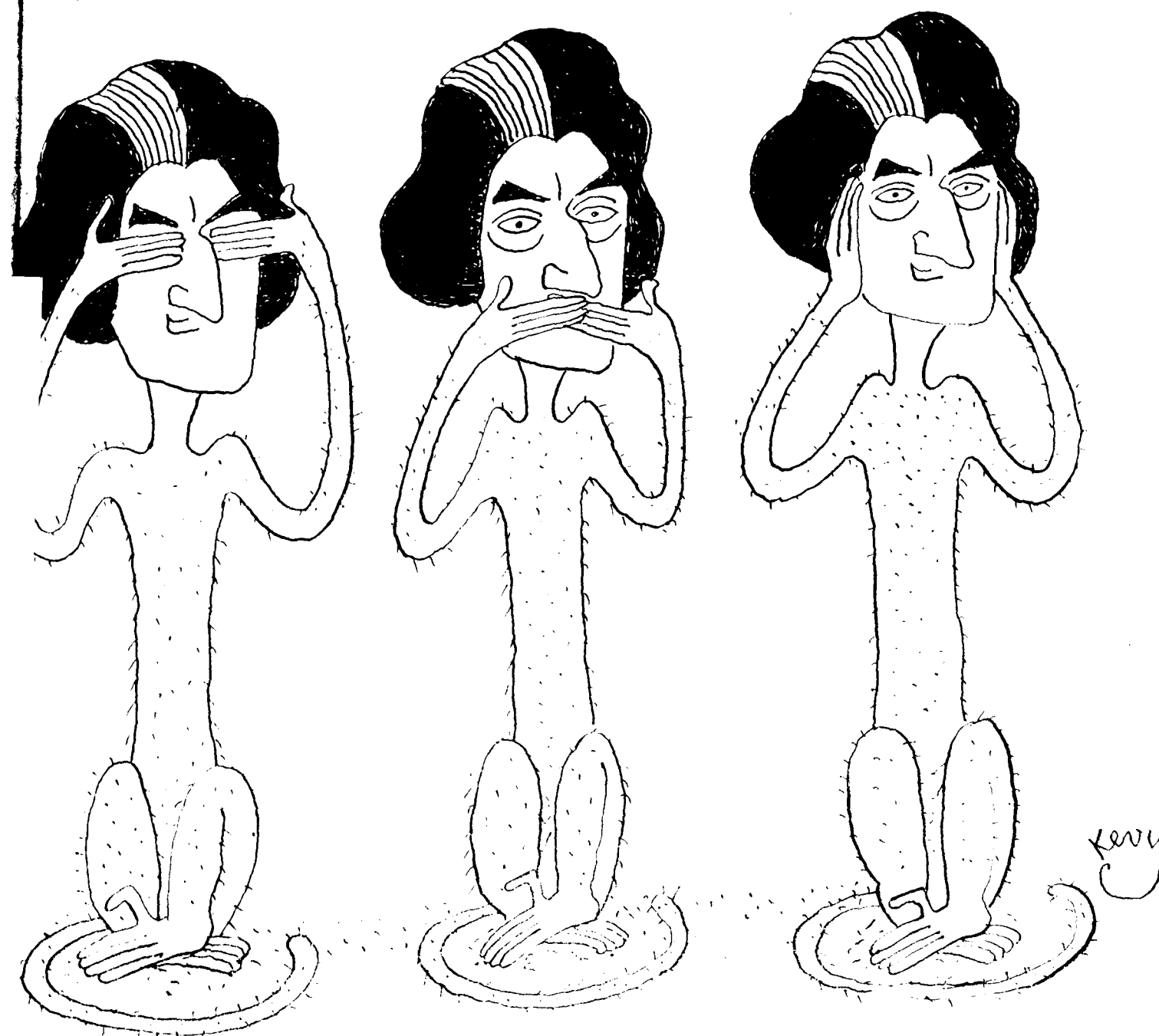


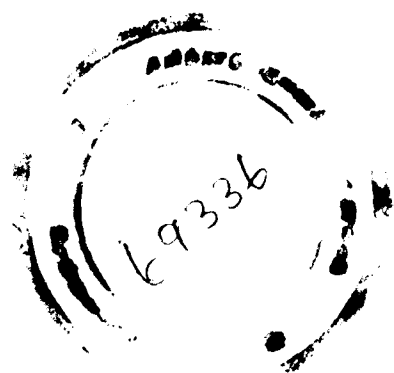
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EASTERN 2 ECONOMIS

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The Prime Minister denied that the economy was in poor shape and rejected the view that the quality of nationalised banks was going down.



The forgotten cotton

Should we let half our cotton wealth lie underground?



The Indian farmer is playing a vital role in helping the country achieve self-sufficiency in food grains. But when it comes to cotton production, we are allowing pygmy crops to overpower our giant performance.

Four long years have gone by since the Third Plan period, and the Third Plan target of 70.65 lakh bales is still eluding us. India has the largest area under cotton cultivation in the world but the lowest yield per hectare.

The Cotton Development Project of the Indian Cotton Mills' Federation

has proved that cotton yield can be increased by as much as 50 to 100 per cent. These results have been achieved, year after year, not on a few farms but on more than a lakh of hectares, spread right across the country.

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- This will result in a saving of foreign exchange of over Rs 100 crores per year now spent on importing cotton.
 - This will help the country to step up its textile exports from around Rs 120 crores to Rs 200 crores.
 - This will increase the income of the farmer and yet make cloth cheaper for the public, and ensure gainful employment for many more workers.
- Four million cotton cultivators could easily earn more—550 million people would be a lot happier!

INDIAN COTTON MILLS' FEDERATION

P. O. Box No. 1449, Bombay 1.

EASTERN ECONOMIST

JANUARY 8, 1971

Her Ides of March	49
Meeting Paper Shortage	50
Expanding Trade with the USSR	51
Towards Mutual Co-operation	52
The Unfounded Charge	53
—R. V. Murthy	53
Automation : No Escape From It	54
—A. C. Banerjee	54
Global Marketing a Challenging Task	56
—D. S. Arora	56

WINDOW ON THE WORLD	58
Inflation : A World Scourge	58
Chill Wind over the Common Market	58

THE MOVING FINGER WRITES	61
TRADE WINDS	62

Excise Duty on Sugar etc; Indo-Iran Co-operation; Trade with Nepal; Industrial Team to W. Indies; Sugar Policy; India-UAR Shipping Protocol; Quota in IMF; Punjab: Annual Plan 1971-72; Ban on Copper Wire; Tax on Charitable Trusts; New Protein Unit; ADB Loan for Nepal; Ancillaries Industries; IFC Loans; Pipeline Industry; Names in the News	64
---	----

COMPANY AFFAIRS	64
Punjab National Bank; Central Bank of India; Bank of Baroda; Ballarpur Paper; Siemens India; Delhi Cloth Mills; Rathii Ispat; Mysore Cements; Hindustan Lever; Food and Inns; National-Standard Duncan; Hindustan Motors	66

BALANCE SHEETS	66
Bank of Baroda	66
Central Bank of India	66

COMPANY MEETING	89
The Ballarpur Paper & Straw Board Mills Ltd.	89

BOOKS BRIEFLY	104
Development and Rural Savings; Books Received	104

RECORDS AND STATISTICS	110
Dissolution of Lok Sabha	110
Kabul Declaration on Asian Co-operation	110

COMPANY NOTICES	112
Upper Ganges Sugar Mills Ltd.	112
Bharat Sugar Mills Ltd.	112

ANNUAL SUBSCRIPTION	112
INLAND : Rs. 85.00	112
FOREIGN : £7-0-0 or \$17-00	112
Airmail & Advertisement Rates on Enquiry	112

REGISTERED OFFICE	112
UCO Bank Building, P. Box 34, Parliament Street, New Delhi-1	112

HER IDES OF MARCH

THERE WILL be general relief in the land that the Prime Minister has at last made up her mind and decided to seek a mandate from the people, early in the New Year, for her and her policies. In strict logic, she should have done this immediately after she had split the Congress organisation which had put her in the office she now holds. On balance, however, the country has gained rather than lost through the delay. For about a year and a half now the public has had ample opportunities of judging the worth of the substance as well as the style of her government. For the electorate, this record of Mrs Indira Gandhi as Prime Minister, since she struck out on her own, should be the most relevant single factor in deciding the direction of its voting. To put it bluntly, the people will not be voting in the dark and the responsibility for the verdict, whatever it is, will therefore be squarely on their shoulders. It would be particularly apt now to emphasise the point that a people get, the rulers they deserve.

Despite the bravado of the Prime Minister's broadcast, it is quite evident, that in advising the President to dissolve the Lok Sabha and taking the country to the polls earlier than the due date, Mrs Gandhi has acted, or rather has been forced to act, from a position of very considerable weakness. Whether wittingly or unwittingly, she herself has confessed as much. In her own words, her government has been in power without being able to use that power. In other words, and in more straightforward language, Mrs Gandhi's administration has merely been in office during this period, while the routine administration of the country has been compelled to fend for itself as best as it could. The Prime Minister, of course, is too vain to own to this. Hence, she has resorted to the cheap and over-worked trick, of conjuring an apparition of vested interests which is alleged to be thwarting her intentions of social or economic reform. Since it is on record that her only difficulty so far has been the Constitution, as interpreted by the Supreme Court, her demagogic contention that she is holding a general election in order to give an opportunity to the popular will to assert itself and strengthen her in her alleged fight against reaction could only be treated with contempt.

Mrs Gandhi is clearly mistaken in her implied claim that, by virtue of being Prime Minister, she is entitled to coerce the constitutional processes for self-aggrandisement and so far as the Supreme Court is concerned, it has every right to drive home the fact over and over again that it is not expected to serve as a handmaiden of adventurist politicians. Mrs Gandhi should be satisfied with having an obliging President of India who was only too willing to nationalise banks by an ordinance on the eve of a Lok Sabha session, or de-recognise the princes by Presidential order after a concerned bill had failed to pass muster in Parliament or dissolve the Lok Sabha when she found it no longer possible to carry government business effectively through that House.

Although the Prime Minister and her party have in fact been engaged in electioneering of a kind from August last year, the formal campaigning has now swung into full public cognisance. It may be expected that she and her cohort will squeeze the last ounce of advantage or utility from the fact of her administration continuing in power as a caretaker government. In elections, as in property suits, possession could be nine-tenths of the law. It was of course too much to expect of Mr V. V. Giri that he would have been a party to denying Mrs Gandhi this tremendous strategic advantage by suggesting that an independent and impartial administration should be installed at the centre on an *ad hoc* basis to advise the President on the administration of the country during the interregnum. Although normally the leader of the ruling party in the out-going legislature has a claim to functioning as the head of a caretaker government, in the circumstances in which Mrs Gandhi has continued to be Prime Minister after the split in the Congress organisation, it would have been a far healthier democratic practice had she voluntarily offered not to insist on the privilege of heading the caretaker government or had President Giri the moral firmness or the political courage to recommend to her this discipline.

It is a living fact of our current history that Mrs Gandhi and her party have shattered the political stability of our country, promoted the forces of factionalism and very nearly destroyed the cohesiveness of our federal polity by patronising and exploiting regionalism or even a narrower parochialism. It is also on record that, because of the unequivocal attitude of the Prime Minister and her advisers, political or bureaucratic, towards the forces of Left subversion, law and order, along with general administration, have broken

down in West Bengal, while a time-serving communist-led administration has been enabled to achieve respectability as a legally constituted government in Kerala. On the economic field, the process of development has been reversed and the country's rate of economic growth has been depressed to a point where the world's reaction to its efforts at fighting mass poverty is either one of scorn or of pity.

With such a record, Mrs Gandhi's administration can claim to no legitimate title to be the caretaker govern-

ment. Whatever her speech-writers may have to say about the issues, the basic fact is that this election will be a simple quest for the people's verdict on the eligibility or capacity of Mrs Gandhi and her party to continue to govern the country. While it may be the right of free men to choose their rulers as they would — wisely or unwisely —, it is surely their responsibility to choose only wisely. Let us hope then that our democracy would have become adult as the people go to vote for the fifth time in a general election to the national legislature.

Meeting Paper Shortage

At a time when there is an acute shortage of paper and boards and the government has expressed an anxiety that a crash programme of expansion should be undertaken by the established units, recent developments concerning this industry in the southern region should be considered heartening. For quite a long time there were only two medium-sized units in Mysore and Kerala producing paper based on bamboo and eeta reeds and the forest resources of Kerala and Mysore particularly were not exploited vigorously. Indeed, it is even now a matter for surprise why Kerala did not undertake the manufacture of either paper or rayon-grade pulp much earlier even though it has ample forest resources. There is, of course, a big-sized unit now in Kerala which is the single producer of rayon-grade pulp in the country based on bamboo and soft woods. With the successful functioning of this unit of Gwalior Rayon at Mavoor, the same company is engaged in the construction of another unit for turning out the same product in Mysore state. There is, of course, another plant in Kerala which is producing rayon-grade pulp. But the raw material used is different, being cotton linters. In Tamil Nadu, South India Viscose is a large producer of rayon-grade pulp by using the forest resources of Nilgiris.

The utilisation of bamboo and other raw materials for turning out rayon-grade pulp has necessarily minimised the scope for promoting paper mills. Even so, there are unexploited resources and with systematic replantation of cleared areas, a much higher level of output of paper and boards can be achieved in the coming years. It must be admitted, however, that commendable progress has been made in the post-Independence period with Andhra Pradesh having the proud claim of being the largest producer in the southern region. Apart from Sirpur Paper Mills in the Birla Group, Andhra Pradesh Mills in the Bangur Group has increased its stature considerably in recent years and with the completion of the expan-

sion schemes, it is likely that the annual output of this unit will easily be 50,000 tonnes in the next one or two years. In Mysore, West Coast Paper Mill has been systematically raising its output by improving its operating efficiency. It is also engaged in the implementation of an expansion scheme besides installing balancing equipment. Mysore Paper has doubled its capacity in recent years and it is being examined how its output can be raised further. Strenuous efforts are being made to revive Mandya National Paper Mills and once the reconstruction programme has been put through and the change in management takes place, the capacity may be increased substantially. It will then be possible for Mysore to achieve an output of over 90,000 tonnes annually. In Kerala, there is only one medium-sized unit accounting for an yearly production of 10,000 tonnes. When the new schemes for producing newsprint materialise this region will be contributing substantially to the availability of printing paper and newsprint.

Until the sixties in Tamil Nadu there were no paper mills. But the two units, one large-sized and another small, have been making impressive progress and account for a capacity of well over 35,000 tonnes. Seshasayee Paper and Boards has implemented an expansion scheme for diversifying and raising its output by over 50 per cent. The four states thus account for an aggregate production of roughly 1.95 lakh tonnes which is about 27 per cent of all-India output. All the eight units are implementing or are having under consideration the execution of new projects under the crash programme suggested by the government with a view to overcoming the scarcity of paper that is expected to assume alarming proportions in the next two or three years. In spite of the anxiety expressed by the government to be helpful in implementing expansion schemes of the existing units, which will be less costly and can be completed in a short

period, the applications for creating additional capacity are not being quickly processed. Also, considerable delay is being experienced in securing licences for importing plant and machinery and some of the earlier schemes have been unnecessarily prolonged in execution due to the delays in obtaining deliveries of equipment from internal sources. The expansion scheme of a major unit in the southern region has been held up, though the required imported plant and machinery have been received, because of the inability of indigenous manufacturers to adhere to delivery schedules.

The emphasis on use of indigenous equipment is certainly to be welcomed as in the coming years there will have to be spectacular expansion of capacity of the industry. With increasing literacy and a low level of per capita consumption the capacity will probably have to be doubled or even trebled in the next decade which would mean that what has been achieved over a long period will have to be completed in a short period of 10 years.

When there is so much to be done, the indication by Mr S. Madhavan, Tamil Nadu Minister for Industries, that the state government is seriously thinking of establishing a large-sized paper mill in the joint sector with Canadian aid is a happy augury. Seshasayee Paper and Boards will be helping the government in the implementation of this project if it is eventually decided, with the concurrence of the Central Government, that the manufacture of cheaper printing paper for use in text books should be taken up by using mechanical pulp and chemical pulp in specified proportions.

It has been disclosed by the Managing Director of Seshasayee Paper, Mr S. Viswanathan, that the Canadian government will be agreeable to the use of the counterpart funds, arising out of imports of pulp under long-term credit, for developing a captive plantation. It is also stated that there will be no difficulty in securing foreign exchange for importing plant and machinery. As the required land is available in the Nilgiris and it can be planted with soft-wood trees, which will be ready for use after seven years, the project, if finalised without delay and implemented expeditiously, will go a long way in bridging the big gap between supply and demand that will arise in the next decade.

There has no doubt been a big increase in capacity since the beginning of the Plan era by five lakh tonnes. But the task of doubling this effort in half the period will call for Herculean effort and can be achieved only if there is proper organisation of the facilities for manufacturing equipment indigenously on the basis of an intelligent division of work.

has been already made in producing many items of machinery and there is greater confidence now that the indigenous content can be raised to a very high level in the next few years.

Whatever may be the success of the efforts in this regard, and there is no doubt that the same degree of development can be recorded as in the case of the cement, sugar and textile industries, the immediate objective should be to raise output at the rate of one lakh tonnes annually in the next four or five years. This can be done only if every major unit is encouraged to add to its capacity by 50 or 100 tonnes daily, where there is no problem in regard to the availability of raw material resources. The first phase of expansion contemplates an addition to capacity by about 1.5 lakh tonnes by the middle of 1972. There will probably have to be further expansion on similar lines in the second phase also as entirely new units cannot be brought into being within four or five years even assuming that considerable preliminary work had been completed in regard to the promotion of new units. Unfortunately, except for the proposal to erect a pulp plant in the public sector in Assam, there is no prospect of any other entirely new unit coming up in the near future. It is doubtful whether the Paper Corporation of India will be able to make significant progress in the current Plan period and it may not also be correct to rely on filling the gap only with the erection of units in the public sector.

It is, therefore, clear that the fourth Plan target of 1.1 million tonnes can be achieved only through the implementation of expansion schemes while for

bringing about dispersed development and encouraging the promotion of entirely new units, fresh incentives will have to be provided. In spite of de-control of paper prices and the adjustments in selling prices in the past three years, no entrepreneur has come forward to establish new units. It is contended that the increase in selling prices for paper compared to other commodities, even with the recent adjustments, is inadequate and many units are even now finding it difficult to claim fully development rebate after absorbing depreciation charges allowed for income-tax purposes. As the capital cost of a new mill has risen to Rs 6,000 per tonne of annual capacity and a unit capable of producing 20,000 tonnes annually will now cost Rs 12 crores against Rs 6 crores in the early sixties, there is clearly need for devising new incentives which will make fresh investment in the paper industry attractive. There will also had to be a substantial concession in the form of a rebate in excise duty for using bagasse as basic raw material in the manufacture of pulp apart from the supply of cheaper furnace oil to the sugar mills which release bagasse to be converted into pulp. It will be wrong to expect that the gap in production caused by the inability of entrepreneurs to promote new units in the private sector can be filled by creating additional capacity in the public sector. There has to be new thinking as there will be an explosion in demand in the late seventies with a higher level of economic activity and growth in literacy. Even a doubling or trebling of the pitifully low level of per capita consumption of less than 1.25 kg can result in an unmanageable situation.

Expanding Trade with the USSR

THE INDO-SOVIET trade, which has already recorded a phenomenal increase during the past 17 years — from a bare Rs 1.3 crores, both ways, in 1953 to as much as Rs 372.34 crores in 1969 — is expected to get a sizable fillip from the new five-year agreement signed here on December 26, 1970. This pact envisages an increase of 15 per cent in our exports to the USSR in 1971 over the 1970 level which is reported to have reached Rs 190 crores. Although no firm commitments have been made for the subsequent four years — annual protocols will be negotiated for this purpose — similar sharp increases in our exports to that country are contemplated during these years too. By 1975, thus, our exports to the USSR may go up to nearly Rs 375 crores.

As our exports to the USSR have to be balanced against imports from that country over a reasonable period of time, the sharp increase to be effected in exports should suggest that imports

would also go up in the corresponding manner. But this is not to be the case during the next five years. Our imports from the USSR are expected to go up by 1975 by only 30 per cent or so from the 1970 level of about Rs 145 crores. This means that the balance of trade in our favour will increase from nearly Rs 55 crores in 1970 to approximately Rs 175 crores in 1975. The surpluses are proposed to be utilized for the liquidation of the debts which we have incurred under the economic assistance programmes. These debts currently aggregate to about Rs 395 crores.

The more significant aspects of the agreement, however, are: (i) the diversification it envisages in our trade with the USSR; and (ii) the co-operation it is expected to foster between the two countries in setting up joint projects in third countries. We will be exporting to the USSR under this agreement not only substantially increased quantities

of such traditional items of exports as cotton textiles, tobacco, tea, coir goods, handicrafts, etc., and of several items whose exports have been developed in the recent past — for instance, ready-made garments, woollen knitwear, cosmetics, automobile and other storage batteries, shoes, vacuum flasks, spectacle frames, enamel wares, etc. — but also many a new item. These include excavators and other industrial products from the Soviet-assisted projects such as electric motors, aluminium cables, garage equipment, wire ropes, spectacle lenses, machine-made carpets, paints and varnishes, dyestuffs, sports shoes and chappals and cigarettes.

In line with our changing import requirements, the Soviet Union will be appreciably diversifying its exports to us. As we do not now require most types of machinery we have been importing from that country hitherto, the accent in the next five years is to be on the USSR supplying us increased quantities of industrial raw materials and such other goods and machinery which we *direly* need. Our imports of non-ferrous metals such as zinc, nickel, platinum and palladium are proposed to be stepped up. For the first time, we will be importing copper from the USSR. Another new item which the USSR will supply us in future under the rupee payment arrangement is ships. Among the machinery items, the major ones listed for export from the USSR are equipments for textiles, printing and chemical industries, besides those needed for the Soviet-assisted projects. Our imports from the USSR of such items as tractors, agricultural machinery, kerosene, asbestos, industrial diamonds, sulphur, newsprint, fertilizers, rolled steel products and refractories are expected to increase substantially.

The proposed diversification in our trade with the USSR should enable us to utilize our installed industrial capacity to a somewhat greater extent than has been the case in the recent past. But since the cornerstone of the agreement is the stepping up of our exports to the USSR by as much as 15 per cent annually, its successful implementation will depend primarily on raising the tempo of our industrial activity not marginally but a great deal. Whether we will be able to do so or not, it is a moot point at present. The industrial growth in the recent past leaves much to be desired.

The understanding reached in regard to the USSR co-operating with us in joint ventures in third countries should help us in inculcating export markets especially in Africa, west Asia and east Asia. The effect of this co-operation on our exports of engineering goods can, indeed, be very lasting. Through this arrangement, we will be able to provide many more references than at present of our competency to undertake engineering jobs, which are so vital in

January 8, 1971

the field of engineering goods imports. It has to be conceded that we have been able to introduce several new items in the western markets after we could establish their acceptability in the USSR and other east European countries.

While the above features of the new trade agreement with the USSR make it a welcome pact, it is, indeed, disconcerting to note that no understanding has yet been reached with that country on inserting in our export contracts a gold-link clause as has been done in the case of Bulgaria, Czechoslovakia, Hungary, the German Democratic Republic, Rumania, and North Korea. While the USSR exporters insist on such a clause in the contracts of their supplies to us, the importers from that country have not yet agreed to the in-

Towards Mutual Co-operation

THE DECLARATION made at Kabul in the third week of December last, after the deliberations of the Council of Ministers for Asian Economic Co-operation, contained seeds for possible future growth of economic integration of Asian countries at the sub-regional level, but it would be sheer naivety to expect any miraculous results in the short period. It may be recalled that this was not the first attempt to evolve a "strategy for integrated regional co-operation". Three ministerial conferences on Asian economic co-operation had already been held — twice in Manila in 1963 and 1965 and once in Bangkok in 1968. The Kabul Asian Conference was the fourth in the series.

The subject of Asian economic cooperation has been discussed threadbare during the last two decades because it is believed, and rightly, that all countries of this region would stand to gain through trade expansion as well as economic integration. If the dream of accelerated co-operation between Asian countries has not come true all these years, it is because of many historical as well as institutional factors. Historically, the countries of this region have been dependent for a long time, both for their imports and exports, on the markets of the industrially advanced countries. As exporters of primary products, the Asian countries have been reluctant to disturb their long-established channels of trade (and payments) with the developed countries. Then there is the strong political element which has hitherto been a big stumbling block. For example, the political differences between India and Pakistan have shut off all economic co-operation between these two countries.

All these difficulties have been known to the secretariat of the Economic Commission for Asia and the Far East (ECAFE) which has, however, refused to be cowed down by them and has

section of this clause in our export contracts. This acted to our detriment when as a sequel to the devaluation of the rupee in June, 1966, we were obliged to pay 57.5 per cent more for the imports from the USSR. Our exporters, on the other hand, could get only 47.5 per cent more, and that too after protracted negotiations. The argument of the Soviet Union for not agreeing to link the prices of our exports to the gold content in the rupee is understood to be that it has no control over the exchange value of our currency and since the trade transactions between the two countries have to be in rupees, the losses arising out of any future devaluation of the rupee have to be borne by us. This stand of the Soviet Union does not accord with the principle of equal partnership in trade.

continued its efforts to bring the Asian countries together so that they might help one another in the process of economic expansion. The ECAFE secretariat under whose auspices the ministers met at Kabul, had three broad objects in view, namely, expansion in regional trade, the establishment of an Asian Clearing Union and the setting up of an Asian Reserve Bank. A paper prepared by the secretariat indicated that trade among the developing countries of the region had declined from 15.6 per cent of the global trade in 1960 to only 6.4 per cent in 1968. The central problem, therefore, was to increase this intra-regional trade. The proposal for an Asian Clearing Union was designed to provide a clearing mechanism for the multilateral settlement of intra-regional payments which was expected to facilitate the expansion of intra-regional trade. The guidelines which were drawn up in November, 1970, in this regard envisaged the establishment of a common unit of account to be denominated as the "Asian Clearing Dollar". The Asian Reserve Bank was expected to provide the monetary authorities of the member countries with a new form of "international reserve asset".

As was expected, the discussions at Kabul started on a dismal note and the three proposals of the ECAFE secretariat looked like hard nuts on which no compromise could be had among the delegations of the participating countries. The wide divergence in the state of economic development of the different countries in this region was an additional factor which made the acceptance of any of the proposals very difficult by most of the participants in the deliberations. A majority of the countries which participated in these talks are committed to development plans and despite the optimistic view of the theoreticians that some harmonisation of these plans could be brought about

through trade agreements, no tangible results were visible.

Our country assisted by a few others including Afghanistan, dug in its toes in order to salvage the Kabul conference. What became very clear was that the prospects of economic co-operation were encouraging only at the sub-regional level. Already, steps have been taken in this region to bring about economic co-operation among neighbours (ASEAN and RCD) and some progress has been achieved. The ECAFE, however, is keen, and rightly, on promoting co-operation either on project or commodity basis. The establishment of the Asian Coconut Community, the agreement between India and Ceylon in regard to tea, the co-operation between India and Iran on increased trade in ammonia and oil exploration activities are some of the examples which do provide hope that slowly and steadily some limited economic integration at the sub-regional level can be brought about. The type of co-operation which has been seen in Europe through the formulation of the European Common Market or in Latin America through LAFTA might not be possible in this region for a long time, but it would be unwise not to continue with efforts to bring the Asian countries together even on a limited scale.

Regarding the Clearing Union, the Kabul declaration embodied the determination of some of the Asian countries to hasten its establishment. It does not follow that the Clearing Union would be established in the current year or even the next year. Certainly more ground work is necessary to give it a practical shape. What is worth admiring is that this useful institution is proposed to be set up at the earliest possible so that the intra-regional transactions might be handled without having to pay large fees to western countries for no other purpose but clerical handling of accounts.

The proposal regarding the establishment of the Asian Reserve Bank seems to have been shelved for the time being for many reasons, including the opposition from Japan and Australia. Perhaps both these industrially advanced countries in this region were reluctant to lock up their funds in the Asian Reserve Bank which they thought was exposed to a higher degree of risk than the internationally recognised finance institutions. The Kabul talks have made it clear that increased sub-regional trade would be followed by an arrangement for Clearing Union while the establishment of the Reserve Bank would follow, if at all, last of all.

It will be wrong to describe the Kabul deliberations as a failure. But it will also be wrong to read too much in them. Much more patient work at the committee level will be needed before the dream of increased Asian regional co-operation comes true.

The Unfounded Charge

R.V. MURTHY

FAR TOO often, spokesmen of private enterprise do not, or are reluctant to, challenge even incorrect statements made by those in authority who seem to think it their privilege to react strongly even when there is really no reason to get provoked. The latest example of this was at the last annual general meeting of the Associated Chambers of Commerce. No impartial observer would say the speech of the Associated President, Mr Keshub Mahindra, was either harsh or discourteous. Yet, in the course of her reply, our Prime Minister chose to be caustic in her comments. Getting provoked even if it be without cause or being caustic is one thing, but to blame one without warrant is quite another. Such is serious enough to be taken note of and challenged, as, indeed, Mr J.R.D. Tata did well to, when he recently inaugurated the Fifteenth National Convention of the Indian Junior Chamber at Ahmedabad. Of course, Mr Tata could cite the unchallengeable experience of his own company to disprove the insinuations of the Prime Minister. Among others, she had accused private enterprise of being more private than enterprising, of being unwilling to take risks, of always seeking help from Government and its financial institutions and of asking for price increases for every little increase in costs.

Unfair Criticism

Mr Tata first took exception to the allegation that the larger business houses have been unprepared to take risk and stated categorically that this charge was "unfounded". In this context, he cited Tata's offer of 1967 to put up a Rs 170-crore fertilizer project in Gujarat and the more recent offer by Telco to put forward a Rs 50-crore automobile manufacturing scheme. As pointed out by him, while even a much truncated version of the former is still awaiting approval, the later was not at all accepted.

To the unfair criticism that the private sector always seeks help from government financial institutions, his reply was: "Surely, government are aware that, in the last few years, they have created for themselves a virtual monopoly of the country's financial resources available for lending to the private sector. To whom then can the private sector turn for loan finance

except to government's financial institutions and nationalised banks?"

"Even more unfair" and also "unfounded" is the criticism that the private sector runs to government for price increases to compensate for "each small increase in cost", said Mr Tata. "Such requests", as he pointed out, "come only from industries, the prices of whose products are controlled by government and whose profits are, as a result, severely limited. Furthermore they are only made in respect of major increases in costs, and limited, at that, to those beyond industry's control."

Unreasonable Authorities

What is unreasonable is not the plea of industry for an increase in price, especially when almost 90 per cent of such increase is brought about by increases in non-negotiable costs, but the appeal of those in authority to industry (e.g. sugar) to slash prices even when they themselves are seized of all the relevant statistical situation which simply does not permit of any such slashing. Moreover, when confronted with an impossible position, it is not only the private sector but the public sector industry also which will be obliged to ask for a rise in prices, as, for example, in regard to steel. Mr Tata mentioned how the latest wage revisions in the steel industry would cost it an extra Rs 25 crores, or the equivalent of Rs 37 per tonne, as against a provision of just Rs. 9 per tonne in the latest steel prices revision by the government.

Perhaps the most unmerited remark of Mrs Gandhi was her suggestion that the private sector, and particularly the larger houses, are on an investment strike in order to embarrass government. Let figures, quoted by Mr Tata, speak for themselves. The number of licence applications in 1970 up to October alone, he said, was almost double of that in 1969 and three times that of 1968. According to a statement made by government itself in Parliament on November 23, against 444 licence applications from the larger houses this year, only three licences and three letters of intent had been issued, while 50 were rejected and the rest — 388 — were still under consideration. As Mr Tata aptly put it, "instead of the private sector being on strike, it is being struck against"! Much (not all, be it noted)

of the criticism levelled by government against private enterprise, he had no hesitation, therefore, in saying, was "based on incorrect or inadequate information."

It is, indeed, deplorable, as Mrs Gandhi observed, that government and the private sector should have to view common problems from opposite sides of the fence, but is the solution to this that both should be on the same side as she suggested? Is not the more proper course the removal of the fence itself? Anyway, the prevailing situation in the country does not permit of pondering over which is proper or which is not. What is needed today is, to quote Mr Tata that, "it behoves all of us, on whichever side of the fence we may be today, to do what we can to dismantle it and find common ground on which we can co-operate in attaining the common objectives."

Mr Tata dwelt at some length on the need to understand the causes of the deterioration of relations between government and the private sector in recent years. He put it in one sentence thus: "With the adoption, at first, of a mixed economy, then of a socialist pattern of society, and finally of full-blooded socialism as the desired form of economic organisation for our country, government's attitude towards private enterprise changed drastically and relations between the two became immensely more difficult and complicated." But the trouble (or is it mischief?) started when the leftist politicians began to regard private enterprise not as a valuable and beneficial element of society deserving of support and encouragement as it should have done but as a threat to the establishment of socialism.

19th Century Version

Unfortunately for socialism, socialism according to these, continued to be its 19th century version and not as it has changed since. Unaware of the tremendous changes which have taken place in socialistic thinking elsewhere, these Indian socialists, or so-called socialists, have failed to realise, according to Mr Tata that, far from being an enemy of socialism, private enterprise can be its partner and, indeed, its financier, in that it generates most of the resources required by a socialist state to pay for its schemes of welfare and social justice. "It is a startling but little known fact" he disclosed, "that, on the average, every rupee of profit earned by the private sector for its shareholders generates more than three rupees of taxes for government in one form or another."

Mr Tata rightly attributed the havoc to the public image of the private sector

to the establishment of a permit and licence regime, a view which was first voiced and is being continually and consistently put forward by the country's elder statesman, Mr C. Rajagopalachari. "The fruits of corruption, tax evasion, black marketing, foreign exchange 'fiddles' and other fraudulent and unscrupulous devices" Mr Tata said, "were so great that many succumbed to temptation and in the process wrought havoc with the public image of the private sector." Between this poor public image of the private sector, on the one hand, and government's pathological dislike and fear of big business, on the other, as he went on to say, a situation has been created in which "the development of the private sector and its contribution to industrial growth has been only a fraction of its potential to the great detriment of the country as a whole."

But this unsatisfactory state of affairs cannot be allowed to continue. And, as Mr Tata remarked, "the private sector cannot make its full contribution to economic growth, unless its relationship with government drastically changes for the better." How, then, can this be brought about? Certainly not by the public sector blaming government, nor by government damning the private sector, as has been happening today. Nor is the fact that both are wrong or both are right much of a consolation. Nor even, for that matter, the recognition of it a material contribution towards the desideratum. The time has come, in the words of Mr Tata, "for an honest and determined effort on the part of both sides to shed some of their pre-conceived notions and to seek an understanding based on a few simple criteria." While

Automation : No Escape From It

A. C. BANERJEE

AUTOMATION is a dreadful thing to many a people who fear that if introduced, it will render many an employee jobless. The panic has further been aggravated by some politicians who find in the introduction of automation a sinister motive of the capitalists to exploit the labour. The simple folk are led to believe that if 10 men can perform the job of 100 men with the help of a machine, obviously 90 men will be rendered surplus. This is simple arithmetic. And this simple arithmetic plays havoc in the minds of simple folk, particularly when they are afraid of not getting alternative jobs. It is, therefore, understandable that in the absence of job opportunities in our country automation shall be resisted more

he asked the private sector to restore its tarnished image by suitable action, he set down for government the following fair and significant criteria whilst dealing with a private sector firm or company :

- (i) Its record on the quality of its products and the prices charged by it ;
- (ii) Its labour policies, relations with employees and wage and welfare standards ;
- (iii) Its use of profits ;
- (iv) Profession and competence of its management ;
- (v) Its assistance to small-scale and ancillary industries ;
- (vi) Its record of export performance and import substitution ;
- (vii) Its freedom from political intrigue ;
- (viii) How it has used its economic power ? and
- (ix) Nature of its record and reputation.

These criteria also go to impose a heavy responsibility on the part of the private sector. Those units in the private sector which are able to satisfy these requirements, however, must be assured of a fair deal by government. It is only thus that a trustful relationship can be re-established between the private sector and government. And, when that happens, all efforts are bound to be concentrated on raising the standards of living of our people and not dissipated in fruitless controversy. "No cause is more deserving of our efforts and dedication" as Mr Tata concluded, "than the creation of a better life for the long-suffering people of India."

vigorously here than in the west where the employment market is rosier.

Before we comment on the necessity of automation we must first of all know: What is automation? Automation is in fact a device for eliminating human energy. For any activity energy is required. A writer writing a book requires energy to move his pen so also the energy of a group of men is required to pull a heavy load. The human energy which is composed of manual labour has gradually been eliminated by the passage of time. Men in the early days used animals energy to draw carts which was beyond the capacity of human labour. It was gradually replaced

by non-human energy. That was the first industrial revolution when steam engine, electric locomotive etc. were invented producing abundant energy to pull loads beyond the capacity of hundreds and thousands of human labour. Locomotive inter alia was in fact an automation in the first industrial revolution while in the threshold of the second industrial revolution we are having electronic computers and data processing machines which are eliminating not only physical but also mental labour.

Unfounded Fear

As labour saving devices of the first industrial revolution have stayed so also the more sophisticated labour-saving devices of the present industrial revolution will stay. There is no escape from it. However, the fear of people about the redundancy of employees created by the automation has to be eliminated. If we look back to history we find that when locomotive was introduced in England the hackney-carriage owners, apprehending that the railways shall make them redundant, demonstrated before the British Parliament and smashed the first locomotive. Now, a century after, the British Railways directly employ people many times more than hackney-carriage owners. Furthermore, indirectly thousands of men are earning their bread by the grace of the British Railways. When the typewriter was introduced it was feared that the handwriting clerks shall lose their job but we now see that the number of the typists and people engaged in the typewriter trade and industry far outnumber the number of such clerks. Therefore, we see, how wrong it is to assume that the machines create unemployment.

If we peep through our window we find that there are 55,000 computers in the USA, 5,000 in West Germany, 4,000 in Japan, 3,200 in the UK and 2,800 in France, against only about 100 in India. The Bhabha Committee, appointed by the Government of India in the year 1965 opined that within the next 10 years India would use about 5,000 small and 500 medium-sized computers. Out of the present 100 computers used in India 30 are in research organisations, 70 are in the railways, the LIC and private organisations used mainly for data processing and routine accounting work. Therefore, the bogey of accelerated automation in our country like India is not valid. If the USA with 55,000 automation is not redundant with labour, why India with only 100 automation shall be worried about it? In fact, what we are having in India is only outdated automation which has long been scrapped in the USA. Be-

fore taxing our minds with the worries of automation in India we shall have to see what is its effect on the labour force in the USA where the largest number of such machines are in use.

No doubt in the initial stages of automation in the USA partial unemployment amongst certain categories of workers and in some areas have occurred. But these undesirable results have successfully been removed:—

(i) By the government's policy for regional development.

(ii) By training of the redundants in alternate jobs by the government, private companies and social organisations.

(iii) By the unions' attrition type clause.

"Attrition" means normal reduction of the working force due to retirement, death or quitting of jobs. When in a company workers are reduced due to attrition it appoints new workers to replenish the working force. The unions of the USA, particularly in the railways, newspaper and longshore industries, in their collective bargaining steps, under the "attrition-type" clauses prohibits firing of the workers due to installation of automation. The workers displaced by automation are kept in a "reserve force" and when vacancies arise through "attrition" the company instead of appointing new faces adopts workers from the "reserve force" and adopt them in the jobs after giving adequate training.

Increased Productivity

In fact, automation in the USA has increased the productivity per man-hour so spectacularly that the rising prosperity has entailed abnormal demand of "services" industries such as educational institutions, medical services, roads and bridges, parks, swimming pools, recreational resorts etc. which cannot roll out of automated factories. The economy of the USA, during the past decade has expanded so rapidly that it has absorbed all the persons who were reduced by automation plus 25,000 additional people who came into the labour market every week; furthermore, it also absorbed a big chunk of the existing unemployed persons as the existing industries expanded their market rapidly thereby erecting more jobs. It is hoped that with more and more automation the workers shall gradually be shifted from factory to services industry. This change is now discernable in the pattern of the USA's labour force. In the USA 43 per cent works in factories and 50 per cent are engaged in

the services sector compared to 20 per cent and 10.5 per cent respectively of India. The technologists foresee that in the year 1980 the services sector shall engage 75 per cent workers and the factories 18 per cent. People in the USA are now enjoying more leisure due to automation; they retire early, enter late in job, have more holidays and less working hours.

When looms weave by themselves man's slavery shall end, so said a Greek philosopher. When looms have really started weaving by themselves we in India are having a wrong conception about its effect. The cry against automation is more political than economical and in India usually concentrates on two points:—

(i) It is a tool of the monopoly capitalists for exploitation.

(ii) In an underdeveloped country such as India if a few automated factories with few workers can overflow markets with goods the rest (majority) of people shall never get a job.

Wrong Conception

Now, to say that automation is a tool of the monopoly capital is wrong when we find that government undertakings such as the LIC, Railways etc. are themselves installing automation; furthermore, when Bharat Electronics Ltd (a Government of India undertaking) has itself pioneered to manufacture automated machines then accusing the monopoly capitalists is politically motivated. Not to speak of our government but all the communist countries have adopted automation.

The communists who talk so loudly against automation, as Sir James Lindsay once quipped, will be the first to install automation in India. About the second objection that in an underdeveloped country such as India automation will not allow people to find job, it is not often understood that if with the existing input of men and materials products can be multiplied, the surplus production shall reduce cost and create more demand of the goods thereby increasing labour force. Suppose the Hindustan Steel Ltd with the existing labour force can, say, double its production by automated machines, in consonance with the productivity of the USA or Japanese steel-makers, who shall gain by it? Surely the country.

It is, therefore, prudent to invest a further capital of say Rs 40 crores to automate the Hindustan Steel Ltd than to lose Rs 40 crores yearly. Increased production by automation will surely raise peoples standard of living and in-

crease the demands of schools and colleges, parks and swimming pools, hospitals, hotels and sundry services industries creating enormous demand of labour in services sector. At present in India 20 per cent works in factory, 19.5 per cent works in agriculture and only 10.5 per cent in services sector. It is obvious that the anti-automation critics underestimate the job potential of the services sector and we can reasonably say that the services sector can absorb in India as much as 50 per cent of the labour force in the near future without disturbing the job potential due to automation.

The automation is synonymous with technological development. Whether in industry, agriculture or services sector contribution of the technologists are responsible for the present standard of living of the human being. The goods consumed and services enjoyed by us were beyond the dream of anyone a hundred years back. And with the development and application of further technology we do not know where human being shall stand a hundred year later. The most fantastic quality of automation is that, unlike the machines of the first industrial revolution which replaced only pure manual labour, it is also replacing mental labour. The calculator was the first effort to eliminate mental labour and now sophisticated electronic computers can perform the jobs of hundreds and thousands of brains in a trice. Automation is, therefore, used not only for producing goods but for research purposes, collecting information and decision-making etc. which helps the research fellows and management.

Boon for Research

Because of the mass production of materials and use in data processing in sales, production, materials management and accounting jobs like payroll, wage bills etc. the application of automation in research and education is innumerable and in fact a necessity in this age of massive projects and plans. All the modern plans, projects, research etc. are carried on in a big scale and without automation it is impossible to collect thousands of data, analyse them and come to a conclusion quickly and correctly. In the field of education and research the computers are used for solving problems of logic and chemical equilibrium, quantitative concepts in social science and economics, in astronomy, nuclear physics, meteorology, space travel, crystallography etc. In research most of the time of a research worker is spent in collecting, sorting and probing large number of data in order to get an idea, the computer does all these jobs at a very fast

speed giving accurate results thereby saves his time for more creative thinking. The use of computers in research work cannot, therefore, be overlooked.

We find that automation does not create unemployment but only shifts employees from production to services sector. Automation is also essential for research and quicker services. Hence, further automation in India should be justified particularly in research and educational institutions. In production field, however, the automation should be installed in a phased manner where labour is plenty, without creating

much social upheaval. In export-oriented industries automation should be installed to compete in the international markets. When all the countries of the world are using automation we cannot lag behind, what we shall have to see is that it is suited to Indian environment for which phased programme of automation is suggested. The fight against the machines of the first industrial revolution failed so also the quixotic fight against the automation—the product of the second industrial revolution—shall also fail. And if we do not defeat the motivated anti-automation protagonist we shall be responsible to the posterity for the backward life they shall lead.

Global Marketing a Challenging Task

D. S. ARORA

OVERSEAS SALES carried through careful product planning and development, dynamic policy, scientific packaging and efficient distribution, supported by continuous market research, generous sales promotion and advertising effort not only earn larger profits for a company but also contribute to its image abroad.

Global business is a fairly heterogeneous and specialised activity, for an export market is composed of a variety of people speaking different languages, following a great variety of customs, having widely diverse sets of wants and practising different trade policies, tariff regulations and monetary systems. Not only this, there are regional groupings, ideological and doctrinal divisions, varying technological advances, changing environments and population explosion, which make it more complex and a challenging task.

In this enlarged world consisting of completely distinct markets with varied cultural, social, geographical and political set up, it is a mere illusion to conceive that a product, which has sold successfully in the home market, would necessarily be accepted abroad. Consumer preferences for goods in world markets differ widely depending upon their social and cultural behaviours which are reflected in their choice for products based on colour, style, design, brands, precision, quality, etc. For instance, people in Italy are design conscious. Therefore, an exporter, who operates in this market, will not succeed unless his product is rich in design and style. Similarly, people in the USA prefer branded products, for they have little time for buying. The Belgians, on the other hand, are disloyal to brands;

they have enthusiasm for new products, and they also drop them quickly. The same is true with regard to colours in different overseas markets. In western Europe, people like soft shades; in African countries gaudy and bright colours are preferred. An exporter, while selling abroad, should therefore, closely look into the tastes of consumers constituting different markets and develop his products accordingly.

Knowledge of the customers in terms of their income, sex, age, family size, etc., is a very important factor, which an exporter cannot afford to neglect while extending his sales operations abroad. This information helps him in identifying different market segments and thus enables him to organise production to match the varying requirements of the people in an export market.

Channels of distribution also, determine the success of a sales operation

abroad. They are like a pipeline running from the manufacturer to the consumer. And if it is not properly laid out, nothing would sell. In order to ensure a steady flow of goods and services in overseas markets, an exporter should be careful in his choice for distribution channels abroad. His decision in this context must take full note of the nature of products, market coverage, selling support, buying habits and alternate selling outlets available in foreign markets. Whether an exporter should sell directly or through wholesalers, agents, distributors, department stores, super-markets, etc., largely depends upon these factors. Sometimes, government regulations begin to operate in his choice of channel selection for distribution of goods abroad. For instance, in Saudi Arabia, it is only a Saudi who can transact business; on the other hand, in America any non-national can do it.

Another vital point, which needs particular attention of an exporter in global marketing is his competitor's activities abroad. For doing his business successfully in overseas markets, an exporter must know his competitors in terms of their products marketed or proposed to be introduced in the near future along with their prices, sizes, specifications, standards, packaging, as also the selling outlets, advertising media and sales promotion methods. Awareness of all these details would help the exporter in formulating vigilant export policies and enable him to compete efficiently abroad.

Pricing plays an important part in global marketing. In order to sell effectively in foreign markets, an exporter should have a dynamic price policy which should strictly follow his marketing objectives, consumers behaviour abroad in response to price variations as also the behaviour of the costs at different levels of output, and actual and potential threat of foreign

competitors. If an exporter with long-term objective in a foreign market is a new entrant in export trade and has yet to make his product acceptable to foreign buyers, he should be able to sell a little below his cost price. The export price should be calculated on the basis of variable costs, for in an export order, it is the relative profitability and not the overall profitability that matters. It should also be noted that in international marketing, it is not always the low price that decides a deal. On the other hand, it sometimes stands in the way of an export transaction. For instance, in most of the developed countries such as Switzerland and Italy a product with low price is taken as one of low quality and is thus rejected.

Packaging plays a significant role in global marketing. However, excellent a product may be, it would not stand any chance in a foreign market if it does not conform to international standards of packaging and presentation. While preparing a packaging plan for sale in an overseas market, an exporter must take into consideration, apart from marine perils and other hazards, the sophisticated marketing conditions abroad. He should avoid selecting colours for his package, which offend consumers' social and cultural feelings. For instance, a package with yellow colour will not sell in Venezuela for yellow is taboo in Latin America. Blue and white colours are a sign of mourning in south-east Asia and, therefore, any packaging having these colours will not sell with south-east Asians. Leaving aside the colours, approach of different groups of people demands different kinds of packaging. Buyers of shoes in the USA prefer folding type boxes whereas Britishers like card-board boxes. Further, in underdeveloped countries, one may like to packaging having domestic after-use but it is considered a nuisance in developed countries such as the USA.

After-Sales Service

After-sales service is another factor, which provides a sound base for global sales. This is particularly essential in the case of engineering products. Therefore, an exporter of machinery and other capital goods, while selling in a foreign market, must ensure the availability of spare parts and service facilities in the local market so that if something goes wrong with the product it could be easily rectified without causing any delay or inconvenience to the customer abroad. In the absence of any after-sales service, an overseas operation would simply result in a business built on sand. It must be understood that when somebody purchases a machinery, he also

buys the services and parts which support the machine.

Communication of sales message to foreign customers is a very important factor which cannot be ignored in global marketing. Mere stocking of goods at different shops in overseas markets would not suffice, unless the consumers are made aware of the products and are stimulated to buy them. In order to promote sale of his goods in foreign markets, an exporter must, therefore, advertise his products through different advertising media locally available. In his selection of the various advertising media, he may, if necessary, consult some local advertising agency and ensure that his message reflects true understanding of the cultural background, preferences, choices and language of the country, where he is operating. It should also be ensured

that the sales message material conforms to legal requirements of the country, if any. For instance, in Germany, there are strict laws as to what can be said in an advertisement. In such cases, it would be desirable for an exporter to consult a local advocate before proceeding to advertise in the market.

Global marketing is thus a challenging task with multiple of market characteristics based on social, cultural, political and geographical diversities of the inhabitants all over the world. It provides fabulous marketing opportunities to a dynamic and enterprising exporter who can make his fortunes by greater concentration of planning and wider diversification of effort in terms of product planning and development, pricing, packaging, market research, sales promotion and advertising in each individual market abroad.

Eastern Economist 25 Years Ago

JANUARY 11, 1946

Given the inflationary war finance and inadequate economic measures of the Government during the last five years, the black market inevitably became almost a parallel institution. The Government did nothing effective to check it; indeed, even on the currency plane, it continued to help it directly. Thus in Great Britain, in order to check black market, the issue of new high denomination notes was stopped in 1943; they were demonetized in May, 1945. The demonetization together with restrictions on cashing of uncrossed

cheques were calculated to check the operation of the black market. In India, on the other hand, the Government continued to issue high denomination notes on an ever-increasing scale to meet the demand for the black market operations. The proportion of Rs 100 and Rs 1,000 notes to the total notes issued rose from 32.1 per cent and 5.9 per cent respectively in 1939 to 38.0 per cent and 10.1 per cent at the end of 1944. At the end of 1944, Rs 100 notes in circulation amounted to Rs 382 crores and Rs. 1,000 notes to Rs 100 crores.

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WINDOW ON THE WORLD

Inflation : A World Scourge

JOSSLEYN HENNESSY

LONDON:

THE OECD has just published a report, *The Present Problem of Inflation* (OECD, 2 rue Andre-Pascal, Paris 16) which, as I said here on December 11 is both magisterial and readably written, and which should be studied by every government ministry concerned with finance, planning, public spending and other economic activities and by every employer and trades unionist in all countries. On December 11, I summarised the OECD's diagnosis of the problem. This week I summarise the OECD's 22 recommendations for action, it being, of course, understood that the action appropriate will vary according to circumstances in different countries.

I

ACTION OVER 1½ YEAR

(1) All member countries should aim to restore at least the degree of price stability associated in the past with sustainable levels of employment and economic growth. To this end, cautious demand management policies are required. Excess demand should be eliminated and governments should be prepared, where necessary, to accept a temporary reduction in the rate of activity until there are signs that better price stability has been achieved.

(2) Where unemployment is rising towards unacceptable levels, attention should be directed to selective action in areas of high unemployment, rather than indiscriminate increases in public expenditure or general tax cuts. Within the framework of appropriate overall fiscal restraint, expenditure on government-sponsored manpower training and re-location programmes should be increased as much, and as quickly, as possible.

(3) Despite the difficulties, the search for effective price-incomes policies should not be abandoned; but this should be regarded as a long-haul operation unlikely to yield miracles. In the short run, temporary recourse to some form of price or wage control may be justified in the framework of an overall programme to deal with an acute inflationary crisis.

(4) Wages in the public sector should neither lead, nor unduly lag behind, wages for similar occupations in the

private sector. Prices in the public sector should be adjusted reasonably smoothly to rising costs — although there may be some scope for timing increases to fall at periods of below average demand pressures. Careful timing and the avoidance of abrupt price increases are also important when major changes are being made in e.g. systems of indirect taxation, agricultural support prices, etc.

(5) With prices rising at the present pace, there may be demands for some form of guarantee in real terms for incomes, social benefits, capital values etc. Where this is appropriate, rigid and quick-acting systems of price indexation should, however, be avoided, and preference given to more flexible arrangements, which allow account to be taken of the prevailing circumstances and the cause of the rise in prices.

(6) Recent moves to introduce new trade barriers should be resisted, and new action taken to reduce or remove remaining trade restrictions:—

(a) The remaining Kennedy Round tariff cuts should be brought forward to January 1, 1971 (or as soon as possible thereafter).

(b) Present efforts to reduce quantitative restrictions on Japanese exports in Europe, and on imports from all sources into Japan, should be stepped up.

(c) A start should be made on abolishing any government procurement procedures, which give open or hidden preference to domestic producers.

(d) Development aid should be untied as quickly as possible. The decision to give tariff preferences to the developing countries should be carried out.

The present world inflation provides a strong case for unilateral action and on tariffs, quotas, government procurement, untied aid, etc., taken conditionally, subject to the outcome of subsequent multilateral negotiations.

In putting together the elements of a policy package for immediate implementation, one should remember that the announcement of intentions to go ahead with measures even if they are only likely to bear fruit over the longer

run could, in itself, have a valuable psychological impact.

(7) The rise in food prices should be held by containing the rise of agricultural support prices and where possible reducing prices for products in surplus; greater resort to imports where these are cheaper than domestic products by adopting more flexible import tariffs; and the abolition of indexing by which farm prices are linked to other prices. Such steps should be backed up by action to ensure that price reductions are passed on to the consumer.

(8) The extent of existing government intervention in some important industrial sectors offers big opportunities for action. Direct financial aids, subsidised export credits, procurement regulations and technical standards are those fields for which government is directly responsible, and which therefore offer the best chances for short-run action, in some cases internationally.

(9) Governments should actively examine the implications of all their own activities on prices. Proposals for new legislation or administrative action should be accompanied by an assessment of whether they might affect prices and, if so, by an estimate both of their cost in terms of required tax revenue, and of their direct or indirect impact on the price level.

(10) All governments — and this means *your* government — should strengthen arrangements for watching prices at the international level. Those responsible for searching for means of enforcing legislation against restrictive business practices across national frontiers should be told to get on with the job on pain of losing their own jobs.

II

ACTION OVER LONGER TERM

(11) Governments should state their aims about prices clearly, and emphasize their intention to give priority to these aims in their economic policies. They should review the experience of the last few years in order to establish realistic medium-term targets for non-inflationary price behaviour.

(12) These targets should be based primarily on domestic considerations; the idea of just trying to do no worse than other countries is highly dangerous. Where appropriate targets for different countries, or groups of countries, prove to be incompatible with balance of payments equilibrium, governments should make timely adjustments in exchange rates.

(13) There is clearly scope for im-

provement in demand management policies. Here are some lessons from recent experience:

(a) Most generally — and perhaps most important — is the need for an evolution of political habits, which subject the implementation of demand management to short-term political lobbying and vote-catching.

(b) There has been an almost universal tendency to underestimate the buoyancy of private demand under full employment, and hence to over-estimate the speed and magnitude of the impact of restrictive fiscal and monetary action, and to overestimate the amount of expansionary action needed to prevent a slowdown developing into a recession. More even-keel policies with a generally greater restrictive emphasis are wanted.

(c) The need to give full weight to both fiscal and monetary policies so that they reinforce each other.

(d) The need for co-operation between central and local authorities in fiscal policy; and value (subject to the necessary safeguards) of incorporating a margin of planned flexibility in public expenditure programmes, which can be used selectively, and of having some discretionary powers to vary tax rates and social security contributions, according to conjunctural circumstances.

(e) The need to improve the techniques of monetary management, particularly those concerned with the increasing impact of international capital movements.

Price-Incomes Policy

(14) Despite the difficulties, many feel that if the only alternatives are continuing inflation or an unacceptably high level of unemployment, then the search for some form of price-incomes policy cannot be abandoned. Experience shows, however, that a broader, longer-term and less immediately ambitious approach is necessary. Price-incomes policy should not be thought of as something that can be turned on and off according to the fluctuations in the balance of payments or the fortunes of the major political parties. Experience also shows that it is not possible to give any specific recipe for success. Further, the need for, and the nature of, such a policy varies greatly from country to country. But it nevertheless seems likely that an effective policy will require guidelines as to what increase in money incomes and price behaviour would, in the prevailing circumstances, be consistent with the collective interest. It would also seem necessary to:

(a) Rally widespread support in the

political parties, trade union and employers' organisations, based not on short-term balance of payments considerations, but on recognition of the need, on general economic, social and political grounds, to avoid high and accelerating rates of inflation. This requires closer co-operation between employers, trades unions and government.

(b) Encourage changes in institutions and attitudes, so that the guidelines can be brought to bear at the level at which price and income decisions are effectively taken. These changes apply as much to the employer's role in granting inflationary wage increases and passing on higher costs into prices, as they do to the need for moderation on the part of organised labour.

(c) Build up a rational framework for collective bargaining about, e.g., the definition of bargaining units, procedures for settling disputes, the legal status of collective agreements, the timing of negotiations, etc.

(d) Promote smoother and better balanced growth to prevent or mitigate the distortions in income structure inherent in inflation, which undermine efforts to build up incomes policies.

(e) Redouble efforts to stimulate competition and eliminate monopolies both of producers and workers.

III

GOVERNMENT ACTIVITIES

Governments have accepted a vast range of responsibilities, and their influence is felt throughout the economy. At the same time, the processes of inflation are deeply buried in innumerable individual decisions taken all the time in the public and private sectors. A new initiative is therefore needed in the fight against inflation: a wide-ranging review of the price-raising implications of government action (or lack of action) over the whole field of its activities.

(15) There is a need for more forward-looking trade policies.

(a) At the appropriate moment, steps should be taken to reduce or eliminate post Kennedy Round tariffs. There should be a vigorous attack on non-tariff distortions to trade: quotas, export subsidies and subsidised export credits, export restraint agreements and scores of technical and administrative practices.

(b) Advantage should be taken of the great potential supply possibilities in the developing countries, particularly for labour-intensive manufactured products. Preferential tariff treatment for them is only a first step;

beyond this, there is the need to remove non-tariff barriers, and the question of financing the necessary investments, adaptation of domestic industries, etc.

(16) Governments should encourage real competition of all goods and services, nationally and internationally. Legislation against restrictive business practices should be tightened up and enforced everywhere. More use could be made of less formal enquiries into costs, prices and productivity in industries and sectors where performance seems to lag. Consumers should be encouraged to be price conscious.

Long-Run Objective

(17) On food and agriculture, short-run suggestions already made — notably concerning agricultural support prices and lower-levels of self-sufficiency will, to some extent, have to be regarded as longer-run objectives. In any case, agricultural policies should be modified to improve the structure of the industry and, where necessary, direct support should be given to farm incomes rather than subsidising prices. Such a change would use public money more constructively and should, over time, reduce the total costs (direct plus indirect) of agricultural policies.

(18) Similar consideration apply where exaggerated stress on national security or social problems has led to defensive and protectionist policies in other sectors e.g. textiles, shipbuilding and heavy engineering, coal mining, etc. Emphasis should be shifted to seek out and encourage industries best fitted to exploit changing international trends in supply and demand. Present government policies towards technologically advanced industries have not so far been very successful and reappraisal is necessary.

(19) In construction, the public sector should boost rationalisation, both in its role as a large-scale purchaser from the industry, and in framing building codes. In distribution and services, the small inefficient enterprises are kept alive in many countries. Where it still exists, resale price maintenance and refusal to supply larger more efficient enterprises should be abolished. Tax systems should be revised to remove biases and reduce tax evasion which tend to perpetuate inefficiency in these sectors, and legal provisions or administrative arrangements which effectively limit international competition should be eliminated.

(20) In all the above respects, more emphasis should be given to prompt and positive adaptation policies: manpower training and retraining programmes; aids to geographical mobility,

and comprehensive regional and industrial policies. In elaborating these policies it should be recognised that cyclical fluctuations are to some extent inevitable, and that appropriate counter-measures, which may need to be selective, should be planned in advance. In this way they can help governments to resist political pressure for too early relaxation of restrictive policies.

(21) More effective social policies complement structural adaptation and are needed to provide adequate protection to those most vulnerable to restrictive fiscal and monetary policies; and they may also be necessary to the evolution of effective incomes policies. At the same time, social expenditure on education, health and urban renewal are absorbing a rapidly rising share of national resources. However welcome on social grounds, efficient management and control of these expenditures is essential. Much more should be done to apply better techniques of cost bene-

fit/analysis to social expenditure, as is already done in several countries. Existing arrangements to redistribute income (and wealth) from the rich to the poor could, over time, be made more effective, and hence possibly less burdensome.

(22) Cost savings should be possible in other fields of public expenditure (e.g. defence, and above all prestige projects such as national air and shipping lines, etc.); more carefully selected charges to users of public services in education, health, roads, recreational and cultural facilities, etc., are needed in most countries.

My apologies: In order to avoid offending national susceptibilities the OECD's report is drafted in the most tortuously guarded language, which often calls for considerable reflection before one grasps what is meant. The OECD is not responsible for the crudity of my efforts to make tactlessly clear what they have left diplomatically obscure.

Chill Wind Over the Common Market

E. B. BROOK

VIENNA:

AT THE end of last year the European Common Market was basking in the glow of universal praise for having just decided at The Hague meeting to admit the principle that its membership could be widened; at the end of this year it feels the chill wind of criticism from within Europe for just having failed to take three major decisions and from outside Europe for maintaining so narrowly and short-sighted protectionist policies and methods that it is leading the world back to tariff wars and endangering the international system of multilateral, reciprocal and non-discriminating trading relationships painstakingly built up over the past 30 years. Equally shattering for the Common Market's self-esteem is the strong doubt thrown on its "dynamic" advantages, it having been argued that members of the OECD group apart from the Market countries, Japan and the USA have developed more steadily and further in the last 12 years than has the Market itself.

With so heavily loaded a charge list against west Europe's most glittering post-war achievement it is necessary to be a little detailed in examination. All that last year's willingness to enlarge the Market has produced so far is a pilgrimage of applicants to Brussels from most of the members of the European Free Trade Association and the unattached countries. After nearly a year of discussions, in a few cases far

longer, not one of them has been admitted to the Market nor appears likely to gain either membership or association for some time to come. Willingness abounds; admittance remains remote. The prospect for the major applicant, Britain, a rejected suitor again seeking favour, is that if it succeeds at all it will be against stiff terms of entry the cost and worthwhileness of which is raising such debate in Britain that continental Europe begins to wonder once again if the UK really wants to come in after all.

As to the Market internally, it has signalled its cautious conservatism once again by being unable to accept the Werner plan for monetary reform and a Common Market currency, it has reached no decision about the time Britain should be allowed for paying its full share to the common budget and revision of the Market's common agricultural policy has again been deferred. The Market faced three decisions and failed to take any.

Internally, the Market is shying away from its two most painful decisions, whether to surrender the national right of veto within its Council of Ministers which enables the top structure to remain rigid, bureaucratic, resistant to change—in fact, thoroughly continental European—and whether to move to a directly elected European parliament that would remove the veto as a national safeguard and undermine national sovereignty. France

is fully opposed to both moves and it is not uncharitable to suspect that the principal reason why France is willing to consider British membership on stiff terms is that Britain also is jealous of its national sovereignty and would be at France's side in insisting on retaining the national veto in an enlarged Council of Ministers.

As it is, however, the Market staggers forward, checked by these national vetoes, rather than genuinely progressing. The stultification of its machinery has been shown by the strike this month of its administrative personnel, European civil servants who see salaries and conditions of work in their own national services steadily improving while those of the Common Market service is cramped into slow improvement by the combined niggardliness of its six members.

Trenchant Criticism

Criticism of the Common Market from outside Europe is a good deal more trenchant. While President Pompidou has told the OECD in Paris that protectionism would not only lead to a generalized economic showdown at a time when the principal problem is to control inflation and reduce unemployment and criticized once again the US trade deficit while the dollar is maintained as an international reserve currency, the USA has, indirectly, had a good deal to say about Common Market protectionism, lead by France.

The effect, particularly, of the Common Market's agricultural policies is to keep lower-priced US farm products out of Europe while it disposes of "unsaleable surpluses" through massive subsidies.

Indirectly, also, the Common Market makes difficulties for US commerce by its restrictions on imports of Japanese manufactures, especially textiles, which results in their being channelled in bulk to the USA which has reacted with quota restrictions which are still the subject of negotiation between Washington and Tokyo.

The world has gone a long way backward since the initiative of the Kennedy Round; the efforts of GATT to persuade its members to begin reducing non-tariff barriers to trade have so far had little effect.

There is need for a new form of international negotiation over trade and for it to be started soon. The means for liberalizing the trade system appear to require a new code of international conduct, new indications for administrative practice and new principles against which to assess damage to trade interests of states.

The moving finger writes

WALTER PATER found Mona Lisa's smile inscrutable. Very much more recently, and in a rather matter-of-fact age, the suggestion has been made that the look on the good lady's face really indicated a diseased liver. When Mrs Indira Gandhi smiles, there is even less room for speculation. Her smiles are mostly of two kinds. Occasionally, it is smile of a cat which has just swallowed cream. More frequently, however, it is the smile of a cat which wants others to think that it has just swallowed cream. At her press conference on December 29, her smile was generally of the latter quality.

Mrs Gandhi knows that she is appealing to the electorate from a position of weakness and not of strength. She knows too that others know this. But she would rather die than concede the fact. This explains her peevishness when a press correspondent asked whether her government could, in the present circumstances, be described as a care-taker government. Mrs Gandhi raised her voice and declared that hers was certainly no care-taker government, but a wholly regular one which could and would function with full authority and in a normal manner.

Her contention was that since her government had not been defeated in the outgoing Parliament, its status after the dissolution of the Lok Sabha could not be described as that of a care-taker government. This of course is a very narrow technical argument. As she herself has conceded formally and publicly, her government had been finding it difficult to function effectively in or through Parliament and this, in fact, was one of the reasons given by her for dissolving the Lok Sabha and seeking a premature poll. This implies that at the time the Lok Sabha was dissolved, her administration was in office without quite being in power. Hence, its continuance pending a general election is clearly on sufferance. A less accommodating President of India could, in fact, have justifiably insisted on an all-party council of ministers advising him on the administration of the country during the *interregnum*.

While not quite declaring that her party would go it alone, Mrs Gandhi indicated that her thinking for the present was that she would seek no formal electoral alliance with other par-

ties at the national level. It is obvious that she has qualified her stand sufficiently to provide room for her party coming to all kinds of arrangements of convenience in the states.

Although the Prime Minister has decided to campaign under the twin flags of socialism and secularism, she showed an extraordinary unwillingness to commit herself to the position that her party would have no truck with communal organisations in fighting the election. On the contrary, she permitted herself the folly of rationalising the existence of Muslim political organisations by referring to what she described as legitimate Muslim grievances.

In the matter of 'like-minded parties', the Prime Minister was obviously anxious to avoid having to give a straight reply to my question whether the DMK's quixotic 'language' policy would be relevant to the determination of her party's attitude towards co-operating with or seeking the co-operation of the DMK in the election. Her pompous declaration that everybody knew what her views on the language issue were was certainly no answer.

I was unsuccessful, again, in provoking her to declare that she would commit her party to a clean election campaign—clean, i.e., in the sense that the party organisation or its candidates would observe the legal limit on election expenses. To another question from me whether her party expected the business community to extend to it large-scale financial assistance for the election, her reply merely was that so far no such assistance had been received.

The Prime Minister chose to treat as a joke my query whether her party would seek election loans from the nationalised banks. She quipped that she had not thought of it and was therefore thankful for the suggestion. I do not grudge Mrs Gandhi this easy indulgence in banter, but I do assert that there is a danger of nationalised bank credit being availed of by the party in power in connection with the forthcoming general election. The Reserve Bank should therefore issue a directive to the nationalised banks that, from now on, they should not provide credit facilities of any kind to political parties or make personal loans or advances to

prominent politicians in general, and in particular, to those standing as candidates for the election. The Reserve Bank has been issuing from time to time directives to banks regarding almost everything under the sun and here is one occasion where it can usefully exercise its authority to prevent possible political abuse of nationalised bank credit.

The Prime Minister was particularly uneasy when she was interrogated on the present state of the economy. She hurriedly, sought cover behind the green revolution and stepped out of it only to suggest rather diffidently that even the industrial sector had not been doing too badly. On rising prices she was discreetly silent. But about employment she was less tactful. Mrs Gandhi said that the level of employment had gone up by 2½ per cent during 1970 as compared with the previous year. This, she claimed, suggested that unemployment was declining. The Prime Minister should get her aggregates right. Even granting that the volume of employment has gone up by 2½ per cent, the volume of unemployment must still be rising since the population is also going up by 2½ per cent. Mrs Gandhi evidently is better at dealing with persons than with percentages, which is a good thing for politicians so long as they do not venture to discuss economic statistics with a knowing air.

On elections for state assemblies, the Prime Minister was needlessly cagey, especially about West Bengal. It was not apparent however that she herself was not very enthusiastic about such elections being held along with the poll for the Lok Sabha. To my rather loaded question whether the various governors were expected to go by the wishes of the respective chief ministers in this matter or whether the Attorney General might be appealed to, the Prime Minister was good enough to say that, although she was not quite sure of the legal position she thought that a chief minister's recommendation would be accepted. For once, Mrs Gandhi is thus agreeable to governors doing unto chief ministers as she would have the President do unto the Prime Minister.

V.B.

Trade Winds

EXCISE DUTY ON SUGAR, ETC.

THE COMMITTEE of Chief Ministers of the National Development Council, which met recently under the chairmanship of Prof. D. R. Gadgil, Deputy Chairman, Planning Commission, broadly agreed that the additional excise duty on sugar, tobacco and textiles levied in lieu of state sales tax should continue, subject to such adjustments as may improve the elasticity of the yields from additional excise duties. The union Ministry of Finance will work out the detailed proposals. Replacement of sales tax levied on sugar, tobacco and textiles first came into operation in 1957. The arrangement gave rise to issues on which there was some difference of opinion between the centre and some of the states. A Working Group was set up to consider all its relevant aspects and evolve an acceptable formula. The working group consisted of Economic Adviser, Planning Commission as its convener and finance secretaries of Andhra Pradesh, Assam, Gujarat, Haryana, Madhya Pradesh, Mysore, Tamil Nadu, Uttar Pradesh, and representatives of the Ministry of Finance as its members. The discussion at the meeting of the Committee centred round mainly on the recommendations made by the Working Group. The Working Group had recommended among other things that the overall incidence of additional excise duties should be increased to 10.8 per cent of the value of clearance and not be allowed to fall below this level in future. It had also recommended that the ratio of 2:1 should normally be maintained between the yields from basic and special excise duties on the one hand and additional excise duties on the other. The Committee broadly agreed to these recommendations. Many of the chief ministers also felt that this increase of the incidence to 10.8 per cent should be brought about as speedily as possible.

INDO-IRAN CO-OPERATION

The joint Indo-Iranian Commission for Economic, Trade and Technical Co-operation has recommended, that the possibilities of increased interchange of expertise and components between industrial units in the two countries having common foreign collaboration arrangements should be investigated. A communique issued at the conclusion of the third meeting at Teheran

on December 30, of the Commission expressed overall satisfaction at the progress made since its last meeting held in February and directed that the sub-committees and co-ordination and implementation committees should continue to hold frequent meetings at all levels before the next meeting of the commission which would be held in October. It said that contract details were being finalised which would conclude very shortly. These contracts would make a significant contribution to the long-term economic collaboration between the two countries. The commission also examined the new proposals that had been submitted in the field of industry trade and commerce and technical co-operation between the two countries. The commission felt that more intensive collaboration in the field of small-scale industries would be of mutual benefit. To this end, this country offered a number of fellowships, information on financing and management, the carrying out of area surveys in Iran and the supply of technical data on identified projects.

TRADE WITH NEPAL

Consequent on the expiry of the mutually agreed arrangements between this country and Nepal, the union government issued on December 31, 1970 a notification providing for continued trade between the two countries as with other friendly neighbours. In addition, in view of the traditional economic and social links between the two countries, the government has provided for special concessions which will ensure supplies to Nepal of essential articles, including some which this country imports on payment of foreign exchange. The notification also provides for the free entry into this country without customs duties or quantitative restrictions of a wide range of products from Nepal.

INDUSTRIAL TEAM TO W. INDIES

A team of three experts from the Small Scale Industries Development Organisation under the Ministry of Industrial Development left for Trinidad and Tobago in the West Indies and Surinam in Latin America on December 26, at the invitation of the governments concerned. The team is being led by Mr M.K. Chitre, Director (Chemicals) and consists of Mr H.M. Som, expert in mechanical industries and Mr K.V. Bansal, Industrial Eco-

nomist. During its two months' stay in these countries, the team will assess the potentialities of industrial development with special emphasis on small-scale industries. The team will also explore possibilities of starting joint industrial ventures with Indian collaboration in these countries. The visit of the team of experts to the two countries forms part of the Indian Technical and Economic Co-operation Programme of the Ministry of External Affairs.

SUGAR POLICY

The union government has decided to continue the present policy of partial decontrol of sugar. The ratio of levy sugar to free sale sugar will be 60:40, instead of 70:30.

INDIA-UAR SHIPPING PROTOCOL

A protocol on operation of Indo-UAR shipping was signed in Cairo on December 25 by Mr M. Sobhi, Chairman of the United Arab Maritime Transport Company, and Mr R. Tirumalai, Joint Secretary in the Ministry of Shipping and Transport and leader of the visiting Indian shipping delegation which arrived in Cairo on December 19. During its stay in Cairo the delegation met the UAR Minister of Transport.

QUOTA IN I.M.F.

This country's quota in the International Monetary Fund has increased from \$ 750 million (Rs 562.5 crores) to \$ 940 million (Rs 705.0 crores) with effect from December 24, 1970. The Government of India has completed the payment to IMF of the sum of \$190 million (Rs 142.5 crores), 25 per cent in Gold and 75 per cent in rupee securities, for which Parliament had voted funds. This country has been a founder member of IMF. Its quota was last revised from \$ 600 million to \$750 million in 1966. As a result of the Fifth Quinquennial Review of quotas of IMF members, this country became eligible for a 25 per cent increase in quota from \$ 750 million to \$940 million. According to the Articles of the IMF 25 per cent of the increased subscription amounting to \$ 47.5 million was payable in the form of gold and the balance of \$ 142.5 million in the form of non-interest-bearing non-negotiable rupee securities. These payments have been completed. Gold of the value of \$47.5 million (Rs 35.62 crores) has been transferred to the IMF account maintained by the Reserve Bank of India. The Reserve Bank has also issued rupee securities to the Fund on behalf of the Government of India. For the payment of the gold subscription, the Government of India purchased gold in the USA

to the extent of \$ 30 million and for the balance used newly-mined and confiscated gold available with government. The increased quota will be the basis for allocation of Special Drawing Rights on January 1, 1971.

PUNJAB: ANNUAL PLAN 1971-72

An outlay of the order of Rs. 68 crores has been approved by the Planning Commission for the annual Plan, 1971-72 of Punjab at a meeting between the Punjab government and Planning Commission. The meeting was presided over by the Deputy Chairman, Prof. D. R. Gadgil, and attended by Mr Parkash Singh Badal, Chief Minister, Mr S.S. Bassi, Minister of Irrigation, Mr Balwant Singh, Minister of Finance, and Mr R. Venkataraman, Member, Planning Commission. Out of the total outlay, the amount of central assistance is Rs. 20.20 crores. The outlays (in Rs. crores) approved for the major heads are: Agricultural Programmes 10.6; Cooperation & Community Development 3.7; Irrigation & Power 34.1; Industry & Mining 1.5; Transport & Communication 8.7; Social Services 9.2; and Miscellaneous 0.2.

BAN ON COPPER WIRE

The union Ministry of Industrial Development and Internal Trade has issued an order prohibiting the use of copper in the manufacture of electrical cables and wires except with the prior permission of the government unless such cables and wires are for export and are covered by firm orders. Another order issued by the ministry empowered the government to control the sale price of electrical cables and wires manufactured in the country. It has been pointed out that every dealer will have to display the price list at the place of his business and he will be prohibited from withholding the sale of electrical cables and wires, which are ordinarily kept for sale by him.

TAX ON CHARITABLE TRUSTS

The Central Board of Direct Taxes have clarified that where a charitable or religious trust transfers a capital asset forming part of the corpus of its property solely with a view to acquiring another capital asset for the use and benefit of the trust and utilises the capital gains arising from the transaction in acquiring a new capital asset, the trust will not forfeit exemption from income-tax on such capital gains. This is because, in such a case, the capital gains will be regarded as having been applied to charitable or religious purposes during the relevant accounting year itself or within three months immediately following. The Finance Act, 1970, had made several changes in the

scheme of tax exemption of charitable and religious trusts. Under one of these changes, a charitable or religious trust will forfeit exemption from income-tax, if the trust funds constituting its corpus or income are invested in any concern in which the author of the trust or any substantial contributor or any of their relatives have a substantial interest.

NEW PROTEIN UNIT

Mr K.K. Shah, union Minister for Health and Family Planning, inaugurated the "new protein" unit of Unichem Laboratories at Ghaziabad recently. He stated that there about 100 million pre-school children of the age below six years and more than this number of school children who had to be supplied with nutritious foods. The minister added that malnutrition among growing children and expectant nursing mothers in the lower socio-economic groups had become a public problem of great magnitude and special attention should be paid not only to production of high protein foods but also distribution to the groups which needed them most.

A.D.B. LOAN FOR NEPAL

The Asian Development Bank today approved loan financing equivalent to US \$4 million for a jute development project in Nepal. The Bank's financing consists of two loans of \$ 1 million each from Special Funds resources for concessional lending and from ordinary capital resources. The concessional loan will carry interest at three per cent per annum while the loan from the ordinary resources will carry interest at 7-1/2 per cent per annum. Both loans, to be made to the Kingdom of Nepal, will be repayable in 12 years including a three-year grace period. The jute development project is an integrated programme for improving the quality of both raw jute and manufactured jute products. The project calls for improved raw jute production, modernization of two jute mills and upgrading of marketing and trading facilities.

ANCILLARIES INDUSTRIES

The Maharashtra Economic Development Council held a preparatory meeting of the representatives of various chambers of commerce, industries associations and prominent industrialists in Maharashtra recently for evolving a programme for the "Conference on Ancillary Industries in Maharashtra: Development Prospects and Problems," which the Council is holding in the beginning of 1971. Mr Pravinchandra V. Gandhi, Chairman of the Council presided in the absence of Mr V.G. Rajadhyaksha, President of the Council

who could not attend the meeting due to illness.

I.F.C. LOANS

The Industrial Finance Corporation of India, has fixed the normal rate of interest charged by it on all its rupee loans at nine per cent per annum with effect from December 5, 1970. This will be subject to the usual rebate of interest at the rate of 1/2 per cent per annum for punctual payment of instalments of principal and interest on due dates. This will raise the effective rate of interest on IFC rupee loans from eight per cent to 8 1/2 per cent to meet its increased operational expenses. The revised rate of interest will be applicable to all rupee loans sanctioned on or after December 5, 1970, and also to all rupee loans sanctioned prior to the said date in respect of which loan agreements have not been executed to small and medium-sized projects in notified backward districts.

PIPELINES INDUSTRY

The Pipelines Inquiry Commission, set up by the Ministry of Petroleum and Chemicals and Mines and Metals, to inquire into the allegations of irregularities in the construction of Gauhati-Siliguri and Haldia-Barauni-Kanpur oil pipelines, has now extended the date for receiving information by persons acquainted with the subject matter of inquiry to January 25, 1971. The information, according to the notification, should be sent in the form of statement of facts set out in separate paragraphs each relating to specific issue and should be accompanied by an affidavit.

NAMES IN THE NEWS

The Engineering Export Promotion Council has elected unanimously Mr Raunaq Singh, Managing Director of Messrs Bharat Steel Tubes Limited as their Chairman for the year 1971. The council proposes to ensure Rs 250 crores worth of exports at the end of the fourth Plan — the target set for engineering items. The need for a man of Mr Raunaq Singh's drive therefore, was there. His close association with the industry spans three decades and his commitment to exports is total and irrevocable. This is illustrated by the performance of Bharat Steel Tubes Limited whose exports last year aggregated to Rs 3 crores or 40 per cent of the company's total production. He is the Chairman of the Haryana Chamber of Commerce, Executive Committee Member of Indo-American Chamber of Commerce; Punjab, Haryana and Delhi Chamber of Commerce, Indian Engineering Association, etc. He is also a member of the Central Advisory Council on Trade

Company Affairs

PUNJAB NATIONAL BANK

THE DEPOSITS of the Punjab National Bank on December 31, 1969, stood around Rs 391.09 crores including Rs 57.57 lakhs towards employees' security deposits held by the bank. Fixed deposits accounted for over Rs 171 crores, savings bank deposits Rs 138.13 crores and current accounts and contingency accounts around Rs 81.37 crores. Advances on that date stood around Rs 226.53 crores. Net profit of the Punjab National Bank Ltd., before nationalisation for the period of January 1, 1969 to July 18, 1969 was around Rs 22.93 lakhs out of which a sum of Rs 46 lakhs was provided towards the payment of bonus to staff and the balance of Rs 27.69 lakhs was transferred to reserve fund. Net profit for the period July 19, 1969 to December 31, 1969 was recorded at Rs 85.78 lakhs out of which Rs 38 lakhs was separated towards bonus to the staff. A sum of Rs 18 lakhs was transferred to reserve fund. The balance of Rs 29.78 lakhs has been transferred to the government in terms of Section 10 (7) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970.

CENTRAL BANK OF INDIA

The working of Central Bank of India for the period July 19, 1969 to December 31, 1969 resulted in a net profit of Rs 47.41 lakhs. Net profit of the Central Bank of India Ltd for the period January 1, 1969 to July 18, 1969 was at Rs 61.66 lakhs. A sum of Rs 62.03 lakhs has been transferred to reserve fund in terms of Section 17 of the Banking Regulation Act 1949. Another amount of Rs 9.48 lakhs has been transferred to reserve fund in terms of Section 3 (6) of the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970, out of the net profit for the period July 19, 1969 to December 31, 1969. The balance amount of Rs 37.93 lakhs has been transferred to the government in terms of Section 10 (7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970. During the year 1969, increase in deposits was recorded from Rs 433.27 crores to Rs 500.75 crores. During that year advances increased from Rs 296.27 crores to Rs 357.74 crores. The number of branches of the bank increased from

504 to 673, showing a record number of increase during one year.

The bank had planned a multi-pronged drive to reach an overall target of Rs 500 crores of deposits which it was able to achieve. Rural offices of the bank extended their deposits campaign to small farmers and artisans. The bank amended and liberalised rules relating to opening of accounts in order to attract deposits from the common people who were traditionally accustomed to invest in gold ornaments or spend the surplus funds on marriages and festivals. There was also a marked improvement in the bank's efforts to extend credit to small scale industries, agricultural sector and exports sector. Advances to small scale industries increased from Rs 25.25 crores towards the end of July 1969 to Rs 30.97 crores towards the end of December 1969. Similarly during the period the agricultural credit increased from Rs 6.89 crores to Rs 22.44 crores. Advances to the export sector increased from Rs 10.16 crores at the end of July 1969 to Rs 18.41 crores towards the end of 1969.

BANK OF BARODA

Bank of Baroda has reported, its working after nationalisation covering the period from July 19 to December 31, 1969. Its deposits have been reported at Rs 354.91 crores and its advances at Rs 233.81 crores. The number of branches has gone up by 100 to 433. The profit for the period has been recorded at Rs 34.32 lakhs. However, the profit for the year as a whole has added upto Rs 56.16 lakhs in 1969. Bonus to employees during the year amounted to Rs 63.81 lakhs. The overall growth rate of deposits has been 12.7 per cent. The share of current account deposits is 17.90 per cent, of fixed deposits 55.35 per cent and of savings 26.75 per cent. The share of urban branches has come to 82.26 per cent. Advances of the bank have increased by 19.4 per cent. A little over one-fourth of the bank's advances were given to agriculture, small-scale industries, exports and other neglected sectors. The share of agriculture in the total advances was 5.8 per cent with Rs. 12.38 crores outstanding against 19,834 accounts whose aggregate sanctioned limits amounted to Rs 22.71 crores.

The share of small industries was about Rs 7.7 crores.

BALLARPUR PAPER

Mr L.M. Thapar, Chairman, Ballarpur Paper and Straw Board Mills Ltd told the shareholders at the annual general meeting held recently that production of paper during the year 1969-70 was around 92,000 tonnes, Ballarpur Division contributing more than 51,000 tonnes, an increase of 3,000 tonnes over the previous year. The company, he added, achieved this increased production through improved productivity and scientific management of men and machines. Mr Thapar pointed out that in view of the shortage of paper the company had embarked on a crash programme as an emergency measure to increase production by speeding up the existing machines. The crash programme he pointed out, is a stop gap measure and it will increase the existing paper production in the country marginally by about 130,000 tonnes for the industry. The real solution involved the creation of further capacity for paper production.

Mr Thapar, pointed out that the central and the state governments do not seem to realise the gravity of the situation. The industry, he added has been trying to impress upon the authorities to evolve an integrated paper policy, so that the industry may be able to play its assigned role in the national reconstruction. The Industrial Policy of the government with its prejudice against large industrial organisations has become a major impediment in the growth of this industry. Much of the progress in industry, he pointed out, would depend upon the initiative of the large units which account for nearly 80 per cent of the paper production in the country. These units alone have the resources, managerial skill and the know-how to produce paper on large-scale and at relatively less costs. To put restriction on development and diversification of these organisations would deprive the economy of the necessary dynamism and vitality which are badly required at present, he added. The paper industry requires nearly Rs 345 crores, to raise the installed capacity from existing level of 760,000 tonnes to 1,130,000 tonnes by 1973-74. He added that the financial institutions should be a little more accommodating.

Mr Thapar stated that increasing royalty rates on bamboo and the prices of other forest products have also become a serious problem for the industry. Similarly prices of other raw materials such as chemicals and

dyes have also been increasing. Electricity rates, transportation costs and wages have also resulted in an increase in the cost of production. To meet this situation the industry will have to adjust prices so that it is in a position to plough back its earnings and generate resources for any capital investment.

SIEMENS INDIA

Siemens India Ltd proposes to issue for public subscription of Rs 60 lakhs in 600,000 equity shares of Rs 10 each at par and 20,000 (8 per cent) first mortgage redeemable debentures of Rs 1,000 each at par. The company has an authorised capital of Rs three crores in three million equity shares of Rs 10 each and an issued and paid-up capital of Rs 1.20 crores. The present issue is for Rs 1.20 crores, of which shares of Rs 60 lakhs will be allotted to Siemens Asia Investment AG, Zurich, Switzerland, and a sum of Rs 60 lakhs has been received by the company in advance for this allotment of shares. The company has set up a new factory at Kalwa, near Bombay and expanded and diversified production at its factories at Worli and Andheri (Bombay). The proceeds of the present issue of equity shares and debentures will be utilised to provide for working capital, finance for the expansion and diversification of production and to repay some of its short-term bank borrowings. The company has applied for an industrial licence for the manufacture of power line carrier equipment, railway signalling equipment and electronic equipment for power engineering purposes.

DELHI CLOTH MILLS

The directors of the Delhi Cloth and General Mills Co Ltd have decided to issue bonus shares in the ratio of four equity shares for every five equity shares held. The company's paid-up capital is at present Rs 9.66 crores and bonus issue will help capitalise Rs 7.73 crores out of the general reserve, which stood at Rs 10.97 crores on June 30, 1970. The company also has plans to increase the capacity of the fertiliser unit at Kota. Already the expansion of the cotton textile units was in hand and another unit is to be set up at Basna on Ghaziabad-Hapur road in UP.

RATHI ISPAT

Rathi Ispat Ltd entered the capital market on January 6, with an issue of Rs 22.23 lakhs made up of 132,300 equity shares of Rs 10 each and 9,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each. The issue will close on January 15,

1971, or earlier at the discretion of the directors but not before January 8, 1971. The entire issue has been underwritten. The company has been formed to put up a 10-ton electric arc furnace to produce mild-alloy steel, ingots and billets as there is an acute shortage of these items in the country. The plant will be installed under the supervision and guidance of W.S. Atkins Pvt. Ltd. The plant will be located in Ghaziabad near Delhi. The company will commence production by June 1971.

MYSORE CEMENTS

The Mysore Cements Ltd has announced a dividend of 9.5 per cent on redeemable preference shares and 12.5 per cent on equity shares. The gross profit has been placed at Rs 114.98 lakh of which Rs 47.16 lakhs has been provided for depreciation. The net profit has amounted to Rs 67.81 lakhs. Nearly Rs 54.8 lakh has been transferred to general reserve and Rs 10 lakhs to development reserve. Addressing the annual meeting of the shareholders at Bangalore recently, Mr D.P. Mandelia, director, has stated that although the problems of the new plant have not been solved, production and sales have improved by 67 per cent and 77 per cent respectively over the previous year. While production cost has increased by Rs 10 per tonne, the price increase allowed has been only four rupees. The company has produced 3,70,000 tonnes of cement.

HINDUSTAN LEVER

Hindustan Lever Ltd has executed an order from Russia for 800 tonnes of synthetic detergents in consumer packs. The FOB value of this order is around Rs 20.80 lakhs. This is the largest single order for synthetic detergents to be exported from India. Levers' Export House, Indexpore Limited, negotiated this business through the State Trading Corporation of India with the buyers in Moscow.

FOOD & INNS

Food and Inns Ltd is entering the capital market on January 13, with an equity issue of Rs 25 lakhs in 250,000 shares of Rs 10 each. The entire public issue has been underwritten. The proceeds of the issue will be utilised for financing the establishment of an egg powder plant at Chembur and for the purchase of egg producing poultry unit at Poona. The process and know-how have been developed by the Central Food Technological Research Institute, Mysore, and the plant and machinery is being fabricated by Larsen and Toubro Ltd in collaboration with Niro Atomizer of Denmark. The company's plant is expected to be commissioned

by the middle of next year. The project involves a total outlay of Rs 90 lakhs, including working capital of about Rs 10 lakhs. This egg powder plant is claimed to be the first of its kind in India. The production will be of the order of half a tonne of whole egg powder per shift per day. Most of the output is expected to be taken up by the defence services. The company has also acquired the sole selling rights of the popular "Madhu" brand of processed foods.

NATIONAL-STANDARD DUNCAN

The working of National-Standard Duncan Ltd during the year ended June 30, 1970 has resulted in a gross profit of Rs 41.02 lakhs as against Rs 42.43 lakhs in the previous year. Sales have increased to Rs 1.71 crores from Rs 1.64 crores. Allocations include: depreciation Rs 8.24 lakhs, secretaries and treasurer's commission Rs 1.42 lakhs, development rebate reserve Rs 55,000 and taxation Rs 16.50 lakhs. The net profit works out at Rs 14.31 lakhs. The directors have transferred Rs five lakhs to machinery replacement reserve and Rs 9.50 lakhs to general reserve. They have proposed an equity dividend of 14 per cent which will be paid out of the general reserve and absorb Rs seven lakhs. The entire dividend will be tax free in the hands of shareholders. Production at 4,231 tonnes was higher than the last year's level of 4,030 tonnes. An additional capacity has been sanctioned by the government by issue of letter of intent and plans are in hand to implement this capacity in stages. Diversification of the product range is under consideration. A letter of intent has been received for the production of tyre moulds and plans are in hand to implement it.

HINDUSTAN MOTORS

Hindustan Motors Limited has obtained the necessary sanction from the Controller of Capital Issues for the issue of 21,94,201 ordinary shares as bonus shares by capitalising a sum of Rs 1,55,300 from capital redemption reserve and Rs 2,17,86,710 from general reserve. The bonus shares will be allotted to those ordinary shareholders registered as on the end of February, 1971, in the ratio of one-for-five. Any distribution of shares or benefit of fractional entitlements to non-resident shareholders will be subject to the approval of the Reserve Bank. The bonus shares to be allotted, shall rank pari passu with the existing ordinary shares in all respects save and except that they shall not be entitled to participate in any dividend if declared for any financial year of the company prior to the financial year beginning April 1, 1970.

Bank of Balance Sheet as

CAPITAL AND LIABILITIES				
	Rs.	P.	Rs.	P.
1. CAPITAL :				
Paid-up Capital (Wholly owned by the Central Government)			2,50,00,000.0	
2. RESERVE FUND AND OTHER RESERVES :				
Reserve Fund under Section 17 of the Banking Regulation Act, 1949 including Share premium Rs. 94,63,760.00	3,43,51,755.04			
Development Rebate	1,72,750.00		3,45,24,505.0	
3. DEPOSITS AND OTHER ACCOUNTS :				
Fixed Deposits (Including employees' security deposits Rs. 18,64,786.70) ..	1,97,35,97,452.34			
Savings Bank Deposits	90,65,40,544.36			
Current Accounts, Contingency Accounts, etc.	66,89,96,425.75		354,91,34,422.4	
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.:				
(i) In India	23,99,20,633.53			
(Includes an amount of Rs. 8,17,19,553.53 borrowed from the Industrial Development Bank of India and Rs. 1,01,080.00 borrowed from the Agricultural Refinance Corporation)				
(ii) outside India	11,33,985.51			
Particulars :			24,10,54,619.0	
(i) Secured :				
(a) by part of Investments and Bills <i>per contra</i>	8,65,10,452.75			
(b) under the Refinance Scheme of the Industrial Development Bank of India <i>vide</i> 5.1. (i) <i>per contra</i>	7,68,53,167.00			
(c) Under the Refinance Scheme of the Agricultural Refinance Corporation ..	1,01,080.00			
(ii) Unsecured :				
(a) under the Refinance Scheme of the Industrial Development Bank of India <i>vide</i> 5.1. (i) <i>per contra</i>	48,66,386.53			
(b) Others	7,27,23,532.76			
5. BILLS PAYABLE			4,46,35,794.9	
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE <i>as per contra</i> :				
(i) payable in India	18,10,97,091.89			
(ii) payable outside India	9,00,82,146.55			
7. OTHER LIABILITIES			27,11,79,238.4	
including :—			11,15,09,691.6	
(a) Branch Adjustments	Rs. 4,36,79,598.99	P.		
(b) Net amount realised to date in respect of assets under collection of the former New Citizen Bank of India Ltd.:				
(i) in India	4,91,377.85			
(ii) in Pakistan pending repatriation	4,919.80			
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS <i>per contra</i> ..			22,47,03,434.6	
Carried Over ..			450,17,41,706.1	

Baroda at 31st December, 1969

PROPERTY AND ASSETS				
	Rs.	P.	Rs.	P.
1. CASH :				
In hand and with Reserve Bank and State Bank of India (including foreign currency notes)			27,08,44,810.79	
2. BALANCES WITH OTHER BANKS :				
(i) in India on Current Account	43,30,391.26			
(ii) outside India on Current Account	1,76,49,166.47			
(iii) outside India on Deposit Account	9,19,21,368.07		11,39,00,925.80	
3. MONEY AT CALL AND SHORT NOTICE			8,75,54,398.62	
4. INVESTMENTS AT MARKET VALUE :				
(i) Securities of the Central and State Governments and other Trustee Securities	97,78,55,762.06			
Treasury Bills of Central Government	Nil			
(ii) Shares :				
(a) Fully Paid Preference Shares	35,32,428.00			
(b) Fully Paid Ordinary Shares	1,34,02,930.70			
(c) Partly Paid Preference Shares	45,72,170.00			
(d) Partly Paid Ordinary Shares	1,81,49,659.00			
(iii) Debentures or Bonds				
(iv) Other investments :				
(a) Foreign Government Loans and Treasury Bills and other Trustee Securities	5,68,31,146.50			
(b) Fully Paid Ordinary Shares (foreign)	1,02,090.00			
(v) Gold	Nil		107,44,46,186.26	
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. :	Rs.	P.		
(i) in India	173,87,97,861.19			
(includes an amount of Rs. 8,17,19,553.53 relating to medium-term advances in respect of which finance has been obtained from the Industrial Development Bank of India and Rs. 1,01,080.00 obtained from the Agricultural Refinance Corporation <i>as per contra</i>)				
(ii) outside India	16,06,32,744.19		189,94,30,605.38	
II. Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)				
(i) payable in India	27,54,81,796.89			
(ii) payable outside India	16,32,36,063.56		43,87,17,860.45	233,81,48,465.83
Particulars of Advances :			388,48,94,787.30	
(i) Debts considered good in respect of which the banking company is fully secured			185,97,72,480.98	
(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security including advances under joint and several pronotes			11,11,27,852.89	
Carried Over ..			197,09,00,333.87	388,48,94,787.30

Bank of

Balance Sheet as

CAPITAL AND LIABILITIES—(Contd.)

	Rs.	P.	Rs.	P.
Brought Forward			450,17,41,706.16	
9. ASSIGNED CAPITAL UNDER BANKING ACT OF KENYA (East Africa) <i>per contra</i>				63,00,000.00
10. PROFIT AND LOSS:				
Balance of Profit carried forward from 1968		62,908.80		
Add : Profit for the period 1-1-1969 to 18-7-1969		21,85,086.24		
		22,47,995.04		
Less : Amount transferred to Reserve Fund under Section 17 of the Banking Regulation Act, 1949		22,47,995.04		
		Nil		
Profit for the period from 19-7-1969 to 31-12-1969 as per Profit and Loss Account		34,31,792.28		
Less : Amount transferred to Reserve Fund under Section 17 of the Banking Regulation Act, 1949		7,00,000.00		
Balance being amount to be transferred to Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970			27,31,792.28	
11. CONTINGENT LIABILITIES :				
(i) On partly paid shares of Joint Stock Companies	Rs.	P.		
	45,91,700.00			
(ii) Claims against the banking company not acknowledged as debts		22,56,977.80		
(iii) Money for which the banking company is contingently liable (including Rs. 8,50,102.75 for guarantees given on behalf of the directors and the officers of the Bank)	Rs. 71,63,09,881.05			
(iv) Liabilities on Bills of Exchange re-discounted	Rs. 4,51,55,330.64			

Carried Over ..

451,07,73,498.44

Baroda

at 31st December, 1969

PROPERTY AND ASSETS—(Contd.)

	Brought Forward	Rs.	P.	Rs.	P.
		197,09,00,333.87		388,48,94,787.30	
5. ADVANCES—Contd.					
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal securities of the debtors		36,72,48,131.96			
(iv) Debts considered doubtful or bad, not provided for		Nil			
		233,81,48,465.83			
(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons		24,42,146.05			
(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			
(vii) Maximum total amount of advances, including temporary advances made at any time during the period to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons		24,42,146.05			
(viii) Maximum total amount of advances, including temporary advances granted during the period 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			
(ix) Due from banking companies		28,73,127.53			
6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION <i>as per contra</i>					
(i) payable in India		18,10,97,091.89			
(ii) payable outside India		9,00,82,146.55			
				27,11,79,238.44	
7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS <i>per contra</i>				22,47,03,434.65	
8. AMOUNT REMITTED TOWARDS ASSIGNED CAPITAL UNDER BANKING ACT OF KENYA (EAST AFRICA) <i>per contra</i>				63,00,000.00	
9. PREMISES LESS DEPRECIATION :					
Cost as on 31st December, 1968		3,23,52,994.53			
Add : Additions during the period 1-1-1969 to 18-7-1969		54,32,347.60			
		3,77,85,342.13			
Less : Deductions during the period 1-1-1969 to 18-7-1969					
		3,77,85,342.13			
Less : Depreciation written off upto 18-7-1969		50,38,761.74			
Written down value as at 18-7-1969		3,27,46,580.39			
Add : Additions during the period 19-7-1969 to 31-12-1969		39,85,458.18			
		3,67,32,038.57			
Less : Deductions during the period 19-7-1969 to 31-12-1969		15,60,969.79			
		3,51,71,068.78			
Less : Depreciation written off for the period 19-7-1969 to 31-12-1969		4,64,246.35			
				3,47,06,822.43	
Carried Over				442,17,84,282.82	

January 8, 1971

Bank of Balance Sheet as

CAPITAL AND LIABILITIES—(Contd.)

	Rs.	P.	Rs.	P.
(v) Liability on account of outstanding Forward Exchange Contracts for purchases and sales			Brought forward	4,51,07,73,498.44
			P. Rs. 14,76,66,384.53	
			S Rs. 19,15,86,064.40	

Notes : (1) No provision has been made for future gratuities to the staff in the accounts, the liability for which has not been ascertained.

(2) No returns have been received from Narayangunj branch (East Pakistan). The latest available returns relating to the 30th June, 1965 have been incorporated in the accounts.

(3) No credit has been taken for the estimated appreciation of Rs. 25,12,516.00 in the value of the Kampala Property transferred to the Bank of Baroda (Uganda) Ltd., on 1-11-1969. Appreciation will be credited when actually realised by receipt of remittance from Uganda.

Total 451,07,73,498.44

S. J. ASLOT
Chief Accountant

M. G. PARIKH
Custodian

Baroda at 31st December, 1969

PROPERTY AND ASSETS—(Contd.)

	Rs.	P.	Rs.	P.
10. FURNITURE AND FIXTURES LESS DEPRECIATION :			Brought forward	442,17,84,282.82
Cost as on 31st December, 1968	3,15,45,030.86			
Add : Additions during the period 1-1-1969 to 18-7-1969	34,15,598.20			
	3,49,60,629.06			
Less : Deductions during the period 1-1-1969 to 18-7-1969	1,17,660.91			
	3,48,42,968.15			
Less : Depreciation written off upto 18-7-1969	1,53,98,985.95			
	1,94,43,982.20			
Written down value as at 18-7-1969	28,07,962.48			
Add : Additions during the period 19-7-1969 to 31-12-1969	2,22,51,944.68			
	3,08,935.88			
Less : Deductions during the period 19-7-1969 to 31-12-1969	2,19,43,008.80			
	14,27,907.22			
Less : Depreciation written off for the period 19-7-1969 to 31-12-1969				2,05,15,101.58
11. OTHER ASSETS :				
(i) Shares of Bank of Baroda (U.K.) Nominee Ltd. (Subsidiary)	1,334.49			
(ii) Shares of Bank of Baroda (Uganda) Ltd. (Subsidiary)	42.00			
(iii) Application Money for Shares of Bank of Baroda (Uganda) Ltd. (Subsidiary)	2,10,00,412.03			
(iv) Interest accrued on Investments	1,43,37,391.03			
(v) Other accrued income	55,68,591.63			
(vi) Stamps and Stationery	49,24,013.40			
(vii) Amount recoverable in cash or kind	1,02,83,839.72			
(viii) Clearing Adjustments	53,50,778.34			
(ix) Advance Payment of Income Tax	59,64,750.00			
(x) Amount due from Bank of Baroda (Uganda) Ltd. (Subsidiary)	10,42,961.40			
(xi) Silver	Nil			6,84,74,114.04
Total				<u>451,07,73,498.44</u>

B. CHATURVEDI
D. K. DESAI
H. A. MOHITE
C. D. DATEY
M. K. VENKATACHALAM

Directors

Bank of Baroda

PROFIT AND LOSS ACCOUNT OF THE BANK OF BARODA LIMITED SCHEDULE

EXPENDITURE			
		Rs.	P.
1. Interest paid on deposits, borrowings, etc.		7,02,60,487.07	
2. Salaries and Allowances, Provident Fund and Bonus to Staff etc.		4,47,08,453.45	
3. Directors' and Local Committee Members' fees and allowances		1,38,549.14	
4. Rent, Taxes, Insurance, Lighting, etc.		52,98,132.69	
5. Law Charges		1,77,886.58	
6. Postages, Telegrams and Stamps		22,95,517.58	
7. Auditors' Fees		1,08,554.98	
8. Depreciation on and repairs to the Banking Company's Property		19,45,751.48	
9. Stationery, Printing, Advertisement, etc.		31,09,086.74	
10. Loss from sale of or dealing with non-banking assets		Nil	
11. Other Expenditure		47,13,540.50	
12. Amount transferred to Reserve Fund on Head Office Assigned Capital in Uganda		58,456.02	
13. Balance of Profit		21,85,086.24	
	TOTAL	13,49,99,502.47	
Note : Particulars of remuneration relating to the Chairman paid or provided for the period :			
1. Salary		38,483.85	
2. Allowance (Entertainment)		4,040.30	
3. Sitting Fees		Nil	
4. Bonus		Nil	
5. Bank's contribution to Provident Fund		3,206.95	
6. Payment by way of gratuities, pensions or otherwise in excess of the Bank's contribution and interest thereon		Nil	
7. Medical Insurance Premium		416.67	
8. The monetary value of any other benefits or perquisites (calculated in accordance with income-tax rules)		1,650.00	
	TOTAL	47,797.77	

BOMBAY,
Dated 14th December 1970

The Bank of Baroda (U.K.) Nominees Limited, London

DIRECTORS' REPORT FOR THE YEAR ENDED 31st DECEMBER, 1969

The Directors submit their report and the audited accounts for the year ended 31st December, 1969.

PRINCIPAL ACTIVITY

The Principal activity is the holding of securities as nominee.

STATE OF AFFAIRS

The company has had no income from the date of incorporation to date; all expenses have been paid by the parent company.

DIRECTORS

Mr. E. St. C. Almeida was appointed an alternate Director for the periods 18th November, 1968 to 31st May, 1969, 20th June, 1969 to 30th June, 1969, 21st August, 1969 to 2nd September, 1969 and 14th October, 1969 to 23rd October, 1969. Other wise the composition of the Board remained unchanged during the year.

The Directors at 31st December, 1969, were :

MR. R. C. SHAH
MR. M. A. BARRETTO

Mr. R. C. Shah held 1 ordinary share jointly with, and as nominee of, the parent company. The directors had no other interests in the shares of the company.

AUDITORS

Messrs. Spicer and Pegler, Chartered Accountants, have indicated their willingness to continue in office.

16th January, 1970.

R. C. SHAH. Directo.
M. A. BARRETTO. Directo.

Bank of Baroda

FOR THE PERIOD FROM 1st JANUARY, 1969 TO 18th JULY, 1969 TAKEN OVER BY THE BANK OF BARODA SCHEDULE

INCOME (Less Provision made during the period for bad and doubtful debts and other usual or necessary provisions)

	Rs.	P.
1. Interest and Discount	11,76,50,430.32	
2. Commission, Exchange and Brokerage	1,70,21,396.18	
3. Rents	3,20,604.89	
4. Net Profit on sale of investments, gold and silver, land, premises and other assets	Nil	
5. Net Profit on revaluation of investments, gold and silver, land, premises and other assets	Nil	
6. Income from non-banking assets and profit from sale of or dealing with such assets	3,606.96	
7. Other Receipts	3,464.12	
TOTAL	13,49,99,502.47	

S. J. ASLOT
Chief Accountant

M. G. PARIKH
Custodian

REPORT OF THE AUDITORS TO THE MEMBERS OF BANK OF BARODA (U) LTD., KAMPALA (UGANDA)

We have audited the attached Balance Sheet of *Bank of Baroda (Uganda) Ltd.*, as at 31st December 1969, and also the attached Profit and Loss Account for the period ended on that date and have to report as under :—

- We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory;
- In our opinion, Proper Books of Accounts, as required by Companies Act 1958 have been kept so far as appears from examination of those books and proper returns adequate for the purpose of our audit have been received from Branches;
- The Balance Sheet and Profit & Loss Account, dealt with in this report are in agreement with the Books of Accounts and the returns from Branches of the Bank;
- In our opinion, and to the best of our information and according to the explanation given to us the said accounts together with notes thereon give the information required by the Companies Act 1958 and;
 - The Balance Sheet gives a true and fair view of the state of affairs of the Bank as on 31st December 1969, and
 - Profit and Loss Account gives a true and fair view of profit for the period ended upon that date.

KAMPALA,
Dated 31st August, 1970.

PATEL, SHAH & JOSHI,
Chartered Accountants.

Notes attached to & forming part of Balance Sheet as at 31-12-69.

- All Assets and Liabilities of Bank of Baroda as on 31st October 1969 have been taken over at Book Value by this Bank on incorporation.
- Market Value of Investments (Uganda Government Stock) have been shown at U. Shs. 9,029,500 (Indian Rs. 9,480,975). Adequate provision for Depreciation in value of Investments has been made during the period.
- Bank's liability against issue of Guarantee on behalf of their customers amounted to U. Shs. 673,051 (Indian Rs. 706,703/55) which includes amount of guarantee given for Officers and Directors of the Bank in U. Shs. 109,500 (Indian Rs. 114,975) to Uganda Immigration Department.
- Some of the Assets of the Bank are still in old name of the Bank (i.e. Bank of Baroda Limited, and/or Bank of Baroda).
- Current Assets and Current Liabilities in Foreign Currency have been shown in Books at the approximate rate of Exchange ruling during the period.
- FIXED ASSETS :
 - Premises—Plot No. 18, Kampala Road and Allidina Visram Street, Kampala have been taken by this Bank from Bank of Baroda at Book Value as on 31st October, 1969;
 - Furniture & Fixtures—Furniture & Fixtures of Bank of Baroda have been taken over by this Bank at cost as on 31st October 1969 less depreciation as provided in the books. Any new addition or sale during the period have been accounted for at cost less amounts written off as depreciation.
- Securities in respect of advances are in the name of Bank of Baroda Limited, and/or Bank of Baroda, awaiting transfers to this Company.

Bank of Baroda (U) Ltd.,

(Incorporated in Uganda on 1st November

Profit and Loss Account for the period

	U. Shs. Cts.	U. Shs. Cts.	Indian Rs.	Indian Rs.
Interest paid on Deposit Account				
Salaries, Allowances and Staff Welfare :		230,110.15		241,615.70
Directors	18,207.60		19,117.95	
Staff	247,331.45		259,698.00	
Rent, Taxes, Insurance and Lighting		265,539.05		278,815.95
Postages, Telegrams and Stamps		52,000.45		54,600.50
Auditor's Fees		12,870.70		13,514.20
Stationery, Printing and Advertisement		3,750.00		3,937.50
Repairs and Upkeep to Bank's Property		15,103.55		15,858.70
Other Expenditure including Depreciation		29.45		30.90
Statutory Reserve		138,763.00		145,701.15
Reserve for Corporation Tax		32,489.10		34,113.55
Net Profit		182,932.05		192,078.70
		129,956.40		136,454.25
		<u>1,063,543.90</u>		<u>1,116,721.10</u>

Kampala (Uganda)

1969 under Companies Act 1958)

from 1st November 1969 to 31st December, 1969

Interest and Discounts	
Commission, Exchange and Brokerage	
Rent Income	
Other Income	

Ug. Shs. Cts.	Indian Rs.
818,802.60	859,742.75
196,867.70	206,711.10
47,391.10	49,760.65
482.50	506.60
<u>1,063,543.90</u>	<u>1,116,721.10</u>

Bank of Baroda (U) Limited, P.O. Box 7197, Kampala (Uganda)
(Incorporated in Uganda on 1st November 1969 under Companies Act (1958))

BALANCE SHEET AS AT 31st DECEMBER 1969

	U. Shs. Cts.	U. Shs. Cts.	Indian Rs.	Indian Rs.
CURRENT ASSETS :				
Cash and Balance with other Bankers, Call and Short		36,206,979.20		38,017,328.15
INVESTMENTS (At Cost)				
Uganda Government Stock (Market Value U. Shs. 9,029,500)		9,182,500.00		9,641,625.00
ADVANCES :				
Advances, Loans, Foreign and Local Bills purchased, Bills discounted		36,264,483.55		38,077,707.65
CONSTITUENTS' LIABILITIES FOR ENGAGEMENT (As per contra)		21,188,311.25		22,247,726.80
OTHER ASSETS :				
Stamps, Stationery, and amounts receivable	451,174.75		473,733.50	
Branch Adjustment Account	211,279.80		221,843.90	
		662,454.55		695,577.40
FIXED ASSETS :				
Premises, Furniture and Fixture (At cost less Depreciation on Furniture and Fixture)		5,667,313.45		5,950,679.10
		<u>109,172,042.00</u>		<u>114,630,644.10</u>
REPRESENTED BY :				
CURRENT LIABILITIES, PROVISIONS AND OTHER ACCOUNTS :				
DEPOSITS AND OTHER ACCOUNTS :				
Fixed Deposits	13,145,024.40		13,802,275.60	
Savings Bank Deposits	31,732,444.20		33,319,066.40	
Current Accounts Contingency Accounts etc.	19,567,476.60		20,545,850.45	
		64,444,945.20		67,667,192.45
OTHER LIABILITIES :				
Amounts due to Parent Company	3,090,684.10		3,245,218.30	
Bills and Drafts payable	285,655.95		299,938.75	
		3,376,340.05		3,545,157.05
Bills for collection being Bills Receivable (As per contra)	17,753,641.75		18,641,323.85	
Engagements on behalf of the customers (As per contra)	3,434,669.50		3,606,402.95	
		21,188,311.25		22,247,726.80
CAPITAL AND RESERVES :				
Share Capital :				
AUTHORISED :				
1,000,000 Shares of Shs. 20 each	20,000,000.00		21,000,000.00	
ISSUED AND PAID-UP				
2 Shares of Shs. 20 each	40.00		42.00	
Shares Application Money	19,999,960.00		20,999,958.00	
	20,000,000.00		21,000,000.00	
RESERVE FUND AND OTHER RESERVES :				
Statutory Fund under Banking Act 1969	32,489.10		34,113.55	
Balance of Profit and Loss Account	129,956.40		136,454.25	
	162,445.50			
		20,162,445.50		21,170,567.80
		<u>109,172,042.00</u>		<u>114,630,644.10</u>

Note : Rate of Exchange U. Sh. 1=Rs. 1.05
Signatories were directors before 1st May 1970.

As per our report attached.

Certified correct.
Bank of Baroda (U) Ltd.

N. A. PARIKH
N. B. DESAI
A. G. DESAI
S. C. SHAH } Directors

31st August, 1970.

PATEL, SHAH & JOSHI,
Chartered Accountants

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CENTRAL BANK OF INDIA

Balance Sheet as at 31st December 1969

The Balance Sheet of Central Bank of India as at 31st December 1969 and the Profit and Loss Account for the period 19th July 1969 to 31st December 1969 resulted in a net profit of Rs. 47,40,977.00. The working of the Bank for the period 19th July 1969 to 31st December 1969 resulted in a net profit of Rs. 47,40,977.00. Rs. 61,66,021.12 (vide Schedule) and the balance of Rs. 36,841.04 carried over from the year ended 31st December 1968. Transferred to Reserve Fund in terms of Section 17 of the Banking Regulation Act, 1949 (entire Net Profit of the Bank) Rs. 47,40,977.00. Transferred to Reserve Fund in terms of Section 3(6) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, out of the net profit for the period 19th July 1969 to 31st December 1969 Rs. 9,48,194.57. Balance amount transferable to Government in terms of Section 10(7) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 Rs. 37,92,778.30.

The Balance Sheet of Central Bank of India as at 31st December 1969 and the Profit and Loss Account for the period 19th July 1969 to 31st December 1969 as approved by the Board of Directors are given below.

The working of the Bank for the period 19th July 1969 to 31st December 1969 resulted in a net profit of Rs. 47,40,977.00. The working of the Bank for the period 19th July 1969 to 31st December 1969 resulted in a net profit of Rs. 47,40,977.00. Rs. 61,66,021.12 (vide Schedule) and the balance of Rs. 36,841.04 carried over from the year ended 31st December 1968. Transferred to Reserve Fund in terms of Section 17 of the Banking Regulation Act, 1949 (entire Net Profit of the Bank) Rs. 47,40,977.00. Transferred to Reserve Fund in terms of Section 3(6) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, out of the net profit for the period 19th July 1969 to 31st December 1969 Rs. 9,48,194.57. Balance amount transferable to Government in terms of Section 10(7) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 Rs. 37,92,778.30.

Transferred to Reserve Fund in terms of Section 17 of the Banking Regulation Act, 1949 (entire Net Profit of the Bank) Rs. 47,40,977.00.

Transferred to Reserve Fund in terms of Section 3(6) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, out of the net profit for the period 19th July 1969 to 31st December 1969 Rs. 9,48,194.57.

Balance amount transferable to Government in terms of Section 10(7) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 Rs. 37,92,778.30.

By Order of the Board,
N. RAMANAND RAO
Custodian.

Bombay, 24th December, 1970.

CAPITAL AND LIABILITIES		Rs.	P.	Rs.	P.
1. Capital :					
Paid up Capital (wholly owned by the Central Government)				4,75,14,600.00	
2. Reserve Fund and other Reserves :—					
Reserve Fund		7,26,29,772.06			
Contingency Fund		50,00,000.00			
Special Reserve		2,54,240.96			
Development Rebate Reserve		2,25,000.00			
Capital Suspense		3,63,700.00			
Share Premium Suspense		3,61,519.25			
Shares Forfeited		530.00			
3. Deposits and other Accounts :—				7,88,34,762.27	
Fixed Deposits and Cash Certificates		2,53,26,89,793.53			
Savings Bank Deposits		1,27,66,41,670.52			
Current Accounts, Call Deposits, Contingency Accounts, etc. (including Staff Gratuity Fund Rs. 1,31,50,000.00)		1,19,81,62,998.81			
4. Borrowings from other Banking Companies, Agents, etc. :—				5,00,74,94,462.86	
(1) Secured					
(a) By part of investments and bills per contra	In India	Rs. 3,96,25,000.00	Outside India		
(b) In respect of borrowings (secured by part of advances per contra) from :—					
(i) The Industrial Development Bank of India		4,98,64,524.00			
(ii) The Agricultural Refinance Corporation		9,83,840.00			
(2) Unsecured		7,41,26,561.86		21,64,326.74	
		Rs. 16,45,99,925.86		21,64,326.74	
5. Bills Payable				16,67,64,252.60	
6. Bills for Collection being Bills Receivable as per Contra :—				6,62,12,106.14	
(i) Payable in India		34,16,32,932.13			
(ii) Payable outside India		3,36,34,125.13			
7. Other Liabilities :—				37,52,67,057.26	
Branch Adjustments		13,43,34,085.43			
Amounts owing to Subsidiary Company (including on their clients' account)		1,33,66,303.38			
Unclaimed Dividends		9,86,402.88			
Rebate on Bills Discounted		75,53,212.96			
8. Acceptances, Endorsements and other Obligations as per contra				15,62,40,004.65	
Carried over				25,29,50,070.38	
				6,15,12,77,316.16	

PROPERTY AND ASSETS		Rs.	P.	Rs.	P.
1. Cash :—				47,09,34,818.41	
In hand and with Reserve Bank and State Bank (including foreign currency notes)					
2. Balances with other Banks :—On Current Accounts—		1,34,99,162.51			
(i) In India		1,76,56,506.90			
(ii) Outside India				3,11,55,669.41	
3. Money at Call and Short Notice				55,00,000.00	
4. Investments : (at Book Value)				1,29,37,30,709.36	
(i) Securities of the Central and State Governments and other Trustee Securities					
Treasury Bills of the Central and State Governments					
(ii) Shares					
(a) Preference	Rs. 91,65,287.76	Rs. 1,00,000.00			
(b) Ordinary	2,75,58,768.39	78,87,478.30			
(c) Other Classes	57,798.75	—			
	Rs. 3,67,81,854.90	Rs. 79,87,478.30		4,47,69,333.20	
(iii) Debentures or Bonds				2,88,89,647.11	
(iv) Other investments				9,40,108.00	
(v) Gold				1,36,83,29,797.67	
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. :		Rs. 2,86,29,93,499.47			
(i) In India					
(Includes an amount of Rs. 5,08,48,364.00 relating to medium-term advances in respect of which finance has been obtained from the Industrial Development Bank of India and Agricultural Refinance Corporation as per contra)					
(ii) Outside India		1,08,04,455.82		2,87,37,97,955.29	
(II) Bills Discounted and Purchased :					
(i) Payable in India	Rs. 60,06,20,751.19				
(ii) Payable outside India	10,29,80,634.17			70,36,01,385.36	
PARTICULARS OF ADVANCES				3,02,89,08,489.21	
(i) Debts considered good in respect of which the bank is fully secured					
(ii) Debts considered good for which the bank holds no other security than the debtors' personal security				17,94,65,775.82	
(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors				36,90,25,075.62	
(iv) Debts considered doubtful or bad not provided for				—	
TOTAL RUPEES				3,57,73,99,340.65	
Carried over				5,45,33,19,626.14	

CENTRAL BANK Balance Sheet as at

CAPITAL AND LIABILITIES				
	Rs.	P.	Rs.	P.
Brought forward			6,15,12,77,316.16	
9. Profit and Loss Account :—				
Balance as at 31st December, 1968	36,841.04			
Profit for the period 1st January, 1969 to 18th July, 1969	61,66,021.12			
	62,02,862.16			
Less : Transferred to Reserve Fund	62,02,862.16			
Profit for the period 19th July, 1969 to 31st December 1969	47,40,972.87			
Less : Transferred to Reserve Fund	9,48,194.57			
Balance to be transferred to Central Government			37,92,778.30	
10. Contingent Liabilities :—				
(i) Claims against the Bank not acknowledged as debts Rs.	62,98,311.66			
(ii) On Investments in partly paid shares and debentures ..	94,31,192.50			
(iii) On Letters of Guarantee on behalf of Constituents (including Rs. Nil on behalf of Officers) ..	74,01,71,506.63			
(iv) Liability on account of outstanding Forward Exchange Contracts	32,82,84,257.73			
Carried over			6,15,50,70,094.46	

OF INDIA 31st December 1969

PROPERTY AND ASSETS				
	Rs.	P.	Rs.	P.
Brought forward			5,45,33,19,626.14	
(v) Debts due by officers of the bank or any of them either severally or jointly with any other persons	45,47,878.10			
(vi) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies, as members	—			
(vii) Maximum total amount of advances, including temporary advances, made at any time during the period from 19th July, 1969 to 31st December, 1969 to managers or officers of the bank or any of them either severally or jointly with any other persons	45,47,878.10			
(viii) Maximum total amount of advances, including temporary advances, granted during the period from 19th July, 1969 to 31st December, 1969 to the companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies, as members	99,67,715.47			
(ix) Due from banking companies	—			
6. Bills Receivable being Bills for Collection as per Contra :	34,16,32,932.13			
(i) Payable in India	3,36,34,125.13			
(ii) Payable outside India	—		37,52,67,057.26	
7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per Contra:			25,29,50,070.38	
8. Lands and Buildings :—				
	Bank Premises	Investment in Properties	Non-Banking Assets acquired in satisfaction of claims	
	Rs.	P.	Rs.	P.
Cost as at 31st December 1968	1,89,84,943.53	15,39,785.44	6,83,891.34	
Less : Lease premium adjusted on expiry of lease	24,04,497.49	—	—	
Cost of properties sold during the period 1st January, 1969 to 18th July, 1969	29,823.60	—	—	
	1,65,50,622.44	15,39,785.44	6,83,891.34	
Add : Cost of additions during the period 1st January, to 18th July, 1969	47,26,352.98	—	—	
Cost as at 18th July, 1969	2,12,76,975.42	15,39,785.44	6,83,891.34	
Less : Cost of properties sold during the period 19th July, 1969 to 31st December, 1969	28,880.00	—	—	
	2,12,48,095.42	15,39,785.44	6,83,891.34	
Add : Cost of additions during the period 19th July, 1969 to 31st December, 1969	70,886.49	—	—	
Cost as at 31st December, 1969	2,13,18,981.91	15,39,785.44	6,83,891.34	
Less : Depreciation written off upto 18th July 1969	44,57,461.30	15,16,752.00	2,11,124.98	
	1,68,61,520.61	23,033.44	4,72,766.36	
Carried over			6,08,15,36,753.78	

CENTRAL BANK **Balance Sheet as at**

CAPITAL AND LIABILITIES	Rs.	P.
Brought forward	6,15,50,70,094.46	
(v) Liability on Bills of Exchange Rediscounted ..	Rs. 8,29,02,742.95	
(vi) In respect of additional bonus for 1962 claimed by the staff and ad-hoc cash payment demanded by the staff for 1969 a settlement whereof was arrived at subsequently		
Notes forming part of the Accounts :—		
(1) The actual amount of liability arising from future gratuities payable to staff has not been ascertained but is greater than the amount provided.		
(2) As complete returns in respect of Pakistan Branches have not been received for periods beyond 30th June, 1965, unaudited returns as at that date only have been incorporated in the Bank's Balance Sheet as at 31st December, 1969. As no further information is available, the assets and liabilities in Pakistan have not been shown in the Balance Sheet under the individual heads but only the net book value thereof has been incorporated.		
(3) The figure of auditors' fees in the Profit and Loss Account for the period from 19th July, 1969 to 31st December, 1969 includes an amount of Rs. 3,54,900 being the audit fees for the additional audit of the account as at 18th July, 1969.		
(4) These being the first statements of account of the Bank, the corresponding figures of the previous year are not given.		
(5) The Bank has been advised after the date of the Balance Sheet that Bills of Exchange amounting to DM. 10.5 million reported to have been discounted with some German/Swiss Banks are purported to have been endorsed/guaranteed by the Bank's London Branch and in respect of claims relating to some of these bills amounting to DM. 2.5 million, legal proceedings have been instituted against the Bank. The Bank has repudiated all alleged liabilities in respect of all such bills and claims/disputes arising therefrom.		
TOTAL RUPEES ..	6,15,50,70,094.46	

In terms of our report of even date attached

A. F. FERGUSON & CO.
S. B. BILLIMORIA & CO.
HARIBHAKTI & CO.
Chartered Accountants

Bombay, 28th December, 1970.

OF INDIA **31st December 1969**

PROPERTY AND ASSETS	Rs.	P.	Rs.	P.
Brought forward	1,68,61,520.61	23,033.44	4,72,766.36	6,08,15,36,753.78
Less : Depreciation written off for the period 19th July, 1969 to 31st December, 1969	1,55,983.64	226.00	—	
	1,67,05,536.97	22,807.44	4,72,766.36	1,72,01,110.77
Furniture and Fixtures :—				
Cost as at 31st December, 1968			3,84,52,651.64	
Additions less sales during the period 1st January, 1969 to 18th July, 1969 ..			43,86,122.99	
Cost as at 18th July, 1969			4,28,38,774.63	
Additions less sales during the period 19th July, 1969 to 31st December, 1969			56,41,698.80	
Cost as at 31st December, 1969			4,84,80,473.43	
Less : Depreciation written off upto 18th July, 1969			1,95,12,461.02	
			2,89,68,012.41	
Less : Depreciation written off for the period 19th July, 1969 to 31st December, 1969			15,48,825.71	
				2,74,19,186.70
10. Other Assets :—				
Shares of the Central Bank Executor and Trustee Co. Ltd. (subsidiary Co.) at Cost			10,00,000.00	
Interest accrued on Investments			1,87,97,128.00	
Silver			—	
Stamps, Stationery, Stock of Home Savings Safes and Safe Deposit Boxes ..			91,15,915.21	
				2,89,13,043.21
TOTAL RUPEES				6,15,50,70,094.46

N. RAMANAND RAO
Custodian

P. KRISHNA IYER
Officer on Special Duty

V. M. BHIDE
BRJRAJ NARAIN
V. M. DANDEKAR
A. H. ELIAS
M. NARASIMHAM
G. B. NEWALKAR

Directors

B. R. PATEL
Chief Accountant

Bombay, 24th December, 1970.

CENTRAL BANK OF INDIA

STATEMENT OF PROFIT AND LOSS ACCOUNT OF THE CENTRAL BANK OF INDIA, LTD., FOR THE PERIOD
1ST JANUARY, 1969 TO 18th JULY, 1969, TAKEN OVER BY CENTRAL BANK OF INDIA.

EXPENDITURE	Rs.	P.	Rs.	P.
1. Interest paid on Deposits, Borrowings, etc.			9,30,44,301.81	
2. Salaries and Allowances	6,59,77,183.60			
Contributions to Provident Fund	24,98,277.04			
Bonus to Staff	62,97,130.00			
			7,47,72,590.64	
3. Director's Fees and Allowances	48,985.00			
Committee Members' Fees and Allowances	2,727.50			
			51,712.50	
4. Rent, Taxes, Insurance, Lighting, etc.			1,01,32,981.78	
5. Law Charges			73,838.04	
6. Postage, Telegrams and Stamps			20,20,096.92	
7. Auditors' Fees (including Branch Audit fees paid to Statutory Auditors)			47,000.00	
8. Depreciation on Banking Company's Property	1,84,617.18			
Repairs to Banking Company's Property	1,19,359.85			
Other Charges on Banking Company's Property	2,37,441.87			
Depreciation on Furniture and Fixtures	15,25,936.63			
			20,67,355.53	
9. Stationery, Printing and Advertisements, etc.				
10. Loss from sale of or dealing with non-banking assets			36,75,152.89	
11. Other Expenditure			1,32,620.75	
12. Balance being Net Profit			61,66,021.12	
			19,21,83,671.98	
TOTAL RUPEES				

Note :—Particulars of remuneration paid to the Chairman (from 1st January, 1969 to 18th July, 1969)

Salaries	Allowance	Contribution to Provident Fund	Bonus
Rs.	P.	Rs.	P.
39,483.87	7,238.71	3,290.32	2,032.26

INCOME	Rs.	P.
(Less provision made during the period for bad and doubtful debts and other usual or necessary provisions)		
1. Interest and Discount	15,87,28,247.28	
2. Commission, Exchange and Brokerage	3,24,74,619.17	
3. Rent on Bank's Premises (excluding Rent on Premises used by the Bank)	8,45,870.52	
4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)		
5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)		
6. Income from non-banking assets and profit from sale of or dealing with such assets	1,34,935.01	
TOTAL RUPEES	19,21,83,671.98	

N. RAMANAND RAO, Custodian

V. M. BHIDE
BRIJRAJ NARAIN
V. M. DANDEKAR
A. H. ELIAS
M. NARASIMHAM
G. B. NEWALKAR

Directors

Bombay, 24th December 1970.

P. KIRSHNA IYER
Officer on Special Duty

B. R. PATEL
Chief Accountant

CENTRAL BANK OF INDIA

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE PERIOD 19th JULY, 1969 to 31st DECEMBER, 1969

EXPENDITURE	Rs.	P.	Rs.	P.
1. Interest paid on Deposits, Borrowings, etc.	5,49,01,404.33		8,12,48,445.99	
2. Salaries and Allowances	22,54,685.46			
Contributions to Provident Fund	52,52,870.00			
Bonus to staff	—			
			6,24,08,959.79	
3. Directors' Fees and Allowances	—			
Committee Members' Fees and Allowances	—			
			1,02,63,087.22	
4. Rent, Taxes, Insurance, Lighting, etc.			29,559.88	
5. Law Charges			16,21,008.10	
6. Postage, Telegrams and Stamps			7,06,600.00	
7. Auditors' Fees (including Branch Audit fees paid to Statutory Auditors)	1,56,209.64			
8. Depreciation on Banking Company's Property	1,81,128.63			
Repairs to Banking Company's Property	1,58,368.43			
Other Charges on Banking Company's Property	15,48,825.71			
Depreciation on Furniture and Fixtures			20,44,532.41	
			30,85,705.47	
9. Stationery, Printing and Advertisements, etc.				
10. Loss from sale of or dealing with non-Banking Assets			84,062.60	
11. Other Expenditure			47,40,972.87	
12. Balance being Net Profit				
			TOTAL RUPEES	16,62,32,934.33

Note :—Particulars of remuneration paid to the Custodian (from 19th July, 1969 to 31st December, 1969)

Salaries	Allowances	Contribution to Provident Fund
Rs.	P.	Rs.
32,516.13	5,961.29	2,709.68

In terms of our report of even date attached
A. F. FERGUSON & CO.
S. B. BILLIMORIA & CO.
HARIBHAKTI & CO.
Chartered Accountants

Bombay, 28th December 1970.

INCOME	Rs.	P.
(Less provision made during the period for bad and doubtful debts and other usual or necessary provisions)		
1. Interest and Discount	13,96,97,479.02	
2. Commission, Exchange and Brokerage	2,56,72,079.92	
3. Rent on Bank's Premises (excluding Rent on Premises used by the Bank)	7,53,345.99	
4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)		
5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)		
6. Income from non-banking assets, and profit from sale of or dealing with such assets	1,10,029.40	
TOTAL RUPEES	16,62,32,934.33	

N. RAMANAND RAO Custodian

V. M. BHIDE
BRIJRAJ NARAIN
V. M. DANDEKAR
A. H. ELIAS
M. NARASIMHAM
G. B. NEWALKAR

Directors

P. KRISHNA IYER
Officer on Special Duty

B. R. PATEL
Chief Accountant

Auditor's Report to the President of India

1. We have audited the attached Balance Sheet of Central Bank of India as at 31st December, 1969 and also the Profit and Loss Account of the Bank for the period 19th July, 1969 to the 31st December, 1969 annexed thereto, in which are incorporated the returns of 255 Branches audited by us, 41 Branches audited by other auditors, 5 Branches in Pakistan for which unaudited returns as at 30th June, 1965 have been incorporated and the unaudited returns in respect of 377 Branches not visited by us, for the exclusion of which Branches from audit, concurrence of the Reserve Bank of India was obtained.

2. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms 'A' and 'B' respectively of the Third Schedule to the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that :—

- (a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :—
 - (i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1969, and
 - (ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Account;
- (b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
- (c) The transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (d) The returns (except for Pakistan Branches—See Note (2) received from the Branches of the Bank have been found adequate for the purposes of our audit.

A. F. FERGUSON & CO.
S. B. BILLIMORIA & CO.
HARIBHAKTI & CO.
Chartered Accountants

Bombay, 28th December, 1970.

COMPANY MEETING

THE BALLARPUR PAPER & STRAW BOARD MILLS LTD.

Speech of Mr. L. M. THAPAR, Chairman and Managing Director

The following is the Speech of Mr. L. M. Thapar, Chairman and Managing Director, read at the 25th Annual General Meeting of The Ballarpur Paper & Straw Board Mills Ltd., held on December 30, 1970.

Gentlemen,

To-day, for the first time, after my assuming the office of the Managing Director of your Company, I extend you a cordial welcome to the 25th Annual General Meeting.

1969-70 has been a significant year in the growth and development of your Company. As you will see from the Annual Report and Profit and Loss Account, already distributed amongst you, working results of the erstwhile "Shree Gopal Paper Mills Limited" have been fully incorporated therein, as Shree Gopal has completely merged into the Company with effect from July 1, 1969. Our family of shareholders to-day has grown in size and stature and I am sure, the future years would justify the trust and confidence that you have reposed in the Management in accomplishing their task.

Your Directors, after careful consideration, have recommended stepping up of the rate of dividend this year on Ordinary Shares to 15 per cent from 12½ per cent in the previous years. This is, as it should be, sharing the prosperity of the Company with hundreds and thousands of investors located throughout the length and breadth of the country. Generating 'surpluses' I have always considered as one of the most important objectives in corporate management, for this alone can result in a chain reaction of higher incomes, savings and investment and employment which is so essential for the social and economic upliftment of our community.

Our endeavour throughout the year has been to increase productivity and seek economies of scale through scientific management of men and machines. As a result, production of paper during the year increased to 92 thousand tonnes. Of this Ballarpur Division produced over 51 thousand tonnes against 48 thousand tonnes in the previous year,

representing an increase of 3 thousand tonnes. Shree Gopal Division accounted for the balance production figure of 41 thousand tonnes.

At the macro level of the industry as well, the production of paper has appreciably gone up to over 7 lakh tonnes. But this does not seem to cope with the existing demand for paper in the country. As it generally happens in a subsistence economy like ours, the supply gap appears to have been magnified beyond recognition, resulting in a general psychosis of shortages and higher prices and harassment for the paper consumers. It is undoubtedly an unfortunate situation, though not of the industry's making.

Shortage of Paper

The shortage of paper to-day is not of a general nature. As the market reports would indicate, it is, more or less, confined to certain sections of paper alone, like writing and printing papers.

A number of factors have combined to bring about this situation in the country.

We no longer receive paper as gift from foreign countries. Our paper now sells abroad, in the East and West Asian Markets. And Government continues to buy over 20 per cent of the total paper production. Newsprint being in short supply, newspapers and periodicals now take away a fairly big slice of the white printing and writing paper. Lastly, whereas demand for paper has been increasing by about 10 per cent per annum, the rate of increase in output has been hardly 7 per cent.

Of these various contributory factors, I cannot think of even one which we can dispense with straightaway to relieve pressure on the existing supply

position. The only alternative, therefore, is to break the supply bottleneck by increasing production.

I may mention here, it is not as if we have been caught unawares by the existing gap in paper production. The Industry did warn everybody about it well in time and, I am sure, had the Government been a little more sympathetic towards the working of the paper mills in mid-sixties, the country would not have been faced with the present predicament.

Be that as it may, your Company along with the other units in the paper industry have embarked on a "crash programme", as an emergency measure, to increase the paper output further by speeding up the existing machines. I am afraid, its impact may not be felt in the market before the end of the next year. There is always a time-lag between the procurement of machinery and equipment from local and foreign sources and the actual output. But what makes matters worse is that even at this time the industry is required to go through the same old procedure of publicising requirements of machinery and equipment locally and then after a lapse of over a month, make an application to the authorities concerned for importing it from abroad. It is a highly time-consuming process. And in the overseas markets also one cannot just buy things off the shelf. We have to wait and take our turn. The net result of all this is precious time wasted which neither the industry nor the country can afford to do, particularly under the present circumstances.

In any case, you would bear in mind, the "crash programme" is merely a stop-gap measure and it is expected to increase the existing paper production marginally by about 1.3 lakh tonnes. It may, at best, result in a delicate balance in supply and demand in 1972. The long term solution of the problem would be to push through all the preliminary

measures now for creation of further new capacity for paper production.

Industry's Problems

Regrettably, at a time when the crying need of the hour is production and more production, the Central and State Governments do not seem to have proper appreciation of the industry's problems and the formidable challenge confronting it. All these years we have been trying to impress upon the authorities concerned, to evolve an integrated paper policy so that the industry may be able to play its assigned role in the national reconstruction. The other day, I was reading through the editorial comment of a leading commercial weekly wherein it had been mentioned that "if the Government has bungled because of sterile doctrinaire considerations", the private sector should have risen to the occasion "to serve the community better at a time of scarcity of such a vital item of consumption as paper". Much as we would have liked to "rise to the occasion", the industry is unable to do so because of a number of limitations. Government having occupied almost all the commanding heights of the economy and with a plethora of outmoded controls, the industry cannot just go on its own to correct the imbalance in the demand and supply mechanism.

The industrial policy of the Government is one of the major factors impeding growth to-day. Its irrational prejudice against large industrial organisations — Our largest paper mill does not produce even half of the output of a paper unit in the West — has blocked new investment in the industry and kept the more experienced entrepreneurial class at bay. No note has been taken of the fact that if the large industrial houses had not acted with the dynamism and extraordinary sense of adventure, which they have undoubtedly shown despite the constraints of the licensing system, we might never have achieved the present stage in the industrial and economic growth of the country. Many of the enterprises they initiated during the last 20 years have become pride of the nation to-day. They have demonstrated a vigour and vitality worthy of any industry in the most developed countries.

In a developing country like ours, it is but natural that new industrial activity is pioneered by a small number of business organisations. These are the trail-blazers whose lead is followed subsequently by others in increasing numbers. In the early stage of development of any industry, therefore, there will be only few business units, but the position changes with the development of the demand for the product and subse-

quent entry of the new units into the same field of production. The much abused term "monopoly and concentration of economic power" therefore represents only a stage, an inescapable stage at that, in the early stages of industrial development of a country. This has been the experience of most of the advanced countries.

We must take note of the fact that to-day 80 per cent of the paper produced in the country is accounted for by the larger units. They alone have the resources, managerial skill and the know-how to produce paper on large scale and at relatively lesser costs to the economy.

To put restrictions on development and diversification of these organisations would tantamount to depriving the whole economy of the necessary thrust and vitality which it badly requires at present. It is only when we produce more, efficiently and economically, can the consumers hope to get a fair deal. In this context, therefore growth must have the overriding consideration with the Government. We, in the industry, would be only too glad to sit with the authorities to identify the constraints and devise effective mechanism to overcome them. I am confident the industry would not be found wanting.

Growth Potential

The paper industry in this country has a tremendous potential for development. A nation's prosperity to-day is judged by the standards it has achieved in consumption of paper and allied products. In India, the per capita consumption of paper is less than 2 kilogrammes per annum and it compares very unfavourably with the developed countries of the West like the United States where the consumption per head is approximately 200 kilogrammes. I believe we should be able to plan to catch up with the U.S. standards in the next 50 years and raise the country's paper production by at least 300 times to about 130 to 140 million tonnes from the existing figure of 0.7 million tonnes.

This may appear to be a utopia to come, but it is certainly a target which we can hope to achieve in the future years. Technology is changing fast and new high yield pulping techniques are being developed all over the world. In addition to bamboo, there are other unconventional raw materials like bagasse, hard woods, etc., which can be systematically utilised for paper making. Therefore, in the coming years there are distinct possibilities of our producing paper which will raise our country's consumption rate closer

to that obtaining in the developed countries. The industry needs support and understanding to meet this challenge of the coming decades.

Paper is a consumer industry, but what is very often overlooked is that the industry is also highly capital-intensive. It requires about Rs. 325 crores to raise the installed capacity from existing level of 7.6 lakh tonnes to 11.3 lakh tonnes by 1973-74, as has been envisaged by the Planning Commission. At the existing rates of interest the cost of raising this capital is very high and the industry can hardly bear it. The financial institutions would do well to be a little more accommodating in this regard, as also in the matter of debt equity ratio. They may also consider granting longer debt repayment periods to the industry.

The industry has also got to find resources from within for development. But its capacity to do so is very much restricted with mounting prices of almost all kinds of inputs. Ever increasing royalty rates on bamboo and the prices of other forest products have now become perennial problems of the industry. The prices of chemicals like chlorine, caustic soda, rosin and dyes have also been on the increase. Electricity rates, transportation costs and wages have gone up and this has inevitably resulted in an increase in the cost of production. To meet this situation, I consider that the industry will have to adjust sale prices, so that it is in a position to ploughback its earnings, generate resources for future expansions and attract new capital into the industry. I may mention here that although control on paper has been lifted, there is still an understanding with the Government by which prices cannot be raised except with the approval of the authorities.

Forest Policy

Closely linked with the cost of production is the forest policy pursued by the respective State Governments. I am not sure whether we can really call it a policy, for its only effect has been untold harassment of the industry, year after year, with all the attendant consequences. In the past, the practice was to lease out forests for periods extending from 15 to 20 years. But the present practice is to grant leases for very short periods only and every time the question of renewing of lease comes up the State Governments take full advantage of the situation and demand higher royalties. During the last few years, the royalties have thus increased considerably. Since raw material constitutes about 30 per cent of cost of production, increase in the

royalty rates directly results in cost-push inflationary pressures, which I am sure, Government would very much like to keep in check. Time and again, the Planning Commission and the Union Ministry of Industry have pointed out to the State Governments the need for adopting a uniform policy in respect of the fixation of royalties and the length of leases of forest areas to the industry. But nothing appears to have been done so far in this direction. For the industry, it is of utmost importance that the State Governments arrive at some kind of consensus so that the forest leases and royalty rates are linked up

with the prices of white printing paper and these do not exceed a specified percentage.

The paper industry is passing through an extremely critical stage in its growth. I am confident, given the necessary co-operation and good will from official and non-official sources, we should be able to steer our way clear of all the difficulties to usher in an era of affluence.

Before I conclude, I would like to convey my thanks to all workers, members of the staff and officers, both at the Mills and the Head Office for their

co-operation and devotion to work, and I hope they will show the same spirit of loyalty and hard work in the coming years. As you know, I have worked with them for the last sixteen years and I can assure you that the affairs of your Company are in excellent hands.

I thank you very much for coming to the meeting and listening to me so patiently.

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

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NATIONAL SAVINGS ORGANIZATION

Foreign Monopoly Industry



Shri Pratap Narsee

Golden Tobacco's rebuttal of India Tobacco's

BY PRATAP NARSEE

Chairman, Indian Cigarette Manufacturers' Association

Background of the controversy

At the Press Conference addressed by me on 3rd August, 1970, as the Chairman of Indian Cigarette Manufacturers' Association I confined my speech mainly to the present plight and future prospects of the Indian-owned cigarette manufacturing units, the implementation of the policy of the Government to encourage such units to meet the increasing demand for cigarettes and salvation of the industry as a whole from the clutches of the FOREIGN MONOPOLY.

Mr. A.N. Haksar, Chairman of India Tobacco Co. (Formerly Imperial Tobacco), however instead of dealing with my contentions has chosen to direct against Golden Tobacco a tirade which is remarkable for the low depth it touches and the sophistry it betrays. I would have dismissed his verbal adventure as one more publicity stunt of a foreign monopoly wearing the mask of injured innocence if it had not contained false and defamatory statement against Golden Tobacco which, I repeat, despite Mr. Haksar's protests, is India's Largest National Enterprise of Its Kind.

Therefore, I on behalf of Golden Tobacco, am constrained to rebut point by point the misleading and false statements made by ITC chairman at the Press Conference in New Delhi on 31st August, 1970 and leave it to you, the Press, the people and the Government to make your own judgement.

