing any considerable increase in Bangalore city. The amounts of deposits were only Rs 72.14 crores in 1966 and Rs 73 crores in 1967, although 96 bank branches were functioning in that city. As against this, South Canara and Belgaum districts reported increases in deposits of Rs 1.62 crores and Rs 1.97 crores respectively as between these two years. The nationalisation of banking, as a result of which the two leading banks in Mysore state have passed under public ownership, is bound to have an appreciable impact on the banking scene in the state. Future developments will therefore be watched with interest, particularly in terms of the progress of deposit mobilisation and the spread of branch banking in the countryside and especially in villages outside the relatively well-served areas of the South Canara district.



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WINDOW ON THE WORLD

Tour of the Eastern Trade Bloc-I

JOSSLEYN HENNESSY

LONDON:

ROMANIA

ROMANIA HAS continued to maintain a delicate balance between loyalty to Comecon and its own economic and political independence. National sovereignty has been constantly asserted and co-operation with the west is increasing. Over the past few years Romania's independent policy has been underpinned by an expanding industrial base and an increasing inflow of western investment; however, a slower growth rate combined with serious weaknesses in agriculture, which still provides most foreign exchange, may diminish national confidence, and Romania remains vulnerable to pressure from the USSR, still the largest supplier of raw materials and manufactured goods.

After several years of rapid development there was some slowing down in growth in 1968-69. National income, planned to rise by 9 per cent last year, rose by 7 per cent. Productivity rose by 5½ per cent against a target of 7 per cent, and retail trade expanded by 4½ per cent, only two-thirds of the target. Plans for 1970 provide for a slightly reduced growth rate in investment, although it is hoped that industrial production will increase by over 11 per cent, particularly in aluminium, tractors, machinery and synthetic fibres. The next five-year programme, to start in 1971, sets a growth rate of between 7½ and 8½ per cent p.a., with government investment amounting to nearly £30,000 million, a figure almost equal to the total over the past ten years.

Increase in Retail Sales

The volume of retail sales is planned for a steady increase, with real wages rising by over 3 per cent p.a. Light industrial production is to increase by 40 per cent, particularly in fabrics, footwear, food and household goods. The main emphasis will, however, continue to be on capital goods rather than agriculture or consumer industries, and attention will be paid to increasing products, such as electronic equipment and machine tools, which Romania has hitherto had to import. Output of chemicals is to expand by 14 per cent p.a., with emphasis on nitrogenous fertilisers and synthetic fibres; it is hoped that the machinery sector will grow by about an eighth annually and

the metal industries are also to be rapidly developed.

Agriculture, which contributes a quarter of national income and still employs half of the population, has been comparatively neglected. However, several short-falls in output and inefficient methods of production and distribution have caused official concern and led to new investment plans involving lei 80,000 million (14.4 lei=Rs 8) from state funds and lei 25,000 from agricultural co-operatives. In all, the sector's share of total investment will amount to nearly a fifth compared with an eighth under the current programme, and it is hoped that output will grow by at least 5½ per cent per annum. An ambitious irrigation programme provides for the extension of water supplies to an additional 1½ million hectares, so that 2½ million hectares will be irrigated by 1975.

Experimental System

Romania introduced in 1969 an experimental economic system, similar to those inaugurated elsewhere in Comecon, which will give much more planning control to individual industries. Some 70 enterprises, known as industrial centrals will be financially autonomous and responsible for their own market research, development planning, production and stock control, local purchasing and both domestic and foreign marketing. They will use the state foreign trade enterprises for purchases from abroad of capital equipment, but will assume greater responsibility for determining technical specifications and sources of supply. In general, however, the extent to which equipment can be imported from the west will depend as before on priorities under the development programme

VALUE OF TRADE

(In million \$s)

	Export	Imports	Balance
1967	1,395	1,546	-151
1968	1,469	1,609	-140
1968 (January-June)	641	776	-135
1969 (January-June)	683	831	-148

and on the availability of foreign exchange. The units will remain subordinate to their respective ministries which will be responsible for general policy and must approve all proposed new investments.

For the whole of 1969 exports are estimated to have risen by a tenth and imports by 6½ per cent. Foreign exchange earnings were also boosted by a rise of a quarter in the tourists visiting Romania in 1969 to 1.8 million (22 per cent from the west), bringing total earnings to \$60 million. It is hoped that there will be a further increase to 2.4 million in 1970. Sales abroad should expand by a further 17 per cent while imports are to be held back to a 6 per cent increase. The volume of trade under the next five-year programme is planned to grow by about 40-45 per cent and Romania is likely to continue to buy a very high proportion of its imports (at present 45 per cent, compared with 20-30 per cent by other members of Comecon) from western countries.

TRADE WITH THE UK

(In million £)

	Exports to UK	Imports from UK	Balance with UK
1968	26	32	-6
1969	25	29	-4
1969 (January-March)	8	6	+2
1970 (January-March)	7	9	-2

Contacts with the UK have been strengthened by visits to Romania from the London Chamber of Commerce in November and by the President of the Board of Trade in March. UK firms have the opportunity of supplying goods to the value of £100 million in irrigation equipment and communication projects, but there are also openings for aircraft, nuclear reactors, machine tools, chemicals, domestic appliances and computers. The recent establishment of a new foreign trade enterprise (ARCMO) to negotiate contracts, and to commission industrial and civil engineering projects, also offers opportunities for the supply of prefabricated parts, and for providing supervision, technical advice and research.

In addition, co-operation agreements will become increasingly important during the next five-year Plan as Romania steps up production of import substitutes. Recent orders for UK firms

include a £750,000 copper casting plant, a contract to supply poultry feed concentrates, an order for diesel engines and one for a nuclear de-contamination plant, and a £1 million deal, which includes payment for licences to manufacture fuel injector pumps. In August, 1969, it was announced that ECGD had guaranteed a loan of £18 million made available to Romania by the four leading clearing banks and repayable over 11 years. The credit is in respect of a £22 million contract between Taylor Woodrow International and the Industrial Import State Enterprise of Romania for the supply and construction of an automatic sprinkler and irrigation system at Sodoval-Cordoba in south-west Romania.

HUNGARY

Although progress in the two and a half years since Hungary's adoption of a new system of economic management has been held back by the difficulties of adjusting to a market economy after centralised planning, the general standard of living has improved considerably. Retail trade expanded rapidly in 1969, despite a much higher increase in savings than expected, and investment continues high. It is hoped that national income will rise in 1970 by 6 per cent, with investment increasing by a similar rate to reach some 75,000 million forints.

A crucial factor, however, will be the industrial sector where production in 1969 rose by only 4 per cent against an average of 8 per cent throughout the 1960s. Although forecasts at the beginning of 1970 were cautious, longer term development should benefit by the recent inauguration of several new enterprises, including a diesel engine plant which was built in co-operation with France and West Germany, and to some extent financed by credits from western firms which will be partly repaid in finished goods. In addition the Danube Thermal Power Plant, begun in 1960, came on stream in June 1969. The plant is eventually to supply a third of Hungary's electricity; a special refinery has been built to supply fuel although Hungary will have to import about two-thirds of the crude oil supplies, mainly from the USSR. In 1965, coal provided two-thirds of Hungary's power but this proportion has been falling steadily and by 1975 it is hoped that only just over a third of power supplies will come from coal.

The new planning policy has set industrial managers free to draft their own plans for production and sales and, within limits, to decide prices and wages. The government, however, decides on the fields of major new infrastructural investment to ensure that Hungary

fulfils its contracts with its east European partners and managerial policy is influenced by taxation and incentives. The reforms were also discussed with the other Comecon countries at least two years before they were introduced as a safeguard for the new programme, although, economically, it is in many ways similar to the reorganisation that Czechoslovakia was attempting in 1968.

In the next Plan (1971-75) priority will be given to creating a highly developed monetary system in order to facilitate investment in the most productive industries. It is hoped that Hungarian prices will become steadily more competitive in international markets and there will be a better balance between supply and demand on the home market. At present production has not been satisfactorily geared to demand and there has been stockpiling of goods of doubtful market value. At the same time, however, there are still serious shortages in the supply of materials and machinery and output has been held back because investment demands continue to exceed resources. Productivity has been slow to improve, partly because (1) of lack of modern machinery and advanced technical processes, (2) a reduction in the working week from 48 to 44 hours in 1969, and (3) the policy of industrial managers to maintain full employment. However, labour is now extremely tight, a situation which should be eased by more use of automated machinery.

Wages in general have risen during the past two years by nearly 10 per cent against an increase in the cost of living estimated at 3½ per cent. Prices, however, have fluctuated considerably and a shortfall in many consumer goods (e.g., a long waiting list for cars and an acute housing shortage) is exerting inflationary pressure. Retail trade in 1969 expanded by a tenth and a similar increase is expected this year, parti-

VALUE OF TRADE

(In million \$)

	Export	Imports	Balance
1967	1,702	1,776	-74
1968	1,790	1,803	-13
1968 (January-September)	1,911	1,261	-70
1969 (January-September)	1,382	1,380	+2

cularly in sales of clothing, domestic durable goods and food.

Agricultural output expanded by 6 per cent in 1969 and a record crop provided an export surplus of 600,000 tons of wheat, for the first time for several years. Only a small increase in production is planned for 1970, partly because high yields have raised problem of storage and marketing. There is a serious lack of granaries and of cold storage plant for fruit (the 1969 crop was double the 1968) and it has been estimated that at least 10,000 million florints should be spent on expanding fruit storage capacity.

Trade with the West

For the year as a whole, imports are estimated to have risen 7 per cent against an increase of 16 per cent in sales abroad. In addition, foreign exchange earnings from tourism rose by over a quarter in 1969 compared with 1968. Although Hungarian trade with Comecon countries remains of major importance (Russia alone accounts for 35 per cent of the total), exchanges with the west are expanding very much more rapidly. Indeed, Hungary is reported to have achieved its first dollar surplus last year. The pattern planned for 1970 certainly suggests that there is a reserve of convertible currency because the Comecon countries' share of trade has been reduced, while purchases from the west are expected to increase a further 10 per cent.

A series of five-year trading agreements has been signed with a number of western countries, several joint enterprises have been established or are being negotiated with western partners, and links outside Comecon were also being strengthened in April, 1969, by a 15 million Eurodollar loan agreement between the National Bank of Hungary and a consortium of eight western banks to provide funds for the Hungarian State Aluminium Enterprise.

Hungary is the only eastern bloc country with which the UK has a favourable balance of trade but there is a need for adaptation on the part of the UK exporters, because personal contracts with individual factory managers are replacing the giant orders formerly made by the state. Hungary is also seeking co-operative agreements particularly for the manufacture of computers, scientific equipment and the processing of aluminium, but few so far have been established with the UK. In addition, under the terms of the current Anglo-Hungarian quota agreement there are increasing opportunities for the sale of British consumer goods.

CZECHOSLOVAKIA

The Russian and 'counter revolutionary' control over all aspects of

Czechoslovak affairs has been steadily tightened since the invasion by Warsaw Pact troops in August, 1968. In April, 1969, Mr Dubcek was replaced as First Secretary of the Communist Party by Dr Gustav Husak, and thereafter those associated with the new liberal policies at the beginning of 1968 were replaced by strictly orthodox officials. Mr Strougal, a hard line supporter of the USSR, was appointed at the beginning of 1970. A commission has been established to screen the 1.6 million members of the Czech Communist Party who have been asked to hand in their membership cards, and already large numbers have been expelled.

Political Difficulties

Economically, Czechoslovakia has suffered severely from the political situation although many difficulties also stem from the long-term direction of economic development which had provided for an expansion of heavy engineering and chemicals on the assumption that there would be a continuing demand from the other east European countries for such products as rolling mills, pipes, compressors, power stations, cars and electrical and diesel locomotives. In the event, however, the Comecon countries are buying an increasing proportion of such equipment from the west. Similarly, earlier plans to lessen Czechoslovakia's reliance on coal also depended on ample supplies of alternative energy such as oil, natural gas and nuclear power from

the USSR which is now finding other markets more profitable.

Industrial production rose by slightly over 5 per cent in 1969, although there was a serious shortfall in building, a continuing shortage of modern plant and of funds for investment in new equipment, and lack of confidence led to excessive stockpiling. In addition, economic resistance to the USSR took the form of delaying imports of raw materials and widespread absenteeism. Moreover, since 1968 there has been an outflow of skilled workers — officially estimated at 40,000 but the real figure may be twice that — and a serious shortage of labour has followed. Wage bargaining power is therefore strong despite the banning of workers' councils and, with supplies falling far short of demand (shortages of fuel and energy, cement and building materials, textiles, spare parts and consumer goods such as cars, furniture and shoes, remain acute despite the unloading of large stocks of previously unsaleable goods accumulated under central planning), inflationary pressures are rapidly building up.

Unsatisfactory Agriculture

Farm output has been unsatisfactory. In particular, there was a bad potato harvest and meat supplies are far below demand. Moreover, labour shortages have led to a cutback in acreage, farm revenues do not cover production costs,

and co-operative and state farms are dependent on government subsidies.

Priority in 1970 is being given to consolidation; following a strengthening of central management, a selective investment programme involving a shift in emphasis to consumer goods and housing has been put forward. Exiting plant is to be rationalised, consumer goods production is to rise by 6 per cent, output of glass, because of previous investment, is expected to increase by 15 per cent, and priority in foreign exchange is to go to importers of metals and industrial raw materials. A prices and incomes policy has been introduced — prices will be frozen for an unspecified period, and wage rises are to be related to increased productivity.

In all, GNP is expected to rise by about 5 per cent in 1970, with a faster rate of growth for Slovakia which has always been the poorer of the two states.

VALUE OF TRADE

(In million \$)

	Exports	Imports	Balance
1967	2,864	2,680	184
1968	3,005	3,077	-72
1968 (January—September)	2,235	2,287	148
1969 (January—September)	2,203	2,162	41

A new federal system of Government was introduced at the beginning of 1969 giving the Czech and Slovak states separate control over domestic matters such as education, justice, agriculture and housing. It is hoped that Slovakia will achieve equality with the Czech region (Bohemia) by 1980, but it will be necessary to invest heavily in transport, the supply and servicing of machinery, the processing industries and construction and power.

Major Priority

A further major priority is to reverse the earlier trend in foreign trade whereby imports expanded considerably faster than exports. State control has been tightened so that the foreign trade corporations will again control industrial imports by establishing directives, and specifying quantities and sources of supply. Imports are planned to rise in 1970 by some 4 per cent against a growth target of 6 per cent for exports. Purchases from the west, which increased by 14 per cent last year are to rise by only 2½ per cent, while sales to other Comecon members, which account for three-quarters of total exports, are planned to expand by 7 per cent, although the growth of imports from the eastern bloc as a whole has been cut back this year to less than 2 per cent. A crucial meeting in Moscow last autumn resulted in further tightening of Czechoslovakia's dependence on the Comecon bloc. The trade agreement with the USSR for 1970 provides for an exchange of

goods valued at roubles 2,200 million an increase of 6 per cent over 1969. Shipments of oil, iron ore and cotton from the USSR are to be increased and scientific equipment made available.

Tightly Controlled Expenditure

Convertible currency reserves are claimed to have risen over the past twelve months, and the Finance Minister has recently reaffirmed that Czechoslovakia will not be seeking credit from either Comecon or western countries. Nevertheless, expenditure abroad remains tightly controlled; foreign travel is severely restricted. Earnings from tourism have fallen markedly; in 1968 visitors totalled 4 millions, compared with an expected 6 millions, and numbers fell to 2.9 millions in 1969. (Visitors from outside the Comecon bloc totalled 0.8 million and 0.7 million respectively). Czech tourists numbered 2.9 millions in 1969 but there is expected to be a sharp decline this year.

Sources and Acknowledgements: The foregoing summarises, by special permission, the reports of the Economist Intelligence Department of Barclays Bank Ltd (54, Lombard St., London, E.C.3.), but the department is responsible neither for the emphasis of my summary nor for my comments, based on a variety of sources.

Next week, I will report on Poland and Bulgaria.

undismayed but other official economists are not quite sure that real output will, in fact, rise this quarter. Politicians, particularly of the Democratic school, have been unable to resist the temptation to brand the situation as "an economic crisis of major proportions."

In a rare joint press conference, the House Speaker and the majority leader of both Chambers called on the President to summon a conference on inflation and unemployment and to adopt "stand-by" wage and price controls. Others have spoken of wage-price guidelines and the need to pressure industry to hold down wages and prices.

Incomes Policy

The latter approach has been endorsed by Mr Arthur Burns who, parting company with the Administration, has spoken in favour of an "incomes policy" to help speed the return to price stability. He has said: "There may be useful, albeit modest, role for an incomes policy to play in shortening the period between suppression of excess demand and restoration of price stability."

Mr Burns has not spelled out what he means by "incomes policy". Any such plan would, presumably, require the government to set standards for acceptable increases in prices and wages without the precise details which accompanied similar efforts in the period of President Kennedy and President Johnson.

In this controversy, it is obvious, that the Democrats are less afraid of more government guidance or controls than the Republicans to whom government, at best, is a necessary evil to be avoided wherever possible.

In this battle of political wits, embracing an economic subject the Democrats are building up a powerful case based on the apparent enigma of rising unemployment and price inflation. They are saying with increasing emphasis that they face the year ahead with tremendous uncertainty.

They complain about the halt in the total output and the uncertain prospects of increased economic activity. They point to the decline in industrial production month after month. They see danger in fixed capital spending by business. This might amount to a large figure in 1970. The expansion would extend to industry where excess capacity already exists. They note that many unwanted business inventories are also accumulating suggesting the prospects of reduced production rates.

To the critics this is a mounting in-

What Ails the US Economy ?

H. R. VOHRA

WASHINGTON:

THE UNITED States is perhaps as sharply divided over the worth of the "Nixon cure" for inflation as it is over any other aspect of the policies of the present administration in Washington.

That the picture is bleak is admitted even by Dr Arthur Burns, Chairman of the Federal Reserve Board. The real gross national product has dropped and the odds have increased that the economy is in recession. Other things which have gone down are profits and employment. Things which have gone up include prices demonstrating that inflation remains unbeaten.

The latest figures show a rise in wholesale prices in May coupled with a decline in the last month's index of "leading" economic indicators. Even then Commerce Department's economists suggest that the worst part of the economic downturn is over and predict a rise in the physical output this quarter

and success in the anti-inflation battle later this year.

Success there better be if the Republicans are to win in the Congressional elections this fall. Candidates to the elections, however, can find scant solace from the following figures which the *Wall Street Journal* succinctly lists:

—Wholesale prices were rising 0.2 per cent in May after holding steady in April. And the key wholesale industrial commodities index continued to gain at 3.6 per cent annual pace for the third straight month.

—The government index of "leading" economic indicators fell by 0.1 per cent in April to 147.8 per cent of the 1963 average. The March decline was revised to show a sharp 1.7 per cent drop instead of the slim 0.1 per cent decrease initially reported. The April index was the lowest since 1968.

The Commerce Department seems

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dex of weakness in consumer spending as the rise in real purchasing power has ebbed. The sale of new automobiles, now depressed, is a case in point.

The heart of the argument is that despite this slowdown of general economic activity "the price inflation which has plagued the economy for the past several years shows no present signs of abatement." In fact, as 1970 began, prices were increasing at rates exceeding those of a year ago. Wage rates were also still advancing strongly but dollar increases in wage rates brought virtually no advance in real purchasing power. The consumer prices kept pace with wage increases.

The price of money and credit increased most pronouncedly, particularly long-term interest rates. This was the Administration's key weapon to beat down other prices. Unemployment has risen to nearly five per cent. The Administration's critics conclude, as they have done in one review, that the country faces "the distressing prospect that present policies imply continuing excessive unemployment and continuing inflation."

The proposed budget for 1970-71 flouted a surplus of \$1.3 billion. The budget statement put considerable emphasis on the need to maintain the surplus as an anti-inflationary measure. The new fiscal year has not yet begun and the estimated surplus has already turned deficit. This is also true of the current year.

New Tax

To fill the breach the President has asked for a new tax on leaded gasoline as an anti-pollution device and as a way of raising \$1.6 billion in revenue in the new fiscal year. The President thus seeks to gain control of federal spending. The Budget Bureau claims that the budget remains tight and fiscally responsible. However, outlays for the fiscal year are now estimated at \$205.6 billion, \$4.8 billion in excess of the February estimate.

The possibility also exists that the expected deficit of \$1.3 billion would become a great deal larger if Congress does not pass a number of fiscal recommendations. These include higher postal rates, new tax on leaded gasoline, a speedup in estate and gift tax collections, reduced spending on some popular programmes and keeping appropriations within the Administration's total.

Congress often writes its own budget. If this happens, the Treasury will have to borrow more this calendar year than in the last when there was a repayment on debt. The implication is that the interest rates will remain high and the long-hoped-for decline will be delayed.

The stock market will not rise. Industry and business will remain at a low ebb. The slow-down will continue.

These doubts have been accentuated by President Nixon's request for raising the debt ceiling by another \$12 billion. The Democratic critics would rather have what they call "a high employment surplus" by reducing unproductive military and non-military programmes, including the war in Vietnam and other defence commitments besides space, supersonic aviation, highway construction and similar items which have no place in an austerity budget. They would, instead, spend a part of the savings on education, environmental improvement, income support and housing "to cushion the transition from inflation to stable economic growth."

Patent Reply

For anguished critics of current economic ills, the supporters of the Administration have one patent reply: "Your sufferings are due to the irresponsibility of the previous Democratic Administrations."

They jeer at the Democratic policy aimed at stimulating expansion of the economy to its potential rate of growth. The Democrats, they say, were filled with the optimism that they had the tools and the knowledge to prove that economic growth, full employment and price stability could go together.

Instead what has been discovered, Nixon experts say, is that economic policy is not yet an exact science as was claimed by the "fine tuners" of earlier years. The Nixon Administration claims it has an open mind and is prepared to learn from the misconceptions of the last decade.

It is recalled that the "new economists" seized upon fiscal policy as a means of "fine tuning" the economy. This led to frequent changes in federal

taxes. The year 1962 provided investment tax credit and liberalized depreciation guidelines. In 1964, the Administration sought a cut in individual and corporate income-tax rates. A year later, excise tax rates were also reduced.

Within a year, the economy began to overheat. It could not digest the stimulative tax measures. It seemed to have been overvitaminized. Abnormal increases in federal spending brought about budget deficits. Then came tax restraints and a reversal from a period of tax bonanzas. Had restraints been carried out with half as much zeal as the original reduction, things would not have been as bad as they turned out.

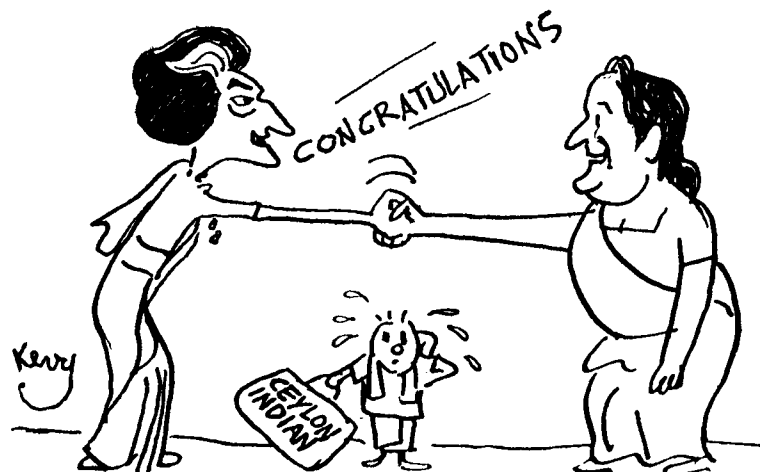
In 1966, Republicans say, the Johnson Administration timidly restored some of the excise taxes. The collection of income taxes was speeded up. The investment tax credit was suspended. In 1968, a 10 per cent surcharge was instituted on individual and corporate income taxes coupled with a reduction in federal spending. The cure proved insufficient and ineffective.

A Moot Point

On balance, Republican members of the Joint Economic Committee say: "It is a moot point whether we are better off for the new economics". Democratic Administrations developed an overpowering willingness to cut taxes and run budget deficits but found it difficult to act responsibly when the economy overheated.

Again: "In a general sense the past Democratic Administrations, supported by a Democratic Congress lost control over both the government's finances and the economy."

This may be true. So are some of the allegations of the other side. The truest thing is (what the Republicans themselves admit) that "economic policy is less of an exact science" than is sometimes believed.



"To which left of centre government shall I ultimately belong?"

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The moving finger writes

THE PRIME Minister's twisted sense of priorities was clearly brought out by the proceedings of the meeting of the central cabinet held on the first day of this month. While the cabinet postponed a decision on the Tata proposals for a fertilizer complex at Mithapur, it found no difficulty in making up its mind on a scheme for imposing a ceiling on urban property. In the Prime Minister's calculations, it is evidently more urgent in the national interest to limit individual possessions of existing wealth than create new wealth for the community. It is a sad commentary on the prevailing standards in our public life that it is being publicly stated in the press or elsewhere — without the suggestion being contradicted by or on behalf of the government — that the central cabinet's decision on urban property was prompted mainly by the need to mend the Prime Minister's political fences so grievously damaged by attacks by the predators in her party.

* *

The Times of India has helpfully published an extensive version of a controversial speech made by the Governor of West Bengal on May 25 on the occasion of the newly appointed Chief Justice of the Calcutta High Court taking his oath of office. My reaction to Mr S.S. Dhavan's performance is that I am more surprised by the wealth of good sense he displayed than shocked by the flood of nonsense he also spouted. We have come to expect the present Governor of West Bengal to speak or act erratically in or out of the course of his duties. But it will continue to be a pleasant surprise to find him capable as well of talking sensibly now and then.

Mr Dhavan, of course, was only betraying an ignorance born out of prejudice when he asked the rhetorical question whether the Indian bar had the courage to expose the financial malpractices of some of the big corporations. In reply, if not as an answer, I would counter him with the query whether the Indian bar has the courage either to expose the electoral and other malpractices of politicians, including ministers and prime ministers. The short answer — if an answer needs to be given — to Mr Dhavan, of course, is that the responsibilities of lawyers in situations of this kind are no more than those of any ordinary citizen and may

perhaps be conceivably less because of the obligations of professional secrecy.

My interest here, however, is not in this or other foolish things which the Governor of West Bengal said in the speech in question, but in the valid points he did manage to make. I am in complete agreement with him that the quality of legal education in our country is being shamefully neglected and I hold the governments at the centre and in the states, the judiciary, the legal profession and the bar councils and universities equally responsible for this wretched state of affairs which is resulting in heart-breaking disappointments and frustrations for thousands of expensively educated young men in the country and is also leading to a progressive deterioration in the quality of the bar and the bench and, therefore, the system of administration of law in the nation.

I also endorse without reservation Mr Dhavan's condemnation of the current pattern of the functioning of the bar which is calculated to deny reasonable opportunities for new entrants to the legal profession, especially when these young hopefuls do not have the advantage of being connected by birth, marriage or otherwise with lawyers who are already established in the profession. Mr Dhavan had hard words to say about the "seniors", but I believe that his strictures are wholly justified. The West Bengal Governor's broadside has succeeded in rousing the ire of the legal profession in Calcutta. I wish that it would have the effect also of rousing the conscience of the leaders of the bar in this country. Should it fail to do so, it would only confirm the legitimacy of Mr Dhavan's denunciation. It is, of course, open to the legal profession to debate the merits of the cure or cures which Mr Dhavan has indicated, but it cannot, in reason, question the diagnosis itself. It would, no doubt, be easy to agitate against Mr Dhavan, who is eminently "agitatable". It would be more difficult for the leaders of the bar to set their own house in order.

* *

There are, I imagine, quite a few hundreds of senior research officers working at the Bhabha Atomic Research Centre at Trombay or other establishments of the Department of Technology in the Government of India. I doubt

that their official fortunes would normally have been noticed in the national dailies. But, then, Mr Asoka Parthasarthy is not like any other "senior research officer". He happens to be a son of Mr G. Parthasarthy, who is the Vice-Chancellor of the Nehru University and, what is more important, a family as well as personal friend of the Prime Minister. Hence it is that Mr Asoka Parthasarthy's transfer from Bombay to Delhi on promotion as Special Assistant on Science and Technology in the Prime Minister's secretariat has been featured in a number of newspapers.

The Statesman, indeed, has taken a giant step farther than the others and given special billing to the news by carrying it as a box item on the front page of its issue of June 3. Perhaps with a view to justifying the prominence thus given to this news item, *The Statesman* has omitted to mention that Mr Asoka Parthasarthy had hitherto been only a Senior Research Officer of the Atomic Energy Department in Bombay, but has thoughtfully stated that he has been "a professor at Indian and foreign technical institutes." It has also thought fit to describe Mr Asoka Parthasarthy's new post as that of "Scientific Adviser to Mrs Gandhi". On the whole, the impression sought to be created by all this publicity in the press is that the Government of India has been extremely fortunate in acquiring the services of a potential Khorana who has surrendered opportunities abroad for patriotic service in the Prime Minister's secretariat. At this rate the sycophancy of the press will soon know no bounds.

Incidentally, it sheds interesting light on the spirit of the times that it is no longer considered necessary even to draw a decent veil over the prevalence of nepotism or favouritism in the public services. I am not suggesting that Mr G. Parthasarthy is the first fond parent to use his influence in high places to advance the interests of his progeny, but I do say that it is quite significant that a junior appointment in a government office should have secured all this publicity in the press with mention being made prominently of the appointee's relationship to a prominent person who is obviously in a position to have exercised some influence in the matter of the selection of the appointee.

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Trade Winds

MONOPOLIES COMMISSION

THE UNION government has notified that the Monopolies and Restrictive Trade Practices Act, 1969, has come into force from June 1, 1970. The legislation seeks to provide that the operation of the economic system does not result in the concentration of economic power to the common detriment, for the control of monopolies, for the prohibition of monopolistic and restrictive trade practices and for other connected matters. The Act, among other things, empowers the central government to establish a commission known as the 'Monopolies and Restrictive Trade Practices Commission.' The commission is expected to be appointed early. Rules and forms under the Act will be published very shortly. Under the Act, the prior approval of the central government would be necessary in the following cases: (1) substantial expansion of undertakings to which Part 'A' of Chapter III of the legislation applies; (2) establishment of a new undertaking which, when established, would become an inter-connected undertaking of an undertaking to which clause (a) of section 20 applies; and (3) certain schemes of merger, amalgamation, acquisition by purchase, take-over etc.

The Act empowers the central government to regulate inter-locking of directors or partners of undertakings to which Part 'A' applies. It can also order division of undertakings covered by Part 'A' of Chapter III of the Act. On matters relating to concentration of economic power, the commission will advise the central government on the cases which may be referred to it. Chapter IV of the Act empowers the central government to regulate and control monopolistic trade practices. The government may refer any such practice to the commission for inquiry and report before passing an order to remedy or prevent any mischief which resulted or may result from such trade practice. Chapter V of the Act deals with registration of agreements relating to the restrictive trade practices. The Monopolies and Restrictive Trade Practices Commission has exclusive jurisdiction in inquiring into any restrictive trade practice, irrespective of whether the agreement relating to it has or has not been registered with the Registrar of Restrictive Trade Agreements. If the commission is of the opinion that the restrictive trade practice is prejudicial

to the public interest, it may make suitable orders to ensure that the trade practice ceases to be so. The undertakings to which Part A of Chapter III of the Act applies are required to get themselves registered under section 26 of the Act within the prescribed time-limit.

CEMENT PRODUCTION

The production of cement in 1969 aggregated 13.66 million tonnes. This was 6,60,000 tonnes more than the target set for the year and 1.87 million tonnes more than the output in 1968. According to industry sources, the installed capacity for cement manufacture will go up to 22.5/23 million tonnes by the end of the fourth Plan period from the present approximately 17 million tonnes. As the demand in 1973-74 is not expected to exceed 21 million tonnes, the supply of cement should, by and large, be comfortable. There is, however, said to be some scope for setting up additional capacity in the northern zone which is deficit in cement.

As a result of the cement industry again becoming subject to licensing (it was delicensed in 1966), the promoters of the present expansion schemes as well as new projects will have to take out licences. The schemes which are at an advanced stage of implementation, it is understood, will be freely licensed. But in the case of the projects for the implementation of which effective steps have not been taken as yet, such factors as the location of the plants will be considered before granting licences. The projects in the present deficit areas are proposed to be given preference.

In its anxiety to contain the prices of cement for the general consumer, the government, it is learnt, has suggested to the manufacturers that movements of this building material should be rationalised so that economies in freight result. A fresh demarcation of the marketing zones has also been proposed. It has been further suggested that possibilities should be explored of somewhat reducing the commission on bulk sales to the governmental agencies. The money thus saved should be utilised for keeping down the prices of the commodity for the general consumer.

The State Trading Corporation is understood to be of the view that we can export as much as half a million tonnes of cement per annum. Last year, our exports amounted to 1.6 million tonnes.

In the previous year, we exported 2.3 lakh tonnes of cement. Higher exports, it is felt, are possible because of three factors. First, there is a definite production base. Secondly, there is a definite unsatisfied global demand. Thirdly, the quality of our cement compares favourably with that of the product of foreign competitors. The only snag is said to be the erratic shipping freights. This difficulty, it is thought, can, however, be overcome by entering into long-term arrangement with shippers.

TRADE PACT WITH SYRIA

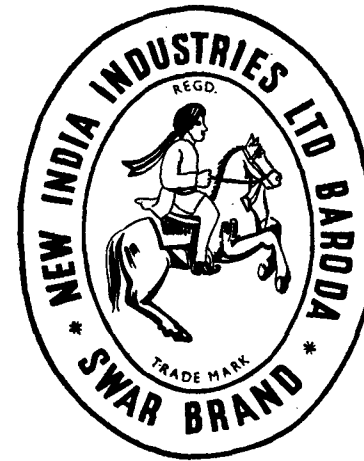
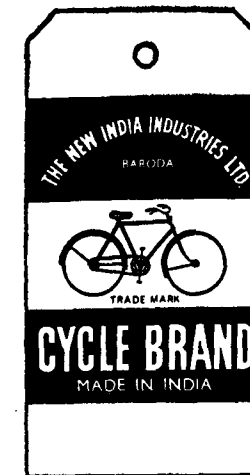
The instruments of ratification of a trade agreement between Syrian Arab Republic and India were exchanged recently. The trade agreement provides for, inter-alia, grant of most-favoured-nation treatment to each other, facilities for holding trade fairs and exhibitions and visits of businessmen. The two governments undertake to co-operate for mutual benefit with a view to strengthening economic relations between the two countries and to further inter-change and use of scientific and technical know-how. This trade agreement between the two governments was signed at Damascus in October 1969, when the Minister for Foreign Trade, Mr B.R. Bhagat visited that country. The agreement was to be ratified later, if that was required by the constitutional procedure of either of the countries signing the agreement. The agreement, which is valid for one year, contains list of items available for exports from Syria to India and vice versa. After one year, it will be extended automatically, unless proposal for modification comes from either government.

WHO BUDGET

India had the satisfaction of getting its proposal for an increase of 10 per cent in the 1972 budget of the World Health Organisation, over the 1971 budget, accepted at the 23rd World Health Assembly held in Geneva last month. The proposal was adopted by the Assembly in the face of stiff opposition from the USSR (which wanted an increase of only five per cent), France and the USA (which favoured seven per cent increase) and the United Kingdom (which was for a step up to the order of 7.88 per cent). At the final stage of voting, India's proposal was adopted by over two-thirds majority. India argued that an increase in the budget to a smaller extent would not only stand in the way of undertaking new health programmes in the developing countries but might also hamper even the expansion of the existing programmes.

The assistance from the WHO for the various health programmes in our country during the current calendar year is expected to be of the order of

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\$ 2.247 million, as against \$ 1.142 million contribution by us to the WHO budget. Next year, assistance from the WHO to our programmes is anticipated to go upto \$ 2.457 million. The lags witnessed in the implementation of the WHO-assisted programmes in our country in 1969 are expected to be fully made up this year.

STANDARD MOTORS PANEL

The union government has appointed a three-member body to make "full and complete" investigations into the affairs of the Standard Motor Products of India, Madras. Mr T.A. Varghese, former chief secretary of Tamil Nadu, will head the body on which will serve as members Mr M.N. Krishna, chief cost accounts officer, union Ministry of Finance, and Mr Toani, joint general manager of the Hindustan Machine Tools, Pinjore. The three-member body will investigate into the affairs of the Standard Motors under Section 15 of the Industrial Development (Regulation) Act. The investigation has been ordered following closure of the Standard Motors since May 22 which has resulted in total stoppage of work.

HINDUSTAN ZINC

All is yet not well with the Hindustan Zinc project. It is still working to no more than 70 per cent of its rated capacity of 18,000 tonnes of metal per annum. Till lately, the accumulation of stocks of superphosphate was hampering production. Now under-utilisation is due to a more serious factor, i.e. shortage of zinc concentrates. The present production of concentrates from the Zowar mines is not sufficient to run the plant to its full rated capacity. The ore output to support the annual metal production of 18,000 tonnes is estimated at 2,000 tonnes per day, but presently not more than 14,000 tonnes are available. The plant is expected to go into full production only towards the end of 1971.

The expansion of the capacity of the plant from 18,000 to 36,000 tonnes of metal per annum, however, has been taken on hand. The additional capacity will be based on the Dariba-Rajpura ore. The lead and zinc deposits both in Zowar and the Dariba-Rajpura areas are estimated to sustain zinc and lead metal production up to 100,000 and 50,000 tonnes, respectively. The cost for developing a new mine for yielding an additional 2,000 tonnes of ore per day, including the expenses of the beneficiation plant for this ore, is estimated to be nearly Rs 10 crores.

PAPER CORPORATION

The union government has set up the Hindustan Paper Corporation, a public sector unit. The corporation, which

has been registered as a private company under the Companies Act, will have a total authorised capital of Rs 60 crores of which Rs 30 crores will be in the form of equity and Rs 30 crores as loan. According to the memorandum of association of the corporation, it will undertake, apart from paper production, supporting activities connected with the growth of the paper industry. The corporation will also carry on trade and the business of survey, prospecting and proving the existence of suitable raw materials for the manufacture of pulp, paper boards newsprint, paper conversions, chemicals and other products.

URBAN PROPERTY CEILING

The union cabinet on June 1 approved the principles which should form the basis for a draft legislation on urban property to be circulated to the states. It is learnt that one of the main principles agreed upon by the cabinet is that the ceiling on urban property holdings should be fixed at Rs five lakhs.

Property in excess will be liable to be acquired by the state or attract heavy taxation. The family will be treated as one unit in appraising the value of urban property. An urban area will be defined in the proposed draft legislation as one which has an area of eight sq. km and a total population of 10,000. Most of the provisions of the Bill in regard to submission of returns by assesseees and other details will conform to those in the Wealth Tax Act. It is considered that no amendment of the Constitution will be required but the state governments could undertake the the legislation in their respective areas. The Law Ministry will now draft the model legislation in the light of the discussions in the cabinet.

INDIA-MAURITIUS VENTURES

During the Prime Minister's recent visit to Mauritius, officials of that country and India discussed the ventures to be set up in Mauritius. The Indian side assured the Mauritian officials that the Indian government

would not support any party that made unreasonable demands on the Mauritian government. It was agreed that this country would send a six-man team to conduct a detailed techno-economic survey of Mauritius.

STEEL DISTRIBUTION POLICY

The Indian Engineering Association has stated that the recent announcement made by the union government outlining the new system of steel distribution needs some clarifications. Firstly, the association has stated that the Steel Priority Committee, which now has overriding powers, does not include any representative from the IEA, an organised consumer body. IEA also feels that operation of the distribution system from New Delhi would make for more bureaucratic controls which are likely to result in delays in decision making and, consequently, delays in the flow of steel to consumers. The association also fears that there will be problems and difficulties over the priority list. It is not clear whether the requirements for defence, exports, public sector projects or the small-scale sector would receive first priority.

The new system also provides for direct indents on the preferred steel plants but the disadvantage of this procedure is that the engineering industry and the indenter is not aware of the load on a particular producer. The Joint Plant Committee and the Steel Priority Committee are in the best position to know the load position of each producer and, accordingly, plan indents on different steel plants. Therefore, the system of direct indenting, with no precise idea of the work load or the backlog in a particular mill is likely to bring little benefit to the actual users. Moreover, the indenter will have little or no information as to when his indent will be met and it is important to ensure that some indication is given to the indenter about the period in which he may expect supplies.

The indenting procedure also stipulates that orders would lapse after a two-year period if not completed within that time. This will give rise to a situation where an indenter has been waiting for delivery for a full two years and is informed at the end of the period that he will neither receive delivery nor will his order be carried over to the next period. IEA feels that the two-year period is sufficiently long and the indenter should be assured that he will receive supplies within two years and he should also know the quarter in which deliveries will effected. If this cannot be done then imports should be allowed.

There is also reference to the question of payment of advance which it is thought will result in blockade of work-

ing capital at a time when the engineering industry's capital has been highly eroded for a variety of reasons. The association therefore trusts that industry will be allowed exemption from this advance payment.

The new policy for steel distribution must naturally be judged against its implementation and, it is to be hoped that, before this is done, anticipated problems and difficulties will be solved through discussion between the pro-

ducers, the consumers and the distribution authorities.

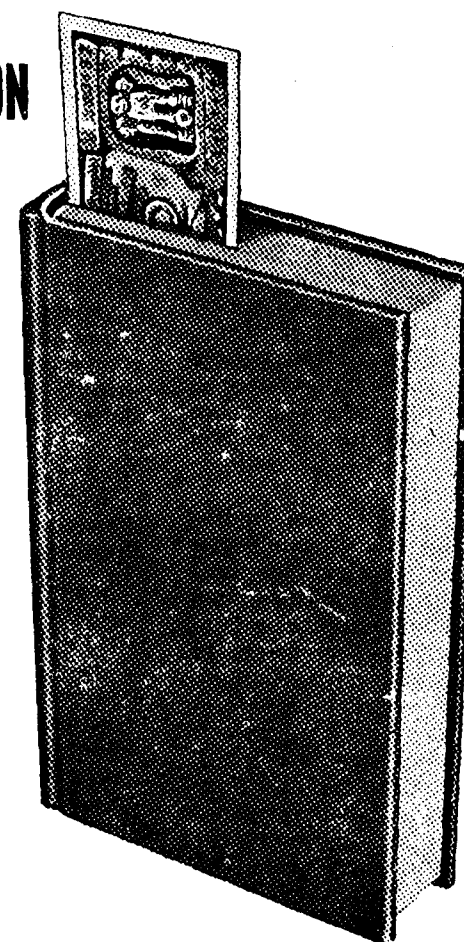
NAMES IN THE NEWS

Mr P.K. Nanda will take over as Managing Director of The Metal Box Company of India Limited shortly. He succeeds Mr D.I. Allport who leaves India to take up a senior appointment with Metal Box in England. Mr Nanda a Chartered Accountant, joined Metal Box in 1962 and has been a Director and Secretary of the company since 1968.

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Company Affairs

HINDALCO

THE DIRECTORS of Hindustan Aluminium Corporation Ltd have proposed to issue bonus shares in the ratio of one new share for every four shares held. The decision was announced by Mr A.V. Birla, a director of the company who presided over the annual general meeting in the absence of the Chairman, Mr G. D. Birla, in Bombay recently. Mr Birla stated that the future is favourable and he looked forward to 1970 as being a very prosperous year for the company.

At present the company is producing at the rate of about 210 to 214 tons of aluminium per day and 460 tons of alumina making a total of about 77,000 tons per annum of alumina. In all the departments, the company has achieved or exceeded the rated capacities. Mr Birla has complained about the high cost of production. In the company's cost of production, the element of power alone comes to Rs 940 per tonne as compared to Rs 500 per tonne for other major producers in the country. However, the company has been asked to continue absorbing Rs 250 per ton of the excise duty. The government has also banned the export of aluminium. Mr Birla stated that the sudden ban on export shakes the confidence of buyers. He has, therefore, urged the government to allow selected exports even at the cost of importing more aluminium so that a continuous foreign market is available.

The company holds an industrial licence for the manufacture of 120,000 tons of aluminium per annum, though the full implementation has been kept in abeyance because of directions from the government. In view of the present shortage of aluminium, Mr Birla hopes that the government would permit it to go ahead. If the company receives clearance it will require about Rs 40 crores and three years to complete the expansion plans. Sales in the first four months of the current year have amounted to Rs 12.5 crores and the production to 25,349 tonnes. The proposed bonus shares will rank for dividend for the current year if the government sanction is received before the end of the year. The company has received a letter of intent for its fertiliser project. So far it has not received the industrial licence. Mr Birla

hoped that the licence would be issued shortly.

BHARAT STEEL TUBES

Bharat Steel Tubes Ltd has reported very satisfactory results for the year ended March 31, 1970. The gross profit is up at Rs 1.74 crores from Rs 1.24 crores in the previous year. After allocating Rs 30.53 lakhs (Rs 23.34 lakhs) for depreciation and Rs 18.55 lakhs (Rs 45.11 lakhs) for development rebate reserve and providing Rs 4.74 lakhs (nil) for doubtful debts and Rs 21 lakhs (nil) for taxation, the net profit comes to Rs 98.80 lakhs, as against Rs 54.44 lakhs in 1968-69. The dividend on ordinary shares, however, has been maintained at 10 per cent. Nearly Rs 91.01 lakhs have been transferred to the general reserve and eight lakhs rupees to the capital redemption reserve. The total sales during the year amounted to Rs 12.77 crores, as against Rs 10.86 crores in the previous year, showing an increase of 17.6 per cent.

The company's performance obviously would have been even better had it been able to utilise its capacity fully. During the year under review, over 40 per cent of the installed capacity remained unutilised on account of restricted supplies of the main raw material—hot rolled steel strip/skelp. With a view to ensuring adequate supplies of raw material, the company plans to go in for manufacture of hot rolled steel strip/skelp from scrap. Messrs M. N. Dastoor & Co Pvt. Ltd are drawing up a detailed project report for this programme. This scheme is expected to entail an investment of nine crores rupees. A letter of intent for it has already been secured.

A new galvanising plant with 20,000 tonnes annual capacity—wholly designed, fabricated, erected and commissioned by the company's own engineers—was commissioned in 1968-69. The performance of this plant was quite satisfactory during the whole of 1969-70. The export performance of the company too has been very encouraging. Nearly 40 per cent of its production in 1969-70 was exported. When working at full capacity, the company hopes to export as much as 50 per cent of its annual output.

TEXMACO

There was a rise in sales from Rs 8.00 crores to Rs 8.08 crores in the working of Textile Machinery Corporation

Ltd during the year 1969. There was, however, a deficit of Rs 61.81 lakhs as against a deficit of Rs 71.83 lakhs in the previous year. Depreciation amounting to Rs 49.65 lakhs could not be provided. The directors have naturally proposed to skip the dividend on the equity shares for the third year in succession, although the dividends on all classes of preference shares are recommended and these are payable out of general reserve. The directors have in their report stated that the loss is attributed to the company being obliged to undertake, during the year, execution of a substantial backlog of over 1,000 wagons in one particular metre gauge type at patently unremunerative prices, awarded by the Railway Board. The production of these wagons could not also be discontinued as it was imperative to maintain regular production to safeguard the employment of the workers. A critical shortage in certain scarce categories of steel precluded any effective implementation of an economic product mix to achieve even a partial neutralisation of the losses implicit in the execution of the aforesaid backlog. While on the one hand the company was obliged to contend with unremunerative nature of such wagon orders, on the other hand it had to meet all-round increased production costs. The working results were also adversely affected by the lock-out at Agarpara works for two months. As for the current year's working the directors expected the company to turn the corner in the light of the present order book although the raw material supply position is continuing to be most difficult. The final working results will largely depend on the ultimate availability of raw material. The annual general meeting will be held on June 29.

METAL BOX

The Metal Box Co of India Ltd has suffered a setback in its working during the year ended March 31, 1970. It has earned a pre-tax profit of Rs 126.40 lakhs against Rs 189.97 lakhs for the previous year. The directors have proposed the first and final equity dividend of six per cent against a total of nine per cent paid for the previous year. Out of the pre-tax profit a sum of Rs 71.60 lakhs has been provided for taxation. After providing Rs 13 lakhs for taxation in respect of previous years, and taking into account the profit on the disposal of assets, the company's profits amount to Rs 46.61 lakhs against Rs 88.86 lakhs. The directors have transferred a sum of Rs 11.60 lakhs to the development rebate reserve. They have withdrawn a sum of five lakh rupees from the general reserve, and Rs 10.75 lakhs from the development rebate reserve.

The proposed equity and preference dividends will claim Rs 41.30 lakhs against Rs 61.22 lakhs.

SWASTIK RUBBER

Swastik Rubber Products Ltd recorded a rise in sales during 1969 to Rs 5.10 crores from Rs 4.37 crores. It earned a gross profit of Rs 55.32 lakhs. The directors have proposed to maintain the equity dividend at 12 per cent. Allocations include: depreciation Rs 39.88 lakhs, development rebate reserve Rs 6.25 lakhs and taxation Rs 5.20 lakhs. General reserve gets Rs 4 lakhs. The directors state that the Chinchewad unit has started functioning since the middle of 1969 and has to face many manufacturing problems resulting in bringing down the profit margin. The higher provision for depreciation is as per the new rules. Inadequacy of assistance and incentive from the government has also affected profit margin on export sales, though the exports during the year have increased by 15 per cent from Rs 70.13 lakhs to Rs 81.84 lakhs. A new company, Messrs I.G.M. Industries Private Ltd, has been incorporated in Mauritius for manufacturing various rubber products and Swastik has decided to participate in it by investing 26 per cent of the equity capital of that company. It will be two lakh rupees. Swastik will be able to increase its exports in the area and earn foreign exchange by this investment.

COROMANDEL FERTILISERS

Coromandel Fertilisers Ltd has reported that during the 15-month period beginning October 1, 1968, to Decem-

ber 31, 1969, its sales totalled Rs 26.72 crores against Rs 11.09 crores in the previous year. The company has earned for the first time a gross profit of Rs 494.30 lakhs against a loss of Rs 20.26 lakhs in the previous year. However, after providing Rs 556.68 lakhs for depreciation there is a net loss of Rs 62.38 lakhs. After making some adjustments, a debit balance of Rs 451.80 lakhs has been carried forward. The directors expect that the company's performance in the current year will be better than in the previous year. The net loss during the 15-month period ended December 1969 is attributed mainly to the difficult operation situation in the early part of the period when the plant worked below capacity. The excise duty imposed from March 1, 1969, also affected sales.

UNITED BANK

United Bank of India has come forward with a scheme for assistance to the farmers in the drought-affected areas in Purulia and Bankura districts. As soon as the districts were declared by the government as drought-affected, the bank undertook a field survey to find out the feasibility of extending its assistance to the farmers in the worst affected areas. Two blocks in either of the districts (Bagmundi and Arsha blocks in Purulia district and Indupur and Sonamukhi blocks in Bankura district) have been taken up under the scheme, under which loans will be provided to the farmers for the masonry work for kancha wells to be dug by the farmers in the blocks in Purulia district, while in the blocks in Bankura district the loans will be made available for

sinking of shallow tubewells with coir filters and installation of pump-sets. The maximum limits to be sanctioned for the individual loanes are: (a) For masonry for kancha wells, Rs 1,000, (b) for shallow tubewells, Rs 1,000, and (c) for pump-sets, Rs 3,000. It is expected that these schemes would enable the farmers to raise two crops, viz., paddy and potato, which would generate sufficient income for the purpose of repayment of loans.

METAL DISTRIBUTORS

Metal Distributors Ltd has earned a gross profit of Rs 18.23 lakhs during 1969 compared to Rs 17.47 lakhs the previous year. Sales stood around Rs 5.75 crores. After providing Rs 40,446 for depreciation and Rs 11.72 lakhs for taxation, the net profit works out at Rs 6.10 lakhs. General reserves gets Rs 6.12 lakhs. The directors have proposed to maintain the equity dividend at 10 per cent which will absorb Rs 7.92 and will be paid from the general reserve.

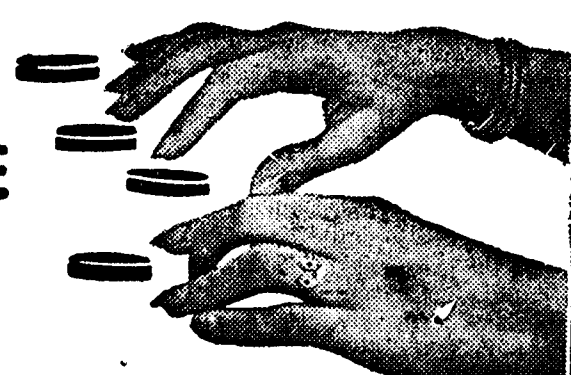
STAR TEXTILES

The Star Textile Engineering Works Limited has reported a profit of Rs 13.95 lakhs for the 52 weeks ended January 3, 1970, compared with Rs 5.91 lakhs in the previous year. The company has declared a dividend of 10 per cent on its equity shares. The turnover has gone up from Rs 1.47 crores to Rs 1.71 crores. Allocations include Rs 6.79 lakhs for depreciation (Rs 1.98 lakhs), Rs 1.49 lakhs for development rebate reserve and Rs 4.95 lakhs for general reserve.

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RECORDS AND STATISTICS

India and International Business in Seventies

AN 'INTERNATIONAL Business Meeting' was held in Sydney, Australia, between May 13 and 16, 1970, under the auspices of the Stanford Research Institute, California, USA. Following is the text of a paper entitled 'India and International Business in the 1970's', presented at the meeting by Mr S.P. Mandelia, President, Century Rayon, Bombay.

The present decade is going to go down in the history of International Business Development as an important one. It started with a report of the Presidential Task Force on International Development appointed by President Nixon under the chairmanship of Mr Rudolph Peterson, President, Bank of America. This report submitted on March 4, 1970, surely reflected the spirit of the 70's in which the outlook of 60's would no longer be valid. The report lays special emphasis on increasing US private investment in developing countries and it has strongly recommended that the restraints on US direct private investment in developing countries should be eliminated.

Huge Potential

All developed nations having huge surpluses are seeking never opportunities for investment of funds. Private corporations in developed countries are getting bigger and bigger and stronger and stronger and with that it becomes a necessity for them to go international. Their attention naturally turns to other developed countries, but slowly the developing countries are also attracting their attention. It is being realised that these countries, not only offer huge potential markets, but also good scope for expansion of exports from these countries to neighbouring countries.

The private foreign investor has a choice of investing his funds in one or more of the several developing countries, even after he has decided to invest his money in a venture in a developing country. Private investors are profit-motivated and are bound to consider comparative advantages in selecting the countries of investment. To attract foreign capital a developing country has to maintain the investment climate, offering stable investment prospects from the business angle, vis-a-vis other developing countries. India offers these prospects by providing a huge protected market. The various

tariff restrictions and bans on import are designed to help the growth of industries in India — both Indian and foreign sponsored.

Private Foreign Investment

We in India are aware of the acute need for private foreign investment to maintain and increase the rate of industrial development in our country. The Government of India, as far back as in 1948, in their Industrial Policy Resolution of that year, realised the necessity of foreign capital and enterprise for the rapid industrialisation of the country. A number of our public sector undertakings have come up with foreign collaboration (Appendix I).

The main features of the government policy regarding foreign capital are:

(i) Full freedom to remit profit and to repatriate capital, and

(ii) compensation on a fair and equitable basis in the event of nationalisation, (incidentally, the Government of India have not nationalised any manufacturing industry, nor has there been any intention to do so. The recent bank nationalisation has left foreign banks untouched).

The basic conditions for attracting foreign investment are already in existence in India.

1. Political stability,

2. The excellent reputation for uninterrupted remittance of approved royalty and profits,

3. The huge untapped market provided by a vast population,

4. A protected market for items manufactured in India,

5. Steady progress towards industrialisation and a wide industrial base.

Thus in my view, India among all the developing countries of the world offers the best opportunities for investment in a large number of sophisticated and not-so-sophisticated industries. India is in a class by itself, because, although still a very poor country, it offers a highly developed industrial base, technical skills adjudged as equal to the best in the world, and the earn-

est desire to bring about economic progress through the growth of industry and agriculture. It is the right country for private investment, with its deep-rooted faith in democracy and freedom.

Private foreign investment plays three distinct roles in the development of an economy:

1. It works for a higher rate of investment than permitted by domestic savings alone.

2. It augments the country's capacity to import investment goods.

3. It makes advanced technical and managerial skills available.

Promotion of private foreign investment in developing countries was recommended by the first UNCTAD. The second UNCTAD held in New Delhi, India, two years back, also emphasized the role of private investment in the changed context of modern times in the following unequivocal terms:

"When centres depended largely on supplies of primary commodities from the periphery, their private investment was naturally closely linked to that necessity and no great importance was attached to the integrated development of the peripheral countries. But, however, and wherever people and natural resources may have been exploited in these countries at that stage, the outlook for the future is very different now. A new era is opening up in which the exploitation of technology rather than of man-by-man is creating vast national and multinational opportunities in the periphery and the role that private enterprise can play in making good use of these opportunities is very important."

Opportunity Not Grasped

But the conference also noted that the potential of these opportunities was not always fully grasped by the developed countries and thus the new prospects for the joint exploitation of technology were sometimes marred by out-dated connotations.

Although there are more than 3000 joint ventures in India and a large number of big international firms are operating there, international efficiency has not yet been developed in the country. This is because the outlook is still focused on exploitation of the existing market and not on the development of the country and its future market. Multinational firms in India will have to diversify their activities in India to ensure a strong economic base for the country and for a lasting mutual friendship and respect between

the partners. The fruits of modern scientific industrial development can be enjoyed by all countries through international business, may it be in the field of electronics, textiles, synthetic fibres, chemicals, metals, plastics, paper, medicines or machinery. What India needs and asks for are not only the fruits of research, but research itself. Only when large international firms undertake research in the country in which they operate, can a stronger industrial base be built up.

The India of today is a vastly transformed society, which is imbibing technology and science on a large scale. Indian industrialists, businessmen, managers and technicians are second to none in intelligence and skills. And as a proof of this anybody can see for himself the massive dams and hydro-electric projects, huge steel plants and numerous chemical, textiles, pharmaceutical, engineering and machine tools plants scattered throughout the country. But the process of change is necessarily slow. It is to quicken this pace of growth, that more investment and especially private investment is required. Multinational corporations must realise the aspirations of such a country and think of not only the present and potential market but help in the development of the country by

- (i) bringing in new technology,
- (ii) developing research in the country, and
- (iii) producing things with international efficiency.

Significant Changes

Significant changes took place in the sphere of international business in the '60s. But a new, bold and integrated approach towards international development through international business is the need and the challenge of the '70s. And anybody who invests his funds and technological skills in India of today will be amply rewarded tomorrow and the day-after.

India is not only increasing its non-traditional exports, especially of engineering goods, chemicals etc., but it is now in a position to undertake turn-key projects abroad for (a) electric power generation, transmission and distribution; (b) building of bridges, dams, pipe lines and roads; (c) complete railway systems; (d) plants for the manufacture of textiles, sugar, paper, cement and chemicals; (e) building of industrial estates and common service facilities; (f) engineering workshops for the manufacture of castings, forgings and rolled steel products; (g) public health engineering schemes, etc. The new emphasis is now on the

export of turn-key projects and consulting services. India has set up or is going to set-up joint ventures in a number of countries and in different industries. Among the host countries. Kenya leads the list with 9 joint ventures with Indian participation, followed by 7 in Ethiopia, 7 in Malaysia, 6 in Nigeria, 5 in Ceylon, 4 in Iran, 3 each in the United Kingdom, Saudi Arabia and Zambia, 2 each in Canada, Ireland, West Indies, Uganda and Libya and 1 each in Afghanistan, Iraq, Lebanon, Indonesia, Thailand, the USA, Columbia, Tanzania and Ghana. A detailed list with names of Indian partners is given in Appendix II.

Joint Ventures Welcome

We, in India welcome joint ventures but as the purpose is to speed-up economic growth, foreign participation is kept to the minimum. A proposal asking for least amount of foreign exchange is likely to be favoured more. Certain restrictions on import of equipment etc. may not be liked by the foreign companies but it is these restrictions which ensure a protected market for their products made in India. Besides, if an enterprise gives a guarantee of exporting 80 per cent of its production it would be allowed to import the equipment and machinery essential for export production. However, gradual indigenisation of material and personnel and the utilisation of domestic resources and labour with higher productivity is normally sought. Preference is given to export promoting and import substituting industries. This is done with a view to conserving and earning more foreign exchange so that the country could import more with the optimum utilisation of the scarce foreign exchange currencies.

Large international firms have recognised joint industrial ventures in developing countries, as a good technique of export promotion. They have found it economical to manufacture in developing countries for domestic as well as international markets. The examples of IBM and Coca-Cola are relevant here. IBM World Trade Corporation manufactures computers in its plants in India and exports to 46 countries. They are helping the country earn precious foreign exchange besides creating jobs in India. They also buy their requirements from a large number of small firms. The Coca-Cola Export Corporation not only exports the Coca-Cola concentrate from the country but have plans to put up a plant exclusively for the export of bottled tea.

India is in a position today to collaborate with multi-national firms from developed countries in joint industrial ventures in third countries, especially

the developing countries. Such an arrangement can be worked out in a number of industries where India can supply equipment and technical skills, fully or partly, and the multinational firm can supply the know-how etc. to mutual advantage of all the three countries. We also recognise joint ventures among developing countries as a good means of economic co-operation and mutual development. As the various developing countries are at different stages of development, joint ventures in specific industries can become the first step towards such co-operation. The main advantages here are, firstly, widening of the market for the export of manufactured and semi-manufactured goods including machinery, spare parts, building materials and technical know-how; and secondly, adoption and adaptation of modern technical know-how to their specific needs and conditions.

International trade also plays an important part in the development of economies. Multinational corporations can help the developing countries in improving their balance of trade. Unfortunately, at present two-thirds of mankind, living in the developing countries of the world, do not share more than one-twentieth of the world trade in industrial products. Even among ECAFE countries, the rate of export growth in developed countries reached 17.5 per cent in 1968 as compared to only 7.5 per cent for the developing countries of the region.

Bold Action Needed

Multinational corporations of the world must act boldly and imaginatively in this decade. They can no longer be complacent or unconcerned towards either the efforts of their own governments, or of the international financial institutions, or the developing countries themselves.

We in India welcome foreign investment and in approving foreign collaborations the primary concern of the government is the essentiality of such assistance and the reasonableness of the fees. During the first ten years after independence (1947 to 1956) the number of new foreign collaborations taking place each year in India was only around 50 on an average, but as the confidence in India grew abroad, the number of foreign collaborations also increased substantially (Appendix III and IV).

In order to do away with procedural delays, the Foreign Investment Board came into being in 1968. This Board is responsible for all matters relating to private investments and collaborations in India. However, the Board deals

directly with only those cases of foreign collaboration where the total equity investment does not exceed Rs 20 million and foreign equity participation is upto 40 per cent of the issued equity capital. The cases with total equity investment of more than Rs 20 million and foreign equity participation of more than 40 per cent are dealt with by the Cabinet Committee. But to speed-up the clearance, the Investment Board has a sub-committee which deals with equity investment of upto Rs 10 million. The entire procedure has been worked out with a view to keeping to the schedule of three months for disposing of applications for foreign investment. There are illustrative lists of industries (a) where foreign investment may be permitted with or without technical collaboration, (b) where foreign technical collaboration (no investment) may be permitted and (c) where no foreign collaboration (financial or technical) is considered necessary. These lists (Appendix V) indicate clearly fields in which foreign investment can be made.

Appendix VI, showing the growth of industrial production in India during 1960-1968/9 gives an idea of the progress made by India during the last few years and the opportunities it offers as a stable, developing democracy. It shall be seen from it that encouraging progress has been made during the past 8 or 9 years — production of basic industries increased two-fold, that of capital goods industries more than doubled; in intermediate goods production increased by more than 50 per cent and in consumer goods it increased by more than 40 per cent.

Massive efforts are also being made to attack poverty by trying to curb the growth of population and by growing more food. The family planning efforts of the country have registered some success in the urban and semi-urban areas and increasing literacy and industrialisation are helping the process. The fourth five year Plan (1969-74) has provided a sum of Rs 3000 million for Family Planning Programmes aimed at covering some 90 million couples in the reproductive age group of 15-45 years. Food production has been augmented by high yielding varieties and we hope to not only stop the already reduced imports of food-grains soon, but also to build up buffer stocks. Fertiliser consumption is estimated to go up from 2 million tons in 1968-69 to 6.6 million tons by the end of the fourth five year Plan (1973-74).

It would thus be clear that multinational corporations, which have enough foresight, would immediately recognize the growing field of oppor-

tunities in a country which is trying hard to improve the lot of its people. Enlightened self-interest as well as international needs dictate the multinational corporations should take businessmen and industrialists from developing countries as their partners in exploiting modern technology. Growing internationalisation of business in this manner would not only ensure greater economic prosperity for all but would also help build a truly cosmopolitan international business community of great strength and influence.

APPENDIX I

Following is the list of 52 public sector undertakings which have entered into foreign collaboration.

Hindustan Photo Films Mfg. Co., Ltd.; Hindustan Machine Tools Ltd.; Bihar State Industrial Development Corpn. Ltd.; Heavy Electrical India Ltd.; National Coal Development Corpn. Ltd.; Hindustan Antibiotics Ltd.; The National Instruments Ltd.; Hindustan Zinc Pvt. Ltd.; Government Porcelain Factory; Bharat Aluminium Company Pvt. Ltd.; Modern Bakeries (India) Pvt. Ltd.; Instrumentation Limited; Durgapur Chemicals; Bokaro Steel Limited; National Mineral Development Corpn. Ltd.; Bharat Electronics Ltd.; Bharat Heavy Electricals Ltd.; Bharat Earth Movers Limited; Indian Telephone Industries Ltd.; N.G.E.F. Ltd.; Praga Tools Ltd.; Mazagon Dock Ltd.; Pyrites & Chemicals Development Corpn. Ltd.; Hindustan Teleprinters Ltd.; National Newsprint & Paper Mills Ltd.; Cochin Refineries Ltd.; Indian Oil Corporation Ltd.; Indian Drugs And Pharmaceutical Ltd.; Assam Oil Company; Oil India Ltd.; Madras Refineries Ltd.; Haldia Refinery; Oil and Natural Gas Commission; Tungabhadra Steel Products Ltd.; Hindustan Cables Ltd.; State Trading Corpn. of India Ltd.; Triveni Structures Ltd.; Electro-Medical and Allied Industries Ltd.; Radio and Electricals Mfg. Co. Ltd.; Traco Cable Company Ltd.; Coal-Fertilizer Plant of C.F.R.I.; Mysore Iron & Steel Ltd.; Engineers India Ltd.; Industrial Development Corpn. of Orissa Ltd.; Garden Reach Workshop Ltd.; Neyveli Lignite Corporation Ltd.; The Fertilizer Corporation of India Ltd.; Fertilizer And Chemicals Travancore Ltd.; Heavy Engineering Corpn. Ltd.; Mining And Allied Corpn. Ltd.; Hindustan Steel Ltd.

APPENDIX II

Following is a list of Indian joint ventures abroad giving the field of collaboration and the Indian collaborator in that order.

Africa

Ethiopia

Textiles — M/s Birla Brothers (P) Ltd.; Soap Factory—Bombay Soap Factory, Bombay; Woollen textile mill—Duncan Brothers, Calcutta; Plastic processing plant—Duncan Brothers, Calcutta; Clock assembly plant—Duncan Brothers, Calcutta; Subscribing to the share capital of M/s Fibre Share Co., of Ethiopia — Birla Bros. (P) Ltd., Calcutta; Razor-blade factory—H.L. Malhotra & Sons (P) Ltd., Calcutta;

Ghana

Manufacture of small wheel-type agricultural tractors—M/s Escorts International, Faridabad.

Kenya

Textiles — R.M. Goculdas, Bombay; Grape water plant — K.T. Dongre & Co., Bombay;

Pharmaceutical plant — Karamchand Premchand Ahmedabad; Manufacture of printing inks and allied products—M/s Rainbow Ink & Varnish Co., (P) Ltd. Bombay; Woollen textile mill—Raymond Woollen Mills, Bombay; Manufacture of fluorescent fixtures and accessories—Premier Lighting Industries (P) Ltd Bombay; Light engineering complex—H.L. Malhotra & Sons, Calcutta; Cork factory—Indian Cork Mills, Bombay; Paper and pulp projects—Birla Bros (P) Ltd. Calcutta

Libya

Pipes — Indian Hume Pipes, Calcutta; Asbestos cement products plant — Birla Bros (P) Ltd., Calcutta.

Nigeria

Engineering goods—Birla Bros (P) Ltd, Calcutta; Textiles — Birla Bros (P) Ltd, Calcutta; Solvent extraction plant — Birla Bros (P) Ltd, Calcutta; Palm kernel crushing plant —Birla Bros (P) Ltd, Calcutta; Razor-Blade Factory—H.L. Malhotra & Sons, Calcutta; Pencil factory—Standard Pencil Factory, Madras.

Tanzania

Pharmaceutical plant — Mrs. Sarla Somani, Bombay.

Uganda

Sugar—Indian Consortium; Jute Mill—Birla Bros (P) Ltd, Calcutta.

Zambia

Construction company—R. M. Goculdas, Bombay; Enamelware factory—Bengal Enamel Works, Calcutta; Re-refining used lubricants—Shri N. V. Desai, Bombay.

South Asia

Ceylon

Manufacturing of sewing machines — Jay Engineering Works, Calcutta; Electro-static tea leaves/stalk separator machines—General Industries Co., Calcutta; Glass factory—Swastik Glass Works, Chandrapur; Manufacture of PVC leather cloth—Bhor Industries (P) Ltd Bombay; Manufacture of trucks — Ashok Leyland, Madras.

West Asia

Iran

Manufacture of non-ferrous semis—Kamani Metals & Alloys Ltd, Bombay; Manufacture of spare parts, automotive components —Mahindra & Mahindra Ltd., Bombay; Trailer industry — Mahindra & Mahindra Ltd, Bombay; Electric motors and transformers—Electric Construction & Equipment Co., Calcutta.

Iraq

Manufacture of concentrates for soft drinks Parle Bottling Co. P. Ltd, Bombay.

Lebanon

Pesticidal formulation unit—Pest Control Corporation, Calcutta.

S. Arabia

Manufacture of refrigerators, airconditioners, air-coolers—Birla Bros (P) Ltd, Calcutta; Asbestos cement product plant—Birla Bros (P) Ltd, Calcutta; Vanaspati plant — Ahmed Oomerbhoy, Bombay.

Afghanistan

Manufacture of sewing thread balls etc.—Darbar & Co., Delhi.

East Asia

Indonesia

Rubber products—Cosmos India Rubber Works, Bombay.

Malaysia

Manufacture of steel furniture—Godrej & Boyce Mfg. Co. (P) Ltd, Bombay; Manufacture of zinc oxide—Inter Trade Corporation Vishakhapatnam; Cotton textile mill—Birla Bros (P) Ltd, Calcutta; Manufacture of glass bottles — J.G. Glass Industries, Poona; A.C.S.R./A.A.C. & P.V.C. insulated conductors—The Indian Aluminium Cables Ltd, New Delhi; Precision tools and guage mfg. units.—Gupta Machine Tools (P) Ltd, Calcutta; Sewing machines, electric fans—Jay Engineering Works, Calcutta.

Thailand

Steel mill—Shri S.A. Jifri, Madras.

Western Europe

Ireland

Manufacture of nylon bristles — Garware Plastic (P) Ltd, Bombay; Manufacture of tufted carpet yarn — Mafatlal Gagalbhai Co. (P) Ltd, Bombay.

The United Kingdom

Asbestos cement products plant (N. Ireland) — Birla Bros (P) Ltd, Calcutta; Light engineering goods factory (N. Ireland) —Birla Bros (P) Ltd, Calcutta; Asbestos Cement Products Plant—Birla Bros (P) Ltd, Calcutta.

North America

Canada

Hardboard factory—Anil Hardboards Ltd, Bombay; Starch, liquid glucose — Century Chemicals, Bombay; Hilo-Hawaii (USA) Hardboard Project — Anil Hardboards Ltd, Bombay.

South America

Columbia

Manufacture of twist drills—Indian Tool

Manufacturers Ltd, Bombay.

West Indies

Grenada

Canning unit — Rai & Sons (P) Ltd, New Delhi.

Trinidad

Canning unit — Rai & Sons (P) Ltd, New Delhi.

APPENDIX III

The number of foreign collaborations, industrywise, approved by the government follows:

Aluminium—9; Bank & Insurance — 10; Basic Industrial Chemicals — 52; Cement — 24; Cotton Textiles—27; Electricity Generation and Supply — 12; Elec. Machinery, Apparatus, Appliances etc.—422; Iron & Steel — 73; Jute Textiles—3; Machinery other than Transport and Electricals — 786; Medicines & Pharmaceuticals — 56; Other Chemical Products — 156; Paper & Paper Products—40; Plantations —13; Rubber & Rubber; Mfg. — 24; Shipping—4; Silk & Woollen — 20; Sugar — 11; Trading — 14; Transport Equipment — 90; Others —884; total — 2730.

APPENDIX V

Lists of industries approved for foreign collaboration as published by the Foreign Investment Board follows:

These lists are illustrative. They are not exhaustive and are subject to review from time to time. Government has also indicated the range of royalty where it is permissible. All efforts have been made to make these lists as comprehensive as possible. However, there may be some industries which are not included in these lists. Applications for foreign collaboration in these industries will be considered on merits by the Board.

These lists are as follows.

LIST I (A)

Illustrative list of industries where foreign

investment may be permitted and their royalty range is given below:

Oil and Chemical Industries

Fertilizers (other than single superphosphate) — no royalty; Selective pesticides—upto 5%; Off-shore oil exploration — no royalty; Oil refining including the production of — no royalty; Special additives and chemicals required for the oil industry — upto 4%; Petrochemicals (not otherwise specified — upto 5%; Thermo-plastics — upto 3%; Synthetic Rubber — upto 5%; Detergent Alkylates — upto 5%; Certain Drugs and Pharmaceuticals — upto 5%; Edible, Pharmaceutical Photographic and special gelatine — upto 3%.

Paper, Pulp and Allied Industries

Newsprint — no royalty; Speciality papers like electrical insulation papers and boards such as cable paper, condenser paper, presspahan, press board, leatheroid photo base paper and special type of filter paper—upto 3%; Paper and Board Makers felts upto 3%.

Rayon & Synthetic fibres Industries

Nylon and Polyester yarn/ fibre including industrial yarn, polypropylene fibre, polyvinyl-alcohol fibre, acrylic fibre — upto 20 paise per kg.

Asbestos and Carbon Products

Asbestos Packing and Jointing — upto 3%; Graphite electrodes — upto 3%.

Timber Based Industries

Fibre Board — no royalty; Particle Board—no royalty; Refractories (special types including electro cast refractories)—upto 3%; High tension Insulators and Bushings and solid core insulators for railways—upto 3%; Abrasive grains — upto 3 %.

Industrial Machinery

Cylindrical, tapered, spherical and other special bearings (excluding ball bearings) — upto 5%; Some items of textile machinery like combers, automatic pirn winding

APPENDIX IV FOREIGN COLLABORATIONS—COUNTRYWISE (Approved by the Government of India in Indian industries)

Country	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	Jan. to Sept. 69	Total
USA	6	4	10	61	77	57	67	78	48	59	41	37	15	560
UK	17	34	52	120	126	79	70	105	60	56	52	19	30	820
W. Germany	2	6	13	58	67	42	48	68	44	49	18	22	26	463
E. Germany	..	..	1	5	4	5	10	24	6	4	2	2	5	68
France	2	1	2	9	16	14	16	11	12	12	9	8	4	116
Italy	4	4	4	9	13	11	6	8	7	4	6	3	3	82
Japan	1	3	8	39	30	24	32	35	26	23	23	12	13	269
Sweden	1	..	1	13	..	6	1	6	3	6	10	4	..	51
Canada	..	1	..	1	3	6	..	3	1	2	2	..	1	20
Pakistan	..	2	..	..	..	..	..	..	..	..	..	..	..	2
Austria	..	..	1	3	5	4	2	5	1	2	2	..	..	25
Czechoslovakia	..	..	6	5	1	5	4	3	4	4	1	4	..	34
Holland	1	..	6	10	7	4	5	2	5	4	4	2	1	47
Switzerland	..	..	13	19	19	19	19	18	13	8	6	5	..	142
Belgium	..	..	2	4	2	4	3	5	..	4	1	1	..	26
Yugoslavia	..	..	..	1	1	1	3	2	1	3	2	2	..	15
Denmark	..	..	2	6	4	2	3	9	1	1	1	4	2	35
Finland	..	..	2	1	1	1	..	..	..	..	..	..	1	5
Panama	..	2	1	..	..	..	..	..	..	..	1	..	..	4
Poland	..	..	1	6	..	3	4	2	2	2	..	..	..	17
Hungary	..	..	1	2	2	..	3	1	6	1	1	1	1	18
Others	47	44	52	23	12	13	6	9	6	6	1	5*	4*	228
Total	81	103	150	380	403	298	298	403	242	261	185	131	112	3047

*One from Australia.

Source: The Journal of Industry and Trade, Govt. of India.

and warp winding machines, processing and finishing machinery — upto 5%; Jute Machinery (certain selected items) — upto 5%; Rayon Machinery — upto 5%; specialised printing machinery (for example rotary printing presses, Off-set printing presses & composing machinery etc) — upto 5%; Rubber processing machinery — upto 5%; Seamless Tubes — no royalty; Cast-iron, Cast Steel and forged rolls — upto 3%; Specialised items of chemical and Pharmaceutical machinery — upto 5%; Silicones — upto 5%; Catalysts — upto 5%; Commercial explosives — upto 3%; Watches — upto 3%; Standard and portable typewriters — upto 3%; Electric typewriters — upto 3%; Data processing machines — upto 5%; Calculating and Adding Machines — upto 3%; Precision Measuring Tools — upto 3%; Machine Tools and Accessories (selected types) — upto 5%; Programme Control Equipment — upto 5%; High Duty wharf and floating cranes of all types — upto 5%.

Electrical Engineering Industries

Electromagnetic and time relay — upto 5%; Railway electricals signalling — upto 3%; HRC Fuses — upto 3%; Germanium and Silicon — Diodes — upto 3%; Dry cells and train lighting cells — upto 3%; Electronic instruments and selected electronic components — upto 5%; Selected measuring instruments — upto 5%; Electro-medical, optical and dental instruments and equipments for medical profession — upto 5%; DC Motors and controls — upto 3%; Transistors and very high Frequency Electrical equipment — upto 3%; LT & HT circuit breakers — upto 3%; Power Cables above 11 KV — upto 3%; Earth moving equipment (crab-walkers, Tractors, Scrapers, Excavators, Blast hole drills, heavy duty dumpers and haulers, pay loaders, tractors showels, tyre mounted cranes) — upto 5%; Power Tillers — upto 3%; Specialised Automobile Ancillaries — upto 5%; Industrial Gases (oxygen, nitrogen, hydrogen, carbondioxide, acetylene) — no royalty; Mine Safety/Rescue appliances — no royalty; Gas Testing apparatus for mines — no royalty; Selected Ferro Alloys — Ferro-molybdenum Ferro-titanium, Ferro-tungsten, Ferro-vasadium — upto 5%; Non Copper Metals, Zinc, Lead — upto 3%; Iron Ore including processes for agglomeration of ore fines — upto 3%; Consultancy Engineering — no royalty.

Glass Industry

Polished Plate glass, laboratory glassware and silica ware — upto 3%; Deep Sea Fishing — upto 3%.

List I (B)

Illustrative list of Industries where only foreign technical collaboration may be permitted (but not foreign investment).

Paper, Pulp and Allied Industries:

Special grades of papers such as Natural tracing paper, Vegetable parchment paper, Cigarette paper, Carbonising tissues, Stencil-base tissues, Tabulating Manila paper, High strength kraft paper like sack kraft, waxing laminating and impregnation base papers, vulcanised fibre sheet, Abrasive Body paper, Chart paper, Indicator paper — upto 3%; Tyre-cord and special chemical pulp.

Rubber goods manufacturing industry including tyres and tubes

Rubber Contraceptive, Meteorological balloons, Fire fighting hoses, Tennis Balls, Rubber thread used in hosiery, Automobile tyres and tubes — upto 3%.

Chemical Industries

Alkylamines, Rubber Chemicals, Flourinated hydro carbons, Carbon Tetrachloride,

Trichloro-Ethylene, Glycol Ethers, Propylene Oxide — upto 3%.

Asbestos and Carbon Products

Midget electrodes and other special carbon products — upto 3%; Graphite crucibles — upto 3%.

Timber based Industries

Moulded particle boards — upto 3%.

Electrical Engineering Industries

Transformers above 1000 KVA; AC Motors above 30 HP; Fractional Horse Power motors; Variable speed motors; Power-line carrier equipments, Lightning arrestors; Selected categories of insulation material for elec. industries; Flame-proof lamp fittings; Electric lamps — Photo flash pre-focus, infra red, ultra violet, mercury vapour, telephone switchboard; Lamp components (lead-in-wire, filament and fluorescent powder); Controls of refrigerators and air-conditioners; Specialised surgical equipments, such as blades needles, etc.; AC motor starters for motors above 30 HP; Hear-in-aid; Crane Control gear; Power capacitors — upto 3% in all the above industries.

CTS and PTS for measuring and protection — upto 5%.

Metallurgical Industries

S.G Iron Castings; Alloy Iron castings; Non-ferrous semis not produced in the country at present — upto 3%.

Industrial Machinery Industries

Coal and Ash handling plant; Printing machinery; Gears and gear boxes; Chemical and Fertilizer plant; Metallurgical equipment including foundry equipment (plant and machinery for such items as L.D. converters, rolling Mills, special features of blast furnaces for giving improved productivity and coke even by-product and plants); Oxygen and Acetylene plant; Ceramic Machinery; Pulp & Paper Mill Machinery; Food Processing Machinery; Accelerated freeze drying plant; Mineral Beneficiation plants; Specialised equipments for Air conditioning and Refrigeration and air control equipment such as centrifugal compressors, low temperature freezers, transport refrigeration equipment, electro-static precipitators; silos etc.; Mining machinery; Hydraulic prop and electric drills; Any specialised item for industrial machinery other than those particularly excluded vide list of industries where no foreign collaboration (financial or technical, is considered necessary — upto 5% in the above industries.

Cutting Tools

Selected cutting tools — upto 5%.

Other Miscellaneous Industries

Improved types of agricultural implements and machinery — upto 3%; Pesticides application equipment (Special types) — upto 3%; Time-pieces (non-conventional) — upto 3%; Industrial sewing machines — upto 5%; Gas appliances — upto 3%; Hair-spring and other types of delicate and complicated springs — upto 5%; Industrial precision roller chains bigger than 5/8 pitch, simplex, duplex and triplex, bush chains, special rollers chains for mechanical handling, bush shot bank trolley conveyor chains, hollow bearing pen type chains — upto 5%; Special bicycle components such as multispeed hubs, with trigger and twist control — upto 3%; High pressure pipe fittings of specialised type other than malleable iron fittings — upto 3%; Ship chains and alloy steel chains other than ordinary mild steel welded link chains — upto 3%; Sophisticated types of valves and cocks — upto 5%; Superior

quality sanitary fittings — upto 3%; Fishing hooks — upto 3%; Thermo-setting moulding materials — no royalty; Fatty alcohols — no royalty; Electro-plating chemicals — no royalty; Welding fluxes — no royalty; Foundry chemicals — no royalty; Dyestuffs and intermediates — upto 3%; Iron ore pelletization including production of sinter feed — no royalty; Alumina — no royalty; Safety razor blades and safety razors — upto 5%; Alloy and special steels including: Coal rolled grain oriented sheets Special alloy steel, Tin-free double reduced or single side-plated tin plates, coloured galvanised sheets, Plastic coated sheets, other Special items of steel etc — upto 3%; Wire thinner than 19g and special wire — upto 3%; Chemical porcelain — upto 3%; Welding Electrodes (Special types) — upto 3%; Duplicators (special types) — upto 3%; Machine Screws (special types) — upto 3%; Steel Mill Cranes (Class IV duty) — upto 5%.

Note —

This list indicates the fields where foreign investment is not likely to be required for setting up new units. This does not, however, preclude the expansion of existing joint ventures.

Foreign investment is also not precluded in any composite scheme of manufacture where the production of any of the above items is envisaged along with other major items for the manufacture of which foreign instruments is welcome.

List II

List of Industries where no foreign collaboration (financial or technical) is considered necessary.

Paper, Pulp and Allied Industries:

Common grades of printing, writing, packing and wrapping paper and boards e.g., white printing papers, azure, cream laid and woven papers; art paper and board litho, offset paper; drawing and cartridge paper; M.G. poster; bank and bond paper; airmail paper; cheque paper; typewriting paper; manifold paper; ledger paper; kraft paper; match paper; grease-proof and glassine paper; ordinary M.G. tissue papers; blotting paper; straw boards; mill boards; grey boards; pulp board; duplex board; ticket board; carbon paper; typewriter ribbons; VPI paper.

Rubber Goods

Bicycle tyres and tubes; tyre retreading material; rubber and canvass footwear; conveyor belting; industrial and agricultural hoses; automobile rubber components; rubberised fabrics; latex foam; industrial and surgical gloves; medicinal rubber goods such as vaccine and other injectible bottle vials; ice cups and hot water bottles and reclaim rubber.

Chemical Industries

Formaldehyde, acetic acid; esters of acetic acid like ethyl acetate, butyl acetate, formic acid; monochloro-acetic acid; ethyl chloride methyl bromide; chloroform; methylene chloride; chlorobenzene plasticisers (Phthalates — Batch process); oxalic acid; chlorinated paraffins; beer; ethanol; pentaerythritol; aniline.

Leather and leather goods industries

Glue/technical gelatine; vegetable tanning extracts; pickers; picking bands; leather belting; cotton and hair finished leather; leather foot-wear; synthetic tanning materials.

Rayon and Synthetic Fibres Industries

Viscose filament yarn/staple fibre; viscose tyre yarn.

APPENDIX VII INDIA'S FOREIGN TRADE (1960-61 to 1968-69)

Asbestos and Carbon Products

Asbestos cement products; pencils.

Timber Based Industries

Teachest plywood, commercial plywood, matches.

Glass Industry

Sheet glass; table and pressedware; vacuum flasks; enamelware; containerware.

Cement and Cement Products

Cement; RCC pipes; Prestressed and pre-tension cement products; building bricks and and roof tiles.

Ceramics Industry

Sanitary-ware; glazed tiles; crockery.

Castings

Grey casting; steel casting.

(Continued on page 1138)

Year	Merchandise.		
	Imports (—)	Exports (+)	Balance of Trade
1960-61	1,121.62	642.07	—479.55
1961-62	1,091.63	660.58	—431.05
1962-63	1,131.48	683.32	—446.16
1963-64	1,222.85	793.24	—429.61
1964-65	1,349.03	816.30	—532.73
1965-66	1,408.52	805.64	—602.88
1966-67	2,078.36	1,156.56	—921.80
1967-68	1,986.38	1,198.69	—787.69
1968-69 +	1,785.84	1,353.48	—432.36

+Provisional.

Source: Reserve Bank of India Bulletin, Feb 1970. p. 332.

APPENDIX VI INDEX NUMBERS OF INDUSTRIAL PRODUCTION (REVISED SERIES) (Selected Industries) (1960-100)

Items	Weight	1961	1962	1963	1964	1965	1966	1967	1968†	Sep. 69†
General Index	100.00	109.2	119.7	129.7	140.9	153.7	152.4	151.4	161.1	172.7
Basic Industries**	25.11	112.7	128.2	146.5	152.1	164.3	172.9	276.5	194.6	208.9
Mining and quarrying	9.72	105.4	115.2	123.2	119.4	131.7	136.1	235.8	144.2	140.7
Heavy inorganic chemicals	0.69	121.4	141.3	165.2	191.0	213.8	227.8	243.2	270.2	310.8
Cement	1.17	105.1	109.5	119.3	123.5	134.8	141.0	143.9	152.3	164.6
Basic metal	7.38	118.7	143.0	171.7	174.4	180.1	189.9	181.8	193.7	205.5
(a) Iron and steel—basic industries	6.23	121.0	147.1	175.2	178.6	185.3	193.6	177.7	185.4	196.6
(b) Aluminium manufacturing	0.57	110.6	140.0	203.3	204.7	225.9	273.2	339.8	400.5	416.3
Electricity	5.37	116.3	130.7	150.9	173.6	190.9	207.8	230.7	266.6	..
Capital Goods Industries	11.76	118.0	153.0	170.0	206.1	244.2	210.1	205.3	211.0	214.2
Prime movers, boilers and steam generating plants	0.59	130.3	218.4	244.0	353.5	438.6	377.6	364.6	494.5	593.5
Industrial machinery	0.93	111.0	127.6	146.8	157.3	153.6	135.8	125.6	149.6	140.7
Machinery components & accessories	1.06	121.2	144.7	204.5	243.1	428.6	367.8	367.8	337.2	329.4
Electrical cables and insulated wires	0.68	104.4	131.3	151.1	171.8	198.3	195.9	206.7	191.5	203.3
Railroad equipment*	3.50	126.2	184.3	203.0	243.2	259.2	181.9	142.8	130.7	117.3
Motor vehicles	2.51	104.2	109.2	98.6	125.6	136.0	136.2	131.8	149.5	157.1
Intermediate Goods Industries**	25.88	105.8	113.6	122.9	132.2	140.1	136.7	139.7	148.2	155.5
Cotton spinning	11.79	108.4	109.3	113.2	122.3	120.9	117.3	116.7	124.1	..
Jute manufactures	3.97	89.1	110.8	118.8	115.1	120.3	100.4	104.1	96.4	82.4
Manufacture of wood and cork except manufacture of furniture	0.80	95.5	109.9	120.6	128.4	235.2	205.1	218.1	233.9	232.0
Tyres and tubes	1.48	114.2	124.5	142.0	155.2	173.5	174.1	185.4	227.6	276.6
Synthetic fibres	0.64	116.2	137.7	153.8	173.0	174.0	181.4	207.3	230.4	170.5
Dye-stuff and dyes	0.61	102.7	105.7	91.6	127.9	141.8	161.7	164.8	181.1	181.1
Petroleum refinery products	1.34	106.0	114.6	133.1	146.7	158.7	195.9	234.2	260.1	289.7
Structural clay products	0.77	118.5	133.0	135.7	134.1	124.1	169.0	214.0	232.9	283.3
Fittings, fixtures and fasteners	0.85	107.3	115.3	138.4	178.0	197.2	205.7	149.7	101.9	103.8
Consumer Goods Industries**	37.25	106.6	108.0	110.4	118.6	127.5	131.3	125.7	131.9	145.1
Flour milling and grinding	1.49	100.7	120.9	142.6	157.8	127.6	185.2	131.6	125.4	230.4
Sugar factories and refineries (Sugar refined)	3.58	110.0	108.1	89.2	101.4	124.7	129.8	84.5	84.5	12.1
Hydrogenated oil (vanaspati)	1.09	100.4	109.4	113.6	106.2	127.1	106.2	116.4	140.4	127.8
Tea	5.12	111.6	108.3	108.4	118.1	114.1	113.5	116.6	104.9	181.4
Cigarettes	2.15	106.7	111.2	108.4	125.0	146.1	157.5	147.4	163.3	165.3
Cotton weaving	9.39	100.3	98.2	95.8	100.9	100.0	92.9	90.1	96.2	..
Paper and paper products	1.61	105.8	109.4	130.2	137.3	147.2	160.0	167.1	185.0	194.8
(a) Paper	1.36	104.1	108.3	130.3	136.8	143.5	159.7	167.3	186.8	192.9
Drugs and pharmaceuticals	2.20	114.7	121.6	131.8	135.3	133.7	155.9	135.8	154.4	..
Soaps and other washing and cleaning compounds	0.95	104.5	107.9	116.0	112.4	121.0	127.6	143.3	154.5	188.9
Matches	0.50	97.1	91.3	85.9	87.1	110.9	94.8	89.4	97.9	103.9
Glass and glass products	0.57	104.6	112.8	121.9	119.7	131.1	141.7	153.5	120.9	111.2
Commercial Office and household machines	0.53	128.4	126.2	121.3	105.5	137.6	151.8	147.2	145.9	92.8
Electrical appliances	0.56	108.2	120.6	127.6	123.8	152.5	145.8	154.5	170.5	178.1
Communication equipment	0.61	121.6	127.9	155.8	176.2	217.4	265.6	318.3	510.1	561.7
Bicycles and tricycles	0.51	99.9	106.3	111.0	131.4	146.6	155.4	132.3	182.7	201.4

NOTE: — Weight of individual industries may not add to that of any of the groups as only selected industries are presented in the table.
*Relates to production in private sector only upto 1964 and to both private and public sectors thereafter.
**Derived.
†Provisional

Source: Monthly Statistics of the Production of Selected Industries of India. (Reserve Bank of India Bulletin)

(App. V Contd. from page 1137)

Electrical Engineering Industries

Distribution transformers; Power transformers 1,000 KVA and below; AC motors below 30 HP; Electronic Components (Ferrite; transformer coils, telescopic aerials; ceramic capacitors); Cables (except power cables above 11 KV); Iron Clad Switches; Winding wires and strips; Hospital wares; Electric fans; Domestic refrigerators; Domestic air-conditioners; Commercial radio receivers; House service meters; Ameters and volt-meters other than sub-standard; Multimeters; Storage battery.

Industrial Machinery

Sugar machinery; Cement machinery; Conveyors; L. P. Gas cylinders; Coal mining machinery (except hydraulic props and electric drills); Coal washery plant; Building and constructional machinery — except specialised items; Poultry equipment; Pesticides application equipment (other than special type equipment); Milk and dairy machinery except specialised items; Cooling towers; Tea processing machinery; Oil Mill machinery; Water treatment plant; Solvent extraction plant; Rice mill machinery of conventional type; Weighing machinery except specialised items; Cold formed sections and slotted angles; Railway structurals; Railway wagons; Railway mechanical and signalling equipment; Railway points and crossing; Steel doors; Windows and rolling shutters; Wire ropes (other than bicable rope-ways); Lifts; Welding Electrodes (other than special types); Bright bars; Welded G.I. steel pipes and tubes; Conduit pipes; Electric Hoist block and chain pulley block; Transmission line towers; Rail and road bridges; Structurals (Light, medium and heavy).

Machine Tools and Small Tools

Forged Hand tools (spanners, pliers etc.); Steel Files (except export oriented); Twist Drills; General Purpose machine tools (simple types).

Other Industries

Drums and barrels; Collapsible tubes; Crown corks; Piller proof seals and closures; Hurricane lanterns; Chaff-cutter knives; Buckets; Domestic utensils and cutlery; Agricultural implements and machinery (manual and animal drawn); Clocks; Time pieces (conventional); Franking machines; Duplicators (other than special types); Oil pressure stoves; Belt fasteners; Steel belt lacing; Spectacle frames; Oil pressure lamps; Hand Sewing and gramophone needles; Addressing machines; Pressure cookers; Domestic sewing machines; Air rifles; Cigarette lighters; Bicycle and bicycle parts; Ball bearings (only); Steel Balls; Leaf springs; Zip fasteners; Grinding media; Coil springs excluding hair and other delicate and complicated springs; Snap fasteners; Toys; Bolts, nuts, rivets, dogspikes of all types

excluding specialised types of rivets; Wood screws other than with special recessed Heads; Mild steel welded link chains other than ship chains and alloy steel chains; Machine screws other than specialised types; Pipe fittings other than specialised types; Locks; Valves and cocks (other than specialised); Shoe grindery; Builders hardware; Welded wire mesh; Wire gauze and netting; Oil milling; Solvent extraction of oilcakes; Soap; Synthetic detergents (formulations); Fatty acids; Textile auxiliaries; Paints and allied products.

Note—This list indicates the fields where foreign investment is not likely to be required for setting up new units. This does not, however, preclude the expansion of existing joint ventures.

Foreign investment is also not precluded in any composite scheme of manufacture where the production of any of the above items is envisaged alongwith other major items for the manufacture of which foreign investment is welcome.

APPENDIX IX**Indo-Australian joint ventures in India.**

The following is the list of joint ventures approved by the union government in the order of name and address of the Indian firm, name of the foreign firm, and the items of manufacture:

(F) Indicates cases involving financial participation also.

Greaves Mindrill (P) Ltd., Bombay — Mindrill Ltd., Preston, Australia—Diamond Drilling.

India Pistons Repco (P) Ltd., Madras — Repco Ltd., 639, St. Kilda Road, Melbourne, Victoria, Australia—Thin Walled Bearings.

Indian Standard & Metal Co., Bombay — Heenan Engg. (P) Ltd., Australia — Heenan Slip stream irrigation Equipment.

Steel Plant (P) Ltd., Behind India United Mills, Worli, Bombay-18 — Samson Arcwell Electrical (P) Ltd, 105-107, O Riden Street, Mascot, N.S.W. Australia—Furnaces.

Cosmos India Rubber Works (P) Ltd, Post Homji St., Fort, Bombay — Olympic Tyre & Rubber Co. (P) Ltd., P.O. Box 1, West Footscry, Victoria, Australia—Cycle Tyres and Tubes.

Greaves Cotton & Co., Ltd., 1, Forbes St. Bombay-1 — Mindrill Ltd., 56, Plenty Road, Preston Victoria, Australia—Diamond tools. (Bits).

Leela Separators (P) Ltd, Delhi—Amplex (P) Ltd, Australia—Plastic Battery Separators.

India Pistons Ltd., Huzur Gardens, Sembian, Madras — Repco Ltd., 630 St. Kilda Road, Melbourne, Australia—Fly Wheeling Gears.

Major M. L. Malhotra, Rajouri Garden, New Delhi—Demco, Australia—Machine Tools.

Greaves Cotton & Co. Ltd., 1, Forbes

Street, Bombay 1—Mindrill Exports (P) Ltd, Preston N18, Victoria, Australia—Diamond Drills, Drill Rods, Casing Core Barrels and Operating Equipments.

Indian Textile Co. (P) Ltd., 13-N, Connaught Circus, New Delhi—Semper Seal Chemical (P) Ltd., 19, Sirius Road, Lane Cove, Sydney, Australia—Chemicals having Plastic Base.

Steel Plant (P) Ltd., “Shivaenamh” 205, Dr. A. Beasant Rd., Bombay-18 (WB) — F.M.C. (Australia) Ltd., 85, Kingsway, South Melbourne Victoria — Slaughter House Equipment (F).

Industrial Aids International, K.K. Road, Kottayam (S. India) — Greer Ashburner & Crawford (P) Ltd., 51, Bridge Road, Plohmmond, Victoria, Australia—Welding Electrodes.

Agrind Fabrications Ltd., 6, Ganesh Chandra Avenue, Calcutta—Moore Road, Machinery (Pvt.) Ltd., Williamstown Road, Port Melbourne Victoria, Australia—Diesel Road, Rollers.

Addisons Paints & Chemical (P) Ltd., Sembium, Madras-11 — Spartan Paints (P) Ltd., P.O. Box 54, South Melbourne, Victoria Australia—Paints.

Patel Poultry Farm, Baroda-3 — R. Harrison & Sons, 82, Chetwind Road, Maryland, N.S.W. Australia — Poultry Equipment.

Taximeters & Equipment Ltd., New Delhi—Taximeters (Australia) (Pty.) Ltd., 203, Brunswick St., Fitzroy, No. 6, Melbourne, Victoria Australia—Taximeters.

Voltas Ltd., Ballard Estate, Bombay-1—Ames Irrigation Export (Pty.) Ltd., 10-14, Young Street, Sydney, N.S.W.—Sprinklers Irrigation Equipment.

Indian Hume Pipe Co., Ballard Estate, Bombay-1—Humes Limited 185 William Street, Melbourne, Victoria, Australia—Steel Plate Fabrication.

Indian Hume Pipe Co. Ltd., Ballard Estate, Bombay—Rocla Concrete Pipes Ltd., 31, Queens Street Melbourne, Victoria, Australia—Concrete Pipes.

Bonital Chemicals 641, Industrial Estate, Agra — Semper-Seal Chemical (Pty.) Ltd., 19 Sirius Road, Lane Cove, Sydney, N.S.W. Australia — Anti-corrosive chemicals:

Hindustan Shut & Metal Co. Pvt. Ltd., 9, Clive Row, Calcutta-1—Conveyor Company Pvt. Ltd., Australia—Conveyors

Amalgamations Private Ltd., 202, Mount Road, Madras-2 — Repco Ltd., 630, Kilda Road, Melbourne, Australia—Automotive Clutches and Components.

Hind Razor & Blade Co. Pvt. Ltd., Industrial Assurance Bldg., Fort, Bombay-1—Perma-sharp (Pty.) Ltd., Australia—Razor Blades.

RECORDS AND STATISTICS**Atomic Energy Programme: 1970-80**

At a press conference in the capital on May 25, Dr Vikram Sarabhai, Chairman of the Atomic Energy Commission, set out a 10-year perspective plan for speeding up this country's nuclear development and space research programmes. The salient features of these programmes are:

(a) 2700 MW of nuclear power to be commissioned before 1980. This means approval for four new power stations of 1700 MW for which construction should start during the fourth Plan.

(b) Design and construction of advanced thermal reactors of about 500 MW unit size which would lower the capital cost of power stations while still producing plutonium for our future needs in fast breeder reactors.

(c) 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.

(d) Augmentation of heavy water production to about 300 tons per year to back up the programme for the use of natural uranium in our power reactors.

(e) Design and construction of a large 500 MW prototype fast breeder test reactor.

(f) Development of gas centrifuge technology for U-235 isotope enrichment. Development of special materials including carbon filament structures.

(g) Development of the Narwapahar Uranium Mines and facilities for extraction from low grade ore. Also development of processes for the extraction of ore from tailings in copper mines.

(h) Early completion of the Nuclear Fuel Complex to manufacture special materials and fuel elements for our programme.

(i) Widespread application of isotopes in industrial processing, food preservation, sterilisation of medical products, medicine and research.

All these will not only require creation during the fourth plan of one major new atomic energy research establishment, namely the Reactor Research Centre at Kalpakkam, which should have a complement of about 3000 to 4000 by the end of the decade,

but also personnel for manning the new projects of industrial importance.

One of the most important aspects for the success of the atomic energy projects would be the development of a new integrated organisation involving the interests of public and private sector organisations in industry, which would be involved in fully backing up the programme in all its phases from the production of raw materials to the fabrication of specialised equipment and the erection and commissioning of major plants within a stipulated time frame.

During the fourth Plan period alone, the establishments of the Atomic Energy Commission will generate new resources of about Rs 45 crores through power and goods manufactured for sale to outsiders. Such has been the difficult position of resources that the allocations which were required for the fourth Plan by the Department of Atomic Energy have been drastically cut in the sectors of industry and minerals as well as for Atomic and Space Research. A commitment to the programme would involve a restoration of most of these cuts during the next three years of the fourth Plan.

Space Research Programme

Our space research programme involves establishment of the following:

(a) Augmentation of the facilities for R&D at the Space Science and Technology Centre to be able to build scientific and communication satellites and to environmentally test them.

(b) Facilities at the Space Science and Technology Centre for the development of inertial guidance systems and on-board miniaturised computers.

(c) Development at SSTC, TIFR and ECIL and construction of high performance missile tracking radars and PCM communication systems for installation at SHAR and at Andamans in the Bay of Bengal for the satellite programme.

(d) Construction of a plant for manufacture of large solid propellant blocks at SHAR and a facility for static testing of these propellant blocks on the ground and under high altitude simulated conditions.

(e) Completion of a rocket fabrication facility at Trivandrum for manu-

facture of large size rocket casings and hardware for rocket motors including the development of special materials for rocket motor systems.

(f) Development of in-flight guidance systems for rockets.

(g) Development by 1973-74 of a “Scout” type launcher which would be of four stages, burning solid propellant, capable of putting into orbit a satellite of about 40 kg. payload. This would be followed by development of more advanced rocket systems capable of putting 1200 kg. payloads into synchronous orbits.

(h) Fabrication of communication satellites by 1975 capable of providing high quality point to point service between metropolitan areas and direct broadcast of television.

(i) Development of sensors and techniques for remote sensing.

The constraints on the development of space technology are related to the development of men and teams familiar with the new sophisticated technology. With a growth rate of about 50 to 100 per cent per year, it still needs about three years before we can reach the minimum critical size for successfully implementing large-scale projects of space technology.

NUCLEAR POWER: SOME FACTS AND FIGURES

At the press conference on May 25, to which a reference has been made earlier, a background paper was distributed which gave some interesting data regarding nuclear power in this country and abroad. Full text of this paper follows:

The role of nuclear power in some of the nuclear advanced countries:

TOTAL INSTALLED CAPACITY (In MWe)

Country	Up to 1975	Up to 1980 (App.)
UK	10,000	30,000
USA	73,500	150,000
West Germany	5,500	Figures not available
Japan	10,000	20,000
India	980	2,700

Power Production in USA

The average of capital costs of nuclear plants ordered from 1965 through 1968 is about \$150/kWe. These plant costs have varied during this period from about \$90/kWe to about \$200/kWe.

INDIA'S FOREIGN TRADE—PRODUCT-GROUP-WISE (1965-66 and 1968-69).
(Figures in Rupees '00,000).

India's Foreign Trade	Exports of Principal Commodities			Imports of Principal Commodities		
	1965-66	1968-69	%Change in 1968-69 over 1965-66	1965-66	1968-69	%Change in 1968-69 over 1965-66
	1965-66	1968-69	1965-66	1965-66	1968-69	1965-66
I. Food	379.31	364.15	-4.00	557.89	403.06	-27.8
II. Beverages & Tobacco	34.18	33.80	-1.11	0.88	1.14	29.5
III. Crude Materials, Inedibles, Except fuels	212.53	211.59	-0.27	193.94	189.88	-2.1
IV. Mineral Fuels, Lubricants & Related Materials	14.69	12.10	-17.63	107.81	84.18	-21.9
V. Animal & Vegetable Oil & Fats	7.17	11.95	66.67	21.46	19.30	-10.1
VI. Chemicals	17.47	23.70	35.66	165.41	281.37	70.1
VII. Manufactured Goods	540.48	603.01	11.57	340.85	250.20	-26.6
VIII. Machinery & Transport Equipment	16.47	43.63	164.91	775.42	516.41	-33.4
IX. Miscellaneous Manufactured Articles	34.00	46.55	36.91	29.45	24.72	-16.1
X. Commodities and Transactions not classified into kind	6.81	5.50	-19.24	26.20	88.61	238.22
Grand Total	1263.11	1356.34	7.38	2219.30	1858.87	-16.2

Source: Economic Times, Bombay, Oct. 8 and 10, 1969.)

Some reactor manufacturers now state that their estimate of such average capital plant costs is about \$ 170/kWe. However, larger sized plants of 1,200 to 1,300 MWe which are now being offered for sale, may show lower capital plant costs of around \$ 145 to \$ 150/kWe. The National Coal Association reports that capital costs for fossil plants at the present time are around \$ 140/kWe.

US NUCLEAR POWER PLANTS
(December 31, 1969)

	Kilowatts
16 operable	4,271,700
48 being built	38,455,200
34 planned (reactors ordered)	30,883,000
8 planned (reactors not ordered)	7,645,000
TOTAL :	81,254,900

(US AEC release dated January 13, 1970).

ELECTRIC POWER IN JAPAN
1969-78 (Projected)

	Construction MWe	To be commissioned MWe
Hydro	15,290	11,470
Thermal	54,730	50,360
Nuclear	33,730	15,710
TOTAL	103,750	77,540

Atoms in Japan, January 1970)

INDIA

In 1960, the Indian Atomic Energy Commission submitted its first concrete proposals to the Planning Commission for setting up atomic power stations in India. The Atomic Energy Commission made the modest claim that it was "fairly soundly established that the cost of electricity from nuclear power stations" even at that time was "roughly equal to the cost of electricity from conventional thermal stations remote from the coalfields". It may be pertinent to mention here that a few years later, the Energy Survey Committee appointed by the government in 1965

POWER PRODUCTION IN USA

Announcements	Fossil MWe	%	Nuclear MWe	%	Total MWe
1968	20,196	59	14,278	41	34,474
1967	32,320	55	26,460	45	58,780
1966	20,096	47	22,477	53	42,573
1965	15,928	73	6,009	27	21,937

(The Nuclear Industry, 1968—US AEC, Pages 95 & 99)

clearly expressed the view that at the time of the report nuclear power was already competitive with conventional thermal stations situated more than 600 miles from a coalfield."

Effect on Coal and Oil Consumption

It has been estimated that for 1968-69 roughly 31 per cent of energy consumed for commercial purposes is based on the use of coal, about 48 per cent on oil and about 11 per cent on electrical energy. It has further been estimated that during the 1973-74 period, the corresponding figures will be 22.5 per cent for coal, 54.5 per cent for oil and 23 per cent for electricity.

It is clear from the above statistics that the role of oil in the overall energy consumption picture will, according to present indications, increase gradually. It is also clear that if steps are taken to accelerate the power programme including the nuclear power programme, a substantial fraction of energy consumption based on imported oil can be substituted by nuclear power.

The Planning Commission endorsed the proposal of the Atomic Energy Commission to launch the development of an atomic power programme and its recommendation was accepted by government. Amongst the factors that encouraged government to launch the programme were firstly, the availability of a group of talented, trained and devoted scientists and engineers at Trombay, who had acquired familiarity with the new technology through the construction on their own unaided effort of two research reactors, ASPARA and ZERLINA and in collaboration with Canada, the Canada India Reactor (CIRUS); secondly, the location of resources of uranium in Bihar and thorium in the monazite sands of Kerala; thirdly, the success of Indian scientists in establishing the technology of the fabrication of uranium fuel elements required for CIRUS; fourthly, the inadequacy of hydel resources and coal and oil resources in the context of India's long term requirements; fifthly, the limited geographical distribution of coal resources in India; sixthly, the significantly lower fuelling cost of nuclear power stations, particularly if

the total real cost of coal including the effect of investment on rail transportation were taken into account; seventhly, the possibility of nuclear power stations operating at high load factor in certain grid systems in India, which would contribute significantly to the economics of nuclear power and last, but not the least, the importance of avoiding obsolescence involved in developing the technology too tardily. Any delay in launching the first phase of the development of nuclear power based on natural uranium would, it was recognised, delay the next generation of nuclear stations based on breeder reactors which would be competitive even with thermal stations close to coalfields. The chairman of the Atomic Energy Commission emphasised the importance of the last consideration in the following terms:

"Although the initial capital investment needed for nuclear power stations is higher today than that for thermal power stations of the same size, this additional capital investment must be considered necessary for larger purposes than power production. The major fraction of the nuclear power capacity will be installed in natural uranium power stations, which are dual purpose stations producing power on the one hand, and plutonium on the other. This plutonium is a concentrated fuel, which is not available from outside as a commercial commodity, and its production is essential in order to enable the country to set up breeder power stations using thorium or depleted uranium for the second stage of its nuclear power programme, which will have to be taken up about five years from now. Such power stations will also be much cheaper in capital cost than the present one, and the indications are that power from these may even be competitive with power from conventional thermal power stations near the coalfields. It will not be possible for India to take advantage of these new developments five years hence, unless steps are taken now to set up dual purpose power stations for producing plutonium".

The significance of the production of plutonium for the ultimate power programme of India was thus one of the major considerations for launching a power programme based on the use of uranium, though uranium is in relatively short supply in India. This was explained in the following terms by the late Dr Bhabha in his lecture "on the economics of atomic power development in India and the Indian atomic energy programme" delivered on September 6, 1957 in Dublin :

"It has been mentioned that the total reserves of thorium in India amount

to over 500,000 tons in a readily extractable form, while the total known reserves of uranium are less than a tenth of this. The aim of a long range atomic power programme in India must, therefore, be to base the nuclear power generation as soon as possible on thorium rather than uranium. Once concentrated fuel in the form of uranium-235, or uranium-233, or plutonium, is available, it should be possible to generate power in breeder reactors which breed more fissionable material uranium-233 or plutonium in the source materials thorium and natural uranium than they burn. The reactor at Dounreay is a large-scale experiment in this direction, and if it succeeds in breeding and at the same time is shown to be safe and easy to control, it should open up a new chapter in the generation of atomic power. There are other possibilities of breeding, as for example, with heavy water moderated reactors. Since all power reactors intended for breeding appear to require the use of enriched or pure fissionable material, a self-sufficient programme must provide for the production of such material.