I had suggested that (a) the Government should implement the declared policy to allow expansion only to 100% Indian companies, (b) the monopoly will not be encouraged particularly the foreign monopoly in cigarette industry, (c) the excess production of monopoly to the extent of 25% allowed earlier stands withdrawn as per notification of 18th July and (d) the excess production of monopoly beyond the licensed capacity should be exported enabling the country to earn foreign exchange and the indigenous units to utilise their capacity which is idle to the extent of 70%, which means 10000/12000 million cigarettes a year.

I knew all this will not be appreciated by the foreign monopoly but I never expected them to stoop so low and to advance baseless arguments as revealed by Mr. Haksar's

statements which I consider a naked attempt by the foreign-controlled company to malign the 100% Indian Company in free India.

Production peg—effective measure

We read daily in newspapers that the days when a foreign combine could get away with anything are going to end but it still happens that they do get things as they want in spite of Government's policies and laws dictating otherwise. To avoid such mishaps I advocate pegging of their production which will put a fullstop to their backdoor tactics aimed to undermine the laid down policies.

All this started from the day I came to know from a news item that Vazir Sultan had applied for expansion from 8880 million to 20620 million cigarettes. I came to Delhi several times and explained to all concerned the Government's policy to allow expansion only to wholly Indian units and that the case of Vazir Sultan, which is inter-connected with ITC controlling between them 70% of cigarette production in the country and constituting a monopoly, should be referred to the Monopolies Commission.

Once VST's expansion is sanctioned the indigenous sector will have to wait for 10-20 years for better days it looks forward to in view of Government's present policy to encourage it.

A fit case for high level probe

The monopoly always got things done when they wanted and the way they wanted, so they were hurt and furious when VST's application was delayed in spite of VST/ITC's joint efforts spending time, money and energy to get it through and in which, unlike in the past, they were not successful. They have been putting forward all sorts of arguments to create misleading impressions but fortunately I had and still have many more convincing counter arguments based on facts and reality of the situation.

I have suggested reference to Monopolies Commission or thorough investigation by similar body giving us an opportunity for full hearing before Government decides the issue. ITC Chairman says that ITC/VST are not inter-connected. Then why are they using all the influence and pressure to see that such reference is not made? They have referred to opinion of leading jurists. I submit that it is

in the Cigarette in India

baseless allegations & contentions

based on information as given to them; and therefore to get the correct opinion full facts from both the sides should be given to a body of jurists which I hope you will agree should be acceptable to all concerned. The Monopolies Commission has already come into being and it should be the right body to investigate.

I have made it clear that I am neither going to oblige the foreign monopoly by not submitting application myself for expansion against VST's application and I shall leave it to the Government to decide whom they prefer — 67% foreign-owned company or 100% wholly Indian-owned company. The fear by the foreign monopoly that Golden Tobacco will become a monopoly is amusing, to say the least. Those having monopoly of 70% of the market today are worried about a small Indian company having a share of 14% only becoming a monopoly tomorrow! This monopoly is so much used to enjoying 75% and above as their share of the market that not only is it not prepared to welcome others coming up and having a fair competition but it refuses even to think of it!

Therefore, I suggest that the better way is to peg production of the foreign monopoly and also other big Indian manufacturers who may exploit the situation as feared by the Government — though the fear is illogical and out of place — so that many new entrepreneurs in private as well as in state sector will enter this field without fear of failure.

ITC argues against itself!

Mr. Haksar has used all methods and tools of arguments to emphasize that all that GTC has said is wrong but actually he has failed to prove what he tried to as will be evident from my detailed rebuttal herein. The sum total of piecemeal information given by him amounts to the same as I have been saying in support of my case for 100% Indian Cigarette industry, viz:

- (i) ITC is a monopoly as their sale of Rs. 145 crores as per their balance sheet is 60% of all-India figure of Rs. 250 crores. Tobacco — The International Weekly — published from USA states in its issue of 5th June, 1970 the following:

"INDIA—Cigarette exports declining greatly as production grows:

"The Indian cigarette market is dominated by one foreign-controlled company, Imperial Tobacco Co. Ltd. It commands nearly three-fifths of the total market."

- (ii) If ITC & VST are not inter-connected why do they hesitate about reference to Monopolies Commission? They should insist on it and get a clean certificate which will mean the end of one hurdle.

Interconnected ITC & VST

Here let me bring it to your notice that ITC & VST are inter-connected beyond doubt because:

- (a) The Chairman, Directors and top management executives have been common and inter-changeable during their entire history which fact can be verified by anyone;
- (b) VST manufactures ITC's Will's brand and ITC makes VST's Charminar — true to ITC's slogan 'Made for Each Other'. They have been doing this for each other right from the stage of blending to the final stage of sending to the market and it must be noted that blending is a trade secret and cannot be given to any body else except to oneself. In other cases of similar job work a manufacturer gives to the other a blended ready-made cut tobacco only to make cigarettes and pack them in the other's factory so that blending is kept a secret.
- (c) ITC is the sole selling agent for VST's brands which are competing against their own brands in the same price range. Unless both are one can you think of any manufacturer promoting other's brand instead of his own?
- (d) ITC/VST have a common parent in British American Tobacco Co. Ltd., London, which commands a family of innumerable members, all related and inter-connected like a cobweb. To identify each with the other you have to go to the root and I would only cite two documents for your reference, viz. Report of U.K. Monopolies Commission published in 1961 and World Tobacco Directory.
- (iii) It is an indisputable fact in black and white that the monopoly has an excess production beyond au-

We want more Indian Cigarette factories to come up & share market held by foreign companies

thorised installed capacity whereas a number of indigenous companies have idle capacity. This is a pure case of concentration of economic power to the detriment of others. Why then fumble with so many arguments and attribute unrelated reasoning to prove otherwise? You can verify the facts from the records of Directorate General of Technical Development.

(iv) ITC is a burden on the country causing drain on precious foreign exchange by way of dividends, import of tobacco and other materials, accumulating liability—for future repatriation, remittance by way of dividend on capitalised goodwill and trade marks etc. To camouflage this drain ITC publishes misleading advertisements showing itself as net earner of foreign exchange by clubbing Rs. 998 lakhs earned by Indian Leaf Tobacco Development Company, a branch of a 100% Sterling Company introduced as a sister concern, with its own meagre export of cigarettes worth Rs. 2 lakhs making a grand total of Rs. 10 crores. What a classic example of deception!

(v) VST is to my mind the aggrieved party; why is ITC getting so jittery about it? I wonder why VST is silent whereas ITC holds its brief and ITC Chairman becomes its spokesman. Is this not enough to prove INTER-CONNECTION?

Tirade against Golden Tobacco

Now about ITC's tirade against GTC. Honestly I see no point in Mr. Haksar trying to compare the two except that he wants to harm us and tarnish our good image. I doubt if he has succeeded even in this, yet let me give my reflections and leave it to your good wisdom to decide who is who.

(i) GTC has made excellent progress—more than ITC. I never disputed that, yet for your knowledge percentage-wise ITC/VST have taken the cream of the expanding cigarette market. Since Independence 80% of the increased demand has gone to factories owned by this monopoly group.

If you have Rs. 10 as your capital and over a period if you earn Rs. 10 you have 100% increase but if you have Rs. 10 crores as capital and earn even Rs. 1 crore it is only 10% increase; can you not perceive the difference between the earnings of Rs. 10 and Rs. 1 crore in the same period? Would you—or for that matter any Indian—like the benefit of Indian market to go to the foreign investor in a consumer industry? Should it not be stopped forthwith?

(ii) I am surprised that foreign monopoly in spite of its monopoly position shows less profits than GTC which has to struggle against the monolithic competitor. GTC's profit is 9.5% against ITC's 6.4% i.e. percentage-wise 50% more. Is it a crime to show right profits? We do admit that we do not have willing and co-operative shareholders overseas who will oblige us in reducing the burden of our profits by buying tobacco at competitive price nor do we have to

maintain larger and heavily paid staff to continue monopolistic hold on all spheres of the industry. The entire issue if investigated will bring to light interesting information.

Indianisation conditional to getting substantial expansion will further strengthen the hold of the monopoly and increase drain of foreign exchange. If VST offers to reduce foreign shareholding, not by selling foreign shares to Indian public but by issuing additional equity, from 67% to 49% or even less i.e. 18% or so, to get expansion from 8880 million to 20620 million i.e. 250%, it is easy for anyone to understand its implication to the indigenous cigarette industry. The whole game is to effect a nominal increase in Indian shareholding in order to get a disproportionately larger share of the market. Now I shall explode with facts the myths created by ITC—item by item.

Myths V/s facts

At his Press Conference on August 31, 1970, Mr. Haksar made a methodical attack on the Indian Cigarette Manufacturers' Association and Golden Tobacco. I give below the true facts pertaining to the issues raised by him in his campaign of denigration.

A1 ICMA—The Cigarette Manufacturers' Association has 10 members whereas the newly formed Indian Cigarette Manufacturers' Association has a membership of all the six wholly Indian enterprises. They are:

1. Crown Tobacco Co.
2. Golden Tobacco Co. Private Ltd.
3. The Hyderabad Deccan Cigarette Factory.
4. Masters Tobacco Co. (India)
5. S.G. Agrawal
6. Universal Tobacco Co.

Others may join later.

2. The necessity of forming ICMA arose because the voice of the small wholly Indian-owned sector representing 20% of the production was never heard. It has no say against the powerful foreign monopoly and its all-pervading influence in every sphere of the industry including CMA where the voting rights are unequal.

The formation of ICMA has already yielded rich dividends to its members. At the CMA meeting last month, representatives of the foreign monopoly very politely asked, "Where have we failed and what should we do to encourage the Indian sector."

Tempting offers were made to help Indian cigarette manufacturers by supplying machinery, technical know-how, selling and marketing facilities, finance, etc. As Mr. Haksar stated in his speech, one of the companies which was limping has been given fantastic offer of assistance. As a result the company has severed its connections with those who were long helping it, to get maximum advantage under the circumstances. I hope other

Foreign monopoly has wiped out 200 Indian companies

members of ICMA or CMA will also derive similar advantages in the near future from the foreign monopoly.

B.I. ITC's tirade against GTC

What is termed as 'vilification campaign' by ITC is nothing but my placing before the people and the Government the full facts pertaining to the plight of indigenous cigarette industry. This naturally infuriates those to whom exploitation has become a way of life. I would like to state here that now as in the past I have placed before you and the public only facts and nothing but facts. I stand by them now and for ever.

2. It is a matter of complete surprise to us that the simple factual case we had made out on behalf of the indigenous cigarette manufacturers should have provoked ITC Chairman into making an intemperate attack on us. If what we have stated was vilification, we are unable to find a word to describe his reaction. For the damage he had done on many counts to Golden Tobacco and its public image he will be accountable.

3. Golden Tobacco Co.—Performance

We are however quite flattered by the facts and figures presented by him about our achievements in sales and production. It is very true that we started in a very humble way and so have many of the leading enterprises in business and industry the world over.

The progress made by Golden Tobacco is very impressive in absolute terms. However, in relative terms, even today Golden Tobacco has only 14% share of the ever expanding cigarette market. ITC's statistics showing that GTC's sales/profit has increased by 11500% in the period 1948-70 is like a grandfather complaining that his grandson 140 lbs. while he himself has suffered a loss in weight!!

You are familiar with Panama advertising. It is now available everywhere in the country. It is the largest selling brand in its class. You can well imagine the time, money and the energy that had to be expended to reach this point. The unfair practices and the non-cooperative attitude adopted by the trade at the behest of the foreign monopoly is something unimaginable to those who have not actually passed through the ordeal. The cut-throat competition is equally heart breaking as evidenced by the series of brands that were introduced to snatch away the sales of Panama cigarettes—viz., AMERICAN CLUB, SIMLA with added filter attraction, PLAZA KINGS with extra length, LEX, WOODBINE, BERKELEY in 20's, CAPSTAN MAGNUM, WILL'S BRISTOL with filter, etc.

As to the impressive figures of issued capital, reserves and other figures from the balance sheet, I would only say that Golden Tobacco has not frittered away their profits by declaring high dividends. Dividends declared are less than 30% and 70% has been taken to reserves. In contrast, the foreign monopoly has frittered away 75% of the profit by declaring dividends, and 93% of the dividends till last year have left the country for good. Had they followed our practice by declaring smaller dividends, they could have achieved better performance and the drainage of foreign exchange would have been one-third of what it has been. Similarly, I was surprised that the profitability of GTC in spite of its handicap in resources and in having to compete

with the foreign monopoly is higher than that of the ITC. I would leave it to you to go into details as to how this has happened. Is it due to higher overhead expenses or are there invisible avenues through which the money has disappeared? Is the money still in our country or has it left for good? It can never be that the foreign monopoly is satisfied with smaller margin or gives more value for the money to the consumer. It is the Indian company that is always at a disadvantage when confronted with the monopoly, partly because of the premium the latter can demand on its internationally known brands which are marketed directly in competition with the Indian cigarettes.

4. Golden Tobacco's prosperity

It is nice of ITC to have wished us well.

As to the capital of Rs. 5 lakhs in 1955-56 and subsequent increase, it is as mentioned earlier due to our retaining the profits and not frittering them away. Had Mr. Haksar taken into account the year in which Golden Tobacco was established as the base year, when its capital was minus

I shall leave it to the Government to decide whom they prefer—67% foreign-owned company or 100% wholly Indian-owned one. The fear by the foreign monopoly that Golden Tobacco will become a monopoly is amusing, to say the least. Those having monopoly of 70% of the market today are worried about a small Indian company having a share of 14% only becoming a monopoly tomorrow! This monopoly is so much used to enjoying 75% and above as their share of the market that not only is it not prepared to welcome others coming up and having a fair competition but it refuses even to think of it!

Rs. 5,000—a borrowed capital—instead of the year 1955-56 I wonder how the percentage of achievement would have worked out—it would have touched infinity!

I would like to know how much capital in foreign exchange was originally brought in by ITC or their parent company B.A.T. when they first came to India, how many thousand times they have taken it back and how the picture looks statistically at present.

5. GTC prospers in spite of ITC

The conclusion drawn by ITC from the progress of Golden Tobacco is that indigenous manufacturers are in no way impeded or impaired in their progress by the foreign monopoly. I would like to state that GTC's progress was achieved in spite of the monopoly. A variety of factors came into play. Consumers began taking into account the quality and the price of the product offered and the trade started supporting GTC in retaliation against the monopoly's high handed ways and the meagre margins with which monopoly wanted them to be satisfied.

6. Golden Tobacco's role in the Cigarette Industry

Golden Tobacco has always championed the cause of

Important question is the drainage of Foreign Exchange, NOT number of shareholders

the indigenous sector to the chagrin and the resentment of the foreign monopoly.

To give you an example—the first few pages of the diary published in 1960's by GTC dealt with the problems and prospects of indigenous cigarette industry, the closure of 200 factories etc. This was an eye-sore to ITC. The predecessors of Mr Haksar had on several occasions tried to persuade us to desist from this practice. He will find evidence of this in the records of his own organisation.

(a) The mention of competition by Golden Tobacco with two small manufacturers making brown cigarettes i.e., YACHT CLUB & ROYAL YACHT, is a masterpiece in concoction. Mr Haksar does not seem to remember brands like NETA and VANRAJ introduced by ITC itself in brown paper and in the same price range to wipe out TAJ CHHAP of Golden Tobacco and YACHT CLUB and ROYAL YACHT of other small companies. It may be of interest that Taj Chhap was introduced in the year 1935 and it has never been seen in the light in which Mr. Haksar sees it now.

You will be interested to know that a few years ago we introduced Taj Chhap in white paper and since then our sale of brown Taj Chhap has substantially been reduced but the benefit thereof has gone to other white-paper brands and not to the two small manufacturers still selling brown-paper brands.

(b) It is correct that Golden Tobacco is not a public limited company but to say that Golden Tobacco's prosperity is not shared by Indian public is far from truth. Golden Tobacco pays the highest rate of income tax as a closely held company. About 17% of our share capital is in the hands of a Public Charitable Trust for benefit of the public without its having invested any money as against the 30% premium paid by Indian shareholders over and above the face value for their shares in ITC. Even though Indians hold shares to the extent of 25% of total capital, they have no representation on the Board of Directors of ITC.

(c) Golden Tobacco has played a very positive role in the development of tobacco which would be borne out by people in tobacco growing areas. They have benefited by our entering the field which was completely dominated by Indian Leaf Tobacco Development Co. associate of ITC with a common parentage in B.A.T.

Now therefore the farmers get better prices, better facilities and better treatment from the monopoly which was not the case before.

(d) In development of exports of Indian cigarettes, Golden Tobacco can justly take pride in being the pioneers in introducing extensively their brands in several countries in the world like Russia, Czechoslovakia, Afghanistan, Gaza, Congo, Indo-China, Korea, USA etc.

We did good business for about three years with Czechoslovakia but when the foreign monopoly started a price

war to oust us we allowed the business to go out of our hands rather than lose precious foreign exchange of the country by decreasing our prices.

Even in the field of export of tobacco, Golden Tobacco can justifiably take credit for convincing the first two Chinese and Russian delegations that the Indian tobacco is good and could be used for making cigarettes in their countries. This did create a very favourable impression in these countries which had never before used Indian tobacco. We have been progressively increasing our exports of tobacco year after year to U.K., European countries and Japan in spite of severe competition from foreign monopoly and its international connections.

(c) We have always believed that Government of India effectively initiated and enforced the policy of import substitution. This policy is still being pursued. But on going through Mr. Haksar's speech, it appears as if it is ITC which is really responsible for advance in the cigarette industry. As a matter of fact by giving guarantees, high prices and inviting their associates to develop import substitution ITC has only created for itself and its associates a strangle-hold of a vertical monopoly as well on the industry. This could be verified by a detailed investigation.

At times we used to blame the Government for imposing on us such import substitutions as a result of which we were forced to take machinery or material that were sub-standard in quality at very high prices.

(f) The development of indigenous machinery for cigarette industry has been solely monopolised by the foreign monopoly and its interconnections and associates. Golden Tobacco is now blamed for not having played a part in this field. But is it Golden's fault or the fault of the monopoly in having invited their associates so as to increase their own hold on the cigarette industry? This vertical monopoly created by Imperial Tobacco needs investigation.

(g) It seems Mr. Haksar's impression is that training and development of management and professional managers could only be done through training centres set up specially for the purpose. It is equally possible to develop managerial cadres by in-plant and on-the-job training. Small manufacturers cannot afford the luxury of formal training centres which are very costly. Only big companies can afford them.

However looking to the progress made by Golden Tobacco as cited by Mr. Haksar himself it stands to reason that the management of the company cannot be all that poor. Call them professional managers or just managers or call them by any other name—so long as they are devoted to their work and are able to function well it makes little or no difference.

(4) Before we can say anything about research in the industry, we would like to know what research has

Break the hold of monopolists . . .

been done by ITC in India. We are under the impression that the real research is being done in London and the laboratories they have here are just to check the raw material supply.

We had no benefit of foreign know-how. In fact it was totally denied to us and we had to work on our own ingenuity all throughout. But whatever research we have done is our own and our products are the best proof. It is for the people to judge whether we have lagged behind in this much talked-about field.

(i) Golden Tobacco's part in assisting the tobacco farmers may not be known to ITC Chairman. This could be verified from the farmers themselves and I am sure they will always say that till Golden Tobacco came in a big way they were mercilessly exploited. Even today they are being exploited in spite of Golden Tobacco's increasing requirement and participation. Tobacco merchants and exporters are still being dominated and exploited by ILTD, the sister concern of ITC. As soon as more Indian cigarette manufacturers come up this problem will automatically be solved. The Indian farmers and the Tobacco merchants will have ample business possibilities when there are more and more interested buyers competing with one another.

(k) It seems the absence of labour union in Golden Tobacco is a sore point for ITC. But this does not mean there is no collective bargaining in Golden Tobacco. You will be glad to know that the Works Committee of the GTC's workers meets very regularly at which issues are thrashed out in a spirit of collective bargaining.

Can any normal person think that an industrial worker anywhere today can be that dumb as Mr. Haksar suggests?

As already stated before what Golden Tobacco wants is more and more Indian cigarette factories to come up to see that 80% share of the market held by foreigners comes down slowly and gradually without harming the foreign monopoly. They should of course be penalised if they do or have done something against the laws of the land. But otherwise it is our hope and our wish that they should continue to enjoy the fruits of their long labour. Yet this does not mean that they should be allowed to grow in an unrestricted manner which will curb the growth of indigenous companies.

7. ITC already a Monopoly fears GTC's future growth

It would appear that the foreign monopoly is fearing that an Indian company with just 14% share of the market will become a monopoly. Naturally to ensure that they do not lose the monopoly they advance as many arguments as they could possibly dream of. The question of Golden Tobacco becoming a monopoly is subject to Monopolies Act and Government policies. Golden Tobacco's activities should certainly be restricted when it ever becomes a monopoly. But if such a day is to come it will be long after the present foreign monopoly is restricted.

8. ICMA's Suggested Remedies

(a) Our argument that multiple shift operations must be stopped should be read in context of unauthorised excess

production by the monopoly group and it is for the Government to consider.

(b) The plea for pegging of the production of foreign-owned/controlled units has nothing to do with the registered capacity. Pegging should be done as was done in case of match industry, soap industry and oil industry at whatever level the Government may deem fit in the national interests.

(c) My suggestion that no further expansion be allowed to the foreign monopoly and inter-connected undertakings is in national interest. If expansion is given to foreign monopoly, it will in effect increase the monopolistic hold and lead to the drainage of foreign exchange due to increased profit. Monopolization cannot be masked by calling it a natural growth.

(d) The suggestion of reducing certain manufacturers' production is in fact asking them not to over produce beyond licensed capacity as they are doing it to the detriment of so many other manufacturers who are working at only 30% of their capacity, 70% lying idle.

Here I would give the glaring example of National Tobacco, Calcutta. Because of the labour trouble this company had lost business in 1967 and when they resumed after 4-1/2 months they found that the demand had been catered to by other companies and they were finding it difficult even

When the Government is so keen to Indianise foreign companies, ILTD which is having such a big business of supplying tobacco to foreign monopoly has somehow escaped the attention of the Ministries concerned. I hope this will be looked into so that the country will be benefited not only by way of income tax but also by higher foreign exchange earnings as the profit will be added to the cost and higher sales value will earn more foreign exchange.

to sell one-fourth of their previous production. Even today after 3/4 years of hard work they are still not able to get more than one-third of their former market with two-thirds capacity still lying idle. The labour, management and other overhead expenses could not be reduced and the company is in bad financial shape due to this calamity. Will it not be just and fair if this company gets back what they had lost because that belongs to them.

Not only that but Bengal which is facing increasing unrest will also be fairly benefited as production of cigarettes in Bengal has gone down by 50% due to National Tobacco being deprived of their original share of the market and this is the only big cigarette manufacturing company in Bengal. There are so many other manufacturers whose capacity is lying idle and they will also be benefited if the over-production of the foreign monopoly which is 8000/10000 million cigarettes is cut back. As the relaxation of over-production upto 25% by foreign/big firms has been withdrawn on 18th July, it is only natural that this decision should be implemented.

9. Results of these Remedies

(i) Indianising the foreign companies while allowing their expansion will neither reduce the mono-

...Take steps in larger national interests

January 8, 1971

Calcutta and Hind Tobacco, Hyderabad were bought over by ITC as running concerns. I also understand that A.J. Green, an American Company in Bombay was purchased by ITC. ITC's present Bombay factory is now operating in the same place where A.J. Green used to be. This is of course, over and above the large number of companies that were wiped out and a still larger number of companies prevented from entering the monopolist's field.

ITC says that a few undertakings who tried to enter the industry were unsuccessful because of their insufficient input resources or management or inability to satisfy the consumer demand. It is difficult for Indian cigarette entrepreneur to match the input resources or management of foreign monopoly and this is the main cause inhibiting their development. This is why we maintain that unless the monopoly's production is pegged others cannot come up as they are no match for the foreign monopoly.

That seven indigenous companies are operating with reasons to be satisfied with their performance is news to me. As far as I know the biggest is National Tobacco, whose balance sheets show how poorly it is doing. As to the other companies though the balance sheets are not readily available it is a known fact they are not flourishing. The production of all these factories put together is not even 1% of the total.

The reference to a proprietary concern flourishing and the figures given of sales ranging from Rs. 54 lakhs to Rs. 90 lakhs can mislead only those not familiar with the industry. Due to merciless competition by the foreign monopoly, that company has been making and selling cigarettes at unremunerative prices.

Mr. Haksar's reference to a company with capital of Rs. 20 lakhs and turnover of Rs. 1.18 crores may be correct. But I am not aware of any new cigarette company having such a big turnover in its own brands. Maybe it manufactures brands for another company.

I am glad that he has referred to the largest cigarette factory in India and says they are not doing so well due to lockout of 3/4 months in 1967. It is right that the consumer does not wait for such a long time of 3/4 months and as a result this company has lost sales to other cigarette manufacturers. I will be very happy if my suggestion of restricting the over-production will enable the unfortunate company to get back what they have lost due to reasons beyond their control. It will be just and fair to give them back what was theirs.

It may suit ITC to say that the company whose main brand is YACHT CLUB has not been able to compete with Golden Tobacco's TAJ CHHAP. I am eagerly looking forward to the fulfilment of the offer recently made to the company by the representatives of foreign monopoly to give them machinery, material, selling and marketing facilities. I am sure this company will then be able to compete with Golden Tobacco. The recent change in the thinking of foreign monopoly in favour of helping the small manufacturers after 60 years of merciless and unfair competition which wiped out so many concerns is most welcome. If the foreign monopoly helps the company making YACHT CLUB and such other small companies, my problems are happily solved. But all the same, pegging is very necessary to see that the change of heart does not change again.

As to Mr. Haksar's statement that GTC is amassing gross profits, I do not know how to deal with the inability of his to read figures in the correct perspective. The word "amassed" is not correct because these profits are subject to high income tax which is a positive contribution to the national economy. And 90% of the taxed profits are again

ploughed back to ensure that the Indian cigarette industry is able to compete with the foreign monopoly.

Item No. 5: Idle Indigenous Capacity does exist.

There is a great deal of idle capacity in the wholly indigenous sector of the industry. This is not a secret. Apart from whatever has been said as per the statement given by the Minister of Industries in the House of Parliament, the six Indian cigarette factories have capacity of 16768 million cigarettes, and they are producing less than 5000 million cigarettes leaving 11000 and odd million cigarettes idle capacity as against the over-production by the foreign monopoly to the extent of 8000 to 10000 million cigarettes. Is it not desirable that the over-production of the foreign monopoly be checked so that six Indian companies will get enough work?

As per the policy statement of 18th July the relaxation of over-production by 25% has been withdrawn as far as the foreign big firms are concerned. The foreign monopoly in cigarette industry has to abide by this without grumbling or distorting the facts to suit its own ends.

Item No. 6: Foreign Monopoly does control cigarette Market.

Mr. Haksar denies that "foreign capital controls 80% of the cigarette market." Actually what I had said was that foreign-owned companies with major foreign shareholding are controlling 80% of the cigarette market. This is as per the statement of the Minister in the House of Parliament and I am sure he is right. The statement made by him to justify his stand is clumsy and the figures are distorted to suit his arguments.

Commitments made by the foreign monopoly to reduce the percentage of foreign shareholding with a view to getting permission to expand is not in national interest, as it will reduce neither the monopoly nor the drainage of foreign exchange. Here I would like to say that this foreign monopoly has expanded its activity 1000 times without Indianising and now it is for the Government to see that they Indianise without expanding or remain where they are and also see that their share of market gradually goes down, resulting in true Indianisation.

Item No. 7: Foreign Monopoly does affect Indigenous Sector.

That because of certain companies other companies cannot prosper has been proved in the classic case of the match, soap and oil industries. As soon as the activities of the foreign monopolies were curbed, indigenous units quickly came up in those industries.

Name — "INDIA"

I can very well understand that the Chairman of India Tobacco Co. is panicky because of the impending 25% reduction in their production which has exceeded the licensed capacity and consequences like surplus labour and management, loss of market, loss of profit, loss of prestige, etc. No doubt, I have taken shelter under the Government of India's laid down policies and can only take credit for having shown them what should not happen within the framework of these policies.

ITC sells International Brands

ITC Chairman has referred to creation of internationally famous India Kings cigarettes. If India Kings cigarette is internationally famous, I do not know why he says that international cigarettes are not made by ITC because I am sure the other brands which I have referred to such as GOLD LEAF, EMBASSY, SCISSORS, BRISTOL, etc. are selling

January 8, 1971

EASTERN ECONOMIST

much more than the internationally famous India Kings cigarettes referred to by Mr. Haksar.

As for the use of name "India" for cigarettes, we are all entitled to our own opinion on the question of propriety. I know in the past the makers of cigarettes with name VIR CHAKRA were forced to withdraw it because it was not in line with the law of the land or sanctity of certain names. The same thing happened to SHIVAJI BIDI. If law of our country forbids the use of names of leaders, national monuments and emblems for commercial purposes, how can the name of the country itself be used?

D. COMPARISON OF CONTRIBUTIONS OF INDIA TOBACCO AND GOLDEN TOBACCO

I have still to look into the other two companies but I know ILTD is a 100% Sterling company while Delhi and Orient Tobacco Co. is a subsidiary of ITC. I doubt very much if all these creations have really contributed to the economy of the country as only one company would have done the same work instead of 5 companies having single integrated business under the same control and management.

1. EXPORTS—IMPORTS—Foreign Exchange

I am glad to know that ITC is aware of the crucial foreign exchange position of the country. I have already explained how ITC is wrongly taking credit for export of tobacco. There is in fact a net drain on foreign exchange as far as ITC is concerned.

Actually between 1959 and 1970 India Tobacco Co. have remitted Rs. 15 crores i.e. 93% of the total dividends declared during these years.

It will be interesting to know that had Golden Tobacco not been there, its share of sales would also have gone to the foreign monopoly and profits thereon would have gone to foreign shareholders. Not only that but if there was so much less competition the profits of the foreign monopoly would have been many times more because it is only competition that keeps a check on exploitation.

Even tobacco exports by ITC/ILTD is declining every year in last 3 years. So also cigarette export which is now only 2 lakhs a year.

The exports achieved by India Tobacco Company have by its own admission the active support and assistance of its overseas shareholders. This proves that these shareholders are not mere shareholders but they are people in holders are not mere shareholders but they are people in the same line. These overseas associates have been willing to co-operative in helping the exports from India. They are doing some good to our country. I would like to know the names of these associates as this might make it clear as to who the associates are and how they are controlling not only ITC, ILTD but also other similar companies.

As to exports of Golden Tobacco, I have already stated that we have done much better in export of cigarettes in spite of not having any willing and cooperative foreign shareholders or world wide international brands or foreign associates all over the world. We are still doing whatever we can to the best of our ability.

2. INDIAN CAPITAL—Indian equity shareholders

The propaganda value of having 21430 Indian shareholders of ITC is very impressive but the total percentage of shares they hold is less than 25%. It is not the number of shareholders but the amount of their holding that really matters where question of ownership is concerned. As far as Golden Tobacco is concerned, it was a proprietary

company and a one man show and is now a private company. Naturally the number of shareholders is very much limited but the big difference is that 100% shareholding is in the hands of Indians.

The important question is the drainage of foreign exchange and not the number of shareholders.

I cannot understand how the figure of Rs. 9.11 crores which includes premium charged to poor Indian shareholders and also the debentures which have no voting right is quoted as participation in share capital of the company. Debentures are nothing but loan secured to increase the business/increase the profits — and share premium is not equity too.

I would like to add that in spite of the investment by Indian public and financial institutions like LIC and Unit Trust, there is no representation of these investors on the Board. I do not know why this is not being done. Indian shareholders are happy to be investors and as long as they get their return on the investment they do not participate or ask for representation in the company management. It is high time that the outlook is changed and in a sure, very shortly these Indian investors—either individual or financial institutions—will get their rightful place on the Board of Directors.

3. Management

As far as India Tobacco Co.'s Board of Directors is concerned, they are nothing but the professional managers employed and directed by the foreigners to look after their interests. To tell you very frankly it is not the Board of Directors but group of managers who are doing their best to safeguard foreign interests and show better results to their employers and are adopting all methods of management whether in the interest of the nation or otherwise to prove to their employers that they are more efficient or capable than their foreign predecessors. Actually the professional managers' right place is that of managers but the Board of Directors should be something above them to check them or to encourage them and to see that the Company does not do anything which is unfair or anti-national. Though the profit making motive and motivation and incentives should be there, some one who has a stake financially should be the overseer.

Golden Tobacco's Management

Most of the management are relatives of the owners according to Mr. Haksar. I do not expect him to have better knowledge than what he has as far as our company is concerned. For your information, apart from the board of directors, the managers and the top men of the company are as under:

Shri S.K. Oza	Secretary
Shri S.R. Shringarpure	Manager
Shri J.C. Shah	Sales Manager
Shri S.P. Shah	Accountant
Shri P.V. Nagda	Business Manager
Shri M.S. Ram	Publicity Manager
Shri R.L. Jaswal	Manager
Shri A.D. Marphatia	Factory Manager
Shri B.H. Vahalia	Chief Engineer
Shri P.S. Venkatachalam	Asst. Chief Engineer
Shri G.B. Sawant	Asst. Chief Engineer
Shri G.R. Chablani	Chief Chemist
Dr. P.D. Kuttan	Personnel Officer
Shri S.A. Savant	Industrial Engineer
Shri C.N. Mathuria	Quality Control Engineer
Shri A.R. Kadakia	

Shri L.V. Dhutia	Chief Engineer
Shri D.N. Murty	Tobacco Leaf Adviser
Shri R.V.S. Rao	Tobacco Leaf Adviser
Shri T.S.N. Gandhi	
Chowdary	Manager
Shri M. Ramaswamy	Manager
Shri K.K. Ghelani	Factory Manager
Shri Ch. Narayana	Manager
Shri Ch. V.P. Gopala Rao	Manager

They are not relatives of the Directors of the Company. If he is referring to some specific branch of the Management, there can be reasons which he had not to go into as he might find himself more vulnerable. Hence it is not necessary to dwell any longer on it.

4. It is interesting to know that the profit of foreign monopoly is much lower than that of GTC. I cannot imagine how a company with such monopolistic hold can justify lower profits and I would be very much interested in knowing where the difference lies or where the money has gone. It will be ridiculous to say that a small Indian company can give less value for money and compete with the foreign monopoly. Actually GTC has always to give much better return for the price consumer pays in view of the number of odds such as the premium foreign monopoly can command on their brands which are internationally advertised or have been in market for three generations.

As to the differently priced categories of ITC and GTC, as you know, generally the most profitable lines are given preference by business houses. It will be interesting to know that ITC's production went up by less than 7% during 1967-69 while profits have gone up by more than 70%. That means the proportion of profit is 10 times more than the increase in production. Is it due to lower priced cigarettes or is it due to INDIA KINGS which tops the maximum price range in the Indian market?

Actually we were always under the impression that ITC has the sole monopoly in the higher grade cigarettes and that is why the profit margins given to the trade are not even one-third of that on the medium priced cigarettes. Unless there is competition, ITC has always dictated terms which are not fair apart from so many other high-handed methods and rude behaviour the trade has tolerated under foreign monopoly. The change, if any, is due to slightly more competition in recent years and the Monopoly Act which has the desired effect on the foreign monopoly's trade practices and treatment of the trade.

As to the cheaper brands which are being referred to by ITC, it should be noted that VST is making only cheaper cigarettes — to be more precise CHARMINAR cigarettes — and the profit of this company has gone up by 50% from 1968 to 1969, while actually the production has gone down. Does it not mean increase in price of cigarettes or decrease in quality; in short, exploitation of low income people who are not so well off?

5. IMPORT SUBSTITUTION (Comparison between ITC and GTC)

Here again very conveniently ITC has excluded import of tobacco for the obvious reasons. It ranged from Rs. 20 lakhs to Rs. 120 lakhs a year as per our information. No doubt GTC being a wholly Indian company has to pay higher price or has to import such material which is costlier than the material which ITC imports through their associates — may be the same associates who are helping in the export of tobacco or the willing and co-operative partners/shareholders. But if the foreign exchange remittance is added to the foreign exchange liability including tobacco imports, the figures

calculated by ITC will be 30 times higher compared to what they have given.

Machinery

India Tobacco Co's contribution is much more because the machinery manufacturers, Molins of India, are interconnected to the parent company of ITC which is holding the shares of ITC through other holding companies of their own. This could very well be looked into and a reference to U.K. Monopoly Commission Report will give better idea of the operation of the British combine known as B.A.T. or Imperial Tobacco, London.

This combine is a monopoly in U.K. and has a substantial share of world market including U.K. and U.S.A. They have cigarette factories in 55 countries (we do not know if a few of them have been nationalised in recent years). This could also be verified from the list of B.A.T. and I.T.C., London associates as referred to in the World Tobacco Directory and we have to go a little deeper to the roots rather than look at the branches and try to find out whether they belong to the same tree. Unless we go into the horizontal

In spite of the investment by Indian public and financial institutions like LIC and Unit Trust, there is no representation of these investors on the Board of India Tobacco Company. I do not know why this is not being done. Indian shareholders are happy to be investors and as long as they get their return on the investment they do not participate or ask for representation in the company management. It is high time that the outlook is changed and I am sure, very shortly these Indian investors—either individual or financial institutions—will get their rightful place on the Board of Directors.

and vertical monopoly controls which this root is having by virtue of inter-connections, subsidiaries, investment companies, etc., it will be very difficult to find out the truth about the part they have played in controlling the machinery manufacturers, raw materials supplies etc. Whatever they have said about their contribution by way of expertise, technical know-how, drawings, blue prints etc. is subject to verification.

It is also interesting to know that India Tobacco has set up a machine construction unit in Bangalore and I only hope that they have taken the permission or at least informed the Government about their activity which has not been known to us as it has not been published in the list of Indigenous Machinery Manufacturers published by the DGTD.

In view of the multifarious activities like cigarette manufacturing, leaf handling, machinery manufacturing and raw materials manufacturing which they have described, you can very well imagine the hold the monopoly has and how easily it can further tighten it if not checked effectively.

It is surprising the ITC takes credit for self-reliance. It is the Government's economic policy. I would have given ITC credit if they had not brought in their associates and the interconnected companies and entrenched themselves in vertical monopoly as well. This is self-aggrandisement, plain and simple.

I have no idea of the total connections or controls the foreign monopoly or their parent company exercise on many industries in India and it should be looked into by the Government. The reduction in import by India Tobacco Company is praiseworthy unless they have had exclusive and hidden benefits of their inter-connection with suppliers whom they have obliged by finance, know-how, etc. These

are the details which I am not supposed to know but which the Government should look into and definitely see that the imports by the different companies are genuine. The reason for variations in import requirement of different manufacturers is generally verified by and known to DGTD and, therefore, ITC need not worry on this count.

What we object to is the exploitation by these companies which are under direct influence of the foreign monopoly by such methods as high prices, quantity discounts, reserving specific quality for ITC only, changing the manufacturing schedule to suit the requirement of foreign monopoly etc. These are against the indigenous sector's interests. It is heartening to know that a number of small scale industries have been helped by ITC. Before saying that Golden's contribution is nil, I hope ITC Chairman would have either verified or consulted GTC as I have been doing from time to time and asking for his confirmation which may or be not be given to me.

Research and development

Research and Development contribution cannot be measured by the number of people employed in a laboratory. Let us know precisely what new inventions have been made so that we may know whether this is a dead weight or something useful to the entire industry.

As far as our research and development is concerned, we would ask to be judged on the basis of the quality and price of the products we offer to the consumer. It is the results which should speak for themselves and one need not boast about it. Let others judge.

If monopolistic hold is reduced, research and development will fast develop in other companies also because they know they have a future before them. Research and development activity is expensive and has to be commensurate with production, resources and future growth.

Employment — employees

What has been most gratifying to us at GTC however is the unstinted loyalty and cooperation offered to us by our employees — a loyalty which has gone far beyond mere material consideration. Without this dedication GTC would not have been able to register the progress it has achieved, especially when pitted against a mammoth foreign monopoly right from its inception.

India Tobacco Co. is employing 12000 workers. They are offering very good terms of service. Good terms and conditions of service given to employees are too well known to be enumerated. The emoluments and environments of work at GTC are highly favourable and comparable with ITC. No doubt, what the so-called professional manager of ITC gets is extravagant, may be they have to look after the interest of the foreign monopoly.

It is interesting to know that number of workers employed by GTC is less per unit of production compared with ITC. What can be the reason? Does it mean that the foreign monopoly is employing many more people who are not directly connected with the production but are necessary to continue the monopolistic hold on various spheres of economic and bureaucratic activities? As to the wages paid, it would be interesting to know that a very low wage paid to be paid by GTC is not at all correct. Average per capita amount is Rs. 6100 for GTC against Rs. 6350 of ITC. Is that low?

No Union — no sweetened labour

It is the elected Works Committee which functions effectively for collective bargaining in GTC. The workers and management are united as a team of family members. It is enviable, we admit.

It is very interesting to know that it is understood by

ITC's Chairman that all labour is obtained from Cutch by the Sardars employed by GTC who are known as "Group Leaders". As far as the labour is concerned it is from the local area and most of them are other than from Cutch. They are Maharashtrians, Muslims, Christians, Paraces, Sikhs — all communities residing in Maharashtra.

9. Foreign exchange — collaboration — Royalties

Goodwill-trade mark has been capitalised as shown in balance sheet of ITC and the payment of dividend thereon — Rs. 65 lakhs a year — is as good as paying royalty. It would be cheaper to pay a fixed royalty on production of brands with foreign ownership because gradually over a period production of such brands can be replaced by Indian brands and royalty incidence reduced instead of having permanent liability of capitalised goodwill. If this could be decapitalised in a manner which is more favourable to the country it should be done at once to save perpetual drain of foreign exchange.

10. Agricultural economy

It seems Indians would not have had the pleasure of seeing tobacco, had the foreign monopoly decided not to come to exploit India. Whatever good may have been done is welcome but the foreign exchange drainage, the exploitation of growers, trade and consumers by the monopoly should be checked in larger interests of the country's economy.

Golden's contribution as buyer of tobacco is unique in the sense that it helped reduce the monopolistic hold and exploitation of tobacco growers and you should go to the tobacco growing area to understand this.

11. Brands for exports markets

When ITC can make cigarettes which successfully compete in the world contests, I do not know what restricts them from exporting the cigarettes and earning foreign exchange. Exports of cigarettes will earn at least twice the amount of exchange earned on export of tobacco. Not only that but labour and ancillary industries will also get a boost. I am eagerly looking forward to the day when ITC will export cigarettes worth Rs. 25 crores instead of making a wrong claim of export of tobacco worth Rs. 10 crores.

12. Profit—social responsibilities

I have noted Mr. Haksar's exposition on Social Responsibility, but as I said earlier, ITC's profits have gone up by 70% against the increase of 7% in production. However, it seems the fear of reduction in profit further coupled with the fear of restriction on the production to the installed capacity might have prompted him to advance the theory of Social Responsibility and Profit Making.

Profits made by GTC are not as unsocial as he thinks. After paying the highest tax which is applicable to closely held companies, only 30% is declared as dividends while 70% is being used to expand our business which further helps reduce the foreign monopoly. In contrast, ITC have remitted abroad Rs. 15 crores by way of dividends in 10 years. Please be rest assured GTC has done nothing against the law of the land.

I have already dealt with the argument of import substitution. If the manufacture of cigarette machinery, cigarette paper etc. were not a part of the grand design of vertical monopoly of ITC, I would have appreciated it.

Having placed all facts before you, the Press, the people and the Government we leave it to you to judge how Indian sector of the industry is placed against foreign sector and what steps should be taken in larger national interests.

Advertiser's Announcement

BOOKS BRIEFLY

Development and Rural Savings

Rural Savings in India — P.G.K. Panikar; Somaiya Publications Pvt. Ltd., Bombay; 1970; Pp. 179; Price Rs 18.

Studies in Demography, Compiled by Ashish Bose, P.B. Desai and S.P. Jain; George Allen and Unwin Ltd., London; 1970; Pp. 579; Price Rs 50.

Studies in Green Revolution, Edited by G.S. Pohokar, United Asia Publications, Bombay, 1970; Pp. 52; Price Rs 5.

Industry and Trade in Some Developing Countries — A Comparative Study, Ian Little, Tibor Scitovsky, Maurice Scott; Oxford University Press; 1970; Pp. 512; Price 40s.

Freedom and Necessity — An Introduction to the Study of Society, Joan Robinson; George Allen & Unwin; 1970; Pp. 128; Price 25s.

The World's Money — How It Works, William M. Clarke and George Pulay; George Allen & Unwin; 1970; Pp. 216; Price 45s.

Reviewed by ACADEMICUS

It is generally believed that one of the important constraints on India's planned developmental efforts is the low rate of domestic saving for investment purposes. The rural sector of the Indian economy which accounts for nearly half of the country's national income is naturally expected to contribute its appropriate share of saving for economic development. Not only should the rural sector provide resources for investment in its own sector, but it should also release resources for the non-agricultural sectors. It is however generally believed by most that the rural sector in India has not been contributing its due share as the rate of saving in the rural sector is very low. Dr P.G.K. Panikar has critically analysed the above hypothesis in his book *Rural Savings in India* which by sheer repetition has almost assumed the status of an axiomatic truth.

Having emphasised the role of saving in economic development, the author is given a critical analysis of the concept and measurement of saving. He is explained briefly but clearly the two well-known methods of measuring savings, namely 'the income account method' and 'the balance sheet method'. He has subjected to criticism the methods used by the National Sample Survey (NSS) and the All India Rural Credit Survey (RCS) to derive some estimates of savings in the rural sector of the economy.

The author has shed light on the difficulties experienced in estimating the incomes of the rural households due to the existence of non-monetised sector, estimating consumption due to absence of accounts and in valuing depreciation without which savings cannot be worked out. The

conceptual and methodological difficulties explained by the author show the gaps which persist in this field and which must be removed by research workers, if proper estimates of rural savings are to be made. The accurate assessment of the rural savings and investment pattern of rural households is absolutely necessary, if the governmental policy to mobilise savings is to succeed.

What have been the conclusions arrived at by the author by following a methodology which attempts to avoid the pitfalls and shortcomings of the methods adopted by the NSS and the RCS?

According to Dr Panikar the general belief that the rural sector in India does little saving is only an impression based on scanty empirical evidence. The NSS and the RCS which covered the entire country, indicate a gross saving-income ratio of more than 12 per cent, excluding direct investment (i.e. investment in kind). If the non-cash savings are also included, according to the above surveys, this percentage would rise to 20 per cent or so. With adjustment for repairs, maintenance and depreciation, according to the author, the net (cash) saving-income ratio would be at least eight per cent.

Further, the author finds that rural households have a higher propensity to save than their urban counterparts belonging to the same income group.

Another significant finding of this study is that the bulk of rural savings is invested by savers directly in their household enterprises. The prevailing pattern of values and institutions in rural areas do not promote the transfer of savings. In the absence of banking

institutions and other financial instruments the rural households hold almost their entire savings in the form of physical assets such as land, buildings and jewellery. Only an insignificant proportion of savings of rural households is held in the form of financial assets. Thus for the year 1951-52 financial investments (i.e. purchase of shares of co-operative societies, deposits in co-operative banks, postal savings and other banks, purchase of National Savings Certificates, Treasury Bonds etc.) amounted to only Rs 3.5 per rural family.

Significant Findings

These findings have great significance for the formulation of appropriate policies. Though the rural savings may not be substantial in absolute terms or compared to the magnitude of investments required, they still represent a significant proportion of the income of rural families. It needs to be noted that even poor families save so much. This means along with steps to increase this percentage of rural savings, immediate attention needs to be given to the types of investment. The existing pattern of investment in traditional forms of assets like building and jewellery keeps productivity at a low level leading to low saving and investment. This vicious circle must be broken by inducing rural households to invest greater percentage of their savings in productive assets incorporating modern technology and yielding greater returns. This also involves greater and more effective diffusion of modern and appropriate technology in rural areas of India.

Also, the fact that most rural households invest their savings directly prevents their effective mobilisation and use. The savings must be effectively mobilised and transferred into the hands of more enterprising farmers. This means that financial institutions such as commercial and co-operative banks must be established in larger number in rural areas, familiarising the rural masses with new forms of investment. This will top up rural capital market and wean away investments in buildings, jewellery and such other unproductive real assets. A radical change in the pattern of investment seems to be the first necessity for breaking the vicious circle of poverty and accelerating the economic growth of the country. When this is achieved, according to the author, savings will cease to be a serious impediment to economic development.

We have come to accept so many hypotheses as axiomatic truths due to slogan-mongering in which we have been indulging even after independence

that it comes as a revelation that the generally accepted view regarding rural savings has absolutely no foundation. The thesis of the book, a doctoral dissertation submitted to Vanderbilt University, USA, will certainly make us more critical about many other assumptions which have become part and parcel of our current thinking. If this book proves anything, it is this that nothing should be accepted as valid unless proved so by empirical evidence. We are in great need of this critical faculty and Dr Panikar deserves our congratulations for bringing out this book throwing new light on a vital subject.

PROBLEMS OF POPULATION

Studies in Demography presents a collection of essays presented to Prof. S. Chandrasekhar on the occasion of his fifty-first birthday in honour of his outstanding contribution to the cause of the Indian and Asian demography. The essays in this book are written by distinguished scholars all over the world and cover different aspects of demography.

Part I consisting of only one essay by Ashish Bose gives an exhaustive survey of practically all the research work done in India in the field of demography from 1947 to 1969. This essay should serve as a good reference work on demography for research students in this field. The author has also drawn attention to some of the loopholes that continue to characterise research in Indian population problems. Thus we do not know with any degree of accuracy the number of unemployed and under-employed persons in India, and about the number of people practising family planning and the impact of family planning programme on fertility.

There are very few studies on the evaluation of data, on the methodology of data collection, on techniques of estimation on the basis of insufficient data, on the need to improvisation and innovation and on data collection in an underdeveloped country like India. What is more, very few attempts are made to utilise intensively the available data and often surveys are undertaken not because there is a problem to be investigated or a hypothesis to be tested but simply because financial grants are available. The author also points out that demographic surveys of small towns are rare and there are major gaps in respect of mortality and morbidity studies. He has pointed out that a lot more research has yet to be done for planning and policy-formulation. Let us hope the census of 1971 will further strengthen the foundations of demographic research in India! In one long essay of about 30 pages the author has given a clear perspective of the state

of demographic research in India to the present day.

Part II of the book containing three essays deals with the problems of population and economic growth. The theme of the song all through these essays by Joseph I. Spengler, R.K. Som and L.A. Knyazhinskaya is that the agronomists have given us a revolution in crop production and that revolution must be followed by a revolution in population control. If this is not done a dangerous 'Times of Troubles' would soon be at hand! The essay by Ranjan K. Som on population problem in African countries is very informative. With about one-fourth of the total land surface and about nine per cent of the total world population, Africa (excluding South Africa) accounts for only two per cent of the world output (which is less than the total output of Italy)! The author has emphasised that energetic steps will have to be taken to increase production and investment and to cut back unemployment and under-employment in the African countries, and at the same time make population trends the subject of deliberate and comprehensive policy in their planning for economic and social development and not merely an outside item to be taken into account only casually. This essay gives in a nutshell the economic and population trends in Africa about which Indian readers generally know so little.

Accelerated Urbanisation

L.A. Knyazhinskaya writing on the growth of population density has emphasised that the problem of increasing population load on land in densely populated agrarian countries cannot be considered insoluble. The problem will have to be solved by accelerated urbanisation, reclamation of new land, reduction of birth rate by suitably transforming socio-economic background and scientifically grounded demographic policy which can promote a more desirable correlation between the population and the level of development of the productive forces in the country.

Part III of the book analyses the technical problems which are faced when taking the census of people living in about 567,000 villages of great ecological variation, and with 70 per cent of the population illiterate and speaking various languages and dialects. After reading this part one gathers at least some idea of the stupendous problems of organisation and administration in planning a census.

Part IV deals with 'Techniques of Analysis and Models'. It deals with some important technical problems such as the use of logistic curves, in-

ferring births from age distribution and estimating fertility and mortality all of which is so useful for demographers.

In Part V dealing with 'Family Planning and Population Policy', two essays attract our special attention. Writing on 'Population Policy', Kingsley Davis has warned that despite strong anxiety over runaway population growth, the actual programmes purporting to control it are limited to family planning only and are therefore ineffective. He feels that, (i) the goal of zero or even slight population growth is one that nations and groups find it difficult to accept; and (ii) measures that would be required to implement such a goal generally tend to offend most people reared in existing societies. As a consequence the goal of so-called population control is vague, the method is only family planning.

Familistic Method

According to Davis this method far from de-emphasising the family, is in fact familistic. "It goes along with most aspects of conventional morality, such as condemnation of abortion, disapproval of premarital intercourse, respect for religious teaching and cultural taboos and obedience to medical and clerical authority. The things that made family planning acceptable are the very things that make it ineffective for population control. The unthinking identification of family planning with population control is an ostrich-like approach in that it permits people to hide from themselves the enormity and unconventionality of the task." This is a subtle argument from the well-known authority on demography and must be taken into account when framing the population policy.

Of all the essays in this book that of Asok Mitra is easily the most thought-provoking. He has put the problem of expanding population into a proper perspective by pointing out that with stagnant and even diminishing population for many decades, India in 1921 was unspeakably poor compared to India of 1951 and of 1961 with vastly increasing population. In 1968 India with more than 550 million or so of her population is even richer than she was in 1961. This implies that 'A small population alone is no guarantee of prosperity'. He therefore rightly believes that wholly unnecessary and harmfully rigid postures have been taken. Champions of economic growth have ignored the harmful effects of runaway population growth, while champions of population control have generally underestimated the necessity of economic growth. Very few have stressed the fact that economic growth and population control are

the two sides of the same coin and that both are completely dependent on rapidly changing industrial, economic and cultural technology in the life of a nation.

It is only when industrial change on the one hand and socio-cultural changes on the other are enabled to catch each other by the forelock that economic change and population control will achieve simultaneously the best results. Overstatement in any direction can create undue optimism with its inevitable backlash of disappointment and despair and nothing is more disastrous for a country's progress than pessimism and loss of self-confidence. From the outrageously indecent manner in which the family planning propaganda is being carried on with a total blindness to its moral and cultural implications and economic effects on sparsely inhabited territories such as Assam, Rajasthan, Haryana and Dandakaranya, one is inclined to believe that population control and family planning has become a new obscurantism for which no small blame attaches to Prof. S. Chandrasekhar.

This commemorative volume, like most such books, is good in parts only. While there are some good essays in this book, there are others analytically inadequate in that the arguments therein are supported by extremely flimsy empirical data.

Demographers have almost identified the science of demography with family planning and birth control which fact explains why few are attracted to this subject and why demography does not command much respect among social sciences. Unless demographers have proper grounding in economics and other social sciences, they will be unable to make any worthwhile contribution to the country's progress. From reading this commemorative volume the reader hardly get the impression that most writers have shown this awareness.

GREEN REVOLUTION

There is much talk — at any rate among the governmental circles — about the occurrence of 'Green Revolution' in India in recent years.

But is there really a 'Green Revolution' in the country? Where has it occurred? How green is it? And if there is a 'Green Revolution' why should prices of foodgrains move up giving rise to the general wage-price spiral? There are the questions that at once crowd the minds of the public which has become weary and sceptical of governmental pronouncements these days. Mr Pohkar in his

book *Studies in Green Revolution* purports to give objective answers to the above problems.

Of the six articles included in this small booklet, "How Green is the Green Revolution?" by G.A. Pai is easily the most comprehensive and analytical and therefore should have been the first in the book instead of the last.

Restricted Sweep

In his essay G.A. Pai has complained that the revolution does not appear to be as green as it is made out to be by constant government propaganda. If there is any revolution it is confined to the 20 per cent irrigated areas and to the production of wheat and gram only. He maintains and rightly that the process of transformation in respect of other cereals and pulses, oilseeds, sugarcane, cotton and jute is long and arduous. If this revolution is to take place soon, government, farmers, industrialists producing various agricultural inputs such as agricultural machines and fertilisers and money lenders and the nationalised commercial banks will have all to play an integrated role in a properly worked out comprehensive scheme of agricultural transformation.

The author rightly insists that it is no use comparing the current year's production and productivity with that of the previous year which may be a drought year, nor with the production of 1950-51, this distant base having ceased to be of any practical significance. To be reasonable, the current year's production should be compared with that of the earlier peak year which happens to be 1964-65. Thus, in spite of the fact that during the four-year period between 1964-65 and 1968-69 population increased by about 10 per cent, production of rice increased by only one per cent, of jowar by 0.6 per cent, of wheat by 51.8 per cent; while production of groundnuts declined by 24 per cent, of cotton by 6.4 per cent, and of sugarcane by 28,000 tons. Since absolute increase in the production of certain agricultural products has come about as a result of absolute increase in area under that crop, it is not the absolute increase but the productivity per hectare which should be the real basis of measuring the extent of so-called agricultural revolution in the country.

Adopting therefore the criterion of productivity per hectare and comparing productivity in 1968-69 with that of the peak-year productivity of 1964-65, we get a very revealing picture. The productivity of wheat has gone up by 28 per cent, of gram by 12.9 per cent, of cotton by 12.2 per cent, of sugarcane by

3.8 per cent, of rice by 0.3 per cent, of jute by 0.2 per cent; while productivity has declined by 22.7 per cent in the case of groundnuts and by 3.7 per cent in the case of jowar. This also clearly means that per capita availability in respect of cereals, pulses, grams, edible oils, sugar, and cotton cloth have all gone down as compared with the previous peak figures. This then is the extent of the 'Green Revolution'! These figures culled from government sources clearly explain the current spurt in the prices of agricultural commodities and government's anxiety to enter into agreements with the USA for the import of foodgrains, not only for the current year but for the next year is an indirect admission of the propagandist nature of the 'Green Revolution'. G.A. Pai with the help of excellent tables has analysed the nature and extent of the 'Green Revolution' and has shown its extremely limited nature in a manner that is irrefutable. We may be on the way to such a revolution; but we must not profess to be already in it. Complacency can be as destructive of progress as lethargy.

V.S. Vyas has drawn attention to the fact that overall targets in agriculture are being fulfilled mainly because of extremely good results only in a few



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states notably in Punjab, Haryana, Tamil Nadu and to a lesser extent in Maharashtra and Gujarat which have all contributed more than their proportionate share. Also, it is only in wheat and to some extent in inferior cereals such as bajra that remarkable success has been recorded. The most important cereal of the country namely rice has yet to show worthwhile progress. Similarly, none of the commercial crops has so far witnessed the breakthrough. This suggests that hybridisation has yet been highly localised and has not measured up to the promise.

The author has drawn three important lessons — attempts must be made to extend the use of hybrids to other areas and simultaneously full complement of other agricultural inputs to such areas; there should be constant research in both existing varieties as well as new crops not yet covered by the programme; and thirdly the 'spread effects' of this programme must be encouraged and concentration of its benefits in fewer hands must be avoided. This would imply additionally taxing the farmers so benefited and using the proceeds for building infrastructure in agriculturally backward regions which must also be brought into the orbit of growth.

T.P.S. Chawdhari has emphasised that the economic impulses generated lead into the sociological fields as well and with cultivation becoming more profitable, owners may find it to their advantage to resume land from benami tenants for 'personal cultivation' as has been happening in Maharashtra. The author has rightly warned that there are yet problems such as need to achieve greater stability in terms of crop output, financial stability, improvement in marketing arrangements and industrial uses of grains like maize and constant attention to research and coordination. As long as these major problems await solution, it would be too early to name the developments in the agricultural field by the term 'Green Revolution'.

Green is Grey

Without detracting from the merits of the agricultural developments during the latter part of 1960s, the essays leave the impression that the green revolution is less green than the impression created by government propaganda. One is also disheartened that various allied problems such as those of storing, marketing, proper pricing and agro-industrial development have as yet been receiving inadequate attention and agricultural revolution has come to be identified with only hybridisation. Above all the rising prices of foodgrains and commercial crops indicate that this revolution is too evolutionary and that it will have to gather more speed if it

is to successfully overcome the obstacles of increasing population and increasing prices, the two barriers to our progress.

A LUCID ANALYSIS

This excellent volume, *Industry and Trade in Developing countries* contains an exceedingly lucid analysis of the results of studies conducted by experts under the direction of Ian Little, T. Scitovsky and Maurice Scott on the industrial development in seven countries, namely Argentina, Brazil, Mexico, India, Pakistan, Philippines and Taiwan which have all made substantial progress towards industrialisation.

The authors have arrived at some very instructive conclusions as a result of this comparative study.

It is observed that in all the countries reviewed, an important feature of industrialisation since the World War II has been the creation of and dependence on an internal market by adopting the policy of high protective customs duties and fixing import quotas. The nascent industries so developed with the aid of protection are producing substitutes for goods previously imported. Protective policy was intended to support initiative which otherwise would not be easily forthcoming and promote savings by favouring the creation of small firms which could survive only under the shelter of high tariffs.

Further, the studies of the seven countries indicate that these countries have now reached the stage where policies aimed at import-substitution are proving harmful for their economic development. Industrialisation behind high protective walls has led to the creation of high-cost industrial units which are producing highly priced goods used mostly by the rich and middle class. This implies that production of many commodities is rapidly coming up against the limits of domestic market.

High industrial prices due to protective tariff has meant that industrialisation has been carried on at the cost of agricultural development and rural population has been made to bear the burden of industrialisation. The result has been to encourage a drift from the countryside, accentuate inequalities in income distributed and create serious unemployment problems in towns and cities as countryfolk have been emigrating faster than the new industries in towns can create jobs for them. The increase in costs and prices of industrial and agricultural goods produced in these countries has seriously discouraged exports from these countries, both of primary and industrial goods and has created balance of payments difficulties

and foreign exchange crises. The policy of substituting domestic goods for imports, while inevitable and legitimate at the outset in most developing countries, has after 15 or 20 years come to a dead end and is in fact causing increasing difficulties. This policy has now been acting as a barrier to economic growth.

What is the policy to be recommended? The developing countries are essentially agricultural countries. With the new techniques of production, an agricultural revolution can be achieved and an appreciable increase in the production of foodgrains can be fairly quickly ensured. But the producers must derive a direct profit from the result of their labours and must be freed from the domination of landowners and money lenders. But for this to happen structural changes such as co-operative credit and marketing will have to be effected. This would help reduce the costs of financing agricultural development.

The labour that is likely to be freed from land due to progress in agriculture will result in their exodus to towns. This labour can be absorbed by establishing light industries in small and medium-sized towns. The creation of these industrial complexes will generate demand for agricultural commodities which will further accelerate agricultural growth. It is therefore, necessary to encourage industry. But the authors recommend direct encouragement and not through high levels of indiscriminate customs protection. They recommend extension of a revenue tariff of about 10 per cent on all imports. In addition there should be consumption taxes levied on imported goods and domestic production alike, the part levied on domestic production being used to make grants to encourage industries in various ways, especially those that create employment.

Promotion of Exports

The authors thus emphasise promotion of exports so as to earn foreign exchange required to pay for essential imports, whether of capital goods or raw materials which cannot be economically produced at once. They want the administrative controls to be replaced by a better use of price mechanism and replacement of high-cost internal production by a reorganised agriculture and industry capable of gradually becoming efficient and entering world markets on competitive terms. There are difficulties in implementing the above policies especially arising out of instability of prices of primary products and existence of international combines. But progress involves efforts and these

obstacles will have to be overcome with or without the cooperation of developed countries.

This is a fine comparative study, grand in design and excellent in execution. One may not always agree with the arguments in the book, but one will surely be struck by the abundance of information collected, the way all that is woven into a systematic pattern and the lucidity with which the complex problems are analysed and expressed. Like all great works of deep scholarship this book should be read and reread by students and policy-makers. The study will be more than rewarding.

AN ANGLE OF VISION

With a fascinating title *Freedom & Necessity*, the book gives a survey of the structures of the world's economies and of the ideas which underlie them—feudalism, central administration, imperialism, colonisation, the new mercantilism, Soviet industrialisation and the Chinese alternative path. It is an attempt to telescoping the entire course of economic history from the origins of social institutions in the dim past to the Chinese cultural revolution of the present decade. The authoress however has made it plain that the book is intended to offer 'an angle of vision' and thus provoke inquiry.

The first five chapters that deal with the evolution and development of human societies contain practically nothing that is new and much that is said of man's biological past is commonplace and hence often tiresome.

And thus we arrive after a quick journey from the neolithic age to the eighteenth century and modern age which according to the author has been characterised by the hypertrophy of the nation state, the application of science to production and the penetration of money values into every aspect of life. With a big sweep Robinson traces the evolution of socialism and arrives at Russian revolution. Of the serious drawbacks of the Russian revolution, the main is that the communist faith which made the revolution possible became hardened into a dogma. Marx-Leninism became an obscurantist, persecuting religion. 'Physics and engineering were too important to be smothered, but questions of biology, linguistics, psychology, aesthetics, and above all, economics, and social science were settled by decree.' The contradiction between the spread of education and suppression of a free intellectual life of enquiry and criticism has been producing a tension which has not yet been fully resolved in Russia.

There is quick journey through 'The New Mercantilism' (where the welfare

state has very much softened the hardness of raw capitalism and has played a large part in saving it till now from the doom Marx foresaw a hundred years ago) to the Cold War and 'Socialist Affluence' whose problems of decentralisation of power and winning loyalty of workers etc. and achievements especially in the field of public education have been detailed. We arrive at the final great scene of the Chinese revolution. She believes that Chinese socialism is 'something new in the world.' The Chinese have set themselves on the ambitious course of 'establishing economic development with a human sense of values.'

Another 20 years will show whether or not humanity is capable of carrying out such a programme. Meanwhile the Chinese experience, unlike the Russian, has shown to the developing countries the requirements of economic progress—to get the whole population engaged with goodwill in the economic effort and to organise employment so that all can contribute; to increase productivity in agriculture so that a surplus can be extracted without the need to use brutal methods; to check inequality so as not to waste resources on unnecessary consumption and undermine morale by generating envy; to raise the general level of health and to institute birth control; to build up the basis of heavy industry so as to be able to modernize production as fast as possible; and meanwhile to encourage handicrafts to mechanise themselves by means of 'intermediate techniques'; to spread education and develop self-reliance at every level from the paddy fields to the atomic laboratory) in applying the scientific method of experiment in every activity. The authoress writes confidently that in the face of all these developments in Russia and especially China, the apologists of modern capitalism have lost their self-confidence and are on the defensive.

Ignorance: Basis of Wonder

From Cambridge in the UK Joan Robinson was once enchanted by what was happening in distant Russia. But with the lapse of time came the disenchantment. It is now the Chinese revolution that appears to fascinate her. Familiarity, they say, breeds contempt and very often ignorance is the basis of wonder and therefore of hope. How else can we explain Robinson's turning a blind eye to the dynamism of new capitalism in the USA, West Germany and Japan, the latter two hardly finding any reference in her book. While the top intellectuals from the west are viewing with hope what India has been doing within the democratic framework since 1951, the

authoress seems even to be unaware of this Indian drama whose objectives are exactly the same as the Chinese ideals which she mentions. While disenchantment has overcome the newly liberated countries of Africa and south-east Asia over Mao-tse Tung's thoughts during the later part of 1960s, they still seem to be the only basis of reforming the world for the authoress who therefore appears to have chosen his thought for the title page.

It is as the authoress herself admits a book written with 'an angle of vision'. The academicians are therefore, likely to find the treatment perfunctory and biased. One picks up the book with great hope and expectations but feels extremely disappointed as the book unlike her other books fails to measure up to the expectations.

MONETARY CRISES

Why have there been so many monetary crises in recent years? Why have they been caused? Why was there a run on gold in Washington? What exactly is the role of gold in international monetary affairs? How do foreign exchange rates get fixed? What are the objectives of the IMF and the World Bank and how do they function? What are currency blocks? What is the Euro-dollar market? What is the new world money? Why were so many currencies devalued since World War II? Will and can 1929 recur?

These are some of the questions which are often agitating the minds of the public that is daily reading about them in the newspapers. But strangely enough few among the readers can critically follow these developments which affect their daily lives. *The World's Money* is an extremely readable book written by two former city editors of *The Times* for the lay public who want to understand some aspect or the other of the world's financial affairs.

Starting with 'The Uses of World Money', the authors point out that the international payments can be made by a country in its own currency, if the creditor country is prepared to accept it. The chances are that this may be possible to a limited extent only and the creditor country may not want too much of that particular currency as it does not want to purchase the goods and services of the country paying it. Most countries therefore keep only small working balances of other countries' money. If they get too much of it, they convert it into gold, dollars or pounds. The latter two reserve currencies are in a special position and between them account for just under 30 per cent of the total of international money.

The authors then explain why and

how payments are made and how trading deficits and surpluses arise. Thus the United States until 1969 had a substantial trading surplus and a further surplus on invisible account. But these were more than wiped out by massive government expenditure and private investment abroad. Thus for the USA during 1950s and most of 1960s there was a visible trade surplus of about \$3,000 million a year and an annual surplus of \$1,500 million on invisible account, making a total surplus of about \$4,500 million available for investment and government expenditure abroad. But net investment overseas was amounting to between \$2,000 million to \$5,000 million, thus leaving a deficit of \$2,000 million to \$3,000 million a year.

Puzzling Question

One puzzling question for the public is—if both the USA and the UK have been running annual deficits since the World War II, how have they managed to pay for them? This has been done to some extent by using gold reserves with these two countries partly in other currencies earned by their exports, to some extent by borrowing from other nations and institutions, and partly by giving dollars and pounds to other countries, if they were willing to hold them as reserve currencies.

But then why is it that first pound and later dollar (pound) acceptable to other countries as reserve currencies? Since pounds were readily acceptable in payment by most other countries, which wanted to purchase British goods, or to ensure ship or finance trade through London and since above all they could be invested in London at a useful rate of interest, the habit grew, first of holding pounds and later dollars as 'reserve currencies' rather than cashing them immediately with the Bank of England or the Federal Reserve System. These two currencies have thus been playing two roles—as trading currencies and as reserve currencies.

But the trouble now is that, less successful Britain and the United States are in keeping their payments in balance, the more pounds and dollars become available through their deficits to lubricate world trade and as reserve currencies, while on the other hand the continuing deficits will themselves undermine confidence of other countries in these two currencies as reserves. But if the UK and the USA balance their payments, stronger their currencies will be and fewer pounds and dollars will be available for lubricating world trade and as currency reserves. And therefore many experts and people like General de Gaulle came to the conclusion that there must be a better

way to finance world trade than leaving the supply of world reserve and finance to the ups and downs in international payments of the UK and the USA.

The writers then explain the emergence of currency blocs—the Sterling Area, the Franc Area, the Dollar Area and the Comecon Bloc, each holding as reserve the currency of their leader country, because of their peculiar position in world trade and also due to past historical connections. But as already seen, the western countries are finding it inconvenient to hold pound and dollar or franc as reserve currencies and since the stock of gold is inadequate either for financing increasing world trade or for reserve purposes, the countries had to think of some device to make the increasing volume of international trade flow in smooth channels. This explains the birth of the Special Drawing Rights (SDRs). The first distribution of the SDRs agreed by the IMF in September 1969 amounted to a total of \$9,500 million. Of this \$3,500 million is being distributed in 1970 and the rest is to be distributed over 1971 and 1972.

All this and the other relative matters and institutions are treated with that lucidity and mastery which only mature journalists can command. The authors discuss recent events as illustrations to illuminate theory, history and future of money and monetary system so that the book has become at once topical and of lasting value. Though the authors claim that they assume that the readers of this book need know next to nothing about economics to follow this book, this claim appears a trifle exaggerated. But the students who have done their primary course in economics will find the book extremely instructive and at the same time entertaining, unlike most of the scholarly books on this subject which are generally characterised by heavy footnotes and unreadability.

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RECORDS AND STATISTICS

Dissolution of the Lok Sabha

THE FOLLOWING is the text of the Prime Minister's broadcast from the Delhi station of All India Radio on the dissolution of the Lok Sabha on December 27, 1970:

There comes a time in the life of a nation when the government of the day has to take an unusual step to cut through difficulties in order to solve the pressing problems with which the country is beset. The present is such a time. Therefore, on the advice of the Council of Ministers, the President has dissolved the Lok Sabha before its full term. In a Parliamentary Democracy this is not unusual, but in India it has happened for the first time.

Why did we do this, when it is conceded on all sides that our government could have continued in power for another 14 months?

It is because we are concerned not merely with remaining in power, but with using that power to ensure better life to the vast majority of our people and to satisfy their aspirations for a just social order. In the present situation, we feel we cannot go ahead with our proclaimed programme and keep our pledges to our people.

In the years since Independence, the nation has many achievements to its credit — vast and complex industrial enterprises, agrarian reforms, including the abolition of the zamindari system, mass education including substantial expansion of university and technical education; major social reforms and advance in many other spheres; particularly in science and technology.

But despite this progress, many problems still await solution. Millions live in backwardness and poverty in towns and countryside. Justice — social, economic and political — which is the basis of our Constitution, is yet a goal to be fought for and attained. Our people are rightly impatient in their ardent desire for a speedier and more resolute advance towards this goal.

Our recent political initiatives reflect this urge. The decision to nationalise the banks, the setting up of the Monopolies Commission and the attempts to abolish Privy Purses were welcomed

by large masses of people throughout the country.

These attempts to accelerate the pace of social and economic reforms have naturally roused the opposition of vested interests. Reactionary forces have not hesitated to obstruct in every possible way the proper implementation of these urgent and vitally necessary measures.

The present political situation has set in motion a process of rethinking on major political issues within every political party.

With the division in the Congress, we lost our party majority although throughout we retained the confidence of Parliament. The amendments to the Constitution designed to pave the way to abolish Privy Purses and Princely privileges were lost by a fraction of a vote in the Rajya Sabha. The Presidential Order derecognising the Princes has been struck down by the Supreme Court as unconstitutional.

Economic difficulties and the growing

Kabul Declaration on Asian Co-operation

THE COUNCIL of Ministers for Asian Economic Co-operation consisting of the representatives of the regional and associate member countries of the United Nations Economic Commission for Asia and the Far East (ECAFE) met in Kabul, Afghanistan, from December 16 to 19 in order to examine proposals for trade expansion, Asian clearing union and reserve bank. In the area of trade and monetary co-operation the ministers decided to establish a preparatory committee consisting of the representatives of member countries interested in the establishment of Asian clearing union to further examine the guidelines and to negotiate an agreement on terms and conditions acceptable to them for an early establishment of such a union. It also decided to establish an inter-governmental committee to conduct an examination of the principles involved so that a trade expansion programme could be launched as speedily as possible. It invited the member countries to depute representatives to the inter-governmental committee for further examining the guidelines for the establishment of Asian reserve bank. The declaration made by the Council of Ministers at the conclusion of the deliberations in Kabul is given below:

The Council of Ministers for Asian

impatience of the people are being exploited by political elements. Violent activities are being organised by extremists. Reactionary groups are arousing communal passions and trying to divide our people. This has often led to a break-down of law and order and the dislocation of normal life, causing suffering to our people. The challenges posed by the present critical situation can be met only by the proper and effective implementation of our secular socialist policies and programmes through democratic processes.

Time will not wait for us. The millions who demand food, shelter and jobs are pressing for action.

Power in a democracy resides with the people. That is why we have decided to go to our people and to seek a fresh mandate from them.

We hope that the elections will be completed in time for the new Lok Sabha to assemble in March 1971, well before the end of the current financial year.

The old year is ending. I wish you — each one of you — a happy New Year — a year of renewed hope and common endeavour to realise the great goals which we have set for ourselves.

Economic Co-operation: Taking note of the General Assembly resolution on International Development Strategy for the second United Nations Development Decade, unanimously adopted at its twenty-fifth session which, *inter alia*, endorses the determination of developing and the developed countries to continue their efforts for instituting the schemes for trade expansion, economic, co-operation and regional integration among developing countries which foster the rationale and outward looking expansion of production and trade as a significant contribution towards the attainment of targets set for the second United Nations Development Decade.

Re-affirming the resolution on the Strategy for Integrated Regional Co-operation, adopted at the third Ministerial Conference on Asian Economic Co-operation which, *inter alia*, attached great importance to the proposals for intra-regional trade expansion and for the establishment of necessary payments arrangements to support the trade expansion efforts.

Noting with appreciation the progress made with implementing the recommendations and programmes

adopted by the third Ministerial Conference on Asian Economic Co-operation in regard to joint action in the field of primary products, co-operation in shipping and in the other areas of the Strategy for Integrated Regional Co-operation.

Recognizing the contribution made by the meeting of government and central bank officials on Regional Trade and Monetary Co-operation to regional co-operation in the trade and the monetary fields and also appreciating the technical groundwork prepared for that meeting by the ECAFE secretariat in co-operation with the staff of the International Monetary Fund, the secretariat of the United Nations Conference on Trade and Development, the United Nations Development Programme, the Commission of the European Communities as well as individual international experts.

Considering that the initiative taken and efforts made by the regional members of ECAFE in the promotion of trade and monetary co-operation in Asia and the Far East, are still far off from the objective of the integrated strategy for economic co-operation.

Considering also the initiatives taken and efforts made by the ECAFE developing countries in the promotion of trade and monetary co-operation in Asia and the Far East, towards the attainment of the targets for the second United Nations Development Decade.

Considering further that sub-regional arrangements for economic co-operation have already come into existence in Asia and the sub-regional arrangements within an overall regional frame to the extent possible constitute one of the most important and practicable instruments for realising the aims and objectives of development.

Recognizing the need for adequate transit facilities to the land-locked countries and the difficulties in promoting economic development of the least-developed countries in the region.

Noting the different views expressed on the draft statements of principles for trade expansion among the developing countries of the ECAFE region, and for sub-regional groupings, draft guidelines for the establishment of the Asian clearing union and draft guidelines for the establishment of the Asian reserve bank prepared at the meeting of government and central bank officials.

Noting further that some countries have indicated their interest in proceeding with further work in the field of

trade and monetary co-operation on the basis of the aforementioned principles and guidelines.

Recognizing the necessity of further work including such examination and modification of the aforementioned principles and guidelines as may be necessary to secure wider participation,

I. In the area of trade and monetary co-operation:

DECIDES

A. to establish a preparatory committee comprising representatives of regional member and associate member countries of ECAFE, interested in the establishment of an Asian Clearing Union to further examine the aforementioned guidelines and to negotiate amongst themselves an agreement on terms and conditions acceptable to them for the early establishment of such a union;

B. To establish an intergovernmental committee comprising representatives of regional member and associate member countries of ECAFE interested in initiating a Trade Expansion Programme to conduct such examination of and make such modifications to the relevant principles and to deal with other necessary technical and operational matters so that a trade expansion programme can be launched as speedily as possible.

INVITES regional member and associate member countries of ECAFE interested in the establishment of an Asian reserve bank to depute representatives to an intergovernmental committee to further examine the guidelines for the establishment of such a bank, and if found feasible, to consider and recommend provisions for its establishment.

Requests the Executive Secretary of ECAFE:

(i) to service and assist the above-mentioned preparatory committee and intergovernmental committees, to call their meetings and organise negotiation as required, and to convene conferences of central banks or monetary authorities and of plenipotentiaries as appropriate; and

(ii) to seek, as appropriate to each programme, technical and financial assistance from UNDP, IMF, UNCTAD, the Asian Development Bank and other institutions, as well as from co-operating countries, in carrying out the above tasks;

Expresses the earnest hope that the developed countries will accord to all these efforts their wholehearted support.

II. In regard to other programmes under the integrated strategy:

Urges the member and associate member countries of the region, in co-operation with the ECAFE secretariat:

(i) to evolve and implement regional co-operation programmes relevant to the industrial components of the strategy in the light of the background information furnished to this meeting and in accordance with ECAFE resolution 94 (XXV) entitled the second Development Decade, ECAFE resolution 103 (XXVI) entitled United Nations Twenty-fifth Anniversary ECAFE Declaration and the resolution and declaration adopted at the second session of the Asian Conference on Industrialisation;

(ii) to concert measures for stabilising commodity prices and for defending the interests of Asian products in relevant international forums;

(iii) to render every possible assistance to land-locked countries of the region to enjoy the right of free access to the sea and to provide port and transport facilities, minimum and simple customs formalities, reasonable transport charges and transit by air and overland routes;

(iv) to accord specially favourable treatment to the imports from the least developed among the developing countries in respect of tariff and non-tariff barriers;

(v) not to allow disputes between two countries of the region to affect adversely the interests of third countries;

(vi) to support the studies being undertaken by ECAFE with a view to identifying economic potentialities of international river basins as well as the current steps for evolving an integrated long term programme of development for the lower Mekong basin;

(vii) to accord priority to the formulation of an effective programme for the control of typhoon and cyclone damage;

(viii) to continue assistance to the development of infrastructural facilities needed for promoting intra-regional trade expansion such as those being undertaken under the Asian highway, railway and telecommunication network programmes and according high priority to achieving, during the next phase of the Integrated Strategy, significant progress in the (a) improvement of shipping facilities and development of ports, (b) adoption of measures to facilitate inter-national traffic, and (c) provision of efficient

and economical telecommunication services ;

(ix) to strengthen and utilise for furthering this strategy the regional institutions in the fields of trade, industry, mineral resources development, science and technology, economic development, planning, and statistics,

and also to take steps to ensure the early establishment of the centre for development administration, including a decision on its location on the basis of the proposed criteria.

III. In regard to the foregoing programmes:

Urges the Executive Secretary of

ECAFE to evolve on the basis of this declaration an integrated programme of action and to assist in including it in an accelerated and co-ordinated manner and to take such steps and make such arrangements as are deemed necessary for implementing the strategy.

Company Notices

UPPER GANGES SUGAR MILLS LIMITED

Regd. Office : 14, Radha Bazar Lane, Calcutta-1.

NOTICE

NOTICE is hereby given that the Thirty-eighth Annual General Meeting of Upper Ganges Sugar Mills Ltd. will be held on Wednesday, the 20th January, 1971 at 2.45 P.M. at 1B, Old Post Office Street (4th Floor) Calcutta for the following purposes :-

1. To receive and consider the report of the Directors and to adopt the audited accounts of the company for the year ended 30th June, 1970.
2. To declare dividends.
3. To elect a Director in place of Shri B. T. Thakur who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS :

5. To 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 C. P. Dalmia 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 C.P. Dalmia be and is hereby appointed a Director of the Company".

By Order of the Board
S. N. GUPTA
Secretary.

Dated the 22nd December, 1970.

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Shareholders are requested to notify any change of address, failing which the dividend warrants will be posted to their address as registered with this Company.
3. The Registers of Members of the Company will remain closed from the 14th January, 1971 to the 20th January, 1971 both days inclusive.
4. The dividends when declared will be payable to the registered shareholders as on the 20th January, 1971 or to their mandates on or after the 25th February, 1971.

Explanatory Statement has been sent to the Shareholders directly.

BHARAT SUGAR MILLS LIMITED

Regd. Office: 14, Radha Bazar Lane, Calcutta-1.

NOTICE

NOTICE is hereby given that the Thirty-ninth Annual General Meeting of Bharat Sugar Mills Ltd. will be held on Friday, the 29th January, 1971 at 3.15 P.M. at 1B, Old Post Office Street (4th Floor), Calcutta for the following purposes:-

1. To receive and consider the report of the Directors and to adopt the audited accounts of the company for the year ended 30th June, 1970.
2. To declare dividends.
3. To elect a Director in place of Shri R.K. Bhuwalka who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS:

5. To 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 B.M. Banthiya 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 B.M. Banthiya be and is hereby appointed a Director of the Company"

By Order of the Board
S.N. GUPTA
Secretary.

Dated the 30th
December, 1970

NOTES: 1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

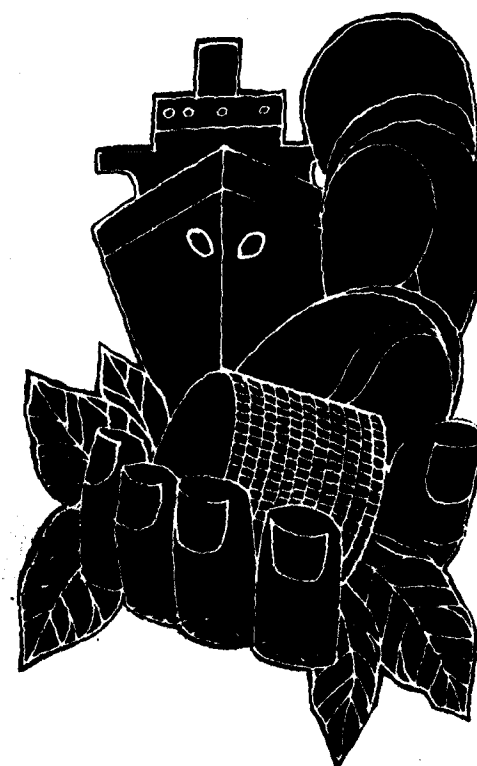
2. Shareholders are requested to notify any change of address, failing which the dividend warrants will be posted to their address as registered with the Company.

3. The Registers of Members of the Company will remain closed from the 21st January, 1971 to the 29th January, 1971, both days inclusive.

4. The dividends when declared will be payable to the registered shareholders as on the 29th January, 1971 or to their mandates on or after the 1st March, 1971.

Explanatory Statement has been sent to the shareholders directly.

ITC/ILTD earned an average of Rs. 10 crores a year in foreign exchange in the last three years



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January 8, 1971

EASTERN ECONOMIST

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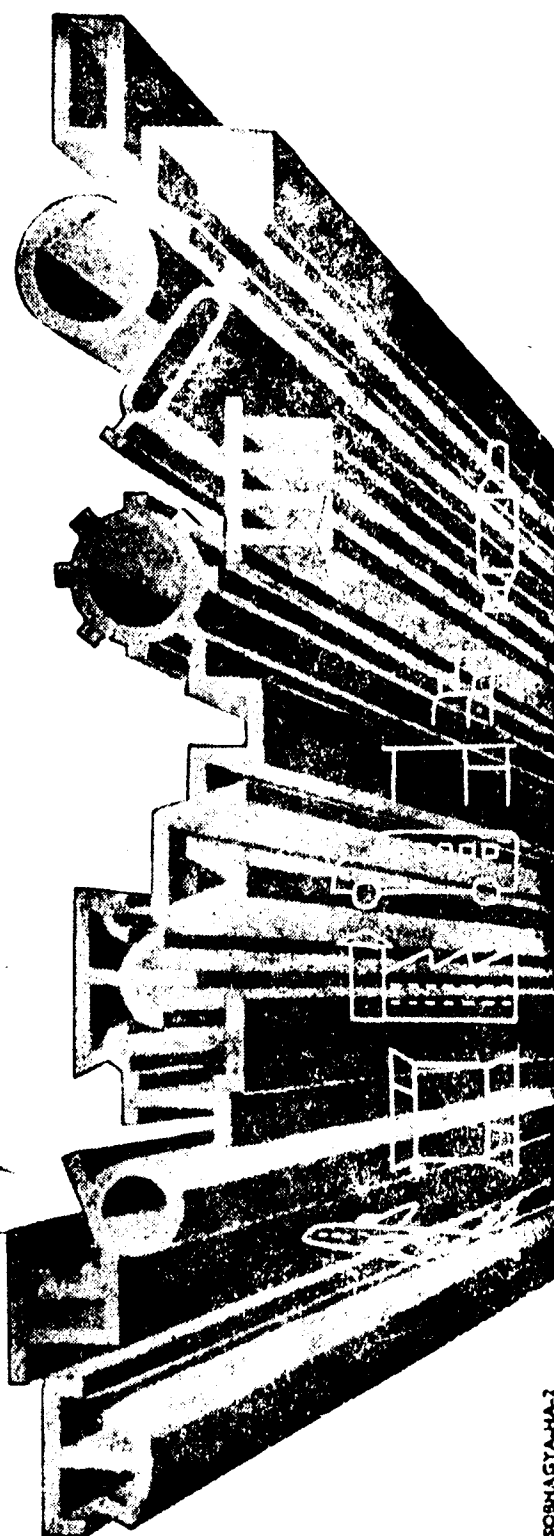
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EASTERN ³ECONOMIST

JANUARY 15, 1971 VOL. 56

Turn of the Screw
Resurrection for a Mixed Economy?
The Jute Package
Europe and Japan: Rivals? Partners?



Beware the ides of March

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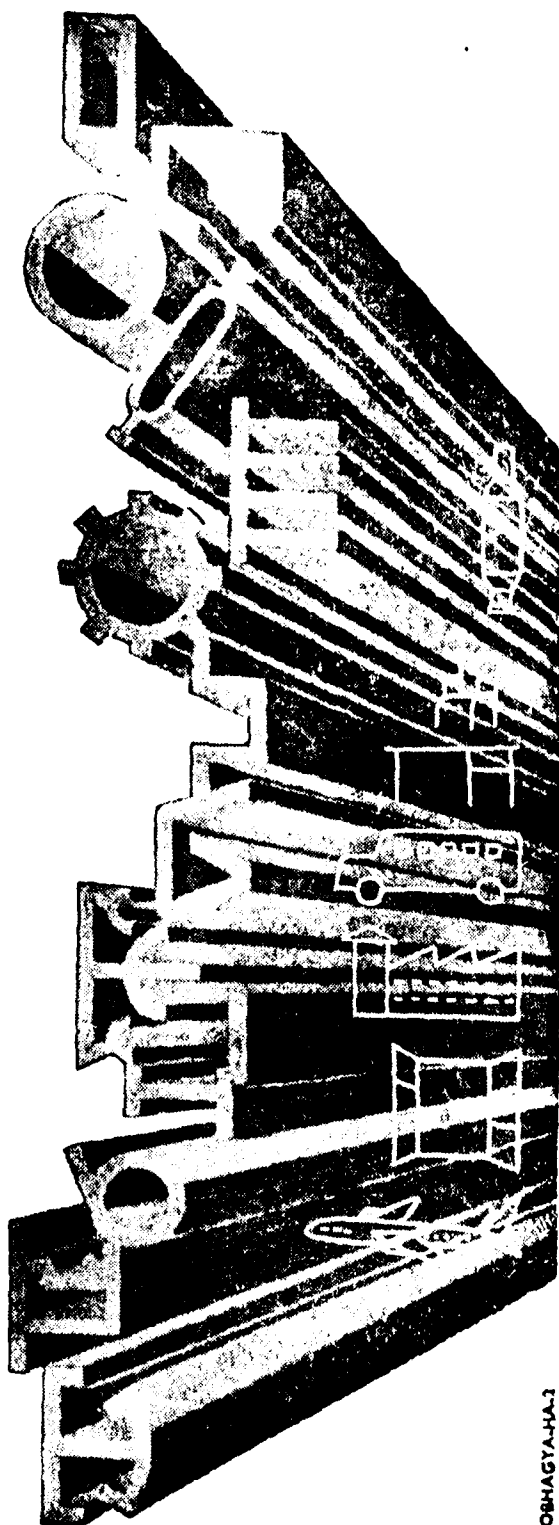
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SOBHAGTAJA-2

EASTERN ECONOMIST

JANUARY 15, 1971

Turn of the Screw	117
Resurrection of a Mixed Economy? ..	118
Indo-Nepal Trade Talks	119
The Jute Package	120
Govt Servants' Right to Strike —A Correspondent	121
India's Trade with GDR —V. Vithal Babu	122
Farm Investments in Sri Ganganagar —K.K.S. Chauhan & N.L. Agarwal	124
The Hunger for Funds —A Correspondent	129
BALANCE SHEET	131
United Commercial Bank	
WINDOW ON THE WORLD	142
Europe and Japan: Rivals? Partners? Israel: Silent Revolution in Trade.	
TRADE WINDS	149
Bank Rate Raised; Banking Commis- sion; Committee on Capital Issues; Exports in November; Coins for Thai- land; Trade Fair in Sweden; State- hood for Himachal; Goa's Annual Plan: 1971-72; Estimate for Ground- nut; Drug Prices; Names in the News.	
COMPANY AFFAIRS	151
Shriram Refrigeration; Coramandel Fertilisers; East India Hotels; Shali- mar Rope Works; Premier Breweries; Tungabhadra Industries; Shama Engine Valves; Mandya National; Dena Bank; Capital and Bonus Issues.	
COMPANY MEETING	153
Ashok Leyland Ltd.	
RECORDS AND STATISTICS	155
Towards Dear Money.	

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TURN OF THE SCREW

WE ARE back to an era of dear money. On January 8, the Reserve Bank not only stepped up the bank rate from five to six per cent but also announced that the minimum net liquidity ratio for purposes of determining the penal rates of interest chargeable on excess borrowings of commercial banks from the central banking institution would be raised from 33 to 34 per cent with effect from January 29. The two measures, according to the RBI Governor, Mr S. Jagannathan, have been taken to contain the prices spiral and restrain the resort by commercial banks to refinance by the Reserve Bank.

With the index of wholesale prices registering a rise of nearly 7.4 per cent during 1970, the concern over the inflationary tendencies in the economy is wide-spread. This can also be expected to throw the fourth Plan out of gear as the planners have not anticipated any sharp rise in prices during the five years to 1973-74. But can the prices spiral be contained by the above two measures?

No doubt, the sharp increase in bank advances in the recent past — advances of commercial banks, instead of shrinking during the conventional slack season, registered an expansion of as much as Rs 192 crores and they rose further by Rs 184 crores during November and December, the first two months of the current busy season — has had its impact on the price level, the basic reasons for the high prices are: (i) shortages of goods; (ii) the increasing dependence of the government on deficit financing; and (iii) the cost-push inflation resulting from high taxes and successive wage hikes in utter disregard to increase in productivity. In the circumstances, the dear money policy, in so far as it raises cost of production, can be expected to accentuate the inflationary tendencies, instead of having a salutary effect on them.

It may be argued that tighter and costlier bank credit will curb speculative transactions. But the pertinent fact to be noted in this regard is that there are already severe restrictions on bank advances for such purposes. The objective of curbing speculative transactions, it can further be argued, could be better achieved through a selective approach rather than through raising the bank rate and consequently pushing up interest rates across the board.

The efficacy of the two measures to restrain resort by commercial banks to refinance by the Reserve Bank is similarly open to question. The main reason for the increased resort by commercial banks to refinance by the Reserve Bank in the recent past obviously has been extension of credit following the nationalisation of the 14 major banks in the country at a rate much faster than the growth in deposits. This is also the reason why there was no shrinkage of bank credit during the last slack season. The efforts of the nationalised banks to mobilise deposits, especially from the rural areas where undoubtedly surplus money is available, leave much to be desired. The stepping up of the return on deposits, following the increase in the bank rate, it is thought, will help mobilisation of deposits. But the enhancement of interest being just modest — not more than half a per cent — it is highly improbable that this will prove any big incentive for depositors. Some other measures to mobilise deposits will, therefore, have to be thought of.

The switch-over by the Reserve Bank to dear money policy in the midst of the current busy season can be questioned on another count too. All the factors which have prompted the Reserve Bank to go in for this policy now were operative in no less vigour at the start of the busy season. That the prices spiral was expanding fast was a well-known fact even in July last. It was equally clear several months ago that the growth rate of deposits in 1970 had tended to decelerate as compared to 1969. But the Reserve Bank preferred to wait! Is it that it could not at the start of the busy season prevail upon the union Finance Ministry to clamp dear money policy on the country? The ills of our economy are far too deep-rooted to be cured by changes in the monetary policy alone. There is urgent need for a fresh look at the entire gamut of the economic policy of the government.

Resurrection for a Mixed Economy ?

At a press conference on December 29, the Prime Minister expressed her view of what the structure of our economy should be, in words which deserve to be widely publicised. The relevant extract from an official transcript of the proceedings of this press conference follows:

"Question: Don't you think that, as Prime Minister, you should welcome the private sector not coming in to invest because this will help expand the public sector?"

"Prime Minister: I am afraid you have got our policies wrong. I think perhaps we should have an education of the press class. The Government of India stands for a mixed economy. There are areas very clearly demarcated for what can come under private enterprise and what comes under public sector. But we do want private enterprise to be more widely spread. We do not want it be confined to a few families. We want other people to take it up, the younger people or the older for that matter, so that the base is much wider."

The question was put in relation to the statement which the Prime Minister has been repeatedly making lately that the larger business houses have not shown sufficient interest in promoting industries in the core sector in spite of the fact that the government has liberalised its policies and procedures with a view to facilitating their participation in this essential area of industrial development. What the questioner had in mind was that a government and its leaders who have been publicly expressing a decided ideological preference for the growth of the public sector should be rather pleased if, in fact, the private sector is, as is being alleged, not being over-keen on entering or expanding its activities in the core or other essential industries.

The Prime Minister, as could be seen from her reply, was quick to avail herself of the opportunity provided by this question, to make clear her and her administration's view of the structure of industry as favoured by them. Mrs Indira Gandhi stated categorically that "the Government of India stands for a mixed economy". The significance of this statement is that many of us have been led to believe that the party ruling at the centre had abandoned its faith in a mixed economy as far back as in the middle fifties.

It will be recalled that it was only in the years of the first five-year Plan that

This article, which is by the Editor, is reproduced here by courtesy of "The Hindustan Times" in which it was published on January 4.

the ruling party used to speak in firm and clear accents of the concept of a mixed economy as a desirable guideline for the co-ordinated development of private enterprise and state undertakings. Subsequently, and over the years, the pendulum of the politico-economic doctrines of the ruling party started swinging more and more in the direction of a concept of the increasing domination of the public sector in industry and trade which would radically alter the composition of the mixture in a 'mixed economy'. The doctor's prescription, in other words, was no longer 'mixture' as usual. As a matter of fact, the idea of a mixed economy was becoming gradually discredited and the ruling party has had its platform shifted, first, to a socialistic pattern of society, then, to a socialist society, and lately, after the split in the Congress organisation, to radical socialism. As a part of the process, the concept of a mixed economy has been getting narrowed to an article of faith of only one major political party, namely, the Swatantra Party.

In these circumstances, it is indeed both intriguing and interesting to find the Prime Minister declaring so unequivocally that her administration "stands for a mixed economy". It now remains to be seen whether this forthright observation made by her will find its due place and emphasis in the formal manifesto of her party, and what is more important, be incorporated, in letter and spirit, in the policies and programmes which may be spelled out in that document.

This issue is not an academic one, especially to such of us as are inclined to believe that much of the lack of sufficient growth in our economy over the last 20 years or so has been due to a dogmatic propagation of the public sector by the government in violation of any reasonable or acceptable conception of a 'mixed economy'. This may be a matter about which views differ even as the political inclinations of the concerned people differ. But, on behalf of those who may be of the opinion that, over the past 15 years or so, the concept of a truly 'mixed economy' has not been promoted to evolve and seek to fulfil itself in a proper way, it may perhaps be pointed out that government action or activity has been more in the

direction of controlling the private sector rather than encouraging or enabling it to play its part fully in promoting economic growth.

For one thing, procedural complexities and administrative restrictions have been obstructing expansion in the private sector in many ways and one of the more obvious consequences of this has been the vicious circle of shortages and controls which has been in more or less perpetual motion. These administrative attitudes have followed from the ideological or political postures taken up by the ruling party, partly under the pressure of Leftist influences or forces, whether operating within its own ranks or from outside.

As a result, a kind of mystique has been sedulously sought to be fostered about the public sector. In the process, a belief has been preached that the public sector, in all circumstances, is a qualitatively superior instrument of economic or social development than private enterprise. As a corollary, an attempt has been made to condition the public mind to accept the view that normal considerations should not be applied in evaluating investment priorities or operational results, where the public sector is concerned. Although lip sympathy has been lavished by the protagonists of this doctrine on the need for improving performance in the public sector, the main thrust of their argument always has been that, although the working of enterprises in the public sector may have been generally unsatisfactory in terms of the profitable utilisation of resources, this is a price which the community can afford to pay and should not grudge paying for establishing a predominantly public sector economy in which private enterprise would be compelled to confine itself to an ideologically desirable or politically acceptable minor or, at any rate, subordinate place.

The Prime Minister's observations in the press, to which I have referred in the beginning, do not of course, amount to a clear repudiation of this thinking. But it is, nevertheless, of strategic significance at this point of the political season when the minds of certain types of politicians are only too apt to turn in the direction of radical socialist talk. However, as I had suggested earlier, what will matter is how far declarations in the election manifesto of the ruling party would live up to the Prime Minister's blunt statement at her press conference that "the Government of India stands for a mixed economy".

There was another similarly significant observation made by the Prime Minister at this conference with reference, again, to the implications of a mixed economy. This, too, deserves to

be widely noted. The relevant extract follows:

"Question: You said one of the main planks of your campaign would be against vested interests. Do you envisage further nationalisation as one of the methods to help the people. And if so, what are the kind of things you have in mind?"

"Prime Minister: No, we don't have any nationalisation plans and when we say that we are against vested interests, I want to make it clear that we do not believe, I mean that we are not against any one group or section of the people but when in a country like India, there is so much poverty and so much disparity and inequality, there can only be stability if there is an effort made to reduce this inequality and disparity..."

It should be possible for most of us to welcome the Prime Minister's declaration that her party does not "have any nationalisation plans". We may wait however for her party's election manifesto to endorse this position in an equally firm language. Meanwhile, some clarification seems called for. For instance, the 10-point programme to which her party, evidently, stands committed as of to-date, has stipulated the nationalisation of general insurance.

Indo-Nepal Trade Talks

It is rather unfortunate that Nepal has thought of launching a diplomatic offensive against our country even though the efforts at resolving the outstanding issues concerning a new trade and transit agreement between the two countries are continuing. The Commerce Minister of Nepal, Mr N.R. Subede, is reported to have accused us of exerting undue pressure on his country with a view to altering its economic and trade policies. He is also reported to be trying to build up a case that under the pretext of controlling deflection of trade, we are trying to have a stranglehold on Nepal's economy. Nothing can be farther from facts than these uncharitable outbursts of the Nepalese Commerce Minister.

That we wish to carry forward the tradition of good neighbourly relations with Nepal should be evident from the fact that despite we ourselves being hard-pressed for resources — both financial and technical — we have, over the past several years, made available substantial assistance to that country, and that too without strings, for its economic development. The bona fides of our government in regard to assisting Nepal to the maximum should also be evident from the unilateral announcement made in New Delhi early this week for the maintenance of the supply of essential goods to Nepal as well as

Could the Prime Minister's present statement be taken to mean that this is a matter on which her party is now entertaining second thoughts? There is, again, the case of the sugar industry. At the Bombay session of her party held soon after the split, the nationalisation of the sugar industry was proposed and recommended as a party programme. Since then this particular matter has run a strange course, with politicians in Uttar Pradesh trying to embarrass politicians in the central government or vice versa. Can the Prime Minister's latest statement that her party has no nationalisation plans be taken to mean that it applies to its intention regarding the sugar industry?

These however are details, though important in themselves. What matters basically is the Prime Minister's two categorical declarations that her party does not have any nationalisation plans and that her administration stands for a mixed economy. They are integral to each other and read together — as indeed they must be — they constitute one of the most reassuring pronouncements ever made with the authority or on behalf of the ruling party of its basic attitude towards the future economic structure of our country.

the present arrangements for trade and transit. The following facilities are being provided by our government with effect from January 1 so as not to put Nepal to inconvenience in any way:

- (i) Exports to Nepal are permitted as hitherto and supplies of essential articles like milk, salt, sugar, cloth, kerosene and medicines are being maintained uninterrupted;
- (ii) Imports of primary products will continue to be allowed from Nepal free of basic customs duties and free of quantitative restrictions as hitherto; and
- (iii) Access to the sea will be provided for Nepalese trade with third countries and facilities will be given for this purpose, for transport between Calcutta and Nepal, through the approved route: of goods of Nepalese origin exported to third countries, and of goods imported from third countries for use in Nepal.

In the face of the above, it is indeed a matter of regret that Nepal should be charging us of trying to strangle its economy with a view to pressurising it in any way.

That the recent protracted parleys between our government and Nepal on

a new trade and transit treaty have not yielded satisfactory results is primarily due to high-pitched demands made by Nepal. These include: (i) Nepal should have trading facilities across Radhikapur to East Pakistan; (ii) it should be allowed to continue as it thinks fit the bonus voucher scheme under which it can import a large variety of goods from abroad; (iii) Nepal's exports to us should continue unhindered as hitherto; and (iv) Nepalese traders also should have the facility of using the road transport to Calcutta — the facility which has been hitherto available for the movement of imports for the royal family.

All the above four points of difference obviously are not such as cannot be resolved amicably. But their resolution demands a spirit of give and take, particularly on the part of Nepal. The insistence of Nepal to have access to East Pakistan through Radhikapur appears to have political overtones. Otherwise, the present pattern of its trade with East Pakistan hardly warrants an uncompromising posture. The Government of India allowed transit for Nepalese trade through Radhikapur in terms of a protocol signed in 1965. So far, only trial parcels are said to have moved to East Pakistan through Radhikapur. Besides, the woeful lack of facilities at this transit point does not hold promise for large-scale movement of goods.

As regards the continuance of Nepal's bonus voucher scheme, we apparently cannot have any objection to it provided the items imported are consumed within Nepal. But the case hitherto has been just the contrary. Fairly large-scale smuggling is going on in several of these goods across the Indo-Nepal border to our detriment. A developing country like ours can hardly afford this. Nepal's arguments for the continuation of this scheme would have carried conviction with the Government of India had concerted efforts been made by it to check this smuggling activity.

Nepal's demand for road transport facilities to Calcutta for the trade of private parties too has to be judged against this background. Hitherto, the private trade movement is allowed over our railway system. This ensures that there is not much leakage of goods enroute. If road transport facility is allowed, the danger of smuggling getting accentuated would obviously go up.

The main objection of our government to allowing unhindered duty-free entry of Nepalese manufactured goods to our country pertains to those goods which have import content. The Government of India, of course, is willing to allow free access to the Indian market to goods "wholly" manufactured in Nepal. The genesis of this objection

can be found in the fact that although Nepal does not have any large manufacturing capacity, it has been exporting to us substantial quantities of such goods as stainless steel items and synthetic fibres. No doubt, we ourselves are using many an imported material for our industrial production. But, by and large, the import content in the goods exported by us is not overwhelming as is the case with Nepalese goods.

The Jute Package

THE TRADE UNION leaders who sponsored the recent strike in the jute industry have claimed that the settlement reached in Delhi represents a significant victory not merely for its workers but for the labour movement in general. There was no doubt from the beginning that with the powerful support of the Government of India the jute workers were bound to win their case though as Mr Wahi, the Chairman of the Indian Jute Mills Association, described the action of the unions in shifting and inflating their demands from day to day at the negotiating table was "astounding". The workers feel gratified that the employers have been made to concede their demands; and the Government of India also seems happy over this agreement. But it is worth remembering that this was reached only after Mr Wahi's warning that prolongation of the strike would "sound the death-knell" of the jute goods trade which had been losing its export markets at an alarming rate.

It is relevant to recall that the jute industry lost Rs 8 crores — Rs 6 crores in foreign exchange — due to the strike in August 1969. Shipments valued at Rs 29 crores were held up in June and July 1970 by the 66-day bargemen's strike. In the subsequent months also many developments took place, which severely affected the jute industry's capacity to compete in foreign markets. It was in this background that the strike was organised in December, which caused a daily production loss of 3,500 tonnes valued at Rs 1 crore, 60 per cent in foreign change.

The settlement provides for a six per cent bonus for 1970 against the workers' demand for four per cent plus an ad hoc payment of Rs 50. For the subsequent two years the minimum bonus has been agreed at 6½ per cent and seven per cent of the basic pay respectively. A gratuity scheme is going to be evolved by the wage committee, appointed by the Government of West Bengal. Pending this, an ad hoc scheme will be introduced under which workers will get gratuity on the basis of 12 days' basic wages per year of completed service. The question of some allowance for the 60,000 odd badli workers has been referred to the wage committee which is to submit its recommendations

Perhaps some stipulation in regard to the import content in Nepalese manufactures exported to our country can help in resolving the differences over this issue.

The hurdles in the way of a new trade and transit treaty with Nepal, thus, are not insurmountable. They can be crossed in a spirit of goodwill. It is hoped the deadlocked negotiations will be resumed soon.

within six weeks.

It is not known whether the Government of India has assured the jute industry of any assistance like the abolition of the export duties or some sort of subsidy to offset the higher costs arising from the Delhi settlement. Unless the industry is actively encouraged by some positive measures more or less on the lines given to the jute mills in Pakistan, our products will find it increasingly difficult to meet the challenge in the foreign markets. The profitability of the jute mills has been eroded considerably in recent years. According to an analysis by the Reserve Bank of India, the profits after tax as percentage of net worth of 48 jute companies was 3.8 in 1965-66 but in 1966-67 it was minus 4.3 and in 1967-68 minus 10.0. As wages contribute substantially to the costs of production, urgent attention has to be given to measures to enable the jute industry to meet the higher burden. The total labour cost, direct and indirect, for each tonne of production has been estimated at Rs 413.72 for hessian, Rs 307.27 for sacking, and Rs 540.88 for carpet backing. According to the survey conducted by the Administrative Staff College of India on behalf of the US Agency for International Development, the following has been the trend in the value added per worker and his income.

VALUE ADDED PER WORKER AND INCOME TRENDS

Year	Average no. of workers	Average income per worker Rs	Value added per worker Rs
1961	210,967	1,078	1,636
1962	227,044	1,216	2,564
1963	239,795	1,296	2,562
1964	238,777	1,435	2,382
1965	251,299	1,551	2,506

Since this survey was undertaken, the workers' earnings were increased as a result of the settlement reached in August 1969 after an eight-day strike. But, regrettably, this has not been followed by an improvement in productivity or even in discipline. As the IJMA has said in its annual report for 1969 "indiscipline and disorderly behaviour amongst the workmen, and re-

fusal on their part to carry out the orders of the management, became increasingly widespread. Wild cat strikes, gheraos, and other forms of demonstration which were in some cases of a violent nature became a common feature in the jute mill areas". The report added that the growing inter-union rivalry aggravated the situation and that rival unions took up the demands for further increase in wage rates. In this context, attention may be invited to the comments made by the US Aid survey to the indifference on the part of the industry to extend the scheme of payment by results. It is hoped that the industry and the labour unions would co-operate to evolve a scheme to motivate the workers to put forth their best efforts and help to bring down the costs of production.

The workers should realise that their prosperity depends mainly on the extent to which the jute industry is able to sell its products abroad. Year after year the competition for our jute goods becomes more intense. Even in regard to carpet backing which is usually described as the saviour of the jute industry, the export prospects seem to have become rather bleak. This is evident from the fact that compared to a decline of 44 per cent in the US imports of Indian carpet backing from 139,387 tonnes in the first nine months of 1969 to 77,835 tonnes in the same period of 1970, imports from Pakistan jumped by 21 per cent to 22,005 tonnes. The USA's imports of hessian from Pakistan increased from 37,537 tonnes to 51,002 tonnes, a rise of 36 per cent, in the first nine months of 1970 compared to the same period of 1969.

Mr R.M. McCoy, President of the Jute Carpet Backing Council in the USA, has cabled Mrs. Gandhi, inviting her attention to the serious threat to India's jute exports to the USA. He has said that the jute strike, the second in 16 months, has badly shaken the confidence of the US tufted carpet industry and the importers in India's ability to maintain continuity in the supply of jute carpet backing. He has told the Prime Minister that strikes in various forms had resulted in 144 days of either delayed shipping or manufacturing time and has urged her to take strong measures to guarantee the uninterrupted flow of jute goods. But the Prime Minister, engrossed in the poll, is unlikely to take any initiative in this matter. She may have just passed on Mr McCoy's cable to Mr L.N. Mishra, the Foreign Trade Minister, who may have promptly sent it to Mr Mukherjee, the Jute Commissioner in Calcutta. The Jute Commissioner may acknowledge the cable and file it. But it is for the workers and the trade union leaders to realise the implications of Mr McCoy's warning and take the necessary steps to maximise production and productivity.

Govt Servants' Right to Strike

A CORRESPONDENT

THE QUESTION whether government servants have a right to strike was highlighted recently in the debate in the Maharashtra legislature. Both the Houses of the Maharashtra legislature passed the Bill putting on the statute book the Essential Services Maintenance Ordinance. The opposition in both the Houses walked out after the Bill had passed the first reading. All readings of the Bill were passed by a comfortable majority in both the Houses.

Before the 12-day strike of Maharashtra Class III and IV government servants to enforce a demand for parity in emoluments with central government servants, the Maharashtra government servants had gone on a one-day mass "casual leave" and later again on three days' mass "casual leave." The government passed an ordinance banning strike in essential services to be notified by government. The Confederation of the Maharashtra State Government Employees announced that the strike would be extended also to state hospitals and milk centres. The government took prompt action by endeavouring to maintain essential services with the help of Home Guards and others. More than 400 Home Guards were utilised to operate vehicles for supply of essential services to the community.

Patients who could be safely discharged from hospitals were discharged. Patients in serious condition who could not be discharged were attended to with the aid of trainee nurses, undergraduate students and social workers. The leaders of the Confederation who had instigated the strike and a number of other strikers were arrested under the ordinance. Notices of discharge were issued to temporary government servants and some new hands were recruited.

No Public Sympathy

The strike secured no sympathy from the public, but it was supported by leaders of leftist unions who formed a so-called "action committee" which proposed to lend further support to the strike by calling for a Maharashtra bandh. When it was realised that government would not give in and the strike was failing, it was called off.

In answer to the debates in which opposition members in the State Legislative Assembly and Legislative Council criticised the Bill, Mr S. K. Wankhede, the state Finance Minister said that

while a strike by government servants was unfortunate, it was more so in Maharashtra because the state government had always the most sympathetic attitude towards its employees' demands. It had maintained a dialogue with its employees' organisation and, as a result of talks, the government had sanctioned Rs 2.5 crores more than the employees were to receive under the Badkas Commission recommendations. Since April 1966, the government had increased the dearness allowance on seven occasions. The emoluments paid to the Maharashtra government servants were better than those paid by other state governments. Further increases could not be given without curtailment of welfare services or slowing down of development. The government and especially the Chief Minister had discussions with leaders of the employees' confederation several times. He would have met them again but they chose to launch an uncalled for strike. In defending the Bill, Mr Wankhede said that it was an enabling measure, but he wished there would be no occasion to use it. The powers under the Bill were similar to those enjoyed by the union government under the Essential Services Maintenance Act.

Misconceived Notion

The question of the right of government servants and employees in essential services to strike has involved many misconceptions. It is therefore of general importance to note some of the views expressed in the debate. It was stated that employees had the right to strike, that in US and the UK civil servants had the right to strike and that in any case the right to strike should not be denied as long as provision was not made for compulsory arbitration. Now it is not correct that in the US and the UK civil servants have the right to strike. In the US the Taft Hartley prohibits employees of the US government, including wholly government corporations from going on strike. If they do so they are liable to dismissal, and to ineligibility for re-employment under the federal government for three years. In the UK no law gives the right to strike. The Conspiracy and Protection Act prohibits any strike which endangers human life, or exposes valuable property to destruction or serious injury. Section 4 of the Act prohibits strikes in public utility services such as gas or water supply. There is no law in the UK which forbids civil servants to

strike, but it is an act for which disciplinary proceedings can be taken against them. Under the Whitley Council system in the UK there is a machinery for redressing grievances of government servants and disputes not resolved by negotiation are referred to the industrial court. But the machinery is meant for the redress of particular grievances. A demand for general increases in emoluments of government servants cannot be referred under the Whitley procedure to arbitration. In any case arbitration awards in the UK are not legally binding and the industrial court is expected to adhere to standards laid down from time to time by Royal Commissions on the Civil Services.

Disrespect of Law

In a recently published book "Collective Bargaining in the Public Service" edited by Kruger, Marc Somerhausen, a review of public employees' organisations in Europe, concludes that "in most countries the very notion of civil services implies the prohibition of any concerted stoppage of work". Another European writer has also written, "Strikes by public employees which are illegal in every government jurisdiction result in disrespect for the law."

Here it might be mentioned that there is a fundamental distinction between employment in industry and government service. In industries, the right to strike and its concomitant, lock-out, are recognised in certain circumstances. The right to strike does not and cannot exist without the reciprocal right to lock-out. They give meaning to collective bargaining. But a strike cannot be permitted where the employer cannot exercise the right to lock-out. Government service as also services essential to the life of the community, fall in a special category. The services in which these employees are engaged cannot be suspended without seriously endangering the normal life of the community. The state is therefore quite justified in not permitting in government service as also in services essential to the normal life of the community the right to go on strike.

As regards the point that the right to strike should not be denied to government servants so long as provision is not made for compulsory arbitration, this view is also misconceived. Here also there is a vital difference between government service and private enterprise. In private enterprise collective bargaining is limited by the realisation that if demands are passed by strike beyond the capacity of the industry it may close down. This limitation does not exist in government service. Further the moneys required for expenditure on salaries and other benefits to government servants have to be found by taxation. The legis-

lature has to maintain a balance between the rights of government servants to fair emoluments and the limits of taxation. The right to decide finally what general increases in salaries and benefits should be given to government servants cannot therefore be conceded to an arbitrator. The issue is not arbitrable. In this connection it may be mentioned that the central government some time back refused to refer to arbitration the demand of government servants for a need-based wage. The central government rightly regarded the issue as not

arbitrable under the joint consultative machinery for central government servants.

It might also be mentioned that the Central Government Servants' Rules lay down, *inter alia*, that "no Government servant shall resort to strike or in any way abet any strike in connection with any matter pertaining to his service or any other Government servant." The Supreme Court in one case observed, "In so far as the rule prohibits participation in a strike, it is valid because there is no fundamental right to strike."

India's Trade with GDR

V. VITHAL BABU

TRADE BETWEEN India and the German Democratic Republic (GDR) has grown from a very modest level of just Rs 1.8 million in 1954 to Rs 43.38 crores in 1968. The 1970 shopping lists between the two countries provide for the exchange of goods to the extent of Rs 55 crores, both ways. In other words, the growth of Indo-GDR trade has been quite remarkable over the past 15 years. However, the volume of trade between the two countries reached a substantial size only during the 1960's and more particularly from 1965 onwards. In the early fifties India's trade with GDR, was only two per cent of her total trade with the east European countries. By 1968, this has gone up to eight per cent. At present, GDR is the fourth largest trading partner of India in the region of eastern Europe, next only to the USSR, Czechoslovakia and Poland. Considered from the side of GDR, India is her second largest trading partner amongst the developing countries.

The details of trade expansion between India and GDR are given below:

INDO-G.D.R. TRADE (Rs crores. post-devaluation)

Year	Imports from GDR	Exports to GDR	Total Trade
1954	0.17	0.01	0.18
1960	4.14	6.25	10.39
1961	8.01	5.10	13.11
1962	11.40	13.07	24.47
1964	14.26	18.91	33.17
1965	17.91	22.59	40.50
1966	20.10	19.62	39.72
1967	21.95	19.81	41.76
1968	22.49	20.89	43.38

Source: Journal of Industry and Trade—Jan. 1970.

Indo-GDR trade is entirely governed by the bilateral trade agreements en-

tered into between the two governments. The first agreement between India and GDR was signed in 1954, providing for trade exchanges for a period of 10 years. A second trade agreement was, therefore, signed on September 12, 1964, with provisions for periodical extensions up to January 31, 1969. On January 23, 1969, a third agreement was signed, and this will remain in force up to the end of the year 1971, i.e. December 31, 1971. For the trade protocol for 1970, letters were exchanged between India and GDR on October 26, 1969, in Berlin.

Recently an office of India's Trade Representative in GDR has been established. GDR established its Trade Representative's office in India quite some time ago.

Imports of Essentials

India's import from GDR consist mainly of fertilisers, potash, tractors and other agricultural machinery, rolled steel products, special steels, X-ray films and other photographic materials, laboratory and scientific instruments, chemicals, fishing trawlers, and recently, ships. Of these, fertilisers constitute the largest single item of import accounting for about 40.7 per cent. In terms of India's total imports of fertilisers from all sources, the supplies from GDR amount to about 35 per cent. Similarly, in India's imports of potash, the share of GDR comes to about 65 per cent. It is important to note that GDR is one of the world's largest producers and exporters of potash.

The items of India's imports from GDR are of a very high import-priority in our development plans. The green revolution and the efforts to increase productivity in our agriculture very much depend upon our imports of fertilisers and agricultural machinery, especially the tractors. As trade with GDR is entirely financed through non-

convertible rupee accounts, supplies of such high import-priority items to us by GDR have resulted in the savings of considerable amount of free foreign exchange. In addition to this, the bilateral nature of our trade with GDR provided a good market for our expanding exports.

More recently, GDR has also emerged as a supplier of ships and India has concluded contracts for the import of 14 ships from GDR, worth about Rs 50 crores for the Shipping Corporation of India. Payments for this are to be made over a period of 10 years and that too in non-convertible rupees. Therefore, besides effecting savings in foreign exchange, the added tonnage as a result of import of ships from GDR, will facilitate expansion of our freight earnings as well.

Non-Traditionals Increase

India's exports to GDR consist of both primary products as well as manufactures. The primary products include items like deoiled cakes, jute manufactures, tanned hides and skins, cashew kernels, tea, coffee, coir yarn, tobacco, mica, black pepper and iron ore. Of these, deoiled cakes constitute the largest single item.

It is, however, gratifying to note that over the past couple of years the proportion of non-traditional items in our exports to GDR has increased from 21.9 per cent in 1966 to 35.5 per cent in 1968. The trends in the proportion of traditional and non-traditional items of India's exports to GDR are given below:

Year	Percentage share in total exports to GDR	
	Primary products	Manufactured goods
1966	78.1	21.9
1967	68.5	31.5
1968	64.5	35.5

GDR being a fast growing economy, undergoing increasing degree of sophistication, provides ample opportunities for exports of simple manufactures from India. The main items of manufactures, in India's list of exports to GDR have been, knitting machines, dry and storage batteries, flanges, wire ropes, radiators, aluminium ingots, printing machinery, textile machinery, linoleum and cotton textiles. Exports of engineering goods to GDR, have increased considerably over the past four to five years.

From a modest level of just Rs 0.38 crores in 1964, India's exports of engineering goods to GDR have increased to Rs 1.84 crores in 1968. The Leipzig Industrial Fair, regularly organised by the GDR in which India has been a regular and leading participant, has proved to be a very useful channel for introducing our engineering products in GDR markets.

Economic relations between India and GDR, have not been limited to mere trade exchanges between the two countries. GDR being well advanced in the field of industrial development, has extended technical collaboration in various industrial fields in India, and thereby helped the development of industries in this country. Some of the important fields of industrial-technical collaboration between GDR and India are listed below:

Product	Indian industrial concern receiving collaboration
1. Machine tools and printing machines	Hindustan Machine Tools (HMT)
2. Cables	Premier Cables Ltd., Southern Cable Corporation
3. Electrical equipment	Electrical Constructions and Equipments Company Ltd.
4. Welding electrodes	ARCElectrodes Ltd.
5. Office equipment	Godrej Industries Ltd.
6. Cold storage, refrigeration and air-conditioning	Blue Star Ltd.
7. Tractors	Indian Agro Machines
8. Confectionery machinery	Ravalgaon Farm Ltd
9. Precision measuring tools	Meters and Instruments Pvt. Ltd.
10. Industrial rice mill machinery	De Smet (India) Pvt Ltd
11. Inflatable life-rafts	Aero Marine Industries Pvt Ltd
12. Flame/explosion proof motors	Rajendra Electric Motor Industries
13. X-Ray contrast media	Jagson Pal & Co

The foreign trade policy of GDR has recently undergone some important changes, which are given below:

1. Foreign trade rights, until recently a monopoly of import and export agencies operating under the direct supervision of the Ministry of Foreign Trade, have now been granted to a large number of industrial firms. It is envisaged that about 50 per cent of GDR's foreign trade will come under this reform.
2. Like Hungary and Czechoslovakia, GDR has also abandoned the official rate of exchange for her currency. A wide range of 'currency multipliers' has been introduced to the official rate, more realistic and applicable to foreign deals.

To encourage exports to certain markets, the multiplier value is increased above one, thus allowing the exporter to earn more Ostmarks (GDR currency unit) per each dollar or pound earned, than would be possible at the official rate of exchange. Similarly, in order to restrict imports, the value of the multiplier is decreased.

This plurality of rates of exchange, apart from being an effective trade stimulus, makes it more difficult for Western countries to accuse GDR of dumping practices.

Future of Indo-GDR Trade

Simple manufactures: As GDR economy is fast moving towards capital intensive and increasingly sophisticated methods of production, labour-intensive products of India are likely to be in growing demand in GDR markets. It is pertinent to note that the light industries and basic metals industries are growing in GDR at very slow rates of just 5.8 and 3.2 per cent respectively. Hence, exports of simple manufactures will have increasing scope for India in GDR markets.

Electric goods: The electro-technical and electronics is the fastest growing industry in GDR, with a growth rate of about 13.4 per cent. This provides excellent prospects for India's exports to GDR of switchgears, electric motors, light-fittings, dry and storage batteries, torches and other electrical goods, including transistor valves and TV tubes.

Ores: The bias in favour of heavy industries will necessitate GDR to import in large quantities items like structural and industrial ores such as manganese and iron ore. India should therefore, try for expanding exports of these items to GDR in the near future. The

growing consumption of iron ore in GDR, as a result of increasing industrial activity is bound to raise her demand for manganese ore also.

Railway wagons and automobile ancillaries: GDR has 16,108 kilometres of railway lines and its road mileage is 45,530 kms, as in 1969. Most of her trade is carried on by the rail and road transport. India, which is becoming a leading supplier of railway wagons and rolling stock, should explore GDR market for this purpose. Recently, GDR has evinced interest in buying wagons from India, especially since the conclusion of our contracts with Poland and Hungary for the supply of 500 and 1,000 wagons respectively.

Auto Part Export

Besides railway wagons, Indian exporters have good scope for marketing automobile ancillaries into GDR market.

Printing machinery and machine tools: At the last Leipzig Fair contracts were signed for the export of printing machinery to GDR, by Indian suppliers.

Machine tools: It is one of the major items in GDR imports. Indian machine-tools manufacturers should therefore explore the possibilities of exports to GDR markets.

Fish and fish products: GDR imports about 54,000 tonnes of fish every year. The consumption of fish in GDR is also showing rising trends. There are, therefore, good prospects for the export of Indian shrimps and lobsters to GDR markets.

Clothing and footwear: Other items having good prospects for exports from India to GDR are footwear, clothing and paper products. GDR regularly imports clothing and footwear to the tune of US \$130 million per year.

Importance of Leipzig Fair: The Leipzig Fair regularly organised by the Government of GDR plays a key role in the country's foreign trade. During the fair it has become rather customary to enter into contracts of purchase and sale of a wide variety of products between GDR and the participating countries. Almost the entire product profile of the GDR economy is exhibited at the fair, which has long attained the status of one of the most popular international industrial fairs in the world.

India has all along been a leading and regular participant in this fair. However, time has come for India to

plan its participation in this fair with a more deliberate effort to promote Indian exports to GDR, rather than aiming at general publicity and exhibition of Indian products. To achieve this, Indian participation should be more selective and be planned with more attention to the trade promotional aspect,

with an eye on GDR market in particular.

The products listed earlier, having potential for exports to GDR, should be specially exhibited at this fair, and during the fair efforts should be made to secure contracts from GDR buyers for their supplies.

Farm Investments in Sri Ganganagar

K. K. S. CHAUHAN AND N. L. AGARWAL

THE PROSPERITY of people in India is closely linked with the progress in her agriculture because of the predominantly agricultural character of her economy. Modernisation of agriculture and its improvement with the help of technical advances necessitates a constant growth in capital investment per agricultural unit. There is a feeling that the recent breakthrough in Indian agriculture and the new economic environment have considerably affected the rate of capital formation and pattern of investment in agriculture.

The present study was undertaken with a view to examining the effects of this changed situation created by the new economic environment in villages—the high prices of agricultural commodities, shifting incomes and new agricultural technology in the economic activity of farmers. The main objective of this study was to see whether and in what ways this new environment has affected the amount and the pattern of capital formation in agriculture. The rate and pattern of capital investments and relationship with such factors as size of farms, rights in land, age of the head of the family and the size of the family were studied.

Productive Capital

The Encyclopaedia of Social Sciences defines investment as the 'productive employment of capital'. In the economic sense, it involves the direction of savings or accumulated wealth into uses which fill an economic need and which are expected to produce a return. Investment may be of three kinds:

(i) *Gross investment*: The total amount of money spent on acquisition of capital goods is gross investment.

(ii) *Dis-investment*: It is just the reverse of investment. The amount received by sale of capital goods is dis-investment.

(iii) *Net investment*: The remainder, after subtracting the dis-investment from gross investment is known as net

investment. It indicates the actual amount of capital formation and is the best measure of capital formation.

Capital investment by agriculturists may be divided into two broad groups—(a) agricultural investments; (b) non-agricultural investments.

Agricultural investments: Investments made in the agricultural sector resulting in addition to agricultural assets are known as agricultural investments. The different items included in this group are:

(i) Investment on land—it includes:

(a) Purchase of land; (b) land improvements like reclamation of land, bunding and other improvements; (c) laying of new orchards and plantation.

(ii) Purchase of livestock—draft animals and milch cattle.

(iii) Investment on irrigation—it includes: (a) digging and repair of wells;

The purchase of land leads to an increase in the capital assets of an individual and from this point of view, it should be reckoned as an act of investment. From the society's point of view, however, this is simply a transfer of right and not a productive investment. As such it has not been considered as an investment in the present study.

(b) installation of tubewells; and (c) development of other irrigation resources.

(iv) Investment on implements, machinery and transport equipments.

(v) Construction of farm houses, cattle sheds etc.

Methodology

The above study was conducted in Sri Ganganagar district of Rajasthan and covers a period of eight years from 1961-62 to 1968-69. Sri Ganganagar district is agriculturally the most advanced district in the state. A major portion of the district is irrigated by Gang Canal, Bhakra Canal, Rajasthan Canal and tube wells. As such Ganganagar is known as the 'Granary of Rajasthan'. Sri Ganganagar Panchayat Samiti was purposely selected from which three villages were chosen at random. Lists of farm holdings from khatedars (owners-cultivators) and non-khatedars (tenant-cultivators) were prepared separately and divided in three size groups i.e., below four hectares, four to eight hectares and above eight hectares.

Two khatedar and one non-khatedar farm families were selected at random from each size group from each village, thus taking six khatedar and three non-khatedar farmers from each village. In all 18 khatedar and nine non-khatedar farmers formed the sample of the study.

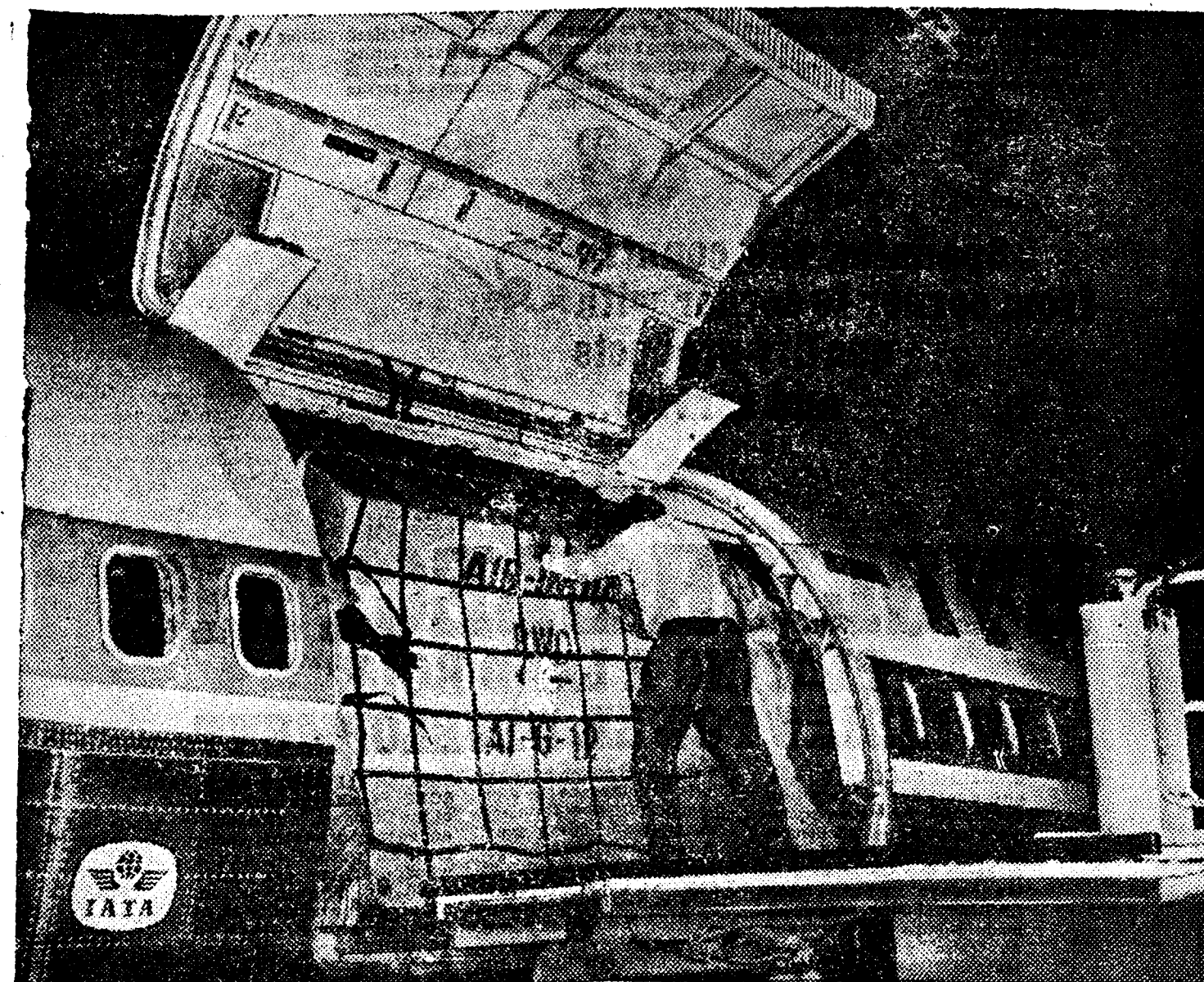
The 'expenditure of funds approach' was used to find out the amount of investment made by the selected farmers during different years from 1961-62 to 1968-69. Although most of the farmers do not keep proper records for capital investment yet expenditure on items which lead to acquisition of or

TABLE I

NET INVESTMENT BY KHATEDAR AND NON-KHATEDAR FARMERS (1961-62 to 1968-69)

Years	Net investment by Khatedars			Net investment by Non-Khatedars		
	Total	Per farm family	Per hectare	Total	Per farm family	Per hectare
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
1961-62	7540	418.88	49.82	1600	177.77	32.56
1962-63	10210	567.22	67.46	325	36.11	6.61
1963-64	12230	679.44	80.81	2220	246.66	45.18
1964-65	18783	1043.50	124.11	3410	378.88	69.40
1965-66	27365	1520.28	180.81	870	96.66	17.70
1966-67	13175	732.00	86.39	890	98.88	18.11
1967-68	13452	747.33	88.88	150	16.66	3.05
1968-69	38065	2114.72	251.52	1200	133.33	24.40
Average	17602.50	977.92	116.22	1333.13	148.13	27.12

*The authors are associated with the Department of Agricultural Economics, University of Udaipur, College of Agriculture, Jobner Dist., Jaipur (Rajasthan).



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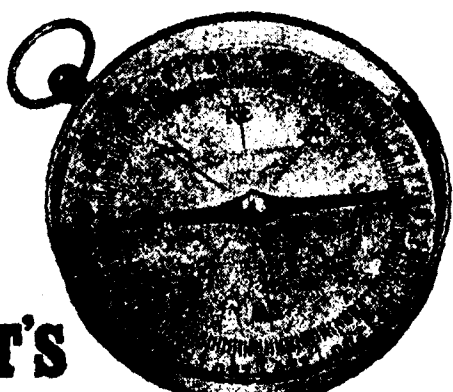
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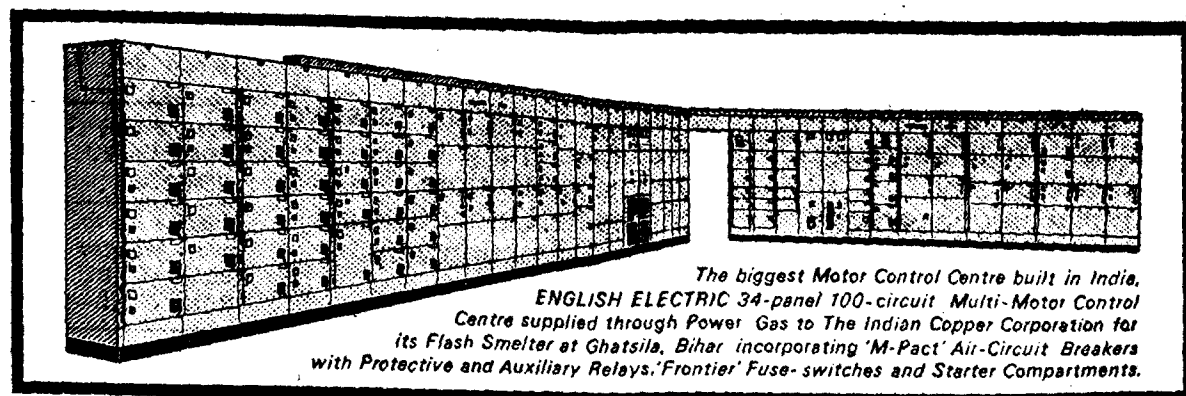
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addition to capital assets is generally incurred in lumpsums and thus remembered by farmers.

Net investment was calculated by deducting dis-investment from gross investment.

Trends in Investment

Total Net Investment: Table I (p. 124) shows the amount of total net investment from 1961-62 to 1968-69 by the selected 18 khatedar and nine non-khatedar farm families. Total net investment by khatedars during this short period of eight years reflects roughly, three trends, a rising tendency in the beginning from 1961-62 to 1965-66, a declining tendency in 1966-67 and again a rising tendency reaching the highest point in 1968-69. The former rising tendency was due to accelerated economic activity with additional area being brought under canal irrigation and purchase of more machinery by farmers. There was a sharp fall in 1966-67 primarily due to low agricultural prices. In 1967-68, it was equally low mainly due to drought conditions throughout the state and the consequent decline in the investment capacity of farmers.

Net investment by non-khatedars, however, shows no definite trend. It was the highest in 1964-65 but declined considerably thereafter though it again increased in 1968-69.

Net Investment per farm family: Capital investment per farm family gives a more meaningful idea of capital accumulation in agriculture than total investment.

In case of khatedars the annual net investment per farm family varied from about Rs 418 in 1961-62 to Rs 2114 in 1968-69 with an average of Rs 978 (see

Table I). This again exhibits three tendencies as in case of total investment during the last eight years. However, one very important situation revealed by these figures is that this net investment (in view of the average gross annual income of khatedar farmers being about Rs 12,000) was between four and 16 per cent of the gross income during this period. On the whole, however, it varied between six and eight per cent. In view of the normal rate of 10 per cent of capital formation in our country a rate of investment of from six to eight per cent in the agricultural sector was not a very low figure. But it must be remembered that it is the result of the recently accelerated tendency because of extension of canal irrigation, encouragement of developmental activities under extension services, introduction of high yielding varieties and high agricultural prices. Capital investment at a still higher rate is essential to keep up the tempo of development in the agricultural sector.

Investment per farm family in case of non-khatedars was, however, less than one-sixth of the khatedars for the last eight years. The non-khatedars in this area were mostly share croppers getting one-sixth to one-fourth of the produce. They did not own the farm machine and equipment which was provided by the land owner.

Net Investment

Net investment per hectare of cultivated land in the case of khatedars ranged from Rs 49.82 to Rs 251.52, being the highest in 1968-69 with an average of Rs 116.22 per hectare.

In the case of non-khatedars, however, net investment per hectare was very low in comparison to khatedars. Average net investment for this period was

only Rs 27.12 ranging from Rs 6.61 in 1962-63 to Rs 69.40 in 1964-65.

Pattern of Investment

Table II shows the consolidated view of the pattern of investment by khatedars and non-khatedars from 1961-62 to 1968-69.

TABLE II
PATTERN OF NET INVESTMENT BY
KHATEDAR AND NON-KHATEDAR
FARMERS (CONSOLIDATED VIEW
FROM 1961-62 TO 1968-69)
(in Rs)

Items of investment	Khatedar per cent net investment	Non-khatedar per cent net investment
Land improvement	9.76	2.68
Livestock		
(i) Milch	9.67	48.89
(ii) Draft	11.02	17.35
Irrigation	33.28	...
Machinery or equipment	28.54	8.68
Farm buildings	7.73	22.40
Total	100.00	100.00

The khatedar farmers who have the most secured rights in land have invested largely in irrigation (33.38 per cent), improved farm machinery & equipment (28.54 per cent) and land improvement (9.76 per cent) which have really enhanced the productive capacity of land.

The non-khatedar farmers who cultivate land as share croppers and on lease, however, have invested mostly on milch cattle (48.89 per cent), farm build-

TABLE III
NET INVESTMENT PER FARM FAMILY AND PER HECTARE FOR KHATEDAR AND NON-KHATEDAR FARMERS
1961-62 TO 1968-69

Year	Net Investment in Khatedar farmers						Net Investment by Non-khatedar farmers					
	0-4 hect		4-8 hect		8 & above hect.		0-4 hect.		4-8 hect.		8 & above hectare	
	Per family Rs	Per hect. Rs	Per family Rs	Per hect. Rs	Per family Rs	Per hect. Rs	Per family Rs	Per hect. Rs	Per family Rs	Per hect. Rs	Per family Rs	Per hect. Rs
1961-62	278.33	72.98	478.33	69.64	500.00	34.38	200.00	74.16	133.33	26.17	466.66	54.34
1962-63	40.83	10.70	955.00	139.04	705.83	48.53	100.00	37.08	408.33	80.17	616.66	71.81
1963-64	158.33	41.52	780.00	113.56	1100.00	75.64	460.00	170.58	280.00	54.97	..	..
1964-65	875.00	229.45	714.66	104.05	1540.83	105.95	456.66	169.34	573.33	112.56	106.66	12.42
1965-66	1461.66	383.30	415.00	16.44	2684.16	184.51	100.00	37.08	190.00	37.30	..	..
1966-67	237.50	60.28	521.66	75.95	1436.66	98.79	..	..	296.66	58.24	..	..
1967-68	100.33	26.31	325.00	47.31	2017.33	138.72	25.00	9.27	61.66	12.10	13.33	1.55
1968-69	191.66	41.52	220.83	32.15	5931.66	407.90	161.66	59.95	143.33	28.14	95.00	11.06

ings (22.40 per cent), mostly cattle sheds and draft animals (17.35 per cent). As much as 88 per cent of the total investment was on these items. None invested on irrigation and only about nine per cent was invested in purchase of machinery and equipment which included mostly traditional tillage implements, chaff cutters and bullock carts.

This leads us to the conclusion that in the case of farmers who have no secured rights in land there has been little agricultural investment so as to enhance the productive capacity. It is, therefore, imperative that if capital formation is to be encouraged the rights in land should be made secure.

It was further revealed in the course of our study that since 1965-66, the investment on the installation of tubewells and the purchase of improved machinery was steadily increasing, whereas investment on farm buildings and livestock was decreasing. In 1968-69 as much as 91.33 per cent of the total investment by the sampled farmers was made for irrigation and farm machinery.

Size of Operational Farms

The size of operational holding is said to have a marked effect on the amount and pattern of investment. To examine this relationship the total number of farm families were divided into three groups according to operational holding.

Group I covered families which had below four hectares, Group II had four to eight hectares and Group III had more than eight hectares. The division although arbitrary was indicative of small, medium and large sized farms in this region.

It is evident from Table III (p. 127) that as the size of the cultivated holding increases, the amount of total net investment and net investment per farm family increases. But this impression gets slightly changed if instead of the total absolute figures per farm family, we reduce the data per hectare of the net cultivated areas, which alters the picture.

In the case of khatedars the average net investment per hectare for the last eight years has been the highest for the large-sized farm (Rs 136.81) followed by small-sized farm (Rs 101.93) and the medium-sized farms (Rs 80.26).

An enquiry into the reasons for it showed that the large-sized farms owned by khatedar farmers made increased investment on tubewells and improved machinery during 1968-69. Another reason was big dis-investment by small-

sized farmers through the sale of livestock in the drought year of 1967-68.

In the case of non-khatedar farmers, on the other hand, the net investment per hectare was the highest in small-sized farm (Rs 58.00), followed by large-size group (Rs 50.39). It was the lowest in the medium-sized farm (Rs 24.62).

It was observed in the course of our enquiry that farmers in large-sized and medium-sized groups belonged to higher social categories. A large portion of their income is spent on acquisition of durable consumer goods such as, transistors, radios and guns, and also articles of luxury, ornaments, jewellery and social ceremonies. The expenditure on these items was proportionately much higher in the case of medium-sized farm families, leaving small savings for investment in agriculture. This brings about a very important conclusion that our agriculture is still influenced highly by social status of the farm community. Capital formation in particular and the agricultural development in general are closely related to and limited by the improvement in social status.

Table IV shows the consolidated position of the pattern of investment during the eight years under consideration (1961-62 to 1968-69).

The figures reveal that for khatedar farmers, livestock was the most important item of investment (36 per cent in small-size group followed by irrigation (26.79 per cent), machinery and equipment, farm buildings and land improvement. In the case of middle-sized khatedar farmers also, livestock

formed the most important item of investment amounting to more than 45 per cent of total net investment followed by land improvement, machinery and equipment and farm buildings in that order. The large-sized khatedar farm families invested as much as 43.77 per cent in irrigation and 33.78 per cent in machinery and equipment, mainly in the form of tractors, seed drills threshers and chaff cutters. Investment in livestock, land improvement and farm buildings was only 10.84 per cent, 7.53 per cent and 4.08 per cent respectively.