The Best Way

As far as India is concerned, we consider isotope separation plants for the production of Uranium-235 by the presently known methods out of the question, due to their high cost, and even more because of their enormous consumption of electric power. The best way of obtaining fissionable material appears to be to produce plutonium as a by-product in atomic power stations working on natural uranium. A simple calculation shows that a million kilowatts of installed electrical capacity in nuclear power plants would yield approximately 900 kilograms of plutonium per annum. This could be used to fuel the second stage of atomic power stations intended to breed, and which could therefore be fed thereafter only with thorium. The plutonium produced in the natural uranium nuclear power plants would therefore be used to install new electrical capacity each year. The amount of new electrical capacity which could be started off annually, to be fuelled from the plutonium produced in natural uranium reactors having a million kilowatts of electrical capacity, would depend on several questions, the answers to which are not known or not known sufficiently accurately. One must await the results of the experiments which are being done in the United Kingdom, the United States, the USSR on large-scale experimental power plants before reasonably accurate planning is possible. The Department of Atomic Energy is at present engaged in working out various possible power programmes with dif-

ferent assumptions regarding the data required. stations may begin to operate by about 1965. In order that enough plutonium should be available at that time for fuelling such stations, it is clearly neces-

ALLOCATIONS TO DEPARTMENT OF ATOMIC ENERGY
(Fourth Plan)

Sector	Final allocation requested	Allocation approved by the Planning Commission.	Cut imposed by the Planning Commission
Research & Development	96.42	67.48	28.94
Industries & minerals	82.88	66.45	16.43
Power	218.80	135.00	83.80
TOTAL :	398.10	268.93	129.17

SPACE RESEARCH PROJECTS IN THE FOURTH PLAN
(Rs lakhs)

Project/Unit	Capital outlay	Revenue requirements	Total requirements
1. Indian Space Research Organisation		14.00	14.00
2. Experimental Satellite Communications	140.00	344.00	484.00
3. Thumba Equatorial Rocket Launching Station (including housing and excluding gift from United Nations Development Fund).	110.00	340.00	450.00
4. Space Science and Technology Centre (including rocket development)	145.00	1279.00	1424.00
5. Rocket propellant plant	60.00	90.00	150.00
6. Rocket fabrication facility	104.00	216.00	320.00
7. Shriharikota Range	125.00	145.00	270.00
TOTAL :	684.00	2428.00	3112.00

EXPENDITURE ON SPACE RESEARCH
(Rs million)

Year	Country			India (Staff)
	Japan	France	India	
1961	11	60		
1962	17	140	2.53	46
1963	25	260		
1964	53	380	2.32	70
1965	70	550	5.49	110
1966	89	820	9.09	127
1967	110	900	15.19	471
1968	149	820	24.06	1123
	524	3930	58.68	
1969			34.93	1800 (approx.)
1970			73.89	2400
1971			62.74	2900
1972			63.18	3300
1973			64.59	3600
			303.83	
GRAND TOTAL :			362.51	

sary to start on an atomic power programme based on natural uranium reactors very soon...".

Note : This figure was calculated on the basis of the performance of gas cooled graphite moderated reactors, in which the fuel burnup is only of the order of 3000-4000 MWD/tonne. In the heavy water moderated and cooled reactors of the CANDU type which are under construction at Rajasthan and Madras, the fuel burn-up can be doubled and fuelling cost thereby lowered considerably. As a consequence of the higher burn-up however, the yield of plutonium will decrease and a million kilowatts installed generating capacity in Candu reactors will only yield about half the quantity of plutonium, viz., 450 kilograms approximately. Therefore, at least about 2 million kilowatts of Candu type reactor capacity will have to be installed to produce 900 kilograms of plutonium per year which would be sufficient to support a programme of one 400-500 MWe size fast reactor every other year.

Plan for the Growth of Nuclear Power

The original targets suggested in 1954 by DAE were

- 600 MWe by 1970-1971
- 3000 MWe by 1975-1976
- 8000 MWe by 1980-1981

In 1965 the Energy Survey of India Committee forecast :

- 600 MWe of nuclear power by 1970-1971;
- 2000 MWe of nuclear power by 1975-1976; and
- 5000 MWe of nuclear power by 1980-1981.

More recently the plans proposed by the Atomic Energy Commission were the following :

In addition to the two units at Tara-

pur (380 MWe), two units at Rajasthan (400 MWe) and the one unit at Madras (200 MWe), one more unit at Madras (200 MWe) was suggested. It was also proposed to have three units each of 500 MWe scheduled for completion successively in 1977, 1978 and 1979 so that by the end of the fifth Plan, a total of 2700 MWe of nuclear power could be installed. The present position however is that while the second unit of the Madras station has been approved, the other units proposed have not been approved.

From the point of view of our nuclear power strategy immediate approval of the additional installed nuclear power capacity is of great importance; for, the average time-lag between approval of a project and its coming on stream should be between five and six years. Hence unless decisions regarding the three 500 MWe units are taken immediately, we cannot hope to complete them by the end of the fifth Plan period. It is known that in heavy water moderated and cooled reactors of the CANDU type, 2000 MWe of installed capacity will at 100 per cent load factor (or about 2700 MWe of installed capacity at 75 per cent load factor) produce 900 kilograms of plutonium per year which would be sufficient to support a programme of one 400 to 500 MWe size fast breeder reactor every other year. Because of our limited uranium resources we cannot indefinitely go on with the natural uranium fuelled heavy water moderated reactors. In any case, from the point of view of fuel utilization efficiency it is inevitable that we should enter the second phase in which we use plutonium fuelled fast breeder reactors which will then produce more plutonium-239 or uranium-233 than the fuel actually used up by them. Because of the reasonable amounts of

depleted uranium we will have and the enormous resources of thorium that we possess, the importance of initiating this second phase as early as possible is obvious. It is anticipated that in the third phase uranium-233 produced in the second phase by irradiation of thorium will be used as fuel and more thorium will be used as fertile material to produce fissile material, i.e., U-233.

A firm commitment by government to a nuclear power programme for a ten-year period (in the present case to have an installed capacity up to 1980 of 2700 MWe) is a prime necessity for making sustained progress for R & D as well as for the industrial infrastructure.

A major R & D effort would be the indigenous design and development of 500 MW advanced thermal reactors using natural uranium with slight plutonium enrichment to permit the use of light water as a coolant.

An important factor which will influence costs of nuclear power projects in India would be the introduction of enriched uranium in the Indian programme using the gas centrifuge process. This involves not only sophisticated chemistry and machine technology, but also materials which are strong and corrosion resistant, such as carbon filaments.

The impact of using slightly enriched uranium in our nuclear programme is borne out by a comparison of current capital costs per installed KW of the CANDU nuclear stations which is about Rs 3,150 with the cost per installed kW of SGHWR stations which is only Rs 1,850 per kW.

The final allocations requested by the Department of Atomic Energy, and those approved by the Planning Commission for the fourth Plan are tabulated on page 1141.

Foreign Collaborations

DURING THE quarter, January-March 1970, government approved 43 cases of foreign collaborations. Ten of these involved financial collaborations. There were eleven collaboration cases with the UK, nine with West Germany, six with the USA, two each with Switzerland, France, Australia, East Germany and Japan, and one each with Bermuda, Finland, Holland, Hungary, Italy, Kenya and Norway.

Name of the Indian Company	Name of the foreign collaborator	Item of manufacture
INDIA-AUSTRALIA		
M/s Indian Oxygen Ltd., Oxygen House, Taratala Road, Calcutta-53.	M/s Cobalide Industrial Pvt. Ltd., 85, Victoria Street, Alexandria, New South Wales, Australia.	Tabular Hard Facing Welding Electrodes.
M/s Premani Products, Near Ajod Dairy, Outside Gomtipur Gate, Ahmedabad-21.	M/s James Sandy Pvt. Ltd., Australia.	Aluminium windows, aluminium louvres and sliding windows.
INDIA-BERMUDA		
M/s Shaw Wallace & Co. Ltd, 4, Bank Shall Street, Calcutta.	M/s Skol International Ltd, P.O. Box No. 788, Vallis Building, Hamilton, Bermuda	Beer

1	2	3
INDIA-FINLAND		
M/s Lamp Caps & Filaments Ltd, 16, Khorshed Building, Sir Pherozechah Mehta Road, Bombay-1 (F).	M/s OY AIRAM A B, Pursimienhenk 29-31, HELSINKI-15 (Finland).	Tungsten Filament Wires.
INDIA-FRANCE		
M/s Steel Plant Pvt., Ltd, "SHIVAENUMH" 205, Dr A. Besant Road, Worli, BOMBAY-18. W.B. Praga Tools Limited, Secunderabad.	M/s Broyeurs Gondard, 33, rue des Bergers, Paris, 15 E., France. M/s Escofiers of France	Refuse Handling Treatment & Compost Plant Thread Rolling Machines.
INDIA-NORWAY		
M/s Geeta Engineering Works, Chunna Bhatti, Sion-Chembur Road, Kurla, Bombay-70.	M/s Tennfjord Mek. Verksted, Tennfjord, Norway.	Hydraulic Steering Gears.
INDIA-SWITZERLAND		
M/s American Refrigerator Co. Ltd., Block D-2, Plot No. 38-39, MIDC Akuridi, Chinchwad, Poona-19. M/s Pepega (Insulation and Packaging) Ltd., Plot No. 10, Opp. Haines Road, Worli, Bombay-18.	M/s Racine & Vickers Armstrong AG, Switzerland. Dr E. Rohrer of Biochemisches-Und, Physikelisch Chemisches Laboratoriu, Buchs SG (Switzerland).	Light weight high pressure hydraulic pumps etc. Insulation and packaging materials.
INDIA-UK		
M/s Auto Steering India Pvt. Ltd, Scindia House, New Delhi. M/s Associated Battery Makers (Eastern) Ltd, Barlow House, 59C, Chowringhee Road, Calcutta-20. Braithwaite & Co., (India) Ltd, Hide Road, Calcutta-23. Shri C.L. Kohli, 70, Golf Links, New Delhi. M/s Gladstone Iyall & Co. Ltd. 4, Fairlie Place, Calcutta-1 (F). M/s Indian Furnace Co. Pvt. Ltd, Lotus Cinema Building, 12, A Dr Annie Besant Road, Worli, Bombay-18. M/s Indian Dyestuff Industries Ltd, Mafatlal House, Backbay Reclamation, Bombay-20.	M/s S. Hillie & Co. Ltd, UK M/s Chloride Electrical Storage Company, UK M/s Giddings & Lewis-Fraser Ltd., Scotland. M/s Windboats Ltd, UK M/s Water Craft Ltd, UK. M/s Gibbon Brothers Ltd, UK. M/s Albright & Wilson Ltd, Associated Chemicals Companies Division, P O Box 28, Beckwith Knowle, Harrogate, Yorkshire, UK. (1) M/s Neil and Spencer Ltd, England. (2) M/s Thomas Broad Bent & Sons Ltd England. (3) M/s Isaac Braithwaite & Sons Engineers Ltd, England and (4) M/s Em 'D' Hooze & Co. Belgium. M/s MCB Co. (Lupus) Ltd, Lupus Works, Industrial Estate, Winsford, Cheshire (England).	Polypropylene Chairs. Storage Batteries. Roll formers. Ferro-Cement fishing boats Glass Fibre Fishing Trawlers. Furnaces. Sodium Hydrosulphite. Industrial laundry & dry-cleaning equipment. Miniature Circuit brakers. Hydraulic presses.
M/s Industrial Laundry & Drycleaning Equipment, Park House, 81, Woodhouse Road, Colaba, Bombay-5.	Fletcher & Stewart Ltd, Derby, England.	
M/s Turner Hoare & Co. Ltd, Wavell House, 15, Graham Road, Ballard Estate, Bombay-1.	M/s Pennsalt Ltd, Tower Works, Doman Road, Camberley, Sureey, UK.	Sharples Kason Vibro-screens & Super D-Canter.
INDIA-USA		
M/s Adarsh Chemicals & Fertilizers Ltd, Udhna, District Surat, (Gujarat State). M/s Allied Resins & Chemicals Ltd, 10-1, Elgin Road, Calcutta-20. M/s Modi Industries Ltd, Modinagar.	M/s Helcon International Inc, 2, Park Avenue, New York, NY.10016, USA M/s Scientific Design Co. 2, Park Avenue, New York, NY.10016, USA. M/s International B.F. Goodrich Co., Akron, Ohio, USA. M/s Bundy Corporation, Detroit, USA.	Maleic Anhydride. Maleic Anhydride. Automobile tyres and tubes. Bundy Weld Tubing.
M/s Murugappa & Sons, Tiam House, 11/12, North Beach Road, Madras. (F).		

1	2	3
M/s Ranbaxy Enterprises Pvt. Ltd, 15-A, Aurangzeb Road, New Delhi.	M/s Aviation Development Consultants Inc. America.	Carrying out activities in the field of Agro-Aviation.
M/s Sir Dorabji Tata Trust, Bombay House, Bruce Street, Fort, Bombay-1. (F)	M/s. Mc.Graw Hill Incorporated, New York.	Establishment of an educational publishing concern in India.
INDIA — WEST GERMANY		
M/s Dreefs India, 302, Usha Nagar, Dashera Maidan Road, Indore-2, Madhya Pradesh. (F)	M/s Ernest Dreefs, GmbH, West Germany.	Thermo-static Controls, Heat control switches HVS Relays and Time Switches.
M/s Elecon Engineering Co. Ltd, Vallabh Vidyanagar, Gujarat State.	M/s Hugo Aeckerle Co., Hamburg, West Germany.	Railway Wagon Shunting Units (Locos).
M/s Heavy Engineering Corporation Ltd., Ranchi.	M/s Demag, Lonchhomer Maschinenbau Und Stahlbau, GmbH, Dusseldorf Benrath, West Germany.	Bucket Wheel Reclaimers, Stackers with tripper car & wagon loaders.
M/s Hoechst Pharmaceuticals Ltd, Dugal House, Backbay Reclamation, Bombay-1.	M/s Hoechst AG, West Germany.	Establishment of a research centre.
M/s J.K. Synthetics Ltd, Kamla Tower, Kanpur.	M/s Karl Fischer Apparateu, West Germany.	Plants for the production of synthetic fibre.
M/s Kirloskar Oil Engines Ltd, Elphinstone Road, Poona-3.	M/s Farymann Diesel, 684,—Lampertheim-bei Mannheim Industriestrasse, Postfach 100, West Germany.	Air-cooled diesel engines in the range of 8 to 10 HP 3000RPM.
M/s Nestler Boilers Pvt. Ltd, Love Lane, Cross Lane, Byculla, Bombay-27. DD.	M/s Karl Fischer, West Germany.	Industrial dryers.
M/s. Toshniwal Industries Pvt. Ltd, Kachery Road, Ajmer.	M/s Hartmann and Braun, A G, West Germany.	Switch board investments.
M/s Telefunken India Ltd, G-4, N D. South Extension, -1. New Delhi-49.	M/s AG Telefunken, West Germany.	Plastic film capacitors, potentiometers & Gang condensers.
INDIA—EAST GERMANY		
M/s Rajendra Electric Motor Industries, 125, Kalbadevi Road, Bombay.	M/s VEB Electromotorenwerke, Thurn, GDR.	Flame/explosion proof motors.
M/s Jagson Pal & Co, 1520, Bhagirath Palace, P.O. Box No. 1143, Delhi-6.	M/s Deutsche Pharmazie Export and Import GmbH GDR.	X-Ray Contrast media.
INDIA—HOLLAND		
M/s Tirven, 164-A, Jorbagh, Post Box No. 226, New Delhi-3. (F)	M/s Hensen Rotterdam, N V Rotterdam, Holland.	Heavy Duty Cranes and wagon trippers.
INDIA—HUNGARY		
M/s Steyr India Ltd, C/o The Austrian Foreign Trade Office in India, "The Beacon", Fereshore Road, Opp. Sachivalaya, P B No. 1385, BOMBAY-1.(F)	M/s Steyr Daimler of Austria and M/s Komplex Dutra of Hungary.	Steyr agricultural tractors.
INDIA—ITALY		
M/s Plastic Products Ltd, Kamla Tower, Kanpur.	M/s F. LLi Ceccato, Filier per Fibre Tessili, Italy.	Soinnerett (Rayon Mill machinery).
INDIA—JAPAN		
Shri C.L. Anand, 332-A, Srimandeth Road, Ravipuram, Ernakulam, Cochin-18. (F)	M/s Toshiba Rayovac, Co., Japan.	Dry Cells.
M/s Injecto Pvt. Ltd, 6, Industrial Cum-Housing Estate, 20/5, Mathura Road, Faridabad.	M/s Hitachi Ltd, Japan.	Carburettors suitable for Nissan & other defence vehicles.
INDIA—KENYA		
M/s Relaxa India, 6, Ramesh Nivas, Opp. Shyam Nivas, Warden Road, Bombay-26. (F).	Shri Chandubhai K. Patel, Director of Kenya Industrial Corporation Ltd, Mombassa (Kenya).	Spring mattresses, block mattresses, quilts and feather pillows.

Note: 'F' indicates cases involving financial participation also.

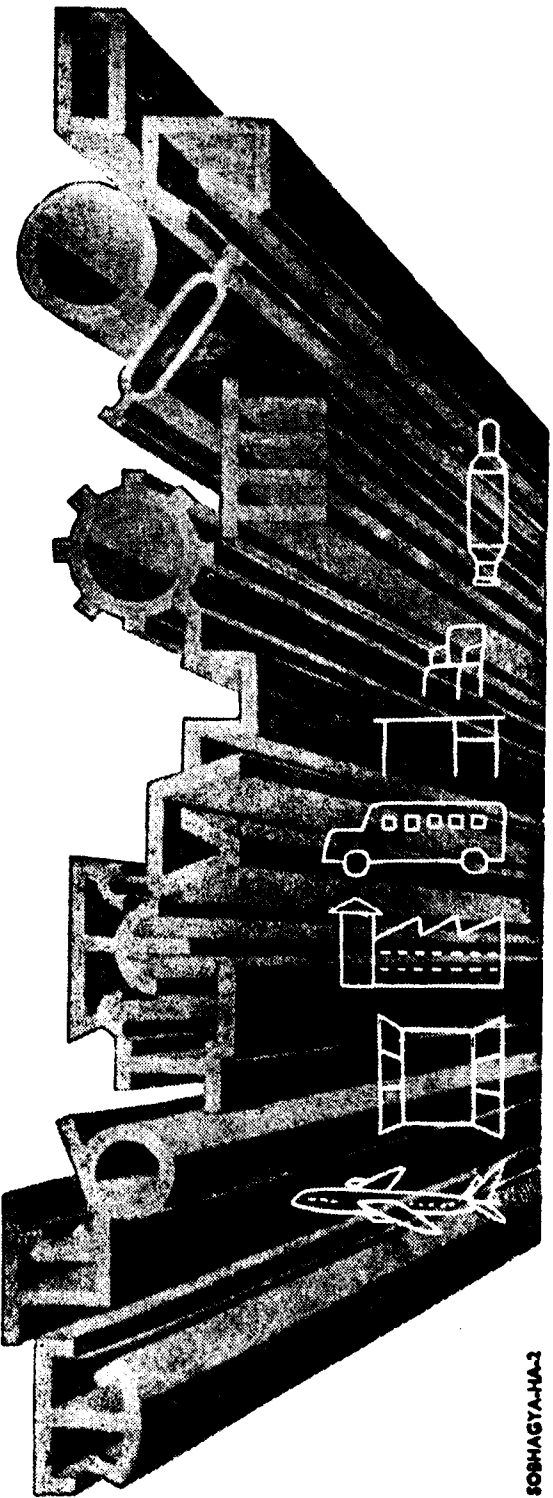
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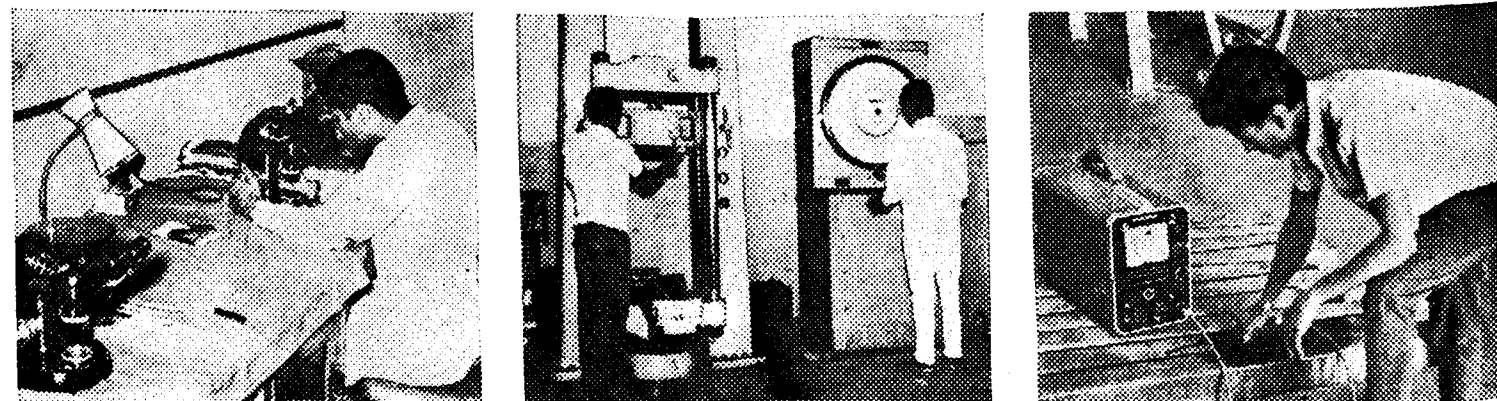
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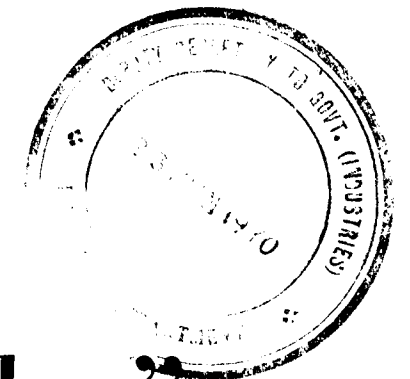
₹ 1.50 JUNE 19, 1970 VOL. 54

BANK NATIONALISATION: "FOLLOW-UP"

It is almost a year since the 14 nationalised banks here started giving loans for petty traders without deposits or mortgages. A review has revealed that the scheme has not been successful.

In a number of cases, the loans extended about a year back have not been repaid, not even a monthly instalment. A washerman who secured Rs 300 as loan for improving his business had shifted his business premises to an unknown place.

—From *The Hindu* of June 14.



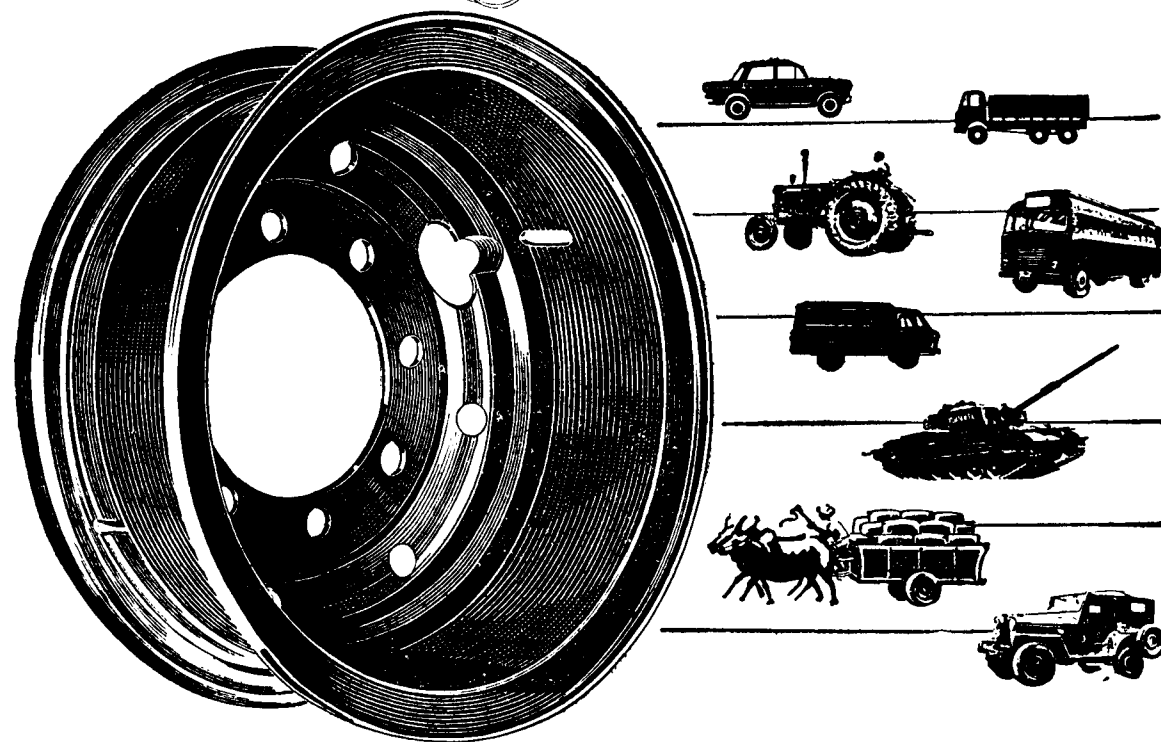
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THE BIRTH OF A "DOBRA"

THE LIFE of zoo superintendents, having to act as keepers to caged animals, must essentially be dull in its hundreds of routine details. Hence, perhaps, the disposition among these officials to amuse themselves with bizarre attempts at cross-breeding. Tigers have been mated with lionesses and lions with tigresses — and these have been only two of a numerous medley of quixotic combinations. The latest exercise in this genre has been reported from the Mysore Zoo which has celebrated the birth of an offspring to a female zebra which had been mated with a donkey. The resultant foal — which has been promptly named "a Dobra" — is said to have the ears of a donkey and, on its legs, the markings of a zebra. What evolutionary purpose this odd beast would serve remains to be seen.

Meanwhile, it is interesting to note that the itch to play God does not afflict zoologists alone, but is spread among small men or women everywhere. For instance, the politicians, who assembled for a party conference in New Delhi last week-end, produced a political creature as strangely mixed as any that the Mysore Zoo or any other zoo could have conceived. This is the policy declared to be that of the new Congress on matters of current national importance. The framers of this policy have tried to "cross" the people's abhorrence of communalism with their (the people's) fear of communism and tried to breed from this union an animal on which a particular political party might hope to ride to victory at the next general election. The donkey's ears and the zebra's weird markings, however, are only too clearly on display.

It is, of course, true that the country has been witnessing far too many outbreaks of communal violence. Disgraceful at all times, they have now become intolerable in the light of the dimensions they assumed recently in Gujarat and Maharashtra. This communalism certainly must be fought off if the nation is to survive in dignity. This good fight has to be waged at two levels. The forces of law and order should be made strong enough and responsible enough to curb communal riots in the first instance and punish adequately those who might, nevertheless, have managed to participate in such disturbances. Simultaneously, political parties which claim to be constructive and non-communal should continuously carry on educative propaganda among the people to promote inter-communal understanding and amity. These prescriptions may seem familiar, but there is no alternative to patient and painstaking adherence to them.

To attempt to exploit communal disharmony or tensions for political purposes would be to aggravate them. We fear that the new Congress is running the risk of its leadership exploiting the issue of communalism for the party's short-term political gains. While it may be possible for this party to derive some temporary advantages by identifying the Jana Sangh with Hindu communalism, it can do so only at the cost of communalising politics further and interrupting the evolution of a multi-party system geared to broad national ends. Given the prevailing psychology of mutual antagonism and distrust which has come to colour the thought and conduct of large sections of the Hindu and Muslim communities, it will be unwise to force the Jana Sangh, which has grown to be one of the major political organisations in the country, into a corner and thereby compel it to become purely a party of Hindu communalism. In recent years, the Jana Sangh has been thinking in terms of a political orientation or programme which would lay the main emphasis on social and economic objectives. This trend should be encouraged, rather than thwarted by responsible men and women to whichever political party they may belong.

Suggestions for dealing with communalism which were made at this AICC session of the new Congress went as far as a demand for a ban being imposed on certain political parties or organisations, two of which were specifically named. In comparison, the formulae canvassed for countering "Left adventurism" were much milder. It seems as if there was a conspiracy among this party of Congressmen not to whisper even the names of the CPI and the CPM in this connection. The tactical approach seemed to be to treat Left violence as the aberration of a lunatic fringe of the communist movement in our country. The truth, of course, is that Naxalite violence is only a particular expression of the general philosophy of political violence in the light of which the entire communist movement, irrespective of its factional divisions, functions. By refusing to recognise this grim reality, the new Congress AICC has only confirmed the apprehension in the minds of our

people that this party, inspired by narrow political calculations, is determined to play down, if not play up to the communist forces which are threatening the stability of our political and economic systems.

This journal, therefore, regards it as its duty to tell the new Congress and its leaders that it will be a gross betrayal of the country if this party were to exploit the communal evil as a diversion and thereby distract the attention of the nation from the communist danger. While we would wholeheartedly agree that even one communal riot is a riot too many, we are firmly of the opinion that communalism can be effectively handled as a law and order problem when it

attempts to express itself in overt violence and that in other circumstances, it is best dealt with as a problem in the political education of our people. The communist danger, on the other hand, is already of far more formidable proportions. Communist violence has already immobilised one whole state, viz., West Bengal. It has terrorised areas of Kerala and Andhra Pradesh and it is now raising its ugly head in Assam and elsewhere. There can be no honest doubt at all wherein lies the most immediate as well as the most serious threat to the nation's security and well-being. Politicians must therefore realise that it may not be easy to mislead the people on this issue.

Urgency of Deposits

CONTRARY to the opinion held in banking circles in 1968, when there was a problem of utilisation of funds, that the expansion of credit in a big way to new classes of borrowers may not create any difficulties for the existing constituents, there is anxiety now in banking circles about how additional deposits can be mobilised and the needs of all categories of borrowers met fully. Though there was a slowing down in the growth of deposits in the latter half of 1969 due to uncertainties created by the nationalisation of banks, a revival in economic activity and other factors, the additions to resources of Indian scheduled banks in the current year so far have been quite encouraging. If there is a repetition of the happenings of earlier years, a new growth rate in deposits may be established in 1970. The larger working funds at the disposal of banks, however, have not been found adequate for satisfying the requirements of industry and trade and extending credit liberally to small borrowers in the priority sectors. After the grant of loans to borrowers, small entrepreneurs and others for the purchase of agricultural inputs, pump-sets, tractors, machinery, raw materials and other items, the banking system is now compelled to adopt a cautious policy as available resources have been fully extended.

The slower expansion of credit in new directions has been responsible for the complaint voiced in some quarters that follow-up action on the part of the government after the nationalisation of major banks has not been vigorous enough and new instructions should be given by the Reserve Bank to the different institutions for sanctioning loans to needy farmers and others in the rural areas so that they could use larger inputs for raising agricultural and industrial production.

The tight position of scheduled com-

mercial banks will be evident from the fact that, in the 12 months ended May 22, 1970, deposits increased by Rs 648 crores. Against this, advances rose by Rs 575 crores. There had to be additions to investments by Rs 88 crores for fulfilling statutory obligations while, with the opening of a larger number of branches, cash balances had to be maintained at a higher level, these balances rising by Rs 39 crores. It was, therefore, necessary to borrow additionally from the central banking institution Rs 127 crores and total borrowings on May 22, 1970, stood at the fairly high level of Rs 260 crores. It was not possible to borrow on a larger scale as the monetary authorities had restricted refinance facilities in order to prevent the undesirable expansion of credit or the accentuation of inflationary pressures in some directions.

It may be recalled that the Reserve Bank restricted refinance facilities early in the 1969-70 busy season and also made it very difficult for borrowers to get credit against raw cotton and oil-seeds by imposing heavier margins. The statutory liquidity ratio too was raised by two per cent in two stages. In spite of the new restrictions, the expansion of credit up to May 22, 1970, from December 26, 1969, was as much as Rs 507 crores against Rs 448 crores in the corresponding period in 1969, while even with a big rise in deposits it became necessary to borrow heavily from the Reserve Bank, which had to provide discretionary accommodation in excess of the permissible limits for enabling banks to meet their commitments.

Though the busy season was technically over by the end of April, member banks are still finding themselves in an awkward position. In the past two seasons a new complicating factor has

arisen in the shape of procurement operations by the Food Corporation of India and other agencies. Heavy purchases of wheat are made by these agencies in May, June and July in the main growing areas and about three million tonnes of wheat are involved. There has to be an expansion of credit of over Rs 200 crores for this purpose. It has been reported in the past few weeks that, in spite of the brisk activities of traders and the enlargement of the wheat zone, the Food Corporation of India has been buying wheat heavily in Punjab and large amounts have to be paid to the farmers against these purchases. Luckily, advances to other borrowers tend to decline during this period while, with the marketing of bumper harvests, deposits increased at a fast rate at the same time.

This will be evident from the fact that, between December 27, 1968, and May 23, 1969, deposits increased by Rs 256 crores while between May 23, 1969, and July 4, 1969, the additions were as much as Rs 189 crores. If there was a repetition of the happenings of the first half of last year in 1970, it would be justifiable to presume that the growth in deposits would be easily Rs 450 crores. In earlier years it has always happened that the increase under this head took place at a faster rate in the remaining months of the slack season, which would indicate that, barring unexpected developments, the scheduled commercial banks can hope to mobilise as much as Rs 800 crores in 1970 as against Rs 645 crores in 1969.

This achievement will certainly be impressive and the opening of a large number of new branches in new areas should lead to the emergence of new trends in deposits in the coming years. But even with the prospect of banks getting additionally over Rs 500 crores in seven months, the position at the beginning of the next busy season may not be quite comfortable. If the heavy borrowings from the central banking institution have to be wiped out, 50 per cent of the additions to resources will have to be utilised for this purpose. There is bound to be a net increase in advances by at least Rs 50 crores while investments will be higher by another Rs 150 crores as large support will have to be extended to the loans of state electricity boards and public bodies besides the borrowing programmes of the central and state governments. As the busy season commences from November and some part of the additions to deposits will take place in the last two months, unless there is a careful policy in regard to fresh expansion of credit and there are liberal refinance facilities, banks may find it difficult to implement new schemes.

If, however, the special problems of

the next busy season are satisfactorily solved, the adjustments to the new situation will have been largely completed by this time next year though the emphasis will have to be all the time on the mobilisation of additional resources. The developments in the past one year

Does It Pay to Advertise Our Tea ?

IT SEEMS curious indeed that the more money India spends on export promotion of tea the less foreign exchange she is able to earn. The earnings of foreign exchange from tea declined from Rs 180.2 crores in 1967-68 to Rs 156.5 crores in 1968-69 and to Rs 112.1 crores in 1969-70 (up to January). But the expenditure on foreign promotion of Tea Board sharply increased from Rs 66,28,268 in 1964-65 to Rs 110,25,216 in 1968-69. The increase in expenditure on unimotional promotion was from Rs 51,42,137 in 1964-65 to Rs 53,09,361 in 1968-69 and on generic promotion from Rs 14,86,131 to Rs 57,15,855.

The set-back to our tea exports is attributed to the over supply in world markets, the fall in prices and the competition from other beverages. But these factors do not adequately explain the steep decline in our exports in recent years. It is significant that in many important markets, while Indian tea has received a set-back, other suppliers have been able to increase their exports.

For example, in 1969, Kenya's tea exports to Britain increased by 16.1 per cent over 1968 from 45,103,000 lbs to 52,366,000 lbs and in value by 2.9 per cent, from £8,270,000 to £8,509,000. But tea exports from India to Britain in this period declined by nearly 40 per cent in quantity and 41.2 per cent in value.

Our export performance in Australia has been even more disappointing. In 1968-69, India was the only supplier whose tea export to Australia declined compared to the previous year as given in Table I.

In the USA also our tea has not done well. Our tea exports to that country declined from \$19,347,000 in 1968 to \$11,179,000 in 1969.

But in all these countries we have been spending substantial sums of money on tea propaganda. Table II shows the expenditure on generic promotion of tea, that is, in combination with other producing countries and the local tea trade.

The tea campaign, generic and unimotional, is conducted through seve-

clearly indicate that banks have not had any difficulty in utilising resources even with a doubling of deposits from the level of 1967. Indeed, there will have to be a greater drive for securing deposits for fulfilling the new responsibilities.

ral media such as television, advertisement in newspapers, periodicals, participation in exhibitions and fairs and demonstrations. The time has now come to review critically our publicity techniques and examine where and how it is possible to make them more effective. For example, the Tea Board sponsored the visit of a British cartoonist to Indian tea estates and arranged the publication of a children's book, "Taresh, The Tea Planter". Is publicity aimed at children in this manner likely to yield substantial results?

The Tea Board's participation in international fairs offers scope for

improvement. Consider, in this context, the following extract from the report of an Indian delegation which visited Yugoslavia last year at the time of the Zagreb Fair: "The Tea Board did well in opening a stall at the Fair where several hundred cups of the hot beverage were distributed free to visitors. But this was done in a routine manner. The Tea Board had not made arrangements to explain to the visitors the correct technique of preparing tea. This should have been done since the Yugoslavs, being accustomed only to coffee, do not know the right method of preparing tea. No attempt was also made to explain to the visitors that what was being served to them in cups was Indian tea. There was no poster or literature in Yugoslav language describing Indian Tea."

Our tea publicity hitherto has been concentrated on the countries of west Europe and the USA. Besides intensifying this publicity and making appropriate changes in the techniques, it is necessary to penetrate into new markets. In west Asia, and east and south-east

TABLE I
TEA IMPORTS INTO AUSTRALIA

	1967-68		1968-69	
	Quantity (lbs)	Value (\$'000)	Quantity (lbs)	Value (\$'000)
Ceylon	35,555,108	13,198	38,477,349	13,258
China (Mainland)	655,222	223	902,355	261
India	14,076,196	5,507	12,256,316	4,278
Indonesia	8,782,303	2,388	12,105,236	3,402
Kenya	454,151	191	1,486,848	573
Malaysia	674,144	241	766,600	263
Papua and New Guinea	Negligible	..	195,824	86
United Kingdom	76,126	60	507,379	344

TABLE II
GENERIC PROMOTION (In rupees)

Name of the Council	Actuals				
	1964-65	1965-66	1966-67	1967-68	1968-69
Tea Council, Ireland	66,803	1,00,196	1,56,706	1,58,315	1,35,673
Tea Council, USA	5,84,725	4,48,596	12,14,304	9,03,172	8,60,222
Tea Council, Canada	1,74,435	1,67,289	2,48,010	3,48,025	3,35,489
West German Tea Propaganda Corporation	3,08,074	2,96,564	4,86,818	4,36,819	4,39,494
Tea Council, Australia	1,55,986	3,08,877	3,89,342	2,96,252	2,11,506
Tea Council, France	1,96,108	1,95,556	3,07,326	3,07,220	3,07,692
Joint campaign for tea promotion in the UK	..	25,00,000	29,74,997	36,74,597	33,91,825
Tea Council, New Zealand	..	..	42,263	42,105	33,956
Total Generic Promotion	14,86,131	40,17,078	58,19,766	61,66,505	57,15,855

Asia scope exists for Indian tea in many countries particularly in Kuwait, Japan and New Zealand. Ceylon tea has been able to dominate these countries not only because of better publicity but competitive prices. The quality of Indian tea is superior but its price is also higher by 15 to 20 per cent than that of Ceylon tea. The unit value per kg. of tea exported from India to Iran in 1967 was Rs 9.18, to Kuwait Rs 5.69, to Saudi Arabia Rs 8.73, to Australia Rs 4.74, and to New Zealand Rs 5.46. But the unit value per kg. of tea exported by Ceylon in the same year to these countries was Rs 5.63, Rs 4.07, Rs 4.66, Rs 4.62 and Rs 4.92, respectively.

It is necessary therefore to give adequate attention to make the prices of

Indian tea competitive especially in relation to Ceylon. Regular supplies are no less important. Failure to supply in time has been an important factor in our losing the Sudanese market. For the year July 1969 to June 1970, Sudan had agreed to import from India tea valued at £3,000,000 but actual imports were worth only £1,098,856 up to March 31, 1970. The Government of Sudan recently complained to New Delhi about irregular arrivals of Indian tea.

In our drive to export more tea, we have not only to conduct our publicity campaign with more imagination and less expense but, at the same time, watch carefully the trend of prices and timely shipments.

Raw Jute Crisis

HAVING COMMITTED itself ideologically to intervene directly in the foreign trade of the country, the central government owes it to the nation to be businesslike in coping with the problems of imports or exports. In the case of raw materials for industry especially, it is very necessary that the government should be able to move in time to ensure that imported supplies are available when needed and in the quantities required. The government's record in this matter has not been either encouraging or reassuring. This is for the reason that the Finance Ministry seems to have developed an occupational resistance to proposals involving the expenditure of foreign exchange. While this conservative attitude is admirable up to a point, it could be self-defeating when persisted in to the detriment of production in export-oriented industries. Because of the strategic position which the Finance Ministry enjoys in the government, other ministries pleading for imports of raw materials or other essential goods seem usually to be at a disadvantage and however earnest their own intentions may be, they often find themselves at the losing end of the argument.

It is to be hoped that this will not be the case with regard to the import of raw jute from Thailand which has become urgently necessary for ensuring uninterrupted production in the jute industry in the country. For several months now it has been evident that there will not be enough domestic jute to cover the requirements of the jute industry during the year 1970-71. This is because one short crop is threatened to be followed by a still shorter crop. The annual mill consumption of raw jute is of the order of 6.3 million bales. In addition, about 400,000 bales of the fibre are needed for other domestic

consumption or export. As against this, the 1969-70 jute crop amounted to only about 6.8 million bales, thereby disappointing expectations of a harvest of 7.5 million bales. The jute industry has therefore had to live from hand to mouth and has not been able to build up stocks out of the last crop. Now it is faced with the prospects of a still smaller crop in 1970-71, thanks to drought earlier in the year and heavy rains in West Bengal some days ago.

The Government of West Bengal has assessed the prospective crop in the state for the year 1970-71 at 75 per cent of the normal and on this basis, the total production of raw jute in the country is likely to be around six million bales only, or even less than the normal require-

ments of the mills. It has consequently become necessary to supplement domestic production with imports of raw jute as had been done on similar occasions in the past. The industry has been aware of this developing contingency for quite some time and had been pressing the government to permit the import of raw jute from Thailand.

At the time this suggestion was first made, supplies were easily available in that country and the prices too were attractive. Thanks to the delay in the government arriving at a decision the situation has changed for the worse, but even now it may just be possible to procure at reasonable prices about 400,000 bales of raw jute which represent the quantity immediately needed for ensuring continuous supply of raw material to the industry. The Indian Jute Mills' Association, it appears, is therefore vigorously representing to the Ministry of Foreign Trade the desirability of an early decision being taken for the import of this quantity of raw jute from Thailand. The government would, no doubt, want to satisfy itself about the quantum of imports that may be needed over the year 1970-71. It may certainly make such inquiries as it may consider necessary for this purpose. But this should not come in the way of action being taken immediately for preliminary imports of up to 400,000 bales from Thailand. Adequate data is already available with the government for sanctioning this volume of imports immediately since the indications are that the supplies which will be available with the mills at the end of August next could hardly suffice for more than three weeks.

Soliciting the Small Saver

THE NATIONAL Savings Reorganisation Committee (NSRC) appears to have expressed the view (in its report which was recently submitted to the Prime Minister) that it would be possible to raise up to Rs 1,200 crores by way of small savings in the fourth five-year Plan period as against the target of Rs 745 crores fixed by the Planning Commission. The net collection in 1969-70 — the first year of the fourth Plan period — under the various small savings schemes totalled Rs 126.55 crores only. It follows that, during the remaining four years of the plan period, the annual average collections will need to be more than doubled in relation to receipts in 1969-70 if the expectations of the NSRC are to be fulfilled. This appears to be a Herculean task if we go by the past performance of the national savings schemes and also by the budgeted estimate of not more than Rs 140.20 crores during the current year. It was only during the first Plan

period that the modest target of Rs 225 crores was exceeded by Rs 19 crores. During the second five-year Plan period there was a shortfall of about Rs 98 crores, the actual realisation being Rs 402 crores as against the target of Rs 500 crores. Again, during the third Plan period, collections aggregated to Rs 567 crores showing a shortfall of Rs 33 crores from the target (see Table I).

On what basis has the NSRC come to the conclusion that the sizable step-up in small savings suggested by it can be attained despite persistent failures in the past? The NSRC committee, it seems, has banked upon the various suggestions that it has put forward which, if accepted by the government, would, in its view, give and impetus to the small savings movement in this country. In fact, some of its suggestions have already been accepted by the government and they were incor-

porated by Mrs Indira Gandhi, the Prime Minister (who also holds the Finance portfolio) in her budget speech this year. The central aim of the changes made in the savings schemes was to make these securities compete effectively with other savings schemes especially those of commercial banks. Hitherto the workers associated with the small savings organisation had felt frustrated because the savings schemes that they were asked to sell to the people were not competitive enough. Despite their best efforts the officials, the agents and the workers of the small savings organisation had failed to win over a large number of savers who preferred to seek other avenues, particularly commercial banks which offered far more attractive terms than those of the small savings schemes.

The new savings schemes comprised three new savings certificates, three categories of time deposits and a recurring deposit scheme. In addition, some of the existing schemes were improved upon such as the "blocked deposit" scheme in the post office savings bank, the facility to have four per cent on savings bank account, improved maturity values on cumulative time deposits and the five-year fixed deposit accounts.

The most important feature of the new series of savings schemes is that the

rates of interest on fixed deposits in commercial banks and on small savings securities have been made comparable. For example, the savings accounts in commercial banks earn up to 3½ per cent per annum rate of interest. Only in the case of small commercial banks with demand and time liabilities below Rs 10 crores, the maximum rate of interest allowed on savings accounts is four per cent. The rules governing the post office savings deposits have now been changed so as to benefit the small savers and make the yield on deposits competitive. A depositor in a post office savings account can now earn four per cent interest on the minimum balance in his account during the year, provided the balance does not fall below Rs 100 at any time during the year. It implies that four per cent interest will be payable on the minimum balance which is maintained throughout the year (if the balance is not less than Rs 100) while on the remaining balance the rate of interest payable will be 3½ per cent per annum. This is certainly a positive step taken by the government to provide a marginal advantage for deposits in post offices over the deposits in large and medium-sized commercial banks.

Again, in the case of deposits for one year and above but for a period of less than two years, the usual rate of interest allowed by commercial banks is 5½

per cent, which also is the yield from the new scheme of time deposits with the post office with no special tax exemption. This scheme has been introduced from March 10, 1970, for the benefit of small savers who might be non-tax payers or who pay tax at low rates. In this case, only the relatively small banks have a small advantage over the post office. While the large banks do not pay more than 5½ per cent interest on deposits for periods between one and two years, some of the small banks with demand and time liabilities at below Rs 10 crores allow the maximum rate of six per cent per annum. In a competition between a small bank and the government-controlled post office, especially in the rural areas, this marginal difference of half per cent will not weigh heavily with the small saver; decidedly the post office will get preference over the small bank provided the post office personnel exhibit some business sense and treat the depositors at least with the same consideration as is shown by commercial banks.

For deposits of more than two years but up to and inclusive of three years, the rate of interest at 6½ per cent offered by the post office time deposits compares favourably with the large commercial banks which do not offer more than six per cent. The highest rate offered at 6½ per cent in the case of relatively small banks again does

TABLE I
SMALL SAVINGS COLLECTIONS (NET) (In lakhs of rupees)

	First Plan	Second Plan	1961-62	1965-66	Third Plan	1967-68	1968-69		1969-70 (budget)
							(Revised estimates)	(Preliminary actuals)	
Post Office Savings Bank Deposits*	111,19	142,31	35,55	88,69	212,64	58,45	60,00	50,47	68,00
National Defence Certificates**	95,76	220,07	43,08	29,78	254,93	40,21	39,32	32,96	40,95
Defence Deposit Certificates†	35,94	34,89	4,71	4,59	46,92	1,76	1,38	—3	80
Cumulative Time Deposits	..	2,63	3,24	9,77	34,04	12,05	15,00	16,38	16,00
Annuity Certificates	95	2,43	24	—17	32	27	—25	—22	—25
National Savings Certificates (I issue)	..	..	..	18,11	18,11	10,23	7,95	9,01	7,95
National Savings Certificates (bank series)	..	..	..	..	..	6	10	3	5
Five-Year Fixed Deposits	..	..	..	..	..	..	1,50	1,57††	1,50
Total (Annual Average)	243,84 (48,77)	402,33 (80,47)	86,83	150,77	566,96 (113,39)	122,49	125,00	110,17	135,00

*Include Dead Savings Bank Account and interest credited to depositors' account from time to time.

**Represent 12-year National Plan Savings Certificates upto November 15, 1962 which were substituted by National Defence Certificates since that date. Figures given are net of repayments in the old (Post Office) series viz. National Savings Certificates, 10-year National Plan Certificates, 12-year National Plan Savings Certificates and Post Office Cash and Defence Savings Certificates.

†Represent Treasury Savings Deposit Certificates upto November 10, 1962 which were substituted by Defence Deposit Certificates since that date. Figures are net of repayments on account of 10-year Treasury Savings Deposit certificates.

††Relate only to collection at Post Offices, information on receipts at offices of State Bank and its subsidiaries is not available. Source: Report on Currency and Finance, 1968-69.

not provide an incentive which, is strong enough to wean the rural saver away from the postal time deposits. In other words, the changes which have been made in interest rates in post office savings accounts and time deposits now do not put the small savings schemes under any disadvantage vis-à-vis commercial banks.

The government has discontinued the 12-year National Defence Certificates, the 10-year Defence Deposit Certificates and the 10-year National Savings Certificates (I issue) and has issued instead three new savings certificates. The first series is named as the Seven-year National Saving Certificates (II issue) in which case the amount invested including interest calculated at about five per cent per annum (compound) will be paid after seven years. Encashment before maturity will be allowed after three or five years. The interest on these certificates is exempt from income-tax. In the case of second series of Seven-year National Savings Certificates (III issue) interest at five per cent will be payable annually but the principal will be returned after seven years. Encashment before maturity will be allowed after three or five years. The interest on these certificates is also exempt from income tax. Because of this concession the sale of these certificates has been restricted to Rs 25,000 for an adult (or a minor) and to Rs 50,000 for two adults jointly or for an association. A co-operative society including a co-operative bank can invest up to Rs 100,000 in these certificates. These limits are applicable to investments in National Saving Certificates by taking both the issues together. These restrictions are essential because otherwise the market loan programme of the government would be adversely affected.

The third series is of the Seven-year National Savings Certificates (IV issue) which provides interest at 7½ per cent in which case interest is payable annually but the principal is returned after seven years. Encashment before maturity is allowed after three or five years. In this case, the rate of interest has been raised but it is subject to income-tax though there is no deduction of tax at source. In this case particularly, there is no limit on investment but only individuals including two adults jointly will be allowed to invest. Companies, associations and others are disallowed from investing in these certificates. All the three series have become more attractive by reduction in the maturity periods than the earlier long-period series.

A new scheme of deposits called the Post Office (time deposits) was introduced from March 16, this year. Individuals or two adults jointly may de-

posit sums in multiples of Rs 50 for one, three or five years in any post office. The interest is payable annually and is calculated at 6½ per cent per annum for five years. There is no limit on the monthly deposits. The interest will be subject to income-tax but tax will not be deducted at source. Another new scheme called the Post Office (recurring deposits) Scheme was introduced from April 1, 1960, for individual (or two adults jointly) called for deposits in multiples of Rs 5 monthly for a period of five years. The principal together with interest at the rate of 6½ per cent per annum is payable at the end of five years. Since interest is liable to income-tax, no limit on monthly deposits has been put. Both these schemes with taxable interest offer a good opportunity to the non-tax-payer in view of the exemption from income-tax allowed for income up to Rs 3,000 a year.

The NSRC has also suggested that the maximum limit of investment in small savings certificates for purposes of earning tax-free interest should be maintained at Rs 1.20 lakhs. This raises the question if small savings are really being made by persons with small means. Though no study has been made in relation to interest taken by men with small incomes in various small savings schemes, it is certain that a significant proportion of the investments made in these savings schemes is from persons or institutions which want to avail of their tax exemption provisions. Individuals are known to have availed of the post office savings bank facility in rural areas when no other facilities were available; in urban areas people had taken to the post office because of certain compulsions. For example, all persons desirous of purchasing a scooter or a car are expected to deposit fixed sums in the post office savings bank accounts till the day they are allotted the vehicle.

A sizable contribution is made by this section of urban population to the post office savings bank accounts. Table II shows the all-India collections under the various small savings schemes for the period April 1969 to February 1970. It is clear from this table that out of the net collections of Rs 76.06 crores in this period, as much as Rs 29.95 crores were raised under the post office savings bank accounts.

TABLE II
ALL-INDIA COLLECTIONS (Net)
(April 1969 to February 1970)
(In lakhs of rupees)

National Saving Certificates	934.35
National Defence Certificates	1858.17
Defence Deposit Certificates	—195.13
Annuity Certificates	—15.72
Post Office Savings Bank	
Deposits	2994.56
Cumulative Time Deposits	1683.15
Fixed Deposits	346.86
Grand Total	7606.24

The steps taken by the government in pursuance of the recommendations of the NSRC report are indeed realistic and were long overdue. They will certainly give a fillip to the mobilisation of resources through the small savings schemes but to expect that in each one of the years of the remaining fourth Plan period the collections would be more than double of those realised in 1969-70 is rather optimistic. The nationalised banks are already actively moving into rural areas in order to mop up rural savings, even though their rural branches are not in a position to cover their normal costs. Their net-work is being expanded vigorously. The workers of the National Savings Organisation will have to compete in an effective manner with those of commercial banks if they wish to attain the rather difficult target fixed for them by the NSRC.

Eastern Economist 25 Years Ago

JUNE 22, 1945

The public statements which Sir Akbar Hydari made on the eve of his departure for Great Britain and again on his return to India did not quite serve to dispel the mysteries surrounding his mission to London. It is more than two months since he returned to this country and it is only slowly that the practical results of this mission are beginning to reveal themselves to the public — not of course in the form of innocent Government communiques regarding the increased import of kerosene into India, but in the form of the immediate repercussions of the Government's policy on the economic life of the country. Orders to Indian industries for the Defence services are ra-

pidly falling off. It is reported to be the policy of the Government that all ordnance stores which would be surplus in Great Britain this year would be drawn upon by the Government while corresponding orders on Indian industries are cancelled; while in 1946 the British industries would supply whatever they are capable of supplying — only the residue being open to tender by Indian industries. This policy of diversion would be put through so ruthlessly that even dangerous stores like sulphuric acid would be imported from Britain although domestic production can fully meet both civil and military requirements.

Plea for a Positive Policy

R. V. MURTHY

It is a measure of the striking identity of views among the thinking sections of the public of this country today that both Mr A.H. Tobaccowala, President of the Association of Indian Automobile Manufacturers (AIAM), and Mr H.V.R. Iengar, who addressed the tenth annual general meeting of AIAM, the other day, came out with more or less the same diagnosis of the ills of the industry and almost similar proposals for making India one of the leading automobile manufacturers of the world. Obviously both feel convinced, as any sensible person ought to, that the progress made by the industry so far is not something to be belittled. Given the right approach at least from now on, Mr Iengar says: "We can make a breakthrough from the stagnation which has beset the industry and really take a leap forward as one of the major automobile manufacturers in the world". And, to quote Mr Tobaccowala, "given the opportunity, the automobile industry will not be found wanting."

Refreshing Proceedings

There was something really refreshing about the whole proceedings of the tenth annual general meeting of the AIAM. Automobile interests were not content, as some of their confreres in other industries seem to be, to blame everybody else but themselves for the stagnation of their industry and to demand every conceivable relief and incentive; rather, they spoke in modest terms of what they have been able to achieve, took a hard look at their successes and failures and, what is noteworthy, resolved to do better than heretofore, being conscious of the key role of their industry in the development of the country's economy as a whole. Ironically enough it is those who take their responsibilities seriously like the automobile interests thus that are the least appreciated and assisted by those in power today, in particular those to whom unfortunately it has been given to sway the destinies of this important engineering industry.

Mr Tobaccowala was brutally frank in his assessment of the operations of the automobile industry from the point of view of how these have satisfied the consumers, the producers, the government, the employees and the shareholders, as witness this remark of his: "The automobile industry has the unhappy distinction of having failed

to satisfy any one of the five groups." Having said this, he also added, quite meaningfully: "A stage seems to have been reached where relatively few outside the industry are willing either to recognise the contribution it has made to economic growth or objectively to analyse the causes of its unquestionable poor health." The sense of keen disappointment, if not frustration, here is evident, and it is not particularly good for a developing country such as India, what with all its ambitious programmes of economic advancement, to let its industrialists develop such a psychology of despair. What agonises one is that this need not be so at all.

Achievements of the Industry

Now, lest the public be carried away by the general but wrong impression that the Indian automobile industry is incapable of producing sound reliable vehicles, it is necessary to highlight here a few achievements of the industry to which both Mr Iengar and Mr Tobaccowala alluded.

In the first place, we make in this country cars as well as trucks and buses, jeeps, motor cycles, three-wheelers, scooters and so on. Cars account for about 21 per cent in number and 23 per cent in value of the total vehicle production. There is no real dissatisfaction about the quality of most commercial vehicles and of jeeps, which together aggregate about 30 per cent of the number of all the vehicles produced and 70 per cent of the total value of output, nor about the scooters, three-wheelers or motor cycles. As Mr Iengar said, "Some makes of trucks and buses that we produce are as good as any in the world. Indeed, we have exported them against stiff international competition." The contribution of the automobile industry to the much discussed breakthrough in the export of engineering products was over Rs 14 crores, the single largest contribution of engineering exports which amounted to about Rs 100 crores in 1969-70. In other words, the industry's failure has been purely sectoral. But few have cared to pause and ask how this failure has come about. It is primarily due to our narrow and ill-conceived economic policies and to the fact, candidly admitted by Mr Tobaccowala, that "Indian industry generally has not been as quality-conscious as it should have been and, in fact, would

have been if our economic policies had been differently oriented."

Secondly, almost 100 per cent of the components required by automobiles are now manufactured in India. As Mr Iengar observed, "this is an achievement of considerable significance, because it means that, provided our approach from now on is right, we can make a breakthrough from the stagnation which has beset the industry."

Thirdly, although we have done reasonably well, we are still a long way from the advanced countries such as the USA, Japan, Germany and the UK. We are today seventeenth in the world in the production of cars and commercial vehicles. In 1968, we had only one vehicle, i.e. car, truck or bus, for every 560 of population, as against a population-vehicle ratio for Africa of over eight times as much as ours and for Asia of six times as much as ours.

The most disconcerting feature of all is the rate of vehicle growth in India, despite all the importance that the authorities and the Planning Commission profess to attach to this industry. Unlike in 1962, when there were eight countries, including Afghanistan, Ethiopia, Pakistan and China, which had a worse ratio than ours, the rate of vehicle growth in India today lags behind that of every one of them.

Fairy Tale Targets

In the context of this record, Mr Tobaccowala was wholly justified in describing the latest Plan targets for automobiles as "the almost fairy tale nature of the fourth Plan's aims". Let us briefly recapitulate here the targets and achievements over the three previous Plan periods. In the first Plan, no target was specified for even commercial vehicles, let alone for passenger cars and scooters, because, to quote Mr Tobaccowala, in our country "these are not regarded as deserving of a sufficiently high priority". However, at the end of the first Plan (1955-56), the actual output was 9,900. The second Plan targeted for 40,000 commercial vehicles, whereas the actual production was only 25,000 (i.e. about 62%). The third Plan target, which visualised an increase of about 140 per cent in output, was 60,000 in 1965-66, but actually there was an increase in output of only 16 per cent and the total vehicle production around 29,000 represented a shortfall of over 50 per cent. Despite this tell-tale record, and the existence of an installed capacity of no more than 57,000 vehicles per year, our planners propose to raise the output by as much as 150 per cent during the fourth Plan period and increase the number of vehicles from

35,000 in 1968-69 to 85,000 in 1973-74 and further to 175,000 by 1980-81. No comment is called for on the height of irresponsibility that this denotes. To quote Mr Tobaccowala, "it is astonishing that a responsible body such as the Planning Commission should incorporate in a national document such unrealistic targets or so wrongly assess the growth possibilities of an industry in the absence of appropriate development policies." (Ital. ours).

The words "in the absence of appropriate development policies" really clinch the issue so far as the future of the automobile industry is concerned. If it has not made a better showing than it has to its credit over the past two decades, the blame must be laid squarely at the doors of an unimaginative and unrealistic official policy, which has made the investment requirements postulated by the planners simply unattainable. The profitability of the automobile industry is now so low that it does not generate adequate resources even to maintain current capacity, leave alone to increase it. Many of the vehicle manufacturing units have been unable for some time to provide full depreciation on their existing assets or have had to make withdrawals from their meagre reserves to maintain their dividend payments." Explaining the reasons for this, Mr Tobaccowala gave a sample of the unimaginative attitude of the Government of India towards this vital and basic industry. He said: "... for the last 18 months, representatives of the industry have, without success, been urging that changes in the cost at which bought out components are purchased from the ancillary industry should be reflected in the price paid against supply contracts with the DGS&D".

A Correct Appreciation

I can only commend to our readers the observation of Mr Iengar on the government's pricing policy for a correct appreciation of the above remark. Said Mr Iengar: "It is a curious thing to reflect that, in spite of highly qualified economists and cost accountants in government service, the policy-making of government in the matter of price control seems often to be based on too short-term a view about the increased burden of a price increase on the consumer. What is forgotten is that in the long range interest of the consumer himself, it is essential to increase production rapidly, and this becomes difficult, if not impossible, in the absence of a reasonable price level which enables a plough back of profits into business."

Both this unimaginative price policy and the penny-pinching investment on

road construction are difficult to make out, especially as no less a competent body than the National Council of Applied Economic Research has estimated that each commercial vehicle provides employment for an average of 12.63 persons and that every crore of rupees invested in roads makes available 12,000 jobs. From the point of view of relief of unemployment, there can be nothing more impressive than a road programme. An adequate automobile policy, coupled with a massive road programme, it is thus clear, makes not only for more employment opportunities but also for diffusion of capital ownership as well as for reduction of regional disparities. Yet, as Mr Iengar noted, it does not appear as if government has really assessed the importance to the economy and, in particular, to the problem of relieving unemployment, of a massive increase in road transport.

Needed : A Positive Policy

What is called for if the present stalemate in policy and stagnation in (the automobile) industry are to go is a positive automobile policy, in the absence of which not only will the current shortages in scooters and passenger cars continue, but the availability of even commercial vehicles will become progressively inadequate. If this catastrophe is to be averted, the government cannot do better than proceed straightaway on the basis of the five-point automobile policy to revitalise the industry that Mr Tobaccowala adumbrated in his presidential address. Briefly, these five points are: (i) meaningful dialogue between government and the industry; (ii) reasonable profits to the industry to sustain its operations; (iii) obligation by the automobile industry to produce goods of high quality; (iv) realistic targets of vehicle output, coupled with

the necessary assistance to the industry for their fulfilment; and (v) a forward-looking road transport policy. To this list must be added the point about labour stemming from the recent closure of the Standard Motors in Madras that Mr Iengar made, namely the most fruitful sense of co-operation between management and labour. But is this possible in the present context? As he himself observed, one of the great tragedies of our country is that trade unions have been captured by men whose motivations are basically political, with the result that even disputes based on legitimate grievances are pushed to a point which is completely self-defeating from the point of view of the workers, although of same advantage to political leaders, and the workers become so frustrated that, in their despair, they easily become victims of extremists of an order of persuasion who only exploit the situation to create chaos and more unrest, a philosophy they are wedded to. If only for this reason, we fully endorse the suggestion of Mr Iengar that the proposed investigation into the Standard Motors stoppage will go deeply into the allegations of the management that the attitude of their unions has been wholly unreasonable and that, in fact, it is one of the principal reasons for the closure in this case.

To sum up, what the automobile industry badly requires today is a more practical and realistic view by the government of the problem of prices and taxation, a desire to ensure quality all the time on the part of management and a sense of co-operation in an industry of national importance on the part of labour. Given these, there is no reason, as Mr Iengar said, why India should not become one of the leading automobile manufacturers in the world in the not too distant future.

Tax Element in Prices

DR R. C. COOPER

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WHILE COSTS have a bearing on prices, the level of prices at a particular moment is a resultant of many factors. Costs alone do not determine prices. Cost is only one of the many complex factors which together determine prices. The only general principle that can be stated is that in the end there must be some margin in prices over the total costs, if capital is to be unimpaired and production maximised by utilisation of internal surpluses. The determination of price therefore involves a number of items such as cost of raw materials, power and fuel, labour and establishment, repairs and stores, depreciation, overheads, packing, interest on borrowings, contingencies, etc.

In view of mounting indirect taxes

on a larger number of commodities — raw materials as well as end-products — their impact on prices cannot be ignored. The study of incidence of taxes on prices is, although difficult, an attempt to fathom the dent made in prices by such indirect levies. Oft quoted statement that consumer was the king in 19th century and the producer in 20th century, is too simplified and generalised as it ignores the fact that there is ample room for co-operation and consultation between the consumer, the producer and government

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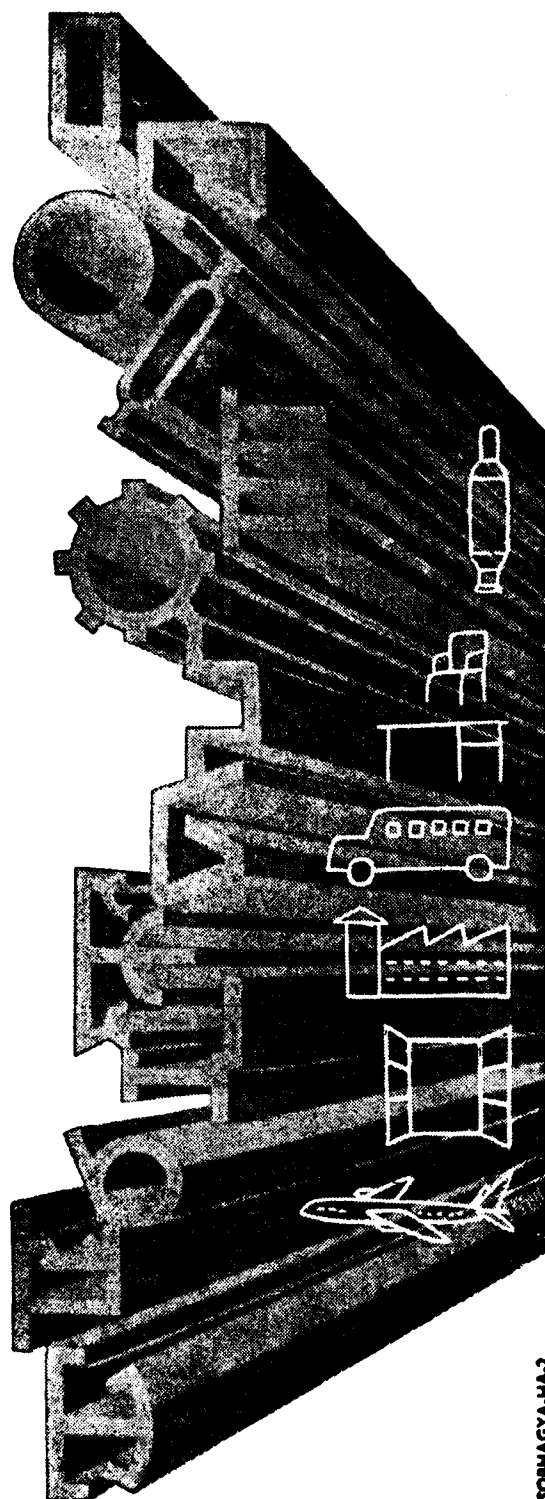
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One of the most striking developments noticed in the growth of the union and state finances over the last decade and a half is the marked increase in direct taxation. These taxes are very significant in the taxation policy of the country. Increasing reliance on these taxes as a permanent source of income is fraught with danger of inflation in the economy. By generating a chain reaction especially through shifting of incidence, these taxes tend to push up costs and prices continuously. When the consumer pays higher price, his demand for higher wages and salary becomes stronger, which, in turn, increases wage costs to the industry, and ultimately leads to the spiralling of prices in the economy. Unsound tax policies bring about not merely a loss of resources for investment, but a peressure on domestic prices that ultimately affect the structure of production and aggravate economic inequalities.

Indirect taxes in the form of duties and taxes at centre and state level and levies at local level have increased pressure on prices of all commodities, essential and non-essential. Many of these taxes are very complicated and cumbersome. Octroi levy by Bombay Municipal Corporation is an example.

Unwelcome Features

The indirect taxes have two unwelcome features (i) increasing steepness of the tax, and (ii) its cumbersome procedures. An attempt has been made here to show how deep these taxes have gone into the cost structure of industries, forming substantial portion of ex-factory costs of the final selling price.

The indirect taxes may be either central excise duties, state duties, state sales taxes, levies by municipalities and or other local authorities. Table I brings out the composition and growth of indirect taxes in the Indian economy over a period of 15 years.

This table presents the position of indirect taxes at the macro level — central, state and local taken together — and shows clearly the growth pattern. It, however, does not indicate the magnitude of the burden to which industries are subject.

The Reserve Bank of India has published studies which indicate that excise duties have not only kept a rising tempo but have been forming an increasing share of the sales income. The findings of these studies have been compiled in Table II.

In the first group of companies (1001

TABLE I
GROWTH OF INDIRECT TAXES

(Rs crores)					
Taxes	1950-51	1955-56	1960-61	1965-66*	1970-71*
Customs	160 (37.4)	167 (29.9)	171 (16.4)	531 (25.1)	771 (23.0)
Excise duty	112 (26.2)	188 (33.7)	468 (44.8)	861 (40.7)	1412 (42.1)
Other taxes & duties	156 (36.4)	203 (36.4)	405 (38.8)	722 (34.2)	1172 (34.9)
Total	428 (100.0)	558 (100.0)	1044 (100.0)	2114 (100.0)	3355 (100.0)

(1) Figures in brackets indicate percentage to total.

(2) *Draft fourth Plan material and financial balances, 1964-65, 1970-71, and 1975-76.

TABLE II
EXCISE DUTY AND SALES INCOME OF THE LIMITED COMPANIES

Type of companies	Period	Sales income (Rs in lakhs)	Excise duty (Rs in lakhs)	Share of Excise duty Col (4) as of Col (3).
(1)	(2)	(3)	(4)	(5)
Joint stock companies				
A. 1001 selected public limited companies	1955	1406.92	67.80	4.8
	1956	1586.23	84.41	5.3
	1957	1727.27	120.38	7.0
	1958	1831.66	149.16	8.1
	1959	2002.15	159.06	7.9
Percentage increase in 1959 over 1955		42.3%	135%	
B. 1333 selected public limited companies	1960-61	2589.82	182.93	7.1
	1961-62	2841.90	206.22	7.3
	1962-63	3121.09	241.98	7.7
	1963-64	3510.86	289.60	8.2
	1964-65	3842.39	298.12	7.8
Percentage increase in 1964-65 over 60-61		48.4%	62.0%	
C. 1018 small public limited companies	1960	102.78	86	0.8
	1961	117.57	88	0.8
	1962	127.07	120	0.9
D. 951 small public limited companies	1963-64	132.07	178	1.3
	1964-65	146.39	198	1.4
D. 501 selected private limited companies	1960-61	616.04	20.21	3.2
	1961-62	645.10	23.67	2.7
	1962-63	714.89	28.83	4.0
	1963-64	761.99	32.25	4.2
	1964-65	812.14	35.01	4.3
Percentage increase in 1964-65 over 1960-61		31.8%	73.2%	

TABLE III
COTTON CLOTH (MIDDLE SECTOR)
PERCENTAGE OF EACH ITEM TO COST OF PRODUCTION FOR 1962-64

Item	Coarse	Medium B	Medium A	Fine	Superfine
Raw material cost	62	53.5	52	51	45
Manufacturing charges	38	46.5	48	49	55
Cost of production	100	100	100	100	100
Ex-mill price	107	107	108	108	108
Transport handling trade margin up to consumer end	19	19	19	19	19
Excise duty	18	18	18	33	39
Consumer's price	137	144	145	160	167

companies), the sales income increased from Rs 1407 crores to Rs 2002 crores in 1959, an increase of 42 per cent. But the excise duty also increased by 135 per cent over the same period. The second group of companies (1333 companies) also reveals the similar trend, the excise duty increasing faster than the sales income. Even in respect of private limited companies and small public limited companies there is no deviation from this trend.

The extent of burden of excise duty and other indirect taxes can be judged from Tables IV to XV.

Cotton Textiles

Table IV indicates that excise duty forms substantial percentage of the prices. Item varies from 4.84 per cent in respect of grey drill per metre to 26.57 per cent of price of a pair of superfine dhoti.

Other levies also add to the burden on textile industry. For example the municipal levy on coal including coke in all forms varied from 5 paise a maund in Kanpur to Re 1 per tonne at Ahmedabad in 1969; at Surat, the rate of levy was 81 paise per tonne in 1960 but rose to 90 paise in 1964. The levy on machinery used for manufacturing goods was 25 paise in Kanpur and Rs 1.50 at Surat in 1960 but was increased to Rs 1.60 in 1964. There are many other levies such as water tax, general tax, conservancy tax, and electricity duty. In Maharashtra a new octroi schedule has been sanctioned which has replaced the town duties and new duties have been fixed by Bombay Municipal Corporation.

Sugar

Sugar industry is another glaring instance of high excise taxation. The excise duty on sugar in 1956-57 was only Rs 11.06 per quintal but increased to Rs 28.65 by 1962, an increase of 160 per cent. The rate of excise duty on sugar was 97 paise in 1934 which increased to Rs 10.70 per maund in 1962-63, an increase of 1000 per cent. In addition the industry has to bear cane cess which also has gone up from 16 np. per quintal in 1946-47 to 51 paise in 1962. It is estimated that India pays the highest quantum of taxes on sugar in the world by way of central excise duty, cane cess etc. The basic excise duty on sugar was raised from Rs 22.15 to Rs 30.50 per quintal in 1966-67 together with the additional excise duty of Rs 6.50, the total excise duty reaches the figure of Rs 37 per quintal. The price of sugar in Maharashtra being Rs 132 per quintal, it will be noticed that the excise duty alone forms 28 per cent of the price. The basic excise duty on khandasari sugar was also raised

TABLE IV
COTTON CLOTH : EXCISE DUTY AS PERCENTAGE OF PRICE (1964)

Variety of cotton cloth	Unit Price	Effective Excise Duty after taking into consideration the worth of cloth	Excise Duty expressed as % of price
Coarse			
Grey drill	Metre	1.24	0.06
Bleached	"	1.45	0.08
Lower Medium			
Bleached long	"	1.13	0.12
Higher Medium			
Grey dhoti	pair	11.60	1.48
Bl. dhoti	"	11.87	1.95
Bl. sheeting	Metre	1.77	0.24
Bl. poplin	"	1.30	0.20
Fine			
Bl. mercerised	"	3.17	0.50
Bl. longcloth	"	2.51	0.41
Long cloth	"	3.17	0.50
Sucies	"	3.07	0.41
Superfine			
Bl. Dhoti	Pair	26.87	7.41

TABLE V
COTTON CLOTH : INCIDENCE OF SALES TAX
(Rs crores)

Item	Rate	Value of consumption	Collection of sales tax
Cotton	2% price	2,33	4,60
Fuel oil	5 N.P.	3,51	18
Coal	2% price	4,00	8
Electricity	1/4 N.P. (in Maharashtra)	1000 M. Units	25
Chemical consumed	..	..	84
Dyes & colours	..	..	71
Packing material (at 3%)	..	..	43
Mill stores & others	..	..	90
Total	..	..	7,99

TABLE VI
WOOLLEN CLOTH : PERCENTAGE OF EACH ITEM TO COST OF PRODUCTION

Item of cost	Plain woollen lohies manufactured by mills	Woollen blankets
Raw material	52.58	65.70
Manufacturing charges	42.48	30.35
Cost of production	100.00	100.00
Profit to manufacturer	11.00	11.00
Ex-factory price	111.00	111.00
Transport handling charges and profit to trade	28.00	28.00
Excise duty	20.00	20.00
Final retail price	159.00	154.00

TABLE VII
EXCISE DUTY ON SUGAR

Item	1946-47	1962-63	% increase over 1946-47
	Rs	Rs	
Excise duty (per maund of sugar)	2.21	10.70	+384
Cane cess	0.06	0.19	+217
	(UP & Bihar)		
Ex-factory price sugar per maund	21.44	41.00	+91

from Rs 11 to Rs 15 per quintal plus the additional excise duty.

Steel

Between 1948-1963 the steel price of the common categories has increased more than two and a quarter times. The excise duty alone has increased from Rs 5 per tonne to Rs 76 per tonne, (Table VIII).

Actually the full incidence of excise duties and other taxes on the final price of steel is much greater, as practically every item which goes into the making of steel, including fuel, power, raw materials and stores, is itself subject at one or more stages of production to its own excise duties and other taxes. In addition to the growing burden of direct and indirect taxes the freight rates charged by the Indian Railways are today four to five times what they were 15 years ago. There is hardly any country where excise duty on steel is being charged at such high rates. If the excise duty on steel is deducted from Indian selling prices, the net prices (even after the recent increase) will be below the home prices in any other country.

Automobiles

It will be interesting to know how the indirect taxes are increasingly absorbing the price increase. The price of passenger car increased by Rs 2935 between 1956 and 1964 and the major part of this increase was accounted for by increased duties and taxes as shown in Table XII.

In case of Tata Mercedes trucks, the total rise in price between 1959 and 1966 was of the order of Rs 13,126 which when analysed worked out as Rs 10,626 due to government levies and imposts; Rs 2,167 due to government permitted rise in the price of tyres and imported components; and Rs 333 against rise in the cost of materials, wages and interest. It is thus clear that the price increases after 1956 have occurred due to factors over which the manufacturers have had no control. Rather they have absorbed, excluding the duties and taxes, all other increases in costs, consequent on the steady rise in prices of practically every product, commodity or service in the country.

Tyres

The tyre industry provides another revealing example of heavy burden of indirect taxation. The industry pays these taxes on raw materials, surcharge on transportation, surcharge on utility services etc. An appropriate estimate of such levies in the selling price of

TABLE VIII
STEEL : SHARE OF SPECIAL LEVIES

Product	June 1949		June 1959		Sep. 1963	
	Surcharge	Excise duty	Surcharge	Excise duty	Surcharge	Excise duty.
Light bars	94	5	149	46	68	76
Heavy bars	95	5	152	46	77	76
Structurals	95	5	147	46	67	76
Plates	94	5	199	46	63	98
Sheets	95	5	57	46	64	104

TABLE IX
AUTOMOBILES : COST STRUCTURE
(Percentages)

Items	Passenger cars and jeeps	Commercial vehicles	Motor cycles and scooters
Cost of raw materials parts and components ex-suppliers	50.82	54.60	49.57
Direct & indirect taxes on materials	17.67	18.61	15.73
Total cost of materials, labour, overheads and profits	31.01	26.79	34.70
Ex-Factory Price :	Rs 100.00	Rs 100.00	Rs 100.00
Dealer's commission	8.91	6.73	10.01
Retail price before taxes	108.91	106.73	110.01
Taxes and duties on finished vehicles	25.68	25.36	21.89
Final consumer price	134.59	132.09	131.90

TABLE X
INCIDENCE OF TAXES ON CARS
(As percent of ex-factory prices)

Types of vehicles.	Excise duty	Sales tax	Total
Cars and Jeeps			
Standard Herald	13.33	10.65	23.98
Fiat	13.94	12.33	26.27
Ambassador	13.33	12.27	25.60
Jeep	13.33	12.17	25.50
Commercial Vehicles			
Leyland/Truck	14.06	12.10	26.16
Tata Mercedes Benz Truck	13.76	12.06	25.19
Dodge Truck	11.67	11.80	23.47
Bedford Truck	12.08	12.18	24.26
Motor Cycles & Scooters			
Royal Enfield Motor Cycles	9.05	12.06	21.11
Lambretta 150 cc scooter	10.63	12.01	22.64
Lambretta 175 cc Scooter	9.05	10.98	20.65

average size truck-tyre is given in Table XIII.

TABLE XIII
LEVIES ON AVERAGE SIZE
TRUCK-TYRE IN BOMBAY
(in Rs)

Total selling price per tyre	677.00
Sales tax	67.00
Octroi duty	12.00
Excise duty	198.00
Other duties	85.00
Total duties	362.00
Taxes as percentage of selling price	54.00

Rayon

The Excise duty accounts on an average for more than 50 per cent on some of the varieties as may be seen in the Table XIV.

Apart from the above, the central and state legislation with their divergent sales tax laws on rayon yarn are increasing the burden on the industry.

Other items

The actual cost of a few items accounting for all imposts which are gradually on the rise are given in Table XV.

In these cases the addition to cost price due to taxes ranges from 23

TABLE XV
OTHER ITEMS (in Rs)

	Tins of juices coming into Bombay	Packets of butter coming into Bombay
Factory cost	100.00	100.00
Central sales tax	3.00	3.00
Central excise duty	10.00	10.00
Railway freight	1.00	1.00
Town duty	6.00	6.00
State sales tax	10.00	3.00
Total	130.00	123.00

to 30 per cent. Same formula applies to tea, coffee, biscuits, chocolates, health foods, breakfast foods etc., with minor differences. Added to all this is the recent increase in excise duty ranging between 10 to 25 per cent on tin-plate and metal containers which ultimately result in corresponding increase in the prices of canned foods.

The main purpose of presenting this data is to highlight the incidence of tax in the cost and prices of a wide range of commodities. In the last 15 years the enormous increase in the indirect taxes at all levels has accelerated the cost-push inflation. The prices are continuously rising upwards as a consequence of steep rise in indirect taxation. In view of the continuous rise in price as a sequel to various fiscal levies, the logical corrective would, obviously be toning down the steepness of indirect taxation. The numerous examples cited above indicate that there is justification for some measure of tax reduction.

The subject however requires a de-

tailed survey as no precise information as to the extent of the burden of the various taxes and duties on the cost structure of various consumer goods is available. No commodity-wise survey of the incidence of taxes has been attempted so far. The Fourth Finance Commission was called upon to measure the combined incidence of these two taxes — excise and sales tax — on production, consumption and export. The Finance Commission admitted that even such limited study bristles with many difficulties some of them are as follows:

1. While the excises are mostly in terms of specific rates, the sales taxes are *ad valorem* levies. This creates the problem of converting the excise rates to *ad valorem* rates.

2. For the same commodity the excise rates differ for different categories whereas generally in case of sales tax there is no such differentiation.

3. There is very much diversity in the system of sales tax levy from state to

TABLE XI

EX-FACTORY VALUE OF COMPLETE VEHICLES

Taxes and Duties	Percentages		
	Cars and Jeeps	Commercial vehicles	Motor Cycles & Scooters.
Customs duty	12.70	12.04	12.18
Excise duty	17.85	18.95	13.05
Sales tax	12.79	12.99	12.39
Total	43.34	43.98	37.62

TABLE XII
EXTENT OF INCREASES IN PRICES OF CARS
Break up of the price increase

Passenger Car.	Consumers price in Rs		Increase in prices (Col. 3-2)	Compo-nents	Duties and Taxes	Ocean freight
	1956	1964				
X ¹	12231	15166	2935	363 (12.4%)	2555 (87.1%)	17 (0.5%)
X ²	10290	12871	2581	29 (1.2%)	2518 (97.5%)	34 (1.3%)

TABLE XIV.
RAYON : EXCISE DUTY

Items	75 Deniers	120 Deniers	150 Deniers
Price realised by the spinners exclusive of excise duty	11.06	6.17	5.61
Total excise duty (inclusive of additional excise)	6.00	3.00	3.00
Ratio of excise duty to spinners sale price (%)	54.2	48.6	53.5

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state. The sales tax rates may be based on single-point, double point or combination of various systems.

4. The total incidence of excise duty

and sales tax on manufactured commodities may also have to include the incidence of excise duty and sales tax on their components which leads to determination of multiple incidence.

The Green Revolution : What It Means

B. S. PARMAR

THE GREEN revolution has raised new hopes and aspirations for millions of people, and has generated a progressive approach towards agricultural development. The present growth rate in agriculture is estimated at 3.19 per cent per annum, while the National Development Council has set a target of 5 per cent growth rate per annum over the fourth Plan period. The production of foodgrains increased from 52 million tonnes in 1957 to 76 million tonnes in 1961, 94 million tonnes in 1968-69 and is estimated to exceed 100-million-tonne mark by 1969-70. The per capita agricultural income in Andhra Pradesh, Tamil Nadu, Mysore, Kerala and UP between 1960-61 and 1967-68 increased by about 11.2, 10.6, 8.9, 8.1 and 5.3 per cent per annum, respectively, while in Punjab it increased to the extent of about 16 per cent per annum.

The euphoria created by the green revolution has, in fact, given a boost to the whole economy. Dr M.S. Swaminathan has rightly remarked that "the agricultural development is not merely a tool for achieving food self-sufficiency but is the most feasible and speedy method of economic growth."¹ In fact the "growth and transformation of agriculture is by far the most important determinant of economic development and that the crux of the process of modernisation of a society is the modernisation of agriculture as an industry and of the economy of rural areas which gives work and income to vast numbers in the labour force."²

Revival and Recovery

The industrial sector which faced recessionary trends during the two successive droughts of 1964-65 and 1965-66, showed signs of revival and recovery after the recent agricultural prosperity generated by the green revolution. The fact that the leading industrialised countries of today were once predominantly agricultural, makes it evident that industrial development can not proceed in isolation without a solid foundation in agriculture.

The higher level of agricultural income generated by the green revolution has led to an erosion of traditional and social barriers that have been impeding rural progress in the past. The traditional reluctance to impart education to females is beginning to break down

rapidly. There has also been a growing political consciousness among the rural masses. Dr Edmund Flores of the University of Mexico conceives the green revolution as an important lever in promoting "a prodigious, economic, social and political transformation in the developing countries."³

India's population has increased by about 150 million since 1951, with the work force in agriculture going up by 50 million. The rapid growth of population raises not only the need for more food but also for more land and more work, which acts as a deterrent to economic growth.⁴ While agricultural production can be increased to a certain extent, the land and other national resources can not be increased *pari passu* with the growth of population.

Large Investment Required

While the population is estimated to have increased to about 84 million between 1961 and 1968-69, the production of foodgrains during this period has increased by only 24 million tonnes and we still have to import about four million tonnes annually in order to meet the additional demand for foodgrains every year. No doubt, the extension of cultivation to marginal lands can increase the quantum of agricultural production but it requires a large investment, which a developing country such as India can hardly afford. Moreover, there may be a proportionate fall in times of drought since the marginal lands can be kept under cultivation only under assured water supply, the possibilities of which are very remote. But the fact remains that the future scope for extension of cultivation to marginal lands is very limited.

Nevertheless, there is ample scope for increasing the income per hectare, which is still very low. While India commands 0.35 hectares of arable land per person, the national income per hectare of arable land in US dollars is only 90.25, as against 0.26 hectares and a national income of \$164.02 per hectare of arable land in Pakistan, 0.15 hectares and \$416.73 in Ceylon, 0.17 hectares and \$562.50 in Israel, 0.08 hectares and \$1174.72 in Netherlands and for Japan the figures are estimated at 0.06 hectares and \$1055.28. If we compare India with

more advanced nations, the position naturally appears even more unsatisfactory.⁵

Though it is true that agricultural production is influenced by the "vagaries of nature" and the "perversity of farmers", these factors are apt to be over-emphasized in an attempt to conceal the failures of planning. In fact, the extension work and institutional framework in agriculture are far more potent factors for raising agricultural efficiency and productivity. Professor Dantwala has rightly pointed out that there seems no reason why a subsistence farmer would not respond to innovation if it is demonstrably more profitable and he has the necessary resources to adopt it.⁶

Disparity in Rural Sector

Though the higher agricultural prosperity has been able to reduce income differences between the rural and urban sectors to some extent, the disparity has widened much more in the rural sector itself between the rich and the poor farmers, since the rewards of the green revolution have usually been reaped by the large farmers who have been in a position to make use of modern inputs. Even in Punjab, which has been the greatest beneficiary of green revolution, only about 10 to 20 per cent of farm households have been benefited by the green revolution, comprising mostly the rich. The opinion of the Agrarian Reforms Commission (1950), that the problem of landless workers has become "the weeping wound in the agrarian system of the country" still holds good today. Generally speaking, the lot of the landless workers and other poorer sections of the rural population has instead worsened in certain areas. There has been a conspicuous lack of work opportunities for diversified employment in several parts of the rural areas and the main source of their income remains only agriculture, the meagre income from which, accompanied by rising consumer prices, has made it difficult for them to make both ends meet.

"With 47 per cent of farm families owning only one acre of land and 22 per cent owning no land at all, with only 3 to 4 per cent of big cultivators enjoying all power, wielding all influence, making all decisions in collaboration with the governmental machinery and appropriating to themselves all the skill, the resources, the expertise governmental agencies offer, the poor half of the villages have little to thank anybody for."⁷ It is estimated that over 16 crores of people, comprising 34 per cent of the total population were still on a subhuman level of existence with a per capita expenditure of

less than Rs 15 per month in the rural areas. The All-India Rural Household Survey (1962) revealed that while the average daily rural income was 68 paise per head, about one-third of India's rural population gets a daily income of about 42 paise per head only. More recently a socio-economic survey conducted by the Management Services Group of Hindustan Lever,⁸ immediately after the bumper harvest of 1967-68, revealed that the percentage of landless labourers in Tanjore, Sahabad, Ludhiana and Junagadh was 40, 26, 16 and 10 per cent, respectively, and their per capita annual income varied between Rs 188 in Tanjore to Rs 308 in Ludhiana, while the average per capita income of big farmers ranged between Rs 458 in Junagadh to Rs 2928 in Ludhiana. This will be clear from Table I.

Vulnerable Landless Labour

This data has revealed that the disparities in income are much wider within the districts than between the districts, and that landless workers in all districts have incomes which fall within a relatively narrow range, which makes it evident that the small farmers and the landless labourers may be more vulnerable, accentuating income disparities in an unfavourable year.

Table II indicates that while the agricultural income per worker in agriculture was estimated much higher in 1968-69 in almost all the states, as compared to 1960-61, yet the index of inequality has increased from about 0.3191 in 1960-61 to 0.3481 in 1968-69, mainly because of greater variation in income between different states.

The growing economic disparity among the rural people has brought tension in the social, political and economic fields and a feeling against social injustice and insecurity among the poor, and it is feared that if the problem is

not tackled effectively it may lead to an 'explosion' in the countryside. A study made by the union Ministry of Home Affairs on the causes and nature of current agrarian tensions in the

TABLE II
REGIONAL DISPERSION OF AGRICULTURAL INCOME⁹

State	Agricultural income per worker in Rs	
	1960-61	1968-69
Kerala	1,064	1,101
Punjab	787	947
West Bengal	682	665
Assam	526	461
Tamil Nadu	513	600
Uttar Pradesh	451	433
Gujarat	410	493
Maharashtra	405	429
Mysore	388	430
Orissa	384	394
Madhya Pradesh	358	367
Andhra Pradesh	327	342
Rajasthan	291	304
Bihar	288	308
All-India	491	512
Index of inequality	0.3191	0.3481

TABLE I

VARIATION IN PER CAPITA ANNUAL INCOME WITHIN AND BETWEEN THE DISTRICTS

Category of farmers	(In rupees).			
	Ludhiana (Punjab)	Shahabad (Bihar)	Tanjore (Tamil Nadu)	Junagadh (Gujarat)
Landless	308	214	188	261
Small farmers	983	255	207	253
Medium farmers	1,316	668	370	382
Large farmers	2,928	885	852	458
All categories	1,530	406	250	375

country has revealed that "the persistence of serious social and economic inequalities in the rural areas has given rise to tensions between different classes. Generally speaking, agitations have been launched on issues of distribution of land to the landless workers and increase in agricultural wages. So far there have not been many sustained agitations by the tenants, but the Left parties in Bihar have threatened agitations on behalf of the share-croppers and the sub-tenants, and agitations have already taken place in West Bengal and Uttar Pradesh." Condition in Tamil Nadu, Rajasthan and certain other parts of the country is also not satisfactory.

The *raison d'être* to farm mechanisation is the cost-price squeeze, which reduces the demand for labour, and in some cases the labour may be completely eliminated where the rich farmers are induced to operate their farms directly themselves. But the capacity of the farm machines may remain idle, where the farms on which they are operated are too small. In that case the better off farmers may press into service the spare capacity of their farm devices through custom work for small and middle farmers in order to tap an additional source of income.

Mechanisation of Farming

Mechanisation in agriculture would render not only the human labour surplus, but a large cattle force as well. Had our industries been fully developed so as to absorb all the surplus farm labour, even large-scale mechanisation would have been no problem for us. The Planning Commission itself has stated that "in agriculture, except under certain conditions, in the present stage of development the possible economic advantages of mechanisation may be more than offset by the social costs of unemployment that such mechanisation would involve." Increased productivity per unit of employed labour will not be accepted as justification for mechanisation if its only immediate effect is an economy of labour, without any immediate acceptable alternative means of livelihood for displaced labour.¹⁰

Agricultural innovation would involve a change not only in the volume but also in the pattern and composition of agricultural labour. While the marginal labourers, e.g., women, children and the old people, are exposed to the most of the risk of displacement, the adult male labourers may remain longest on the farm, even though farm employment in their case also may be slowly decreasing, which depends upon the pattern and speed of mechanisation and the intensity of cropping. A study of well-irrigated, 10-acre farms in Punjab

with a typical cropping pattern and traditional methods of cultivation, has revealed that an acre of land requires on an average at least 51 man-days of labour. But with the use of pump-sets, wheat-thresher, corn-sheller, power-cane crusher, tractor and a wheat-reaper, without any change in the cropping pattern reduces the demand for labour to 25.6 man-days, i.e., by about 57 per cent. Nevertheless, the demand for labour may register an increase with an increase in the cropping intensity. If with the use of pump-sets, tractors, reapers, etc., the cropping intensity could be raised to 200 per cent, it would require about 49.4 man-days of labour per acre, which is a little less than that required in the traditional agriculture.¹¹ In any case the impact of mechanisation on the displacement of farm labour will be less on the secondary and tertiary sectors of the economy as compared to agriculture.

Cheating the Tenant

Another serious apprehension is that landowners may attempt to get rid of their tenants and share-croppers, so that they could protect their land from being transferred to the tenants through various corrupt practices that are left open to them due to many loopholes in the existing agrarian legislation. This would intensify rural unemployment and migration towards towns and cities which are already overcrowded. Dr Edmund Flores has in this connection remarked that "enterprising landowners will probably attempt to rid themselves of their tenants, following the example of enclosure movement set by the English nobility in the 17th and 18th centuries, thereby helping to increase the migration of unemployed peasants to the cities."¹² U Thant has also put forth a similar view: "It is not difficult to see that landlords would be better off ridding themselves of their tenants and running their farms with hired labour. The tenants' status would thus become increasingly insecure and they might eventually find themselves obliged to become labourers. It safely can be assumed that without land reforms, prospects are for a levelling and eventually a decline in demand for labour. This in turn would intensify migration to urban areas, particularly overcrowded large cities."¹³ Such a situation has actually arisen in certain parts of Andhra Pradesh, Bihar and Orissa where a large number of tribals have been deprived of their land.

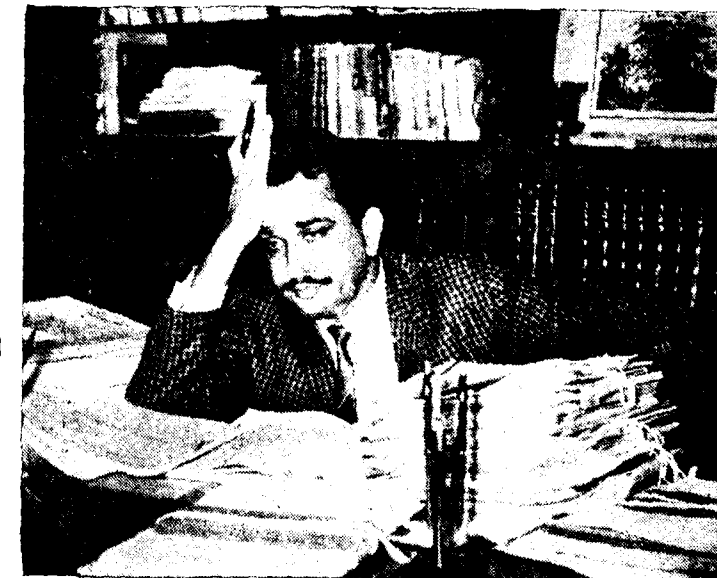
The rural exodus is accelerated further due to lack of diversified opportunities for both production and consumption and non-availability of socio-cultural services in the rural areas. This leads to a self-retard-

ing process in the rural areas, on the one hand, and gives place to a multiplicity of socio-economic problems arising on account of urbanisation, on the other. This leads to a serious set-back to the balanced and integrated growth of the national economy.¹⁴ Although in the economically advanced nations, urbanisation is both the antecedent and a consequent of higher levels of living, it serves as a barrier rather than as an accelerant to economic development in the less developed countries which are faced with the problem of achieving higher levels of economic development to support their present, let alone their prospective urban populations. The increasing urban populations, more the product of rural exodus, and their growing political importance may require disproportionate allocations of limited resources to the development of the urban, rather than the agricultural sector of the economy at the expense of a net increase in national product per head. The quicker way to induce the rural population to remain in rural areas may lie in agrarian reforms in-

cluding modifications of outmoded land tenure systems, which would give the agricultural population a stake in the land.¹⁵ "Internal migration, and in particular, rural-urban migration must, therefore, be viewed as an essential element of economic growth and social change," remarks Dr Ashish Bose.¹⁶

In order to maintain and sustain the euphoria created by green revolution, it becomes imperative that the land-reform laws should be implemented more vigorously and the principle of "land to the tiller" must be put into practice on a top-priority basis, since "development is not merely a question of economic inputs and outputs, but is powerfully influenced by the desire for social justice and the feeling against inequality". A target date should be fixed on which the actual "tillers of the land" could become the owners of land throughout the country. With a view to stopping the eviction of tenants by landowners on the pretext of voluntary surrenders, the surrendering of land and

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its distribution machinery may be invested in the hands of village panchayats and district authorities, who should maintain an up-to-date land record. This brings in the need for streamlining the local administration. Ways and means should also be devised to safeguard the interests of the small farmers, in the absence of which the poor producers may be squeezed out of market by big producers.

Required Infrastructure

Certain improvements in public health, education, nutrition, housing, transport, electrification, etc., also constitute the infrastructural requirements for accelerating the efficiency in agriculture.¹⁶ The health hazards of farm labour are in many aspects more than the industrial workers. The health and medical care of the agricultural worker need the same care as those of the industrial worker, if not more. Also, labour welfare in rural areas would help in the stabilisation of rural-urban migration.¹⁷ Mechanisation would prove a boon rather than a curse if alternative employment could be arranged for the agricultural workers, e.g., the surplus labour can be absorbed in the repairs and servicing work of agricultural tools and machinery, construction work, dairy and poultry-farming, bee-keeping, etc.

Though the Community Development Programme was aimed at and was, in fact, capable of achieving an all-round rural development, its bureaucratic functioning turned it into an utter failure,

and the programme is no more than a skeleton today. It, therefore, needs revitalisation and a sincere implementation of the programmes and policies. Cottage and village industries can help much in eradicating rural poverty, if a proper environment and adequate facilities are provided for their growth and development.

The proper co-ordination and implementation of all these measures should help to promote a self-sustaining process in the development of our rural economy.

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WINDOW ON THE WORLD

Tour of the Eastern Trade Bloc-II

JOSSLEYN HENNESSY

I POLAND

LONDON:

A MARKED slowing in Poland's economic growth in 1969 to 3½ per cent, compared with a planned rate of 5 per cent and an average expansion of 8 per cent in recent years, has led to a drastic reassessment of targets for 1970.

New investment is to rise by only 2½ per cent compared with earlier increases averaging 9 per cent, and resources are to be concentrated on a small number of key industries. The performance of the economy in 1970, a transitional period before the new five-year programme starts in 1971, is regarded as crucial but the change from central planning has been slower in Poland than in many of the east European countries, and delegation of responsibility has been difficult. There is still widespread mistrust of the new methods (in contrast with the experience in Hungary, little or no improvement in living standards has followed their inauguration); production costs remain high because of delays in the introduction of capital equipment, automation and technology; productivity is rising only very slowly and shortages are frequent.

Reason for Shortfall

The main reason for the shortfall in production last year was a decline of 5 per cent in agricultural output. The grain harvest was satisfactory, but a long summer drought seriously affected output of milk, butter, meat, fruit and vegetables and also reduced supplies of fodder for livestock. Sales of farm produce, four-fifths of which provide hard currency earnings, had to be curtailed and Poland also found it necessary to import additional supplies of fruit and vegetables. Investment in industry has for many years been at the expense of the farming sector, which is still seriously under-mechanised. However, it is hoped that production this year will rise by 3 per cent, and the new five-year plan provides for an increase in investment of nearly a quarter to 232,000 million zlotys. (9.6 zlotys = Rs 18).

A new five-year programme places greater emphasis on intensive development and much more selective investment. In place of state budget finance,

enterprises will have to pay interest on bank credits and, in order to achieve a more efficient direction of development resources, the National Bank of Poland has been merged with the Investment Bank.

National income is planned to increase by over a third by 1975, with industry providing 58 per cent of GNP compared with a target figure of 53 per cent this year. Total industrial production is expected to increase by nearly half over the five years, with production of electricity doubling and investment in modernising the railways increasing by a third compared with the present programme (the introduction of containers is receiving priority). It is also hoped that output of cement will reach 18 million tonnes a year by 1975, compared with the current figure of only 3 million tonnes. Sales of coal are planned to rise by a half between 1969 and 1980 to nearly 40 million tonnes. Particular industries selected for special development include electronics, chemicals, machine tools and plastics.

Closer Co-operation

Increasing economic concentration has not brought any weakening in Poland's firm belief that all planning must take place within a comprehensive programme for east Europe as a whole. The importance of subsidies and co-operation between Comecon members has always been a feature of Polish policy and this will tend to harden central planning despite recent efforts to introduce a more flexible system with fewer directives from ministries.

Industrial production this year is expected to increase by just over 7 per cent compared with the planned figure of 8.2 per cent in 1969 and an eventual increase of 9 per cent. Chemicals are to expand by an eighth, with oil refining, plastics (up 15 per cent), pharmaceuticals, sulphuric acid (25 per cent) and dyestuffs receiving priority.

It is also hoped that productivity will rise by around 5 per cent, but this is likely to depend on the adoption of unpopular measures including a radical redirection of labour. Hostility to economic reorganisation is partly due to the fact that provision of consumer goods has lagged seriously behind targets. In addition, wages are low and

although rents, electricity, fares and basic foods are cheap, a large percentage of the working population needs two jobs in order to maintain a reasonable living standard. There is also confusion over the 'incentives' policy which has accompanied new planning targets and which involves a system of additions to basic wages including bonuses, awards for rationalisation and payments from additional funds accruing from staff reductions. Simpler arrangements involving the establishment of a bonus fund for white collar workers, which would be financed from savings made through lowering production costs, are currently being discussed and may be introduced next year.

VALUE OF TRADE

(In \$ million)			
	Exports	Imports	Balance
1967	2,527	2,645	-118
1968	2,858	2,853	+5
1968 (January-September)	1,958	1,974	-16
1969 (January-September)	2,207	2,189	+18

Imports last year rose by an eighth, a faster rate than had been planned. This year there is to be a considerable slowing, with exports rising by 7 per cent compared with 10 per cent in 1969 and imports by 5 per cent. Imports of machinery and industrial plant from the west are to be cut by 30 per cent, partly because of a shortage of convertible currency and partly because large debt repayments fall due this year. However, ambitious targets have been set for the 1971-75 programme, which provides for a growth rate for total trade of 50 per cent (targets established for the current Plan have already been far surpassed).

Transactions with Comecon countries account for two-thirds of total trade, but there are signs that relations with the west may become of increasing importance over the next few years. In particular, five-year agreements have recently been signed with France and Italy. The agreements with France enable Poland to buy French licences and equipment for the electrical engineering and metallurgical industries, with the help of long-term credit facilities repayable partly in deliveries of Polish machinery and partly in consignments of copper from mines in Silesia which will be developed with French equipment. This "mutually advantageous co-operation" has been cited as a model for

both West Germany and the United Kingdom, with which Poland is currently renegotiating trading agreements. Talks with both countries have been considerably protracted. Poland is seeking very favourable credit terms from the Federal Republic of Germany together with a much greater access to the West German market; and it has been rumoured that a loan of over £200 million repayable over ten years at a favourable rate of interest may be made available.

II BULGARIA

After some years of steady growth, there was a shortfall in many targets in 1968 and 1969, with national income expanding by 6½ per cent and 8 per cent respectively compared with a hoped for increase of well over a fifth. A further slowing is expected this year despite a planned increase of a sixth in investment to 3,140 million leva (2.8 leva = Rs 18). With a continuing concentration on capital rather than consumer goods, industrial production rose by about one-tenth last year and is expected to increase by a further 8 per cent in 1970; external trade is expanding slowly (it is estimated that total transactions will have expanded by only 3 per cent over 1969 and 1970 compared with an annual average of 14 per cent during most of the 1960s), while agriculture, construction and the transport and power sectors are causing concern.

Part of the slowing is due to the difficulties inherent in the introduction of the new system of management which in the last five years has gradually been extended over the whole economy. This has involved the integration of production and marketing, the introduction of a more realistic pricing system and the establishment of large vertically integrated trusts able in theory to conduct their own policies, to make use of bank credits instead of being dependent on budget subsidies and to adopt profit incentives in place of output targets. However, a firm control has always been maintained over the spending of Bulgaria's limited foreign currency reserves, and this has been tightened again since the disclosure towards the end of last year of financial scandals involving one of the largest economic trusts. The group, which was established 18 months ago and covered insurance and banking, shipping and ports, has now been disbanded, a large number of its leading officials are on trial and its finances are being handled by a newly created Water Transport Amalgamation, together with the Foreign Trade Bank and the State Insurance Company.

Bulgaria is particularly closely de-

pendent on the USSR, which is providing a major part of the finance for industrial development under the current five-year plan and accounts for a large proportion of the country's foreign trade. Links between the two countries have continued to be strengthened: trade with the USSR is to be expanded to 1,800 million roubles (60 per cent of the total) in 1970: agreements covering the supply of raw materials — mainly oil and iron — and industrial co-operation have been signed, and plans for a new joint cellulose and paper combine to be built at Arkangelsk in northern Russia and for Bulgaria to supply components for the Fiat car plant at Togliattigorsk have been put forward. Integration with the USSR is also to be the foundation of a radical change in power supplies. Bulgaria, at present, is excessively dependent on coal and water, but it is hoped to switch over the next few years to oil, natural gas and nuclear energy.

Lopsided Development

Industrial development has been concentrated mainly in the power, machinery, metal and chemical sectors with rapid growth in electricity and electronics, agricultural machinery, ship-building and some consumer goods. In contrast, construction is generally lagging badly behind targets, and agricultural production, which fell sharply in 1968 instead of the increase of a tenth which was planned, rose by only 2 per cent last year. Output was affected not only by the climate — there was a late spring followed by a drought and then by heavy rains — but also by the

disorganisation which has followed experimental mergers of state, co-operative and collective farms to form huge units covering every stage of food production from the raw material to processing and marketing. Moreover, although farming accounts for 60 per cent of exports, it has been receiving a smaller share of new investment and now employs only a third of the working population compared with two-thirds 15 years ago. During the 1960s, the main emphasis was on mechanisation and the greater use of chemicals, but the next stage is to be greater specialisation and concentration.

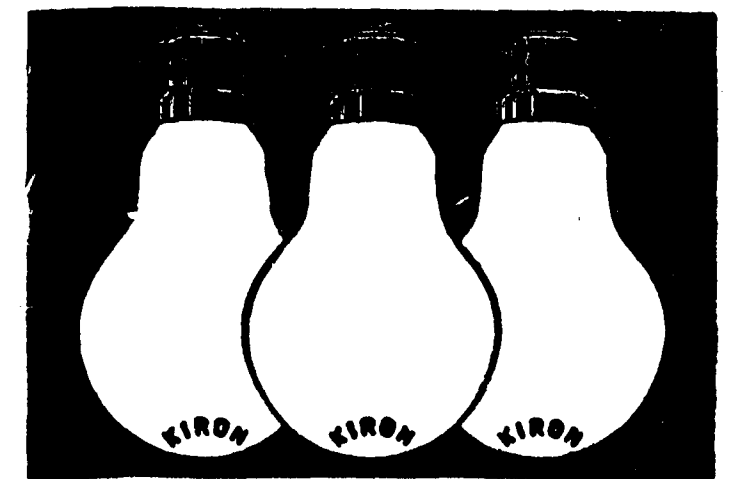
VALUE OF TRADE

(In \$ million)

	Exports	Imports	Balance
1967	1,458	1,572	-114
1968	1,615	1,782	-167
1968 (January-September)	1,120	1,285	-165
1969 (January-September)	1,265	1,289	-24

Exports during the whole of 1969 are estimated to have risen by some 12 per cent while there was a small decline in imports: total turnover probably reached some \$ 3,550 million, an increase of 4½ per cent over 1968. This year turnover is planned to fall to \$ 3,480 million with the result that Bulgaria's foreign trade during the

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five-year programme which is now coming to an end will have expanded by very much less than the planners originally envisaged. The tourist industry is, however, an increasingly important source of foreign exchange and has received a high level of investment. Visitors reached an estimated 2 millions last year, with nearly 50 per cent coming from outside the eastern bloc.

Four fifths of Bulgaria's trade last year was with the other east European countries and the proportion is not expected to show any reduction. Moreover, a shortage of foreign exchange has resulted in the postponement of a number of projects, although there are opportunities for western suppliers, particularly of machinery, complete industrial plant and technical skills, and a record number of countries were

represented at the 25th International Fair at Plovdiv in September. Among western trading partners, Italy was the only country with which there was any increase in trade and, with a marked decline in transactions with the Federal Republic of Germany, became last year Bulgaria's principal trading partner in the west.

Sources and acknowledgements: The foregoing summaries, by special permission, reports prepared by the Economic Intelligence Department of Barclays Bank Ltd. (54 Lombard St., London, E.C. 3.), but the department is responsible neither for the emphasis of my summary nor for my comments, based on a variety of sources.

Last week I reported on Romania, Hungary, and Czechoslovakia.

Catalysts in Continental Banking

E. B. BROOK

VIENNA:

ONE OF the most potent components of European financial markets today is the Eurodollar and its derivative the Eurobond. Both are the products of the sixties and both have acted and are still acting as catalysts in continental banking. The Eurobond has grown quickly in importance owing to its flexibility and Eurodollars have enjoyed such spectacular growth with an ever-widening market of their own that international bankers are hard at work organising an international Eurocurrency equity market which it is hoped will rival the Eurodollar and its bonds.

The Eurodollar is, of course, simply an American dollar used in Europe and Eurobonds are securities raised on the strength of Eurodollars. The strength and growth of these Eurocurrencies and securities depends on the volume of US money which American enterprise devotes to its offshoots and partnerships in Europe. The concentration and growth of these enterprises and partnerships in western Europe, especially in the Netherlands, Belgium, Luxembourg and Federal Republic of Germany is vast, with lesser but growing developments in France, Italy and Spain.

The flexibility of the Eurobonds has just been increased by the decision of the US Morgan Guaranty Trust to start issuing International Depositary Receipts (IDRs) which will serve a similar function in international markets as do American Depositary Receipts (ADRs) in the USA. There they are accepted as certificates which can be traded in the same way as bearer shares

although the title to the shares remains on deposit at a bank. But whereas the ADRs are issued only against the shares of US firms, the proposed IDRs will cover European and Japanese-based companies also and may be extended further as soon as they have moved into general financial practice in Europe.

This American banking development, like some forerunners also from the USA, is making European bankers overhaul their methods and devise means of accelerating their procedures. They realize that if they do not make this reform they risk losing the opportunity of handling valuable funds and of losing to the US banking houses in providing facilities for American firms seeking to develop further in Europe but finding themselves unable to do so to the extent they plan owing to restrictions on the export of capital.

Thus the current rapid developments of Eurodollar and Eurocurrency equity markets is aimed to tap the huge reserves of liquidity, largely held in numbered accounts in Swiss banks, and to provide flexible financial facilities for American (later, also, probably for Japanese) firms seeking to set up or expand in Europe. The Eurodollar bond market has already partly served this purpose. The Eurocurrency market plans to try to beat it by offering lower charges, higher interest rates and by providing other facilities than debt financing for the development of new projects. The recovery of Wall Street and other international exchanges after the sharp bear attack of late May is helping to stimulate the development of an international equity market in Europe. It is probable, however, that borrowers will be required to

be more frank in their accounting reports than has been usual but the compelling desire in European banking now is to lend flexibly to an eager and valuable group of customers from other continents.

The Eurobond market has scored an outstanding success in enabling the \$125 million floating rate loan by the Italian State Electricity Concern ENEL; this success is certain to encourage similar issues from borrowers in the public and private sector. The floating rate concept is not absolutely new. It has been fairly common practice in the Eurodollar market for medium term credits for several years but has only once before — last year for a small 14.7 million dollar floating rate debenture issue by a US company — been used for a publicly quoted Eurobond issue.