Accent on Cattle

In the case of non-khatedars livestock was the most important item of investment in all the three groups forming 64 per cent, 54 per cent and 82 per cent in small, medium and large-sized farms respectively. No investment was made by non-khatedars on irrigation mainly due to insecure rights in land. Farm buildings, generally in the form of cattle sheds constituted the next important item for small and medium-sized farmers amounting to about 28 per cent in both the groups. Investment on farm machinery and equipment increased as the size increased. The items included are generally the bullock carts, chaff cutters, seed drills and traditional tillage tools.

Another important aspect of the investment pattern in large-sized farms in both khatedar and non-khatedar families was that as the size increased the percentage investment on draught animals also increased. In the case of small and middle-sized farmers, on the other hand, the investment on milch cattle

TABLE IV

PATTERN OF NET INVESTMENT BY DIFFERENT SIZE GROUPS (CONSOLIDATED VIEW 1961-62 TO 1968-69)

Items	Khatedars			No-Khatedars		
	0-4 hect.	4-8 hect.	8 & above hect.	0-4 hect.	4-8 hect.	8 & above hect.
	%to total	%to total	%to total	%to total	%to total	%to total
(i) Land improvement	5.95	20.54	7.53	..	8.12	..
(ii) Livestock						
(a) Milch	19.03	24.56	3.72	55.47	51.47	37.73
(b) Draft	17.15	20.78	7.12	8.80	2.85	44.03
(iii) Irrigation	26.79	..	43.77	..	..	..
(iv) Machinery & equipment	16.60	18.06	33.78	6.62	9.37	10.47
(v) Farm building	14.48	16.06	4.08	29.11	28.09	7.77
Total	100.00	100.00	100.00	100.00	100.00	100.00

was much more in comparison to draught animals. It appears that farmers having small and medium-sized farm invest relatively more on the purchase of milch cattle in order to substantiate their economies and while those with large-sized farms keep a large number of draught animals for agricultural operations.

The pattern of investment reveals that as the size of the farm increases, the net investment on the purchase of farm machinery and on the construction of irrigation works and land improvement increases while it decreases for livestock and farm buildings. It leads us to the conclusion that a major portion of the investment by small-sized farmers is on items which have not increased the productive power in agriculture correspondingly. It follows that reorganisation of the size of the operational unit in agriculture has to be brought about so as to make the average unit viable; otherwise the investment is bound to remain wasteful or on items which do not lead to proportionate increased output from land.

An attempt was made to make a statistical analysis to work out the relationship of net investment per farm family with some factors such as the age of the head of the family, size of the family and size of the operational holding. Regression analysis technique was tried. The following model for regression analysis was used for 1967-68 for khatedar families only.

$$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3$$

where Y = Net investment per family
 x_1 = Age of the head of the family
 x_2 = Number of members in the farm family
 x_3 = Operational holding in hectare

We are aware of the fact that many other factors such as risk and uncertainty, fluctuations in prices, availability of credit etc. affect capital investments in agriculture. However, due to non-availability of sufficient and reliable data these factors were not considered for this analysis and were assumed to be constant for all farmers under study.

The regression equation for capital investment was found to be:

$$Y = -2672.63 + 49.05x_1 \\ (23.55)^* \\ + 1.52x_2 + 165.27x_3 \\ (115.29)^* (45.14)^*$$

Coefficient of determination (R^2) was calculated to be 0.62.

*Standard errors of the respective coefficients.

The 't' values of the above regression coefficients were.

Regression coefficients	't' value
b_1 2.08*	(Significant at 5% level)
b_2 75.84*	(Significant at 1% level)
b_3 0.28	(Not significant)

The regression analysis explains the

The Hunger For Funds*

A CORRESPONDENT

INTERESTING, INDEED exciting, developments are taking place in the money market which appear to have far-reaching significance for the banking system. In spite of a sizable growth in deposits during the twelve-month period ended December 25, 1970, there is an unsatisfied demand for funds and even in the early stages of the 1970-71 busy season the scheduled commercial banks have been obliged to borrow more than Rs 177 crores from the central banking institution additionally in a fortnight when pressure was felt acutely in connection with tax payments and seasonal expansion of credit. Actually the increase in deposits in absolute terms has very nearly doubled in the past three years, the addition during the period under reference being Rs 799 crores against Rs 656 crores in the corresponding period in 1969 and Rs 458 crores in 1968. In spite of this impressive growth in deposits of member banks in 1970, it was not possible to meet fully the needs of all constituents. Even so, advances rose in a 12-month period by as much as Rs 812 crores.

The jump in advances in 1970 in excess of fresh additions to deposits has taken place for the first time in the recent history of the banking system. In spite of the liberal grant of loans it is being complained that the nationalised banks have not been acquitting themselves creditably and the needs of small borrowers in the agricultural sector and in small industries are not being fully met. It has not been examined, however, so far how the new situation can be tackled and in what manner co-operative credit societies and commercial banks can take over the responsibilities discharged upto now by the indigenous money lenders. Recently there was a meeting of bank executives and representatives of the Reserve Bank for discussing how the mobilisation of deposits can be hastened and the newly opened branches can be made to function on a profitable basis within a short period. New incentives are proposed to be provided for bank employees for mobilising deposits and some institutions have even thought of giving small presents to new depositors in order to bring about a faster growth of the bank-

dependence of capital investment on such independent variables as age and the number of family members. The coefficient of determination (0.62) also indicates that there is a close association between capital investment and such factors as age of the operator and the number of family members.

ing habit. In view of the fact that there has been an increase in the purchasing power of the agricultural income groups and a record number of branches have been opened in 1970, it is quite likely that fresh additions to deposits in 1971 will exceed even the Rs 1000-crore-mark and there will be a significant increase in the proportion of bank deposits to notes in circulation or the national income. However, it is likely that there will also be a big rise in advances and the position might get adjusted only over a period of three or four years. What is happening immediately is increasing monetisation of the economy and an impressive growth in the stature of the banking system.

In this context the monetary authorities should ensure that available resources are being productively employed and the legitimate needs of industry and trade are not denied. It should also find out how additional pressure has been created by intensive procurement operations and the raising of the statutory liquidity ratio. It is understandable that the government is anxious to secure for itself a good portion of the new additions to deposits in the form of liberal support for open market loans. But there is no reason why the operations of the Food Corporation of India cannot be confined only to purchases for creating buffer stocks and in pursuance of support schemes whenever the need arose. With the relaxation of restrictions on the movement of foodgrains, particularly rice, within zones, and the lifting of statutory rationing in important metropolitan centres, the inflationary effects of the pumping of credit that is now taking place through procurement operations can be minimised. The farmers also will not be adversely affected because quicker movement of foodgrains from the surplus areas to the deficit regions will prevent any undue decline in prices. If the strain on the banking system on account of procurement finance for about Rs 100 crores can be eliminated and if suitable measures are devised to encourage the consumption of sugar and reduce accumulated stocks, the abnormality now noticeable in the shape of fresh advances

* This article was written before the Reserve Bank of India raised the bank rate from five to six per cent and also the net liquidity ratio for excess borrowings of commercial banks from the RBI from 33 to 34 per cent.

being in excess of fresh deposits will not be in evidence.

As these steps may not be taken by the government immediately and it may take some time for sugar stocks to be reduced to normal levels, the Reserve Bank should not hesitate to provide the required refinance facilities and encourage productive activity. What it does in the coming months will determine the course of developments in the next two or three years. With rising prices and increasing turnover, the industrial sector is in an over-extended position and it has so happened that in the four weeks ended December 25, 1970, there was an alarming rise in borrowings of member banks, which at

one stage, as indicated above, touched the all-time peak of Rs 326.18 crores. This happened during the week ended December 18, 1970. On December 4, 1970, borrowings of member banks stood at only Rs 149.93 crores. As at the end of 1969 borrowings stood at about Rs 92 crores and a peak level of Rs 297 crores was touched on June 19, 1970, it is clearly indicated that borrowings will cross the Rs 500-crore mark by the end of June this year and may be even higher if procurement operations are to be carried out on a larger scale in May-June this year than in the corresponding period in 1970. The Reserve Bank is worried about this prospect. But it will be difficult to

avoid a big expansion of credit unless dramatic decisions are taken by the chief ministers relating to the relaxation of restrictions on the movement of foodgrains. It is, however, unlikely that major decisions in this regard will be taken by the central government or the chief ministers until the elections for parliamentary seats are over. Whatever may be the new developments, it has been clearly indicated by the happenings in the money market in recent months that banking system has assumed new responsibilities which can be successfully discharged only if there is sympathetic understanding of the new problems by the monetary authorities and credit creation is on desirable lines.

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UNITED COMMERCIAL BANK

Report of the Auditors

THE PRESIDENT OF INDIA

We have audited the attached Balance Sheet of United Commercial Bank as of 31st December, 1969 and the Profit & Loss Account of the Bank for the period 19th July, 1969 to the 31st December, 1969, in which are incorporated the returns of 117 Branches audited by us, 214 Branches audited by other auditors, and the unaudited returns in respect of 41 Branches not visited by us, for the exclusion of which Branches from audit, concurrence of the Reserve Bank of India was obtained.

The Balance Sheet and Profit and Loss Account have been drawn up in forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that :—

- In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :—
 - the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1969;
 - the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Account.
- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
- The transactions of the Bank which have come to our notice have been within the powers of the Bank;
- The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
LOVELOCK & LEWES

Chartered Accountants

22/23rd December, 1970.

UNITED COMMERCIAL

Balance Sheet As At

CAPITAL AND LIABILITIES		Rs.	P.	Rs.	P.
1. CAPITAL :					
Paid up (Wholly owned by the Central Government)				2,80,00,000	00
2. RESERVE FUND AND OTHER RESERVES:					
(a) Reserve Fund		4,41,07,946	73		
(b) Development Rebate Reserve		9,10,000	00		
3. DEPOSITS AND OTHER ACCOUNTS :				4,50,17,946	73
Fixed Deposits		1,28,01,84,370	54		
Savings Bank Deposits		53,45,80,664	79		
Current Accounts, Contingency Accounts, etc.		76,05,14,352	71		
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.				2,57,52,79,388	04
(i) In India		4,48,81,737	68		
(Includes borrowings from Industrial Development Bank of India of Rs. 2,21,49,737=68 and from Agricultural Refinance Corporation of Rs. 21,57,000=00.)					
(ii) Outside India		1,93,70,711	72	6,42,52,449	40
PARTICULARS :					
(i) Secured by part of Investments and Advances per contra		5,20,56,737	68		
(ii) Unsecured		1,21,95,711	72		
		6,42,52,449	40		
5. BILLS PAYABLE				4,61,06,564	48
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra :					
(i) Payable in India		20,76,92,788	04		
(ii) Payable outside India		5,78,78,521	33		
7. OTHER LIABILITIES :				26,55,71,309	37
(i) Branch Adjustments		8,88,91,508	28		
(ii) Unclaimed Dividends etc.		35,72,835	83		
				9,24,64,344	11
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra				22,95,12,030	93
9. PROFIT AND LOSS :					
Balance as on 1-1-1969				60,983	67
Add Transfer from Contingency Reserve	Rs. 12,50,000	00			
Less Payment of Bonus to Staff for 1968 in excess of Rs. 28,50,000 appropriated from 1968 Profits	Rs. 12,33,316	39	16,683	61	
Add Profit for the period 1-1-1969 to 18-7-1969 (as per annexure)	Rs. 30,76,248	11	77,667	28	
Adjustment in respect of elimination of items relating to Malaysian Branches	Rs. 5,54,031	34			
	Rs. 36,30,279	45			
Net adjustment in respect of provisions made for taxes and contingencies	Rs. 4,05,000	00			
	Rs. 40,35,279	45			
Carried over..				3 34 67 04 032 06	

BANK

December 31, 1969

PROPERTY AND ASSETS		Rs.	P.	Rs.	P.
1. CASH :					
In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)				21,93,67,852	85
2. BALANCES WITH OTHER BANKS :					
On current account :					
(i) In India	Rs. 77,80,885	83			
(ii) Outside India	Rs. 5,28,63,817	65	6,06,44,703	48	
				28,00,12,556	33
3. MONEY AT CALL AND SHORT NOTICE :				3,20,94,250	00
				31,21,06,806	33
4. INVESTMENTS: (at below market value)					
(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments			80,88,80,202	14	
(ii) Shares :					
(a) Fully Paid Preference Shares			8,67,212	50	
(b) Partly Paid Preference Shares			24,725	00	
(c) Fully Paid Ordinary Shares			57,86,588	28	
(d) Partly Paid Ordinary Shares			28,25,980	00	
(iii) Debentures or Bonds			1,38,39,605	00	
(iv) Other Investments :					
(a) Securities of Foreign Governments and Foreign Trustee Securities			1,00,86,477	75	
(b) Unit Trust of India (Initial Capital)			4,50,000	00	
(v) Gold					84,27,60,790 67
5. ADVANCES :					
(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)					
(I) Loans, Cash Credits, Overdrafts, etc. :					
(i) In India	Rs. 1,11,04,14,556	04			
(Includes Rs. 3,33,04,737=68 and Rs. 27,27,000=00 relating to medium term advances in respect of which finance has been obtained from Industrial Development Bank of India and Agricultural Refinance Corporation respectively, as per contra.)					
(ii) Outside India	Rs. 7,04,99,234	04	1,18,09,13,790	08	
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments) :					
(i) Payable in India	Rs. 31,31,53,886	63			
(Includes an amount of Rs. Nil of Usance Promissory Notes lodged with Reserve Bank of India for advances under Section 17(4)(c) of the Reserve Bank of India Act.)					
(ii) Payable outside India	Rs. 13,41,68,619	09	44,73,22,505	72	
				1,62,82,36,295	80
PARTICULARS OF ADVANCES :					
(i) Debts considered good in respect of which the banking company is fully secured			1,19,64,16,948	33	
(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security			16,90,53,109	28	
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors.... .. .			26,27,66,238	19	
(iv) Debts considered doubtful or bad, not provided for			Nil		
			1,62,82,36,295	80	
Carried over				2,78,31,03,892	80

UNITED COMMERCIAL

Balance Sheet As At

CAPITAL AND LIABILITIES		Rs.	P.	Rs.	P.
Brought forward ..				3,34,62,04,033	0
Less (i) Provision for Bonus to staff Rs 16.35,000=00					
(ii) Transfer to Reserve Fund in terms of Section 17 of the Banking Regulation Act, 1949	Rs 8,20,000=00	Rs 24,55,000	00	15,80,279	45
				16,57,946	73
Transferred to Reserve Fund ..				16,57,946	73
				Nil	
Profit for the period 19-7-1969 to 31-12-1969 ..				48,86,864	92
Less (i) Provision for Bonus to staff ..	Rs. 13,65,000	00			
(ii) Transfer to Reserve Fund in terms of Section 17 of the Banking Regulation Act, 1949	Rs. 9,80,000	00		23,45,000	00
Balance to be transferred to Central Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970				25,41,864	92
10. CONTINGENT LIABILITIES :					
(i) On Partly Paid Shares ..	Rs.	45,47,175	00		
(ii) Claims against the banking company not acknowledged as debts ..	Rs.	17,37,025	68		
(iii) Guarantees given on behalf of Customers and Correspondent Banks ..	Rs.	62,38,05,494	77		
(iv) Bills of Exchange Rediscounted with the Industrial Development Bank of India ..	Rs.	3,25,28,804	83		
(v) Forward Exchange Contracts outstanding for the purchase and sale of bills and Telegraphic Transfers of which upto 30-11-1970 Rs. 25,92,13,510=72 have been delivered	Rs.	26,49,17,303	91		

NOTES : (1) In view of the provisions of Section 5(6) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, items relating to the Malaysian Branches of The United Commercial Bank Ltd., are excluded.

(2) There is a liability for outstanding bills, not certified by the architects, in respect of the Bank's buildings.

(3) Provision in full for gratuity accruing on retirement of staff has not been made.

Carried over

3,34,87,45,897 98

BANK COMMERCIAL

December 31, 1969

PROPERTY AND ASSETS		Rs.	P.	Rs.	P.
Brought forward				2,78,31,03,892	80
(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons ..		62,55,731	00		
(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 ..		—			
(vii) Maximum total amount of advances, including temporary advances made at any time during the period 19th July to 31st December 1969 to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons ..		62,96,297	79		
(viii) Maximum total amount of advances including temporary advances granted during the period 19th July to 31st December 1969 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 ..		—			
(ix) Due from banking companies, banks under Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and foreign banks ..		1,19,25,801	69		
6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION as per contra :					
(i) Payable in India ..		20,76,92,788	04		
(ii) Payable outside India ..		5,78,78,521	33		
				26,55,71,309	37
7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra					
				22,95,12,030	93
8. PREMISES LESS DEPRECIATION :					
Cost as on the 31st December, 1968 ..		2,33,69,474	57		
Additions (Rs. 9,80,035=02) Less deductions (Rs. 9,242=22) during the period 1-1-1969 to 18-7-1969 ..		9,70,792	80		
		2,43,40,267	37		
Less depreciation written off upto 18-7-1969 ..		33,12,435	49		
		2,10,27,831	88		
Additions (Rs. 1,00,806=61) Less deductions (Rs. 1,475=00) during the period 19-7-1969 to 31-12-1969 ..		99,331	61		
		2,11,27,163	49		
Less depreciation written off for the period 19-7-1969 to 31-12-1969 ..		1,77,311	17		
				2,09,49,852	32
9. FURNITURE AND FIXTURES LESS DEPRECIATION : (including vehicles and equipment)					
Cost as on the 31st December, 1968 ..		3,67,57,027	53		
Additions (Rs. 33,54,476=26) Less deductions (Rs. 2,34,232=87) during the period 1-1-1969 to 18-7-1969 ..		31,20,243	39		
		3,98,77,270	92		
Less depreciation written off upto 18-7-1969 ..		1,79,88,904	56		
		2,18,88,366	36		
Additions (Rs. 26,29,603=57) Less deductions (Rs. 1,11,570=57) during the period 19-7-1969 to 31-12-1969 ..		25,18,033	00		
		2,44,06,399	36		
Less depreciation written off for the period 19-7-1969 to 31-12-1969 ..		14,95,735	96		
				2,29,10,663	40
Carried over ..				3,32,20,47,748	82

UNITED COMMERCIAL

Balance Sheet As At

CAPITAL AND LIABILITIES		Rs.	P.
Brought forward		3,34,87,45,897	98
(4)	The Income-tax assessments in India for the years 1949 to 1958 which had been reopened, as the Income-tax Officer differed with the method adopted in the past by the Department for allowing Double Income-tax Relief, have been completed and the tax liability for these years and for the years 1959 to 1964 have been calculated by him according to the new method. As the Bank has disputed the action of the Income-tax Officer, no provision has been made for the additional liability arising from such assessments and provision for taxes for the years 1965 to 1969 has been made on the basis adopted all along in the past. The appeal relating to the year 1959, on the basis of which assessments for the past years were reopened and subsequent assessments were completed, has been disposed of by the Appellate Assistant Commissioner of Income-tax and the Bank's contention in regard to Double Income-tax Relief has been substantially upheld.		
(5)	The Assets and Liabilities of the Karachi Branch of The United Commercial Bank Ltd. stand entrusted to the Custodian of the Bank. Such assets and liabilities continue to vest in the Custodian of Enemy Property, Pakistan, and since no further information was available about the assets and liabilities in Pakistan after 27th August 1965, they have been incorporated in the Balance Sheet at their net book value.		
TOTAL Rs.		3,34,87,45,897	98

Calcutta,
22nd December 1970

D. BANERJEE
U. N. BORDOLOI
Directors

R. B. SHAH
Custodian

R. MOHAPATRA
G. P. SINHA
Directors

NALINI AMBEGAOKAR
ASHOK MITRA
Directors

BANK

December 31, 1969

PROPERTY AND ASSETS		Rs.	P.	Rs.	P.
Brought forward				3,32,20,47,748	82
10. OTHER ASSETS, INCLUDING SILVER :					
(i) Land and Buildings :					
Cost as on the 31st December, 1968	Rs. 42,22,153	81			
Additions (Rs. 7,34,296=88) Less deductions (Rs. Nil) during the period 1-1-1969 to 18-7-1969	Rs. 7,34,296	88			
	Rs. 49,56,450	69			
Less Transfer to Premises account upto 18-7-1969	Rs. 2,78,609	64			
	Rs. 46,77,841	05			
Additions (Rs. 7,09,517=74) Less deductions (Rs. Nil) during the period 19-7-1969 to 31-12-1969	Rs. 7,09,517	74	53,87,358	79	
(ii) Interest accrued on Investments			1,11,95,456	27	
(iii) Advance payment of Income-tax after set off of amounts on assessments under Sections 140A & 141A			99,52,398	50	
(iv) Stamps and Stationery			1,43,532	05	
(v) Silver					2,66,78,745 61
11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS :					
Land and Buildings (at cost)					19,403 55
12. PROFIT AND LOSS					
TOTAL Rs.					3,34,87,45,897 98

S. SUBRAHMANYAN
Chief Accountant

S. J. UTAMSING
General Manager

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
LOVELOCK & LEWIS
Chartered Accountants

UNITED COMMERCIAL**PROFIT AND LOSS ACCOUNT FOR THE**

EXPENDITURE	Rs.	P.
1. Interest paid on deposits, borrowings, etc.	4,04,66,247	60
2. Salaries and allowances and Provident Fund	2,63,42,604	94
3. Directors, and Local Committee members, fees and allowances	—	—
4. Rent, Taxes, Insurance, Lighting, etc.	34,64,299	23
5. Law charges	16,121	36
6. Postage, Telegrams and Stamps	15,02,727	79
7. Auditors' fees	2,90,850	45
8. Depreciation on, and repairs to, the Bank's property	18,46,358	10
9. Stationery, Printing, Advertisement, etc.	24,82,855	23
10. Loss from sale of, or dealing with, non-banking assets	—	—
11. Other Expenditure	23,86,008	12
12. Balance of Profit subject to bonus	48,86,864	92

NOTE : Particulars of total remuneration Rs. 42,151=52 relating to the Custodian (Chief Executive Officer) :—

(i) Salary Rs. 32,400 (ii) Allowances Rs. 2,700 (iii) Contribution to the Provident Fund Rs. 2,700 (iv) Monetary Value of Perquisites (Free quarters, Motor Car and Medical Aid) Rs. 4,351=52.

TOTAL Rs. 8,36,84,397 74

The above Accounts have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949.

R. B. SHAH
Custodian

D. BANERJEE
U. N. BORDOLOI
Directors

R. MOHAPATRA
G. P. SINHA
Directors

NALINI AMBEGAOKAR
ASHOK MITRA
Directors

Calcutta,
22nd December, 1970.

BANK**PERIOD 19TH JULY TO 31ST DECEMBER, 1969**

INCOME	Rs.	P.
(Less provision made during the period for bad and doubtful debts and other usual or necessary provisions)		
1. Interest and Discount	6,90,22,318	58
2. Commission, Exchange and Brokerage	1,38,39,128	13
3. Rents	7,73,180	78
4. Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	—	—
5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	—	—
6. Income from non-banking assets and profit from sale of, or dealing with, such assets	49,770	25
7. Other receipts	—	—
8. Loss	—	—

TOTAL Rs. 8,36,84,397 74

S. SUBRAHMANYAN
Chief Accountant

S. J. UTAMSING
General Manager

As per our report annexed.

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
LOVELOCK & LEWES
Chartered Accountants

UNITED COMMERCIAL

PROFIT AND LOSS ACCOUNT OF THE FOR THE PERIOD FROM THE TAKEN OVER BY UNITED

ANNEXURE

EXPENDITURE	Rs.	P.
1. Interest paid on deposits, borrowings, etc.	4,55,32,353	01
2. Salaries and allowances and Provident Fund	3,05,60,421	75
3. Directors' (Rs. 38,650) and Local Committee members' fees and allowances	44,600	00
4. Rent, Taxes, Insurance, Lighting, etc.	39,19,870	75
5. Law charges ..	1,19,897	68
6. Postage, Telegrams and Stamps ..	17,47,458	47
7. Auditors' Fees for statutory and periodical audits ..	1,29,629	75
8. Depreciation on, and repairs to, the Banking Company's property	20,42,681	83
9. Stationery, Printing, Advertisement, etc.	26,41,019	85
10. Loss from sale of, or dealing with, non-banking assets	—	—
11. Other Expenditure ..	38,56,427	22
12. Balance of Profit subject to bonus	30,76,248	11

NOTES : (1) Particulars of total remuneration Rs. 52,205=00 relating to the Chairman (Chief Executive Officer) :—

(i) Salary Rs. 39,600 (ii) Allowances Rs. 3,300 (iii) Contribution to the Provident Fund Rs. 3,300 (iv) Monetary Value of Perquisites (Free Quarters, Motor Car and Medical Aid) Rs. 6,005=00.

(2) The above figures are inclusive of branches of The United Commercial Bank Ltd. in Malaysia.

TOTAL Rs.

9,36,70,608 42

The above Accounts have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949.

BANK

UNITED COMMERCIAL BANK LIMITED 1ST JANUARY TO 18TH JULY, 1969 COMMERCIAL BANK

	INCOME	Rs.	P.
	(Less provision made during the period for bad and doubtful debts and other usual or necessary provisions)		
1. Interest and Discount		7,54,42,302	33
2. Commission, Exchange and Brokerage —		1,70,45,444	17
3. Rents		11,51,403	05
4. Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)		—	—
5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)		—	—
6. Income from non-banking assets and profit from sale of, or dealing with, such assets ..		31,458	87
7. Other receipts ..		—	—
8. Loss ..		—	—

TOTAL Rs.

9,36,70,608 42

WINDOW ON THE WORLD

Europe and Japan: Rivals? Partners?

JOSSLEYN HENNESSY

LONDON:

I

CRUCIAL TRADE NEGOTIATIONS

THE TRADE negotiations which opened on September 22 between the European Community and Japan have so far escaped notice, overshadowed by the more obviously important negotiations for the entry of the UK, the Irish Republic, Denmark and Norway into the Community. But the approach to Japan is nevertheless of world importance.

The process of European enlargement may itself become easier if there is a wider realisation of the enormous advantages that a bigger Community could achieve and that no one European state can hope to win on its own. Not the least could be much improved commercial and economic relations with Japan.

In contrast with, say, trade relations with the USSR and other East European countries, the USA, and to some extent even with the "third world" of developing countries, the possibilities of a new approach to Europe's trade relations with Japan are relatively unexplored. That is one reason why these possibilities are so interesting.

Japan's Economic Power

The first point on which to be clear is the enormous and rising power of the Japanese economy. The facts are well known but since the moral has not been drawn, a quick look at them may be helpful.

Virtually all the conventional economic indicators show the Japanese economy to be, for its size, the most successful in the world. Japan's GNP is growing at the staggering rate of 10 to 12 per cent a year, and in 1968, at \$142,000 million, was five times what it had been in 1958. Already Japan is the third richest country in the world after the USA and the USSR. To reach this position Japan's growth rate has in the past ten years been twice that of the European Community.

Japan is now the world's third producer of steel and by 1975 plans to be able to supply nearly half the world's

need for steel — a target that would seem incredible if the Japanese had not achieved so many others that seemed equally unattainable, and if they had not already expanded their steel production by 370 per cent during the 1960s. The USSR, with an increase of 70 per cent in the same period, was a poor runner-up.

In 1969, 48 per cent of the world's new shipbuilding was in Japanese yards. The success of Japan's motor industry is well known — in particular, Japan is the world's largest producer of commercial vehicles. Nor is this super-power performance confined to conventional industrial products. Japan is highly computer-minded, and on the basis of its thriving electronics industry it is planning, with the aid of protection, to build up its own computer industry to the point of being independent of the USA by 1980, an aim which seems far beyond present European aspirations and capacities.

II

THE "MAGIC SQUARE"

All this has been achieved to the accompaniment of an embarrassing balance-of-payments surplus. More than any other developed country, Japan has based its economy on the "magic square" — growth, price stability, full employment, and a healthy balance of payments. In addition,

Japan has invested and saved massively. If the average standard of living (about equal with Italy) is still not up to the level of Japan's other indicators, her workers are at least on their way to becoming little capitalists in their own right. Wage rates have recently been rising at the rate of 15 per cent a year without causing European-style inflation, at least not in relation to the vital and large capital-intensive export industries.

In 1969, bonuses averaged £96 per worker, of which no less than 62 per cent was put straight into savings. Strikes are almost unknown. The larger Japanese industrial concerns are run on neo-feudal lines and most employees stay in one job all their lives. To European trade unions this may seem frightening, but the Japanese flourish on it. Such is the background against which the American Herman Kahn predicts that Japan will by the year 2,000 A.D. overtake the USA to become the world's strongest economic power.

Absurdly Small Trade

It is now 25 years since the old militaristic Japan surrendered to General MacArthur, and (like West Germany) was born again as a new economic power. It is also 15 years since Japan joined GATT and six since it joined OECD. Yet Europe's trade with Japan remains absurdly small (Table III p.144). In 1968, Japan's imports from EEC were \$7,369 million, or 5.6 per cent of total imports. Exports to EEC were \$6,857 million or 5.7 per cent of total exports. From the viewpoint of the Community, exports to Japan in 1968 represented a mere 1.8 per cent of the total. At the same time it is worth noting that this trade is at least increasing. In 1958, EEC exports

TABLE I

EEC, JAPAN AND THE U.S. — SOME BASIC COMPARISONS (1968)

	EEC	JAPAN	USA
GNP (1,000 million)	381	142	881
Annual growth since 1958 (%)	5.3	11.1	4.7
Population (million)	187	101	201
GNP per head (\$)	2,039	1,399	4,382
Average GNP (increase since 1958) (%)	4.3	10.8	3.2
Share in GNP of:			
Agriculture (%)	7.6	11.6	3.1
Industry (%)	43.7	38.9	36.8
Services (%)	48.7	49.5	60.6
Production:			
Motor vehicles ('000)	7,015	4,085	10,820
Crude steel (million tons)	99	67	120
Shipping ('000 tons)	3,049	8,654	450

Source: EEC

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to Japan were only 0.9 per cent of total exports.

TABLE II
JAPAN'S PRINCIPAL INDUSTRIAL PRODUCTS

	1959	1967
Coke ('000 tons)	10,188	46,569
Chemicals ('000 tons)	10,554	35,414
Textiles ('000 tons)	743	1,719
Petrol ('000 tons)	406	1,639
Radios ('000 units)	10,025	30,189
Cameras ('000 units)	1,844	4,063
Cars ('000 units)	78	2,057

Source: EEC

The reasons for these disappointingly low figures are complex. In the early postwar years, Japan was occupied by, and entirely dependent on, the USA, while Europe itself was not much better off. Later, it was at first rational for both Europe and Japan to seek to redevelop the markets traditional to them. The distance has been as much psychological as physical. Japan is still in many ways strongly nationalistic (although not militaristic) and even, despite its export successes, somewhat inward-looking. For its part, Europe — especially the European Community — has been preoccupied with the development of an integrated money market.

III

WHAT EUROPE CAN OFFER JAPAN

Europe's preoccupation with its own economic integration is likely to continue, especially as the negotiations for enlargement come to a head. But Europe's internal problems and its external opportunities are inextricably related. It was Europe's moves towards integration, with the formation in the 1950s of the European Communities and EFTA, that prompted Japan's first real interest in Europe.

It is important for Europeans, the British not least, to realise how interested the Japanese are in European unification. A recent business mission to Japan from Antwerp was surprised to find the Japanese thinking of trade with Europe in a broader geographical framework than is often conceived by Europeans themselves. It was interesting to note, the members of the Antwerp mis-

sion said the importance that the Japanese attached to Brussels as the capital of the Common Market. They thought of the city as the logical starting-point for the European ventures that are interesting them more and more.

1. Freedom from over-dependence on USA

It was natural for the beginnings of Japanese economic recovery to be sponsored by the USA, just as Europe's was. But a reaction is now inevitably setting in. In 1968, more than 30 per cent of Japanese exports were going to the USA and the latest trend towards protectionism in Washington has reinforced Japanese awareness of the vulnerability of its present pattern of trade. Politically, too (although not militarily), the Japanese have been reasserting themselves more and more. The USA has been persuaded to hand back Okinawa, and the defence pact with the USA, although renewed, is now on a year-to-year basis.

Japan wants increasingly to be able to pursue its own policies without feeling that its every move is being jealously watched by the Americans. An integrated Europe would be strong enough, and could be independent enough, to provide a new partnership on which Japan could rely in its efforts to bring a better balance to its commercial relations with the USA.

2. New outlet for Japanese exports

The beginnings of this new balance can be seen already. Japan's exports to Europe are rising. With all its difficulties, Europe is the only developed market at all comparable with the USA, which is at present accessible to the Japanese on the scale that they believe is required. China is still effectively closed and only a slow improvement can be expected. Russia is not much more hopeful, although like the Europeans

the Japanese are expanding their trade with the USSR and want to go on doing so. In south-east Asia, a major Japanese market, there are special difficulties. Bitter memories of the war, coupled with fears of Japanese economic domination, are obstacles that cannot easily be overcome.

3. Collaboration in developing countries

The developing countries present another question of key importance to both Europe and Japan. Whatever political interests the USA and the USSR may have in the "third world", neither of the two super-powers has the same economic need to promote its development. For the USA and the USSR, rich in raw materials and land, commerce with the developing world is a luxury. For Japan, as for Europe, short both of space and of raw materials, commerce with the developing countries is a necessity. This necessity could give Europe and Japan an advantage in the competition to bring to the "third world" the powerful new industrial development and the sharp increase in living standards so desperately needed.

Irrespective of politics and ideology, the fact remains that the development of the "third world" depends on the possibility of making adequate profits, and of this the Japanese, probably more than the Europeans, are very much aware. The world lead that the Japanese have established in commercial vehicles, for instance, was based on their shrewd appreciation of the great need of such vehicles in the developing markets of south-east Asia — a need that they have worked hard, successfully, and profitably to supply.

Note that out of its large balance of payments surplus, Japan lent in 1970 no less than \$200 million to the World Bank, out of a total lent by all countries of \$735 million. The only way that the Japanese can get their money back

TABLE III
PERCENTAGE SHARE OF JAPANESE TRADE

	Exports		Imports	
	1958	1968	1958	1968
World	100.0	100.0	100.0	100.0
EEC	4.0	4.7	4.5	5.0
UK	3.4	2.8	1.8	1.9
USA	23.4	31.5	27.8	27.2
South-East Asia	—	27.2	—	15.4
Australia and Oceania	—	3.7	—	8.0

Sources: EEC and OECD

is by rapid development of the countries that it is the aim of the World Bank to help. Like everyone else, the Japanese regard financial aid not only as a form of good works but also, at least in part, as an investment. But Japan's relations with much of the developing world could be smoothed by co-operation with Europe. France could help in Africa, the Dutch in parts of south-east Asia, the UK in both. Through its preferential agreements with Mediterranean countries, the EEC could help Japan to access in that area as well. In the delicate field of relations with Latin America, Japanese-European co-operation could perhaps also achieve results that an approach by either singly could not.

4. Technological co-operation

Not the least, the Japanese are interested in the opportunities that scientific and technical collaboration with Europe would bring. Recently, e.g., the Japanese electronics firm, Matsushita Electric Industrial Company of Osaka, and Philips, the Dutch electronics giant, announced that they would set up a new joint venture in the Netherlands to exploit a new technique to produce dry batteries. The two firms had previously founded the Nippon Phonogram Company in Tokyo to market records in Japan (the world's second largest market for records). Such technical collaboration could go much further. Japan's home market is too small to support the range and scale of many of the technological projects which the Japanese have.

Israel : Silent Revolution in Trade

K.S.V. MENON

ISRAEL, with a population of a little over three million, is one of those countries which have registered a comparatively high rate of economic growth, estimated at 10 to 11 per cent per annum. Both agriculture and industry have made impressive progress, under the impact of continuous immigration of Jews and the Arab economic boycott which necessitated a concerted action to accelerate the process of industrialisation. Equally noteworthy is growing volume and diversified nature of Israel's foreign trade. Israel has constantly tried and successfully built up economic relations not only with the advanced countries, particularly, the European Economic Community, but also with developing countries of Asia and Africa.

The major agricultural products of Israel are citrus fruit, a wide range of vegetables, wheat, barley, bananas, olives and grapes. Poultry and egg production too have gone up in recent years. Consistent efforts, with considerable success, are made to raise the output of

Europe, provided that it continues to unite, can provide the extended market that the Japanese need, while for its part Europe can find in Japan the powerful partner that it needs to catch the Americans up in advanced technology, including the development of space.

Europe Needs Japan

For Europe also needs Japan, and not only in advanced technology. Most of the advantages to Japan outlined above would be gained by Europe as well from a satisfactory agreement. It could even be said that Europe needs Japan more than Japan needs Europe. Given Japan's amazing postwar performance, Japan has at least a chance to catch up the USA by itself. Europe's hope of catching up is based on unification, a dream which appears slowly to be coming true, but which, as yet, is still a dream. A Europe that failed to integrate would cease to be of major interest to Japan and would have to reconcile itself to dependence on the USA.

Sources and Acknowledgements

The foregoing summarises, by special arrangement, an exclusive report in *European Trends*, published quarterly to subscribers only by the *Economist Intelligence Unit* (27 St. James's Place, London SW1) but the EIU is responsible neither for my summary nor for my comments, based on a variety of sources.

groundnuts, flax, sorghum, sugar-beet and high quality cotton. Mineral products, such as potash, bromine and other salts, phosphate, copper and oil are available indigenously. The exploration of natural gas has been successful. A wide range of produce is manufactured, processed or finished in the country, including, *inter alia*, chemicals, metal products, textiles, tyres, diamonds, paper, plastics, leather goods, glass and ceramics, building materials, precision instruments, tobacco, foodstuffs, refined oil and electrical goods.

Both exports from and imports to Israel have shown perceptible increase in recent years. The total exports from Israel amounted to \$372.4 million in 1964, while imports accounted for \$826.2 million. During the first half of 1970, net exports amounted to \$380 million, as compared to \$365 million during the corresponding period last year. Net imports in the first half of 1970 came to \$717 million as compared to \$624 million in the previous half year.

Thus, during the course of the last five years or so, the volume of foreign trade of Israel has more than doubled, which, incidentally, brings into sharp focus the expanding market available in Israel.

Major imports are rough diamonds, machinery, transport equipment, and cereals. Exports include polished diamonds, chemicals and oranges. The USA, the UK and West Germany are Israel's major trading partners. More than 40 per cent of the imports is from the USA and the UK. Incidentally, it may be mentioned that consumer goods too have a potential market in Israel. Goods defined as "luxuries" accounted for \$85 million of the total volume of consumer goods imported in 1969, the total purchase of which reached \$140 million. These items include motor cars, television sets, gramophones, etc. besides, imports of spares for the manufacture of motor cars increased from about \$41.7 million in 1968 to \$50 million in 1969, while parts for the local manufacture of television sets were imported to the tune of \$4.5 million a year ago.

Israel's imports from the European Economic Community are growing as shown in Table I. In the case of West Germany, major items of import are iron and steel, machinery and machine parts, electrical equipment, and vehicles. Belgium and Holland supply diamonds, while Italy's shipments include machinery and electrical equipment. France exports a considerable quantity of iron and steel products including machinery items.

TABLE I
IMPORTS INTO ISRAEL FROM E.C.M. COUNTRIES (\$'000)

Country	1968	1969
Germany	1,15,094	1,55,360
Holland	52,752	71,710
Italy	55,027	70,203
France	53,660	51,845
Belgium	39,995	47,337
Total	316,285	396,455

The preferential trade agreement signed in Luxembourg recently marks yet another important event in the history of trade relations between Israel and the ECM. In 1964, a non-preferential trade agreement with ECM was signed which proved to be of little material advantage. The new agreement is the first real step along the road for the establishment of full customs union with the six. The five-year pact goes into effect on October 1, 1970, with a 30 per cent cut in tariffs on Israel's industrial exports, going up to

35 per cent in January 1971. Then it will increase by five per cent till it reaches 50 per cent on January 1, 1974. With the operation of this pact, and, the cuts effected and expected under the Kennedy Round, the average rate of customs duty on Israeli goods entering the Market in 1974 will be only 7.5 per cent.

Diversification

Attempts are now being made by Israel to improve trade relations with developing countries. Exports to some 60 developing countries exceeded \$100 million in 1969, while imports from the latter came to \$60 million. The recent Tel Aviv Trade Fair put special emphasis on trade with the developing countries. It is proposed to increase the participation of Israel in the forthcoming trade fairs and exhibitions in different parts of the world.

Trade with Japan has assumed a new dimension with exports reaching \$30 million. Imports amounted to \$18 million in 1969 as compared to \$12 million in 1968. The steep increase is due mainly to larger imports of steel. Other important commodities include cameras, transistors, rubber goods, synthetic materials and toys. In 1969, Israel's exports to Singapore came to \$3.4 million. Machinery accounted for \$2.2 million; other imports exceeded \$2 million, of which plastic goods accounted for \$1.5 million.

Iran is another important trade partner of Israel. The exports of the former to the latter came to \$20 million. These items include agricultural products, processed foodstuffs, textiles, rubber and plastic goods, chemicals, etc. Imports from Iran last year amounted to \$1.5 million (excluding petroleum) and comprised mainly plants and plant products. The trade with other Asian countries like Thailand, Philippines, etc. is also growing.

It is also significant to note that Israel has made its impact felt on the expanding east African market as can be seen from Table II. Imports from African countries have depicted a downward trend, although the total volume of trade has been going up. It is expected that in the years to come the upward trend will continue.

Kenya supplied to Israel dried fruits and vegetables, coconuts, coffee, oilseeds, chemicals and cotton. Exports of Uganda consist mainly of cotton and coffee. The purchases from Tanzania include coffee, oilseeds, cotton and fibres. Zambian sales, among other things, consist of timber and boats. Meat accounts for a substantial share of imports from Ethiopia.

Extensive plans are reported to be under way to promote trade and economic relations between Israel and east

TABLE II
TRADE WITH EAST AFRICA

(in \$'000)

Country	Israel's Exports		Israel's Imports	
	1968	1969	1968	1969
Ethiopia	4,118	4,286	2,870	1,705
Kenya	2,604	2,948	1,293	755
Uganda	3,580	3,303	2,749	1,833
Tanzania	1,156	1,446	405	192
Zambia	1,791	2,947	278	358
Total	13,745	16,181	5,629	4,847

African countries. Possibilities of launching joint ventures in various fields, such as chemicals, packaging, electrical goods, are now being explored. A contract was recently signed between an Israeli firm and the Government of Ethiopia for putting up a chemical factory. Negotiations have also reached an advanced stage with another east African country for a joint venture for the manufacture of furniture. Two joint ventures have already been set up in Uganda and Kenya for door-frames. In Ethiopia, a pharmaceutical company has entered into partnership with an Israeli counterpart for the manufacture of pharmaceuticals in Adis Ababa.

According to Israel's current trade policy, all imports must be authorised by the country's Ministry of Commerce and Industry. Licences are not required for goods on the liberalised list, but importers must hold an approved certificate; for all other imports, a licence, which must be endorsed by the Controller of Foreign Exchange, is required. The customs tariff is based on Brussels nomenclature system of classification. There are no preferential rates of duty. Customs duties are predominantly *ad valorem* for all rates vary from 30 to 100 per cent. Purchase taxes are comparatively high. No surtaxes are levied.

The basic objective underlying the

government's economic policy is to improve the balance of payment position by promoting exports and restricting imports. The five-year plan now under execution seeks to increase industrial output by 60 per cent and more than double the exports of industrial products. The per capita output is expected to increase by four per cent per annum and the export target for 1971 is \$845 million. It is estimated that investment in industry would go up to \$1100 million by 1971. The exports of agricultural products are also projected to depict an upward trend.

Although the country's dependence on imports is decreasing, Israel will certainly need to continue to import much of the raw materials required for its expanding industries and large quantities of capital goods, particularly industrial and communication equipment. It seems to suggest that Israel has sought to project its image and capability in entering into joint ventures in developing countries and in the years to come more and more such projects are likely to be successfully set up in Africa and elsewhere. Indian entrepreneurs in particular and the Ministry of Foreign Trade in general will do well to have an objective appraisal of these developments.

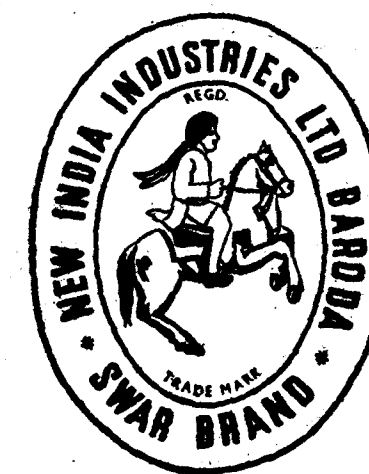
Eastern Economist 25 Years Ago

JANUARY 18, 1946

DURING the war years there has taken place an enormous accumulation of liquid funds in the economy mainly due to deficit financing by Government in the wide sense of the term. In India the aggregate addition of liquid funds consists of (1) currency which rose from Rs. 182 crores in August 1939 to Rs. 1,200 crores in December 1945; (2) time deposits of scheduled banks which increased from Rs. 102 crores to Rs. 277 crores; and (3) demand

deposits which increased from Rs. 134 crores to Rs. 679 crores in the same period. These three together amount to Rs. 1,738 crores. If to this sum are added (1) the increase in the volume of Government debt, at least that part of it which is in the form of immediately saleable securities and (2) the amount of gold which has been sold in the last three years, the war time addition to liquid funds would easily be above the Rs. 2,500 crore mark.

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Trade Winds

BANK RATE RAISED

THE RESERVE Bank of India raised the bank rate from 5 per cent to 6 per cent with effect from the close of business on January 8. Simultaneously, it has decided to increase the minimum net liquidity ratio for purposes of determining the penal rate of interest chargeable on the excess borrowings of a bank from the RBI by one per cent from the present 33 per cent to 34 per cent, with effect from January 29. The liquidity ratio for the purpose of Sec. 24 of the Banking Regulation Act will remain unchanged at 31 per cent.

Banks have been advised that, while adjusting the rates of interest on their advances, consequent upon these changes, they would ensure that on an average the increase in the rate charged by them on advances is only about one per cent. The RBI would continue to provide refinance in respect of credit to priority sectors on the existing basis, that is: (1) At 4.5 per cent, irrespective of the net liquidity ratio, against the increase in credit over the specified base period to exporters and in lending to primary co-operative credit societies, in terms of the scheme instituted for this purpose. (2) At bank rate irrespective of the liquidity ratio in regard to the increase in short-term lending to small-scale industries and agriculturists, over the specified base period and rediscounting of bills under the new bill market scheme. (3) At bank rate in respect of bank advances for food procurement operations up to 50 per cent of the increase over the outstanding level of such advances on October 30, 1970. In exceptional cases, discretionary accommodation at the bank rate will be made available to individual banks — based on the merits of the situation to help them finance high priority demands for credit.

In order to encourage savings and further assist deposit mobilisation the ceiling rates on various categories of deposits have been increased. The rates on savings accounts has been increased from 3.5 to four per cent. The rate on deposits for 15 days to 45 days has been stepped up from 1.25 per cent to two per cent and that on 46 days to 90 days from 2.50 per cent to three per cent. There is an increase of one-quarter of one per cent in the various other maturity categories of deposits up to one year and an increase of one half of one per cent in the maturity categories of deposits of one year and over up to five years. The maximum rate payable would be 7.25 per

cent in respect of deposits for period above five years. Smaller banks will be allowed, as before, to quote rates slightly higher than those offered by larger banks.

BANKING COMMISSION

The tenure of the Banking Commission has been extended by six months. It was appointed in February 1969 and was to submit its report by the end of last year. The extension of time up to June 30 has been given as the replies to the Commission's questionnaire have not kept pace with the time schedule. The questionnaires had been issued in November 1969 to 91 commercial banks, 220 co-operative banks, state governments and nearly 7,500 borrowers from industry and trade. Headed by Mr R.G. Saraiya, the Commission has been asked to enquire into the banking structure and suggest improvements in the functioning of banks. Its other members are: Mr N. Ramanand Rao, Mr Bhabatosh Datta and Mr V.G. Pendharkar (member-secretary). The Commission has set up two study groups, one on banking cost and another on legislation affecting banking. It has also been engaged in collecting material from the banks and their customers and in ascertaining the views of persons connected with banking.

COMMITTEE ON CAPITAL ISSUES

The Advisory Committee on Control of Capital Issues has been re-constituted. Mr R.S. Bhatt, Chairman of UTI is the Chairman of the re-constituted Advisory Committee. The other members are, Mr N.M. Wagle, Mr C.P. Mukherjee, Mr Tulsidas Dasappa and Dr L.C. Gupta. Mr P.D. Kasbekar, Controller of Capital Issues, and Dr Raj K. Nigam, Joint Controller of Capital Issues, attend meetings of the Advisory Committee. The first meeting of the re-constituted Advisory Committee was held on January 5. The next meeting is scheduled to be held in March.

EXPORTS IN NOVEMBER

With exports in November 1970 totalling Rs 124 crores, the declining trend in India's exports has been reversed. The total exports for April-November 1970 add up to Rs 931.8 crores, over Rs 8 crores more than the exports for the same period in the preceding year (1969). This works out to an increase of about one per cent in exports during April-

Nov. 1970, as compared with the same period in 1969.

Exports in November 1970 at Rs 124.01 crores are higher by Rs 19 crores, as compared with the exports in November 1969.

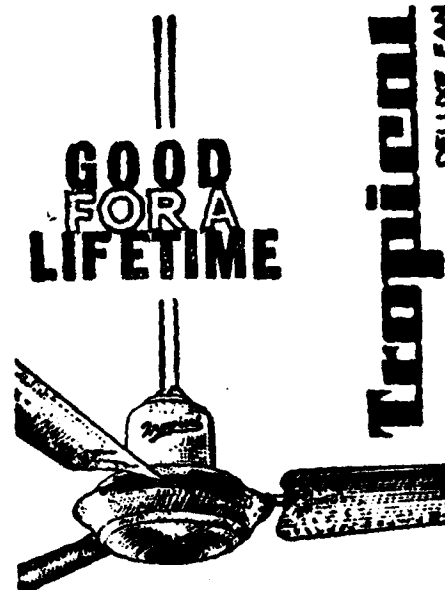
The figures are:

Exports (including re-exports)	(Rs crores)
November 1970	124.01
November 1969	105.30
April-Nov. 1970	931.79
April-Nov. 1969	923.64

The import figures for November 1970 are yet to be received.

COINS FOR THAILAND

The State Trading Corporation has received orders for the export of Rs 1.55 crores worth of coins, prepared in this country. The first order from Thailand worth Rs 1.22 crores has been nearly completed. The coins, against the second order are expected to be supplied by the end of February. The STC has found that the technical know-how and mint facilities available in this country can provide a new line of ex-



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port. Several countries — particularly, developing countries — get their coins minted in other countries. In the case of the Greek order worth Rs 30 lakhs the STC vied with a number of developed countries. The STC made the bid for the Greek tender in consultation with the union Finance Ministry. The Greek coins were to be minted from copper-nickel alloy (copper 75 per cent and nickel 25 per cent). Now that this country has switched over to aluminium bronze alloy coins, the government wants to dispose of the 500 tonnes of cupro-nickel alloy stocks. A little more than half of the stock would be consumed by the two orders received by the STC. The STC is on the lookout for countries that might want to get cupro-nickel coins minted. This country has an edge over the European mints because the labour costs here are comparatively low and technical skills are quite competitive.

TRADE FAIR IN SWEDEN

The union government has decided to organise India's participation in the 54th Swedish International Trade Fair to be held from May 7 to 16, 1971, at Gøthenburg (Sweden). The exporters and manufacturers, who intend to participate in the Fair, have been required to send their list of exhibits to the Director of Exhibitions in the Ministry of Foreign Trade direct or through export promotion councils and commodity boards by January 15, 1971. Detailed particulars regarding the Fair can also be had from the Director of Exhibitions.

STATEHOOD FOR HIMACHAL

Himachal Pradesh will become a state on January 25, 1971, according to a notification issued by the Ministry of Home Affairs on January 6 under clause (b) of section 2 of the State of Himachal Pradesh Act, 1970.

GOA'S ANNUAL PLAN : 1971-72

The outlay for the Annual Plan 1971-72 of Goa, Daman and Diu will be of the order of Rs 7.8 crores. This was agreed to at a meeting between Prof. D.R. Gadgil, Deputy Chairman, Planning Commission and Mr D.B. Bhandodkar, Chief Minister of Goa, held recently. Goa's fourth Plan outlay is of the order of Rs 39.5 crores. Expenditure during 1969-70 was Rs 5.82 crores, while the anticipated expenditure during 1970-71 is Rs 7.84 crores. The distribution of the outlay (in Rs lakhs) in the Annual Plan for 1971-72 under major heads of development is: Agricultural programmes 179.27; Co-operation and Community Development 35.49; Irrigation & Power 108.30;

Industry and Mining 13.74; Transport and Communications 127.00; Social Services 305.26; and Miscellaneous 10.94.

ESTIMATE FOR GROUNDNUT

The all-India first estimate of groundnut has put the current year's area under the groundnut crop at 5,734,900 hectares. According to the Directorate of Economics and Statistics, Union Ministry of Food, Agriculture, Community Development & Co-operation, this year's estimate shows an increase of 137,600 hectares or 2.5 per cent as compared with the corresponding adjusted estimate of 5,597,300 hectares for the year 1969-70. The increase in area under groundnut during the current year has been mainly in Maharashtra, Andhra Pradesh, Tamil Nadu, Rajasthan and Uttar Pradesh and is attributed to favourable weather conditions at the sowing time. This increase in area has, however, been offset to a great extent by a decline reported from Madhya Pradesh, Gujarat and Punjab. The present estimate does not cover the entire area sown under groundnut crop during 1970-71. Past experience has shown that the area at the first estimate stage forms roughly 75 per cent of the area under the crop finally reported.

DRUG PRICES

The government has assumed powers, through drastic changes in the Drug (Prices Control) Order, to unilaterally revise the retail price of any drug considered essential to the life of the community. The new order issued by the Ministry of Petroleum and Chemicals, under the Essential Commodities Act of 1955 to amend the earlier order comes on a day when the revised prices of drug formulations are being enforced. An official release says "a price fixed under the new order will remain in force until altered or cancelled by the government." In a major departure from the original order, it has also been stipulated that no manufacturer shall increase drug prices, once fixed, without the prior approval of the government. The earlier order permitted the manufacturer to introduce revised prices on their own. This was subject to the condition that the revised prices were later to be approved by the government. For the convenience of the industry, the government has spelt out the criteria for fixation and revision of the prices. The criteria will be the cost of raw materials, promotional expenses, volume of sales, product-mix nature of specialised formulations, export performance, expenditure on research, profitability and prices approved for similar and other manufacturers.

NAMES IN THE NEWS

Mr Harshavardan J. Shah, Managing Director of Shah Construction Company Ltd., has been elected Chairman of Steel Wire Manufacturers' Association of India, Calcutta, for 1970-71. Mr Shah is the president of the International Federation of Asian and Western Pacific Contractors Association, Manila.

Mr Shriram C. Chokhani of Sudarshan Chokhani Co. and **Mr H.N. Khira** of Khira Steel Works Pr. Ltd. have been elected Chairman and Vice-Chairman respectively of the Engineering Association of India, western region for the year 1970-71. The other members elected to the Managing Committee are as under: **Mr N.D. Sahakar**, Godrej Boyce Mfg. Co. Pr. Ltd., **Mr Vinod Shah**, Mukand Iron & Steel Works Ltd., **Mr A.T. Kajiji**, Garlick & Co. Pr. Ltd., **Mr Homi J.H. Taleyarkhan**, Kamani Engg. Corp. Ltd., **Mr M.S. Shastri**, Automobile Products of India Ltd., **Dr. Pranlal Patel**, Malleable Iron & Steel Castings Co. Pr. Ltd., **Mr F.S. Baldiwalla**, Tayabi Bucket Factory, **Mr B.R. Adagra**, Walchandnagar Inds. Ltd., and **Mr D.T. Amin**, Hindustan tractors Ltd.

NOTICE

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED (Incorporated in England)

Notice is hereby given that the Board of Directors of the Company at a meeting held in Calcutta on 6th January 1971 have declared payment of an Interim Dividend on the Company's Ordinary Stock at the rate of 5% (gross) for the year ending 31st March 1971 to be paid on 9th March 1971 and Final Dividend on the Company's Preference Stock for the year ending 31st March 1971 at the rate of 3% (gross) to be paid on 31st March 1971 after deduction of appropriate Indian Income Tax to those Stockholders whose names are registered in the Company's Stock Registers on 28th January 1971 for Ordinary Stock and 22nd February 1971 for Preference Stock.

Applications for transfers received in this Office before 12 o'clock noon on Thursday 28th January 1971 for Ordinary Stock and on Monday 22nd February 1971 for Preference Stock will, if otherwise found in order, be registered on above dates for the purpose of participation in the above Dividends.

D.P.M. KANGA

Managing Director

VICTORIA HOUSE

Calcutta, the 6th January, 1971.

Company Affairs

SHRIRAM REFRIGERATION

SHRIRAM REFRIGERATION Industries Ltd., one of the units in the Shriram Group of Industries, was established in 1961 for manufacturing hermetically sealed compressors, in technical collaboration with M/s Westinghouse Electric International Inc., New York, USA, in Balanagar in Hyderabad. Shriram compressors are being manufactured in the range of 1/8 HP to 1-1/2 Ton and are being supplied to all the leading original equipment manufacturers of airconditioning and refrigeration appliances in India. The company is also exporting compressors in large quantities to various countries. The company has extended its manufacturing activities and is now manufacturing in addition water coolers, diesel engines, and electric motors. Water coolers are being marked 'USHA' and are being manufactured in the range of 10 litres/hour cooling capacity to 160 litres/hour capacity in both instantaneous and storage types. Usha water coolers are also on DGS&D rate contract. The company is at present manufacturing Usha diesel engines in three sizes of 6 HP, 6.5 HP and 7.5 HP. These are being sold and serviced by M/s Usha Sales Pvt. Ltd. and are being well received by the market. M/s Usha Sales are our selling agents and have branches all over India.

COROMANDEL FERTILISERS

Coromandel Fertilisers Ltd. has recorded sales in 1970 at around 210,000 tonnes of fertilisers valued at Rs 23 crores as against 200,000 tonnes valued at Rs 21 crores in the previous year (of 15 months). The company has applied to the government for a licence to almost double the existing capacity. Under the two-phased expansion programme, the production of complex fertiliser will be first taken up from 260,000 metric tonnes to 287,000 metric tonnes and then to 420,000 metric tonnes. The production of nitrogen will go up from 80,000 to 100,400 tonnes by the end of phase one and to 234,700 tonnes by the end of phase two. Rallis India Ltd. have been appointed sales agents with effect from January 1, 1971. The agreement with Rallis is complementary to that which the company has with EID-Parry Ltd. and which will continue. The new selling agency is necessitated by the proposed expansion of the

company. The total assets employed by Coromandel which are Rs 66.1 crores now are expected to increase to Rs 72.6 crores by 1973 when phase one is expected to be completed and to Rs 129.6 crores by 1974 when phase two is expected to be completed.

EAST INDIA HOTELS

THE EAST INDIA Hotels Ltd. will enter the capital market on January 18 with a public issue of 5,47,333 equity shares of Rs 10 each and 20,154 (9.5 per cent) cumulative non-redeemable preference shares of Rs 100 each. The issue has been fully underwritten. The company owns and operates Oberoi Hotels, a large chain of luxury hotels. The company enters Bombay with its big venture, the Hotel Oberoi-Sheraton presently under construction and scheduled to open in 1972. The United States Agency for International Development (USAID) has extended a loan of Rs 4.35 crores to help finance this hotel. This is the first time that a hotel project has been extended such a facility by the USAID. The cost of the project in Bombay is estimated at Rs 6.52 crores. Sheraton International Inc., American collaborator, has agreed to take equity shares of Rs 52.50 lakhs and preference shares of Rs 6.75 lakhs.

SHALIMAR ROPE WORKS

The working of the Shalimar Rope Works Ltd. during the year ended June 30, 1970, has resulted in a net profit of Rs 2.14 lakhs compared to Rs 18,862 in the previous year, after providing Rs 6.27 lakhs for depreciation, Rs 2.53 lakhs for development rebate reserve and Rs 95,000 for taxation. Sales have risen to Rs 1.58 crores from Rs 1.38 crores. General reserves get Rs 2.16 lakhs. The directors have proposed an equity dividend of 75 paise per share of Rs 10 each which will be paid from the general reserve. The directors have stated that the company could achieve better results due to modernisation, diversification and increased turnover. The demand for the company's products continued to go upward.

PREMIER BREWERIES

Premier Breweries will enter the capital market on January 18, with an issue of 49.09 lakhs. The issue will close on January 23, 1971, or earlier at the discretion of the directors but not before

January 20, 1970. Out of the present issue shares worth Rs 26 lakhs have been offered for public subscription in the form of 20,500 equity shares of Rs 100 each and 5,500 (9.5 per cent) cumulative redeemable preference shares of Rs 100. The company has an authorised capital of Rs 50 lakhs. The company proposes to manufacture beer, aerated and mineral water and other soft drinks. The foreign exchange commitment in respect of import of machinery will be about Rs seven lakhs only, besides a small quantity of essential stores. The company has been promised technical assistance by Messrs Henninger International of West Germany. The Kerala government has given it permission for the installation of a brewery.

TUNGABHADRA INDUSTRIES

Tungabhadra Industries expects to enter the capital market with a public issue of Rs 25 lakhs—Rs 15 lakhs in equity shares of Rs 10 each at par and Rs 10 lakhs in 9.3 per cent preference shares of Rs 100 each at par. The proceeds of the public issue will be utilised to meet a part of the finance required for expansion of its vanaspati plant and solvent plant capacity. The company's present paid-up capital is Rs 32.18 lakhs in equity shares of Rs 10 each. It owns two factories one each in Secunderabad and Kurnool. Its vanaspati plant is a large composite plant in south India. It manufactures hydrogenated oils, refined oils, laundry soaps, deoiled cakes, etc. The company's performance during the year ended September 30, 1970, revealed sales amounting to Rs 12.97 crores against Rs 10.76 crores. Its gross profit has increased to Rs 32.76 lakhs from Rs 24.68 lakhs. The directors have proposed to pay an equity dividend of 10 per cent, the same as that paid for the preceding three years. The company has secured an order of 4,800 tonnes of vanaspati from the Government of India for supplies in the current year. It has also received an export order for 3,450 tonnes of deoiled cakes.

SHAMA ENGINE VALVES

Shama Engine Valves Ltd. is implementing its expansion programme aimed at raising its production capacity from 600,000 valves to 1.4 million valves per year. The government has accepted in principle its claim for the import of capital goods worth Rs. 15 lakhs from the USA and Rs 13.40 lakhs from West Germany and no difficulty is expected in the receipt of import licences. The construction of the factory building is scheduled to

be completed in the next six months. Provisional orders for the foreign machinery have already been placed, and it is expected to complete a part of the expansion work in the current financial year and the balance by middle of 1972, according to the company's report for the year ended September 30, 1970. The company's product has been well received in the market. Over the last few years, the number of vehicles and diesel engines which use valves has increased. The company has already on hand orders worth Rs 50.25 lakhs from original equipment manufacturers. Its production in 1969-70 showed a decline compared to the previous year on account of shortage of raw materials but the problem will ease in future as the company is helping to develop sources of indigenous supply. Despite the fall in production, the company's performance for the year was better with a higher gross profit of Rs 5.42 lakhs against Rs 4.53 lakhs for the previous year.

MANDYA NATIONAL

Mandya National Paper Mills Ltd has reduced its loss at Rs 21.82 lakhs for the year ended June 30, 1970 compared to a loss of Rs 40.62 lakhs for the previous year. This follows an increase in sales from Rs 87.91 lakhs to Rs 1.94 crores and that in production from 4,319 tonnes to 8,032 tonnes. The loss which has been arrived at before providing for depreciation amounting to Rs 20.96 lakhs raises the company's total deficit to Rs 2.41 crores which is carried forward. The report states that the company is taking steps to implement its expansion programme aimed at raising its production capacity from 35 tonnes to 60 tonnes per day. It is felt that the completion of the expansion programme will enable the company to wipe off the accumulated losses within a short time and earn a reasonable profit. Steps are also being taken to implement the proposal for a reconstruction of its capital structure.

DENA BANK

Dena Bank Ltd has declared a final dividend of Rs 1.50 per share (three per cent) for the half-year ended December 31, 1970. This is in addition to the ad-interim dividend of Rs 3 per share (six per cent) declared earlier in the year, thus making in all Rs 4.50 per share (nine per cent) for the year 1970.

CAPITAL & BONUS ISSUES

Consent has been accorded to 13 companies to raise capital of over Rs 7.08 crores. Eight of them are to

issue bonus shares totalling over Rs 1.08 crores and the amount of bonus shares ranges between Rs 20,000 and Rs 40 lakhs. The consents are valid for twelve months.

The following are the details:

Messrs Sri Gopalkrishna Mills Private Ltd has been accorded consent to capitalise Rs 5,00,000 out of its general reserve and to issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

Phillips Carbon Black Ltd, Calcutta, has been accorded consent to capitalise Rs 18.75 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one for every 10 equity shares held.

New Gujarat Cotton Mills Ltd, Calcutta, has been accorded consent to capitalise Rs 15 lakhs out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every three equity shares held.

Western India Vegetable Products Ltd has been accorded consent to capitalise Rs 5,66,700 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

East India Pharmaceutical Works Ltd, Calcutta, has been accorded consent to capitalise Rs 22 lakhs out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every equity share held.

United Motors (India) Ltd, Bombay, has been accorded consent to capitalise Rs 2,04,240 out of its general reserves and issue fully paid equity shares of Rs 20 each as bonus shares in the ratio of one bonus share for every six equity shares held.

Garware Nylons Ltd, Bombay, has been permitted to issue further capital of Rs 146 lakhs, Rs 40 lakhs as bonus shares to the existing shareholders in the ratio of four bonus shares for every seven equity shares held and 106 lakhs in equity shares, for cash at par to the general public by issue of a prospectus. The proceeds of the cash will be utilised for financing the company's expansion scheme for the manufacture of nylon yarn.

F.D. Stewart Private Ltd, Madras, has been accorded consent to capitalise

Rs 20,000 out of its free reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of four for 25 equity shares held.

Hyderabad Vanaspati Ltd, Hyderabad, has communicated to government of its proposals to issue capital of Rs 35 lakhs under clause 5 of the Capital Issues (Exemption) Order, 1969, divided into equity shares of Rs 30 lakhs and 9.5 per cent redeemable cumulative preference shares of Rs 5 lakh for cash at par out of which equity share of Rs 15 lakhs have already been subscribed. The proceeds are to be utilised for modernising the existing plant.

East-India Hotels Ltd, Calcutta, has communicated to government of its proposal to issue capital of Rs 1,34,13,730 under Clause 5 of the Capital Issues (Exemption) Order, 1969, divided into 10,72,333 equity shares of Rs 10 each and 26,904, 9.5 per cent cumulative preference shares of Rs 100 each at par, out of which equity shares of Rs 52.5 lakhs and preference shares of Rs 6.75 lakhs for technical know-how to Messrs Sheraton International Inc. of USA. The proceeds are to be utilised as part of the finance for construction of a hotel in Bombay.

Gujarat Industrial Investment Corporation Ltd, Ahmedabad, has been accorded consent to issue bonds of the value of Rs 175 lakhs for cash at an issue price of Rs 99.75 per cent, carrying interest at six per cent per annum and redeemable after twelve years.

Indian Detonators Ltd, Hyderabad, has communicated to government of its proposal to issue capital of Rs 100 lakhs under clause 5 of the Capital Issues (Exemption) Order, 1969, in the shape of mortgage debentures for cash at par. The proceeds are to be utilised for the company's rationalisation plans to make more modern types of detonators and explosives.

New Gujarat Cotton Mills Ltd, Calcutta, has communicated to government of their proposal to issue capital of Rs 50 lakhs under Clause 5 of the Capital Issues (Exemption) Order, 1969, divided into 5000 debentures of Rs 1000 each carrying interest at the rate not exceeding eight per cent per annum for cash at par. The debentures shall be payable to registered holders only. The proceeds are to be utilised for financing the modernisation cum expansion scheme, repayment of loan to National Industrial Development Corporation Ltd and for augmenting working capital of the company.

COMPANY MEETING

ASHOK LEYLAND LIMITED

Sir A. Ramaswami Mudaliar's Review

Speech delivered by Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L., (Oxon.) Chairman, Ashok Leyland Limited to the Shareholders at the Twentysecond Annual General Meeting of the Company held on 9th January 1971 at Ennore, Madras-57.

Gentlemen,

It gives me very great pleasure to welcome you to the 22nd Annual General Meeting of your Company.

The Directors' Report, Audited Balance Sheet and the Profit & Loss Account for the year ended 30th September 1970 have been circulated to you and with your permission I shall take them as read.

You must have noted from the Profit and Loss Account that the sales for the year 1969/70 were to the extent of Rs. 33 Crores, which is about 11.4% more than the corresponding figure for 1968/69, when the sales were to be the value of Rs. 29.22 Crores.

As will be seen from the Accounts, a sum of Rs. 17 lakhs has been provided for the Debenture Redemption Account in terms of the Prospectus governing the Debenture issue and the Debenture Trust Deed. Besides this, we have been able to transfer to General Reserve a sum of Rs. 18.48 Lakhs.

SALES AND PRODUCTION:

The sale of 5103 Comet vehicles in the past year is the highest yet in the history of the Company and we are hopeful of increasing our production in the new financial year. Also, there has been a steady progress in the indigenous manufacture of components of our heavy duty chassis, namely, Beaver, Hippo models and Titan double-decker bus chassis. The development and production of the highly successful Hippo Dumper with power steering has been yet another landmark in the activities of the Company.

The industrial version of the engines manufactured by the Company has continued to enjoy popularity in varied operations as main motive power for

Compressors, Generators, Diesel Railcars, Ballast Tampers, Excavators, Aircraft servicing units and crane handling equipment etc. The marine version of the '370' and '680' diesel engines are increasing in popularity as power units by the fishing industry, high power launch applications and other crafts.

Last year, I referred to the acute shortage of production materials in the country especially steel. It is pleasing to report some improvement in supplies primarily as a result of Government's liberalisation of imported steel sections. Upward spiralling of prices of materials, however, is causing us concern. It is to be hoped supplies from Indian Steel manufacturers will soon improve so that we are not faced with high cost of imported material.

EXPORTS:

Your Company has been steadily increasing its export business. During 1969/70, export sales reached a figure of Rs. 1.67 Crores as against the figure of Rs. 57.33 Lakhs in the previous year. Apart from the present market in Ceylon and Singapore, an intensive export drive is being made in East Europe, Middle East, Africa and Far East. British Leyland International continue to give us assistance to widen our export fields.

I would like to refer to the Engineering and Research and Development Department in your Company, which has been carrying out continuous development and testing work to bring about improvement in the design and quality performance of our vehicles. This, as you all know, is most essential in an Engineering Industry of this kind, where we have not only to maintain our standards of quality but also constantly evolve modifications to the parti-

cular requirements of users of our vehicles operating in Indian conditions.

LABOUR:

The Company have again entered into a four-year settlement with the Ashok Leyland Employees' Union and you will be gratified to know that under this settlement payment of emoluments are linked up with increasing productivity year by year.

Our Personnel and Welfare Departments require special mention as owing to their efforts and training programmes, there has been considerable reduction in the accident frequency rate in the Factory winning them well earned awards from the State Government.

ENNORE FOUNDRIES:

As stated in the Directors' Report, Ennore Foundries have continued to make good progress and your Company will be receiving a dividend of 9½% subject to deduction of tax on its investment in this Company and as Chairman of Ennore Foundries, I am pleased to inform you that plans have been submitted to Government for expanding the production of cast Iron Castings.

FUTURE PROSPECTS:

As you all know, the Fourth Plan has estimated the doubling of goods traffic by road and 40% increase in passenger traffic in the next five years. This will undoubtedly create a higher demand for passenger and goods vehicles and we are confident that the offtake of our vehicles will steadily increase. In my report to you last year I indicated our intention to expand our capacity of Comet vehicles to the rate of 7,000 per annum by the end of the Fourth Five-Year Plan and our plans and proposals for expansion now rest with Government for their approval. It is a matter of

considerable concern to us that so much time is being lost awaiting Government's sanction which is likely to affect our ability, to meet the increasing demand for our vehicles. You are aware that most automobile manufacturers purchase components and in some cases units from the ancillary industries, who in turn must expand their production to meet the increasing demand of vehicle manufacturers. Unfortunately, in many cases expansion proposals of many of these industries are awaiting Government's approval. I appeal to Government for more speedy approval of the expansion programmes in the industry in general so enabling the industry as a whole to prepare themselves to meet the increasing need for vehicles.

ACKNOWLEDGEMENTS:

Mr. J.C. Watson, the Managing Director has during his 8 years of service played a most notable part in the remarkable development of this industry. He has identified himself closely not merely with the progress of the Company but with the welfare of the staff and workers. This enlightened policy he has created in the staff and workers has resulted in greater and better performance and in achieving the targets that have been set to them and in some cases, exceeding such targets. The progress of the industry and the place that Ashok Leyland has attained is due as much to his technical knowledge as to his personal qualities in the management of the affairs of the Company and its expansion. My colleagues in the Board and I would like to convey our keen appreciation and sincere thanks to Mr. J.C. Watson for the signal contribution he has made to the progress of the Company.

It is my pleasant duty to express our appreciation to the staff and workers for their co-operation and devotion to duty which has enabled the Company to achieve satisfactory results.

Our thanks are due to our British Collaborators for their continued guidance and assistance in the activities of the Company.

I take this opportunity to convey our thanks to the Central and State Governments for their support and encouragement.

Finally, on behalf of the Board of Directors and myself, I would like to convey to you our thanks for the support and the confidence you have reposed in us in the development of the Company.

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

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RECORDS AND STATISTICS

Towards Dear Money

ON JANUARY 8, the Reserve Bank of India raised the bank rate by one per cent to six per cent and increased the net liquidity ratio of commercial banks from 33 to 34 per cent, effective from January 29. While the priority sectors will continue to enjoy the concessional rate of credit at 4.5 per cent, banks have been asked not to raise their overall interest rates on lendings by more than one per cent. Simultaneously, the RBI has also announced a revised rate of interest structure on bank deposits.

The following is the text of the letter of the Reserve Bank Governor to the scheduled banks enumerating the monetary changes:

"In November last, I had the opportunity of assessing the outlook for the year 1970-71 busy season at a meeting of the chief executives of major banks. At the meeting, concern was expressed with the price situa-

tion and there was a general appreciation of the need for credit restraint and for minimising the resort to re-finance from the Reserve Bank.

"The price situation still continues to cause concern. The index number of wholesale prices on December 19, 1970 was 7.4 per cent higher than a year ago and during the financial year 1970-71 so far, the increase in price has been of the order of a little over five per cent. The money supply with the public has risen at about 12 per cent in the calendar year 1970.

"This increase has been the result to a significant extent of a large credit expansion by the commercial banking system. Thus during the calendar year 1970 commercial bank credit showed a continuous expansion. Even during the conventional slack season there was an ex-

pansion of as much as Rs 192 crores. This was followed by an expansion of Rs 182 crores during November and December, the first two months of the busy season. While a part of this large expansion in bank credit can be attributed to the requirements of food procurement and other priority sectors, the rate at which bank credit is expanding currently is a matter for concern.

"During the calendar year 1970 bank credit has outpaced the growth in aggregate bank deposits. This has resulted in the banks making a very substantial use of Reserve Bank's resources to support their credit operations. The banks, it will be recalled, commenced the busy season with a level of borrowing from the Reserve Bank of Rs 150 crores. By now it has shot up to Rs 351 crores. As the busy season progresses the banking system will come under even greater strain.

"In the context of the present price situation it is necessary for the banking system to exercise caution in credit operations and take suitable measures to contain credit expansion. At the same time it is very necessary to

NEW RATES OF INTEREST ON DEPOSITS

(Effective January 11, 1971)

(Per cent per annum)

Class of deposits	Indian scheduled banks having demand and time liabilities of Rs 50 crores and above and foreign banks	Indian Scheduled Banks having demand and time liabilities					
		Between Rs 25 crores and Rs 50 crores.		Between Rs 10 crores and Rs 25 crores		Below Rs 10 crores	
		Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
Current accounts and deposits up to 14 days				No interest except with the prior approval of the Reserve Bank (for all classes of banks)			
Savings accounts	4			4		4½	4
Deposits for 15 days to 45 days				Rates not to exceed 2 (for all classes of banks) (for all classes of banks)			
Deposits for 46 days to 90 days	3						
Deposits for 91 days and above but less than 6 months	4½	4½	4½	4½	4½	4½	4½
Deposits for 6 months and above but less than 9 months	4½	4½	4½	5	4½	5½	4½
Deposits for 9 months and above but less than 1 year	5 3/8	5½	5½	5½	5½	5½	5½
Deposits for 1 year and above but less than 2 years	6 1/8	6½	6½	6½	6	6½	6
Deposits for 2 years and above but up to and inclusive of 3 years	6½	6½	6½	6½	6½	7	6½
Deposits above 3 years but up to and inclusive of 5 years	7	7½	7	7½	7	7½	7
Deposits above 5 years	7 3/8	7½	7½	7½	7½	7½	7½

provide incentives to stimulate savings and mobilise deposits to the maximum extent.

"After a careful review of the position, the Reserve Bank has decided to take the following steps:

(i) With effect from the close of business today, the bank rate would be raised to six per cent per annum.

(ii) The minimum net liquidity ratio for purpose of determining the penal rate of interest chargeable on the excess borrowings of a bank will be increased by one per cent from the present 33 per cent to 34 per cent, with effect from Friday, the 29th January 1971.

"The liquidity ratio under Section 24 of the Banking Regulation Act together with the cash reserve requirements under Section 42 of the Reserve Bank of India Act will, however, remain unchanged at 31 per cent.

(iii) It is expected that while adjusting the rates of interest on their advances, consequent upon the change in the bank rate and the net liquidity ratio, the banks will ensure that on an average the increase in the rate charged by them on advances is only about one per cent.

"The Reserve Bank of India would

continue to provide refinance in respect of credit to priority sectors on the existing basis (as indicated in the memorandum annexed to our letter DBOD. No. Sch. 1758/C. 96-70 dated November 17, 1970) as below:

(a) At 4-1/2 per cent irrespective of n.l.r.

(i) against credit to exporters at pre-shipment or post-shipment stages i.e. in respect of packing credit advances and against post-shipment usance export bills; and

(ii) short-term lending to primary co-operative credit societies in selected districts in the states of Andhra Pradesh, Haryana, Madhya Pradesh, Mysore and Uttar Pradesh in terms of the scheme instituted for the purpose.

(b) At Bank Rate irrespective of n.l.r.

(i) short-term lending to small-scale industries covered by the guarantee of the Credit Guarantee Organisation; and

(ii) short-term direct lending to agriculturists.

"In respect of bank advances for food procurement, the Reserve Bank will continue to provide refinance at bank rate up to 50 per cent of the

increase in the level outstanding as on October 30, 1970. Similarly the rediscounting of bills under the new bill market scheme will be at the bank rate irrespective of the net liquidity ratio. The Reserve Bank will consider on merits the provision of discretionary accommodation in exceptional cases at the bank rate to ease liquidity pressure on individual banks arising out of sudden or specially heavy, but genuine, demands for credit for high priority purposes.

"In order to encourage savings and further assist deposit mobilization, the rates of various categories of deposits will be increased, as per the directive issued separately. I, hope that banks would take advantage of this measure and will step up their efforts at deposit mobilisation.

"The success of these measures would depend a great deal on the co-operation and understanding of the banking system and a proper implementation of these policies in letter and in spirit. They should pay still greater attention to proper credit planning and exercise appropriate restraint in their lending operations.

"I intend to have a mid-seasonal review of the credit situation at another meeting with bankers, which I propose to convene in the first half of February 1971."

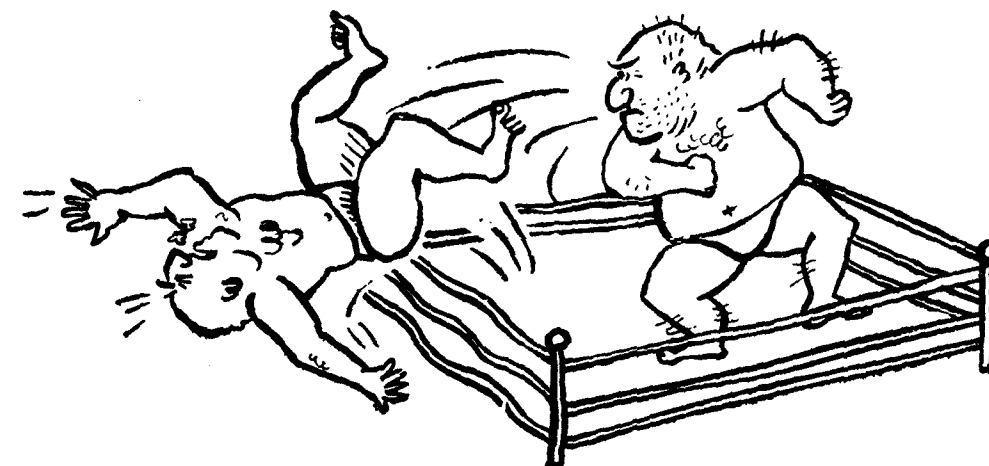


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In the last three months cotton prices have gone up by 35%; and since January 1967 by about 85%, thereby raising the cost of production of cloth by nearly 40% and that of

yarn by nearly 55%. As anyone knows this must inevitably create an impact not only on exports but also on domestic consumers.

On the international front disaster looms large. We are pricing ourselves right out of the export markets we've nurtured with so much care. No new export bookings are being made. And many mills who have entered into longterm export commitments are faced with heavy losses.

The critical cotton situation is cutting both ways. Because of the

shortage the country is importing cotton—and paying dearly for it. An estimated Rs 100 crores in 1969-70, very much more in 1970-71. Instead of paying out our precious foreign exchange to farmers abroad, why don't we let the Indian farmer benefit? A concerted programme to increase the yield per hectare will benefit everyone concerned.

The fight for export markets is worse than a free-style wrestling match. Does it make sense for India to enter this arena without strengthening her sinews?

INDIAN COTTON MILLS' FEDERATION

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EASTERN ⁴ ECONOMIST

PEES 1.50 JANUARY 22, 1971 VOL. 56

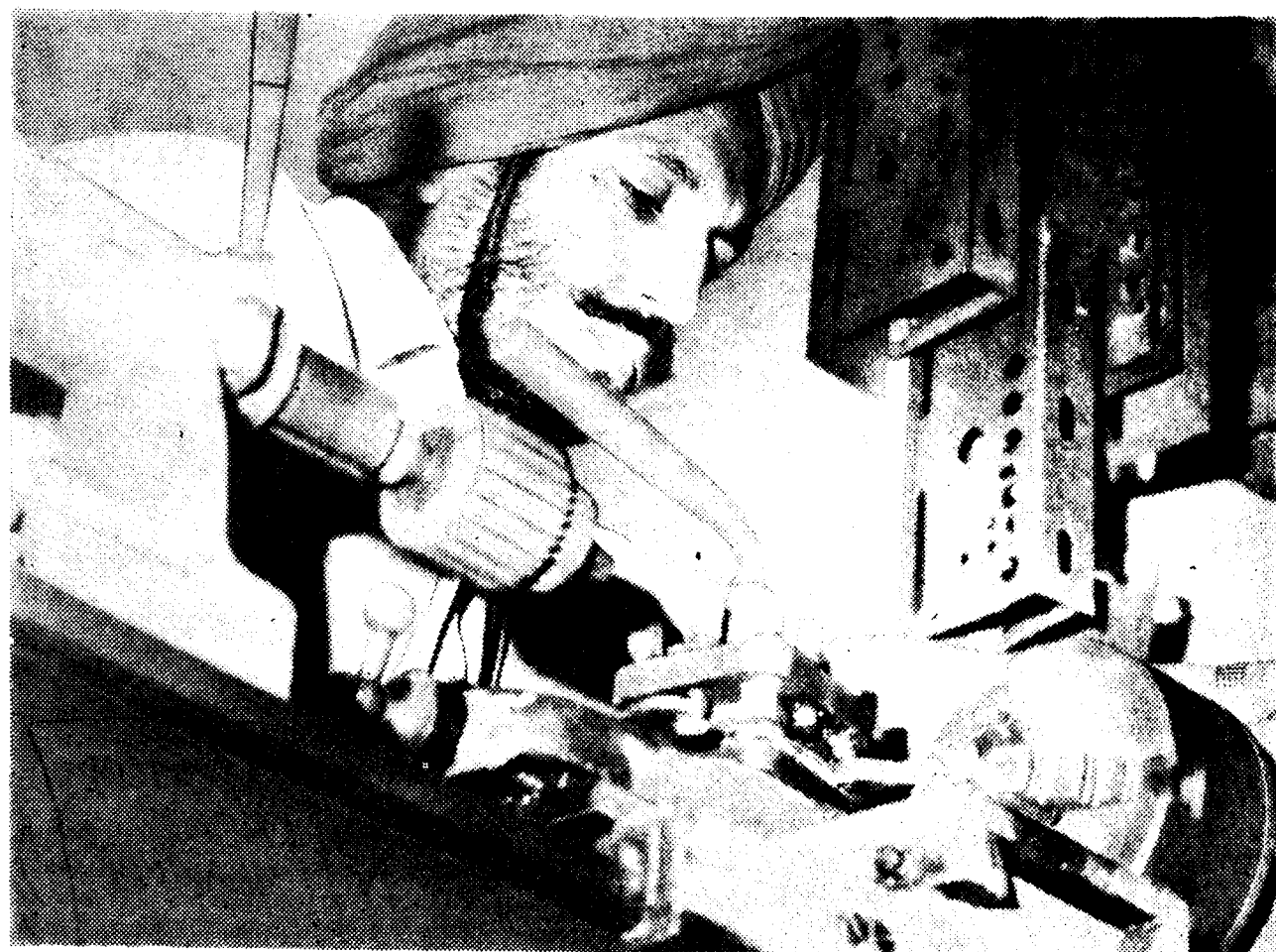
While for the condemned man nothing concentrates the mind so wonderfully as the imminence of his date with the hangman, a general election around the corner seems to be able to do the job equally effectively for the politicians. Mrs Gandhi, for instance, started thinking furiously about the state of the nation's economy immediately after she had opted for a poll for the Lok Sabha. Brave, new plans are being unfolded day by day by the various ministries of the central government for stabilising prices or promoting employment. Those among us who are sufficiently cynical may prefer to look at this situation with an unkindly eye. They may suggest that there is nothing like a general election to put the fear of God into the most brazen 'he' or 'she' in politics.

From "She Stoops All Right . . ."



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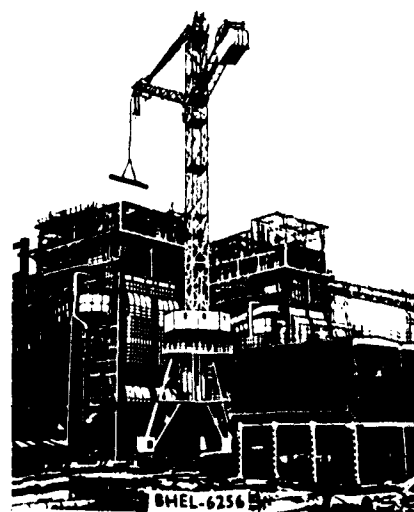
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EASTERN ECONOMIST

JANUARY 22, 1971

She Stoops All Right...	161
Tea Under Pressure	162
Problems of Electricity Industry	163
A Brake Which May Jolt —A Special Correspondent	164
Supreme Court and the Constitution —M. R. Meher	167
Disguised Unemployment: The Social Perspective —Srinivasan Krishnan	170
The Genesis of Green Revolution —R. V. Murthy	173
WINDOW ON THE WORLD	175
Eating and Drinking in the EEC.	
East-West Co-operation.	
THE MOVING FINGER WRITES	179
TRADE WINDS	180
Soda Ash Scarcity; Wheelsets; Ceramic Machinery; Exports of Jute; New Jute Mills; Vanaspati Prices; Assurance to Tea Industry; Small Savings Interest Rates; Study Team for Bulk Drugs; Prices of Drugs; Drilling at Suruinsar; Annual Plans: 1971-72; Rural Employment; New Business by LIC; Tokyo Fair.	
COMPANY AFFAIRS	183
United Commercial Bank; J.K. Steel; Matchwell Electricals; Indian Hotels; Tata Chemicals; Philips India; Indian Bank; Dunlop; Tungabhadra Industries; Voltas; Asian Dehydrates; Precision Bearings; Premier Construction; India Forge.	
RECORDS AND STATISTICS	189
Branch Expansion of Banks	

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SHE STOOPS ALL RIGHT...

WHILE FOR the condemned man nothing concentrates the mind so wonderfully as the imminence of his date with the hangman, a general election around the corner seems to be able to do the job equally effectively for the politicians. Mrs Gandhi, for instance, started thinking furiously about the state of the nation's economy immediately after she had opted for a poll for the Lok Sabha. Brave, new plans are being unfolded day by day by the various ministries of the central government for stabilising prices or promoting employment. Those among us who are sufficiently cynical may prefer to look at this situation with an unkindly eye. They may suggest that there is nothing like a general election to put the fear of God into the most brazen 'he' or 'she' in politics.

It is possible that the cynics are right. Let us consider the case of Mr Karunanidhi, the DMK Chief Minister of Tamil Nadu. Not so long ago this redoubtable demagogue was threatening students in that state and their parents that the time was not far off when not only would government jobs in the state be reserved for those who had received their education in Tamil as the medium of instruction, but even employers in the private sector compelled by legislation to appoint only candidates thus qualified.

When he made that loud-mouthed pronouncement, Mr Karunanidhi, obviously, was reckoning without his host. Little did he imagine that Mrs Gandhi would soon be deciding on a general election for the Lok Sabha which, incidentally, would make it necessary for his party to face the electorate in Tamil Nadu at a time when the circumstances were by no means propitious for this confrontation. Political developments having taken this embarrassing course, Mr Karunanidhi now finds that he must swallow his language fanaticism for the sake of his party's fortunes at the hustings, especially as he has found it necessary to hold an election for the state legislative assembly along with the election for the Lok Sabha. A committee of educationists just having recommended that college students should be given the option to choose their medium of instruction, the Chief Minister of Tamil Nadu has hastened to accept, perhaps gratefully, this chance given to him to save the situation. Since, however, Tamil Nadu's Chief Minister has obviously acted under the coercive shadows of a general election, the public naturally may have its mental reservations about how faithfully the DMK and its leaders would carry out the undertaking thus forced out of them if and when they are returned to a further term of power in the state government.

The case of Mrs Gandhi is not dissimilar to that of Mr Karunanidhi who admires her and is, in turn, admired by her. At the press conference held by her in the wake of the announcement of the forthcoming general election, the Prime Minister so far forgot her professions of radical socialism as to say that the policy of her government was to promote a mixed economy. It is clear that the Prime Minister still finds it necessary or useful to cultivate or at least make a truce with the business community at the time of a general election. Conferring with a group of industrialists in Bombay earlier this week, she reportedly assured them that there would be "no change in their status" if her party was returned to power. Mrs Gandhi, moreover, was at her dove-like best when referring to her party's platform proclamations about property ceilings. She assured her audience that the ceilings could be fixed at a reasonable level, the implication apparently being that the ceilings would not hurt. All this must be comforting, especially to those businessmen whose hearts may be less than stout. But, as with Mr Karunanidhi on the language issue, the question here is how far these politicians, who are obviously running scared in this general election, are to be trusted. It is significant that Mrs Gandhi's party is yet to put its name or signature formally to an election manifesto in which her recent observations on her government's economic ideology, philosophy or programmes are officially stated. Mrs Gandhi having stooped to conquer, it is just as well that the electorate, particularly the business community, is on its guard.

Tea Under Pressure

THE TEA Board of India in its publication, *Tea Statistics 1969-70*, has observed that tea today is under heavy pressure from competing beverages and changing habits even in countries in which it was regarded as the traditional beverage and that it is fighting against heavy odds to retain its position. It reveals that apparent consumption of tea in the UK dropped from 230 million Kgs in 1967 to 225 million Kgs in 1968 and 214 million Kgs in 1969. The US imports of tea for consumption fell from 70 million Kgs in 1968 to 63 million Kgs in 1969. Australia and Canada have also reduced their off-take of this beverage.

Despite this trend and the general decline in the price of tea in the international market (there has been a fall of about 1.5 d per lb per annum in the last few years), tea production continues to get active encouragement from new countries which, traditionally, have not been cultivating it on a major scale. Examples of such countries are Japan, Mozambique, Mauritius, Malaysia, Argentina, Russia and Brazil. Their production in 1969 is shown in Table I.

TABLE I
NEW COUNTRIES GROWING TEA

Countries	Area during 1969 (in hectares)	Production during 1969 (in thousand sand Kgs)	Average yield per hectare (in Kgs.)
Japan	49,699	89,604	1,803
Taiwan	35,143	26,248	747
Malaysia	3,093	3,488	1,128
Mozambique	15,112	16,034	1,061
Mauritius	3,417	3,191	934
USSR	72,196	55,701	772
Turkey	27,309	34,373	1,259
Argentina	28,899	18,275	632

The average yield per hectare in some of these countries is higher than in India. Till lately, it was 1,121 Kgs in

India, against 1,803 Kgs in Japan, 1,259 Kgs in Turkey and 1,128 Kgs in Malaysia. Some of these have also been able to export their tea successfully. For example, Taiwan's tea was exported to over 20 countries in 1969, including the UK, the US, Hong Kong and Morocco. Others like Mozambique, Mauritius, Argentina and Brazil have also been able to find markets for their tea in many parts of the world. The quantities exported by them have been small — Taiwan's total was only 21 million Kgs in 1969—but it is significant that as compared to the previous years, their efforts to sell their tea to foreign markets are meeting with success.

The provisional estimates of the Tea Board reveal that the total world supply of tea in 1969 was 879 million Kgs against the total world consumption of 852 million Kgs, resulting in a surplus of 27 million Kgs. The trend in recent years is given in Table II.

The problem of excess supply is being tackled by regulation of exports, which is expected to help in the stabilisation of prices at satisfactory levels. The Tea Board has expressed the view that the prospects for the Indian tea industry will continue to be encouraging provided export regulation succeeds in keeping prices at remunerative levels and our producers take advantage of the fiscal incentives given in the last budget by increasing production of better quality teas. But at the same time, it is necessary for the Tea Board to find new markets and strengthen its hold on the existing ones. Statistics show that in 1969 Indian tea suffered a sharp setback in the following countries: the UK, West Germany, the Irish Republic, the Netherlands, Iraq, Iran, Sudan, Canada, the United States, Australia and New Zealand. The decline in our exports was particularly severe in respect of the UK from 102 million Kgs in 1968 to nearly 60 million Kgs in 1969, Irish Republic from 6.8 million Kgs to 4.6 million Kgs, the US from 8.6 million Kgs to 7.6 million Kgs, Australia from 6.6 million Kgs to 3.9 million Kgs and

New Zealand from 5,68,000 Kgs to 221,000 Kgs. There was, however, an impressive increase in our tea exports to some countries such as the USSR from 22 million Kgs in 1968 to nearly 25 million Kgs in 1969 and to the UAR from 8.9 million Kgs to 14.2 million Kgs. But significantly the setback has been mainly in the markets which fetch free foreign exchange.

It is interesting to note that in 1969 Ceylon was able to sell more tea to many countries where we have been unable to make any headway. Thus, Ceylon's tea export to the US increased from 17 million Kgs in 1968 to 20 million Kgs in 1969, West Germany from 2.2 million Kgs to 2.4 million Kgs and the Irish Republic from 1.9 million Kgs to 2.1 million Kgs. Ceylon's tea is also having a fairly large market in South Africa, accounting for about 14 million Kgs per year on average. This market is not available to India as we have cut off trade with South Africa as a protest against apartheid.

The Tea Board's publication shows that the per capita consumption of tea in many areas in the world continues to be negligible. Examples are the countries of East Europe, Latin America, West Asia and South Asia. In many countries the apparent consumption of tea per head is less than one Kg. Market research is bound to reveal the scope for increasing our tea exports to many countries. But the Tea Board seems to be allergic to market surveys. Its failure to undertake any market research was indicted by the Public Accounts Committee of the Lok Sabha in last April.

The Board has recently announced its decision to do market research in Kuwait and Malaysia, in the first instance. If it draws up a comprehensive programme for this purpose in consultation with the tea trade and industry and also makes it up-to-date from time to time, it will help us to increase and diversify our tea exports. Equally important is to study the scope for more exports in traditional markets like the UK. Though our tea continues to dominate the UK market, the new producers are making steady inroads into it. Thus, in January-August, 1970, while imports from India into the UK, in terms of quantity, fell by four

TABLE II
WORLD TREND IN SUPPLY AND CONSUMPTION OF TEA (Million Kgs)

	1963	1964	1965	1966	1967	1968	1969	% change in 1969 over 1968
Total supply	748	789	810	824	828	873	879	+0.69
Total absorption	753	796	804	831	837	858	852	-0.70
Excess supply over absorption	-5	-7	+6	-7	-9	+15	+27	

per cent compared to the same period of the previous year, imports from Kenya rose by 22 per cent, Portuguese East Africa by 10 per cent, Indonesia by 32 per cent, Argentina by 26 per cent

and Tanzania by seven per cent. The Tea Board, therefore, should keep constant vigilance over the trend in the traditional as well as new markets and suitably adjust the export strategy.

Problems of Electricity Industry

ONE SWALLOW may not make a summer, but even a solitary instance in which an industry claims that there has been an understanding dialogue between the industry and the government in these days of "the missing trust" is remarkably significant. However, the irony of the situation is that in this solitary instance — the Electricity Industry — the share of the private sector is fast declining (not merely due to attempts at nationalisation but also due to statutory acquisition of licensees' undertakings under section 7 A of the Indian Electricity Act, 1910) so that it is practically at the mercy of the government. During 1969-70, out of the total generation of 51,700 million Kwh in utility undertakings, the private sector contributed only 15 per cent; while its share, out of total capital investment of about Rs 3,970 crores, was only Rs 300 crores or about 7.5 per cent.

Even so, it is noteworthy, Dr K.L. Rao, union Minister for Irrigation and Power, was far from being condescending. On the contrary, he was not only patient enough to listen to all the issues raised by the President of the Federation of the Electricity Undertakings in India (FEUI), in the course of his address at the last annual general meeting of that body, but also graciously offered replies, point by point, though not, of course, as one may guess, to the satisfaction of the industry. He was certainly helpful and appreciative of the role of the FEUI.

By far the most important point raised in his address by the FEUI President, Mr D.P.R. Cassad, related to the need for a comprehensive review of the Electricity (Supply) Act, 1948, and the Indian Electricity Act, 1910, with particular reference to the rate of return for private sector undertakings and payment of interest charges on the compensation to these undertakings after statutory acquisition. After dealing with the periodical changes in the pattern of return since 1948, the FEUI President raised the specific question of whether the preference and the equity capital of an undertaking could be separated out from the rest of the capital by an enactment and given a different treatment to ensure a return equivalent to what it costs to raise such capital.

(According to him, in recent years, some of the electricity undertakings in the private sector have raised such capital aggregating to about Rs 600 lakhs).

Dr Rao, in the course of his reply, disclosed that such a review had, in fact, been taken up and that the government would consult the Federation at the appropriate stage. Meanwhile, as regards the adequacy of return on preference share capital, he said that as the question had been raised for the first time, it would have to be examined by his ministry in consultation with the Central Electricity Authority. But he also offered to discuss the question with the Federation.

Now that the pace of statutory acquisitions bids fair to gather further momentum — the latest indication was provided by a state ministerial statement from Nagpur — it is understandable that the FEUI should stress the need for making more elaborate provisions in the law to resolve the vexed problem of statutory compensation so as to limit the gap between the vesting date of an undertaking and the payment of compensation. The following three suggestions made by the federation in this behalf are extremely reasonable and realistic:

- (1) Statutory obligation to pay a measure of interim compensation, pending determination of the purchase price.
- (2) Payment of interest by the purchasing authority equal to the statutory reasonable return permitted to licensees under the Electricity (Supply) Act from the vesting date until the balance of the compensation is fully paid.
- (3) Appointment of a panel of experts who could undertake engineering evaluation and also act as arbitrators so as to fix the market value having regard to the concept of such value elaborated by the Supreme Court in recent cases.

The union Minister of Irrigation and Power seemed non-committal, although not unhelpful. He merely told the Fe-

deration to send to his ministry details of pending cases and the reasons for the delay, as also past cases indicating the periods when compensation was ultimately paid. As regards provision for deferred taxation reserve, he wanted the Federation to send a detailed note which he promised to consider in consultation with the union Finance Ministry.

The change-over from PILC cables to PVC cables even up to 11 KV has been a matter of controversy for long. As early as in January, 1968, there was a seminar on the subject at Bangalore of distinguished representatives from various organisations, which came to the conclusion that it was premature to ban such manufacture. The ban would appear to have led to operational difficulties, especially for urban underground power systems. According to the President of the Indian Electrical Manufacturers' Association also (vide his Presidential address to IEMA on January 9, 1971), "even technologically advanced countries have not changed to PVC cables up to 11 KV. Such change-overs should be resorted to only with full knowledge of technological and financial implications".

Apparently, the Government of India does not share the above view. Dr Rao referred in this context to the assurance of the DGTD that there would be no difficulty in permitting the import of the required testing equipment for plastic insulated cables and in manufacturers procuring their own mixing equipment for ensuring availability of plastic compounds of suitable quality, and said that, if there were difficulties, these could be brought to the notice of the authorities and also that sufficient number of samples could be sent to the PRI Bangalore for testing.

Then he proceeded to say that it seemed the manufacturers themselves were to blame. "The response from the manufacturers in sending the samples so far," he said, "has been poor, and it is necessary that the manufacturers come forward with their differences and suggestions so that a satisfactory solution could be found." Inasmuch as the representatives of manufacturers have generally accepted the objective of ensuring a switch-over in the interest of import substitution, according to the minister, the ball is now in their court. Nevertheless, we must say, the ideal of import substitution, however laudable, cannot be carried so far as to run even avoidable risks. Electrical energy surely is not a simple plaything to toy with so cavalierly.

A Brake Which May Jolt

A SPECIAL CORRESPONDENT

THE MONETARY authorities were perhaps feeling helpless when they decided that there should be an increase in the Reserve Bank's lending rate to six per cent from five per cent with effect from January 9, and that there should also be a drastic curtailment of refinance facilities, which were used for non-priority purposes. This was because they were conniving at periodical adjustments in the lending rates of scheduled commercial banks for helping them to finance the opening of new branches in a big way in undeveloped and under-developed areas and discouraging incidentally to some extent borrowing for the so-called non-priority uses. At the same time there was a heady expansion of credit for carrying out the procurement operations of the Food Corporation of India and other agencies and for granting small loans to borrowers in the small-scale industries and agricultural sectors. No serious thought was given at any stage to the effect of undue creation of credit for use by a new class of borrowers and the pressure that would be built up on the banking system over a period. The position came to such a pass by the end of 1970 that borrowings of scheduled commercial banks increased to nearly Rs 351 crores, an all-time high level even early in the busy season, and the increase in advances proved to be in excess of fresh additions to deposits.

Alarming Situation

The Reserve Bank naturally got alarmed over the prospect of borrowings of member banks increasing even to Rs 600 crores by the middle of this year and decided to make credit more costly, besides instituting measures for stimulating the growth of deposits. It has been now decided to make available refinance facilities at the Bank Rate only in respect of advances for priority purposes and the quota has been reduced by about Rs 55 crores, as indicated by the Deputy Governor of the Reserve Bank, Dr R.K. Hazari, with the raising of the net liquidity ratio to 34 per cent from 33 per cent for computation purposes. It has, of course, been emphasised that refinance facilities for certain specific needs like the discounting of export bills, loans to agriculturists and small entrepreneurs will be available at 4½ per cent. It is perhaps hoped that a better balance between fresh additions

to deposits and advances can be achieved in the coming months with the offer of higher interest rates for different classes of deposits and the discouragement of borrowing through the charging of higher interest rates. In order to compensate the banks for the additional cost of mobilising deposits, the Reserve Bank has permitted the former to raise their lending rates on an average by not more than one per cent. As a result of the latest developments, it is expected that there will be a lending rate of even 11 per cent for secured loans while clean advances may be charged 12 per cent or even more. Only some time back, the rate for the latter class of advances was raised by some major banks and there were rumours in money market circles that the Reserve Bank might follow a dear money policy.

Inducing Monetary Discipline

While it is not surprising that the Reserve Bank has been obliged to fall in line and raise its lending rate, besides restricting refinance facilities, can it be seriously suggested that there will be a significantly slower rate of expansion of credit in the coming months when union Finance Ministry spokesmen have been saying that only an attempt is being made to induce a certain amount of monetary discipline and credit will not be denied for productive or priority purposes? Under normal conditions, it can certainly be expected that dearer money will have a discouraging effect. However, when the corporate sector itself is in an over-extended position and the needs in terms of working capital have increased due to a higher level of economic activity and higher prices there is no scope for reducing borrowings even with its becoming more costly. It is also overlooked that in the next six months there will be a cumulative building up of pressures on the banking system. The cotton crop has still to be marketed in large volume. Imports are arriving in bigger quantities and sugar stocks are accumulating at a faster rate than even in the last crushing season while it will be necessary to finance procurement operations in a big way in May-June next. At the same time there is a clamour for liberal credit facilities from small entrepreneurs and small farmers.

Instead of examining how credit has been expanded and how loans are being

utilised, the Reserve Bank has sought to apply a sudden brake which may have a jolting effect on different sectors of the economy. Granting that there will be a faster growth of deposits, can they, in the short term increase by more than Rs 50 crores over the current estimates in the first half of this year especially when it is likely that there will be keen competition from other sources for available funds? Assuming that this quantum of resources will be additionally available, will there be slower expansion of credit during this period when many industries are expected to step up production and the government is also anxious to help brisk marketing of cash and food crops? A careful understanding of the developments in the past year and an anticipation of those likely to happen in the coming months, will clearly indicate that dearer money will not have any serious impact on borrowers and will result only in an addition to production costs. Indeed, small borrowers will not mind dearer credit because they have been paying 24 per cent and even 36 per cent on loans taken from indigenous lenders.

It is, therefore, argued that the Reserve Bank cannot prevent any fresh increase in borrowing by scheduled commercial banks through the use of refinance facilities as an expansion in their activity will come about in the form of sanctioning of loans for so called priority purposes. Only the large-scale industries and traders will be hit by the jacking up of interest rates and any attempt to restrict the quantum of credit available to sugar mills and others will only lead to a dislocation of production.

Credit Card System

The new policy of over-lending will not have undesirable effects if the lending institutions take care to institute a system of credit card and it is ensured that the funds secured are utilised for applying agricultural inputs or purchasing pumpsets, raw materials, tractors or other items. If credit cards are made available, after making sure that the badly needed goods and services will not be in short supply, there will not be an accentuation of inflationary pressures even if there is an attempt on the part of borrowers to sell their rights to credit cards. The new buyers will, for their part, be obliged to use the credit facilities for the intended purposes.

When serious efforts are being made to examine how short-term credit is being utilised by existing industrial units and find out whether there has been no diversion or mis-application of borrowed funds, there cannot be denial of credit for legitimate working capital

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Bata



Bata-India, Shoemakers to the world

ENC-2

purposes simply on the score that the interests of small borrowers have to be accorded greater priority. There is no precise estimate of what exactly is the extent of credit expansion for financing procurement operations and granting loans to small borrowers. But this can be easily Rs 300 crores in a year. As the government also has been anxious to secure for itself a larger share of the additions to resources of the banking system, the latter has not been finding it possible to discharge its new responsibilities to the satisfaction of all interests. Unless there is stricter supervision of credit expansion and it is also decided that there can be some form of deficit financing for productive pur-

poses for a short period, the squeeze in the money market cannot be relieved. The monetary authorities will be sadly mistaken if they think that they can control arbitrarily the expansion of credit without inducing ill effects and without reversing some of their new policies. There can be no objection to money being slightly dearer, but it had become so even before the Bank Rate was raised. If there is no adjustments in the new policies in the light of developments before the middle of February, an intolerable situation may arise and inflationary pressures will be accentuated if the operations of major industries are hampered due to the inadequacy of credit.

Supreme Court and the Constitution

M. R. MEHER

THE CONTROVERSY which was aroused by the decision of the Supreme Court in 1967 in the Golak Nath case has again been stirred by the decision of the Supreme Court in the recent case relating to the derecognition and privy purses of the rulers. It is proposed, in this short article to discuss the political and constitutional implications of the decisions. So far as the latter case is concerned it cannot be gainsaid that an executive order issued immediately on the rejection of the amendment bill in the Rajya Sabha for want of the requisite two-thirds majority, to attempt to do by a short-cut what Parliament was unable to do was not the right course. It is not feasible for the executive or the legislature in such matters to attempt to do indirectly what could not be done directly.

President's Power

Further it must appear even to a layman that the power of the President under the Constitution to derecognise a ruler could never have been intended or reasonably interpreted to empower the President to derecognise all the 278 rulers at a stroke of the pen by executive fiat so as to deprive them of the privy purses and other privileges solemnly accorded to them by the Constitution. Further, though the judgment has been given by the large majority of nine against two, in effect the President's action has been held unjustified also by one of the two judges in the minority. He has pointed out that, as provided in the Constitution, the President could have sought the opinion of the Supreme Court and that if ever there was an occasion for the President to make a reference to the Court, the present was eminently suited to the purpose. The Constitution gave express power to the President to have the opinion of the

Court to guide himself by and when disputes of such public importance were agitating the minds of members of Parliament and the Cabinet, it was not only his right but his duty to consult the Court.

In the controversial Golak Nath case (A.I.R. 1967, Supreme Court, 1643), it was decided by the Supreme Court by a narrow majority of six against five that Parliament has no power to amend any of the provisions of Part III of the Constitution so as to take away or abridge the fundamental rights enshrined therein and further that the power of Parliament to amend the Constitution is not derived from Article 368 which only deals with procedure. This judgment has been commented adversely by eminent lawyers like H.M. Seervai and M.C. Setalvad. In this short article it is not feasible to go into this controversy in detail. It is sufficient to say that while the majority judgment gives plausible reasons for the decision, the reasoning of the minority is more convincing. Article 368 of the Constitution specifically deals with amendment of the Constitution.

Correct Interpretation

Some of the articles can be amended by a Bill passed by a majority of the total members in each House and a majority of two-thirds of the members of that House present and voting, and the Bill is then presented to the President for his assent. Some Articles affecting the relations of the federal government with the state and the courts require, in addition, ratification by the legislatures of not less than one-half of the states by resolution to that effect. It does not appear to be correct to read into Article 368 or any of the other

provisions of the Constitution, any implication that Part III cannot be amended by the procedure laid down in the Constitution for amendment. Dealing with the argument that if the power of amendment is not comprehensive there would be no way to change the structure of the Constitution or abridge the fundamental rights even if the whole country demands such a change, Subba Rao J. observed in the majority judgment that the residuary power of Parliament under Article 248 read with item 97 of List I, may be relied upon to call for a Constituent Assembly for making a new Constitution or radically changing it. But it cannot be that the power to amend the Constitution is not derived from the article specifically dealing with amendment of the Constitution, but from the item in the list specifying the legislative powers of Parliament, as distinguished from the legislative powers of the states. Before the Constituent Assembly which adopted the Indian Constitution there were proposals for restricting the power of amendment under Article 368 and making fundamental rights immune and counter-proposals for making the power all-embracing. They were all dropped or negated and Article 368, as it stands finally, found place in the Constitution. If the Constitution makers intended certain provisions in the Constitution to be not amendable they could have said so. In view of the clear words of Article 368, which provides for amendment of the Constitution by the procedure prescribed, no implied limitations can be read into the Article or in any other provision in the Constitution.

Fundamentals Can Change

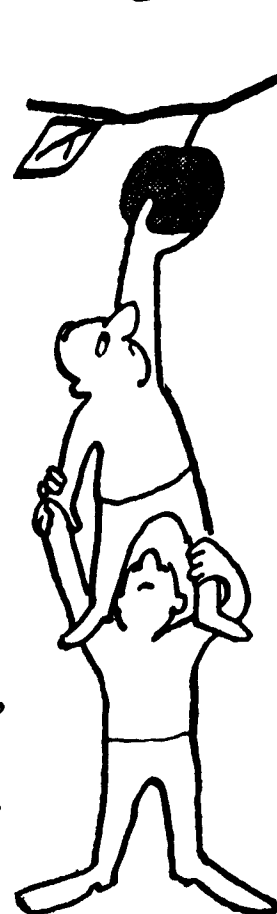
As observed by Herman Finer in the book, *Theory and Practice of Modern Government*, "no fundamentals are capable of standing proof against time except entities so vague as to be meaningless.... There is nothing so fundamental that it may not change and nothing so fundamental that it ought not to change." Jawaharlal Nehru had observed in one of his speeches in the Constituent Assembly: "While we want this Constitution to be as solid and as permanent a structure as we can make it, there is no permanence in constitutions. There should be a certain flexibility. If you make anything rigid and permanent, you stop a nation's growth, the growth of living vital organic people. Therefore, it should be flexible." Dr Ambedkar had also, on November 25, 1949, refuted the suggestion that fundamental rights should be absolute and unalterable. He quoted Jefferson, the great American statesman who played an important part in the making of the Constitution of his country. Jefferson had said;

We help our workers to help themselves.

• We think our workers are entitled to more than a fair deal. So, in addition to job security, they enjoy many other benefits, a number of welfare amenities.

But this is not all.

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• To make promotions impartial, we have qualifying trade tests, for which free training is offered at our Technical Institute at Jamshedpur. Here, 10,000 have received technical training so far.

Our strength is in our people as much as in our steel.

TATA STEEL

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"We may consider each generation with a right by the will of the majority, to bind themselves, but none to bind the inhabitants of another generation, more than the inhabitants of another country." "The idea that institutions established for the use of the nation cannot be touched or modified, even to make them answer their end, may perhaps be a salutary provision against the abuses of a monarch, but is most absurd against the nation itself. Yet our lawyers and priests generally inculcate this doctrine and suppose that preceding generations held the earth more freely than we do, that the earth belongs to the dead and not to the living."

As regards the suggestion in the majority judgment in the Golak Nath case that Parliament can, under its residuary power, call for a constituent assembly to make any changes in fundamental rights or any basic changes in the Constitution, there are difficulties like the following: What should be the suffrage for such assembly? Should it be different from the suffrage of the Lok Sabha. If not what would be the real difference between the Lok Sabha so elected and the Constituent Assembly so elected. Can the Constituent Assembly make any change in the Constitution or only on issues which are put before the people. Can the issues about amendments of the Constitution be put in a form which the people can understand and appreciate? Is the decision of the constituent assembly to be by single majority or two-thirds or larger majority and who is to determine this?

Court's Concern

It appears that in the Golak Nath case the majority of the Court were much concerned that if inroads on fundamental rights were permitted there would be no end and in the process other freedoms could be eroded. One of the Judges observed in the judgment: "I am apprehensive that the erosion of the right to property may be practised against other fundamental rights. ... Small inroads lead to larger inroads and become as habitual as before our freedom was won." This does not mean that the Supreme Court has made itself a third chamber, or that the judgment is a political decision as stated by Mr M.C. Setalvad in his autobiography or that it is coming in the way of the government carrying out the social objectives of the state. The judgment is based on an interpretation of the Constitution.

The conservative viewpoint is understandable. Even in the UK which has a flexible constitution and Parliament can pass any law without interference by courts, basic changes are not made lightly. As ob-

served by an authority on constitutional law: "Any state in which care is not bestowed on the reform of fundamental institutions wastes its well being, physical and spiritual. If a rational weighing of all factors is possible and probable without artificial compulsion, then difficulty of amendment is unnecessary. The great constitutional changes of the past century in Britain have indeed, come slowly rather than rapidly, and, what is more, they have all been preceded by long years of consideration and even by collaboration between the parties. ... Thus in the British system it is almost impossible to do damage to the liberties of the subject, on the one hand, or disregard the necessities of the state on the other without so much open discussion of a protracted nature that injustice and unwisdom are sure of detection."

Rights Not Absolute

But assuming that the decision of the majority of the Supreme Court in the Golak Nath case is wrong, it is the law of the land and has to be followed until it is overruled by another bench. There is no necessity for convening a constituent assembly for amending the Constitution. The majority of the Supreme Court seems right when it has stated that the scheme of the Constitution is so elastic that all the directive principles of state policy can reasonably be enforced without taking away or abridging the fundamental rights. The rights are not absolute or unbridled. The Constitution allows laws to be passed which put reasonable restrictions on the rights, in the interests of the general public. How then can it be said that the rights come in the way of necessary social changes? In what way can the fundamental rights be amended so as to secure more restrictions and if so what restrictions? Whether restrictions by a proposed law passed by Parliament are reasonable or not cannot be left to the final determination of Parliament, for then there is no meaning or sanction in laying down in the Constitution any fundamental rights. The higher judiciary, by virtue of their training, experience and traditions, can be expected to be safer guardians of the Constitution than the party in power, singly or in combination with other parties in Parliament which commands the necessary majority. As observed by Herman Finer: "An elected body is liable extravagantly to assert its supremacy over the Constitution".

Coming now to the right to property which is among the fundamental rights laid down in the Constitution, that has been most under attack and has given rise to a demand for amendment of this right, the distinction that some make between the right to property

which, by common consent should be there and a fundamental right to property is a quibble. The right to property is laid down in 82 per cent of written constitutions. It is essential in a democratic country, not to take away the incentive to effort. The right to property fulfils the function of rewarding industry and enterprise. Through it the individual also develops responsibility.

Jurist's View

An American jurist wrote, "Of the three fundamental principles which underlie government and for which government exists the protection of life, liberty and property, the chief is property — the history of civilisation proves that. ... The security of society depends upon the extent of the protection afforded to the individual citizen against the demands and incursions of government. The character and value of government is measured by the security which surrounds the individual in the use and enjoyment of his property. Courts should be slow to lend aid to government in the modern tendency to invade property rights."

H. J. Laski, a strong socialist, in his *Grammar of Politics* has said, "No effort is more suspect in our time than the criticism of the existing rights of property. It is wrong because it is subversive. It is futile because it is Utopian. It is erroneous because it runs counter to the eternal laws of human nature. ... There is nothing inherently wrong in the notion of private property. There is a sense in which it may be held as genuinely to express personality and to contribute to its enrichment. ... Extinction of rights by the payment of compensation seems to leave in full vigour a class of functionless owners. That is true and in strict logic it is unjustifiable. But the life of a community must be adjusted to its experience and not to its logic. Nothing is so likely to poison the spirit of the body politic than the sudden disappointment of financial expectation."

It is feasible to achieve the directive principles of the Constitution, the social objectives of the community without infringing the fundamental rights. Income tax, wealth tax, tax on capital, succession tax are some of the means by which concentration of property can be controlled in the interests of the general public and these could erode the possession of private property.

For the foregoing reasons there is no such emergency, no compelling reason for requiring Parliament to legislate under its residuary power for the convening of a constituent assembly for the purpose of amending the Constitution for abrogating or abridging the fundamental right to property.

This writer, while of the view that the majority judgment of the Supreme Court in the Golak Nath case, is open to criticism does not agree with the view expressed in the book on constitutional law by the eminent constitutional lawyer H.M. Seervai that the majority judgement "is clearly productive of the greatest public mischief". The majority judgement is not productive of any harm or mischief. On the other hand, if the fundamental rights are lightly tinkered with, or if the Constitution is sought to be amended by the process of appointments to the Supreme Court in the manner in which President Roosevelt threatened to do to give effect to the New Deal that would be productive of mischief. The circumstances are quite different and there is no analogy

Disguised Unemployment : Social Perspective

SRINIVASAN KRISHNAN

RAGNAR NURKSE postulated the theory that disguised unemployment is a potential source of capital formation in developing countries. In doing so, there were a few strong assumptions which he did not make, but which are essential if there is to be a logical case for the mobilisation of the disguisedly unemployed for capital formation. An examination of these assumptions will prove that their very nature makes them restrictive to the extent of undermining the whole of Nurkse's theory. Furthermore, it is possible by an examination of the savings multiplier to establish the theorem that if the multiplier is less than one or equal to one, it would be socially desirable to employ the 'absolutely' unemployed rather than the disguisedly unemployed.

It is my contention that the capital formation which Nurkse envisaged will not ensue, or even if it does, it will be after a time lag, and that the same measure of capital formation will ensue whether the disguisedly unemployed or the completely unemployed are given the new jobs. When this is established, it is altogether apparent that the dialogue moves from the field of economics to the realm of social justice, and here there is no doubt that it would be far more desirable to give the jobs to the totally unemployed than to the disguisedly unemployed.

The same farm on which Adam Smith, Malthus, and Ricardo, predicated their theses now has fifteen labourers toiling away. Their production total is a 100 units. If at a certain stage five of these labourers are taken away and the output still remains at a 100 units, then the five labourers have

to that precedent. H.M. Seervai in his book goes on to observe. "In theory the English Bill of Rights can be repealed like any other law. But the rights declared by it have been enjoyed for centuries and only a cataclysm can sweep them away."

If such rights have been enjoyed for centuries in the UK without finding it necessary to amend them even under a flexible Constitution under which Parliament's power to pass laws is supreme, has there been any cataclysm or compelling necessity for amending the fundamental rights laid down in the Constitution? The rights which the Fathers of the Constitution laid down should not be tinkered with by amending the Constitution except for compelling reasons.

been disguisedly unemployed. Their marginal output has been zero and in some cases it could even have been negative — that is, once they have been removed from the farm the output may even go up. Too many cooks spoil the broth! They have been subsisting on the intra-marginal produce of the other workers on the farm and their continued unproductive existence has helped to keep all the people there on the subsistence level of existence. If the disguisedly unemployed people were now put to some productive occupation (Ragnar Nurkse thought that they could be set to build roads or dams) the income that they would earn would amount to a surplus which is capable of being saved and tapped to help in capital formation. This could come about either by the continued existence of these people on the same farm so that they would be fed from the 100 units of produce, or else it could result from the saving of the intra-marginal excess over the consumption necessities of the people on the farm once the disguisedly unemployed have been removed. Nurkse does not state that all the new income which accrues will be available for capital formation but he does say that a sizable amount will, and thus disguised unemployment is a potential source of capital formation in developing countries.

In a series of articles, a few economists have questioned the concept of disguised unemployment. They doubt its existence and reason their way thus — zero marginal productivity as an intermittent phenomenon is common in agriculture. But as a chronic malaise it cannot be plausibly established. In case the (average and marginal) techni-

cal coefficients of production are constant, the addition to a working combination of more units of labour will add nothing to the aggregate product unless additions are also made to the amounts used, of all other factors of production. They concede this possibility in industry, but in agriculture they find it impossible to believe that additional labour used carefully, along with intensive weeding, cultivation thinning, more painstaking harvesting, gleaning and cleaning cannot add to the crop. Even if all products on a farm have fixed ingredients, labour would still have positive marginal productivity unless the proportions between the fixed technical coefficients were uniform for all of these products. If the proportions were different it would be possible by appropriate changes in the production mix to absorb any increment of labour productively.

This argument has the following shortcomings. The problem of agriculture in developing countries is the excessive prevalence of small holdings which does not allow for any of the benefits from indivisibilities to accrue. So, all the possibilities of intensive cultivation which require an outlay of capital don't accrue. Apart from this, the factor of production which is held constant and which is the biggest handicap is what Adam Smith would have called 'enterprise'.

The Classic Example

When the joint family system is taken into account; where the patriarch is the final judge of what is best, and when the patriarch is totally unaware of the methods that should be used, the chronic zero marginal productivity is very much a reality. To quite an extent, the disguisedly unemployed are not involved in actual work on the fields, where they could have been part of the permutations and combinations in the attempt to find the optimum factor mix. The classic example is that of the ten men who work on the fields and the five extra men who carry their beer for them. In the same category come the umpteen servants who form part of the household of the rich landlords. Their marginal productivity is zero, and they live off the intra-marginal produce.

But, my major quarrel with those who deny the existence of disguised unemployment is their denial of zero marginal productivity on the farm itself. The kind of jugglery that they envisage with the factors of production so as to ensure a positive marginal productivity are no part of agriculture as carried on in developing countries. To understand the concept of disguised unemployment

and the reason for its existence it is necessary to have an insight into the joint family which owns a certain amount of land and on which all the males must be employed, productively or otherwise. Add to this background the large amount of unemployment which exists and the *raison d'être* of disguised unemployment emerges.

Admittedly disguised unemployment would not exist if consolidation of holdings could be achieved under a set-up of co-operative farming where if nothing else, the surplus labour could be employed in tertiary occupations. However the very limited success of this form of agrarian organisation rules this out as a feasible plan. Because, it is only under some kind of an organised set-up where the decisions are made by a central authority that the expertise which is so necessary to achieve the optimum product mix can be made available to all the farmers. If we had in mind a developed country, then we could very well assume a dynamic farmer fresh out of agricultural college, equipped with the best equipment and techniques, applying linear programming to get the optimum factor mix. But, the problem of underdevelopment is underdevelopment all around, particularly in agriculture, and this is what makes disguised unemployment a reality.

Again, the assumption that there can be a jugglery of the factors among the different products of the farm to achieve the optimum product mix holds good only on a large farm which is capable of diversified production. What about the small farms with only one product? Further, when fragmentation of holdings is accepted as the rule in the developing countries, then we must accept the existence of disguised unemployment.

Social Cost or Real Cost

When a scheme of value judgments is applied to economics, the focus of attention is the social cost and the real cost. In deciding between two alternatives there has to be a choice between one which is socially desirable in that its social cost is less, and the other which is materially desirable in that its real cost is less. But when a certain alternative is costlier socially and materially, then that alternative has to be rejected. And thus it is that in my argument for the employment of the *basically* unemployed rather than the reallocation of the disguisedly unemployed, in the more productive employment, I am able to make a clear cut choice. For, as will be proved later on, the employment of the disguisedly unemployed is definitely costlier socially and has a greater material cost most of the time.

There is however a point to be clari-

fied. Nurkse never specified whether there was unemployment as well as disguised unemployment in his model. It is reasonable to assume that there is large-scale basic unemployment for two reasons. Firstly, because it is an underdeveloped country and even the most elementary textbook lists unemployment as one of the characteristics of underdevelopment. Secondly, full employment, with its allowance for frictional unemployment, has no place for disguised unemployment. Thus, in case there is set up a series of productive projects which involve the use of labour the problem is to decide whether those who are disguisedly unemployed must be given the new employment or whether the unemployed must be given the jobs.

Loss of Initiative

What does disguised unemployment do to a man's inherent productive capacity? Is he actually toiling away without producing or is he doing odd jobs that are traditionally done by women and the old people? To a large extent it is the latter, for there is no place on the farm to provide him employment. Consistent disguised unemployment of this sort has an adverse effect on his capacity to work, a factor which is not capable of quantification because it involves the measurement of too many intangibles, but whose presence or absence is easily perceptible in attitudes towards work.

To put it bluntly, a man who has been sponging off someone, will keep on sponging, as long as he can. With such an attitude, he will be the first to resist an attempt to put him in a position where he will have to do hard work. But it is not just this mere opposition to productive employment that must be stressed. It is the effect of this attitude on the quality of his work when he is productively employed. And on the other hand, there is the man who is not employed, who is probably as skilled as the man who is disguisedly unemployed, for such jobs do not require much skill, and who if given a job will do his best, if at least to keep the job. Consider also the effects that one unit of consumption has on his marginal productivity. His consumption has been dangerously bordering on zero, and even one unit of extra consumption will mean so much nutritively and thus productively that it seems worthwhile to allow him the extra consumption. The increased productivity, as compared to the negative attitude of the disguisedly unemployed man seems to tilt the scales in favour of the unemployed man. The same reasoning can be applied to the disguisedly unemployed man who has actually been working on

the fields. Due to the excess labour available, each man's share of the work has been lowered to an extent where his whole attitude is attuned to doing the minimal amount of work that has been assigned to him. His productive capacity is thereby permanently impaired.

The Marshallian concept of consumption, productivity and the concept of diminishing marginal utility, are the best arguments I can offer here. To the unemployed man on the subsistence level, one extra unit of consumption has an infinitely greater marginal utility than it has to the disguisedly unemployed man who already has a certain amount of consumption. To this high marginal utility is added the increase in productivity $\Delta P(x)$ (rise in productivity due to a rise in consumption of the unemployed man) which is definitely $> \Delta P(y)$ (rise in productivity due to a rise in consumption of the disguisedly unemployed man). It would seem, on the grounds of productivity itself that there is a strong case for the employment of the fully unemployed man than that of the disguisedly unemployed man.

Further still, most underdeveloped countries today profess to be welfare states. One of the regular election promises is the hope of full employment and eradication of poverty. Even a moment's thought about the reaction of the totally unemployed people when the disguisedly unemployed are given new productive employment while they stay without jobs will convince anyone that reallocating the disguisedly unemployed is politically inexpedient, and it is so because it is socially undesirable.

Rise in Savings ?

But, the crux is still ahead. If the productive employment of the disguisedly unemployed will result in an increased saving and the concomitant capital formation, then it can be accepted as a policy for development. Nurkse's whole theory was based on this assumption that saving would rise. To go back to the farm — if all fifteen labourers were consuming 1000 units which only 10 had produced — and if the consumption needs of the 10 labourers by themselves amounted to 80 units, then the five disguisedly unemployed people were able to survive because of the 20 intra-marginal units which those who were productively employed had produced. If there was productive employment provided for all, Nurkse assumed that they would still remain within the family, consume the same amount as before and the new income could be saved and mopped up by the government through heavy taxation.

The qualifying assumptions accom

panying this thesis, which are absolutely necessary if all this must be accepted, are — first that the new employment must be in the same area; second, that the marginal propensities to consume remains the same after the disguisedly unemployed have been productively allocated; and third, that the government be able to tax this income and mop it up. Even a cursory examination of these assumptions shows the futility of Nurkse's argument.

Increase in Overheads

The first assumption is essential if all the new income is to be saved. If the employment provided is not in the same area then the five labourers will have to set up a new household where the employment is. This will involve an initial overhead expense which will possibly entail their getting into debt. The minor economies of scale from the purchases in a large family would not be available here. They can be expected to consume all the income they receive. What this means is that now the saving will have to be effected at the joint family level. The 10 workers till now have been living on the subsistence level despite their intra-marginal produce. If it is expected of them to save now that their intra-marginal produce is available for consumption, then this expectation will not be fulfilled. It is being too optimistic to hope that those who have all along been living on the subsistence level, and precariously so, will when given an increase in income, start saving that amount. This hope of Nurkse's and his strong endorsement of the Duesenberry thesis are thus all the more difficult to reconcile.

The second assumption that the marginal propensities to consume will remain the same has already been refuted. In elucidation it can be said 'that the family which has been on the subsistence level due to the existence of unproductive members has been kept there forcibly. To assume that the intramarginal produce will be saved is to assume a family content to stay on the lowest level of consumption, which is a difficult condition to fulfil. The person who was formerly disguisedly unemployed was not taxed to the peak of his physical abilities. But now that he is being made to put in all the physical effort that he can, he will have to set by more funds to allow for the extra depreciation on his physical faculties. He will have to consume more to maintain the new level of productivity that he has reached. Thus when the marginal propensities to consume of both the productively employed and the ex-disguisedly unemployed persons will rise, there does not seem to be any ground for expecting

a rise in their savings. This is totally irrespective of whether the new employment is near or far from home.

The third assumption that the government is able to effectively tax the new income so as to be able to use it, is one that cannot be made with respect to developing countries, where the tax system is notoriously inefficient. To conceive of a tax structure that can reach down to the new income that has accrued from the productive employment of the disguisedly unemployed is to conceive of the perfect tax structure. For this is precisely what the tax structure must be. It must mop up all of the new income and no more. Granted that this can be achieved, will the powerful farm lobby which depends on the rural vote to remain in power allow the levy of such a tax? Conceptual difficulties alone make the assumption of such a delicately selective tax structure an absurd one.

Reallocation Costs

Therefore, if there is to be no new saving that accrues from the reallocation of the disguisedly unemployed, then the choice has to be based on the social cost. And this reallocation is infinitely costlier socially than providing employment for the jobless. And when the intangibles of character and attitude are taken into account, it becomes more profitable to provide jobs for the jobless rather than to provide productive employment for the unproductively employed. It is true that if the disguisedly unemployed are taken off the farm the output may register a rise, but the extent of the rise has been grossly over-estimated.

Even if there is no saving that will ensue from the reallocation of the disguisedly unemployed, there still is a certain amount of capital formed — the roads or bridges or other productive occupations to which they have been put. This of course is no argument because the same result would ensue by employing the unemployed. And, if the identity $\Delta P(x) > \Delta P(y)$ [refer to page 171] holds good then the same result would ensue with greater speed and at lower cost.

At this stage it is best to quantify the essence of the various arguments which I have advanced, and arrive at an identity which can be used as the decisive factor. The identity which results from a combination of these arguments is the savings multiplier.

The multiplier is evolved thus:

$$k = \frac{S - [C(x) + C(y) + n + \alpha]}{1}$$

where k = the savings multiplier

S = the intra-marginal produce

in the original family. In our example S is 20 units of produce.

$C(x)$ = the marginal propensity to consume of the original family.

$C(y)$ = the marginal propensity to consume of the ex-disguisedly unemployed.

n = the cost of moving to another occupation and the cost that arises from immobility. This includes transport, initial overheads involved in setting up a new household, and the economies of large scale purchase that are now denied to them.

α = the intangibles which include attitudes towards increased work and the desire (or lack of it) for productive employment, and therefore the inducement of greater consumption or better amenities which must be offered.

From the savings multiplier we are able to derive the following theorem:

Theorem: If the savings multiplier is greater than one, then it is worthwhile providing productive employment for the disguisedly unemployed since this will result in saving. If the multiplier is equal to one then no saving accrues. If it is less than one then there is dis-saving.

Proof: If the multiplier is greater than one then all that Nurkse predicated would be true. The disguisedly unemployed would be a potential source of capital formation and their productive employment would result in an increase in the savings of the community. These savings could be mobilised and used for projects of capital formation.

If the multiplier is equal to one or less than one, the debate moves from the field of economics to that of social justice. This must be so, for on the face of it there is an infinitely stronger case for the provision of employment to the totally unemployed than to the disguisedly unemployed. It was only because Nurkse posited that the productive employment of the disguisedly unemployed would lead to savings which could be used in capital formation, that the idea of giving disguisedly unemployed productive employment was first entertained.

If it can be proved that there is no saving as a result of this reallocation from unproductive to productive employment, then economic theory does not

enter in to the debate. And this is what a multiplier that is equal to or less than one implies. If the multiplier is equal to one then there is no increase in savings and therefore there is no need for the disguisedly unemployed to be given preference. If the multiplier is less than one, there is a fall in savings and therefore even economic theory must admit that the reallocation is a mistake.

Conclusion: Where the multiplier is equal to one or less than one, there is no advantage to be had from reallocating the disguisedly unemployed and therefore the dialogue passes from the realm of economics to that of social justice. Here it is manifest that it is worth while to provide employment to the basically unemployed than to the disguisedly unemployed.

It is unfortunate that the multiplier is incapable of calculation since it depends on so many intangibles which if arbitrarily quantified could lead to wrong conclusions. But tackled descriptively, there seems to be a very strong case for the multiplier to be equal to one or less than one. Let us consider the factors in the equation. ' $C(x)$ ' and ' $C(y)$ ' are the marginal propensities to consume. ' $C(x)$ ' which is the marginal propensity to consume of the original family must rise. It is inconceivable that a group of people on the subsistence level would maintain the same level of consumption when given a rise in real income. ' $C(y)$ ' which is the marginal propensity to consume of the ex-disguisedly unemployed must rise for the same reason and also, because the nutritive needs of the newly productively employed people will rise. The ' n ' of the equation will be very large if the new occupation is located at a different place. The ' α ' of the equation can also be expected to be large due to the various psychological factors. It is thus highly probable that the ' S ' will be swamped by the factors on the other side of the equation. The effect of this would be to produce a multiplier which is equal to one or less than one.

Can it be Measured?

Can disguised unemployment be measured or discovered? How can one person be labelled as productively employed and the other as unproductively employed? Will the farmer submit to experiments on his farm, some kind of jugglery with the labour that he has to find out who is disguisedly unemployed. Disguised unemployment is not capable of measurement in times of unemployment, but when the boom and the march to full employment is on, the surplus labour is automatically siphoned off by the pros-

pect of lucrative employment elsewhere. And herein lies the paradox. Disguised unemployment as an obstacle to development is not capable of definition or location, and yet once the wheels of development are set in motion it is automatically removed.

One of the problems which Nurkse did not completely eliminate was that of seasonal employment. Nurkse assumes that the labourers who are disguisedly unemployed do not even have productive employment seasonally. The validity of this assumption can be questioned. The total lack of mechanisation of any sorts makes the demand for labour during the sowing and harvesting seasons a large multiple of the normal demand for labour and thus all the labour that is available is absorbed. If these seasonally employed people are removed from the farm their absence may actually cause a fall in the output. And thus to conceive of these men feverishly digging roads and then dropping their tools to join in the harvest, and then rushing back to more digging smacks of the absurd, particularly when the totally unemployed could do

this without any of the accompanying 'occupational hazards'.

In the final analysis, what makes disguised unemployment as a potential source of capital formation, an invalid concept is that it is the superimposition of a dynamic conclusion on a static analysis. It is not even an exercise in comparative statics, for it does not allow a time-lag. If Nurkse had postulated that the saving would accrue, but only after a time-lag, which allowed for the immediate satisfaction of the marginal propensities to consume of both the productively employed and the former disguisedly unemployed, then it would be a dynamic analysis. But the dynamic conclusion that it reaches, namely that there would be increased saving, by itself would not be sufficient justification for the disguisedly unemployed to be given preference over the basically unemployed, because even the latter would, given a time lag, save part of their incomes. Thus it becomes apparent that we have to abandon the elegant and rather Utopian Nurksian thesis in the favour of another which satisfies both economics and social justice.

The Genesis of Green Revolution

R. V. MURTHY

THERE ARE, in our country today, very few economists who have applied their sound knowledge of economics to such a thorough and systematic study of Indian agriculture and drawn such dispassionate and compelling conclusions as Prof. M.L. Dantwala, Director, Department of Economics of the University of Bombay. His studied views on the green revolution and, more than these, his incisive views on the views of other economists on the subject, as also his general conclusions on the factors that account for stagnation and growth, therefore, merit careful notice. These, it may be added, formed the theme of his presidential address at the recently held annual conference of the Indian Economic Association and have served to put the green revolution in proper perspective. In particular, he effectively effaced the popular impression that the green revolution has solved the basic problems of Indian agriculture or will do that soon enough. To quote him, "the green revolution has given us a breathing time. Its greatest contribution is that it may help to relieve the tension and distraction caused by chronic food shortages, and bring back the economists and the planners to the more abiding issues of Indian planning". The first has, indeed, happened, but there are as yet, no signs of the latter consummation.

After surveying at length the state

(rate of growth as well as stagnation) of agriculture not only in India but also in developing countries generally, up to and after 1965, Prof. Dantwala established that the key factor behind the green revolution was the new technology with the high-yielding varieties (HYV). at its core and not institutional, or other arrangements or other economic factors. This might make many experts, both in government and outside, raise their eye-brows, but the IEA President quoted chapter and verse to make his point. To say that neither land reforms nor credit policy nor, for that matter, price policy can claim credit for the green revolution requires not only conviction, but courage. Similarly, few would have been able to meet the argument that the remarkable upsurge in the use of modern inputs may not be a transformation of traditional agriculture as such, but merely an emergence of dualism. To such doubting Thomases, Prof. Dantwala had to exhort: "Let us not be so pessimistic as to say India is incapable of any achievement."

Prof. Dantwala did not concede that the discovery of HYV was the result of official policies or the wisdom of economists. "Whose policies?" he queried and replied: "Probably of the Rockefeller and the Ford Foundations, whose generous grants made it possible for the scientists in Mexico and the Philippines to evolve the high yielding varieties.

The resolution was a reward of scientific research and not of the wisdom of economists; few even dreamt of it and many even do not believe it". As for the policy-makers, the IEA President only complimented Mr C. Subramaniam, who, he said, "pinned his faith on the new strategy and the scientists behind it". He also added, "Mercifully, his successors have as yet done nothing to harm it by their irrelevant radicalism" but one should still keep one's fingers crossed these days.

Can we be sure that a revolutionary change has occurred? Yes, says Prof. Dantwala by adducing the following points:

- (1) **Growth in production:** Wheat production has gone up from 112 million tonnes in 1964-65 to about 20 million tonnes in 1969-70.
- (2) **Marked spurt in the use of modern inputs:** (a) Spread in the use of HYV has surpassed earlier international records. (Area planted to high yielding cereals in Asia rose from 200 acres in 1964-64 to 34 million acres by 1968-69. In India, from a modest beginning in 1965, more than nine million hectares were sown to HYV in 1968-69.); (b) There has been a remarkable spurt in fertilizer consumption, (the annual increase in fertilizer (NPK) consumption between 1960-61 and 1965-66 was at the rate of 90,000 tonnes. Between 1965-66 and 1969-70, the rate went up to 300,000 tonne.); (c) Substantial pick-up in the spread of farm mechanisation; (d) Remarkable upsurge in minor irrigation, (between 1966 and 1969, 175,000 tube-wells were reportedly dug. At the end of the third five-year Plan, the total number was only 80,000. Between 1961 and 1965, the rise in the number of energised pump-sets/tube-wells was from 192,814 to 512,125 i.e., an annual average increase of 64,000. By March 31, 1970, the number had gone up to 1,348,842 and the annual rate of increase since 1966 had gone up to more than two lakhs. Currently, more than 2½ lakhs pump sets are being energised and the farmers' demand is far in excess of the state electricity boards' material and financial resources needed to meet it).

Surely this incredibly remarkable upsurge in the use of modern inputs cannot but be characterised as "transformation of traditional agriculture". That it has not permeated the entire country, as Prof. Dantwala has rightly pointed out, cannot detract from the fact its occurrence as testified by the

qualitative change in the input-mix in agricultural production leading to the shift in the production function. Moreover, as he added, "no innovation, however benevolent, can all at once become universally applicable". Here, the professor drew attention to certain inherent limitations, especially in the Indian context, such as availability of water—"inherited pattern of the distribution of irrigated acreage among farms."

We can now turn to the important aspect of institutional reform—land tenure, etc. Here, Prof. Dantwala made two notable points. First, "the technological barrier had for long rendered the much-needed institutional changes practically sterile and ineffective". Secondly, "where growth has occurred, institutional reform as a factor had a very low pay-off and technology a very high one." Instancing the example of rice, he noted that the growth rate in the yield of brown rice between 1951-55 and 1956-60 was 2.96 per cent, as against 3.26 per cent between 1956-60 and 1961-65 (both periods covered by land reforms, but the latter only to some extent).

It is customary to offer tenancy and small-sized holding as inhibitory influences, but here are two authoritative views quoted by Prof. Dantwala that belie it:

Barker and Mangahas: "From the point of view of land reform it appears that transfer from share-tenancy to owner-operatorship *per se* is of lesser importance than such other aspects of the reform programme as irrigation and extension system to the tenant. Farm size was found to have a very small effect, supporting the contention that no minimum farm size is necessary for the new varieties to be economically acceptable."

Chowdhury: "The participation by small farms in the programme is less than that by the large farms, but the effective participation of the former in terms of the proportion of the cultivated area put under HYV crops is not less satisfactory than that of the large farm holders."

Is there any disadvantage in the case of a tenancy to adopt the HYV technology? Though evidence is not said to be conclusive on this point, it is noteworthy that an enquiry conducted by the Department of Economics of the Bombay University into tenancy reform in Maharashtra and Gujarat has indicated that "tenants-cum-cultivators were distinctly better adopters of improved practices, compared to owner-operators". Both in Tamil Nadu (for paddy) and in Punjab (for wheat),

we are told, "the performance of tenant cultivators has been consistently better than that of the owner-cultivators, and the tenants were able to obtain even better output per acre than the owners." According to Mukherjee, "what little evidence has been produced does show that no significant difference in the rate of adoption has been observed between the owners and the tenants and also among the different size-of-holding groups". Prof. Dantwala himself put all this succinctly when he observed: "It would be prudent to recognise that, even if all the desirable land reforms and other institutional changes are fully implemented, their impact on traditional agriculture would be rather limited". Even progressive academicians, like Minhas, for instance, he said, had to recognise that an "imagined but radical" land redistribution policy by itself, would not be able to solve the problem of abject poverty in 1970." In short, "chances of effective implementation of institutional reform in the absence of marked technological breakthrough are meagre."

While on this point, we must add, Prof. Dantwala also strongly challenged Dandekar's facile assertion that "there is no doubt that the communist strategy (of reorganisation of the agrarian structure) can break the vicious circle of poverty and rescue an overpopulated agricultural country from the conditions of overpopulation". He said: "All that it can achieve is to cover up poverty and exploitation of the peasantry under a facade of institutions which can be called socialistic simply because they are so labelled. The only abiding solution to poverty in poor agricultural economies is to improve the profitability of human endeavour and ensure that its gains are evenly distributed."

Is there anything else that still remains to be done after the green revolution? Here, in the words of the Professor, is a pertinent answer: "Apart from the unresolved problem of dry regions, agronomic research has as yet not evolved correspondingly high-yielding varieties for India's major commercial crops like cotton, oilseeds, and jute. Though the area devoted to these crops is relatively small compared to foodgrains, a breakthrough in their productivity is crucial to the stability and growth of the industrial and export sector."

Finally—and this is an aspect that has not received adequate attention—we must refer to an agricultural problem which is even more important than self-sufficiency in food, viz., the massive additions to the labour force in agriculture. This, as Prof. Dantwala said, is the most explosive and perhaps the most intractable problem of Indian agriculture in the seventies.

WINDOW ON THE WORLD

Eating and Drinking in the EEC

JOSSLEYN HENNESSY

LONDON:

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TREND TOWARDS largeness

THE DEVELOPMENT of the food industries in Europe since the formation of the EEC has shown most of the characteristics which have come to be expected in an advanced industrialised economy.