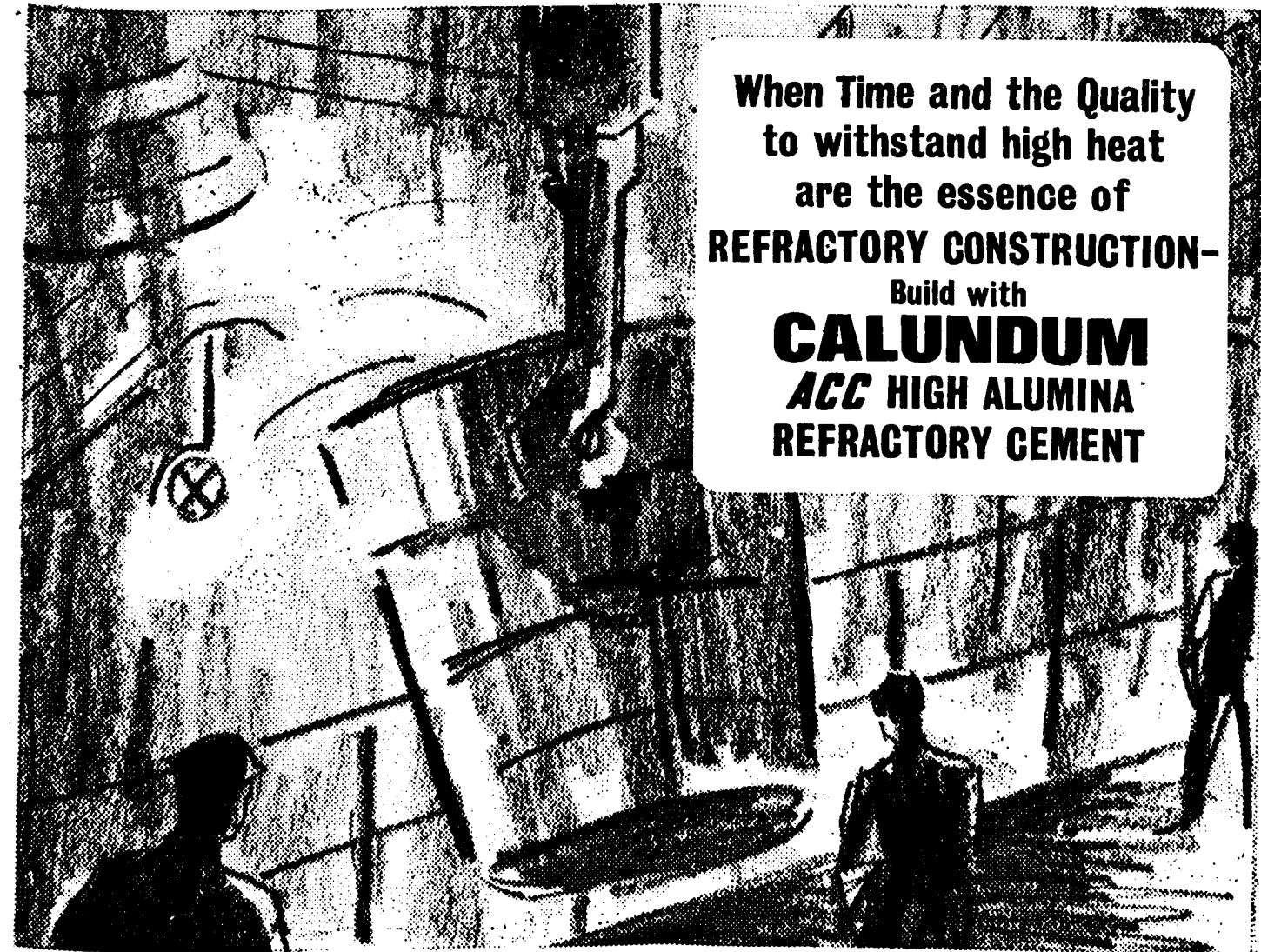
Floating rate loans — which means that the interest payable by the borrower is not fixed for the life of the loan, as has hitherto been the case with Eurobond issues, but is variable, moving in line with international interest rates, are adjustable every six months based on the prevailing interest rate for six-month Eurodollar inter-bank deposits.

Acting as a Bridge

Some European bankers, especially those operating from Luxembourg, where much of the Eurodollar deposit business is transacted, see such large floating rate loans as a bridge between the Eurodollar and Eurobond markets. The Italian ENEL offer has many similarities to a fixed-interest Eurobond loan since both are quoted on a stock exchange (usually, again, Luxembourg), are in bearer form, both maintain a secondary market and have a life of five years or more.

The floating rate loan with its flexible characteristic is expected to be attractive to banks interested in a short-term money device and to the usual purchaser of Eurobonds. The banks would enjoy high yield with liquidity and the Eurobond investor would have an attractive return while preserving his capital.

There are snags and dangers to this new device — an excessive rush to an attractive new form of investment is one of them — but bankers in Switzerland and Frankfurt as well as their less conservative fellows in Luxembourg expect floating rate Eurobonds to grow in popularity. The markets have certainly been very interested by the new device and a large issue from the USA using the floating rate Eurobond loan device is expected very shortly. The Eurocurrency market realizes more clearly than before that it will have to develop quickly if it is to share significantly in the newest style of state and big business investment and borrowing.



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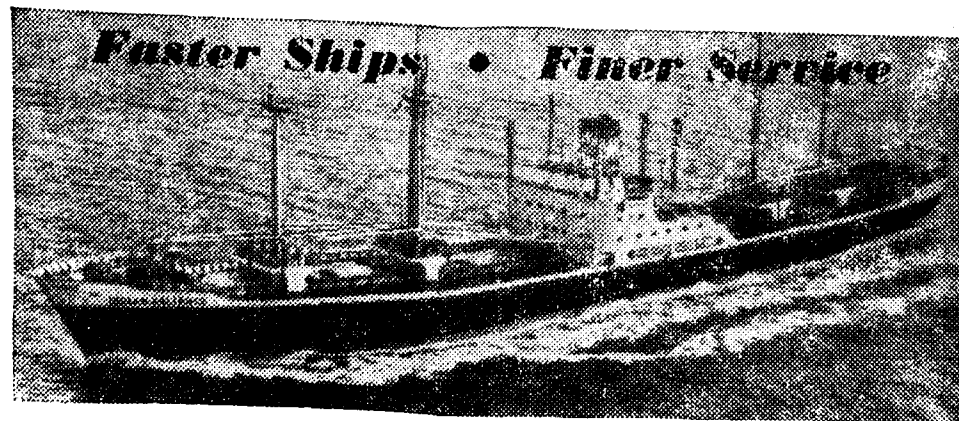
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THE GUESSING game about a cabinet reshuffle goes on. The latest rumour is that Mrs Gandhi would probably announce her decisions as soon as the President returns from his foreign tour, i.e., in the beginning of the fourth week of this month. Meanwhile, hoping is believing and one aging ex-chief minister from a southern state is reported to be assuring all and sundry that his being taken into the government could be regarded as certain. A different kind of publicity is being spread around an ex-cabinet minister from eastern India. In his case, there is stated to be the personal problem whether he should give up his very lucrative legal practice unless the portfolio offered to him is sufficiently prestigious. The Prime Minister, it is being suggested, has so far been tantalisingly unhelpful in the matter of making it less difficult for this particular Hamlet to make up his mind.

Is Mrs Gandhi going to do any "hatchet" job at all? This is a question to which ministers, such as Mr K.K. Shah, Dr V.K.R.V. Rao and Mr Satya Narayan Sinha will dearly love to have an early answer. The general reading is that Mrs Gandhi would draw old blood only in case she has decided in favour of infusion of new blood. To put it differently, what would weigh with the Prime Minister is not the thought whether the quality of the cabinet or the efficiency of the government may or should be improved by surgery, but calculations of political advantages accruing to her as a result of her being able to accommodate useful newcomers. If the Prime Minister is thinking only of inducting, say, three or four new ministers at cabinet level, she may easily do so without sending any one out. If, on the contrary, she decides that it would be to her advantage to satisfy a larger number of ambitions, she would certainly not hesitate to shed some of her present colleagues who may have outlived their usefulness to her or otherwise become redundant.

Very few observers would be surprised if certain interesting transfers of ministers or portfolios are effected. Mr Dinesh Singh's name continues to be mentioned frequently in this connection. Some unkind commentators are suggesting that he is headed towards the Labour portfolio. While it is true that such a transfer may truly reflect his present rating as a political colleague of the Prime Minister, I have a feeling that his personal association with her is still strong enough to enable him to resist successfully too obvious a downgrading. While Mr Dinesh Singh may

not be our next Minister for Labour, it is just possible that the present Minister for Labour may be moved to new pastures. The Ministry of Industrial Development is mentioned as a likely destination for Mr Sanjivayya. There is the problem, however, of Mr Fakhrudin Ali Ahmed. I am not one of those who believe that Mrs Gandhi is any more ready now than she was in the weeks following the departure from the cabinet of Mr Morarji Desai to part with the Finance portfolio to anyone, including Mr Ahmed. The question, then, is what other compensation he would consider to be adequate for surrendering his present ministerial zamindari. Mr Ahmed, I imagine, would be a difficult man to satisfy.

There is some speculation that the Finance Ministry may be split into two separate ministries of Economic Affairs and Revenue and Expenditure and that, while the Prime Minister may retain the more strategic Ministry of Economic Affairs, she may place somebody else in charge of the other one. A few people seem to think that such an arrangement, if made, would involve Mr Bhagat, who is presently Minister for Foreign Trade. I believe, however, that Mr Bhagat is likely to be disturbed only if Mr Dinesh Singh is to be shifted from the External Affairs Ministry back to the Ministry of Foreign Trade.

The million dollar question, of course, is about Chavan. It is fairly clear that the Prime Minister would very much like to bring in Mr V.P. Naik as Minister for Food and Agriculture. In that event she would not be unwilling to promote Mr Jagjivan Ram to a higher portfolio as a reward for services rendered. The only question is what she can do with Mr Chavan or, for that matter, Mr Chavan with himself. During the last some weeks we have been hearing a lot about the strengthening of the Prime Minister's position in the country, the government and within her own party. I would start believing this after the Prime Minister had dealt with her present Home Minister in the manner she no doubt wants to.

Considering that the green revolution, in the main, has been a wheat revolution, it is comforting to find southern states, such as Mysore and Tamil Nadu, reporting solid improvement in their levels of food production. While Mysore claims to have become virtually self-sufficient, Tamil Nadu has emerged as an exporter

of rice to other states. In the latter case, the state government has declared that it is in a position to sell 20,000 tonnes of rice to buyers with permission to export to any state. Tenders have already been invited for 7,500 tonnes out of this quantity. All this is in addition to the state's commitment to deliver 50,000 tonnes of rice to the central pool. It is noteworthy that Tamil Nadu has come to be in a position to assist other states deficit in food in spite of the decontrol of the trade in rice which was effected by the government of that state some time ago. One of the objections raised against decontrol at that time was that it would weaken the food budget of the nation. What has actually happened is the very opposite. Thanks to the fact that governmental restrictions have been withdrawn simultaneously with the trend towards increased production through better methods of cultivation, not only have consumers of rice within the state gained but also the country as a whole. A substantial beneficiary of the improvement in the food situation in the south should be the people of Kerala who have had to bear the Cross of rice shortages far too long.

The request from the Government of Ceylon to the Government of India for 10,000 tonnes of sugar on terms to be negotiated later has fortunately come at a time when this country has a surplus, even if temporary, of this commodity. Although there may be many among us who may find nothing sweet in the prospects of a communist dominated or a communist influenced Ceylon, the people of India can only have sympathy for the Ceylonese people in their economic or other difficulties. It follows that no reasonable means of giving practical expression to that sentiment should be overlooked.

Mr B.N. Adarkar was, no doubt, only a lame-duck Governor of the Reserve Bank. Even so it was rather odd that he should have called on the Secretary of the Department of Banking in the Ministry of Finance at the latter's office when he (Mr Adarkar) was recently in New Delhi, while still the governor, for a conference on measures for "following up" bank nationalisation. Regular governors of the Reserve Bank, I believe, have set up certain conventions in these matters so that the prestige of their office and its special relationship to the Finance Ministry could be safeguarded.

V.B.

Trade Winds

WEST BENGAL PROBLEMS

IN A memorandum submitted to the Prime Minister, Mrs Indira Gandhi, a few days ago, the Indian Chamber of Commerce, Calcutta, has chalked out a programme for the economic revival of West Bengal. The Chamber is of the view that four important problems of the state require immediate attention of the Government of India. These are: (1) restoration of confidence in the law and order situation; (2) canalising of more funds through the Life Insurance Corporation for co-operative house-building societies in the state; (3) provision of financial assistance for raising production of jute and making available of loans to tea gardens for extending tea cultivation; and (4) encouraging of new industries irrespective of ideology.

The Chamber has also stressed the need for certain immediate measures on the part of the West Bengal government. These include: (1) maintenance of the rule of law at all costs; (2) augmenting substantially the supply of drinking water and improving the facilities for sewerage; (3) launching of an effective programme for the removal of bastees and rehabilitation of bastees in new housing areas with opportunities of employment; (4) improving of the state transport undertakings, issuing of licences liberally for private transport operators and removing of the tram from congested routes; (5) examining the problems of the entrepreneurs in Durgapur and appointment of a small team to make an on-the-spot survey; (6) setting up of a Directorate of Industries in Durgapur to help entrepreneurs in their problems with the centre and the state government; (7) undertaking construction of major roads and highways and widening of the existing roads, etc.; (8) drawing up of a programme to allot surplus land (which is not used for any productive purposes) among the landless people.

The business community, the memorandum states, will contribute its best by: (1) participation in a corporation to develop industrial townships, undertake housing activity, and elimination of bastees; (2) undertaking detailed examination of the sick and the closed units and making recommendations to the government for their reopening and working on healthy lines; (3) negotiating discussions with labour leaders and

the state government to bring about industrial peace; (4) taking the initiative for the setting up of an industrial development bank in the eastern region, etc.

AVOIDING SHORTAGES

In a communication to the Prime Minister, the President of the Federation of Indian Chambers of Commerce and Industry, Mr D.C. Kothari, is understood to have urged that the existing industrial units should be allowed to expand in the interest of avoiding emergence of short ages of various goods. He has pointed out that new entrepreneurs are not forthcoming to set up additional capacities. The result, therefore, may be that the demand for many goods — consumer as well as capital — may outstrip supply in the early 1970s.

Mr Kothari is also said to have impressed upon the government the need for release of foreign exchange for ad hoc imports of raw materials which are in short supply. The import of capital goods also, he feels, should be allowed, if necessary, as the foreign exchange situation has eased in the recent past. Better utilisation of the existing capacities and establishment of new capacities as a result of the above-mentioned measures, Mr Kothari says, should go some way in stepping up exports. Mr Kothari also thinks that there is good scope for our industrialists setting up industries with local interests in such countries as Thailand, the Philippines, Singapore and Malaysia.

INDUSTRIAL LICENSING

After the announcement of the modified industrial licensing policy in February last, certain categories of undertakings which were earlier exempted from the licensing provisions have become ineligible for such exemption. (i) undertakings pertaining to industries which were, prior to February 19, 1970, exempted from licensing but which have been brought under licensing again with effect from the aforesaid date; and (ii) undertakings which were, prior to February 19, 1970, exempted from the licensing provisions on account of their fixed assets being not in excess of Rs 25 lakhs but are not so exempt now in the light of the new conditions for exemption from industrial licensing (e.g. undertakings belonging to or controlled by any of the Larger Industrial Houses,

foreign companies or their branches or subsidiaries and dominant undertakings which are no longer eligible for exemption from licensing). Similarly, undertakings requiring foreign exchange for raw materials and/or capital goods beyond a prescribed limit or those engaged in certain specified industries are also now required to obtain a licence under the modified policy. In respect of all such cases as are covered by (i) and (ii) above, applicants were required to apply in form 'EE' appended to the Registration and Licensing of Industrial Undertakings Rules, 1952, for a licence for carrying on business. The applicants were also expected, while applying for a 'carrying on business' licence, to furnish additional details of their scheme. It has already been clarified that undertakings which had taken 'effective steps' during the period they were exempted from the licensing provisions would be treated on the same footing as those which had commenced production during the period they were eligible for exemption.

TRADE WITH UGANDA

India and Uganda have decided to have more direct economic and commercial relations with a view to expanding and diversifying their trade. According to present indications, this country has offered to supply equipment to Uganda for its railways, communications and power projects besides machine tools and engineering goods. The Minister for Foreign Trade, Mr B.R. Bhagat, assured the visiting Ugandan Minister for Planning and Economic Affairs, Mr J.M. Okae, that imports of cotton from the United States under PL 480 would not come in the way of this country importing more cotton from Uganda. Mr Bhagat also told Mr Okae that India entertained no apprehensions whatsoever in regard to the implementation of the Uganda government's proposals for majority government participation in the import-export trade of their country as also in the banking business. Mr Okae also called on the Minister of State for Industrial Development, Internal Trade and Company Affairs, Mr K.V. Raghunatha Reddy, on June 9. During their talks, Mr Reddy assured the Ugandan minister that India would be willing to extend all possible help and assistance for industrial development particularly in the small-scale sector.

INDO-AUSTRIA TRADE

The official level trade talks between this country and Austria concluded recently with the exchange of letters between the Indian Ambassador, Mr V.C. Trivedi, leader of the Indian delegation and Dr Joseph Meisl, leader of the Austrian delegation. The two delegations reviewed the past trends, future

prospects of Indo-Austrian trade and agreed on measures to expand and diversify the trade between the two countries and to establish closer contacts between the commercial communities of the two countries. An Indo-Austrian commercial development programme was also discussed and it was agreed that the two sides would take steps to increase economic and commercial co-operation between the two countries. It was also agreed that similar trade talks will be held periodically between India and Austria.

DELEGATION FROM ALGERIA

Two delegations from Algeria, one relating to defence and other to economic relations, are expected to visit this country in the next few months following the visit of Mr Swaran Singh, Defence Minister, to Algeria recently. During his stay in Algeria, Mr Swaran Singh held discussions with the Algerian President and a number of Algerian ministers on the entire problem of bilateral relations. The visiting minister found a wide area where the two countries could co-operate to mutual benefit.

NEW TANKER FOR S.C.I.

A giant 88,000 DWT tanker "LAL-BAHADUR SHASTRI" has been acquired by the Shipping Corporation of India Ltd recently. The delivery on behalf of the owners was taken at Split, Yugoslavia, by Mr R. Jaipal and Mr C.P. Srivastava, Indian Ambassador in Yugoslavia and Chairman & Managing Director of the Shipping Corporation of India respectively. This tanker is a sister vessel of MT "JAWAHARLAL NEHRU" which was delivered to the corporation in September last. This tanker has been built by the Brodogradiliste Split Shipyard and is meant for transportation of oil for Madras Refineries.

COMPULSORY DEPOSIT SCHEME

Interest on deposits under the Compulsory Deposit Scheme, 1963, is exempt from income-tax and is not to be taken into account for calculating taxable income, stated a Press note from the Ministry of Finance.

STRESS ON ELECTRIC LOCOS

In pursuance of the modernisation programme of the Railways, the Chittaranjan Locomotive Works will stop the production of broad-gauge steam locomotives by the end of this month and of metre-gauge steam locomotives by March 1972. The Chittaranjan will concentrate on the production of electric locomotive and diesel shunters. Disclosing this at the concluding session of the Railway General Managers' Conference recently, Chittaranjan Locomotive Works' Chief, Mr H.M. Chatterjee stated that the project would,

in the current financial year, produce mixed traffic electric engines in addition to freight traffic electric locos. He said the production of such locomotives would progressively increase during the fourth Plan period. The possibility of stepping up the production of diesel shunters was being explored.

ADULTERATION OF DIESEL OIL

The union government intends to add a chemical to kerosene to make it easier to detect the presence of kerosene in diesel oil. The need for this has arisen from the fact that at present elaborate and time consuming laboratory tests are

needed to determine if kerosene has been added to diesel and if so, to what extent. The presence of this chemical marking agent will enable the test to be carried out within a minute on the spot by means of a simple portable appliance. A working group has been set up by the Ministry of Petroleum & Chemicals and Mines & Metals to arrange for the introduction of the chemical marking agent scheme by the end of this year.

ROAD BOARD

Formation of a Road Board, on the lines of the Railway Board, is one of the suggestions received by the Study Group

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NATIONAL SAVINGS ORGANISATION

May 70/71

on Road Safety set up by the union Ministry of Shipping and Transport, which concluded its four-day stay in Bombay. The study group met various officers, non-officials and also visited major spots where accidents take place frequently. Mr Tulsidas Jadav, MP and chairman of the study group, stated recently that the group had been touring the country since February visiting important cities to collect on-the-spot information in respect of traffic problems. The group would submit its report next year. Suggestions such as setting up of separate terminals for taxis and trucks, construction of over-bridges and subways for pedestrians and strict enforcement of traffic laws were also received by the group.

TAX REVENUE COLLECTIONS

Tax revenue realised by the central government under various heads and revenue from opium during the financial year 1969-70 amounted to Rs 2,725.70 crores as against Rs 2,417.71 crores collected during the corresponding period last year. The revenue realised in March 1970 amounted to Rs 322.38 crores as against Rs 349.12 crores in the corresponding month of last year. The following are the details of the revenue realised under various heads:

Revenue Head	(Rs lakhs)	
	Up to March 1969-70	1968-69
Customs	419.53	443.35
Union excise (excluding cesses on salt, rubber coal and iron ore)	1486.81	1285.09
Corporation tax	361.32	303.40
Income tax	425.53	351.04
Wealth tax	15.55	11.18
Expenditure tax	1.93	1.50
Gift tax		
Estate duty	7.09	6.45
Opium	7.94	5.70
	2725.70	2417.71

NEW AIRPORTS

Three new airports at Tirupati in Andhra Pradesh, Calicut in Kerala and Barapani in the new state of Meghalaya are to be developed. The provision in the fourth Plan for development of domestic airports, excluding the four international airports in Calcutta, Madras, Bombay and Delhi, has been raised to Rs five crores from Rs two crores, to include these developments. The project report for the airport at Tirupati, the temple town of Andhra Pradesh, has been prepared and a

financial sanction of Rs 34 lakhs for immediate works issued.

U. K. BALANCE OF PAYMENTS

Britain's balance of payments have come to be nearly £ 606 million surplus last year, the government announced on June 9. It was the first full year since 1962 that Britain has been out of the red. This announcement comes only nine days before the general election.

ADVANCES FOR VANASPATI

The Reserve Bank has relaxed credit control on advances by banks against oilseeds and vegetable oils including vanaspati. In a circular letter to banks, issued recently the Reserve Bank has exempted advances granted to vanaspati units and registered oil mills from the present ceiling control. The Reserve Bank has also advised the banks to meet the minimum credit requirements of vanaspati units in the country in view of the difficulties experienced by them in securing bank credit.

IMPORT OF SOYBEAN OIL

The union government has taken a decision to import 20,000 tonnes of soybean oil. This quantity will be bought from abroad. Orders have already been placed for the bulk of the quantity and the order for the remaining quantity is being placed shortly. This import is expected to stabilise the price of edible oils. The government will also import further quantities as may be necessary for this purpose. Inclusive of supplies arranged under PL-480, commercial purchases already made and orders recently placed, a total of 60,000 tonnes of soybean oil is expected to be received in this country within a few weeks. In addition, arrangements are also being made to import 25,000 tonnes of rapeseed from Canada which will help meet the liquid oil requirements, especially of the eastern region.

LOAN FOR I.C.I.C.I

An agreement on a \$40 million (Rs

30 crores) loan from the World Bank to the Industrial Credit and Investment Corporation of India was signed recently. The loan is to enable ICICI to meet most of its expected foreign exchange commitments over the next two years. The loan is for a term of 17 years, including two-and-a-half years of grace, with interest at seven per cent. The loan would be guaranteed by the union government and repayments to the World Bank would conform to repayments received by ICICI on its sub-loans financed out of the Bank's funds which would not extend for periods beyond 15 years.

CANADIAN DOLLAR

Canada has abandoned the fixed exchange rate of the Canadian dollar. The floating rate is expected to be higher than the old parity, which set the Canadian dollar at 92.5 cents in US currency. Making the announcement recently the Finance Minister, Mr Edger Benson, stated that the change was effective immediately. Mr Benson would not forecast the level to which the Canadian dollar would rise in the free market nor how long it would be before Canada returned to a fixed foreign exchange rate. He said the decision had been made because of recent heavy purchases of Canadian dollars by foreigners and because of a sharply rising foreign trade surplus. The Canadian Finance Minister said Canada had consulted the International Monetary Fund (IMF) before making the move and it had agreed to waive its requirement that a member-country retain a fixed exchange rate.

NAMES IN THE NEWS

Dr S.R. Sen is being appointed to succeed Mr S. Jagannathan as Executive Director of the World Bank. Mr Jagannathan, who has for some years been India's Economic Representative in Washington, has returned to take over as Governor of the Reserve Bank.



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

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Company Affairs

ORIENT PAPER

THE DIRECTORS of the Orient Paper Mills Ltd have a proposal to invest in the ordinary shares of Panafrikan Paper Mills (EA) Ltd, Nairobi (Kenya) to the extent of K£ 10,71,333 which when converted at the exchange rate of Rs 21 per each Kenya £ amounts to Rs 2.25 crores. In the course of carrying on the business of paper manufacture and setting up paper-making plant, Orient Paper Mills Ltd has acquired and developed technical know-how relating to the setting up of the paper projects and manufacture of paper and board. Panafrikan Paper Mills — hereinafter called Kenya Company—has been incorporated as a public limited company in Nairobi to establish there an integrated pulp and paper mill with a daily capacity of 150 tonnes of various kinds of paper. The total cost of the project is estimated at K£ 12.5 million (Rs 36.25 crores). The total ordinary share capital will be K£ 3.3 million (Rs 6.93 crores). Out of this, the company will subscribe to ordinary shares of K£ 1.07 million (Rs 2.25 crores). The remaining ordinary shares of an aggregate value of K£ 2.23 million (Rs 4.68 crores) have been agreed in principle to be subscribed by the Government of Kenya, the Development Finance Company of Kenya, the East African Development Bank, the International Finance Corporation and others.

DUNCAN BROTHERS

Duncan Brothers and Company Ltd has reported that its sales increased from Rs 18.02 crores in 1968 to Rs 18.60 crores for 1969, while the net profit after tax amounted to Rs 31.44 lakhs as against Rs 30.27 lakhs in the preceding year. It has been stated that the company's gunny exports department did not fare well following the restriction imposed by the Gunny Trades Association. There was also a reduction in commission earnings from tea companies due to reduced quantities of tea being sold and to lower prices obtained for the commodity. The directors have proposed to maintain the ordinary dividend at Rs 12 a share. They have stated that the disturbing trend of a reduction in the company's income against a background of ever-rising costs could not be viewed with complacency.

SHAW WALLACE

Shaw Wallace and Company Ltd has recorded a slight decline in the net

profit, after providing for depreciation and taxation to Rs 28.41 lakhs for the year ended December 31, 1969, from Rs 30.04 lakhs for the previous year. Depreciation is raised to Rs 12.60 lakhs from Rs 9.95 lakhs while taxation lowered to Rs 31.26 lakhs from Rs 32.97 lakhs. After adding Rs 62,740 being the balance brought forward from the previous year, Rs 3.18 lakhs being adjustment in respect of previous year's taxation, Rs 11.00 lakhs being profit on the sale of investments, there is available a sum of Rs 43.21 lakhs. From this, Rs 2.66 lakhs is provided for capital reserve, Rs 20.00 lakhs for general reserve and Rs 1.16 lakhs for development rebate reserve. The directors have proposed to maintain the ordinary dividend at 15 per cent. The company's chairman has stated that prospects for 1970 appear to be better than they were at the same time last year. He adds that certain major activities of the group, notably agriculture, are dependent on natural forces. With regard to the Indian Yeast Company, it is stated, that the fruits of expansion of this company should be available from 1971 onwards and the expansion of Shaw Leiner is almost complete. In addition to these projects, a start has been made on the brewery with the floatation of SKOL Breweries Ltd, in Bombay. Negotiations covering technical collaboration terms with SKOL International Limited are at an advanced stage. It is hoped that shares in SKOL Breweries Ltd will be offered for public subscription towards the end of this year.

TATA IRON

The sales of the Tata Iron and Steel Co Ltd have been maintained during the year 1969-70 despite a fall in production. The company's gross revenue from the sale of steel materials only (including freight and excise duty) during the year have amounted to Rs 127.84 crores against Rs 127.98 crores during 1968-69. The company's sales amounted to Rs 120.83 crores in 1967-68. The company's despatches during 1969-70 dropped to 1.36 million tonnes from 1.43 million tonnes in the previous year. Its production of saleable steel declined to 1.44 million tonnes from 1.47 million tonnes in 1968-69. The company's gross sales of steel materials during the last quarter of 1969-70 amounted to Rs 38.38 crores against Rs 28.93 crores in the preceding quarter and Rs 35.91 crores in the corresponding quarter of

1968-69. Its despatches of saleable steel during the quarter, January-March 1970, totalled 380,900 tonnes against 313,500 tonnes in the preceding quarter and 395,600 tonnes in the last quarter of 1968-69.

KANORIA HAYCOCK

Kanoria Haycock Sanderson Ltd proposes to enter the capital market shortly with a public issue of Rs 31.77 lakhs comprising 17,520 equity shares of Rs 100 each and 14,250 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each (Rs 14.25 lakhs). The company has an authorised capital of Rs one crore (Rs 75 lakhs in equity and Rs 25 lakhs in preference shares). The issued and subscribed capital is Rs 18.23 lakhs in equity. The company holds an industrial licence for manufacturing precision tools and instruments, namely, gauges, tools and cutting tools. The factory will be located at Nagpur (Maharashtra) in technical collaboration with Haycock Gauge and Tool Co. Ltd and Sanderson Instruments (Ruddersfield) Ltd, both of the UK. Both the imported and indigenous plant and machinery is expected to arrive at the site by May 1971 and trial production is expected to commence by July 1971 and commercial production by October, 1971. The capital outlay on the project is estimated at Rs 101 lakhs, which will be met by share capital, foreign currency loan from the ICICI and a loan from IFC.

PANIPAT FOODS

Panipat Foods Ltd will enter the capital market on June 23, with an issue of Rs 13 lakhs. The issue will close on July 4, 1970, or earlier at the discretion of the directors but not before June 26, 1970. The present issue is made up of 65,000 equity shares of Rs 10 each and 6,500 (9.5 per cent, free of company's tax but subject to deduction of taxes at source at the prescribed rates) redeemable cumulative preference shares of Rs 100 each. The entire issue has been underwritten. The company proposes to set up a plant at Panipat for preservation, dehydration, canning and bottling of seasonal vegetables. The plant has been supplied by M/s Technoexport, Bulgaria, on a deferred payment basis. The latter company will also provide the technical know-how without charging royalty or fees except the remuneration and expenses of the technicians sent by them.

ANIL STARCH

The directors of Anil Starch Products Ltd propose to issue bonus shares in the ratio of one share for every three shares held by capitalising a sum of Rs 25 lakhs out of the company's general reserve. The last bonus issue made by

the company was in the ratio of one-for-two towards the end of 1968. After the proposed bonus issue, the company's equity capital will amount to Rs one crores, of which the capital issued by way of bonus shares will account for Rs 60 lakhs.

PAUL LOHMANN

Despite an impressive improvement in production, Dr Paul Lohmann (India) Ltd., has not shown any improvement in sales which practically remained unchanged at Rs 38.22 lakhs in 1969 against Rs 38.75 lakhs in the previous year. The production has more than doubled to Rs 49.28 lakhs from Rs 23.38 lakhs. The paradoxical position is the result of very late receipt of imported raw materials which arrived only towards the end of the third quarter of the year and consequently their conversion into finished product took place during last quarter. This has resulted into a large carryover of finished goods amounting to Rs 23.05 lakhs, against Rs 11.99 lakhs. The directors are however optimistic that the stocks will be cleared soon. The working during the year has resulted in a loss of Rs 4.74 lakhs, against a loss of Rs 7.04 lakhs in the previous year, after providing Rs 2.17 lakhs for depreciation and Rs 4.97 lakhs as interest. After necessary adjustment and bringing in a debit balance of Rs 20.32 lakhs, a debit balance of Rs 25.21 lakhs has been carried forward.

ENGEL INDIA MACHINES

The working results of Engel India Machines and Tools Ltd reveal an improvement in sales, which have advanced from Rs 18.28 lakhs to Rs 25.71 lakhs during the year 1969. There has been a steady flow of orders both from the internal and export markets. Notwithstanding the improvement in production, it has not been possible for the company to meet the entire demand due to a lack of adequate credit facilities. The company has approached the State Bank of India for the necessary credits required for further stepping up of production to meet increasing demands. During the year the company has substantially reduced losses from Rs 13.02 lakhs to Rs 2.62 lakhs after making provision of Rs 3.42 lakhs against Rs 2.34 lakhs for depreciation and Rs 5.18 lakhs against Rs 4.76 lakhs for interest.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the three weeks ended January 31, 1970. The list contains

the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting—and annual installed capacity.

LICENCES ISSUED

Fuels

Smt Kashi Bai, Owner, Katras New Colliery, P.O. Jharia, Dhanbad (Bihar). (BIHAR) Coal—16,000 tonnes p.a. (COB).

Electrical Equipment

M/s Heavy Electricals (India) Ltd, Bhopal (MP) 1. Switchgear, 3,300 Nos. 2. Control gears, 1,265 Nos., 3. Transformers, 14175 Nos., 4. Rectifiers 150 Nos. 5. Railway traction machines 1,070 Nos., 6. Industrial machines, 1,030 Nos., 7. Power plant electrical machinery—7 Nos., 8. Power Plant prime movers 7 Nos., 9. Other items. 565 Nos., (Capacity annual on maximum utilisation of plant).

Transportation

M/s Hindustan Aeronautics Ltd;

(Lucknow Division), Indian Express Building, Vidhan Veedhi, Bangalore-1. 1. Hydraulic equipment., 2. Pressurisation equipment. 3. Aircraft instruments. 4. Aircraft ejection seats. 5. Aircraft oxygen equipment. (72 sets of each on two shift basis) (NU).

Industrial Machinery

M/s National Machinery Manufacturers Ltd; P.B. No. 3, THANA, (Maharashtra) — Draw frames., 120 Nos. p.a. (60 sets), (NA).

Engineering Industries.

M/s Indian Cork Mills, Thackersey House, Ground Floor, Graham Rd.; Ballard Estate, Bombay-1. (Maharashtra)—Rigid PVC film non-toxic quality, (Thickness 0.03 to 0.38 mm.) 1,800 tonnes p.a. (NA).

M/s Precision Tools & Instruments, 50-B, Gariahat Road, Calcutta-19. (West Bengal). Vernier callipers—5000 nos. p.a. Jigs & fixtures — Rs 10.00 Lakhs. Special type of cutting tools as per customers requirements and gear hops—Rs 10.00 lakhs.

Gauges of all types.—Rs 10.00 lakhs (NU).

Textiles

M/s Orient Carpets Mfrs. (India) Pvt. Ltd, P.B. No. 24, Amritsar. (Punjab)—4 Powerlooms (Purchased from M/s Central Woollen Mills, Ludhiana) for the manufacture of heavy weight filter cloth. (SE)

M/s Titagur Jute Factory Co. Ltd. 3, Clive Road, Calcutta-1. (West, Bengal)—Jute carpet backing cloth. (50) broad-loom to produce 2540 tonnes of carpet backing cloth (SE).

Sugar

M/s Malwa Sugar Works Co. Ltd.; Through: M.A. M/s Karam Chand Thapar & Bros. (P) Ltd; Thapar House 25, Brabourne Road, Calcutta-1. (Punjab) Sugar — 500 tonnes of sugarcane per day. (SE).

M/s Shree Khedut Sahakari Khand Udyog Mandi Ltd, Sardar Baug, Bardoli, Distt: Surat. (Gujarat)—Sugar—1000 tonnes of sugar cane per day. (SE).

Food Processing Industries

The Milk Commissioner, Haryana, ISIC., Sector 18-D., Chandigarh. (Haryana)—(i) Baby food.—1,500 tonnes (ii) Dried milk—650 tonnes. (whole & Skim) (iii) Table Butter—500 tonnes (iv) Ghee—200 tonnes. (NU).

LETTERS OF INTENT

Metallurgical Industries

M/s Murgappa & Sons, TIAM House, 11/12, North Beach Road, Madras-1. (Gujarat) — Bundy weld steel tubing, 25 million feet p.a., (NU).

Electrical Equipment

M/s National Radio & Electronics Co. Ltd; Ewart House, Bruce Street Fort, Bombay-1. (Maharashtra) (i) Automatic solid state voltage regulator and stabilizer — 15,000 units, (ii) Solid state variable speed drive. —2,500 units, (iii) Precision solid state circuit panel for sport welding machines — 500 units (iv) Electronic office Machine including desk calculator—500 units, (v) Blood pressure apparatus—2,500 units, (vi) Electronic stereoscopes — 2,500 units, (vii) Stereo & mono amplifiers — 1,000 units, (viii) Single phasing Preventor—15,000 units, (ix) Electronic solid state counters/including precision digital clocks and high precision times—1,000 units, (NA).

M/s Delhi Cloth & General Mills Co., Ltd; Textile Division, Bara Hindu Rao, Delhi-6. (Haryana) Electronic desk calculators — 2000 nos. per annum (NA).

M/s Usha Electrical Ltd; 14, Princes

Street, Calcutta (Haryana).—Fly wheel magnetos—60,000 Nos. p.a. (NA).

Transportation

M/s Andhra Pradesh Ind. Development Corpn. Ltd; B. 1/174, Fateh Maidan Road.; Hyderabad (Andhra Pradesh)—Chassis frames pressings for automobiles—(21,200 Nos. p.a.) (NU).

Industrial Machinery

M/s SLM Maneklal Industries Ltd; Vatya Taluka Dasroi, Ahmedabad (Gujarat) (1) Blow moulding machines—50 worth Rs 3,38,05,780 (2) B₁, B₂, B₁₃, V₈ (2) Silk screen printing machines D-20, 20—worth Rs 3,95,200, (3) Flame Treating Machines F-30 20—worth Rs 277,700, (4) Granulators GA-8, GA-16. 10—worth Rs 12,38,705 (NA).

Machine Tools

Shri Sampat M. Bafna, C-24 Bhagwan Das Road, Jaipur., (Rajasthan) Airless and Pneumatic sheet peening and shot blasting machines. (NU).

The Managing Director, Praga Tools Ltd; 6-6/8/32, Kavadiyuda Road, Secunderabad-3. (Andhra Pradesh) — Thread rolling machines 20 nos. p.a. (NA).

M/s Promain Ltd; F-39, N.D.S.E. Part-I, New Delhi-3. (Haryana) Annual Capacity (1) Bar twisting machine—Rs 4.5 lakhs, (2) Straightening machine — Rs 3.5 lakhs, (3) Cold shears. — Rs 1.5 lakhs (4) Equipments finishing of tubes such as : (a) Straightening machine—Rs 4.5 lakhs, (b) End milling machines.—Rs 5 lakhs, (c) Threading machine.—Rs 4.0 lakhs (d) Embossing machine—Rs. 1.0 lakhs, (5) Complete tube galvanising plant. Rs 15.00 lakhs. (6) Draw Benches for bars & tubes. Rs 3.5 lakhs (7) Swaged poles — complete plant. Rs. 8.0 lakhs (NA).

M/s Usha Martin Black (Wire Ropes) Ltd; 14, Princes Street, Calcutta-13. (Bihar)—wire drawing & other allied machines — 50 nos., valued at Rs 56 Lakhs p.a. (NU).

Chemicals

M/s Travancore Titanium Products Ltd; Kochu Veli, Trivandrum (Kerala). Sulphuric acid—72,000 tonnes p.a. (total capacity 108,000 tonnes) (SE).

Drugs and Pharmaceuticals

M/s Themis Pharmaceuticals, 38, Suren Road, Andheri East, Bombay-69., (Gujarat)—Vitamin B-12; 38 kgs. (Capacity after Substantial expansion 50 Kgs.) (SE).

M/s Merck Sharp, & Dohme of India Ltd; Duggal House, Backbay Reclamation, Bombay-20 BR. (Maharashtra).—B-12 (cynocobalamin) 29 Kgs. (SE).

M/s Suneeta Laboratories, 89-B/90, Industrial Estate, Polo ground, Indore., (MP).—Vitamin C — 125; tonnes p.a. (NA).

M/s Polyolefins Industries Ltd, Revilla House, Currimbhoy Road, Ballard Estate, Bombay-1 BR. (Maharashtra) — n-butene-1—600 tonnes p.a. (NA).

Fermentation Industry.

M/s Madhur Breweries (MP) Pvt Ltd; C-37 Connaught Place, New Delhi. (MP)—Beer-25,000 h.l. (NU)

Food Processing Industry

M/s Kaira Distt. Co-op, Milk Producers Union Ltd; Anand. (Gujarat). Baby food—2500 tonnes, p.a. (capacity after substantial expansion 10,000 tonnes), (SE).

M/s Polson Ltd; 65-B, Dockyard Road, Mazagaon, Bombay-10. DD. (Bihar).—Dehydrated vegetables & fruits — 525 tonnes p.a. (NA).

Glass

M/s Kerala State Industrial Development Corpn., Ltd; Vellayambalam, Trivandrum-1. (Kerala).—Glass bottles—12,000 tonnes p.a. (NU).

M/s Jagatjit Industries Ltd; 54, Ring Road, Lajpat nagar—3, New Delhi-14, (Delhi).—Glass bottles — 12,000 tonnes p.a. (NA)

M/s Empire Dying & Mfg. Co., Ltd; Vitrum Glass Division 414, Tulsipipe Road, Bombay-13, (Maharashtra). — Glass bottles — 12,000 tonnes p.a. (SE).

M/s Alembic Glass Industries Ltd; White Field, Bangalore. (Mysore) Glass container ware products — 12,000 tonnes p.a. (SE).

CHANGE IN NAMES OWNER/UNDERTAKINGS

Information pertains to particular licences only

M/s The British India Corpn. Ltd, Kanpur.—M/s Tannery & Footwear Corporation of India Ltd; Kanpur.

LICENCES REVOKED OF SURRENDERED

Information pertains to particular licences only

M/s Madan Machine Tools, 17, DLF Industrial Area, Najafgarh Road, New Delhi-15. — Hydraulic Surface Grinding Machines & Carpenter and Allied Tools. M/s Indian Insulated Conductors (P) Ltd; 2, Ring Road, Lajpat Nagar IV—Part-I, New Delhi-24.—V.I.R., T.R.S. weather Proof & T.R.S. Flexible Cables. M/s Bharat Bright Bars Co., 24-B Maheshwari Mansion, 34, Napean Sea Road, Bombay-6.—Bright Steel Bars.

RECORDS AND STATISTICS

Wholesale Prices : March, 1970

THE OFFICIAL wholesale prices index with the year ended March, 1962 as 100 advanced by 1.2 per cent to 175.6 during March, 1970 as compared to 173.5 for February, 1970. The index for March, 1970, was higher by 6.6 per cent when compared to 164.8 for March, 1969. The rise in the general index was contributed by all the groups. The indices of 'Food Articles' rose by 1.3 per cent to 199.3, 'Liquor and Tobacco' by 2.5 per cent to 189.4, 'Fuel, Power, Light and Lubricants' by 2.6 per cent to 160.0, 'Industrial Raw Materials' by 1.6 per cent to 187.6, 'Chemicals' by 0.6 per cent to 188.0, 'Machinery & Transport Equipment' by 0.2 per cent to 139.7 and 'Manufactures' by 0.7 per cent to 148.9.

Food Articles

The sub-group indices for 'Cereals' and 'Pulses' advanced by 1.5 per cent to 205.1 and by 2.1 per cent to 252.6 respectively during the month under review, due to rise in the prices of all the Cereals and Pulses except barley.

The index for 'Foodgrains' went up by 1.6 per cent to 213.7. At this level the index for 'Foodgrains' was higher by 11.1 per cent when compared to that of a year ago. Due to higher prices of potatoes and bananas the index for 'Fruits & Vegetables' sub-group rose by 3.3 per cent to 186.1. The prices of onions, oranges and cashewnuts, however, declined. Owing to an increase in the prices of milk and butter the index for 'Milk & Milk Products' moved up by 3.7 per cent to 200.2. Higher prices of groundnut oil, gingelly oil and vanaspati pushed up the index for 'Edible Oils' sub-group by 3.0 per cent to 220.0. The prices of coconut oil, however, receded. The index for 'Fish, Eggs & Meat' exhibited a rise of 0.4 per cent to 202.9, on account of higher prices of meat although the prices of eggs and fish moved down. The index for 'Sugar and Allied Products' recorded a rise of 0.4 per cent to 155.5 due to an increase in the prices of Gur,

though the prices of sugar khandsari fell. A fall of 4.7 per cent to 194.0 in the sub-group index for 'Other Food Articles' was brought about by lower prices of chillies, cloves, turmeric, cummin and cardamoms; prices of black pepper, coffee, betel nuts and processed foods, however, advanced.

Liquor and Tobacco

The index for this group exhibited a rise of 2.5 per cent to 189.4 due to higher prices of tobacco manufactures after the levy of higher excise duty. The prices of tobacco (raw), however, declined.

Fuel, Power, Light and Lubricants

The index for the 'Fuel, Power, Light

& Lubricants' group moved up by 2.6 per cent to 160.0 owing to an increase in the prices of kerosene oil, petrol and aviation spirit and lubricating oil. The government has raised the excise duty on these items. The price of castor oil, however, showed a fall during the month under review.

Industrial Raw Materials

Higher prices of cotton raw and hemp raw pushed up the index for 'Fibres' sub-group by 0.8 per cent to 160.3. The prices of jute (raw) and mesta and silk (raw), however, declined. The prices of groundnuts, gingelly seed and cotton seed rose while those of linseed, castorseed, rapeseed and copra moved down with the result that the index for 'Oilseeds' sub-group registered a rise of 2.5 per cent to 221.0. The index for 'Minerals' sub-group stood at 140.9 as against 140.8 for the earlier month. Among 'Other Industrial Raw Materials' the prices of tanning materials

RECORDS AND STATISTICS

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and logs and timber increased while those of skins (raw) and lac receded; consequently the index for this sub-group moved up by 1.0 per cent to 168.3.

Chemicals

The index for this group advanced by 0.6 per cent to 188.0 due to higher prices of caustic soda, soda ash and bleaching powder.

Machinery and Transport Equipment

The index of 'Machinery & Transport Equipment' advanced by 0.2 per cent to 139.7 due to a rise in the prices of electrical machinery items and non-electrical machinery items.

Intermediate Products

The index for 'Intermediate Products' rose by 1.7 per cent to 174.4 owing to an increase in the prices of rayon yarn, aluminium, brass and copper. The prices of leather, zinc and linseed oil, however, depicted a fall.

Finished Products

A rise in the prices of jute manufactures (+1.0 per cent to 156.3), silk and rayon manufactures (+0.3 per cent to 114.6) and woollen manufactures (+1.3 per cent to 179.6) pushed up the sub-group index for 'Textiles' by 0.3 per cent to 140.5. The index for cotton manufactures remained unchanged at its previous month's level of 136.7. The index for 'Metal Products' moved up by 0.9 per cent to 157.8 due to an increase in the prices of iron and steel manufactures and aluminium utensils. Higher prices of drugs and medicines, dyeing materials and insecticides pushed up the index for 'Chemical Products' sub-group by 1.9 per cent to 140.6. A fall was, however, noticed in the prices of essential oils. The index for 'Oil Cakes' sub-group declined by 0.4 per cent to 210.8. The sub-group index for 'Misc. Products' witnessed a rise of 0.2 per cent to 120.5 due to an increase in the prices of clocks and watches. The sub-group indices for non-metallic products, leather products, rubber products, and paper products remained unchanged at their previous month's level of 135.2, 92.1, 157.5 and 120.4 respectively. During March, 1970, the index for 'Finished Products' moved up by 0.4 per cent to 142.7 from 142.1 during February 1970.

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

(Base : 1961-62=100)

Groups and Sub-Groups	MONTHLY AVERAGE			% increase (+) or decrease (—) in March 1970 as compared to	
	March 1970	Feb. 1970	March 1969	Feb. 1970	March 1969
I. Food Articles	199.3	196.7	186.2	+1.3	+7.0
(a) Foodgrains	213.7	210.3	192.3	+1.6	+11.1
(i) Cereals	205.1	202.1	189.6	+1.5	+8.2
(ii) Pulses	252.6	247.4	204.6	+2.1	+23.5
(b) Fruits and Vegetables	186.1	180.1	173.8	+3.3	+7.1
(c) Milk and Milk Products	200.2	193.1	195.3	+3.7	+2.5
(d) Edible oils	220.0	213.5	181.3	+3.0	+21.3
(e) Fish, Eggs and Meat	202.9	202.0	200.3	+0.4	+1.3
(f) Sugar and Allied Products	155.5	154.9	192.5	+0.4	—19.2
(g) Others	194.0	203.5	148.0	—4.7	+31.1
II. Liquor & Tobacco	189.4	184.8	217.2	+2.5	—12.8
III. Fuel, Power, Light and Lubricants	160.0	156.0	152.5	+2.6	+4.9
IV. Industrial Raw Materials	187.6	184.6	171.0	+1.6	+9.7
(a) Fibres	160.3	159.1	161.7	+0.8	+0.9
(b) Oilseeds	221.0	215.6	183.3	+2.5	+20.6
(c) Minerals	140.9	140.8	136.5	+0.1	+3.2
(d) Others	168.3	166.6	165.0	+1.0	+2.0
V. Chemicals	188.0	186.8	177.1	+0.6	+6.8
VII. Machinery and Transport Equipment	139.7	139.4	133.1	+0.2	+5.0
(a) Electrical Machinery	136.1	135.6	133.5	+0.4	1.9
(b) Non-Electrical Machinery	143.8	143.2	133.8	+0.4	+7.5
(c) Transport Equipment	135.5	135.5	131.5	—	+3.0
VII. Manufactures	148.9	147.9	138.6	+0.7	+7.4
A. Intermediate Products	174.4	171.6	148.9	+1.7	+17.1
B. Finished Products	142.7	142.1	136.0	+0.4	+4.9
(a) Textiles	140.5	140.1	135.0	+0.3	+4.1
(i) Cotton Mfrs.	136.7	136.7	130.5	—	+4.8
(ii) Jute Mfrs.	156.3	154.8	152.6	+1.0	+2.4
(iii) Silk and Rayon Mfrs.	114.6	114.3	114.9	+0.3	—0.3
(iv) Woollen mfrs.	179.6	177.3	162.1	+1.3	+10.8
(v) Coir mats & matting	165.8	165.8	159.8	—	+3.8
(b) Metal Products	157.8	156.4	149.2	+0.9	+5.8
(c) Non-Metallic products	135.2	135.2	129.0	—	+4.8
(d) Chemical Products	140.6	138.0	133.1	+1.9	+5.6
(e) Leather Products (Shoes)	92.1	92.1	93.9	—	—1.9
(f) Rubber Products	157.5	157.5	156.5	—	+0.6
(g) Paper Products	120.4	120.4	113.3	—	+6.3
(h) Oil cakes	210.8	211.7	175.4	—0.4	+20.2
(i) Misc. Products	120.5	120.3	119.8	+0.2	+0.6
All Commodities	175.6	173.5	164.8	+1.2	+6.6

Source : Office of the Economic Adviser to the Government of India.

RESERVE BANK OF INDIA

(In lakhs of rupees)

Friday	1969		1970			
	May 30	May 1	May 8	May 15	May 22	May 29
Issue Department						
Notes held in Banking Department	37,55	18,53	23,23	15,64	12,48	36,63
Notes in circulation	3,603,76	3,959,03	4,049,82	4,055,88	4,039,03	4,014,54
Total notes issued	3,641,31	3,977,56	4,073,05	4,071,52	4,051,51	4,051,17
Gold coin and bullion	182,53	182,53	182,53	182,53	182,53	182,53
Foreign securities	216,42	336,42	396,42	396,42	396,42	396,42
Rupee coin	65,20	61,11	56,59	55,06	55,03	54,70
Government of India rupee securities	3,177,16	3,397,50	3,437,50	3,437,51	3,417,52	3,417,52
Banking Department						
Deposits of Central Government	83,96	173,38	94,97	90,68	106,46	139,85
Deposits of State Governments	9,89	3,32	7,82	4,78	5,74	4,93
Deposits of Scheduled Commercial Banks	165,02	174,49	172,16	186,71	193,52	182,80
Deposits of Scheduled State Co-operative Banks	11,11	7,99	8,46	8,72	9,66	8,06
Deposits of Non-scheduled State Co-operative Banks	59	64	63	64	65	62
Deposits of other banks	25	23	21	20	22	30
Other deposits	242,78	109,74	112,96	112,02	107,73	104,22
Other liabilities*	558,26	626,24	603,78	617,95	616,65	624,83
Total liabilities or assets	1,071,86	1,096,02	1,001,00	1,021,70	1,040,63	1,065,61
Notes and coins	37,74	18,68	23,32	15,84	12,57	36,79
Balances held abroad	156,36	149,59	106,20	112,05	114,10	121,80
Loans and advances to—						
(i) Central Government	..	..	..	..	..	..
(ii) State Governments	147,13	215,41	180,62	198,87	207,84	213,43
Loans and advances to Scheduled Commercial banks	150,87	254,62	276,74	269,88	285,66	276,94
Loans and advances to State Co-operative Banks	219,31	244,32	244,70	247,50	245,67	245,81
Other loans and advances†	8,02	9,02	9,25	9,63	10,03	11,59
Bills purchased and discounted	171,56	34,06	14,46	18,13	7,98	7,46
Investments	134,74	120,00	94,71	100,21	106,59	102,04
Other assets	46,13	50,31	50,99	49,58	50,20	49,74

Note:—The gold reserves of Issue Department are valued at Rs 53.58 per 10 grams up to 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 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 from July 5, 1968 and Rs 155 crores from July 4, 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 Operation) 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

(Business in India)

(Rs crores)

Friday	1969		1970			
	May 30	May 1	May 8	May 15	May 22	May 29
1. Demand liabilities						
(a) Demand Deposits—						
(i) From banks	106.32	126.32	125.10	122.61	122.21	124.80
(ii) From others	1,990.77	2,253.92	2,253.06	2,242.81	2,261.35	2,258.61
(b) Borrowings from banks	44.43	28.92	28.67	24.70	23.98	22.39
(c) Others	111.57	135.31	137.64	135.72	130.93	138.02
2. Time liabilities						
(a) Time deposits—						
(i) From banks	54.83	43.03	38.02	34.16	33.47	30.01
(ii) From others	2,511.14	2,839.99	2,851.60	2,859.01	2,863.22	2,874.41
(b) Borrowings from bank	7.91	5.62	5.98	5.77	6.71	6.36
(c) Others	25.27	30.30	30.94	32.04	31.57	30.48
3. Aggregate deposits (I) (a) (ii) + (2) (a) (ii)	4,501.91	5,093.91	5,104.66	5,101.82	5,124.57	5,133.02
4. Borrowings from Reserve Bank	150.87	293.90	270.37	272.81	260.49	265.65
(a) Against usance bills and/or promissory notes						
(b) Others						
5. Borrowings from State Bank and/or a notified Bank* and the State Government†	99.31	80.35	89.67	85.34	87.33	92.07
6. Cash	51.56	213.55	180.70	187.47	173.16	173.58
7. Balances with Reserve Bank	61.43	56.83	58.71	62.74	62.26	62.34
8. Cash and balances with Reserve Bank	123.37	143.61	142.48	145.84	149.42	150.55
9. 8 as % of 3	164.60	177.04	177.40	178.21	171.16	178.27
10. Balances with other banks in current account	287.97	320.65	319.88	324.06	320.58	328.82
11. Money at call and short notice	6.40	6.29	6.27	6.35	6.26	6.41
12. Investments in Government securities	46.85	51.16	54.40	54.64	55.60	59.34
13. 12 as % of 3	78.51	45.27	47.69	44.27	42.05	36.78
14. Advances	1,109.31	1,167.30	1,184.88	1,183.26	1,184.68	1,182.77
(a) loans, cash credits and overdrafts						
(b) due from banks						
15. Inland bills purchased and discounted	24.64	22.92	23.21	23.19	23.12	23.04
16. Foreign bills purchased and discounted	2,826.87	3,348.47	3,389.59	3,393.50	3,379.18	3,415.05
17. Total bank credit (14) (a) + (15) + (16)	34.12	38.40	38.76	38.78	44.51	45.28
18. 17 as % of 3	530.83	511.57	501.45	516.03	524.39	528.37
	168.37	191.76	189.70	187.82	188.93	188.98
	3,626.06	4,051.80	4,080.74	4,097.35	4,092.50	4,132.40
	78.32	79.54	79.94	80.31	79.86	80.51

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

CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS

Centre	1960- 61*	1965- 66	1966- 67	1967- 68	1968- 69	1969- 70	1969				1970		
							Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	March
All-India**	124	169	191	213	212	(1949=100) 215	216	215	215	215	215	215	218
All-India					174††	(1960=100) 177	178	177	177	177	177	177	179
Ahmedabad	102	130	148	168	165	169	164	171	167	167	170	170	171
Alwaye	102	145	158	183	198	197	189	192	193	191	187	192	193
Asansol	97	140	145	168	176	178	172	180	180	178	177	176	180
Bangalore	101	144	159	172	180	183	180	184	182	181	182	180	181
Bhavnagar	101	132	152	173	176	178	171	178	178	178	182	183	184
Bombay†	100	130	147	162	167	175	170	176	174	174	175	175	176
Calcutta	97	131	148	163	170	172	164	180	178	175	170	170	172
Delhi	101	136	152	172	178	185	178	186	185	186	186	187	190
Digboi	103	138	160	198	185	180	172	179	180	180	181	180	180
Gwalior	103	139	160	191	179	184	175	184	182	184	186	188	189
Howrah	98	137	154	178	181	176	173	180	179	179	175	173	177
Hyderabad	102	140	158	167	173	185	176	186	184	182	185	182	184
Jamshedpur	98	136	158	183	171	170	164	174	173	168	167	169	173
Monghyr	103	151	187	215	185	188	173	193	188	188	188	194	201
Mundakayam	101	138	152	173	186	191	175	188	189	188	191	191	190
Nagpur†	96	138	148	164	165	176	165	177	175	179	181	180	181
Saharanpur	101	141	163	188	176	181	174	180	179	181	180	182	187
Sholapur†	99	128	150	165	167	176	170	176	178	179	181	180	180

*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 arithmetically 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 eight months from August 1968.

Source : Reserve Bank of India Bulletin.

CONSUMER PRICE INDEX NUMBERS FOR URBAN NON-MANUAL EMPLOYEES
(1960=100)

Centre	1960- 61*	1965- 66	1966- 67	1967- 68	1968- 69	1969					1970	
						Feb.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
All-India	100	132	146	159	161	160	169	168	167	168	168	168
Bombay	99	132	142	153	156	153	165	165	162	162	160	162
Delhi-New Delhi	100	131	142	154	162	161	170	169	168	167	169	168
Calcutta	98	126	139	152	156	154	164	165	165	165	162	162
Madras	103	133	147	154	154	154	159	160	161	162	165	166
Hyderabad-Secunderabad	101	133	147	155	159	159	167	167	168	168	169	168
Bangalore	102	133	145	156	160	159	166	165	164	164	165	165
Lucknow	100	132	146	159	156	155	163	163	160	160	161	162
Ahmedabad	100	131	146	160	162	161	171	169	165	168	168	167
Jaipur	101	133	150	162	168	167	180	178	176	176	176	177
Patna	99	139	160	179	174	173	184	181	181	180	181	181
Srinagar	105	134	143	160	167	169	174	174	174	175	176	176
Trivandrum	103	131	146	165	168	166	174	172	172	173	174	173
Cuttack-Bhubaneswar	100	142	154	164	167	165	171	170	171	171	168	165
Bhopal	102	133	144	166	166	164	176	175	173	171	172	172
Chandigarh	101	129	143	155	164	165	173	172	171	171	172	173
Shillong	101	123	134	155	163	160	166	162	161	162	161	161

*Relates to the period January to March 1961.

Source : Central Statistical Organisation

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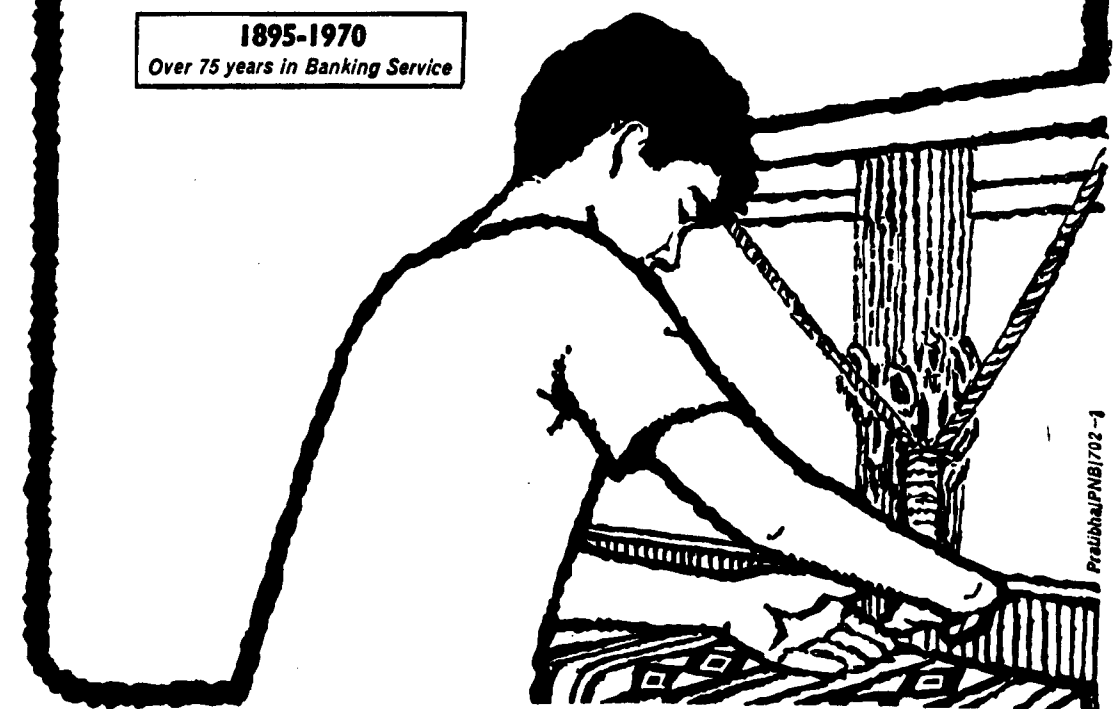
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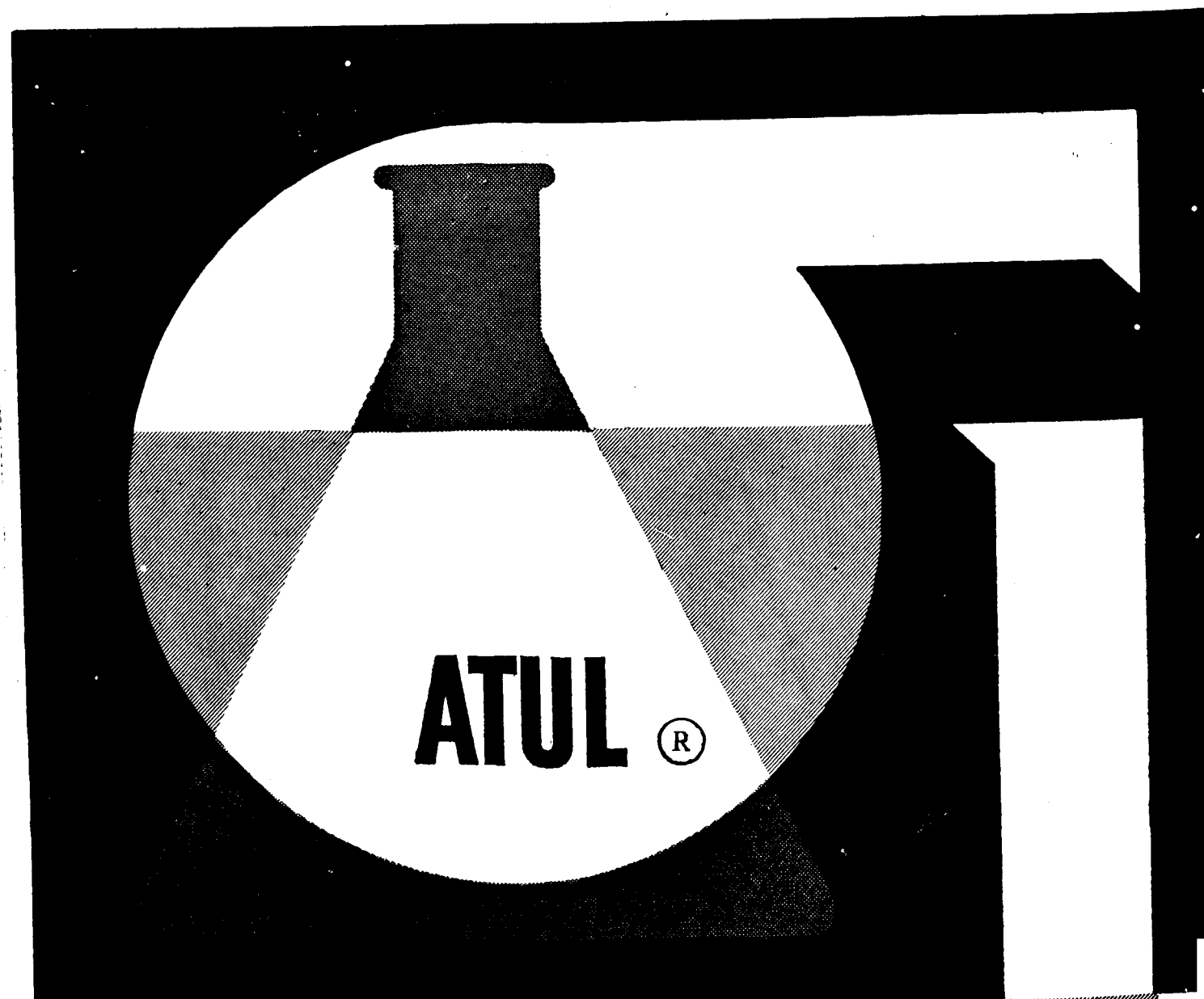
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Heath at the Helm
Closed Factories in
West Bengal

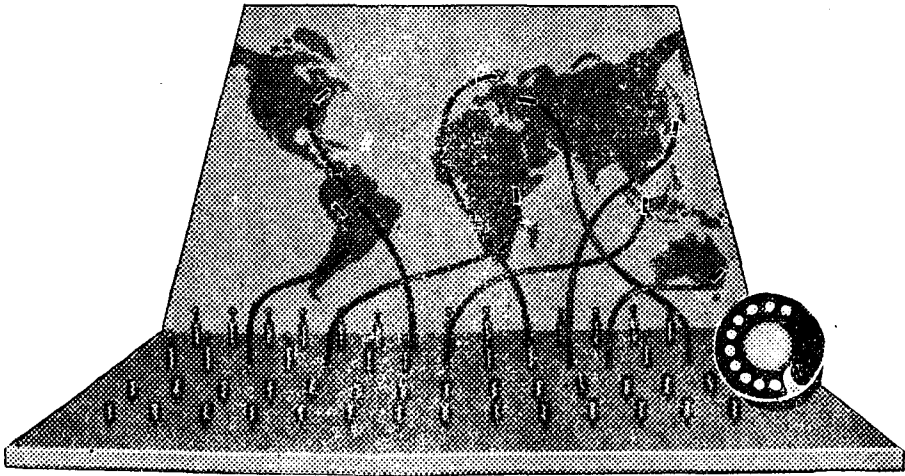
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HEATH AT THE HELM

IN THE general election held in the United Kingdom last week the true victor was Britain's two-party system and the vanquished the public opinion pollsters. Had Labour won another term, it would have continued in office for a length of time unusual in British politics and perhaps even inappropriate to a parliamentary democracy drawing sustenance from the robust functioning of a two-party system. Rajaji, with his usual perspicacity, has welcomed the verdict of the British electorate as an expression of the people's legitimate right in a democracy to change governments through due constitutional process.

The more fashionable reaction in this country to the victory of the Conservatives and the defeat of Labour, however, has been different and more in line with the sentiments expressed in a talk broadcast by All India Radio on June 19 in its regular programme "Spotlight". The author of the script (who also delivered it) was uncompromising in his description of the Conservative success as a triumph of Powellism and a mandate of the electorate to the new government to practise a restrictive and perhaps repressive policy towards coloured immigration and even immigrant citizens.

While there is no denying the fact that Powellism was a powerful demagogic issue in this election, it would be rash to say that it proved to be the decisive issue. Perhaps the simplest and the most obvious explanation may also be the true one. Labour had been in office for two terms and the British electorate by a majority vote might merely have expressed the view that Labour's performance in government had not been sufficiently satisfying for it to be given a mandate to govern for another and a third term. We do not suggest that the Wilson administration had not had its share of success. In international affairs it managed to preserve Britain's essential kinship with the United States in delicate circumstances and it also kept its bridges to Europe open under difficult conditions. In reviewing and revising Britain's overseas political or military commitments east of Suez, it chose, on the whole, to be sensible, particularly in terms of determining the priorities between external temptations and domestic needs. Internally and in the economic sphere, despite some wasted years of drift, delay or plain fooling around, the Wilson administration, especially with Mr Roy Jenkins as the Chancellor of Exchequer, did succeed in setting the course of the country towards a reasonable balance between external solvency and domestic consumption on the one hand, and inflation and economic growth on the other. In the wide area of personal freedoms, familial living or social life in Britain, the Wilson administration set up a record of civilised law making worthy of being admired as one of the most remarkable manifestations of the Liberal Spirit in human history. As a result, life in Britain has acquired a range of vision and a richness of experience which may well stimulate a surge of human resources for the next great advance in the history of this island nation.

If, in spite of all this, the British people, by a majority, has opted for the other party, it is essentially because, as Rajaji has suggested, it is the responsibility as well as the right of a mature democracy to be continually exploring chances of better government. It is only in terms of this unceasing quest that parliamentary institutions and the party system can acquire significant political and social meaning. Not the least advantage of a change in government, especially after a sufficient interval, is that old challenges come to be faced by new men and old problems confronted with new ideas.

That there is scope for initiatives and innovations in the governing of Britain is obvious, particularly in the economic field. We had referred earlier to the Wilson administration's successful efforts in this field, but it would still be legitimate for the British people to ask for more. Especially in comparison with the progress of some of the neighbouring west European economies, the growth rate of Britain's GNP could certainly have been much more than what it had been over the last 20 years. Although the Conservatives as well as Labour had alternately been in power during this period, it would be fair to say that certain basic Labour attitudes such as a faith in high and rising levels of taxation and the political obligations of this party to organised labour, have come noticeably in the way of dynamic expansion of the British economy. With the standard of living and the level of employment becoming more and more a concern of the whole people rather than any section of it, it is not surprising that a large number of British voters decided that it was time to give a chance to another set of persons who

might be more free as well as more willing to re-examine some of the premises on which the British economy had been managed in recent years.

Thanks to the fact that Britain is no longer an imperial power and has also ceased to be a big power, the impact of a change in government in that country on international affairs will be both limited and of limited interest to peoples in other countries. If at all there could be some useful speculation in this part of the world, this might concern itself with the possible attitudes of the new government towards its predecessor's pledge to withdraw militarily from east of Suez. In Kuala Lumpur voices have already been raised hopefully and in expectation of the Heath government having new ideas on the subject. Given the extremely unsettled situation in south-east Asia at the present time, this country too has more than mere curiosity about the intentions of the new men in Whitehall.

As regards the racial implications of the new government's immigration policy, it must of course be clearly understood that so far as the treatment in Britain of immigrant British citizens is concerned, it is an entirely domestic issue and the necessary adjustments in race relations will have to be worked

out by the British people (including the immigrant citizens) themselves. As regards restrictions on further immigration of coloured persons holding British passports, our country has a legitimate as well as an obvious interest in the matter and the Government of India should deal with this matter firmly but not tactlessly.

Meanwhile, this journal does not share the popular view in this country that the victory of the Conservatives spells the descent of a long night of Powellism over the British Isles. On the contrary, with the responsibility of government having come to the Conservative party, it is in the enlightened self-interest of its leaders to deal constructively with racist sentiments and emotions in the UK. It could, in fact, be argued that a Labour victory might have strengthened the emotive appeal of the Powellist faction to such an extent as to spread the poison across the nation and, consequently, across political parties as well. The liberal elements in a Labour party in opposition could be more influential in keeping the British people on a civilised course than another Labour government might have been once it had been compelled to see at close quarters the frightening potency of racism as an election issue.

Closed Factories in West Bengal

ALTHOUGH FULL details are not yet available about the closed factories in West Bengal, such information as can be gathered from reliable sources reveals a disturbing picture. It is estimated that at least 25 engineering units, 16 cotton mills, four jute mills and 14 other factories have remained closed for the past several months and, in some cases, even for the last two years. The number of workers involved in the closed factories is estimated at 40,000. Official and non-official figures about the number of closed factories and the workers involved do not tally. But their exact number is not very important. What really matters is that effective steps should be taken to re-start these factories as quickly as possible because this is essentially a human problem, involving the livelihood of several thousands of workers and their families.

The closed factories represent industries which are well organised. For example, the engineering industries are represented by two organisations, namely, the Indian Engineering Association and the Engineering Association of India. It is not known how many of the closed engineering units were members of one or the other engineering associa-

tion. In any case, these associations, surely, have a duty to study the problems of the closed units and take measures to re-open as many as possible. After all, it is at critical times like the present that factories look up to their associations for assistance and advice. Why, then, are the engineering associations not tackling the problem in right earnest and with the utmost urgency? The closed engineering units produce such items as electric lamps, steel and metal products, air conditioners, business machines, machine tools, industrial machinery, pipes and wires.

Among the 16 closed cotton mills are some well-known units such as Mohini Mills, Bengal Luxmi Cotton Mills, Kalyani Spinning Mills and Dhaneswari Cotton Mills. The number of workers involved in them is 2,468, 2,360, 1,340, and 1,531 respectively. The closed jute mills include Naskarpara, Auckland and Shri Mahabir, employing 1,600, 3,000 and 1,700 workers respectively.

Both the cotton mills and the jute mills have also strong representative organisations, namely, the Bengal Millowners' Association and the Indian Jute Mills Association. It may be that these industrial associations by

their own efforts cannot help the closed factories to re-open, especially where the closure has been due to chronic labour trouble. But the pity is that none of the industrial associations has bothered to study the problem of the closed units in depth and submit specific and constructive suggestions to the authorities concerned to re-start the units.

Apart from the loss in production and employment, the closure of so many units will increase the dependence of West Bengal on other states for some of its essential requirements like cloth and various types of engineering products. In 1962, the National Council of Applied Economic Research, after an intensive survey of West Bengal, recommended that this state needed 15 new cotton mills. The Council said, "The existing cotton mills in the state meet only about a fifth of the state's demand for piece-goods. Assuming that the local demand will go up by at least 20 per cent over the 1956 demand of 82.3 million lbs of piece-goods by the end of the fourth Plan, the total demand will then stand at 98.76 million lbs. The state can reasonably aim at creating new production capacities to meet at least half of this additional demand (or in all, one-fourth of the total demand). To attain that the state would require to increase the existing capacity by 50 per cent. Fifteen cotton mills with 29,000 spindles and 5,500 looms are recommended to be set up in the coming 10 years at an estimated investment of Rs 5 crores." While thus West Bengal needed 15 new cotton mills, 16 of the existing cotton mills have been closed due to uneconomic working!

Meanwhile, chambers of commerce have been urging the Government of West Bengal to announce a scheme of incentives for entrepreneurs on the lines given in the other states. But it is forgotten that in these states, the incentives have been announced in normal times by popular governments. Moreover,



"If ministers quit with as much alacrity as bank custodians, a cabinet reshuffle would have been so easy."

June 26, 1970

these states did not merely announce the incentives and keep quiet. Their ministers of industry (shall we call them industrious ministers?) accompanied by their senior officers went round the country and personally persuaded entrepreneurs to invest in their states. But the UF ministers in West Bengal did nothing of this kind. They had neither the time nor the inclination nor the imagination to undertake this kind of purposeful public relations work.

Now, even if the Government of West Bengal did announce a scheme of incentives, will it have the desired effect? How many entrepreneurs are prepared to invest in West Bengal to day even if they are assured of such facilities as, for example, given by the Government of Maharashtra as refund of sales tax, exemption from octroi, land, water and electricity at low rates, and so on? Indian businessmen are by no means averse to risk-taking. But in West Bengal today the investor has to take not merely the usual business risks. He has also to face the risk to his person and even to the members of his family. The high court judgement on gheraos, even under President's rule, is treated as a scrap of paper. In this atmosphere how bright can be the prospects for fresh investment? Even if the Monopolies Act is held in abeyance in respect of West Bengal as suggested by the Indian Chamber of Commerce, Calcutta, will it make a material difference to the climate for investment?

It seems therefore better to concentrate attention on the measures for re-opening the closed factories and for the sick units to be made healthy. Where the closure or sickness has been due to financial difficulties banks and other financial institutions can provide very liberal credit as a special case. Where lack of orders has been the cause of closure or sickness, the purchasing departments of the centre and the state governments as well as some of the large industrial units in the public sector and private sector can help. Where labour intransigence has led to closure or uneconomic working, the management and workers' unions should resume negotiations. Prolonged closure, or the prospects of it, will perhaps make both management and labour adopt less rigid attitudes to the matters in dispute than in the past.

Meanwhile, the Government of West Bengal should develop vigorously the infrastructure facilities. Improvement of water supply, repair and widening of roads, commencement of construction of the second Howrah bridge and the circular railway, and modernisation of the Calcutta port — these problems deserve immediate attention. A massive

programme to build houses through LIC funds and other sources can substantially contribute to more employment. Expansion of electricity also needs attention. Industrial circles estimate that West Bengal may face a power shortage in the next two or three

State Trading

THE PERFORMANCE budget of the State Trading Corporation (STC) for 1970-71, released recently, reveals that the operations of this organisation of the public sector have improved in some respects. The provisional figures for the last financial year put the aggregate sales of the corporation at Rs 211.5 crores, as against the target of Rs 222.5 crores. But for the fact that fertiliser business was transferred from the STC to the Minerals and Metals Trading Corporation (MMTC) with effect from January 1, 1970, the target would have been exceeded by about five crores of rupees. Compared to the previous year, the 1969-70 sales were higher by Rs 44.3 crores. The costs of the corporation have been well contained. In 1969-70, they amounted to Rs 4.7 crores, as against the original estimate of five crores of rupees. In 1968-69, the total costs came to Rs 4.5 crores. The manpower employed has been slightly lower than in the previous year — 1,831 persons as against 1,846 persons — but substantially less than the original estimate for the year — 1,959 persons. The substantial increase in sales and strict control on costs have enabled the corporation to bring down the expenditure to sales ratio from 2.3 to two per cent. The interest ratio has been halved from 0.4 to 0.2 per cent.

The profitability of the corporation, however, has declined. The profit before tax to sales ratio in 1968-69 was 7.2 per cent. It came down to 5.9 per cent in 1969-70. But this was primarily due to two factors: (i) an export loss of as much Rs 85 lakhs, as against only one lakh of rupees in the previous year, on account of operations in jute and art silk fabrics; and (ii) a reduction in the profit on soyabean oil to the tune of Rs 2.2 crores. The 1969-70 profit before tax aggregated Rs 12.4 crores, as against an estimate of seven crores of rupees and an actual profit of Rs 12.1 crores in 1968-69.

During the current financial year, the total turnover of the corporation, excluding fertilisers, is expected to go up from the latest 1969-70 estimate of Rs 163.8 crores to Rs 268 crores. For 1971-72, the projected sales are of the order of Rs 330 crores. The trading costs are anticipated to grow only mar-

ginally from the Rs 1.8 crores provisional figure for 1969-70 to two crores of rupees in 1970-71 and Rs 2.1 crores in 1971-72. The increase anticipated in overheads is from Rs 2.9 crores last year to Rs 3.1 crores this year and Rs 3.4 crores next year. The profit before tax is expected to be around Rs 14.5 crores this year and Rs 17.3 crores next year. After tax, the profit is anticipated to go up from Rs 4.4 crores last year to Rs 5.2 crores this year and Rs 6.4 crores next year.

The sectoral analysis of turnover reveals that imports during 1969-70, excluding those of fertilisers, at Rs 106.3 crores exceeded the original estimate of Rs 96 crores by Rs 10.3 crores and the 1968-69 imports (Rs 66.86 crores) by Rs 39.4 crores. During the current year, imports are expected to go up to Rs 190 crores. Exports last year, though Rs 6.5 crores higher than in 1968-69, fell short of the year's target of Rs 60 crores by five crores of rupees; they are estimated to have been around Rs 55 crores. This year the corporation hopes to export goods worth Rs 75 crores. The projections for 1971-72 reveal that from next year, emphasis will be more on stepping up exports than on increasing imports. The projection for exports in 1971-72 is Rs 101 crores and that for imports Rs 225 crores. In sharp contrast with the past, the percentage increase aimed at in exports is much larger than the step-up in imports.

Several steps were taken by the corporation in the recent past to gear its machinery to the task ahead on the export front. A new strategy of area-wise concentration and product-wise selectivity is being evolved; particular attention will be concentrated on stepping up exports to western Europe and Africa. The existing overseas branches of the corporation are being strengthened and several new branches will be opened. During the current year alone, nine new branches are proposed to be started abroad, taking the total number of these branches to 21. All the overseas branches will be manned by technical experts. Several small operational units are also proposed to be set up at important industrial and trading centres. With a view to assisting the country's export

effort in general, the services of the personnel at the overseas branches of the corporation will be thrown open to private parties as well on a nominal charge. The overseas branches will have a close and effective liaison with the commercial offices in our embassies.

Another major step to push up exports is the practice now being adopted by the corporation of entering into arrangements with foreign export houses for the sale of our goods in third countries where the STC itself anticipates difficulties in making a dent. Already a beginning has been made in this regard. Negotiations have been started with an established French trading firm, SCCOPA, which has offered to open up avenues for our goods in Latin American markets. With a view to opening up new markets for our engineering goods, efforts are being made to get sub-contracting work from some of the big manufacturers in western Europe. The leading manufacturers of automobiles in France — Renaults — have been approached for this purpose. Experts from this French firm are expected here shortly to satisfy themselves in regard to quality control and other details of the supplies proposed to be

made to it. A team from a machine tool firm in Britain will assess the prospects of exporting certain types of machine tools, spares and components to this firm. Several other delegations are also expected to visit this country for similar purposes in the near future.

On the imports side, the recently planned project of the STC, the Industrial Raw Materials Assistance Centre (IRMAC) seems to be getting off to a good start. The STC has already made its first purchases of raw materials for supply to import licence-holders against the surrender of their licences should they prefer to buy their requirements from the STC. The contracts made with an Austrian firm — Richard Haeusler — are for the import of tool and alloy steels and industrial felts for paper-making machines. These imports will be effected under a Rs 3-crore barter agreement. The STC will supply to the Austrian firm non-traditional items of exports. The first lot of steels is expected by the end of next month or in the first week of August. Soon after the arrival of the consignment, import licence-holders will be informed through advertisements and other communications of the grades

and qualities available with the IRMAC for off-the-shelf deliveries.

To make this experiment a success, the STC proposes to set up a consultative machinery on which representation would be provided to chambers of commerce, export promotion councils and other trade bodies. This consultative machinery will guide the IRMAC on all imports to be made. The IRMAC will also handle imports on behalf of others. Those indenting goods through the IRMAC will be charged the price ruling at the time of purchase. Those buying off-the-shelf will have to pay the price at the time of delivery. Arrangements are being made to iron out the difficulties that may arise on account of sales tax. With a view to making available its services to importers in general, cells of the IRMAC are proposed to be set up at Calcutta, Bombay and Madras, besides the one at the headquarters at Delhi. According to the present plans, nearly two-thirds of the imports by the IRMAC in the initial stages are proposed to be made for catering to the demands of the engineering industries. Of the balance, a substantial portion of imports will be for meeting the requirements of the chemical industry.

Indo-Soviet Relations

DR A. APPADORA

IN THE debate on foreign policy in the last session of our Parliament, the opposition members expressed the view that "the government had reduced this country to the status of a Soviet satellite". The fear has also been widely expressed that the Soviet Union's increasing military aid to Pakistan might prove dangerous to India. To understand the criticism and the fear and place them in proper perspective, it will be useful to have a bird's eye view of Indo-Soviet relations. The recent appearance of an excellent volume entitled *Soviet Policy Towards India** makes it relatively easy to have such a view.

It is not widely known that even in pre-British days there were trade and other contacts between India and Russia. In the first Russian account of India written in the XII-XIII century, the story is told about a rich Indian merchant who "introduced new standards of tastes to the Russians." Nikitin, a Russian merchant, extensively travelled in the northern plains and the Deccan at the end of the fifteenth century, mixing freely with the Hindus and the Muslims. He found Indian merchandise cheap, particularly spices and colours. There was a large number of Indian traders who had settled in Astrakhan in the Volga basin by the seventeenth century. The Tsar, Peter I, is known to have taken a personal interest in developing Russia's trade with India and instructed Vice-Admiral Wilster to visit India to sign a trade agreement with the Moghul ruler.

Participation in Congress

It is not also widely known that a Russian scholar Ivan Pavlovich Minaev was present at the first session of the Indian National Congress held at Bombay in 1885; Naik cites Minaev's note in his diary describing the congress as striving for "the development of feeling of nationalism in India, for the unification of India".

Readers of British Indian history have heard of "Russian plans to invade India and the consequent justification of British invasions of Afghanistan and Tibet" resulting in two Afghan wars

*J.A. Naik: *Soviet Policy Towards India from Stalin to Brezhnev*; Vikas Publications, Delhi; 1970; Price Rs 24, Pp 201.

and Colonel Younghusband's invasion of Tibet. Naik asks the pertinent question, "Was there really a serious threat from Tsarist Russia to the British Indian possession?" — a question, I suggest, worthy of serious historical research.

After the October Revolution of 1917, there were signs of growing interest in India. Although, according to Naik, Lenin and Stalin did not concern themselves much with the Indian question, "the Communist International developed a profound interest in Indian affairs". The policies and tactics of the Comintern towards the Indian National Congress and the British government changed often; but the interest shown by the Communist International, in the early years through participation in it by Mr M.N. Roy, continued on the whole to remain considerable.

Meaningful Interest

It was after Krushchev came to power in 1953 that Soviet interest in India became meaningful, and political and economic relations developed fast. Within a year-and-a-half-years after Stalin's death as many as 14 Indian delegations, from a football team and film artists to industrialists visited Moscow at the invitation of the Soviet government. In September 1954, the Soviet Union accepted the five principles of peaceful co-existence which India had hammered out with China earlier. The first Indian film festival was also held in September 1954; several lakhs of Soviet citizens witnessed it; its success was featured by *Pravda*. At the Geneva Conference of 1954, Moscow warmly supported India's appointment as Chairman of the International Supervisory Commission which included Poland and Canada as members. Jawaharlal Nehru visited the Soviet Union in June 1955, and received a warm welcome. An exhibition of Indian art and culture was opened in Moscow in October 1955; Bulganin himself attended the opening ceremony. Bulganin and Krushchev visited India in November-December 1955, and were warmly received. While visiting Kashmir, on December 10, 1955, Krushchev declared in unmistakable terms Soviet support to India's stand on Kashmir, and his declaration was endorsed by the Supreme Soviet Union. Bulganin told the Supreme Soviet:

"As to the Kashmir problem, it has been provoked by countries which are

pursuing definite military and political aims in this area. On the pretext of supporting Pakistan in the matter of Kashmir, certain countries sought to entrench in this part of India, in order to threaten and exert pressure on areas in the vicinity of Kashmir. An attempt was made to sever Kashmir artificially and convert it into a foreign military base.

"The people of Kashmir are emphatically opposed to this imperialist policy. The Kashmir issue has already been settled by the people of Kashmir themselves; they regard themselves as an integral part of the Republic of India, and desirous of working within the fraternal family of Indian peoples or the upholding of a new and independent India, and for the peace and security of the nations (prolonged applause). We gathered this deep conviction from our meetings with the people in Srinagar and from our conversation with the esteemed Prime Minister of Kashmir, Mr Gulam Mohammad Bakshi, and his colleagues."

This stand, as we all know, was repeated later in the Security Council of the United Nations, the Soviet Union vetoing a western sponsored resolution in 1957 which recommended the use of UN forces for holding a plebiscite in Kashmir.

On Goa too, the Soviet Union supported the Indian stand. The claim of our government that this Indian territory should be returned to its motherland was, in the Soviet view, justified and legitimate. "The Soviet government", said Bulganin, "supports this just demand and considers that the preservation of a Portuguese colony on Indian territory — as the preservation generally of the colonial system in our day — is a disgrace to civilized nations."

Warm Support

At the London conference called to find a solution to the Suez problem, the Soviet Union warmly supported the proposal made by India. In July 1958, in connection with the west Asian crisis which had developed in the Lebanon, Krushchev sent messages to the heads of the US, British, French and Indian governments on July 19, 1958, in which he proposed that "the heads of governments of the USSR, USA, Britain, France and India, should meet without delay together with the UN Secretary-General and take measures to end the present military conflict." He proposed that such a summit conference "should draw up concrete recommendations for ending the conflict in the near and middle east and submit them to the Security Council, which should consider them

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with the participation of the Arab countries."

In the India-China war of 1962, Khrushchev gave some support to India.

An economic agreement between India and the USSR was signed for the construction of the Bhilai steel plant; both governments agreed to establish trade representatives in their countries to look after the growing trade transactions and the Soviet government agreeing to supply necessary machinery and help for oil exploration and erection of hydro-electric projects in India.

In National Interest

It will be a mistake to think that the friendly turn of Indo-Soviet relations was due to the ebullient Khrushchev and his personal predilections. Rather it will be correct to say that Khrushchev sensed instinctively that Soviet national interests would be helped by befriending India; the international situation demanded it. The Soviet Union was being encircled — under Dulles — through the conclusion of military alliances like the SEATO and the CENTO to which Pakistan was a party; India being a non-aligned power would be useful to counteract such encirclement. Second, India had shown her increasing influence in international affairs through her part in the settlement of the Korean question and her participation in the International Control Commission in the Indo-China States of Vietnam, Cambodia and Laos. Thirdly, and above all, the Sino-Soviet rift was increasing and China was challenging the primacy of the Soviet Union in the international communist world. Khrushchev was working towards a detente with the USA — much to the chagrin of China; India should prove valuable to Moscow as a counterpoise to the growing power of China.

It is interesting that with the fall of Khrushchev from power in 1963, and the assumption of power by Kosygin and Brezhnev, there was a change in Soviet policy. The new team in the Kremlin was anxious, in the beginning, to explore the possibilities of improving ties with China and Pakistan. One of the charges which Brezhnev and his team-mates had levelled against Khrushchev was that he overcommitted the Soviet Union with India in the Sino-Indian conflict by giving military assistance to the latter and thus overlooked the repercussions of such a policy on a fraternal power, which needed to be cultivated rather than further antagonised. There was another important international development. Disappointed in his CENTO allies, President Ayub began to cultivate China;

and then, when the Cultural Revolution made this power less useful, followed India's example by turning to his northern neighbour. The USSR provided the Indian armed forces with submarines and sophisticated aircraft, some of the latter built in Indian factories to Soviet specifications.

Their talks held in April 1968 were followed up by the visit of a military delegation from Rawalpindi to Moscow. Soviet military deliveries including tanks and military aircraft followed, to the chagrin of Delhi and Delhi complained to Moscow. Moscow also acquired a sizable stake in the economy of Pakistan, trade between Pakistan and the USSR increasing three-fold within three years. It is clear that Moscow's aim was, in its national interest, to wean away Pakistan from her dependence on the west.

Tashkent Conference

The Tashkent Conference, earlier in January 1966, also provides a clue to the changing shift in Soviet policy. Soviet national interest in taking the initiative in calling the Tashkent meeting is evident from the letters sent by Kosygin to the Prime Ministers of India and Pakistan. Said the letter:

"We should not be frank if we did not say that the military conflict in Kashmir arouses the Soviet government also because it has occurred in an area directly adjacent to the borders of the Soviet Union."

Peace and stability in India and Pakistan are essential to the policy of establishing Soviet influence in south Asia as a counter-balance to that of China. The Sino-Soviet rift had brought home certain lessons to the Soviet Union: China had to be cut to size if her territorial claims on the Soviet Union and her open bid for leadership in Asia had to be curbed. The Soviet

Union could not forget that some two-thirds of her own extensive territory was in Asia — and the Soviet Asia has been reckoned to be twice as large as China*; to build up India as a countervailing force to China would be invaluable and as students of south Asian history know, the Soviet Union had been helping to build up India both economically and militarily.

Relations with Pakistan

The August-September war between India and Pakistan made the Soviet Union realise that she must include Pakistan too in her sphere of influence. And world developments and the shift in Pakistan's own foreign policy made that aim realisable. Since 1960, Pakistan had been anxious to remove her world image as an American satellite. President Ayub, acting, it is said, under the influence of Bhutto, began to move closer to China. The provocation for the initial move was undoubtedly the indignation which Pakistan felt at the military assistance given by the USA (and Britain) to India in her hour of need to meet Chinese aggression; but moving closer to China also represented a real shift in Pakistan's foreign policy. The aim of Pakistan's redefined foreign policy appeared to be to keep equidistant from the USA, the Soviet Union and China, so that she could keep in friendly relations with all the three giants — a policy understandable in terms of Pakistan's geographical position. The Soviet policy, clearly, was to wean away Pakistan from the USA as well as China, so that the Soviet Union could build up both Pakistan and India as a stable peace area as a counterpoise to Chinese influence in Asia.

What of the future? It is clear that politically and militarily India owes much to the Soviet Union. Economical-

*See M.S. Rajan's excellent article "The Tashkent Declaration: Retrospect and Prospect", in *International Studies*, Vol. VIII, p. 7.

Eastern Economist 25 Years Ago

JUNE 29, 1945

After some inexplicable delay which encouraged misgivings in the public mind and speculation in the Press, the Reserve Bank of India has issued a Press note, setting out the details of its revised agreement with the Imperial Bank. It is well-known that under Section 45 of the Reserve Bank of India Act, 1934, the Imperial Bank is the sole agent of the Reserve Bank "at all places in British India where there is a branch of the Imperial Bank of India which was in existence at the commencement of the

Reserve Bank of India Act, 1934, and there is no branch of the Banking Department of the Reserve Bank of India." The original agreement which came into force from April 1935, is, according to Section 45, to remain in force for fifteen years and, thereafter, until terminated, after five years' notice on either side. Thus, the first agreement was to stand at least for twenty years and no notice could be given before April, 1950.

ly too she is indebted to Moscow for her development in the setting up of steel plants and heavy machinery besides oil exploration, chemicals etc., the Soviet Union has been immensely helpful. The Soviet Union has come to the third place in Indian exports, next only to Britain and the USA.

The question to ask for India's foreign policy planners is whether such excessive dependence on the Soviet Union, politically, economically and militarily is good for a true non-alignment policy to which the government is committed. India's muffled voice in respect of Czechoslovakia is a case in point. There is no doubt that the inter-

ests of India demand a larger measure of self-reliance on our part; may be, the development of that self-reliance may take some more time, but that must, clearly, be the aim. And further, greater efforts must be devoted to setting the domestic situation in good order. The lessening of India's influence in international affairs in recent times must, in part, be attributed to the increasing difficulty of the domestic situation. Nehru's foresight that other countries will attach importance to our voice "only in proportion to the strength they know we have" is correct. To the building up of that internal strength, let the government and the people turn with increased earnestness.

Drug Prices : Industry's Case

R. V. MURTHY

THE PROCEEDINGS of the fourth annual general meeting of the Organisation of Pharmaceutical Producers of India (OPPI), held in Bombay recently, are bound to be read with considerable interest not only by those engaged in the industry itself, but by the authorities as well as the public at large who too have a vital stake in the operations of this industry, particularly in the coming years. As it is, this industry is "the subject of much present attention", as Mr Keith C. Roy, the OPPI president, remarked in his address to the meeting. Incidentally, this happened to be the earliest public opportunity since the promulgation of the new Drug Prices Control Order, 1970, that he could take to give the industry's reactions to the said order. Not unexpectedly, the industry has reacted strongly to it and, in the view of Mr Keith Roy, "the new order and the subsequent two orders on bulk prices and norms remove any hopes that the conditions and the environment will be created in which the industry will be enabled to achieve the broad targets of development" as per the fourth five-year Plan. On the other hand, the OPPI chief apprehends "the new orders will defeat the very purpose that government had in mind when promulgating them, namely to make drugs available to the common man at reasonable prices."

Provocative Ideas

Had Mr Roy stopped at that, his warning would probably have had quite a salutary effect (on the concerned quarters), but he went on to add — and this may provoke these quarters: "In all countries of the world, there will always be sections of the community which cannot afford to pay for the drugs which they require. This is not a problem of the pharmaceutical industry alone, it is a problem of the state. And

The Government of India announced some amendments to the Drugs (Prices) Control Order, 1970 on June 16 (details appear elsewhere in this issue). Mr Keith C. Roy has reacted to this development by saying that the government has recognised the validity of some of the more important criticisms levelled against the Order by the industry. He added that the industry would continue to urge the government to consider its view points. A spokesman of the Indian Drug Manufacturers' Association expressed the opinion that the amendments would give some relief to the industry and avert some of the hardships which it would otherwise have experienced.

the state cannot pass on its responsibilities in this sphere... True, the state's responsibilities cannot be shifted to other shoulders, however able to bear them the latter may appear, but the extent that the pharmaceutical industry could share in, if not shoulder, these responsibilities, it should not only be prepared to do so but also convince the authorities and the public of its *bona fides* in this behalf. In this essay, however, Mr Roy must be said to have succeeded eminently.

Analysis of the Problem

Mr Roy was perhaps right in taking the stand that, while the government went on accusing the industry of having failed to fulfil its social obligations, it had not taken the trouble to spell out exactly how it was that the industry had failed. So he took it upon himself to analyse the position and, as he put it, "the industry has one social responsibility and one only — and that is to continue to make available to the peoples of the world, wherever it may be operating, an ever-increasing range of better and new drugs to combat sickness and ill-health and to improve living standards." At the same time, he also claimed that "in order to fulfil its social responsibilities, the industry must be allowed to operate in an at-

mosphere which permits it to earn, and utilise, the necessary financial resources."

In so far as fulfilling its social obligations go, it cannot be seriously contended by anyone that the pharmaceutical industry has failed, for, to quote Dr F.A. Mehta, "if there is one single industry in the world that can lay claim to transforming the entire dimensions of human life in the last two decades, particularly of human life, in the developed regions of the world, it is the 'medical industry' in general and the pharmaceutical industry in particular." The pharmaceutical industry in this country too has made a notable contribution alike to the economy and to public health, as witness the decline in mortality rate from 27 per thousand in 1951 to 14 now and the increase in life expectancy from 25 years in 1941 to 51 years now. But what it has to achieve in the coming years, it is evident, is much more, considering the target of production of Rs 250 crores to be achieved in 1973-74. In 1960-61, the production was around Rs 70 crores only, so that the proposed target represents an increase of about 3½ times.

Future Demand

It has been estimated by eminent statisticians who have forayed into the future demand for drugs and pharmaceuticals that, for the country as a whole, the correlation co-efficient between the *per capita* national income and the production of drugs from 1961-62 to 1967-68 is as high as +0.985, which is higher, it is interesting to note, than for biscuits (+0.974), for leather footwear (+0.972) or for vanaspati (+0.383). Put differently, a rise of one per cent in *per capita* national income at current prices corresponds to as much as 1.37 per cent rise in the production of drugs and pharmaceuticals. If, therefore, there is an increase of, say, five per cent. per year in *per capita* income during the seventies, the projected value of drugs and pharmaceuticals output will go up from Rs 234 crores in 1970-71, to Rs 314 crores in 1975-76 and to Rs 416 crores in 1980-81, i.e. an increase of 77.8 per cent over the decade. It follows, then, that, on the basis of a population of around 700 million by 1980-81, the *per capita* consumption of drugs and pharmaceuticals will increase from Rs 4.60 in 1970-71 to about Rs 6.00 in 1980-81.

It may be added that these estimates are believed to be conservative. But on an even more conservative basis, as estimated by the industry itself, an annual rate of growth of 15 per cent seems to be the minimum to be attained by it. And, as Dr Mehta has said in an illuminating article on the industry

in the latest issue of *Focus*, the OPPI publication, the least that the industry should do is "to demand from Indian society such an environment as will enable it to achieve the same rate of growth as it did during the 1960's," i.e. by 3½ times. It is easy to suggest that the industry should demand of society such an environment, but, as Mr Roy asked: "Will the environment be such that it will encourage the initiative and risk which are inevitable parts of any industrial endeavour, and more particularly so of pharmaceutical manufacturing activities?"

As stated at the outset, the industry is not very hopeful of such an environment emerging in the present circumstances. It is convinced that the latest orders — Drug Prices Control Order 1970 and the two subsequent orders — are arbitrary and unfair, arbitrary because "they fail to take account of the basic facts of the industry's operations as they exist today" and because "they pinpoint to direct units of the industry as to how they should dispose of property, namely profits, which property belongs to shareholders."; and unfair because the formulae for norms for fixing the retail prices of formulations do not take appropriate account of costs which are necessarily incurred by the industry in manufacturing and distributing finished pharmaceutical products."

It must be said to the credit of the industry that, even while condemning the

government's basic drug prices policy as ill-founded; it has not ceased to co-operate with the government in every way in the larger interest of national development. By thus keeping up the dialogue and maintaining the contact with the authorities, it is to be hoped the industry would be able to avert the crisis of drug shortage which Mr Roy has predicted. This shortage, the public is duly notified, as also the authorities, will result not so much from the manufacture of drugs not manufacturing them as from the disruption of the existing patterns of production and channels of distribution occasioned by the orders.

Whatever the quarter from where the damage to the industry may emanate, the repercussions of the damage will be grave and widespread; widespread in the sense that it will not be confined to India but extend to other parts of the world as well. In particular, it is feared there will be the risk of India isolating herself from the comity of nations and thereby being deprived of a continuous interchange of the results of research and technology. All this is neither highly exaggerated nor intended deliberately to create any scare, but the powers-that-be cannot any more argue that they have been taken by surprise. True, the die has been cast, in a way, but the government still has enough initiative left with it to avert the threatened crisis, in as much as the spokesmen of the industry are not at all averse to more reasonable restrictions.

Municipal Income in Rajasthan

P. L. BHARGAVA

LOCAL BODIES in India are the creatures of state statutes, and do not have any inherent powers of taxation. The acts governing their constitution specify the taxes that they can levy. The first imposition of any tax and subsequent changes in rates are subject to the prior sanction of the state government. In some states maximum and minimum of rates have also been prescribed by the state governments. The devolution is, therefore, not complete but is restricted by acts, rules and regulations. According to Bastable, "their power of taxing is a concession strictly limited by their terms of the grant."

Municipal income, therefore, is that part of public revenue which comes out as a result of municipal tax and non-tax efforts and from grants and loans from external sources. Raising money, in fact, is the most important and at the same time the most difficult problem which the local administration has to face in order to fulfil its obligatory and discretionary local functions. "The

adequacy of local finance is not an adequacy with reference to any absolute terms, but with reference to the functions to be discharged." The financial weakness of local bodies not only hinders the political development of the country but also reacts adversely on the progress in other spheres of civic life.

The policy of the government after Independence has been to promote democratic decentralisation and enlargement of the functions of local bodies. Besides the normal functions of local administration, some developmental functions have also been entrusted to the local bodies. The role of local bodies has progressively developed and they are looked upon as the agents for carrying out the developmental activities which are inherent in a welfare state. The rapid growth of urban population has put a serious strain on the financial resources of urban local bodies, resulting in accentuation of the deficiencies in municipal services.

Most of our urban local bodies were unprepared for the new problems and responsibilities that rapid urbanisation has brought in its wake. "The fundamental problem of local government is to provide money necessary to meet the cost of services to be carried out without imposing an intolerable burden upon the rate payers and without local authorities becoming unduly dependent upon assistance from the government." To achieve this Dr Gyan Chand suggested "the fullest development of local resources and the maintenance of high level of financial efficiency."

The income which the Rajasthan municipalities can derive are enumerated under section 93 of the Rajasthan Municipalities Act, 1959. The income of municipalities has been rising sharply and the rate of growth has been the third best in the whole country, yet the income of the municipalities was not sufficient to achieve the minimum standards of municipal services.

Growing Expenditure

A study of the total income of all municipalities in Rajasthan given in Table I reveals that it increased during the decade ending 1965-66, by 155.33 per cent, registering an annual growth rate of 15.53 per cent. The annual growth rate of 15.53 per cent when compared with the annual growth rate of expenditure of 16.07 per cent (a detailed discussion of expenditure growth by this author appeared in an article published in the *Eastern Economist* of May 2, 1969), suggests that the the growth of expenditure during the period of study has been at a faster rate than that of income. The aggregate income of municipalities in Rajasthan increased from Rs 1,67,25,023 in 1956-57 to Rs 4,27,03,850 in the year 1965-66 as shown in Table I.

This increase in income is attributable to the introduction of compulsory taxes, increased population, urbanisation, trade and commerce expansion, increase in non-tax revenue and more income from grants and loans.

The annual growth rate of 15.53 per cent of aggregate income of Rajasthan municipalities for the decade 1956-57 to 1965-66, compares favourably with the growth rate of municipalities of other states of India for the period 1951-61 as calculated by the Zakaria Committee. The maximum annual rate of growth of 21.9 per cent was recorded by Assam and the minimum of 0.6 per cent by Uttar Pradesh. Bihar recorded 15.6 per cent, Kerala 14.8 per cent, West Bengal 12.8 per cent, Madras 6.2 per cent, Punjab 5.1 per cent, Gujarat 4.9 per cent, Madhya Pradesh 1.7 per cent and Orissa 1.6

per cent. Thus the annual growth rate of income of Rajasthan municipalities was the third best in the whole country. The first two being Assam 21.9 per cent and Bihar 15.6 per cent.

The rise in aggregate income during the period of study of Rajasthan municipalities neither indicates that their financial position has improved in relation to the functions nor represents any improvement in the standard of services to be discharged. This increase in aggregate income has been offset by an increase in population, increased urbanisation, increase in general price level and increase in the demand for new municipal services.

In Rajasthan average income per municipality has increased from Rs 1.23 lakhs in 1956-57 to Rs 3.03 lakhs in 1965-66. But the Rajasthan average income per municipality, when compared with the average of the country as a whole, which is Rs 4.27 lakhs and also when compared with the other states of India, does not present a very bright picture.

The per capita income of municipalities in Rajasthan was Rs 5.67 in 1956-57 which rose to Rs 11.71 in the year 1965-66, more than double during the period of the study. When this figure is compared with Rs 14.15 the per capita municipal income of the country as a whole as calculated by the Zakaria Committee for 1960-61, it gives a pathetic picture of lack of income resources of the municipalities in Rajasthan. The Zakaria Committee calculated Rs 7.60 as per capita income in 1960-61 for Rajasthan municipalities. The calculations were based upon the answers of 128 municipalities out of 142 in that year.

Comparative Growth

A close study of the index numbers of growth of aggregate income in Table I will reveal that the growth rate of income was higher during the second Plan than during the third Plan Period. During the second Plan period the growth rate for five years was 84 per cent registering an annual growth rate of 16.8 per cent, while during the third Plan the growth rate was 26.42 per cent, recording an annual growth rate of 5.28 per cent. Thus the growth rate of income during the second Plan period was three times that of the third Plan period. The rate of growth during the third Plan period has been less than one-third of the annual growth rate during the period of study. This fall in growth rate during the third Plan period was due to lesser exploitation of non-tax resources and lesser availability of grants and loans.

It is obvious that with such a low level of income, municipalities in

Rajasthan cannot even perform their obligatory functions. The main reasons for the low municipal income is the poverty of the people of the region.

The other factors accounting for the inadequacy of municipal income are overall shortage of resources and non-exploitation and under exploitation of various resources already given to municipalities, inadequacy of state grants, inelastic character of local taxes, defective assessment and machinery for collection and encroachment of the state government in the legitimate domain of local bodies in the sphere of local taxation, non-tax revenue and public undertakings. Resistance from local citizens for additional revenue measures, inadequate tax administration and leakage, corrupt and untrained personnel, lack of awareness of potential revenue sources, budget planning, fiscal policy, and pressures from vested interests for low assessment are some other reasons of low income.

Extraordinary skill and wisdom is needed in raising municipal revenue so that all possible sources of income may be tapped fully without affecting adversely the general economy of the community. Still more important is the wise utilisation of all available resources in a co-ordinated manner and strengthening of local self-governing institutions. Public co-operation, a sense of civic consciousness and a spirit of community living can definitely make our towns and cities worth living.

The Zakaria Committee on Augmentation of Financial Resources of Urban Local Bodies found that the

average income per municipality in Rajasthan of Rs 1.81 lakhs ranks fifteenth in the sixteen states of India in 1960-61 and is very much lower than compared to the all-India average income per municipality of Rs 4.27 lakhs.⁸ The committee also found that per capita revenue income of Rajasthan municipalities of Rs 7.60 is nearly half that of the all-India per capita municipal revenue of Rs 14.15,⁹ and is lowest in the sixteen states of the country. An analysis of the municipal per capita income shows that Punjab leads in the per capita income and is closely followed by Gujarat, Maharashtra and Tamil Nadu. The range variation is Rs 7.60 in Rajasthan to Rs 18.60 in Punjab.¹⁰ The per capita analysis clearly brings out the fact that there is great variation between per capita municipal revenue and expenditure in different states of India indicating that the level of services which are being provided by local bodies differ widely from state to state.

Larger Number of Municipalities

The higher ranking of Rajasthan municipalities in regard to aggregate municipal income is primarily due to larger number of municipalities as compared to the number of municipalities in the states of Bihar, Kerala, Delhi, Assam, Orissa and Jammu & Kashmir.¹¹

The fact is that while the finances of municipalities of other states of India are not satisfactory the finances of municipalities of Rajasthan are none the better. The Zakaria Committee was of the opinion that the existing level of municipal income in Rajasthan is not even sufficient to perform the

TABLE I
AGGREGATE INCOME OF MUNICIPALITIES IN RAJASTHAN

Year	Aggregate income	Average municipal income per municipality (in Rs lakhs)	Per capita municipal income Rs	Index No. income Rs
Second Plan				
1956-57	1,67,25,023	1.23	5.67	100.00
1957-58	1,96,23,040	1.43	6.50	117.33
1958-59	2,46,65,454	1.79	7.98	147.46
1959-60	2,58,37,107	1.87	8.10	154.48
1960-61	3,09,04,483	2.19	9.57	184.78
Third Plan				
1961-62	3,37,78,163	2.40	10.16	201.96
1962-63	3,51,55,002	2.49	10.35	210.19
1963-64	3,63,09,345	2.58	10.44	217.10
1964-65	4,07,42,034	2.89	11.44	243.60
1965-66	4,27,03,850	3.03	11.71	255.33

Source : Census survey by the author of the income and expenditure of municipalities in Rajasthan as they existed in 1965-66.

obligatory services by the municipalities. The committee estimated that in 1960-61 Rajasthan municipalities needed Rs 8.71 crores expenditure to achieve minimum level of municipal services.¹² Assuming that the cost of minimum level of municipal services remains at Rs 8.71 crores even in 1965-66, the last year of our study, when matched with the aggregate income of that year of Rs 4.27 crores, it leaves an unprovided fiscal gap of Rs 4.44 crores of income; thus the fiscal gap of need is greater than the income of municipalities in 1965-66. This fiscal gap can only be made good if immediate steps are taken by municipalities in Rajasthan to inflate their income by about 120 per cent of the present level. This will enable the "purposeful matching of functions and finance."¹³ In Rajasthan "the picture of finances of municipalities is so dismal that they have not been able to provide even a minimum level of the services they have to render."¹⁴

Grouping into Classes

The municipalities in Rajasthan are grouped into five classes on the basis of income and population. In 1965-66, there were 141 municipalities in Rajasthan, out of which 10 were in Class I, 15 in Class II, 22 in Class III, 43 in Class IV and 51 in Class V.

A study of Table II, which gives index

numbers of growth of income of various classes, clearly brings about the fact that the growth of municipal income of different classes of municipalities has not been uniform. The rate of growth has been faster in case of smaller municipalities as compared to higher municipalities. Class I recorded a rise of income of 128.83 per cent, Class II of 161.68 per cent, Class III of 162.34 per cent, Class IV of 179.90 per cent and Class V of 380.15 per cent. All-Rajasthan rate of growth of income has been 155.33 per cent for the 10 years of the study giving annual growth rate of 15.53 per cent. The growth rate of Class I municipality has been lesser than the all-Rajasthan growth rate, while Class II, Class III, Class IV and Class V recorded higher rate of growth than the all-Rajasthan rate. The highest growth rate was recorded by Class V and the lowest by Class I.

Proportionate Income

The proportionate income enjoyed by the various classes of municipalities in the beginning of the study year and in the last year of the study changed, yet the ranking of various classes of municipalities remained the same. The proportionate income derived in 1956-57 was: Class I, 56.25 per cent; Class II, 15.86 per cent; Class III, 12.37 per cent; Class IV, 10.91 per cent and Class V, 4.61 per cent while in 1965-66 it

was: Class I, 50.41 per cent; Class II, 16.25 per cent; Class III, 12.72 per cent; Class IV, 11.96 per cent and Class V, 8.66 per cent, respectively. Thus the amount of proportionate income declined in case of Class I and increased in the case of Class II, Class III, Class IV and Class V. The aggregate income was greater in bigger municipalities as compared to smaller ones in 1956-57 and this continued to be the case in 1965-66.

Considerable Variation

The growth rate of income in the same class of municipality in Rajasthan varied considerably as is shown by Table III. It varied from less than 5 per cent to 2,000 per cent in the same class of municipalities (viz., Class IV and V) with one exception in Class III where, in case of municipality of Gajsinghpur, the income declined.

From Table III it can be seen that the mode of percentage variation is located in the 100-200 per cent class interval, which also has incidentally the average variation figure of 155.33 per cent for all-Rajasthan municipal income.

Thus out of 141 municipalities, 122 had an increase in income over 100 per cent while the other 18 municipalities recorded an increase of less than 100

per cent and one municipality of Class III showed a decline in income during the decade. The newly established municipalities and municipalities having industrial, commercial, tourist, pilgrimage and business centres had usually recorded higher percentage increase in income than other municipalities in the same class. Pali and Bhinmal municipalities of Class II and Class III recorded a rise in income of 700.95 per cent and 651.23 per cent respectively. While Makarana municipality of Class IV recorded an increase of 1191.72 per cent, Deshnokh and Parbatsar municipalities of Class V recorded an increase of 1057.21 per cent and 1238.82 per cent respectively. The highest rise in income range of 2000 per cent and over was recorded by Vidhya Vihar municipalities of Class V of 4679.84 per cent followed by Neem Ka Thana of the same class, which recorded 4197.95 per cent rise.