The underlying economic factor is the increasing proportion of expenditure on food (which itself shows a negative income elasticity) that consumers wish to devote to a greater variety of processed "convenience and luxury" food products and marketing services. In response, the industry has adopted many innovations in processing and marketing. Product innovation as the central weapon in marketing strategy, supported by the full range of modern marketing techniques, is essential as the industry becomes ever more sensitive to shifts in consumer spending and preference. The need for heavy investment in automation, research, development and marketing leads to increasing size and declining numbers of factories and firms.

The trend towards an industry dominated by a limited number of large market-oriented and research-intensive firms, with only a fringe of small firms serving local or specialised markets, has gone furthest in the USA. Within the EEC, the industry is still fragmented, e.g., in the fruit and vegetable canning industry in Italy, despite the existence of firms of international repute like Cirio, the five largest still account for less than a quarter of production. The need to rationalise to compete in national and international markets with multinational corporations, mainly American, is recognised, and the pace of change is already fast.

In UK, the industry is more concentrated than in the EEC, especially after large mergers in recent years, e.g. Brooke Bond Liebig, Cadbury Schweppes, Bass Charrington.

Doubtless these trends would have emerged in the Six even without the EEC common agricultural policy (CAP) or indeed of the EEC itself, but the establishment of the EEC has certainly influenced the pace of change: not so much by establishing a single market

for food products (for progress in abolishing technical barriers to trade in food has been slow), but because of the scope which the enlarged market has given to developing integrated operations, notably economies of scale in research and marketing, by multinational corporations—American (General Foods, Wibby McNeill) and European (Nestlé, Unilever). The competitive pressure of such companies in national markets has speeded mergers and take-overs between national companies. To a more limited extent cross-border amalgamations between EEC companies have also taken place.

Competition from the multi-nationals has been paramount in accelerating greater concentration, but the creation of a market where the basic conditions of competition have been equalised with a common price for raw materials and an absence of tariff barriers has also had its effect. Equally, the mechanisms of the CAP may influence the developing structure of the industry in ways deviating from the American model.

Support Prices

In one area, the operation of the CAP has already had a specific effect. With prices for their two main products, butter and skim milk, guaranteed by the EEC, many dairy firms have cut production costs and taken the intervention price, rather than gone to the trouble and expense of marketing them or alternative products. But this has in turn led to the recent upheavals in the structure of the dairy industry, notably in France. Any change in the dairy support policy to reduce EEC surpluses would shake out some of those firms coasting along on butter and milk powder. Although such changes have yet to be made (and the reduction in surpluses will reduce pressure for them in future), the more far seeing companies and co-operatives are seeking to diversify into products such as yoghurt, which the CAP does not cover. Purchase of established firms is often the easiest road to diversification.

The interaction between the EEC's changing food industry and its agricultural producers is two way. The new food giants, led by the multi-nationals, are having marked effects on the marketing of agricultural produce by their

demands for raw materials of uniform and high quality.

Historically, co-operatives have been important in the agricultural marketing of most EEC countries, but there is no doubt that their development has been stimulated by the need to meet the requirements of large-scale food processors and distributors and to establish countervailing power to the latter's powerful position as buyers. An example of these factors is a leading West German food chain which only recently shifted its egg buying from the Netherlands to West Germany. Until West German farmers had formed a marketing organisation that could meet the company's requirements for quality, volume, packaging and delivery schedules, they had been unable to compete for its custom with the Dutch co-operatives. That the EEC has just dropped its rule that the sales of any one producer group should not exceed five per cent of the EEC's output of any product shows the importance of the repercussions of the large-scale processors.

Traditional Enterprises

Substantial areas of the EEC's food industry are still "traditional", the majority of enterprises small scale, family-owned or artisan businesses. This is specially true in France, Belgium and Italy. In Belgium, in 1968, of 8,626 enterprises only 25 employed over 500 workers. However, even where small scale enterprises remain significant in numbers, their economic importance is declining. Flour milling in France, where firms employing less than five people account for 14 per cent of output, is exceptional; in most sectors, firms of this size control less than five per cent of output. The major cause for concern in these countries is rather the small number of firms of national or international size with the resources necessary to undertake the investment required to flourish in competition with the multinational food giants. The family-owned enterprise still predominating in many sectors is vulnerable, because it is usually unwilling, or unable, to go to the capital market for finance and it cannot raise the funds internally. A 1966 survey showed that only 66 French food firms, out of a total of 12,500 were undertaking R & D expenditure. Some small firms will find a future in serving specialised markets, but for most absorption seems inevitable.

Inadequate statistics make it difficult to measure the changes in the industry in recent years, but the trend to concentration is evident. In Belgium, between 1960 and 1968, the units in the industry

fell by 1,062. In France and Belgium, mergers between leading firms have taken place and in certain sectors a high degree of concentration has already been realised. In Belgium, e.g., three firms control two-thirds or more of the market in biscuits, chocolate, meat products, fruit, jam, sugar and margarine, and in France, cooking oils, fats, mineral water and pasta. In West Germany and the Netherlands, where large co-operatives are important in processing, and multinational corporations are already dominant in the private sector, the trend is the same.

II

MULTINATIONAL INFLUENCE

The increasing penetration by the multinational companies of the markets of the Six is apparent. These companies are not merely creating conditions in which concentration and rationalisation is essential for survival. By themselves taking over national firms as a means of market penetration (the US firms have completely taken over 13 Belgian companies and obtained majority holdings in 130 others), they have caused defensive mergers, and even government intervention to ensure the survival of domestically controlled companies.

Although many recent mergers in Europe have been defensive, aggressive diversification by long established market leaders, especially in rapidly growing convenience and luxury foods, is increasingly evident.

Moves by firms which previously depended on their domestic markets to extend into other parts of the EEC, are also increasing by take-overs or setting up new production and marketing organisations. Bahlsen, the leading West German biscuit producer, has established itself strongly in France, while in 1969 the French Alsacienne Biscuits concluded an agreement with General Biscuits, the largest Belgian producer. The French canning group Blanchard has got on to a continental basis by taking over the Dutch Vegetable Canning Company de Sleutens.

At least one or two groups capable of standing beside Unilever and Nestles, as European-based companies able to match the US multinationals in diversity and output, will emerge out of the present upheavals. Increasingly often firms in new mergers and take-overs are those which have already been prominent in earlier amalgamations. In France, a strong contender for multinational status emerged in 1970 with the agreement between Generale Alimentaire and Gervais-Danone, Generale Sucriere, and the Rothschild-cont-

rolled Compagnie du Nord, whereby the three latter acquired a 20 per cent holding in Generale Alimentaire. All the parties to this agreement have themselves emerged from recent take-overs and the new group will have a wide range of products and a leading position in different sectors of the food industry.

The EEC countries have important agricultural co-operatives, launched in the late 19th century. Seeking to provide the farmer with an economic and social framework within which to operate effectively, the co-operative movements of the six countries have basic similarities, although they have developed in varying ways to differing positions of importance in the provision of purchasing, insurance, marketing and processing facilities to small and medium-sized farmers in their different countries. The movement is least important in Italy and greatest in the Netherlands and West Germany. In West Germany, e.g., there is a strong co-operative structure at both Land and Federal levels which controls more than 40 per cent of agricultural output — a proportion which is rising.

Co-operatives have felt the need to concentrate and increase the scale of their operations and diversify output. The concentration of the private dairy industry in France has been paralleled by strong regional groups of co-operatives. In West Germany, co-operative dairies collect 80 per cent of milk output. Only a negligible percentage is resold to private processors; most is processed and increasingly marketed by the co-operatives under their own brand name. Dutch dairy co-operatives have also been increasing their scale and diminishing their numbers.

III

FOOD INDUSTRY AND THE E.E.C.

Although the British food industry is more concentrated than in the EEC, the full extent cannot be known until the results of the 1968 Production Census become available. But the outlines are clear. The Food Manufacturers Federation reports that since 1960 its membership has fallen from 800 to 500, and that these 500 companies now account for 90 per cent of food production, excluding cakes, biscuits, sugar, and chocolate confectionery. In certain sectors a few large groups are important. In bread, e.g., four firms now cover more than two-thirds of retail sales.

The food and drink industry was prominent in the take-overs of 1968-69. In 1969, of 18 industrial and commercial amalgamations involving more than £10 million each, four were in the food

industry and the total sum involved was £174 million. The high degree of concentration in UK food industry is largely due to the long tariff-free exposure that it has had to in competition from multinational companies. Similarities in tastes and in language encouraged US firms to enter the UK earlier than other parts of Europe. Of the European-based multinationals, Unilever is 50 per cent British-owned, and Nestles (Swiss) has kept pace with its competitors in the UK market. This has led not only towards concentration in the domestic food industry but in certain sectors to almost complete domination by the multinationals in branded products. Examples are canned soup (Heinz, Campbell, Cross and Blackwell — owned by Nestles), instant coffee (General Foods, Nestles), frozen foods (Birdseye owned by Unilever, Findus owned by Nestles, Ross Smedley owned by Imperial Tobacco — a newcomer to food but a company with resources to take on the multinationals). All these products are in convenience foods — the industry's growth sector.

Exploitation By UK

In the food and drink industry, as a whole, it is probable that there are at least as many companies in the UK with a turnover of more than £50 million as there are in the EEC, i.e. about 20. This suggests that the UK industry has little to fear from competition from the EEC and that it should be well placed to exploit continental markets as far, and as fast as, it can adapt to the different regulations of the EEC.

Entry into the EEC will be especially welcome to those sectors in which the home market is saturated and growth potential small, so that further growth can only come from new markets — confectionery and beer are the prime examples — or where the fragmentation of the EEC industry offers opportunities (e.g. canned goods). In general, the UK should in the next 10 years see a rapid growth of demand in EEC countries for highly processed, convenience products, which the UK food industry should be well placed to exploit.

Such factors will inevitably lead, to some extent have already, UK food manufacturers to set up production in the EEC, whether the UK joins or not. The brewing industry is a leading example. Allied Breweries, by taking over Orgajneboom and De Drie Hoefijzers in 1968, now controls 20 per cent of the Dutch market (cf. Heineken, the leader, with 37 per cent). Watney Mann is the third largest brewer in Belgium by its control of Brasseries Vandenheuvel, and Whitbread has entered the French market through a holding in Societe Europeenne de Brasseries. Some confectionery firms

have also already set up within the EEC. Tate and Lyle has a holding in Say-Beghin, the largest French sugar refinery.

Penetration of the market will be easier if the UK joins the EEC, but there will be some headaches.

The UK will have to adapt to higher prices and to a different price structure and sources of supply for raw materials and to the complex EEC market regulations for agricultural products.

The UK food manufacturers are concerned about the effect on their home market of price increases anticipated in this UK government's 1970 White Paper — the retail food price index will rise by 15 to 22 per cent. A main factor will be the higher price of wheat. Bread manufacturers will face a special problem because the price of imported hard wheats, a high proportion of which is used in UK bread, will substantially exceed the price of home grown soft wheat. In seeking to maintain an already static demand, they will have to decide between considerations of price (leading perhaps to a switch to soft wheat) and of present consumer taste. Similar problems will face biscuit manufacturers in deciding how much less butter they could use. The animal feed compounding industry will also face major changes of formulae. In order to market compounds at prices which will enable pig and poultry producers to work profitably, protein content will have to be adjusted for cost and greater use made of ingredients such as maize gluten feed, copra expellers and hominy chop, and of home grown vegetable protein, all at present regarded as of second quality or inconvenient.

Need for Readjustment

As the CAP gives a preference to EEC producers, many firms which import their raw materials will need to set up relations with new suppliers within the enlarged EEC, or to switch to domestic supplies as UK farm output expands. For most, this will only be a matter of temporary adjustment, but the sugar refining industry will face more serious headaches. The UK industry is mainly based on refining raw cane sugar imported under the Commonwealth Agreement. The future of the CSA is an issue in the negotiations for entry. Should the availability of cane sugar be curtailed (e.g. by the exclusion of Australian supplies from EEC preferences), refiners would find themselves with plant unsuited to processing beet and wrongly located, and it is doubtful whether supplies of home-grown beets (even if plant could be adapted to use them) would be available.

Arrangements will have to be made substantially to increase the levy-free

quota of imported frozen meat allotted to the EEC canning industry in order to satisfy the UK industry's much larger requirements. Imports of frozen meats are allowed free of levy (though not of duty) since they are not deemed to compete with domestic supplies. EEC consumers do not buy frozen meat. In the UK, policing of the levy-free imports to prevent their diversion into the shops may create difficulties, because UK consumers do buy frozen meat.

At present, the UK Milk Marketing Board, by giving priority to the liquid market, rations the residual supplies of raw milk among manufacturers. Within the EEC this will not be possible. Manufacturing firms will be free to expand their output of dairy products even if this means curtailing distribution of liquid milk. Whether they will find it possible to do this will depend on official policy, because retail prices for liquid milk will continue under the control of governments.

IV

E.E.C. FOOD RULES

Companies intending to sell outside the enlarged EEC will have to grapple with its complex rules governing export "restitutions" for processed foods. So that EEC manufacturers may compete with those in third countries who obtain their raw materials at world prices, they are eligible for a restitution (export subsidy) equaling the difference between EEC price and world price for the ingredients of their exports.

A typical example of the complexity of the rules is biscuits, which may contain sugar, butter, dried milk, flour and eggs — all items subject to CAP rules. Formulae for every type of biscuit manufacture must be deposited with the appropriate national intervention agency. Each month a schedule of exports giving the gross weight of each type exported and corresponding weights of ingredients qualifying for restitution is sent to the agency which calculates the restitution payment due to the exporter. The extra paper work for the manufacturer is considerable.

Progress towards harmonisation of national standards of preservatives, colouring, hygiene, etc., has been slow. Some EEC standards have, however, been established. The UK will have to adapt to them. In some cases this will create difficulties for the existing Six as well as for new members. Some 50 per cent of the output of the UK soft drinks industry, e.g., are products not manufactured within the Six at all, and therefore not covered by the EEC code. This will cause some scratching of heads in Brussels.

The initial work on the harmonisa-

tion of standards, and setting up EEC standards where national ones do not exist, is undertaken by the trade associations of each industry. When these have formulated an agreed draft it goes to the EEC Commission and the final decision on a new EEC standard is eventually taken by the Council of Ministers. The UK food industry's trade associations have already established unofficial relations with their EEC counterparts to ensure as far as possible that as new standards emerge they take account of UK practices.

Towards Large Unit

In food distribution, as in processing, the trend is towards large units. Here also Europe is following, with a considerable time lag, the experience of the USA, where self-service food stores now comprise 75 per cent of all units and 90/95 per cent of sales. In OECD Europe, the comparable figure is still less than 10 per cent of all units, controlling 40/50 per cent of sales.

The framework within which the trend to large-scale self-service retailing is set varies from country to country. In the UK, most supermarkets belong to a few large chains, while in France over 40 per cent of supermarkets belong to independents, most of whom are members of retailer-owned or wholesaler-owned buying groups.

Whatever the framework, conversion of good retailing to self-service has led everywhere to larger sized individual stores. The most startling development anywhere in Europe has been the emergence and rapid growth in France of "hyper-markets" — massive out-of-town discount grocery shops. The surprisingly quick development of the hypermarket may well be the result of the low level of development of retailing in France. In both the UK and West Germany, where supermarket retailing is much more highly developed, the out-of-town discount store has found it more difficult than the hypermarket to capture a significant proportion of the market.

It is, however, likely that UK entry into the EEC will speed up the trend to larger units and strengthen the corporate chains in UK retailing. At a time of rapidly rising prices, the ability of these chains to cut retail margin to the bone is bound to enhance their competitiveness.

In conclusion, it may be noted that the trends in the EEC and in the UK towards ever greater concentration in food processing and in food distribution all mutually reinforcing (a) for technical reasons and (b) because countervailing power is called forth on both sides. Mass production demands mass distribution in order to be economic. It is equally true that mass distribution demands

mass production, because distributors need assured volume, uniformity of product and heavy advertising expenditure to keep goods moving.

Sources and Acknowledgements: The foregoing summarises, by special arrangement, an exclusive report in

depth in the latest *European Trends*, published, 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.

East-West Co-operation

E. B. BROOK

FOR THE past quarter century Europe has been, in effect, not one continent but two. The division determined by Stalin remains in many ways an Iron Curtain, difficult and dangerous, and east of it countries using a form of socialism alien to its western varieties have been organised in the economic bloc known as Comecon (The Council for Mutual Economic Assistance) for some five years longer than the Common Market has existed. By mutual consent, 60 per cent of all trading between the European countries east of the Curtain is done between themselves on what amounts to a barter basis based on an obsolete form of planned economy and utilizing inconvertible currencies; the remaining 40 per cent of their commerce is shared by the industrially developing countries to which east Europe offers long-term credit and the capitalist countries which, more often than not, are required to extend to east Europe long-term credits.

Despite the cumbersome character of these arrangements, the reluctance over most of the period of the capitalist area to trade much, if at all, with the communist economies and the genuine difficulties of arranging trading methods to suit sufficiently both systems, it cannot be denied that the economies within the Comecon area have grown significantly in the last 25 years. The Soviet Union, despite the crippling expenses of its nuclear defence system, of very large armed forces and a costly security system, has worked itself into the position of a significant mercantile country with a large and growing merchant marine, and a major supplier of natural gas for its own and for some of its colleagues' industries that will, next year, begin also to supply Federal Germany, Austria and Italy with gas. Discoveries of its widespread wealth in natural gas, in oil and in many minerals help to give Siberia something of the same pioneering opportunity aspect that the western half of the United States exhibited a century ago and the progress it shows in some branches of industrial engineering has attracted attention in western Europe, especially in France.

Similarly, the German Democratic Republic has built itself up remarkably

from almost nothing in 1946 to a significant and aggressive trading area with also a growing merchant marine and fishing fleet, and, despite some lapses, a reputation for the quality of its products. The neighbouring Poland is now the seventh largest ship-builder and, despite current difficulties, has most of the necessary potentialities for industrial growth in mining, engineering and tinned food industries. Czechoslovakia's misfortunes and power and manpower-shortage are hindrances that should be overcome in this decade, especially if this able nation can obtain sufficient help in raw materials and industrial power from its partners and in industrial automation from western Europe.

Whereas this halting but strenuous progress based on a framework of five-year plans, now to be more tightly integrated between Comecon's members, grows, western Europe is turning a much more agreeably interested face eastwards while it appears to scowl increasingly westwards at "le defi Americain". The Trade Bill now before the US Congress rouses much more resentment in west Europe's capitals and in Brussels than do the difficult and often complex trading propositions offering only deferred profit put forward by east Europe.

There is no question at least for an unforeseeable time, of Europe again becoming one. But while the smaller nations of east Europe are turning increasingly to the west for possibilities of acquiring the latest skills and equipment in automated industry, for manufacturing cars and lorries, for the finer skills in mineral exploration and development, western Europe is taking a far more friendly interest in the opportunities available in the eastern half.

The principal potential beneficiary and developer of this tentative east-west co-operation in Europe is Federal Germany. With the treaties signed last year in Moscow and Warsaw, Federal Germany has achieved sufficient elbow-room to exploit its advantages. The persistence with which the Federal German government is pushing its objectives—further discussions with Czechoslovakia are likely to be held in Prague within a few months on the possibility of a

political detente and a trade co-operation agreement—has become so pronounced that it has drawn unfavourable, outspoken comment in Washington and more restrained official U.S. representations in Bonn.

More significant, since West Germany will continue to direct its effort westwards and to establish its strength within the Common Market, replacing France as the dominant partner, the attraction that German industry has for east Europe will increasingly draw the smaller Comecon countries into the orbit of the Common Market and, correspondingly, economically away from the Soviet Union.

There are not a few indications that east Europeans realize that their inconvertible currencies cannot be maintained for many years longer on their present exclusive basis; that, if they wish to have any significant contact commercially outside their own circle, they must make at least a part of their currency available for exchange at a realistic rate against the pound, the mark and the franc. It remains to be seen a little later this year what function the newly-established International Investment Bank, with its headquarters in Moscow, will be allowed. There have been hints of a possibility that its member countries' credits may be made partly convertible for approved international trading contracts.

Pressure of Events

East Europe watches the developments in the Common Market very closely and is aware that pressure of events may force the halting and unwilling west Europeans towards genuine functional integration in particular spheres, in technology, defence and finance, in order to protect themselves from an indefinite continuation of the world dollar standard.

In other words, the east Europe too complex realizes that it has not the much time to consider how to face the problem of a west European complex. Its smaller members will be in no mind to be caught between the upper and lower millstones of Moscow and Bonn. Nor will Moscow wish to have to chase an economic situation advanced immeasurably beyond its own system, especially with the prospect about the same time of Japan emerging industrially stronger than the USSR or of a form of co-operation between Washington and Peking.

The seventh decade of the century appears likely to see outside pressure from west and east persuading the Europeans to find an easier way to co-operate economically, not through a complex or multitude of little states but more probably between a more flexible complex in its east and a new, vigorous, supra-national grouping in the west.

The moving finger writes

I HAD been to a number of places in western, southern and eastern India in the earlier part of this month as a member of a party of journalists visiting industrial projects with elements of West German collaboration or participation. The general impression I have gained about the pre-election situation in these regions is that, while Mrs Indira Gandhi is personally popular among large sections of the electorate, her party does not seem to be organised well enough to exploit this situation fully. The position is slightly better in Maharashtra than in other states, but even in Maharashtra, Mr Y.B. Chavan had better be prepared for some shocks and knocks.

In Tamil Nadu, our group had the advantage of meeting Rajaji and listening to him for the better part of an hour. The Grand Old Man chose to think aloud in our company and his thoughts had less to do with current politics than with the basic values of a free society. Almost the only observation he permitted himself on the forthcoming general election was that the issue before the electorate was the simple one, whether Mrs Gandhi was to be allowed to take the country into the uncharted seas of an authoritarian, personal rule bound to the chariot-wheels of communism. He felt that the institutions of the parliamentary system of government had been compromised already by unprincipled alliances or understandings with forces, both external and internal, which were clearly inimical to the democratic idea or ideal. In these circumstances, he thought it a folly for people to demand that the parties seeking to combine in opposing the Prime Minister should be asked to state what their economic or other objectives were.

The irony of it is that, of all persons, Mr M.R. Masani has been most insistent on the opposition front agreeing on a common programme. It is true that, for all practical purposes, his quixotism has been disciplined by Rajaji's realism, with the result that he finds himself virtually isolated in his own party. Even so, it is a pity that the Chairman of the Swatantra Party should at this critical juncture be guilty of such acts of adolescent political behaviour as walking out of the New Delhi meeting of the opposition parties on January 3, or, worse still, sulking in his tent even after his own party had subsequently decided in favour of joining the

front which had been forged at the New Delhi meeting. The trouble with Mr Masani is a certain personal conceit with which is combined the added rigidity of immense intellectual inflexibility. It is a surprise that the Swatantra Party has been able to survive at all under his Procrustean chairmanship.

Although I halted in Madras only for about thirty hours (including my usual seven hours in bed), I could see that a violent reaction had developed against the DMK among the people at many levels. Whether this mood is widespread in the state as a whole I am personally in no position to say. But Mr T.T. Krishnamachari, with whom I spent a stimulating hour, did express the view that the DMK had lost the confidence of the people, particularly in the rural areas.

The majority of those with whom I discussed the election prospects in Tamil Nadu was firmly convinced that, had there been no split in the Congress organisation, the DMK could have entertained no hopes at all of a second term of power in Tamil Nadu. Even so, there is no denying the fact that the normally boastful Chief Minister of Tamil Nadu is running scared. Granted that his resources of political management are as unprincipled and versatile as Mrs Gandhi's, he should still consider himself lucky were he to return to power even if only as the leader of a coalition ministry.

I had an opportunity of listening in at a meeting which Mr Kamaraj had with workers of his party for discussing election strategy. Rather irresponsible, I thought, was the inclination on the part of some of those present to encourage attitudes of smugness or complacency in themselves or their comrades. Fortunately Mr Kamaraj himself is disposed to discourage this mentality sternly enough. While he realises only too well that the evil reputation which the DMK administration has built for itself for organised corruption at ministerial or party levels has induced the electorate generally to think in terms of a change of government, he is quite clear in his own mind that a solid propaganda and organisational effort will have to be mounted by his party to bring out the voters in strength in support of its candidates. It is important, in particular, to impart concrete form and direction to the deep distrust of the DMK and its purposes which has

spread among the business community, the student community and the very large number of ordinary men and women who are greatly perturbed by the DMK's continuous effort to impose its fanatic politics on temple worship or other religious practices.

According to my sources in Madras city, Mrs Gandhi has made a personal request to Mr Karunanidhi for help in ensuring the success of the candidatures of Mr C. Subramaniam and Mr Mohan Kumaramangalam to the Lok Sabha. The report is that she has even confided to the DMK Chief Minister that so far as the Tamil Nadu seats for the Lok Sabha are concerned, she is prepared to limit her positive interest to these blue-eyed boys of hers. The trouble however is that it will not be enough if the DMK's connivance alone is secured. The CPM in Tamil Nadu will also have a big say in the matter. It may, of course, be taken for granted that Mr Kamaraj and his organisation will leave no stone unturned in their effort to bring about the defeat of these two favourites of the Prime Minister.

Within the DMK itself opinion is bound to differ on the issue of this party wholeheartedly co-operating with the election campaign of Mr C. Subramaniam or even Mr Mohan Kumaramangalam, since, in the event of Mrs Gandhi forming a government at the centre after the next election, she may be expected to take these two gentlemen into the cabinet provided they are returned to the Lok Sabha. Many leaders in the DMK are understandably reluctant to contribute to a process which is bound to diminish their own party's prestige in Tamil Nadu as well as its influence over the central government. Once Mr C. Subramaniam and/or Mr Mohan Kumaramangalam become central ministers, the authority of their party will certainly increase in Tamil Nadu and this is bound to cut into the political status of DMK. This apart, it is an open secret that Mr Karunanidhi and his colleagues are speculating with the greatest interest over the probabilities of a coalition ministry in the centre led by Mrs Gandhi's party and including among its members representatives of the DMK. In these circumstances, the DMK may well be not too enthusiastic about Mr C. Subramaniam or Mr Mohan Kumaramangalam.

V.B.

Trade Winds

SODA ASH SCARCITY

In a talk with pressmen in New Delhi the President of the All-India Silicate Manufacturers' Association, Mr S. S. Singhanian, expressed grave concern over the inadequate availability of soda ash in the country. Because of the shortage of soda ash, "about 300 small-scale sodium silicate manufacturers scattered all over the country", he said, "are facing almost a complete deadlock."

Over the past three and half months, the prices of soda ash, Mr Singhanian revealed, had registered a sharp up-trend, the premium over the normal prices has gone up from 10/20 per cent in September last to over 100 per cent currently. Soda ash is the basic chemical used in a large number of industries, particularly the silicate, glass, soap and detergents, textile and paper industries. The sharp rise in the prices of this chemical has also led to a sympathetic rise in the prices of caustic soda.

In the immediate future, while the rationalisation of distribution of soda ash and the contemplated imports in sizable quantities, as urged by the Silicate Manufacturers' Association and understood to have been agreed by the government, may ease the situation somewhat, the basic problem that needs to be tackled is the stepping up of indigenous production. Currently, we are producing nearly 425,000 tonnes of soda ash annually from an installed capacity of approximately 450,000 tonnes. The demand is estimated to be around 550,000 tonnes. Unless the installed capacity is augmented substantially, it is feared that during the next three years, we may have to spend between Rs 15 crores and Rs 20 crores worth of precious foreign exchange to alleviate the distress caused by the shortage of soda ash.

There are plans to set up three new units to manufacture soda ash in Madras, Maharashtra and Haldia. While some preliminary work has been done on the Haldia project, the completion of this venture is not expected in less than 42 months. The regular licences for setting up the Madras and Maharashtra units have yet to be issued. As a new unit takes at least three years for construction and another six months to one year to overcome the teething troubles, the Maharashtra and the Madras units too may not be in a posi-

tion to deliver the product before 1975-76. In the circumstances, there does not appear to be any escape from expanding some of the existing units. The expansions of the existing plants will not only be less costly but can also be completed in about two years. Could it be hoped that some concerted thought will be bestowed on the problem of stepping up indigenous production expeditiously so that precious foreign exchange is not unnecessarily spent on imports?

The import content of the expansion programmes of the existing units, it is gathered, will cost much less than the amount of foreign exchange which we may be obliged to spend on augmenting the indigenous supplies through imports or on setting up of new units.

WHEELSETS

The government has desired to encourage the creation of additional indigenous capacity for wheelsets using cast steel wheels required by the Railways, as the existing capacity of wheelsets using rolled wheels is inadequate and does not cover the full range of wheelset requirements. Applications in the prescribed form have been accordingly invited from existing licensed cast steel foundries for grant of licences under the Industries (Development & Regulation) Act, 1951, for establishment of such a capacity by substantial expansion of existing undertakings or inclusion of "new articles", for the manufacture of wheelsets using cast steel wheels.

CERAMIC MACHINERY

As a consequence of the increase in demand for various ceramic products such as, refractory, high tension and low tension insulators, sanitaryware, glazed tiles, bricks, crockery etc. there has been a corresponding increase in the demand for ceramic machinery of different types to suit the needs of the user industries. While the aforesaid ceramic products are manufactured in the country and conform to international standards, the ceramic industry is still largely dependent on imported equipment, in view of inadequate production of indigenous ceramic machinery. The estimated demand for ceramic machinery has been placed between Rs 4.5 crores to Rs 5 crores per annum. Some of the important equipment falling under broad category of ceramic machinery are: (a) crushers, (b) ball mills, (c) extrusion mill, pug mill and de-airing pug mill,

(d) tunnel kilns, (e) automatic presses, (f) driers, (g) specialised machinery for crockery and tableware such as, roller machines, handle applying machines, fettling machines, glaze removing machines, plaster evacuation machines, and (h) mechanised tile and brick-making plant. In the above context, the government wish to encourage creation of additional capacity for the manufacture of ceramic machinery. The government would also consider request for foreign collaboration for know-how on merits for such of the equipment where the indigenous technical know-how will not be available.

EXPORTS OF JUTE

"In the context of the declining trend in the exports of jute goods, the union government is proposing to adopt a crash programme to promote specially exports of hessians and sackings," the union Minister of Foreign Trade, Mr L. N. Mishra, announced on January 13, 1971. He was addressing a meeting of the Jute Textiles Consultative Council. Mr Mishra added that in this crash programme, though the public sector would take a predominant share, private parties would also be able to take part for exporting to new and non-traditional areas on a basis of barter, provided the shipments were made before March 31, 1971. Even in the barter made by the STC, private parties would be eligible for being treated as associates. The Foreign Trade Minister hoped that by this process the country would be able to achieve additional exports of these goods worth about Rs 15 to 20 crores by the end of this financial year. The import package to be announced shortly will be a little higher in value for exports to the new and non-traditional areas than for other areas, he stated.

NEW JUTE MILLS

New and modern jute mills, are to be set up in north Bihar, Orissa, Assam, Tripura and Andhra Pradesh, it is reliably learnt. The union Foreign Trade Minister, Mr L.N. Mishra, is understood to have ordered a quick survey of the possibilities in this regard in these jute-growing states with a view to formulate proposals and project reports. The setting up of new jute mills in these states, it is pointed out, will meet regional requirements and also promote industrial development of the jute-producing areas.

A four-man committee, under the Chairmanship of Mr S.P. Mukerjee, Jute Commissioner, which has been set up to make a quick survey, has been directed to submit proposals by February 15. The committee will very shortly visit these states for on-the-spot dis-

cussions with state ministers and officials.

Mr Mishra is understood to have written to the chief ministers of Bihar, Assam, Tripura, Andhra Pradesh and Orissa, seeking their co-operation to expedite the setting up of these new mills. The terms of reference of the committee are: (a) to assess, having regard to the production of jute and mesta in the industrially backward areas, the possibility and feasibility of setting up new mills in the states of Assam, north Bihar, Andhra Pradesh, Orissa and Tripura; (b) to determine the number of mills that can reasonably be set up in each state and the minimum economic size of each unit; (c) to evaluate the comparative merits and demerits of setting up the new mills in the public/co-operative/private sector; (d) to assess the financial outlays involved for each such mill, based on current prices of modern equipment under plant and equipment, (imported and indigenous), land and building. The government's decision to set up the four-member committee for this purpose is in fulfilment of an assurance given by Mr Mishra, in the Lok Sabha during its last session.

VANASPATI PRICES

Prices of vanaspati have been reduced by 14 paise per kg. in east zone. There is no change in the remaining three zones. The revised prices have been notified by the government under the Vegetable Oil Products Control Order, 1947, separate prices being fixed for sale by producers, wholesalers and retailers. The maximum retail prices of vanaspati in different pack-sizes, and when sold loose, exclusive of sales tax and other local taxes, will be as under:

(In rupees)				
Zone	16.5 kg.	4.0 kg.	2.0 kg.	Loose per kg
North	90.05	23.77	12.37	5.46
South	88.15	23.31	12.14	5.34
East	88.12	23.31	12.13	5.34
West	85.56	22.68	11.82	5.19

ASSURANCE TO TEA INDUSTRY

The union Minister of Foreign Trade, Mr L. N. Mishra, has assured the tea industry and trade that the government is exploring all possible ways to run the public warehouses in Calcutta without allowing a vacuum on the expiry of the leased period of M/S Balmer Lawrie and Co. Mr Mishra was speaking to representatives of the tea industry and trade at Calcutta recently.

The union minister referred to the large accumulation of tea chests in the public warehouses in Calcutta as a result of certain disputes with local labour in these warehouses. He said he could also imagine the apprehension of labour that there was a fear of retrenchment should M/S Balmer Lawrie and Co. give up managing these warehouses on the expiry of their present lease after March 31, 1971.

SMALL SAVINGS INTEREST RATES

The union government has announced more attractive interest rates on small savings securities and accounts. The increases cover all taxable securities and also the Post Office Savings Bank accounts on which interest is tax-free. With effect from January 15, 1971, Seven-year National Savings Certificates on which interest is paid annually at 7½ per cent will now earn 7½ per cent. Equally attractive are the increases on the Post Office Time Deposits introduced last year. One-year deposits will earn six per cent, 3-year deposits seven per cent and 5-year deposits 7½ per cent per annum. In the case of Post Office 5-year Recurring Deposits, the interest rate has been increased from 6½ per cent to 6¾ per cent per annum compound, the maturity value of a Rs 10 account increasing from Rs 700 to Rs 710. The interest rate on Post Office Savings Bank accounts goes up from 3½ per cent to four per cent. Deposits blocked in a savings bank account for two or three years will earn 4½ per cent per annum compound. Deposit accounts opened and certificates purchased before January 15, 1971, will also receive corresponding benefits.

STUDY TEAM FOR BULK DRUGS

Mr R. Jayaraman, member of the Bureau of Industrial Costs and Prices, has been appointed as member of the working group, set up to study the cost structure of 25 bulk drugs. The group, headed by Mr N. N. Wanchoo, Chairman, Bureau of Industrial Costs and Prices, was set up by the Ministry of Petroleum & Chemicals and Mines & Metals in September last. The group is to review also the norms for conversion cost and packaging, which the government had prescribed on May 25 for the purpose of calculating revised prices of formulations.

PRICES OF DRUGS

The union government has decided that the price of a medicinal formulation, once fixed, shall not be increased without their prior approval. This marks a departure from the previous practice of allowing the pharmaceutical manufacturers to give effect to increased prices, subject to subsequent scrutiny and decision of the government. Fur-

ther, the government has acquired powers to revise the price of any formulation on their own. As for the new packs and new products, prices will have to be approved by the government before they are given effect to.

DRILLING AT SURUINSAR

The drilling operations are again in full swing now at Suruinsar, about 46 kilometers from Jammu, where the Oil and Natural Gas Commission has undertaken exploratory operations for gas and oil deposits. The ONGC now hopes to reach the proposed depth of six thousand metres by March, 1973, the original target date fixed for the operation.

ANNUAL PLANS: 1971-72

Madhya Pradesh

The outlay for the Annual Plan, 1971-72, of Madhya Pradesh will be of the order of Rs 90.5 crores. This was agreed to at a meeting between Prof. D. R. Gadgil, Deputy Chairman, Planning Commission and Mr S. C. Shukla, Chief Minister of Madhya Pradesh recently.

The central assistance for the state's annual Plan for 1971-72 will be of the order of Rs 52.4 crores. The outlay for the state's fourth Plan is Rs 393 crores. Expenditure during 1969-70 was Rs 56 crores and the anticipated expenditure during 1971-72 is about Rs 75 crores.

In view of the improvement in the resources with the state, the state government has proposed enhancement in the outlay to Rs 450 crores for its fourth Plan, including a proposed outlay of Rs 90 crores for the year 1971-72. It was agreed that proposals of the state government would be reviewed in the Planning Commission. The outlays (in Rs crores) approved for the major heads of development in the Annual Plan for 1971-72 are: Agricultural programmes 20.14; Co-operation & Community Development 4.85; Irrigation & Power 36.00; Industry & Mining 2.95; Transport & Communications 7.70; Social Services 17.92; and Miscellaneous 0.90.

Jammu & Kashmir

The outlay for the Annual Plan, 1971-72, of Jammu & Kashmir will be of the order of Rs 30.79 crores. The central assistance for the Annual Plan will be Rs 29 crores. The fourth Plan outlay of Jammu & Kashmir is Rs 158 crores. Expenditure on Plan schemes during 1969-70 was Rs 22.80 crores, while the anticipated expenditure during 1970-71 is estimated at about Rs 29 crores. Mr G. L. Dogra, Minister for Planning and Development, Jammu and

Kashmir, stated that efforts had been made to gear up the administrative machinery to implement the Plan programmes speedily. However, delay in getting construction material like iron and steel as well as machinery and other equipments had held up work on some projects. He, therefore, suggested that shortfalls in any one year should be carried over to subsequent years of the fourth Plan. The state Planning Minister pointed to the need for allocating more funds, particularly for power development, roads, general education, water supply and health in the Annual Plan, 1971-72. Work on the lower Jhelam project for power development had to be accelerated to open up backward areas. He pleaded for the establishment of a medical college in Jammu with finances to be provided outside the state Plan.

Orissa

The outlay for the Annual Plan, 1971-72, of Orissa will be of the order of Rs 48.33 crores. The central assistance for the state's Annual Plan 1971-72 will be Rs 32 crores. The state's fourth Plan outlay is of the order of Rs 222.60 crores. Expenditure during 1969-70 came to about Rs 36.14 crores, and the anticipated expenditure during 1970-71 is about Rs 45.96 crores.

The distribution of the outlay (in Rs lakhs) in the Annual Plan, 1971-72, under various heads of development is—Agricultural programmes 872; Co-operation and Community Development 165; Irrigation and Power 2260; Industry and Mining 323; Transport and Communication 313; Social Services 872; and Miscellaneous 27.

Himachal Pradesh

The outlay for the Annual Plan, 1971-72, of Himachal Pradesh will be of the order of Rs 19.50 crores. This was agreed to at a meeting between Prof. D. R. Gadgil, Deputy Chairman, Planning Commission and Dr Y.S. Parmar, Chief Minister, Himachal Pradesh, recently. The fourth Plan outlay of Himachal Pradesh is of the order of Rs 101.4 crores. Plan expenditure during 1969-70 came to Rs 16.14 crores and the anticipated expenditure during 1970-71 is about Rs 19.61 crores. During the discussion the Chief Minister observed that the outlay of the fourth Plan of Himachal Pradesh would have to be revised upwards and that the Annual Plan for 1971-72 also would have to be slightly increased. Dr Parmar wanted that in Himachal Pradesh greater attention would have to be given to rural electrification as a means of expanding the lift irrigation programme and also to provide power for domestic consumption particularly in place of fire wood,

which would in turn, reduce the indiscriminate cutting of trees and prevent deforestation and soil erosion. He explained that horticulture was another sector in which greater attention was needed. Under horticulture, production during 1970-71 is expected to be of the order of 150,000 tonnes of fruits. It is proposed to step up production to 180,000 tonnes in 1971-72. Under forests, the area under economic plantations is proposed to be raised from 2,516 hectares in 1970-71 to 4,000 hectares in 1971-72 and under quick growing species from 1,270 hectares in 1970-71 to 2,200 hectares in 1971-72.

Nagaland

The outlay of the Annual Plan, 1971-72, of Nagaland will be of the order of Rs 7.86 crores. Central assistance for the state's Annual Plan will be of the order of Rs 7 crores. The state's fourth Plan outlay is Rs 40 crores. Expenditure during 1969-70 came to about Rs 5.66 crores and the anticipated expenditure during 1970-71 is about Rs 7.75 crores. The distribution of the outlay (in Rs lakhs) of the Annual Plan, 1971-72, under various heads of development is as follows: Agricultural Programmes 129; Co-operation & Community Development 38; Irrigation & Power 50; Industry & Mining 87; Transport & Communications 231; Social Services 239; and Miscellaneous 12.

RURAL EMPLOYMENT

The union government has decided to launch a crash programme to relieve unemployment and under-employment in the country with effect from April 1971. Some 420,000 persons are expected to benefit from this programme which is to cost approximately Rs 50 crores per annum. Preparatory work in this direction is to commence almost immediately. The programme will cover the entire country through a network of labour-intensive works of various kinds linked to the overall district plan or obvious elements

thereof provide a measure of additional employment quickly and directly in each of the districts in the country. Wages paid to the beneficiaries under the programme will be in terms of local off-season rates. Funds will also be available for materials and equipment to ensure durability of the work-projects.

NEW BUSINESS BY L.I.C.

The total new business completed by the Life Insurance Corporation of India in December amounted to Rs 240.43 crores involving 326,515 policies. In nine months from April to December 1970, the new business completed by the corporation totalled Rs 776.23 crores as against Rs 605.62 crores new business completed in the corresponding period of 1969—a rise of Rs 170.61 crores. In the number of policies also, there was a rise of 133,855, from 883,979 in 1969 to 1,017,834 in 1970.

TOKYO FAIR

The union government has decided to organise India's participation in the ninth Tokyo International Trade Fair, to be held in Tokyo (Japan), from April 16 to May 5, 1971.

The Tokyo Fair, which is a biennial event and is organised by the Tokyo International Trade Fair Commission under the active patronage of the Japanese government, is designed to promote international trade and unity. India's participation in the Fair provides an opportunity for displaying various exportable merchandise, which have a potential market in Japan and also offers scope for on-the-spot business negotiations and concluding trade contracts.

Manufacturers and exporters, who intend to participate in the Fair, are required to forward their list of exhibits to the Director of Exhibitions, union Ministry of Foreign Trade, directly or through Export Promotion Councils and Commodity Boards latest by January 31, 1971.

Company Affairs

UNITED COMMERCIAL BANK

UNITED COMMERCIAL Bank recorded a profit of Rs 30.76 lakhs during the period January 1, to July 18, 1969. The profit during the remaining part of the year while the bank was nationalised was around Rs 48.87 lakhs. Towards the end of December 1969, its deposits were at Rs 257.53 crores made up of nearly Rs 128 crores of fixed deposits, Rs 53.46 crores of savings bank deposits and Rs 76.05 crores of current and contingency accounts. Its advances including bills discounted and purchased were at Rs 162.82 crores on December 31, 1969. Total income of the bank during January 1 to July 18, 1969 was Rs 9.37 crores out of which Rs 7.54 crores was on account of interest and discount and Rs 1.70 crores against commission, exchange and brokerage. Income during the period July 19 to December 31 was around Rs 8.37 crores made up of Rs 6.90 crores on account of interest and discount and Rs 1.38 crores on account of commission, exchange and brokerage.

J. K. STEEL

The directors of J.K. Steel and Industries Ltd for the year ended June 30, 1970, have stated that the company has turned the corner and its sales and production have already improved during the first half of 1970-71. The directors have attributed the adverse working for 1969-70 to an allround increase in costs and wages and an acute shortage of raw materials. The company's working for the year ended June 30, 1970 resulted in a loss of Rs 11.04 lakhs against a loss of Rs 18.33 lakhs for the previous year. After adjustments and providing Rs 9.97 lakhs for depreciation, the total deficit at the end of the year stood at Rs 39.70 lakhs. Its sales rose to Rs 2.47 crores from Rs 1.86 crores and exports also increased by 52 per cent.

MATCHWELL ELECTRICALS

Matchwell Electricals (India) Ltd has reported that during the year ended September 30, 1970, sales increased to Rs 2.55 crores from Rs 2.38 crores a year before. The working has resulted in a gross profit of Rs 14.70 lakhs. Allocations include: depreciation Rs 6.63 lakhs, development rebate reserve Rs 2.92 lakhs and taxation Rs 2.96 lakhs. General reserve gets Rs 2.38 lakhs.

The directors have proposed an equity dividend of six per cent for the year which will absorb Rs 1.56 lakhs and will be paid from the general reserve. Due to acute shortage of some raw materials the company could not achieve the desired level of production. The supply position of stampings made out of electricals steel sheets has since improved. The production in the first three months of the current year is higher by 30 per cent than the same period of the previous year. The company hopes to improve its sales in the current year.

INDIAN HOTELS

The public issue of ordinary and preference shares made by Indian Hotels Company Limited between November 9 and 11 was substantially oversubscribed. With the approval of the Bombay Stock Exchange the company finalised the basis of allotment of these shares and has completed the despatch of share certificates and/or refund vouchers to all applicants, thus the company has completed all the formalities relating to the public issue within the stipulated period of two months. It has also arranged with its bankers for the payment of the refund vouchers at par at all branches of the bank for the convenience of applicants.

TATA CHEMICALS

Tata Chemicals has received consent from the Controller of Capital Issues for the issue of 864,726 fully paid equity shares of Rs 10 each as bonus shares in the proportion of one bonus share for every five equity shares held on capitalisation of general reserves to a like extent. The consent order is valid for a period of 12 months from the date of issue.

PHILIPS INDIA

Philips India's exports have crossed Rs one crore mark in 1970, 40 per cent more than their performance in 1969. The exported items include radios, radio kits and components, electronic measuring instruments, lamps, fluorescent powder and welding electrodes. Exports are made among others to Holland, Italy, Australia, New Zealand and countries in the Middle East. The company will soon submit to the government a few more schemes which if approved without delay will enable

it to raise exports to about Rs four crores in five years' time. It has been pointed out that because of the delays in sanctioning the company's export schemes the foreign collaborators, N.V. Phillips' Gloelampenfabrieken, Holland, have decided recently to set up factories in Singapore for catering to their world markets. The company had to wait for about 18 months for receiving a licence to import capital goods for a 100 per cent export-oriented scheme for electronic components.

INDIAN BANK

Indian Bank, in its balance sheet for the year ended December 31, 1969, has shown that its deposits and other accounts stood around Rs 90 crores on December 31, 1969, while advances were at Rs 64.94 crores on that date. Profit at the end of the year was Rs 5.86 lakhs. Investments of the bank were placed at Rs 21.37 crores.

DUNLOP

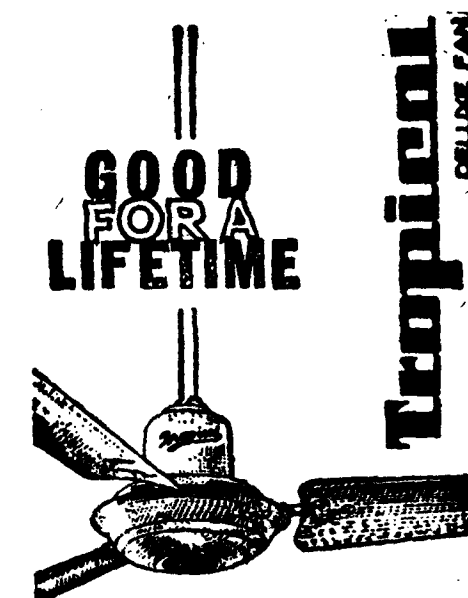
Dunlop India's export in 1970 have crossed the Rs three-crore mark. The company has exported to 63 countries in the face of stiff international competition and registered an increase of more

Eastern Economist 25 Years Ago

JANUARY 25, 1946

People in Delhi were again on a high tide of excitement this week, which culminated in the election of Mr. Malvankar to the presidential chair of what shortly must become the real Parliament of this country. People naturally recalled the time of the late Vithalbhai Patel, the first elected President of the House, who by his courage and dignity raised its status, which greatly deteriorated after the left. It was, therefore, essential to put up a man, who should be a worthy successor of the late Vithalbhai Patel. Incidentally his brother—Vallabhbhai—was here, of course outside

the House to see that the people were not cheated of their victory at the polls. And it is said that he had his plans ready in case the Government succeeded in foisting a nominated member on the House. Vithalbhai's associate during his last days and his legatee by will—Subhas Chandra Bose—was also present in spirit, for the cries of 'Jai Hind' rent the air. But war cries will not help us, for the Congress victory—it is regrettable that there should have been a contest but the Government forced it—will mean nothing unless it is properly followed up.



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than nine per cent over its record performance in 1969. A major contributor to Dunlop's export performance was cycle tyre. Nearly a million cycle tyres have been shipped in 1970 to the USA and a number of other countries. Dunlop India has developed a special range of cycle tyres exclusively for export to the sophisticated American and west European markets. Apart from selling its own products, —Dunlop India has a recognised export house— is also helping to develop exports of other manufacturers.

TUNGABHADRA INDUSTRIES

Subscription list of the Tungabhadra Industries Ltd for the issue of shares worth Rs 25 lakhs to the public in the form of 1,500,000 equity shares of Rs 10 each (at par) and 10,000 (9.3 per cent) redeemable cumulative preference shares of Rs 100 each (at par) opened on Monday, January 18 to close on Wednesday, January 27 or earlier at the discretion of the directors, but not before the close of banking business on Wednesday, January 20.

The present issue is intended to expand the production of the deoiled cakes section by installing further equipment and storage facilities and to balance the other auxiliary units by putting

ing up co-related cooling equipment for the extension of additional cool room and one boiler to meet the requirements of steam of the factory plants. Besides, the company intends to mechanise its various operations and install conveyors, automatic machines and mechanical handling devices. It has also plans to diversify its activities towards the production of cattle feed. The company has an authorised capital of Rs 100 lakhs. Its subscribed and paid-up capital, comprising wholly in equity shares, is of the amount of Rs 32.18 lakhs.

VOLTAS

The company has reported an improvement in its earnings for the year ended August 31, 1970. It has earned a gross profit of Rs 311.69 lakhs against Rs 66.43 lakhs for 1968-69, the year of set-back on account of labour troubles, and Rs 234.47 lakhs for 1967-68. The company's sales have increased to Rs 91.30 crores from Rs 68.27 crores in 1968-69. The directors have proposed an equity dividend of 15 per cent against seven per cent paid for 1968-69. The directors had proposed a one-for-five bonus issue last year to compensate for the cut in the dividend for that year. The company's proposal for the bonus issue was, however, not approved by the go-

vernment in the light of the revised guidelines for bonus issues. The company proposes shortly to make an application for the issue of bonus shares in the ratio of one share for every five shares held. The Chairman of the company, Mr R.F.S. Talyarkhan stated that the company hopes to get the government's approval as it meets all the conditions prescribed for the issue of bonus shares. The company's sales so far in the current year have been higher by about 20 per cent than those for the corresponding period of last year, and that the profit margin has also improved further by a similar extent. Out of the gross profit, the directors have provided Rs 53.45 lakhs for depreciation and Rs 156 lakhs for taxation. A sum of Rs 1.60 lakhs has been transferred to the development rebate reserve. This leaves a net profit of Rs 100.64 lakhs which has been transferred to the general reserve. The proposed equity dividend will claim Rs 64.94 lakhs and will be paid out of the general reserve.

ASIAN DEHYDRATES

Asian Dehydrates Ltd commenced production of dehydrated onions about nine months ago and has made some progress, on the export front too. Over the period, the company has exported about 250 tonnes of dehydrated onions

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.

The Bulletin averages 64 pages and is priced at Rs 4 per copy. The annual subscription is Rs 16.

Inquiries regarding subscription and advertisements may be addressed to:

The Manager,

The Eastern Economist Ltd,

Post Box No. 34,

New Delhi-1.

worth Rs 18 lakhs to Russia and other European countries. In fact its exports account for nearly 98 per cent of its total production. The company has set up an export target of Rs 50 lakhs for 1971. The company which has an installed capacity of 1,000 tonnes per year, has plans to raise it to 2,000 tonnes and it is making the necessary application. The expansion will cost about Rs 40 lakhs including Rs 25 lakhs for foreign machinery. The second phase of expansion will raise the capacity to 3,000 tonnes per year. While the company has achieved a fair success in foreign markets, it had to face a keen competition from the established exporters. The directors of the company feel that the industry should be granted relief in export freight. The company has plans to start an experimental farm of about 200 acres.

PRECISION BEARINGS

Precision Bearings India Ltd has now worked out in co-operation with their

collaborators, Fag Kugelfischer Georg Schafer and Co, a scheme of expansion in terms of which its production will be extended to include special purpose bearings which at the moment are being imported. This will result in saving considerable foreign exchange. This scheme of expansion envisages doubling of the turnover of the company. The collaborators will help the company to develop an export market for its products. It has already started exporting its products recently. Mr Georg Schafer, proprietor of the German firm, is visiting India for the first time.

PREMIER CONSTRUCTION

The Premier Construction Co Ltd plans to unload a portion of its holding of the equity shares of the Hindustan Construction Co Ltd. According to the present arrangement it will offer for public subscription 63,000 Hindustan Construction equity shares at a premium of Rs 50 or Rs 55 per share i.e. at Rs 150 or Rs 155. The offer will be

made as soon as the government clears the issue. The issue is being made partly to facilitate the listing of the shares on the Bombay Stock Exchange and partly to enable the company to reduce its bank borrowings against shares. Meanwhile the Hindustan Construction Co Ltd has been formulating plans to raise resources of Rs two crores.

INDIA FORGE

The Chairman of India Forge and Drop Stampings Ltd, Mr S. Narayanaswamy disclosed at the annual meeting held recently that the working results for the first five months of 1970-71 were quite encouraging and it would be possible to raise output of the company to 4,000 tonnes from 2,850 tonnes in 1969-70 assuming that there would be no serious interruption to operations due to the shortage of raw materials. The expansion scheme has been fully completed. There will be a sizable increase in turnover in 1970-71 and earnings too may show an improvement.

INDIAN BANK, MADRAS

(Wholly owned by Government of India)

Regd. Office: Indian Bank Buildings, 17 North Beach Road, Madras
ABRIDGED BALANCE SHEET AS AT 31ST DECEMBER 1969

CAPITAL AND LIABILITIES		PROPERTY AND ASSETS	
	Rs. P.		Rs. P.
1. CAPITAL:		1. Cash	8,31,43,709.65
Paid up Capital (Wholly owned by the Central Government)	88,66,600.00	2. Balances with other Banks	82,72,279.57
2. Reserve Fund and Other Reserves	1,18,46,270.00	3. Money at call and Short Notice	48,79,000.00
3. Deposits and other Accounts	90,00,62,174.87	4. Investments	21,37,17,365.51
4. Borrowings from other Banking Companies, Agents etc.	2,99,38,298.26	5. Advances	64,93,67,183.26
5. Bills Payable	2,57,78,577.89	6. Bills Receivable Being Bills for Collection as per contra	8,09,85,974.39
6. Bills for Collection being Bills Receivable as per contra	8,09,85,974.39	7. Constituents' Liabilities for Acceptances, Endorsements & other obligations per contra	6,14,61,682.20
7. Other Liabilities	2,37,98,181.60	8. (a) Premises	37,10,165.84
8. Acceptances, Endorsements and other obligations per contra	6,14,61,682.20	(b) Buildings under construction	64,66,644.30
9. Profit and Loss	5,85,697.52	9. Safes, Furniture, Fixtures etc.	35,71,941.59
		10. Other Assets including silver	2,76,32,946.97
		11. Non-banking Assets acquired in satisfaction of claims	1,14,563.45
Total:	114,33,23,456.73	Total:	114,33,23,456.73

Dated:
21st December 1970
Madras.

S. Muthuswami
Chief Accountant

AL. Sathappan K. Venkatarama Ayyar
Joint Secretary Secretary
G. Lakshminarayanan
Custodian

B. Natarajan
M.A. Kamarudin
P. Krishnaswamy
K.S. Chakrapani
M. G. Balasubramanian
Directors

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DO YOU KNOW THE CONSEQUENCES?

BEWARE! Filing of false tax returns is severely punishable under the Income-Tax, Wealth Tax and Gift Tax Acts. It may cost you more than what you have concealed.

Under the Income-Tax Act, a minimum penalty equal to the amount of the concealed income and a maximum penalty equal to twice that amount, is prescribed. Besides, there can also be prosecution and conviction—rigorous imprisonment for not less than six months which can be extended to two years.

Similarly, evasion of wealth tax is also severely punishable under the Wealth Tax Act. A minimum penalty of an amount equal to the value of the asset so concealed or to the extent of understatement in the value of an asset or overstatement in the value of any debt, is prescribed. This penalty can be as high as twice this amount. In addition, there can be prosecution and conviction with rigorous imprisonment for not less than six months extendable to two years.

Furnishing inaccurate particulars of any gift is punishable with a sum not less than 20% but not more than one and a half times of the tax which would have been avoided if the return had been accepted as correct. Apart from this, you can be prosecuted. Conviction can mean simple imprisonment extendable to one year or with fine upto Rs. 1,000 or both.

REMEMBER EVASION OF TAX IS A CRIME

If the original return filed by you is false why not file a revised return to avoid the consequences of discovery.

CENTRAL BOARD OF DIRECT TAXES
(Department of Revenue & Insurance)
MINISTRY OF FINANCE, GOVERNMENT OF INDIA

Adv 70/530

RECORDS AND STATISTICS

Branch Expansion of Banks

July 1969—September 1970

ACCORDING TO a study completed recently by the Credit Planning and Banking Development cell of the Reserve Bank of India, branch expansion activities of banks have received a great impetus since the nationalisation of 14 major commercial banks in July, 1969. No fewer than 1,965 new branches were opened by the public sector banks between July 19, 1969, and September 30, 1970 — 1,376 branches by the 14 nationalised banks and 589 branches by the State Bank Group. On an average, about five offices were opened every day by banks in the public sector in that period.

Taking the commercial banks as a whole, the number of new branches opened between end-June, 1969, and end-September, 1970, was 2,257, as against barely 677 branches opened in the whole of the calendar year 1968 and an annual average of 362 branches opened during the nine years prior to the nationalisation of the 14 major banks.

The territorial spread of banking has also gained considerable momentum. Thus, out of the 2,257 new branches opened during the 15 months ended September, 1970, as many as 1,527 — or 67.7 per cent of the total — branches were opened in the hitherto unbanked centres.

Accent on Unbanked Centres

About 40 per cent of the offices opened in the hitherto unbanked centres were in the relatively under-developed states of Uttar Pradesh, Bihar, Orissa, West Bengal, Assam, Madhya Pradesh and Rajasthan. In the union territories of Dadra and Nagar Haveli, Himachal Pradesh, Manipur and Tripura, all the new offices opened between end-June, 1969, and end-September, 1970, were in the hitherto unbanked centres. The proportion of new offices opened in the hitherto unbanked centres to the total number of new offices opened in the states was more than 70 per cent in eight states: Madhya Pradesh (86.1 per cent), Tamil Nadu (78.4 per cent), Assam 77.8 per cent), Uttar Pradesh (74.6 per cent), Rajasthan (72.8 per cent), Mysore (71.3 per cent), West Bengal (70.8 per cent) and Bihar (70.1 per cent).

The Table I compares the rate of branch expansion during

the first nine months of 1970 with that in the whole of 1968 and 1969.

Including the 2,257 new branches during the period July, 1969 — September, 1970, the total number of commercial bank offices operating in India as at the end of September, 1970, was 10,519, as against 7,025 bank offices at the end of 1967.

About one-third of the total number of bank offices at the end of September, 1970, were in rural areas, as against a little over one-fifth in July, 1969, and about one-sixth in 1960.

Out of the total increase of 1,467 offices in rural areas during the period July, 1969—September, 1970, the share of public sector banks was 1,313, while that of other banks was 154. Offices of the 14 nationalised banks in rural centres more than doubled in this period, increasing from 703 offices in July, 1969, to 1,607 offices in September, 1970, while those of the State Bank group increased from 820 to 1,229.

Commercial banks are at present serving a larger proportion of the total

population than before, inspite of the marked increase of about 120 million in the total population of the country since 1960. On an average one commercial bank office served 52,000 persons, as on September 30, 1970, as against an average of 65,000 persons served in July, 1969 and 92,000 persons served in 1960.

The increase in bank offices after the nationalisation of 14 banks in rural, semi-urban and metropolitan centres is given in the Table II.

The coverage of villages by the banking system is much wider than the number of bank offices in rural centres might prima facie suggest. Although there are 5,64,000 villages in India, 4,68,000 or 83 per cent of the total number of villages have a population less than 1,000 each, which individually cannot be considered as offering sufficient banking potential to justify the opening of a full-fledged branch office, at any rate not in the immediate future. However, the banks in their new task of functioning as catalysts of development, have been operating mobile bank and satellite offices in certain places.

The district-wise spread of bank offices shows that, apart from taking banking services to the hitherto unbanked districts, the imbalance in the availability of banking services as between different districts has been corrected to some extent in recent times. Between end-December, 1967, and

TABLE I
BRANCH EXPANSION OF BANKS

	January-December		January-Sep-
	1968	1969	tember
			1970
14 Nationalised Banks			
New branches	405	913	904
Of which unbanked centres	201	490	676
State Bank Group			
New branches	161	199	425
Of which unbanked centres	112	113	324
Other commercial banks			
New branches	111	257	141
Of which unbanked centres	51	149	76
Total commercial banks			
New branches	677	1,369	1,470
Of which unbanked centres	364	752	1,076

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end-September, 1970, the number of districts with a population per office of about 3,00,000 declined from 42 to 8 and that between 2,00,000 and 3,00,000 declined from 46 to 25.

The number of districts without any commercial banking facility declined from 13 at the end of December, 1967, to seven at the end of September, 1970. These were mainly hilly districts with little basic infrastructural facilities. The spread of banking offices in the less developed states was particularly marked after the nationalisation of 14 major banks. In these seven districts also, licences have been issued for the opening of branches as given in Table III.

With the opening of these offices, all the districts in the country will be covered with banking facilities.

The deposit mobilisation performance of the branches established by the commercial banks between July, 1969, and June 26, 1970, is quite commendable. Of the total increase of Rs 541.5 crores in the deposits of all Indian scheduled commercial banks during this period, the share of the new offices was no less than Rs 79.4 crores or 14.7 per cent of the total. The contribution by the new offices in rural and semi-urban areas was Rs 36.9 crores, while that of new offices in metropolitan and other urban centres was Rs 42.5 crores. The contribution of the new offices to the increase in deposits of the State Bank and its subsidiaries was 8.3 per cent and 12.7 per cent, respectively. The share of new offices in the total increase in deposit during the period July 19, 1969 to June 26, 1970 is given in Table IV.

Credit Facilities

Credit extended by all the offices of Indian scheduled commercial banks increased during the period July 18, 1969, to June 26, 1970, by Rs 666.7 crores, of which the new offices accounted for Rs 41.4 crores, Rs 26.2 crores in rural and semi-urban areas and Rs 15.2 crores in urban areas. Of the total credit of Rs 41.4 crores disbursed by the new offices as on June 26, 1970, the share of different bank groups was: State Bank Group Rs 3.8 crores, 14 nationalised banks Rs 28.2 crores, the other Indian scheduled commercial banks Rs 9.4 crores. Nearly 64 per cent of the credit disbursed at the end of June 1970, was in the banked areas. In the hitherto unbanked areas, new offices extended credit of Rs 14.9 crores, the bulk of which (Rs 12.2 crores) was in the rural areas.

On the eve of nationalisation, scheduled commercial banks had on their books a total of around 1.2 million

TABLE II

BRANCH EXPANSION : RURAL, SEMI-URBAN AND METROPOLITAN

	14 nationalised banks	SBI Group	Total of public sector banks	Other commercial banks	All commercial banks
Rural centres					
July 19, 1969	703	820	1,523	335	1,858
September 30, 1970	1,607	1,229	2,836	489	3,325
Increase (+)	904	409	1,313	154	1,467
Semi-urban centres					
July 19, 1969	1,465	1,171	2,636	687	3,323
September 30, 1970	1,722	1,252	2,974	768	3,742
Increase (+)	257	81	338	81	419
Urban centres					
July 19, 1969	928	249	1,177	269	1,446
September 30, 1970	1,019	311	1,330	290	1,620
Increase (+)	91	62	153	21	174
Metropolitan centres					
July 19, 1969	1,072	225	1,297	360	1,657
September 30, 1970	1,196	262	1,458	374	1,832
Increase (+)	124	37	161	14	175
Total					
July 19, 1969	4,168	2,465	6,633	1,651	8,284
September 30, 1970	5,544	3,054	8,598	1,921	10,519
Increase (+)	1,376	589	1,965	270	2,235

TABLE III

BRANCH EXPANSION IN LESS DEVELOPED STATES

District	Present position—Licences have been issued to
Tuensang (Nagaland)	State Bank of India to open two offices.
Kinnaur (Himachal Pradesh)	Punjab National Bank to open two offices.
Lahaul and Spiti (Himachal Pradesh)	State Bank of India to open two offices.
Laccadive, Minicoy and Amindivi Islands	Canara Bank to open two offices and Syndicate Bank to open two offices.
North East Frontier Agency	State Bank of India to open ten offices (One office opened in December 1970).
Dangs (Gujarat)	Bank of Baroda to open one office.
Mizo Hills (Assam)	State Bank of India to open two offices.

borrowal accounts in respect of all sectors of the economy. In September, 1970, loan accounts in respect of agriculture alone exceeded one million. There has also been a substantial increase in lending to other priority sectors, such as, small-scale industry, road transport operators, retail trade, small business, professionals and other categories of self-employed.

From the foregoing it will be clear that the commercial banks have been making serious efforts to go into the relatively backward areas of the country and the rural interior and to correct to some extent the uneven spread in banking facilities as between the different areas. The performance of new branches in rural centres, particularly in the hitherto unbanked areas in the matter of deposit mobilisation, is reasonably satisfactory. The banks' performance in expanding credit facilities particularly in rural centres is also quite satisfactory. The credit deposit ratio in respect of new offices in June, 1970, was 85 per cent in banked rural centres and 68 per cent in the hitherto unbanked rural centres. Considering that loaning to agriculturists is new business for commercial banks, guidelines have been devised and issued to banks so as to ensure that the quality of loaning is maintained. Expansion of banking facilities through opening of new branches, as well as through functioning of the existing offices in a more intensive manner, particularly in the backward and under-

developed areas, will be gradually facilitated once the Lead Bank Scheme gathers momentum.

The massive branch expansion programme since nationalisation and the direction in which credit and banking policies have moved have naturally raised expectations. There are still wide inter-state and inter-district variations, both in terms of population coverage and credit deposit ratios. The most important task before the banking

system is to give urgent attention to backward areas and play a positive role in their development. At least a minimum number of branches will have to be opened in districts, where the coverage of population per office of a bank is far above the national average of an office per population of 52,000. The branch expansion programme for 1971 being drawn up by the Reserve Bank of India in consultation with commercial banks, is aimed at achieving this.

TABLE IV
NEW BRANCHES' SHARE IN INCREASED DEPOSITS
(Rs crores)

	Total increase	Share of nationalised banks	Share of State Bank Group
Rural	20.64	14.80	3.46
Semi-urban	16.29	10.55	2.82
Urban	17.15	11.25	1.96
Metropolitan	25.30	13.77	8.97
Total	79.38	50.37	17.21

Note

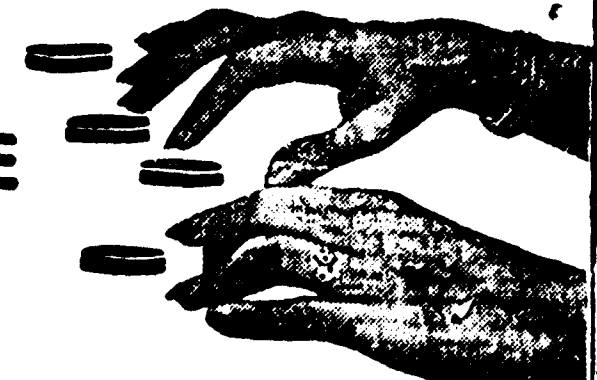
Rural	:	Population below 10,000.
Semi-urban	:	Population between 10,000 and 1,00,000.
Urban	:	Population of above 1,00,000 but below 10,00,000.
Metropolitan	:	Population of 10,00,000 and above.

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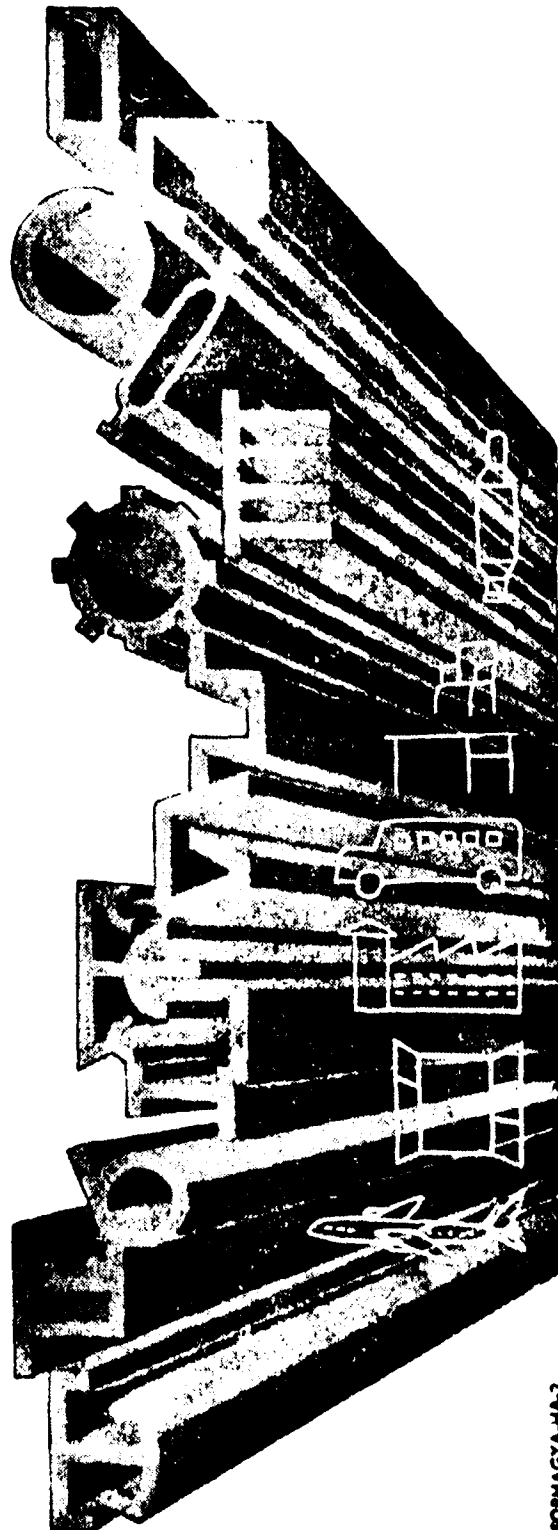
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ARITHMETIC OF AN ASSERTION

SPEAKING IN Bombay early in January to his colleagues in the business community, Mr Bharat Ram put forward a rather interesting pre-election thesis. He argued that what mattered most to the nation and, particularly, the business community, was a stable government at the centre. In his view, this stability could be obtained only through the medium of a single party commanding an absolute majority in Parliament. Mr Bharat Ram then proceeded to express his personal view that only the party of Mrs Indira Gandhi seemed to be in a position to attempt or achieve this absolute majority in Parliament. On this assumption, he seemed inclined to believe that, on the whole, it would be to the advantage of the country and the business community if Mrs Gandhi's party did succeed in being returned to power with sufficient strength to form a stable government on its own.

Mrs Gandhi naturally has not been slow to exploit this argument about stability in government. She has declared stridently that hers is the only party which can ensure stability at the centre. It is worth inquiring into the validity of the arithmetic of this assertion. In the dissolved Lok Sabha Mrs Gandhi's group had a strength of 228 seats. The key question is whether she can really add to this number 32 more seats through the forthcoming election so that she could enjoy an absolute majority in a new House of 518 members. It is possible, of course, that even if Mrs Gandhi is able to win only 240 seats, her party might still be able to provide a stable government on its own with informal support from the Independents or even some miscellaneous groups in the new Lok Sabha. But even if this lower figure is conceded to be adequate, Mrs Gandhi would still have to improve on her strength in the dissolved Lok Sabha by 12 seats. It should be interesting to know whether Mr Bharat Ram really believes that Mrs Gandhi's group could win between 240 and 260 seats at this general election and if so what his grounds are.

It has been reported that, even in Mrs Gandhi's own camp, the most optimistic expectations do not exceed a figure of 220. Objectively speaking, the four-party front against her seems more likely to secure this number of seats rather than Mrs Gandhi's party. Mr Bharat Ram has suggested, by implication otherwise, that even if the front manages to form a ministry it would still be unable to organise a stable government, since the ministry will be a coalition. It is true that, in the period since the last general election, the country has not had encouraging experience of coalition ministries in the states and to this extent Mr Bharat Ram's apprehensions are clearly justified.

At the same time, since there is not enough objective evidence for Mr Bharat Ram's belief that Mrs Gandhi's party is likely to be returned in sufficient strength to form a government on its own, the prospective choice before the country is between two different coalitions. In the circumstances, we see no reason why Mr Bharat Ram should have been in a hurry to count Mrs Gandhi's chicken before they are hatched. We would also like to suggest to Mr Bharat Ram that, while stability in government is a virtue, it is by no means the case that mere stability is enough. The business community, more than any other section of the population, has a right to look more deeply into the issue and satisfy itself that its support and influence will benefit only those political forces which are honestly pledged to the ideals and ideas of free enterprise functioning in a truly democratic political framework.

Maharashtra Marches On

FOR YEARS the region of which the present Maharashtra state forms a part has held pride of place in our country's industrialisation. Inevitably, as development has spread across the land, other areas have thrust themselves on the industrial landscape. Even so, Maharashtra continues to be the hub of industrial activity in the nation.

A feature of the industrial progress in the state in recent years has been the large extent to which foreign private enterprise has participated in the setting up of new industries which have helped to diversify our industrial structure and impart to it a growing element of sophistication. Collaborating entrepreneurs from abroad, equally with Indian industrialists, have shown an intelligent appreciation of the many advantages, natural or other, which Maharashtra possesses for profitable industrial promotion. For this the Government of Maharashtra could

Arithmetic of an Assertion	197
Maharashtra Marches On	197
Industrialising Backward Areas	198
The Jobless in West Bengal	199
Outlook for Steel —Sagittarius	201
India's Growth Impressive —Dr Alexander Grossmann	202
Role of State Banks in Farm Finance —C.M. Muniramappa	203
WINDOW ON THE WORLD	208
West German and Swiss Views on Foreign Workers.	
THE MOVING FINGER WRITES	211
REPUBLIC DAY FEATURE	213
The Republic Is 21.	
TRADE WINDS	221
Vizag Steel Plant; Punjab Budget; FICCI Team for Japan; Trade Dele- gations; Leather for Bulgaria; Sheep from USA; Release of Cotton; HMT Tractors; Annual Plans: 1971-72; Bank Rate in Japan; Names in the News.	
COMPANY AFFAIRS	223
Ashok Leyland; Madras Rubber; Gar- ware Nylons; Associated Battery; T. Maneklal; British Paints; Traub India; Capital and Bonus Issues.	
COMPANY MEETING	225
The Associated Cement Companies Ltd.	
RECORDS AND STATISTICS	228
Election Manifestos.	

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claim its share of credit. Quite frequently its pragmatic attitudes have helped to round off the angularities of ideology or policy at the centre. Its record has been particularly good in the matter of providing infrastructural facilities in the new industrial areas or extending state assistance to enterprises in the less developed parts of the state.

There is however no room for complacency either on the part of the state government or on the part of the industrialists or the public of Mahara-

shtra generally. Neighbouring states, such as Gujarat and Mysore, are offering healthy competition to Maharashtra by providing various kinds of encouragement and incentives to entrepreneurs. Maharashtra must be on its toes if it is not to lose its hold on its position as the premier industrial state in the nation. It is in appreciation of Maharashtra's record in industry and with faith in a still brighter industrial future for its people that *Eastern Economist* publishes in this issue a special survey of the economy of this state.

Industrialising Backward Areas

DWELLING UPON the dynamic role to be performed by financial institutions (most of which are now in the public sector), in the context of the emerging phase of the country's development process today, it is noteworthy that Mr S. Jagannathan, Governor of the Reserve Bank of India, chose, in his inaugural address to the All-India Manufacturers' Organisation (AIMO) to draw inspiration from the same source as the AIMO president, namely Mr Alexander Gerschenkron, the famous economic historian, but to draw different conclusions. Thus, whereas Mr S. M. Dahanukar, the AIMO president, wanted financial institutions in India to follow the banks in West Germany, Austria and other countries in creating "organizations designed to build thousands of miles of roads, erect factories, pierce canals, construct ports" and so on, the RBI chief desired that both the financial institutions and established industries should co-ordinate their efforts to tackle the problem of economic development along the lines laid down by the government. In other words, he wanted established industries to become more involved in the process than they have cared to so far. A veteran administrator with varied experience, Mr Jagannathan evidently realises that, to achieve optimum results, the valuable experience of established industries must be harnessed more purposefully. In bringing about balanced regional development of industries and in creating ancillary industries particularly, he wanted the whole-hearted co-operation of established industries. For this reason, he even went so far as to suggest to the Government of India to issue licences liberally to larger industrial houses and business concerns (whose applications call for special scrutiny under the new licensing policy) for setting up units in backward areas, if the social purpose of hastening the development of these areas is to be served.

At this stage, we must refer to one of the reasons — referred to by Mr Jagannathan also — for the industrial

licensing policy not being an effective instrument for remedying regional disparities, namely that the government had not clearly defined and identified backward areas. So it is not merely the improper scrutiny of applications for licences that was responsible for the failure of the licensing policy. In other words, those in charge were not only not fully briefed but also did not have all the prerequisites to take effective and suitable decisions. Probably this explains why the whole blame for the unsatisfactory functioning of the licensing

policy was shifted to those who sought licences.

Be that as it may, how can established industries help financial institutions in these two respects, viz., bringing about balanced regional development and creating ancillary industries? A purposeful tackling of the former brooks no delay, because, as Mr Jagannathan remarked, such regional imbalances can lead to a climate of frustration or strife, a state of affairs that neither established industries nor financial institutions welcome. After cataloguing the concessions envisaged for units set up in backward regions and detailing the preliminary work already done by the IDBI in collaboration with the Reserve Bank and the other all-India financial institutions, the Governor specified the precise follow-up work — formulation of specific projects, mobilisation of entrepreneurial talent and provision of technical and managerial assistance — in areas in which he desired established industry to join hands with financial institutions. Pointing to the paucity of modern entrepreneurial talent due to the comparative isolation of the backward areas from the development impulses elsewhere, Mr Jagannathan wondered

whether or not it would be practicable for the larger industrial houses to take special interest in the promotion of industries in these areas. This would be practicable provided the powers-that-be permit the relaxation he suggested and also allow a measure of initiative and independence in the approach to given problems of established industries. A case in point is the silent but solid work that the Mafatlals are doing in Gujarat in the flood and famine affected districts of that state. If the imaginative handling of the problem by Mr Arvind Mafatlal there succeeds, a new way of creating a host of entrepreneurs from the backward areas themselves would open up.

We do not know what basis the Reserve Bank Governor had — and this must surely be authentic — to come to the conclusion he did, namely "that large units in the private sector, with the exception of one or two lines of activities, have apparently done very little so far to develop ancillary industries". True, the tendency was there among quite a few large units at one time to go in for the manufacture of all the components needed for their products under their own roof, but this is no longer the case. With greater contacts with industrially advanced countries like Switzerland and Japan, where ancillary industries occupy an important place, many Indian industries today go all out to encourage ancillary industries. If enough data are not available on this to disprove the view of Mr Jagannathan, the industry itself is to blame. For many units have simply not cared to collect these statistics, much less to publicise them even when approached.

One of the reasons for the reluctance of big industrial houses to entrust the manufacture of components to ancillaries is their understandable concern for quality, but there are a number of big industries in India today that not only provide raw material and finance but also offer testing equipment and technical personnel just to ensure the maintenance of the requisite standard of quality. Notwithstanding this, we endorse the suggestion of Mr Jagannathan that large-scale enterprises should purposefully encourage the growth of ancillary small-scale industries to the maximum extent possible. They should, as he urged, lose no time in identifying the extent to which their activities could be entrusted to the ancillary units.

Another commendable suggestion of Mr Jagannathan was that established industries could locate prospective entrepreneurs from among their own employees or other locally available talent and give them the

necessary facilities for setting up ancillary units by providing training, technical know-how, facilities for buying raw materials and guaranteeing off-take of production subject, of course, to safeguards regarding quality and delivery schedules. To take care of the financial needs of such large-scale enterprises, the Reserve Bank Governor said, "the banks and state financial corporations are being suitably geared", which is as it should be.

One doubt arises at this point. It is whether, even in respect of assistance to be given by financial institutions to units in the backward areas and ancillary units set up by large-scale industries, the Governor of the Reserve Bank would insist on his two rigorous tests — efficiency test and foreign ex-

change test. These are certainly desirable in respect of every industrial undertaking if the country is to attain a stage of self-sustained growth. It is also true that this aspect of the development process has not always been given the weight it deserves. But to insist on these twin tests even in the initial stages may defeat the other broader purpose. However after a period — the briefest spell possible — there can be no getting away from a strict insistence on these two vital tests. No enterprise worth its name can expect to escape these tests indefinitely, nor will it be allowed, let it be remembered, in the prevailing atmosphere of all round discontent in the country to pass on the cost of its inefficiency to the domestic consumers for any length of time.

The Jobless in West Bengal

THE RESERVE Bank of India in Calcutta is reported to have recently received nearly 30,000 applications for the posts of about 80 clerks. This gives an idea of the seriousness of the problem of unemployment in West Bengal. The attempts made during President's rule to tackle this problem have not succeeded to any appreciable extent. It is doubtful if, even after the mid-term poll, the government will be strong enough to implement bold measures for creating employment opportunities on a large scale. The number of unemployed persons in West Bengal is estimated at over 30 lakhs. About six lakhs are said to have been registered with the employment exchanges. Whatever may be the actual number of the unemployed there is no doubt about the magnitude of the problem and the urgency of finding some solution.

Attempts to revive the economy of

West Bengal through concessions and incentives do not appear to have had any favourable impact on investment. Capital, by and large, continues to be shy. This is bound to be so at least for a few months till the political situation becomes clear and the new ministry makes known its policy towards industrial expansion. Meanwhile, a good deal can be done to create more opportunities for employment by enabling the engineering industries to make better use of their capacity. In 1969-70, production as percentage of installed capacity in some engineering industries was: 35.2 in railway wagons, 48.1 in railway locomotives, 88.6 in cars, 84 in sewing machines and fans, 36.3 in steel castings, 43.4 in razor blades, 48.6 in wire ropes, 67.2 in tea machinery, 57.4 in sugar machinery, and 88.7 in complete bicycles. If these and other industries can be helped to make better use of their installed capacity, it will con-

EASTERN ECONOMIST

ANNUAL NUMBER 1971

The cross-roads at which India stands today will have an extraordinary and truly tremendous significance in determining its future. In this particular situation the theme of this Annual Number, appropriately, is "Whither India?" An attempt has been made to analyse the twin-crises of political progress and economic development which confront our country. A valuable feature of the Annual Number is a section of special articles on issues of outstanding importance.

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Eastern Economist 25 Years Ago

FEBRUARY 1, 1946

THE FIRST really great impetus to the development of industries by Indians was given by the first World War. It would not be wrong to say that the last quarter of a century has witnessed the great drive towards industrialization in this country, for at the end of the first world war, some of the leading Indian business houses had become prosperous and were willing to stake their fortunes in industrial ventures and had acquired a sufficient status among their own people to command capital from either their community or province, or from the country as a whole. The industries which were principally developed during the period were iron and steel, textiles, cement, sugar and some minor industries. It should also be noted that the hydro-electric power industry, which was first heralded by the great house of the Tatas

in the Bombay presidency has grown apace, in other parts of the country but wholly as a result of state enterprise. The example of Tatas was not followed, and perhaps it was wise, for barring the Bombay presidency sufficient enterprise and financial resources were not available in the country to enable this vital development to be taken up promptly and effectively. It should also be noted that barring the textile and cement industries, the iron and steel, sugar, glass and paper industries were brought into being as a result of the active policy of the State. It is quite easy to prepare a list of several other industries, important or otherwise, which could have been brought into being, if the State had been national, intelligent, energetic and active.

tribute to some extent to the creation of more jobs.

So far as the closed factories are concerned, it is estimated that about 150 of them have not been working mainly for lack of raw materials, orders, or finance. The Government of West Bengal has recently announced the appointment of a three-member committee, with Mr Sanjoy Sen as chairman, to make specific recommendations for the opening of selected factories. It remains to be seen to what extent, and how soon, this committee will be in a position to study thoroughly the problems confronting the closed factories. If the closure has been due mainly to shortage of orders, a solution can be found by persuading the railways and other public sector undertakings to order their requirements from these firms on a regular basis.

Scarcity of raw materials like steel has been the result of lack of imaginative planning and coordinated effort on the part of the central economic ministries. New Delhi should somehow find time even during the electioneering weeks to ensure that the movement of raw materials to West Bengal's industries always get the highest priority. If finance has been the main problem of the closed factories, the banks can be requested to provide loans on liberal terms and also reduce their requirements of margin. But much will depend on the efficiency and the integrity of the management associated with these closed factories. If the closure has been due to deliberate mis-management, it is difficult to see how banks could help. It is however good to know that the problem is now engaging the attention of the Government of West Bengal. But there are closed factories in other industries also like textiles and chemicals and something has to be done to help them to re-open.

At the same time it is important to undertake large-scale programmes for the construction of roads and irrigation works and electrification. The scope for development under these heads is very large indeed, particularly in regard to irrigation. The percentage of gross irrigated area to the total cropped area is estimated at 23 per cent in West Bengal, compared to nearly 46 per cent in Tamil Nadu. The fourth Plan outlay on major irrigation projects in West Bengal is only Rs 26 crores, compared to Rs 70 crores in Maharashtra and Rs 32 crores in Tamil Nadu. Rural electrification also has to be given greater importance in view of its potentiality for creating more employment in various parts of the state. It has been estimated that out of nearly 38,000 villages in West

Bengal, only 1,400 have been electrified so far, whereas in Maharashtra nearly 5,000 villages have been electrified out of a total of 36,000 villages. In Tamil Nadu the progress in this respect seems more impressive since out of a total of about 14,000 villages, nearly 7,600 have been electrified.

There are also other schemes like the deep-sea fishing project which, when implemented, could create more employment. The production of fish in West Bengal is only about 1.2 lakh tonnes, as compared to seven lakh tonnes required by the state every year. Because of the shortage, the price of fish goes up beyond the reach of most people. Plans have already been drawn up for implementing a deep-sea fishing project at Roychowk, near Diamond Harbour; this scheme should be implemented as soon as possible. Other measures also can be taken up in right earnest for creating more jobs by developing the infrastructure facilities in which West Bengal continues to be deficient, especially in the construction of roads.

The problem of the educated unemployed has to be tackled not merely by setting up new industries but also by reforming the system of education. In recent years, the standards of education in West Bengal have deteriorated sharply because of deliberate political interference with the educational system at various levels. The introduction of the local language as the medium of instruction even in the university classes seems to have little merit to commend it except that it satisfies sentimental feelings. But from the point of view of employment, which is the main goal of university education for most students, the present language policy is proving disastrous. The em-

ployer in the private as well as the public sector always looks for candidates with some reasonable proficiency in English and this practice is likely to continue for many years. But under the present system of education, the students become proficient (if at all they attain proficiency in anything!) only in their mother tongue and not in English or Hindi which will widen their opportunities for employment by helping migration out of West Bengal and also in other ways.

To what extent the prospect for employment in West Bengal will brighten in the coming months will depend to a great extent not so much on what the government or the private sector does but on what the political leaders do. Though the latter express profuse sympathy for the plight of the unemployed, their actions and attitudes often have the effect of contracting instead of expanding job opportunities in this state. It is significant that in 1969 West Bengal had 392 industrial disputes, involving 781,000 workers and a loss of 102,73,000 man-days. The frequency and alacrity with which the leaders call for 'bundhs' on trivial pretexts indicates surely a lack of earnestness in creating a congenial climate for economic expansion without which more jobs cannot be provided. West Bengal is perhaps the only state where the workers are, often publicly "congratulated" by their leaders on disrupting production. The political leaders have made no effort whatever to use their influence to reopen the closed factories or to persuade industrialists to expand their business. Unless therefore the parties adopt a constructive attitude towards economic problems, unemployment in West Bengal is unlikely to find an early and effective solution.

RECORDS AND STATISTICS

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Outlook for Steel

SAGITTARIUS

THE DECISION of the central government to start work on the construction of three steel plants in the southern region from 1972 gives rise to two major questions. First, how is the construction of these entirely new units proposed to be achieved? Secondly, whether the laying of foundation-stone by the Prime Minister, Mrs Indira Gandhi, at Salem in Tamil Nadu sometime back and at Visakhapatnam in Andhra Pradesh recently has any great significance. The ceremony relating to the Hospet unit in Mysore state may also be gone through ostentatiously though it is unlikely to take place before the mid-term election is over. But what exactly is the meaning of all these formalities and can it be said that the central government is keenly aware of the difficult situation that has arisen on account of the inefficient functioning of the existing public sector steel plants and the wrong policies that have been adopted and are still being pursued in regard to exports and imports of steel? The slump in the demand for steel during the period of the recession in 1965-67, no doubt, induced a sense of complacency and it was thought that ideas regarding future trends in consumption should be modified and the opportunity afforded for building up a sizable export trade should not be missed. The export of nearly a million tonnes of steel in 1968-69 was indeed a spectacular achievement and it is now possible to say that if there was a surplus in steel, it could be sold to neighbouring countries to earn valuable foreign exchange. But those in the management of the steel plants and the Ministry failed to recognise the changes in the economic situation that came about with a recovery in agricultural production and continued export of steel aggravated shortages.

Need for Implementation

At this stage, the question is naturally asked whether the planners and the government have realised the need for vigorous implementation of new schemes and the institution of measures which secure the best results out of the existing capacity. The five major units in the public and private sectors are capable of even operating at 90 per cent of rated capacity, if not at full capacity. In that event, it would be possible to produce even 8.5 million

tonnes of steel ingots, against the estimated output of six million tonnes in 1970-71. Even with serious labour trouble, Indian Iron and Steel Company in West Bengal has been functioning at over 80 per cent of its installed capacity, while the Durgapur steel plant has not been able to raise its production to over 50 per cent of capacity. The Tata Iron and Steel Company has some operational problems due to the use of lower grade raw materials, but output has not been less than 85 per cent of its rated capacity. Bhilai could acquit itself more creditably, while at Rourkela either technical or labour problems have had inhibiting effects. As a result of all these developments, the cost of production has been needlessly pushed up and it has also been necessary to import large quantities of steel at prohibitive prices. Due to the non-availability of free foreign exchange resources, high cost steel from the USA and the USSR has to be secured under aid or barter arrangement.

Internal Demand

It is now estimated that internal demand will be around eight million tonnes of steel ingots and the difficulties can be easily got over if all the plants function efficiently. But by the end of the fourth Plan period, internal consumption is expected to rise by 75 per cent to 14 million tonnes, which means that there will have to be capacity for about 16 million tonnes, assuming that all the units will be able to operate at a high level of efficiency and all the facilities will be fully utilisable. It is not expected, however, that by 1973-74, the Bokaro steel plant will be able to make any significant contribution to internal availability as its schedule of construction has been upset with the result that even its first phase may be commissioned only in 1975 or 1976. Sizeable quantities of pig iron may, of course, be produced by the end of the current Plan period.

It will be clear, therefore, that there will be a gap of six million tonnes of steel ingots by 1973-74 even taking for granted that the trouble now being experienced in the running of the existing plants will be got over. The crucial problem, therefore, relates to the bridging of this gap and achieving a pace

of progress in the subsequent years, which will enable the industry to catch up with rising demand and even leave a small surplus for exports. If this is to be the objective, there will have to be a capacity of 32 million tonnes by 1980. Some estimates regarding the consumption of steel place the requirements at 18 million tonnes of finished steel by 1980 or 24 million tonnes of ingots. Can the planners achieve this rate of progress with the resources at our disposal and will it not be necessary to secure liberal foreign aid for constructing new large-sized integrated steel plants?

Japanese Example

It will be worthwhile to examine in this context how Japan has attained its pre-eminence and at what stages of industrial development, a surprising increase in the rate of consumption of steel takes place. Between 1955 and 1970, the output of steel ingots in Japan has risen by over nine times to 93 million tonnes. Large exports of machinery and raw steel have no doubt been responsible for the phenomenal growth in production. It may be difficult for us to build up such a large export trade in a short period. But having regard to our huge population and growing internal needs, it is clear that there will have to be an increase in capacity in a decade at least to the levels indicated above. Between 1955 and 1960 alone Japan's output rose from around nine million tonnes to 22 million tonnes and currently annual additions are over 10 million tonnes. These projections may appear fanciful. It would not, however, be surprising if with a proper emphasis on industrial development and sustained growth in agricultural production, consumption of steel rose awkwardly.

It is, therefore, necessary to take up work on the construction of the three steel plants in the south by securing aid from the World Bank and other agencies while making every effort to maximise production of steel equipment from indigenous sources. Unfortunately due to the pre-occupation of the government with political issues and the inability of the managements to tackle technical and labour problems effectively, the due importance of the issues relating to the steel industry has not been adequately realised. Only if the three steel plants in the south were expeditiously completed and the two stages of Bokaro were implemented on a defined basis, could the necessary break-through for future development be established. Simultaneously the expansion schemes of Bhilai, Rourkela, TISCO and IISCO also will have to be taken up as between these four units additional capacity for

nearly five million tonnes can be established. The TISCO Chairman, Mr J.R.D. Tata, indicated sometime back that there was infinite scope for expansion at Jamshedpur. Experts have agreed that the capacity of IISCO can be easily doubled with low capital expenditure. There are already plans for raising the output of Bhilai to 4.1 million tonnes from 2.5 million tonnes and that of Rourkela to 2.5 million tonnes from 1.8 million tonnes. These plans may sound utopian. But this is the only way by which an aggregate capacity of about 22 million tonnes can be created, which will take us to the

India's Growth Impressive

DR. ALEXANDER GROSSMANN

I HAVE been asked to give the impressions of my first visit to India. I am certainly glad to do so. However, I would like to mention at the outset that I consider these impressions as insufficient for a reliable judgement. I shall, therefore, confine myself to personal reflections.

I was very interested in getting to know the view-point of my Indian colleagues and the recent tour in the company of a party of Indian journalists provided a good opportunity. I do feel that Indian industrialists and economic journalists have different opinions in some cases. I write this not on behalf of "German Industries", not even for Siemens. All opinions expressed in this piece are my own.

India Looking Up

I found India — even if still relatively poor — much more healthier than expected. Our television — and I am sure it is not only typical for German TV — sometimes gives a picture of a starving, sickness stricken people of India. It shows that people are deliberately crippled in order to be more successful beggars. These things have become important features of Indian life to German TV audiences. What I found is a completely different picture — a rather healthy looking society in the villages which has learnt to make a living on an extremely small basis of income. Predictions that India very soon will be self-sufficient in food seem to be strongly founded, provided government and farmers continue their efforts. The importance of agriculture within the context of progress and development of India might have been under-estimated by some members of our group. Leading newspapers, too, seem to pay insufficient attention to agricultural problems. Some people may think that dealing

position Japan occupied in 1960.

It should not be difficult to secure adequate foreign aid for the expansion schemes of the existing units and for constructing entirely new units. After five years, the foreign exchange content can be significantly reduced and it may be possible in the later stages to proceed at a faster pace and make good use of the vast reserves of iron ore, manganese, limestone and dolomite. What is needed is a proper understanding of the new trends in steel consumption and the formulation of schemes for future development on a pragmatic basis.

and willingness to accept entrepreneurial tasks.

(c) There is furthermore a considerable lack of capital — a point which is proved by the stock market situation and the low rate of savings.

(d) Obviously there is also a great need for technological skills in all fields.

I have ranked these factors according to my judgement of their importance. Against this background, I would like to make a few remarks regarding the importance and future possibilities of foreign collaborations to contribute towards the economic development of India.

To my surprise, I have found that this country, contrary to other developing countries which I know, is extremely sensitive towards activities of foreign enterprises. While I fully understand this, as I know a bit of the country's past I think that even trained Indian economists have difficulties in judging this issue on its economic and rational merits and detached from emotions. I would like to concentrate on economic considerations and would leave it to you to weigh them against political motives.

Collaborations Helpful

I have no doubt that the Indian people themselves must be the masters of their economic destiny. On the other hand, I am convinced — also by observing other developing countries — that foreign collaborations can give a significant impetus to economic growth. If India would accept collaborations in principle and remove bureaucratic impediments, foreign enterprises could bring the required essentials into the country, namely managerial skill, capital and technical know-how.

At present, foreign participation in India's economy — again contrary to other developing countries — is negligibly low. This indicates that the share of foreign capital could be easily increased without danger of India's economy being dominated by foreign interests. One would however, have to see to it that foreign interests do not converge in one field alone, and that a wide variety of collaborating countries is being ensured in view of the fact that dependency is inherent in too strong a relation with only one partner.

Regarding the visit of the Abs-delegation, which was here almost a year ago, I think the investment climate

in India has not improved since the Abs-report was completed. Investors still complain of the licensing policy and right now there seems to be a tendency to wait for the new political structure expected to emerge after the mid-term elections.

In future, any foreign collaboration should be judged by the following criteria: management, capital, technology and the creation of new employment.

I dare say that the present state of industrial growth in India and the availability of modern technologies would not have been achieved without foreign collaboration. This should be taken into consideration when discussing India's industrial policy for the

future. Furthermore, if India wants to become an accepted equal partner in world economy and trade, it would not make sense to build another "Chinese Wall".

While India in future certainly must look to it that there is no clash of interest between her own national aims and foreign interests, I think in the long run, a new balance of interests will emerge. Right now, increasing realisation abroad of India's new requirements and the reduced interest of India in foreign collaborations coincides with a reluctance of foreign investors. This might be the basis for a new beginning and a better understanding and the emergence of a new economic harmony.

Role of State Banks in Farm Finance

C. M. MUNIRAMAPPA

ONE OF the important reasons why major commercial banks were nationalised was to ensure the deployment of sufficient credit to priority sectors and accelerate their growth in the background of planned development of the country. These banks together with the State Bank of India group, account for a little over 83 per cent of the resources of the banking industry, thus bringing an overwhelming proportion of banking business under state control. It is estimated that the total deposits available with these banks work out at more than Rs 4000 crores and hence they can go the whole hog to help the priority sectors, provided favourable conditions are created for large-scale financial assistance.

TABLE I

Sector	Share in bank credit March-end, 1967	Contribution to National Income 1967-68 (per cent)
Agriculture	2.1	53.2
Industry	64.3	18.1
Commerce	19.4	14.6*
Financial	3.6	
Personal	4.2	14.1
Others	6.4	
	100.00	100.00

*Including Transport and Communications.

Source : RBI Bulletin, October, 1969

The pattern of credit deployment at the time of nationalisation to different sectors was heavily weighted in favour

of large-scale industry, wholesale trade and commerce, rather than agriculture, small-scale industries, retail trade and small borrowers. Table I gives the share of different sectors in scheduled commercial banks' credit and their contribution to the national income.

Unequal contribution by different sectors to the national income and their share in bank credit is evident from the figures in Table I. Agriculture, which contributes a little over 50 per cent of the national income, gets only a little more than two per cent of bank credit, while industry, which contributes hardly one-fifth of the national income, appropriates nearly two-thirds of bank credit. More than four-fifths of the bank credit goes to industry and commerce which account for roughly one-third of the national income due to the fact that until recently some of the industrial magnates in trade and industry had virtual control over a major segment of the banking business. Irrespective of the motive behind nationalisation, the most significant aspect is how best credit is being deployed for the common good of society. Evidently, the present pattern of bank credit has to undergo a radical change so as to meet the increasing credit needs of all productive sectors.

One of the important priority sectors is agriculture. In a country like ours, agriculture has become the mainstay of a large section of the people and a base for building up of economic infrastructure. The improvement of agriculture depends upon supply of sufficient, cheap and timely finance. Amongst others, there is urgent need for providing irrigational facilities, especially in dry

tracts of the country. But such a scheme needs digging of lakhs of wells and equipping them with pumpsets. This programme needs colossal amount of finance. For instance, in the case of Mysore state, according to a report on the distribution pattern of loans for irrigation wells, published by the Directorate of Evaluation and Manpower, it has been estimated that an investment of Rs 254 crores is needed to construct 11.50 lakh irrigational wells to bring the total irrigated area to 35 per cent of the net sown area. At present wells irrigate 4.35 lakh acres out of the net irrigated area of 25 lakh acres. These additional 11.50 lakh wells are expected to bring about 40 lakh acres under well irrigation. The problem is amazing and it is not known how government can mobilise so much finance to embark upon the massive programme of lift irrigation. It is also not possible on the part of many ryots to mobilise the resources required on their own as the yield from their lands is not even sufficient for their domestic consumption all through the year, leaving practically no marketable surplus to fall back upon as savings to improve irrigational facilities. Therefore, there is a great need for a separate agency which can provide sufficient finance to the needy ryots for improving their agriculture and irrigational facilities.

Role of Commercial Banks

The banks in the past, for varied reasons, have shown little interest in agriculture and had confined their financing to the movement of agricultural produce only. The advances of all scheduled commercial banks for agriculture (excluding plantations) at Rs 34.04 crores formed about 1.1 per cent of their total advances at Rs 3,103 crores at the end of June, 1968. After nationalisation, a new thinking dawned on the authorities that commercial banks should sanction loans to one and all on the strength of purpose-oriented or development-oriented schemes. Perhaps the objective behind this new thinking appears to be that there need not be much emphasis on security only while sanctioning loans to bona fide parties, but the purpose for which the loan is required is also to be kept in view. If such purpose is productive, or if it is going to add something to the gross national product, there is nothing wrong in sanctioning the loan to such schemes on a priority basis. But it does not mean that the security aspect is to be sacrificed for the sake of mere purpose. After all, the extension of bank credit should be guided by the principle of security and recovery. If any bank manager sacrifices the security for only "purpose", he will be

doing it only at his peril and at the peril of his bank losing money.

In a bank, the money so lost is the depositors' money. If by adopting a wrong approach in credit expansion, a bank suffers heavy loss, no depositor will excuse such a banker and depositors will make use of the earliest opportunity to close their deposit account with such a bank. Such a situation may create a scare and there may be a run on the entire banking business which is not desirable to the health of nation's economy. But with deposit insurance scheme and ownership of banks lying with the government, such a situation may not arise. Still, no one can avoid a situation wherein banks will automatically be left with no funds to operate upon if the majority of depositors were to withdraw their deposits due to shattered confidence in the operative efficiency of banks. Therefore, it is incumbent on the part of the nationalised banks that they should work not only with high operative efficiency but become watch-dogs of the depositors' money. In this background, the bank managers, however much they are guided by the "purpose" for which the loan is sought for and social justice involved, cannot operate otherwise than sanctioning loans on the basis of sound security. In this context, the statement of the Government of India that it intends to evolve a credit policy for these state banks which progressively will do away with the concept of security at the same time aiming at more and more deposit mobilisation is quite confusing and enigmatic. It is not known as to how these banks can achieve this objective.

Credit Expansion

Now let us see what is the record of these banks on credit expansion to agriculture. According to the statistics released by the Ministry of Finance, Government of India, in seven and half months from June, 1969, to January, 1970, the deposits of these state banks went up from Rs 3,874 crores to Rs 4,153 crores. For this period, the bank advances to farmers had gone up from Rs 38 crores to Rs 104 crores in the form of assistance to 1,40,477 new agricultural accounts and more than doubling their number from 1,34,849 at the end of June 1969, to 2,75,326 at the end of January 1970. Including the effort of the State Bank of India group, the state banks assisted 2,50,000 new agricultural accounts during the first seven months. The total assistance rose during the period from Rs 160.34 crores to Rs 216.72 crores and borrowers' accounts rose from 171,880 to 421,007. The outstanding amount of advances granted to farmers by the nationalised banks increased by Rs 38.64 crores in

this period, i.e. at the rate of Rs 5.52 crores per month as against a monthly increase of Rs 1.86 crores during the one year prior to nationalisation. This lending is mostly to small farmers, the average of an outstanding loan being Rs 2,400 only—indeed, an impressive record for such a short period. It is also claimed that it shows the potential of diversification of banking operations.

Actual Benefit

Such impressive record in terms of statistics must be studied in conjunction with the actual benefit such credit has conferred on the farming sector. Banks have started lending for various purposes, namely, land development, purchase of farm machinery, equipment and implements, digging wells, installation of pumpsets, land reclamation, purchase of fertilisers and other inputs, on the basis of the needs of the ryots and the viability of the scheme. In short, the loans will cover the entire spectrum of agricultural operations. Of all these types of loans, perhaps lending for installation of pumpsets may contribute to extending the cultivable area with assured irrigational facilities. This method of irrigation is decidedly more suitable and may provide a viable media of increasing per acre yields. Therefore, to bring about a marked change in the cultivable area at least in dry tracts, the method of lift irrigation will have to be necessarily adopted till such time as dry farming is brought into use scientifically on large scale.

Realising the importance of lift irrigation, many state governments introduced a number of schemes to help ryots. But it is a pity to note that many of these schemes have failed to achieve good results due to scarcity of finance, bureaucratic inefficiency and rampant corruption in the corridors of co-operatives, land development banks and state electricity boards which have been chosen as the agencies to help the agriculturist. Consequently, there is a void between the financial requirements of the farm sector and actual finance available. Hence it was thought that state banks should enter into the field to fill this void. Many commercial banks did enter into this field even before social control and nationalisation, and started making advances to agriculturists for purchase and installation of pumpsets. The Syndicate Bank perhaps was the pioneer to enter this field in Mysore. The bank did this either on the direction of the Reserve Bank or on the specific requests of state governments like Mysore, Tamil Nadu and Andhra Pradesh to mention a few. After nationalisation the process has

been intensified and almost all state banks are in the field of farm finance.

No doubt it is a good augury so far as farm finance is concerned because it is hoped that these banks can effectively fill the gap in financial requirements. But the question is: Have they developed a uniform system or have they developed a machinery of their own to make necessary enquiries before financing and taking up suitable follow-up action? The answer is a flat No. They have followed a shabby method for their loan operations in some of the dry districts of Mysore state. If their working is any indication, it can safely be argued that these banks have entered a wrong arena having no means of their own to do what they are supposed to do. It is said that either they have no system of their own to supervise the actual utilisation of loans or whatever the system they have is incapable of delivering goods.

Is Credit Supervised?

In a country such as ours much of the institutional credit including co-operative credit is being utilised for purposes other than for which it is extended. This fact has been borne out by the reports of a number of governmental committees, especially by the report on "Utilisation of Co-operative Credit" brought out by the Programme Evaluation Organisation of Planning Commission. This is due to the fact that there is no built-in mechanism to supervise the utilisation of credit. Hence, there is much emphasis in recent years on "supervised credit". But what is the position of state banks in this regard? Have they developed a system of their own to supervise the credit extended? If not, how can they ensure the utilisation of credit properly? There are no suitable answers to these queries, as is evidenced by the loaning practices of some state banks in Mysore with regard to pumpset loans.

Some banks have followed a perfunctory system of linking the credit to an individual in the garb of a pumpset dealer. The scheme sold to the ryot is like this: A ryot wanting credit facility should approach the bank manager through a pumpset dealer. The dealer acts as middleman between the ryot and the bank. The bank obtains the necessary documents from the ryot through the dealer. It is said that the objective behind this procedure is to ensure proper utilisation of loans sanctioned by the bank. Unfortunately, the bank has no system of its own to verify whether it is a request for the loan by applicant, whether he owns lands having a well, etc.—facts relevant to the question of the loan. The bank relies on the pumpset dealer for all details furnished

in the documents and thereby creates a middleman where there is no need for one.

Besides, many bank managers have overlooked the security aspect of the loan programming as is seen by the way some loans are being sanctioned. Some of the assistants of the dealer also masquerade as benefactors of the ignorant ryot and assure him that they will help him to get a loan and on such assurances obtain his signature on blank sheets and on some printed forms the contents of which are not revealed at all to the ryot. The ryot also will not enquire about the form and about his being asked to sign blank sheets when there is urgent need for finance. The next thing he knows (of course, unofficially from the dealer or his agent) is that his loan is sanctioned and he can obtain the pumpset from the dealer. He will remain in complete darkness as to the quantum of loan sanctioned to him, and perhaps may receive the shock of his life when the repayment notice is served on him, which incidentally conveys to him the information about the total amount of credit extended to him. The whole transaction will be shrouded in secrecy and the borrower will be completely ignorant of the happenings until he is informed of the details by the dealer or his agent or by the notice of repayment from the bank.

Day Dreaming

The bank on its part sanctions the loan on the strength of the documents produced by the dealer on behalf of the borrower, makes the payment to the dealer, perhaps day-dreaming that everything will be all right henceforth, and the loan will be put to productive use. No doubt, for the record of the bank, the documents will be there, and the bank will be under the false impression that the loan will be properly utilised and even in its reports and statistics it can say that a proper system of built-in mechanism has been evolved. But unfortunately for the bank the real picture is entirely different. What happens is, many a time there will be a collusion between some tricky ryots and pumpset dealers, wherein the borrower gets the loan in the form of cash minus the commission of the pumpset dealer. In certain other cases, due to the failure of the dealer to deliver a full set, the borrower sells away whatever the part or parts he has obtained from the dealer and uses that amount for some other purpose. Many instances have been noticed in some taluks of Kolar district, Mysore state. As a result of the collusion between the parties to the deal, the loan sanctioned by the state banks for installation of pumpsets have been used for different purposes, mostly

non-productive. If that is the real picture, what becomes of the slogans of "purpose-oriented or need-based credit" by state banks?

Many instances of irregular utilisation have been brought to the notice of banks, but no action appears to have been taken either against the pumpset dealer or against the ryot for violating the rules of utilisation. The reasons are obvious. It is freely talked that some bank managers are also parties to this fraud and they also get due share in the commission for sanctioning the loan. In other cases, loans sanctioned to genuine parties have not reached them in the form of pumpsets. When once the loan amount reaches the dealer he starts behaving as if he is not obliged to anybody and starts dictating terms. Many deserving ryots are waiting for obtaining pumpsets though loans have been sanctioned by banks long ago. In most cases, the ryot is supplied only with a part of the set. If he gets engine he does not get pipes, and accessories. If he gets pipes and accessories he does not get other installation materials which are parts of the full set. A 3 H.P. pumpset costs in the open market between Rs 1,300 to Rs 1,600 depending upon the brand and quality. But it costs anywhere between Rs 1,800 Rs to Rs 2,100 if the ryot is forced to purchase it through the banks accredited dealer, a difference of Rs 500. There may be marginal variation in the quantum of excess amount to be paid by the borrower. Such an attractive situation has brought a number of pumpset dealers into business and many of them have become rich overnight at the cost of the gullible ryots.

Main Casualty

In this high drama the greatest casualty appears to be the "Principle of Security". It looks some of the bank managers have completely overlooked the security aspect of the whole scheme. Eventually, they might have also overlooked the most important fact that they are the custodians of depositors' confidence and money. Prior to nationalisation the loaning policies of commercial banks were largely security-oriented as is evidenced from the Table II.

It can be seen from the Table II that more than 86 per cent of the credit extended by commercial banks was against tangible securities as late as in May, 1969.

But now what is the record of the state banks in obtaining proper security before a farm loan is sanctioned? Many instances have been noticed where loans are sanctioned without proper security.

Enumeration of a few instances may further clarify the argument.

TABLE II

CLASSIFICATION OF SCHEDULED COMMERCIAL BANKS' ADVANCES ACCORDING TO SECURITY AS ON MAY 30, 1969

(Rs crores)		
Security	Amount	Percentage of total
Food articles	421.3	12.1
Industrial raw materials	230.7	6.6
Plantation products	117.4	3.4
Manufactures and minerals	1,310.6	37.7
Other securities	926.5	26.6
Total of secured advances	3,006.5	86.4
Unsecured (clean) advances	473.9	13.6
Total bank credit	3,480.4	100.0

Source: RBI Bulletin, October 1969.

Mr A who does not own any land in the village, gets the loan on Mr B's lands having no well, just because both the names are identical. What happens when the loan recovery notice is served on Mr B? Mr C no doubt owns a piece of land but has no well. He is sanctioned a loan for pumpset purchase, obtains the pumpset, sells it to a third party and uses the amount otherwise. The value of his land is not even one-tenth of the total loan sanctioned to him. Mr D who owns a piece of land stands as surety to Mr E and Mr E in turn, stands surety to Mr D and in the process both of them get loans. The interesting point is that the value of the lands belonging to both of them put together will not be a fourth of the loan sanctioned to one of them. Mr F owner of a piece of land with a well having a pumpset installed already, is sanctioned a pumpset loan, again on the same land as security, obtains cash payment from the dealer and uses it otherwise. Mr G is sanctioned a loan on the security of lands owned by his uncle. Perhaps, a classic example can show how even our bank managers can bungle in their dealings. Mr X owner of a piece of land, the market value of which is round about Rs 2,000, having already a debt of nearly Rs 10,000 overdue, obtained from the government and co-operatives, for digging a well, installing pumpset, etc., on the security of the same land having not repaid any amount of the overdues, and having no repaying capacity whatsoever, has

been rewarded again with a pumpset loan of Rs 2,000 by one of the state banks. These are only a few amongst many examples which can certainly tell something about the security of the loans sanctioned.

Despite sound security-oriented loaning policies followed hitherto by commercial banks large amounts of loans remained outstanding simply because the borrowers were availing of much larger credit limits than their genuine needs or repaying capacities as could be seen from the Table III.

TABLE III
LIMITS SANCTIONED AND AMOUNTS OUTSTANDING OF SCHEDULED COMMERCIAL BANKS

Year	Approved limits at the end of the year	Average month-end bank credit outstanding	(2) as % of (1)
	1	2	3
1960	1,683.4	1,024.5	60.9
1961	1,873.1	1,160.1	61.9
1962	2,151.7	1,258.0	58.5
1963	2,639.6	1,540.1	58.3
1964	2,994.3	1,780.7	59.3
1965	3,221.6	1,964.2	61.9

Source: RBI Bulletin, February 1968.

If this is the condition even with regard to the loans sanctioned to organised and well developed sectors like trade, industry and commerce, etc, what happens if loans are sanctioned to farm sector either against insufficient security or practically with no tangible security and much above the limits of either the borrower's need or repaying capacity?

Recovery of Loans

Then comes the very important question of recovery of the loan. How does the bank propose to recover the loans sanctioned so liberally? This is a problem even for co-operatives. At least co-operatives are slightly better placed as compared to commercial banks because, the office-bearers of the co-operatives are from amongst the rural folk and they can identify the borrower and tackle him properly for repayment of loan instalments. Besides they are assisted by a few sister institutions like marketing and processing societies which exert much pressure on the loanee for payment. But what about the banks? Who can assist bank official who visits the village to collect the dues? He may not even be in a position to identify the borrower. On the other hand, there is every possibility that he may

approach a wrong person and get a rebuff. The bank cannot even approach the pumpset dealer or his agent who was instrumental in getting the loan of Mr Borrower sanctioned, because by the time recovery proceedings start the dealers and their agents, sensing they will be in for some trouble, may wind up their business and bolt away. Ultimately the state banks may become counterparts of a few co-operatives so far as farm finance is concerned unless concerted efforts are made to arrest this drift.

Defects in the System

What are the contributing factors for such a situation? The first and foremost contributing factor is corruption. Instances are not lacking where bank managers have sanctioned loans without looking into the credentials of the applicant and bona fides of the purpose. Another factor is total absence of personal enquiry either by the bank manager or by the field staff to ascertain whether the applicant owns lands with a well, for installing a pumpset. It is also said that the bank managers are not allowing the applicants to meet them personally to discuss details of their applications. Such a situation indicates an undeniable fact that corruption has set into banking circles at least so far as farm finance operations are concerned.

The system of channelling the loan through the pumpset dealers appears to be basically a wrong approach. What happens if the borrower and dealer collude to utilise the loan thus sanctioned for other purposes? What action the bank can take against the dealer for violating certain set norms? Or alternatively, what action can be taken against the ryot for violating the rules under which the loan is sanctioned? Even if such instances are very few in number, their effect will be very much on the entire system and unless the bank has its own machinery for follow-up procedure, no action can be taken against the culprits. If such instances are innumerable, what happens to the lent bank funds and how to recover them. These are fundamental questions for which there appear to be no proper answers from the authorities concerned.

Now let us consider another alternative. What happens if the applicant is allowed to get the loan in cash and purchase the pumpset in the open market at low cost? The argument against this procedure is that the borrower may not use it for the specific purpose for which it has been sanctioned. But this can happen even when the loan is channelled through the pumpset dealer (which is actually happening) as has been mentioned earlier for which there is no check. The presumption

here perhaps is that the bank does not have the confidence in the capacity of the ryots to use the loan for productive purposes. If so what confidence can the bank repose in the capacity of the same ryot just because the loan is routed through a middleman who is also unreliable? It is evident that if the borrower is allowed to draw the loan amount on his own subject to his providing proper and sufficient security, the cost of borrowing will be much less and ultimately he will be saved of not only the botheration of paying almost a fourth of the cost more but also the ignominy of being an object of public ridicule when called upon to repay much more than what he has borrowed, and save him from the hands of tricksters and middlemen ghosts created by banks. It is a pity that when concerted efforts are being made at all levels to eliminate the middleman, banks should have created a new Frankenstein.

Remedies Suggested

In the light of the above discussion, certain immediate measures are necessary to set right the anomalies in the farm financing operations of banks. These are:

- All the state banks should build up a machinery of their own to perform the duties as called upon by extensive farm financing operations and should try to tighten up all loopholes both before and after sanctioning of loans. In the case of direct operations, care should be taken simultaneously to segregate their loan portfolios to be ultimately reshaped into self-managed, supervised institutional form of organisation.
- The services of middlemen should be dispensed with and routing of loans through pumpset dealers must be done away forthwith. The bank managers must personally enquire and identify applicants and on being satisfied of the bona fides of the applicant and purpose, must sanction loans. In the process, they can convert all the borrowers as their permanent customers.
- There should be a sort of co-operation and co-ordination between banks and other agencies like co-operatives so that valuable information can be obtained about the bona fides of certain applicants, especially about their debt position and repaying capacity. In the process of adopting such as integrated approach towards common problems, the co-operative sector can be the best guide and a suitable agency

for the recovery of bank dues.

- The approach of "purpose-oriented loans" should be slightly modified to take cognisance of security also, unless state banks are prepared to write off huge amounts as bad debts. Purpose and security should go hand in hand and should achieve the twin objectives of quick assistance and easy recovery.
- The jurisdiction of each bank branch must be specified. If the branch has to cater to the needs of a wide area, evidently the

branch manager cannot exercise personal supervision and check. There is a great need for a sort of selective approach by banks.

- Banks can even think of evolving certain practices wherein the credit is made available at the very doors of the farmer. Of course, this is subject to developing a vast machinery which, if implemented, will be a boon to the farmer.

In their enthusiasm, the state banks seem to be vying with one another in

offering finance to the farm sector. In this scramble of banks stealing the show there is likelihood of a farmer getting overindebted as has been mentioned earlier particularly because different banks adopt different norms for assessing the credit needs of the farmer. In the midst of this cry it is likely that banks may overdo their job. Therefore, there is an urgent need for these banks to assess and find out to what extent they can go in farm financing operations. A more dynamic loaning system based on production potential and repaying capacity is the need of the hour.

EARN

5

TAX-FREE INTEREST

THROUGH PUBLIC PROVIDENT FUND ACCOUNT

OTHER BENEFITS

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NATIONAL SAVINGS ORGANIZATION

WINDOW ON THE WORLD

West German and Swiss Views on Foreign Workers

JOSSLEYN HENNESSY

LONDON:

I

GERMANY WANTS

THE GROSS national product of Federal Republic of Germany today is double that of 10 years ago; its foreign trade surplus treble. During the same period the working hours laid down by wage agreements have been cut by 3½ hours for manual workers and by almost three hours for salaried employees. This is not only the effect of increases in productivity from rationalisation and automation but is also, largely due to the efforts of foreign workers, whose number has increased 10 times between 1960 and 1969 and at more than 1,800,000 reached its postwar peak during the second quarter of 1970.

Even though this record may have economic reason—the President of the West German Federal Office of Labour sees it as indicating an optimistic assessment of the economic situation on the part of employers—the trend towards the increasing employment of foreigners in West Germany is primarily demographic in origin: the economy is faced now and in the foreseeable future with stagnation in its indigenous working population. The Federal Ministry for Economic Affairs in its latest long-term preview foresees the need to employ some 1,900,000 foreigners by 1980, and this forecast is likely to be revised upwards to around 2,000,000 in the light of the most recent developments.

Both employers and employees favour the employment of foreigners in principle. The employers are anxious for as small a turnover as possible among foreigners, who are expensive to recruit and represent costs which can only be amortized in a long period of employment. It is argued that densely populated West Germany is no longer a country of immigration today, but the recent increase in the number of foreigners employed for a period of years was welcomed for business reasons. The trade unions are primarily interested in making sure that the foreign workers are subject to the same agreements on wages and working hours as their West German colleagues: they appreciate

that a great many foreign workers will continue to work merely temporarily in the Federal Republic in order to earn quickly and then leave rapidly to build new lives for themselves in their own countries.

Sceptics, however, see a certain danger for the West German economy in this attitude since the full utilisation of capacity is becoming more and more dependent on the employment of foreigners. Since foreigners are only eight per cent of the labour force at the present time in West Germany, Belgium and France, this danger is not as yet too serious, but some apprehensive glances have been cast across the border at Switzerland's experience.

Advantages to West Germany

The very high regional mobility of foreign workers is considered an advantage in West Germany. The Council of Experts, in its Annual Report for 1968, emphasised that this mobility has made it possible to provide the necessary labour where it is more required, and to channel new arrivals into those industries which show a high rate of growth and an encouraging rise in productivity. Although this has made it possible to meet a large part of the economic demand for regional mobility, it has, on the other hand, also further increased the density of population in the large areas of big concentration. More than half of all foreigners in West Germany work in North Rhine-Westphalia and Baden-Württemberg; a third are concentrated in the major cities, particularly Munich, Stuttgart, Frankfurt and Cologne.

The mobility of foreign workers also proved advantageous during the last recession. From the end of September, 1966, to the end of September, 1967, almost half a million foreign workers, mainly Italians, entered the country to take on work which appeared less attractive to West German workers. In the service sector, the proportion of foreigners continued to rise even during the recession. Certain sectors, especially iron and metal producers, the manufacturing industries and the building industry, would not in fact have been able to keep going without foreign

workers. These industries employ the bulk of the foreigners.

The international labour market still has considerable reserves of workers as long as the battle against the population explosion, and accordingly against hunger, has not been won in the "third world". Even in the EEC, the free movement of labour, one of the four freedoms with the aid of which it is hoped that the disparities in wealth between northern and southern Europe will be eliminated, has not yet been fully utilised. Less than a third of the foreign workers in West Germany come from one of the EEC countries, even though the Treaty of Rome ensures them special treatment. Some 20 per cent each of the remaining foreign workers in West Germany come from Yugoslavia and Turkey, more than 10 per cent from Greece, just under 10 per cent from Spain, and two per cent from Portugal.

Recruitment Agreements

There are limited recruitment agreements with Tunisia and Morocco. Similar agreements with Japan, Korea and Chile are largely confined to miners. In law, there is no discrimination between West German and foreign workers; except that to enter the country, foreigners need a labour permit, which is not refused if they meet certain conditions. The employment of foreigners pays for itself, not only from the viewpoint of domestic economic growth, but also because their remittances to their homelands contribute to balance of payments' equilibrium; their remittances of savings rose tenfold in the 1960s: in 1969, they totalled nearly DM 3,000 million. Like the deficit balance in tourism, which had risen to close on DM 4,000 million, these outward remittances are a welcome counterbalance to the foreign trade surplus of almost DM 15,600 million. The home countries of the foreign workers also naturally benefited from this flow of foreign currency, which helped them to pay for imports of industrial goods, which, in turn, contributed to West Germany's exports—altogether a virtuous circle.

From the tax point of view, foreign workers have been a useful source of revenue to West Germany. The 1,350,000 foreigners in the Federal Republic in 1969 earned wages totalling DM 16,000 million. A minimum of DM 1,000 million out of this total was paid by way of taxes, and, in addition, jointly with the employers, there were contributions of approximately DM 2,000 million to the social security insurance fund. As a result, West German workers were spared an earlier increase of another one per cent in their rates of contribution. Since West

German claims on pension funds are still small for the time being, the contributions of foreign workers help to postpone the "pension bulge."

This is the view of the West German Ministry for Work and Social Affairs, which devoted a recent issue of its Federal Work Gazette to "Foreign Workers in the Federal Republic". The conclusion of the ministry's report was that the employment of foreign workers has been worthwhile for the Federal Republic up to now. Their integration into West German working and living conditions, however, still leaves much to be desired and still requires a good deal of help.

II

SWITZERLAND DOES NOT

In 1969, foreign workers totalled 16 per cent of the labour force in Switzerland.

In the course of the last hundred years, Switzerland's natural demographic developments has shown a steady progression. Between 1870 and 1968, population grew from 2.66 million to 6.12 million inhabitants. During this period, the birth rate reached its lowest level in 1937, standing at 14.9 per thousand, and thereafter rose to 17.1 per thousand in 1967. The death rate showed a marked regression from 23.8 per thousand between 1871 and 1875 to 9.2 per thousand for the period 1964 to 1968.

Besides births and deaths, a third factor has always had a decisive influence on population expansion in Switzerland: migratory movements, especially immigration. Two powerful waves of immigration have influenced population development in Switzerland over the last 80 years. The first lasted from around 1890 until the beginning of the 1914-18 war and the second throughout practically the whole period following the World War II. Between these two waves there was a decline in Switzerland's foreign population. This gradual reduction, spread over a period of 30 years, was a result of the dramatic political and economic upheavals of the time—World War I, the crisis of the inter-war depression years, and then World War II. During the inter-war depression Switzerland checked immigration by limiting it to meet specific demand from industries suffering from shortage of manpower.

After World War II, the influx of foreign workers gradually resumed. Towards the 1950s, the economic boom set in and resulted in increasing strain on the Swiss labour market, so that large contingents of foreign workers were welcome. From 1960 to 1964 the increase was particularly marked; lab-

our permits for foreign workers rose from 330,000 to more than 670,000. Faced with this growing influx of foreign labour that had arisen as a result of the overheated economy, the government intervened to the extent that business concerns were obliged to cut their manpower by five per cent in 1965 and by three per cent during 1966.

Although these measures, which essentially affected foreign workers, have taken some of the impetus from the population upsurge since 1964 they have not succeeded in containing the growth of the resident foreign population, because the restrictions were neither imposed on all categories of workers, nor applied to all sectors of the economy, and, in addition, foreign residents not exercising a remunerative activity were exempt. Faced with this situation, the government enacted new measures in March, 1970, with a view to stabilising the number of foreign workers in the country, which provided for a check on immigration, the abolition of individual quotas for business concerns, and the introduction of a global quota system. The government's basic motives were clearly not economic: the main aim was to counter the "popular initiative

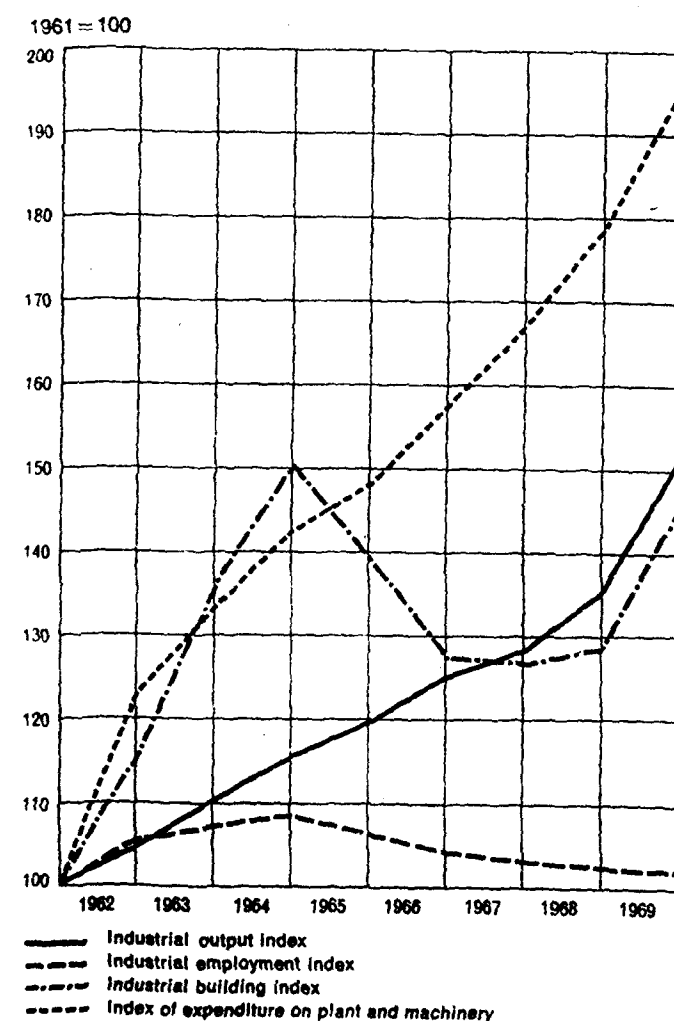
against foreign ascendancy", a movement launched by James Schwarzenbach, an independent member of the Federal Parliament. This "initiative" proposed that, over a period of four years, the number of foreigners in each canton be reduced to a level corresponding to 10 per cent in the Swiss labour force. Such radical reduction, coming at a time when the Swiss economy is already struggling against a shortage of manpower, would have had disastrous effects on economic development. Switzerland's economic future and her political and humanitarian reputation were at stake.

Fortunately, the all-male Swiss electorate rejected the "Schwarzenbach initiative". Nevertheless, the economy will have to make the best of the new government measures and alleviate the labour shortage by further rationalisation and automation.

Investment in Rationalisation

In the course of the 1960s, intensive rationalisation enabled the Swiss economy to keep its products competitive on world markets. From the end of 1964, i.e. from the implementation of

INDUSTRIAL PRODUCTION, INVESTMENT AND EMPLOYMENT IN SWITZERLAND



ie government measures compelling industry to reduce the use of manpower, new investment trend emerged as a result of efforts to improve productivity. Expenditure on plant and machinery, with rationalisation of production as the chief objective, rose to Sfr. 5,200 million in 1964—an increase of 37.5 per cent. On the other hand, expenditure on industrial building, which is directed more at expansion of productive equipment, registered a continuous decline between 1964 and 1967. It is only during the last two years that it has begun to pick up without, however, attaining its 1964 level.

The divergence between the two indices for industrial output and employment (shown in the graph) is evidence of the rationalisation efforts made in industry in the 1960s. The industrial employment index at the end of 1969 stood six per cent lower than in 1964, and only a little above the 1961 level. Despite a steady reduction in the number of "blue collar" workers, which began in 1965, industrial output has gone up remarkably since; with 1961=100 as base, the index rose to over 150 in 1969. This clearly demonstrates that, as a result of the manpower shortage, entrepreneurs have concentrated more and more on improvement, revolution and rationalisation of productive equipment and not so much on its expansion.

What of the Future?

The question is whether it will be necessary, or indeed possible, to maintain this great rationalisation drive over the next few years. Allowing for the uncertainty of forecasts, it appears from two recently conducted population surveys that Switzerland will be faced with a growing shortage of labour in the course of the three coming decades. Both these surveys forecast that the growth rate of the labour force will be between 0.4 and 0.5 per cent a year, whereas between 1950 and 1967 it was 0.9 per cent a year. It is, moreover, obvious that the future of the labour market will largely depend on government policy on foreign workers. How will industry react if confronted with a prolonged manpower shortage of artificial creation? What are the implications of such a predicament for Switzerland's economic future?

Various trends are beginning to emerge. For example, the large concerns in the engineering, chemical, textile and food sectors have, for several years now, been seeking to transfer their productive activities abroad. This trend may very possibly gain impetus and must to some extent be detrimental to the economy. In addition to this, in order to draw more easily on frontier commuters as a labour force, entre-

preneurs could be led to transfer their production units to sites along the frontiers in a movement of concentration similar to those that have taken place along important waterways or around railway stations. Although such a solution has already occurred on a small-scale, it is, at best, a palliative and not a cure. Another problem is that small and medium sized concerns, with limited self-financing capacity, will be hard put to raise capital for the investments necessary to rationalise their production. Hence, the strong possibility that the investment programme for Swiss industry may be curtailed or even blocked completely.

The indications are, that the manpower shortage is going to present Switzerland with the most serious difficulties in the years ahead. The shifting of production complexes, and above all more intensive rationalisation, should enable these difficulties to be overcome to some extent. The possibility of a fall in the growth rate of the gross national product cannot, however, be ruled out. If so, the implications range from a slowdown, or even a decrease, in the standard of living, to chronic inflation caused by ever-mounting pro-

duction costs. While the Swiss Bank Corporation's Business Survey sees no cause to paint too black a picture, it nevertheless emphasises that, if there is no guarantee of the manpower essential to a balanced development of the Swiss economy, it will not be possible in future to achieve growth rates as high as they have been in the past, which, in turn leads the bank to ask whether membership of the Common Market, in one form or another, might not provide a solution to the labour shortage. Switzerland's tradition of neutrality seems to me, however, to make that solution to her manpower shortage problem pretty remote.

Sources and Acknowledgements: The appreciation of West Germany's attitude to the problems of manpower shortage and foreign workers is summarised from a recent issue of the *Economic Review* of the Berliner Handels-Gesellschaft and Frankfurter Bank, and that of Switzerland's reactions from the *Business News Survey* of the Swiss Bank Corporation. Neither banks are responsible for the emphasis of my summaries, nor for my comments, based on a variety of sources.

RESIDENT POPULATION IN SWITZERLAND ACCORDING TO ORIGIN

Year	Total	Swiss	Foreigners	Foreigners in total population
		In thousands		percentage
1870	2669	2518	151	5.7
1880	2846	2635	211	7.4
1888	2918	2688	230	7.9
1900	3315	2932	383	11.6
1910	3753	3201	552	14.7
1920	3880	3478	402	10.4
1930	4066	3711	356	8.7
1941	4266	4042	224	5.2
1950	4715	4430	285	6.1
1960	5429	4844	585	10.8
1965 ¹	5880	5055	825	14.0
1968 ¹	6115	5163	952	15.6
1969 ¹	6170	5179	991	16.1

¹Estimate

NOTE: Table and graph reproduced with acknowledgments to the Swiss Bank Corporation.

The moving finger writes

ALTHOUGH THE yoked bullocks have been unyoked for the time being by the judgment of the Supreme Court in the Congress election symbol case, the two disputants concerned have reason to be grateful that their candidates are not going to be treated as 'Independents' each of whom will have to take his chance with the 'free' election symbols. The position now is that the two groups into which the old Congress organisation has been built are both to be treated as recognised all-India parties entitled to choose their respective election symbols. While this must be a convenience to Mr Jagjivan Ram's party as well as to Mr Nijalingappa's, it is clear that the latter will be the greater gainer. This is because a medley of election symbols would have done greater harm to Mr Nijalingappa's party since this would have been to the serious disadvantage of its candidates for the assembly seats in Tamil Nadu where Mr Kamaraj may be expected to run a good race, while Mr C. Subramaniam will merely be an 'also ran'.

At the time of writing, Mr Jagjivan Ram's party has yet to announce its choice of an election symbol. Whatever may be the object finally selected and recognised for the purpose, it is inevitable that so far as the forthcoming general election is concerned, the effective election symbol for this party in the consciousness of the electorate will be the jeep. Mr Sanjay Gandhi, the second son of Mrs Indira Gandhi, has seen to this.

Making an election speech in Madras city, Mrs Indira Gandhi predictably chose to play on the kindly sentiments which the people of Tamil Nadu have for the Nehru name. She asked for votes not only in the name of her father but also in the name of her grandfather and claimed that she was a patriot, born and bred to form. Mrs Gandhi evidently is proud of her upbringing. I wonder whether she is equally proud of the way she herself has brought up her second son.

Addressing an audience in Uttar Pradesh the other day, Mrs Gandhi chose to inform the public that she had decided on the dismissal of Mr Morarji Desai from the Finance Ministership as early as in the wake of the Faridabad session of the Congress. As is the practice with her, Mrs Indira Gandhi here was telling only as such of the

truth as suited her. Actually, her plan for forcing Mr Morarji Desai out of the cabinet was formed early in 1969, if not even earlier. Not only in retrospect is it significant that she failed to back Mr Desai when some of his budget proposals for 1969-70 were successfully attacked by critics within the ruling party itself, although it was she who had been primarily responsible for the impugned proposals being incorporated in the budget in the first instance.

All through that long hot summer of 1969 Mrs Gandhi was masterminding from behind the scenes the onslaughts which were being made against Mr Morarji Desai's political position by the so-called Young Turks on one pretext or another. Simultaneously, she was ostentatiously refraining from discouraging the slanderous attacks which were being made on Mr Desai's integrity in certain sections of the press which openly claim to be in her good books. Whether it was the agitation for an inquiry into the affairs of certain big business houses, or allegations against Mr Kanti Desai's business transactions or even the Gandhi murder inquiry, which was then in progress, all was grist those days to the political mills of Mrs Gandhi which had been set to grind Mr Desai exceeding small. Her tactics indeed were so obvious that I was moved to remark to a colleague, when we were sitting in the press gallery of the Rajya Sabha some time in May, 1969, that, if Mrs Gandhi had her way, Mr Desai would be out of the government before the year ended. Well, Mrs Gandhi did have her way and she had it rather earlier than I expected.

I would remind readers of my reference in these columns to the question I asked Mrs Gandhi at her last press conference about nationalised banks financing her party's election operations. Her reply, it may be recalled, was that this possibility had not crossed her mind and she was therefore thankful for the suggestion. It now appears that the largest of the nationalised banks has recently liberalised overdraft facilities to certain parties who are expected to utilise those funds for financing the purchase of one thousand jeeps on credit terms for the use of the candidates of Mrs Gandhi's party in the forthcoming election.

When Mr Manubhai Shah ratted on the Nijalingappa Congress, there

must at least have been one person who was not surprised. This gentleman, who knew Mr Manubhai Shah rather well and whose identity many of my readers will no doubt be able to guess, almost always used to refer to Mr Shah as "that white rat".

Let me hasten to make it clear that I have no quarrel with Mr Shah for changing parties. It is the professional prerogative of politicians to do this and I, for one, am not prepared to give credence to anyone of the several reports—not exactly flattering to Mr Manubhai Shah—which are circulating in New Delhi, Ahmedabad and Bombay about the reasons for his switching his allegiance to Mrs Gandhi. But I do feel that any man who has been in public life and has also been occupying positions of responsibility and dignity in government must observe a certain minimum decency of conduct.

In my opinion, Mr Manubhai Shah is guilty of serious lapses of behaviour as evidenced by the tone and tenor of the campaign of vilification he has been carrying on against the party which he has just deserted and its leaders. As one who would like to continue to count oneself among his friends and well-wishers, I would like to tell Mr Manubhai Shah that he should desist from doing further damage to his credibility by singing praises of Mrs Gandhi and her government in public. Some of us after all happen to know what his private opinions, privately expressed, were in the not-too-distant past.

Mr Mohan Kumaramangalam has resigned from the chairmanship of the Indian Airlines in order to contest for a Lok Sabha seat from Tamil Nadu as a candidate of Mrs Gandhi's party. Mr K.T. Chandy, Chairman of Hindustan Steel, it is reported, is also planning to act similarly. Both these gentlemen should of course have long ago submitted their resignations from their positions as heads of their respective public sector undertakings concerned on the simple and sufficient ground of their proven inadequacy for the jobs they held. I hope whoever opposes Mr Kumaramangalam or Mr Chandy will be able to make a live election issue of the way his opponent had managed or mismanaged the affairs of a vital industry in the public sector.

V. B.

**CAN E. C. G. C.
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THE REPUBLIC IS 21

The Republic of India was 21 years old on January 26, 1971. Whereas we have made substantial progress in various fields during these years, several new problems have cropped up in the recent past. Commemorating the 22nd Republic Day, this feature throws light on some of the challenges facing us today and the steps being taken to meet them.

The Republic on Trial

THIS REPUBLIC Day sees the ideals of the Republic on trial. Scheming politicians, taking their seats in the legislatures or assuming offices of state or positions in government on a clear pledge of allegiance to the Constitution, have been busy during the past so many months seeking personal or partisan ends in violation of the letter and spirit of the Constitution. They have been setting one instrument of the Constitution against another in a vile attempt to undermine it in its essential parts. To lend respectability of a kind to this activity, they have been claiming to act in the light of the will of the people, the sinister implication being that their acts have acquired the authority of an over-riding sovereignty which transcends even the jurisdiction of the Constitution. When it has suited their purpose,

they have attempted to assert an alleged suzerainty of Parliament over the Supreme Court, but this has not prevented them from circumventing or even frustrating the processes of Parliament whenever such a course has seemed necessary for their partisan purposes.

Their negative and destructive operations have not ended here, but have extended to the use by governments at the centre and the states of the various media of mass communication to divide the people by promoting jealousies and distrust among the various sections of the community. Although the nation's survival is so clearly dependent on a national unity of purpose and effort, the selfish and shortsighted politicians in our midst have been creating dissensions among the people in ever-widening

circles of disagreement.

These are the harsh realities of the context in which the nation celebrates this Republic Day. Even so, the thousands of simple men and women and their children who flock to witness the Republic Day Parade in the national and state capitals and the millions more who, in various ways, are drawn into a celebration of the occasion have a right to enjoy this reminder that theirs is a free country and feel hopefully that this freedom, despite the politicians, will some day come to mean for them what they, in their simple faith, expect of it. That that day may come sooner than seems likely now is a thought which we, as brave men, must hold firmly on this day and every day of the fateful months that lie ahead.

LOOKING AHEAD WITH GREATER CONFIDENCE



FOOD CORPORATION OF INDIA

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January 29, 1971

EASTERN ECONOMIST

215

New Dimensions of the Green Revolution

FAKHRUDDIN ALI AHMED

Minister of Food, Agriculture, Community Development and Co-operation

ACCORDING TO the final estimates, India's food production in 1969-70 amounts to 99.50 million tonnes, the highest so far. The drive during the current year has been in three main directions. The concern to see that the benefits of increased productivity are shared by all has led to the formulation of several programmes for assisting the small farmer, both for improving his standard of living and to enable him to make a greater contribution towards production. Secondly, research effort has been concentrated on rice which has not till now kept up with wheat in the matter of rising yields. Thirdly, continuous steps are being taken to maintain a steady supply of inputs which alone can sustain the momentum of the green revolution.

Under the scheme for small farmers, for which a provision of Rs 67.5 crores has been made in the fourth Plan, small farmers' development agencies would be set up in 46 selected districts of the country. They would identify small but potentially viable farmers, analyse their problems and help in the provision of institutional credit and inputs. Out of the 46 projects, 35 have been approved and work has already commenced in thirteen. Under another scheme with a fourth Plan provision of Rs 47.5 crores, 40 projects for submarginal farmers and agricultural labourers are to be launched. The emphasis will be on improving their income through provision of credit for undertaking dairying, animal husbandry, poultry, and vegetable growing. Seven projects have been approved so far.

Two Programmes Evolved

In chronically drought-affected areas and to a lesser extent in the large area of the country not serviced by irrigation, the standard of living of the rural community has been pegged down to a low level. Two programmes have been evolved to arrest and correct this tendency. Under a Rs 100-crore scheme for chronically drought-affected areas, labour-intensive schemes, which would at the same time increase the productivity of land and labour, are being taken up. So far, 23 such districts have been identified in seven states and the implementation of the schemes has commenced in sixteen.

Under the dryland scheme, research is being intensified for evolving tech-

niques which would give the maximum returns from the available soil and moisture resources. Twenty-four research centres and 24 pilot projects are envisaged under the scheme. Participating farmers will get substantial subsidy for inputs, soil conservation and land development. Sprayers for plant protection will be provided for use free of charge. Nine projects have already been started.

Rice production in 1969-70 was 40.43 million tonnes, as against 39.76 million tonnes in 1968-69. The rate of increase is expected to be larger in the coming years as intensified research has been able to evolve new varieties suited to a wide variety of conditions. Pankaj and Jagannath can be cultivated even under water-logged conditions. Sabarmati has proved suitable for Haryana, western Uttar Pradesh and Delhi; Jamuna for the same areas and Andhra Pradesh; Bala for upland rain-fed areas and as a rotation crop in multiple-cropping pattern; Krishna for the Terai areas of UP, parts of Madhya Pradesh and Gujarat. Vijaya has a better yield than IR-8 and Ratna can be grown in areas endemic for the stem-borer since it has been found to resist this pest successfully.

Use of Inputs

Action is being taken on many fronts to step up the inputs for giving further momentum to the green revolution. The area under high-yielding varieties has made a substantial advance from 1.9 million hectares in 1966-67 to a little over 11 million hectares in 1969-70. The target is to cover 25 million hectares by 1973-74. The multiple cropping programme, first introduced in 1967-68, covered about 17.5 million hectares by the close of 1969-70 and the 1970-71 target is an additional area of 9.60 million hectares.

Water is a basic input, especially in the context of high-yielding varieties and increased fertilizer application. There has been sustained growth in the exploitation of ground water resources between 1965-66 and 1969-70. The number of pump-sets for lift irrigation has more than doubled, reaching a level of 20.9 lakhs and the number of private tubewells has increased more than three times, to four lakhs. The 1970-71 target is to cover an additional area of 1.5 million hec-

tares with minor irrigation facilities. For the most profitable utilisation of water resources, a Groundwater Board has been set up in the centre. Water management projects are already working in Mysore, UP and Punjab. Four more are to be launched in the near future, in Gujarat, Maharashtra, Orissa and Rajasthan and another eleven are to be set up within the next two or three years.

Priority for Fertiliser

The fourth Plan has given a high priority for fertilizer production and use, calling for a three-fold increase in fertilizer application from 18 lakh tonnes of nutrients in 1968-69 to 55 lakhs tonnes of nutrients in 1973-74. A large programme for the education of farmers in balanced fertilization has been launched, dealership provisions in the Fertilizer (Control) Order have been liberalised to step up the number of fertilizer outlets and incentive systems for executives of co-operatives and field agents like gram sevaks have been introduced in certain states for fertilizer promotion.

Integrated programmes of soil and water conservation have been taken up in different rainfall zones. Centrally sponsored soil conservation schemes in the catchment of 13 major river valley projects have been intensified. Pilot projects for reclamation of ravine land have been initiated in the states of Uttar Pradesh, Madhya Pradesh, Rajasthan and Gujarat for the first time as a centrally sponsored scheme.

Plant protection measures are becoming increasingly popular with farmers and significant headway has been made in the new technique of aerial spraying. The fourth Plan target for plant protection coverage is 80 million hectares.

The Indian farmer, once held to be extremely conservative, has taken to mechanised agriculture with great enthusiasm and sophisticated equipments like harvester combines are becoming familiar features of the Indian landscape, especially in states like Punjab. But the small farmer can be helped to mechanise his cultivation only if he is helped by hire-purchase or custom service arrangement. The Agro-Industries Corporations which have now been set up in all the states except

Himachal Pradesh are trying to cater to this need. Recently, a scheme has been evolved which will have the dual objective of helping mechanisation as well as relieving unemployment among engineering graduates. They are to be given priority in the hire-purchase of mechanised agricultural equipment, concession in initial deposit money, state assistance in obtaining loans from commercial banks, training facilities with agro-industries corporations, and possible employment as their agents in rural areas where they have no workshops at present.

Further advances have been made

in the institutionalisation of agricultural credit with a multi-agency approach. The central and state governments, the Life Insurance Corporation, the Reserve Bank of India and the State Bank of India continue to support debenture floatation programmes of the co-operatives. The Agricultural Refinance Corporation has stepped up its assistance for minor irrigation schemes and is also giving assistance for construction of godowns and silos. The participation of commercial banks in agricultural financing is on the increase. The outstandings of agricultural credit advances by commercial banks were about Rs 172 crores at the end of June, 1969, while

by the end of June, 1970, they had risen to Rs 643 crores.

All in all we are poised on the threshold of a more meaningful revolution in the countryside. The opportunities offered are vast, expectations great. Much would depend on how we are able to use the mechanism which has come into being for this revolution. If we are able to generate a sense of participation and confidence and correct the various distortions in the tenurial system and social structures, the Indian farmer would not only turn the corner but also lay the foundation of a truly prosperous commonwealth, democratic in form and socialist in content.

Tourism : Meeting the Challenge of Seventies

THE LAST four years have seen a breakthrough in tourism in India, with earnings going up to Rs 37 crores in 1970 from Rs. 22 crores in 1966 and the tourist arrivals increasing to 2.75 lakhs from 1.60 lakhs.

One of the significant developments in the field of our promotional work abroad has been a marked change in emphasis towards a more dynamic market-oriented strategy. That this has paid rich dividends is reflected in the 30 per cent increase recorded during 1969 in tourist arrival figures. Efforts are now being increasingly made for tapping the market through tour operators, travel agents and airlines. Tourist promotion overseas is channelised through field offices located in New York, San Francisco, Chicago, Toronto, Sydney, Geneva, London, Paris, Frankfurt, Stockholm, Brussels and Milan. "Operation Europe", a dynamic promotional tie-up with Air-India, which was started in 1968, has been successful in increasing tourism from this continent by nearly 45 per cent. With the success of this experiment, the pattern of operation is likely to be extended to other areas beginning with the U.K. Promotional aids available include a set of new and freshly designed tourist brochures produced by some of the best creative talent available in this country.

Hospitality Programme

The Department of Tourism also has hospitality programme under which foreign travel agents, travel writers, photographers and producers of TV films are invited to India on familiarisation tours. This has helped immensely in improving India's image abroad. The editorial publicity that we have been receiving overseas has greatly supplemented our paid advertising campaigns. Within the country we

have mounted a series of campaigns highlighting the role of tourism in promoting national integration, creating tourist consciousness among opinion-leaders and for motivating investment in tourism.

If the tourist arrivals in 1969 are any indication, India will face one of its greatest challenges in the field of tourism during 1970s. A total of 2,44,724 tourists visited India in 1969, registering an all-time record of nearly 30 per cent over the preceding year. The United States sent the largest number (52,836), followed by Britain (38,037), Germany (14,222), France (12,094), Australia (10,615), Malaysia (8,823) and Japan (8,352). The foreign exchange earnings from tourism (excluding international fares) has been estimated at Rs 33.11 crores in 1969, as against Rs 26.42 crores in 1968.

Tourist Arrivals

There has been a steady increase in tourist arrivals over the past five years. The figures of tourist arrivals for this period are : 1965—1,47,900; 1966—1,59,603; 1967—1,79,565; 1968—1,88,820; 1969—2,44,724.

The government has set a target of 4,00,000 tourists by 1973 and all efforts are being made to achieve this target.

Recognising the importance of creating the necessary infrastructure to meet the influx of tourists, the government has drawn up plans to develop the various sectors of the tourist industry.

There are at present 166 hotels on the approved list of the Department of Tourism in categories ranging from one star to five star and offering a total room capacity of 8,807. In addition, several projects which were approved

at the planning stage and completed but are yet to be classified have added 585 rooms. The total room capacity in hotels available today thus is 9,392.

Hotel Facilities

It is estimated that by 1973, 10,279 more rooms will be required. Approved hotel schemes in the private sector are expected to provide about 5,000 more rooms on completion. Of these 1,470 rooms will be provided by the three new hotels connected with international chains which are coming up in Bombay. In the public sector, the India Tourism Development Corporation (ITDC), set up by the government, plans to put up hotels at Kovalam, Srinagar, Gulmarg, Calcutta, Jaipur and Bangalore. The Bangalore hotel is now under construction and is expected to be ready by October, 1970. The ITDC also plans expansion of the Laxmi Vilas Palace Hotel at Udaipur. The capacity to be added through these ITDC projects is about 675 rooms. Air-India is also planning to set up two hotels in Bombay which will provide an additional 400 rooms.

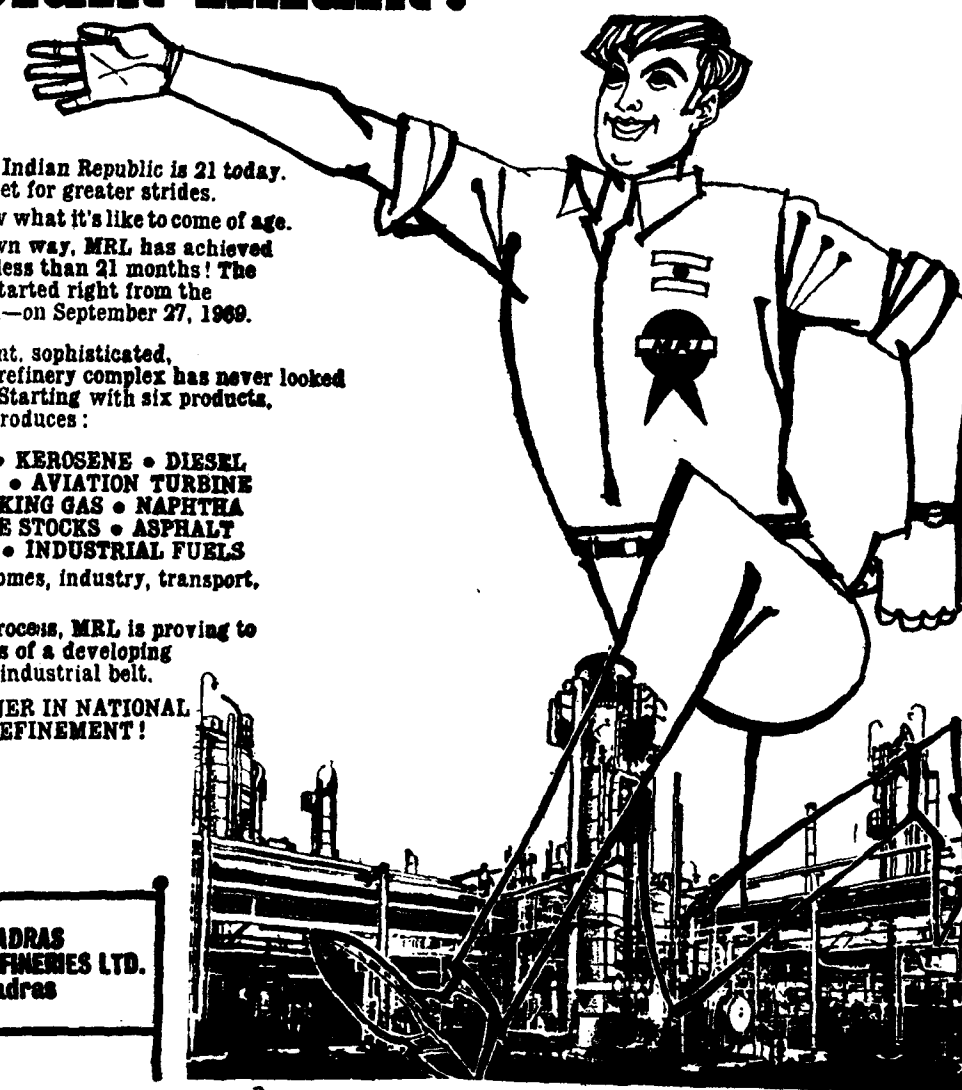
In order to generate investment in the hotel industry, the government has floated a Hotel Development Loan Fund of Rs 500 lakhs. Loan applications for half this amount have so far been approved for hotel projects which on completion would add a total of 860 rooms.

The only hotel in the country at present functioning as a result of foreign collaboration is the 350-room Oberoi Intercontinental in New Delhi. The other three collaborations that have been approved are the Tata Intercontinental, the Oberoi Sheraton and the Hilton Hotel, all in Bombay.

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are serviced by reliable and experienced agencies, the Department of Tourism has a system of according recognition to various organisations in the travel industry.

At present, Indian Airlines is hard pressed to meet the increasing traffic. However, with the decision to acquire Boeing 737 for the airline's trunk routes, the situation in regard to air transportation within the country is expected to improve considerably. The deliveries of the new aircraft are expected to begin later this year.

As group movement by charter flights

is playing an increasingly important role in the tourist traffic, the government has done away with the ceiling on the number of charters allowed to land in India. Other restrictions have also been substantially liberalised.

Visas have been abolished on bilateral basis for nationals of Finland, Denmark, Sweden, Norway and West Germany. For visitors from other countries entry has been made easier by extending the validity of the temporary landing permit from seven to 21 days. In short, most tourists can now come into India without a visa.

Employment for Millions

EMPLOYMENT FOR over five million people in rural areas is envisaged under several programmes most of which have already been initiated and are being extended on a top priority basis.

The green revolution that is sweeping through the country depends upon the spread of scientific methods in agriculture, which, in turn, demands relatively larger investment. The big and medium farmers, therefore, have spearheaded the production drive. But the small farmers also need to be helped to participate in the revolution, both because social justice demands it and because production cannot be maximised if their small farmsteads also do not yield harvests of plenty.

Central Outlay

The outlay of Rs 67.5 crores provided in the central sector of the fourth Plan for the scheme will be used to set up small farmers' development agencies in 46 selected districts of the country. Each agency will get Rs. 1.5 crores which will generate three to four times more money from the institutional sources (co-operative and commercial banks). The agency will identify viable small farmers holding from 2.5 to 7.5 acres, formulate production programmes for them, and help them with adequate and timely inputs. On all production schemes 25 per cent will be subsidy and 75 per cent will be loan.

About 23 lakh families of small farmers will benefit from this project. Forty-two of the total of 46 projects have already been approved and cover all the states.

Similar agencies for marginal farmers and agricultural labourers are being introduced in 40 selected districts under a second scheme for which

there is a provision of Rs 47.5 crores in the central sector of the fourth Plan. The scheme will generate supplemental occupations for marginal farmers and agricultural labourers through animal husbandry, vegetable growing and similar occupations. They will get 33-1/3 per cent of their production expenditure as subsidy and the remainder as loan. About one million families of marginal farmers and agricultural labourers will benefit from the forty projects out of which twenty-two have already been approved. Most of the states have been covered and the selection of areas in the other states will be very shortly finalised.

Standards of living of the rural population have stagnated at a low level for decades in the chronically drought affected areas of the country. Fifty-three such districts have been selected for rural works programmes whose immediate objective is to generate large-scale employment through labour intensive schemes.

Rural Programmes

These schemes — medium and minor irrigation, soil conservation, afforestation and rural communication — will be integrated with the ongoing Plan schemes in the districts and will thus create long-term infrastructure assets in the areas.

For every one crore rupees expenditure on this programme, about 25,000 persons will get employment. The total provision is Rs. 100 crores. The entire expenditure is hundred per cent grant to the states except with regard to soil conservation measures in the fields of private cultivators where 25 per cent is subsidy and 75 per cent is loan, repayable in easy instalments.

Under the crash programme for rural employment which is similar in objec-

In the fourth five-year Plan a total outlay of Rs 25 crores has been made for tourism. Realising the importance of creating resorts for attracting destination traffic, five major integrated development projects have been included in the Plan schemes. These are a winter sports resort at Gulmarg in Kashmir, development of Kulu-Manali area, beach resorts in Kovalam and Goa and development of selected Buddhist places. Of these, the Gulmarg winter sports resort is expected to be fully operational by the end of this year. A ski training school has also been set up at Gulmarg.

tives to the rural works programme, but will concentrate on rural infrastructure schemes like roads, drainage and embankment that can be completed within two working seasons, 4.2 lakh persons are expected to benefit, approximately 1,000 people getting employment in each district. The programme will cost approximately Rs 50 crores per annum, the whole amount being treated as central subsidy.

Double Objective

With the double objective of accelerating the mechanization of Indian agriculture and providing employment to engineering graduates and diploma-holders, a scheme for establishing 5,000 agro-service centres has been finalised. Young engineers are to be given priority, by the agro-industries corporations which have been set up in every state, in the hire-purchase of mechanised agricultural equipment, reduction in the initial deposit money from the generally prevailing present level of 20 per cent, state assistance in obtaining loans from commercial banks, training facilities and possible employment as agents of the corporation in rural areas where they have no workshops at present.

The target is to set up about 20 to 30 such centres in the states where the unemployment of technicians is more acute and 15 to 20 centres in the other states. When fully implemented, the scheme will provide employment opportunities for about 50,000 engineers and diploma-holders and in addition to an equal number of non-technical persons. Small and medium farmers cultivating about 140 million acres would also be enabled by this scheme to modernise their farming operations and step up their production.

Foreign Exchange Reserves Up

AT THE beginning of 1970-71 (fiscal year), India's foreign exchange reserves stood at \$ 729 million. This was in addition to gold worth \$ 243 million plus \$ 122 million worth of SDRs. At present the foreign exchange reserves are about \$ 720 million and SDR holdings about \$45 million.

At the end of the fiscal year, however, there is likely to be a fall in the reserves. This is because of repayments to IMF and the use of foreign exchange to pay the old subscription as a result of India's increased quota.

The foreign aid prospects for the fiscal year 1970-71 appear to be good. The Aid-India Consortium meeting held in May, 1970, agreed that India needed substantial new commitments of non-project as well as project aid, if the growth of the economy was to be sustained and accelerated. The consensus was that new commitments of non-project assistance of about \$700 million would be desirable and also that fresh

project aid of about \$400 million would be utilised effectively. Agreements signed up to November 30 for non-project aid total \$245 million and for project aid \$174 million. Some more aid agreements are expected to be signed in the next few months.

Total aid commitments for 1970-71 are expected to be about Rs 640 crores (\$853 million), as against Rs 610 crores (\$813 million) in the previous year. With the strengthening of the balance of payments position and also with the continued favourable aid prospects, India has provided for additional imports of raw materials like iron and steel, non-ferrous metals, chemicals, cotton and oils and fats, in order to facilitate higher levels of industrial production.

India's repayment obligations to the International Monetary Fund are expected to be discharged fully by the end of March next year. In 1970, India's repayments to IMF amounted to \$150 million leaving only \$55 million to be

paid before the close of the fiscal year in March 31.

The year also saw India's quota in the IMF increasing from \$ 750 million to \$940 million. As a result, India has made an additional subscription to the Fund equivalent to \$190 million—25 per cent of it in gold and the rest in rupee securities.

With the activation of the Special Drawing Rights, India received \$126 million of which she used \$ 83 million for making repayments and for payment of charges to the IMF. In the next allocation of SDRs, to be made in January, 1971, India's share is likely to be \$95 to 100 million.

In recognition of her improved foreign exchange holdings, India was designated for two quarters to accept SDRs and provide convertible currency to other member countries of IMF; so far, she has provided foreign exchange to the extent of \$3.5 million. India continues to be eligible for similar designations in the current quarter.

Trade Winds

VIZAG STEEL PLANT

THE PRIME Minister, Mrs Indira Gandhi, on January 20 inaugurated work on the Visakhapatnam steel plant in the public sector by unveiling a 53-foot-high steel pylon at the plant site, Balacheruvu, near Visakhapatnam, skirted by the dolphins range of hills on one side and the sea on the other. The project, said Mrs Gandhi, was a milestone in the industrial development of Andhra Pradesh. The Prime Minister referred to the efforts being made to make independence meaningful to all people and added that significant growth had been registered in this direction but the country had to go a long way to carry the benefits of independence to all people. She stated that these three steel plants to be established were only the beginning and the need for further increase in steel production was greater. She wanted people of those states which had steel plants to appreciate the demands of other states.

PUNJAB BUDGET

No fresh taxes have been proposed in the Punjab budget for the year 1971-72 presented in the state Vidhan Sabha recently by the Finance Minister, Mr Balwant Singh. The budget shows an uncovered overall deficit of Rs 4.29 crores after taking into account the next year's annual Plan outlay of over Rs 68 crores. The income during the year under the revenue and capital accounts has been placed at Rs 314.90 crores and the expenditure at Rs 319.19 crores.

F.I.C.C.I. TEAM FOR JAPAN

A team sponsored by the Federation of Indian Chambers of Commerce and Industry left for Tokyo on January 18, 1971, to study the likely volume of demand for automotive parts and components in Japan. It is led by Mr L. L. Narayan, Managing Director, Engine Valves Ltd, Madras, and consists of six members representing important sectors of manufacture of automobile ancillaries in India. During its ten days visit to Japan, the team will hold detailed discussions with major Japanese automobile and ancillary manufacturers interested in purchasing automotive parts and components from India as well as with the Japan Chamber of Commerce and Industry. It will also visit automotive and parts factories in the Tokyo and

Nagoya areas. The team will study the standards and specifications to which Indian production should adhere to as well as the technological gaps that exist in the manufacture of automotive parts and components in India to suit Japanese needs. It would also identify those items in which India has developed capabilities and whose exports to Japan would be of mutual advantage to both the countries as well as areas in which collaboration and technical know-how are feasible.

TRADE DELEGATIONS

A three member trade delegation from United Arab Republic, led by Dr Mohamed Hamza, Permanent Under Secretary of State, Ministry of Economy and Foreign Trade, UAR, arrived in New Delhi on January 20, 1971. The delegation, will be in the country for about 10 days. The other members of the delegation are: Mr Ahmed El Mentawi, Counsellor, Asian Department and Mr Mohamed Imo El Barrary, Manager, Central Bank, UAR.

Another trade delegation, which arrived India during this month, is from Jordan. The delegation, is led by Mr Omar Nabulsi, Minister of National Economy. The other members of the delegation are: Dr Khalil Salem, Governor Central Bank; Mr Abdul Wahab Majali, Chairman, Board of Directors, Jordan Phosphate Co.; Mr Rashad-al-Hassam, Permanent Under-Secretary, Ministry of Finance; Mr Mohammad Saqqaf, Director Foreign Trade, Ministry of National Economy; Mr Mamduh Abu Hassan, Businessman and Member Board of Directors, Jordan Phosphate Co. and Mr Thabet Taher, Director, Marketing, Jordan Phosphate Co.

LEATHER FOR BULGARIA

The state Trading Corporation of India has concluded an agreement for the export of processed and semi-finished leather valued at about Rs 80 lakhs with 'Industrialimport' of Bulgaria. This is the largest contract so far entered into by STC with Bulgaria. STC also signed recently an agreement with the same agency for the export of sports canvas shoes to Bulgaria of the value of Rs 6.4 lakhs — the first of its kind with India. There is good scope also for export of leather shoe components, shoes and chappals to

Bulgaria and both STC and 'Industrialimport', Sofia, are exploring possibilities of trade in these items.

SHEEP FROM U.S.A.

The union Department of Agriculture has finalised arrangements for the procurement and airlifting of 2,570 Rambouillet sheep from the USA, the first consignment of which was expected at Palam Airport by a chartered flight. The total cost of procurement and air-shipment of the sheep will be met from USAID. non project loan 207. The Rambouillet are one of the world's best fine wool breed of sheep. These exotic fine wool sheep are being imported for the production of pure bred stock at a few selected state farms. The next generation of rams produced at the state farms end acclimatised to Indian conditions will be given to the extension centres for cross-breeding of local sheep and thereby increasing the production of fine wool. All these Rambouillet sheep arriving this month will be distributed to various state farms: Jammu & Kashmir — 300, Himachal Pradesh — 1,350; Maharashtra — 110; Mysore — 300, Uttar Pradesh — 330, and Rajasthan—180.

RELEASE OF COTTON

Mr L. N. Mishra union Minister for Foreign Trade, announced recently that 100,000 bales of cotton are being released immediately. This is in addition to the 675,000 bales of cotton already released to mills. Besides, the release of 220,000 bales of staple fibre is also being processed. The Minister pointed out that these steps were taken to ameliorate the cotton shortage now prevailing in the country. He was addressing a joint meeting of the Indian Cotton Mills' Federation and the Cotton Textiles Export Promotion Council.

H.M.T. TRACTORS

An agreement for the manufacture of Zetor Tractors at HMT's Pinjore unit was signed recently with the foreign trade corporation of Czechoslovakia. Mr Antonin Imalauf, Deputy General Manager of the corporation was here with a team of experts to finalise and sign the agreement. Mr S. M. Patil, Chairman of HMT, who addressed a press conference in the presence of the Czech delegation, disclosed that HMT's initial investment in the tractor project would be Rs five crores. The project has been conceived to utilise the idle capacity at Pinjore which is said to be of the order of 40 per cent. The eight-year collaboration agreement provides for the manufacture of 20 H.B. Zetor tractors initially and other models later. Mr Patil disclosed that initially 2,000 tractors would be assem-



26th January

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SWADESHI
COTTON MILLS COMPANY LIMITED
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IT IS A JOINT VENTURE

bled from CKD components imported from the Czech collaborators in 1971-72. The project would reach 100 per cent indigenous content in six years. He said by 1975-76, HMT would reach a capacity of 12,000 tractors per year with a turnover valued at Rs 22. crores.

ANNUAL PLANS : 1971-72

Gujarat

The outlay for the Annual Plan for 1971-72 of Gujarat will be of the order of Rs 95.54 crores. The central assistance for the state for 1971-72 will be Rs 31.6 crores. The state fourth Plan is of the order of Rs 455 crores. Expenditure during 1969-70 came to Rs 80.76 crores and the anticipated expenditure for 1970-71 is about Rs 89.20 crores. The distribution of the outlay (in Rs lakhs) in the Annual Plan for 1971-72 under various heads of development is : Agricultural programmes 1286; Co-operation & Community Development 205; Irrigation & Power 4720; Industry & Mining 375; Transport & Communications 723; Social Services 1423; and Miscellaneous 822. The installed generating capacity of 680 mW as at the beginning of the fourth Plan is expected to go up to 924 mW by the end of 1970-71, with supply of 190 mW from Tarapore and 54 mW from gas turbines. The two units of 140 mW each of the Dhuvaran scheme are expected to go into operation during 1971-72. For the educated unemployed the state government has a scheme designed to provide training in different fields so as to improve their ability.

Bihar

An outlay of Rs 96.73 crores was fixed for the Annual Plan 1971-72 of Bihar recently. Central assistance for the Annual Plan will be of the order of Rs 67.60 crores. The fourth Plan outlay of Bihar is Rs 531.28 crores. Expenditure during 1969-70 came to about Rs 71.84 crores, and the anticipated expenditure during 1970-71 is about Rs 90.75 crores. The distribution of the outlay (in Rs lakhs) of the Annual Plan for 1971-72 among various sectors of development is as follows : Agricultural programmes 1607; Co-operation and Community Development 350; Irrigation & Power 5119; Industry & Mining 305; Transport & Communications 698; Social Services 1583; and Miscellaneous 11. During discussion the Chief Minister pointed out the general backwardness of the state and pleaded for preferential treatment in the distribution of central assistance as between states. He also suggested that the size of borrowings by the state should be increased. The year 1971-72 was the third and decisive year of the fourth

Plan and the Chief Minister suggested that the tempo of development should be increased in 1971-72 to the maximum possible extent. Any adjustments in outlay in relation to central assistance could be made during the last two years of the fourth Plan.

Orissa

The outlay for the Annual Plan for 1971-72 of Orissa will be of the order of Rs 48.33 crores. The central assistance for the state's Annual Plan 1971-72 will be Rs 32 crores. The state's fourth Plan outlay is of the order of Rs 222.60 crores. Expenditure during 1969-70 came to about Rs 36.14 crores and the anticipated expenditure during 1970-71 is about Rs 45.96 crores. The distribution of the outlay (in Rs lakhs) in the Annual Plan for 1971-72 under various heads of development is : Agricultural programmes 872; Co-operation and Community Development 165; Irrigation and Power 2260; Industry and Mining 323; Transport and Communication 313; Social Services 872; and Miscellaneous 27. During the discussion the Chief Secretary to the Government of Orissa pointed out that the per capita income of the state was low and lagged behind other states in the country. The state government was making its best effort to raise additional resources for the Plan. With a greater share from central assistance the fourth Plan outlay of the state, he suggested, might be increased.

Pondicherry

The outlay for Annual Plan 1971-72 of Pondicherry will be of the order of Rs 2.80 crores. The whole of the Annual Plan 1971-72 will be financed by central assistance. The fourth Plan of Pondicherry is of the order of Rs 12.50 crores. Expenditure during 1969-70 came to about Rs 2.29 crores and the anticipated expenditure during 1970-71 is about Rs 2.52 crores. The distribution of the outlay (in Rs lakhs) of the Annual Plan for 1971-72 among various sectors of development is as follows: Agricultural programme 61.99; Co-operation and Community Development 12.54; Irrigation & Power 34.19; Industries and Mining 12.63; Transport & Communications 31.10; Social Services 126.05; and Miscellaneous 1.50. During the discussion the Chief Minister pointed out that the administration has been making every effort to raise internal resources.

Tripura

Tripura's Annual Plan for 1971-72 will have an outlay of the order of Rs 7.99 crores. The fourth Plan outlay of Tripura is 34.66 crores. Expenditure during 1969-70 came to about Rs 5.24 crores and the anticipated

expenditure during 1970-71 is about Rs 7.35 crores. The Annual Plan of the administration will be financed by central assistance. Distribution of the outlay (in Rs lakhs) for the Annual Plan 1971-72 of Tripura among various sectors of development is as follows : Agricultural Programmes 163.48; Co-operation & Community Development 26.00; Irrigation & Power 249.00; Industry & Mining 24.15; Transport & Communications 150.00; Social Services 164.28; and Miscellaneous 22.32. Explaining the problems of the state, the Chief Minister said that there was a constant influx of refugees which in addition to making the unemployment problem more acute created social tensions. It was necessary to develop productive resources and improve the economy of the administration.

BANK RATE IN JAPAN

The Bank of Japan has announced that it would lower its discount rate to 5.75 per cent from six per cent with effect from January 20. The bank's rate for discounting export bills, however, will remain unchanged at five per cent, the announcement added. Bank of Japan officials stated that the action had been taken in view of the economic stagnation at home and a downtrend in overseas interest rates. Local banking sources indicated that Japan might be compelled to cut its bank rate again in the near future, if the current downturn in US money rates persisted.

NAMES IN THE NEWS

Mr Dev Kanta Borooah, Chairman of Oil India Limited is taking over as the Governor of Bihar. He has held several positions during the last forty years. He was speaker and subsequently Minister for Education and Co-operation in the Government of Assam from 1962-1966.

Mr Harish Mahindra, industrialist, and Mr C.V. Mariwala, businessman, have been elected President and Vice-President respectively of the Indian Merchant's Chamber for 1971. They have been associated with the chamber as members of its committee for many years.

Mr B. N. Adarkar, former Governor of Reserve Bank of India, has been appointed custodian of Central Bank of India. The present custodian, Mr N. Ramanand Rao is relinquishing his post on health grounds. Mr Rao took over as custodian of Central Bank, the largest of the 14 nationalised banks, in July last after retirement from the State Bank of India as its managing director. Mr Rao will however, continue as a member of the Banking Commission.

Company Affairs

ASHOK LEYLAND

SIR A. Ramaswami Mudaliar, Chairman, Ashok Leyland Ltd, told the shareholders at the annual general meeting held recently that the sale of 5,103 Comet vehicles during the year ended September 30, 1970, was the highest reached by the company. The sales during the year were to the extent of Rs 33 crores, nearly 11.4 per cent more than the corresponding figure for 1968-69. He added, that a sum of Rs 17 lakhs had been provided for debenture redemption account against debenture issue. The company had also transferred a sum of Rs 18.48 lakhs to general reserve. The chairman pointed out that there had been a steady progress in the indigenous manufacture of components of heavy duty chassis. The development and production of Hippo Dumper with power steering had been another landmark in the growth of the company.

The chairman indicated that the company had been steadily increasing its exports and during 1969-70 it was able to export to the extent of Rs 1.67 crores as against the export earning of Rs 57.33 lakhs in the previous year. Apart from its markets in Ceylon and Singapore the company had made intensive export effort in east Europe, Middle East, Africa and Far East. He also pointed out that Ennore Foundries had made substantial progress and the company would be in a position to receive a dividend of 9½ per cent, subject to reduction of tax, on its investment in this company. The chairman pointed out that Ennore Foundries had plans of production which had been submitted to the government. He also pointed out that the company had approached the government for an expansion of its capacity of Comet vehicles to the level of 7,000 per annum by the end of the fourth five-year Plan and the decision of the government was awaited.

MADRAS RUBBER

Madras Rubber Factory Ltd, has reported an increase in sales to the extent of 18 per cent at Rs 24.02 crores for the year ended September 30, 1970, over the previous year. The company's working resulted in a profit of Rs 173.23 lakhs before depreciation and development rebate. After providing for depreciation of Rs 52.92 lakhs and

development rebate of Rs 19.50 lakhs, the working of the company has resulted in a net profit of Rs 100.82 lakhs. The directors have recommended the transfer of Rs 43 lakhs for taxation and Rs 57.82 lakhs for general reserve. The directors have recommended a dividend of 12 per cent on the paid-up capital which will absorb Rs 29.24 lakhs. After payment of this dividend the company's total reserves will amount to Rs 146.30 lakhs—Rs 59.30 lakhs as general reserve and Rs 87.00 lakhs as development reserve.

With the receipt of the balancing equipment for automobile tyres and tubes the company has been able to implement additional capacity resulting in increased production in the current year. Steps have been taken to expedite shipments of machinery and part of the machinery is already on way. Expansion is expected to be implemented by 1972. The machinery and equipment required for cycle tyre and tube project have arrived and installation work has just been taken up. Production is expected to commence by June, 1971. Trial production of Break Chamber Diaphragm has commenced and the product is under service test. Consistent with past performance in the field of exports, achievements during the year have recorded a new high figure of Rs. 58.39 lakhs. A notable feature of exports was a wider coverage of the foreign market and also export of a wider range of tyres and tubes. In recognition of the company's outstanding export achievements, the company has been selected for a special award.

GARWARE NYLONS

Garware Nylons Ltd will enter the capital market on February 1, offering for public subscription 1,060,000 equity shares of Rs 10 each at par. Proceeds of the issue would be utilised towards the company's expansion programme envisaging an outlay of Rs 5.84 crores. The subscription list will close on February 10 or earlier, but not before February 3. A sum of Rs 2.50 per share is payable on application and a like amount on allotment of shares. The balance would be payable against one or two calls. The new shares will rank for dividend for 1972-73. Announcing this at a news conference recently Mr B.D. Garware, Chairman and Managing Director, stated that the company had received a licence to expand its nylon

yarn capacity to 2,000 tonnes per annum from 756 tonnes. Besides, it had been permitted to manufacture nylon clips for the plastics industry with an annual capacity of 330 tonnes. The main plant and machinery would be imported from West Germany. The expansion programme would be completed by the middle of 1972. The cost of the project would be met as follows: additional share capital Rs 1.06 crores; loans from financial institutions Rs 2.86 crores; internal resources Rs 1.92 crores. Mr Garware pointed out that indigenous production of nylon yarn was only about 9,000 tonnes per annum, against the demand for 21,000 tonnes as estimated by the National Council of Applied Economic Research.

ASSOCIATED BATTERY

Associated Battery Makers (Eastern) Ltd has reported during the year ended August 31, 1970, a gross profit of Rs 190.57 lakhs against Rs 167.91 lakhs for the previous year in the wake of an increase in sale to Rs 840.64 lakhs from Rs 666.13 lakhs. Out of this, taxation claims Rs 96.43 lakhs, depreciation Rs 28.02 lakhs and stock reserve Rs 2.93 lakhs. The balance of Rs 59.71 lakhs has been transferred to the general reserve out of which the interim and final dividends, aggregating Rs 42.48 lakhs, will be paid. The directors have also transferred to the general reserve a sum of Rs 70 lakhs, representing the release from the development rebate reserve. The company's turnover increased during the year by 26 per cent, which was due to the introduction of a new range of products including dry cells and torches. The company's new factory at Chinnwad also has made a significant contribution to the turnover and profit. The year witnessed an increase in the prices of the company's principal raw materials. To neutralise this adverse factor, the company had to increase the prices of its products after maintaining them for years in spite of increased costs.

T. MANEKLAL

T. Maneklal Manufacturing Co Ltd has plans to launch two joint ventures abroad. It proposes to set up a textile weaving and finishing plant in Nigeria and a factory for hand-printing of textiles in Canada. Besides, it is planning to promote a new company in India with foreign collaboration. It has already received government's permission for these projects. The company has entered into an agreement with Messrs Kaycee Lagos of Nigeria, for its Nigerian project. It will subscribe to shares worth 90,000 Nigerian pounds out of that company's capital of 250,000

Nigerian pounds. Its contribution will be in the shape of machinery and know-how. For its Canadian project, the company will float a new company with a paid-up capital of Rs 31 lakh's. It will subscribe to shares worth Rs 12 lakhs and the balance will come from Canadian parties. Its new venture in India in collaboration with Messrs Artos, a foreign firm for the manufacture of processing machinery, will be undertaken by a separate company with a paid-up capital of Rs 10 lakhs. T. Maneklal will subscribe to half of the capital. The company will make a fresh application to the government for its sanction to the proposed issue of bonus shares in the ratio of one share for every nine shares.

BRITISH PAINTS

British Paints (India) Ltd has decided to issue bonus shares in the ratio of seven new shares of Rs 10 each credited as fully paid-up for every 15 shares held. The authorised capital is being increased to two crores of rupees by creation of 1,000,000 ordinary shares of Rs 10 each.

TRAUB INDIA

Traub India Private Ltd donated its 1000th automat to Industrial Technical Institute at Aundh, Poona, recently. The plant was established in collaboration with Consul Simon van Kempen, the proprietor of Traub group of companies of West Germany. Mr van Kempen handed over the lathe to Mr S. K. Wankhede, the Minister for Finance, Government of Maharashtra. The company has been able to export nearly 125 Traub automats to several countries.

CAPITAL AND BONUS ISSUES

Consent has been accorded to ten companies to raise capital of over Rs 8.14 crores. Three of them are to issue bonus shares totalling over Rs 44.74 lakhs and the amount of bonus shares ranges between Rs 2 lakhs and Rs 36.80 lakhs. The consents are valid for 12 months. The following are the details:

The Nizam Sugar Factory Ltd, Hyderabad, has been accorded consent to capitalise Rs 36,80,000 out of its general reserve and issue fully paid equity shares of Rs 25 each as bonus shares, in the ratio one bonus share for every three equity shares held.

The Yamuna Syndicate Ltd, Yamunanagar, has been accorded consent to capitalise Rs 5,94,050 out of its general reserve and issue fully paid equity shares

of Rs 50 each as bonus shares in the ratio of one share for every two equity shares held.

The Industrial & Agricultural Engineering Company (Calcutta) Private Ltd, has been accorded consent to capitalise Rs 2 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

The Modern Construction Co. Ltd (Bombay), has been granted consent for issue of Rs 10,32,000 (nominal) into 10,320 equity shares of Rs 100 each to be issued at a premium of Rs 150 per share i.e. at an issue price of Rs 250 per share. The shares will be allotted to Messrs. Ashok Construction Co. Private Ltd or their nominees, in consideration of purchase of land admeasuring 44,770 sq. yds. from them.

Hyderabad Asbestos Cement Products Ltd, Hyderabad, has communicated to government of its proposal to issue capital of Rs 35,41,950 under clause 5 of the Capital Issues (Exemption) Order, 1969, divided into 3,54,195 equity shares of Rs 10 each for cash at par on rights basis for meeting working capital of the company.

Renusagar Power Co. Ltd, Renukoot, (UP) has been allowed to issue further capital of Rs 1 crore in 1,00,000 9.3 per cent cumulative redeemable preference shares of Rs 100 each for cash at par to the public through a prospectus. The proceeds of the issue will be utilised for completion of construction work and for augmenting company's working capital.

Jagatjit Industries Ltd, New Delhi, has communicated to government of its proposal to issue capital of Rs 50 lakhs under clause 5 of the Capital Issues (Exemption) Order, 1969, divided into 50,000 debentures of Rs 100 each carrying interest at the rate not exceeding 8 per cent per annum and redeemable at par after the year 1981 but not later than 1985 for cash at par for putting up a plant for the manufacture of health-drink 'VIVA' with a capacity of 3,000 tonnes per annum.

Tata Oil Mills Ltd, Bombay, has been granted consent to the issue of Rs 98,10,500 in 3,92,420 equity shares of Rs 25 each for cash at a premium of Rs 15 per share. The shares will be offered to the existing equity shareholders in the ratio of one new share for every two equity shares held. The proceeds of the issue are to be utilised to provide finance of a long-term nature as a result of the increased activities

in various lines of manufacture and consequent increase in the turnover.

Rathi Alloys & Steels Ltd, New Delhi, has communicated to government of its proposal to issue capital of Rs 36 lakhs under clause 5 of the Capital Issues (Exemption) Order, 1969, divided into equity shares of Rs 27 lakhs and 9.5 per cent redeemable cumulative preference shares of Rs 9 lakhs for setting up a steel mill in Ghaziabad for manufacture of billets from steel scrap.

Swadeshi Polytex Ltd, Kanpur, has communicated to government of its proposal to issue capital of Rs 440 lakhs under clause 5 of the Capital Issues (Exemption) Order, 1969, divided into 33,00,000 equity shares of Rs 10 each and 1,10,000 cumulative redeemable preference shares of Rs 100 each carrying dividend at the rate of 9.5 per cent free of company's tax but subject to deduction of taxes at source at the prescribed rates and redeemable after 12 years from the date of issue by giving six months notice for each at par. The proceeds are to be utilised for setting up a polyester fibre plant with a capacity of 6,100 tonnes per annum.

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COMPANY MEETING

THE ASSOCIATED CEMENT COMPANIES LIMITED

The following is the statement issued to shareholders by Mr. N. A. Palkhivala, Chairman, The Associated Cement Companies Limited, on the Company's working for the year ended 31st July 1970. The 34th Annual General Meeting of the Company was held on Thursday, January 21, 1971 at 3.30 P.M. at the Birla Matushri Sabhagar, 19 Marine Lines, Bombay 20.

I referred last year to the grave political instability and the graver economic uncertainty which marked the Indian scene. This year the instability and the uncertainty have been compounded. The economic issues are overshadowed by the more momentous question—whether the integrity and sanctity of the Constitution will survive or whether the rule of law will give way under the pressure of the gathering forces of anarchy and chaos.

2. During 1955-56 to 1964-65 the average annual growth of real incomes—i.e. taking the national income at constant prices—was 4%, while that of money supply was 7.1%, revealing a gap of 3.1%. By contrast, from 1964-65 to 1969-70 the average annual growth of real incomes was barely 0.8%, while that of money supply was as high as 10.7%, indicating an inflationary gap of 9.9%. The national rate of savings has dropped to the alarming all-time low of 8%. This is the result of the unshakable conviction of our Government that the right thing to do economically is the wrong thing to do politically. Inflation has reached the point where "to speculate is safe but to save is to gamble".

Monopolies Act

3. During the last completed year of your Company, the Monopolies and Restrictive Trade Practices Act, 1969, came into force. Chapter III of that Act which deals with "Concentration of Economic Power" applies to your Company, with all its restrictions and prohibitions. The Monopolies and Restrictive Trade Practices Act could have been more appropriately entitled "The Prevention of Economic Growth Act". This statute treats all undertakings alike—undertakings in a field where the smallest viable unit would require an investment of tens of crores and undertakings in a field which hardly requires any capital investment at all. Any industry, irrespective of its capital-intensive nature, is prohibited from

expanding without the previous approval of the Government, merely because it happens to have assets of a certain value. Monopolies, and restrictive trade practices, which are against the public interest, are certainly most reprehensible, and several countries have appropriate legislation to deal with them. But India is the only country in the world where mere size of an undertaking or the value of its assets is made the ground for application of the Monopolies Act.

4. There are industries producing goods of which there is an acute scarcity; and yet even moderate expansion of such industries has been so far denied official sanction because of the existence of the Monopolies Act. Besides, the Act is so hopelessly drafted that it is bound to give rise to legal quibbles which will entail fruitless correspondence with the Government, and in some cases litigation, which may last a substantial part of a businessman's active life. To anyone who does not have to mouth political claptrap it should be clear beyond doubt that the ill-conceived provisions of the Monopolies Act will obstruct effort, deflect enterprise and constrict growth. History smiles when it sees a country seeking to reach the goal of a Welfare State by a road which runs into lone and barren sands where honest enterprise is sorely tried and economic growth is held in chains.

"Concentration of Economic Power"

5. The bogey of concentration of economic power is the current myth in the realm of economic folklore. Ancient Indians held the Evil Spirit responsible for smallpox, and modern Indians are asked to hold concentration of economic power responsible for the ill-health of our economy. In reality, the captains of industry are not in politics and all of them together have far less influence over governmental policies than a handful of Young Turks. Besides, our economy being primarily agrarian and the

agriculturist being politically more important than the businessman, the terms of trade are swung all the time in favour of agriculture which is the politically influential sector. Between 1962-63 and 1969-70, there was a rise of 90% in the prices of agricultural commodities, as against the rise of only 39% in the prices of manufactured goods.

6. For a people whose national motto is "Truth shall prevail", we do remarkably well in the way of propagating and swallowing falsehoods. Consider the oft repeated allegation that capital is on strike and large business houses are not willing to co-operate with the Government in developing the national economy. Facts are stubborn things, and the figures as disclosed by the Ministry for Industrial Development in the Rajya Sabha on 23rd November 1970 tell exactly the opposite story. As many as 444 applications for licences were received from large industrial houses between January and September 1970. Only three licences were granted, and letters of intent were issued in three other cases. 50 applications were rejected and the remaining 388 applications were "under consideration". So far from capital being on strike, it has been struck,—struck repeated and swingeing blows in the name of outdated ideologies which have not the remotest relevance to the economic realities of the day. Between our licensing regulations and the provisions of the Monopolies Act, the inbuilt delays make eternity intelligible.

7. India's greatest need today is a sharp upsurge in the level of investment and in industrial and agricultural production. There is no other and no easier solution for our bewildering problems of growing unemployment, increasing scarcities and spiralling prices.

8. In point of economic wisdom and co-operation between the Government and the business community, India is the antipodes of Japan. The Indian Government believes that business, by

definition, is socially irresponsible and can only be tolerated as a necessary evil; whereas in Japan there is intimate teamwork between business executives and Government officials at every level, and bureaucrats and businessmen work together in total harmony like a tight-knit family. While the Indian Government has an incurable obsession about big business, the Japanese Government insists on minimum sizes for industrial plants where it feels that economy of scale is vital. While the Indian Government jibes at making funds available to large enterprises, the Japanese Government deliberately funnels funds to areas with the highest growth potential. Whereas we pillory our big industrial houses and put them in the list of Twenty Criminals, the Japanese Government issues handsome Certificates of Merit to big corporations which grow and expand continuously. Japan's gross national product increases by an average of more than 16% annually; whereas our high-blown talk about economic development remains high-blown talk.

Modern Creation of Wealth

9. Our law-makers and public administrators have yet to learn some extremely elementary lessons. They have not yet comprehended the economic implications of the fact that for every one rupee of profit earned by a shareholder in the private sector, the company generates over Rs. 3.25 by way of revenues for the Government, for financing social services; that in the modern technological age economies of scale make big size operations unavoidable; and that small entrepreneurs and new entrants into business have their best chance of prospering and developing with safety and security as suppliers of auxiliaries and components to big industrial enterprises. Where there is no vision, perhaps the old adage may stand.

10. Today wealth is created by mass production and the application of technology. This means that the man who creates wealth for himself or his company ensures livelihood for thousands or tens of thousands, and thus prosperity becomes indivisible. India has vast natural resources, but its finest natural resource is the spirit of enterprise which the Government is so anxious to choke off. We harness the power in coal and oil, in fall and stream, but the greatest of powers, the immeasurable reservoir of the people's faith and response, energy and endeavour, is allowed to go waste. The techniques of creating the wealth of nations have changed beyond recognition during the last hundred years; but we still cling pathetically to the ideology thought up by the expatriate German Jew in the gloom of the

British Museum Library. "Distributive justice" can never get off to a start when there is nothing to distribute.

Cement—Its Importance and Demand

11. Cement is indispensable for the town and the country,—for wells, silos and factories, for irrigation and hydro-electric dams and canals. The consumption of cement, along with that of steel, is an index of development. The annual rate of growth of demand for cement in this country has been stable at 10% on a steadily rising base. Out of the total outlays of Rs. 24,000 crores in the Fourth Five-Year Plan, half is on account of civil constructions in which buildings of various types total nearly Rs 6,000 crores. The projections of demand for cement for the Fourth Plan range from 18 million tonnes to 21 million tonnes. By international standards of per capita consumption this demand will still be miserably low at 25 Kgs. per head per annum, which is practically at the bottom of the cement consumption rating of 38 countries. In addition to a huge backlog estimate in 1967 of 12 million houses, housing requirements in India are of the order of 4 million houses per year. The Chief Engineers of States in their 20-Year Road Plan formulated in 1958, targeted 324,000 miles of village roads, 2,30,400 miles of other district roads and 32,000 miles of National Highways. These targets are now out of date and too low. The requirements of farm and rural works, rural housing, silos, approach roads, wells and threshing floors, are unknown.

12. The potential, therefore, is enormous, but as in other fields of endeavour in this country, between the potential and the actual, falls the shadow of human inadequacy and human folly. What is required is a sense of urgency and willingness to make the supreme effort for a crash programme. As against this, in the earlier Plans the allocations for housing were not utilised or were diverted for other uses. Subsidised industrial housing evoked poor response. Allocations in the Plans for roads as a percentage of the total outlays are static or going down. In the Fourth Plan, it is as meagre as 5.8% of the total outlay. However, lately there has been some appreciation of the urgency of the problem of housing. The Government of India have created a Revolving Fund of Rs. 200 crores to promote housing, and it is upto the States, Housing Boards and other bodies to derive the maximum benefit by speedy construction and repayment to the Fund.

13. In some ways, foodgrain production and housing present similar problems and face similar road blocks: lack of finance on the part of those needing housing, primitive procedures

and methods of construction, defective logistics and timing of supplies, and finally the traditional leisurely attitude towards results. The housing problem can be solved only by means analogous to the green revolution,—by a breakthrough in technology, and in organisational methods of construction and financing. Whereas in the case of agriculture not only had the techniques to be discovered or fashioned but the small farmer had to be educated to adopt and implement them, in the case of housing, all the techniques and technology have been available for some time, crying to be used. What is required is the application of industrial methods and mass production technology and approach to the problem of housing; in particular, modular construction, assembly of modules at site, concrete masonry and pre-cast concrete instead of laborious and slow brick-laying; establishment of up-to-date pre-fabrication plants, manufacture of concrete block and other pre-cast units on a large scale, use of ready-mixed concrete, and, for decorative purposes, aesthetic concrete finishes.

14. You will be glad to know that your Company, through its Concrete Association of India and Village Welfare Scheme, has been spearheading the attack on some of the obstacles in these areas, by developing and demonstrating these techniques and innovations, by educating and assisting the farmer, the building contractor and the would-be house owner. Whilst the industry is geared, ready and willing for producing as much cement as will be required, it is hobbled by lack of finance, in addition to the licensing and "monopoly" restrictions I have referred to earlier. Financial stringency will now be further aggravated by even heavier fiscal imposts. Tax Credit Certificates (Excise Duty on Excess Clearance) Scheme, 1965, has ceased from April 1970. The Development Rebate for the industry was reduced from 35% to 25% in the case of installations after 31st March 1970.

The Future of ACC

15. "One step enough for me" is a noble precept, but not to be followed in the field of corporate management. Your Company would like to plan for a decade ahead, at least to the extent to which such an exercise is possible or fruitful in the context of the kaleidoscopic changes in the Government's licensing, "monopoly" and other policies.

16. For the last eleven years we have been able to maintain the dividend at a steady level of 12%. Compared to the yield available in many other industries, your dividend and share prices have been modest though stable. But ever

this rate of dividend has been maintained only by dipping into the Reserves for the last few years. The profits did not even permit the setting apart in full of the Expansion Reserve for the two years 1967-68 and 1968-69 as we were required to do, and we have had to make good the shortfall last year. Whilst capacity, production, sales and realisation are higher every year, the net profit has been declining as a result of price control. Proven cost increases due to Government action are not recompensed in full, and even such inadequate adjustment as is granted is always delayed. In no instance did the Government give the price as recommended by the Tariff Commission, or from the date set by it.

17. How do companies increase their profitability in progressive countries? First, by increasing prices to offset heavier costs which are beyond the manufacturers' control. Secondly, by expanding production so that unit costs are reduced by the economies of scale. Thirdly, by diversification into new products which may be allied to the existing line or something entirely new, where the return on the capital employed is higher. Fourthly, by mergers, acquisitions or forming conglomerates. And lastly, by intensive and rigid cost control and cost reduction. None of

these avenues, excepting the last, is at present freely available to your Company, thanks to the booby-traps and mine-fields of licensing, "monopoly" and other regulations with which the business area has been strewn in this country. As regards cost reduction, it has become a continuous exercise in A.C.C. But reduction in cost achieved by improved efficiencies are swallowed up by imposts beyond the Company's control, such as increases in electricity duties and royalties payable to Government, and in freight on coal, gypsum and other stores and the continuous increase in their prices.

Shortage of Wagons

18. As regards our short-term prospects, I should like to sound a note of caution. It is not enough to produce cement and to produce it cheaply. It has to be despatched and distributed. Your Company's problem is not that of production but of distribution, as every bald-headed man realises when he shaves in the morning.

19. Whilst we are confident of production and reasonably confident of sales, despatches have been the weak link in the chain from investment to realisation; and this situation has worsened steadily, instead of improving.

Despatches are mainly made by rail and road. Cement which is a bulky commodity has to be moved vast distances, since there are only a few substantial consuming centres scattered far and wide.

20. A large proportion of cement has to move by rail. Movement by rail has been the bottleneck, particularly in respect of some of our large factories like Jamul and Chaibasa whose markets include Delhi, the Punjab and Haryana and to which markets rail movements are the most difficult. Last year, our despatches were reduced by as much as 3.45 lakh tonnes due to wagon difficulties. The railways have been doing their best to help us and have promised better services during the Fourth Plan. Unless this promise is redeemed and there is satisfactory improvement in railway transport, our despatches may suffer even more acutely in future.

21. Before concluding, I should like to express, on your behalf and on behalf of the Management, appreciation of the loyalty, co-operation and sense of duty evinced by the vast A.C.C. family at all levels—at the Works, Collieries, Offices and other establishments.

Bombay, January 16, 1971

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RECORDS AND STATISTICS

Election Manifestos

THE MID-TERM General Election is being held from March 1 to March 10. For the benefit of our readers, we carry below the election manifestos of Congress (R) and the Jana Sangh. The manifestos of the other all-India parties will be published in the subsequent issues.

The manifesto of Congress (R) clarifies that this party "has no intention of abolishing the institution of private property". On the other hand, its policy is to ensure that "the right to property becomes real for the largest number of people." The party does not favour individual holding and ownership of property beyond reasonable limits and the concentration of economic power and wealth in a few hands.

The manifesto also emphasises that Congress (R) favours expansion of the public sector in the economy. The private sector, it stresses, should function in a manner that is consistent with the party's social objectives.

Ceiling on Urban Property

The ruling party has promised measures to impose limitations on the possession of urban property. With a view to reducing unemployment it has proposed a crash programme, the two major prongs of which will be development of infrastructure and promotion of self-employment.

The Congress (R) has pledged itself to protect the rights and interests of all minorities. It has appealed to the electorate to return it with a decisive majority in Parliament so that it should be able to carry out its programme of radical policies, which according to it, has suffered a setback because of some of the recent judgments of the Supreme Court.

The Jana Sangh manifesto highlights the failings of Mrs Indira Gandhi's government and accuses that with a view to maintaining herself in power, the Prime Minister has leaned more and more on communists and communists.

This party in its manifesto has pledged itself to the creation of an equalitarian society in which there would be no discrimination against or in favour

of any citizen on grounds of birth, heredity, caste, creed, etc.

The Jana Sangh manifesto is a declaration of national war on poverty. It promises full employment through a nuclear programme, compulsory primary education and setting up of primary health centres in rural areas, making all industrial projects labour-intensive and through launching a massive programme of rural works and housing.

The Jana Sangh, the manifesto further states, will revive the Swadeshi spirit through strengthening the Indian economy. Regarding public sector, it says, "instead of undertaking

THE PEOPLE of India are again called upon to elect their representatives. Never before has it been so vital that they take the correct decisions.

The dissolution of the Lok Sabha before it had run its full term of five years is fresh evidence of the faith which we have put in the people and in the working of our democratic institutions. Why did the Congress seek election when it could easily have remained in power for another 14 months? The answer was given in clear terms by the Prime Minister in her broadcast to the nation.

The Congress is concerned not merely with remaining in office but with using that privilege to ensure a better life to the people and to satisfy their aspirations for a just economic and social order. The Congress is convinced that it cannot go head with its proclaimed programmes and keep its pledges to the people unless it receives a fresh mandate of confidence from them. Only this can enable it to remove the obstacles in the way of our economic and social progress.

The General Election of 1967, registered the people's impatience with the pace of progress in India. In spite of the many achievements that stood to the credit of the Congress and the people — vast and complex industrial enterprises, agrarian reforms, mass education including expansion of uni-

indiscriminate expansion of the public sector, the Jana Sangh will concentrate on its consolidation. All losing concerns will be reorganised to make them profitable."

This party has also expressed itself in favour of nationalisation of foreign banks. It has promised to ensure a fair deal for urban and industrial wage earners. Deficit financing will be curtailed to arrest rising prices. A price stabilisation board would be set up to regulate the margin of profit. Severe penalties would be imposed for profiteering and hoarding. A network of fair price shops would be set up.

The Jana Sangh upholds the citizens right to property. It proposes to set up a commission to review the working of the Constitution in the light of the experience of the past two decades.

The following are the full text of the two manifestos:

Congress (R) Manifesto

versity and technical education and major social reforms and advancements in many other spheres, particularly in science and technology — many vital and important problems remained to be tackled. Millions continued to live in poverty and backwardness. Justice — social, economic and political — which is the basis of our Constitution remained yet a goal to be fought for and attained. It was not surprising that all this was reflected in the polls of 1967.

After the General Election of 1967, important and far-reaching political developments took place because of the tremendous mass upsurge and awakening. Only a genuine radical programme of economic and social development could meet the challenge of this new situation. It is in this context, that the Congress formulated the Ten Point Programme and pledged itself to implement it effectively and speedily.

But these moves by the Congress to accelerate the pace of social and economic reforms aroused the opposition of vested interests and their advocates. Conservative elements inside the Congress organisation, who were averse to and afraid of change, reacted sharply. When they became aware of our determination to implement the basic policies and radical programmes which had earlier been decided upon jointly, they left and combined with those who had most bitterly opposed all that the Indian National Congress had stood

for and fought for under the leadership of Mahatma Gandhi.

The alliance of reaction composed of the Syndicate, Jana Sangh and the Swatantra Party backed by vested interests, has been brought into being solely to fight against the progressive programmes of the Congress. It is also not surprising that a section of the leadership of the Samyukta Socialist Party should have joined this unprincipled alliance, thus revealing not only their negative and destructive role but also the hollowness of their professed socialism.

With the consolidation of the reactionary forces, we are confronted with the most crucial fight in our post-independence history. But we are determined to press forward with a programme of social change which is being challenged by disruptive and backward-looking elements who are clinging to ideas and methods which are obstructing growth and social advance.

At the other end of the political spectrum are the left extremists, trying to undermine the democratic process through anarchic violence. Their lawless activities have cost innocent lives of citizens and public property. Their aim is to make orderly and peaceful progress impossible.

Thus the ideologies of both the extreme left and right are a serious threat to the country.

The Congress is firmly convinced that the challenges posed by the present critical situation can be met only by the proper and effective implementation of a social and economic programme through democratic processes. The Congress wishes to emphasise that the policies and programmes to which it stands pledged are in accordance with the principles laid down in the Constitution of India.

Welfare of the People

The Directive Principles of State Policy provide that the "State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political shall inform all the institutions of the national life." (Article 38).

The Directive Principles further declare that the "State shall in particular direct its policies towards securing:

- (1) That the ownership and control of the material resources of the community are so distributed as best to subserve the common good;
- (2) That the operation of the economic system does not result in the

concentration of wealth and means of production to the common detriment." (Articles 39 (b) & (c)).

And the Constitution specifically enjoins that the "State should apply these principles in making laws." (Article 37).

However, as a result of certain recent judicial pronouncements, it has become impossible to effectively implement some of the Directive Principles of our Constitution.

The nation's progress cannot be halted. The spirit of democracy demands that the Constitution should enable the fulfilment of the needs and urges of the people. Our Constitution has earlier been amended in the interest of economic development. It will be our endeavour to seek such further constitutional remedies and amendments, as are necessary to overcome the impediments in the path of social justice.

Right to Property

Our efforts to realise these great objectives have been deliberately subjected to misleading and mischievous propaganda. To confuse the minds of the owners of small and medium property holdings, it has been maliciously suggested that the aim of the Congress is to expropriate all private property. This is not the truth.

The Congress wants to make it clear that it has no intention of abolishing the institution of private property. On the other hand, the policy of the Congress is to ensure that the right to property becomes real for the largest number of people. But the Congress is pledged to prevent individual holdings and ownership of property beyond reasonable limits and the concentration of economic wealth in a few hands, as this is inconsistent with the concept of Democracy and Social Justice.

Public policy has to respond to the requirements of the vast majority of our people. We must call for a mass approach to the basic problems of the people. What has to be recognised in India today is that goals of economic growth and social justice are largely complementary and not competitive. In fact our pursuit of economic growth is likely to be disrupted in the absence of advances in social justice.

The Congress, therefore, comes to the people with its programme for urgent economic development and comprehensive social reforms. Unlike the other parties which enjoy the freedom to make promises that they know they

will not be called upon to redeem, the Congress presents its programme after taking meticulous care not to make promises, which it is not possible to fulfil.

Agriculture

The great bulk of India's poor consists of the landless and small farmers. Any programme which aims at benefiting them and improving the country's economy must, therefore, have a rural focus. The first item in such a programme must be the speedy development of agriculture. New scientific methods should be increasingly, consistently and vigorously applied to agriculture which alone will create a vast field for additional employment. We have to ensure that this development secures for the people an adequate and nutritious diet and also leads to agrarian prosperity covering the entire countryside. The fruits of such development should be equitably spread out, particularly to benefit the small and marginal farmers and the landless.

For the spread of the new technology, a positive programme of agrarian reform is necessary. Insecurity of tenancies stands in the way of the adoption of new technology. In a share cropping system neither the cultivating tenant nor the non-cultivating owner would make the necessary investments. Uncertain ownership which has arisen out of the non-implementation of existing land laws is a disincentive to proper investments.

The green revolution is now confined to irrigated areas and even there many of the small farmers have not been able to adopt new technology. Facilities by way of credit, etc., are being extended to small farmers to enable them to adopt scientific agriculture.

Our ground water resources are being carefully surveyed and minor irrigation rapidly extended.

A crash programme for improvement in dry farming areas is being undertaken on the basis of a new technology evolved by our scientists.

In the rural areas there are large numbers of poor people unattached to land. It will be our effort to provide them with new opportunities for gainful employment. Our coming prosperity must be reflected in the every day life of the rural areas. The village must become a better place to live in through the imaginative use of old techniques and the introduction of new productive activity, both linked to the national market.

After bank nationalisation we have embarked upon a new credit program-

me, by extending credit facilities to small farmers, self-employed persons and economically neglected sectors and areas. To serve these needs banking institutions will be suitably restructured.

Industry

Public Sector: As far back as in 1931, the Congress had accepted that in any programme for industrial development the public sector must have a dominant role.

Industries in the public sector are owned by the people. They must be organised and run in such a way as to create resources for further investment. The country, therefore, has the right to demand of management and workers, dedicated and disciplined work, in the fruits of which they will have their due share.

A proper wage policy must provide incentives for increase production and the raising of the wage level on the basis of higher productivity.

Modern methods of management must be introduced speedily with emphasis on providing participation of workers in management.

It is against this background that the Congress puts forward its proposals for the expansion of the public sector by taking over general insurance; increasing state participation in the import-export trade; greater role of the state in industries where substantial public funds have been invested; and expansion of the activities of the Food Corporation of India, co-ordinated with co-operatives, which can ensure the implementation of a national policy for the distribution of food and fair prices for the farmer.

Private Sector: In our economy the private sector occupies an important position. It should function in a manner that is consistent with our social objectives.

Our regulations are not meant to stifle private enterprise but to make it more broad-based and to pen out opportunities for new entrepreneurs, and also to spread it to the backward areas.

To enable the private sector to make its legitimate contribution to the growth of national income and employment it will be our effort to simplify regulations and avoid delays. The private sector will be stimulated to the maximum extent possible without allowing the emergence of private monopolies and concentration of wealth and economic power.

Small industry has to be the growth point. Its development will ensure the achievement of our objectives of pro-

moting industrial expansion, ensuring wider participation in the economic process and diversifying private enterprise.

No realistic wage and price policy can work unless it is integrated with a rational wealth and income policy. The Congress will formulate and implement such a policy.

Limitations must be imposed on urban property. Measures will be taken to curb anti-social racketeering in the purchase and sale of urban land.

Employment

The Congress is gravely concerned with the hardship caused to our people by prevailing unemployment. Conscious of this problem, the Congress has given due importance to this aspect in our planning. But, for an effective employment programme, a minimum economic base is essential. So we gave priority to the building up of this base. On the food front also, we are in a better position today in view of the breakthrough in agriculture and the possibility of accelerating food production. Therefore, we are now in a position to undertake an integrated National Works Programme. These works should be such as would create physical assets and provide the infra-structure for the further growth of our economy.

The needs of public construction in villages, towns and cities are varied and enormous. In the villages there is pressing need for irrigation channels, bunds, trains, land consolidation and land levelling. Between the villages and rural marketing centres there is need for more and better roads. Rural centres need grain storage, marketing facilities, schools, health and family planning facilities.

Towns have gaping infra-structure deficiencies. Big cities need general urban development and a large number of houses. Transport facilities have to be considerably increased and modernised and made accessible to the largest possible number of urban dwellers. The national highway system needs further development.

If these are taken up on a planned basis, there need not be any shortage of public construction projects with high social returns. These programmes will require the services of skilled and unskilled labour and trained engineers and technicians. A crash programme for employment is ready to be launched in a few weeks throughout the country, as the nucleus of a larger and more comprehensive programme. Cheap credit would be made available for self-employment. Only a massive

programme of this nature will make a real contribution to the solution of the unemployment problem in India.

Children are the wealth of the nation and their welfare is an essential investment in economic, social and cultural development. It has been known for many years now that protein malnutrition is an important cause of infant mortality, stunted growth, low work output, premature ageing and reduced life-span. The Congress has, therefore, accepted the provision of adequate nutrition to the pre-school children to improve the quality of the coming generation as an important national programme. The year 1970-71 marks a beginning in providing this service to pre-school children belonging to the vulnerable sections. The Congress is determined to enlarge this programme to cover all pre-school children.

The spread of universal elementary education is closely linked with this child welfare programme. Despite great increase in primary education, it must be admitted that progress has not been adequate. An expanded programme of primary education is justified on economic as well as egalitarian considerations. Such a programme would also provide jobs for the educated unemployed on a large scale.

The Congress believes that the basic objective of any system of education must be to develop a self-reliant and integrated personality. Reorganisation of our educational system is essential to achieve economic growth at a speed that ensures general improvement in the standard of living. We must also expand scientific and technical education and relate it to the needs of our agricultural and industrial programmes. Educational facilities must be linked with employment opportunities. This is one of the ways to harness the creativity of youth and commit it to the future.

Science and Technology

The development of science and technology is of critical importance in ensuring national security, strengthening and diversifying the industrial base, transforming the rural economy and generally improving the quality of life of our people.

The Congress will prepare a national scientific and technological plan which will be integrated with our economic plan. A major part of our scientific and technological priority areas which would be specially identified.

A ten-year profile for atomic energy and space research has already been

drawn up. We shall now take up vigorous implementation of a viable programme derived from such a profile based on maximum self-sufficiency.

The Congress invites the nation's scientists and technologists to give their best to accomplish these exciting tasks of momentous importance and assures them that it would be its constant endeavour not only to accord them positions of standing and responsibility but involve them intimately in the processes by which governmental decisions are taken and implemented.

Housing

Growing urbanisation is creating new problems causing serious shortage of housing. The Congress is committed to undertake a large-scale housing programme with special reference to the needs of the lower and the middle income groups. Slum clearance and provision of proper housing for slum-dwellers will have a high priority.

The Congress is also pledged to provide house sites free of cost to the landless in the rural areas and undertake measures to improve rural housing.

In keeping with its past traditions, the Congress is pledged to protect the rights and interests of all minorities.

The dark and evil forces of Right Reaction which masquerade in a variety of forms are intent upon destroying the very base of our democratic and socialist objectives. They are attempting to consolidate their position. They exploit some of the genuine grievances of the people and arouse the emotions of various sections by preaching religious fanaticism, racial supremacy and chauvinism. History records that fascist forces always emerge through such nefarious manoeuvres. The Congress is determined that this shall not happen in our country. And for this purpose, it will take effective measures in all fields, including education, at all its stages.

The Constitution lays down that the State and local authorities should provide adequate facilities for instruction in the mother-tongue at the primary stage of education to children belonging to linguistic minority groups. It shall be our endeavour to implement this.

Secularism is one of the basic tenets of our Constitution. In accordance with this Constitutional imperative, the Congress will strive to ensure that all minorities have full freedom to establish, manage and run educational and other institutions.

The Congress will strive to ensure the democratic functioning and protect

the autonomous character of educational institutions, including those established at the instance of and for the benefit of minorities.

The Congress is fully alive to the need for encouraging literary pursuits in different languages. In this context Urdu shall be given its due place which has been denied to it so far. The Congress will make every effort to prevent discrimination against minorities in the matter of recruitment in services.

The Congress is pledged to promote with special care the educational, employment and economic interests of the weaker sections of the people particularly the Scheduled Castes, the Scheduled Tribes and the Backward Classes. Urgent attention must also be given to the socio-economic problems faced by Muslims, Christians and other religious and linguistic minorities who have not had equal opportunities.

Foreign Policy

For the last 24 years India has raised her voice in the councils of the world to promote peace and fight the remnants of colonialism and all concepts of racial inequality. The Congress pledges itself to remain faithful to the vision of Jawaharlal Nehru who gave inspiration, and direction to our foreign policy which is in India's own national interest and has helped to safeguard its sovereignty, security and independence. The Congress pledges to uphold the principles of non-alignment and freedom from military blocs. This has received ever-widening acceptance in the world and more specially amongst the newly independent nations.

Consistent with our policy, the Congress will continue to develop and consolidate friendly relations with all countries and more specially with our neighbours.

It will be our constant endeavour to normalise relations with Pakistan as we believe that our two peoples, who have so much in common, desire to live as peaceful friendly neighbours.

It shall also be our endeavour to normalise relations with China on the basis of mutual respect for sovereignty, territorial integrity and non-interference in each other's internal affairs.

We rely upon the patriotism of our people, their capacity for self-sacrifice, the strength of our economy and loyalty, devotion and strengthen of our defence forces which we shall continue to strengthen.

To carry out the entire programmes a strong and stable government com-

mitted to radical policies backed by a decisive majority in Parliament is absolutely essential. Our Congress alone can provide such a government and ensure effective implementation of programmes. In this election we must think only of the nation and its advance.

The Congress, therefore, appeals to the people to return its candidates to the Lok Sabha and thus give it a clear mandate to :

- (i) continue the advance to socialism through democratic processes and devise administrative system capable of speeding implementations;
- (ii) put down the forces of violence and disorder so that all our citizens can live in peace and harmony;
- (iii) defend secularism and safeguard the interests of the minorities and the weaker sections of the community, particularly the Scheduled Castes, Scheduled Tribes and the other backward sections so that they may attain "equality of status and opportunity and fraternity assuring the dignity of the individual";
- (iv) end anachronistic privileges such as privy purses etc. and reduce glaring disparities of income and opportunity;
- (v) accelerate efforts to provide basic requirements to our people by undertaking a dynamic programme of agricultural development by the application of science and technology and thereby usher in a new phase of rural prosperity, which will improve the condition of small farmers, in dry areas, the landless, artisans and others who eke out their existence through diverse skills;
- (vi) provide fresh avenues of employment and thus widen the participation of our citizens in nation-building activities;
- (vii) enlarge the role of the public sector and improve its performance;
- (viii) give scope to the private sector to play its proper role in the economy, while curbing the concentration of economic power and wealth;
- (ix) control prices and ensure to the people the supplies of essential commodities at reasonable rates;
- (x) launch upon a programme of child welfare to provide nutritious diet to pre-school children;
- (xi) provide elementary education

to all children and reshape secondary and higher education to suit the needs of the country; and

(xii) for these purposes, to effect such amendments of the Constitution as may be necessary.

The Congress is the only party which can place its programme before the people with a sense of responsibility. The Congress pledges itself anew to these challenging tasks to a social revolution which is peaceful and democratic and embraces all our people and permeates all spheres of national life. The Congress is the only party

Jana Sangh Manifesto

INDIA STANDS today at the crossroads of history. The forthcoming mid-term elections for the Lok Sabha are going to be crucial for the country. Never before have the people faced a choice pregnant with such far reaching consequences. Never before has a Prime Minister in a democracy entered into such open collusion with anti-national and anti-democratic forces. Never before has a clique in power treated the judiciary and the parliament with such contempt. Never before has a government had such dismal record of unmitigated failure in the maintenance of law and order as Mrs Gandhi's government has in Bengal. In other words never before have the alternatives been so clear and the choice so obvious.

Nobody is likely to be taken in by the Prime Minister's claim that she advised dissolution of the Lok Sabha because 'vested interests' stood in the way of her 'progressive' policies. Fact is that the ruling group has shown neither the capacity nor the desire to tackle the basic problems threatening the country.

Explosive situation

Mounting unemployment has created an explosive situation. Our five-year Plans have failed to tackle it. Indeed, the Planning Commission has practically given up the fight, and taken shelter behind a facade of highly technical verbiage. The ruling party has no notion of when, if at all, and in what way, if any, the energies of our vast manpower will be harnessed to the cause of national development.

The other blatant failure of the government is in respect of the ever-rising price spiral. That prices have been skyrocketing, notwithstanding the fact that the country has had an unbroken chain of good crops for three years, show that

which has the capacity to achieve such a social revolution.

The people have the power. They are now called upon to choose the programme and the party which can best serve their interests. We appeal to the people once again to give us their mandate.

Poverty must go. Disparity must diminish. Injustice must end. These are, but essential steps towards our ultimate goal — the goal of an India which is united and strong, an India which lives up to its ancient and enduring ideals, yet is modern in thought and achievement, meeting the future with vision and confidence.

there is something radically wrong with the government's economic policies.

When taxes to the tune of Rs 170 crores were levied in last year's budget, it was claimed that there would be only a fractional rise, if at all, in the cost of living. Later events have shown how wishful and deceptive this belief was. There has naturally been widespread unrest and irremediable demands for higher wages. The interim relief granted recently, though disappointingly insufficient, is a direct result of these policies. The Prime Minister's transferring the finance portfolio to someone else may be an attempt to save her personal popularity. But she is aware that the next budget will have at least an additional burden of several hundred crores in the form of new taxes because of high prices and a higher wage burden. The Lok Sabha has been dissolved to escape the consequences of such a budget would have had on the election prospects of the ruling group in 1972.

While the people are repeatedly asked to observe austerity, the government itself has been honouring these sermons in breach only. Squandering of public money and ostentatious display goes on unabated. Corruption in a services is as rampant as ever. Bureaucratic red tape continues to stifle enterprise. Industrial plants still suffer the burden of heavy idle capacity. Conditions in the public sector have been rapidly deteriorating. Although all these failures on the economic front are sought to be clouded with the help of statistical jugglery, the man in the street cannot but be aware that the ruling party's socialism means only increasing burdens, lessening opportunities, rising costs and growing misery.

Ever since the Congress split, Mrs Gandhi has headed a minority govern-

ment. To make up for the failures on the economic front, and to maintain herself in power she has leaned more on communists and communalists. As a price for their support, she has turned a blind eye to the anarchic conditions, created by the former and promoted the ominous revival of the Muslim League in the country's political life.

In the Kerala mid-term polls, the ruling Congress entered into an open alliance with the Muslim League. In a bid to cloak this unabashed opportunism, the Prime Minister publicly certified the Kerala Muslim League as "not communal". More recently, in a statement at Jammu, Mrs Gandhi has sought to absolve the entire Muslim League of responsibility for the sin of India's partition.

The Muslim League's claim that it is the sole representative body of Indian Muslims, its demand for reservations in legislatures and services, its attacks on Parliament's right to amend the Muslim Personal Law and its propagation of imaginary stories about atrocities on Muslims — all this is building up the same vicious atmosphere which preceded the creation of Pakistan.

Anti-National Activities

The Prime Minister has lent respectability to the anti-national activities of Naxalites by attributing them to "socio-economic" reasons. It must be well realised that those who are running this Naxalite disturbances are nothing but agents of Red China exerting to bring India under Peking's sway.

It is now 10 months that West Bengal has been under President's Rule. But the law and order situation there has shown no improvement; indeed, it has been progressively worsening. When you have innocent sons killed before the eyes of their mothers, teachers butchered in front of their pupils, stray youngmen stabbed in open daylight — these should be understood not as portents of any revolution, they are just omens that the nation is being dragged to the brink of disaster. It is the primary duty of a government to protect the life, property and honour of its citizens. The present government has completely failed in fulfilling this duty. It has, therefore, forfeited its right to remain in office.

In this election, the option, before the voter are: democracy or totalitarianism; peaceful change or violent upheaval; orderly progress or anarchy; Rule of Law or the law of the jungle?

The Bharatiya Jana Sangh appeals to India's enlightened electorate that they reject this unholy triple alliance of

the Ruling Congress, CPI and the Muslim League, and instal in its place an alternative government unequivocally committed to nationalism, democracy and the building up of an egalitarian society.

Jana Sangh believes that the emergence of a brave new India would remain a dream so long as the basic postulates are not spelt out in clear terms. There mental cobwebs consciously woven to confuse the country need to be swept clean. It would be in place, therefore, to reiterate the party's fundamental tenets, which we regard as imperative for the building up of a virile Indian nation, capable of playing its due role in the world.

One Nation: One People

Jana Sangh regards India as one nation, and all Indians as one people. The diversity of castes, creeds, languages and provinces only lend beauty and splendour to this unity of our national life, which is so assimilative that even those who came as invaders were absorbed in it and became identified with it.

Those who preach a two-nation theory on the basis of religion, or a multi-nation theory on the basis of language pose a sinister challenge to this concept of one nationhood. If India is to be saved from the danger of further fragmentation, these disruptive ideologies have to be firmly rooted out.

Jana Sangh fully subscribes to the ancient ideal of the non-communal state. In India no one is discriminated against on grounds of his religion. The state has always looked for all faiths as entitled to equal freedom and protection. Jana Sangh is resolved to carry forward this secular tradition.

The Jana Sangh, however, rejects the pseudo-secularism that combines irreligion with appeasement. We would like followers of all religions to accept the Indian ideal of *sarva-dharma-sambhava* and cherish a feeling of not merely tolerance, but equal respect, for other faiths.

Jana Sangh is pledged to the creation of an egalitarian society in which there would be no discrimination against, or in favour of, any citizen on grounds of birth, heredity, caste or creed. In this society, there would be no place for economic exploitation or social disparity.

Jana Sangh will seek to conserve and promote all that is great, noble and sublime in Indian culture and wage a relentless battle against intolerance, superstition and obscurantism, so that our

objective of building up a modern India on the basis of liberty, equality and fraternity can be achieved.

Subject to the party's general manifesto, as outlined in the document 'Principles and Policies', we place the following programme of government for the next five years for the consideration of the people and approval of the electorate.

A National War on Poverty: The Jana Sangh declares a national war on poverty. It is committed to the objective of total victory in this war. We are out to break once and for all the vicious circle of low incomes, low demand, low savings, low investment, low employment and low production. We shall generate the healthy trend of more employment, higher incomes, greater demand, larger savings and greater investment, leading to higher production at lower costs.

The development of the Indian economy is a vast enterprise which only the reawakened mass of the Indian people can execute with success. It is a task beyond a handful of money bags, or petty ministers doling out a licence here or a permit there. Indian economy is not a baby of big business or bad government; it is the job of the Indian people. It can come into its own only with the tremendous release of national energies. Every citizen with an idea in his head and energy in his hands must feel free to put up an enterprise. That is the only way to banish poverty and attain full employment.

Full Employment: Jana Sangh will plan for full employment. The nuclear programme will absorb educated unemployed. Compulsory primary education and primary health centres in each group of villages will mop up rural unemployment. A massive programme of rural public works and housing will change the face of India. We will do all this by using our labour as our best capital, and making every project labour-intensive.

Agriculture: Our Biggest Industry: Our biggest industry is agriculture. Jana Sangh will attain food self-sufficiency in the next five years. In the same period it will distribute all surplus and cultivable waste land to landless labourers and farmers with uneconomic holdings, particularly those belonging to scheduled castes, scheduled tribes and ex-servicemen. It will give interest-free loans to help turn uneconomic holdings into economic ones. We will complete the uncompleted irrigation projects

like Rajasthan Canal and execute a network of minor irrigation works.

The Jana Sangh upholds the principle of 'land to the tiller' — with exemption to minors, widows, the disabled, and army and police, personnel. It will guarantee security of tenure and fair share to 'bhatadars'. It will reduce and rationalise land rents. It is opposed to any lowering of land ceilings.

Jana Sangh will encourage formation of service-co-operatives for marketing, etc, and ensure cheaper supply of improved tools, bullocks, seeds, manures, fertilisers, pesticides, other inputs and credit facilities. It will lower the irrigation and electricity charges, introduce crop and cattle insurance, and promote cattle breeding and animal husbandry. It will guarantee remunerative prices for food crops, and maintain proper balance between the prices of agricultural produce and manufactured goods. We will bring good drinking water to villages, develop agro-industries and evolve an indigenous technology to transform the countryside.

A House For Every Family: Next to agriculture, building activity is the second biggest industry of the country. It not only yields the much needed houses and factories, it creates vast employment opportunities for architects, engineers, construction workers and material suppliers. Jana Sangh will will direct banking and insurance institutions to give adequate financial aid to all the various housing co-operative societies and establish a central housing authority to give long-term low-interest loans for the purpose. It will thus abolish all slums and give every family its own house to live on. The houses/flats thus constructed by various agencies will be allotted on hire-purchase basis, the cost being recovered in easy instalments. Measures will be adopted to diffuse house ownership in urban areas.

Industrial Growth: The Jana Sangh notes the recession that has overtaken industry. It will take all steps necessary to restore health and buoyancy to it. We will take industrial licensing out of the hands of politicians and invest it in the expert hands of an autonomous authority directly responsible to Parliament. We will abolish licensing of small and medium industries not requiring any foreign exchange. We shall prefer the small and medium sector for expansion in the consumer goods industry. This will check the growth of monopolies and bring industry within the reach of the common man.

Jana Sangh will revive the Swadeshi spirit to strengthen the Indian economy.

It will invite and encourage Indians abroad to invest in Indian industry.

Patterns of Industrial Ownership: The Jana Sangh stands for decentralisation of all authority, economic or political. It is opposed to the concentration of any power in a few hands. Consequently, it rejects both types of capitalism, i.e. private and governmental, since both are incompatible with the tenets of economic democracy.

The Jana Sangh will immediately set up a 'National Commission on the patterns of Industrial Ownership' to determine—in the light of the structural peculiarities of different industries and the needs of economic growth—the scientific criteria for various forms of ownership.

Establishment of Autonomous Monetary Authority: The Jana Sangh notes that credit has become more expensive since the banks were nationalised. Small industry and small farms, are charged a higher rate of interest than big industry and big farms. All this has confirmed our fears that bank nationalisation was a political act and not an economic measure.

The Jana Sangh will retrieve this situation. It will convert the nationalised banking industry into an autonomous monetary authority in full charge of currency and credit, headed by the Reserve Bank of India, whose character and composition will have to be suitably altered. The authority thus created will have the twin objectives of price-regulation through currency control—and full employment through credit policies.

The autonomous monetary authority will be required to organise extensively its financial consultation service to conduct micro-planning, for raising the level of credit-worthiness of small peasants, village and urban artisans, educated unemployed, engineers, technicians, and the new and small entrepreneurs, and provide them appropriate credit facilities.

Replace Sales Tax by Excise: The Jana Sangh will simplify taxation laws to minimise tax evasion and provide relief to hard pressed sections. It will divert through suitable measures, the major portion of all unearned incomes into public utilities. The device of taxation will be utilised to minimise the present disparities in expendable incomes and bring about a ratio of 1:20 between lowest and highest incomes. We will not impose any new tax which will raise the price of consumer goods for the common man.

We reject the proposal to impose

sales tax on cloth, sugar, tobacco. Indeed, we will replace the vexatious sales tax wherever possible by the more convenient excise duty. Care will be taken to see that the states are not put to any loss in the process.

We will abolish all such taxes in which the cost of collection is almost as high as the revenue collected, e.g. profession tax, income tax on low income brackets etc.

Stop Foreign Aid: By running up a foreign debt of over Rs 7,000 crores the government has, in a sense, mortgaged the future generations of the country. The Jana Sangh will enquire into these iniquitous loan agreements, expose the burden of the so called "aid", and have their terms revised.

The Jana Sangh will work for a completely self-reliant economy and dispense with all foreign aid. Our import requirements will be financed by our export earnings and commercial credit from the world money market. All foreign technical know-how and equipment will be purchased through open global tenders.

The Jana Sangh will scrutinise all foreign collaboration agreements, and seek deletion of objectionable clauses therein.

Nationalise Foreign Banks: The Jana Sangh will nationalise all foreign banks operating in India, and Indianise all foreign owned consumer goods industries. Their share capital will be thrown open to Indian citizens, particularly to their local employees and those in the low and medium income groups.

The Jana Sangh will nationalise import-export trade with communist countries and insurance of foreign trade. It will constitute an autonomous board answerable to Parliament for issuing import licences.

Making Public Sector Profitable: The tremendous losses on the enormous investments in public sector projects is a screaming scandal. The Jana Sangh will free public undertakings from politicians and bureaucrats, and entrust them to professional public administrators with necessary training and experience of industrial management. There will be a proper balance between the autonomy of the undertakings and their answerability to Parliament. Instead of undertaking indiscriminate expansion of the public sector, The Jana Sangh will concentrate on its consolidation. All losing concerns will be reorganised to make them profitable.

A New Deal to Wage Earners: The

Jana Sangh will ensure for urban and industrial wage earners security of service, fixation of a need based minimum wage, protection of real wage and recognition of unions by secret ballot. The statutory range of bonus from four per cent to 20 per cent will be revised upwards in consultation with employers and employees. Apart from the statutory minimum wages, co-sharing will be guaranteed to agricultural workers in their agricultural produce and to Vanavasi workers in the product of forests and forest based industries.

The Jana Sangh will launch integrated schemes of social security (including unemployment insurance, free medical care and retirement benefits) and labour welfare (including education of workers' children). It will revise labour laws and the machinery thereunder, so as to ensure cheap and expeditious justice to workers and promote industrial peace. It will encourage the process of labour participation in the management and ownership of industries, evaluating labour in terms of shares.

Women Workers: The Jana Sangh stands for equal opportunities to women. It will encourage their employment to the types of jobs for which they have special aptitude, provide for their training, and arrange for more rational distribution of female labour force, so as to reduce competition between men and women. It will strictly enforce the statutory provisions relating to women workers and ensure equal pay for equal work.

The Jana Sangh will require employers to recognise that fact that working housewives constitute a special employment group and make necessary adjustments regarding their working hours, work schedules, facilities for housing and transport and children care services. We shall put up hostels for working girls in the big cities.

No Retrenchment: The Jana Sangh is opposed to rationalisation leading to retrenchment without alternate employment. It will oppose indiscriminate automation causing large-scale unemployment in all industries except Defence and Space Science.

Fair Deal For Pensioners: The Jana Sangh will raise the quantum of pensions substantially in view of the increased cost of living. It will extend the Central Health Scheme to pensioners.

Price Stabilisation Board: With a view to regulating the price level, the Jana Sangh will curtail deficit financing, establish a price Stabilisation Board to

regulate the margin of profit, prescribe severe penalties for profiteering and hoarding, and provide a network of fair price shops.

A Swadeshi Plan: The Jana Sangh stands for micro-planning for the public sector and macro-planning for the whole economy. It believes in full employment, maximum production, equitable distribution and price stabilisation. With these objectives in view the Jana Sangh will replace the fourth Plan by a self-reliant Swadeshi Plan to achieve the growth rate of ten per cent per annum.

Right to Property: The Jana Sangh is a people's party. It upholds the citizen's right to property. It looks forward to the day when every citizen will have some property to call his own. The Jana Sangh is, therefore, determined to defeat the Congi-Communist attacks on the constitutional right to property, which can only end in extinguishing the citizen's right to his farm, factory and home.

Commission on Constitution: The Jana Sangh does not regard the Constitution as a static document. The Constitution must remain an effective instrument for the fulfilment of the hopes and aspirations of the people. It is, therefore, that our constitution-makers invested it with built-in flexibility in the form of Article 368. Care, however, was taken to ensure that the essential fabric of the Constitution—which the Jana Sangh thinks is basically sound—is not tampered with levity.

Of late, there has been a growing tendency in the ruling party to denigrate the Constitution whenever any provision of its runs counter to the demands of political expediency. The Jana Sangh regards this as extremely unfortunate. It feels, however, that the time has come when a 'Commission on the Constitution' should be created to review the working of the Constitution in the light of the experience of the past two decades, and make recommendations in that regard.

National Integration through Indianisation: The Jana Sangh will work actively for national integration. To that end it will take the following positive steps:

1. We will implement the forgotten Directive Principles of the Constitution and give free education to all children upto the age of 14 (Article 45), protect the cow family (Article 48), progressively diminish the consumption of alcoholic drinks (Article 47), and give the country a uniform Civil Law (Article 44).

2. We will give a positive patriotic

and moral content to education and inculcate in our children deep love of our country, our people and our cultural heritage. To this end, we shall revise the text books.

3. We shall take all steps to prevent any kind of riots. In the event of a riot breaking out, we shall punish the guilty and compensate the sufferers.
4. We shall appoint an Inter-State Council under Article 263 of the Constitution, to advise government in respect of all issues pertaining to centre-state relations. In respect of disputes between state and state, which cannot be resolved by mutual negotiation, the Jana Sangh will set up a statutory commission to arbitrate in that regard. All demands for statehood arising out of regional imbalances will also be referred to this Commission for suggesting appropriate economic, administrative and constitutional remedies.

The Jana Sangh considers the manner in which the present government is deciding on the creation of ever new states for party reasons, as thoroughly opportunistic. Thus, it is patently unfair to refuse statehood to Delhi, while granting it to certain other areas with smaller numbers and scarcer resources.

5. As per Article 371, we shall establish separate development boards for backward areas in the various states.
6. We shall impose restrictions on the activities of foreign missionaries. We will require the distribution of foreign supplies through official channels alone.
7. We shall scrap the separate constitution of Jammu & Kashmir and bring that state fully on par with other state.
8. We shall formulate and implement a crash programme to afford equal public opportunities to the backward classes of society to bring them in line with the advanced sections within a period of ten years.
9. Untouchability is a crime against Man and God. We shall implement laws against untouchability in letter and in spirit and, if necessary, make them stringent. We shall break the barriers that divide one Indian from another and accelerate the evolution of a

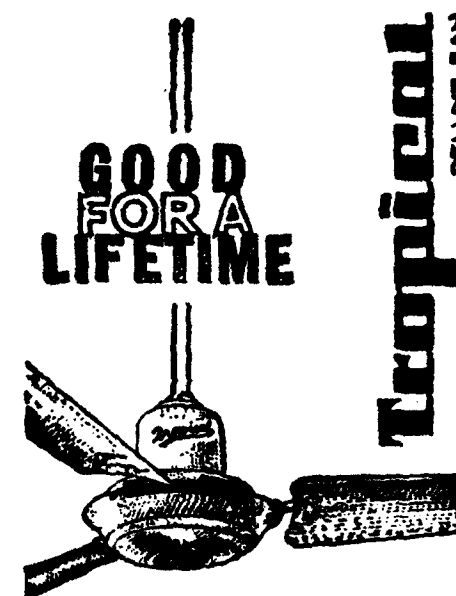
homogeneous and egalitarian society.

10. The Jana Sangh will foster the feeling of Indianness in all sections of society, particularly those which, for historical reasons, have remained aloof from the national mainstream.

Developing Indian Languages: Swarajya is incomplete without Swabhasha. The Jana Sangh will expedite the replacement of English by Indian languages at the state level, and make the latter the media of instruction, administration and courts.

The Jana Sangh will develop Hindi as the link language over the next five years. It will hold UPSC examinations in all the recognised Indian languages so that non-Hindi speakers are not handicapped in any way in the matter of recruitment to central jobs. In Punjab, Hindi has always been widely used. Hindi will, therefore, be given its due place in education and administration.

The Jana Sangh will pay attention to the promotion of the Urdu language, and ensure that facilities due to it under the law are accorded to it. It is



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however, opposed to making Urdu the second official language of UP, Bihar, MP, etc.

Compensation For Refugees: More than two decades after partition, lakhs of refugees continue to pour in from East Pakistan year after year. They are living in shocking conditions. The Jana Sangh will see to it that Hindus in Pakistan are treated well, so that they don't have to run for life and honour. At the same time, the Jana Sangh will expedite the rehabilitation of refugees already here. The erstwhile Indo-Pak agreements on evacuee property do not cover East Pakistan. The Jana Sangh will seek their extension to eastern India, to compensate refugees for properties left behind by them.

Two Murder Inquiries: The Jana Sangh takes note of the many doubts in the public mind about the mysterious deaths of Mr Lal Bahadur Shastri and Pandit Deendayal Upadhyaya. It will institute three-judge public inquiries, with investigative powers, to probe the two mysteries.

Independent Foreign Policy: Though the government continues to pay lip-service to non-alignment, the Jana Sangh is concerned at the way New Delhi is fast becoming a Russian satellite. We would like to reiterate that the Jana Sangh wants nothing but friendly relations with the USSR. But friendship can survive — and grow — only on the basis of mutual respect for sovereignty and a scrupulous avoidance of any meddling in each other's internal affairs.

Arms Aid to Pakistan an Unfriendly Act: In this context we cannot appreciate Russian persistence in publishing maps showing Indian territory as Chinese. Its radio broadcasts attacking Indian parties and leaders are a gross attack on our free political institutions. Its interference in our elections — including presidential election — is an assault on our sovereignty. On top of it all, its arming of Pakistan amounts to a sabotage of our defences.

The Jana Sangh takes serious note of American re-arming of Pakistan. It considers the same an unfriendly act. In arming Pakistan, the two super-

powers seem to have the same goal, viz. to harass India, strain our resources and delay our economic development.

The Government of India's decision to send a delegation to the Islamic Conference at Rabat, the red-carpet treatment given to Al Fateh terrorists, the unprecedented invitation extended to Madam Binh, the rebel leader of South Vietnam, and India's refusal to attend the Conference on Cambodia, sponsored by Indonesia, are examples which show that our Foreign Policy is anything but independent.

Quit Commonwealth: The Jana Sangh will lead India out of the British Commonwealth. It will work for a special relationship with South Asia. We shall protect and promote the interests of Indians abroad.

The Jana Sangh views with grave concern, the scandalous manner in which foreign lobbies — Russian, American, Chinese, Pakistani and Arabic — are operating in this country — with impunity. It shall smash all these lobbies.

India As a Major World Power: In the international field, India has always stood for friendship with all and malice towards none. But the Jana Sangh realises that mere pursuit of friendship and peace has no guarantee either of friendship or of peace. And it is no substitute for a suitable strategy for defence. The fact that we have been subjected to as many as four invasions during a brief 23 years of our independent existence, underlines the lesson that while working for peace we must be prepared for war.

The Jana Sangh is deeply conscious of the continuing Chinese and Pakistani aggressions on our territory. We are pledged to the vacation of this double aggression. We are, therefore, committed to an India strong enough to be a major world power in the next few years. To this end we shall take the following steps:

1. We shall strengthen our armed forces and equip them with the latest arms.
2. We shall develop a nuclear armoury to deter any fresh invasion of the country.
3. We shall work for complete

self-sufficiency in the production of all arms through defence research and defence industries.

4. To defend our vast coastline, and to protect our trade routes, we shall develop the Indian Navy to become the biggest in the Indian Ocean.
5. We shall adopt more effective measures to ensure border security and settle ex-servicemen in the border areas.
6. We shall stop all infiltration from Pakistan and pack off old infiltrators.
7. To make the entire population defence conscious, we shall introduce defence studies in all universities and start rifle clubs all over the country.

Reorientation of the Educational System: The Jana Sangh will reform the educational system so that it can serve simultaneously to strengthen national values and fulfil the needs of modern India.

Media of Mass Communication: Jana Sangh will convert AIR including television, and the Films Division into autonomous corporations. It will accelerate the expansion of the television set up.

The Jana Sangh recognises the vital role which films play in providing entertainment and enlightenment to the people. It will take steps to promote this important industry by giving relief wherever possible. It will encourage the opening of a larger number of cinema houses.

Will to Win: The Jana Sangh is pledged to banish poverty. It has a promise to keep — a solemn promise to our future generations that they will be born solvent, as honourable citizens of a first-rate state. This cannot be achieved through empty slogans or ample gimmickery. In this fight to finish between our people and the demon of poverty, victory can be assured only through hard work with patience, perseverance, discipline, dedication and, above all, the will to win. As a party of patriots, the Jana Sangh will rouse our people's will to win this holy war on poverty.

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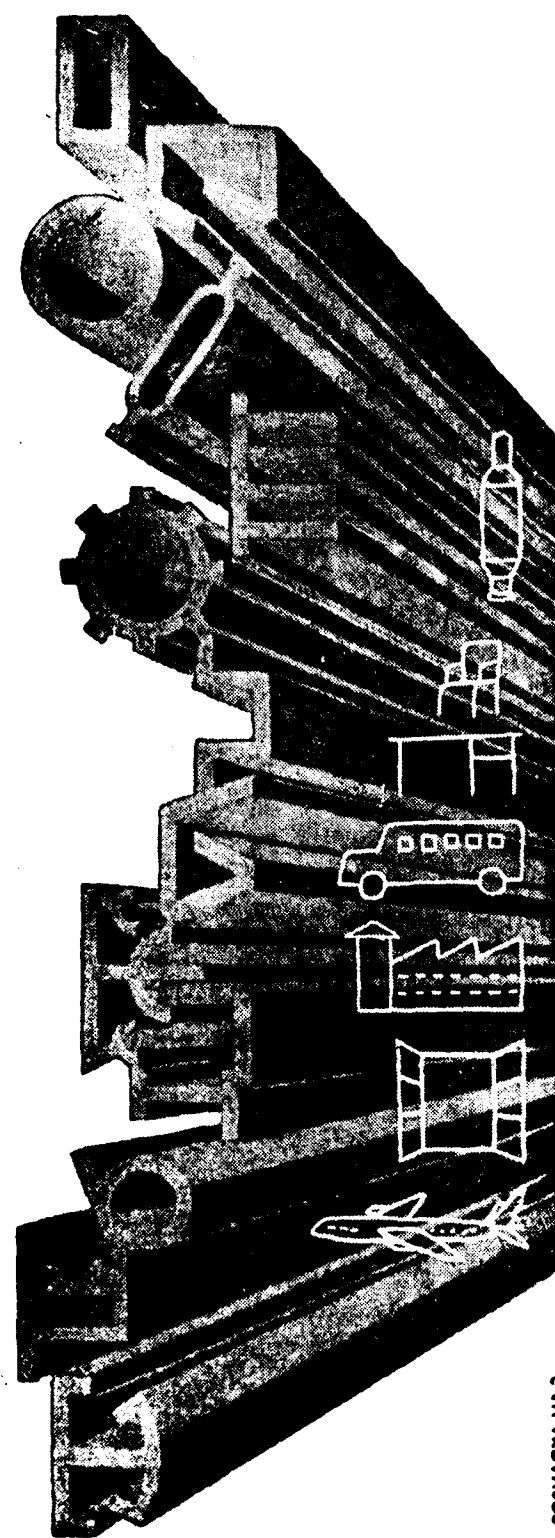
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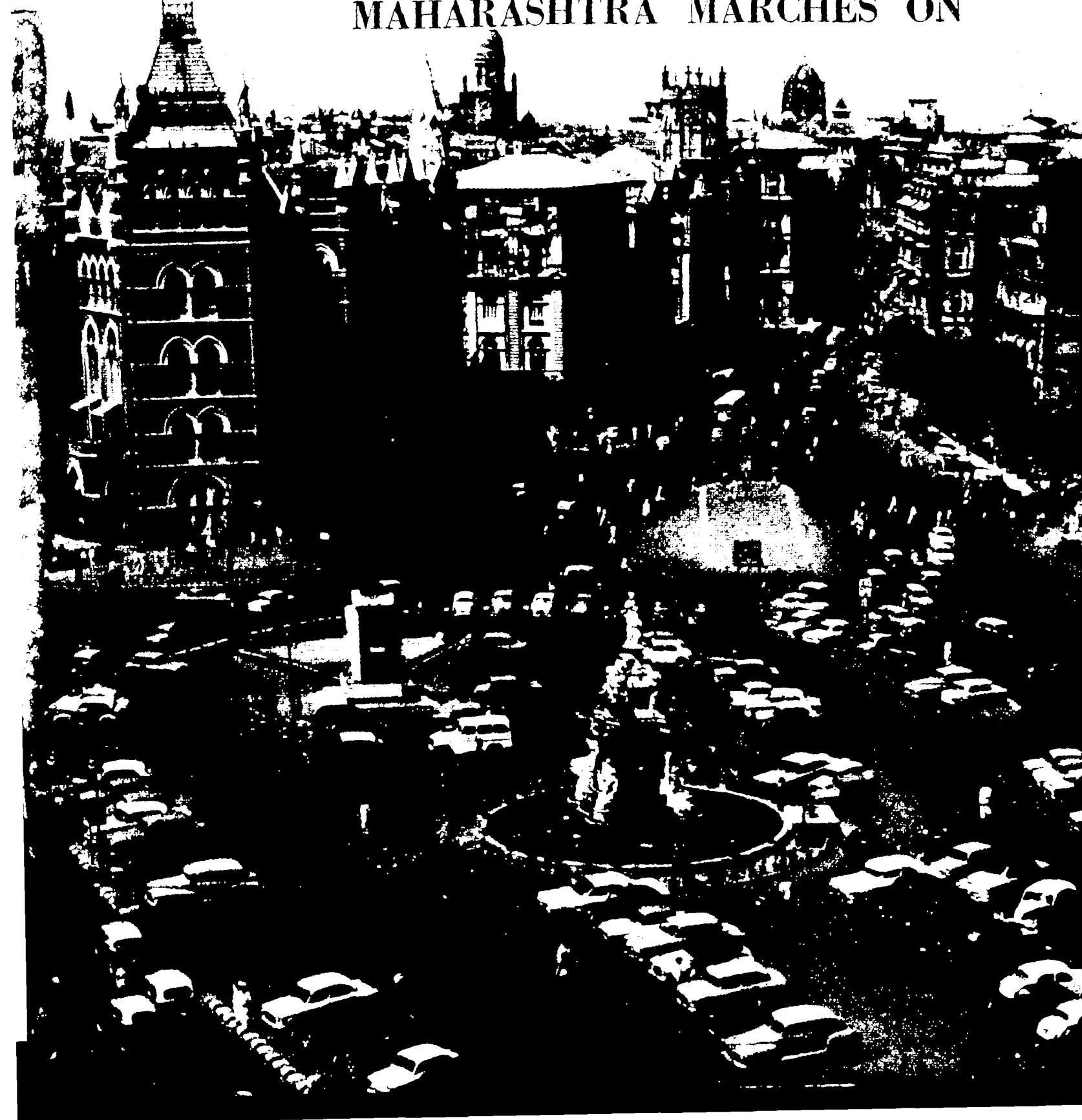
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MAHARASHTRA MARCHES ON



BIRLAS

in Maharashtra's Progress

Birlas have a long record of service to the Industrial, Economic and Cultural development of Maharashtra in a variety of ways.

Birla industries in Maharashtra produce consumer goods and goods to feed other industries. They provide employment with good service conditions and social amenities to thousands directly, and to many more thousands indirectly.

Birlas contribute magnificently to a number of educational institutions in the State on a regular basis, besides running the Birla Balika Vidyalaya.

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The Birla Auditorium overlooking the Bombay Hospital and the Birla Kreed Kendra are among the most popular centres of Maharashtra's cultural activities, while the magnificent temple at Kalyan attracts devotees in their thousands.

Birla Industries are dynamic and, as in the past, in the years to come too, they will deem it a privilege to be able to extend their many-splendoured contributions to the material and spiritual enrichment of Maharashtra.

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MAHARASHTRA

MARCHES ON

EASTERN ECONOMIST

JANUARY 29, 1971

Maharashtra Marches On	3
Growth of Maharashtra's Economy 1960-70—Shrikrishna Vanjari	4
Maharashtra: A Study in Contrast—V.P. Naik	5
Maharashtra's Industrial Development—S.P. Godrej	11
Cotton Mill Industry in Maharashtra—R.L.N. Vijayanagar	12
Sugar Industry in Maharashtra—Dr S.B. Sakhalakar	15
Power Development in Maharashtra—R.P. Aiyer	17
The Storage Battery Industry—A Correspondent	18
Performance of Pharmaceutical Industry—Contributed by OPPI	22
Contribution of Dyestuff Industry—J.H. Doshi	27
The Man-Made Fibre Industry—A Correspondent	31
Small-Scale Industries in Maharashtra—G.B. Newalkar	35
Climate for Industrial Expansion—A Correspondent	39
ICICI's Assistance to Maharashtra Industries—A Correspondent	40
ECGC: Role in Export Promotion—T.R. Varadachary	41
SICOM Lives up to Its Slogan—A Correspondent	42
The AIMO in Maharashtra—S.M. Sundaram	43
Growth of Life Insurance in Maharashtra—A Correspondent	44
Industrial Development Corporation—A Correspondent	46
Burmah-Shell in India—A Correspondent	50
Easo in Maharashtra—A Correspondent	54
Tatas' Contribution to Bombay—A Correspondent	58
MUSCO's Gift to Maharashtra—A Correspondent	60
"Not Sugar Alone"—S.K. Somaiya	63
New Bombay—The Twin City Project—J.B. D'Souza	64
Decentralised Economic Planning—Naresh Bahadur Johri	67
Labour Movement in Maharashtra—V.B. Karnik	71
Industrial Relations in Maharashtra—B.N. Srikrishna	73
Profile of Banking in Maharashtra—A Correspondent	76

Cover Picture

Courtesy: India Tourism Development Corporation, New Delhi.

CONTRARY to popular belief, the State of Maharashtra taken as a whole is not uniformly well advanced economically. This is not our conclusion, but that of an expert body specially set up to go into the question of all round economic development of the state—Maharashtra Economic Development Council. Whatever economic prosperity Maharashtra is credited with today is due to the industrial prosperity of a few areas, mainly in the Bombay and Poona regions. Recognising this basic handicap of lopsided economic development of the state, the Government of Maharashtra has embarked on a comprehensive programme of economic development which is designed to take care of not only existing industries but also new ones, especially those in the small-scale sector and agro-industries. Agro-industries in particular have lately figured prominently, a thorough study of the problems of those industries having been completed only recently.

The well-conceived industrial policy of the state and its pragmatic approach—as highlighted in the message to this Supplement which Mr V.P. Naik, Chief Minister of Maharashtra, has been gracious enough to send—explain the relatively more impressive development of industries in backward areas of this state than in many others. Fortunately for Maharashtra, businessmen of the state have also realised the need to concentrate more on the development of the state's rural economy. For, they know that "for many years to come, it is the rural part of India which will determine the health or otherwise of the Indian economy as a whole". If only for this reason, they may be expected to take an even more active part in community life than heretofore.

Not that what industrialists have achieved so far in this field, as in others, is negligible. Unfortunately, however, whatever they have done seems to have been blacked out, private enterprise being under a barrage of unthinking attack as though it were responsible for all the ills of the nation. Private enterprise itself is largely to blame for this, though. Businessmen have failed fully to project their case to the public. In these days, it is not enough for one to achieve something but the world must be made to know that it is so and so who has achieved it. There is no need for private enterprise to hide under a bushel. What is wrong, for instance, in indicating the progress that private industry has achieved and the difference that it has made to the quality of our national life? Yet, not only is this not done, save under the gravest provocation, but even some unsustainable statements about private industry go simply unchallenged. Take, for example, the broad generalisations that the Governor of the Reserve Bank made in his inaugural address, at the All-India Seminar on the Role of Financial Institutions in Accelerating Industrial Development in the Seventies, organised by the AIMO, in Bombay, the other day. Among others, he said that most of the projects that seek assistance from financial institutions do not pass the foreign exchange test and that large units in the private sector, with the exception of one or two lines of activities, have apparently done very little so far to develop ancillary industries. Surely these are wide of the mark. We are ourselves aware of a number of industries which have both saved sizeable foreign exchange for the country and helped create several ancillary industries. Industries in the private sector have also provided considerable employment opportunities, besides taking on, on their own, social responsibilities in the fields of technical and higher education, medical assistance and cultural activities, as some articles in this Supplement have sought to bring out. What has been stated should suffice to establish that it is no longer right to argue that the basic objective of corporate business in the private sector is just to maximise the long-term return opportunities for the shareholders. Indeed, the captains of industry in this country have amply demonstrated by what they have done that programmes to meet the crucial social and environmental problems of our society are not incompatible with the long run profit goals of their business.

Growth of Maharashtra's Economy : 1960-70

SHRIKRISHNA VANJARI

THE UNILINGUAL, Marathi-speaking state of Maharashtra completed, on May 1, 1970, a decade of its existence and it should therefore be interesting to review briefly the state's position of economic development reached during this period of developmental planning and implementation of various schemes in all sectors of the economy.

Maharashtra's area is 306,000 sq. kms. or a little over nine per cent of the whole country. The state's population, according to the Census of India 1961, was 39.6 millions or over nine per cent of the country.

The state is highly urbanized and industrialized; it constitutes an asset in the national economy. Thus, while Maharashtra's rural population is 7.9 per cent of India, its urban population is 14.1 per cent of the country. The state's percentage of urban population to total population is also high, i.e., 28.2 as against the corresponding percentage of 18.0 of the whole country. The projected increase in the urban population of the state in 1971 works out at 30.23 per cent of the total population as against the corresponding percentage of 18.25 for the entire country.

Importance of Bombay

This state derives its importance mainly from Bombay city which, in addition to possessing one of the finest ports in the country, is also a commercial and trade centre as well as an industrial centre of national (and even international) importance. An idea of the degree of the state's urbanization could be had from the fact that it possesses 268 towns including four municipal corporation towns while 219 towns have municipal councils. There are five towns under cantonment boards and the remaining 40 constitute non-municipal areas. The biggest cities in the state, namely, Greater Bombay, Poona and Nagpur, among themselves account for 48 per cent of Maharashtra's urban population of 11.2 millions.

Maharashtra's industrial development is lopsided and presents a high degree of imbalance. Thus, while the state contributes 24 per cent of the country's factory output, the various industries are concentrated in Bombay-Thana and Poona-Pimpri complexes. Of the state's total factories numbering 9,209, 67.2 per cent are located in these two areas. Similarly 77.2 per cent of the factory employ-

ment in the state is also found in these two regions.

If Bombay city were excluded, the rest of the state would become indistinguishable from any part of the country in economic backwardness. This position of abnormal imbalance in the distribution of industrial development throws out a challenge to planners who are called upon to achieve a dispersal and spread of industry in extensive areas outside the two industrial regions.

Table I sets out the growth of the

state's domestic income between 1960-61 and 1968-69.

From the above figures it is seen that, while in 1960-61, 41.6 per cent of the state income was derived from agriculture (the year happened to be an exceptionally good one for agriculture), it was reduced to 33.9 per cent in 1968-69. The secondary sector earned the next highest percentage i.e., 30.9 per cent in 1968-69 as against 26.7 per cent in 1960-61. Transport and communications accounted for 18 per cent in 1968-69 as against 17.3 per cent in 1960-61. The corresponding

TABLE I

NET DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN AT CURRENT PRICES

Sector	(Rs crores)		
	1960-61	1964-65	1968-69
Agriculture, animal husbandry, forestry, fisheries etc.	664.2	841.4	1,130.4
Mining, industry, construction, electricity etc.	426.1	668.7	1,028.2
Transport and communications, trade, storage etc.	276.6	407.9	602.1
Banking and insurance, real estate & ownership of dwellings, public administration and other services	230.4	348.3	569.1
Net state domestic product i.e., national income	1,597.4	2,266.3	3,329.8
Per capita state income	409.0	524.0	695.6

TABLE II

EXPENDITURE ON AGRICULTURE DURING THE THIRD FIVE-YEAR PLAN AND SUBSEQUENT ANNUAL PLANS

Sub-head	(Rs lakhs)				
	Actuals under 3rd five-year Plan	Actuals in 1966-67 plan	Actuals in 1967-68 plan	Anticipated expenditure in 1968-69 plan	Outlay in 1969-70 plan
Agricultural production (including land development)	18,49.58	376.98	315.16	545.28	415.00
Minor irrigation	2,422.74	1,148.85	947.56	1,437.26	1,181.50
Soil conservation	3,081.68	1,267.75	1,139.39	1,330.51	530.00
Ayacut development	19.80	11.38	70.17	133.97	80.00

percentage for banking, insurance etc. rose from 14.4 in 1960-61 to 17.1 in 1968-69.

Despite its position as the most industrialized state in the country, Maharashtra's economy is dominated by agriculture. But paradoxically enough, Maharashtra ranks 14th or the last but one state in agricultural productivity, the 15th being Rajasthan. As high as 72 per cent of the state's population is engaged in agriculture and allied activities.

During the third five-year Plan period, which for the unilingual state was the first, the outlay on agriculture was Rs 219.03 crores or 59.4 per cent of the total outlay under the entire Plan. The corresponding percentages for the three annual plans that followed were : 56.34, 46.75 and 49.54, respectively.

Uneven Rainfall

Maharashtra's low agricultural productivity is due to such factors as dependence on rainfall which is uneven with 14 per cent of the total area being subject to chronic scarcity and inferior soils and comparatively poor crop pattern. The state's irrigation level is as low as 7.43 per cent of the total gross cropped area. Added to these formidable handicaps is the uneconomic size of the average land holdings, i.e., of less than 5 acres each for 47 per cent of the total holdings. An effort has therefore been made to improve the general agricultural situation with improvement of land with contour bunding, terracing etc., provision of irrigation facilities, supply of fertilizers and seeds of high yielding varieties credit with price support to agriculturists, facilities of marketing and measures of all-round improvement of the agricultural economy.

The actual expenditure on agricultural improvement has exceeded considerably that of approved outlay in the third five-year Plan. Substantial expenditure was also incurred under the subsequent annual plans. The position of such expenditure is indicated in Table II (p. 4).

Effective use of seeds of hybrid and high yielding varieties of crops and of fertilizers and plant protection measures however hold out the promise of ability for redressing the balance of low productivity. The experience gained during the recent years in the employment of such procedures has been found both effective and encouraging and such procedures are going to be pursued vigorously.

In 1969-70, the area under hybrid and high yielding varieties of crops

covered 2.5 million acres. The consumption of fertilizers in the same period was of the order of 270,000 tonnes. The area under green manure was 59,000 acres. Plant protection services by seed treatment covered 6.5 million acres and, by field treatment, 2.5 million acres. As rural electrification progresses, lift irrigation is being extended.

Owing to natural limitations, the scope for expansion of irrigation facilities is limited if all available resources

were utilized to 30 per cent of cultivable land. During the three Plan periods, an outlay of Rs. 1,01.63 crores was incurred on 76 projects included in the Plans. At the end of the third Plan period work on 36 projects was almost completed with the creation of an irrigation potential of 197,000 acres. Table III shows the position of expenditure incurred and provided for in the subsequent annual plans.

With the growth of industry and expansion in lift irrigation facilities the

MAHARASHTRA : A STUDY IN CONTRAST

V. P. NAIK

I am happy to learn that "Eastern Economist" is bringing out a special number on Maharashtra and its industrial and economic development.

During the last ten years, Maharashtra has made considerable progress in various fields. In agricultural and industrial fronts, in particular, the progress made has been striking.

The state presents a study in contrast. Though it has often been described that Maharashtra is an advanced state, it is clear that barring the Bombay-Poona complex, the rest of the state has remained as backward as any other backward area in the country for want of infrastructural facilities. In order to ensure that industrial concentration in and around Bombay does not create new problems of congestion, over-crowding, housing and transportation bottlenecks, the state government has adopted a concerted policy of dispersal of industries outside the Bombay-Poona region and simultaneously direct incentives have also been offered to encourage entrepreneurs to divert their attention to the under-developed areas. The package scheme of incentives offered by the state government is well-known and the fact that new industries are now springing up around Nagpur, Nasik and other less developed areas of the state bears testimony to the soundness of the scheme propounded by the state government. The government has now also extended the period of operation of the incentive scheme till December 1971 and, judged on past experiences, it is our expectation that more and more industries will be attracted towards the backward regions of the state.

The state government has also decided to draw up district plans based on physical potentials of each district for which comprehensive surveys of districts are being made. These surveys will be supported by technical surveys for undertaking programmes suited to the physical potential of each district. The objective of drawing up such long-term prospective plans based on resource surveys is primarily intended to raise the production potential of each district. The involvement of each district and the contribution from different districts will not only help raise the state income but will also raise the income of the people in individual districts. The state government's ultimate objective is to remove the disparities in physical terms within the next fifteen years so that a minimum desirable level, in the matter of social services and basic amenities, is provided not only in each district but also in the backward areas within each district so that inter-district disparities are restricted as far as possible.

In addition to the formulation of the district plans, the state government is also anxious to provide industrial impetus in each division of the state. For the faster industrial development of Marathwada, the state government had set up the Marathwada Development Corporation as a company under the Indian Companies Act. As a result of the experience gained and considering the industrial climate generated by the working of this company, the state government has recently set up three more corporations for Vidarbha region, western Maharashtra region and the Konkan region separately. These corporations have also been registered as companies under the Indian Companies Act. It is the expectation of the state government that these corporations will identify suitable projects for their respective regions and will, in addition to speeding up the tempo of industrialisation, further create an industrial climate congenial for further investments in these regions.

The state government's decision to set up a twin city near Bombay is well-known. This is another positive step to avoid further congestion in Greater Bombay and to afford a counter-magnet to the facilities offered for industries in Greater Bombay. A separate company, viz. CIDCO has already been set up for this purpose and it is our belief that steps taken in this direction will further prevent heavy concentration of industry in Bombay.

No observer can miss Maharashtra's strides towards over-all industrial development in recent years. The state has already made its existence felt in creating a favourable climate for industrial growth and development. The state has always believed in the utilisation of existing industrial skills and the application of technical know-how for building up a strong and self-reliant industrial sector, capable of giving a favourable deal to the consumer. The over-all performance of Maharashtra in the industrial sector is bright and the state rests on a solid foundation. It will continue to be our endeavour to maintain and improve this tradition.

demand for power has been increasing for the last two years.

Maharashtra's *per capita* consumption of electricity during 1966-67 was 106.7 kwh as against the all-India average of 54 kwh. The state's industry, however, accounts for nearly 70 per cent of total consumption. The power production in Maharashtra was 1,541 million kwh in 1951 and increased to 6,401 million kwh (over four times) in 1966-67. The state's hydel power potential is of the order of 4,260 million kwh. At the end of the third five-year Plan period out of the total installed capacity of 1,750 mW, hydel power accounted for 839 mW as against 721 mW from thermal and 190 mW from nuclear sources.

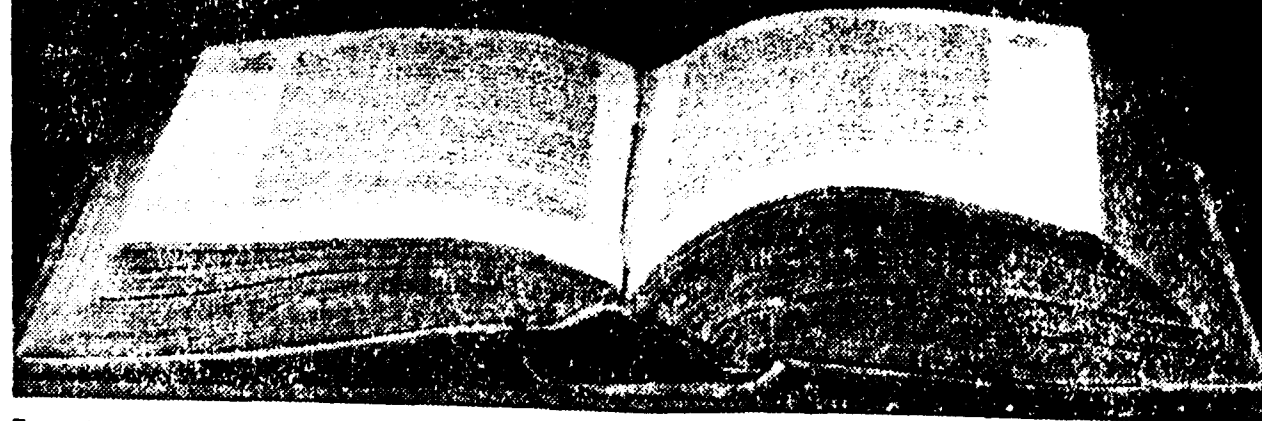
The effective capacity of electric production works out at 1,244 mW as against the estimated demand of 1,390 mW at the end of 1969-70. The demand is expected to increase by the end of 1970-71 to 1,621 mW leaving a deficit of 166 mW which is expected to be met from the surplus power pur-

TABLE III

EXPENDITURE INCURRED AND PROVIDED FOR IN THE ANNUAL PLANS ON IRRIGATION SCHEMES

Year	Amount of expenditure in Rs lakhs	Remarks
1966-67	1,611.07	The approved outlay had amounted to Rs 1,668.82 lakhs. The additional potential created was 3.9 million hectares.
1967-68	1,828.63	The approved outlay was Rs 1,600.20 lakhs. The additional potential created was 2.3 million hectares.
1968-69	2,329.30	The approved outlay was Rs 2,272 lakhs. The additional potential created was 7.6 million hectares.
1969-70	2,530.52	This is anticipated expenditure against budgeted Rs 2,269.35 lakhs. Continuing major and medium works account for Rs 2,282.78 lakhs.
1970-71	2,590.68	This is a budget estimate as against the proposed outlay of Rs 2,800.00 lakhs.

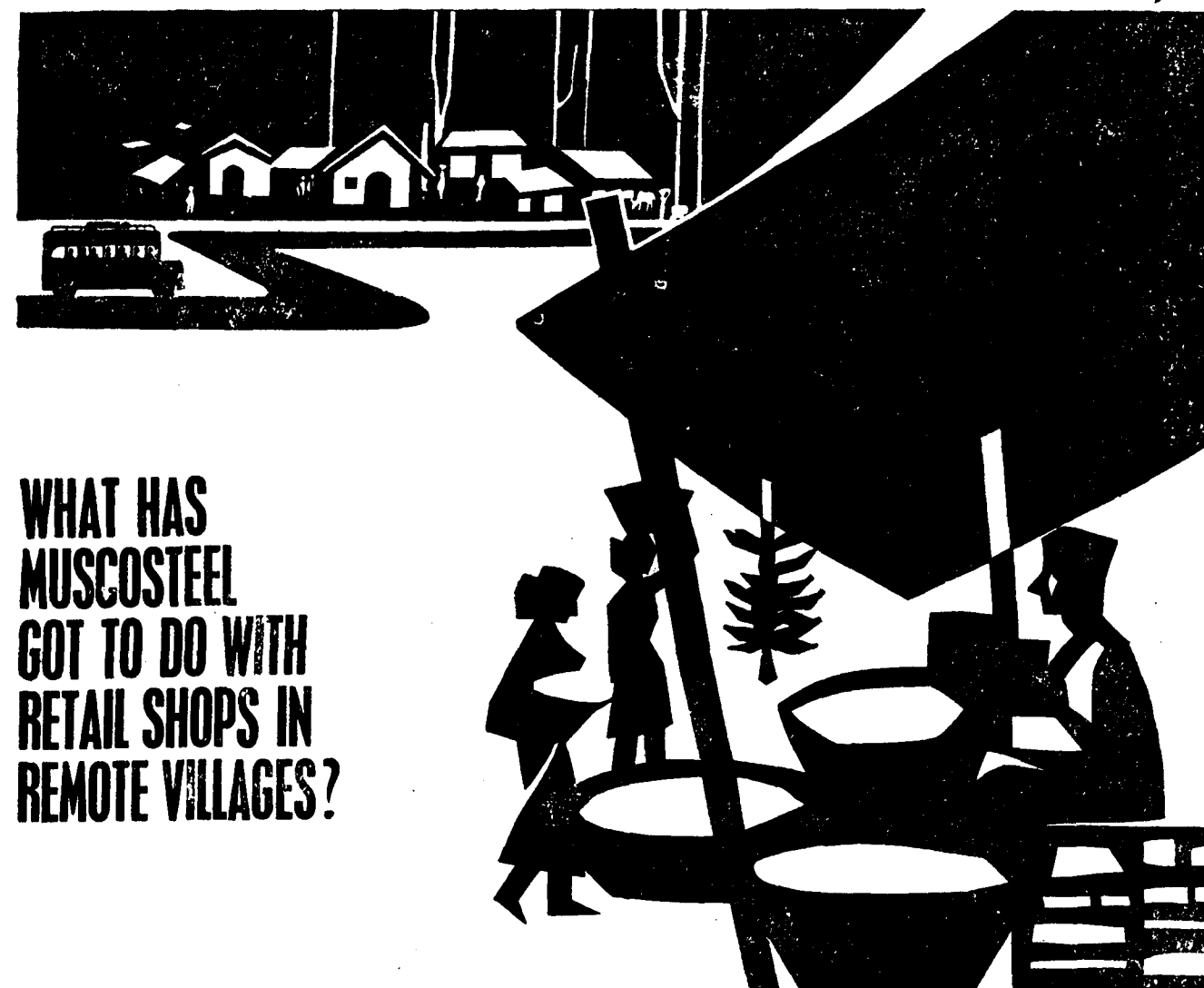
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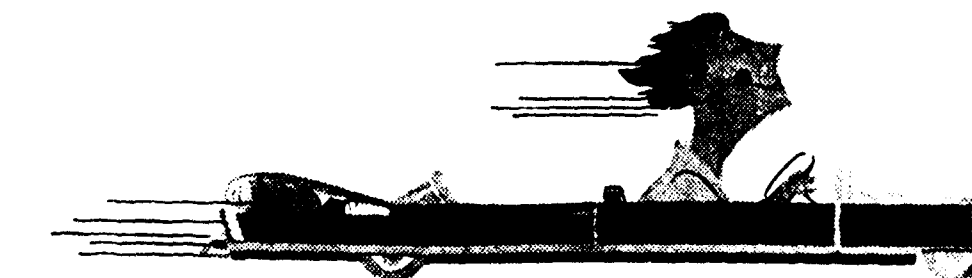
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chased, under the inter-state grid system, from Madhya Pradesh and Mysore states.

Power projects in Maharashtra continue to receive high priority. In 1968-69 out of the total expenditure of Rs 4,588.02 lakhs under power projects, Rs 2,180.45 lakhs were expended on generation and Rs 1,895.53 lakhs on rural electrification. The expenditure was of the order of Rs 4,397.29 lakhs in 1969-70 out of which Rs 2,239.08 lakhs were spent on generation. The budgeted outlay in 1970-71 amounted to Rs 4,800.00 lakhs with the provision of Rs 3,587.35 lakhs for generation.

Rural Electrification

So far as rural electrification is concerned, by the end of 1968-69, as many as 10,020 villages had been electrified and 1,23,568 diesel pumps energized. One crore rupees were provided for the annual Plan for 1969-70 for electrifying 100 more villages and energizing 1,000 more pumps. The programme was further supplemented with a scheme for energizing 76,265 pumps at a cost of Rs 18.50 crores provided by the Agricultural Finance Corporation. During 1970-71, the total of 53,000 pumps will be energized with additional finance from the Government of India's Rural Electrification and Agricultural Refinance Corporation as well as the State Agricultural Finance Corporation.

The tempo of growth of industry in Maharashtra is reflected in Table IV.

These figures show that the increase for all industries was 70.2 per cent during 1961-65. The increase in textiles, the biggest and the oldest of the state's industries, was only 31.2 per cent as against 269.7 per cent for general electrical engineering, 132.4 per cent for basic industrial chemicals and 86.6 per cent for sugar and refineries.

During 1966, Maharashtra shared about 17 per cent of productive capital, 24 per cent of gross value of output and 25 per cent of value added by manufacture in the factory sector in the

TABLE IV

GROWTH OF INDUSTRIES IN MAHARASHTRA DURING THE YEARS 1961 TO 1965

Industry	Gross output in		Value added in	
	1961	1965	1961	1965
Textiles	27,191	41,363	9,135	11,984
Food industries (except beverages, sugar and refineries)	10,508	17,816	1,152	1,762
General and electrical engineering	6,113	18,968	1,618	5,982
Petroleum	3,426	4,641	923	995
Transport and transport equipment	6,707	11,630	2,528	3,508
Sugar and refineries	3,278	5,767	622	1,161
Rubber products	2,757	3,311	1,136	947
Basic industries, paints varnishes etc.	10,309	25,350	3,405	7,915
Other industries	22,150	42,191	6,617	11,946
All industries	92,430	171,057	27,136	46,199

TABLE V

PRODUCTIVE CAPITAL, OUTPUT AND VALUE ADDED IN MAHARASHTRA

Industry	Year	(Rs lakhs)		
		Productive capital	Output	Value added
(1)	(2)	(3)	(4)	(5)
1. Textiles	1965	1,88,01	4,34,98	1,29,65
	1966	2,15,79	4,75,38	1,31,51
	1967	2,23,42	5,13,48	1,60,47
2. Food industries (except beverages, sugar factories and refineries)	1965	37,97	1,89,85	16,98
	1966	48,31	2,39,36	17,06
	1967	43,52	2,35,22	23,85
3. General and electrical engineering	1965	1,24,54	1,89,74	57,55
	1966	1,66,55	2,19,02	62,38
	1967	1,94,41	2,56,68	78,69
4. Petroleum	1965	62,99	47,35	10,14
	1966	63,26	66,08	12,34
	1967	56,60	76,20	20,85
5. Transport and transport equipment	1965	80,02	1,16,59	35,14
	1966	71,07	1,24,11	38,23
	1967	76,99	1,25,94	35,82
6. Sugar factories and refineries	1965	46,54	57,59	11,06
	1966	56,02	83,59	12,90
	1967	64,04	76,56	13,72
7. Rubber products	1965	14,69	33,08	9,45
	1966	17,13	41,90	11,09
	1967	15,99	45,29	10,67
8. Basic industrial chemicals, paints, varnishes, lacquers and miscellaneous chemical products	1965	1,62,25	2,30,51	70,61
	1966	2,38,45	2,54,93	76,12
	1967	2,84,52	2,94,24	85,08
9. Other industries	1965	4,02,95	4,35,70	1,25,94
	1966	4,75,20	5,38,03	1,46,35
	1967	5,16,07	5,20,52	1,43,59
All industries	1965	11,16,96	17,35,39	4,66,52
	1966	13,51,78	20,42,40	5,07,98
	1967	14,39,56	21,44,13	5,72,74

country. One could have a clear and composite picture of the total pattern of the development of Maharashtra's industry from Table V (p. 9) based on the statistics of the annual survey of industries published by the Central Statistical Organization of the Government of India and the Indian Statistical Institute and the figures for 1967 compiled by the Maharashtra State Bureau of Economics and Statistics.

So far as the trend in the growth of production between the years 1961 and 1969 is concerned Table VI gives the index numbers of such growth.

Ranking of Industries

The position as shown for May 1969, indicates that the electrical machinery ranks first with the highest increase in the index number at 327.3 followed by petroleum products (284.4) and machinery other than electrical (260.6). The other industry maintaining the rising trend above the average of 163.3 for all industries is chemicals and chemical products (203.0) and rubber products (194.4).

Maharashtra remains backward in road kilometrage. The state stands as low as the 14th in the whole of India. There is also inter-regional disparity: while western Maharashtra possessed at the end of the third five-year Plan period 30,774 kms length of roads, Vidarbha's was 8,726 kms and Marathwada's 4,510 kms. A 1961-81 road development plan has been formulated according to which road kilometrage would work out, on the average for the state, at 42 per cent of the Plan target with a shortfall of 63,000 kms.

Table VII shows the position of investment under transport and communications in the third five-year Plan period and subsequent annual plans.

The nationalization of passenger road

TABLE VI
INDEX NUMBERS OF INDUSTRIAL PRODUCTION DURING 1961 AND MAY 1969

(Base 1960 = 100)

Item	1961	1965	1968	1969 May
I. General index	109.2	153.7	161.1	163.3
II. Mining and quarrying	105.4	131.7	144.2	151.2
III. Manufacturing	109.1	153.8	156.3	159.7
1. Sugar	110.2	124.7	84.5	122.6
2. Cotton Textiles	104.8	111.7	111.7	109.9
3. Rubber goods	112.9	159.4	202.1	194.4
4. Chemicals and chemical products	113.4	153.9	197.4	204.0
5. Petroleum products	106.0	158.7	260.1	284.4
6. Machinery other than electrical	121.2	316.0	327.6	260.6
7. Electrical machinery apparatus, appliances and supplies	110.0	204.4	277.5	327.3
8. Transport equipment	116.7	206.3	142.9	126.4
IV. Electricity	116.3	190.9	266.6	241.6

TABLE VII
INVESTMENT UNDER TRANSPORT AND COMMUNICATIONS

(Rs lakhs)

Sub-head	Third Plan expenditure	1966-67 actuals	1967-68 actuals	1968-69 actuals	Outlay for	
					1969-70	1970-71*
Road development	2827.85	950.75	780.31	897.70	927.00	958.93
Road transport	858.80	361.65	258.49	258.00	395.05	284.00
Ports, harbours and inland water transport	26.12	19.43	40.26	57.23	209.39	62.36
Other transport	—	3.46	2.02	2.30	3.00	3.00
Tourism	32.23	4.09	5.72	13.05	10.00	21.75
Total	3745.00	1339.38	1086.80	1228.28	1544.44	1330.04

* Budgeted.

transport service was 100 per cent in western Maharashtra, 99 per cent in Marathwada and 71 per cent in Vidarbha by the end of 1967-68. With fur-

ther development, the estimated route kilometrage would be 3.45 lakhs served by a fleet of 5,723 vehicles. The programme of nationalization is

financed by internal resources of the statutory corporation running the service and with contributions from the central and state governments.

Maharashtra's Industrial Development

S. P. GODREJ

President, Indian Merchants Chamber

It is well known that Maharashtra has taken a lead over other states in industrial development. The State accounts for nearly 25 per cent of the value added by manufacture, 17 per cent of productive capital, 20 per cent of employment and 24 per cent of gross value of output in the country. Out of 27,966 companies with a paid-up capital of Rs 3,651 crores in India (at the end of 1968-69), Maharashtra alone had 5,754 companies with a paid-up capital of Rs 927 crores or roughly about 25 per cent. More than 50 per cent of these companies in the state are engaged in manufacturing and processing activities including textiles, sugar, engineering, chemicals and pharmaceuticals, plastics, petrochemicals and foundries. The *per capita* consumption of electricity, which is acknowledged as a significant indicator of the stage of industrial development of any region, is about 135 kWH in Maharashtra, as compared to the all-India average of 72 kWH during 1968-69.

Role of the Private Sector

This remarkable performance is to a considerable extent accounted for by the private sector. The private sector in Maharashtra has played a significant role in the growth of various industries by supplying capital and know-how, both technical and managerial. This sector has also taken the initiative in diversifying the industrial structure of the state. For instance, it has played a notable part in the exploitation of mineral resources. So has it acquitted itself creditably in the provision of important economic overheads. In fact, the private sector pioneered the generation and transmission of hydel power in Maharashtra. The private sector was also largely responsible for the development of banking and insurance facilities in the state, as also for the development of transport and communications, which are the sinews of industrial development. In conformity with national objectives, the private sector has shown a remarkable degree of export-consciousness which is largely responsible for the premier position enjoyed by Maharashtra in exports.

It is evident, therefore, that the

private sector has been conscious of its responsibility in fulfilling important national objectives, not only in industrial development, *per se*, but also in the provision of employment opportunities, development of exports, diversification of the industrial structure and contribution to the public exchequer. Of late, keen interest has been evinced in the hotel industry, thanks to the incentives introduced by government. This could have a salutary effect on tourism, both international and domestic.

Impact on Small-Scale Sector

The beneficial impact of industrial development is felt in various directions. Take, for example, the growth of ancillary and small-scale industries. Large-scale manufacturing units in the state, and particularly in Bombay, are buying sizable chunks of their requirements of components and spares from small-scale units. In fact, some of them are buying at least 20 per cent of such requirements from outside. This has, naturally, given a boost to smaller units. While the government's policy of encouraging ancillary and small-scale units is sound, it must be realised that their growth is linked primarily with the growth of large-scale industries. Secondly, it should also be realised that orders for outside parties can only be given on the basis of sound make-or-buy analysis, taking into consideration the cost, delivery time and quality, and it is not proper for the government to introduce an element of compulsion here, e.g. through bans and reservations.

The private sector, especially in Maharashtra, has recognised its responsibility to society at large and, in fact, social consciousness on the part of business can be traced back to several decades. Business, for example, played a notable part in the freedom struggle and it is noteworthy that Gandhiji was an honorary member of the Indian Merchants' Chamber. Labour-welfare measures such as industrial housing, provident fund and holidays with pay preceded legislation in some companies. On their own, business firms have established charity trusts for educational and other social-welfare purposes. Various organisations, such as the National So-

ciety for Equal Opportunities for the Handicapped, further prove the point. It can be seen, therefore, that the concept of trusteeship has taken roots.

In recent times, the private sector has been making significant contributions towards the amelioration of colossal problems with socio-economic ramifications such as the population explosion. According to a survey of the Bombay-Thana region, a large number of units are showing interest in family planning and many of them have facilities and incentives for propagating the concept.

Realising the need for voluntary self-regulation, the private sector has established the Fair Trade Practices Association, with headquarters in Bombay, to foster a code of good business behaviour and to work in close co-operation with consumers' guidance societies.

Businessmen are considering various schemes for the gainful self-employment of unemployed engineers, a problem which, incidentally, is an off-shoot of the population crisis.

Even in such spheres as medical research and fundamental research, the private sector has done considerable spade-work.

Laudable Development

The contribution of the private sector to the state's industrial development is doubtless laudable. However, what is worth noting is that this sector is not resting on its oars and is prepared to play its due part in the further industrial development of the state. What is required is the provision of adequate facilities and incentives and the removal of disincentives and other artificial barriers. A great handicap which may be mentioned here is the crippling taxation. Industries are subjected to heavy doses of taxation year after year, which is not only hampering production but is also baulking efforts to bring down the cost of production. It is necessary to remove these handicaps by modifying the taxation policies of both the central and state governments in a manner which would stimulate industrial activity and facilitate full utilisation of the enter-

prising spirit of businessmen. Any enlightened taxation policy must realise that production results in the creation of wealth and ploughing back of profits results in increased production, which is what this country needs today. In fact, tax benefits could be given to those who plough back their profits for productive and social-welfare purposes.

In the context of the further development of the state, it may be stated that businessmen of Maharashtra are prepared to go to the interior, to the underdeveloped or backward regions of the state, and set up industries there. The business community is aware of the lopsided development of the state. They are, for instance, aware of the congestion in the Bombay-Poona belt and that some of the regions in the state, such as Konkan, Vidarbha and Marathawada, which were neglected so far, must receive adequate attention. The entrepreneurs in Maharashtra are conscious of the immense possibility of further industrial development of the state by developing such underdeveloped or backward areas provided the necessary infrastructure, in terms of roads, supply of water and power and development of lands, is provided and other facilities and incentives are made available in those regions.

Research and development are of vital importance to industrial development in the modern world. Although some consciousness in this respect is visible on the part of large units in the state of late, a great leeway has still to be made in this direction. It is unfortunate that there

Cotton Mill Industry In Maharashtra

R. L. N. VIJAYANAGAR

Secretary, The Millowners' Association, Bombay

FROM TIME immemorial, India has been the home of cotton textiles. Many millennia before the beginning of Christian era, her people knew the art of making cloth. Indian textiles, notably the *muslin* and the calicoes, became world-famous in the mediaeval times. But the days of handwoven fabrics were almost over with the advent of the powerlooms. India was quick to adjust herself to the changed times. In the nineteenth century a number of cotton mills, mostly devoted to spinning, came into existence in the country. There are at present 657 mills in India, whose installed capacity is 17.70 million spindles and 209,000 looms which produced for the year ended 1970 about 967 million kgs of yarn and about 4,183 million metres of cloth.

The State of Maharashtra has 97

is a tendency to rely too much on imported technology and not to pay the necessary attention to the development of such technology within the country. It is gratifying to note that government has also been helping investment in research through tax incentives and other measures. There is a tax exemption for the entire expenditure incurred by industries on research and development. The private sector has yet to take full advantage of the exemption facility and make its contribution to research and development. Perhaps government may consider enhancing the quantum of exemption to 133 per cent in respect of research and development as has been done in the case of the export market development allowance.

Concentrated efforts at research and development and acceptance of modern management practices will facilitate reduction in the cost of production, improvement in quality and long-term corporate growth. In order to build a firm technological base and to improve upon imported technology, foreign technical collaboration agreements should be made on a selective basis and should not exceed five or 10 years. One can learn from the example of Japan in this regard. Adaptation of foreign technology for local conditions could be facilitated if the government were to adopt a more rational import policy which will allow the import of sample or prototype machines with highly advanced technology. While import-substitution is essential, judicious imports of new technologies is necessary

and we cannot do away with foreign technology for quite some time.

It cannot be gainsaid that whatever industrialisation has been achieved in the state with the help of the private sector is, to a considerable extent, due to the relatively liberal and tolerant attitude of the state government. In a planned programme of industrial development, a good deal of responsibility devolves on the state. It has to provide the necessary infrastructure in the shape of land, road, power, water and other facilities required for setting up new industries. The government of Maharashtra has been providing all such facilities.

Apart from the infrastructure, the government has set up certain specialised institutions for the provision of finance and technical guidance particularly to small-scale and medium-size industries. In fact, Maharashtra's example is emulated by certain other states in India in this regard. This is as it should be. They should indeed vie with each other in providing incentives and infrastructural and other facilities in attracting industries as is being done in the various American states. One can always learn from the success stories of others. Given proper co-ordination and co-operation between business and government, there is no reason why a better state of affairs cannot be brought about in India as has happened, for example, in Japan. In conformity with the size of our country and the magnitude of our problems, we have to think big and act fast.

workers employed in organised sector of the state was 2.4 million, of which 300,000 are employed by cotton mill industry which shows that out of eight workers one is employed by cotton textile mills in the state. The total wage bill inclusive of fringe benefits of the entire industry is nearly Rs 250 crores per annum while that of mills in Maharashtra amounts to Rs 100 crores. A Bombay mill worker in the year 1957, on an average, earned per month Rs 146.34 (including fringe benefits). In 1970, his earnings rose to nearly Rs 340. Today, his earnings are Rs 350 representing an increase by 140 per cent over his earning in 1957.

The mills are a vital source of revenue to the central and state governments, their total contribution in the shape of taxes and levies being approximately Rs 180-200 crores a year, of which

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1968: First to register an 'Electric Car (battery-operated)' with R.T.O. Bombay.

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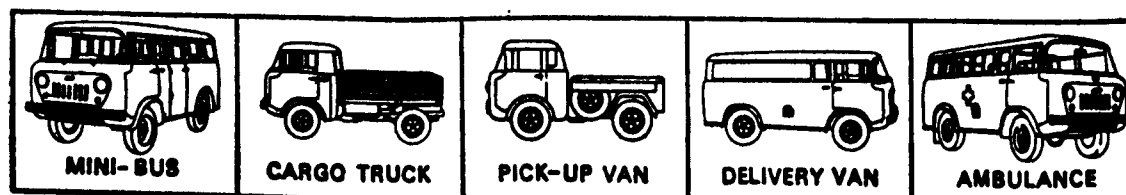
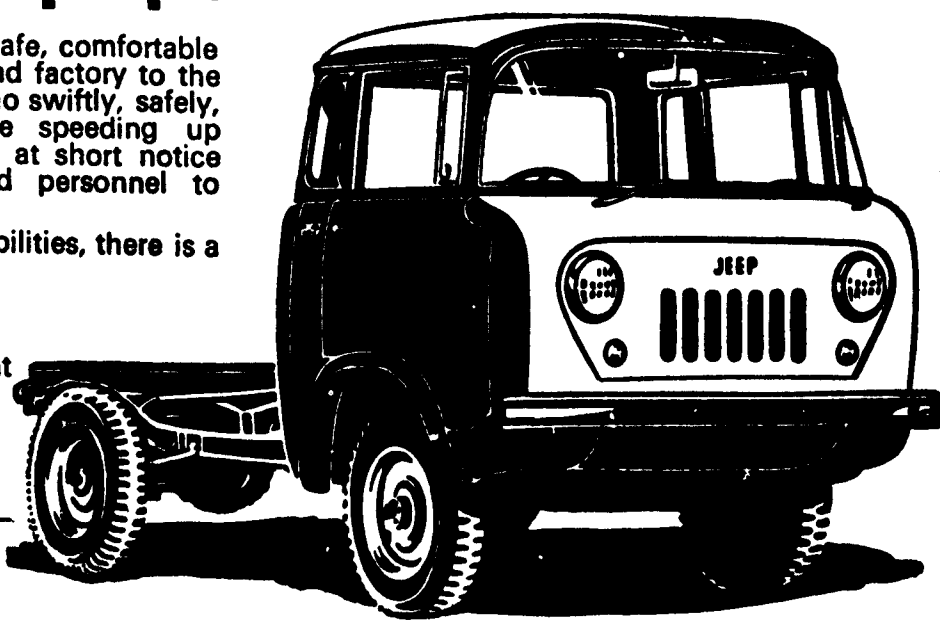
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excise duty on cloth and yarn alone amounted to Rs 111 crores. The contribution from mills in the state may be placed around Rs 50 crores.

In addition to the workers, a large number of people depend on the mill industry for their livelihood. 20 million acres of land are devoted to cotton and nearly four million families are dependant on cotton cultivation. About 100,000 persons are employed by ginning and pressing factories. The traders in cotton are about 300,000 and in cotton textiles are around one million. The handloom and the powerloom weavers in the country are nearly two to three million. The tailors and the men engaged in transport services owe their well-being to it.

The industry is a large consumer of fuel, electricity and lubricants, spending over Rs 50 crores per year on these items. Besides, a number of ancillary industries producing dyes and chemicals, mill stores, sizing and packing materials are supported by it. The value of all such goods consumed by the mills is more than Rs 100 crores a year. The value of the major items of textile machinery spare parts and accessories produced in the country was Rs 29 crores in 1962 and it was Rs 35 crores in

the year 1969. Most of these materials are consumed by the mill industry. The number of persons dependent on textile industry runs into more than 10 million of which nearly two to three million are in Maharashtra.