From the study of Table IV it will become clear that only 76 municipalities in Rajasthan out of 141

municipalities, which existed in 1965-66, had income over one lakh rupees both from own sources and external sources, while the rest 65 municipalities except one, (which belonged to Class III, viz., Gajsinghpur) belonging to Class IV and V had income below one lakh rupees. Thus 64 municipalities out of 94 municipalities of Class IV and V, i.e. 68 per cent, were not economical and administratively viable units. Municipalities which are having income over a lakh of rupees belong to all classes. It is therefore in Class IV and Class V municipalities that there is greater need of increasing municipal income so as to improve the aggregate, average and per capita municipal income in Rajasthan. The rate of growth in these classes is sufficiently high and it must be maintained. The growth rate of Classes I, II and III needs acceleration, so as to further improve the average, aggregate and per capita municipal income.

As will be clear from Table V the per capita income of all municipalities

in Rajasthan in the year 1956-57 was Rs 5.67 and it rose to Rs 11.71 (a rise of 106.53%) in 1965-66. All-India per capita revenue income as estimated by the Zakaria Committee for the year 1960-61 was Rs 14.15.¹⁵

During the period the rise in per capita income in various classes of municipalities is as given in Table V.

The growth in per capita income of all classes of municipalities is steady in all the years of study except in case of Class I municipalities in the last five years and in Class III in 1960-61. The slow growth in the case of Class I during the last years has been due to political considerations in granting loans and grants on the part of the government and to some extent due to reluctance on the part of the municipal councilors to levy new taxes and to increase the rates of existing taxes. There was also laxity in the realisation of taxes and lethargy in expanding non-tax sources. On the other hand many muni-

TABLE II
INCOME BY VARIOUS CLASSES OF MUNICIPALITIES IN RAJASTHAN

(In Rs)

Year	Class and No. of M.B.	I—10	II—15	III—22	IV—43	V—51	Total—141
Second Plan :							
1956-57		94,08,395 (56.25)	26,51,953 (15.86)	20,69,097 (12.37)	18,25,467 (10.91)	7,70,111 (4.61)	1,67,25,023 (100)
1957-58		1,07,22,011 (54.64)	31,60,912 (16.11)	26,22,231 (13.36)	91,45,979 (10.94)	9,71,907 (4.95)	1,96,23,040 (100)
1958-59		1,30,98,276 (53.10)	42,21,259 (17.12)	31,64,027 (12.83)	29,29,682 (11.89)	12,52,210 (5.08)	2,46,65,454 (100)
1959-60		1,56,19,801 (60.45)	34,69,843 (13.43)	28,98,448 (11.22)	27,04,128 (10.47)	11,44,887 (4.43)	2,58,37,107 (100)
1960-61		1,74,20,291 (56.37)	45,61,815 (14.77)	39,65,951 (12.83)	31,44,606 (10.18)	18,08,820 (5.85)	3,09,04,483 (100)
Third Plan							
1961-62		1,98,44,027 (58.73)	50,07,477 (14.83)	37,90,503 (11.62)	32,67,845 (9.67)	18,68,311 (5.53)	3,37,78,163 (100)
1962-63		2,02,76,938 (57.68)	55,34,041 (15.74)	35,89,417 (10.21)	36,33,820 (10.34)	21,20,786 (6.03)	3,51,55,002 (100)
1963-64		1,97,47,600 (54.39)	60,32,027 (16.61)	39,62,485 (10.91)	42,49,528 (11.71)	23,17,705 (6.38)	3,63,09,345 (100)
1964-65		2,14,66,761 (52.69)	67,69,165 (16.60)	48,40,129 (11.88)	47,98,568 (11.78)	28,73,411 (7.05)	4,07,42,03 (1400)
1965-66		2,15,29,111 (50.41)	69,39,602 (16.25)	54,27,972 (12.72)	51,09,493 (11.96)	36,97,672 (8.66)	4,27,03,850 (100)
Rate of growth		128.83	261.68	162.34	179.90	380.15	155.53

Source : Census survey by the author of the income and expenditure of municipalities in Rajasthan as they existed in the year 1965-66.

Note :-Figures in brackets are percentages to the totals.

TABLE III.
DISTRIBUTION OF MUNICIPALITIES BY INCOME VARIATION (Percentage) ACCORDING TO THE CLASS OF MUNICIPALITY : 1956-57—1965-66.

Class			Below zero	Percent variation								No. of Muni- cipal- ities.	Per cent age in- crease in the income	
				0-50	50-100	100-200	200-300	300-400	400-500	500-600	1000- 2000			2000- & over
I	..	..	..	1	3	3	3	—	..	..	..	10	128.83	
II	..	..	..	..	4	7	2	1	..	1**	..	15	161.68	
III	..	..	..	..	5	9	5	1	..	1***	..	22	162.34	
IV	..	..	1*	..	9	16	8	3	..	4	1†	43	179.90	
V	..	..	..	5	2	7	13	6	4	10	2††	2‡	51	380.15
Total			1	8	23	42	31	11	4	16	3	2	141	155.33

*Gajsinghpur; **Pali; ***Bhinmal; †Makarana; ††Deshnokh and Parbatsar; ‡Neem Ka Thana and Vidya Vihar. Note—Deshnokh and Vidhya Vihar were new municipalities and the rest municipalities made effort to augment their income.

Source : Census survey by the author of the income & expenditure of municipalities as they existed in 1965-66.

TABLE IV
NUMBER OF MUNICIPALITIES CLASSWISE IN DIFFERENT INCOME GROUPS INDICATING VARIATION IN THE AGGREGATE MUNICIPAL INCOME BY THE SAME CLASS OF MUNICIPALITIES IN THE YEAR 1965-66 (in Rs)

Class	Classification of Municipalities in different income groups of income in the year 1965-66										
	No. of Municipalities			Below 50,000	50,000 to 75,000	75,000 to 1 lakh	1 lakh to 2 lakhs	2 lakhs to 5 lakhs	5 lakhs to 10 lakhs	10 lakhs & over	No. of M.B.
I	..	..	10	—	—	—	—	1	—	9	10
II	..	..	15	—	—	1	1	10	4	—	15
III	..	..	22	—	—	—	6	14	1	—	22
IV	..	..	43	3	6	11	20	3	—	—	43
V	..	..	51	19	14	11	5	2	—	—	51
TOTAL	..	..	141	22	20	23	32	30	5	9	141

Source : Census survey by the author of the income & expenditure of municipalities in Rajasthan as they existed in 1965-66.

cipalities during this period in Class I, abolished a number of other discretionary taxes due to political considerations without any regard to financial implications of the measures. Chinese attack also affected the tax realisation of Class I municipalities because of involvement of staff in civil defence measures.

The different classes of municipalities in Rajasthan had varying per capita income. In 1965-66 Class I municipalities had per capita income of Rs 12.68, Class II of Rs 16.06, Class III of Rs 13.29, Class IV of Rs 8.32, Class V of Rs 7.45 and the rate of all-Rajasthan per capita income has been of Rs 11.71.

The rate of growth of per capita income during the study period has not been uniform for all classes of municipalities. Class I recorded a growth rate of income of 79.35 per cent, Class II 106.16 per cent, Class III 122.61 per cent, Class IV 133.05 per cent and Class V 307.65 per cent, while all the Rajasthan municipalities taken together had income growth of 106.53 per cent during the decade.

If this disparity in per capita income and its rate of growth in the different classes of municipalities continues for a long period it will accentuate the difference in the service standards of different localities and encourage uneven regional development in the state contrary to the ideal of democracy. For some time the continuation of the present tendency of greater income growth of lower classes will only level off the existing disparity between service standards of higher classes of municipalities and lower classes of municipalities. As such, continuation of this tendency for a temporary period need not alarm anyone.

It is clear that per capita income of municipalities has a direct relation-

ship with the size of the towns. Smaller towns have lower per capita income which is required to cover a wide range of activities. To this can also be added the problems of diseconomies in administration of services due to the smaller size, leading to a larger per head expenditure. As such, higher per capita income is needed in case of lower classes of municipalities as compared to higher ones to provide the same standard of services.

A comparison of the figures in Table VI indicate that the all-India average per capita income of Rs 14.15 of 1960-61 is much higher than the average per capita income of Rajasthan municipalities of Rs 9.53 in 1960-61 and Rs 11.71 in 1965-66.

Per capita income of Rajasthan municipalities of Classes II and III compares favourably with that of all-India Classes II and III in 1965-66 but not with

figures of 1960-61; but in the case of Classes I, IV and V there is wide disparity both in 1960-61 and 1965-66 and, therefore, steps have to be taken in all Rajasthan municipalities to improve the per capita municipal income especially in case of municipalities of Classes I, IV and V.

To conclude, there exists a wide fiscal gap between the existing income and desired income as calculated by Zakaria Committee to achieve the minimum level of municipal services. The present rate of growth in municipal income though third best in the country needs further acceleration to meet the growing demand of improved municipal services. The increase in the rate of growth of municipal income can be achieved by increasing the rate of growth of per capita income in all classes of municipalities, especially in case of Classes I and II, which have not

TABLE VI
PER CAPITA INCOME OF RAJASTHAN MUNICIPALITIES COMPARED
WITH ALL-INDIA PER CAPITA MUNICIPAL INCOME AS
CALCULATED BY ZAKARIA COMMITTEE.

				(Rs.)		
Class				Per capita income for 1960-61 of the country	Per capita income for 1960-61 of Rajasthan municipalities	Per capita income for 1965-66 of Rajasthan municipalities.
I	..	..	..	16.40	11.75	12.68
II	..	..	..	14.07	12.05	16.06
III	..	..	..	13.28	10.64	13.29
IV	..	..	..	11.74	5.67	8.32
V	..	..	..	11.47	3.99	7.46
VI	..	..	..	13.46	NA	NA
All-India	..	..	..	14.15	9.53	11.71

Source : All India figures of per capita income taken from Zakaria Committee Report, pages 380 and 381. Rajasthan figures author's own compilation from the census figures of income of all municipalities.

TABLE V
VARIATION IN PER CAPITA MUNICIPAL INCOME OF VARIOUS CLASSES OF MUNICIPALITIES IN
RAJASTHAN

													(Rs)	
Class	No. of M.B.	1956-1957	1957-1958	1958-1959	1959-1960	1960-1961	1961-1962	1962-1963	1963-1964	1964-1965	1965-1966	Variation in percentage.		
I	..	10	7.07	7.84	9.32	10.82	11.75	13.02	12.95	12.27	12.99	12.68	79.35	
II	..	15	7.79	9.04	11.76	9.41	12.05	12.87	13.85	14.71	16.05	16.06	106.16	
III	..	22	5.97	7.43	8.80	7.91	10.64	9.99	9.28	10.06	12.07	13.29	122.61	
IV	..	43	3.57	4.10	5.50	4.98	5.67	5.78	6.29	7.21	7.97	8.32	133.05	
V	..	51	1.83	2.26	2.87	2.57	3.99	4.05	4.52	4.85	5.90	7.40	307.65	
All-Rajasthan per capita income			5.67	6.50	7.98	8.17	9.53	10.17	10.35	10.44	11.43	11.71	106.53	

Source : Own compilation on the basis of census figures of income of Rajasthan municipalities as they existed in the year 1965-66 on the basis of projected population.

been able to attain growth rate of per capita income expected of them by utilisation of tax and non-tax resources. The present trend in the rate of income growth of smaller municipalities should be maintained till such time as their per capita income becomes equal to per capita expenditure for different classes of municipalities as calculated by the Zakaria Committee in order to enable them to achieve the minimum level of municipal services.¹⁶

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The per capita municipal income needed as

suggested by the Zakaria Committee to attain minimum level of municipal services is given below:—

	Rs
Standard A — (Special) Over 20 lakh population	43.50
Standard A — 5 lakh to 10 lakh population	39.03
Standard B — 1 lakh to 5 lakh population	33.40
Standard C — 50,000 to 1 lakh population	27.62
Standard D — 20,000 to 50,000 population	24.27
Standard E — Below 20,000 population	21.07

According to above classification the number of municipalities in various classes are B Class 6, C class 4, D class 22 and E class 109; Rajasthan municipal per capita income as a whole was Rs 11.10 in 1965-66.

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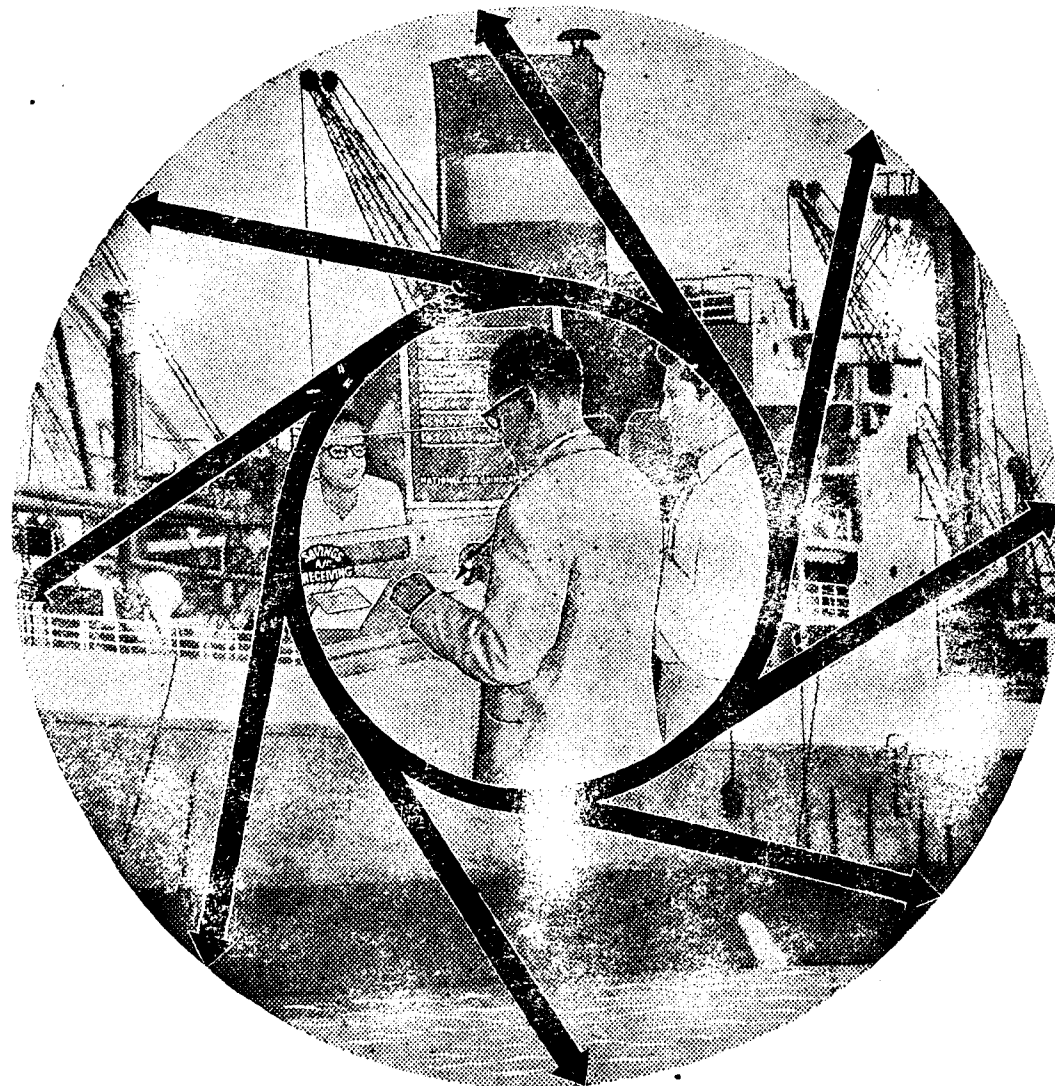
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WINDOW ON THE WORLD

Report in Depth on the EEC—I

JOSSLEYN HENNESSY

CHANGING RELATIONS

LONDON :

THE RELATIONS between the European Community and the US are going through a period of persistent tension — a cold war which both sides fear could flare into an open trade war. The underlying cause is the emergence of the Community as the world's biggest trading unit, able to match threat with threat, and to retaliate in kind in the event of protectionist measures imposed by the USA. With industrial trade currently subject to the automatic application of the very considerable tariff cuts made in the Kennedy Round negotiations, the tension has shifted to two other areas: agricultural trade and non-tariff barriers to industrial trade.

In addition, the Community's growing network of special trading relationships, in particular around the Mediterranean area, causes irritability in the USA. The immediate reason is the off-hand way in which the Community, once it has concluded a new trade agreement or association (and it has yet to refuse a request), treats the rules of GATT. Article XXIV, which forbids preferential trade relationships unless they are to lead on, within a specified time, to a customs union or a free trade area, is one of the pillars of the general agreement, and the Six have not been observing its spirit.

American Infringements

But the Americans have been openly guilty of such infringements in the past — in the agreement with Canada on automobiles — and cannot protest too loudly. Both sides realise that the true causes of their concern are their fears about the future. Already the present Community of the Six is creating a zone of economic influence covering a large part of black Africa and practically all the Mediterranean basin. With every prospect now of enlargement, it does not require much foresight in Washington to see the emergence of a Community of ten or eleven members, dominating its remaining west European neighbours in the frame-work of association agreements, becoming increasingly influential with its clientele around the Mediterranean and in a far wider area of Asia, and even prepared to offer a

tempting trade deal to those Latin American countries that might be interested.

Against this background, the Community and the USA keep their irritation and their protective instincts within bounds. The scars of the "chicken war" of 1963 still remain: faced with a rapid drop in poultry exports, which it attributed to the common agricultural policy, the American government retaliated with duties on French cognac, Dutch chemicals, and German Volkswagen cars (these last recently removed). GATT arbitration limited the damage, but the incident was enough to demonstrate the futility of open trade warfare.

Threat of Flare-up

But the threat of a flare-up remains constant: the Community's decisions on trade, because they are taken at Council of Ministers level in Brussels, are largely exempt from protectionist pressures via parliaments; but the development of its external relations constitutes a steady provocation. On the American side, the threat of protective measures by Congress is constant, and there is no guarantee that the administration will

always be able to ward it off. In any event, despite talk in GATT of a new round of international talks, concentrating on non-tariff barriers, the prospect that the US will be able to commit itself to such talks is minimal.

II

BIG U.S. SURPLUS

In the past eleven years there has been a threefold increase in trade between the Community and the US. Total annual trade at present amounts to nearly \$13,000 million (EEC imported goods worth \$7,000 million and exported goods worth \$5,000 in 1969, whereas trade in 1958 was worth \$3,300 million). Since 1960 the US has, with the exception of 1967, enjoyed an annual trade surplus of over \$1,000 million.

The trend continues. In 1969, American exports to the EEC were 13.9 per cent higher than in 1968, whereas exports to EFTA increased by only four per cent and to the rest of the world by 9.5 per cent. Over the same period, American imports from the Community decreased by 1.4 per cent while imports from the rest of the world rose by 106 per cent.

Parallel to the increase in trade is the rise in US investment in the EEC area. In 1958 it was \$1,900 million; in 1969 it had risen to \$9,000 million, of which \$101 million were reinvested in the Community, thereby leaving \$439 million as income on direct investment.

U.S. TRADE WITH THE E.E.C.

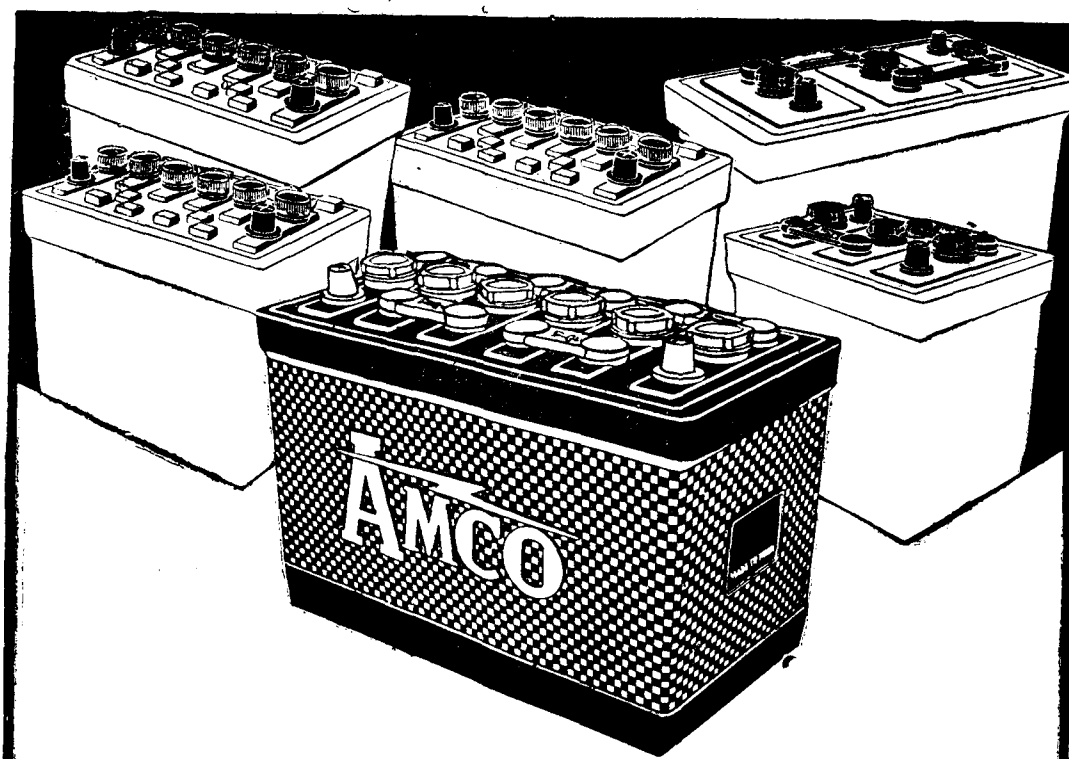
(\$000 million)

						% change	
						1965-68	1965-69††
US exports to*	1965	1966	1967	1968	1969††		
EEC	5.25	5.50	5.65	6.14	6.98	+17	+33
of which:							
Agricultural	1.48	1.56	1.46	1.37	1.27	—7	—14
Non-agricultural†	3.77	3.94	4.19	4.77	5.71	+27	+51
Rest of world	21.75	24.40	25.50	27.18	31.01	+25	+43
US imports from:							
EEC	3.32	4.12	4.46	5.89	5.80	+77	+75
of which:							
Agricultural	0.27	0.31	0.33	0.37	..	+37	..
Non-agricultural	3.05	3.81	4.13	5.52	..	+81	..
Rest of world†	18.05	21.42	22.36	27.36	30.25	+52	+68

*Including re-exports.

†Excluding US—EEC—trade.

††Preliminary.



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In addition US firms received about \$281 million in fees and royalties from investments in the EEC.

The other essential element in the background to trade relations between the US and the Community is the expansion of the Eurodollar market, and the tendency of American companies to seek the necessary finance for their European investment programme within Europe — where their size, regulation and solidity often give them far more appeal to investors than their European counterparts.

Positive Influence

In the field of industrial trade the Kennedy Round cuts are currently exerting a steady positive influence. Amounting to over 30 per cent on average for all industrial trade, and 50 per cent for a wide range of products, they are spread over five years. On the Community side, the first two slices were grouped together, on July 1, 1968, to coincide with the last move to the common external tariff; and there was a complex deal over advancing other cuts. But in all cases the remaining two-fifths of the total percentage are due on January 1, 1971 and 1972.

Although certain peaks remain, the accent has now shifted to non-tariff barriers, on which the Kennedy Round negotiations hardly made a dent. While there is no generally accepted definition, it is fair to take the widest interpretation, and see the problem as covering all those barriers to trade, resulting from standards, quality requirements, technical rules, consumer protection (e.g., for food and drugs), special bases for customs evaluation, deposit requirements for importers, government procurement policies, or flag discrimination for transport, which are not straight tariff barriers applying in the signatory countries of the General Agreement.

As the tide of direct protection through customs duties recedes, then non-tariff barriers stand out, and it was realised already during the Kennedy Round that any future attempt to free international trade would involve tackling them head-on.

A GATT committee on non-tariff barriers has been sitting since the end of the Kennedy Round, and there has been much talk of a new round devoted to them. But it seems fair to trace this back more to the ambitions of the new GATT executive secretary, Olivier Long, to keep his organisation at the centre of things, than to any real haste to act on the part of the trading partners, least of all the Community or the US. This became clear dur-

EASTERN ECONOMIST

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ing the last GATT Council session in March.

The Community, for its part, naturally shies away from getting engaged in two big negotiations at the same time — one with the candidates for EEC membership, the other with its GATT partners — and suspects Mr Long and the Americans of seeking a way to poke their noses into the enlargements talks. The British say little, but they line up with their prospective EEC partners on this.

American talk of a non-tariff barrier negotiation is belied by the widespread knowledge that Congress is in no mood to give the administration a mandate to start dismantling some of the most effective forms of protection. (Mr Nixon's time has been spent, rather, holding out against pressures for increased protection in a series of sectors, including textiles and steel). And neither the EEC nor other countries would enter into negotiations unless the American President had powers to negotiate similar to those that made the Kennedy Round possible.

III

A KEY PROBLEM

Here the touchstone has been the "American Selling Price". This is the system whereby the duty levied on a series of products imported into the USA is calculated not on the export price, or the price effectively paid by the importer, but on a notional American market price for the equivalent product — which is in fact arbitrarily established by the American customs authorities. The most important products falling under the system — which can raise duties by 200 per cent — are coal tar chemicals; others include rubber footwear, knitted woollen gloves, and canned clams.

In the Kennedy Round the Community and the Swiss made their proposed tariff reductions on the chemicals in question conditional upon the abolition of the American selling price system. In the closing stages of the talks the American delegation agreed, but since the abolition required special legislation, and there was no guarantee that Congress would pass it, the Community applied only 20 per cent of its 50 per cent reduction on July 1, 1968 (when the US cut its duty by 50 per cent) and promised the rest for when the ASP legislation had gone through. The bill introduced by President Johnson failed to go through, and although the EEC prolonged its offer beyond December 1968, President Nixon, even though he did revive the legislation, has been no more successful — and will not push the issue in an election year.

Also linked to the abolition of the

American selling price was a commitment from France, Belgium and Italy to introduce legislation in their parliaments abolishing road taxes which discriminate heavily against high cubic capacity engines, and hit in fact at American automobile exports. The European car manufacturers, therefore, have reason to rejoice at the strength of the chemical lobby in Congress. More generally the story illustrates that a non-tariff barrier negotiation is not in prospect for the near future.

TVA: Border Levy or Fiscal Measure?

Another source of non-tariff friction was the American attack on the tax on value added (TVA), now being introduced in all the Six as a result of a Community decision. The USA saw the TVA as a "border tax" — to which President Johnson in 1967 attributed the decline in US trade. Only after many misunderstandings has TVA been accepted as essentially a fiscal measure of which the export rebates and compensating import duties at the frontiers are the reflection. But it remains a sore point that American goods entering an EEC country have to pay the compensatory duty — equivalent to TVA inside the country — while not having got from their own government the export rebate which other EEC exporters enjoy. Similarly, EEC exporters appear to have an advantage when exporting to the USA.

More real have been recent clashes over a series of products. In 1968, the US administration threatened to impose quotas on steel imports — but Japanese and EEC exporters chose instead to comply with a request for voluntary limitation of exports. In textiles the situation is more tense. The USA has failed to obtain commitments from either Japan or the Community to limit exports, and two restrictive bills are currently before Congress, which would impose 60 per cent duties. If they went through, it could lead to retaliation.

The raising of the duty on Prato wool from 11 to 60 per cent, hitting Italian exports, is now under investigation in GATT. But if this is a straight tariff case, what happened over fire-arms is a typical non-tariff situation. Basing itself on the new Fire-arms Act, which restricts the sale of arms in the USA, the administration banned imports — thus cutting off EEC export trade worth some \$15 million a year. Yet some manufacturers in the USA are making and selling the same guns that can no longer be imported.

Finally, the disputes over prohibitive American protection on canned toma-

toes, tomato paste and steel transmission towers (protection based on legislation dating from before the signature of the General Agreement in 1947) continue unsolved. But these are seen on both sides as examples of the continual friction inevitable between two vast trading blocs. The EEC's great concern, as evidenced by the recent trip to Washington by M. Jean Deniau, member of the EEC Commission responsible for trade policy, is to make sure

that they do not flare up and set off a major trade conflict.

Sources and Acknowledgements

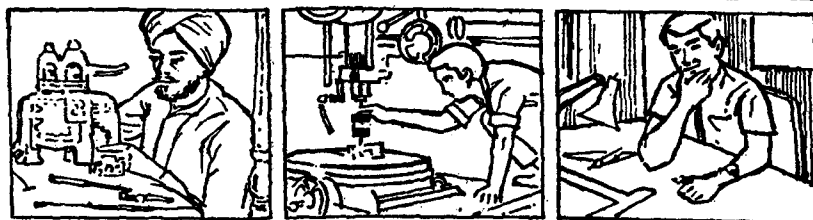
The foregoing is the first article in a set of four reporting in depth on the profound changes taking place in the European Economic Community. They summarise, by special arrangement, an exclusive 42-page report in the May issue of *European Trends*, published

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 the emphasis of my summary nor for my comments based on a variety of sources.

Next week's article will discuss US retaliation on EEC farm policy; US and EEC attitudes to commodity agreements; and the EEC's real threat to North America.

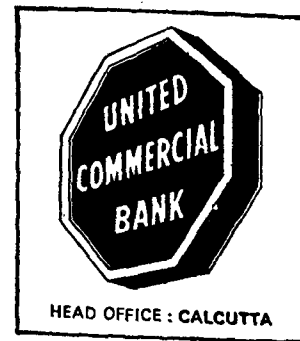
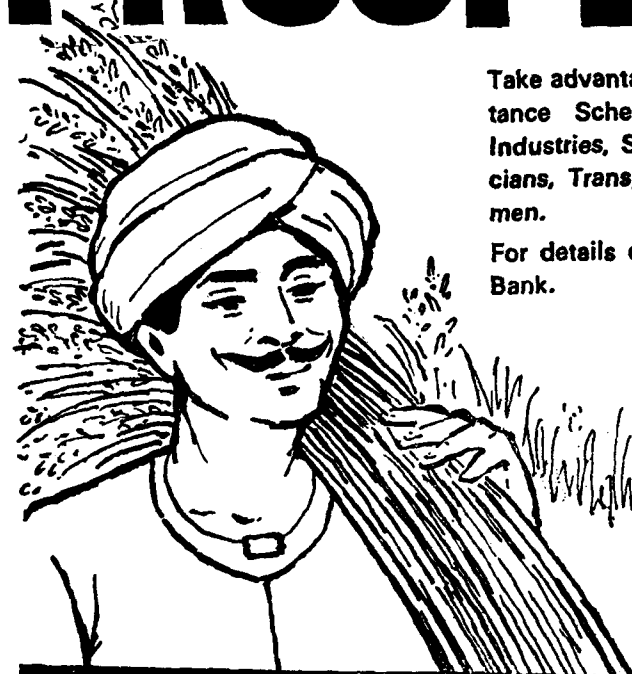
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The moving finger writes

IN ITS editorial on the British general election, *The Hindustan Times* chose to borrow the terminology of horse-racing. According to the leader writer, "the Conservatives have romped home in a sensational finish." Actually, this race was not run in this way at all. According to the reports of the election, the prospects of a Tory victory became clear as soon as the first six constituency results were in. This would mean that, so far as the British electorate was concerned, Labour was virtually a non-starter and the sensation, therefore, was over long before the finish. The Conservatives indeed romped home, but this they did from the starting line and not merely in the last lap. Horse-racing, it would seem, is a tricky affair — and this not merely for the punter.

* *

The Prime Minister is reported to have indicated to men of her party in Patna that a general election might be held in this country sooner than might be expected. There has been some speculation on this score for quite some time and when Mr Harold Wilson announced in Britain last month his decision to take that country to the polls without waiting for a full term of Parliament to expire, it was thought that Mrs Gandhi too might be encouraged to think along similar lines. It would be interesting to know what precise inferences she has drawn from the failure of Mr Wilson's bid for the renewal of his mandate.

From the larger democratic point of view there is much to be said for a general election not later than early in 1971. After the split in the Congress organisation, the party now ruling at the centre cannot claim to be in possession of any clear mandate from the people. This apart, there has been such a ferment in national affairs that the people is entitled to an opportunity to decide for itself which party or combination of parties should be entrusted with the defence of the country and its interests against threats, external or internal. There is also the practical problem that given the present balance of political forces, the central government has to be a creature of day-to-day contingencies. It is, therefore, as much in the interest of the ruling party as it is in the interest of the country that the political trends should be clarified as

early as possible through a general election for the Lok Sabha.

* *

Mr B. M. Birla's meeting with the local journalists at a Press Club luncheon last week was remarkably productive. This was primarily because he was able to articulate his ideas and views with a direct simplicity as well as a high degree of credibility. Particularly effective was his affirmation of a positive interest on the part of the business community as much in the human problems of the slums of Calcutta as in such economic aggregates as the continuing economic backwardness of our country or the needless cross of mass poverty or unemployment which the people have been condemned to carry.

Whether Mr Birla was able to persuade each and every one of his audience that the government's ideological attitudes and wrong policies in such matters as taxation and controls were wholly to blame for this state of affairs, or not, he did seem to have succeeded in driving home the point that our nation ought to entertain high ambitions of growth since it was clearly within its capacity to realise those ambitions. Mr Birla dramatised the meagreness of our present development effort by declaring that the country had a right to expect an average family income of Rs 10,000 a year in the foreseeable future. He scored more than a debating point by bringing out clearly how the nation's potential resources were being neglected despite the government's alleged anxiety to reduce our dependence on other countries. Asserting that the claims of production were superior to the claims of any 'ism', he expressed an apprehension that, unless this basic priority was recognised and acted upon, the country would soon be headed for shortages of essential goods and the attending economic and political instability.

* *

There is grim irony in the fact that the DMK, which claims to be a mass party, has shown itself incapable, as a government, of dealing with the first substantial popular agitation it has had to face after coming to power in Tamil Nadu. A demonstration of farmers of Coimbatore district against the level of electricity rates was allowed to go to a point where police firing, resulting in the death of some demonstrators, took place. The Chief Minister, as if he was only waiting for

some such tragedy to happen, ultimately conceded the demand for concessions in the power tariff, and he did this under circumstances which made it clear that he was bowing less to the popular will than to the harsh realities of political survival. By resisting a demand which it finally had to accept under conditions which must seriously damage its credibility, the DMK government has brought upon itself the necessity of examining seriously the proud boast of its leaders that there is no substantial political force in the state outside their own party oligarchy.

In many ways it is a healthy development in Tamil Nadu that the strain of upstart arrogance in the present leadership in the DMK is being tested by the right of the people in the state to assert their points of view against the government of the day. For some time now, the DMK has been exploiting the "Anna" legend for its own political ends to an extent which is shameful. Statues of the late Anna-durai are being put up in their hundreds in public places without judgment or discrimination. Much less over-exposure than this has killed political reputations far greater or far more solid than that of the departed founder of the DMK. The present Chief Minister is a shrewd enough person no doubt. Why, then, is he missing the elementary point that this obviously motivated and almost vulgar glorification of a party leader, whom it has now become the business of history to evaluate, is bound to prompt, in due course, a public reaction which he and his party are bound to rue?

I have heard it said that a few DMK leaders, including Mr Karunanidhi, are almost rattled by the effectiveness of the quiet campaign which is being conducted by Mr Kamaraj to strengthen his party at the grass roots. Fear of opposition is often a healthy fear for a ruling party to experience, but it matters greatly what this fear leads to. In other words, is the DMK going to respond merely with more of the same old demagoguery or is it going to realise that it must start functioning as a party which is in the process of becoming politically mature? With leftist forces active in Tamil Nadu, as elsewhere in the country, those who form the government in the state cannot afford to behave as if they do not aspire to be any more than the tinsel heroes familiarised on the Tamil screen.

V.B.

Trade Winds

HINDALCO EXPANSION

THE RECENT controversy over the expansion of Hindustan Aluminium's capacity from 60,000 tonnes ingots to 120,000 tonnes ingots per annum is understood to have been resolved satisfactorily. The government had last year served a notice on the company to show cause why the licence for expansion granted in December, 1966, should not be revoked as effective steps had not been taken to implement it. This was contested by the company which pointed out that its effective capacity had already been raised to 80,000 tonnes per annum. Even production had been stabilised at that level recently. So the question of effective steps not having been taken to implement the expansion licence did not arise at all. The government has now decided that the expansion licence will remain valid if the company raises its capacity to 100,000 tonnes by April 30, 1972, and to the ultimate capacity of 120,000 tonnes by December 31, 1973.

SMALL INDUSTRIES

The National Small Industries Corporation (NSIC)—a Government of India undertaking—has liberalised its terms for the supply of machinery to small entrepreneur on hire-purchase. The earnest money which the entrepreneurs had to pay till lately was 20 to 50 per cent of the value of the machine taken on hire-purchase. It has now been reduced to 10 per cent in the case of indigenous machines and a bare five per cent in the case of important equipment. The service charge of the NSIC has also been reduced from six to two per cent of the value of the machines. Further, the entrepreneurs in future will be paying only the actual charges incurred by the NSIC for acquiring imported equipment on their behalf, as against the 3½ per cent charge collected hitherto in this regard. This liberalisation in the hire-purchase scheme is expected to motivate a large number of entrepreneurs, particularly in the rural areas, to take up small industries. Several other liberalisations of the scheme are also contemplated. The NSIC is as well considering the question of supplying imported machinery to entrepreneurs who are supported by banks and state finance corporations for their requirements of finance.

With a view to assisting small indus-

tries in procuring raw materials, the NSIC has been running a raw materials depot at Okhla, near Delhi, for the last five years. It now intends to set up a similar centre at Pondicherry. For the last six months, the NSIC has also been making available brass ingots to the small brass-conversion industry. It is hoped to continue the supply of this material on a regular basis in future.

Another important direction in which activity is proposed to be stepped up by the NSIC is the export of the products of small industries. Recently, the NSIC succeeded in getting orders to the tune of Rs 28 lakhs from West Germany for the supply of pipes and specials. An order for the supply of brass tubing has also been concluded with the United Arab Republic. The value of this order is Rs 12 lakhs. The two orders will be executed by small industrialists under the guidance and inspection of the NSIC.

U.P. SUGAR MILLS

The three-man committee, appointed by the Charan Singh government to devise ways and means of taking over sugar mills in Uttar Pradesh, is understood to have expressed the view that under the Industrial Policy Resolution, sugar mills come within the jurisdiction of the centre. The state government will not be able to nationalise sugar mills unless this resolution is amended and Parliament passes a legislation enabling the state to take over the mills. Another important recommendation made by the committee is that in case sugar mills are taken over by the state government, the compensation should be paid on the basis of the stock market rates of the shares of these mills. The recommendations of the committee apparently have created difficulties for the state government. It is doubtful that Parliament will be able to legislate on the matter in the near future. In respect of compensation, the difficulty is expected to arise on account of the shares of only a few of the 71 sugar mills in UP being quoted on the stock exchange.

NATIONALISED BANKS

A fair amount of diversification in the loans of public sector banks—the State Bank of India and the 14 major commercial banks which were nationalised in July last—is said to have taken place during the last 11

months. The number of borrowing account with these banks of farmers, small industries, road transport operators, small business men, self-employed persons and persons in low-income group seeking bank assistance for the education of their children has gone up from slightly less than 266,000 on the eve of nationalisation to 712,000—a rise of nearly 170 per cent. The share of advances to these sectors in the total advances of the public sector banks is stated to have increased from about 10.5 per cent to nearly 16 per cent. With a view to fostering this trend further, the Government of India is expected to announce shortly a comprehensive scheme of insurance to cover the risks involved in granting loans to the above-mentioned and similar other sectors of the economy. The scheme is likely to be administered by the Deposit Insurance Corporation. The newly nationalised banks are also strengthening their personnel by securing the services of experts in agriculture, small industries, etc.

The total deposits of public sector banks between July last and May this year are said to have gone up by Rs 405 crores, as against Rs 352 crores during the corresponding period last year. Nearly 900 new branches have been opened by these banks since July last—200 by the State Bank of India and the remaining 700 by the newly nationalised banks. Nearly 60 per cent of the new branches have been opened in the unbanked areas. The percentage of bank offices in rural areas with population less than 10,000 has gone up from 16.8 at the time of nationalisation to approximately 22.5. A disconcerting fact about mobilisation of deposits by the nationalised banks, however, is that the progress of new deposits in such areas as Punjab and Haryana has not been commensurate with the affluence of the peasantry there following three successive good harvests.

The lead banks scheme is stated to be making good progress. Under this scheme, each of the nationalised banks is required to survey the resources of the districts allotted to it for assessing the potential for development and the credit needs so that whatever credit gaps are still there, they can be filled through proper planning in collaboration with private banks, co-operative institutions and state financial agencies. Several districts have already been surveyed. The surveys of many others are under way. Once these surveys are completed, the second wave of credit liberalisation is expected to follow.

An important step which is being taken is to prevent pre-emption of cre-

dit by way of excess demand for loans. A commitment charge is proposed to be levied on unutilised bank limits. Study groups are also being appointed for each industry, in consultation with the association representing it, for working out inventory norms so that the credit requirements of each industry are properly assessed.

ADVISORY COUNCIL

The Standing Committee of the Central Advisory Council of Industries, which advises the central government on matters concerning the development and regulation of scheduled industries, has been reconstituted. The Minister of Industrial Development, Internal Trade and Company Affairs, continues to be chairman of the committee. Its members are: Mr D. C. Kothari; Mr Keshub Mahindra; Mr S. M. Dahanukar; Mr Chandrakant S. Desai; Mr J. R. D. Tata; Mr K. K. Birla; Mr R. P. Goenka; Mr A. R. Bhat; Mr K.T. Chandy; Mr K.D. Malviya; Prof R. K. Hazari; Prof P. N. Dhar; Mr V. V. Dravid; Mr Mahesh Desai; Mr S. S. Mirajkar; Mrs Qamar Ahmed and Mr A. G. Kulkarni, MP.

DRUG PRICES CONTROL ORDER

The Government of India has amended the Drugs (Prices) Control Order to allow mark-up in drugs prices. Several other amendments have also been made to clarify some provisions of the order and remove difficulties being faced by manufacturers in supplying information about their cost structure. Under the alternative scheme of pricing, the mark-up on formulations based on non-essential bulk drugs can exceed 150 per cent, if the circumstances warrant it. The government has also acquired powers under another amendment to extend by four months the submission of price lists by firms wishing to come under the alternative scheme of pricing. The amended order makes it possible for the government to revise the prices of drug formulations at any time. The original order stipulated that retail prices once fixed could not be changed for at least one year. The original order required all manufacturers, distributors and importers of bulk drugs to give the names and ceiling prices of drugs exclusively made or marketed by them. This has been amended and the government can now extend the period by up to four weeks. All importers of bulk drugs will now have to inform the government about the landed cost and selling price of every imported drug within fifteen days of import. The selling price cannot be raised without the approval of the government. Under the amended order, price lists to be furnished by manufacturers, importers and distributors

will have to show the prices at which they are sold to retailers. The government has the right to extend the period for this by four months if necessary. The original, order provided that price lists must be submitted by mid-July. If a manufacturer or importer of drugs also acts as the distributor, the commission payable to the wholesale dealer will not be less than two per cent of the retail price. Amendments have also been made in the definition of intermediary manufacturer's price and formulation based on essential drugs.

L.I.C.'s NEW BUSINESS

The total new business of the Life Insurance Corporation of India (LIC) in May, 1970, amounted to Rs 43.82 crores, involving 64,141 policies. The western zone of the LIC topped the list with Rs 11.69 crores, followed by the southern zone with Rs 11.40 crores, the eastern zone with Rs 8.27 crores, the northern zone with Rs 7.04 crores and the central zone with Rs 4.83 crores. The total new business completed by the corporation during April and May this year amounted to Rs 71.22 crores as against Rs 62.46 crores of completed business during the corresponding period last year.

APPEAL TO ADVANCED NATIONS

A fervent appeal to the developed countries that, in all the scientific and technological advances that they make, they should not ignore the necessity of adopting a deliberate policy of leaving scope for the developing countries of the world to export to them and thus share with them the benefits of economic progress, was made by Mr Krishnaraj M.D. Thackersey, in his speech at the annual session of the International Federation of Cotton and Allied Textile Industries held recently at Osaka, Japan. It would be remembered that he was elected Vice-President of that body at the Osaka meeting.

I.D.A. CREDIT

This country's efforts to increase foodgrain production through the adoption of new agricultural technology and inputs will be assisted by a credit of 27.5 million dollars from the International Development Association (IDA), an affiliate of the World Bank. Through the provision of institutional credit the project will help to extend mechanization of farms in Punjab, enabling farmers to obtain optimum results from fertilizer, the new high-yielding seeds and irrigation.

The project, when completed in 2½ years' time, will bring major benefits to our economy. Through increased double cropping and improved

farm practices, the investments in farm mechanization will expand the cropped area in Punjab by about 153,000 acres increasing foodgrain production by about 200,000 tons annually, worth approximately 22 million dollars at present prices. Since there is no minimum acreage requirements for eligibility to purchase a tractor, operators of small farms are expected to benefit as well as relatively large land-owners.

The total cost of the project is estimated at 40 million dollars. The 27.5 million-dollar IDA credit will finance the foreign exchange costs. The balance is being provided by the Punjab State Co-operative Land Mortgage Bank, participating commercial banks and farmers. The Punjab Agro-Industries Corporation will organize the procurement of equipment to be financed out of the proceeds of the credit.

The IDA credit will be extended to the Government of India for a period of 50 years, including ten years of grace. It will be interest-free, but a service charge of ¾ of 1 percent will be made to cover the IDA's administrative costs.

NAMES IN THE NEWS

Mr S. Jagannathan took over as Governor of the Reserve Bank of India on June 16. He succeeded Mr B. N. Adarkar. Mr Jagannathan was Executive Director for India with the World Bank till recently. He was a former Secretary to the union Finance Ministry and Finance Commissioner to the Railway Board. Mr Jagannathan also served as India's Economic Minister in Washington.

Mrs Sumati Morarjee, the executive director of the Scindia Steam Navigation Co. Ltd., was unanimously elected as one of the vice-presidents of the International Shipping Federation at its annual meeting held in Sorrento (Italy) on June 4, 1970. International Shipping Federation is a body comprising the national associations of various maritime countries in the world and generally considers all matters pertaining to the employment of maritime personnel, on an international scale. Mrs Morarjee represented, along with Mr R. E. Kumana, Chairman of the Scindia Steamships (London) Ltd., the Indian National Shipowners' Association at the Sorrento meeting.

Mr C.A. Cornelius has been appointed chairman and managing director of the Indian Telephone Industries, Bangalore. He took over his new assignment on June 20.

Company Affairs

INDIA TOBACCO

DESPITE REDUCED profits, India Tobacco Company Ltd (formerly known as Imperial Tobacco Company of India Ltd), has raised the dividend from 13 to 13.5 per cent for the year 1969 by recommending a final dividend of seven per cent. After deducting all charges and expenses, providing Rs. 459.96 lakhs for taxation and transferring Rs 12.90 lakhs for development rebate reserve, the profit for the year is shown at Rs 310.17 lakhs against Rs 344.27 lakhs for the preceding year. The final dividend is payable on or after September 8 to those shareholders as are registered on August 6.

TISCO MAINTAINS DIVIDEND

The directors of the Tata Iron and Steel Co. Ltd (TISCO) have proposed to maintain the dividend on equity shares at Rs 8.60 per share for the year ended March 31, 1970. The company's sales increased from Rs 136.80 crores in 1968-69 to Rs 144.37 crores in the year under report. The net profit after providing for depreciation and taxation was somewhat lower at Rs 612.50 lakhs compared with Rs 622.02 lakhs in the previous year. The provision for depreciation was higher at Rs 1,319.11 lakhs; similarly the provision for taxation was higher at Rs 520 lakhs. Development rebate reserve got Rs 225 lakhs, leaving a surplus of Rs 387.50 lakhs. Adding thereto a sum of Rs 0.88 lakhs brought in, the sum available for appropriation was Rs 388.38 lakhs. From this a sum of Rs 388 lakhs was transferred to general reserve. The carryover was Rs 0.38 lakhs. The proposed equity dividend and the preference dividends would be paid out of the general reserve.

ENFIELD INDIA

The working results of Enfield India Limited for the year ended December 31, 1969, showed the same impressive rate of growth which was witnessed in 1968. With the availability of increased disposal profits, the directors have recommended payment of a higher dividend at 10 per cent, taxable, on the equity capital against 6 per cent, taxable, for 1968. The improved dividend was covered by disposable profits, after providing for preference dividend, by over 2½ times; it is expected that there will be a further improvement in sales and profits in 1970.

Sales, including job order receipts,

during the year ended December 31, 1969, rose to Rs 583.48 lakhs from Rs 534.71 lakhs in the preceding year. But for the decline in the offtake of Knapsack sprayers and the difficulties experienced by some state governments, due to restricted credit facilities, in effecting purchases of agro-industrial engines, the turnover would have been higher by another Rs 50 lakhs. There is a brisk demand for motor cycles and it is anticipated that, with the introduction of a new model of light-weight motor cycle later in the year, the turnover would increase sizably.

The net profit, before depreciation and taxation, rose to Rs 35.70 lakhs from Rs 33.24 lakhs in 1968 despite an increase in the wage-bill and the cost of raw materials and components. The provision for depreciation has been raised to Rs 16.42 lakhs from Rs 11.07 lakhs because of liberal allowances granted under the new rules. As there was also a transfer of Rs 6.18 lakhs (6.70 lakhs) to development rebate reserve, there is no liability in respect of taxation. The increased equity dividend is to be paid after crediting general reserve with a sum of Rs 4.50 lakhs. The appropriations have been helped with a transfer of Rs 1.35 lakhs from reserve.

The generation of increased internal resources has been helpful in strengthening the financial position of the company. A sum of Rs 6.98 lakhs was repaid against the loan taken from the Industrial Finance Corporation while the gross block at the end of 1969 was higher at Rs 288.71 lakhs against Rs 276.13 lakhs in 1968. As there was a larger provision for depreciation, the net block was slightly lower at Rs 179.06 lakhs against Rs 182.46 lakhs in the preceding year. The company has plans for diversifying further production and arrangements are also being made for building up a fairly large export trade.

SIRPUR PAPER

The Sirpur Paper Mills Limited, a company registered at Hyderabad in Andhra Pradesh and hitherto under the management of Messrs Birla Brothers (Private) Limited, Calcutta, is, it is learnt, issuing shortly 7½% debentures 1980 of the value of Rs 3.5 crores in units of Rs 1000 each at par. Out of the said issue of Rs 3.5 crores the company will lodge debentures of Rs 2.00 crores with the Central Bank of India, Hyderabad, as security for cash/

credit and other facilities availed of or to be availed of from this bank. The debentures of Rs 1.0 crores are being issued for public subscription. For the balance of Rs 50 lakhs the company reserves its right to issue them at a further date as may be considered proper.

The company was incorporated in November, 1938, under the Hyderabad Companies Act. It has all the natural facilities nearby for adequate supplies of water, coal, power and the required raw materials such as bamboo and salai wood. It started production in 1942. The present installed capacity is 37,000 tonnes per annum. The first phase of the expansion programme taken up by the company for the manufacture of light weight and other quality papers and modernisation of plant to increase the existing capacity by installing the balancing equipment has almost been completed. The company is now going ahead with the second phase of the expansion programme. The estimated production on the completion of the expansion programme and plant modernisation is expected to be 65,000 tonnes per annum. The company has so far spent about Rs 6.00 crores on the expansion and plant modernisation schemes out of the total estimated cost of Rs 8.00 crores. The said Rs 6.00 crores was mobilised partly from the company's own resources (Rs 3.10 crores) and partly from banks as credit (Rs 2.90 crores).

SWADESHI COTTON MILLS

The audited accounts of the Swadeshi Cotton Mills Ltd for the year ended December 31, 1969, showed a profit of Rs 78.98 lakhs after making the usual adjustments and meeting all expenses including excise duty, levy and cess amounting to Rs 1.35 crores but without making any provision for depreciation and development rebate reserve. Taking into account depreciation written back at Rs 26.42 lakhs, the total available for distribution came to Rs 1.05 crores. The directors have provided Rs 48.23 lakhs for depreciation and Rs 32.00 lakhs for development rebate reserve, leaving a balance of Rs 25.18 lakhs. Depreciation on amounts added on revaluation of the fixed assets at Rs 7.26 lakhs has also been provided. The remaining surplus of Rs 17.91 lakhs has been transferred to general reserve. The directors have recommended distribution of dividends subject to the deduction of tax, for the year 1969 out of the general reserve as under: on 35,000 preference shares of Rs 100 at 8.57 per cent; on 15,75,000 prefd ordy shares of Rs 10 each at 5.71 per cent; on 1,75,000 ordy. shares of Rs 10 each at 5 per cent and on 15,75,000 prefd ordy. shares of Rs 10 each at 5

per cent. The dividends would in all absorb Rs 20.74 lakhs.

BOMBAY BURMAH

Mr Pratapsingh Mathuradas, Chairman of the Bombay Burmah Trading Corporation Ltd, has announced the board's decision to recommend an interim dividend of five per cent for the year ended May 31, 1970—same as last year but on the increased capital of the company. Presiding over the company's extraordinary general meeting, he said that the tea crop for the year was higher at 4.769 million kg as against 4.284 kg. in the previous year. However, the production of coffee was lower and to that extent profit from that division would be adversely affected. He also disclosed that Formica in which the company had a substantial interest had recommended a maiden dividend of 15 per cent tax free. The shareholders approved a resolution for investing Rs 1.53 lakhs in the purchase of 1,020 equity shares of Rs 100 each in Dental Products of India Ltd at a price not exceeding Rs 150 per share. Its pre-tax profit was Rs 1.05 lakhs for 1967, Rs 1.07 lakhs for 1968 and Rs 1.91 lakhs for 1969. He felt it would be possible to improve its working further.

INDO-ROMANIAN VENTURE

Messrs Uzinexport (state company for foreign trade) of Romania signed in Bucharest a collaboration agreement with Messrs Excelsior Plants Corporation Ltd of New Delhi on June 10, 1970, for the manufacture of mechanised brick and tile making plants in this country. These plants have so far been imported from other countries but would now be manufactured in the factory of Excelsior Plants Corporation to be put up at Faridabad (Haryana) next year.

Under this agreement Messrs Uzinexport will supply the shop drawings and all other technical assistance required for the design and production of brick and tile making machines in this country. Messrs Uzinexport will also provide material and financial assistance by way of deferred payment credit. The collaborator has agreed to allow deferred payment credit up to Rs 24.5 lakhs for the supply of know-how, capital goods, components and raw materials, during the first year of production which will be repayable over a period of four years. The collaboration agreement further makes provision for imparting training to Indian personnel in Romania and deputing Romanian specialists to India.

This agreement brings into being a partnership between a public sector undertaking of a foreign country with a private sector company in this country, a unit which has been set up and will be run by working technocrats in asso-

ciation with other working people.

The Industrial Development Bank of India has given a blanket financial cover to put through the project. It has agreed to participate in the company's share capital by taking up equity shares for six lakh rupees. The Industrial Finance Corporation of India, the Life Insurance Corporation of India and the Haryana Financial Corporation have joined hands with the Industrial Development Bank of India to fill the uncovered portion of the financial requirement.

The mechanised brick and tile making factories, which will be set up in the country during the next few years, will produce high quality bricks with high crushing strength and low porosity. The use of such bricks in construction of buildings will increase the life of structures and reduce the consumption of cement and steel, which, in turn, shall reduce the cost of construction by 20 to 22 per cent in single storey buildings and 12 to 13 per cent in multi-storey buildings.

The company proposes to raise a sum of Rs 25 lakhs from the market. It will offer to the public 180,000 equity shares of Rs 10 each and 7,000 redeemable cumulative preference shares (9.5 per cent, free of company's tax but subject to deduction of tax at source at the prescribed rates). According to Mr J.N. Raina, managing director, there is considerable scope for the export of brick and tile making plants to Afghanistan, Burma, Ceylon, Malaysia, Indonesia, Cambodia, Laos, Nepal, the UAR and Iran.

KILLCOTT TEA COMPANY

The working results of the Killcott Tea Company Ltd for the year ended December 31, 1969, disclosed a net profit of Rs 7.76 lakhs out of which depreciation, development rebate reserve and development allowance reserve absorbed a sum of Rs 5.64 lakhs. Taking into account the credit balance on profit and loss account brought forward from earlier years and transfer from development rebate reserve in respect of earlier years, the total sum available for distribution came to Rs 2.46 lakhs. The directors have provided a sum of Rs 70,000 for taxation and have transferred a sum of Rs 15,000 to revenue reserve. They have also recommended the payment of dividend on ordinary share capital at 5 per cent per share subject to deduction of tax absorbing Rs 156,600. The balance of Rs 4,765 is proposed to be carried forward.

With the expiry of the managing agency agreement between Duncon Brothers Co. Ltd and the company the directors have appointed M/s Duncon Brothers Co. Ltd as the company's

secretaries and the registrars for a period of five years with effect from April 1, 1970.