The industry exported on an average Rs 110 crores worth of yarn, cloth, made up articles, ready-made garments and hosiery goods. The share of mills in the state on the basis of deliveries for exports is about 50 per cent and its value may be placed around Rs 50 crores a year.

Generous Help to Public Causes

The cotton mill industry in the state has been contributing most generously to educational, cultural, social and medical causes and has also been rendering all possible assistance to the people affected by natural calamities. The Bombay cotton mill industry contributed Rs 75 lakhs to the Mahatma Gandhi Memorial Fund in 1953, of which Rs 55 lakhs was utilised for the establishment of the Mahatma Gandhi Memorial Hospital at Bombay for the benefit of industrial workers. It also contributed over 19 lakhs of rupees for the construction of a stadium for workers at Bombay. It contributed Rs 4 lakhs

to the University of Bombay for the purpose of meeting the growing needs of its Department of Chemical Technology. It contributed over one lakh of rupees to the Victoria Jubilee Technical Institute.

On the occasion of the centenary of the Bombay University, the city mills contributed Rs 3.5 lakhs to be utilised for giving two Post-Doctorate Research Fellowships of Rs 400 each per month. The industry also contributed more than two lakhs of rupees to the Building Extension & Endowment Fund of the Bai Jerbai Wadia Hospital for Children. Bombay mills contributed over four lakhs of rupees on the relief of people affected by Panshat Dam disaster near Poona which took place in the year 1962. The association erected buildings on the lands belonging to the colleges in Poona for the residence of people who were rendered homeless and they have now been converted into hostels for the college students. It paid Rs 2 lakhs to the Chief Minister's Konkani Relief Fund. The activities of the industry affect the state and national economy at so many points that a precise assessment of its value to the country cannot be made.

Sugar Industry in Maharashtra

DR. S. B. SAKHALKAR

Secretary, Maharashtra Economic Development Council

THE COTTON textile industry has considerably helped Maharashtra to carve for itself a prominent and distinguished place on the industrial map of India. But the future industrial development of the state seems to be wedded to the development of agro-industries in general and the sugar industry in particular. The sugar industry is now the second largest industry in Maharashtra which is now the second largest sugar-producing state in India. The sugar industry has been developing very fast and has been not only boosting the industrial development of Maharashtra but also helping considerably to correct the regional imbalance in industrial development. Development of agro-industries, and particularly the sugar industry, has assumed crucial importance in the economic progress and planning of Maharashtra due to the very nature of its economy, the conspicuous features of which are: the concentration of industries in very small areas, mainly in the Bombay and Poona regions, and lack of development of industries, and even agriculture, in the rest of Maharashtra. Greater Bombay, in particular, accounts for nearly half of the registered factories

and nearly two-thirds of the factory employment in Maharashtra. The *per capita* income of the Bombay Metropolitan Region last year was Rs 1,426.00 and that of the rest of Maharashtra Rs 547. In other words, the *per capita* income of the Bombay Metropolitan Region is more than two and a half times of that of the rest of Maharashtra and the *per capita* income of the rest of Maharashtra is as low as the *per capita* income of the country as a whole. The lack of balance in the regional economic growth and underdeveloped character of the rest of Maharashtra, rich in various cash crops, particularly sugar-cane, has enhanced the importance of development of the sugar industry, which has an inherent tendency towards decentralisation and dispersal.

Political, economic and social winds are now favourable for the growth of the sugar industry in the state. These winds are blowing stronger due to the recent phenomenal progress of the sugar industry in Maharashtra and its favourable impact on the rural economy in augmenting the profitability of the agricultural activity and in transforming

subsistence farming into commercial farming. It is mainly due to the developing sugar industry that the agriculture in Maharashtra is becoming an economic proposition governed by considerations of inputs and outputs, rather than a way of life in which farmers believe that little can be done to change productivity or crop patterns. Sugar industry in Maharashtra has injected a dynamism in the rural economy of Maharashtra and its anticipated galloping development in the future is the great hope of Maharashtra, two-thirds of whose population depends on agriculture and allied activities and earns about one-third of the total income. In the rural areas, there is a serious disguised unemployment which is incapable of measurement and which is reflected in poverty and economic misery. Available figures of unemployment give some idea of the seriousness of the overall problem. The backlog of unemployment, which was about 4,46,000 at the beginning of the second Plan, increased to 784,000 by the end of that Plan and further to 1.5 millions by the end of the third Plan. Development of sugar and other agro-industries will provide the most

effective long-term solution to this colossal loss of manpower and serious economic misery and frustration.

The organisation of co-operative sugar factories by sugarcane growers is a monumental step in the history of the co-operative movement. At present, there are 26 co-operative sugar factories. Four more have been approved and letters of intent have been issued for 13 more factories. Co-operative sugar factories have been the harbinger of co-operative processing to other spheres such as oil extractions, spinning mills, etc. in co-operative sector. The number of processing units in production in the co-operative sector increased from 47 in 1961-62 to 201 in 1966-67. These societies include 58 cotton ginning and processing units, 72 rice mills, and 50 oil crushing mills.

It is said that great success is achieved by confidence and confidence is inspired by earlier success. The future of sugar industry in Maharashtra is bright due to its brilliant past. There has been phenomenal growth in the sugarcane production and the sugar industry in Maharashtra during the last two decades. The sugarcane product of the Bombay state in 1950-51 was 5.0 million tons and the area under cultivation was 47,000 hectares. There were 13 sugar factories which produced about 120,000 tonnes of sugar. The sugarcane

production of Maharashtra now is about 12.0 million tonnes and the area under cultivation is 1,52,000 hectares. There are 36 sugar factories in Maharashtra which produce about 850,000 tonnes of sugar.

This metamorphosis is not merely a gift of nature but a direct result of sustained application of scientific methods to agriculture and of the dynamism, coupled with foresight, perseverance and patient hard work in the management of these farms. It is in fact an achievement of a sincere, devoted and highly qualified and experienced persons attuned to the task of revolutionising the countryside by application of the latest methods in agriculture. These efforts are being continued vigorously and farmers are conscious of the use of good seed, manures, fertilisers, pesticides and agricultural equipment and are making increasing use of them. These efforts can be sustained and intensified by entrusting compact areas of 100 acres to the factories for being developed by their own resources and technical knowledge as model farms for such demonstrational and service activities as survey and analysis of soil, agronomical and applied research, varietal studies, supply of improved seeds, crop protection from pests and diseases, agricultural engineering, etc.

Suitable soil and climatic conditions of Maharashtra and scientific approach

to cane-cultivation have not only encouraged the rapid development of the sugar industry in Maharashtra during the last two decades but have indicated the vast scope for its development in future as well. As is well-known, sugarcane, which is essentially a tropical plant thrives best in hot climate and its important climatic determinants are moisture, temperature and light. These climatic conditions are fulfilled more by the tropical states to the south of Narmada than by the sub-tropical states in the north wherein a large portion has lack of moisture, excessive sunshine during summer and very low temperature during winter and where the sugar industry owes its existence mainly due to historical reasons. Maharashtra has also an excellent soil most suitable for cane-cultivation and is generally free from ravages of disease and pest. Maharashtra accounts for about 11 per cent of the total sugarcane production and about 30 per cent of the sugar production in the country, although its area under sugarcane is about 6.6 per cent, yield per acre in Maharashtra is between 25 to 26 tonnes, as compared to 12 to 15 tonnes in Uttar Pradesh and Bihar and sugar recovery from cane in Maharashtra is around 11.3 per cent, as compared to 9.5 per cent in Uttar Pradesh and Bihar.

In fact, sugar recovery from cane in Maharashtra is not only the

DIFFERENCE BETWEEN THE LEVY PRICES 1968-69 AND 1969-70.

State	Rupees per quintal						Factory working days		Sugar recovery per centage	
	Levy-price 1968-69	Levy-price 1969-70	Difference	1968-69 levy price excluding excise duty	1969-70 levy price excluding excise duty	Difference				
							1968-69	1969-70	1968-69	1969-70
Punjab	175.28	167.72	-7.76	142.50	134.02	-8.48	99	153	7.02	8.12
Haryana	175.28	155.79	-19.49	142.50	124.63	-17.87	124	184	8.02	8.76
Rajasthan	175.28	180.03	+4.75	142.50	144.03	+1.53	93	106	8.96	8.52
West UP	175.28	158.65	-16.63	142.50	126.92	-15.58	134	209	8.61	9.17
Central UP	151.29	156.67	+5.38	123.00	125.34	+2.34	149	223	9.15	8.23
East UP	156.55	158.00	+1.45	127.28	126.40	-0.88	132	153	9.42	9.24
North Bihar	156.55	159.83	+3.28	127.28	128.67	+1.39	105	131	9.64	9.17
South Bihar	156.55	184.82	+28.27	127.28	147.86	+20.58	85	92	8.48	8.40
Gujarat	141.30	148.95	+7.65	114.88	119.16	+4.28	161	172	9.25	9.60
Maharashtra	141.30	147.00	+5.70	114.88	117.60	+2.72	196	183	11.04	10.72
Mysore (North)	141.30	161.96	+20.66	114.88	129.57	+14.79	167	181	10.11	9.73
Mysore (South)	161.14	161.96	+0.82	131.01	129.57	-1.44				
Andhra Pradesh (North)	141.30	152.88	+11.58	114.88	122.30	+7.42	151	152	9.14	9.07
Andhra Pradesh (South)	161.14	152.88	-8.26	131.01	122.30	-8.71				
Tamil Nadu and Pondicherry	161.14	168.86	+7.72	131.01	135.09	+4.08	240	202	7.95	7.87
Orissa	161.14	161.08	-0.06	131.01	129.67	-1.34	114	147	9.68	8.79
Kerala	161.14	161.08	-0.06	131.01	129.67	-1.34	84	96	7.92	8.82
West Bengal	156.55	161.08	+4.53	127.28	129.67	+2.39	70	132	9.64	9.47
Madhya Pradesh	175.28	197.60	+22.32	142.50	157.88	+15.38	56	113	8.91	9.17
Assam	168.24	161.08	-7.16	136.78	129.67	-7.11	67	138	9.06	8.58

highest in India but is higher than in most of the leading sugar-manufacturing countries in the world. The contrast between the sugar-productivity in India is so wide that the weight of sugar produced from cane per acre from some fields in Maharashtra is said to be more than that of whole sugarcane produced per acre in some fields in North India. What reward these efficient factories get? They have a long-standing grievance that the ex-factory control price of sugar announced the union government year after year is uneconomic and unremunerative for them. The table on page 16 indicates this fact. The system of fixing ex-factory prices for various zones, more or less on cost plus basis, penalises the efficiency of the sugar factories in Maharashtra and acts as a serious disincentive to improved efficiency. It is high time to ensure that ex-factory price should be such as would bear

a reasonable relationship with the free market prices which in Maharashtra were always higher than similar prices in other parts of the country.

Sugar factories in Maharashtra have created vast employment opportunities by themselves and by giving fillip to the growth of a large number of ancillary industries and industries based on its by-products like bagasse, molasses and pressmud. They have also established a large number of educational institutions, schools, nursing homes, hospitals, residential colonies, dares, net-work of roads and have drastically changed the surrounding and made rural life happy and prosperous. This development is of crucial importance in Maharashtra, which has the highest proportion of urban population in India, and whose 11 per cent population stays in Bombay alone. As is well-known, numerous acute

problems particularly of Bombay, such as housing, transport, water supply, sewerage, drainage and slums, have adversely affected not only the productivity of industries but also the morale of workers. The housing shortage in particular has affected the family life and created a variety of social problems. Development of the sugar industry in Maharashtra is, therefore, not merely an economic problem but a social, a cultural and even a human problem. It has helped reduce considerably the social stresses and tensions and the uprooting of individuals from the soil, from their families, healthy environment and customs. The rapid development of the sugar industry in Maharashtra will no doubt go a long way towards preserving "the deep-rooted and closely-knit rural society" which has at present a more definite image than "the amorphous urban conglomerate."

Power Development in Maharashtra

R. P. AIYER

A DECADE ago, Maharashtra's power position looked somewhat tenuous. Load sheddings either due to inadequate generating capacity or due to overloading of mains, or want of line capacity used to be part of the conditions under which a prospective consumer sought and obtained power supply. What a change has taken place since!

The system has improved significantly since the induction of a fourth set of 150 MW at Tatas' Trombay thermal station, not to mention some improvements in Tatas' Hydro capacity consequent to rehabilitation measures undertaken by those companies. The much delayed Koyna scheme also has since come on stream. Paras and Khaperkheda thermal stations (of the State Electricity Board) came into being to serve the Vidarbha region. To top it all, the Atomic Power Station at Tarapore (the share of Maharashtra being 180 MW) has come into the system to carry base load.

The fourth five-year power development of the state is primarily based on the recommendations of the Study Group on Power Sector set up by the state government in December, 1963. This Study Group was to consider the broad issues and problems involved in development of power both from short-term and long-term points of view, and had set out possible dimensions of various programmes. In effect, the

power programme in the state has been geared to meet the rising demand by stepping up the size of installations, and at the most economic and favourable locations, all subject to natural and financial resources.

Side by side, there has been in operation a programme to rehabilitate and instal new plant in certain areas. A 62.5 MW thermal station was commissioned at Bhuswal in 1968. During the same year, the old 30 MW set at Paras was repaired and a new thermal set of 62.5 MW was also commissioned. These improvements enabled the State Electricity Board to avoid load shedding in Vidarbha-Khandesh-Marathwada Grid.

The demand for power in the state as a whole continues to expand rapidly. What then are the state's plans to meet this load?

The working group mentioned earlier had estimated a load growth in the state of 2328 MW by 1973-74, in the background of the existing installed capacity (including nuclear) of 1750 MW.

The plan also visualised electrifying an additional 6,000 villages and energising 100,000 pumps (including those under normal development in rural areas).

The thermal schemes to be firmly

accomplished, and anticipated to be accomplished are —

	MW
Nasik (2 x 140 MW Sets) ..	280
Parli (2 x 30 MW Sets) ..	60
Koradi I and II (2 x 120 MW Sets) ..	240
Koradi III & IV (2x120MW Sets) ..	240
Total installed thermal ..	820
The hydro schemes are :	
Koyna (4 x 80 MW Sets) ..	320
Bhatgar	16
Vir	9
Vaitarna	65
Total hydro	410
Total installed thermal and hydro capacity	1230

The Nasik and Parli schemes are accomplished facts. Progress on the rest of the schemes (with the complementary transmission capacities) will depend on resources available, in the face of the overall financial stringency.

Then, again, arises the point whether, with the continuing industrial growth in the Bombay-Poona industrial complex, it would not be more advanta-

geous for the system as a whole to site a plant with a capacity of 300 MW nearer to the load centre.

The state has come a long way from the earlier efforts to meet the growing

needs of the community for power. Against the earlier Bombay-Poona-Central Railway Grid, the state can now rely on the Western Grid fed by the Koyna and the Tata Hydro Companies' Systems, and the Vidarbha-

Khandesh-Marathwada Grid. In addition, the state has viable links both with Mysore and Madhya Pradesh enabling import/export of power to the advantage of all the concerned states.

The Storage Battery Industry

A CORRESPONDENT

OVER A fourth of the total production of storage batteries in the organised sector is produced by companies located in Maharashtra. The estimated production in the large-scale sector in 1969 was a million units. Out of this, Standard Batteries, Bombay, Abmel, Poona Unit and Himco, Bombay, accounted for 390,000 units, with another 50,000 units from various manufacturers, either listed with the organised sector or registered with the Development Commissioner, Small-Scale Sector.

It will be useful to define the term "Storage Batteries". Quite a number of people think of only torches or transistors when one mentions batteries. This is because they are more familiar with the type of battery known as a dry cell. Normally these batteries have a very short life — a few hours — and are then of no use. Unlike dry cells, wet batteries are batteries that store power which can be used over longer periods with the help of charging.

Number of Applications

This type of storage batteries is made of lead-acid and finds a bewildering number of applications in transport, in communication and in defence. The largest use of lead is for storage batteries. To name a few typical applications, lead storage batteries furnish power to start vehicles, lighting and airconditioning in vehicles (cars, buses, trains, planes, ships); they provide emergency power for hospitals, theatres, stores and other installations such as posts and telegraphs sub-stations.

In India, the storage battery industry was started in the thirties, but was established on a firm basis only during the Second World War. It has made substantial progress since Independence.

In 1947, the production of storage batteries in the country was of the order of only 70,000 units (mainly used in passenger cars). By 1951, the indigenous production had increased to 213,000 units and to over 500,000 by 1961.

According to the draft fourth five-year Plan, it is estimated that there will

be a production of 1.8 million units in the organised sector. The present installed capacity in the organised sector of the industry (consisting of 13 members registered with the DGTD) is 672,700 units per year. However, there are any number of smaller units who either only assemble or manufacture, and no facts or details of their production capacity are available as they are not registered with either the DGTD or as small-scale industries. The Planning Commission, however, estimates their annual production at some 60,000 units.

Installed Capacity

With the expected expansion granted to three leading manufacturers, viz., Abmel, Standard and Amco, the total installed capacity in the organised sector will be 952,700 units by 1974. Based on past and present trends of production, it can also be estimated that production in the entire organised sector by 1974 will be about 1.4 millions. If the life of a battery is taken to be 18 months for passenger cars and 12 months for commercial vehicles, for 1969, the demand for automobile batteries was about 1.5 million, which should rise to 2.2 millions by 1974. The demand for batteries, which has been based on the expected production of passenger cars, jeeps, commercial vehicles, two and three wheelers for 1964, 1969 and 1974, shows that there is a substantial and steadily widening gap between the requirement and the availability from the organised sector of the industry. At present, this gap is estimated to be in the region of 500,000 units. Even with the increase in installed capacity, if allowance is made for the export commitments of the organised sector, the availability by 1974 is not likely to be more than 1.4 millions as against the demand for 2.2 million units.

In talking of demand, it must be clarified that, for purposes of correlation, we have taken into account the fact that the industry as such has grown largely along with the automobile industry, which, in turn, is closely connected with the growth of roads in India. While the main pre-occupation of the battery industry is indeed with vehicles, the manufacture of special

purpose batteries for railways, defence and communications is a growing and increasingly important field.

Just about anybody can and does make or assemble an automobile battery. But batteries for special purposes, as the name indicates, require a special know-how. It is in this field that Standard Batteries has pioneered several batteries in India.

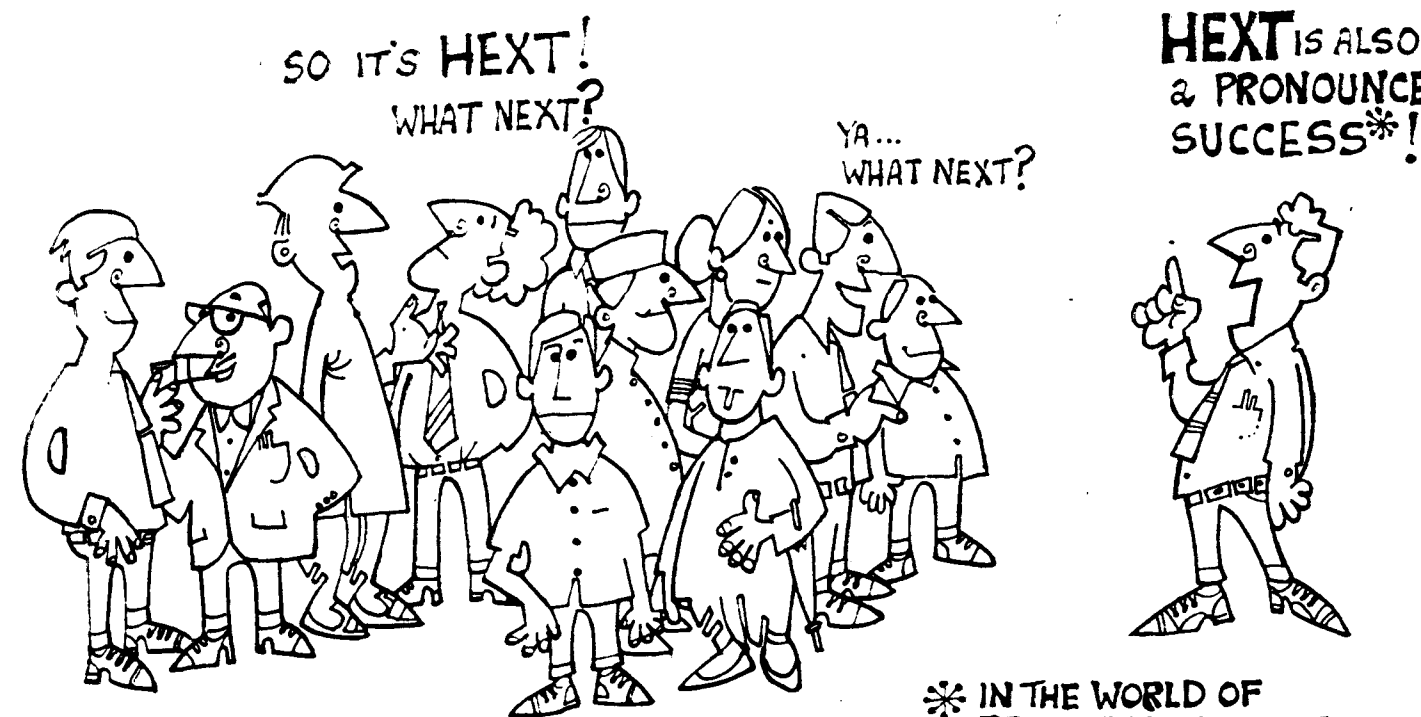
From 1950, Standard Batteries has worked in close collaboration with the railways, defence, and posts and telegraphs manufacturing types required by each of three and, in every case a 'first in India', dispensing with the import of such items. Starting as a small unit for rebuilding batteries in the forties, today, 25 years young in the field, Standard Batteries has an organisation which employs over 1500 people with an annual turnover of Rs 4.42 crores (in 1969). Today, in Maharashtra, Standard Batteries is the largest wholly Indian undertaking manufacturing batteries for wide variety of purposes. The company has, for some years now, been busy with the manufacture of battery-operated trucks for industry.

Ancillary Industries

Along with Standard are six other listed manufacturers (two of them in the organised sector and the rest in the small-scale sector). All these six together produce approximately 43,000 units per annum, the annual turnover of all these companies being in the region of six crores of rupees.

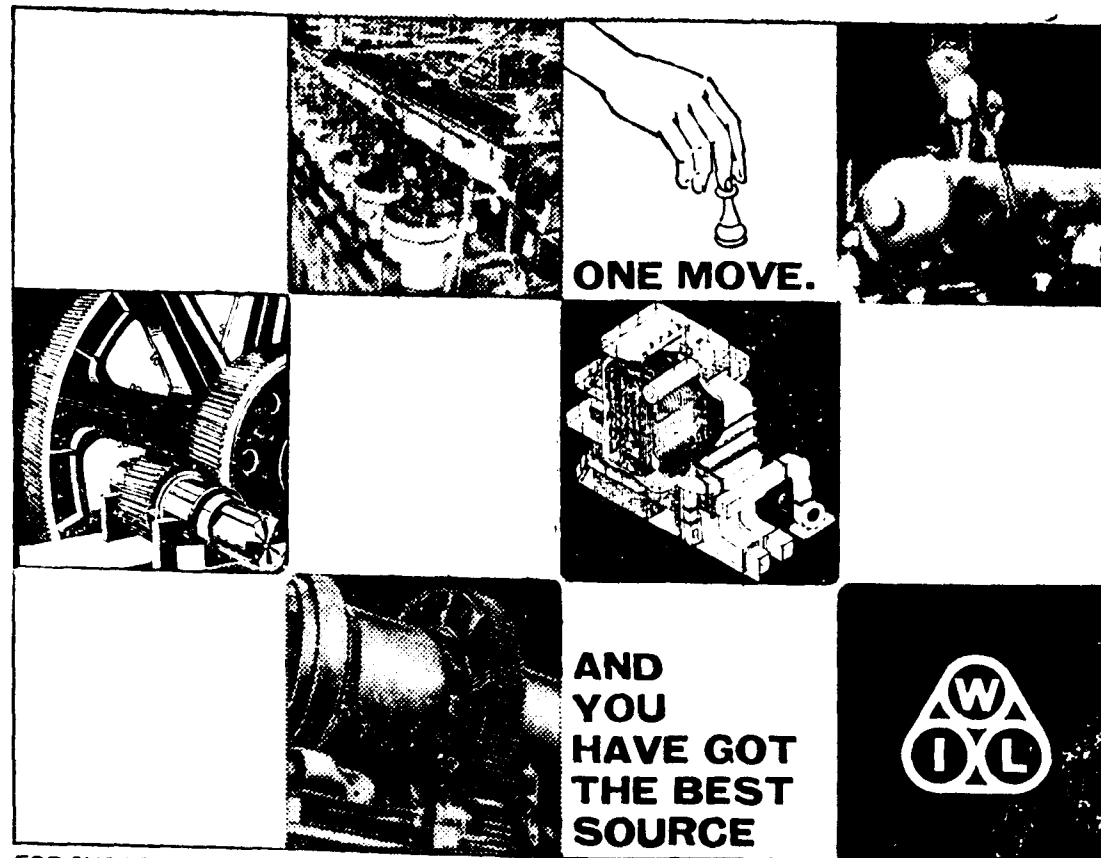
The battery industry has been responsible for supporting several ancillary industries manufacturing plastics, reclaimed rubber, acid, brass nuts and bolts, battery chargers, hydrometers, voltmeters, packaging industry etc., the six firms in Maharashtra alone being responsible for creating business of over one crore of rupees per annum. It would not be an exaggeration to estimate the total number of people employed by the battery industry and the several ancillary industries in Maharashtra at 3,000 to 4,000 persons. By way of wages alone, the industry spends something like a crore of rupees per annum.

From figures submitted to the govern-



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ment by the organised sector, its contribution to the exchequer by way of sales tax, octroi, etc. would be around Rs 30-40 lakhs per annum.

From information as can be gathered from (published annual reports) it would appear Standard has perhaps the most progressive pattern of growth. Over the years, it has systematically ploughed back a substantial portion of its profits into the company's research and development programmes.

The company also spends nearly one-fourth of its annual turnover on salaries wages and welfare expenses for its employees. An average semi-skilled worker draws between Rs 400 and Rs 500 (salary plus allowances) and gets subsidised lunch, free medical aid and benefit of co-operative credit society and consumer co-operative society hire purchase schemes. In certain cases where workers earn less than Rs 500 per month, their children are given free books as well as school fees by the company.

There is a union affiliated to the Bombay labour union. But a unique feature with Standard is that no differences are taken to the tribunal — all matters are settled across the table and the sole

arbitrator accepted by the union is the managing director. The result has been industrial harmony for over a decade enabling the company to expand its activities unhampered by industrial unrest.

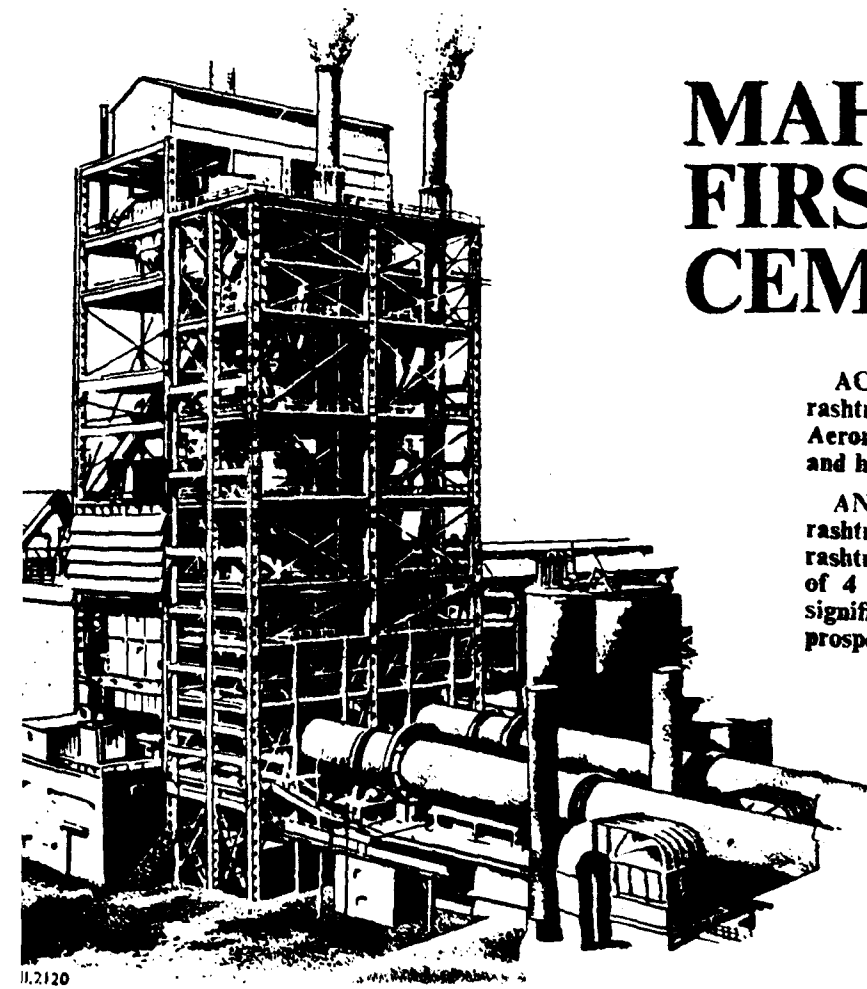
What is the position of the battery industry today?

The organised sector, at any rate, faces a number of problems, principally acute shortage, if not non-availability, plus unusually high prices of antimony, one of the basic raw materials of manufacture. The price of lead, another essential raw material, has also gone up sharply. (Antimony from Rs. 9,000 per tonne to Rs 3.8 lakhs per tonne and lead from Rs 2,500 per tonne to Rs 3,200 per tonne). Battery manufacturers have had no option but to increase prices in the form of a metal surcharge to the consumer. The domestic supply of antimony is meagre and the bulk of the requirements is met through import, the main suppliers being China followed by Bolivia, South Africa, Yugoslavia, Mexico and the USSR.

With China banning her exports of antimony from November, 1969, there has been an acute shortage of it, leading

to a sky-rocketing of prices all over the world. India needs about 600 tonnes of antimony per annum. The sole importer and processor of this metal is Star Metal Refinery of Bombay. With the Chinese ban, Star Metal, with its import quota fixed in monetary terms, has been unable to procure antimony from international markets as it used to do in the pre-ban period. The units in the organised sector of the industry have represented to the government that they too, as actual users, should be allowed to import antimony. The government has conceded this point in its import policy for 1970-71.

Besides imports, the industry meets about 30 per cent. of its antimony and lead requirements from scrap, i.e. used batteries. The organised sector has sophisticated plants for refining antimonial lead from scrap and, currently, is offering twice the price for used batteries to consumers in an effort to conserve this reserve of antimonial lead. The Indian Battery Manufacturers' Association has found the response from the public better than that from government organisations, such as the DGS & D, etc. which believe in disposing of scrap batteries in public auctions. The government's method



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of disposal has, in the eyes of the organised sector, led to underhand trade in batteries, since the bulk of these scrap batteries falls into the hands of small assemblers and rebuilders (the unorganised sector) who, in turn, patch up the batteries and offer them at half the price quoted by the organised sector.

The industry has represented strongly to the government to explore more urgently the domestic sources of antimony, to increase the monetary value of import licence of Star Metal Refinery in order to enable it procure more antimony from international markets and to return scrap batteries to manu-

facturers who can recover a sizeable quantity of antimonial lead. Last, but not least, it has also asked for a rational revision of the excise structure. Given these, the battery industry, particularly in Maharashtra, is assured of a bright future.

Performance of Pharmaceutical Industry

Contributed by the Organisation of Pharmaceutical Producers of India (OPPI)

THE PHARMACEUTICAL industry is today the largest chemical-based industry in India, with nearly 2,300 licensed manufacturing units. In the 23 years since Independence, pharmaceutical production has risen from Rs 10 crores to about Rs 235 crores; capital investment from being almost negligible has grown to Rs 190 crores and is expected to increase further by Rs 10 crores by the end of the fourth Plan; basic drug manufacture which was practically absent in 1947 is now worth Rs 35 crores and will be around Rs 50 crores by March, 1974.

In the area of import substitution also, the record of this industry is an enviable one. While in 1947, most of the drugs used in India were imported, local manufacture today accounts for a large number of products, thus effecting a substantial saving in foreign exchange. The industry's export graph has shown a creditable seven-fold growth in the last 10 years, spiralling from less than a crore of rupees to over seven crores of rupees, a considerable achievement when viewed in the light of the comparatively recent origin of the industry's export activity and the keen competition it faces from well-established international companies in traditional export markets.

Contribution to Employment

The industry's contribution in the field of employment is no less significant. The organized sector of the industry alone provides direct employment to over 60,000 people today, of which as many as 10 per cent are technically-trained personnel. No fewer than a hundred technicians avail of specialised training every year in various aspects of pharmaceutical manufacture, research, and product development.

In addition to these considerable employment opportunities afforded directly by the industry, it provides indirect employment to nearly 175,000 workers in the distribution trade and in ancillary industries, such as packaging, chemical, and steel.

Among the other benefits which the

industry has brought to the country is the new temper of science and technology it has stimulated through its emphasis on research and new product development. Thousands of our young people are learning new skills and disciplines within the continually growing horizons of scientific knowledge harnessed by the industry. It has also contributed significantly through its world-wide affiliations to the nation's total fund of technology and has now reached a stage when it can look forward to a decade of further progress and diversification in this country.

Industry's Achievements

The industry's achievements in changing India's health picture are no less notable. Increased life expectancy, reduced mortality rates, and decrease in the burdens of illness due to quicker cures and shortened periods of convalescence are some of the health areas in which modern medicines have played a pivotal role.

Against the background of the industry's national profile, the contours of its growth in Maharashtra stand out more sharply.

Pharmaceuticals is a major industry in Maharashtra and one which is perhaps second only to textiles. Nearly half the total number of units licensed to manufacture drugs in the country are established in Maharashtra which also accounts for almost 70 per cent of the total production of drugs in India.

In basic manufacture also, Maharashtra holds a commendable record, in that some of the basic drugs and intermediates are manufactured exclusively in this state. Among the important drugs manufactured from basic stages in Maharashtra are penicillin, streptomycin/dihydrostreptomycin, chloramphenicol, tetracycline, chlortetracycline, sulpha drugs and sulphones, PAS and its salts, INAH, and oral anti-diabetics.

Maharashtra has played a pioneering role in the field of drug research. The

CIBA Research Centre and the Haffkine Institute in Bombay and the Hindustan Antibiotics plant in Pimpri, Poona, are three of the leading centres of research in the state.

Modern medicines have played a vital role in the saving of countless lives, the control and cure of some of the most deadly diseases, the alleviation of human pain, and the reduction in the disability ratio. Health statistics are often cold and unconvincing and, however striking on paper, give no real idea of the immense relief afforded to the sick and to their distressed families. Figures of the shortened duration and reduced cost of illness and of the innumerable other economic savings that have resulted from the use of curative and quick-acting drugs are equally unimpressive. However, even though they do not spark off the imagination nor provoke a strong enough emotional response to sway public opinion towards acknowledging the human and social benefits that flow from a vigorously operating drug industry, they nonetheless clearly show to an open and unbiased mind that the contribution of the industry to the nation's health and economy far surpasses the cost of the medicines.

Improvement in Health Standards

The substantial improvement in health standards achieved in India during the last three decades is due largely to the timely availability of newer and more efficacious drugs. A glance at the official figures of life expectancy and mortality rates published by the Central Bureau of Health Intelligence, Ministry of Health, Government of India, is highly revealing. We give them here:

1. Birth Rate & Death Rate per 1,000		
	Birth rate	Death rate
1941-50*	39.9	27.4
1951-60*	41.7	22.8
1961-65@	41.0	17.1
1966-70@	38.6	14.0



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These industrialists' thoughts naturally turn to Maharashtra's per-capita income, among the highest in India. To its plentiful social amenities. To its cosmopolitan way of life. To its excellent climate which vies only with its healthy and stable industrial and political environment.

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January 29, 1971

2. Expectation of Life at Birth

1941-50*	32.1
1951-60*	41.2
1961-65@	48.1
1966-70@	52.6

3. Estimated Infant Mortality Rates in India

1941-50*	183
1951-60*	146
1961-65@	126
1966-70@	113

*Census estimates.

@Estimates based on projections made by the Expert Committee on Population set up by the Planning Commission in 1964.

These statistics show that in the thirty years from 1941 to 1970:

(a) Life expectancy in India has increased from 32.1 years to 52.6.

(b) The death rate per 1,000 has declined from 27.4 to 14.

(c) Infant mortality has decreased from 183 per 1,000 to 113.

Economic Benefits

This in itself is a sizable gain. When in addition we consider the economic benefits that flow from improved physical health, the contribution made by modern medicine to total human well-being appears immeasurable. Estimates in the United States show that nearly four and a half million people in the working age group would not today be alive if the death rate of the mid '30s, when the first of the sulpha drugs was discovered, had continued. The earnings of these survivors contribute more than \$10,000 million to the US gross national product every year. Out of these, nearly half has been saved because modern prescription drugs have controlled killer diseases like pneumonia, influenza, tuberculosis, and syphilis.

In Great Britain also, a similar estimate from the declining death rate since 1933 reveals that in the thirty odd years to 1964, nearly 325,000 lives have been saved. Another British study, estimating the waste in educational investment if a school-going boy or girl dies at the age of 15, discloses that "modern drugs have saved about £2,250,000 annually by accelerating the decline in child mortality."

No comparable estimates are, unfortunately, available in the case of India, but if these figures are any indication, they point unerringly to similar

MAHARASHTRA SUPPLEMENT

25

substantial augmentation in the national wealth of this country.

Another important consequence of the contribution of modern drugs to the improved health situation is the decline in loss of manhours, that is, hours lost due to absence from work caused by illness. In the US, in a single year (1959), the reduction in working time lost "accounted for a contribution in earnings to the gross national product of \$25,000 million."

In Great Britain, the average length of absence from work in pneumonia cases has been estimated to be reduced by about 50 per cent since the 1930s. The annual savings in sickness benefit payments are round £1,500,000 with a £2,500,000 additional savings to patients as a result of the shortened duration of illness. In rheumatic disorders, there was a reduction of 30 per cent in working days lost each year between 1954 and 1964, and in the same decade the annual reduction of disability time was 37 per cent for victims of skin diseases and 35 per cent for those suffering from asthma.

Saving in Hospitalisation Costs

For many diseases, the length of hospital stay has shown a considerable decline. In Great Britain, while the average patient spent 49 days in the hospital in 1949, this was reduced to 34 days in 1961. In children's wards, the decline was from 18.6 days in 1953 to 13.2 days in 1961, and, in general surgery wards, from 14.3 days in 1953 to 11.8 days in 1961.

In Switzerland, the average hospital stay of 31 days in 1949 was reduced to 19 days in 1961. In the United States, a recent government report comments: "New drugs and medical practices, which shorten hospital stays, have partly offset the increases in costs per hospital day."

In an extensive study of the costs of prescription drugs in Great Britain, a Ministry of Health committee summarised the role of modern drugs in cutting down hospitalisation costs by saying: "The hospital service would probably be costing a great deal more but for the use which general practitioners are now able to make of new drugs. Patients are now often treated at home for conditions which were formerly treated in hospital."

Armed with a wide range of effective new medicines, most of which did not exist 20 years ago, the physician is today able to shorten the duration of many diseases and to prevent others.

In surgery and other medical procedures, drugs to combat infection as well

as modern anaesthetics have greatly helped the work of the surgeon. A variety of major and minor surgical procedures (incisions, punctures, drainage) are often rendered unnecessary by the availability of curative drugs.

Vaccines to prevent disease have saved countless lives and shortened days of illness. Chances of permanent disability from illness have also been reduced and conversely, future working ability and earnings have improved.

Social Savings

The total social savings in individual income and benefit to the family from lessened work—absence and prolonged working life can scarcely be measured; but they are obviously substantial. Medical costs and partial or total, loss of earnings are only the more obvious consequences of illness. There is also the disruption of family life and of the functions which the individual performs in his local community. There may be a loss of special skills or of business with resulting financial losses, and, if the illness is a prolonged one, even loss of employment. In addition, lengthy convalescence often imposes psychological and economic burdens on other members of the family. By shortening the time necessary to cure illness, lessening the amount of disability and prolonging life, modern medicines have done yeoman service to ailing humanity.

Viewed in the light of the industry's excellent contribution to the nation's health and economy, it is more than a little tragic that this life-line industry so vital to the welfare of the people should be denied the latitude to operate in a congenial climate and be subjected to an atmosphere which forces it to limit its efforts. The Drugs (Prices Control) Order, 1970, appears to do just that.

Let us consider some of the major consequences of the new Order on the future of the pharmaceutical industry in the country.

The pharmaceutical industry in India is still in the stage of development. To quote the Tariff Commission's Report: "... the total value of the basic drugs as well as formulations produced in the country in 1948 was about Rs 10 crores only. Since then substantial growth has taken place, creating a wide field of manufacture which includes pharmaceutical chemicals and intermediates also." And further, "... as a result of the rapid development of the drugs industry — which no doubt includes the availability of newly discovered drugs — (there has been) a substantial fall in death rate and infant mortality and rise in the expectation of life." (Chapter 6, Article 1, Paragraph 1).

Here are a few statistics to substantiate the above. In the period 1941-50, the

January 29, 1971

death rate per 1000 was 27.4, today it is 14.0; the life expectation at birth was 32.1, today it is 52.6; the infant mortality rate per thousand was 183, today it is 113. (Source: Central Bureau of Health Intelligence, Ministry of Health).

The Tariff Commission's Report goes on: "In 1952, the total number of units in the (pharmaceutical) industry was 1643 of which the large-scale units... were only 75.... The total capital invested in the industry was estimated to be Rs 23.64 crores and the total labour force then employed by the industry was 32,125, out of which technical personnel numbered 3,311. As against this, the total number of licensed units in the industry today (1967) is 2,249 of which the (large-scale) units... are 118.... The paid-up capital invested in the industry in 1965 was... Rs 70 crores.... The total employment in the industry in 1965 was 44,000 of which about 4,000 were technical personnel." (Chapter 6, Article 1, Paragraph 2).

Phenomenal Growth

Over the past two decades, then, the pharmaceutical industry in the country has been expanding at the rate of about 15 per cent per annum. In the years that lie ahead, this rate needs to be increased appreciably if the industry is to fulfil

its responsibilities. By the introduction of such drastic control measures as the new Order envisages, not only is this increase inhibited but even the present rate of the industry's growth is threatened to be crippled. These limitations on the growth of a life-line industry are likely to have grave repercussions. They can seriously affect the drive towards self-sufficiency in drugs and may well result in shortage of drugs in general and of essential drugs in particular. These shortage will arise not because the manufacturers will stop manufacturing drugs but because the Order will disrupt the existing patterns of production and the channels of distribution.

The probable result of this is a setback to the health programmes and the standard of health in the country. As it is, the incidence of disease is high in our developing nation, and there are grave health problems to be tackled. To cite just a few of these:

In 1967, there were about 5,00,000 deaths from tuberculosis in India, or roughly one death per minute! (Source: "Handbook for Workers in Tuberculosis" published by the Maharashtra State Anti-Tuberculosis Association).

Comparative figures of the doctor/

population ratio present a dismal picture. For the sake of convenience, the number of people per doctor has been rounded off. Here are the figures:

Country	Doctor/ Population
Italy	1:650
West Germany	1:700
United States	1:700
Japan	1:900
United Kingdom	1:1200
India	1:5000

*Similar figures for the per capita annual expenditure on drugs provide no more cause for optimism. The figures given below speak for themselves.

Country	Per capita drug expenditure
West Germany	34.00
United States	33.00
United Kingdom	20.00
India	2.50

These few instances serve to show that India is very much behind in regard to proper medical facilities. The goal of pharmaceutical industry has always been to work closely with other members of the health team — the government, the medical profession, and the pharmacist — with a view to improving the health conditions in the country. This goal appears to recede, now that the pharmaceutical industry's ability to contribute is being acutely handicapped.

New Drug Introductions

Over the years India has enjoyed the benefits of drugs researched abroad because of the conducive industrial and economic climate that prevailed in the country. These drugs were researched at enormous expense, and the benefits were made available to us in India at a nominal cost.

The advent of the new Price Control Order radically changes the entire picture. By ceiling the profit margins and fixing the prices of drugs on the basis of an arbitrary formula which disregards the true nature and operations of the drug industry, the government has embarked on a course of action that is liable to have deleterious results. As one of the consequences of this move, the drug industry will be inhibited from venturing into new drug introductions because the payback would be insufficient to justify the research expenditure

January 29, 1971

and the cost of launching these new drugs into the market.

Several pharmaceutical companies have been marketing products on which they make little or no profit and at times even incur some losses. These products are included in their range because pharmaceutical manufacturers are aware of their social responsibilities and of the fact that these drugs are vital in the treatment of certain serious diseases. These losses were so far balanced by gains on other products. The present order forces the pharmaceutical producer to have second thoughts about continuing the manufacture and marketing of these unprofitable products because he is squeezed in his other product lines. This could well result in a shortfall in the availability of important drugs in the Indian market.

New Technology

The pharmaceutical industry has been instrumental in bringing new technology to this country and in fostering the growth of ancillary industries such as packaging, chemical, steel and the like. The inflow of technological know-how will in the future be limited because the climate does not favour further expansion and investment on the part of the pharmaceutical industry. As a direct consequence, ancillary industries will also have a limited future, and the overall effect will be a slowing down in the pace of industrial growth.

The drug industry has been catering to the nutritional needs of our undernourished population. The wide range

MAHARASHTRA SUPPLEMENT

27

of vitamin and nutritional preparations formulated and marketed by pharmaceutical companies has helped considerably to dissipate the spectre of malnutrition. Moreover, the easy availability of essential drugs to the far reaches of the country through the distribution channels of pharmaceutical firms has gone a long way in reducing hospitalisation and consequent absenteeism, and in improving the health of the nation's work force. This has had a demonstrated effect on the productivity of the worker. The reliance on the drug industry for maintaining and enhancing the level of industrial productivity cannot be minimized, and it is, therefore, in the nation's interest that more and more drugs and nutritional products should be freely accessible to the people.

The industry's contribution to the creation of employment opportunities is no less significant. The organised sector of the industry alone provides direct employment to over 60,000 people today. Of these, some 10 per cent are technically-trained. No fewer than 100 technicians are sent abroad every year on specialized training in various aspects of pharmaceutical manufacture, research, and product development.

Indirect Employment

In addition, the industry provides indirect employment to a large number of people in the distribution trade. There are nearly 50,000 retail chemists in the country, and, assuming that each retail chemist shop employs, on an average, two persons (which is an extremely conservative estimate), the total number of

employees will be approximately 100,000.

If this is to be considered an index for employment opportunity, it is evident that, as the industry gathers momentum and grows, there will be in it a vast potential for employment. Scientific personnel have in particular found it increasingly facile to obtain employment and seek careers within the precincts of the pharmaceutical business houses.

The curbs on the industry as a result of the new order will severely curtail its employment potential. The consequence will be added unemployment of highly trained staff, on whose education and training the nation and the industry have devoted very considerable human and financial resources.

Best Working Conditions

Furthermore, the pharmaceutical industry today provides some of the best working conditions, remunerative employment, and other employee amenities obtainable in any industry in the country. As the industry grows, the people within it have numerous opportunities to enhance their standard of living. It, therefore, follows that, if the industry is brought to a standstill or, in certain eventualities, even compelled to retrogress, the improvements in working conditions, career growth, and other facilities will not be forthcoming as one would wish. This could in fact defeat the government's objective of providing more employment and better terms and conditions for workmen, and in that event the government itself will have to bear the major share of the blame.

Contribution of Dyestuff Industry

J. H. DOSHI

It is very well known that the dyestuff industry is a complex organic chemical industry and its promotion leads to the setting up of all types of chemical industries in course of time. It was only this way that Germany developed its chemical industry after being pioneers of the dyestuff industry in the whole world. Similar developments took place in other countries such as the UK, the USA, Italy, Japan and the USSR. Fortunately India also has followed the same trend. The dyestuff industry was the first to come into being in the early fifties, and during the last 20 years all other types of chemical industries have come into existence.

It is also well known that several intermediates used in the dyestuff industry are common to pharmaceutical industry, rubber industry, pesticides as

well as certain other items such as explosives used for defence purposes. All these industries have made significant progress during the last 20 years and it would not be wrong to attribute it to the development of the dyestuff industry at an earlier stage.

Very fortunately, Maharashtra has proved to be a leader in the dyestuff industry. Out of 20 units in the organised sector of this industry, 12 are located in Maharashtra, contributing more than 60 per cent. of total production in the organised sector. Similarly, there are 102 units in the small-scale industry, out of which 54 are situated in Maharashtra, contributing 65 per cent of total production in this sector. More important is the fact that most of the large units, which are public limited companies, are located in Maharashtra,

not only manufacturing dyestuffs but also a host of intermediates and chemicals. With the coming into existence of Hindustan Organic Chemicals — a public sector project — Maharashtra will be a leader in the dyestuffs, intermediates, pharmaceuticals, plastics and many other chemical industries. In view of this, the dyestuff industry has created a good deal of employment potential in Maharashtra. It gives employment to about 6,000 persons in the organised sector of the dyestuff industry and an unknown number in the small-scale industry, aggregating in both the sectors to more than 10,000 persons. The total investment in the large-scale sector has been of the order of about Rs 25 crores and in the small-scale sector of approximately two to three crores of rupees, aggregating a total sum exceeding rupees thirty crores. The

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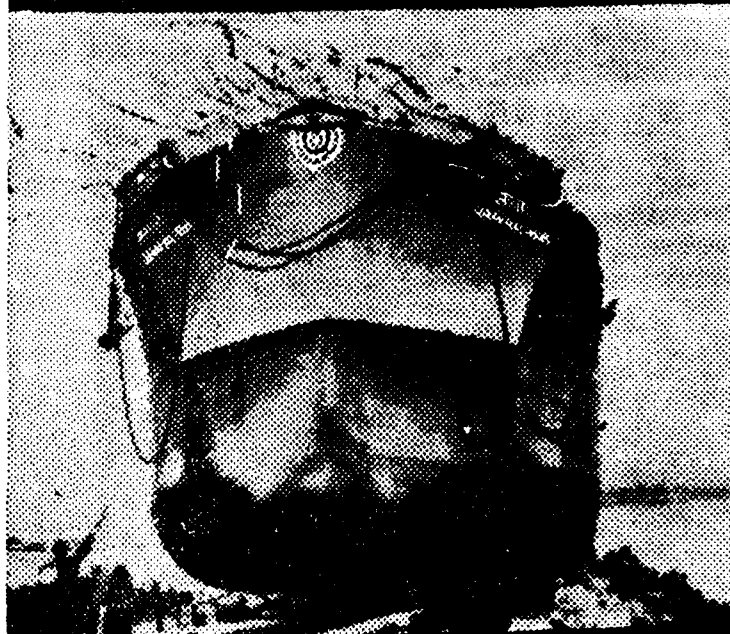
annual wage bill of only three units which are public limited companies, namely Amar Dye-Chem, I.D.I. and Colour Chem, amounts to more than Rs 2½ crores and, by way of excise and taxation, these units pay more than five crore rupees to the government. The figures for other units which are private limited companies or partnership firms are obviously not available, but still it can be assumed that they might be contributing at least an equal amount taking all of them together. Thus, it will be clearly seen that this industry has contributed to a considerable extent to the prosperity of Maharashtra, besides giving an impetus to the creation of a number of ancillary units such as those manufacturing phosphoric acid, nitric acid, metanilic acid, acetic acid, mono chloro benzene, ortho-di-chloro benzene, para dichloro-benzene, nitro-benzene, trichloro-benzene, sodium acetate, copper sulphate, potassium permanganate, sodium thiosulphate, sodium dithio carbamate, zinc chloride, etc. Many of the above chemicals are used in other industries also but, as mentioned earlier, the dyestuff industry

has worked as a catalyst to the creation of a wide spectrum of small and medium scale industries manufacturing a host of chemicals. It is unfortunately very difficult to assess in exact terms and figures the contribution of the entire chemical industry, due to the state government not maintaining proper statistics.

It should also be mentioned that, where the chemical industry has been established—in areas like Thana, Belapur, Kalyan, Dombivili, Ambernath, Panvel, Khapoli, Poona and Nasik—it has created organisations, or private individuals, townships with facilities of schools, colleges, dispensaries and hospitals. Although these welfare activities should be considered the obligation of the government, when it claims to be a socialist and welfare state, industries have also contributed, directly or indirectly, to the promotion of such centres of socialist welfare. It is no wonder that Maharashtra can justifiably be proud of being a state like the Basle Cantone of Switzerland, where the entire chemical industry of that country is concentrated. In a way,

it is unfortunate that the Government of India is giving undue importance to dispersal of the chemical industry all over India, which may be surely good from the social angle as well as that of having balanced growth all over the country but it is not so good from the economic angle. For instance, to manufacture one item of dyestuff, the industry uses five to six chemicals on an average, and thus for hundreds of dyestuffs which are being manufactured in this country, one can imagine the innumerable chemicals required. If the industry is too much dispersed, the transport cost alone would make it uneconomical. Moreover, the consuming centres should also be located within a reasonable distance, and Maharashtra happily happens to be also a centre for large scale textile production. It is in view of this particular aspect that the chemical industry has a tendency to get more and more concentrated in a certain area, and I would wish that the Government of India took a realistic view of this situation, rather than thinking in terms of dispersal on regional basis. We know that, in olden days, the jute

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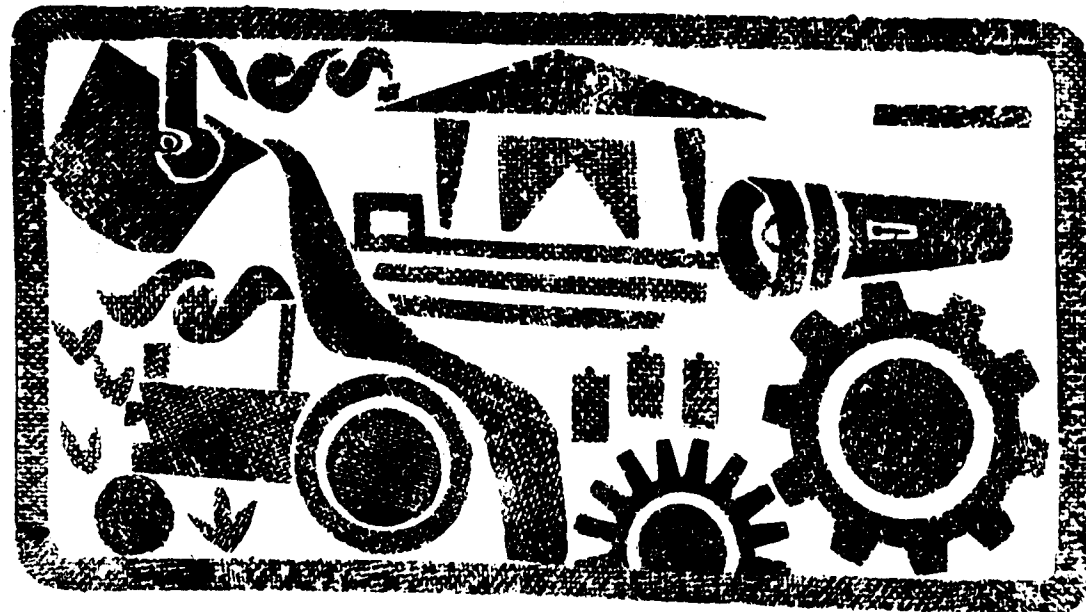
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industry was entirely concentrated in the eastern part of the country because jute was grown there. We also are aware of the fact that the engineering industry initially grew only in that part because

of the easy availability of steel and coal. Similarly, the chemical industry has grown in Maharashtra primarily because of it being an important port of entry, when so many chemicals were

being imported and subsequently grew into a manufacturing centre when the Government of India adopted a policy of import substitution and self-reliance.

The Man-Made Fibre Industry

A CORRESPONDENT

IN THE post-independence economic development of the country, the emergence of new consumer goods industries has lacked importance and emphasis, but it has been obvious that, sooner or later, the pressure of demand would compel both the initiation of new consumer goods industries and the expansion of existing ones. This was only a natural development to be expected, but for a variety of reasons which are particularly relevant to the strategy of development chosen by the government, expansion of consumer

goods production has been rather less than what could be.

In any event, the compulsion of economic trends initiated to some extent even by the massive expenditure on projects chosen with an emphasis on their contribution to the growth potential of the economy in the years to come, there was bound to be expansion in output of such universally required articles as clothing apart from other goods. An element of sophistication was also likely in the

development of new consumer goods as has occurred in the field of textiles. Such a development has been the expansion of output of what have come to be called man-made fabrics based on the use of man-made fibres, including chiefly rayon.

The expansion of man-made fabrics industry has been remarkable, though the output from this industry still accounts for no more than about 10 per cent of the total cloth output in the country, including the organised mill
(Over to p. 35)

IMPORTANT DETAILS OF FIRMS IN MAHARASHTRA PRODUCING MAN-MADE FIBRE AND YARN

(1) Nirlon Synthetic Fibres & Chemicals Ltd.

Factory

Village Pahadi, Goregaon, Bombay-62 (Maharashtra)

Registered Office:

115, Mahatma Gandhi Road, Fort, Bombay 1.

Commencement:

December 1962.

Annual licensed and installed capacity:

2555 tonnes of Nylon-6 & Polyester Filament Yarn per annum.

The company's Tyre Cord Plant with a capacity of 4 tonnes per day is expected to go into production by the third quarter of this year. The company has also plans for expansion of their Nylon and Polyester Filament Yarn plants in the near future.

The company has a full-fledged Statistical Quality Control Department for controlling as well as analysing the products.

2. Century-Enka Limited:

Factory:

Pimpri, Chinchwad Industrial Area Near Poona (Maharashtra State). Commercial Production started in December 1969.

Annual Licensed & installed capacity:

700 tonnes Nylon Yarn.

3. Chemicals & Fibres of India Limited:

Factory:

Thana-Belapur Road, Thana (Maharashtra).

Commencement

1965.

Products manufactured

Polyester Staple Fibre — March 1965
Trade Mark: "TERENE".

Annual licensed and installed capacity :

4,500 tonnes of polyester staple fibre under the trade name, "Terene".
Letter of intent has been issued to expand capacity to 6,100 tonnes.

IMPORTANT DETAILS OF FIRMS IN MAHARASHTRA PRODUCING MAN-MADE FIBRE AND YARN—(Contd)

Foreign collaboration is from : ICI Limited.

4. Garware Nylons Limited

Factory: Bombay-Poona Road, Pimpri, Poona 18.

Commencement: 1962.

Annual Licensed and installed Capacity in tonnes) of the products manufactured: 756 tonnes of Nylon Yarn.

A letter of intent has been issued to the Company for increase in licensed capacity to 2000 tonnes. Arrangements are being made to implement this expansion programme.

There is no foreign collaboration

5. Century Rayon (Prop: Century Spg. & Mfg. Co. Ltd)

Factory: Shahad, Murbad Road, Kalyan, Thana Dist (Maharashtra).

Commencement: September 1956.

Products manufactured: (a) Viscose Rayon yarn 10,642 Tonnes.
(b) Viscose Tyre yarn 7,341 Tonnes.

Annual licensed and installed capacity (in tonnes) of the products manufactured: Rayon yarn 7,000 Tonnes.

Tyre Yarn 7,000 Tonnes

There is no foreign collaboration.

6. The National Rayon Corporation Limited

Factory: Mohane, Murbad Road, Kalyan, Dist Thana, (Maharashtra)

Products Manufactured and year of commencement: 1951—Rayon Yarn, Sulphuric Acid and Carbon-di-sulphide.
1955-Anhydrous Sodium Sulphate.
1958-Caustic Soda, Liquid Chlorine, Hydrochloric Acid and Hydrogen Gas.
1962—Tyre Yarn & Fabric and Carbon Tetrachloride.

Annual licensed capacity: (in tonnes) of the products manufactured:	Rayon Yarn	9000
	Tyre Yarn & Fabric	7000
	Sulphuric Acid 100%	58000
	Carbon-di-Sulphide	9000
	Caustic Soda	26400
	Carbon Tetra Chloride	1680
	Sodium Sulphate Anhydrous	11880
	Liquid Chlorine	15410
	Hydrochloric Acid	10800
	Hydrogen Gas Cu. Mtr.	100000

Annual installed capacity of the products manufactured: (in tonnes)	Rayon Yarn	9000
	Tyre Yarn & Fabric	7000
	Sulphuric Acid 100%	58000
	Carbon-di-Sulphide	9000
	Caustic Soda	21400
	Carbon Tetra Chloride	1030
	Sodium Sulphate Anhydrous	11880
	Liquid Chlorine	10320
	Hydrochloric Acid	10800
	Hydrogen Gas cu. Mtr.	10000

The expansion of Caustic Soda Plant by 6600 tonnes per annum is in progress. The Company has plans to increase the textile capacity of the tyre cord plant by 50%.

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sector and the decentralised handloom and powerloom sector. However so far as man-made fabrics are concerned, the major part of the output comes from a little over 100,000 powerlooms of which an overwhelming majority is in the decentralised sector—consisting of units with a few powerlooms only.

The development of the man-made fabrics industry naturally raised the question about the raw material supplies, namely fibre/yarn. The private sector has been truly aware of the potentiality of this industry and has predictably taken the initiative in building up plans for the promotion of various varieties, in particular rayon fibre and

yarn. In view of the fact that weaving on powerlooms with man-made fibre and yarn would be a useful line of activity because of the large employment prospects offered by this industry, the government has also been appreciative of the urgency of the need to encourage the setting up of fibre/yarn producing units. With the slated development of petro-chemical complexes, further units to produce the raw materials such as caprolactum and D M T for the production of nylon fibre/yarn by the beginning of the fifth five-year Plan period, the country will be practically self-sufficient in the production of almost all the raw materials required for the expansion of output of man-made fabrics

to the extent of at least 100 per cent, over the present levels.

In the context of this development the share of Maharashtra, particularly in the expansion of the fibre/yarn producing industry in the recent past, emerges into all-India significance, somewhat comparable to the fact that the cotton mills in Maharashtra have contributed a large share of the output of cotton yarn used by handlooms spread all over the country. Important details of the firms located in Maharashtra for the production of man-made fibre/yarn are as given in the table on pages 31 and 32.

Small-Scale Industries in Maharashtra

G. B. NEWALKAR

Chairman, Maharashtra Small-Scale Industries Development Corporation Limited

MAHARASHTRA is generally considered as a highly industrialised state in India. The state-wise figures of industrial production, number of industrial units and employment in factories are to be taken as indices of the industrial progress. Maharashtra and West Bengal stand out prominently from the rest of the states. On a closer scrutiny, however, it would be found that this impression is not correct. If Bombay-Poona region and a few industrial centres such as Kolhapur, Sholapur and Nagpur are taken apart, the rest of the state is as backward as any other state in the country. The concentration of a large number of industries in the Bombay Poona region is solely responsible for placing the state at the top. This has, no doubt, created certain problems, solution of which demands that the dispersal of industries to backward regions should be followed more vigorously and more purposefully. It would be interesting to note here that not only large and medium but a vast majority of small scale industries are also concentrated in Greater Bombay area.

However, it is equally true that the industrial development of the state has more or less been on the right lines. Just as there are a number of large scale industries of various types, there are medium and small-scale industries in a large number and, as a result of this, the state can proudly claim to possess a pyramidal structure of industries, which is so very essential for the balanced growth. Looking from the purely industrial point of view, the growth of a few large industries in isolation does not make a significant impact on the economic advancement of the state. At

the same time, a large number of small industries without a fairly good sprinkling of large and medium industries would be equally unable to bring prosperity to the state. The pyramidal industrial structure is best suited for a developing country like India.

It should be noted here that the growth of small scale industries in Maharashtra and, particularly in and around Bombay, has received inspiration and impetus from the medium and large scale industries that came up there during the last hundred years. The government came into the picture late in the fifties and special attempts for the development of small scale industries were undertaken only during the last decade.

Maharashtra has been fortunate in having the necessary institutional infrastructure. The Co-operative Movement in this state has been very active and wide-spread, and bank system was already well entrenched in most of the districts even before the introduction of social control. In addition to these, the government of Maharashtra set up a number of corporations to take care of various aspects of industrial development, such as provision of infra-structure, finance and other commercial assistance. There is also an agro-industries corporation in the state and now the state government has announced its decision to set up Regional Development Corporations for the backward areas on the state. The existing government corporations in Maharashtra stand out prominently not only by their size but also by their achievement in their respective fields. Maharashtra Small Scale Industries Development Corporation is one of these cor-

porations directly concerned with the development of small scale industries in the state.

With the establishment of this corporation for rendering a variety of services to the small scale sector, small scale industries received a great impetus and slowly and gradually they are coming up all over the state, depending upon the infrastructural facilities available and local tradition and capability of entrepreneurship. A new class of small entrepreneurs, however, is steadily emerging in the state. Another notable feature of this development is that the newly established small industrial units are generally well-equipped with modern machinery and a modern mechanised small industry with new production techniques, as different from the traditional artisan type industry, is making its appearance in the state. The rate of growth may, perhaps, be slower than what it was in Punjab in the early 60s. However, the newly emerging small scale industry in Maharashtra is mostly modern. The contribution of small scale industries to the prosperity of the state cannot and should not be judged only by their share in the state industrial production. Industrial production is no doubt important, but it is not the only criterion. Taking a long range view, it would be correct to say that the contribution of small scale industries should be judged by their ability to attract persons from other fields and also professions to industry as entrepreneurs. Their ability to spread the message of industrialisation in surrounding areas and their employment potential and industrial production. Judging from this point of view, the small scale industries in the state have shown better results in areas closer to the big cities.

Their rate of growth, diversity and quality of production are better than those of small industries in the rural areas away from the big cities. Reasons are obvious. Proximity of government offices, banking, market and possibility of getting raw materials and technical assistance naturally contribute to a faster growth. There is another factor and that is: influence of city life which involves some discipline and acquaintance with modern ways of running an industry. This automatically brings to the fore the areas where a sustained and well-planned effort has to be directed.

The small scale industries in Maharashtra have contributed substantially to the absorption of trained personnel like technicians and engineers in the industrial sector. Those who were mere technicians in somebody else's industry have become entrepreneurs themselves and newly trained graduates and some affluent agriculturists are also coming forward to set up industries. Thus, the small scale sector in the state is playing a significant role in taking industries to areas which were hitherto predominantly agricultural. This process could be

accelerated if technical assistance and common facility centres were provided in industrial estates or in towns where there is a fairly substantial concentration of small industries.

There is also a need to diversify the small scale industry in the State. Engineering units in the small scale sector constitute a vast majority at present. The next important group is that of chemical units. Processing industries are comparatively few and are scattered. In order to achieve a balanced growth, small scale industry should explore other fields of industrial activity. The Government of India is reserving more and more items for production exclusively in the small scale sector and the Director General of Supplies and Disposals has recently added another 169 items to the list of items which are reserved for purchase exclusively from the small scale industries. These lists indicate possible fields of activity open to the small scale sector and many of them are non-engineering industries. The small scale sector could legitimately ask for a greater share in the country's industrial production, provided they first acquit themselves creditably of the task al-

ready allotted to them. Now that the government has set up four Regional Development Corporations in the state, it should be possible to explore and exhaust all these fields in no distant future. The Regional Development Corporations and other corporations such as MSSIDC, MIDC, MSFC, SICOM and MAIDC and state Khadi & Village Industries Board, should plan and co-ordinate their activities in such a way that their resources and facilities could yield the maximum results by accelerating the all-round growth of industries in every nook and corner of the state. With such a wide-spread institutional infrastructure, industrialisation could well become a movement and, in the process, transform the entire economy of the state. Together, these corporations command sizeable resources with state-wide organisational base and expertise accumulated during the past few years. Imaginative and purposeful utilization of this institutional infrastructure is the crying need of the hour.

Last but not the least, these corporations should also realise the need to nurse nascent entrepreneurship in the far flung areas of the state. With this

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Authorised Capital
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Paid-up Capital
Rs. 5,00,00,000/-

Incorporated: April 10, 1968

OUR ACHIEVEMENTS LOANS SANCTIONED

Rs. 40 Crores for energisation of irrigation wells in seven States * Rs. 7.42 Crores for high potential agricultural projects for Kosi Region of Bihar * Rs. 49.90 Crores for minor irrigation projects in Bihar * Rs. 203 lakhs for hire purchase schemes for supply of pumpsets * Rs. 5.5 Crores for reclamation of Theri Lands and cultivation of paddy and export varieties of Banana in Tamil Nadu * Rs. 221 lakhs for developing the Rubber Plantations of Kerala * Rs. 8.5 lakhs for soil conservation and pineapple cultivation in Maharashtra * Rs. 60 lakhs for a Mechanical Compost Plant * Rs. 2 lakhs for establishing a Manufacturing Plant of bacterial fertilisers * Rs. 201.41 lakhs for plant protection services in Mysore and Rs. 22.85 lakhs for aerial spraying service units * Rs. 11.84 Crores for Land development and reclamation in Rajasthan * Rs. 12.25 lakhs for development of arecanut in Mettupalayam, Coimbatore District * Rs. 350 lakhs for minor irrigation work in Raipur District * Rs. 36.07 lakhs for Fisheries Scheme * Projects involving Rs. 111.17 Crores are now under active consideration of the Corporation.

BRANCH OFFICES

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2nd Floor, Gupta Mansion
New Dak Bungalow Road, PATNA-1.

TUTICORIN BRANCH:
III Street, Masilamanipuram
Chidambaram, TUTICORIN-3.

Registered Office
STADIUM HOUSE

Block-2, 6th Floor, 81-83, Veer Nariman Road, BOMBAY-20

PURNEA BRANCH:
Agarwal House Compound
Mohallah Barihat, PURNEA

RAIPUR BRANCH
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Chairman



MR. B. RUDRAMOORTHY
Managing Director



The Seed Corn: There is one quick way of bringing a farm to an end, and that is to rob the farmer of his seed corn. Out of each harvest, a farmer must put by a percentage of his corn to plant again in the next season. And if he has to expand and to plant new fields, then he must retain more and more of his crop to have more and more seed corn.

Profit is the seed corn of industry. As the corn grows and the seed increases, so profits flow out of industry. They are not a weed, to be scythed by the scythe of taxation or to be eradicated by the hoe of nationalization. They are the measure of an industry's efficiency. They are the new power generated by that industry for the creation of further industries.

TATA ENTERPRISES

object in view, they will have to give a new orientation to their plans and activities and all their efforts will have to be

directed towards the backward regions of the state. This is necessary in order to realise the cherished objec-

tive of achieving the balanced economic growth of the State of Maharashtra.

Climate for Industrial Expansion

A CORRESPONDENT

such as those engaged in the manufacture of iron and steel castings, forgings and structurals, automobile and transport equipment, electrical equipment and appliances, machine tools, diesel engines and electric motors have come up.

Maharashtra is also one of the major sugar-producing states in the country, having 39 sugar factories with a crushing capacity of 80 million tonnes of sugarcane per annum. Recently, sixteen more letters of intent were received for setting up new sugar factories in the state. It is worthwhile to note that, due to the state government's policy of encouraging new sugar mills in the co-operative sector, all the new development in this industry is being made in this sector. Chemical industries in Maharashtra also have made galloping progress, especially in and around the Bombay-Thana complex. With the setting up of petro-chemical industries during the last five years, a new avenue has been opened up in the industrial development of the state.

With a view to maintaining the present tempo of industrial development,

and with a view to giving an impetus to industrialization in the rural areas special efforts are being made. A cabinet level sub-committee has been formed to deal with all difficulties and to take quick decisions on such problems as need prompt attention at the highest level.

In order to give further fillip to development in the interior parts of the state, campaigns are being arranged regularly at district places when legislators of the concerned district, zilla parishad officers and staff up to the level of village panchayat as well as social organisations, industrial associations and important personalities, are associated.

In these campaigns, officers of the concerned departments and state and central government corporations also take part and explain their various schemes to prospective parties for getting necessary assistance and facilities to start and develop several industries. As a result of all these efforts, the right type of industrial climate has been created throughout the state.

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Even at the end of the second five-year Plan period, industrial activity was mainly confined to big cities such as Bombay, Poona and their suburbs. After the emergence of Maharashtra as a new state in 1960, however, industrialization went on spreading to other parts of the state. Similarly, along with traditional industries such as textiles, the diversification in industrial activities also has been set on a firm footing. Maharashtra has been a pioneer in the engineering field. During the period 1960 to 1968 as many as 234 new large-scale industrial units were developed in this field. Many units

ICICI's Assistance to Maharashtra Industries

A CORRESPONDENT

MAHARASHTRA IS one of the more industrialised states of India. Thus, in the industrial activity of the country in 1966, Maharashtra's share was about 17 per cent of productive capital, 24 per cent of gross value of output and 25 per cent of value added by manufacture in the factory sector. On per capita basis, Maharashtra's gross output in industry was Rs 451, as compared to the all-India average of Rs 174, and its value added per capita was Rs 112, as compared to the average for India of Rs 41.

In both commerce and trade, Maharashtra occupies a prominent place in India. At the end of 1968-69, there were 5,754 joint stock companies at work with Rs 927 crores of share capital in Maharashtra, while for India the respective figures were 27,966 and Rs 3651 crores. Maharashtra's share in the joint stock companies in the country was 21 per cent and in their paid-up capital 25 per cent. Banking in Maharashtra is widespread and the state leads all other states in this respect.

Maharashtra's impressive progress on the industrial front, especially during the last decade, has been due to the growth of non-traditional industries. From the point of view of development of infrastructure, the state is, by and large, in an advantageous position. The port of Bombay and the hinterland provide a ready setting, with adequate infrastructure facilities such as transport, communications, electricity, water and the network of ancillary industries, for the growth of non-traditional industries.

Aggregate Assistance

It is, therefore, natural if ICICI—whose main emphasis in financing policy since its inception in 1955 has been to assist non-traditional industries in India and diversify India's industrial base—has provided considerable assistance to Maharashtra. ICICI's total assistance, sanctioned up to September 30, 1970, to industries in Maharashtra aggregates to nearly Rs 101 crores and is spread over 213 companies (344 projects) in the state. The average assistance per project is, thus, roughly Rs 29 lacs. Of the total assistance of Rs 101 crores, nearly Rs 66 crores comprises assistance in the form of foreign currency loans, about Rs 20 crores in the form of rupee loans and about Rs 14 crores in the form of underwriting of shares and debentures of the companies assisted.

Of the total, the lion's share has gone to the chemical industry. Taking to-

gether basic industrial chemicals, other chemicals and chemical products, as also fertilisers, ICICI's assistance to this industry aggregates to roughly Rs 24 crores. Thus, the share of chemical industry in ICICI's assistance to industries in the state amounts to as much as 24 per cent.

This would appear to be in keeping with the marked progress achieved by this industry in the state during the last decade. By 1967, the chemical industry in Maharashtra had a productive capital of Rs 249 crores, the highest for any particular industry in the state. Moreover, the chemical industry's output was worth Rs 294 crores, second only in terms of value to that of cotton textiles (Rs 513 crores); and its value added was Rs 85 crores (cotton textile industry Rs 161 crores).

ICICI has given assistance to this industry mainly in the form of foreign currency loans aggregating to nearly Rs 14 crores and rupee loans amounting to Rs 4 crores. A large part of ICICI's assistance to the chemical industry in Maharashtra is, thus, for importing plant, machinery and technology.

Assistance to Engineering Industry

Another industry which has made as impressive a progress in Maharashtra during the five-year Plan periods as the chemical industry is the engineering industry. The industrial progress in the Bombay-Thana-Poona belt is particularly notable from this angle. By 1967, the productive capital of the engineering industry in Maharashtra was as much as Rs 194 crores. This industry produced output worth Rs 257 crores and its value added was Rs 79 crores.

As on September 30, 1970, ICICI had given total assistance of Rs 15 crores to machinery manufacturing industry and Rs 11 crores to electrical machinery manufacturing. If one also takes into account the basic metal industries (to which ICICI had given a total assistance of Rs 16 crores) in the group of engineering industry, the share of this group in the total of ICICI's assistance to industries in Maharashtra would amount to as much as 42 per cent, even exceeding that of the chemical industry. ICICI's assistance to the engineering industry group is again mainly in the form of foreign currency loans (Rs 25 crores) for financing the import of balancing equipment, plant and machinery.

Among some other important industries assisted by ICICI in the state are

shipping, automobiles and bicycles, cotton textiles, rubber products, cement, paper and paper products, food manufacturing, hotel industry, glass and pottery. Maharashtra, with its port base and international trade, has a large transport industry, including shipping and automobile manufacture. ICICI's assistance to shipping industry in the state is quantitatively impressive (Rs 11 crores). Its assistance to industries such as automobiles and bicycles (Rs 5 crores), though quantitatively small compared to that of other industries, has been spread over a number of medium and small units. In the automobile and bicycle category of industry a number of ancillary units have sprung up in and around Bombay under the patronage of the automobile industry.

ICICI's assistance to cotton textile units in Maharashtra is mainly for modernisation of the machinery in the mills. Naturally, therefore, practically all the assistance to cotton textile mills has been in the form of foreign currency loans for import of machinery and balancing equipment. One of the notable worthy industries receiving assistance from ICICI is the hotel industry. ICICI has so far assisted the hotel industry in the state to the tune of Rs 95 lakhs, most of the assistance being in the form of foreign currency loans.

Backward Regions

One of the problems facing Maharashtra, as all other states in India, is of the development of industry only in particular pockets of the state, resulting in lack of regional balance in the economic development. Correction of regional imbalance in the industrial progress of the country has been engaging the attention of the financial institutions such as ICICI. One of the ways to correct the disparities in the economic development of regions in a particular state is to bring about dispersal of industries to backward regions of the state. A complementary objective that goes with this aim is that of broadening of the entrepreneurial base in a region.

Development banks in India such as ICICI, the Industrial Finance Corporation of India and the Industrial Development Bank of India have been making special efforts in recent times to bring about balanced regional industrial growth of the country. They have been launching a three-pronged attack on this problem with the help of the government. They have been undertaking surveys of regions declared backward by

January 29, 1971

the government with a view to exploring new investment potentialities in these regions. Secondly, they have been offering a number of concessions to existing industries concentrated in a few industrial pockets, as in Maharashtra, for instance, in the region of Bombay-Thana-Poona industrial belt, to induce them to disperse to countryside and to start new industries in lagging tracts. Thirdly, they are trying to help small enterprises in a constructive way so as to promote a new class of small entrepreneurs.

Some of the principal features of ICICI's incentives to entrepreneurs desirous of starting industries with investment of up to Rs 1 crore in backward regions are: a concessional rate of interest (7 per cent on rupee loans as against 8.5 per cent at present), a grace period of five years (as against only two to three years as at present), and a margin of only 30 to 35 per cent for security. For underwriting, ICICI charges the rate of commission at only half the nor-

MAHARASHTRA SUPPLEMENT

41

mal rate. In the case of projects costing more than Rs 1 crore, ICICI extends concessions on a selective basis.

Further, as a liberalisation in its policy, ICICI now provides finance to proprietary and partnership concerns. Many of the applications received by ICICI from small units for small foreign currency loans are sponsored by the state finance corporations and commercial banks. It is, however, to be realised that a development bank's work does not just stop by offering concessional finance to projects in backward regions. Financing projects in such regions involves considerable promotional work in formulating projects in order to make them economically viable over a period of time.

The identification of backward areas needing industrial development is ultimately the responsibility of the state governments. It is, however, gratifying to see that various state governments have been taking definite steps in this

direction. The Government of Maharashtra, for instance, has been operating its package scheme of incentives for dispersal of industries through the State Industrial and Investment Corporation of Maharashtra with encouraging results. A number of districts in the state has been designated as backward by the government recently. The state government again, has set up development corporations for backward regions, such as Konkan, Vidarbha and Marathwada. Such efforts augur well for the speedy restoration of balance to the economic development of the state.

Since its inception, ICICI has been pursuing progressive financing policies such as promoting and financing new entrepreneurs, new products and new processes.

In the task of developing backward regions in any particular state, it may be reasonably expected that ICICI's policies will keep its progressive stance.

ECGC: Role in Export Promotion

T. R. VARADACHARY

Chairman, Export Credit and Guarantee Corporation

ACHIEVING AN annual growth rate of seven per cent in India's export trade is considered vital for the growth of the nation's economy as envisaged in the fourth five-year Plan. This is not an easy task, when one considers the highly competitive conditions prevailing in the world markets and the many handicaps from which our export trade suffers. Sustained effort is, therefore, called for on the part of all those concerned with the business of exporting. The battle of export promotion has to be fought on many fronts—price, quality, ocean transport, etc. The Government of India has introduced a series of measures to encourage and facilitate export trade and has set up a string of institutions to administer the various schemes designed to promote exports. In this institutional set up, the Export Credit and Guarantee Corporation—ECGC for short—occupies a place of importance. It seeks to promote export trade by offering support to the exporters in a particular aspect of selling goods in the world market, namely, the extension of credit to the foreign buyers.

Selling goods or services in the international markets is an exacting job. The buyer is very discriminating and has before him a choice of selection from a wide range of products coming from all corners of the world. Sellers vie with one another to give him more attractive terms. In such intensely competitive conditions that prevail to-

day, besides factors like quality and price, delivery schedules and after-sales service, the terms of payment—namely the type of credit that the seller can offer—determine the buyer's choice of his supplier.

Giving credit to buyers, particularly to those living in far-off lands, is fraught with several hazards. The buyer may go bankrupt before the debt is due for payment; he may default in making payment due to financial difficulties; or his business may be wrecked by a quake or a typhoon, civil commotion or insurrection. Equally important are the risks of a sudden import or exchange restriction, moratorium or some other government action which may prevent or considerably delay the receipt of payment. In every case, the non-receipt of payment will have serious repercussions on the exporter's business; and where foreign sales constitute substantial portion of the exporter's total business turnover, his firm may well come to grief. In many cases, these risks may well deter an enterprising exporter from signing the export contract. It is possible that in doing so, he may be losing what may really prove to be promising and profitable avenues for his products. ECGC comes to the aid of the exporter in such situations and offers to carry the credit risks for a small premium. Thus protected against the risks inherent in shipping goods on credit, the exporter is enabled to take on more buyers and break into new markets by

offering the required credit terms. He can export with an easy mind and operate in a climate of security.

ECGC operates like any commercial insurer, spreading the losses of the few over the much larger number who take similar risks. It charges premium for its insurance at a rate which would enable it to meet its operating expenses and claims made on it over a period of years. The actual rate charged would, therefore, depend on the volume of business it gets and the quality of risks insured. In order to be able to quote the lowest rate possible, ECGC asks the exporter to offer for insurance all his shipments that go on credit to all destinations or to an agreed range of good and bad markets over a period of one or three years ahead. However, large export contracts of a non-repetitive nature involving deferred terms of payment are covered individually. This is because the terms of sale in such cases will vary widely from contract to contract.

While ECGC lends support to the exporter who gives credit to his foreign customers, it is not its intention to encourage him to extend longer credits than what are customary for his products. In fact, such a course will not be in the interest of India which is in great need of augmenting its foreign exchange earnings here and now. On the contrary, it cooperates with credit insurers in other countries in an effort to contain

and regulate a credit competition. It just tries to see that no order is lost to foreign competitors because they offer longer credit.

A significant portion of world trade moves on credit. The length of credit that has become customary varies from anything up to six months for consumer items and up to 10 years and beyond for heavy engineering and capital goods. Exporting goods and services for which payment will be received after such long intervals will impose a severe strain on the working capital of the exporter. In order to mitigate his difficulties, virtually every major exporting nation has developed a system of financing export transactions on a liberal basis.

In India, the commercial banks, and supported by the Reserve Bank and government, provide export finance. However, extending timely and adequate credit to finance all reasonably sound transactions at the pre-shipment as well as the post-shipment stage is a heavy responsibility to be discharged. Although banks do show a flexible attitude and a developmental bias in lending to this priority sector, they have to pay due attention to the safety of their funds. When an exporter approaches a bank for facilities or when any specific export proposition is put to them, it becomes a matter of judgment for the bankers where to draw the line. A lot would depend on how the banker views the ability and resources of the exporter. It might well happen that some exporters do not get credit facilities sufficient for their requirements or that some export propositions fail to fructify for want of adequate financial support.

Here again, ECGC steps in with a helping hand. It offers to make good a major portion of any loss that the financing bank may suffer in respect of pre-shipment and post-shipment credits extended to exporters. Under this

arrangement also, it is the financing bank which determines the limit of advances to any exporter; but the availability of the ECGC guarantee would enable the bank to agree to a limit higher than what it would have sanctioned on its own. The limits suggested by the lending banks are normally approved by the ECGC but it might make an independent assessment and approve limits based on its own judgment in cases where very large limits are asked for.

It is true that the lending transactions would become comparatively more risky if the banker sanctions a limit which is higher than what he thinks is safe. But the ECGC, an institution created by the Government of India specially to carry export credit risks and thereby promote exports, views the transaction not from the safety angle alone but from the export promotion angle as well. It endeavours to see that no reasonably sound export proposition is lost to the country due to the inability of the exporter to win the needed financial support. Being essentially an insurance organisation, ECGC relies on the law of averages to take on the credit risks and share them with the banker who would otherwise not have been willing to shoulder them alone.

It is an essential feature of the ECGC guarantees that the lending bank bears a portion of the loss for its own account. The percentage of cover offered by ECGC is normally 66½% it is higher in certain cases or circumstances but is never 100. The idea behind making the bank have a small stake in the guaranteed transaction is to ensure that the bank exercises due care and prudence in its management of the guaranteed accounts and also vigorously pursues any defaulting clients for recovery. Another important feature of the guarantees is that a "waiting period" of four months has to elapse before a bank can make a claim on the ECGC. This condition is meant to give ECGC the time

necessary to ascertain the reason for non-payment by the exporter as also to avoid payment of claims in respect of advances which are repaid after a little delay.

ECGC has evolved a range of guarantees designed to meet almost every situation where an export proposition requires financial support. Guarantees are available not only to cover advances against export orders or documents but also against cash incentives receivable against exports and for bank guarantees issued in connection with export transactions.

The stimulus which has come to the growth of international trade from the expansion of credit and risk insurance facilities is not yet fully realised in India. In the industrially advanced countries, hardly ever does an exporter or a bank offer credit if the export risks are not covered either by letters of credit or credit insurance. The banks proceed on the theory that they should not carry risk which another institution specially designed for the purpose is prepared to underwrite. Thus credit and risks insurance are so interwoven that one hardly moves without the other.

In India, however, the idea of credit insurance was slow to gain wide acceptance. The exporting community would not think of doing without insurance against fire, burglary, shipwreck and so forth. But when it came to credit insurance, the exporters did not initially attach the same importance to covering their export credit risk which might endanger the safety of their capital and cause serious injury and embarrassment to them. But things have changed and exporters look upon ECGC as an essential aid for their export programmes.

(Text of a talk given over All-India Radio, Madras).

SICOM Lives up to Its Slogan

A CORRESPONDENT

THE REGIONAL imbalance in India's industrial development has not been a national phenomenon alone; it prevails at the state level also. That is why one objective of India's industrialisation plans has been the diversification of industry to the relatively underdeveloped regions. An offshoot of this objective has been the formation of state corporations with the purpose of reducing concentration of industry and spreading it to different regions in each state.

To counter the fixed mental attitudes of industrialists, the State Industrial

and Investment Corporation of Maharashtra (SICOM), which was established in March, 1966, offered a package that the industrialists would understand and appreciate.

In just four years, till March, 1970, SICOM had assisted 420 units to move to Nagpur and other developing regions of Maharashtra. The total investment expected to be catalysed or rehabilitated because of this assistance is Rs 179.44 crores, ample proof that finance is a commodity that can be sold to public advantage and private gain.

The main responsibility of SICOM is

to acquaint industries with the facilities available in the developing areas of Maharashtra and to persuade them to locate new units or expand the existing units in these areas. In order to serve this aim, SICOM has made flexibility the key feature of its operations. It is prepared to assist public limited and private limited concerns, both in the public and private sectors, as also proprietary and partnership firms.

Depending on the need, financial assistance by SICOM may take a number of forms. It may invest in short-term, medium-term or long-term loans, sub-

scribe directly to share capital, offer underwriting support or guarantee finance from other institutions.

To extend special assistance to small and medium-scale industries (with fixed assets upto a maximum of Rs 50 lakhs), SICOM evolved, in October, 1967, the Capital Participation Scheme under which assistance to the extent of 75 per cent of the existing and fixed assets can be made available to entrepreneurs. As a further facility, a concession in the repayment schedule, both of interest and principal, is offered. Another advantage of this scheme is that a large number of credit institutions participate in it.

From April, 1969, SICOM has acted as the agent for the operation of the new Package Scheme of Incentives of the Maharashtra government. The highlight of this scheme is the availability of interest-free loans from sales tax paid by the existing industries in Maharashtra. Its other features are:

(i) Contribution towards cost of

feasibility studies,

(ii) Relief from incidence of certain duties and tariffs,

(iii) Guarantee to loans,

(iv) Advance supply of building materials,

(v) Preferential treatment in government purchase programme,

(vi) Assistance in technical training, and

(vii) State government help in obtaining industrial licence.

Over and above these schemes, SICOM has a Plant Location Service to help industrialists to set up their units where they will be most profitable. SICOM's team of trained engineers and financial experts actually provide a formal evaluation of alternate locations — without obligation.

This multi-faceted character of its "selling" operations executed by a dynamic and imaginative management has enabled SICOM to live up to its slogan

The AIMO in Maharashtra

S. M. SUNDARAM

THE SLOGAN "one association for one industry" which has caught the imagination of the Japanese has somehow failed to click in India. The result is a mushroom growth of chambers of commerce, invariably at the inspiration of a few individuals. As time passed, many of the trade associations and industrial bodies died out slowly as the individuals who inspired them faded out of the scene.

But there are a few associations that have weathered the vicissitudes in the political and industrial climate and have made a distinct mark of their own. For, they came into being to fill a vacuum and satisfy the needs of some industries which were ignored by all-India bodies. One such institution is the All-India Manufacturers' Organization which emphasises the role of small and medium industries in the economic development of the country.

This Organization has time and again stressed the complementarity of the large-scale, medium and small-scale industries. It has never viewed the problems of small and medium scale industries in isolation nor as entirely different from those of large industries. Unlike others, this is the only association catering solely for the needs of the manufacturers, small, medium and others. It is also one of the few bodies that openly and vociferously advocated the cause of Indian industries in the days

of the British Raj. In view of its distinct characteristics, the AIMO has earned a pride of place among industrial bodies. It may also be mentioned that the AIMO is recognised as one of the three leading all-India bodies and employers' organizations in the country. It has also representation on international bodies such as the ILO.

Realising that its service would not reach a larger section of industries unless it spread out, the Organization decided to set up State Boards, City Councils and District Councils. With the new emphasis on development of backward areas and removal of regional disparity, the Organization took the lead in forming such Councils and State Boards in different parts of the country.

It is a common belief, and rightly so, that Maharashtra stands in the forefront in industrial development. However, what is not known is that several areas in the state, for instance, Konkan, and Marathwada, are as backward as any other state such as Assam or Jammu and Kashmir. The formation of the State Board in July, 1969 is the fulfilment of a long felt need to deal effectively with the specific problems of industrial and economic development of this State. It may be pertinent to point out that Maharashtra accounts for little over 50 per cent of the total membership of AIMO.

Because of its prominence in the industrial map of India, the State Board is

of being "the moving force for developing industries". The following table is a statistical proof of its progress:

SICOM's PROGRESS

Year (April-March)	No. of units assisted	Total investment expected to be catalysed (Rs lakhs)
1966-67	3	111.00
1967-68	26	1493.61
1968-69	118	4168.47
1969-70	420	17943.83

No wonder one responsible critic described SICOM as "the only development bank worthy of that appellation in the country."

located in Bombay. Besides, the Organization tries to spread the message of "Prosperity through Industry" through its Kolaba District Council in Khapoli and City Council in Poona.

Soon after its formation, the State Board addressed itself to the problems of industries in nearby areas. During the first six months, the State Board arranged a visit to the Industrial Estate in Kandivali and organised a Seminar on Industrial Development of Konkan in Ratnagiri and a meeting with industrial associations at Dahanu and Palghar. As a result of the visit to Dahanu, it was suggested to the government to construct a road bridge over the river Vaitarna, near Pargaon village. These visits also gave the members an opportunity to study the problems of industries in those regions and devise measures of how best to overcome them. They also served to narrow the gap of ignorance that exists among small industrialists.

As part of its work, the State Board met the Sales Tax Commissioner and Income-tax Commissioner to present the difficulties of its members in following the sales tax procedures and offered suggestions for removal of cumbersome procedures. Such dialogues help create a rapport between the industry and the government.

A new direction was given to its activities when the State Board arranged

a visit to Kalyan-Ambernath area to make an on-the-spot study of the problems faced by the industries there. It was unique in many respects. Not many knew till they saw that the infrastructure facilities there, which accounts for an investment of about Rs 200 crores, are woefully inadequate. Many of the industries that have sprawled up are medium and small. They range from chemicals, dyestuffs to packaging and match factories. The visit brought to light the stark and naked fact that our industries have struggled to exist and have succeeded in existing even in the face of tremendous handicaps. These industries have been in operation even though there is no proper approach road, no regular electricity supply, telephone, postal and other facilities. Their very existence proves that our industrialists, far from being "rentiers", are a class of highly skilled and imaginative entrepreneurs.

Often, people, and even some among businessmen, belittle the importance of such visits and seminars and talk derisively of them as *tamashas* and a conspiracy against the consumers. But they fail to see that these meetings have their own importance and beneficial effects. To mention only one of these, the wide

publicity in the press given to the conference in Ratnagiri and the lack of infrastructure facilities in Kalyan-Ambernath area has stirred the bureaucracy and set it thinking. As a result of the conference in Ratnagiri, a Development Corporation for Konkan area has been set up.

After the visit to Kalyan-Ambernath area, the State Board urged the Government of Maharashtra to set up a Co-ordination Committee for the development of roads in that area. The government has favourably responded to this suggestion. Further, we understand that the government has allocated about Rs 6 lakhs for improving roads in the area and providing other facilities. Here is a positive and a big achievement.

A recognition of its importance is the representation given to the State Board on various semi-official bodies. The organization has been invited to send its nominees on such Advisory Councils as Regional Advisory Committee of Apprenticeship Scheme, Ministry of Labour and Employment, and Maharashtra State Electricity Consultative Council. Besides, our nominees are associated with bodies like District Committee on Employment and State Council for Training Vocational Trades

and Maharashtra State Drug Advising Boards. Through such semi-official bodies the Organization renders service to the cause of industry directly, and to members indirectly.

These are some of the activities and achievements of the Maharashtra State Board of the AIMO during a short span of one year since its inception. It has been trying to enlarge the area of its activities by arranging a conference in Marathwada region which is a backward area. The State Board has already arranged a Marketing Course for small-scale industries. It has also created a cell to help small entrepreneurs in getting information on setting up new projects. The State Board always tries to introduce innovation in its service and reach new horizons. This has been made possible with the active-co-operation of its members.

An institution will be able to survive only if it does not outlive its utility. The very fact that our Organization has been in existence for such a long time in spite of the growth of a multiplicity of such bodies goes to show that it does cater to particular interests and serves a socially useful purpose as enunciated in its constitution.

Growth of Life Insurance in Maharashtra

A CORRESPONDENT

IT WAS in the city of Bombay, the capital of Maharashtra, that on December 3, 1870 — about a hundred years ago — the Bombay Mutual Life Assurance Society, Ltd came into existence. It was not that life insurance policies, even on Indian lives, had not been issued in India prior to 1870; it was, however, the Bombay Mutual that was the first company to offer life insurance to Indians without making any discrimination and at the same rates as were applicable to Europeans insuring in India. The Life Insurance Corporation of India celebrated the centenary of Life Insurance in December 1970 by organising functions at almost all the divisional headquarters. Those engaged in the life insurance industry today paid warm and rich tributes to the leaders of the industry in the past as also to thousands of others who had, against heavy odds, helped the growth of life insurance industry in India. However, the celebrations were not merely to recount the glories of the industry in the past but also take a pledge to rededicate the corporation to further the cause of life insurance in our country.

The city of Bombay since 1870 has been the cradle of life insurance industry

in India. After Bombay Mutual, the first purely national proprietary life office, the Oriental Government Security Life Assurance Co. Ltd., was launched in 1874. This company was destined to be the pride of the life insurance industry and continued to be the foremost company in India till nationalisation in 1956.

On the occasion of the centenary of Indian life insurance, the corporation has brought out a commemoration volume entitled "Saga of Security", being the story of life insurance extended over the past 100 years. It describes in some detail the formation and growth of several Indian insurance companies, big and small, and a large number of these Indian insurance companies had their headquarters in the city of Bombay and some had been formed in other parts of the State of Maharashtra, the most important of these companies being the "Western India" at Satara.

The Indian Life Offices Association, with headquarters at Bombay, was set up by the Indian Insurance Offices in 1928 and this Association rendered great service to the cause of life insurance, in fact, it acted as a friend,

philosopher and guide, in particular to the smaller insurance companies.

It is difficult to expect from the records the progress that life insurance industry made in Maharashtra prior to nationalisation, as no company kept the records statewise. The progress made in the State, therefore, should be determined only from the year 1956 when the life insurance industry in India was nationalised — "a measure conceived in a genuine spirit of service to the people", as stated by the then union Finance Minister, Mr C.D. Deshmukh, an illustrious son of Maharashtra, in his radio broadcast on January 19, 1956, ushering in the era of nationalisation.

The Life Insurance Corporation of India was established by an Act of Parliament and came into existence on September 1, 1956. Five zones were established and the western zone was to cater for the needs of the insuring public in the then State of Bombay which later, on May 1, 1960, was divided into unilingual states of Maharashtra and Gujarat. The western zone functions through eight divisional offices of which five divisions were in the State of Maharashtra and the areas of these five divisions more or less synchronised

with the present State of Maharashtra. These five divisional offices are at Bombay, Satara, Poona, Nasik and Nagpur. The number of branches and sub-offices under these five divisions on September 1, 1956 was 24. Every year thereafter found life insurance making rapid progress in each of these five divisions in the matter of increase in the number of policies and new business, as also in the number of offices.

Prior to nationalisation, life insurance was mostly confined to big cities. One of the objectives of nationalisation — and it may be considered as the main objective — is to take life insurance to the remotest corner of the country and insure every eligible person who can afford a life insurance policy. With this end in view, the corporation started establishing offices in the remotest corners of the state to take the message of life insurance to the interior and to render service as near to the doors of the policyholders as possible. The State of

Maharashtra consists of 26 districts and the LIC has a branch office or a sub-office in 23 districts, four of the districts having more than one office to service the policyholders.

Table I gives in a nut-shell the progress made by the corporation in this highly industrialised state with a good economic background.

In 1955, the year preceding nationalisation, all the insurance companies in India, local as well as foreign, completed a business of Rs 260.84 crores under 831,000 policies. The corporation had, in the year 1957, recorded a new life insurance business of Rs 281.90 crores under 795,000 policies. Since then, year after year, the corporation marched ahead with crowning success and the year 1969-70 saw the corporation reach the high watermark by crossing the Rs 1000-crore completed business. On all counts, the progress made by the Life Insurance Corporation of

India is a story of success. In spite of this, the corporation has to go a long way in fulfilling the objective of selling the security of life insurance to every household in the state. Life insurance has, in fact, touched only a fringe of the population. We entered the 1970s with great hopes of spreading the message of life insurance at a faster rate. The operations of the corporation as a whole and, in particular, in the State of Maharashtra, in the first nine months of the current financial year, do indicate that the rate hereafter is going to be faster. The five divisions in the State of Maharashtra for the nine-month period from 1-4-70 to 31-12-70 issued 1,65,274 policies assuring a sum of Rs 152.45 crores. It is not only that the corporation has to take the message of life insurance to each and every nook of the country; it has to mobilise the savings of the people. The field of life insurance is a major source for tapping such savings. The savings of the people thus procured through life insurance are

TABLE I
PROGRESS OF LIFE INSURANCE IN MAHARASHTRA

Division	Sum Assured (Rs crores)				No. of Policies				No. of Offices			
	1957	60	63-64	69-70	57	60	63-64	69-70	57	60	63-64	69-70
Bombay	28.38	54.66	80.72	137.25	58340	100448	146055	122786	14	21	33	38
Satara	3.52	6.75	10.66	15.61	12888	22505	29610	26812	3	7	13	14
Poona	5.28	8.40	12.79	20.08	14015	23565	31414	25273	5	8	13	14
Nasik	2.76	4.56	7.58	13.08	9328	14688	17208	19261	3	4	8	8
Nagpur	5.21	7.85	12.36	22.34	15115	23619	34834	33606	6	8	13	13

TABLE II
LIFE INSURANCE CORPORATION'S INVESTMENT IN MAHARASHTRA

(Rs lakhs)												
Region & State	Stock Exchange Investments (as per Statement No.10 Col.7)	Loans to State Govts. for Housing Schemes (as per Statement No. 11)	Amount due from State Govts. in respect of their controlled business vested in the Corporation (as per Statement No.12)	Loans to Municipal Committees & to a State Govt. for Water Supply Scheme (as per Statement No.13)	Loans to Co-op. Housing Finance Societies (as per Statement No.14)	Loans to Co-op. Sugar Factories (as per Statement No. 15)	Loans to Industrial Estates (as per Statement No.16)	Loans to Improvement Trusts (as per Statement No. 17)	Loans to State Electricity Boards (as per Statement No.18)	Loans to Companies (as per Statement No.19)	Total	Percentage of Investment in the region to the total Investments in the region.
Maharashtra	114,26.05	11,37.36	..	9,93.73	26,43.15	40.00	65.83	..	18,25.00	11,26.50	192,57.62	19.59

spent by the LIC on various housing schemes, electrification of towns and villages, water and drainage schemes through loans to the various municipalities and other such social activities.

The Life Insurance Corporation of India also helps the states and the Government of India by subscribing to the various loans floated by them.

The total investments of the corpora-

tion as on March 31, 1970, amount to Rs 1,420.09 crores of which Rs 192.59 crores was invested in the State of Maharashtra, in the order given in Table II on p 45.

Industrial Development Corporation

A CORRESPONDENT

THE PAST 15 years have seen the real beginning of an industrial revolution in India. Industry has not only grown remarkably but has spread into basic new fields that hold the key to future growth. Maharashtra has continued its march towards achieving the balanced development of the state and has also maintained its premier position in the industrial map of India. But the development of industries in the past was rather uneven. The Bombay-Thana Poona-Khopoli areas of the state have industrially advanced—the saturation point has been reached in the case of Bombay—the rest of the state has remained considerably unexploited for the industrial development.

It is with a view to exploiting the untapped resources and areas for the development that the state government has taken a number of steps and set up a number of institutions to promote the growth of industries in the state in a planned manner and achieve a balanced development of all the regions of the state. One of the main efforts of the state government has been to create a climate conducive to the development and to provide necessary infrastructure in the selected places, particularly those areas where good potential is available.

The Maharashtra Industrial Development Corporation (MIDC) was set up under the Maharashtra Industrial Development Act, 1961. Another Corporation which was set up is the State Industrial and Investment Corporation of Maharashtra, Ltd. This corporation provides the new industries in the under-developed parts of the state investment by way of long-term loans. In addition to these two corporations, the Maharashtra State Finance Corporation, which provides financial assistance to small-scale industries and the Maharashtra Small-Scale Industries Development Corporation, Ltd. which provides to small industries in the state good marketing facilities and raw materials at reasonable rates were already in the field. In order to achieve agricultural self-sufficiency to promote agro-based industries, the state government set up, in December, 1965, the Agro-Industries Corporation of Maharashtra Ltd. With the consolidated efforts of these corporations and the enlightened policy of the state

government, the economic development of the state is expected to speed up.

The state government has, with its aim of balanced growth of the state as a whole, felt the need to offer special incentives to attract entrepreneurs to set up industries in the under-developed areas of the state. In 1964, it announced a "Package Scheme of Incentive" which gave substantial incentives to industries in the form of refund of sales tax, concessions in non-agricultural assessment on the land put to industrial use, etc. This scheme was further revised in 1969 and the scope of the incentives was increased considerably. The new scheme gives special facilities to industries in the Bombay-Poona area for starting new units in the under-developed parts of the state. This scheme is operated by the state Industrial and Investment Corporation of Maharashtra, Ltd. as agent of the state government.

Entrepreneurial Talent

The state of Maharashtra is fortunate in having abundant entrepreneurial talent. The primary concern of the state is, therefore, to create conditions to the proper flowering of this entrepreneurial talent and to remove the various impediments which may cut across the progress of industries. In order to give the industrialists a good start, the basic requirements of the industry for proper location, viz. land, proper approach, water supply and power, the MIDC has done outstanding work. It has created a number of such growth centres (industrial areas) all over the state. The twin objectives which the corporation kept before it are: to set up well-planned industrial areas in and around Bombay to prevent haphazard growth of industries and to regulate properly their development in a planned manner. To these must be added one other, viz. to develop industrial areas away from Bombay, coupled with the attraction of suitable incentives, in order to achieve the gradual decentralisation of industries away from Bombay leading to the development of the underdeveloped parts of the state.

The corporation carries out extensive surveys of the potential growth centres from the point of view of industries and recommend to government to entrust

such areas to it. The government acquires these lands under the MID Act and then the corporation sets in to prepare the layout of this area with the help of expert town planners and engineers. Development is then carried out in phases in accordance with the layout. Particular care is taken not to create industrial slums and, therefore, every effort is made to provide residential areas, open spaces and green belts. The corporation has so far developed industrial areas at the following places:

1. Marol, (2) Thana, (3) Trans-Thana Creek, (4) Kalwa, (5) Dombivli (6) Ambernath, (7) Badlapur, (8) Mira, (9) Tarapore, (10) Talaja, (11) Kalyan-Bhiwandi, (12) Roha, (13) Pophali-Chiplun, (14) Ratnagiri, (15) Pimpri-Bhosari, (16) Nasik, (17) Kolhapur, (18) Sangli-Miraj, (19) Islampur, (20) Satara, (21) Jalgaon, (22) Dhulia, (23) Jalna, (24) Aurangabad (near Railway station), (25) Aurangabad (Chikhalthana), (26) Nanded, (27) Bhir, (28) Nagpur, (29) Akola, and (30) Ghugus.

The plots in the industrial areas in the developed regions are offered on premium lease. The pricing policy is evolved in such a way that, as one goes away from Bombay, the price falls steeply. The surplus generated by the disposal of the plots in the developed regions of the state, i.e. Bombay-Poona industrial complex, is ploughed back in the under-developed parts of the state for subsidising plots in the under-developed regions where plots are given on highly concessional terms: viz.

- (i) no rent is charged for the first two years;
- (ii) half of the economic rent is charged for the next three years; and
- (iii) full economic rent is charged from the sixth year onwards.

The rent is calculated at 8½ per cent of the price calculated at Rs 1.25 per sq. metre which comes to Rs 430 per acre per annum.

The main activity of the corporation is to provide developed plots to entre-



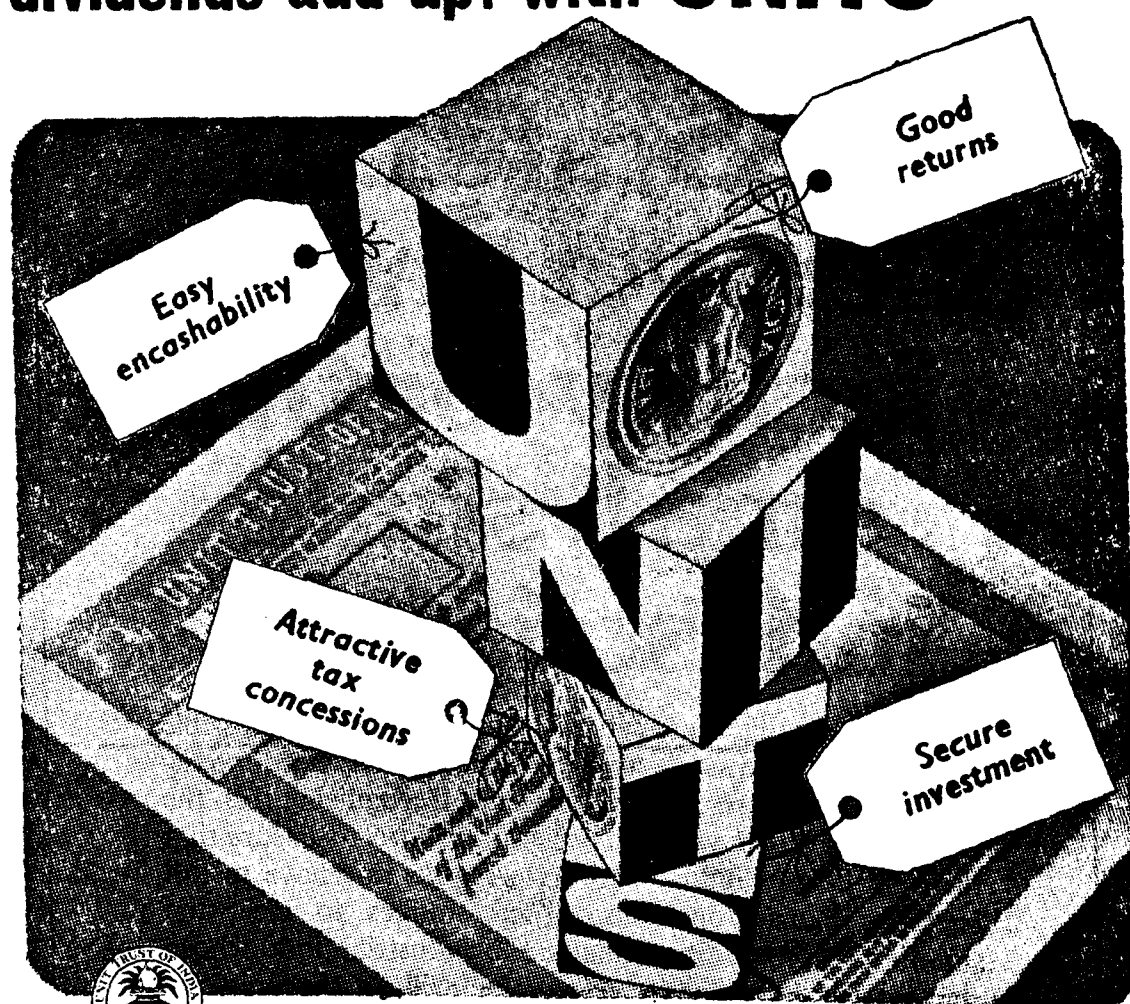
The State Bank offers yet another facility for the small-scale industrialists

No credit arrangement can take into account all possible contingencies and small-scale industrialists may need money to tide over unforeseen developments. Recognising this, the State Bank has devised a special procedure to ensure that their small-scale industrial borrowers do not have to fall back on loans from unorganised sources to meet the situation. □ Now, every small-scale industrial unit whose account has been conducted satisfactorily in the previous twelve months will be able to obtain special additional credits to meet unforeseen needs.

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preneurs to set up their industries. However, in order to encourage technicians to come forward to start their own industries and to build a second line of entrepreneurship, the corporation started a scheme in November, 1964, known as "Own Your Own Industry Scheme for Technicians". Under this scheme, a technician who has a viable scheme is offered a built-up shed with an independent plot on an instalment basis to enable him to start his own industrial unit. A technician is required to pay initially only 20 per cent of the cost of the plot and the shed constructed on it. In order to give him time to consolidate his industrial unit, a holiday in payment is given for two years.

The balance amount of the cost of the shed and the plot is recovered in five equated annual instalments beginning from the fourth year onwards. Initially, the corporation constructed such sheds in the industrial areas at (1) Domivli, (2) Bhosari, (3) Ambernath, (4) Aurangabad, (5) Badlapur, and (6) Akola. In all, about 80 sheds were allotted under this scheme. Looking to the good response received by this scheme, the corporation has decided to construct another 94 sheds under this scheme in different industrial areas: (1) Domivli, (2) Bhosari, (3) Tarapore (4) Badlapur, (5) Aurangabad

and (6) Ambernath. The sheds at the Ambernath industrial area are given exclusively to technicians with scheme for chemical manufacture having effluent disposal. Out of the 80 sheds allotted in the first lot, about 43 sheds have gone in production.

Water Supply

One of the important activities of the corporation is to meet the water supply requirements of industries without straining the resources of the local authorities in the vicinity. In fact, the corporation's planning for water supply is considerably advanced, taking into consideration the potential for development of industries in the particular region. In addition to the two schemes, viz. Trans-Thana Creek water supply scheme and Shahad water supply scheme for the industries in the Thana region, the corporation has launched an ambitious project called Barvi water supply scheme for supplying water to the chemical and petrochemical industries which are coming up and which are expected to spring up in industrial areas at Trans-Thana Creek and Talaja industrial areas. The cost of this project is expected to be Rs 12.12 crores.

Maharashtra has, during the recent years, considerably broadened the base of its industrial development and has achieved wide diversification and

sophistication in the range of production both in quantum and quality. The progress is predominantly in respect of non-traditional manufactured goods in the field of engineering, electronic, petrochemicals, heavy chemicals, pharmaceuticals, plastics, synthetics etc.

By its nature, chemical industries place heavier burden on infrastructure facilities than engineering industries, or non-chemical industries. Chemical industries require water in large quantities. Due to their nature, transport over long distances for further processing is not feasible and economical. This necessitates compact development of well-planned areas taking into consideration the possibility of further expansion.

For the development of chemical industries, the corporation as already explained above, has made advance planning for the water supply and has developed the following industrial areas. (i) Trans-Thana Creek (ii) Ambernath, (iii) Dombivli, (iv) Talaja and (v) Roha industrial areas. The Trans-Thana Creek industrial area is the largest industrial area comprising of 5,500 acres of land. In this industrial area more than 91 plots have been allotted to the chemical and pharmaceutical industries and 25 factories have gone into production. These factories have

WHERE CONTINUOUS GROWTH IS THE PRIMARY ENDEAVOUR

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made an investment of over Rs 125 crores. This industrial area is today one of the largest petrochemical complexes in the country. Similarly, in the Dombivli and Ambarnath industrial areas a number of chemical plants have gone up. Roha industrial area is also now fast developing and it will be the first chemical complex developing in the under-developed part of the state.

The Talaja industrial area will be another big industrial complex both for chemical and engineering industries, which the Corporation has planned. In all these industrial areas facilities for the disposal of effluent is available. There is vast scope for development in the chemical and petro-chemical fields and it is expected that many more such units will come up in the above mentioned industrial areas.

The electronics industry, though a comparatively new industry in India, has developed at a very rapid pace in the advanced countries of the world. The prospects of rapid development of this industry in this country, especially in view of the fact that electronics is gaining importance in the vital field of defence and the fact that many industries are also depending upon electronics for

their development, have been tremendous.

Looking to the importance of electronics industry, the MIDC has developed Funactional Electronics Industrial Estate at Bhosari, near Poona (within the Pimpri-Bhosari industrial area) exclusively for location of electronics industries. The Bhabha Committee has visualised immense growth in electronics in India and has laid down guidelines for this purpose. The corporation has already allotted several plots in this zone and has also allotted 24 sheds constructed specially for the electronics industries. Of these 14 units have gone into production.

Hidden Wealth

Maharashtra has hidden wealth in the form of bauxite, coal, limestone, iron ore, etc. This untapped wealth has vast scope for development. The recent decision of the location of the aluminium plant at Ratnagiri and the proposed location of a coal-based fertiliser plant at Nagpur and the location of a cement factory by the Associated Cement Companies at Ghugus are some of the examples. The factory at Ghugus is the first cement factory in Maha-

rastra. This factory has already gone into production.

The forest occupies about 18 per cent of the surface of the state. Thus the forest-based industries have a good scope for development in the state. The state government has decided to consider applications of entrepreneurs for setting up forest-based industries within or in the proximity of forest regions.

Out of the various industrial areas developed by the MIDC the Thana Industrial Area, popularly known as "Wagle Estate" deserves special mention, where in all, 500 plots have been allotted to industrial units and the area has become a show-piece. In all, 250 industrial units have already gone into production by now and the construction of a number of other factory buildings is going on. The annual turnover of the industries that have gone into production is of the order of Rs 28 crores and they have provided employment to more than 12,000 workers.

Similarly, industrial development in the Thana-Belapur road, the Pimpri industrial area near Poona, industrial areas at Nagpur, Aurangabad and Nasik has been very encouraging and would go a long way towards achieving the balanced economic growth of the state.

Burmah-Shell in India

A CORRESPONDENT

PRIOR TO the Second World War, refining was mainly confined to the major crude-oil producing areas of the world. Since 1945, however, a new trend has developed in the location of oil refineries. The post-war economic reconstruction brought about very rapid increases in demand for different petroleum products and, consequently, some of the large consuming countries began to encourage and insist on the location of oil refineries in their own countries, particularly with a view to reducing the foreign exchange cost involved in the import of finished petroleum products. Even some of the newly independent countries of Asia and Africa, which were then not large consumers, began to seek establishment of refineries in their own countries for the encouragement it could offer to industrial development, for the opportunities it could create of employment, although on a limited scale, and for the status a refinery was presumed to confer on a nation.

Following this world-wide trend, the shareholders of Burmah-Shell offered in 1951 to the Government of India to construct and operate an oil refinery in the Bombay area, in Maharashtra. Burmah-Shell had been operating in India in the oil distribution and marke-

ting field since the commencement of the century and was, in 1951, the market leader. The only oil refinery in India then was the one belonging to Burmah Oil Company and located at Digboi with a crude throughput capacity of half a million tonnes per annum. It processed crude oil produced in the Assam fields. The total inland consumption in 1951 was about 3.75 million tonnes and a substantially large proportion of this consumption was being met by imports of finished products.

The selection of Bombay as the site for location of a refinery by Burmah-Shell was mainly due to following reasons:

- Since sufficient indigenous crude was then not available, the new refinery was likely to process crude imported from the Middle East. A refinery located on the western coast would, therefore, offer considerable freight advantages in import of crude oil.
- Bombay Port had the necessary facilities to receive large-sized crude tankers.
- Bombay City, in particular, and the hinterland of Bombay Port,

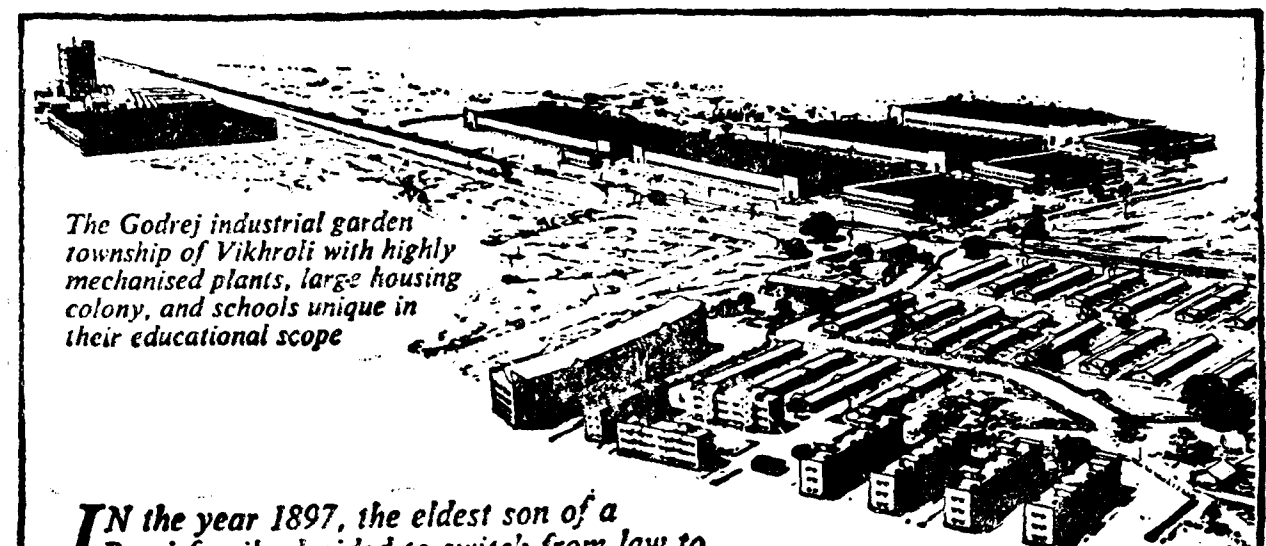
in general, consumed a large quantity of petroleum products (about 40 per cent, of the All-India consumption).

- Adequate rail and road facilities were available in Bombay for movement upcountry of finished products.

On the basis of an agreement arrived at between the Government of India and the shareholders of Burmah-Shell, a new refinery was constructed on a 450-acre site at Trombay Island. The refinery went on stream on January, 30, 1955 with a crude throughput capacity of two million tonnes per annum. The initial capital investment in the refinery was of the order Rs 30 crores, and, in 1955, the refinery manufactured the following range of petroleum products:—

Motor Spirit, Kerosene, High Speed Diesel Oil, Light Diesel Oil, Fuel Oil and Bitumen.

Over the last 16 years, continuous efforts were made to apply chemical engineering ingenuity by way of modifications to the plant, innovations in operations and debottlenecking in order fully to exploit and improve the original



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design of the refinery. These efforts have had two significant results. The crude throughput capacity of the refinery has gradually been increased and today stands at about 5.25 million tonnes per annum. The range of products manufactured has also been considerably widened and, at present, includes the following high value products:—

Liquefied Petroleum Gas, Refinery Gas, Naphtha, Aviation Gasolines, Aviation Turbine Fuel, Mineral Turpentines, Special Boiling Point Solvents, Jute Batching Oil, Carbon Black Feedstock and Hot Heavy Stock.

Right from the date when it went on stream, Burmah-Shell Refinery (BSR) has been the largest refinery in the country from the point of view of both throughput capacity and actual throughput in any year. In the matter of deriving maximum possible benefit from a given investment, it has also proved to be an efficient unit. During the years 1965 and 1966, Government allowed BSR to process four million tonnes of crude each year and this represented about 33 per cent of the country's total inland demand in those years. Since 1966, however, crude quantity allowed to be processed has been at the rate of about 3.75 million tonnes per annum.

Technical Capacity

The refinery has the technical capability of refining a large variety of crude oils, although, having regard to the pattern of product demand in the country, the qualities of different crudes and the economics of refining, Light Iranian Crude is presently considered as the more appropriate crude to process at the refinery. Over the period 1962 to 1968, Burmah-Shell processed about three million tonnes of Ankleshwar Crude, as 'Koyali' refinery was then not in a position fully to absorb all the crude available from Ankleshwar fields. Burmah-Shell has also offered to accept a tankerload out of government share of the 'Rostam' crude to make a technical assessment of this crude by plant trials.

The major quantifiable contribution of Burmah-Shell to the nation's economy can be regarded under the following heads:—

- (a) Saving of foreign exchange resulting from import of crude oil in lieu of finished products.
- (b) Contribution to the government revenues by way of
 - (i) customs and excise duties on

- on petroleum products,
- (ii) sales taxes and octroi and
- (iii) company taxes and dividend taxes.

Import of raw material (crude oil) is cheaper than import of finished products and thus a manufacturing unit saves valuable foreign exchange. Making allowance for remittances of net profits to its shareholders abroad, Burmah-Shell Refineries are currently saving foreign exchange at the rate of about Rs 20 crores per annum and the cumulative savings since 1955 exceed Rs 200 crores. In 1969, Burmah-Shell paid to the central government Rs 148 crores by way of customs and excise duties and to state governments and local authorities about Rs 18 crores by way of sales taxes and octroi. The company taxes and dividend taxes paid by the two Burmah-Shell companies in 1969 exceed nine crores of rupees.

Indirect Employment

By their very nature, oil refineries are not labour-intensive and do not directly give rise to employment of large numbers. Burmah-Shell Refinery employed in 1969 a total manpower of about 1400 as against a manpower of about 10,500 employed by all refineries in India. However, the opportunities for technical training and development of skills are many, and today a fairly large number of persons trained at BSR are working in refineries put up subsequently in the country, even in top positions. The contribution of BSR to generation of employment has essentially been indirect, e.g. in the form of the establishment of ancillary industries as well as industries which depend on petroleum products for either their feedstock or for their source of energy. Among the ancillary industries, to cite a few examples, reference can be made of the manufacture of Burshane cylinders, cylinder valves, pressure regulators, dispensing pumps used at the retail outlets, tanks for storage and movement of petroleum products, steel barrels, sulphuric acid, caustic soda, chlorine, aluminium brass condenser tubes, fork lifts, etc. Burmah-Shell has also taken a lead in inducing local entrepreneurs to produce and to develop the manufacturing processes for refinery equipment, spares and materials as a part of drive towards import substitution.

The National Organic Chemical Industries Ltd., the largest petrochemical complex in India, gets its feedstock, Naphtha, from Burmah-Shell Refineries. The refinery also provides Naphtha to FACT and Naphtha and Refinery Gas to FCI for the

manufacture of fertilisers. Carbon Black from BSR is the feedstock for 'United Carbon' and the Tata Thermal Power Station is supplied Gas and Hot Heavy Stock from this refinery. In addition, products manufactured at BST considerably assist the road construction activities and transport industries, both of which are highly labour-intensive.

The manpower employed by Burmah-Shell in the marketing field in 1969 was about 6,000, as against total manpower of about 21,000 employed by all oil marketing companies in the country. These figures are exclusive of the number employed by the Company's agents, dealers, contractors, etc. Burmah-Shell's manpower costs in 1969 in the refining and marketing fields taken together exceeded Rs 10 crores.

Social Responsibilities Fulfilled

In addition to its contributions to the economy of the country Burmah-Shell has been fully aware of its social responsibilities.

(a) As a part of community service Burmah-Shell conducted a 'Road Safety' campaign in 1964. The high accident to vehicle ratio in the country, the increasing number of fatal accidents and the growing number of vehicles on the road made road safety a matter of vital concern. The basic objective of the campaign was education of all classes of road users on proper behaviour on the road. The campaign was conducted through press advertisements, hoardings and posters, a documentary film, road safety code booklets and colour comics for children.

In an effort to direct the main impact of the campaign towards the school children, under the theory "catch them young", Burmah-Shell put up four Traffic Training Parks at Delhi, Calcutta, Bombay and Madras. These parks were a novel feature and simulated all conditions found on city roads and had automatic traffic lights, roundabouts, footpaths, pedestrian crossings, road signs, etc. all in miniature. These four parks were gifted by Burmah-Shell to the respective local authorities and have been very popular with children. The response to this campaign from all quarters was very gratifying and the efforts made by Burmah-Shell were appreciated by government, police and civic authorities, as well as by the Press and general public.

(b) Another community service in which Burmah-Shell has participated is its active membership of the Agricultural Services Organisation. This is an organisation formed by a group of leading companies to render, on a co-

54

ly no-profit basis, services to the agricultural community so as to enable the farmers fully to benefit from the application of modern methods of farming. At present, these services are organised on a pilot basis in one district each of the Maharashtra and the Gujarat states.

(c) In the field of education, Burmah-Shell has made its small contribution in the following forms:—

A visual aids-schools project. Grant of scholarships for higher education in technology.

Apprenticeship schemes at the refinery.

(i) The objective of the schools project was to acquaint the high school students with the subject of 'oil', not only because of the growing importance of oil in a country's economy both as source of energy and as a feed-stock for petrochemicals and fertilisers but also because the physical and chemical processes used by the Oil Industry provide excellent examples of the principles learnt in physics and chemistry. The media used for this project were a booklet "The Story of Oil" and a series of multi-coloured charts, slides, etc. A large number of schools have taken advantage of this scheme.

(ii) Between 1952 and 1968, Burmah-Shell granted scholarships

EASTERN ECONOMIST

January 29, 1971

for higher studies abroad in Mechanical Engineering or Refinery Engineering or Economics and Administration in the Petroleum Industry. Twenty-nine scholars availed of these opportunities to equip themselves with knowledge and experience in the UK. Between 1968 and 1970, 12 scholarships were granted for post-graduate courses at the five I.I.T.s in the country.

(iii) A five-year apprentice training scheme was introduced at the refinery in 1960 to train 20 young men at a time in the trades of Fitters, Mechanics, Welders, Electricians and Instrument Mechanics. Subsequently, with the introduction in 1963 of the Apprentices Act, the scheme was modified to bring it in line with the provisions of that Act.

(iv) Under a separate scheme known as the Senior Stipendary Practical Training Scheme, about 14 qualified engineers undergo training at the refinery and a part of the stipendary cost is borne by Burmah-Shell. Opportunities are also given each year to about 12 engineering undergraduates to have practical training for about eight weeks during their vacation.

(d) With the growing awareness of the dangers of air and water pollution, increasing import-

ance is being attached to the creation and preservation of a clean environment. Burmah-Shell has been paying particular attention to take steps to prevent water and air pollution not only through its own Water and Air Pollution Committee but also through its active participation in the working of the "Society for Clean Environment" in Bombay. Similarly, Burmah-Shell has been an active participant in Industrial Safety Seminars/Courses, etc. and in the Civic Defence Organisation of the Maharashtra government.

Burmah-Shell's contribution to the national economy has been significant and it has been alive to its social obligations. Burmah-Shell Refinery has today an unutilised crude processing capacity of 1.5 million tonnes which can be brought into use without any capital expenditure. The demand for oil products, which is currently about 20 million tonnes per annum is expected to grow at an average rate of about two million tonnes each year during the seventies. This would mean putting up of an additional refining capacity of over two million tonnes each year. A new refinery of two million tonnes may cost about Rs 25 to 30 crores. In these circumstances, it is needless to add, full utilisation of the existing capacities and expansion of the existing refineries will be a more economic and meaningful proposition.

Esso in Maharashtra

A CORRESPONDENT

ESSO'S QUIET, though sizeable and impressive, contribution to the growth and development of Maharashtra has sometimes been taken for granted. Perhaps, this is as it should be and Esso claims no special privileges or rewards for being a good corporate citizen. However, Esso's past record of service should at least entitle it to participate in the formal market growth. After all, Esso's interest and desire to participate in the growth of the economy are identical with the objectives of the country with respect to raising the overall standard of living of its people. Esso can make a much greater contribution than is presently in prospect under the restraints which have been imposed.

The story of Esso's participation in the Indian oil market goes back about 87 years — an era of growth which culminated in the completion of Esso's Re-

finery at Trombay in July, 1954, having the unique distinction of being India's first modern refinery. Today, Esso manufactures and markets the whole range of petroleum products.

Esso Refinery

Before the refinery was built, Trombay had no industry and had a population of only about 2,000 people. Today, it is bustling with over two lakh people. Esso and Shell refineries led the way to the development almost overnight, spurring the growth of ancillary industries and other enterprises in the neighbourhood, a number of chemical plants, a thermal power plant, a fertilizer plant and so on.

Built at a cost of Rs 12.4 crores, the Esso Refinery, which was initially designed for a capacity of 1.25 million tonnes a year, has an actual capacity

of 3.5 million tonnes, but is currently running a throughput of 2.5 million tonnes.

And now there is another addition to the industrial skyline of Bombay, next door to the refinery. This is Lube India Ltd., the lubricating oil refinery in which Esso are 50:50 partners with the Government of India.

Stake in State

Esso's stake in Maharashtra is such that almost 50 per cent of its all-India business is here which, Esso is always proud to state, is its home. Esso's head office is situated in Bombay. It has been a famous land-mark in the city and, when completed, was regarded as a major break-through in architecture in the country. It set the pace for other builders and architects.

Esso ranks among the important in-

*A dream
today,
a reality
tomorrow*

Today at Mithapur, young India, conscious of the past, urged on by the present, confidently dreams of a glorious tomorrow.

Their immediate dream is of a new complex—massive, self-sustaining, long-range and innovative—harnessing the sea, the sun and ultimately the atom to banish hunger from their land and to generate greater economic self-sufficiency, more and more independence.

There is a beginning but there is no end to the work of bringing purposeful prosperity to the people of India. Harness the sea, the sun, the atom and from Okhamandal—the land of salt—fertility will flow to the entire country.

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P O O N A - 1

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- "SIPOREX": Lightweight reinforced autoclaved preformed structural building components for floors, roofs, walls, partitions and lintels.
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- "SIPOREX": Was used in 18 pavilions in Expo-70-Japan for floors, roofs and walls. This is only one example of recent use.
- "SIPOREX": Is used successfully both in cold climates (Scandinavian countries and U.K.) as also in tropical climates (Mexico, Venezuela, Congo).
- "SIPOREX": Is normally used for normal loads of 400 Kg/m² (80 Lbs/Sq. Ft.) with spans upto 6 metre (20 ft.). For industrial buildings, specially designed slabs with permissible loads of upto 1000 Kg/m² (200 lbs. per Sq. Ft.) have been used. The slabs are manufactured with a density of 500 or 600 Kg/m³ (31 or 37 Lbs/Sq. Ft.).
- "SIPOREX": Products will be in the market by end of 1971.

January 29, 1971

dustrial employers in the state. Employment opportunities are created directly and indirectly for thousands of people in the State. The total number of people in Maharashtra who depend for their livelihood on Esso is, therefore, many more times than the number employed.

The management and labour relations have been always cordial. Both the parties display a high sense of responsibility in manning an industry which is so vital to the country's economic progress. Witness the fact that there has been no loss of man-hours in almost 16 years through a strike by the employees.

Esso believes that the most important asset that any organization possesses is in the skills and calibre of its people. Several training programmes have been organised to induct the latest techniques. This has resulted in rapid Indianisation. For example, in 1954, Esso employed 141 expatriate staff — today the figure is a mere two.

Scholarship Schemes

Esso trains apprentices hailing from Maharashtra at the Refinery under the Government of India Trade Apprenticeship Scheme. The Company also has several scholarship schemes including the Education Refund Plan, the Esso College Scholarship, the Teagle Scholarship and training at Institutes of Management.

Several seminars and training courses in technical subjects for other industries and organizations in the State have been sponsored by Esso. Apart from these outlets, many of the employees actively participate in trade and professional organizations in the major cities of Maharashtra.

Esso's comprehensive benefits include pensions, provident fund, free medical attention and a pension supplementation to help pensioners meet the high cost of living, medical expense and accident insurance. The Company has also a gratuity policy which is applicable to employees who do not qualify for pensions. In spite of a continuing and discouraging decline in the profitability in recent years, Esso has never compromised on employee benefit programmes and in fact these have continually been improved.

People sometimes take for granted the contributions made by corporations such as Esso to various social and welfare organizations. A large part of this effort is again directed at education. For instance, Esso started the Esso Science Clubs Project in Bombay. It has been introduced in Delhi, Poona, Madras and Ahmedabad. This activity

MAHARASHTRA SUPPLEMENT

57

provides science students with opportunities for sharing in industrial tours, science lectures, science fairs, discussions and reference libraries. More than 5,000 students from colleges in these places are actively associated with this project which has been so successful that it is proposed to spread it to other cities. Esso's affiliates in Malaysia, Brazil, France and Singapore have taken advantage of experience in India to launch the project in their areas.

Taxes

The total excise and customs duties in 1969-70 amounted to Rs 1,979 crores out of which the oil industry's contribution was Rs 562 crores, a percentage as high as 28.4. Esso's total sales revenue was Rs 167 crores, out of which 58.3 per cent went to the State Exchequer in the shape of taxes and duties; cost of sales, including depreciation, was 36.1 per cent; salaries, wages were 4.3 per cent and after deducting interest at 0.8 per cent the profit was 0.5 per cent.

In spite of these heavy payments of levies, the impression continues that the oil industry is responsible for the steep rise in the selling prices of petroleum products over the years. In actual fact, if duties and taxes are excluded, it will be seen from the table below that prices of petroleum products have declined since 1958.

Esso has saved the country several crores of rupees worth of foreign exchange, both through import substitution and promotion of exports. Up to the end of 1969, the company had saved Rs 128 crores in foreign exchange. At

the time the refinery went on stream, it was estimated that the plant would save an equivalent of Rs 1.2 crores in foreign exchange annually just by refining imported crude locally. In actual practice, Esso has done far better than this not only by refining the fuel products for the Indian market but also by the export of surplus gasoline and asphalt and by the addition of new units designed to manufacture in India products hitherto imported.

For instance, as early as in 1959, the asphalt plant was commissioned to meet the country's increasing demand for this product. Prior to this year, asphalt was imported in drums, the cost of drums alone accounting for 32 per cent of the price.

Special Products

Of importance to Maharashtra was the formulation of special products for the vital and vast sugar industry. Special efforts were made to supply the right kind of petroleum products to meet the industry's exacting demands.

Esso's Nagpur office was the first to hold an asphalt symposium. The Bombay office has regularly held asphalt symposiums for the technical staff of the Bombay Municipal Corporation. In addition, Esso organised training sessions for the Maharashtra State PWD. The first bulk asphalt depot in Maharashtra was installed by Esso at Parli-Vajinath, to modernise the supply of asphalt on a quicker and easier basis.

The refinery has provided the nucleus for an industrial complex which

MOTOR SPIRIT (GASOLINE) CONSUMER PRICE AND TAX ELEMENT

(In Bombay City per 5 litres)

Date	Consumer Price minus Tax and Duty Element In Rs	Tax and Duty Element In Rs	Motor Spirit Consumer price in Bombay per 5 litres inclusive of Tax and Duty In Rs	Tax and Duty as a percentage of Consumer Price
1-1-56	1.40	1.49	2.89	51.6
13-5-57	1.47	1.48	2.95	50.2
17-5-57	1.46	1.78	3.24	54.9
20-5-58	1.30	1.94	3.24	59.9
1-10-58	1.31	1.97	3.28	60.1
1-4-60	1.21	2.08	3.29	63.2
13-4-62	1.03	2.26	3.29	68.7
1-7-62	1.03	2.36	3.39	69.6
2-3-63	1.03	2.98	4.01	74.3
6-10-64	0.79	3.22	4.01	80.3
18-2-65	0.79	3.27	4.06	80.5
1-4-68	1.13	3.79	4.92	77.0
1-7-69	1.13	4.13	5.26	78.5
1-7-70	1.10	4.67	5.77	80.9

includes diverse industries such as manufacture of barrels, gas cylinders, plastics and chemicals; thus augmenting employment opportunities in the State.

Literally, hundreds of smaller entrepreneurs have moved into Trombay. Stores, shops and branches of leading banks do a thriving trade. Well-planned housing colonies are a pride of the State and new colonies have been constructed following the example set by the Esso Refinery housing colony. As they say, confidence is contagious, and Esso's pioneering steps in putting up the refinery provided incentive to other enterprising businessmen to invest men, machinery and money in the area.

Local Manufacturers

It was the encouragement given by Esso which prompted scores of small and medium sized manufacturing companies to take up new lines of production, in the process saving valuable foreign exchange. There have been some striking examples of the effort which had gone into developing local substitutes.

For instance, to encourage a new line, Esso offered help to a Bombay firm in 1960 under a five-year programme sponsored by the Government of India. Today, the dispensing pumps at Esso's retail pumps are made by Larsen &

Toubro, from ninety per cent indigenous components. Another firm which first started out fabricating tank trucks now produce such sophisticated items as aviation refuellers. Recently, it undertook the construction of the largest storage tank ever built at the Esso Refinery, complete with a floating roof. In the past, such contracts were handled only by foreign construction firms.

By demanding the highest quality products, Esso succeeded in raising the market value of Indian goods which can now compete with products from some of the most advanced countries of the world. This international character of Esso's business has always been the soundest guarantee of better products, Methods and techniques of marketing and management.

International Firms

It is sometimes felt in the developing countries that international, or multinational, companies may have great powers which escape control, and they can act without regard for the interests of host countries.

It is also often suggested that host countries should take some action to protect their interests, either by directly restricting the activities of the inter-

national companies or by providing special assistance to local companies to ensure their continued profitable life. This would be a most costly and unnecessary venture for India or any developing country to embark upon, reason being that such actions would tend to deny a forceful mobility which is really second nature to any international business.

Independent countries which fear international companies underrate their own national strength. International companies are well aware that they must respond to the needs of the host country. They know that the success of their operations depends on how well they adapt to prevailing conditions in host nations.

Esso has played its part in the growth and development of Maharashtra and India. It is quite natural then for it to be given an opportunity to serve the state and its people better, which is possible only if it is permitted normal unhindered growth.

In a democracy such as ours, there is room for both the sectors and it will be in the interest of the economy and the consumers if the private sector is allowed to expand. In countries which have encouraged private sector and healthy competition, the oil industry presents a scene of impressive expansion.

Tatas' Contribution to Bombay

A CORRESPONDENT

THAT TATAS have come to be recognised the world over as among the foremost industrial houses of India that it would seem to be doing them injustice to talk of their interests in the State of Maharashtra alone. Yet, it is not without significance that Bombay House, the name of the building in which the head offices of most of the Tata organisations and enterprises are located, is in Bombay, in a centrally located street, just on the other side of which is Central Bank (one of the fourteen nationalised banks) also an enterprise originally set up by the Tatas.

Bombay had very long ago come into the industrial picture of India not merely because it was the most important port on the west coast, its natural qualifications for that position being historically well known, but also because the west coast of India was bound to be first influenced by the new influences coming from the west with the beginning of the connection with Britain. Rather, Bombay had come to represent, even during the British regime, the centre of things in economic matters, whatever

might be the tensions that were faced in political matters. Not that Bombay ever was behind in the national struggle for independence; in fact, the industrial houses based in Bombay had always perceived the importance of political independence even for economic advance, and among the men of vision who had a clear foresight of the inevitable independence could be placed the House of Tatas. The links of this house with the national struggle, and, therefore, also with the Indian National Congress, were boldly forged and openly enough too.

It is not without significance that, within about a quarter of a century of political independence, the House of Tatas have once again been obliged to give the lead to a campaign for modernisation and technological advance, without which no economic advance of enduring capacity is likely to be made possible at all. Politics of a developing country cannot be put into academically defined categories. But the logic of development processes could not be missed either and, with the great support

of the enlightened leaders of the political struggle, the business community could identify themselves with the need for planned development. Thus came about the famous Bombay Plan, also referred to quite significantly as the Tata-Birla Plan of 1944, with one of its authors becoming the first member of the Viceroy's Executive Council for Development and Planning, Sir Ardes-shir Dalal.

The essence of the growth of Tata concerns is the fact, not missed by any one familiar with the economic history of this country, that the apparently long gestation period associated with heavy industries was not only not anathema to them but was a positive challenge that should only be accepted. The initiation of the Tata Iron and Steel Company with the works located in Bihar, in the midst of a geographical area hardly conducive to modernisation at the turn of the century, could only have attracted an industrial house which had more confidence in the distant future than about commercial considerations for the near future. The

government of the time was hardly likely to be particularly favourably disposed towards a national enterprise of the kind that Tatas were brave enough to get busy about establishing, but it is not necessary to go into the early tortuous history of that company.

Bombay does not have a clearly defined political colour and, yet, the deep influence of modernisation as an inevitable process in history owes not a little to the almost never ending assistance to it from the House of Tatas. Bombay thus inevitably ranks for first mention among the cities of India where the Tatas had a direct influence with the people and this also underlines the fact that the most volatile and perhaps even volatile leftist has a separate word of honour for the House of Tatas.

Public Image

That the Tatas have a public image that is at once both respectable and abiding is due to the fact that, in the administration of their ventures, they always gave preference to men of vision and administrative and other functional abilities rather than to men who could only be convenient. This characteristic feature of the House of Tatas has remained largely unalloyed to this day. In fact, it is worth mentioning, when the government decided to have the external air service's under a nationalised organisation, the government under the leadership of Jawaharlal Nehru did not have to choose the man for the chief executive's position. It was obvious it could only be Mr J.R.D. Tata (who at about 70 today remains as youthful and confident of the future as Jawaharlal was throughout his life). That Mr Tata did not hesitate to accept the assignment speaks volumes about the accents in which his and the House of Tatas' economic philosophy had come to be understood by all those who knew that the economic development of this country could scarcely be taken up with any ideas of exclusive monopoly of wisdom in any doctrinaire philosophy. The fact of the development of the House of Tatas since independence being closely associated with government agencies and institutions is also a measure of the sense of responsive co-operation that this major industrial house has throughout offered to the efforts of the government.

In what is now the State of Maharashtra, the Tatas took a pioneering interest in the generation and transmission of hydro-electric power and later added a thermal power unit too. At the advent of independence there had already come into existence a Tata power system. This is, again, an instance to vouch for the comprehensive nature of the industrial outlook developed and acted upon by the Tatas. The support

that came to these ventures from the investing public in a consistent manner was something which helped them to plan for ventures which could hardly be planned on the strength of their own resources, vast as there were.

Side by side with the development of a structure of manufacturing industries, it was inevitable that a string of service industries had to be planned too, as also a few research institutions, all of which have now grown into national importance. Of these latter, especial mention must be made of the Tata Institute of Fundamental Research. Perhaps the emphasis on "fundamental" here was placed without any relation to latter-day controversies about private industry never being seriously enthused with such research. Tatas have generally evinced interest in such fundamental research and the only guiding factor here was the availability of resources. When resources were seen as likely, there was no hesitation to make commitments in this field. There is also the Tata Institute of Social Research, another pioneering field, and here, again national importance was bound soon to be attached to the institution founded by the Tatas.

Social Conscience

A touch of philanthropy could be seen in the creation of Sir Ratan Tata Industrial Institute, but there is no institution set up by the Tatas which does not truly represent the social conscience that has been evolving as almost a matter of course. The modernity in the composition and management of these institutions remains a source of inspiration for similar institutions both here and abroad. In fact, the element of sophistication that has gone into these institutions marks them out as institutions that work beyond the confines of immediately felt needs which might have in the first place justified their being set up. For instance, the Tata Memorial Hospital for Cancer that has been a gift of the Tatas to the country is no small matter, though the dread of this disease in this country is probably less serious than in many advanced countries.

Mention of the unfailing urgency with which the house of Tatas have offered help and succour whenever national calamities occurred is only to keep the record complete, but it can be also said that even in such matters there has been observed almost as a rule a touch of comprehensive wholeness that could have been considered difficult of achievement in the hurry with which such help is usually rendered. In fact, the manner in which the Tatas planned the construction of a series of houses for

the people affected by the disastrous earthquake in Koyana in 1967 still remains an example of quick action along with effective planning. Or, for that matter, how can any one familiar with the House of Tatas forget the planning of a whole village by them for the exclusive use of blind people, the blind themselves performing all the deeds and all the work? If the Tatas had believed in the efficacy of the human being even with the power of vision removed, the apparently visionless have also rehabilitated themselves with a measure of self-confidence that is an example for others similarly handicapped.

The standards of management of industrial enterprises as well as innumerable trusts for high education and research and other socially oriented organisations which the House of Tatas have so thoughtfully brought into being are invariably of the best that could be developed in any developing country.

Maharashtra today represents one of the industrially advanced states of

TATA COMPANIES OPERATING IN MAHARASHTRA* (Selected Statistics)

*(a) The following companies which have all or some of their factories in Maharashtra Region have been included:

- (1) Tata Press Ltd. (2) Lakme Ltd. (3) Tata Mills Ltd. (4) The Swadeshi Mills Ltd. (5) NELCO. (6) Tata Power Co. (7) Tata Hydro Power Co. (8) Andhra Valley Power Co. (9) Tata Oil Mills Co. (10) Tata Merlin & Gerin Ltd. (11) Industrial Perfumes Ltd. (12) Central India Mills Ltd. (13) Voltas Ltd. (14) Indian Hotels. (15) Tata Fison.

(b) The figures do not include Telco Factories situated at Poona.

	1969-70
	Rs Crores
(1) Total value of output of the Tata Companies situated in Maharashtra	151.77
(2) No. of employees in the factories of Tata Companies in Maharashtra	34,562
(3) Taxes paid by Tata Companies in Maharashtra:	
(a) Municipal Taxes	0.45
(b) Sales Tax	2.66
(c) Excise Duty	6.12
(d) Corporate Taxes	0.44**

**Excludes Tata Oil Mills

the country with largely a pattern of politics that conforms to the requirements of a country keen on development rather than on acquiring reputation for a particular colour associated

with one or another kind of political dogma. This development is in no small measure due to the deep concern evinced by the House of Tatas for a measure of cosmopolitanism which is neither

religion nor political philosophy, but essentially a way of life that can absorb the best of the cultural achievements made by man anywhere in the world without any discrimination.

MUSCO's Gift to Maharashtra

A CORRESPONDENT

FEW OF US realise when we ride a car or a train or, for that matter, an aircraft, that some of the basic and indispensable components or parts such as crank shafts, driving gears, connecting rods and so forth of such vehicles are made of alloy steel as are parts of 2-3 wheelers, tractors, dairy equipment and hundreds of different kinds of machines. The application of alloy steels is very wide and it is found to be largely used in the manufacture of parts and components of not only automobiles but also of machine tools and even defence equipment such as transmission parts for tanks, shells, pins, dowels, stops, etc. The end-uses of alloy steels run into hundreds and one could very well fill this entire page with the various uses to which it is applied.

Strategic Importance

Alloy and special steels are of strategic importance and the use of an extremely crucial nature in the production of vital parts and components of automobiles, diesel engines, aircraft, oil and marine engines, tractors and agricultural equipment, machine tools and so forth. Unless the country undertakes to manufacture increasingly such strategic and intermediate raw materials as alloy and special steels, it would have to increasingly depend upon imports at a heavy cost in foreign exchange, especially at a time when import displacement is the prime need. The Khopoli Alloy Steel Plant of Mahindra Ugine Steel Company (MUSCO), which was conceived in 1963, came into existence in answer to such a vital demand. Without any exaggeration it could be said that industrial units such as the Khopoli Plant occupy a pre-eminent position in the industrialisation of the country.

Over the past 50 years or so the consumption of alloy steels has increased considerably as a proportion of total steel consumption. This is on account of the inherent superiority of alloy steels over mild steels. The physical properties of this metal which make them superior to other steels are basically their good wear resistance capable of withstanding shocks and fatigues, longer life, greater safety and less maintenance. These are the reasons for their increased consumption in the automotive industry. Their properties score over those of

ordinary steels even in respect of long-range economy both to the industry as well as to the country. Consequently, increased consumption of alloy steels in various consuming sectors has led to high strength weight ratios that vastly improve the life and guarantee the superior performance of parts or components made of alloy steel. The transition from ordinary steel to alloy steels is too well manifest to need elaboration.

Product Mix

Musco's Khopoli plant with a wide range of product-mix from carbon steels to stainless steel is located almost midway on the Bombay-Poona road, nestling in the foothills of one of the chains in the western ghats. The place is breathtakingly picturesque. The plant was located there for such reasons as are well-known to experts in industrial location and not just because of the hills, woods, brooks and streams in which it no doubt abounds. The plant has ample power and water so vitally essential for steel production. In fact, Khopoli came into limelight in 1910 when Tatas established a hydro-electric power station, storing the rain water in the mountainous area and harnessing it for generating hydel power. The soil is rigid. And it is easily accessible by road or rail from Bombay. What is equally significant, skilled manpower is not difficult to come by. It should be said by way of a tribute that the local folks of Khopoli possess a healthy growth mentality. They are a progressive lot. Thus, having been bestowed with the necessary infrastructure, which other industrial areas lack in an equal measure, it is only befitting that Musco's alloy steel plant happens to be located at Khopoli, as are the industrial units of a number of other organisations. So much so, the sleepy village that it was a few years back has now been transformed into a bustling, if not a noisy industrial township, turning out products as diverse as paper, chemicals, pharmaceuticals, germicides, oil, wax, steels, pig iron and textiles.

One of the very first organisations to grasp the significance of the alloy steel industry to the country's development was the House of Mahindras. It was, thus, that Mahindra Ugine Steel Company Limited was the offshoot of the

collaboration between Mahindras and Ugine-Kuhlmann of France. No introduction to the Khopoli Plant would be complete without, at the very outset, making a reference to Monsieur Rene Perrin, the inventor of the Ugine-Perrin Process. In a way, it was the vision of Monsieur Perrin that was responsible to a certain extent for sponsoring the Alloy Steel Plant at Khopoli. Ugine of France is a by-name in the world of Alloy Steels. They manufacture Electro-Metallurgical and Electro-Chemical Products, specialising in Tool, Alloy and Special Steels and in particular Ball Bearing and Stainless and Heat Resisting Steels. Ugine also manufactures a wide range of other products such as ferro-chromium, aluminium, titanium, zirconium, sintered products, magnets etc. In 1966 Ugine merged with Kuhlmann and Products Azotes.

Alloy Constructional Steel and Tool Steel are the principal manufactures of the Khopoli Plant. The main use of Alloy Constructional Steel is in the manufacture of parts and components of automobiles, machine tools, tractors, and parts of aircraft, tanks etc.

Musco produces over 140 grades conforming to Indian, British, German and American Standards. A high standard of quality of the products is maintained through stringent quality control methods.

Wholly Indian-manned

It is a matter of pride that the Khopoli Plant is manned entirely by Indian personnel since its inception. It provides direct employment to over 1,200 people. The Plant has four main divisions, viz. Steel Melting, Forge and Conditioning, Rolling and Heat Treatment and Finishing Shops. The Steel Melting technique employed at the Plant exploits the world famous "Ugine-Perrin Process" for refining steel. The process of pouring molten metal into the ladle containing molten slag enables steel-making to be automatic and renders the operation reproducible. It reduces considerably the refining time. The Perrin Process helps production of completely homogeneous steel. Under the conventional process of Alloy Steel making pedigree scrap needs to be used whereas in the Perrin Process the use of

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pergaon and Shrirampur Taluka as well as in Kutch. The institutions assisted by the trust are the K.J.S. College of Arts and Commerce, Kopargaon; Jethabhai Thakershi High School, Shrirampur; K.J.S. High School, Belapur; and Malunja Primary School, Malunja, Shrirampur and 15 Primary Schools in Kutch and Gujarat.

In Bombay, Somaiya Vidyavihar plays a significant role. While Bombay is a centre for learning and is the seat of Bombay university, the city sadly lacks campus environment. The Vidyavihar society is trying to fill this gap in a small measure by providing campus atmosphere for its institutions at Vidyavihar, near Ghatkopar.

The K.J.S. College of Arts and Science, founded in June 1960, has 1,600 students on its rolls. It has initiated special efforts at national integration by the study of different Indian

languages and some foreign languages. It has Gita and ethics in its regular timetable and starts daily sessions with common prayers.

The trust also founded the Junior College of Education, the "Adhyapan Mandir" in June 1962. It is the only institution of its kind in the state, providing instruction in four media viz. Hindi, Gujarati, Marathi and English.

In August 1963 came the Polytechnic providing diversified courses in all branches of technology. This institution is also unique as it is the only institution in Western India which has such courses as provide practical training in industry in between theoretical studies in the institution. Consequently it has the largest number of students on its rolls in the state.

There is also the secondary school,

Vinay Mandir, experimenting with three-language formula to promote national integration. Very soon, a temple is also going to be constructed on the campus where discourses on Gita, Mahabharata and Ramayana will be regularly held.

Besides, a large number of scholarships in the form of books, tuition, fees, etc. are given freely to the needy and deserving students. A few scholarships are also given to students proposing study abroad. Help is also rendered by way of relief measures to people affected by floods, quakes, etc. and only last year the entire village in Gujarat was reconstructed and donated to the people.

"Man does not live by bread alone". It will not be difficult to see that in many cases sugar industry has not confined its attention only to its item of production. "Not sugar alone"!

New Bombay - The Twin City Project

J. B. D'SOUZA
Managing Director, CIDCO

THE NEW Bombay project has undoubtedly aroused a great deal of interest not only in Bombay city, but also in the rest of the country and even abroad. Whoever one goes, one is asked the question as to how the Twin City is progressing, and attitudes to it range all the way. There is the pessimist who is sure that nothing will ever happen on this project; one columnist wrote that the foundation stone would be laid by the present Chief Minister's grand-son! There are next the impatient who ask whether the city is ready. There are the speculators who will take you into a quiet corner and whisper conspiratorially 'Can we buy a plot of land?' And there are the helpful ones, eager to be modern, who flood you with suggestions that the new city must have escalators and underground railways, and laundromats and numbered streets (obviously a reaction from the wholesale renaming of streets that has happened in Bombay city).

Many of the several attitudes spring from Bombay's shortcomings, and how many they are! There is a shortage of water, of living space, of recreational space, a lack of sanitation and hygiene, of adequate medical care, of transport and even of fresh air: we are all aware how polluted Bombay's air has grown in the last few years.

To grapple with Bombay's shortages is a losing struggle. Like Alice in Wonderland you have to run faster and

faster simply in order to keep still, and the effort to run faster is often beset with difficulties created by the ever-strengthening forces of disorder. You soon come to a conclusion that there is really no hope for Bombay unless there is a real breakthrough, a departure from the frustrating series of efforts to "Improve Our City" or "Keep Bombay Beautiful" that good citizens regularly launch in Bombay. Useful as they are, these experiments peter out as regularly, having accomplished marginal changes that do not even begin to overtake the inexorable process of deterioration.

What Bombay needs, then, is a total change of direction, a new strategy. This is what the Twin City project offers.

Some Features of the Project

Let us look at a few features of the New Bombay project. The city will lie across the harbour from Bombay, in a 130 sq. mile triangle formed by the towns Panvel, Uran and Thana. Facing Elephanta island there will be a brand new port, with much better facilities than Bombay can offer. The port will be equipped to handle bulk cargo and container cargo, and there will be a channel to it so deep that it will take much larger vessels than can reach Bombay. But there are also two large industrial areas, one in the Thana-Belapur strip and the other near Taloja.

Both these areas are being looked after by the MIDC. Then there is the new Thana Creek bridge which takes off from Trombay and connects the Thana-Belapur strip of the new city to Bombay. This bridge will be ready in the middle of this year. It leads to the new highway which connects the Bombay-Poona road, and which should be ready in 1972. Besides these features, there is a railway which runs from Diva to Panvel and then to Uran. These are new lines, laid only a few years ago.

The land in New Bombay is largely agricultural, salt pans and marsh. The entire area has been notified for acquisition by Government so that the prices have been frozen at the level of February, 1970.

In the old days, town planning used to be a simple process. Planners simply drew a number of perpendicular lines, and painted the rectangles they enclosed in different colours to indicate different uses of the land, such as industry, housing, etc. The transportation system then grew out of the road pattern that they had designed. Today, no self-respecting planner will be content with a simple brush-and-foot-rule operation of this kind. Before he starts work on a plan there are a number of complex questions he will ask, some of them involving chicken-and-egg problems to which there is no easy answer. For instance, it is impossible to prepare a zoning and land use plan unless the

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transportation system is known; and yet the transportation system cannot be designed without reference to a land use plan. Similarly, densities depend on services and *vice-versa*. To perform their functions the planners want masses of facts and figures on the various forces that operate in a city. The early stages of planning are really a series of questions. There is, first, the question; why have a Twin City? To which the simple answer about Bombay's ills will not do. There has to be a study of the costs and benefits of Bombay's development with and without a twin city.

Another set of questions the planners ask relates to the population; e.g. how many people will fall into the various age groups. This they want to know in order to plan the number and kinds of schools, hospitals, parks, etc. They also want to know how the wealth and income are distributed, so that the pattern of transportation and the transportation system as well as the types of housing, can be properly designed. Planners in earlier days did not ask so many of these complicated questions; today, planning has become largely a series of questions.

Essentially, New Bombay's planners are trying to visualise the city as it will be at two or three different future dates, 5, 10 and 30 years from now. To do this they need a number of careful surveys of existing conditions, trends and forces and a consideration of the

governmental policies that could affect urban conditions. Consequently, several studies have been initiated on the respective facets of the project.

For example, an effort to determine a rational policy for the location of various types of industry in the entire State of Maharashtra requires an understanding of their needs of raw materials, transport and markets, their links with other industries. This is one of the major studies now under way. Once a state-wide location pattern is adopted, it will be possible to decide on the kinds of industries that New Bombay should have.

A detailed study of the soil characteristics of the project area, which is also in progress, will help in the allocation of land to various uses, in the alignment of railway lines and roads, and the siting of buildings. Simultaneously, the extent of existing environmental pollution is being surveyed, and the steps to reduce it and prevent deterioration are being worked out.

One study group is investigating the prospects of locating an export processing zone (usually referred to as a free trade zone) near the new port. Another study has already revealed that the most economical location for Bombay's second international airport will be a site a short distance away from the twin city, with the runway stretching partly into the ocean. Economies apart, this location has the advantage of keep-

ing the city free from the intolerable noise that future jet aircraft will produce.

These are some of the studies that the project's planners have initiated; there are, and will be, many more. For some time to come, the New Bombay project will be largely a series of questions and the efforts to answer them. On the accuracy of the answers will depend the success of New Bombay. That success will be measured by the extent to which it meets the planners' aims. Principal among these is the reduction of the growing population pressure on Bombay city by the creation of so attractive an urban area that it will attract some of Bombay's surplus population and absorb immigrants who would otherwise come to Bombay. With the strikingly dismal example of Bombay before the planners, the project also aims at a higher level of physical and social amenities for the citizens; the planners will try to minimise the glaring disparities in the amenities available to the several sections of the population. They will aim at an environment that will not itself generate stresses of the kind that Bombay's harassed citizens are so familiar with: the stresses that arise out of air pollution, water scarcity, intolerable transport bottlenecks, and the growing competition for other scarce services.

These are the kinds of goals that New Bombay's planners have set before themselves.

Decentralised Economic Planning

NARESH BAHADUR JOHRI

THE STATE of Maharashtra has remained in the forefront of industrial development. It has been observed that industrial activity in this state is largely concentrated around Bombay and Poona, which are the two largest overpopulated cities of the state. The distribution of industries in the metropolitan city of Bombay has been haphazard and has created socio-economic problems such as lack of provision of utility services in relation to the needs of the population.

Due to the concentration of industries in Greater Bombay and Poona Metropolitan Region and the consequent large influx of people every year from adjoining backward areas indicates the lack of industrial employment development in it. The Government of Maharashtra has realised the congestion problem of Bombay and Poona and has provided incentives to entre-

preneurs for locating industrial projects in backward areas.

Greater Bombay had a population of over 4.1 millions in 1961 which is now estimated to have grown to nearly 5.4 millions. If present trends are allowed to continue, the population is estimated to reach 11.3 millions at the end of the current century even according to the medium estimate of Demography Study Group of the Regional Planning Board. Bombay is already overcrowded and any further increase in its population would create chaotic conditions. It is absolutely imperative, therefore, to plan new urban facilities on a massive scale through decentralised planning in satellite towns. It will give the much required relief to the city.

The Industrial Locational Panel of the Study Group for Greater Bombay

had emphasised the need for decentralisation and had in 1959 pointed out that, "No industrial units should ordinarily be allowed in the city, exceptions being made only in cases of industries processing large quantities of imported raw materials mainly for export of finished products or specially dependent on port facilities or inseparable ancillary to the existing units catering to the needs of other industrial units required to be in proximity of that unit. Such units should, however, be allowed only in industrial estates or zones in the island". Likewise, in respect of establishment of industries in the suburban area of Greater Bombay also, it recommended: "We feel that those industries which can conveniently establish themselves outside Greater Bombay should not be allowed to be established even in the suburban units".

In the development plan for Greater

Bombay, the following policy was enunciated and recommended for adoption:

1. No new large-scale industrial units employing more than 50 persons in industrial activity should be permitted in Greater Bombay unless the same is necessary adjunct to an existing industry, an industry entirely depended on the port for its operation or service type of industry catering for the consumer needs of the population.

2. No new industry employing more than 20 persons in industrial activity should be permitted in the city unless it is a service type of industry in which case the number of persons should be restricted to 50.

3. All available lands in industrial zones in the city including those in the Wadala Salt Park reclamation should be allowed to be developed by shifting the industrial units from their present non-conforming locations and for storage purposes.

The stricter policy followed by the government and the difficulty of securing large pieces of land at a low price in Greater Bombay induced a number of industries to be established outside Bombay.

To assist in this task of taking industries outside Greater Bombay, the government established the Maharashtra Industrial Development Corporation which acquired and developed land for industrial location and ancillary purposes. As the result of the activities of the Maharashtra Industrial Development Corporation, industrial centres have developed all along the Bombay-Poona belt. Industries at Thana and surrounding village at Kalwa and Trans-Thana area; Dombivali and Kalyan, are not in the real sense decentralised industries.

Cross Communication

Due to the large volume of cross communication and transportation between these minor industrial centres and Bombay, all these locations are really a part of the same enlarged agglomeration. It is easily identifiable by the continuity of development along the communication units and cross complex communication between these centres and Bombay. Water source, too, is common. These industrial centres, therefore, can be appropriately considered as peripheral outgrowths or linear extensions of Bombay.

While facilities for industrial development have been provided by the Maharashtra Industrial Development Corporation, corresponding develop-

ment of civic and social amenities were not taken care of with the result that congestion in Bombay has further increased. It is interesting to note that in Thana, the land that was left available for residential development cannot be provided for even the working population that is employed in the factories in the area. Slums have naturally developed all along the area with conditions worse than Greater Bombay. A similar development was taking place in the Poona area with industries developing in Pimpri and Chinchwad areas.

It is this lopsided development that has focussed the attention on the need to plan an integrated development of the whole region and not just an urban centre as was originally visualised by the Maharashtra Town Planning Act of 1954 under which many towns in Maharashtra were already preparing town plans. Thus, in Maharashtra there is need for the creation of new towns so as to check congested urban growth. Realising this, the Maharashtra government has rightly given due considerations to regional development programmes so that rural-urban integration and balanced development may be ensured.

Lower Incomes

In Maharashtra except for Thana, Poona, Sholapur and Nagpur, which are relatively high up in the scale of industrial and urban development, there are many districts whose per capita output is lower than the average for the state. According to the Techno-Economic Survey of Maharashtra by the National Council of Applied Economic Research, the districts of Ratnagiri, Satara, Sangli, Chanda, Kolaba and Marathwada are specially poor. They have very low level of urbanisation and none of them has any industrial activity worth the name. The per capita net output in these districts is determined primarily by the productivity of land and the density of population. In Ratnagiri, though the per acre output is quite high, the high density of population depresses the per capita income. In Satara and Marathwada districts, favourable land ratio is offset by the extremely low productivity of land.

The Maharashtra Administrative Reorganisation Committee has studied this problem and has suggested ways and means of tackling it. According to this committee, the over-crowding in Bombay city has reached such a level that it is a wonder how the economically weaker classes of people can lead a normal life. The squalor, misery and ill-health of the people living in the slums cannot be imagined.

The efforts made by the Municipal

Corporation to remove slums have made little progress. Apart from the immediate problems of providing accommodation within the means of those living in slums, there is great reluctance on the part of these people to shift to a different place far from their place of work, as they have to spend time and money in journeys to and from their places of work.

The main reason for the large-scale immigration to urban areas is the existence of employment opportunities in these areas. Cities have tended to attract industrial enterprise owing to the various advantages they offer such as easy means of communication and transport, adequate supply of electricity and other amenities which are lacking in rural areas. The increased demand for housing has led to spiralling land prices. Speculation in land prices, largely with the help of unaccounted money, has also contributed to making housing costly. The inevitable consequence has been the growth of slums.

Integrated Development

The Maharashtra Administrative Reorganisation Committee has observed that hitherto attention has been given to the planning of cities and towns. For integrated development it is necessary to devote attention to villages also. The committee recommended that a town and country planning council should be constituted for the whole state. The council should be a body representing various departments and local bodies and should include persons having special knowledge or experience of problems relating to town and country planning. The council should lay down a policy for location of industries, existing as well as new, and for the provision of basic amenities.

Control of urban immigration is not a practical proposition as the Constitution gives the right of free movement. But it is possible to prevent further accentuation of the problem of overgrown cities by discouraging commercial, industrial and administrative building activity on a large scale within the existing city areas and by giving incentives to new industrial enterprises to be established in new areas. In this respect the measures adopted by the Government of Maharashtra to secure dispersal of industries and build up an agro-industrial economy are steps in the right direction and deserve to be considered by other states having similar problems.

Though dispersal of industry to reduce the overcrowding in the Bombay-Poona complex is one of the basic po-

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licies of the Maharashtra government, progress made in this direction has, however, not been very satisfactory. Various incentives have been given to entrepreneurs. But somehow there has not been even a fair response to it.

Recently the Maharashtra government modified the package scheme of incentives announced in 1964. According to the new scheme, the special incentives, which were available only to 55 industries, could now be made available to all types of new industries (whether in the private, co-operative or joint sector) to be set up in under-developed areas. These incentives would be for a period of six years after the industrial units go into production. Again, under the new scheme, units set up in the

under-developed areas could avail of a part of finance as loan from the state government. The loans would be interest free to the extent of sales tax paid by them on raw materials purchased and the finished goods produced by them during the first six years of production.

While these steps are being taken, there is a report that the state government has taken a decision to relax the ban imposed three years ago on the expansion of industrial units in the Bombay - Poona region. To begin with, the state would allow the expansion of industrial units in the region provided they had the adequate adjacent land for expansion and did not need additional water supply immediately.

The government has been prompted to take this step because of the tendency on the part of many industrialists to move to neighbouring states such as Gujarat and Mysore, taking advantage of the improved concessions and facilities given by these governments. The Vapi Industrial Estate in Gujarat has proved attractive to industrialists since the Government of Gujarat is stated to be keen on developing it as one of the most modern industrial estates of the country. So it looks as though the "dispersal of industry" would just remain a slogan and a pious wish. Something concrete needs to be done in this connection so that the economic prosperity of the state in the coming decades is ensured.

Labour Movement in Maharashtra

V. B. KARNIK

FOR QUITE a long time labour movement of Maharashtra was restricted mainly to the city of Bombay. The city is still a strong centre of the movement. But it has spread far and wide all over the state. A number of new industrial centres have developed and the movement has made its appearance in all those places. It has also penetrated into rural areas as will be evidenced by the organisation, amongst others, of sugar mill workers, handloom weavers and workers of the Public Works Department. Primary school teachers in villages and employees of local bodies and Zila Parishads have been also drawn into the movement.

The movement has a long history behind it. It began about 80 years back with a demand for improvement of the Factories Act of 1881. Mr N.M. Lokhande organised in those days a couple of meetings of workers and forwarded in 1890 a petition signed by about seventeen thousand workers putting forward demands for a weekly holiday and a half-hour's mid-day recess. In the last decade of the century there were many strikes of textile workers protesting against inadequate wages and harsh practices of supervisory officers. Strikes took place, however, without any regular and formal organisation of workers.

In the first quarter of the twentieth century, Bombay became the centre of the labour movement of the country as a whole. It was chosen the venue of the founding conference of the All-India Trade Union Congress which was held in October, 1920 under the Presidentship of Lala Lajpat Rai.

Bombay had earned that honour by a series of well-conducted strikes of a variety of workers that took place in the city from 1916 onwards and by the number of trade unions that had developed thereafter. It had more and better organised trade unions than any other place in the country.

The factor which may have weighed most in making the selection of Bombay may have been possibly the fact that it contained a galaxy of hardworking, devoted and responsible trade union leaders. Prominent amongst them at that time were Joseph Baptista, Jamnadas Dwarkadas, S.H. Jhabwala, F.J. Gindwala, S.K. Bole, R.S. Asavale and N.M. Joshi. That has since then been the strong point of Bombay and Maharashtra.

In the early days there was little distinction between the labour movement and the national movement. Leaders of the national movement were also leaders of the labour movement. The latter was essentially a humanitarian movement and everybody was prepared to help it. That can be easily seen from the type of people who were associated with and involved in it. It is only at a later date that it assumed a distinct class character. The communists are mainly responsible for giving it that character and for taking it away from the national movement.

At one time the communists were pretty strong in the labour movement in Maharashtra. With their theories of class struggle and class war they imposed upon the movement the tactics of constant conflict. According to them, there could never be any understanding

or compromise between workers and employers; workers must wage a ceaseless and unremitting struggle against the capitalist class. Perpetually engaged in a war of attrition, the communist labour movement could never undertake any constructive work of welfare or education. Workers soon got tired of the communist leaders with their constant calls for strikes and struggles and they sought and secured other leaders. This phase of the communist domination of the labour movement lasted for about a decade from about 1928 to about 1937.

A new phase in the labour movement began after the formation of Congress ministries in 1937. It continued throughout the period of the second world war. It became established on a firmer foundation after Independence. There was a basic change in the attitude of the government. It adopted an attitude of sympathy towards the demands of workers. It prevailed upon employers to consider them in a sympathetic manner. It provided a machinery for the early settlement of disputes. Simultaneously it adopted a number of welfare measures. This change in the attitude of the government had its effect upon the attitude of employers. They began to pay more attention to workers' demands and grievances. And the more enlightened amongst them ceased to regard trade unions and the labour movement as hostile organisations.

The labour movement responded to this new situation by making appropriate changes in its tactics, strategy and organisation. Trade unions became

attempts in this direction were made in our country in the latter half of the nineteenth century. The first legislation attempted in this direction was the Employers Workmen's Disputes Act, 1860, which was passed as a result of certain riotous acts of the workmen of the railway contractors in the Presidency town of Bombay resulting in the death of one of the contractors. The Act provided for specific remedial measures necessitated by the events which led to the passing of the Act and provided that all workmen who had undertaken to execute any work or to work for a stipulated period and refused to perform it would be subject to penalties.

Feeble Attempt

The Indian Trade Unions Act, 1926, made an attempt, though feeble, to formulate certain principles of general application aimed at ushering in an era of constructive and healthy trade unionism in India on the lines it was developing in western countries. For the first time, it was recognised that workmen had a right to organise, and trade unions, which were granted a legal status and were entitled to be registered as corporate entities, was guaranteed this right. The Act also made a departure from the principles of common law by granting immunity from civil and criminal liability to trade unions for calling strikes in breach of contract. Although the Act was put on the statute book with laudable objectives, much of its effect was really not felt as the Act did not contain any provision by which employers could be compelled to recognise and deal with trade unions which had been registered under the Act. This lacuna in the Act was highlighted by the Report of the Royal Commission on Labour (1931) which pointed out that, without such a provision much of its utility would be lost.

A number of strikes during the period 1920-21 led to the formation of works committees and representative committees to examine the question of establishing a machinery for the settlement of industrial disputes and alleviating industrial unrest. Such committees were appointed in Bengal in March, 1921 and in Bombay in November, 1921, and it is to the credit of the Bombay Committee that it advocated the establishment by all states of industrial courts. The matter was pending before the government until a severe strike in the Bombay Textile Industry in 1926 prompted the Provincial Government to move in the Legislative Council a Bill. This, however, was withheld at the instance of the Government of India, which circulated, in the same year, a Bill modelled on the lines of the

British Industrial Courts Act. It was only in the year 1929 that the Trade Disputes Act was enacted borrowing fresh ideas in the British Industrial Courts Act. This Act provided for the first time for a reference of a trade dispute to Courts of Enquiry or to Board of Conciliation which were established under the Act. The Courts of Enquiry were to consist of one or more independent persons who were required to enquire into and report on the specific matter referred to them, while the Board of Conciliation was to consist of an independent chairman and members who could be either independent or representatives of parties to the dispute. It was the duty of the Board to endeavour to investigate the dispute primarily with a view to effecting a settlement and, secondarily, with a view to enlightening the public regarding its merits. The Act also contained provisions which made lightning strikes or lock-outs in certain public utility services illegal and punishable by fine or imprisonment. The Act contained several provisions aimed at the prevention of general strikes. It cut fresh ground in the field of industrial relations and its provisions were invoked on several occasions, particularly in Bombay for appointment of Courts of Enquiries in connection with the prolonged general strike in the Bombay Cotton Textile Industry. The Act was apparently put on the statute book with a certain amount of trepidation and doubt, wherefore the stipulation it should remain in force for a period of five years.

The Royal Commission

The Royal Commission on Labour (1931), considered the working of the Act and made several valuable comments and indicated guidelines for a statutory machinery permanently to deal with trade disputes. It was as a result of the recommendations of the Royal Commission that the Trade Disputes Act, 1938, which empowered Central and Provincial Governments to appoint Conciliation Officers to promote settlement of trade disputes, came into being. The scope of the term 'trade dispute' was extended to include disputes between employees and employers or between employees and employers. It was also made applicable to public utility concerns, including water transport and tramways. It also slightly softened the rigour of some of the provisions concerning illegal strikes and lock-outs.

Until 1938, the law concerning industrial relations was evolving rather slowly, but its importance was driven home with the outbreak of the second world war and the economic conditions which that war brought

in its wake. For it became imperative than to maintain industrial production at the maximum level without interruption on account of industrial disputes entailing strikes and stoppages of work, and the Government of India was compelled to exercise its powers under the Defence of India Rules, 1942, to regulate the outbreak of strikes and work stoppages. Rule 81A of the Defence of India Rules, 1942, empowered the central government to prohibit strikes or lock-outs in connection with any trade dispute, to impose conditions of employment on the workmen and also to refer any trade disputes for conciliation or adjudication. Exercising this power, the government referred a number of matters for adjudication to adjudicators and was able to achieve the object of strikes, lock-outs and work stoppages and maintaining industrial output uninterruptedly at the maximum level.

State Legislation

The state of Bombay (as it then was) has the unique distinction of being the precursor of today's legislation governing industrial relations in the country. In order to overcome the inadequacies in the then legislation as highlighted by the Royal Commission of Labour, the Bombay government introduced the Bombay Trade Disputes Conciliation Act in 1934. The Act provided for the appointment of a Government Labour Officer to watch the interests of workmen with a view to promoting harmonious relations between employers and workmen and to taking steps to represent grievances of workmen to employers for the purpose of obtaining redress. The Act also provided for the appointment of a Commissioner of Labour as Chief Conciliator to be assisted by Special and Assistant Conciliators. The Act further enjoined upon the Conciliator the duty to bring about a settlement by conciliation in trade disputes and to report to the Government thereupon. This enactment was intended mainly to fill the gap in the Trade Disputes Act, 1929, with regard to the absence of a conciliation machinery and did not take the matter any further.

The most comprehensive Act providing for regulation of industrial relations in the State of Bombay, however, was the Bombay Industrial Disputes Act, 1938. In enacting this piece of legislation, the Bombay Legislature may be said to have absorbed and consolidated all the wisdom which had accrued as a result of the working of the various Central Acts. In the result, the Bombay Industrial Disputes Act, 1938 brought forth, for the first

January 29, 1971

time, several far-reaching changes in the field of industrial relations. The Act provided for registration of recognised unions which had to fulfil certain requisites of membership. The Act conferred several rights on the registered unions — and this for the first time — in connection with representing employees and acting on behalf of employees. The Act provided for appointment of Labour Officers and Conciliators in different areas or industries in the Province of Bombay and set up an elaborate machinery to ensure a remedy to workers against unilateral changes in the conditions of service. It also provided for establishment of a permanent Industrial Court to adjudicate upon industrial disputes referred to it. Further it gave protection to workers against victimisation for legitimate trade union activities by making such victimisation an offence. There was provision in the Act for negotiations of industrial disputes which could be settled by an agreement and could be registered with the authorities prescribed under the Act. It was also provided that, failing agreement, a dispute would be deemed to have arisen and the machinery of conciliation could then be invoked to try and bring about a settlement in the dispute. The setting up of a permanent Court, called the Industrial Court, to adjudicate on matters referred to it voluntarily or by the State Government was also provided for. The Act invested these Industrial Courts with powers of appeal in several cases arising from the working of the Act as also powers to interpret Awards and Agreements and pronounce upon the legality or otherwise of strikes and lock-outs.

Strikes Rendered Illegal

Strikes and lock-outs, unless the machinery for the settlement of industrial disputes had been exhausted, were rendered illegal. The right to go on strike or to declare a lock-out was severely circumscribed by several provisions. Similarly, the right of employers to bring about changes unilaterally was subject to severe restrictions; the employers had to give notice of their intention to make a change and no change could be implemented unless the machinery prescribed by the Act was fully utilised.

In 1947, the Bombay State Legislature passed the Bombay Industrial Relations Act, 1946, which was sought to be a comprehensive measure to regulate industrial relations within the State of Bombay in all industries to which the Act was made applicable. The Act was substantially along the same lines as its predecessor, the Bombay Industrial Disputes Act. It constituted several authorities like the Commissioner of Labour, Registrars,

MAHARASHTRA SUPPLEMENT

Conciliators and Labour Officers, each of whom was entrusted with specific powers to regulate industrial regulations. The Act made detailed provisions for recognition of undertakings and occupations in the industries to which it was made applicable, as also for a machinery for registration of unions. The Act was designed to encourage collective bargaining and, to achieve this end, brought into existence categories of approved unions, registered unions and representative unions which are entitled to act on behalf of employees. Representative Unions were given overriding powers, in that they were entitled to voice the opinion of the employees in the entire industry and enter into collective agreements. Representative Unions also were invested with overriding powers in respect of acting and appearing on behalf of employees in the entire industry.

Detailed Provisions

The Act has made detailed provisions in respect of constitution of joint committees, their composition and the method of arriving at agreements by discussions in the joint committees. It has made stringent provisions with regard to unilateral alterations of conditions of service by employers. In order to change the existing conditions of service, the employers are required to give a notice of change to the representative of employees and also to the employees who are affected thereby, and the changes can only be introduced if it is agreed to or if there is an agreement brought about by the machinery of conciliation or arbitration before the Industrial Court. Changes brought about without following the procedure prescribed by the Act have been defined as illegal changes which are made offences punishable with fine and imprisonment under the Act.

The Act also makes detailed provisions with regard to settling of Standing Orders for all industrial matters enumerated in Schedule I. It is also provided that the Standing Orders, once they have been settled by the machinery prescribed under the Act, would become determinative of the relations between the employer and the employees in regard to all industrial matters specified in the First Schedule to the Act. A compact machinery has been provided to help parties arrive at agreements. Where the parties are unable to arrive at an agreement in respect of changes desired to be introduced either by the employer or by the employees, they can invoke the intervention of the Conciliation Officer who is empowered to use his powers in order to bring about an amicable

settlement. If the Conciliator is unable to bring about a settlement, he is empowered to issue a certificate stating that the dispute is not capable of being settled, in which case either party, if it still desires to have the changes implemented, has the right to move the Court of Industrial Arbitration and have the dispute adjudicated.

It is noteworthy that the Act makes provision for both voluntary and compulsory arbitration in respect of industrial disputes. The state government also is empowered to make references to the two Courts set up by the state for adjudication of industrial disputes. The parties are also free to enter into written agreements agreeing to submit any present or future industrial disputes or class of such disputes to the arbitration of any person named in the agreement or otherwise.

The Act has also constituted Wage Boards consisting of equal number of persons nominated by the state government to represent employers and employees and also independent persons under the Chairmanship of an independent person. The state government is empowered under the Act to refer to these Wage Boards industrial disputes which involve permanent or semi-permanent reduction or increase in the number of employees employed in any occupation, process, department or departments, rationalisation or other efficiency system of work, wages, hours of work, etc. The parties also are given a right to make References to the Wage Boards to adjudicate their disputes.

Hierarchy Created

The Act has created a hierarchy of Courts to entertain disputes arising under its various provisions. In respect of matters of a minor nature for example, there is a Court called the Labour Court which is empowered to adjudicate such disputes as are entrusted to its jurisdiction under Section 78 of the Act. There is also another Court of Industrial Arbitration which acts both as a Court of Appeal in respect of certain matters decided by the Labour Court and also as a Court of first instance in certain disputes brought before it for adjudication either on a Reference by the State Government or by the parties. The Industrial Court is also given powers of superintendence and appeal over subordinate authorities created by statute, namely the Registrar, the Labour Court and the Wage Boards. The Industrial Court is empowered, besides, to decide all questions of law.

The Act makes provision too for the creation of a Court of Enquiry by the

districts of Maharashtra for agricultural development have a much lower rank from the point of view of banking development.

The points made out in the last two paragraphs show that deposit mobilisation in rural areas and banking development in rural Maharashtra in terms of the area, villages and population served by banking offices is not as developed as the coverage of banking centres. There is, therefore, considerable scope for more intensive banking development here.

This statistical picture of Maharashtra's banking profile must have changed beyond recognition in the four years since this study was made. It is now changing further — and very fast. Four commercial banks have been appointed lead banks for 25 districts of Maharashtra:

1. Satara	Bank of Maharashtra
2. Poona	
3. Thana	
4. Nasik	Central Bank of India
5. Ahmednagar	
6. Dhulia	
7. Jalgaon	
8. Buldana	
9. Akola	
10. Amraoti	
11. Yeotmal	

12. Wardha	Bank of India
13. Nagpur	
14. Bhandara	
15. Chanda	
16. Sholapur	
17. Sangli	
18. Kolhapur	
19. Ratnagiri	
20. Kolaba	
21. Nanded	
22. Parbhani	State Bank of India
23. Bhir	
24. Osmanabad	
25. Aurangabad	Jointly

These banks are surveying the banking potential of these districts. Even as the surveys are in progress, banks are developing organisational set-up both in the head office and at the district/regional level. It is an important part of the responsibilities of the lead banks to develop working relationships with other banks, financial institutions and co-operatives at the district level, and with district/state agencies and departments.

Once the lead bank concept is fully implemented in its true spirit, Maharashtra will emerge as the most intensively and extensively developed state from banking point of view.

SPREAD OF BANKS IN INDIA STATEWISE—1966

State	No. of Districts covered	No. of Centres	No. of Bank Offices	Centres with only Commercial Banks	Centres with only Co-operative Banks	Centres with both Commercial & Co-operative Banks
Maharashtra	25	635*	1344*	23	409*	203
All India	300	3364	8629	954	1087	1323

*Maharashtra is highest among all States.

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headache, toothache, dysmenorrhoea.

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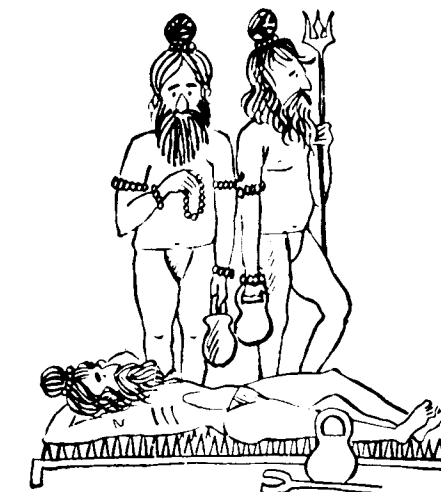
Box of 10 x 10 tablets strips

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For some people there's no cotton shortage.



People who are conspicuous by what they are not wearing, may not be affected by the cotton shortage. That leaves only about 550 million who are affected!

Is the much-talked-about cotton shortage fact or fiction? Here's the naked truth:

India's cotton production has remained stagnant for the past 5 years, but not the population. This year's crop is expected to be only about 55-57 lakh bales. The requirement is 70 lakh bales (at a

per capita consumption among the lowest in the world). Shortage is now an indisputable fact that must inevitably create an impact on a basic necessity of life.

What is the choice? If the mills are to work full steam, the gap should be filled by a time-bound import programme. Otherwise the machines have to go idle, either by a planned cut in consumption or by sporadic and large-scale closure of some 50 to 100 mills—leading to unemployment and misery all round.

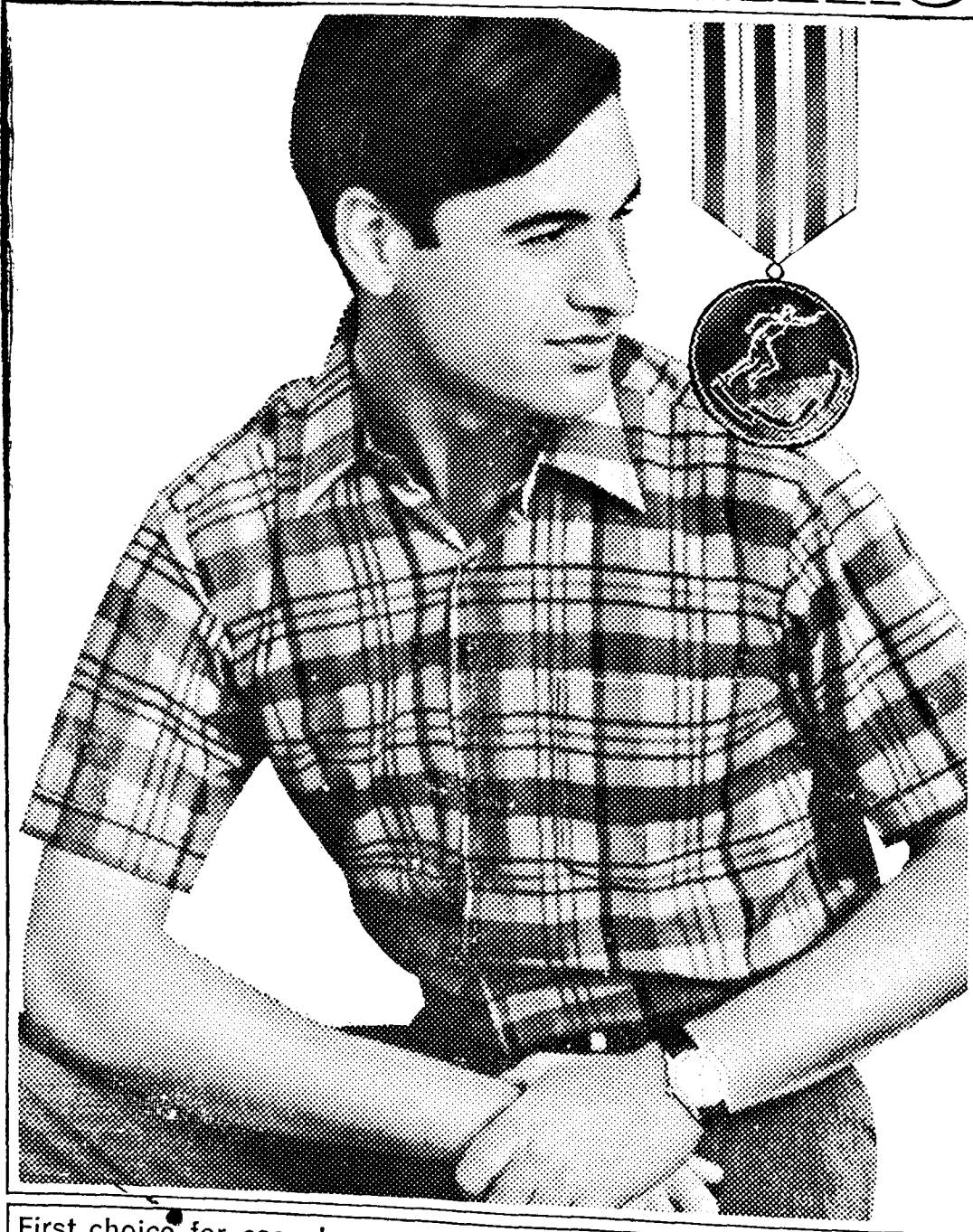
The Indian cotton mill industry is all for the cotton growers getting good returns on their outlay and labour. This is better achieved by more carts of cotton per hectare than by more price per cart. This will also help us maintain our impressive export performance, instead of virtually wiping out Rs. 120 crores in foreign exchange earnings. Which must happen if prices spiral.

Unless we are willing to go back to nature, let's make short work of the cotton shortage now.

INDIAN COTTON MILLS' FEDERATION

P O Box No 1449, Bombay 1.

PRIZE-WINNING

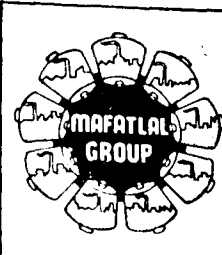


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MAFATLAL FINE (NEW UNION), Bombay, Unit No. 3 • NEW SHIRDUCK, Ahmedabad • NEW SHIRDUCK, Nadod • SUNAT COTTON, Surat • MIHIR TEXTILES, Ahmedabad



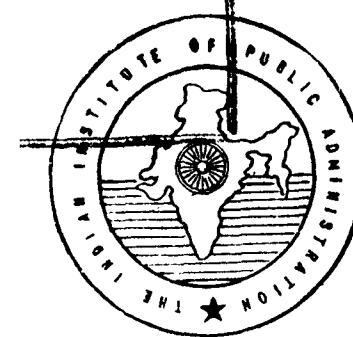
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INSTITUTE NEWS

Fourth Orientation Course on Project Formulation

"Decision-Making in Project Formulation", "Choices in Project Selection", and "Cost Benefit Analysis" were some of the topics analyzed by the speakers in this six-day Course, held January 18-23. It brought together 22 participants who came from States (5), Union Territories (1), Central Ministries/Departments (10), Public Corporations (3), Office of Comptroller and Auditor General (2), and Planning Commission (1). The Course was inaugurated by Shri K. F. Rustamji, Director-General, Border Security Force, Government of India.

Second Special Course on Performance Budgeting for Public Sector Undertakings

For the first time, this programme, which was introduced by the Financial Management Unit in February last and attracted then the nominees of Central Government undertakings only, was attended by officers from State Governments' undertakings also.

Of 35 participants in this Course, held February 8-13, 18 were deputed by public undertakings in the various States (Haryana, Kerala, Madhya Pradesh, Maharashtra, Mysore, Orissa, Rajasthan and Uttar Pradesh) and 17 represented those run by the Central Government. As usual, the trainees went through an intensive and full-time schedule. Each day featured three to four talks, followed by discussions. Subjects such as "PERT Cost" and "Value Analysis" were illustrated by presentation of short films.

Shri C. D. Khanna, Chairman, Industrial Finance Corporation of India, inaugurated the Course. Its Concluding Session was addressed by Shri R. C. Dutt,

Secretary to the Government of India, Ministry of Information & Broadcasting.

Fourth Course on Materials Planning

Shri Satish Chandra, Secretary to the Government of India, Department of Defence Supplies, inaugurated the Course at the Institute on February 15. It drew participation from 31 officers representing Central Ministries/Departments (16), State Governments (7), Public Corporations (8), and one from the Union Territory of Delhi.

The Course ended on February 20.

IIPA Training Activity Calendar: A new course and "repeat" sessions of two other courses are planned for this month (apart from the ones reported elsewhere in this issue) and next. These are:

First Course in O & M Techniques in the Government—February 22-27;

Third Course on Administrative Behaviour and Leadership—March 15-25;

Second Course in Social Policy and Administration—March 17-27.

Guide to Latest Library Additions

A list of additions to the Library shelves, made during July-December 1970, has been issued. Single copies are available without charge.

NEWS FROM THE CENTRE

Development of Integrated Electronics Industry—Commission to be Set Up

In order to ensure the necessary balanced development of electronics in the country, the Government

of India has decided to set up an organisation free from all non-essential restrictions or needlessly inelastic rules, which will review the entire field of electronics with regard to research, development and

This Newsletter is published in the middle of every month and covers generally the news of the previous month.

industrial operations. To be designated as "Electronics Commission", it will have full authority to formulate policy in this field and to direct implementation, on sound technical and economic principles, of all measures, both promotional and regulatory, that are necessary for the country to attain self-reliance in the shortest possible time and in the best possible manner.

Within the limits of the budget provision, approved by Parliament, the Commission will have the powers of the Government of India, both administrative and financial, for carrying out its work.

The Commission will consist of full-time and part-time members, total number to be not less than four but not more than seven. Its Chairman will also be Secretary to the Government of India in the Department of Electronics. A Member of the Commission will be the Member for Finance who shall also be *ex-officio* Secretary to the Government of India in the Department of Electronics in financial matters.

The Chairman, in his capacity as the Secretary to the Government of India in the Department of Electronics will be responsible for arriving at decisions on technical questions and advising Government on matters of policy relating to electronics. All recommendations of the Commission on policy and allied matters shall be put up to the Prime Minister through the Chairman.

New IAS Cadre for Union Territories and NEFA

The Government has constituted a joint cadre of the Indian Administrative Service for all the Union Territories and the North-East Frontier Agency. The new cadre came into operation with effect from December 21, 1970.

Major Ports Commission Report

The Major Ports Commission has proposed, in its report submitted to the Government in October, 1970, the constitution of an advisory body—to be called the Major Ports Council—with the objective of providing a forum which would consider major issues of planning, investment, traffic, common administrative and financial problems among major ports and thus help to improve the efficiency of the port operations. The Council would be purely an official organisation, business-like in character, with the Minister for Shipping and Transport as its Chairman. Nominees of the Ministry of Finance, the Planning Commission, and the Chairman of the Major Ports would be represented on the Council.

As there are wide differences in the provisions contained in the Acts of the three older ports among themselves and those contained in the Major Port Trusts Act, 1963, the Commission considers it advisable to bring about a measure of uniformity for the governance of all Major Ports.

The Commission has come to the conclusion that the future role of minor ports would be progressively on the decline, and feels therefore that further investments on them should be strictly on the basis of proven viability.

In regard to impact of Ports' modernization on Labour, the Commission has said that any scheme of modernization should take into account the conditions peculiar to our country. With relatively scarce capital, comparatively low wages and widespread unemployment and under-employment, it would be more appropriate to concentrate in our ports on simpler types of equipment involving less capital cost, fewer maintenance problems and which would save physical efforts and displace fewer workers.

Commenting on port rates and charges, the Commission has suggested that a Port Rates Authority should be constituted, composed of three members, one of whom should be an economist, another a person with administrative experience, and the third an expert in finance and accounts. The Authority will be advisory and will have jurisdiction over cases in which (a) there is difference of opinion between the Chairman and the Board on recommendations on rates made by the Costing Cell; (b) there is difference between the Port Trust and the Government; (c) there are complaints of the user of undue preference, undue or unreasonable prejudice, or disadvantage in any respect whatever or unreasonable charges; and (d) cases which the Government may refer to the Authority on any other matter. Some of its other principal recommendations include: (1) Future development of ports should normally be financed to a large extent by their internal resources and market borrowings, and the view of the Committee on transport policy and coordination on this aspect are endorsed; (2) With the massive investments by the Central Government for port development under the Five Year Plans, the need for balanced representation of all interests in the Trust Boards has become urgent; (3) There should be no bar to an employee representing the labour to be a Trustee on the Port Board. The Commission recommends to the Government an amendment of the existing legislation to remove the present disability; (4) The security arrangements should be strengthened at the ports; and (5) The Government may consider the advisability of assuming powers for giving directions to the Port Trusts on all matters involving "public interest".

More Daily Allowance for Staff

The Central Government employees will get about 50 to 75 per cent more as daily allowance while on tour. The details of the new formula for determining the allowance have been finalised and orders issued by the Finance Ministry.

The revised rates of daily allowance will be effective from January 1, 1971.

Under the new rules, Class I employees drawing up to Rs. 1,000 per month will be entitled to Rs. 14 per day for ordinary places, Rs. 19.50 for Delhi, Simla and Madras, and Rs. 24.50 for Bombay, Calcutta and equivalent cities.

For those drawing more than Rs. 1,000 per month, the rules provide for: Rs. 14 for the first Rs. 1,000 plus Rs. 2.50 for every additional Rs. 500

or fraction thereof, subject to a maximum of Rs. 23.50 for ordinary places; Rs. 19.50 for the first Rs. 1,000 plus 90 paise for every additional Rs. 250 or fraction thereof, subject to a maximum of Rs. 23.50, for Delhi, Simla, Madras, etc.; Rs. 24.50 for the first Rs. 1,000 plus 90 paise for every additional Rs. 250 or fraction thereof, subject to a maximum of Rs. 28 for Bombay, Calcutta, etc.

Class II and III employees will get a maximum of Rs. 12 and a minimum of Rs. 4.50 for ordinary places; maximum of Rs. 16 and a minimum of Rs. 6 for Delhi, Simla, Madras, etc.; and a maximum of Rs. 20 and a minimum of Rs. 7.50 for Bombay, Calcutta, etc.

Class IV employees will receive Rs. 4.50 for ordinary places, Rs. 6 for Delhi, Simla, Madras, etc., and Rs. 7.50 for Bombay, Calcutta, etc.

Trade Development Authority—a New Public Sector Agency

A Trade Development Authority (TDA) has recently come into operation to render package assistance to exporters in the engineering and chemical sectors. An important task of this new agency is to help the small scale exporters and thus help to broad-base the national export effort.

The TDA has been given a free foreign exchange by the Government for import of samples, drawings, technical literature and small lots of imported raw materials for productions of counter samples for foreign buyers. On application from its clients, it will arrange for quick issue of import licences or customs clearance permits for the purpose.

The authority will take up viable proposals for expansion or creation of export-oriented capacity, with the appropriate Ministries and Departments of the Government of India for quick clearance of industrial licences, capital goods licences and foreign collaboration. It has recourse to a especially established machinery within the Government for this purpose.

Special Facilities for Doctors Posted in Remote Areas

A scheme designed to attract a larger number of doctors to work in remote areas where they have been reluctant to go for want of some essential amenities and because of other difficulties experienced there, has been approved of by the Union Ministry of Health and Family Planning. Doctors willing to serve in such areas will get a special pay of Rs. 150 p.m. Other facilities for them would include availability of electricity and water supply at cheaper rates.

Guarantee Cover for Small Loans—Special Corporation Established

A special Corporation has been set up to administer a comprehensive guarantee scheme to cover loans of commercial banks and other financial institutions to small borrowers in the priority and neglected sectors. Known as the Credit Guarantee Corporation of India Limited, it will start functioning soon.

The credit guarantee scheme will cover loans to small borrowers like farmers, transport operators, retail traders, professional and self-employed persons, etc., sectors which were not well taken care of by the banking system before nationalisation. The scheme will be available to scheduled commercial banks, State Financial Corporations, Central co-operative banks, rural and urban co-operative societies and central and primary land development banks.

Under the scheme, 75 per cent of the loss up to specified limits will be re-imbursed by the Corporation. Ceilings have been specified for determining the loans to be covered by the guarantee scheme. A claim will arise when the credit institution certifies that the loan is irrecoverable and will be limited to 75 per cent of the loss. In the case of retail traders, the claim will be limited to Rs. 15,000 and for fertiliser dealers to Rs. 30,000. The Corporation will charge a fee of one-half of one per cent on outstanding credits on a quarterly basis.

While the scheme will be optional for the present, a bank or a financial institution wishing to take advantage of it will have to bring all its lending to the specified sectors under the guarantee cover. The existing credit guarantee scheme for small-scale industries may be taken over by the new Corporation.

Prohibition for Government Staff Urged

Complete ban on drinking among Government officials was recommended by the re-constituted Prohibition Committee in its first meeting, held at Delhi on December 18, under the chairmanship of Shri K. Hanumanthaiya, Minister for Law and Social Welfare. The Committee felt that the Union Ministry of Home Affairs should be requested to revise the Indian Service and the Central Civil Service Conduct Rules accordingly.

The Committee also condemned the sale of liquor in the form of medicine by unauthorized dealers and decided to form a 3-member committee to examine the existing provisions of the Drugs and Cosmetic Act and the Medicinal and Toilet Preparations Act.

Measures to Help Small Pharmaceutical Units—Study Group Submits Report

The Study Group, appointed by the Ministry of Petroleum & Chemicals and Mines & Metals to suggest measures for the growth of small scale pharmaceutical units, has recommended that all large and medium scale firms and such small scale firms as are owned or controlled by foreign interests should not ordinarily be permitted to produce any such new formulation that could be produced by small scale units. The restriction, however, should not apply, says the Group, to those formulations that pertain to new drugs developed through research or are formulated in a manner as to ensure improved therapeutic properties or are based on the basic drugs made by the unit concerned upto a specified percentage thereof. Some members have, however, expressed doubts about the advisability of such reservation.

Government. The Head Office will now be divided into two wings, namely, Economics Wing and Statistics Wing, each headed by a Joint Director.

RAJASTHAN

Protection of Monuments of National Importance

The State Government has appointed a Standing Committee to advise the Government on the necessary steps to be taken to control environments and surroundings of these monuments of national importance. Amongst other things, this Committee would examine and report on the desirability of the constructions undertaken by non-official agencies in the neighbourhood of these monuments. It would also advise the Government about the adverse effect, if any, on these monuments of the implementation of development schemes undertaken in the surrounding areas.

The Committee would also see as to whether the constructions around these monuments are in harmony with the architecture of these monuments.

Advisory Board on Water Supply Schemes

An Advisory Board has been appointed for advising the State Government regarding various water supply schemes. The Board, which would be headed by the Minister for Public Health will have the following functions: (1) to advise the State Government about the preparation of annual Five Year Plans in respect of water supply schemes; (2) to review the programme of rural water supply schemes; (3) to suggest measures for improving the implementation and administration of urban water supply schemes; (4) to ensure preparation of commercial accounts for various water supply schemes, and also to ensure that the sanctioned amounts for these schemes are adequately and properly utilised; (5) to bring about coordination between those departments which are related to the rural water supply schemes; (6) to determine priorities in the matter of implementation; and (7) to review from time to time progress made in respect of implementing the schemes.

UTTAR PRADESH

Government to Set Up Industrial Finance Corporation

The State Government proposes to establish a development or investment corporation with a revolving fund of several crores for financing the setting up of industries in eastern Uttar Pradesh.

The revolving fund would be built up partly from withdrawals from the State reserve fund to the tune of Rs. 8 to Rs. 10 crores, which would be invested in the corporation as share and not given as grant. The fund would be utilised for sanctioning loans for

INDIAN

Book Industry and Trade in India—Committee Appointed to Survey

The National Book Development Board has appointed a committee to undertake a comprehensive

development projects with low investment but high employment potential and quick return.

WEST BENGAL

Officials Blamed for Administrative Lapses

The Vigilance Commission, West Bengal, has observed that most of the corruption and malpractice now prevalent in the different Government offices and organisations are the cumulative effect of the administrative and financial irregularities on the part of those who are in direct charge of the work and also lack of proper check and supervision by senior officers. The Commission found that in many cases, cash and accounts and stock registers have not been properly maintained for years together and very few of the supervisory officers cared to fulfil their obligation by looking into these matters personally. The Commission has also reported that quite often, the very same supervisory officers refer to the Vigilance Commission for investigations and advice cases of misappropriation and defalcation by the subordinates, which could not have occurred had they themselves been vigilant and conscious of their own responsibilities. In several Departments, the Vigilance Commission has come across cases of utter carelessness and all-round laxity in administrative control rather than lack of integrity or deliberate misuse of official authority. In the opinion of the Commission, this is one of the principal causes of larger incidence of corruption in Government Offices and Organisations. The Commission has expressed the view that the problem of corruption in Government offices and organisations cannot be effectively tackled just by punishing a few delinquents or by making an investigation through the Commission long after the mischief has been done. The Heads of Departments, offices, etc., the Commission has observed, should shoulder the primary responsibility for effective control of corruption among their staff.

All Heads of the Departments have accordingly been requested by the Chief Secretary to ensure that not only they themselves but also all Heads of offices and Supervisory Offices under them, particularly those who deal with matters involving financial implications, became more conscious of their own responsibilities and exercise strict supervision, check, control and vigilance over their subordinate staff and the work entrusted to them, with a view to preventing all sorts of administrative and financial irregularities and corruption. The Vigilance Officers of the Departments and Offices, including the District Vigilance Officers, have also been instructed to exercise strict vigilance over these matters.

OTHER NEWS

survey of the needs of the book industry and trade in the context of the overall requirements of the country and recommend a coordinated policy for the promotion of book publishing.

The survey will also cover the import policy for books and the interests of the author and the reader,

besides various aspects of book publishing, viz., creation, production and distribution.

FOREIGN

Substantial Gaps in Material for Training in UK Government—Says Working Party Report

There were considerable gaps in the training material that was available about the inside structure and organisation of Government departments in UK. This is one of the findings listed in the report of the Working Party, set up by the Treasury in November 1967 to advise on the preparation of material for the training of Civil Servants in the machinery and practice of Government. The Working Party had Mr. Philip Rogers, Civil Service Department Second Permanent Secretary as its Chairman, four other higher Civil Servants (Mr. P. D. Nairne of the Ministry of Defence and Messrs K. E. Couzens, C. D. E. Keeling and C. M. Regan of C. S. D.) and four leading University teachers (Mr. D. N. Chester, Mr. Norman Hunt and Professors S. E. Finer and Peter Self) as members.

Recognising the importance of case studies of actual decisions as a means of disseminating understanding of administrative procedures and problems, the report has recommended that in designing a programme of research for the assembly of material to be used on training courses, priority should be accorded to comparative studies in departmental organisation, and to studies in the motivation and moral of Civil Servants.

The report includes a review of such items as might be embodied in the training courses. In this regard, it suggests two approaches: (i) a need to explore theories of administration and to study the structures of governmental organisation and the mechanics of procedures and practices (example: the principles relating to the distribution of functions between Ministries or between Ministries and local authorities), and (ii) the need to consider specific fields of Government activity in order to study the particular organisations, procedures, and practices which emerge from them (example: "the operation of Government in relation to industry or social provision").

Commenting on the existing arrangements to encourage research in the field of Government administration, the report describes them as inadequate. The method suggested by it to improve this situation is commissioning of Civil Servants or temporary Civil Servants to assemble case histories or to carry out specific investigations. The Group hopes that departments would consider launching schemes by which outsiders would be recruited as participant observers or interns and expected to take part in normal administrative work as well as to undertake research (by "internship" the Working Party means enabling a department to teach a research worker something of its methods of work before embarking on the subject which he had been commissioned to study). The Group also hopes that University teachers and

others from outside the Service might wish to initiate research projects of their own, either with their own resources or with grants from such bodies as the Social Science Research Council. In its opinion, however, both methods would be required.

While favouring the principle that access should be given to outside applicants with the minimum amount of restriction in order to encourage a wider range of research into administrative structures and processes, and to give individual researchers the greatest possible facilities and freedom to express their views, the Working Party concedes the need to impose certain conditions on publication of the outcome of work. It has observed that "while the final decision as to what should or should not be published must rest with the department, it is recognised that many points will need to be dealt with as matters of good sense as between the research worker and the department".

The Working Party has also stressed that University teachers and others interested in public administration should be consulted when schemes for extending the scope of research were drawn up.

Milkman as Postman

"The Postal Service Competition or Monopoly?" is the title of a report, published by the Institute of Economic Affairs (UK) which has challenged the Post Office's statutory monopoly of carrying mails. Authored by Mr. Ian Senior, a former Post Office civil servant, the report suggests that if the PO's statutory monopoly were abandoned, the field would be open for the milkman or newsagents to carry local letters without additional vans of staff. Letters could also be placed in special boxes at main stations to be carried between delivery points by British Rail for further delivery by local services.

Mr. Senior also feels that there is a strong case for (a) reducing the local letter rate, (b) raising the charges for letters posted in rural areas, and (c) increasing the commercial freedom of local postmasters.

British Ombudsman to Retire After Four Years

Sir Edmund Compton, the Parliamentary Commissioner for Administration in Britain and Northern Ireland, will retire on March 31, 1971, after serving in that office for four years. His successor, as named by the Government, is Sir Alan Marre, Second Permanent Secretary in the Department of Health and Social Security.

Shortening Formalities in the House of Commons

Apart from suggesting reforms in its own procedures, a Select Committee of the House of Lords has in its report published on January 7, 1971, recommended scrapping of formalities in the House of Commons procedures. One such formality is the passing of a series of motions in each House when a joint committee of both Houses—consisting of 12 members of each House—is appointed afresh at the

beginning of each session. The idea behind it is that each House has to agree to what the other proposes before the other can function. The Select Committee has recommended that there should be the new standing order in each House, establishing the existence and terms of reference of a joint committee on a permanent basis. It would then only be necessary for each House to name its respective members and to fix a time for the first meeting of the joint committee.

Another noteworthy proposal made by the Committee is the ending of the Journals Committee of the House of Lords.

Advisory Body to Plan Future Training Programmes for British Civil Service

The Government of UK will set up a Civil Service College Advisory Council to give it advice generally on the work of the College and make available to the staff of the College experience of training and education in other fields. The Council will comprise senior officials of departments and representatives of the academic world and industry.

The College was formally opened on June 26 last year—exactly two years after the publication of Fulton Committee Report on the Civil Service which recommended the creation of the College.

Apart from suggesting the setting up of the College, Fulton Committee envisaged three principal functions for this institution: First, providing major training courses in administration and management, including (i) Courses for specialists (e.g., scientists, engineers, etc.); (ii) Post-entry training for graduates directly recruited for administrative work; (iii) Courses for civil servants in their 30s and 40s moving into top management; (iv) Refresher courses in the latest management techniques; and (v) Courses for the best younger entrants to help them compete with graduates. Second, offering a wide range of shorter training courses in both general management and vocational subjects. Third, serving important research function—into problems of administration and the machinery of government.

The teaching staff of the College will consist of three main groups: (1) Civil servants who will join the College for a limited number of years and then return to their departments; (2) Academics—mainly university teachers and specialists in management subjects. Some will be employed full-time and others on a part-time basis; and (3) A wide variety of people from varying backgrounds—including industrial managers and trade unionists—who will act as tutors or speakers on their own subjects.

Brain Drain from UK to USA

A report, prepared for the National Economic Development Council (UK) has said that the size and economic potential of the US as compared to

the UK must be expected to exert an influence in the long term which will induce a 'brain drain' again as soon as the US economy recovers sufficiently to produce a shortage of national qualified engineers and scientists. Short of a rapid increase in the United Kingdom standard of living and potential for economic expansion, it may well be that only a narrowing in the difference of the real income of the qualified scientist and engineer in the UK and US will have a major effect in reducing the drain.

The report remarks that the brain drain from Britain to the United States may be resumed.

Establishment of Small Claims Courts Suggested

Surveys carried out by the British Consumer Council (set up in 1963 and financed by a grant-in-aid from the Board of Trade) have revealed that solicitors almost invariably advised their clients against going to court where the amount of money in dispute was less than £100; that individuals rarely used the county courts for any type of claim, and never for the purpose of suing for compensation for faulty goods; and that although people could, as a rule, manage simple debt claims without the help of a lawyer, the majority were not competent to present a more complicated case according to proper court procedures, without assistance. In a study, titled "Justice out of Reach", the Council has recommended that small claims courts should be established as special divisions in the county courts to provide justice for claims up to £100.

The procedure to be followed by such a court, according to the study, would be as follows: It would have some powers to look into the facts of cases itself, but where appropriate, a hearing could be dispensed with and cases decided on documents and written submissions. The registrar would have power to call for evidence, or to ask a court staff member to investigate a case further where he saw fit. The cost of investigation would usually be met out of public money but, to discourage vexatious use of the courts, the registrar should have power to direct that a party who had behaved irresponsibly should pay the cost. Businesses should not be permitted to sue in the small claims courts because, says the Council, if their presence there became habitual the courts would no longer have the informal atmosphere essential if they were to be used by ordinary people with small claims. On the other hand, the courts would not be for consumers alone, but would have jurisdiction in most types of claim up to £100—for instance, claims for accident damage to a car; a tenant's action against a landlord for failing to do repairs; or an individual landlord claiming dilapidations from a tenant. Formal legal representations should not be permitted—the essence of the system being informal discussion of the problem between both sides to a dispute with the registrar acting as an independent arbitrator.

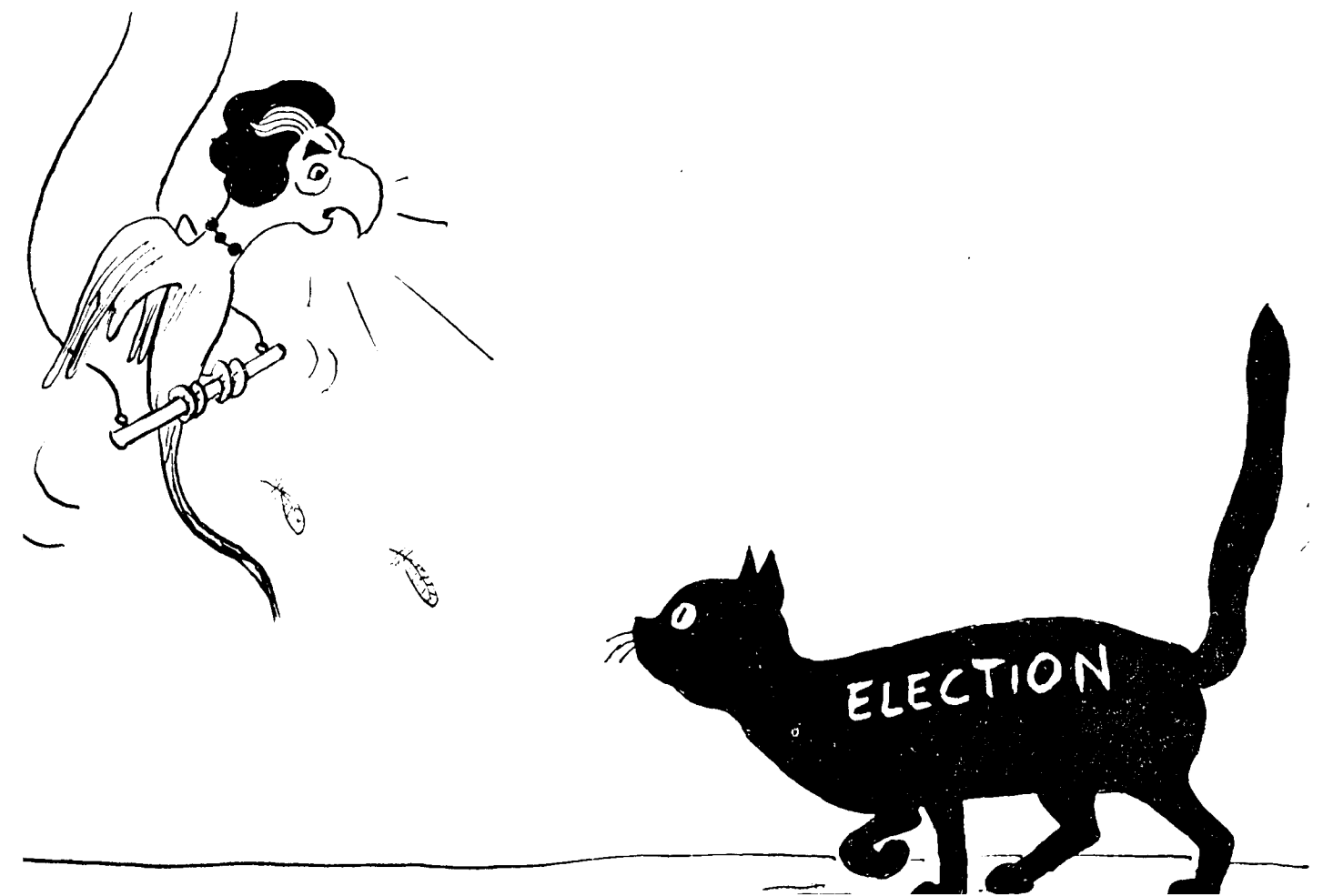
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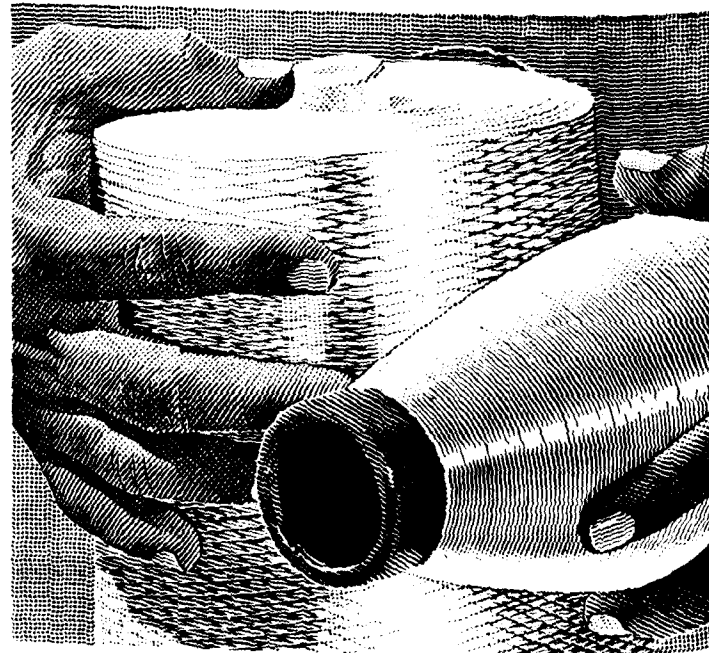
How far Left Is Left? Poll-itics in West Bengal Southern States' Power Outlook West Germany in Our Industry

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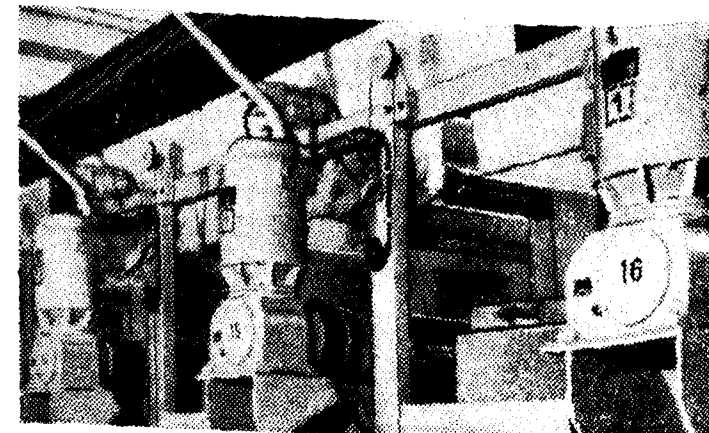
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February 5, 1971

How Far Left Is Left?	241
Himachal Pradesh	242
Pollitics in West Bengal	243
Southern States' Power Outlook ..	244
West Germany in Our Industry— The Editor	246
WINDOW ON THE WORLD	250
East-West Relations	
Indo-Italian Economic Co-operation	
THE MOVING FINGER WRITES! : 253	253
TRADE WINDS	254
Somaiya on Sugar Policy; Lakshmi Mills' Jubilee; Oilseeds Credit Curbs; Trade with Jordan; Unit Trust; Mysore Plan; Meghalaya Plan; Licensing Policy; Monopolies Act.	
COMPANY AFFAIRS	256
International Machines; Larsen & Toubro; State Bank; State Bank of Mysore; Bank of Baroda; S.S. Duncan; Voltas; Kirloskar Cummins; Tata Chemicals; ACC; Licences and and Letters of Intent.	
COMPANY MEETINGS	259
Indian Oxygen Ltd. Sudarsan Trading Company Ltd.	
RECORDS AND STATISTICS	263
Election Manifestos.	

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HOW FAR LEFT IS LEFT?

RATHER NEW though Mr Manubhai Shah's enthusiasm for Mrs Gandhi's party or her leadership is, the argument he recently trotted out in support of them was clearly old hat. Mr Shah said that only a left-of-centre party can properly function in our country and that he believed that Mrs Gandhi's party was the only one that answered to this alleged need of the hour. We have never been able to find out why a left-of-centre party is what any sensible doctor would or should prescribe for our nation. This is all the more so because the term "left-of-centre" is vagueness itself. If left-of-centre, how far left? Who is to say "thus far and no further"? Not, surely, Mr Manubhai Shah.

The difficulty about a left-of-centre position is that it is not a position, but a moving function. Mrs Gandhi's own politics since the Great Split bear witness to this. If she and her party is left-of-centre, then left-of-centre is simply shuttlecock if not merely poppycock. In the name of left-of-centrism, opportunism in government has been permitted to have a field day. Almost everything—whether it be the government take-over of some commercial banks or the attempt to go back on the state's agreement with the princes over the privy purses or the continuing threat to nationalise general insurance or the politicking over the future of the sugar industry—is being done or said for the greater glory of left-of-centrism.

It has been repeated *ad nauseam* by the protagonists of this gospel of left-of-centrism that the people of this country will accept this and no other way or approach as a path to their political or economic destinies. Indeed, on a certain occasion which appreciably predated the dawning of enlightenment on Mr Manubhai Shah, Mrs Indira Gandhi declared in New York that the people of India would have no use for any party other than one which would be left-of-centre. So far as we know no recognised democratic procedure has been adopted in our country to ascertain that this is really what the people think.

It is true that four general elections have been held and that the Congress party that was had managed to dominate the first three and had succeeded in the last to the extent of being able to form a government at the centre and in some of the states. But left-of-centrism was surely not an issue in any of these elections. What the people thought that they were being asked to vote for were a reasonably good administration, economic progress, political stability and social advancement. The results of these elections have been interpreted in various ways, but so far as the thesis of left-of-centrism is concerned, assertions and arguments have been made to do duty for analysis. It is sometimes contended that the outburst of Naxalites or other violence in the country is a sign that left-of-centrism is the least that the people would accept. If Mr Manubhai Shah or even Mrs Gandhi really believes that the left-of-centrism they are talking about would tame these particular distempers, he or she must be living in a world of his or her own. Mao is no mere left-of-centrist, nor, for that matter, Mr Jyoti Basu.

The plain fact is that the people of this country are not greatly concerned with the sophistry of the politics of expediency. Their problems are real. Their need of essential goods is outrunning the availability of these necessities of life. Their number is increasing faster than employment opportunities in the economy. These are the extremely articulate major premises of the inexorable syllogism of their daily life. Neither Mrs Indira Gandhi nor Mr Manubhai Shah has yet explained how left-of-centrism is relevant to these necessities of the people, let alone what exactly any such possibly relevant left-of-centrism could or would be. In the course of history politicians have repeatedly played confidence tricks on the people, but never so cynically as this.

The election manifesto of Mrs Indira Gandhi's party, however, grants by implication that the mere mystique of left-of-centrism will not suffice. It says that "the policy of the Congress is to ensure that the right to property becomes real for the largest number of people." There can be no quarrel with this statement of objective but the abolition of privy purses will not ensure that the right to property becomes real for a larger number of people than now, even as the government's take-over of some of the commercial banks has promoted no such worthy development. Where governments are concerned, the only means that there is of ensuring that the right to property becomes real for the largest number of the people is for

these governments to pursue economic policies which promote consciously and considerably the expansion of the national economies concerned so that there is more wealth for more people to share more amply. The manifesto of the party of Mrs Gandhi does not make this essential commitment. Its statement of objective can therefore be regarded only as window dressing.

However unpalatable this may be to her the fact remains that the only party which has come out outspokenly in favour of the government committing itself wholeheartedly to the pursuit of economic growth is that other Congress party which Mrs Gandhi is disposed to dismiss contemptuously as anachronistic or reactionary. It is not necessary for us to agree with every detail of the economic proposals or programmes written in the election manifesto of the organisational Congress to be able to react with relief or gratitude to this act of economic wisdom and therefore basic patriotism on the part of one of the major political parties now facing the electorate. For about 25 frustrating years this country has had less economic progress than it could have had simply because there was a reluctance at the higher levels of political leadership to face the fact that the government of this country

Due to pressure on space, our regular feature 'Books Briefly' is being held over for the next issue on February 12, 1971.

really had no choice in the matter of making economic growth the first and foremost goal of government or public policy. The storm that has been blowing through the political landscape over the last two years and more has not been entirely in vain or wholly destructive since it has made one of the major political forces in the country realise that the only political position which has meaning for the people is one which is firmly based on the necessity and urgency of rapid economic growth.

Many people — who may well include Mr Masani perhaps — have been asking what is the common programme of the parties which have allied themselves against the party of Mrs Indira Gandhi? The election manifestos of the organisational Congress, Swatantra and Jana Sangh read together provide a reasonable answer. We have already expressed our appreciation of the commitment of the organisational Congress to the goal of economic growth. It is obvious that the Swatantra and Jana Sangh share this purpose, although the approaches differ. In particular these three parties have opted

for greater freedom to individuals severally and community generally to seek and pursue the opportunities which the advances in technology and business organisation have placed at the service of the national economy. Their concept of the role of government in economic affairs is that of a promoter primarily, a mentor occasionally but never the Big Brother. This country, through a Constituent Assembly, has deliberately given unto itself the opportunities of economic development

Himachal Pradesh

THE ATTAINMENT of statehood by Himachal Pradesh on January 25, 1971, besides meeting the wishes of its people and the ambitions of its politicians, should impart new vigour to the efforts in this region to build up its economy. Although, since Independence, this hitherto union territory — carved out in April, 1948, by the integration of 31 erstwhile princely states and expanded first in July, 1954, through the merger of Bilaspur and later on in November, 1966, through the transfer of the hilly areas of the former Punjab state — has made substantial economic progress, its people still have a long way to go in exploiting the natural and other economic potential of the region.

The rich forest resources of Himachal Pradesh can give birth to many industries; hitherto the only industries based on this forest wealth — and that too on a modest scale — are rosin and terpentine oil extraction. The known mineral resources of the state — limestone, gypsum, pyrites, barytes, etc — many also provide a base for several industrial units. There is scope as well for many small-scale unit which would meet local requirements. Horticulture and fruit preservation industry is another important field which holds wide scope of development. The vegetable dehydration industry can also be fostered profitably. The scenic spots in which this Himalayan state abounds, when further developed, can give rise to an increasingly flourishing tourist traffic. The main handicaps in the way of fuller exploitation of the above potential apparently is the lack of adequate infrastructure facilities.

Although the water resources of Himachal Pradesh help generate the bulk of electricity in the northern region, the state gets only a small share of the electricity generated. Its say in the management of the hydel projects too is insignificant. As regards road construction even though there are today 7,121 km of motorable roads and 689 km of jeepable roads in Himachal Pradesh, as against just about 228 km

through the institutions of a genuine democracy. Unfortunately, it has allowed these opportunities to be circumscribed to some extent by idly watching the government of the day acquiring a negative and restrictive control over its economic life over the years. It has the chance now to reverse the process. It may not have another. It will therefore be dangerous for it to allow itself to be beguiled by songs of left-of-centrism whether sung by a siren or only a sycophant.

of motorable roads in 1948, the state is far behind the national per 100 square mile ratio: it has about 12 miles of roads per 100 square mile, as against the all-India average of nearly 41 miles. If the growth of Himachal's economy is to be accelerated, it is obvious that the state has to be ensured a greater share in the electricity generated from its waters and that further extension of the roads network has to be given top priority. The financial resources of the state being limited, central assistance will have to be given generously.

The attracting of entrepreneurs to foster the industrialisation of Himachal Pradesh, however, is not going to be an easy task even if infrastructure facilities are developed expeditiously. The state government provides various incentives to prospective entrepreneurs. These include: (i) subsidy to the extent of 75 per cent for the preparation of feasibility reports; (ii) acquisition of land on behalf of selected industries and leasing out of this land for 95 years on no-profit-no-loss basis — the cost of land and its development being recovered from the lessee in 15 easy instalments after 10 per cent payment in the beginning; (iii) assistance in the procurement of raw materials; (iv) exemption from sales tax and octroi duty for five years for new industries and for three years for the already established industries; (v) price preference in government purchases for local industrial products — 17.5 per cent for the products of small industries and five per cent for those of medium and large-scale industrial units; (vi) concession up to 20 per cent on freight charges for the transport of raw materials from the nearest rail-head outside the state when goods are transported by the government transport undertaking; and (vii) a similar concession for the export of finished products up to 10 per cent. But since such incentive and to a similar extent (except the concessional freight charge) are being provided for setting up industries in the less developed areas of even the highly industrial states of Maharashtra and West Bengal, it is

doubtful if entrepreneurs will be attracted to Himachal Pradesh where the hurdles to be encountered are much more than in the already industrialised states.

The welding of the people of the different regions of Himachal Pradesh into a homogeneous community is another important task to which the state's leaders will have to devote their energies. The language controversy, which raises

Poll-itics in West Bengal

POLITICAL PARTIES in West Bengal have welcomed the decision of the Government of India to hold the elections to the Assembly in March. But whatever may be the outcome of the poll, few people seem optimistic about having a strong and stable government. If the CPM is routed at the poll, it is unlikely to take the defeat gracefully as a true democratic party should do. It will surely create hell by instigating frequent and violent agitations and demonstrations. If, on the other hand, the CPM gets into the ministry, it will certainly use its power to subvert the Constitution as it did on the two previous occasions when it held office.

It is mere wishful thinking to argue that the CPM has been, or will be, isolated. Though many people reject its ideology and detect its techniques, it continues to have a sway over urban and rural areas. Somehow, the CPM has created an impression that its members are friends of the poor and the down-trodden and that they are solely and sincerely inspired by the good of the country. The intelligent people know, of course, what Marxism really stands for. But it is not they but the masses who count at the time of counting the votes. The CPM has welcomed the decision to hold the election to the Assembly in March only because its leaders have confidence in being returned to power with a sizable, if not absolute, majority. They have the money, the organisation, the discipline and the dedication to campaign intensively and it will be hardly surprising if their hard work brings them back into Writers' Building as a senior partner in any ministry that may be formed in March.

Many have wondered why President's rule has not succeeded in improving the law and order situation. The reason is that the Marxists were determined from the very beginning that this should not happen. The United Front government broke up (or down?) mainly because the Home Ministry headed by Mr Jyoti Basu had failed to maintain law and order. Its

its ugly head occasionally, does not augur well for the new state. The sooner this controversy is buried, the better it will be for the welfare of the state. Perhaps the motivating force behind the controversy is the fear of dominance of the people of Kangra — the hilly area of former Punjab which was transferred to Himachal Pradesh following the creation of the Punjabi suba in 1966. This fear has to be dispelled by the leadership in this region.

constituents looked on helplessly when lawlessness became rampant in the state. If President's rule dramatically improved the law and order situation, it would have been too much for the CPM to swallow. Surely a handful of bureaucrats should not be allowed to get the credit for creating confidence in the rule of law, which the United Front government had rudely shaken. It was therefore part of the CPM strategy to discredit President's rule by systematically instigating violence either by its own followers or by the Naxalites who also belong to the same tribe of anarchists. It is true that many members of the CPM also have been killed in the violent incidents in recent months. But this is inevitable because once the forces of anarchy are let loose, it is impossible to regulate them according to one's plans. Had Mrs Gandhi's government really cared to safeguard democracy and to prevent West Bengal from falling decisively into the hands of the communists of the violent variety, it would have outlawed the CPM and the Naxalites before ordering the elections. But Mrs Gandhi's government has done everything to lend respectability to the communists of all shades. As a result, most parties that are contesting the election in West Bengal have practically no faith in parliamentary democracy or in the country's constitution. It will, therefore, be hardly surprising if after the

election, West Bengal passes through another spell of weak and unstable ministry with its inevitable impact on the law and order situation.

The tragedy of West Bengal today is that it lacks men of stature and statesmanship who can provide sound leadership. Mr Ajoy Mukherjee's sincerity and simplicity continue to endear him greatly to the people despite his clumsy performance as the Chief Minister on two occasions. But is Mr Mukherjee the type of leader whom West Bengal needs today as the Chief Minister? The head of the ministry of this state should be one who has guts, tact and talent of a high order and who will be prepared to act ruthlessly when necessary. Such a leader is nowhere in sight at present. It is doubtful if the election will somehow produce the right man to lead this state in the stormy days ahead. The leaders of the Congress (O) and Congress (R) seem to suffer from inferiority complex. For over two decades they enjoyed the loaves and fishes of office. But they were swept away from power because of their indifference to the popular weal. Mr Atulya Ghosh and Mr P.C. Sen were nowhere to be seen or heard for many months after President's rule was imposed when West Bengal was passing through a wave of violence. It is only in recent weeks that they have come out, hoping somehow to capture a few seats. The CPI has hardly shown any evidence of constructive thought or responsible behaviour. The way in which its leaders in Parliament and outside have vied with one another in making wild and reckless allegations against the police and deliberately conniving at Naxalite violence shows to what extent they are sincere in serving the true interests of West Bengal. It is amazing that the Communist parties constantly condemn the so-called police excesses, although their leaders always look up for inspiration and instruction to the most ruthless police states of the world! Other political parties like the Forward Bloc also

Eastern Economist 25 Years Ago

FEBRUARY 8, 1946

Recently the import trade of the United States and the existing tariff levels have come into notice not only in connection with the question of the supply of dollars for other countries but also in connection with the question of imperial preferences. During the Anglo American financial talks the British Government made it clear that they were not prepared to effect any unilateral reduction of imperial preferences without any quid pro

quo on the part of the United States by way of a reduction of the existing tariffs on imports into the United States. It will therefore be of some interest to examine the actual tariff levels existing and in relation to the volume of imports into the United States. This article will be more in the nature of factual recapitulation rather than an analysis of the trade of the United States or of wider considerations.

do not have any practical programme or responsible leadership.

If President's rule has not helped to improve the law and order situation it is hardly the fault of the Governor or his advisers. Much of the blame should go to New Delhi and to the Prime Minister in particular for not taking firm measures to stamp out lawlessness. The leaders of West Bengal of all parties are also responsible for allowing a chaotic situation to develop. Much is said about the damage done to the statues of national leaders in West Bengal. But it is forgotten that it was the UF Ministry under Mr Ajoy Mukherjee that first initiated vandalism by demolishing all the statues of foreigners from Calcutta. For over 20 years, these statues had remained undisturbed even during the most violent agitations. But the UF Ministry removed them and, what was more unfortunate, installed a statue of Lenin in a prominent place in Calcutta. Lenin had lionised violence. He looked upon assassination as a legitimate political weapon. It is hardly surprising therefore that the Marxist-Leninists, as the Naxalites call themselves, seek inspiration from Lenin to destroy their political opponents by brutal murder.

Though President's rule has not helped to improve law and order, it has at least some other achievements to its credit. It has prevented a large-scale flight of capital from West Bengal. It has made some attempt to attract investors by providing various types of concessions and incentives to set up new industries. It has succeeded in reopening many factories which had been closed during the UF administration. It has set up the Calcutta Metropolitan Development Authority. The CMDA has started work in right earnest to carry out the Rs 150-crore programme for developing Calcutta. The administration has carried on the day-to-day work despite daily attempts to wreck the society. Above all, President's rule has provided police protection to Mr Ajoy Mukherjee, Mr Jyoti Basu, Mr Promode Dasgupta, and to many other leaders!

Fears have been expressed by many about the possibility of the poll in West Bengal taking place peacefully. But the real cause for anxiety will begin only after the verdict of the people is known. Whichever way the verdict goes, West Bengal will have no peace and progress unless the so-called revolutionary parties, which are believed to be supported by certain foreign countries with money and in other ways, are exposed and expelled from the political scene, and their ideology, with its emphasis on violence and class war, is

prevented from misguiding the educated youth and the ignorant masses.

It is shocking indeed that even Sarvodaya leaders like Mr Jaya Prakash Narayan have not seen the true significance of the Naxalite menace. They say that the Naxalites are victims of frustration and that they are sincere in their sympathy for the millions of our poor countrymen. The Sarvodaya leaders seem to think that violence can be condoned if it is done by frustrated people. This is a dangerous doctrine especially when more people at various levels are bound to become frustrated when the results of the mid-term poll are announced. Frustration, moreover, is not confined to the jobless. It affects even the most highly paid people as was shown in the pilots' strike. How is it that Mr Jaya Prakash Narayan seems unaware of the fact that most Naxalites are paid

agents of some foreign countries who are keen to destroy whatever progress we have been making in economic and educational development? The way in which the Naxalites have been choosing their victims and killing them can leave no doubt whatever about their intention and the sources of their inspiration. Yet leaders who should know better shed tears when the law is about to take its course in dealing with the hired hooligans.

The future of West Bengal will depend not so much on how the people of this state will vote but on the type of government that will be formed in New Delhi after the poll. Only if the centre gets a strong and compact cabinet which can remain in power with confidence for a five-year term can West Bengal look forward to a period of peace and good government.

Southern States' Power Outlook

THE SOUTHERN region was considered not long ago surplus in power and it was expected that the deficit of Andhra Pradesh and Tamil Nadu could be met through the export of power from Mysore and Kerala. But the picture is changing slowly and there is now the definite prospect of a serious shortage by the mid-seventies as the construction of some important projects is getting unduly delayed and even the existing units in the Neyveli thermal station are not being utilised effectively due to shortage of lignite. While this handicap may be overcome with the installation of additional mining machinery and a stepping up of the output of lignite, the larger question of creating new capacity on an integrated basis for meeting the growing needs of all the four southern states has to be tackled intelligently. Immediately, of course, some relief will be available from the commissioning of the remaining three units under the Sharavathi project and also the three sets in the thermal station at Ennore. The Kodayar project in Tamil Nadu too has been recently commissioned. But the capacity involved between these three projects is not more than 750 mW and the firm capacity will be only about 500 mW.

In Tamil Nadu, consumption of power has been rising awkwardly and it is now around 19 million units daily. This level may go up further in the summer months and with large-scale energisation of pumpsets and electrification of villages, new records may be established in the next year. In Andhra Pradesh too, a crash programme of rural electrification and ener-

gisation of pumpsets is being implemented, while with the commissioning of new industrial units, shortages may emerge if arrangements are not made immediately to import power. There will, of course, be additional capacity with new units coming into being at Ramagundam and Kothagudem and at Lower Sileru hydel project. Even so, Andhra Pradesh will have a serious deficiency if there is no advance planning for 1974-79 and the scope for increasing the capacity of the existing projects is not examined. There will obviously have to be greater capacity at both the Ramagundam and Kothagudem thermal stations. It will also be necessary to erect the fifth set at Ennore as work on this project is progressing satisfactorily and the first stage with a capacity of 340 mW is scheduled to be completed during the current year.

The most disturbing feature is the pause of the next two years, as in Tamil Nadu, Kerala and Mysore entirely new projects will take shape only after three or four years. In Kerala, it was hoped that the Idikki project will be a boon to the southern region. But the construction work on it has been interrupted too often and it will be incorrect to proceed on the basis of any definite date for the commissioning of the first two giant sets on this project. In Mysore, the Kalinadhi project is yet to take shape and it is quite likely that the whole of the "surplus" energy available from Sharavathi will be consumed within the region as the new smelter of Indian Aluminium Company at Belgaum is stepping up its production and the first stage of expansion

for creating an additional capacity of 10,000 tonnes of virgin metal may be ready in a year or so. There is also a plant for rayon grade pulp under construction, while the Bhadravathi steel unit will need larger power supply after it gets over its teething troubles. In Kerala, the Cochin fertiliser unit will be commissioned during the third quarter of this year, while the transmission network is being expanded for helping agricultural operations and small-scale industries.

It would have been very useful if the Kalpakkam atomic power station was expeditiously completed. But with the emphasis on fabricating indigenous equipment to the maximum extent possible and unexpected technical problems, it is unlikely that power from this source will be secured before 1975-76. The Atomic Energy Commission has, of course, decided that the second unit also should be erected simultaneously so that the initial capacity should be 400 mW. There will necessarily be some timelag as the giant equipments are being fabricated by the Heavy Electricals at Bhopal. The shifting of the schedules of construction of the Idikki and Kalpakkam projects and new trends in consumption have given rise to a situation, which may create unexpected difficulties after three or four years. The earlier sense of complacency was perhaps due to the fact that Mysore and Kerala were exporting large blocks of power to Tamil Nadu and the erection of hydel sets in the Sharavathi project was being leisurely executed. It was not realised at any stage that the levels of consumption in Mysore, Kerala and Andhra Pradesh were low and the surplus was misleading. Indeed, it is now amusing to note in retrospect that in Andhra Pradesh there was talk of surplus a decade back when the Muchkund project, which was executed jointly with Orissa, started generating in a big way. There is now fear that a long period of shortage is ahead and in the fifth Plan it will be necessary to create additional capacity for 1,500 mW in Andhra Pradesh alone, against the total installed capacity of less than 1,000 mW in 1973-74.

The lesson of Tamil Nadu has obviously been overlooked. In spite of the

fact that there has been a bunching of completion of hydel projects and the Neyveli thermal station has a capacity of as much as 600 mW, the State Electricity Board is importing sizable quantities from Kerala and Mysore. The daily consumption of 19 million units, as stated above, is even more than the consumption of all the three neighbouring states put together. This is because there has been a revival in industrial activity and over five lakh pumpsets have been energised in the past few years.

It has therefore, become imperative to plan on an ambitious and integrated basis. Whatever hydel resources still remain to be tapped in Tamil Nadu will be harnessed in the next few years, while there will be plentiful availability in Mysore only when the Kalinadhi scheme, which is as important as the Sharavathi project, gets going. The Idikki project in Kerala and Srisailem project in Andhra Pradesh will also be making an important contribution.

But the availability of power from the last two sources has been taken in to account and it will be necessary to have short-term as well as long-term projects in order to ensure continuity of supply and avoid serious deficits, which may have a throttling effect. The opening of a second mine-cut at Neyveli has, therefore, to be taken up without delay and it should also be examined whether a big thermal station at Cochin should be established apart from another at Visakhapatnam. There should also be no hesitation to import the required quantities of coal. The Hogenekal project too should be taken up on a joint basis by Tamil Nadu and Mysore for meeting the requirements of the region in the sixth Plan. It should be borne in mind that there will be an easing of pressure only after consumption in Kerala, Mysore and Andhra Pradesh has risen at least to the level now prevailing in Tamil Nadu. Any failure to take corrective action in time will have far-reaching consequences.

EASTERN ECONOMIST

ANNUAL NUMBER 1971

The cross-roads at which India stands today will have an extraordinary and truly tremendous significance in determining its future. In this particular situation the theme of this Annual Number, appropriately, is "Whither India?" An attempt has been made to analyse the twin-crises of political progress and economic development which confront our country. A valuable feature of the Annual Number is a section of special articles on issues of outstanding importance.

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West Germany in Our Industry

THE EDITOR

PERHAPS THE most significant development that there has been in Indo-West German economic relations in the course of the last 20 years is the change that has taken place in the attitudes of West German industrialists towards such issues as their participation in the equity of Indian industries and the creation of export capacities in industries which they may be helping to set up in our country.

During the fifties and down to the early sixties, West German industrialists as a class were demonstrably unenthusiastic about participating in the capital of companies in this country with which they were otherwise willing to associate themselves. This was particularly true of medium or small entrepreneurs in West Germany. There were several reasons for this attitude. In the first place, unlike British, American or even French industrial capital, West German industrial capital has had no tradition of making risk investments abroad. Secondly, for many years following the war, West German industry had need of all the capital it could lay its hands on for meeting the demands of its own domestic investment programmes. Thirdly, West German entrepreneurs and manufacturers have always had a very high degree of professional pride in their products and along with this pride they have also had an almost mystique sense of identification with their goods as something which must be peculiarly German. These factors, for obvious reasons, have had a special influence on medium and small industrialists in that country.

A Different Case

The case of the larger German firms, whose operations have been international, has of course been somewhat different. But even for them the factors I have suggested have had a substantial significance. This explains the fact that even while they have been actively associating themselves with the promotion of industries in developing countries such as ours, they have always chosen to ensure that so far as West German financial participation is concerned, it is mainly through government-to-government transactions in the form of provisions of credit or other development assistance by Bonn.

The case of Rourkela where a consort-

This article records the impressions of a recent visit to certain industrial units, with which West German firms are collaborating to varying extents.

ium of the top names in West German steel and heavy engineering industries has utilised West German government credit for the setting up of the first state-owned steel plant in our country is a well-known illustration of this approach on the part of West German industry generally and the bigger firms or business houses in West Germany in particular. This is not to say that during the fifties or down to the middle-sixties there has been no equity participation by West German firms in industries set up in our country with their collaboration. But the cases of financial collaboration have been few and far between and where German firms have invested in the equity of industrial undertakings in our country, they had been doing so on a small scale and indeed often only on a token basis. The only exception has been a very small number of West German firms operating manufacturing facilities in our country as subsidiaries.

New Attitude

It seems to me that, in the last few years German industry has been gradually developing a new attitude towards the issue of equity participation in enterprises with which they have been collaborating in our country. In other words, there seems to be not merely a greater readiness but even an insistent eagerness on their part to seek or even demand equity participation. It is true that the high cost of capital in West Germany imposes some very definite limitations on the ability or willingness of German industry to invest in enterprises abroad. Thanks to the shortage of labour, capital commands a high premium in the West German economy, with the result that high rates of interest offset to some extent the advantage which West Germany has for investment in the form of substantial and steadily growing foreign exchange reserves. Nevertheless, within the limits of the capital available to them for investing abroad, West German firms seem to be developing an increasing enthusiasm for seeking equity participation in

industries which they may be helping to set up abroad.

This trend is the result of a number of circumstances of more or less recent origin. It may be noted here that, in the course of the latter sixties in particular, the concept of multi-national firms has been gathering strength and momentum in industrially-advanced economies. The leaders of German industry have not been immune to these developments. Especially where they have already had experience of international operations, they have tended to be adventurous and forward-looking in promoting these operations further. The impact of their example is naturally felt on the psychology of medium or small sector of industry in West Germany.

Rigorous Scrutiny

This apart, our own government's policies regarding foreign collaborations are having their effect. Since the terms of technical collaboration, such as those relating to patent or licensing fees or royalties, have been coming more and more under the rigorous scrutiny of the concerned ministries of our government, many West German businessmen have become more concerned about maintaining the profitability of their Indian connections or operations through acquiring a share of the dividend-bearing capital of the Indian enterprises with which they may be collaborating.

The political stability which has obtained in our country for some 20 years now and the general development of the economy have also had a reassuring effect on West German industrialists. They have been seeing for themselves that, by and large, this country offers reasonably attractive opportunities for the industrial growth that is obviously needed to serve the growing requirements of goods and services in its vast domestic market. They have therefore developed a certain enthusiasm for building an investment and financial stake in industries started in this country with their collaboration so that they may also share in the profitability, actual or prospective, of these operations.

The argument is also heard that one of the primary reasons for West German industrialists showing an interest in equity participation is their anxiety to share in the management of joint enterprises in order to ensure the quality of products which are often associated with the brand names of the manufacturers of the collaborating West German firms. This reasoning is not without substance or justification, but it is certainly capable of being overstretched. Except where the Indian part-

ners happen to be 'sleeping' partners with no industrial background or ambitions, the Indian element in the management of joint ventures has generally shown itself to be capable of benefiting from its association with West German firms sufficiently to be able to ensure the quality of the production at the Indian plants. At the same time, it would be idle to deny that, especially in the formative stages of a joint enterprise, an interest in the equity of the undertaking on the part of the West German collaborator does facilitate the processes of establishing operational efficiency, commercial profitability, product improvement and quality control.

II

It is a pity that just when West German industry is trying to feel its way more purposefully towards financial participation in joint ventures in this country, the Government of India's policy regarding equity participation by foreign companies should be becoming more and more restrictive or rigid. I have always held the view that our present or prospective national aggregate of saving being as inadequate as it is, it is just not sensible for our country or its government to put obstacles in the way of foreign venture capital entering our economy. I am therefore firmly of the opinion that our government should not follow a dogmatic policy which may discourage the initiative which many West German firms seem disposed to take for increasing their equity participation in existing or future joint ventures. A liberal policy in this regard will also make sense in terms of the government's own decision to bring about a progressive decrease in rates of royalties or know-how fees payable by Indian partners to foreign collaborators. Granted that we want to bring about a reduction in the nation's bill for technical collaboration, we should surely be prepared to offer compensatory attraction to foreign collaborators in the form of reasonable prospects of sharing in the earnings of joint ventures through participation in their equity.

There is clearly need for a flexible, commonsense approach to this issue on the part of both our government and the foreign entrepreneur. What would serve our national interest best is that, while no final obstacle should be placed in the expansion or the starting of a joint venture, the government should negotiate with the foreign collaborators concerned for an increasing participation by Indian subscribers in expanding equity bases of the companies or projects concerned. In this connection, it is significant that the well-known firm of Siemens, who occupy the leading position in the electrical industry in our

country, recently decided in favour of a public issue of shares in our country which would allow for some participation by Indian investors in the equity of what has so far been a wholly-owned Indian subsidiary of the parent firm in West Germany.

It is indeed most important that the Government of India should be on its guard against pursuing in this respect a policy which may kill the goose that lays the golden eggs. It will be distinct disservice to the cause of our industrial expansion or economic growth if the government is to insist on any rule-of-thumb approach in dealing with joint or even foreign proprietary ventures where this issue of equity participation is concerned. It must be clearly recognised that many West German or other foreign collaborators are very firm in their view that they would not be pressurised unduly on the issue of their majority control of equity or management. If negotiations for new ventures or expansion of existing ventures are to break down on this point, it will be our economy which will be the greater loser.

Government's Responsibility

It therefore stands to reason that our government should not adopt approaches which may result in the baby being thrown with the bath water. In many areas of our economy acute shortages of essential goods are developing. Simultaneously, the labour force looking for employment is steadily increasing. In these circumstances, overriding priority must clearly be given to new investment and more production and it is the responsibility of the government to be cautious and circumspect in laying down conditions for the extension of foreign participation in our industrial promotion.

Our government's bias in favour of technical collaboration as against financial collaboration may perhaps be justified up to a point. But even here it may be noted that it is not as if the government is going all out to encourage technical co-operation either. Apart from bickerings over royalties or other kinds of know-how fees, certain other restrictive attitudes are also operative in government policies concerning technical collaboration. There is, for instance, often an unrealistic insistence on time-limits for collaboration agreements.

The government's general policy seems inclined to fix time-limits of five, seven or at the most ten years. While these may be sufficient in the case of some industries, they may become irrelevant when technological complexities enter the picture. Even in the case

of the more simple manufactures, these time-limits have the disadvantage of depriving the Indian firm of convenient access to the results of research and development abroad. In the case of sophisticated engineering or other industries, a routine application of the principle of time-limits could do serious damage.

It would therefore be a good principle for government to be responsive in these matters to the responsible views of foreign collaborators of standing. There is the case, for instance, of Utkal Machinery Limited, near Rourkela, where an Indo-German joint venture has undertaken the manufacture of a wide range of heavy engineering goods. It is felt that Utkal will continue to need for some time substantial technical collaboration, embracing drawings, know-how and specifications and the service of experts for reaching acceptable standards of operational efficiency. The installed capacity in the paper industry needs to be greatly expanded over the short period if current or prospective requirements are to be met. The government is supposed to have formulated a crash programme for the expansion of the paper industry. The success of this programme would depend partly on a simultaneous development of the paper and pulp-making machinery industry in the country. This is a particularly complex and sophisticated industry for which foreign collaboration is vital. In cases such as this, it would be clearly meaningless to seek to impose unrealistic conditions on foreign collaborations, whether in their financial aspects or the technical.

III

I have spoken already of an evolution in the thinking of West German industry on the issue of investing risk capital abroad and have indicated what our own government's response to this trend should be. Another direction in which ideas in the German business world have taken a new turn is the question of helping to create export capacities abroad. Most German industrialists, in the earlier years, were horrified at the notion that they should lend their capital, technical or other resources to establish manufacturing facilities abroad which would, in due course, compete with them in export markets. As a result, collaboration agreements tended to include prohibitions or limits on exports by joint ventures. This was the provision which our country or its government could not accept for any length of time and our government's policy has naturally been to discourage or eliminate such restrictive stipulations in collaboration agreements. The point to note here is that West German industrialists, big and small, have not

only been generally prompt in recognising this changing situation, but have been gradually learning to appreciate the importance of actively assisting their joint ventures in this country exploring export possibilities or markets.

Our government's policy of linking import entitlements to export performances has no doubt exerted a certain degree of legitimate pressure. But it must be said in fairness to the German industrial community that it is not merely making a virtue of necessity. On the contrary, there is an increasing enthusiasm on the part of the West German collaborating firms for lending the assistance of their multi-national technical and marketing services to their joint ventures in our country for selling or servicing products abroad. Inspiring this enthusiasm is a sense of pride felt by the German firms that, thanks to their collaboration, the Indian joint ventures have reached or are reaching international standards of competitive efficiency. As a result, there is a growing willingness on the part of West German firms to relax or not to put forward restrictions on the export activities of joint ventures.

Important Factors

Meanwhile, two factors, among others, have helped to build up export performances in many of these joint ventures. Thus the rupee payment agreements which our government has concluded with certain foreign countries have been helpful in facilitating the export of the production of joint ventures to those countries, especially as those markets are normally not of much interest to the German firms themselves. Secondly, thanks to the acute shortage of labour which has developed in the West German economy and the fact that labour costs have, consequently, risen in West German industry, many West German collaborating firms have found it to their advantage to place orders for components with their subsidiaries or joint ventures in our country. Thanks to the constant effort which is being made to bring up the quality of these products to West German and international standards, this development has been able to proceed quite smoothly.

Here, then, is an area of co-operation where constructive attitudes on the part of those concerned will be rewarding indeed. More and more West German industrialists are coming to appreciate the fact that the Government of India cannot but press for the elimination of restrictive conditions on export activities from collaboration agreements. At the same time, we on our part should not be entirely unappreciative of the fact that foreign firms which have international manufacturing or market-

ing networks are necessarily obliged to co-ordinate the interests of their subsidiaries or collaborators in a number of countries. From this point of view, a broad definition of export jurisdictions might well become inescapable in some cases.

It is desirable that our government should show that they are not lacking in understanding where this matter of adjustment is concerned. Here, as in the case of equity participation or the terms of technical collaboration, there is a great need for a balance to be struck between opposing considerations so that the main objective of our country, which must be the rapid expansion of our industry, is served by adequate scope being given to foreign participation in the expansion of new industries or the establishment of existing ones.

It would be useful here to reiterate the familiar fact that foreign investors and entrepreneurs, particularly multinational firms, have the whole world to choose from while deciding on locations for their projects or investment. Therefore, if our conditions for foreign collaboration agreements tend to be too harsh or unrealistic, all that could happen is that these foreign investments might go elsewhere in spite of their being sorely needed in our country.

IV

West German private investment in our country has reached a total of Rs 60 crores. This is certainly not a large amount, whether in terms of the capabilities of the West German economy or in comparison to the need that our country has of foreign collaboration, both financial and technical. All the same, it does amount to a firm foothold of West German commercial enterprise and technical know-how in our country and could well serve as the starting point for long and rapid strides in the future.

While the aggregate of West German private investment in our country is quite modest, its true significance is to be measured in terms of the diversification and sophistication which it has helped to promote in our country's developing industrial structure. According to a statement compiled by the Indo-German Chamber of Commerce, Bombay, 319 Indo-German collaboration schemes had come into existence and were functioning over the period from 1957 to March, 1966. Between April, 1967 and September, 1967 the Government of India sanctioned 65 further Indo-German collaborations, including collaborations for the extension of existing agreements, addition of new items or expansion of capacities.

These collaborations have covered the following major industrial categories; ferrous and non-ferrous metal

projects; general industrial machinery; machine tools and small tools; textile machinery; electrical machinery, materials and apparatus; chemical and pharmaceutical products; rubber, synthetic resins, paints, etc.; automobiles, tractors, locomotives, other vehicles and ancillaries; instruments, hand tools, etc.; consultation and engineering services; and other industries, both engineering and non-engineering. Out of the 319 collaborations which had come into existence before March, 1966, 212 were technical and 107 both financial and technical. Of the 65 further Indo-German collaborations sanctioned after April, 1967 and before September, 1967, ten were schemes involving financial participation by West German firms.

Versatility of Association

My own visit—as a member of a Press party taken out by the Press Bureau of German Industry in India—to industrial units functioning in different parts of India with West German collaboration faithfully reflected this range and versatility of the association of West German private industry with India's industrial development. In Bombay the group visited the factory of BASF India, which manufactures expandable polystyrene and synthetic tanning agents and the electric motor plant of Siemens at Kalwa, and their switchgear plant and trainee shop at Andheri. In Poona, the group visited TRAUB India Limited, where single-spindle automatic lathes are manufactured, KSB Pumps Limited, which turns out submersible pumps and submersible electric motors and other product lines, and the factory of the Buckau Wolf Limited, manufacturers of sugar machinery. It also visited the plant of Bajaj Tempo as also Kirloskar Oil Engines who have a collaboration agreement with MAN and KHD.

At its next halt, which was Bangalore, the party had a look at the heavy electricals plant of NGEF Limited which was originally started as a Mysore government concern and was later converted into a public limited company in the state public sector. NGEF has a technical collaboration agreement with AEG of West Germany and its manufacturing range includes transformers, motors and switchgears and switchboards. The group visited also the plant of Widia India Limited, who produce hard metal-tipped tools, dies, etc. It met the managing directors of MICO-Bosch which manufactures fuel injection equipment for diesel engines and spark plugs for automobiles. The party had to cancel regretfully its planned visit to the alloy steel project at Bhadrawati, thanks to a dislocation in plane schedules for which Indian Air-

lines at Bombay was at least in part responsible.

From Bangalore, after a brief halt at Madras for a visit to IIT at Guindy, which has been set up with assistance from the West German government, the party proceeded to Rourkela, where it visited the steel plant and the fertiliser factory. It also spent an evening at Utkal Machinery Limited at nearby Kansbahal. Followed visits to TELCO and TISCO at Jamshedpur and then a meeting in Calcutta with representatives from the Consulate General of West Germany and some West German executives working with joint ventures in the Calcutta region. After this final engagement, the group returned to New Delhi with a sense of satisfaction at having had ample opportunities of informing itself with the achievements as well as the problems of Indo-West German collaboration in promoting our country's industrial progress.

Quality Consciousness

Speaking for myself, the greatest value and the most permanent importance of West German collaboration with Indian industry lies in the contribution it has made and is making to our industrial progress by stimulating quality-consciousness on the part of manufacturing units in our country. West German technical and marketing personnel, who have been coming to this country to serve in strategic positions or various periods of time, must be given their share of credit for the emphasis on quality of process or product which is a feature of these joint ventures. The number of such experts functioning in individual plants is naturally dwindling as Indian personnel gain in skill and experience. This is a natural process in the sharing of know-how. At the same time, I believe that our country will be the loser if it fails to take full advantage of the progress in research and development which West German industry is continuously achieving through vast expenditures of resources.

It is interesting to note here that, in West Germany itself, both government and industry clearly appreciate the truth that the most effective way in which they could participate in Indian development in the coming years would be to place their knowledge and skills at the service of Indian industry in the important fields of know-how, training and consultancy. This development is in harmony with our government's policy of emphasizing technical collaboration. At the same time, it is in our interest to recognise the fact that government policy should not be motivated by any dogmatic objection to financial collaboration as such. What would be advantageous to both West Germany and ourselves

is a climate of mutual trust and confidence which will reassure collaborating firms in Germany that our government's policy will not deny them a reasonable sharing of the commercial profits or other benefits of joint ventures.

As it is, West German collaborators have amply proved their *bona fides* by giving their closest attention to bringing up the technical standards of processes and products of joint ventures to West German standards. An outstanding success in this respect has been TELCO at Jamshedpur which recently ended its 15-year old formal collaboration organised between Tatas and Daimler Benz. This association has enabled TELCO to achieve an excellence of product which has won for its trucks and buses an international as well as a national reputation. For some time now, TELCO has been manufacturing and marketing its vehicles under its own trade name and has shown every sign of being able to sustain and promote consumer confidence in its products. The quality control unit at TELCO is so elaborate in its equipment and so exacting in its standards that even reputable suppliers of components are not always able to escape heavy rejections. It would probably be true to say that the Tata-Daimler Benz collaboration in TELCO constitutes one of the two most successful joint ventures in this country, the other one being the Birla-Kaiser collaboration at Renukoot in Uttar Pradesh which has given our national economy its most dynamic unit in the aluminium industry.

Comparable Manpower

The question that cropped up rather frequently during this tour was how Indian workers compared with workers in West Germany in aptitude, skills or other aspects of productivity. The broad impression I gathered was that while the Indian worker was apt to come off second best in operations, such as those in certain sections of steel plants, which called for great muscle-power or physical strength, he was no inferior to his West German counterpart in other manufacturing operations. There is however one qualification to be made. The productivity of the Indian worker becomes comparable to the productivity of the West German workers only when the standards of training and management in the concerned Indian industrial unit are also up to West German standards.

To put it differently, given favourable conditions of training, guidance and supervision, the Indian worker tends to be as efficient as the German worker. Since our wage levels are substantially lower, this often means that many joint ventures have an

advantage in wage costs over their principals or collaborators in West Germany. From this point of view, it is indeed gratifying to note that in many of the plants that we visited, the greatest importance was being given to the efficient conduct of trade apprenticeship or other training courses. The good work which is being done in this field by firms such as Siemens, TRAUB India and MICO—to mention a few names—deserves to be widely recognised.

Indian Attitude

An aspect of these joint ventures which I would like to explain here is that the quality of these ventures can only be as good as the quality of the Indian partners. Where the Indian partner is capable of benefiting from his association with the West German technical or commercial expertise that has become available to him through the collaboration agreement, the unit concerned naturally attains viability and dignity as a self-reliant unit capable of developing further on its own. From this point of view, it is rather unfortunate that there are Indian parties to collaboration agreements who often seem only too happy to assume the comfortable position of 'sleeping' partners. It is essentially up to such Indian parties in particular and to Indian business in general to remedy the situation. Meanwhile, especially in cases of such sleeping partnerships, considerable harm may be done to the cause of Indo-German collaboration in our industrial development if our government were to insist obstinately on reductions in West German shares in ownership or control.

It was a year ago that a high-level delegation of West German industrialists and bankers, led by Dr Herman J. Abs, visited this country to assess the climate for investment and explore possibilities for further Indo-German collaboration. This delegation came to the conclusion that the government in this country as well as the industrial and business associations and individual companies in the private sector were basically very much in favour of collaboration with German firms. It however made some constructive criticisms of government policies and procedures and specifically recommended a reduction in red-tape and abandonment of bureaucratic attitudes. I am sorry to say that my discussions with managements and executives, whom I met during this tour, have left me with the impression that things have not improved much in these respects in the last 12 months. It would, of course, be only cold comfort for German industry to be told that Indian industry as such has been or is faring no better at the hands of the government of this country.

WINDOW ON THE WORLD

East-West Relations

JOSSLEYN HENNESSY

LONDON:

I

THE GERMAN-POLISH TREATY

CONTINUING HIS *Ostpolitik* (east policy), Herr Willy Brandt, the West German Chancellor, followed up the treaty that he signed with the USSR, outlined on this page on October 23 last, by pressing ahead with the talks with Poland, which culminated in the initialling on November 18 of the treaty, subsequently signed in Warsaw on December 7.

The main feature of the treaty was the agreement that the Oder-Neisse line formed the frontier of Poland and an affirmation of the inviolability of existing frontiers. As with the previous Russo-German Treaty, the actual word "recognition" of the frontiers was not conceded in these terms; and both the Poles and the West Germans declared that they would be guided in their relations by the principles of the Charter of the United Nations and would renounce the use of force in settling disputes. Similarly, the treaty does not affect the rights and responsibilities of the Four Powers with regard to Germany as a whole. The problem of Germans wishing to leave Poland was not included in the treaty but was covered by a separate Polish declaration handed to the West Germans and made public on November 19. By this the Polish government undertook that people of indisputable German origin, who had stayed behind in Poland, would be permitted to move to East or West Germany, while the requests of others who wished to join relatives in Germany would be given consideration.

Here is the complete text of the article of the treaty dealing with frontiers:

"Article One:

(1) The Federal Republic of Germany and the People's Republic of Poland declare in agreement that the existing border line, the course of which was determined in Chapter IX of the decisions of the Potsdam Conference of August 2, 1945, as from the Baltic Sea immediately west of Swinemunde, thence along the Oder to the confluence of the Lausitzer Neisse, and along the Lausitzer Neisse to the frontier with Czechoslovakia,

forms the western state frontier of the People's Republic of Poland.

(2) They affirm the inviolability of their existing frontiers, now and in the future, and mutually commit themselves to unrestricted respect for their territorial integrity.

(3) They declare that they have no territorial claims against one another, and will not raise such claims in the future."

In a radio and television broadcast from Warsaw, the West German Chancellor, having explained the difficult decision which the West German government had to make in signing the treaty, went on to declare:

"We must start from what actually exists and from what has developed. This... applies with regard to the western frontier with Poland..."

He added that the Treaty "does not surrender anything that was not gambled away long ago. Gambled away not by us who hold, and held, political responsibility in the Federal Republic of Germany, but gambled away by a criminal regime, by National Socialism."

Herr Brandt was at pains to explain that he had not conceded anything prejudicing the rights of the western powers:

"The Treaty between Poland and ourselves — a Treaty, as the official title reads, concerning the basis for normalising their mutual relations — is not a substitute for a formal peace treaty. It does not affect the rights and responsibilities of the Four Powers with regard to Germany as a whole. It does not deprive of effect any contractual obligations previously assumed by either side.

"I wish to make special mention of this because naturally our active participation in the West European Communities and our firm place in the Atlantic Alliance form the bases from which we shall seek a new and better relationship with the peoples of Eastern Europe."

II

A THAW IN EUROPE?

The Polish-German treaty forms part of the larger jig-saw of east-west relations. These relations have been set

in a pattern since the end of World War II, but it now seems possible that the pieces are being broken up and moving into a new relationship. In a speech to the Foreign Press Association in London on December 1, the British Foreign Minister, Sir Alec Douglas Home, expressed it thus:

"There are times when international relations seem frozen in rigid patterns and opportunities for change seem small; and then some times the pattern starts to dissolve. There are some observers who would say that a thaw like that is taking place today in the relations between east and west. And there is a sense in which I would agree with them."

Sir Alec went on to point out that a return to the normal never means a return to the past. Certain realities change: the eastern half of Europe remains dominated by Soviet conventional military power and has set out to itself into a self-sufficient economic bloc on lines very different from the traditional patterns of the west.

The NATO Council Meeting

Given this condition of flux, what are the issues and negotiations with which the west must be concerned in the immediate future?

There are the SALT talks still proceeding between America and Russia in Helsinki. There are the talks on Berlin at ambassadorial level between the Four Powers with responsibility in West Germany, and there are such issues as the project for a European Security Conference and the possibility of mutual and balanced reductions of forces on either side of the line of confrontation between east and west in central Europe; and, of course, there is the possibility of negotiations and treaties between Federal Germany and the other Russian satellites in eastern Europe leading eventually to the exchange of diplomatic representatives and the inauguration of normal relations. All these issues are inter-related and the communique issued at the end of the meeting of the NATO Council on December 3 constitutes both a useful review of the situation and a statement of the attitude of the alliance at the present time. The communique stated clearly that NATO's approach to security in the 1970s will continue to be based on the twin concepts of defence and detente and that the political purpose of the alliance was the common search for peace through initiative aiming at the relaxation of tension and the establishment of a just and lasting peaceful order in Europe accompanied by appropriate security guarantee. The whole communique reflected the solid basis of the

February 5, 1971

NATO alliance and its renewed confidence, particularly in the light of President Nixon's momentous message to which the communique referred as follows:

"The Council received a statement from President Nixon, which pledged that, given a similar approach by the other Allies, the United States would maintain and improve its own forces in Europe and would not reduce east-west action. Ministers expressed their profound satisfaction at the re-affirmation of allied solidarity expressed in this statement."

The immediate problem between east and west is how to improve the situation in Berlin, i.e. how to secure unhindered access to Berlin from West Germany, improved circulation between the eastern and western sectors of Berlin and respect for the existing ties between the western sectors of Berlin and the Federal Republic of Germany.

The West German government has made it clear that until there is a satisfactory outcome to these problems they will not ratify either of their treaties with Russia and Poland. The NATO powers have adopted a similar firm line towards the convening of a European Security Conference for which the Russians have been pressing so hard. The NATO powers affirmed "the readiness of their governments, as soon as the talks on Berlin have reached a satisfactory conclusion, and in so far as the other on-going talks are proceeding favourably, to enter into multilateral contacts with all interested governments to explore when it would be possible to convene a conference, or a series of conferences, on security and co-operation in Europe. In this event, the Council would give immediate attention to this question."

III

THE COMMONS DEBATE

All these developments and particularly the successful meeting of the NATO Council on December 3 were discussed in the British House of Commons in the course of the debate on foreign affairs last month. Sir Alec Douglas-Home, in opening the debate, said that, just as the reconciliation between West Germany and France had formed the basis for co-operation in western Europe, it might not be too fanciful to believe that the process of reconciliation between West Germany and the countries of the Warsaw Pact could form a foundation of a new and more secure relationship between east and west Europe. But he warned that the NATO Council of foreign ministers "were bound to record at all these meet-

EASTERN ECONOMIST

251

ings that the effort for conciliation has been made by Federal Germany and by the west; and, although fair words have been spoken, there has not as yet been any movement on 'substance' by the Soviet Union in relation to Berlin, or any hard evidence that East Germany is willing for a relationship with West Germany of 'give and take'. The ability of the Soviet Union to create conditions which provide for freedom of access to and from Berlin is undoubted. It could do it at any time, and the opportunity is wide open for the Soviet and East German governments to respond to the approaches and suggestions that have been made. Once the will is demonstrated to improve the existing arrangements for Berlin, so that movement between the two halves of the city is improved, so that life in Berlin is once again tolerable for its citizens, then the preparation for a security conference could begin, and the nature of it, and its function, could be established."

Importance of Message

Sir Alec said that he could not over-emphasise the importance of President Nixon's message to the NATO Council and went on to point out that it was difficult to say whether the question of mutual and balanced reductions of forces was yet ripe for discussion. He indicated the difficulties inherent in this conception, because there was a world of difference between withdrawing American troops across the Atlantic to the United States and merely putting the Russian troops now in eastern Europe back behind the Soviet frontier. Sir Alec added: "It is the extent of such real difficulties as those, which, I think, make it very necessary not to allow a snowball to start rolling towards intensified negotiations with the west until we see more tangible evidence that they are ready for genuine measures of detente."

Sir Alec then referred to the difficulties of negotiating with the Soviet Union and recalled what had happened immediately after the standstill arrangement on the Suez Canal, namely, the attempted interruptions of allied air traffic in the Berlin air corridor, and delays on the Berlin autobahn, the activities of a Russian nuclear submarine depot ship in Cuban waters, and the close shadowing by Soviet naval vessels of western ships on manoeuvres.

An outstanding point in the debate was the support which the Labour opposition front bench speakers gave to Sir Alec's firm line. Mr Dennis Healey (Labour) said that he welcomed the Foreign Secretary's "positive words" on the *Ostpolitik*, because he knew that they would be welcomed in West Ger-

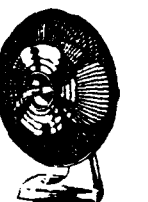
many and throughout Europe. He went on to say that "none of us can deny that Herr Brandt was absolutely right to insist that before the treaties with Moscow and Warsaw are ratified, there must be progress in Berlin, which is recorded in a firm written agreement". Mr R.S.G. Hattersley (Labour) speaking later in the debate from the front bench, dealt effectively with his own party's left-wingers; he said that a security conference could appear on the European agenda "only when Berlin status has been clarified and confirmed permanently". He went on: "It is worth reminding ourselves again what that clarification means. It means the acceptance of West Berlin as an integral part of the Federal Republic... constant free access from the Federal Republic to Berlin... freer communications between the two halves of the city... and ending the vestiges of economic discrimination from Warsaw Pact countries to the city of Berlin. Perhaps most important of all, it means that those four principles must be underwritten by the Soviet Union, which must do its best to ensure that they are applied — consciously applied, and genuinely applied". Mr Hattersley went far in suggesting that West Berlin should be accepted as an integral part of the Federal Republic and it seems unlikely that he intended



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wholly to commit his party to this thesis.

The next task in Europe is therefore to reach agreement on Berlin. The four ambassadors were due to have their thirteenth agreement on January 19 and it is to be hoped that they will be able to make progress. It must not, however, be thought that all will be plain sailing. Since Herr Brandt is committed to avoid presenting the Russian and Polish treaties for ratification until there has been a settlement on Berlin, a long delay in achieving a settlement would mean a loss of steam in his *Ostpolitik* and thus probably encourage his domestic critics. A real Berlin settlement is also likely to embarrass the communist government in East Germany, and indeed Russia and her other satellites in the Warsaw Pact have already had to embark on the task of trying to persuade the Ulbricht regime

Indo-Italian Economic Co-operation

A CORRESPONDENT

ECONOMIC CO-OPERATION between India and Italy can be seen in three fields, namely, trade, aid and industrial collaboration. India's trade relationship with Italy goes back to pre-war years, but the relationship in the fields of aid and investment began only in the sixties.

In the table below is given India's trade with Italy since the first five-year Plan period.

The table reveals that imports from Italy since the first Plan period have gone up by more than 110 per cent, while exports to Italy have increased a little over 50 per cent. It is also noteworthy that India has had an adverse balance of trade throughout. Since 1966-67, Italy's share in India's trade has been in the range of 1.6 to two per cent.

Indian exports to Italy are mostly traditional items such as coffee, tea, leather, coir yarn, semi-precious stones, iron ore and concentrates, which together account for nearly three-fourths of the export earnings from Italy. Imports from Italy include organic chemicals, fertilizers, transport equipment, machinery of various kinds, etc. In fact, imports from Italy reflect India's needs in her programmes of industrialisation and are partly financed by Italian credit.

In the three Plan periods put together the total trade deficit with Italy was of the order of Rs 41.59 crores. In the period following the third Plan this deficit amounted to Rs 100.74 crores. Thus, since the beginning of the first Plan in 1951, the total trade gap with

to adopt a more accommodating attitude. Finally, within the NATO alliance itself, there were those at the NATO meeting in Brussels who at first appeared to support a less cautious approach; they did not, however, press their views.

I conclude with Sir Alec's sober assessment of the problems of negotiating with the Russians and his warning that we should not "allow a snowball to start rolling towards intensified negotiations with the east until we see more tangible evidence that they are ready for a detente."

Note: I offer this article as a record of the state of diplomatic play between east and west Europe. It may usefully be read together with the previous article on Soviet-West German relations published here on October 23, 1970.

Italy aggregated to Rs 142.33 crores. A part of this trade gap has been bridged by the aid received from Italy.

As a member of the Aid-India Consortium, Italy has extended to India about Rs 166.87 crores of aid to finance the imports of capital equipment, services and commodities since 1962-63. Out of this authorised aid, India has utilised so far Rs 132 crores or 79 per cent. Most of the Italian credit is in the nature of suppliers' credit extended by the Italian exporters under the state guarantee scheme to Indian importers. The credits have been used by the industries of the public and private sectors for the import of capital equipment required for oil production and pipelines, power generation, pig iron, nylon yarn, caustic soda and hydrochloric acid, fertilizers, aluminium, cement, soap, etc. Among the public sector enterprises, the Hindustan Teleprinters and the Heavy Electricals, Bhopal, have also utilised the credit for importing certain capital equipments.

Early in 1962-63 Italy extended credit amounting to Rs 33.75 crores for financing the installation of pipelines from Barauni to Delhi and Calcutta, a gas fractionation plant, a liquid petroleum gas bottling plant, oil exploration equipment and technical assistance for the development of oil resources. In 1966-67 the Italian government made available to the Government of India a loan of Rs 1.5 crores for the purchase of fertilizers through the IMI, a banking institution in Italy. Among the aid extended to the private sector was a loan of Rs 6 crores from Medico Banca,

SPA, Milan, Italy to the Madras Aluminium Company for the import of equipment from M/s Montecatini.

Between 1957 and 1969, eighty-six approvals were given by the Government of India for collaboration between the Italian and Indian firms. The outstanding Italian corporations that have collaborated with Indian companies include the Fiat, the Ceat, the Innocenti, the Italtiscose Eastern and the Montecatini. The Italian firms collaborating in India are producing a wide range of engineering items, dyes and chemicals, machine tools, tyres and tubes, automobile accessories, scooters, fertilizers and pesticides, synthetic fibres, aluminium etc.

According to the figures available from the studies conducted by the Reserve Bank of India, the outstanding business investments from Italy at the end of 1961 aggregated to Rs 4.1 crores, all practically in the field of manufacturing. At the end of March, 1967, the Italian foreign business investments increased to Rs 27 crores, distributed between manufacturing (about 65 per cent) and petroleum (about 35 per cent).

There is considerable scope between India and Italy to extend and enlarge the area of economic co-operation. The recent visit of a trade mission led by Mr G.L. Bansal of the FICCI has identified many important areas for promoting trade between India and Italy. In the field of industrial collaboration, Italy and India can co-operate to mutual advantage in the fields of automobile and scooter manufacture, both for the Indian market and exports, fertilizers and petrochemicals. Italian expertise in the field of asbestos products machinery and leather-making machinery would be beneficial to India. The Government of India has already identified about 123 chemical and engineering industries in which there is scope for foreign collaboration. It would be worthwhile considering a suggestion of the Bansal mission to set up a Joint Indo-Italian Commission at official level and an Indo-Italian Business Co-operation Committee at non-official level to promote Indo-Italian joint ventures in India and abroad.

INDIA'S TRADE WITH ITALY (Rs crores)

	Exports	Imports	Trade balance
Annual average			
I Plan	8.03	18.26	-10.23
II Plan	6.84	27.00	-20.16
III Plan	10.53	21.73	-11.20
1966-67	15.34	41.51	-26.17
1967-68	17.81	34.27	-16.46
1968-69	18.06	47.50	-29.44
1969-70	12.92	39.60	-26.67

The moving finger writes

MRS GANDHI's party evidently believes that it thrives on controversies. Why else should it have opted for the "cow-and-calf" symbol? Surely not as an implied tribute to the influence which the Jana Sangh wields among certain sections of the population?

Rajaji has expressed the view that this symbol has a definite religious connotation and can therefore be faulted on legal grounds when the time comes. Even otherwise Mrs Gandhi's advisors seem to have been quite maladroit; don't they realise that they have presented the Jana Sangh with a good talking point on a platter? The Jana Sangh as such is entitled to demand of a political party choosing to employ the cow-and-calf symbol that it should declare honestly its policy on the issue of cow slaughter. We know for instance that Mr C. Subramaniam believes that the legalisation of cow slaughter or, indeed, its encouragement is essential or a rational cattle policy. I am not concerned here with the merits of the question. What I am trying to point out is that some of the policy-makers or would-be policy-makers in Mrs Gandhi's party, seem to hold certain views on cow slaughter which the public has a right to learn about in the light of Mrs Gandhi's party having chosen the cow-and-calf symbol.

What, indeed, are Mrs Gandhi's own views? Does she differ from Mr C. Subramaniam or agree with him? Some days ago, Dr K.N. Raj, who was till recently the Vice-Chancellor of the Delhi University, took up our country's cattle problem as the theme for the Lal Bahadur Shastri Memorial Lecture delivered by him at the Indian Agricultural Research Institute. The main thrust of his argument was that slaughter of cattle for meat was the most sensible means of disposing of what he described as "surpluses of cattle" as they occurred in the national economy. I want to emphasise again that I am not expressing now any view of my own on this topic and that I am only trying to make the point that Mrs Gandhi and other leaders of her party who have chosen the cow-and-calf symbol for electioneering, ought to tell the public whether and to what extent they agree with Dr Raj or Mr C. Subramaniam, both of whom are rated high in the counsels of the Prime Minister, on the issue of cow slaughter. So long as Mrs Gandhi and her colleagues do no come

out publicly with their views on the subject, their use of the cow-and-calf symbol must be regarded as yet further evidence of their basic belief that means or methods do not matter.

When it came to the point Mrs Indira Gandhi predictably preferred Mr Karunanidhi on whom she is politically dependent to Mr C. Subramaniam who is personally dependent on her. Mr Subramaniam, who naturally does not want to be a mere 'hanger on' in Mrs Gandhi's camp, naturally desires to achieve some respectability for his political position by rebuilding his base in Tamil Nadu, his home state. Here he has come up against the stone-wall of the DMK's unwillingness to yield voluntarily any part of its zamindari in the politics of Tamil Nadu even to a favourite courtier of its precious political ally, Mrs Indira Gandhi. Up to a point Mrs Gandhi was prepared to pressure or even plead with Mr Karunanidhi to accommodate Mr Subramaniam's political ambitions or interests. But when she saw that her reserves of bargaining were being exhausted, she promptly desired to jettison Mr Subramaniam's pretensions in Tamil Nadu rather than run the risk of alienating the DMK which might still be able to send a respectable number of MPs to the new Lok Sabha. Those who have been Mrs Gandhi-watchers over the past 18 months could not have been unduly surprised by her way of exercising her options on this occasion.

It is however not Mr Subramaniam's personal political fortunes alone which are in issue. Mrs Gandhi's decision to make a deal with the DMK, even to the extent of surrendering completely her party's claims to assembly tickets in return for 10 Lok Sabha tickets, raises some important questions about her *bona fides* as leader of a party claiming to have an all-India character. Mrs Gandhi and her colleagues want their Group to be recognised as the Indian National Congress. At the same time they have unhesitatingly given up the right of their party to be represented in the legislature of one of the states of the Republic. This is a measure not only of their lack of political self-respect but also of the hollowness of their pretensions to be the leaders of a truly all-India political organization. Not very long ago the Prime Minister proclaimed loudly that 95 per cent of

the people of India were behind her. Was she, by any chance, talking then about India *minus* Tamil Nadu? Is it her submission today that so far as Tamil Nadu is concerned, 95 per cent of the people of that state are behind her only to the extent that she herself is behind Mr Karunanidhi? Quite naturally, the rank-and-file of her party in that state has refused to accept the proposition that it should be content to function on the DMK's sufferance. Quit a large section of it seems to have decided that, in the circumstances created by the Prime Minister's patent opportunism and paramount desire to save her political skin at whatever cost, it will be more honourable to commit harakiri than to subsist dishonourably on the leavings of the DMK's political kitchen.

Some optimists in the Prime Minister's camp are reported to be reassuring themselves that, should India-Pakistan relations worsen as a result of Pindi's handling of the hijacking of an Indian Airlines plane or in consequence of such other activities of the so-called National Liberation Front of Kashmir, the people of our country are bound to rally behind the Prime Minister with a sense of national emergency. Their argument is that any aggravation of tension in Kashmir or between India and Pakistan is therefore bound to strengthen the chances of the Prime Minister's party in the forthcoming elections. They may be right, but it cannot be ruled out that some sections of the electorate at least will start looking more closely into Mrs Gandhi's qualifications and record in office before they are convinced that she would make a safe and sufficient leader on an occasion or occasions of national crises, as distinct from crises in party politics. In particular they may wonder whether a politician, who had deliberately wrecked the party which had put her in power just because she wanted to rule without the restraints of institutional discipline, could be counted upon to establish national unity or solidarity in dangerous times. It is plain enough that the country must pull-together if its economy is to move forward. It is even more obvious that the nation should stand together if it is to defend itself against subversion from within or aggression from without.

V. B.

Trade Winds

SOMAIYA ON SUGAR POLICY

AT A press conference in the capital on January 27, Mr S. K. Somaiya, President, Indian Sugar Mills Association, stated that the government had not so far announced its decisions on some of the important aspects which form an integral part of the sugar policy. The government's decision regarding creation of buffer stocks was still awaited by the industry. He drew attention to the question of levy of differential rates of excise duty on free and levy sugar. With the sharp decline in open market prices the actual free sugar realisations of factories in most of the regions were lower than their levy prices, he added. Hence there was no justification for continuing with differential rates of excise duty which subjected free sugar to disproportionately higher rates of duty at 37.5 per cent as against 25 per cent duty on levy sugar.

Mr Somaiya also referred to another important matter which was agitating the minds of the industry for quite some time. He said that the factories in high cost zones were saddled with excess stocks of sugar due to non-lifting of released sugar. Consequently they were incurring substantial additional expenditure in the form of interest charges, godown rents, insurance charges etc. This had put them to serious financial difficulties. In order to remedy this situation, Mr Somaiya suggested that the government should adopt a stable policy with regard to monthly releases of sugar and whenever additional releases became necessary to meet any particular situation, additional quotas should be released from factories with excess stocks. This, he felt, would help in equalisation of stocks.

Because of reduced area under sugar cane, Mr Somaiya estimated that the total production of sugar in 1970-71 would be around 3.8 million tonnes as against 4.26 million tonnes in 1969-70. With opening stocks at 2.09 million tonnes the total available supply in the current year is expected to be 5.9 million tonnes. Total internal consumption has been estimated at 1.7 million tonnes and there is a possibility of exporting about 350,000 tonnes. Closing stocks on September 10, 1971 are expected to be around 1.8 million tonnes against 2.1 million tonnes last year. Mr Somaiya

stressed the need for increasing exports of sugar which in his view could be raised to 500,000 tonnes this year.

LAKSHMI MILLS' JUBILEE

Mr. D.P. Mandelia inaugurated the diamond jubilee celebration of the Lakshmi Enterprises established in Coimbatore in 1910. In his inaugural address he stated that during these 60 years the company had made significant achievements. Starting from a wooden ginning mill, it had established three modern textile mills, a modern engineering works, a factory for manufacturing card clothing, a flour mill and it had been instrumental, in starting the South India Viscose Company, which manufactured staple fibre and rayon yarn and had lately added the manufacture of rayon grade pulp.

He referred to the progressive attitude of the management and mentioned the fact that the company had established various charitable and educational institutions and had laid stress on labour welfare work. He pointed out that this enlightened attitude of Lakshmi Mills was also prevailing in most of the other industrial ventures in this country. He, therefore, advised that it would be improper to shout political slogans and ignore constructive practical work involving integrity and honesty.

Mr Mandelia referred to the unemployment among lakhs of technicians and pointed out that most of these students spend Rs 25,000 to Rs 30,000 during the course of five year's study. He added that previously our technicians could at least find jobs in the United States but at present even there it had become difficult. The only remedy he added was to increase production in every field in this country so that more men could be employed and as a result the competition that would follow there would also be drop in prices. As a result of increased production quality of output would improve, and excess production would be exported to earn foreign exchange, he stated.

OILSEEDS CREDIT CURBS

The Reserve Bank of India recently tightened control on advances against oilseeds, vegetable oils and vanaspati to arrest the rising prices of oilseeds and vegetable oils. The minimum margin

on advances against oilseeds, vegetable oils and vanaspati has been raised from 60 per cent to 75 per cent. A minimum margin of 25 per cent has been imposed on advances against cottonseed, a commodity which was exempted from margin requirements so far, granted to oil mills and advances against cottonseed oil to vanaspati manufacturers. The minimum margin has also been raised from 40 to 50 per cent in respect of advances to vanaspati manufacturers against stocks of vegetable oils used as raw material. This increased margin will apply to the raw material stocks equivalent to six weeks consumption for factories located in the north zone and four weeks consumption in the west and south zones. For stocks in excess of these limits, the margin will be 75 per cent as against 60 per cent earlier. The minimum margin has been retained at 40 per cent in the case of advances to vanaspati manufacturers in the east zone. Also, the minimum rate of interest on advances against oilseeds, vegetable oils will remain unchanged at 12 per cent. The concessions or exemptions given earlier will be continued. These include exemptions given earlier will be continued. These include exemption of (a) advances against non-edible oilseeds and oils excluding linseed and castor seed and the oils thereof; (b) a lower margin of 25 per cent for advances against edible oilseeds to oil milling units in the eastern States of Orissa, Bihar and West Bengal. Against stocks equivalent to two months' consumption of each mill; and (c) exemption of advances against oilseeds and vegetable oils including vanaspati to all parties in Assam and Nagaland. The exemption in (c) has now been extended to Meghalaya and Jammu and Kashmir as well as in the Union Territories of Manipur, NEFA and Tripura.

TRADE WITH JORDAN

This country signed a protocol with Jordan extending the Indo-Jordan Trade Agreement for a further period of three years until December 31, 1973. The Protocol was signed by Mr Omar Nabulsi, Minister of National Economy of Jordan, and Mr. L.N. Mishra, Union Minister of Foreign Trade. Mr Omar Nabulsi was on a visit to India as leader of a trade delegation of Jordan. He was accompanied by Dr. Khalil Salem, Governor, Central Bank of Jordan, Mr Abdul Wahab Majali, Chairman, Jordan Phosphate Company, and senior officials of Ministry of Finance and National Economy. During the discussions with the Indian delegation the flow of trade between the two countries was reviewed and the

level of trade to be aimed at for the year 1971 was agreed. This country will import a substantial quantity of Jordanian phosphate during the current year. Apart from traditional commodities like tea, Jordan is expected to import a wide variety of Indian manufactured goods such as cables, iron and steel items, telephone exchange equipment, tyres, etc. It is anticipated that the total trade between the two countries will be significantly higher than the last year and amount to approximately Rs 7.5 crores during 1971.