KOHINOOR MILLS

After a few years of unfavourable working the Kohinoor Mills Co. Ltd has, in the year ended December 31, 1969, earned a net profit of Rs 58.66 lakhs as against a loss of Rs 61.93 lakhs in the preceding year after providing for depreciation, development rebate, bonus to employees and the managing agents' remuneration. Settling off the deficit for 1968 against the surplus of 1969, the balance of Rs 74,933—being surplus—has been carried forward to next year. The directors have recommended the declaration of a dividend at the rate of Rs 12 per share subject to deduction of tax out of general reserve absorbing a sum of Rs 12.59 lakhs. The directors are exploring the possibility and feasibility of securing government sanction to the issue of one bonus share against the existing 10 shares of the company. Consequent upon the government's decision to abolish the managing agency system, Messrs Killick Industries Ltd have vacated their office as managing agents of the company. The approval of the Government of India is being sought to the appointment of Mr Nimjibhai C. Kapadia as managing director of the company; the board of directors as well as the shareholders have already approved his appointment.

ORISSA CEMENT

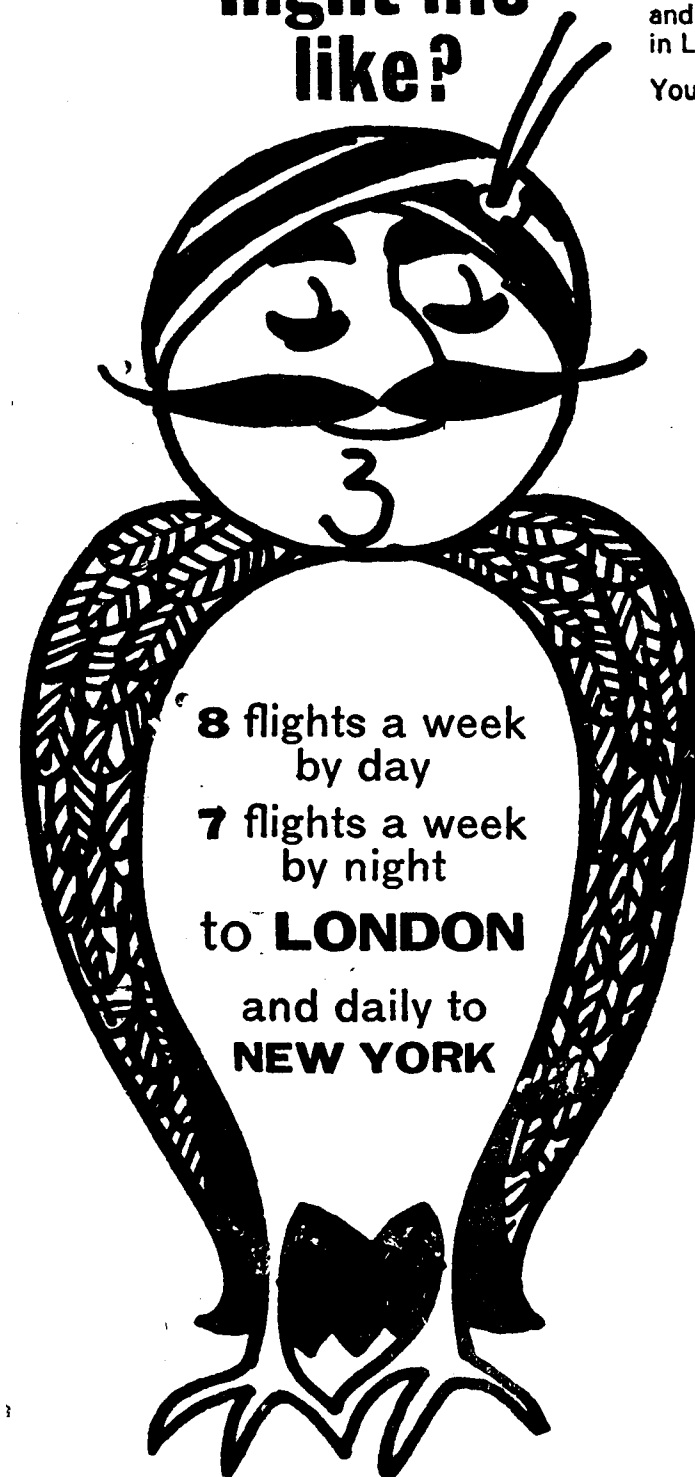
The gross profit of Orissa Cement Ltd at Rs 265.69 lakhs in 1969 was significantly higher than the corresponding profit at Rs 162.71 lakhs in 1968. After providing for depreciation, the profit amounted to Rs 211.62 lakhs against Rs 108.79 lakhs in the preceding year. The improved performance was due to the fact that apart from clinker and cement production being higher, there was an increase in despatches too. A sum of Rs 102.00 lakhs have been provided for taxation, Rs 77.00 lakhs for general reserve and Rs 36.04 lakhs for dividend reserve. No provision has however been made for expansion reserve. The directors have proposed to raise the ordinary dividend from Rs 1.10 to Rs 1.25 per share for the year payable from the dividend reserve. The company has obtained a mining lease over an area of about 60 acres in Bihar for mining kaolinized sand. In view of the demand from kaolinized sand for various purposes, it is proposed to commence mining operations. It is also proposed to set up a plant in Ganjam district (Orissa) for the manufacture of benzene hexachloride. An application has been made to the government for grant of industrial licence for this project.

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night life
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and be in London town before sun set?

or would you rather
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COMPANY MEETINGS

THE TRAVANCORE RAYONS LIMITED

Speech delivered by Mr AR Ramanathan, Chairman, at the Twenty-fourth Annual General Meeting of the Company, on June 18, 1970.

Gentlemen:

I have great pleasure in welcoming you all to this the Twenty-fourth Annual General Meeting of the Company.

The Annual Report for the year ended December 31, 1969, and the Accounts for the same year having been circulated to you in advance, I am sure you will permit me to take them as read.

The Economy

The tempo of agricultural production has been maintained. Industrial production has registered some improvement. Exports have also been stepped up. These are encouraging signs so far as they go. I believe the demand for industrial goods should increase, following the progress of the green revolution and the increase in the incomes of the rural population. It is obvious that if industries are not able to expand correspondingly, shortages will arise, with all their concomitant spiral of unhealthy consequences. Therefore, if Government creates, at this juncture, a favourable climate for investment, the economy will be able to make rapid advance. And for investments to flow vigorously, there should be greater productivity, higher efficiency and lower cost of production — for which we need a satisfactory law and order situation and purposeful direction. The Government's policy should, hence, provide the necessary incentives conducive for people to work, work peacefully, save and invest. I earnestly hope that the Government's approach and policy will be suitably geared, in a pragmatic manner, avoiding ideological considerations.

Working Results for 1969

As you would have observed, 1969

has been another successful year for your Company. The working during the year has resulted in a net profit of Rs 73 lakhs, after providing Rs 33 lakhs for depreciation, Rs 12.45 lakhs for bonus to employees and Rs 2.70 lakhs for gratuity. Together with the tax credit of Rs 4.94 lakhs for 1968-69, the total disposable profits stand at Rs 78 lakhs. Out of this amount, your Directors have provided Rs 54.25 lakhs for taxation and transferred the balance of Rs 23.76 lakhs to the General Reserve. They have recommended that, out of the General Reserve, equity dividend at 15% taxable (same as last year) and preference dividend at 6.5% taxable, be paid. A sum of Rs 15,70,000, representing amounts more than 8 years old, has been transferred from the Development Rebate Reserve to General Reserve.

Production and Sales

Production of both rayon yarn and Cellulose film were higher than in 1968, despite some delays in the arrival of imported pulp and chemicals, and acute shortage of cotton linters. The upward trend in sales has been maintained and the Company has achieved a higher turnover of Rs 7.61 crores against Rs 6.19 crores in 1968.

Raw Materials and Prices

The cotton linter supply position continues to be difficult; the prices of the available stocks are soaring up steeply and it has become uneconomical to use this raw material. This situation has been a source of constant anxiety to your management, disabling production of Cellulose film to full capacity. It is reported that the cotton crop this year has been poor, which means the

cotton linter availability is also bound to remain unsatisfactory.

The prices of almost all raw and auxiliary materials are registering a continuous increase. As a result of the recent budgetary levies, the prices of caustic soda, furnace oil and soda ash, not to speak of a host of other minor items, have gone up. Import duty on machinery and spares have been increased by 7½%. Railway freight and coastal steamer freight rates have also moved upwards. The costs of labour and services are keeping in step with the other increases. The Kerala State Electricity Board have also stepped up steeply the cost of electricity — by about 38%. The Government of Kerala has also enacted a Gratuity Scheme for industrial employees, and the Company's expense under this head is likely to go up.

As you were told last year, the Tariff Commission has gone into the price-structure of rayon yarn and its report is awaited. The interim voluntary agreement between the spinners and weavers, the consequent reduced prices, the sale of yarn at concessional prices for export as fabrics — all these have already proved uneconomic to your Company. It is hoped that both the Tariff Commission and Government will take into account the particular difficulties of the small rayon spinners and give them suitable relief.

Import Policy and Exports

The latest import policy of the Government of India is export-oriented. Manufacturers who do not export 10% or more of their production will not get the "carrot", that is, foreign exchange allocations for imports of raw materials, spares and so forth for such

units may not receive favourable consideration in the hands of the Government. Your Company has been making concerted efforts to step up exports of Cellulose film, though in the process, they have to meet with losses due to severe international competition from well-established foreign manufacturers. Your Company has also been exporting rayon fabrics.

Import of more industrial raw materials is being canalised through the State Trading Corporation and the Metals & Minerals Trading Corporation. Though some advantages are claimed in this policy, I am afraid, State monopoly in place of competitive private trade channels will not help industry in procuring essential raw materials at reasonable prices and other terms, and on a quick schedule of deliveries.

Expansion Schemes

As your Directors have pointed out in their Report, the Cellulose film machine has been ready for commissioning

since October 1969 and it is a pity that it has had to remain idle for want of co-operation from the labour. I am, however, glad to inform you that at last we have reached an agreement with the labour and the new machine has been started this morning. I am sure with reaching of an agreement for commissioning the new machine, the working result from this year is expected to be considerably better and it will be mutually beneficial both to the management and labour. 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. Your directors have also in view some new projects/diversification schemes to balance the possible decline in profits in other areas, and thereby ensure the continuous progress and buoyancy of your Company.

Company's Silver Jubilee in 1971

You will be glad to note that your Company will be completing in March 1971, 25 years of useful service with

many 'firsts' to its credit. Your Directors think it will but be fit and proper that the Silver Jubilee of the Company is celebrated in a suitable manner. Necessary steps are being taken in this connection.

Labour Relations

Lack of co-operation from labour stood in the way of our — and their — reaping the fruits of expansion. It is most regrettable that inter-union rivalries should be allowed to impede industrial progress and, in effect, the welfare of the working class itself, for whose benefit the Unions are supposed to labour! However, as mentioned earlier, with the new agreement which has been reached before the Industries Minister of Kerala, I hope that there will be better co-operation from the labour.

Note:

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

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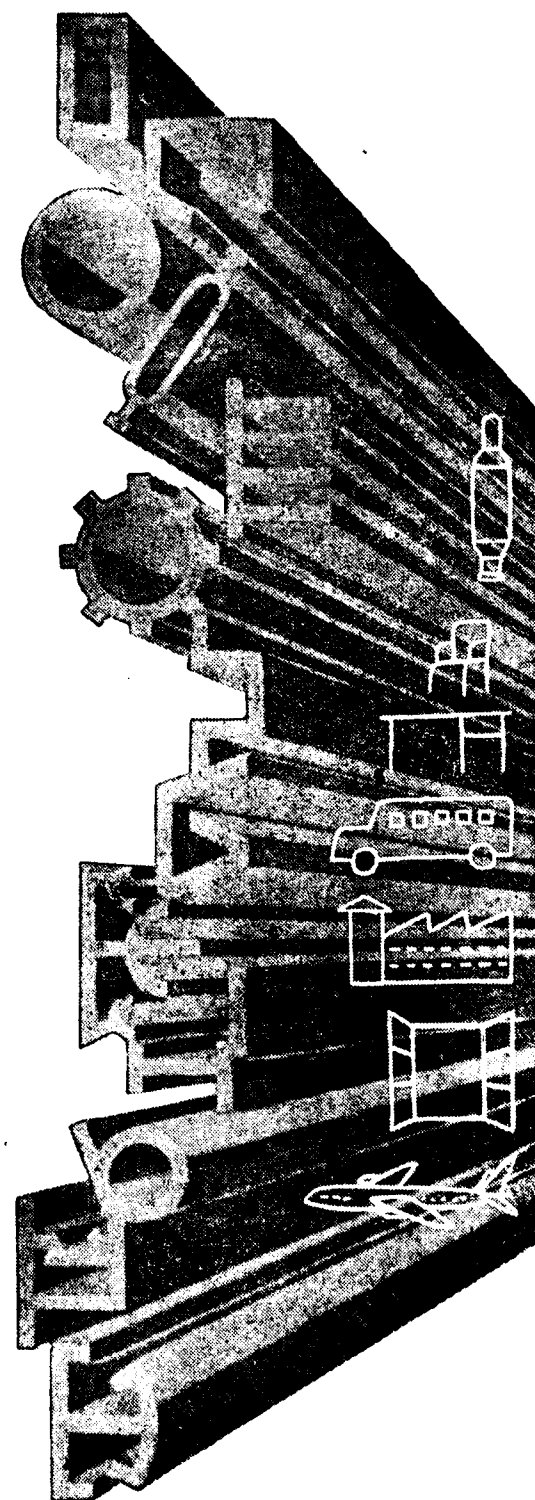
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- ERECTION AND COMMISSIONING OF PLANT

For further particulars please contact:

PROJECT PLANNING & SALES DIVISION

ACC

ENGINEERING DIVISION OF
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MAHINDRA UGINE STEEL COMPANY LIMITED

Statement of the Chairman

Mr HARISH MAHINDRA

Following is the statement of the Chairman, Mr Harish Mahindra, to the Members on the occasion of the 7th Annual General Meeting of the Company held in Bombay on 22nd June 1970.

The Directors' Report and the Accounts for the year ended 31st December 1969 have been with you for some time. I am now pleased to present herewith my Statement briefly outlining the political, economic and overall industrial situation prevailing in the country during the year under review, with a view to provide the background to the Company's operations. This Statement is being circulated also to keep you posted with the more recent developments in the working of your Company.

The Economy

The past year was relatively easy for the Indian economy. There were substantial improvements in the country's agricultural production and its external account. Inflation had more or less been contained with the average level of prices at the end of December 1969 being higher by only 2.1 per cent compared to 1968. Though prices in the current year have been rising significantly than during the previous year, it is hoped that on account of good crops relative price stability may be achieved. The past year has also witnessed further recovery and rehabilitation in industry.

For the last three years in succession foodgrain production has been maintained at high levels. In the crop year 1969-70 it is hoped that a record 100 million tonnes may be harvested and a good deal more in 1970-71. This is the biggest and the most crucial plus factor of the Indian economy. Last year with regard to the recession I had occasion to say that the turn of the year (1968) marked an amazing recovery of the Indian economy and industry from the clutches of recession. During 1969 there has been a further improvement and the rate of growth of industrial production during 1969 is likely to be of the order of about 7.5 per cent. Though this is short of the target of an annual growth rate of 8 to 12 per cent for the Fourth Five Year Plan period, it may be recorded that industrial growth gathered further momentum and on account of buoyant demand there has been a significant improvement in the

production of consumer goods and in transport industries, excluding railway equipment. Output in intermediate industries such as iron and steel, non-ferrous metals, cement and chemicals was also at a higher level.

The developments during the past year have brought into sharp focus the problems the country is facing in improving the quality of life of our people. It is now unmistakably clear that the economy is poised for moderately rapid growth as it moves into the decade of the seventies. I am positive that the present decade will witness the growth of the Indian economy at a rate faster than either during the sixties or fifties, provided there is a pick up in fresh industrial investment, which depends on a bright political outlook.

The Political Scene

In sharp contrast to the relatively heartening progress of several sectors of the Indian economy, the country witnessed serious unsettled condition in the political sphere. The convulsions within the ruling party completely changed the political ethos of the country, perceptibly affecting economic thinking. Consequently, radicalism in all facets of our economic policy is being ardently advocated. For instance, the nationalisation of the 14 largest commercial banks in July 1969, was followed by the takeover of the import trade in a number of items. Government has continued to put its faith in state trading, canalising imports of more and more items through Government organisations. Mention may also be made of the conclusions and recommendations of the Dutt Committee, which have been more or less faithfully incorporated in the Revised Industrial Policy. The exercise of the right to convert loans and debentures into equity at the option of the lending financial institutions tantamounts to back-door nationalisation. The logic of the new Industrial Policy may be likened, in a way, to a Procrustean bed, with the Government stretching or lopping off business houses to suit its objectives.

Many more radical measures taken

or contemplated may be listed. But it is a debatable point whether such measures are necessary to eradicate poverty. It is, of course, agreed that economic opportunities open for all must increase. A welfare system embracing all sections of our society is essential. They should be assured of minimum incomes, better houses, health and education facilities. But I am afraid slogans, takeovers, nationalisations, abolitions, bans etc. do not make the country prosperous; nor can they ease the intensity of the poverty.

For turning our pious hopes into reality, a climate for faster economic growth has to be created. Economic growth is the prime need of the hour. It should, therefore, be stressed that a rational economic policy has got to be evolved keeping in mind the fact that the economic development of the country should not under any circumstances suffer for want of a certain measure of vision or on account of any ideological dogmatism. Such a policy, on the other hand, must spur growth. I may also add that there is an inherent conflict between the economic objective of faster economic growth and the social objective of reduction in disparities for establishing an egalitarian society. Extra care and caution is, therefore, essential for ensuring that while taking measures to reduce disparities, the other objective of rapid growth is not forsaken. There are no shortcuts to prosperity or egalitarian society. It should be said that a totalitarian rule is not essential for bringing about a social change for removing economic disparities. The constitutional process permits changes and as such there is no justification for regimentation in thought or for resorting to violence.

Import of Know-How

Another relatively minor issue I want to touch upon is the question of import of know-how. The policy of the Government in this respect appears to be to restrict as much as possible import of repetitive know-how. It is also anxious to ensure that any such import should be only for bridging gaps in indigenous technology in certain critical sectors.

While I appreciate the stand of the Government, I am afraid there is a danger of the Government overdoing it, and thereby retarding rather than stimulating the industrial progress in this country. We must note that in recent times the technological developments in certain sophisticated fields viz. electronics, space research, micro-macro biology have been astonishingly fast. Take the example of the progress registered in the recent past in the field of electronics. Just about a couple of decades ago the concept of transistors revolutionised the world of telecommunications. But this was soon supplanted by the development of the integrated circuits. Even this will soon be outmoded by the development of larger integrated circuits and by miniaturisation. We should, therefore, bear in mind that any insular approach in these days of fast and startling technological discoveries is bound to create technological gaps which will be hard to bridge.

We cannot afford not to take a leaf out of the experience of Japan. Japan has been importing know-how in sophisticated fields without any inhibitions. She has not only been able to adapt modern technology to meet her local requirements but has also been able to perfect the technology so much that she has even succeeded in exporting the know-how back to the countries it came from.

Demand for Alloy Steel

For some time now there has been some difficulties in assessing accurately the demand for Alloy Steel. You are quite aware of the earlier projections of the demand for Tool, Alloy and Special Steels and how wide off the mark they were.

If I may remind you, sometime ago your Company has had the benefit of a comprehensive market survey for assessing the existing and potential demand in the country for all types and grades and categories of Alloy Steel. This survey helped us to a certain extent in formulating our production programmes for two or three years, but beyond that such a survey could not be of much use. We were, therefore, interested in the exercise conducted by the NCAER in November 1968. The Council went about this task by tracing in detail the different end-uses and by the application of technical norms to the final industrial and other targets. Accordingly it was estimated that the demand for Alloy and Special Steels for all economic sectors for the years 1970-71 and 1975-76 would be 380,290 and 517,520 tonnes respectively (or about 460,000 tonnes for 1973-74. This figure for 1973-74 has been arrived

at by interpolation). Though these estimates were based, as they were, on realistic estimates of consumption by user industries such as Automobiles, Tractors, Machine Tools etc., the final estimates of the Council have now proved to be gross over-estimates. These figures stand no comparison with the estimates of the Planning Commission which places the demand for Alloy and Special Steels at 294,000 tonnes by 1973-74. In this connection I am pleased to say that your Company has just initiated a market survey to assess the existing and potential demand for Tool and Alloy Steels in terms of categories, grades etc. This would prove to be of much help in planning our expansion scheme and ensure that the expanded capacity of the Plant reflects adequately the needs of the market.

Working of Your Company

I would now like to review the operations of your Company during 1969 and the first five months of 1970. As you would be aware, 1969 marked the first complete year of integrated operation of your Plant as compared with the seven months of 1968. That 20,000 tonnes of finished steel could be produced in the Plant during the first complete year of integrated operation coupled with the fact that the operation during the year of your Plant had resulted in a modest profit after provision for depreciation indicates that given a modicum of favourable circumstances your Company will be able to get into the profitability stride shortly.

Sales during the first five months of the current year are higher by 42% over the corresponding period of the previous year. The gross sales of your Company during these five months have amounted to Rs. 287.87 lakhs averaging a monthly gross sales of Rs. 57.02 lakhs. It should be a matter of satisfaction to you that the turnover of the first five months of the current year has exceeded by about Rs. 60 lakhs the sales recorded in the whole of 1968. Proportion of Alloy Steel in the product-mix continues to increase progressively and the rate of inflow of orders for the product-mix of the Company is about 50% higher than that of 1969.

Although the operations of the Company in terms of production and in marketing have not so far given rise to any intractable problem, shortage of certain raw materials and consumable stores may cause dislocations in our manufacturing plans unless remedial measures are taken immediately.

Export of Melting Scrap

Melting scrap, as you are aware, is the basic raw material for the operation of your Plant. There are certain cate-

gories of melting scrap which continue to be exported despite our numerous representations to the Government urging that scrap being an industrial raw material which is being transformed into valuable finished products, it should not be allowed to be exported to the detriment of the interest of the indigenous industries like Alloy Steel and Steel Casting industries. The allurements of a high price in the foreign market have created positive disincentives for the local scrap dealers and scrap exporters to service the requirements of the indigenous industry. The only solution lies in the imposition of a total ban on export of usable category of scrap such as mild steel turnings and borings, No. 1 and No. 2 bundles, skull scrap etc. so that Arc Furnaces are assured of a continuous flow of materials which is an essential pre-condition for them to attain progressively higher levels of output.

The ban on export of melting scrap is, therefore, an immediate and imperative necessity and although this may result in a marginal loss in foreign exchange earnings, I feel, that with the increased output from the Arc Furnaces the country, as a whole, will be benefitted by larger import displacements arising out of higher output of such vital products as Tool, Alloy and Special Steels, Steel Castings, Steel Wire Ropes, Medium and High Carbon Wire Rods etc.

We have heard of several new schemes for establishment of Arc Furnaces coupled with Continuous Casting Plants which have received the imprimatur of essentiality from the Government. All these products will generate fresh demands for Melting Scrap and I visualise that the day is not far off when despite the ban on the export of scrap the availability in relation to demand will deteriorate to such an extent as to cause serious concern to the entire Steel Industry. From a long term point of view the problem does not end with the banning of exports or maximisation of collection of scrap. If the percentage of Electric Steel making to the total production of Steel in the country is to be raised to a significant level, the possibilities of producing substitutes of scrap should also be initiated for equipping scrap yards throughout the country with scrap processing equipment so that scrap generated within the country can be fully harnessed for production of steel in Electric Furnaces.

Nickel Mining

In passing I would like to make a brief reference to the strategic metal Nickel. It is one of our basic raw materials and it is likely to assume a great deal of importance in the near

future. We were not able till recently to locate nickel deposits in the country and develop nickelmining. As a result we had to rely exclusively on imports at the cost of considerable expenditure in foreign exchange. In this context, the recent reports about nickel finds in several parts of the country is very heartening. I urge the Government to take immediate steps for the commercial exploitation of such nickel deposits, if feasible technically.

Power Tariff

The necessity of increasing production of steel by Electric Steel Furnace Industry has been discussed over the last few years in various forums. It has been repeatedly pointed out by the Industry that one of the major impediments to its rapid growth is the high cost of power in this country in general and particularly in certain States. As anticipated in my previous Statements, power rates have been increased with effect from 1st November 1969. As a result, the effective power cost in your Plant has sharply risen to 11 paise per unit on an average. In view of the pronouncedly power intensive character of our operations, this increase has produced an appreciable impact on our cost of production. For any Electro-Metallurgical operation the cost of power is highly important all over the world. Electro-Metallurgical In-

dustries are as a rule allowed concessional tariff rates. Our expectations in regard to cheaper power in Maharashtra have not so far materialised but the decision of the Government to appoint a Committee to probe into the entire structure of the power tariff vis-a-vis the power intensive industries is a step in the right direction. I sincerely hope that in order to ensure the competitiveness of the products of Electro-Metallurgical units located in this State, the Maharashtra Government will announce tangible concessions in the power rates.

Procedural Delays

Finally, I would like to mention that your Company has had to endure a number of hardships and difficulties in regard to obtaining clearances from various Government departments in the matter of imports of certain raw materials and stores particularly those under tied credit arrangements. Unfortunately, rule-bound departments happen to take their own time in issuing clearances. It is very necessary that procedures are streamlined and clearances are speeded up. Otherwise production and expansion in such a strategic Industry as Alloy Steel would suffer.

Future Outlook

As mentioned earlier during the current year the rate of order intake

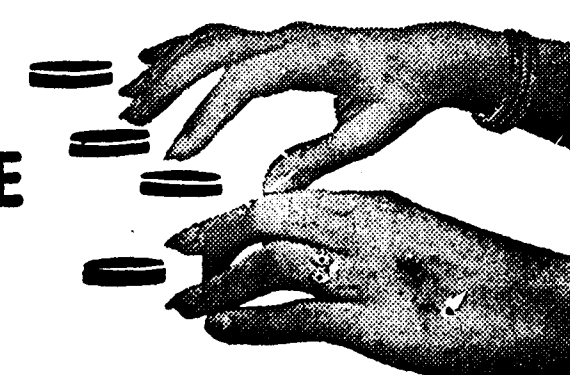
particularly for Alloy Constructional Steel is very satisfactory and the order load is substantially higher than the corresponding figure a year ago. With the increase in the share of Alloy Constructional Steel in the total product-mix the current year should prove more profitable than last year. On a long term basis I am confident that your Company has a bright future; but its growth and expansion will have to be planned with imagination and vision. The blue-print for expansion and diversification will be taken up for implementation by middle of next year when I shall be able to outline all developments in this respect.

Before I close, I am sure you would like to join the Board and myself for expressing our appreciation and sincere thanks to the Officers and Members of the Staff and all the employees of the Company both at the Head Office and Plant for their hard work and unstinted devotion to duty. I would also like to conclude my Statement with a word of appreciation and gratitude to the Members of the Board for their valuable counsel in our deliberations, the consumers of Alloy Steel in the country for their confidence in our products and patronage, the Collaborators for their unremitting co-operation and assistance and the Lending Institutions for their continued support and interest in our operations.

KORES

(INDIA) LIMITED

Stencils - Carbon Papers - Typewriter Ribbons - Duplicating Inks - Teleprinter Rolls



FOR OFFICE ACCESSORIES

Kores (India) Limited, Plot No. 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

The Hongkong and Shanghai

(Incorporated in Hongkong)

BALANCE SHEET OF THE INDIAN BRANCHES AS

31.12.68.				CAPITAL AND LIABILITIES							
Rs.	P.	Rs.	P.					Rs.	P.	Rs.	P.
1. Capital—											
		28,77,000-00		Deposit with Reserve Bank of India under Section 11 (2) of the Banking Regulation Act 1949						28,98,000-00	
2. Reserve Fund and Other Reserves—											
		1,27,34,564-65		Capital Reserve— On revaluation of Bank's Premises						1,27,34,564-65	
3. Deposits And Other Accounts—											
3,46,01,432-57				Fixed Deposits				2,99,07,253-06			
23,96,674-98				Savings Bank Deposits				25,58,812-85			
				Current Accounts, Contingency Accounts etc. (including Rs. 196962-37 due to a subsidiary Company)				3,47,05,540-31		6,71,71,606-22	
2,63,03,632-78		6,33,01,740-33									
4. Borrowings From Other Banking Companies, Agents, Etc.—											
Nil				(i) In India				Nil			
Nil		Nil		(ii) Outside India				Nil		Nil	
Particulars—											
Nil				(i) Secured				Nil			
Nil				(ii) Unsecured				Nil			
Nil								Nil			
		16,01,361-02		5. Drawings Payable—						9,86,157-88	
6. Bills For Collection Being Bills Receivable—											
				As per Contra—							
58,91,598-89				(i) Payable in India				62,92,256-10			
19,53,724-00		78,45,322-89		(ii) Payable Outside India				13,98,710-00		76,90,966-10	
7. Other Liabilities—											
2,26,806-37				Staff Provident Fund				2,35,946-22			
1,40,776-41				Amount in transit in India				Nil			
6,56,55,204-79				Branch Adjustments				5,94,47,926-08			
8,20,32,763-58		14,80,55,551-15		Due to Head Office and other Branches outside India				7,43,14,296-27		13,39,98,168-57	
8. Acceptances, Endorsements and Other Obligations—											
		1,14,31,718-91		As per Contra						94,62,826-00	
9. Profit and Loss—											
Nil				Profit as per last Balance Sheet				Nil			
Nil				Less: Appropriations				Nil			
Nil								Nil			
Nil				Add: Profit for the year brought from the Profit and Loss Account				2,96,941-60			
Nil								2,96,941-60			
Nil		Nil		Less: Remittances during the year				2,96,941-60		Nil	
10. Contingent Liabilities—											
5,66,407-40				Claims not acknowledged as debts				1,16,409-97			
4,10,24,800-63				Guarantees				2,24,54,067-31			
1,00,19,138-52				Bills of Exchange discounted by or debited to other Offices				24,83,917-04			
1,02,14,201-00				Forward Exchange Contracts				98,60,015-00			
6,18,24,547-55								3,49,14,409-32			
		24,49,70,258-95		Carried over :-						23,20,44,289-4	

Banking Corporation

(With Limited Liability).

AT 31st DECEMBER, 1969

31.12.68.		PROPERTY AND ASSETS		Rs. P.		Rs. P.	
Rs.	P.	Rs.	P.				
1. Cash—							
70,76,797	22	In hand and with Reserve Bank and State Bank of India (including Foreign Currency Notes)				54,48,808	37
2. Balances With Other Banks—							
Current Accounts—							
71,306	50	(i) In India (including Rs. 19702·99 due from a subsidiary Company)				23,827	46
1,19,470	63	1,90,777	13	(ii) Outside India		1,25,847	92
3. Money at Call and Short Notice (Including Rs. 55,00,000·00 due from Subsidiary Companies)							
72,00,000	00					88,00,000	00
4. Investments—							
At Market Value, other than Government Treasury Bills, Debentures and Unquoted Investments which are at cost—							
1,39,10,828	30	(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments				1,51,59,817	30
9,68,750	00	(ii) Fully paid Ordinary Shares				10,36,250	00
6,88,500	00	(iii) Debentures or Bonds				21,65,750	00
50,000	00	(iv) Other Investments— In Unit Trust of India				50,000	00
Nil		1,56,18,078	30	(v) Gold		Nil	1,84,11,817
5. Advances—(Other than Bad and Doubtful Debts for which provision has been made to the satisfaction of the Auditors)—							
I. Loans, Cash Credits, Overdrafts etc.—							
17,12,71,571	77	(i) In India				15,29,00,787	66
Nil		(ii) Outside India				Nil.	
II. Bills Discounted and Purchased (Excluding Treasury Bills of the Central and State Governments)—							
13,68,030	64	(i) Payable in India				14,67,925	18
29,40,919	62	17,55,80,522	03	(ii) Payable Outside India		71,14,873	38
Particulars of Advances—							
13,13,30,634	25	(i) Debts considered good in respect of which the Banking Company is fully secured.				11,24,20,620	93
78,51,826	19	(ii) Debts considered good for which the Banking Company holds no other security than the debtor's personal security				1,26,13,446	08
3,63,98,061	59	(iii) Debts, Considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors				3,64,49,519	21
Nil		(iv) Debts considered doubtful or bad, not provided for				Nil	
1,755,80,522	03					16,14,83,586	22
14,903	60	(v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons				2,45,758	68
Nil		(vi) Debts due by Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents, or, in the case of Private Companies, as Members				Nil	
20,56,66,174·68		Carried over :-				19,42,93,887·27	

The Hongkong and Shanghai

BALANCE SHEET OF THE INDIAN BRANCHES AS

31.12.68. Rs.	P.	CAPITAL AND LIABILITIES						Rs.	P.
24,49,70,258.95		Brought forward :-	..	..	..	..	..	23,20,44,289.42	
24,49,70,258.95		Carried over :-	..	..	..	..	..	23,20,44,289.42	

Banking Corporation
AT 31st DECEMBER, 1969

31.12.68.		PROPERTY AND ASSETS										Rs.		P.		Rs.		P.	
P.	Rs.											Rs.	P.	Rs.	P.	Rs.	P.		
20,56,66,174-68		Brought forward :-														19,42,93,887-27			
5. Advances — (Contd.).																			
Particulars of Advances—(contd.).																			
40,028-26		(vii) Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons										2,96,195-17							
Nil		(viii) Maximum total amount of advances including temporary advances granted during the year to the Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents, or, in the case of Private Companies, as Members										Nil							
Nil		(ix) Due from Banking Companies										Nil							
6. Bills Receivable being Bills for Collection—																			
As per Contra—																			
58,91,598-99		(i) Payable in India										62,92,256-10							
19,53,724-00		78,45,322-89		(ii) Payable outside India										13,98,710-00		76,90,966-10			
7. Constituent's Liabilities for Acceptances, Endorsements and other obligations—																			
1,14,31,718-91		As per Contra—														94,62,826-00			
8. Premises Less Depreciation—																			
45,22,294-40		At cost as at 31st December, 1968										45,22,294-40							
127,34,564-65		Amount added on revaluation of Premises (Note 1)										1,27,34,564-65							
1,72,56,859-05												1,72,56,859-05							
Nil		Additions during the year										Nil							
1,72,56,859-05												1,72,56,859-05							
3,43,730-00		1,69,13,129-05		Less : Depreciation to date										4,30,850-00		1,68,26,009-05			
9. Furniture and Fixtures Less Depreciation—																			
28,46,606-83		At cost as at 31st December, 1968										28,97,013-46							
1,58,975-51		Additions during the year										1,62,758-55							
30,05,582-34												30,59,772-01							
1,08,568-88		Less: Sold/Scrapped during the year										1,34,255-25							
28,97,013-46												29,25,516-76							
20,81,918-21		8,15,095-25		Less : Depreciation to date										20,83,983-62		8,41,533-14			
10. Other Assets, Including Silver—																			
1,37,666-28		Interest accrued on Investment										1,75,010-03							
Nil.		Amount in transit in India										2,16,846-95							
21,61,151-89		Stamps, Sundry Deposits and Accounts Receivable										25,37,210-88							
Nil.		22,98,818-17		Silver										Nil		29,29,067-86			
24,49,70,258-95		Carried over :-														23,20,44,289-42			

The Hongkong and Shanghai
BALANCE SHEET OF THE INDIAN BRANCHES AS

31.12.68.	CAPITAL AND LIABILITIES		Rs. P.
Rs. P.			
24,49,70,258.95	Brought forward:-	.. .. .	23,20,44,289.42
Notes :-			
1. At the request of the Management the premises belonging to the Bank were valued by valuers and in the opinion of the valuers the total market value of the Bank's premises as on 31st December, 1964 was Rs. 1,67,92,166.67 as against the total cost of Rs. 40,57,602.02 as on that date			
2. No provision has been made in these accounts in respect of liabilities for retirement benefits, other than Staff Provident Fund, payable to the employees of the Indian Branches of the Bank, the exact amount of which has not been ascertained.			
24,49,70,258.95			23,20,44,289.42

PROFIT AND LOSS ACCOUNT FOR THE YEAR

31.12.68.	EXPENDITURE		Rs. P.
Rs. P.			
30,19,851.40	1. Interest paid on Deposits, Borrowings etc.	.. .. .	26,81,717.03
48,68,579.44	2. Salaries and Allowances and Provident Fund	.. .. .	49,09,390.00
2,660.00	3. Directors' and Local Committee Members' Fees and Allowances	.. .. .	4,009.48
4,80,877.78	4. Rent, Taxes, Insurance, Lighting etc.	.. .. .	4,18,870.28
6,996.37	5. Law Charges	.. .. .	16,796.20
1,01,730.21	6. Postage, Telegrams and Stamps	.. .. .	1,11,991.76
15,000.00	7. Auditors' Fees	.. .. .	20,000.00
4,17,744.51	8. Deprecitation on and Repairs to the Banking Company's Property	.. .. .	3,48,156.94
1,16,290.63	9. Stationery, Printing, Advertisements etc.	.. .. .	1,36,544.74
Nil.	10. Loss from sale of or dealing with Non-Banking Assets	.. .. .	Nil.
18,59,164.78	11. Other Expenditure (including proportion of Head Office and General Administrative Expenses)	.. .. .	19,36,532.40
Nil	12. Balance of Profit	.. .. .	2,96,941.60
1,08,88,895.12			1,08,80,950.43
Note—			
Particulars of remuneration relating to the Manager in India—			
	Salary	.. .. .	66,000.00
	Bonus	.. .. .	16,600.00
	Allowances	.. .. .	54,450.00
			1,27,050.00

The estimated monetary value of perquisites Rs. 20,827.01 in respect of the Manager is not included in the above figure.

AUDITORS' REPORT ON THE INDIAN BRANCHES OF THE HONGKONG AND SHANGHAI BANKING CORPORATION UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949.

We have audited the above Balance Sheet and the annexed Profit and Loss Account of the Indian Branches of the Hongkong and Shanghai Banking Corporation with the books of account of the Calcutta Branch and with the returns from Bombay Branch, certified by the Manager of that Branch.

In accordance with the provisions of Section 29 of the Banking Regulation Act 1949, read with the provisions of Section 211 (1), (2) and (5) and 227 (5) of the Companies Act 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI of the Companies Act 1956, but are in conformity with Forms 'A' and 'B' of the Third Schedule of the Banking Regulation Act 1949.

We report as under—

Calcutta, 7th May 1970.

(AUDITORS' REPORT CONTINUED ON NEXT PAGE)

Price, Waterhouse, & Peat & Co.
CHARTERED ACCOUNTANTS

Banking Corporation
AT 31st DECEMBER, 1969

31.12.68.	PROPERTY AND ASSETS		Rs. P.	Rs. P.
Rs. P.	Rs. P.			
24,49,70,258.95	Brought forward :-	.. .. .		23,20,44,289.42
Nil	11. Non-Banking Assets Acquired in Satisfaction of Claims	.. .. .		Nil.
	12. Profit and Loss—			
1,78,814.07	Loss for the year brought from Profit and Loss Account	.. .. .	Nil	
1,78,814.07	Less : Remittances from Head Office	.. .. .	Nil.	Nil.
24,49,70,258.95				23,20,44,289.42

ENDED 31st DECEMBER, 1969

31.12.68.	INCOME (Less: Provision made during the year for Bad and Doubtful debts)		Rs. P.
Rs. P.			
81,68,405.56	1. Interest and Discount	.. .. .	79,70,044.27
18,74,123.17	2. Commission, Exchange and Brokerage	.. .. .	22,23,441.84
2,98,621.00	3. Rents	.. .. .	3,05,879.34
71,158.31	4. Net Profit on sale of Investments, Gold and Silver, Land, Premises and other Assets.	.. .. .	2,75,051.10
2,95,373.01	5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets	.. .. .	1,01,458.23
Nil.	6. Income (Net) from Non-Banking Assets and Profit from sale of or dealing with such Assets	.. .. .	2,971.15
2,400.00	7. Other Receipts	.. .. .	104.50
1,78,814.07	8. Loss	.. .. .	Nil.
1,08,88,895.12			1,08,80,950.43

T. G. MEAD
Manager, Calcutta Office.

Subject to and read with the foregoing—

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit.

(b) In our opinion proper books of account as required by law have been kept by the Calcutta Branch so far as appears from our examination of those books and proper returns adequate for the purpose of amalgamation have been received from Bombay Branch which was not visited by us.

(c) The above mentioned Balance Sheet and Profit and Loss Account are in a greement with the books of account and certified returns.

(d) In our opinion and to the best of our information and according to the explanations given to us such Balance Sheet and Profit and Loss Account, together with the notes thereon, give the information required by the Companies Act 1956, in the manner required for Banking Companies, and on such basis give respectively a true and fair view of the state of affairs of the Indian Branches as at 31st December, 1969 and their Profit for the year ended on that date.

T. G. MEAD
Manager, Calcutta Office.

RECORDS AND STATISTICS

India's Foreign Trade

April 1969—March 1970

INDIA'S EXPORTS including re-exports during March 1970, at Rs 128.14 crores, were higher by Rs 12.55 crores than exports in March 1969. The total exports during the period April 1969, to March 1970, were however, Rs 1410.01 crores showing a rise of 3.84 per cent over exports during the corresponding period of the previous year.

The provisional figures of India's imports during March 1970, at Rs 125.54 crores were lower by Rs 75.49 crores as compared to imports in March 1969. Imports during April, 1969 to March 1970, were Rs 1567.49 crores, showing a decline of Rs 342.71 crores over the corresponding period of the preceding year. The current statistics of imports are incomplete as they do not include some of the government imports.

As a result of the fall in total imports as also of increase in exports, India's adverse balance of trade during 1969-70 declined to Rs 157.48 crores from Rs 552.42 crores in the preceding year.

Imports of foodgrains and fertilizers were markedly lower. The green revolution which assured comfortable supplies for current consumption, and the easy supply position of fertilizers that emerged during the year due to rather excessive imports in the previous year, resulted in the reduction of imports. There was a decline in imports of machinery also. India would have to import more this year to maintain the upswing in the economy. Therefore, the trade deficit might rise.

Export Analysis:

(April, 1969 — February, 1970)

During the period, as compared to April 1968 — February 1969, earnings from the exports of important primary products increased/decreased as follows:—

Decrease	Increase
Tea	Fish and other
Sugar	marine products
Cashew kernels	Coffee
Castor oil	Spices
Oil cakes	Groundnuts
Manganese ore	Mica
Cotton waste	Iron ore
Tobacco unmanufactured	Raw hides & skins
	Raw jute
	Gums and resins
	Iron and steel scrap

The value of exports of principal primary products at Rs 508.4 crores, during the period under review, was lower by 3.3% per cent compared to April-February, 1969. Earnings from tea, cashew kernels, castor oil, oilcakes and manganese ore slumped both in terms of unit value and quantum. There is a glut in the world tea market and as a result the unit value has been continuously falling. However, with the reported depletion of stocks in the London market, the position might improve in the coming months. Exports of castor oil and oil cakes suffered due to a fall in the production of oilseeds in the preceding year.

The fall in earnings from un-manufactured tobacco and sugar despite a larger quantum exported was due to a fall in unit value.

Higher Earnings

On the other hand, in such items as raw cotton, fish, groundnuts and mica, export earnings were appreciably higher both in terms of unit value and quantum.

Earnings from iron ore, spices, gums, resins and balsams and iron and steel scrap increased despite a lower quantum exported entirely because of better prices realised. Export of iron ore is sure to show a big increase during 1970-71. Our earnings from coffee were also higher due to a much larger quantum exported but we could have earned much more had there been not a steep fall in unit prices.

Excepting cotton piecegoods (mill-made), jute manufactures, iron and steel, coir yarn and manufactures, mineral fuels, lubricants, etc., earnings from exports of manufactures and semi-manufactures during the period were higher as compared to April-February 1969. Altogether, these exports were higher by eight per cent excluding traditional manufactures such as jute manufactures and cotton textiles, the rate of growth was much higher — over 15 per cent.

Export of cotton piecegoods (mill-made) during the period was lower by 44 million square metres in quantum and by Rs 4.1 crores in value than the

corresponding period of 1968-69. Similarly, exports of jute manufactures was down by 70,000 tonnes, the loss in terms of value being Rs 4.2 crores. The loss in earnings in both these items would have been larger but for the improvement in unit values. In cotton textiles, exports suffered owing to competition from Pakistan, Hongkong and Japan, and import restrictions, in the UK and other countries. To the USSR and the USA also our exports of cotton fabrics remained low. We have, however, more than made up the decline in exports of cotton piecegoods by increased exports of cotton yarn. In jute manufactures, the cutback in orders from the USA due to recession and less housing construction activity, has created a serious situation for India. Moreover, our goods are facing keen competition from substitutes as well as from Pakistan.

Engineering Exports

Despite shortages of certain categories of steel and capacity constraints which have developed in a number of engineering industries, engineering exports have been faring well; they were higher by Rs 18.9 crores or 30 per cent over the same period of last year. The prospects for these exports seem to be quite bright. Already orders worth Rs 90 crores are with the exporters. But exports of iron and steel at Rs 65 crores during the period were lower by Rs 3 crores because of an acute domestic shortage of steel. Exports of chemical and allied products and ferro-manganese were higher by Rs 4 crores each. Exports of handloom fabrics were also up by about Rs 3.5 crores. Export of pearls and precious and semi-precious stones was marginally lower. The main hurdle was inadequate availability of uncut stones and other raw materials from our suppliers in Africa.

An analysis of direction of exports has revealed that while there was a modest increase in the case of exports to the USA, to the UK and west Europe, our exports suffered a big setback. Exports to west Europe were lower by Rs 45.2 crores during the first 11 months of 1969-70. However, steady increase has been maintained in the case of east European countries, Japan and the UAR.

The table showing value of export of important items during April-February, 1969-70 and April-February, 1968-69 is given below. Three other tables showing similar data on commodity-wise imports, direction of exports and unit values realised from India's exports of major commodities are also given.

TABLE I

VALUE OF EXPORTS

(Crores of rupees)

Product/Commodity	April—February		Percentage increase (+) or fall (—) in 1969-70
	1969-70	1968-69	
Decrease Items			
Castor oil	3.12	9.13	—65.8
Tea	117.94	150.18	—21.5
Oilcakes	37.60	45.26	—16.9
Mineral fuels, lubricantsetc.	8.69	11.16	—22.1
Cashew kernels	50.91	57.34	—11.2
Coir yarn & manufactures	11.71	12.91	—9.2
Iron & steel	64.97	67.94	—4.3
Cotton piecegoods (millmade)	56.23	60.37	—6.8
Footwear leather & canvas	7.97	8.07	—1.2
Gems & jewellery	40.62	41.45	—2.0
Tobacco raw	22.85	28.05	—0.7
Jute manufactures	193.11	197.29	—2.1
Sugar	5.68	8.91	—36.2
Manganese ore	9.99	11.22	—11.0
Cotton waste	2.75	4.23	—34.9
Increase items			
Cotton yarn	26.48	11.48	+130.7
Ferro manganese & alloys	0.28	4.34	+90.8
Raw hides and skins	8.34	4.86	+71.6
Groundnuts	7.10	5.40	+31.5
Wood, lumber & cork	6.88	4.51	+52.5
Fish & other marine products	28.93	19.78	+46.2
Cotton piecegoods (handloom)	6.70	4.62	+45.0
Raw cotton	13.68	10.02	+36.5
Engineering goods	80.17	61.26	+30.8
Chemicals & allied products	19.74	15.79	+25.0
Spices	29.53	23.12	+27.7
Leather and leather manufactures excl. footwear	75.00	66.43	+12.9
Mica	14.02	12.57	+11.5
Iron & steel scrap	7.92	7.43	+6.6
Iron ore	82.05	79.67	+2.9
Misc. cotton manufactures (incl. apparel hosiery)	17.39	16.62	+4.6
Handmade carpets	10.57	10.46	+1.0
Raw jute	3.25	2.30	+41.3
Gums & resins	3.89	2.78	+39.9
Plastic & plastic manufactures	4.85	2.59	+87.2
Coffee	18.66	15.85	+17.7

TABLE II

DIRECTION OF INDIA'S EXPORTS

(Lakhs of rupees)

Region/Country	April—February		Rise (+) or fall (—)
	1969-70	1968-69	
Africa	8085	6756	+1329
UAR	3237	1975	+1262
Sudan	1761	1720	+41
America	25067	24631	+436
USA	22019	21379	+640
Canada	2440	2717	—277
Latin America	417	343	+74
Asia & Oceania	40041	37081	+2960
ECAFE	33441	30788	+2653
Australia	2214	2275	—61
Ceylon	2295	2094	+201
Iran	2021	1849	+172
Japan	15715	14140	+1575
Nepal	2392	2252	+140
Singapore	1470	1227	+243
West Asia	6600	6293	+307
Saudi Arabia	1354	1011	+343
East Europe	27998	24223	+3775
USSR	16189	13518	+2671
West Europe	26995	31516	—4521
ECM	9248	10287	—1019
EFTA	16731	20230	—3499
UK	15035	18791	—3756
Total World	128186	124207	+3979

TABLE III
VALUE OF INDIA'S IMPORTS (C.I.F.)

(Rs crores)			
Item	April-February		Rise (+) fall (—) in April —Feb. 1969-70 (4)
	1969-70	1968-69	
(1)	(2)	(3)	(4)
Total Imports	1385.1	1665.3	(—) 280.2
Cereals and cereal preparations	251.8	321.0	(—) 69.2
Wheat	171.7	246.9	(—) 75.2
Rice	48.7	53.8	(—) 5.1
Non-Food Imports	1133.3	1344.3	(—) 211.0
A. Machinery and Transport Equipment	363.5	471.9	(—) 108.4
Non-electric machinery	259.8	337.1	(—) 77.3
Electrical machinery	58.4	73.5	(—) 15.1
Transport Equipment	45.3	61.3	(—) 16.0
B. Industrial Raw Materials	429.0	538.3	(—) 109.3
(i) Crude materials—inedible	165.3	172.4	(—) 7.1
Fertilisers crude	8.3	11.7	(—) 3.4
Raw jute (incl. Bimlipatam jute and mesta)	1.1	8.6	(—) 7.5
Raw wool	16.4	10.8	(+) 5.6
Raw cotton	75.4	84.4	(—) 9.0
Crude rubber	9.1	4.1	(+) 5.0
Pulp and waste paper	12.2	8.9	(+) 3.3
Sulphur	10.2	16.1	(—) 5.9
(ii) Mineral, fuels, lubricants and related materials	61.3	78.1	(—) 16.8
Petroleum and petroleum products	61.0	77.7	(—) 16.7
(iii) Animal & Vegetable oil and fats	29.1	18.8	(+) 10.3
Animal oils and fats	12.0	8.9	(+) 3.1
(a) Tallow mutton	0.2	4.0	(—) 3.8
(b) Other cattle, sheep, goat fat unrendered	11.8	4.9	(+) 6.9
(c) Vegetable oils, non-essential	16.8	9.7	(+) 7.1
(iv) CHEMICALS	173.3	269.0	(—) 95.7
Chemical elements & compounds	63.1	77.8	(—) 14.7
Dyeing, tanning and colouring materials	6.7	8.1	(—) 1.4
Medicinal and pharmaceutical products	16.5	15.8	(+) 0.7
Plastic materials	7.7	13.5	(—) 5.8
Fertilisers, manufactured	64.2	134.9	(—) 70.7
Miscellaneous chemical materials	12.5	16.5	(—) 4.0

(Rs crores)

Item	April-February		Rise (+) fall (—) in April- Feb. 1969-70 (4)
	1969-70	1968-69	
(1)	(2)	(3)	(4)
C. METALS	143.5	158.7	(—) 15.2
Iron and steel	74.1	77.5	(—) 3.4
Non-ferrous metals	69.4	81.2	(—) 11.8
Copper	44.8	33.0	(+) 11.8
Aluminium	1.4	4.4	(—) 3.0
Nickel	2.7	5.5	(—) 2.8
Lead	5.9	5.8	(+) 0.1
Zinc	7.6	19.6	(—) 12.0
Tin	5.4	11.4	(—) 6.0
OTHERS	197.4	175.4	(+) 22.0
(i) Dairy products	11.6	13.1	(—) 1.5
(ii) Fruits and vegetables	39.2	43.6	(—) 4.4
(a) Cashew nuts	23.7	29.2	(—) 5.5
(ii) Rubber manufactures	3.3	2.6	(+) 0.7
(iv) Non-metallic mineral mfrs.	28.3	28.1	(+) 0.2
(v) Paper, paper board and manufactures, thereof	23.0	16.7	(+) 6.3
(vi) Beverages and tobacco	1.0	1.0	—
(vii) Manufactures of metal	6.8	12.8	(—) 6.0

TABLE IV
UNIT VALUE REALISED FROM EXPORTS OF MAJOR COMMODITIES DURING APRIL-FEBRUARY, 1969-70

Commodities	Unit	April-February	
		1969-70	1968-69
Jute manufactures	Tonne	3643.58	3293.66
Tea	Kg.	7.17	7.87
Coffee	"	5.98	6.29
Cotton piecegoods mill-made	Sq. Met.	1.52	1.46
Cotton piecegoods hand-loom	Metre	2.68	2.52
Iron ore	Tonnes	58.19	55.71
Manganese ore	"	94.96	102.06
Mica	Kg.	6.64	6.55
Cashew Kernel	Tonnes	9410.35	9588.63
Finished leather	Kg.	28.00	20.14
Chrome leather tanned	"	20.71	16.04
East India tanned leather	"	25.62	22.33
Footwear, leather & canvas	Pair	7.31	7.14
Tobacco unmanufactured	Kg.	5.72	5.91
Spices	Tonnes	8271.71	5048.03
Oil cakes	do	584.21	593.88
Fish	do	10794.78	8990.91
Cotton raw	do	4120.48	3914.06
Wool raw	do	5591.55	5512.50
Castor oil	do	2496.00	2750.00
Sugar	do	603.61	1020.62
Onions	do	454.93	449.78
Lac	do	2831.17	2826.09
Iron and steel scrap	do	209.41	167.72
Cotton yarn	do	7376.04	6485.87

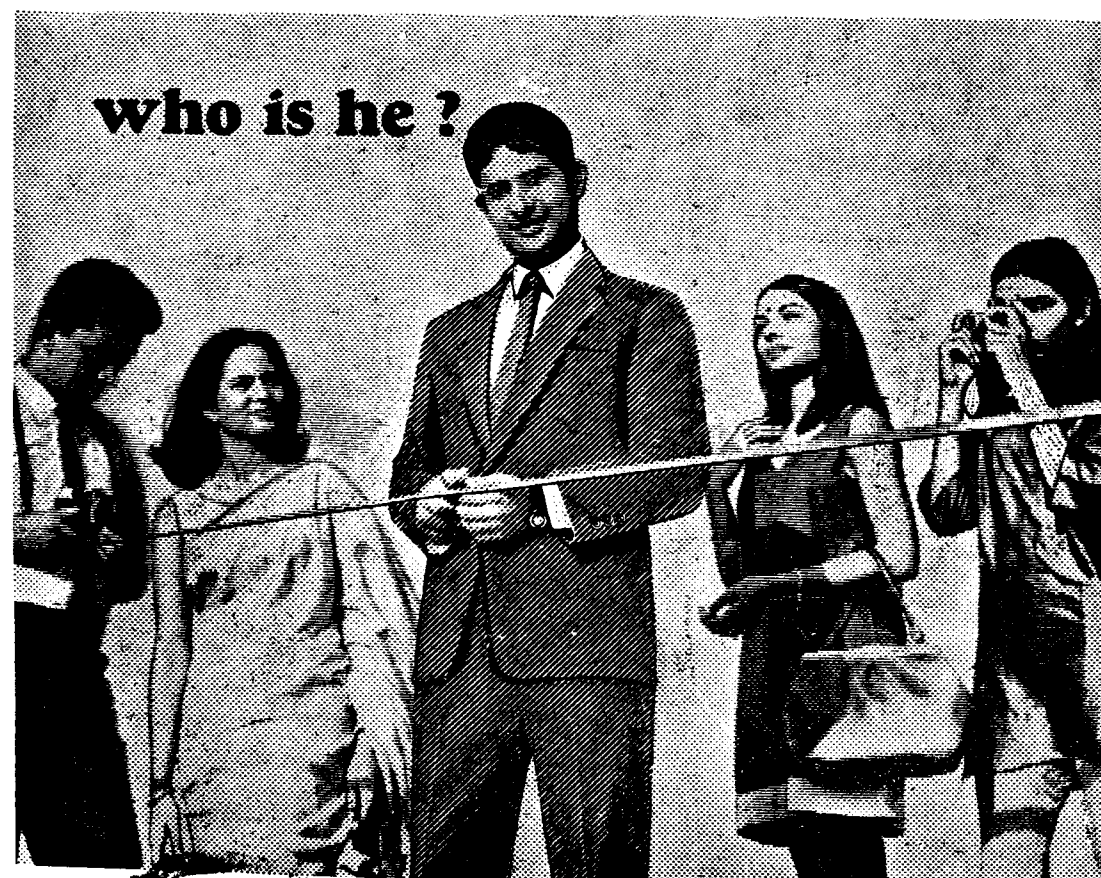
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