UNIT TRUST

During the second quarter of the current year October to December 1970, units of the face value of over Rs 1.75 crores were sold with 4,326 new investors joining the trust as compared to Rs 2.30 crores under 5,700 applications during the corresponding period of the previous year. This brings the total sales of units in the first half of the current year to Rs 15.40 crores compared to Rs 18.71 crores in the same period of the preceding year. During the period October to December 1970 an amount of over Rs 11.97 lakhs was invested by non-residents under 106 applications compared to Rs 17.75 lakhs under 185 applications in the previous quarter. Purchases during the quarter were Rs 87.79 lakhs compared to Rs 71.46 lakhs in the previous quarter and Rs 48.50 lakhs in the same quarter of 1969-70. Under the child n's plan, which was introduced from July 1, 1970, units of the face value of over Rs 47.24 lakhs under 2,074 applications were sold by the Trust during the period July to December 1970. The total number of unit holders registered with the Trust as on December 31, 1970, was 367,379 with the total amount invested being over Rs 90.78 crores.

MYSORE PLAN

The Annual Plan for 1971-72 of Mysore was discussed at a meeting between Prof. D.R. Gadgil, Deputy Chairman, Planning Commission and Mr Veerendra Patil, Chief Minister of Mysore recently. The Deputy Chairman indicated that the Plan for 1971-72 would be of the order of Rs 70 crores on the basis of resources in sight. The Chief Minister of Mysore pressed for a Plan of Rs 71.41 crores. Central Assistance for the Annual Plan 1971-72 will be Rs 34.63 crores. The fourth Plan outlay of Mysore is of the order of Rs 350 crores. Expenditure during 1969-70 came to about Rs 63.67 crores, and the anticipated expenditure during 1970-71 about Rs 72.27 crores. The distribution of the outlay (in Rs lakhs) of the Annual Plan for 1971-72 among various sectors of de-

velopment, as indicated by the Planning Commission, is as follows: Agricultural programme 1558; Co-operation & Community Development 299; Irrigation & Power 3092; Industry and Mining 294; Transport & Communications 335; Social Services 1392; and Miscellaneous 30.

MEGHALAYA PLAN

The outlay for the Annual Plan, 1971-72 of Meghalaya will be of the order of Rs 7.95 crores. Central Assistance for the Annual Plan 1971-72 will be of the order of Rs 7.44 crores. The fourth Plan of Meghalaya is of the order of Rs 38 crores. Expenditure during 1969-70 came to 4.3 crores, and the anticipated expenditure during 1970-71 is about Rs 7.25 crores. Distribution of the outlay (in Rs lakhs) for the Annual Plan, 1971-72 of Meghalaya among various sectors of development is as follows: Agricultural programmes 131; Co-operation and Community Development 40; Irrigation & Power 43; Industry & Mining 42.5; Transport & Communications 337; Social Services 161.5; and Miscellaneous 40.5. During the discussion the Chief Minister pressed for a bigger outlay for Meghalaya's fourth Plan as well as its Annual Plan for 1971-72. He pointed out that there has not been adequate economic development of the area, even though there were plenty of natural resources for exploitation.

LICENSING POLICY

In a press note issued recently the Ministry of Industrial Development has stated that after the announcement of the modified industrial licensing policy in February last certain categories of undertakings which were earlier exempted from the licensing provisions of the Industries (Development and Regulation) Act, 1951, have become ineligible for such exemption. The types of undertakings falling under this category are (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; (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; and (iii) undertakings which had diversified production without an industrial licence in accordance with the press note dated October 27, 1966, but are not covered by the revised exemption relating to diversification as per this Ministry's notification dated July 18, 1970. Such of the above types of undertakings as 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) and others requiring foreign exchange for raw materials and/or capital goods beyond the prescribed limit for those engaged in a certain specified industries were required to obtain a carrying on business licence within a period of three months from the date of publication of the respective notifications, after the expiry of which no owner of any industrial undertaking engaged in such industries shall carry on business of the undertaking except under and in accordance with the licence issued by the Central Government. The government expects stated the press note, that all such undertakings as were required to obtain a licence in the light of the new conditions for exemption from industrial licensing under the modified licensing policy would have already submitted an application for a c.o.b. licence. However, as a number of applications for c.o.b. licences are still being processed and c.o.b. licences in certain cases have yet to be issued, it has been decided by the government to extend the period for obtaining a c.o.b. licence up to March 17, 1971 in all such cases. This extension does not apply to submission of applications for c.o.b. licences as all such industrial undertakings as were required to obtain a c.o.b. licence are expected to have made applications for grant of c.o.b. licences within the periods stipulated earlier.

MONOPOLIES ACT

In November last the union government had issued a notification appointing December 1, 1970, as the day on and from which any agreement relating to a restrictive trade practice falling within one or more categories mentioned in clauses (a) to (j) and (1) of sub-section (4) of Section 33 of the Monopolies and Restrictive Trade Practices Act, 1969, became registrable with the Registrar of Restrictive Trade Agreements. By a subsequent notification published in the Gazette of India Extraordinary dated January 12, 1971, the government has amended the Monopolies and Restrictive Trade Practices Rules, 1971, to provide for the procedure for filing of such agreements. The rules so amended require that four copies of such agreements accompanied by a certificate in Form VIII thereunder should be sent to the Registrar of Restrictive Trade Agreements, New Delhi. Copies of agreements of the type referred to above which were registrable on December 1, 1970 were required to be registered within 60 days thereof i.e. on or before January 29, 1971.

Company Affairs

INTERNATIONAL MACHINES

INTERNATIONAL MACHINES Ltd, Naiini, Allahabad, (UP), proposes to enter the capital market shortly with a public issue of Rs 67.50 lakhs, comprising 25,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each and 42,500 equity shares of Rs 100 each. The entire public issue will be underwritten. The company has an authorised capital of Rs 1.50 crores (Rs 50 lakhs in preference and Rs one crore in equity shares). It has been licensed to manufacture 15,000 portable and standard typewriters and 600 electrically operated typewriters per annum on double-shift basis. The factory is being set up in Naiini industrial area on the Allahabad-Mirzapur road which is also the main highway between Delhi and Calcutta. The factory building is expected to be ready by the end of 1971. Trial production is expected to begin from January 1972 and commercial production by March 1972. The capital outlay on the project is estimated at Rs 1.25 crores which will be met by share capital subscriptions by promoters, directors and friends, public issue, long-term borrowings from IFC, UP State Finance Corporation and commercial banks. The UP State Finance Corporation might take up shares worth Rs 10 lakhs in which case the public issue will be reduced to Rs 57.50 lakhs.

LARSEN & TOUBRO

Larsen and Toubro Limited has reported an increase of 35 per cent in its sales during the first nine months of the year ended December 31, 1970, compared to the same period in the previous year. Sales during the period amount to Rs 15.69 crores as against 11.61 crores. The company has also a record backlog of orders at the end of the same period amounting to Rs 27.35 crores, against Rs 21.90 crores, showing a rise of 25 per cent.

STATE BANK

State Bank of India has maintained the dividend at Rs 23 per share for 1970, made up of an interim dividend of Rs 10 per share and a final distribution of Rs 13 per share, absorbing Rs 1.29 crores. The bank has recorded a reduced net profit of Rs 5.40 crores against Rs 5.50 crores in the previous year. A sum of Rs 1.09 crores has been transferred to reserve fund, Rs 12.31 lakhs to pension funds, Rs 2.70 crores to bonus

to staff and Rs 32 lakhs to staff welfare fund. The balance of Rs 3.23 lakhs is proposed to be carried forward.

STATE BANK OF MYSORE

The State Bank of Mysore has proposed a final dividend of 5.5 per cent making a total of 10 per cent for the year 1970. The bank's deposits at the end of the year stood at Rs 54.46 crores as against Rs 49.27 crores at the end of 1969. Of this rural deposits accounted for Rs 4.62 crores as against Rs 3.57 crores in the previous year. The bank opened 20 branches during the year bringing its total number of branches to 145 at the end of 1970.

BANK OF BARODA

Bank of Baroda will open 38 new branches in eight districts of Rajasthan in 1971. Of them 30 branches will be in rural areas and the rest at district headquarters. This was disclosed recently by the Regional Manager of Bank of Baroda. The bank has been allotted ten districts of Rajasthan under the "Lead Bank" scheme. They are Ajmer, Udaipur, Churu, Jhunjhunu, Sawai Madhopur, Tonk, Bundi, Banswara, Dungarpur and Chitorgarh. In order to effectively execute the development activities in these districts, the bank has opened regional office for Rajasthan and Madhya Pradesh in Jaipur.

S.S. DUNCAN

Subject to the consent of the Controller of Capital Issues, the directors of Schrader-Scovill Duncan Limited have proposed to issue 77,000 equity shares of Rs 10 each as bonus shares by capitalising a sum of Rs 7.70 lakhs out of general reserve. These shares will be issued to the existing shareholders in the ratio of one new equity share for every five shares held on a particular date to be fixed in due course.

VOLTAS

Voltas Limited made substantial recovery during the year ended August 31, 1970. Mr R.F.S. Talyarkhan, chairman in his statement to the shareholders stated that given a fair chance to operate without too many restrictions and restraints, there was no reason why the results in 1970-71 should not be at least as good as for the year under review. The company looked upon the present decade as one of expansion and diversification. The government has approved the company's collaboration with well-known firms for design engineering and installation of electrostatic precipitators. The company has also decided to expand the project engineering division which was being equipped to undertake turnkey assignments, incorporating systems and design engineering. This division was expected to play a vital role in the planning and structure of manufacturing schemes not only here but also in foreign countries. Acknowledging the excellent support received from its two pharmaceutical principals Roche Products Ltd, and Merck Sharp and Dohme of India Ltd in which the company is financially interested, Mr Talyarkhan stated that the Drug (Price Control) Order would have an adverse effect on the company's margins in future.

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KIRLOSKAR CUMMINS

The directors of Kirloskar Cummins Ltd have proposed an equity dividend of eight per cent for the year ended September 30, 1970, against six per cent paid for the previous year. As in the previous year, the entire dividend will be tax-free in the hands of the shareholders. The company's total income has increased to Rs 6.33 from Rs 5.02 crores. Its working has resulted in a gross profit of Rs 100.3 lakhs compared to Rs 102.6 lakhs in the previous year. After providing Rs 35.4 lakhs for depreciation, Rs 36.1 lakhs for taxation and Rs 6.50 lakhs for development rebate reserve, the net profit works out at Rs 22.10 lakhs, which has been transferred to the general reserve from which dividends amounting to Rs 12 lakhs will be paid.

TATA CHEMICALS

Tata Chemicals Ltd has reported that during the half-year ended December 31, 1970, the total sales inclusive of excise duty amounted to Rs 540.68 lakhs, reflecting an increase of Rs 17.80 lakhs. Among the company's major products, the output of soda ash aggregated 102,196 tonnes showing a rise of 2,823 tonnes over that of the corresponding period of the previous year.

A.C.C. The Associated Cement Companies recorded an increase in production of cement for the period August 1, 1970 to January 15 by 34,000 tonnes compared to that for the corresponding period of 1969-70. The cement despatches were dislocated during September and October by excessive rains and the acute shortage of railway wagons with the result quantity despatched fell short by 42,000 tonnes at the end of October, but the company made good this setback in subsequent months. Mr N.A. Palkhivala, chairman, pointed out, however, that the main problem facing the company was the fixation of cement prices at levels which did not compensate it fully for the increase in costs arising wholly from factors be-

yond its control. None of the methods normally adopted to increase the profitability was available to the company in the existing framework of government policies except an intensive and rigid cost control and cost reduction and the company was already trying its best to follow this method.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the four weeks ended August 29, 1970. The list contains the names and addresses of the licensees, article of manufacture, types of licences—New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting—and annual installed capacity.

LICENCES ISSUED

Metallurgical Industries

M/s Stumpp, Schuele & Somappa Pvt. Ltd: Hosure Road, Adugodi, Bangalore—30. (Bangalore—Mysore) Metallic Springs of all types, spring formation, etc. (Licenced capacity increased from 300 lakhs Nos. to 750 lakhs nos. p.a.) (SE)

Fuels

M/s Gajraj Singh & Harangi Ram Bhandari, New Katras Coal Co.: P.O. Katrasagarh, Distt: Dhanbad (Bihar). (Dhanbad-Bihar) Coal—10,000 tonnes p.a. (COB) Shri Baij Nath Bhagat: At & P.O. Saroui Bazar, Distt: Santhal Parganas, Bihar. (Distt: Santhal, Parganas Bihar). Coal: 1st year—3,000 tonnes; 2nd year—5,000 tonnes; 3rd year—7,000 tonnes onwards p.a. (NU)

Electrical Equipment

M/s Cutler Hammer India Ltd; 20/4, Mathura Road, Ballabgarh. (Ballabgarh-Haryana)—Motor Starter—50,000 nos. p.a. (After expansion on maximum utilisation of plant and equipment). (SE) M/s Toshiba Anand, Ltd; Mahatma Gandhi Road, Post Box No. 1077, Ernakulam, Cochin—11. (Kerala)—Dry Cell Batteries—60-million nos. p.a. (NU)

Agricultural Machinery

M/s Escorts Tractors Ltd; 1814, Mathura Road, Faridabad. (Haryana)—Ford '3000' Agricultural Tractors of 46 HP.—6,000 nos. p.a. (NA)

Sugar

Shri K. Suryanarayana, M/s The West Godavari Co-operative Sugars Ltd; Eluru, Distt: West Godavari (AP) Surappagudem, Distt: West Godavari—(AP)—Crushing capacity of Sugar cane—1250 tonnes per day. (NU) The Chairman, M/s Shyadadi Sahakari

Sakhar Krakhana Ltd; Shirwade Railway Station, Taluk Karad, Municipal Office Buildings, Karad, Distt: Saraba, Maharashtra.

(Shahapur Mal, Maharashtra)—Crushing Capacity of Sugarcane—1250 tonnes per day. (NU) The Chairman, Shri Siddheshwar Sahakari Sakhar Krakhana Ltd; Kumthe, 146, Railway Lines, Distt: Sholapur, Maharashtra (Kumthe Distt: Sholapur, Maharashtra) Crushing Capacity of Sugar Cane—1250 tonnes p.a. (NU) The Chairman, M/s Jijamafa Sahakari Sakhar Krakhana Ltd; Sahakar Bhawan, Mehkar, Distt: Buldana, Maharashtra.

(Dusarhid Distt: Buldana, Maharashtra)—Crushing capacity of Sugar Cane—1250 tonnes p.a. (NU)

LETTERS OF INTENT

Metallurgical Industries

M/s Multiweld Wire Co. (Pvt) Ltd; 59, Marol Maroshi Road, Marol, Bombay-59. (Maharashtra)—(i) Welded Wire Mesh 2,600 tonnes p.a. (ii) Steel Balls—35 tonnes p.a. (NU)

Electrical Equipment

M/s Phillips India Ltd; Shivsagar Estate, Block 'A', P.B. No. 6598, Worli, Bombay (WB) (Thana—Maharashtra)—(1) Burners—30,000 nos. p.a.; (2) (i) Infra-Red Lamps & GLS 300-1500 W—920,000 nos. p.a. (ii) M.V. Lamps—30,000 nos. p.a.; (iii) Halogen Lamps—50,000 nos. p.a. (SE) M/s Toshiba Anand Lamps Ltd; XXIII, Mahatma Gandhi Road, Ernakulam Cochin-11. (Ernakulam-Kerala)—(1) GLS Lamps (15-250W)—4.5 million Nos. p.a.; (2) GLS Lamps (300-1500 W)—1.16 million Nos.; (3) Train Lighting, Pigmy, Night, Colour Decoration and Candle Lamps—(3.00 Million nos. p.a.—On double shift. (SE) M/s Metal Lamps Caps (I) Pvt. Ltd; 2, Murphy Road, Post Bag No. 2, Ulsoor, Bangalore-8. (Bangalore-Mysore)—Additional Banges of Lamp Caps—40 million nos. p.a. (120 million nos. after expnsion). (SE)

M/s Sylvania & Laxman Ltd; 68/2, Najafgarh Road, New Delhi-15. (Delhi)—Capacity of Double shift. (Maximum Utilisation Per annum): 1. GLS Lamps high Wattage Lamps (300-1500). 1.20 millions nos; 2. Small Lamps (Tali, Pigmy, Candle, Coloured Lamps)—3.00 million Nos; 3 Small Lamps (Locomotive Head Lamps, Operation theatre, Railway Signalling Lamps). 0.10 million nos. p.a.; 4. Auto Lamps (Head light, side and Tail Lamps)—3.00 million nos.; (5) Telephone, Switchboard Lamps—3.00 millions nos.; 6. GLS Lamps (15-1250 W)—9.00 millions Nos.; (Annual Capacity on Single Shift. 7. Tungston Filaments (Coils)—29.00 millions nos. (8 m. nos.

for Fluorescent Lamps and 21 m. nos. for GLS); (8) Lead-in-wire/53,00 million Nos. (16 m. nos. for Fluorescent Lamps and 4.2 m. nos. for GLS). (NA) M/s Electric Lamp Manufacturers (I) Pvt. Ltd.; 1, Taratolla Road, Garden Reach, Calcutta-24. (24-Parganas-West Bengal)—(1) Aerodrome Runway Lamps 1,00,000 nos. p.a. (2) Tungston Filaments—60 million piexes p.a. (On double shift) (NA)

Industrial Machinery

M/s Shalimar Industries Pvt. Ltd; 25, Ganesh Chandra Avenue, Calcutta-13. (Howrah, West Bengal)—Full Aluminium Card Staves—40,000 nos. p.a. (NA)

M/s Star Textile Engg. Works Ltd; Plant Mill Street, Furgusson Road, Lower Parel, Bombay. (Manpada-Bhopar-Maharashtra)—Textile Machinery (Rare Cylinder Grinders, etc.) 585 nos. p.a.; Capacity recommended on the basis of annual estimated demand).

Agricultural Machinery

M/s Ghaziabad Engg. Co. (P) Ltd; 42, Janpath, New Delhi. (Loni—UP)—DT-14B/T-25 (20 HP) Tractors—10,000 nos. p.a. (NU) M/s Steyr India Ltd; c/o Austrian Foreign Trade Office, The Beacon, 6th Floor, Foreshore Road, P.O. Box No. 1335, Bombay-1.

(Bangalore-Mysore)—Steyr Tractors (540) (44 HP)—12,000 nos. p.a. (NU)

Office Equipment

Shri C.L. Anand, 25, Indra Palace, H. Block, Connaught Circus, New Delhi-1. (Faridabad-Haryana)—(1) Air Conditioners for cars—2000 nos p.a. (ii) Air Conditioners for buses and Trains—100 nos. p.a. (On the basis of maximum utilisation of plant and machinery). (NU)

Paper & Pulp

M/s Suraj Industrial Packings Ltd; Sriniketan, Gurdwara Road, Lucknow. (Gokalgram, Lucknow-UP)—Fire & Waterproof Board—7500 tonnes pa. (NU)

Sugar

The Secretary to the Government of Tamil Nadu, Deptt. of Industries, Labour & Housing, Fort St. George, Madras. (Perur, Distt. Coimbatore, Tamil Nadu)—Cane Crushing Capacity—1250 tonnes per day. (NU)

Food Processing Industries

M/s Shalimar Biscuits Pvt. Ltd; Uppal Industrial Estate, Hyderabad-39 (AP) (Hyderabad-Andhra Pradesh)—Biscuits—6000 tonnes p.a. (NU)

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COMPANY MEETINGS

INDIAN OXYGEN LIMITED

Chairman's Statement

The following is the Statement of Mr. N. Dandeker, Chairman, Indian Oxygen Ltd., which has been circulated to the shareholders along with the Company's Annual Report for the year ended 30th September 1970.

Since our last Annual General Meeting, the Fourth Five Year Plan has been finalised, setting the nation's course to reach the goal of an accelerated improvement in the standard of living of the people through measures calculated to promote growth consistent with social and economic justice.

The year under review witnessed continuing economic revival in the country. Foodgrains production was satisfactory and a sense of confidence marked the future outlook on the food front. Industrial production continued to grow, although at a rate considerably lower than that estimated in the Fourth Plan. The strict curb on imports had a favourable impact on the country's balance of payments and the foreign exchange reserves were higher. But exports were adversely affected by various circumstances including shipment difficulties due to labour unrest at some ports; however, given a certain degree of stability in the supply of materials and the production of goods, there is no ground for despondency even though the annual growth rate of 7% envisaged for exports under the Fourth Plan is generally accepted now as too high to be realistic.

The general trend of improvement was, however, weakened by certain unfortunate developments. Acute shortage of certain categories of steel hindered industrial activity. Prices have continued to rise and the wage-price spiral gives cause for anxiety, especially in the context of a substantial rise in the non-developmental expenditure of the Government. It is now beyond doubt that the price rise was due largely to the slow rate of economic growth resulting from stagnation in capital formation in the private sector. The fiscal and economic policies adopted by the Government in its relentless pursuit of impracticable radicalism brought about an atmosphere of uncertainty and indecision in administrative circles, thwarting all significant efforts for growth in the private sector. Nevertheless, there was a considerable increase in the num-

ber of industrial licence applications submitted to Government during the year under review, indicating that despite all obstacles entrepreneurship was not lacking in the country. The heavy over-subscription of several equity issues made within the same period gave reason to hope that worthwhile projects would receive adequate financial support. Yet neither the entrepreneur nor the investor had a fair opportunity to make his contribution to the industrial development of the country. Unsettled labour conditions in many parts of the country and the resort to agitation by Government employees, both at the Centre and in several States, accentuated the climate of indiscipline and unrest inimical to healthy economic growth. Political instability at the Centre and in several States persisted. Law and order deteriorated, particularly in West Bengal, where there was widespread resort to violence, which in its turn brought about a marked decline in industrial activities. The seriousness of the situation is well known and need not be emphasised here. We have a special concern for West Bengal as a very large number of the Company's employees and their families live in this State, where a substantial part of the Company's capital is invested.

Sales

The continued revival in the economy, even though at a low tempo of industrial activity, was reflected in the Company's turnover for the year which at Rs 17.37 crores was Rs 1.51 crores higher than in the previous year (Rs 15.86 crores). Improved sales were achieved at all the Company's branches.

Higher sales were achieved of nearly all products with a significant increase in those of industrial oxygen. Sales of dissolved acetylene were, however, disappointing; with successive increases in the price of calcium carbide, the main raw material for this product, it was not possible to improve sales in competition with other fuel gases. The imposition of excise duty on calcium

carbide by the Finance Act, 1970 made the situation worse. The upward trend in sales of electric welding equipment and consumables was maintained despite the limited availability of steel plates with many of our customers. Sales of medical gases were satisfactory but those of equipment suffered due to restricted availability of matching cylinders.

Our efforts to expand and diversify our export sales continued and I am pleased to record that the export turnover for the year was 43% higher than in the previous year. We continued to export nitrous oxide, argon, other industrial gases and electrodes to several countries in South East Asia, West Asia and East Africa. We also exported a number of our popular anaesthetic apparatus to Burma and a small quantity of manual arc welding electrodes to UK.

Profit, Taxation And Dividend

The profit for the year, after providing depreciation of Rs 83,98,000 (previous year Rs 97,71,000) amounted to Rs 1,90,21,031 as against Rs 1,51,82,948 last year. The increase in profit was mainly due to rise in sales.

The tax provision for the year amounted to Rs 1,14,00,000 (previous year Rs 92,00,000), leaving a net profit of Rs 76,21,031 as against Rs 59,82,948 last year. After taking into account an amount of Rs 36,00,000 which had been rendered surplus out of tax provision made in earlier years and transferring Rs 3,50,000 (previous year Rs 7,00,000) to Development Rebate Reserve and bringing back from this account Rs 13,00,000 (previous year Rs 12,00,000) now released, the amount available for appropriation was Rs 1,21,71,031 which has been transferred to General Reserve (previous year Rs 64,82,948).

Your directors have decided to recommend the payment of dividend, out of General Reserve, at the rate of

14% (previous year 12%) subject to deduction of tax. This slightly enhanced rate of dividend is justified both by the increased profits of the year and the relatively comfortable ways and means position of the Company.

Finance and Share Capital

During the year under review the Company made a further repayment of Rs 78,00,000 against the Medium Term Loan granted by Punjab National Bank. An amount of Rs 4,50,466 was repaid to The British Oxygen Company Limited against the loan granted by them.

Shareholders will naturally be disappointed that the question of granting consent to the Bonus Share Issue (approved by them at the last Annual General Meeting) is still pending with the Controller of Capital Issues. Among the several matters under discussion with him in this connection is that of having to conform to the 'additional guidelines' concerning such issues announced by the Government after the submission of the Company's application to the Controller. However, it is hoped that a final decision may be reached in the near future. Meanwhile, certain consequential alterations in the resolution passed on this subject at the last Annual General Meeting have become necessary; and the directors recommend them for your approval.

Development And Expansion

In my Statement last year I mentioned that several applications of the Company for industrial licences were pending with the Government. I regret to state that except for a licence to manufacture open arc continuous electrodes at Ambattur factory, the Company's proposals have not been approved by the Government.

While the Company's own technical centre in Calcutta continued the work of process/product development suited to local conditions with satisfactory results, the Government has not yet given consent to the Company's application for approval of its Joint Research Agreement with The British Oxygen Company Limited to take effect from 1 October 1969. The proposed agreement would make available to the Company the full range of technical know how and expertise of British Oxygen for a nominal contribution towards the actual expenses they incur on research and development.

Unlike during the currency of the previous agreement which expired on 30 September 1969, the Company is now no longer entitled to receive free and full technical collaboration from Bri-

tish Oxygen. This may make it necessary for the Company in future to spend large sums on research and development projects which might well have already been completed in the research establishments of British Oxygen and which for a nominal annual payment would be available to the Company.

I regret to have to say that the future development and expansion of the Company is now uncertain because of the Government's new industrial licensing policy which is heavily biased *inter alia* against subsidiaries of foreign companies and companies which are 'dominant undertakings' within the scope of The Monopolies and Restrictive Trade Practices Act, 1969. Instead of benefiting from the position of financial, technical and managerial competence which, with British Oxygen's full support, this Company has attained by long years of service to the engineering industry in meeting the country's needs for certain essential products, it now runs the risk of being denied legitimate scope for further development. It is ironical that whereas, on the one hand, the Government evinces great concern for expanding both employment opportunities and production in the country, it adopts policies which, on the other hand, curtail the scope for companies of proved ability and resources to grow and thereby to create more employment and increase production. While one must support, as indeed I do, all efforts both by legislation and by the official direction of industrial policy to restrain those monopolistic and restrictive trade practices which operate to the detriment of the public interest, it is plainly a folly to penalise successful industrial endeavour merely because it is successful.

However despite the discouragement inherent in the current official policies, the Company has undertaken the task of preparing a comprehensive expansion plan for the next few years within the limitations of those policies as far as practicable and bearing also in mind the Plan priorities and the generally acknowledged urgent needs of Indian industry. The plan is likely to be submitted to The Government early in the new year and it is my earnest hope that it will be considered with realism and proper appreciation of the pressing need for accelerating industrial growth and expanding employment opportunities.

Management And Personnel

I have referred earlier to the unsettled labour conditions and unsatisfactory law and order situation prevailing in many parts of the country, particularly in West Bengal, during the year under re-

view. Against this background and the unfortunate rivalry among employees owing allegiance to different unions, the industrial relations at the Company's units during the year should be considered to be satisfactory. Except for prolonged go slow at Asansol gas factory from May to July 1970 and at Calcutta gas factory in June and July 1970, both of which seriously affected the Company's operations and caused great hardship to our customers, there was no major dislocation of work at the Company's remaining units.

I referred in my Statement last year to settlements reached with unions on issues relating *inter alia* to work study and productivity. It is a matter of regret that despite all efforts on the part of management there was no improvement in productivity at some units where the existing low productivity is causing serious concern. An encouraging development during the year, however, was the genuine efforts made by the employees and their unions at some of the other units to improve productivity and fulfil other obligations arising from our various settlements with them.

During the year under review attention was given to the revision of service conditions at our units which was the subject of several 'charters of demands' submitted by the federations and unions representing the employees. The Company and one of the two federations of the employees' unions jointly approached the Ministry of Labour and Employment, Government of India, to refer these demands to a National Tribunal at for adjudication, but this request was not granted by the Government. Consequently, the Company was obliged to take recourse to bipartite discussions with the accredited representatives of the employees at various units. However, I am glad to say that settlements were reached during the year in respect of the majority of the Company's units; at the remaining units negotiations are still in progress.

Bonus for the year 1968/69 was again payable only at the statutory minimum rate under the provisions of The Payment of Bonus Act, 1965. But after discussions with the representatives of all workmen a satisfactory settlement was signed in April 1970 covering an ad hoc payment, completely separate from bonus, of Rs 19 lakhs to be disbursed among the graded staff who were in the Company's employment during the year 1968/69 in proportion to the salaries/wages earned. I must not omit to mention in this connection that during the negotiations in respect of service conditions and bonus the discussions were held in an atmosphere of cordiality.

During the years of the recent economic recession in the country, the super-

visory and management staff of the Company has had to work under considerable stress and strain. The generally unsettled conditions persisting in many parts of the country even after the beginning of the process of economic revival did not relieve their burden. I would like to record here our appreciation of their loyal services and devotion to duty in their determined effort to face the challenge of the times.

Mr A.K. Sen, who has been Managing Director of the Company since 1 June 1969, retires from the service of the Company on 31 March 1971. Mr. Sen has been with the Company all his working life, starting as an Accountant on 1 September 1938. His is a unique record of distinguished service to the Company: many spheres of its activities will continue to bear a distinct imprint of Mr. Sen's high abilities and fine qualities of mind and character. During his term of office as Managing Director, there has been remarkable growth in the Company's undertaking and he has well laid the foundations for its future growth. It is indeed very fitting that during his last year of service with the Company he should have been paid the honour of being elected President of The Bengal Chamber of Commerce and In-

dustrial. Mr. Sen proceeds on well-earned retirement from the daily routine and heavy responsibilities of executive management; but I am sure that his knowledge, experience and skill will continue to be available in the service of Indian industry. In recording our appreciation and gratitude to Mr. Sen for his valuable contributions whilst in the service of the Company, we also extend to him our best wishes for rewarding and satisfying activities for many more years.

The shareholders have already been informed that Mr. K. Hartley, Joint Managing Director, has been appointed Managing Director of the Company with effect from 1 April 1971. In addition to his undoubted competence, Mr. Hartley brings to this appointment long experience of the Company's business and an intimate acquaintance with its current affairs and problems. The shareholders will no doubt extend to him full support and good will in the discharge of his new responsibilities.

Prospects

I have mentioned above that the Company is drawing up plans for development and expansion over the next

few years; but in our controlled economy the final say rests with the Government. Although we hope that in the wider interests of the country our plans will evoke a sympathetic response from the Government, the present circumstances prevent me from abjuring all misgivings on this account. Granted encouraging Government response and a certain degree of stability in law and order and in labour conditions, we are poised for significant growth of the Company's undertaking.

What about the immediate future? As I mentioned in my Statement last year, some spare production capacity is still available in respect of several of our products. This places us in a position to meet additional demands for these products. If the Company's operations remain more or less normal and the demand level maintains its present trend, we should hope for satisfactory working results during the current year.

N. DANDEKER

28 November 1970

Chairman

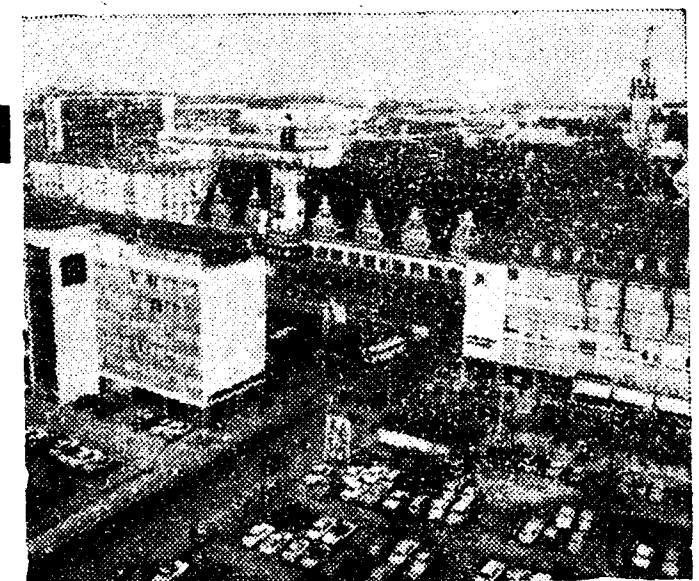
NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

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SUDARSAN TRADING COMPANY LIMITED

Registered Office : CALICUT-2

Eleventh Annual General Meeting

Speech delivered by Sri M. Velayudhan, Chairman, at the Eleventh Annual General Meeting of the Company held at the Conference Hall, Beach Hotel, Beach Road, Calicut, on 30th January, 1971 at 3 O'clock in the afternoon.

Dear Members of the Company :

I am very happy to welcome you all to the Eleventh Annual General Meeting of your Company, and present you the Balance Sheet and Annual Accounts together with the Directors' Report for the year ending 31st July, 1970. These have been with you for some time now and with your consent, I take it as read.

You will recall that the year 1969-70 has been a year of difficulties, anxieties and uncertainties. The situation this year has not changed substantially. Political uncertainties have adversely affected Commerce and Industries—Public Sector industries are also draining the resources of the State. Unemployment and population rise continue to hamper our economic growth. The problem of unemployment — not to say of under-employment, has been the result of the widening gap between the employment generating capacity of the economy and the rising number of the educated and trained unemployed on the one hand, and the unprecedented increase in population on the other, nullifying the benefits achieved from economic progress. The acceleration of economic growth in the right direction with adequate employment potential is the final answer to this problem.

The wage and price spiral still go on unchecked, although some of our politicians have very wisely been considering the possibilities of a wage freeze at a certain level. The bank rate as you all know has been increased to 6 %. This dearer credit is likely to affect Industries and Trade adversely, though it may have a limited check on the inflationary tendencies. However, it is a redeeming feature that capital formation has been taking a favourable turn.

Let me now report the affairs of your Company, which will be of interest to you.

Chit Funds :

The Chit Fund business of the Company for the year has shown an increase of Rs. 216 crores, an increase of 12.03% over last year. The gross business now stands at Rs. 20.12 crores. Six new branches were opened and 4 existing ones upgraded. As on to-day, we have 82 Offices throughout India.

It is heartening to note that various State Governments are anxiously trying to regulate Chit Fund business through comprehensive legislation. We hope

that in the near future, unauthorised ill-controlled and ill-conceived Chit Funds will cease to exist. It will be noteworthy to mention that this move for proper control was initiated by your Company as early as April, 1968 when we had occasion to represent this matter to the Finance Minister of the Government of India. Your Company has also submitted to the Chief Minister of Andhra Pradesh, a detailed Memorandum explaining the operation of our Chit Fund system and also suggesting model regulations. We are happy to note that the Chief Minister of Andhra Pradesh took our suggestions earnestly and has initiated the enactment of comprehensive laws and regulations for controlling Chit Funds in Andhra Pradesh. High Officials of the Andhra Pradesh Government have met us in this regard for consultations on the draft Law to be enacted by the Government. This is an indication of the esteem in which your Company is held by the State Government.

Feroke Tile Works :

Last year you were informed that this Unit was closed down due to uneconomic running. The personnel were retrenched and compensation amounting to about Rs. 9,83,800/- was paid, which includes a sum of Rs. 7,91,189/- taken over by us from the previous owners of the factory at the time of purchasing the property. After renovation, the factory was divided into two separate units. I am glad to say that one unit was leased to the Coastal Ceramics and Clay Works Pvt. Ltd., Calicut. It started functioning in February, 1970. The other unit is expected to be leased out shortly. Though there has been a loss mainly due to the payment of compensation, we hope to cover up this loss in the ensuing years. It is also proposed to start a Pozzolana Unit with broken tiles as raw materials thus saving considerable wastage in the Tile Unit.

Standard Furniture Company — Mace Tools and Accessories:

These Units were acquired by your Company in March and January 1970 respectively. Standard Furniture Company is the oldest Plywood and mechanised Furniture manufacturing concern in Kerala with two units at Kallai and Chalakudy. It has a tradition of 50 years of note-worthy performance in these fields. As the scarcity of the required quality of timber is besetting its performance, your

Company has approached the Government of Kerala for the uninterrupted supply of the required raw materials, and we are reasonably hopeful of a favourable response. The impending nationalisation of private forests in Kerala has also caused considerable hardship in procuring the required softwood.

Your Company is diversifying its activities to the best advantage of the shareholders. Though the Balance Sheet of Standard Furniture Company this year shows a loss, better results are expected. We have provided depreciation for a full year (as per Income Tax Act) amounting to Rs. 1,16,942.71 (Rupees One lakh Sixteen thousand Nine hundred and forty two and Seventy one Paise only), even though the working results are only for about four months.

The other Unit manufactures fully automatic Cine Trolleys and is also functioning as a Service Unit.

Shares :

14,896 Equity Shares were issued prior to 31st July, 1970, and 5,000 Equity Shares were privately issued subsequently. I am very happy to report that the excellent response to the public issue testifies to the unbounded confidence of the public in your Company.

General :

I wish to congratulate the Management and the Staff for the excellent Employer-Employee relations maintained in your Company. The Executive Officers, Members of Staff and Agents of the Company continue to be the mainstay of our success. With their goodwill and unstinted support in the day-to-day work of your Company, we can without hesitation, expect your Company to grow from strength to strength in the coming years.

Finally, I wish to record our sincere thanks to the clients and subscribers of the Company as well as the Shareholders for the confidence they have placed in us. I trust that we will continue to receive their guidance and help in future also.

M. VELAYUDHAN,
Chairman.

Calicut,

Dated: 30th January, 1971.

RECORDS AND STATISTIC

Election Manifestos

LAST WEEK we published in this section the manifestos of the Congress (R) and the Jana Sangh. This week we carry the manifestos of two other all-India parties, namely, the Congress (O) and the Swatantra Party.

In its manifesto entitled "We will weather the crisis", the Congress (O) has reaffirmed its faith in a democratic, socialist and secular society backed by a widely decentralised economic order and simplified licensing and tax structure. It has expressed the belief that a decentralised economic order would make possible a "wide dispersal of wealth and prevent concentration of economic power."

Fundamental Rights

The Congress (O) has come out strongly against attempts to abrogate or amend the Fundamental Rights guaranteed by the Constitution, particularly the right to property. The manifesto says that this party is firmly wedded to these rights and democratic freedoms and will see that "citizens of India are free to use their talents to create wealth and acquire property." About the princely privileges and privy purses, the Congress (O) is of the opinion that they should be abolished "in an appropriate manner."

The manifesto clarifies that the objective of the Congress (O) is to abolish poverty and raise the standard of living of the people by more production of wealth and its equitable distribution and not by distribution of poverty. The manifesto pleads for a production-oriented economy free of slogan-mongering.

The Congress (O) deplors the "deliberate attempts to denigrate the judiciary whenever it has struck down an ill-conceived and hastily-drafted legislation. It stresses that independent judiciary is indispensable for protecting the Constitution and safeguarding the Fundamental Rights.

While reiterating its preference for a

strong centre "to control fissiparous and divisive forces in the country", the Congress (O) has accused the present union government of misusing its powers against states not towing the line even in regard to border disputes. The setting up of an impartial machinery to decide border disputes among states and some means to ensure the accountability of governors for the exercise of their powers have been urged. The party has also warned that All India Radio and Television should be managed by independent corporations to prevent their misuse for partisan ends.

Another important enunciation in the manifesto of the policy of the Congress (O) is that it stands for the right to work and employment to all citizens in terms of Article 41 of the Constitution.

The Congress (O) has also promised to check rise in prices through curtailment of deficit financing, increasing of production, rationalisation of taxation, etc.

In the realm of foreign policy, the Congress (O) manifesto says that the party would eliminate the over-dependence of the present government on

Congress (O) Manifesto

THE PEOPLE of India face today a most critical election. The circumstances in which the poll has been announced poses a grave challenge to our countrymen. On its outcome and the wisdom and foresight our people show, will depend the future of our country. Our voters have in the past 20 years earned the respect of the world for their political maturity and devotion to democracy.

India has had four general elections in the past, each one of these marking a further stage in the growth of democracy. This steady march has been rudely disturbed in recent months. The snap poll for Lok Sabha suddenly announced came on top of a series of developments which had shaken the democratic fabric of the country.

This sudden move, backed by endless resources of power, money and

the Soviet Union and "by restoring the balance make it once again truly and dynamically "non-aligned".

The Swatantra Party in its manifesto has accused the Congress (R) of attempting to subvert the Constitution; seeking the assistance of communists who have extra-territorial loyalties; failing to restore law and order in the country and "following outmoded and suicidal economic policies which have failed to achieve rapid progress." This party promises to do all it can to improve the condition of the people and calls upon the electorate to vote the present government out of power. This government, it says, is sapping the vitals of the nation.

The Swatantra manifesto lists the following seven points of the party's programme: (i) the party stands for the Fundamental Rights and the liberties guaranteed by the Constitution; (ii) maintenance of law and order; (iii) creation of adequate employment opportunities by starting a massive programme of public works; (iv) containing of the prices spiral through abandonment of all policies leading to inflation; (v) according of "appropriate priority" to agricultural activities; (vi) raising of production by all possible means; and (viii) protecting of all minorities and backward classes.

The following are the full texts of the two manifestos :

wile is designed to cover up the present government's fumbleings and failures in economic and political fields. The plea that it wanted endorsement by the electorate of its progressive policies, when it was unable seriously to tackle any basic problem facing the country, is wholly unconvincing. It had had the opportunity to carry out what it called 'radical' policies but it only talked of the poor and under-privileged, deceived them with slogans and failed to take any effective steps to alleviate their distress. By turns it attacked and appeased the vested interests to reap party advantage without caring to pursue any consistent policy for the welfare of the people.

The Unprincipled Politics of Survival: Starting with the sabotaging of the party candidate in the name of conscience, the party in power had been more

pre-occupied with the politics of survival than attending to the difficult and urgent tasks of economic growth and social justice. A new style of politics has been introduced distorting and damaging the democratic framework of our National polity. Not satisfied with splitting its own party, it turned to splitting other parties and misused its power to topple well-established democratically functioning state governments which did not fit into its scheme of things. Seeking open support from communists and communalists, it actively encouraged forces of disruption in the country. It went out of its way to seek confrontations with the judiciary when its own motives for pursuing certain courses of action were lawfully questioned. It paid little attention to the grave breakdown of law and order in several parts of the country particularly West Bengal.

Economy in Disarray: While the political structure of the country has been gravely weakened and damaged due to pseudo-radical policies, the economy in fact has never been as vulnerable as it is today. The stagnation in production, lack of investment, decline in savings, rise in prices, lowering of the standard of life and narrowing avenues of employment have added up to create a grave crisis of confidence. Our per head income today is lower than in 1964. Employment prospects are steadily decreasing. The fourth five-year Plan appears lifeless as few fresh investments are forthcoming. The prevailing insecurity not in economic life alone, but in physical existence itself, thanks to the deterioration in law and order, aggravates the crisis of confidence.

Dependence on a Super Power: India, weakened internally, is made to lean on the Soviet Union, whose interference in our internal affairs is invoked to serve the ends of power of the ruling party and strengthen certain anti-democratic forces. The sovereignty of India is therefore in danger of being compromised. The policy of non-alignment, so crucial to India's needs in the world, has been distorted to suit the claims of one particular super power.

Decline in Standards of Public Conduct: Democracy as the most civilised way of life and system of government demands for its success the prevalence of certain moral values and the maintenance of high standards in public as well as in private conduct. The gravest damage done to democracy by the ruling party is the reckless erosion of these values and standards in order to retain power and weaken and divide forces ranged against it. In this it has

been assisted by parties which have never made any secret of their aversion to democratic ways and values. Corruption which hitherto had been a problem of moral lapse on the part of individuals in the political and administrative fields has now been raised to the status of a way of life. This has fatal implications for India's democracy which is still struggling for stability. It is these values alone which gave strength and vitality to our struggle for political freedom. They are needed in equal measure for the economic and social freedom of our people.

Centre-State Relations: Our Constitution makers rightly opted for a strong centre. It is necessary for controlling fissiparous and divisive forces in our country. This is possible only if the centre is objective and impartial in its dealings with states. What is happening today is that the union government is using several provisions of the Constitution for a strong centre not for building the unity and strength of the country, but for weakening some state ministries and providing undue favours to others. Border disputes are handled by it not with a view to finding right solutions for them but for gaining party advantage. There should be an impartial machinery for settling all such disputes. Its decisions should be final and binding. The institution of governors is also under strain for similar reasons. Some means will have to be devised to establish the accountability of governors to ensure impartiality in the exercise of their powers.

Attack on Independent Judiciary: The rule of law is an essential and indispensable part of democracy. This is ensured by an independent judiciary charged with the duty of protecting the Constitution and guaranteeing the fundamental freedoms enshrined in it. There has been in recent times a deliberate attempt to denigrate the judiciary. When an ill-conceived and hastily drafted piece of legislation is struck down by it, there is a mischievous tendency to label the judiciary as reactionary and bring down its prestige in the public eye. It is of the utmost importance that the independence of the judiciary is effectively safeguarded.

A Democratic Socialist Secular Society—Congress Objective: The creation of a democratic socialist secular society in India is the main objective of the Congress. This alone will ensure social justice, equality of opportunity to all and freedom of the individual. This requires quick and extensive economic growth through the fullest possible use of human and material resources in the public, private and co-operative sec-

tors. The Congress in the resolutions it has passed from time to time, particularly since India became free, has given a detailed indication of the numerous steps it should take to implement its social and economic objectives. The Congress continues to stand by these resolutions which include the abolition of privy purses and privileges in an appropriate manner. The whole drive of these resolutions is to end India's poverty, benefit the vast numbers of under-privileged people in our country, make the necessities of life food, clothing, shelter health facilities and education available to all, diminish inequalities and redress regional imbalances. It has been stressed in particular that positive steps should be taken towards the provision of minimum needs to the entire community by 1975. India's economy in the recent past has suffered a grave setback in account of the wrong policies pursued by the party in power and pre-occupation with its unprincipled politics of survival.

Stagnation in Economy: Stagnation in the economy is today most marked in industry largely due to lack of dynamic policies and narrow political considerations of the ruling party. The potential for development created over the years remains unexplored. Because of the anti-growth bias of the present government, both industrial growth and industrial expansion have been inhibited. The result has been decline in employment in the private sector, rise in prices, slump in exports and disincentives to fresh investments. The Congress Party stands for a mixed economy with its public, private and co-operative sectors subject to regulation and control in the interest of society. It provides the most effective framework for economic growth and social justice.

Public and Private Sector: The nationalised industries should be run in such a way that they acquire real socialist character and do not degenerate into mere state capitalism. They should be autonomous corporations with efficient management, whose work will be judged by the quality of production, ability to export and adequacy of profits. The public sector enterprises, generally equipped with modern machinery, have to be the pace-setters in cost control, good labour relations and full utilisation of capacity. These enterprises must be enabled to show their competence internally and through creditable performance in the export markets. The Congress will ensure that they do not serve as field for political patronage. The Congress will extend the same attention to and insist on similar exacting standards of performance from the private sector

undertakings. Modernisation of obsolete plants will be encouraged, expansions approved to reduce cost of production, and new industrial undertakings, particularly those initiated by new entrepreneurs, will receive constructive support from the government.

Licensing to Promote Growth: Maximum use of fiscal incentives and disincentives will be made to direct industrial development to backward regions. Where licensing is needed, it will be simplified, its regulations widely advertised and prompt decisions assured. Licensing may be needed to foster balanced industrial growth in the country and to avoid over-growth of the large urban centres. All licensing, however, will be for promoting industrialisation and not for hampering its growth. The acid test for all government policies will be whether they further grow rapidly or not. Licensing should be left to a semi-independent board.

Urban Renewal and Housing: While growth in rural India alone can assure the country's progress, the urban development programme also brooks no delay. Taxes on rising urban land values will be used as the nucleus for urban development. The government will provide many attractive schemes for housing for middle and poor sections of the people. These schemes will, wherever possible, link up housing with encouragement of private savings. Our object will be to provide accommodation to all families. In the first instance, our target will be a million residential units a year.

Revision of Tax Structure: The Congress will set up a commission to simplify the tax structure of the country to minimise harassment to the taxpayers and plug loopholes for evasion of taxes. The tax structure also needs to be revised to ensure maximum yield of revenue from the taxes levied. Where high rates of taxes have become counter-productive, the government will not hesitate to revise the tax rates and tax structure. Equally important is the need for utmost economy and cost-benefit consciousness in expenditure. The state revenues must yield surplus to expand development and welfare programme. The governing criterion for taxation will be the stimulation of the tax system imparts to economic growth, to expanding savings and investments and fostering welfare of the distressed sections of the people.

Rise in Prices: A disconcerting rise in prices is causing considerable hardship to our people and impeding the growth of our economy. The Cong-

gress will take necessary steps to check the rise in prices, among these being a balanced budget, reduction in deficit financing, continuous increase in production of consumer and other goods, decrease in the cost of production and economies in governmental expenditure.

Strategy for Development of Agriculture: India is and will continue to be a land where large numbers of people will live in the villages and their principal occupation will be agriculture and other allied pursuits. In view of this, our attention will have to be concentrated on improving the condition of the farmers, and in creating conditions which will enable them to lead a fuller and richer life.

The Indian farmer has many achievements to his credit since India became free but there is enormous scope for further improvement. There is also need for the diffusion of benefits to wider and particularly the poorer sections of the peasantry. The basic components of such a strategy would be:

- continued and sustained attention to the adoption of the new tools of science and technology serving the farmers, by research geared to field problems;
- expansion of irrigation facilities by completing the large number of major and medium irrigation projects within five years, which are today languishing for lack of sufficient funds and initiative on the part of the Government of India;
- assisting the farmers to sink and energise a large number of wells and tube-wells;
- expansion in the supply of fertilisers, plant protection material and farm machinery and their supply at reasonable prices;
- a large expansion of credit to farmers, both through co-operatives and nationalised banks, and eliminating the difficulties and problems which the farmer now has in obtaining adequate and timely credit; and elimination of usurious rates of money lending and exploitation of farmers by anti-social and vested interests; and
- effecting improvements in the agricultural marketing system in the interests of the producer.

Fair Prices: The most important objective in addition to the above will have to be evolution of a coherent and well-knit policy of stimulating the producer

to increase agricultural production, by ensuring fair prices. The price support policy now adopted is practically ineffective and will have to undergo revision to adequately protect the interests of the farmer.

No Imports of Foodgrains: The stage of growth our agriculture has achieved renders imports of foodgrains wholly unnecessary. The imports of other agricultural commodities should also be stopped forthwith except in some inescapable cases.

Increased Production of Cotton and other Agricultural Commodities: The import of cotton can be stopped by giving massive support to the farmer in the form of supply of good seed, plant protection material and improved extension techniques which would increase production of cotton under a crash programme. It takes less time to grow cotton and other agricultural commodities within the country than to import them. It is wrong to import things which can easily be grown here. A change of policy which should aim at production of all our needs of food and commercial crops like fibre, oilseeds and other agricultural produce within the country.

Small Farmers and Agricultural Labour: We have a large number of small farmers and agricultural labour in our country. Suitable programmes will be evolved to protect their interests. Surplus and cultivable waste land after proper development should be made available particularly to landless labour. A house site should also be provided to them. A scheme which would ensure the creation of supplementary income opportunities by a large-scale expansion of schemes of dairying, poultry, sheep rearing, etc. will be evolved. All these schemes of rural reconstruction are designed to rebuild the villages of India and make them clean and healthy and within the limits of their operations self-reliant and self-governing small communities.

Panchayati Raj: The concept of Panchayati Raj on account of its faulty implementation and lack of resources has in many areas lost much of its essential meaning. The party would take steps to re-invigorate this valuable institution for making freedom meaningful to vast numbers of our people in rural areas.

Minimum Wages: Minimum wages for agricultural labour will be enforced.

Quick Implementation of Land Reforms: The programme of land reforms in accordance with our previous commit-

ments will be implemented without any delay.

Right to Work: There are a large number of unemployed and under-employed people in our villages. Article 41 of the Constitution says that:

"The State shall within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in case of unemployment, old-age, sickness and disablement, and in other cases of undeserved want."

We propose to fulfil this pledge and in particular give high priority to ensure the right to work and employment. A massive rural works programme will be initiated to create job opportunities and which will at the same time produce assets which would provide the infrastructure for further growth. This would include programmes of housing, supply of drinking water, soil conservation, afforestation, rural communications, minor irrigation and other allied items. The intention is that any able-bodied person in need of work will in fact get it. It should be possible to substantially fulfil this programme in the next five years.

Cottage and Small-scale Industry: The Congress has often stressed the role of cottage and small-scale industry for providing employment to large numbers of our people, securing diffusion of wealth and economic initiative and preventing concentration of economic power. The Congress will take steps to see that ample financial expansion of the cottage and small-scale industrial sector. The party will especially encourage the expansion of the self-employed sector, such as artisans technicians and small traders.

Special Employment Fund: The Congress recommends that a statutory 'National Employment Fund' be created for making resources available to provide work for every citizen. This should be an important charge on the central and states exchequers. The statutory fund may be of the order of Rs 1,000 crores (about Rs 200 crores per year) and should be created out of the consolidated fund of India.

Rural Electrification: A purposeful and massive increase in rural electrification will ensure that science and technology will make their impact in the village and open up vistas of a fuller and richer life and also increase employment opportunities. This programme will be stepped up so that every village in India has the benefit of electricity.

Cattle and Crop Insurance: The In-

dian peasant is plagued with fears of failure of crop in bad years and also loss of cattle due to diseases. Schemes of crop and cattle insurance will be initiated to remove this threat.

Animal Husbandry: An effective programme of animal husbandry will be taken up to improve the quality and productivity of our cattle.

Health: Programmes of health will be implemented in such a manner that every citizen of India will grow up as a healthy and vigorous human being fully participating in all the activities of society. Medical care of the poor, the old and infirm will be free. There should be effective and curative care of children. Better traditions of service will be inculcated in all the branches of medical and public health services, to make them sympathetic and responsive to the needs of the citizen. Effective curative and preventive health services in rural areas and vigorous programme of family planning will be organised and effectively implemented. Steps will be taken to ensure that the economic growth which is being achieved by the Indian people with great difficulty is not wiped out by a population explosion. Old age pension should be made available to indigent old people.

Fundamental Rights and Democratic Freedoms: There has been of late a great deal of talk about fundamental rights and the need to amend them or even abrogate some of them, particularly the right to property. The Congress is firmly wedded to these rights and democratic freedoms. The citizens of India are free to use their talents to create wealth and acquire property. The objective of the Congress is to abolish poverty, raise the standard of living of the people by more production of wealth and its equitable distribution and not by distribution of poverty. A widely decentralised economic order which the Congress has always advocated will make possible a wide dispersal of wealth and prevent concentration of economic power. Where such concentration tends to take place on account of the existence of large-scale industry it should be subject to necessary checks.

Uplift of Harijans, Backward Classes and Tribal People: The Congress under the inspiring leadership of Gandhiji attached the greatest importance to the removal of untouchability, not only for attaining political freedom by peaceful means but also as an inevitable step towards the creation of a just and equal social and economic order. The practice of untouchability is now an offence under the law of the land. But the evil

persists in several areas and the social and economic disabilities under which they—other backward classes and the tribal people—suffer continue in many parts of the country. Some measures have been taken to ameliorate their condition but they need to be supplemented by greater opportunities in the fields of education and economic growth and more adequate representation in services. They should not only share in the general economic and social advancement of the country but must receive special attention.

A Sense of Security to Minorities: India is a land of variety not only in climate and physical features but also in her culture, religions and ways of living. The Congress has always stood for preserving this richness and variety and would continue to endeavour to preserve it in the solid framework of India's unity. There has unfortunately been a tendency in the recent past to exploit the fears or aspirations of our minorities for narrow party ends. Our minorities are entitled to a sense of security wherever they live or work and as equal citizens to full participation in the economic development of the country. There should be no discrimination against them. Muslims, Sikhs, Christians, Parsis and others in the matter of participation in the various services of India.

Urdu as one of our fourteen languages recognised by the Constitution of India is entitled to full growth according to its genius. It must receive encouragement and support from the state in the expression of all its creative urges. The Congress realises the dangers of communalism and has always struggled against them. A feeling of separatism deliberately fostered by communal organisations and even some professedly secular parties, in the long perspective will not benefit minorities. It comes in the way of a healthy growth of political and social life whose doors should be open to people of all castes and creeds.

Education and Youth: Education is one of the principal preoccupations of all modern states. Education is at once a right of the individual as well as a necessity for the state. The country proceeded on this course with the very first year of independence. There is still vast illiteracy in our land yet a large proportion of our boys and girls who have been educated are unemployed. This is the result of bad planning. The country requires educated and competent men in ever-increasing numbers but they are not wanted when they are available. A crash programme of removal of illiteracy within five years will

absorb large numbers of the educated unemployed.

Right to work, another fundamental right, has not been properly linked with the right to educational opportunity. Education in the context of current conditions must open the path for a useful and productive life. It is the slow rate of growth of the economy, a sad decline in the standards of public life and lack serious attention to the defects of the educational system which largely account for the predicament of the student community. The party would endeavour to approach the whole educational system in the light of this critical appraisal. The student community should be associated with the working of the system.

Reduction in Voting Age: The party stands for the reduction of the voting age from 21 to 18 years to enable greater participation of the younger generation in the political life of the country.

Women Equal Partners with Men in Nation Building: The notable part women of India have taken in the reconstruction of the country following their heroic participation in the struggle for freedom is one of the bright pages of India's recent history. They should have, together with men, equal opportunities for growth and self-expression and participation in the public life of the country. They should have in particular special facilities for receiving education in all its stages.

Influential Role of Labour: Labour has an influential role to play in the shaping of a just society. Its claim for a fair wage and the right to collective bargaining are accepted in our democracy. But this is not enough. Both in public and private enterprises, it is necessary that it has a vital interest in its success and this can be ensured by its active association with the management of industry. This will also enable labour to help the industry to achieve increased productivity.

Misuse of AIR: The gross misuse of All India Radio by the ruling party has been the subject of serious and widespread complaint in the country. The Congress is convinced that both for preventing this misuse and for more effectively promoting the national good All India Radio and Television should cease to be a department of the government and become an independent corporation answerable, for its broad policies, only to Parliament.

A Clean Administration: In our pre-occupation with policies and programmes we have tended to forget that our

people want a clean and honest administration. It was the steady decline in the standards of administrative efficiency and integrity which made it necessary for the central government some years ago to appoint an Administrative Reforms Commission. It will be one of the primary tasks of the Congress to see that the administration renders honest and efficient service and its procedures are greatly simplified.

Foreign Policy: The Congress will never tolerate occupation of Indian territories by foreign powers. It will restore the balance in India's foreign policy and make it once again truly and dynamically non-aligned. While we shall maintain the existing ties of friendship, it will be our special endeavour to revive relations that have been weakened by the present government. India offers friendship to, and seeks co-operation with all countries. The Congress will lay special emphasis on our relations with countries in South-East Asia, West Asia and other regions of strategic and economic importance to India. The Congress will constantly endeavour to foster understanding with Pakistan whenever the opportunities

arise. We seek partnership in peace and progress with all our neighbours.

Call to the People of India: This then is the broad picture of the new just, free, progressive and equal society the Congress is aiming at. The democratic freedoms and fundamental rights which are the life breath of this society are enshrined in the Constitution of India. Gandhiji spoke of them eloquently but he also stressed the discipline and responsibility of the individual. It is all these precious freedoms and values which are in grave peril today. In pursuit of authoritarian aims the lights of democracy are being extinguished one by one and centres of independent power and authority are being steadily undermined. Corruption and sycophancy which are fatal to democracy and not dignity, self-respect and integrity are fast becoming a way of life. This mid-term poll therefore is fraught with grave consequences for the future of India's democracy. May the people of India decide wisely, save India's democratic heritage, protect its integrity and independence and put it back on the road to speedy social and economic progress.

Swatantra Manifesto

THE SWATANTRA Party had hoped to fight the coming election on an agreed programme of a democratic alternative offering clean and good government on the basis of the AICC (O) resolution of June 28, 1970, which the Swatantra Party and the Jana Sangh welcomed and accepted.

The Swatantra Party adheres to its original commitment and will contest the elections on the basis of the agreed programme spelt out in the AICC (O) Resolution which would have been, and should still be the agreed minimum programme of an alternative government.

Within the scope of that programme, the Swatantra Party places in the forefront the following points:

(1) **Defence of the Constitution, Fundamental Rights and Liberties:** A stable democracy must be based on the sanctity of the Constitution which should not be tampered with. This calls for unqualified acceptance of the important role assigned to our judiciary by the Constitution and an equally unqualified guarantee of the maintenance of the Fundamental Rights enshrined in the Constitution. Unfortunately, systematic attempts are being made from some quarters, both within and outside the country, to wreck the Constitution of our nascent democracy, which

would destroy the liberty of the masses of India and would enable a government in the future legally to deprive the people of even their modest personal belongings like the small farm of the poor cultivator and the provident fund and insurance policy of the salaried employee.

2. **Maintenance of Law and Order:** There has been an unfortunate abdication of law and order. The lives and liberties of the people have to be protected by effecting enforcement of law and order. No quarter should be given to manifestations of violence from whatever direction they may come.

3. **Employment:** The damage done to the economy by mistaken policies and faulty planning has to be undone. The starting point must, as Mahatma Gandhi used to stress, be employment. The creation of adequate employment opportunities is linked inescapably with the growth of the economy as a whole. The number of totally unemployed, partially unemployed and seasonally unemployed persons in India is estimated to be between 100 to 150 millions. By a strange phenomenon, in a developing economy thousands of technicians are unemployed. We started the fourth five-year Plan with a backlog of 13 million unemployed persons. To these must be added 23 million job seekers who enter the employment market,

This means that by 1975, we will be faced with the gigantic problem of having to find full-time employment for at least 41 million, besides the large body of partially and seasonally unemployed persons.

The problem of unemployment has to be tackled by undertaking a massive programme of public works. Such a programme will help :

- to employ a large number of people throughout the country in productive work;
- to extend market for manufactured goods in rural areas;
- to bridge the transport and communications gap between different parts of the country;
- to provide expeditiously much needed inputs to rural areas in order to quicken the pace of agricultural development;
- to create developing markets for consumer goods, automobiles and other ancillary industries; and generally
- to improve the standard of living of the masses.

The resources needed for such a programme have to be accorded priority in the national budget. To start with, an annual outlay of Rs 250 crores should be made by way of wages, material and equipment for road building. This will provide employment for at least one million people, besides creating job opportunities for another 1.7 million persons.

A programme providing house sites and rural housing, drainage, minor irrigation, afforestation and rural electrification, provision of pure drinking water in every village and village roads to open up the countryside should be implemented and is the best means of providing massive employment. A gigantic effort will have to be made to construct millions of houses for the poor in urban and rural areas every year. Liberal loans should be given for house construction. For this purpose, a special Central Housing Authority will give long-term low, interest loans to persons desiring to construct and own their own homes.

For the educated unemployed, a separate corporation will be set up which will help to reorient the skills of young people and provide them with financial and technical assistance to set them up in self-employment in industry, handicrafts, trade and transport.

In all programmes of rural works

and for the educated unemployed, a substantial part of the allocations will be used in a manner whereby the beneficiaries will be those belonging to the Scheduled Castes, Scheduled Tribes and other poorer sections of society.

A department of economic opportunities will be added to the Government of India with a budget of its own of at least Rs 1,000 crores over the first five years period.

4. Rising Prices : Inflation and rising prices have eaten into the meagre living standards of the poor and middle classes particularly those with fixed incomes. Among the measures that will have to be taken to combat rising prices is the abolition or reduction of the excise duty on all articles of daily use by the common people. Inflation is a major enemy of social justice. All inflationary policies should be abandoned and a stable currency established. The need for a resort to deficit finance and other inflationary measures has arisen from unproductive expenditure on administration and on prestigious and unremunerative projects. There has to be a drastic reduction in the cost of administration and a stopping of all expenditure on showy and unproductive projects.

5. Agriculture : Agriculture is and will continue to be India's basic industry and deserves to be given an appropriate priority. Peasant proprietorship and family farming have proved to be the most productive and socially desirable form of cultivating the land. Nothing should be done to weaken this system on which our entire rural life is based. At the same time, land reforms should be speedily completed and implemented. The tenants and share croppers have to be assured security of tenure and fixed and fair rents. Landless labourers should be guaranteed a minimum wage and given an assurance that they will share in the fruits of more intensive farming and will be gainfully employed throughout the year. Facilities for the insurance of crop and cattle should be provided to our farmers. Support prices for agricultural products calculated to give a fair margin of profit to the cultivator should be assured.

6. Production : The twin problems of unemployment and rising prices can basically be solved primarily by creating favourable conditions for a rapid and massive increase in production. In order to achieve even a modest annual growth rate of six per cent, the net value of output of industry and mining will have to increase from Rs. 6,200 crores in 1970-71 to Rs 15,300 crores in 1980-81, requiring fresh capital invest-

ment of Rs 12,000 crores. For instance, aluminium production will have to increase five times to 50,000 tonnes; petroleum products from 14 million tonnes to 45 million tonnes; cement from 11 to 32 million tonnes; finished steel from four to 15 million tonnes; commercial motor vehicles from 31,000 to 1,75,000; machine tools from a value of Rs 28 crores to Rs 115 crores.

The expansion of the Indian economy, whether in agriculture, trade or industry, can only be achieved if governmental policies provide incentive for hard work and enterprise which are at present lacking. Among the factors that provide such incentives are a stable currency, reasonable direct and indirect taxes and reducing the mass of red tape in which all economic activity is enmeshed. The needs of production and of social justice alike call for remuneration to be linked with productivity.

The efficient functioning of trade and industry depend on the market mechanism being allowed to work smoothly and with an awareness on the part of business and industry of their social obligations. Where controls as not capable of immediate abolition, the administration of all permits and licences should be entrusted to autonomous boards of economists and experts at both the union and state levels.

Monopoly has to be combated. The only real cure for monopoly is the encouragement and restoration of competition. Where, monopoly conditions cannot be avoided, a reasonable amount of regulation becomes necessary.

7. Minorities and Backward Classes : In a country such as India which has a wide variety of ethnic origins, religions and languages, the treatment of minorities and backward classes assumes great and considerable importance. The provisions in the Constitution for the protection of the rights and interests of all minorities and those who work under handicaps, such as Harijans, Adivasis and other backward classes, should be effectively implemented. All forms of discrimination including untouchability should be removed. The guarantees provided in the Constitution for the protection of the religion, language and culture of all such groups should be respected and enforced so that any sense of insecurity that may exist may be removed. The prompt redress of their grievances should be the responsibility of the government. Equality of opportunity and education is a principle which should not only be accepted but worked out in every legitimate and equitable manner. The provision of adequate employment facilities in govern-

ment services is another urgent task that has yet to be adequately fulfilled.

A commission on civil rights should be set up which will look into and help correct discrimination against any section of the people in education employment, economic activities and ensure effective assertion of equality of opportunity in economic and social life.

Conclusion : This is not so much a manifesto as a call to action. It is a plea to the people of India that they act before it is too late and the lights of liberty are finally dimmed.

The Swatantra Party calls upon the people of India to reject and defeat the ruling Congress Party which is

- attempting to subvert the Constitution of India;
- seeking the assistance of the communists who have extra-territorial loyalties;
- failing to restore law and order throughout the country; and
- following out-moded and suicidal economic policies which have failed to achieve rapid progress.

The Swatantra Party will do everything possible to activate the energies of the people and thus enable them to enjoy to the full the fruits of their labour. Talent and hard work will be rewarded. Inventiveness encouraged, the poor and the oppressed protected and given the hope of a better future. For this to happen, however, the present government which is sapping the vitals of the nation must first be removed. After that the long delayed reconstruction of the country can be taken in hands, so that we can begin to fulfil Gandhiji's dream that we may be able to "wipe the tear from every eye".

AICC(O) Resolution

The following is the text of the AICC (O) resolution entitled The political crisis, which was adopted on June 28, 1970 :

India has entered the seventies with a disturbed political balance and uncertain political perspective. The unbroken pre-eminence of the Congress Party, which had led the struggle for Independence in the country's national life, came to an end with the unfortunate events of 1969. The Congress Party and its government, which possessed a middle of the road character, had been a factor contributing to stability and continuity of policy. Developments following the Presidential election have created a vacuum in our poli-

tical life which has to be constructively filled.

Today, our young democracy is faced with many threats. The biggest of these is the crumbling of law and order and the emergence of violence in several shapes and forms. These threats, the central government is unable to counter because of its dependence on the Communist Party with their extra-territorial loyalties, creed of violence and proclaimed designs to wreck the country's democratic Constitution.

A major threat to order and stability comes from the activities of the Communist Parties and notably of the Naxalites who represent the totalitarian threat in its most extreme form. When President's rule was promulgated in West Bengal there was a sign of relief in that state and also throughout the country. Unfortunately, the expectations arising out of President's rule were dashed to the ground. Not only has there been no improvement in conditions in that unfortunate state, but the threat to the lives, liberties and properties of the people continues.

Indeed, it is possible to claim that Naxalite activities have been on the increase since the proclamation of President's rule and that the glorification of Mao Tse-tung on Indian soil is being allowed to proceed with impunity. This is so because of the political predilections of the Governor and also because of the pusillanimous attitude adopted by the Prime Minister and her colleagues in the face of the threat to the lives and liberties of the people of Bengal and to the security of the country.

Another quarter from which violence erupts is the area of clashes, the latest manifestation of which has been the Bhiwandi and Jalgaon in the State of Maharashtra. Here, again, there has been wide spread concern at the inability of the authorities to deal adequately with these disturbances.

Yet another source of violent clashes have been boundary and linguistic disputes. The union government has failed to resolve these problems essentially because its attitude towards them is conditioned by considerations of political and partisan expediency. The Congress is of the view that interstate disputes should be invariably preferred to a standing and high level judicial machinery whose decisions should be final and binding on all concerned.

The union government's abdication of its responsibility to maintain law and order is accompanied by a refusal to accept responsibility for the protection

of the lives, liberties and properties of the citizens—and this by a specious argument in the nature of an alibi that this is the responsibility of the states. Its failure is aggravated by the propaganda of some of its leading personalities which has struck at the dignity of the Supreme Court and the fundamental rights of the citizens embodied in the Constitution. There is a deliberate attack on the fundamental rights of the citizen to his property which threatens to develop into an attempt to amend the Constitution in a manner that would give government the right to expropriate arbitrarily even the poor peasant's modest holding of land.

The near stagnation of the Indian economy is another factor that threatens the stability of the country. Inflation proceeds apace and nothing is done to ensure a dependable currency and a stable price level. The people's capacities for initiative and enterprise are handicapped by red tape and unnecessary restrictions. This has resulted in the slowing down of industrial expansion and the establishment of new industries.

Perhaps more deplorable than anything else is the lowering of the standards of public life. Commencing with intrigues during the Presidential election last year, there has developed a cynical disregard of the standards of democratic behaviour. This is further exemplified by the gross misuse of radio and television. These instruments, of mass propaganda are used for loaded propaganda in favour of the ruling party. There are attempts to deprive the civil service of their role as independent advisors to browbeat the press and misuse the office of the governor. Fair and free elections have become almost impossible due to the large scale misuse of governmental machinery and money.

The international policies of the present government are reducing India to position of a Soviet satellite. The latest instance of the failure of the Indian governments to participate in the conference of South, South East and East Asian countries called by the non-aligned Government of Indonesia to consider ways and means of preserving the independence and integrity of a small and natural country like Cambodia, was a betrayal of our international obligations to our neighbours.

It is a matter of deep concern that the government's foreign policy with respect to Pakistan has resulted in a massive and continuous influx of refugees from East Pakistan.

In these circumstances, it is imperative that the threat to the in-

tegrity and democratic structure of the nation must be countered and defeated. This becomes a precondition to any amelioration or improvement in the position of our country and the conditions of life of our people.

The Congress Party is endeavouring in Parliament and outside to meet this threat by Constitutional and proper means. This effort can, however, be made effective and meaningful only if the people of India can see the coming together of nationalist and democratic parties and elements who are prepared to shoulder consequential responsibilities in the country,

to improve the lot of the common people. Democracy and nationalism must go together. Without democracy, nationalism can easily degenerate into fascism; and without nationalism, democracy may destroy the unity of the country.

The consolidation of national democratic forces to repel the threat of communist subversion and communal virus and opens up the path of ordered progress resulting in a richer and better life for our people becomes one of the primary tasks for the Congress.

The Congress Party appeals to all

nationalist, democratic and socialist parties, groups and individuals in the country to co-operate in this effort both in Parliament and outside.

The issues which should provide a meeting ground for all democrats and patriots are:

- (a) the unity and security of India;
- (b) the defence of the constitutional liberties of the people and preservation of democratic institutions;
- (c) the maintenance of law and order; and
- (d) establishment of a secular so-

ciety based on principles of social and economic justice and equality of status and ensuring effective opportunity to all to earn livelihood and attain a basic minimum standard of living.

1. National Unity and Security: The present threats to the unity and security of the country which came from both within and without have to be firmly repelled.

A serious threat to national unity is posed by those who hold and preach that India is a multi-national state. The Muslim League's two-nation theory resulted in India's partition; this multi-nation theory, can lead to the country's complete Balkanisation. India is one nation and Indians are one people, despite their vast variety of languages, creeds, religions, castes, customs, modes and manners.

There should be no quarter given to extra-territorial loyalties or interference by others in the country's affairs. Totalitarian parties committed to the destruction of plurality of political parties and of a democratic policy including an independent judiciary cannot claim and enjoy democratic rights in an unfettered manner.

The liberation of Indian territory under the illegal occupation of China and Pakistan should be one of the key objectives of India's defence policy.

Our international relations have to be placed once again on a footing of genuine non-alignment in place of the present one-sided policies. Each issue as it arises should be examined on its merits and the present drift to satellitism should end. Normal and friendly relations between India and Pakistan are essential in the interest and security of the entire sub-continent. Good relations need to be developed, but such an approach has to be reciprocal and on a basis of mutuality. Appeasement is no way of solving such a problem.

2. Defence of Constitutional Liberties and Preservation of Democratic Institutions: The defence of the constitutional liberties of the people is an urgent task. This calls for unqualified acceptance of the important role assigned to our judiciary by the Constitution and an equally unqualified guarantee of maintenance of the fundamental rights enshrined in the Constitution.

While the Congress Party recognises the value of the federal principle in the Constitution and is zealous of the rights and autonomy of the states, it feels that the threat of divisive, disruptive and violent forces calls for another look at

the role of the union and state governments. There is no reason why a strong centre should mean weak states or strong states need mean weakness at the centre. There is need for additional strength to govern at both the union and state levels each within their respective spheres. The Congress Party does not envisage any need for amendment of the Constitution on this issue. There is need, however, to invoke Article 263 of the Constitution and set up an Inter-State Council to advise the President in this regard. This council would go a long way in relieving centre-state tensions that are in a way unavoidable in our multiparty set up.

Harijan Uplift: Demagogic attempts have been made during the last year to exploit Harijans and Adivasis for political and anti-national ends under the plea of espousing their grievances. In a country such as India with its wide variety of ethnic origins, religions and languages, the treatment of minorities and backward classes assumes great importance. There should be complete equality as between citizens irrespective of their birth, religion, ethnic origin or caste and that all forms of discrimination based on such considerations should be removed. The guarantees provided in the Constitution for the protection of religion, language and culture of all such groups should be respected and enforced. There have to be special measures taken for the uplift of the poorer and more backward sections of the people. The prompt redress of the grievances of such sections should be responsibility of the government.

Equality of opportunity and education is a principle that should not only be accepted but be worked out in every legitimate and equitable manner. The provision of adequate employment facilities in all government services is another urgent task that has yet to be adequately fulfilled.

A Commission on civil rights should be set up. It will look into and help correct discrimination against any section of the people in education, employment, economic activities etc. It will ensure effective assertion of equality of opportunity in economic and social life. The Commissioner of Scheduled Castes and Scheduled Tribes as well as the Commissioner of Linguistic Minorities will become a part of the new Commission.

While the Congress Party deprecates all suggestions, cast doubts on the loyalties of any particular community, it would like to caution all communities against the efforts of certain parties, in particular the ruling party, to use them as pawns in their game of politi-

cal aggrandisement. It is confident that the minorities will not fall a prey to exploit them, which can only harm their own interests as well as of the nation in the long run. The Congress pledges itself to strive actively to foster in these sections of the people a sense of security and of full participation in the national life.

To check communal disturbances, all those who are engaged in the administration of law and order should be made personally answerable for not taking preventive measures in time and not dealing effectively with breaches of communal peace. Other manifestations of violence should also be met with equal firmness.

Economic Policies: There remains the massive task of dealing with the economic and social needs of the people. The Congress Party would approach this with a pragmatic outlook and a sense of urgency.

The Congress is resolved to accelerate the implementation of the Directive Principles of our Constitution.

The evil of untouchability has not yet disappeared in several areas. The Congress is determined to take effective steps to eradicate this evil completely.

Expansion of Economy: The starting point of all economic policy must, as Mahatma Gandhi used to stress, be employment. The Congress Party stands for the right to work of every citizen. Jobs should be created by putting people to work to necessary and productive tasks with the objective of adding to the volume of goods and services required by the country. The creation of adequate employment opportunities is however linked inescapably with the growth of the economy as a whole.

The expansion of the Indian economy, whether in agriculture, trade or industry, can only be achieved if government policies provide incentives for hard work and enterprise which are at present lacking. Among the factors that would provide such incentives are a stable currency, reasonable direct and indirect taxes and reducing the mass of red tape in which all economic activity is enmeshed. The needs of production of social justice alike call for remuneration to be linked progressively with productivity. The governing consideration in organising public finance will be the fostering of rapid growth and amelioration of the distress of the weak and the under-privileged.

Employment: Urgent attention has to be paid to provide employment to our young people. The Congress is

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committed to a massive works programme. Every municipality and cluster of village panchayats must have works on hand where the needy can find immediate employment. The resources for the programme have to be accorded priority as is done with defence in the national budget.

For the educated unemployed, a separate corporation will be set up which will help similar state bodies to reorient whenever necessary the skills of the young people and provide them with financial and technical assistance to set them up in self and other kinds of employment in small industry, trade, transport etc. A large number of educated young men and women will be needed for carrying out a crash programme of adult literacy and adult education.

In both these programmes of rural works and for the educated unemployed 25 per cent of the allocations will be used in a manner whereby the beneficiaries would be those who belong to the Scheduled Castes, Scheduled Tribes and other poorer classes.

A department of economic opportunities will be added to the Government of India. It will have a budget of its own of Rs 1,000 crores over a five-year period. The amount will be used through state government for developing employment opportunities in rural and urban areas, in agriculture, and industry, principally small-scale including khadi and cottage industries. The department will also assist in co-ordinating employment programme in other departments of government, as also the work done on rural development, natural conservation and environmental improvement. These programmes will be developed to correct, to the extent possible, regional disparities in development and give special attention to chronically drought affected and other poverty stricken areas.

Agriculture: Agriculture is of course and will continue to be India's basic industry and deserves to be given an appropriate priority. Land reforms should be speedily completed. Peasant proprietorship and family farming have proved to be the most productive and socially desirable form of cultivating the land and nothing should be done to weaken this system on which our entire rural life is based. At the same time, tenants and share croppers have to be assured of security of tenure and fixed and fair rents. Landless labourers must be guaranteed a minimum wage and will be gainfully employed throughout the year.

The needs of agriculture have to be met also by the promotion of coopera-

tion and agro-industries and a massive rural works programme which would embrace community programmes for the building of roads, the provision of tanks and wells, afforestation and land improvement measures.

Industry and Trade: Balanced and all-sided development would involve a considerable growth in the country's industry and trade. The efficient functioning of trade and industry depend on the market mechanism being allowed to work smoothly. Where controls are not capable of immediate abolition in the interest of the economy, the administration of all permit and licences should be entrusted to autonomous boards of economists and experts functioning under the control of Parliament at both the union and state levels. Several key areas in the economy have already been nationalised. The urgent task now is to impart efficiency to government enterprises and make them adequately productive and profitable.

The public sector enterprises must in reality have autonomy of functioning. They will be freed from political interference. On the top management, as lower down, persons will be appointed strictly on their managerial ability. They will be clothed with autonomy and will be expected to show results. The public sector is capable of yielding substantial profits while enriching the economy.

Monopoly has to be combatted. The only real cure for monopoly is the encouragement of competition and, where this does not exist, to restore it wherever possible. Special encouragement should be given to new entrepreneurs. Where monopoly conditions cannot be avoided, a reasonable amount of regulation becomes inevitable.

Education: In the coming years, the educational attainments of young people will determine how fast India will progress and how far they will be able to avail themselves of the opportunities of technological advance and economic progress. It is necessary to improve the quality of education at all levels, eliminate drop-outs in primary education, give a vocational bias to higher education and make university education more meaningful than it is today.

Children: It should be our ceaseless endeavour to provide the essential needs of health and nourishment to all our infants and children.

Rooting out Corruption: Immediate implementation at the central and state level of the decision to have Lok Pal and Lok Ayukta should be effected. These independent authorities empowe-

red to ensure clean administration, remove injustice and partiality in administration must function free from any kind of political interference and will have full access to government's records.

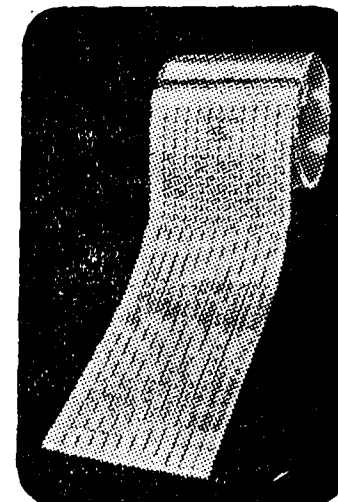
All personnel in the administration, from the highest to the lowest, will be judged by their effort to satisfy the mass of the citizens — the consumer of government services. At all level of the administration, the citizens must feel that they are treated with courtesy, fairness and promptitude.

Foreign Aid and Capital: India should be self-reliant in respect to the basic needs of the people and we must and diversify our exports to achieve a favourable balance of payments and early repayment of foreign debts. Meanwhile foreign loans should be accepted on a strictly controlled basis. Such loans in the past taken for establishing industrial projects have not always been used economically and efficiently. These shortcomings have to be overcome. Foreign equity capital, however, deserves to be welcomed and encouraged in selected areas. It is particularly fruitful where it accompanies technological skill and knowledge and is so employed that it is self-repaying in so far as any particular project or field of production is concerned.

In the development of our mineral resources, in ship-building, and in similar selected industries special extensive efforts will be made to invite joint participation of foreign capital on the basis of extinguishing their interest over a period of time through payment in material and products.

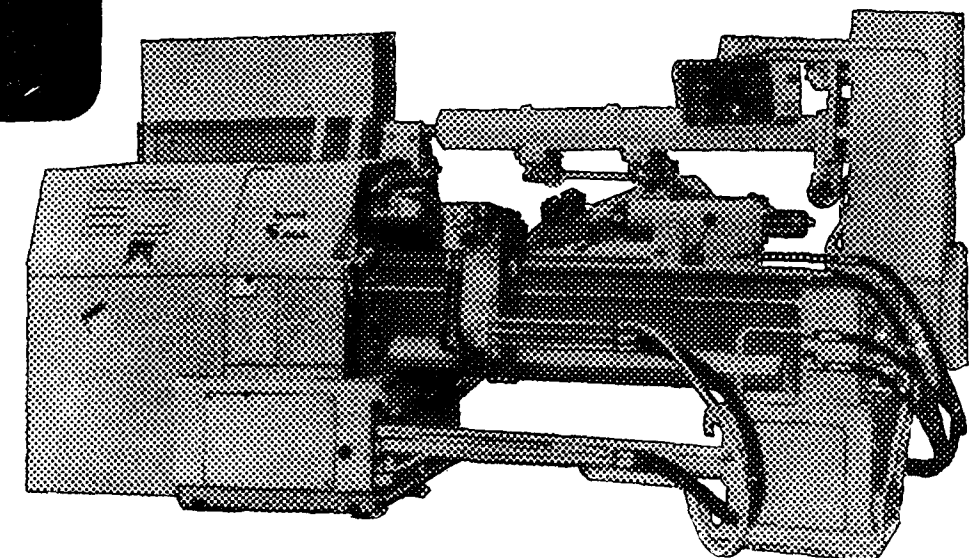
Labour: A good day's wage should reward a good day's work. A rise in wage should be linked with increasing productivity, otherwise it becomes inflationary and illusory. There should be closed association of employees with management as part of the Gandhian concept of partnership. The feeling on the part of the employee that he has a stake in the enterprise and would promote industrial harmony and help productivity and efficiency. Various forms of creating employees' share in enterprise should be examined and promoted.

The Congress pledges itself to the maintenance of collective bargaining and the right to strike as part of a free society. While of course limitations on the right to strike are legitimate in the case of members of the civil services and employees of public utility, they should be accompanied by machinery for the reference of disputes between government and its employees to compulsory arbitration and for the award of the arbitrator to be binding on all parties subject only to the control of Parliament.



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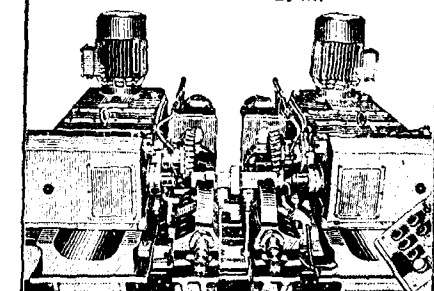
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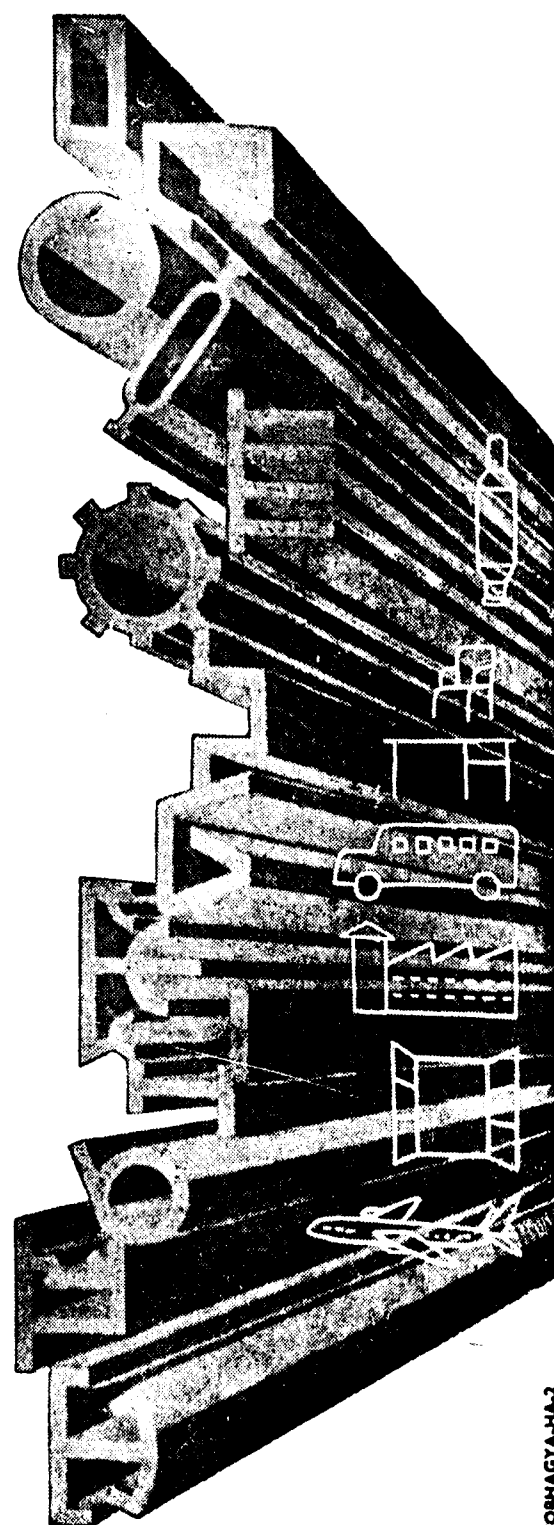
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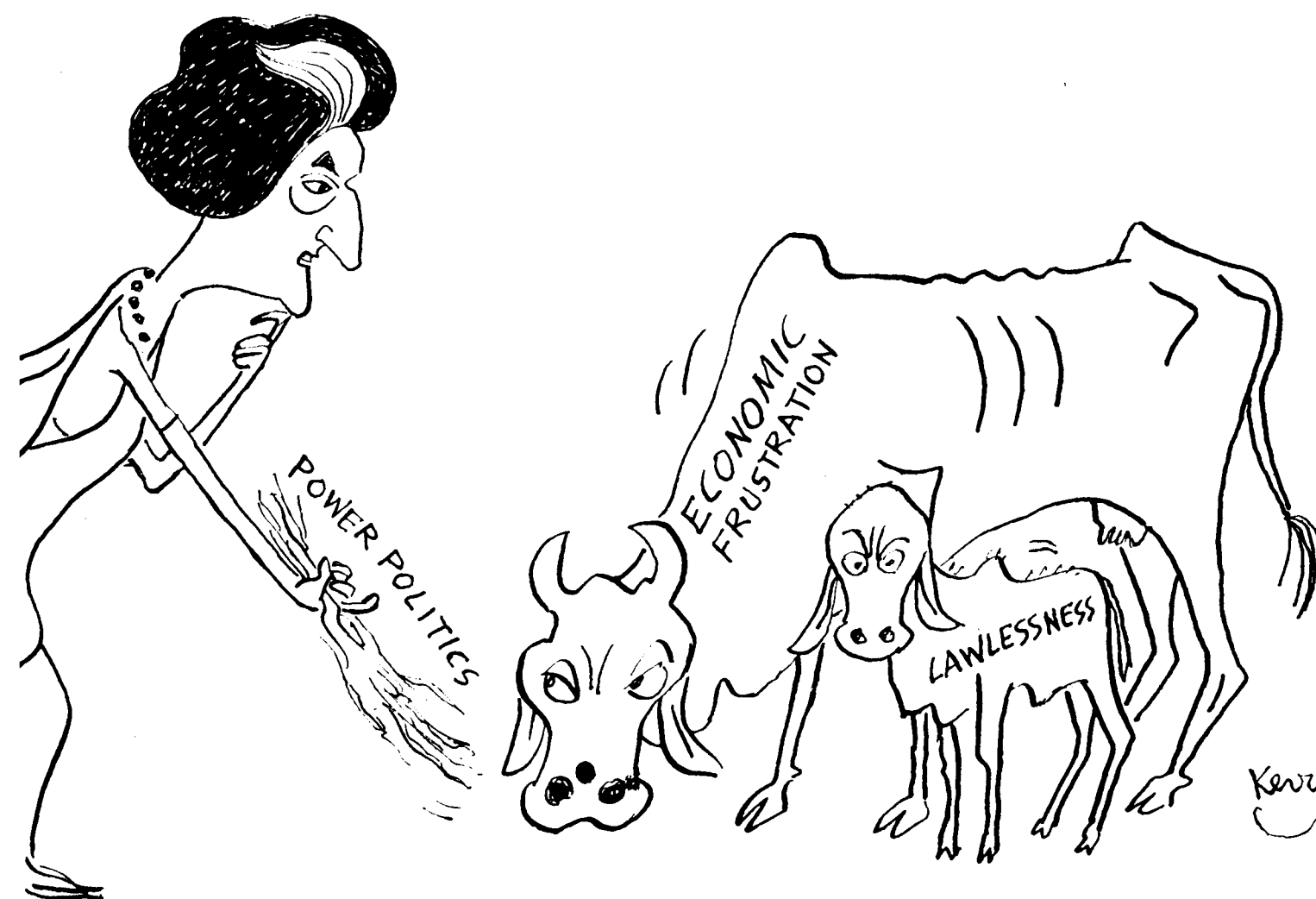


SOBHAGYA-MA-2

EASTERN ⁷ ECONOMIST

S 1.50 FEBRUARY 12, 1971 VOL. 56

**To Grow Together
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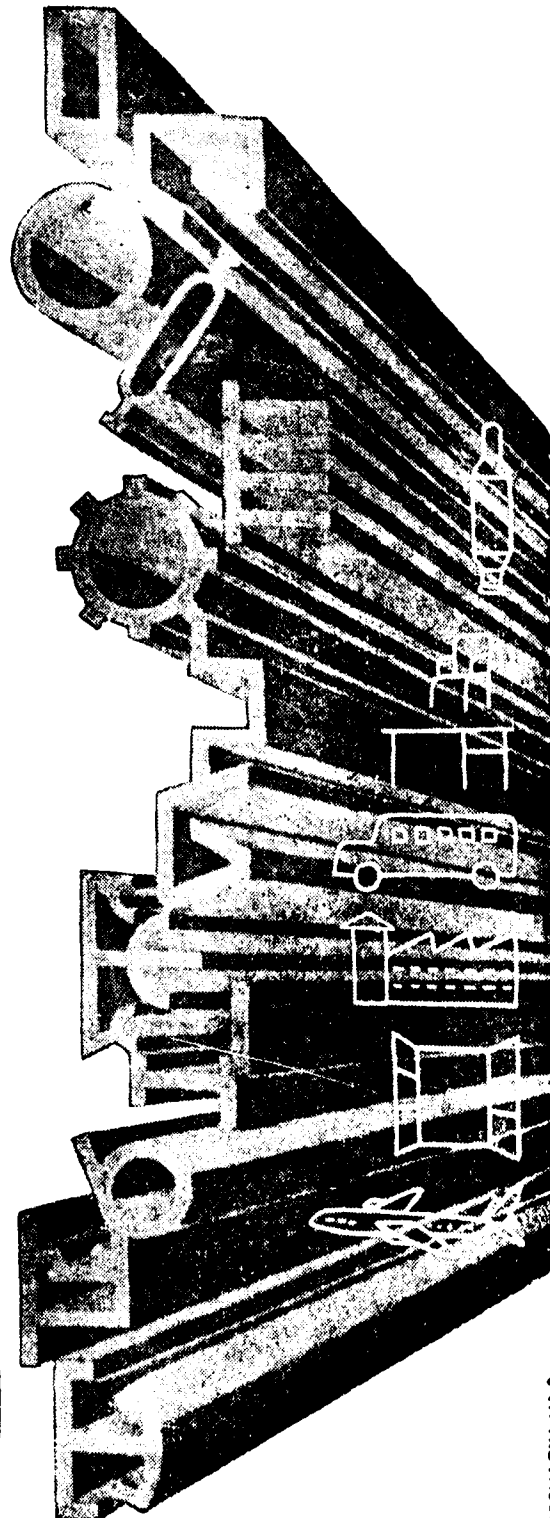
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SOMNAGYA-HA-2

EASTERN ECONOMIST

FEBRUARY 12, 1971

To Grow Together	277
Whither Public Sector?	278
Exports: Lessons from Tokyo	279
Role of STC in Indo-GDR Trade —C.B. Patel	281
WINDOW ON THE WORLD	283
The Shadow of Socialism over Australia. The US and EEC Conflict.	
THE MOVING FINGER WRITES	289
TRADE WINDS	290
Trade with GDR; Import of Raw Cotton; Import of Staple Fibre; Baggage Rules Liberalised; Electronics Commission; Rock Roller Bits; Public Sector Car Project; Tata Exhibition; Annual Plans; Tata-Finlay; Names in the News.	
COMPANY AFFAIRS	292
Sudarsan Trading; Bharat Steel Tubes; Escorts Ford Tractor; TAFE; Kothari Textiles; Fit Tight Nuts; Vysya Bank; Shipping Corporation; Capital and Bonus Issues.	
COMPANY MEETING	294
United Commercial Bank	
BOOKS BRIEFLY	297
Development Assistance in 1970s; A Fitting Tribute; Books Received.	
RECORDS AND STATISTICS	305
Election Manifestos	

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TO GROW TOGETHER

It is an odd fact of history that economics, although the most materialistic of the sciences or the arts, has been plagued with more superstitions and sloppy statements than the most dogmatic and fanatical of religious faiths. Currently, in this country, a crusade is raging in some quarters. In this holy war, the *asuras* are the bigger industrial units, the more demoniacal among them being of course those with foreign associations, while the *devas* naturally are the small-scale units.

The white knights of this crusade are so protectively enclosed in the armour of their prejudices that they are pathetically isolated from the real world around them. It is not for them to know that in the evolutionary context of modern technology and business organisation, size is a function of economy and not a spiritual concept. There is a large and growing area in any modern industrial structure where small-scale industry is not merely viable but profitable for the larger community as well as for its own entrepreneurs. This is, essentially, a by-product or rather a joint product of the process of economic growth and industrial expansion of which the other aspect is advancement of the large-scale sector.

There is no point, for instance, in asking these people of lop-sided ideas to visit the Tata Industrial Exhibition which is now being held in the capital and acquaint themselves with the living links or the mutually rewarding relationships which naturally exist between the small-scale sector and large-scale sector. As a matter of fact, such exhibitions can only tell bits and pieces of the story. All over the country, there is evidence of how the larger industrial units feed the smaller units or are being fed by them. Significantly enough these forms of mutual growth are most prominent only where no short-sighted attempts have been made to force these sectors into strait-jackets of political prescriptions or bureaucratic regulations. In cases where attempts have been made to foster the small-scale sector through artificial and short-sighted means such as freezing production levels in the large-scale sector, the result has been the impoverishment of the community as well as the industry concerned. A classic example is the cotton textile industry which has suffered irreparable damage precisely because of such restrictive attitudes of policy-making.

From this point of view, the study group which was asked by the Government of India to suggest ways for stimulating the growth of small units in the drug industry deserves to be complimented for exhibiting a realistic and modern mind at least up to a point. It has turned down the pernicious suggestion that new capacity in certain lines of production of medicines should be reserved for small-scale units. *The Times of India* (which ought to have known better) has argued (in an editorial of February 9) that there is no harm in the larger units being prohibited from manufacturing what it calls common medicines or household remedies. Where health is concerned, there is no such thing as common medicines. Every paisa spent on a medical preparation which does not serve the purpose it is claimed to serve is sheer wastage and it is the poorer sections of the people who are particularly not in a position to waste money like this.

If restrictions were to be placed on the manufacture of such medicines by the larger units the predictable result would be that production of quality products would suffer in relation to the output of inferior merchandise. As a consequence the former category of goods will show a disproportionate increase in retail prices to the special detriment of the less affluent sections of the public. It is the poor who will be forced to make do with the productions of inferior quality.

The Times of India has spoken of the relevant know-how being familiar and therefore equally accessible to units, big or small. In the matter of medicines there is no product which is so common or otherwise humble that the concept of quality control ceases to be important at every stage of manufacture or marketing. In these circumstances, to talk of the general availability of know-how is to be cynically indifferent to the really relevant considerations of the efficacy and safety of drugs and pharmaceuticals. The small-scale sector in the drug and pharmaceutical industry is in a chaotic state today. Barring a few honourable exceptions the operators in this field run backyard establishments on a get-rich-quick basis. This is mainly because state governments which are responsible for drug administration

have generally failed to organise sufficient or efficient departments for the purpose. Things may be somewhat better in Maharashtra and Tamil Nadu but these are exceptions to the rule. There is plenty of scope in the economic field for small-scale units to be encouraged, but the people's medicine is emphatically not an area where risks may be taken with the health or perhaps the lives of millions of small men and women for the commercial benefit of a few hundred small entrepreneurs.

It is rather unfortunate that an element of political xenophobia or economic chauvinism has been introduced into this subject by the study group. In an obvious attempt at pandering to their political masters, the officials who constituted the group, have suggested that, except in special cases, large manufacturers and, particularly, the foreign firms in the drug and pharmaceutical industry should not be allowed to produce new formulations, if the small units can manage to acquire the requisite know-how. We are opposed to this proposed restriction on the same grounds as with reference to the freezing of production levels of the larger units in certain lines of manufacture. In any case it is exceedingly objectionable that foreign firms should be discriminated against in

the manner suggested. Our country's need of foreign capital and technology for its industrial growth is so obvious and so great that no restrictionism should be practised at all in respect of foreign firms as a general rule.

In the special case of the drug and pharmaceutical industry, it is very much in the interest of the nation to encourage foreign participation and collaboration, which can greatly assist in promoting and maintaining the modernity of this industry in our country. While it is desirable for government policy to assist in the developing process of foreign firms or joint ventures providing for more and more Indian participation in capital, management and technical staffing, it would be sheer small-mindedness to deny to the nation's drug and pharmaceutical industry the dynamic manufacturing resources of research and development, quality control and merchandising, which are the in-built needs of the business of manufacturing medicines and which the large-scale units, whether wholly Indian, partly Indian, or entirely non-Indian, are qualified to organise and apply. A slogan for the Tata Industrial Exhibition exhorts us all to grow together. It is unfortunate that there should be newspapers or government officials who have other ideas.

Whither Public Sector ?

THE GOVERNMENT of India tabled a statement in the Lok Sabha on August 10, 1970, which estimated the likely profits (or losses) of 68 public sector undertakings in 1970-71. This statement was published on page 1245 of our Annual Number, 1971. Since the public sector undertakings have continued to incur losses year after year, it was believed that the picture in 1970-71 would not be different. However, it was put out by the government that the 68 public sector undertakings taken together were likely to make a profit of Rs 51.66 crores. If true, this indeed would have been encouraging. The largest profit at Rs 30.47 crores was estimated in the case of Indian Oil Corporation followed by Hindustan Steel Ltd (Rs 8.55 crores), Madras Refineries Ltd (Rs 5.64 crores), Hindustan Aeronautics Ltd (Rs 5.32 crores) and Shipping Corporation of India Ltd (Rs 4.41 crores). The remaining undertakings had either small profits or losses. The number of undertakings which were likely to show profits was 49, the total estimated profit being Rs 85.38 crores. The losing undertakings numbered 19 and the total loss was computed to be Rs 33.72 crores.

That these estimates were wide off the mark has now been shown by the working results of some of the under-

takings. For example, the government had estimated that Hindustan Steel Ltd. (HSL) would make a profit of Rs 8.55 crores in the current year. It is now known that this undertaking had incurred a loss of Rs 8.76 crores in the first half of the current year and during the whole year the loss is estimated to be of the order of Rs 14 crores. Again, the estimated loss in the case of Heavy Engineering Corporation was Rs 8.95 crores but the latest figures show that it would be higher at Rs 9.35 crores. Indian Oil Corporation Ltd is the only undertaking in the public sector which is likely to make a sizeable profit. If it were taken out of the list, the remaining 67 undertakings would show the public sector in the red.

The inefficient financial operation of public sector undertakings is due to a number of factors, the most important being under-utilisation of capacity. The Committee on Public Undertakings in its 67th report last year had pointed out that very few public sector undertakings were in a position to make full use of their rated capacities. Only three of the public undertakings, according to this report, worked to 100 per cent of their installed capacity in 1968-69; they were Gauhati Refinery of the Indian Oil Corporation Ltd, Nangal Unit of the Fertilizer Corporation of India

Ltd (Heavy Water Production), and Kiriburu and Bailadila Iron Ore Project of the National Mineral Development Corporation Ltd. The utilisation of capacity was the lowest in the case of Heavy Engineering Corporation Ltd. Its Heavy Machine Tools Plant used only 2.2 per cent of its capacity. Again, its Heavy Machine Building Plant utilised only 11 per cent of the capacity in the mechanical section and 22 per cent in the structural unit. The Foundry Forge Plant used no more than 13 per cent of its capacity. The Bharat Heavy Electricals Ltd utilised no more than six per cent of its capacity in the medium oil circuit breakers. Hindustan Machine Tools factory at Hyderabad, the Antibiotics Plant of the Indian Drugs and Pharmaceuticals Ltd and the Mining and Allied Machinery Corporation Ltd used less than 10 per cent of their capacities in each case.

The steel plants in the public sector have claimed the largest share of the government's investment in industries but the same story of under-utilisation of capacity has been repeated in the case of each one of them. In 1968-69, capacity utilisation in terms of ingots in the steel plants was 68 per cent at Bhilai, 67 per cent at Rourkela, 50 per cent at Durgapur and 40 per cent at the Alloy Steel Plant (Durgapur). According to the latest figures for 1970-71, Bhilai is the only steel plant in the public sector whose production is almost equal to its capacity. The steel plant at Durgapur is able to use not more than half of its installed capacity. In the case of Rourkela, as against the installed capacity of 1.8 million tonnes, actual production is no more than one million tonnes. The utilisation of capacity in the two private sector units — Tata Iron and Steel and Indian Iron and Steel — is better than in Rourkela and Durgapur. The fact to be noted is that these plants are not new units facing teething troubles. They have been in operation for many years and during this period, HSL should have gathered enough experience to improve their working operations. It is a pity that currently our engineering industries are starved of steel and we are forced to import it from abroad while the steel mills are not able to work to full capacity. It is time that steps were taken to look into the problem which the steel units in particular face. We cannot afford to under-utilise the rated capacity of these expensive steel plants.

Next to Hindustan Steel Ltd the largest loser of money is the Heavy Engineering Corporation Ltd. This unit was set up on the expectation that steel capacity in the country would increase by a million tonnes every year. This was indeed a wild guess as the capacity of steel plants in the country has not risen

at all in the last six years. The same is true of the Mining and Allied Machinery Corporation Ltd which had been set up to hasten the mechanisation of coal mines. The expectations of demand in both these cases were off by not 10 or 20 per cent but by 90 per cent; hence the wastage of national resources. The only lesson which these failures in the public sector teach is that no undertaking in future should be approved by the government unless a "scientific and accurate" assessment of demand has been made by a competent, independent authority.

The Surgical Instruments Plan of IDPL is another undertaking which is working at less than one-tenth of its capacity because of the reduced demand from hospitals. The instruments which are being manufactured in this unit are not suitable for the medical profession. This plant, it is now obvious, was planned without a proper market survey of its products. It is for this reason that recently attempts have been made to make optimum use of its capacity through a policy of diversification in its production programme. It has now been equipped with machinery for the manufacture of kits for IUCD, calipers for artificial limbs, surgical kits, hypodermic needles and cutlery. Only recently the Soviet Union with whose co-operation this unit came into being has shown interest in its instruments. In November last year our country had signed a contract with the USSR to provide 250,000 surgical instruments valued at Rs 24 lakhs. This was part of an export contract for 1971 covering 711,000 instruments of the value of Rs 72 lakhs. Efforts are also being made by this unit to increase exports and such markets as Uganda, Burma, Ceylon, the UAR, West Germany and Belgium are being explored.

Frequent breakdowns of plant and machinery are also responsible for the poor performance of many of the public sector undertakings. In the case of running undertakings, it should be possible for the management to foresee wear and tear of different sections of the plant. There is no doubt that the undertakings on their part are sometimes placed in a situation which they cannot overcome. An instance was quoted to the Committee of Public Undertakings by the management of HSL which showed the helplessness of the management. Hindustan Steel in this case had placed orders for the manufacture of refractories but one major refractory unit had a strike lasting for six months with the result that the undertaking had to persuade the government to allow import of refractories. In a situation like this, a little dislocation has repercussions right through the whole system. In any case, the management of

public sector undertakings must see to it that the production schedules in their units are not disrupted frequently.

The undertakings also face difficulties in regard to acquisition of spares and components. In line with the national policy of encouraging import substitution, the public sector undertakings have been placing orders with indigenous units. But very often the spares supplied are either of poor quality or of non-standard specifications. The cost of such indigenous spares is also higher than the cost of imported ones. Again,

procedural formalities involved in getting the clearance of the Directorate General of Technical Development (DGTD) and the allotment of foreign exchange for imports of spares, components and equipment is another cause which is responsible for the under-utilisation of capacity in public sector units. It is necessary that all such procedures should be streamlined and it should be ensured that the production of no public sector undertaking is held up or affected on account of any undue delay in clearance by the DGTD and the Ministry of Finance.

Exports : Lessons From Tokyo

IN HIS speech to the shareholders of the Associated Cement Companies at their annual meeting held on January 21, the chairman, Mr N.A. Palkhivala, dwelt upon the official attitudes towards businessmen in India and Japan. He pointed out that the Indian government treated business as socially irresponsible, while in Japan there was intimate teamwork between government and businessmen at every level. The Indian government has "an incurable obsession" about big business, while the Japanese government insists on minimum sizes for plants where economy of scale is vital. "Whereas we pillory our big industrial houses and put them in the list of Twenty Criminals", said Mr Palkhivala, "the Japanese government issues handsome certificates of merit to big corporations which grow and expand continuously". While Japan's gross national product increased by an average of more than 16 per cent annually, "our high-blown talk about

economic development remains high blown". Mr Palkhivala could have added that the close co-operation between government and businessmen is one of the major factors that have contributed to Japan's outstanding success in export promotion.

In recent years there has been a great deal of exchange of ideas and visits between the official representatives and businessmen of India and Japan. Several hundreds of businessmen and a large number of politicians and officials from India have visited Japan in connection with Expo '70 or on other work. It is not widely known that the number of visitors to Expo '70 was the largest from India, next only to the USA. Negotiations have been going on both at official and non-official levels for promoting between the two countries economic co-operation, including investment and technical co-operation. Cultural exchange has also been receiving

Eastern Economist 25 Years Ago

FEBRUARY 15, 1946

The war-time record of railway earnings and expenditure is phenomenal indeed. With the outbreak of hostilities there was a sudden upsurge in railway traffic, but the real phase of intensification started in 1941-42 when Japan entered the war. And that for two reasons. India was converted into a base of operations against Japan necessitating railway activity on an unprecedented scale; and secondly, shipping transport was severely restricted thereby causing considerable diversion of traffic to the railways. An analysis of various figures during the entire war period reveals many important trends. In 1939-40 the gross earnings were Rs 102.73 crores, in the 1941-42 they were Rs 135.17 crores whereas the revised estimate of gross earnings for 1944-45 stood at Rs 214.30 crores. The operating expenses in 1939-40 were Rs 54.77 crores, in 1941-42 Rs 63.54 crores and the revised estimate for 1944-45 under the same head is Rs 128.56 crores. But the real index to financial position is the amount of net earnings which after deduction of interest charges is available

for distribution between the general revenue and railway reserve. In 1939-40 the net railway revenue was Rs 33.44 crores, in 1941-42 it was Rs 56.52 crores while the revised estimate for 1944-45 is Rs 69.82 crores. Between 1939-40 and 1944-45, therefore gross earnings, operating expenses and net revenue recorded an increase approximately of 108.6 per cent, 134.7 per cent, and 108.9 per cent respectively. Although proper allowance ought to be made for the fact that the operating costs for 1944-45 include Rs. 24 crores for war purchases, the inference cannot be resisted that working expenses are disproportionate. But when we remember that there was a drastic cut in train services and that the railway administration showed an attitude of wanton disregard in providing adequate travelling facilities for the lower class passengers from whom the bulk of the revenue is derived, we are driven to the legitimate conclusion that the excessive increase in operating expenses discloses a state of extravagance and inefficiency on the part of the railways.

attention. But we cannot derive the full benefit from our contacts with Japan unless our government, businessmen and even workers try to learn something from the Japanese way of doing things. In her message to the second joint meeting of the India-Japan Business Co-operation Committees held in New Delhi in October, 1968, Mrs Indira Gandhi said that "the steady manner in which Japan has pursued self-reliance has several important lessons for us". But Mr Palkhivala's speech does not reveal that the Government of India has learnt any lesson from the spectacular achievements of Japan.

In an article contributed to *Fortune* of September, 1970, Mr Louis Kraar, the Far East correspondent for Time—Life news service based in Singapore, interestingly describes how close co-operation between government and businessmen has effectively contributed to the astounding growth in Japan's exports which are expected to reach \$42 billion by 1975. He writes: "The entire economic system is, inherently, a powerful export-promotion apparatus. Always anticipating growth, corporations routinely expand manufacturing facilities to optimum size, pushing excess production on to world markets at profit margins that competitors find cruelly low — when they exist at all. Within five years the Japanese expect 123 per cent rise in exports, enough to seize at least 10 per cent of the global market". Mr Kraar's point that the entire economy of Japan is export-oriented needs to be noted in New Delhi which seems to think that big results can be achieved by setting up an export sector in certain industries, and by providing it with some facilities and incentives. But this strategy will not work because it ignores the intimate inter-relationship between the various sectors of the economy.

Mr Kraar refers to the arsenal of help which the Government of Japan provides to exporters. The assistance includes credit at preferential rates, attractive tax incentives, and even insurance against overseas advertising campaigns that fail to meet sales targets. In India too the government provides many incentives like cash assistance, duty drawbacks, credit at concessional rate, reduction in railway freight and monetary help for market research and for export promotion. But these incentives do not reduce the desired effect, first, because of the dilatory procedure that has to be adopted in realising them and, secondly, because of the absence of proper understanding between government and industry.

Consider, in this context, the situation in Japan. Mr Kraar writes: "The key to the entire programme is intimate,

effective team-work between corporate executives and government officials at every level. United by a group spirit that makes the Japanese behave like a tight-knit family, businessmen and bureaucrats co-operate to promote continuous growth. 'If business goes one way and government goes another way, it would bring harmful effects for the country'; explains a Finance Ministry economist". While the Government of India is anxious to curb the expansion of the so-called large business houses, in Japan the big units are being actively encouraged. The ten largest trading houses of Japan handle 50 per cent of the total exports and 65 per cent of imports. Mr Kraar says that "so intimate is the co-operation between government ministries and large trading firms that it is impossible to determine which is really trying to influence the other; usually they are united in the cause of trade expansion. Therefore, it is not unusual to hear trading house executives sounding like government officials".

Another striking difference between the export strategies of India and Japan lies in the role of the Prime Minister. In Japan the Prime Minister takes a close interest in export promotion. He heads the Supreme Trade Council and guides its activities. But in India the present Minister for Foreign Trade does not

enjoy even cabinet status. Our Prime Minister even in normal times does not show much concern about the export trade and the various advisory bodies set up by the Ministry of Foreign Trade seldom meet regularly. Nor are their recommendations given the weight and the urgency they deserve.

Mr Kraar's article makes it clear that a country's exports cannot be stepped up in a big way merely by offering a few incentives and concessions to some selected industries. Nor can it be achieved by indiscriminately expanding the role of the public sector. The entire economy has to be truly production-oriented and both government and businessmen have to be acutely aware of the vital role of promoting exports. Production in industry and agriculture has to be increased without interruption and we should always have an abundance of goods available for export after fully meeting the growing domestic requirements. Mr Kraar refers to a large electrical company which starts the day with a song urging workers to build a new Japan by promoting production — "sending our goods to the people of the world, endlessly and continuously, like water gushing from a fountain". It is this spirit that we should emulate if we are to emerge as a major trading nation.

EASTERN ECONOMIST ANNUAL NUMBER 1971

The cross-roads at which India stands today will have an extraordinary and truly tremendous significance in determining its future. In this particular situation the theme of this Annual Number, appropriately, is "Whither India?" An attempt has been made to analyse the twin-crises of political progress and economic development which confront our country. A valuable feature of the Annual Number is a section of special articles on issues of outstanding importance.

Illustrated with charts and graphs and carrying, as usual, an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy. It is available, however, without extra charge to subscribers who are already on our mailing list. New subscribers enrolled before March 31, 1971, will also be entitled to a free copy of the Annual Number.

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Role of STC in Indo-GDR Trade

C. B. PATEL

THE GERMAN Democratic Republic is one of those countries with which India has a bilateral trading arrangement on "rupee account" basis. Amongst east European countries, the GDR is the fourth largest bilateral trading partner of India, next to the USSR, Czechoslovakia and Poland. In the early fifties, trade with the GDR used to be two per cent of India's total trade with east European countries. Now it amounts to about eight per cent.

India's trade with the GDR has grown remarkably well. In 1953 it was Rs 1.87 million. It rose to the level of Rs 432 million in 1968. In 1969 it marginally went down to Rs 415 million. Table I depicts the progress of Indo-GDR trade since 1953.

TABLE I
INDO-GDR TRADE : 1953-69
(In Rs million
post-devaluation)

Year	Imports from GDR into India	Exports from India to GDR	Balance of Trade
1953	1.72	0.15	-1.57
1960	41.42	62.52	+21.10
1961	80.16	51.03	-29.13
1962	114.00	130.76	+16.76
1964	142.60	189.13	+46.53
1965	179.11	225.97	+46.86
1966	201.03	196.29	-4.74
1967	219.50	198.18	-21.32
1968	224.98	208.97	-16.01
1969	222.76	192.70	-30.06

The major commodities imported by India from the GDR are muriate of potash tractors, printing machinery ball, roller and taper roller bearings, rolled steel products, special steel alloy tool steel, scientific instruments, X-ray films and other photographic goods, machine tools, organic and inorganic chemicals, fishing trawlers, etc. The GDR has also signed a contract with India for the supply of 10 ships, valued at about Rs 400 million.

Some of the main commodities exported by India to the GDR are de-

these main commodities during the last three years is given in Table III.

TABLE III
S.T.C.s IMPORTS (Item-wise)
(Rs million)

	1967-68	1968-69	1969-70
Muriate of potash	46.46	66.95	23.44
Fertilizers	25.17	2.51	..
Caustic potash	3.00	1.46	0.23
Tractors	..	..	26.59

Imports of tractors have been held up for the time being on account of certain technical difficulties. It is expected that on successful resolution of these difficulties by the GDR suppliers, imports of tractors would be resumed against the pending orders.

In addition to the above direct imports, fairly large imports are also arranged by STC on "stock and sale" basis through its business associates. In such imports, STC issues licence to its business associates who in many cases are also the agents of the GDR suppliers, enabling thereby efficient after-sale service to the actual users. The total values of such licences received by STC from the Government of India during the last three years for various items on "stock and sale" basis are as follows:

Year	Value (Rs million)
1967-68	70.73
1968-69	60.70
1969-70	59.74

The main commodities imported on "stock and sale" basis are printing machinery, photographic goods, ball, roller and taper roller bearings, machine

TABLE II
S.T.C. IN INDO-G.D.R. TRADE : 1966-67—1969-70
(Rs million)

	Imports			Exports		
	STC Trade 1	India's Trade 2	%age 1/2	STC Trade 3	India's Trade 4	%age of 3/4
1966-67	91.53	209.1	43.8	4.21	193.9	2.2
1967-68	84.31	215.7	39.1	4.9	233.1	2.4
1968-69	73.61	205.3	35.8	4.9	198.4	2.5
1969-70	55.50	243.2	22.8	10.87	200.2	5.4

tools, welding machines, electrical and electronic measuring instruments, cinematographic films, various chemicals, harvester combines and optical instruments. On "stock and sale" imports, STC controls the final sale price to the actual user, while after-sale and repair service is being given by its business associates.

Exports

On exports side, STC's main trade with the GDR has been in cotton textiles, jute goods, machine tools and knitwear. In the recent years, STC has been able to introduce in the GDR market non-traditional items like radiator valves, wire ropes machine tools, storage batteries, locks and padlocks etc. Exports of some of the major items during the last three years have been as follows:—

	(Rs million)		
	1967-68	1968-69	1969-70
Textiles	3.20	2.53	8.81
Footwear	0.18	..	1.01
Engineering goods	0.05	0.20	0.43

It is expected that in the near future STC's trade would develop not only in the items already moving but also in many other new commodities.

It would be interesting to know that Indian chappals are becoming very popular in the GDR market. The qua-

ity is considered to be extremely good and price fully competitive. There is very good scope for selling Indian chappals of the design required by the GDR. Last year's leather chappals exports of STC aggregated to about one million rupees. It is understood that these chappals were sold out in the GDR within a couple of weeks from the date they were put on sale in the shops. In view of encouraging response received in the initial stages, STC expects much larger orders in the coming years.

It is a well-known fact that STC has put India on the world map of exporters of rolling stock. As a result of its successful exports of railway wagons to Hungary and South Korea — and that too of a substantial value and against competition of developed countries—many countries including the GDR have been attracted to come to India for their purchases of railway wagons.

The GDR has large requirements of freight cars to meet its increasing transport needs. The local capacity is limited and substantial imports are planned. The State Trading Corporation has been in close touch with the GDR railways and the procuring organisations. A delegation of both organisations visited India in May-June last year at the invitation of STC. They were impressed by the industry and the quality of the products produced and were fully satisfied that STC would be able to build rolling stock to meet their specifications. Their detailed technical specifications have been obtained. The State Trading Corporation would now

give them a commercial-cum-technical offer for the supply of wagons to be followed by negotiations for finalising the deal.

The State Trading Corporation thus has found the GDR market to be very prospective not only for traditional items but also for the difficult-to-sell items. However, we have to face competition from developed countries, specially from western Europe. With the necessary infrastructure built in India for the manufacture of more sophisticated items, it would be possible for us to enter the GDR market without much difficulty.

The GDR had envisaged an increase of 60 per cent in industrial output by 1970. Greater emphasis is laid on production of chemicals, engineering goods, steel, electricity and other raw materials required by it. This also provides an excellent opportunity to India to boost up her exports of light and heavy engineering goods in addition to other non-traditional items.

The GDR's trade is mainly confined to Comecon countries accounting for about 80 per cent of its total trade. The balance is with the non-Comecon countries. However, preference is given by the GDR to countries like India and the UAR with which it has bilateral trading agreements.

It could be said that India's trade with the GDR has already reached the take-off point and with further development of industries in both the countries, close trade contacts already developed will get strengthened.

WINDOW ON THE WORLD

The Shadow of Socialism Over Australia

JOSSLEYN HENNESSY

LONDON:

I

DISTURBING TRENDS

AUSTRALIA'S ECONOMIC successes of the last two decades have led many to assume that socialism in Australia is a spent force, but in the opinion of the Australian Institute of Public Affairs, socialism could now conceivably again become a threat, as it was in the 1940s, because of the pronounced trend towards government expansion in social welfare and even in economic development.

The proposals of the Australian Labour Party for national superannuation and a nationalised health service would place a large proportion of savings under the control of government and seriously affect life assurance societies and pension funds which today constitute the preponderant source of investment funds for free enterprise.

The Australian Industry Development Corporation which the Institute regards as "dubious and unnecessary", could only too easily lead to encroachment into fields best left to private enterprise. Labour Party spokesmen have hailed the new corporation as an ideal instrument for extending "democratic socialism".

Spent Force

For 20 years — since the rejection of bank nationalisation and the election to office of the Liberal Party — socialism has not represented a serious tactical threat to free enterprise in Australia. Indeed, in the 1950s and 1960s private enterprise was so firmly in the saddle that many thought that socialism as a political factor was finished. Even the Labour Party seemed to have become less than enthusiastic about its traditional socialist objective. The great strides made towards the affluent society in the last two decades, under a system founded on free enterprise, further bolstered the view that socialism in Australia was a spent force.

But now, as we enter the 1970s, it is not inconceivable that socialism could again become a threat, which the Insti-

tute thinks that the supporters of free enterprise would do well to take seriously. The danger to private enterprise arises from the growing public acquiescence in government expansionism in social welfare and, to a less extent, in economic development. The evidence of poverty in the midst of plenty, the financial burdens of sickness, and the ever rising costs and deficiencies of education are among the reasons that have caused people to look increasingly to government for stronger measures in social security and welfare. There is no doubt, for instance, that the Australian Labour Party's national health and superannuation proposals appeal powerfully to many people who are not normally Labour supporters.

Spokesmen for the ALP have emphasised on numerous occasions that Labour stands both for national superannuation and liberal pensions for all, free of means test, and a national health service, which would virtually eliminate the cost to the individual of hospital and medical care. On the face of it, these proposals, besides offering much more liberal benefits, seem to promise a tidier means of organising social welfare than the existing mixed grill of government and private arrangements.

Danger to Private Savings

At first glance, comprehensive national insurance and a national health scheme do not appear to amount to any fundamental interference with free enterprise. It is only on closer examination that doubts arise whether national superannuation, along with a nationalised health service, can be grafted on to a predominantly free enterprise system without seriously weakening the plant.

The reason for this is simple: private enterprise depends for vitality and growth on a healthy, self-renewing stream of private saving. The greater part of personal savings consists of the moneys that people have put by to provide for their eventual retirement and to protect their families in the event of death or interruption of their earning power through illness. A national superannuation scheme to furnish adequate retirement benefits for everyone (the amount of the benefits related in

some way to earnings) would mean that the individual would be largely relieved of this responsibility. A big part of personal savings would thus, in effect, be appropriated by the state. The individual would pay for national insurance by increased taxes or specific contributions, and consequently he would no longer have either the means or the need to save for his old age.

If to a national insurance scheme is added government expansionism in such fields as health, education and housing — this is certainly the trend in Australia as in most democratic countries — the ability of people to make private savings will be further reduced. What the enthusiasts for comprehensive government planning forget is that there is no such thing as "free" benefits and that lavish welfare provisions can only be met by onerous taxation or compulsory contributions of one kind or another. These payments must inevitably make deep inroads into the capacity of people to save for themselves.

II

PRIVATE SAVINGS INSTITUTIONS

It does not need much imagination to grasp that the future of the life assurance societies would be grim if Australia were to institute a compulsory scheme of national insurance to provide retirement benefits, on a fully adequate scale, for everyone. So, of course, would the future of the numerous private pension and superannuation funds which are so important a feature of modern industry. Few people realise that the savings in these funds and in life assurance policies have now become a main source of the capital requirements of private enterprise. In 1966-67, new savings invested in shares in Australian companies exceeded \$300 million. If shares purchased by overseas investors totalling \$126 million are excluded, then new investments by life assurance societies and pension funds, amounting to \$105 million, accounted for 60 per cent of domestic share purchases, whereas purchases by individuals amounted to a meagre seven million dollars. The remaining \$62 million consisted largely of the share purchases of investment trusts and other institutional and corporate investors. In addition, the life assurance and pension funds also provide a high proportion of the fixed-interest capital — debentures, notes, mortgages, and so on — which has come to occupy a prominent place in the capital structure of most industrial companies. It is obvious, therefore, that life assurance and pension funds are now the preponderant source of new industrial investment by Australians.

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are channelled to the state, private enterprise would be compelled to look increasingly to government for its capital needs. The inherent dangers for free enterprise of this dependence on the state need no emphasis. With the state as the chief source of funds for investment in industry, government could dictate the terms on which capital would be provided and private businesses would face the inevitable prospect of increased public control of their activities. The community would also be confronted with the prospect of expanding government ownership. Indeed, it is difficult to see how a truly free enterprise system could survive if government were to assume the main responsibility for provisions for retirement, health and medical care, insurance and housing. Supporters of private enterprise ignore this impeding danger at their peril.

No one in Australia has yet drawn attention to the threat to free enterprise inherent in the policies of government expansionism in social welfare. In the United States, however, a distinguished public servant, Mr Robert L. Myers, Chief Actuary and Social Security Administrator of the Department of Health, Education and Welfare, has, in a number of recent addresses and papers, expressed doubts about the wisdom of government expansion in social insurance and in health provision, or Medicare as it is called in the USA. Mr Myers is critical of the growing and sizable section of opinion in his country seeking to enlarge the ambit of government provision for retirement and sickness. He says that if the need for private sector efforts in economic security are reduced, "there would occur a most significant effect on our national economy. Private savings of all types including pension plans would be appreciably diminished. This, in turn, would result in a shortage of investment funds for private industry to maintain and increase its productivity. Accordingly, private industry would have to turn more and more to the government for such funds and this could well mean increasing government regulation, control and even ownership of production".

III

SWEDISH PRECEDENTS

The National Pension Fund in Sweden seems to confirm the fears expressed by Mr Myers. The fund, formed a mere 10 years ago to supplement the old-age pension scheme, already possesses assets in excess of \$5,000 million and is growing rapidly.

The November, 1969, issue of *Now*, a joint publication of the Federation of

Swedish Industries, the Employers' Confederation and the General Export Association of Sweden, says that the National Pension Fund has sufficient funds to purchase control of all companies listed on the Stockholm stock exchange. This is, of course, merely an indication of the size of the Pension Fund, and even if it is unlikely to be used for this purpose, it remains true that since the ruling Social Democratic Party obtained an absolute majority in the 1968 elections, it has been aiming to increase the proportion of government ownership in the Swedish economy. *Now* points out that the State Investment Bank (which receives loans from the Pension Fund) can make both debt and equity investments. "By setting conditions for granting loans it can exert influence on management and by purchasing equity it can increase direct state ownership."

According to *Now*, the Swedish Finance Ministry is also studying the possibility of equity investment directly by the National Pension Fund (which is at present restricted to debt issues) "thus considerably increasing the potential for influencing business".

The London *Economist* of May 30 described Sweden's recent plan to put two government representatives on the boards of the big private banks as "the first test case of a new form of state intervention devised by Sweden's Social Democratic Government". Some businessmen fear that similar arrangements could be applied to industry in general. The *Economist* said: "In Sweden, the latest step towards socialisation of the banks is one in a long line of measures, including the establishment of two new state banks, and a rigorous system of inspection and control. However, a new generation is taking over in the Social Democratic Party, and is impatient for quicker results".

IV

LABOUR PARTY'S POLICIES

In Australia, there seem to be forces within the government which favour policies of government expansion, particularly in welfare. The recent developments in health services are evidence of this. The Labour Party, however, would go much further; its leader, Mr E.G. Whitlam, made clear in his policy speech in October, 1969, that Labour stands not only for a virtually nationalised health service, but also for compulsory national superannuation to supplement the age pension provisions.

Mr Whitlam's policy speech also advocated setting up a public corporation on the lines of the Institute de Reconstruc-

tione Industriel (IRI) established by Mussolini to take over Italian concerns. The IRI is now a massive shareholder in Italian industry. It is not surprising, therefore, that Mr Whitlam has enthusiastically supported the establishment of the Australian Industry Development Corporation, which will borrow overseas and local funds to provide equity and debt capital for private industry. This institution is to have a capital of \$100 million, made up of taxpayers' money, and borrowing rights equivalent to five times capital plus reserves. The AIDC is being formed in the face of strong opposition from responsible business interests, and the reasons given for its establishment have been wholly unconvincing.

Unfair Competition

The Australian Resources Development Bank would seem perfectly well equipped to perform the functions attributed to the new body, the main purpose of which is to promote greater Australian participation in the ownership and direction of new industrial developments. The Australian Industry Development Corporation could have an unfair competitive advantage over the Resources Development Bank and the trading banks because of its access to government sources of finance and its consequent freedom from normal commercial disciplines.

A disturbing feature of the AIDC is that it is to have the right to take up equity capital. This could only too easily lead to government encroachment into fields best left to private enterprise. Mr Whitlam is already on record as declaring that a Labour government would use this institution for "democratic socialist purposes" — whatever that means.

Compulsory national insurance could not fail seriously to weaken the life assurance societies whose nationalisation still remains a key plank in the platform of the Labour Party. Nor have we heard the last of the Labour Party's objective of bank nationalisation. In a paper entitled "A Socialist Looks at 1984", Dr J.F. Cairns forecast a move by the government in early 1970s to nationalise the banks as "the basis of Australian socialism in the 1980s".

The possible political implications of government expansionism in social welfare, and in its inevitable concomitant industrial investment, need to be thoroughly considered. Greater understanding should lead to a more wary and discriminating public attitude to these policies by those who wish a ro-

bust system of private enterprise to be maintained.

There are other reasons, unconnected with political philosophy, for questioning the indefinite extension of government-provided welfare. The aim of all welfare planning is simply the abolition of poverty, whose existence in the modern affluent economy should not be tolerated by any right-thinking person. Recent private surveys have shown that too many people are compelled to live in conditions not far removed from the "poverty line". The prevalence of poverty has led many people to assume that the cure lies in an increase in government social benefits. Thus the liberalisation, and even removal, of the Means Test seems to command widespread support. But, asks the Institute of Public Affairs, would it not be much more logical to do just the opposite and concentrate government aid on those who really need it instead of extending it to people who are well able to look after themselves?

V

MORAL OF U.K. EXPERIENCE

The experience of the British welfare state over the last twenty years furnishes disturbing evidence that comprehensive national insurance does not necessarily afford adequate protection against old age and ill-health. The Beveridge Plan, whose objective was to abolish poverty in Britain, has now officially been pronounced a failure; a recent government white paper reports that the National Insurance Scheme has dismally failed to meet the needs of the aged poor, the badly housed, the chronically ill and the large low-income family. In the British welfare state over three million people still live in slums, and two million pensioners and three-quarters of a million families are at or below the poverty line. Yet over the last 10 years expenditure in social services has been doubled; it now represents one-half of all public expenditure. According to a report by the Institute of Economic Affairs of London, at least 80 per cent of the total expenditure on social services, a colossal \$20,000 million, is spent without any regard to the means of the beneficiaries and with little or no attempt to recover the full market cost of services from people who can pay. The IEA report further states that, as a result of this policy of unselective state aid, about two-thirds of the total value of welfare benefits goes to households where the amount of tax paid is equal to the benefits received. In other words, we have the absurdity of the state taking away with one hand only to give back with the other.

One wonders what the author of the

British welfare state, Lord Beveridge, would think of the monstrosity which has grown out of his original proposals. When introducing his plan for the welfare state, Beveridge emphasised the importance of self-reliance, a character trait in eclipse today. Beveridge's words are worth repeating:

"The State in organising security should not stifle incentive, opportunity, responsibility; in establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than the minimum for himself and his family".

Thus Beveridge's emphasis was on "minimum"; above that, it was up to the individual to fend for himself.

Today, we not only have full employment, but rapidly increasing living standards and growing affluence. With proper ordering of their affairs, the vast majority of people should now be able to make provision for their own protection against life's vicissitudes. The minority, who for one reason or another cannot do so, should be protected by the state. But to try to make of the state not just a protector of the weak or unfortunate but a universal provider not only destroys individual dignity and self-reliance, but could have serious and far-reaching political and economic consequences.

One single important fact stands out about most modern western societies: within a short space of 20 years afflu-

ence has been brought miraculously within their grasp. The day when a high living standard is within the reach of all is not far off, *provided* we do not tamper unthinkingly with the conditions that have brought us so far on a long, hard road. In the coming years, governments will have more than enough to do in helping to correct the tragic environmental by-products of modern industrial society without taking on the role of universal provider.

To the cogent reasons offered by the Institute of Public Affairs for averting socialism in Austria, I add one more which, the UK experience has demonstrated, is paramount.

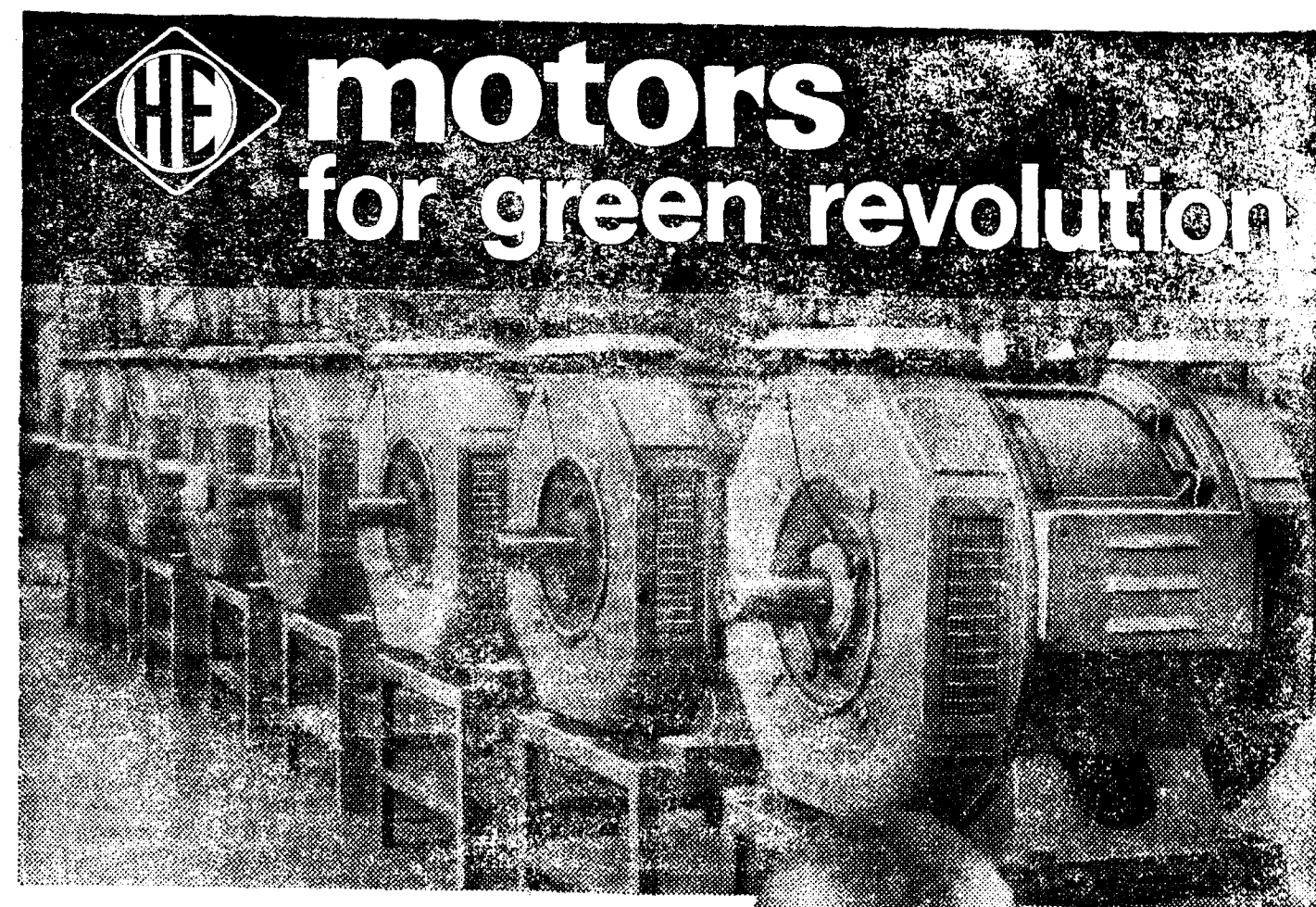
What the UK is suffering from more than anything else after a quarter of a century of welfarism is the almost total paralysis of individual initiative and enterprise. The moment that anything goes wrong all persons affected automatically look to the government to intervene and provide the solution. This is partly due to fears of complications with the bureaucracy if an individual decision is taken which is later modified by official action, but more especially it has now become a matter of habit. Is a trade union involved in a dispute with an employer? Both sides expect Ministry of Labour conciliators to take over what should be their own responsibilities. Is the question how big a wage increase would be justified? This is essentially a pragmatic question which only the market can decide, but it has now become a subjective question of social justice

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which is thrown at the government — whatever decision the government gives can satisfy neither side and can only be temporary. Is a firm floundering under financial difficulties? Nobody asks why. Everyone assumes that the government must provide subsidies to maintain the *status quo* which is obviously inefficient and uneconomic, for otherwise the firm (or industry) would be making profits. The British have been so indoctrinated with the idea that all responsibility for action or innovation lies with the government that many are sincerely bewildered by the policies of

Edward Heath, who is seeking to face workers and employers with their own responsibilities. If he is to succeed, Mr Heath will need at least 10 years in office. Whether the electors will give these to him is anyone's guess.

Note: The Australian Institute of Public Affairs (289 Flinders Lane, Melbourne 3000, Australia) is a non-profit making, educational body, financed by private subscribers, to study economic and industrial problems with a view to promoting better public understanding of them.

The US and EEC Conflict

E. B. BROOK

VIENNA: RELATIONS BETWEEN Europe's Common Market and the United States have hardened since the beginning of the year and both may be said to be seeking positions, if not actually taking them up, for a genuine conflict of interests. The United States announced a few days ago that it may complain to the General Agreement on Tariffs and Trade over some aspects of Common Market policy and among the Market's members there is increasing irritation at what they consider the USA's persistent special pleading over the whole affair.

The US Assistant Secretary of State for Economic Affairs, Mr Trezise, made it clear at the end of a two-day visit to Brussels that the USA will continue to take diplomatic action to defend its economic interests, both against the Market and Britain, especially over their agreement to offer privileged trade pacts to a number of Commonwealth countries in Africa. The former French colonies in Africa have for some time enjoyed a specially favoured position in respect of their trade with France and Market members. The United States objects that these actual and potential privileges discriminate against US exports.

In other areas also — the Market's reduced tariffs on citrus fruits from a number of Mediterranean countries, including Israel, Spain and Morocco and its new tobacco policy discriminating against non-Market imports — the USA considers the concepts and letter of GATT to be contravened. If Washington carries out its expressed intention to raise these matters before GATT in Geneva, it will be the first time it has taken such action since the early 1960s under Article 23 of the GATT agreement permitting offended parties to lay their case before the judgment of trading nations.

On its side, the Executive Commis-

sion of the Common Market has taken a tougher stand against the US threats of protectionism. Its Commissioner for External Affairs, Herr Dahrendorf, has said that defensive measures would not help the United States, Japan or any other country nor the world's trading climate. The world, which almost everywhere has too much to sell, needed badly the fullest realisation of the Kennedy Round of lowering tariff barriers and a re-examination of the non-tariff barriers. Far to be preferred to complaints against one another would be examination of the possibilities of common rules for all trading nations of development policy, a distinction between this and trade policy and a liberalisation of particularly delicate spheres in the internal policies of all major trading states. Rebutting the US charges of discrimination, the Foreign Commissioner declared that since the Market was founded in 1958 trade between it and the USA had trebled.

It is possible that these threats and exhortations are preliminaries not to the contention they foreshadow, but to the Market and the USA working toward a new set of international agreements concerning such important commodities as grain and dairy products. At present, both are being dumped at low, often less-than-cost, prices in several areas of the world markets. Another area where agreement would be welcome, not least to national treasuries, would be restriction on the level of subsidy payments made to farmers.

Whether or not this possibility that a new agreement could be worked out to solve new problems that have grown in the last decade is much more than wishful thinking, nerves in trading blocs on both sides of the Atlantic are becoming frayed, the more so in Europe since the probability of another huge flood of US dollars into Euro-

pean markets and industry is very real and almost imminent.

These periodical mass movements of United States investment capital in and out of Europe according to the necessities or convenience of American banks and investment corporations are a nightmare for European bankers. They are also resented, for the Europeans generally — not only the French — believe that these huge sums of money are being used to finance the takeover of important parts of European industry. Since much of European industry already depends on American capital the sensitiveness of the remainder is intense to the threat of absorption by US capital which Europeans consider should be used to redeem the US balance of payments deficit. European, and particularly Market, sensitivity is sharpened greatly by the fact that the Trade Bill now before the US Congress contains clauses which could affect Common Market trade by nearly £10,000 million.

Complex Problems

Problems that would have to be faced in reaching a new agreement between the USA and the Common Market would be more complex because the Kennedy Round has already cleared away all those capable of more easy solution. They would concern chiefly agriculture, Market trading agreements and non-tariff barriers to trade.

In selling its agricultural exports the USA has undoubtedly suffered from the effects of Market policy. Since the Market levies system began 12 years ago, the farm exports of the US to the Market have been halved, damage being particularly severe in the grain and poultry markets. If Britain moves over, as appears probable, to an import levy system, the US position will be even worse. The new threat to US farm exports — Market subsidies to tobacco-growers in France and Italy — appears almost deliberately vicious. An earlier Market threat to tax imported vegetable oils, which would have spoiled the large US soyabean market in Europe, produced the effective American threat to impose equivalent restrictions on Common Market imports to the USA — a threat which so alarmed the Germans for their Volkswagen sales that the Market's plan was quietly dropped. But if the Americans complain of the meanness of quotas, they could first look at the narrowness of their own quota for imports of Australian and New Zealand butter — 250 tons a year for a market of more than 200 million people.

But the most difficult problem the USA and the Market would have to tackle in a new agreement would be

that of non-tariff barriers because they are hard to identify and because what appears to one to be a concealed subsidy may appear elsewhere to be a legitimate way of raising revenue. The Americans at present object to the widespread 'value added tax,' whereby manufacturers pay tax only on the extra value their own process has added to products, and to the tax rebate Market exporters receive on exported commodities. The Americans claim this rebate gives Market exporters an advantage of about four per cent

but are unable to show that it offends GATT rules.

On their side, the Europeans point to the US Buy American Act, which lays down that the US government cannot buy foreign goods unless the lowest American tender is more than 50 per cent above the import's price. The Europeans denounce this as an outrageous piece of protectionism; the Americans reply that the same thing happens everywhere else, but less frankly.

Everywhere moral indignation over

quotas, tariffs and protective measures comes up against some awkward instances of self-seeking measures at home. The Americans experienced this, to their chagrin, when they last made a complaint to GATT and that experience may deter them from going aggrieved to Geneva again this time. But it seems too much to hope at present that either Washington or Brussels will be able to do more than alternately denounce one another and express good intentions — the value of votes at home exceeds the urge for statesmanship.

FILING FALSE TAX RETURNS!

DO YOU KNOW THE CONSEQUENCES?

BEWARE! Filing of false tax returns is severely punishable under the Income-Tax, Wealth Tax and Gift Tax Acts. It may cost you more than what you have concealed.

Under the Income-Tax Act, a minimum penalty equal to the amount of the concealed income and a maximum penalty equal to twice that amount, is prescribed. Besides, there can also be prosecution and conviction—rigorous imprisonment for not less than six months which can be extended to two years.

Similarly, evasion of wealth tax is also severely punishable under the Wealth Tax Act. A minimum penalty of an amount equal to the value of the asset so concealed or to the extent of understatement in the value of an asset or overstatement in the value of any debt, is prescribed. This penalty can be as high as twice this amount. In addition, there can be prosecution and conviction with rigorous imprisonment for not less than six months extendable to two years.

Furnishing inaccurate particulars of any gift is punishable with a sum not less than 20% but not more than one and a half times of the tax which would have been avoided if the return had been accepted as correct. Apart from this, you can be prosecuted. Conviction can mean simple imprisonment extendable to one year or with fine upto Rs. 1,000 or both.

REMEMBER EVASION OF TAX IS A CRIME

If the original return filed by you is false why not file a revised return to avoid the consequences of discovery.

CENTRAL BOARD OF DIRECT TAXES
(Department of Revenue & Insurance)
MINISTRY OF FINANCE, GOVERNMENT OF INDIA

Rev 70/530

The moving finger writes

THE DESTRUCTION by arson of the hijacked Indian Airlines plane at Lahore airport by the *Al Fatah* saboteurs confirms the fact that the present Prime Minister of India is an extremely inadequate leader for our government or the country in these troubled times. Once the safety and the return of the crew and passengers had been secured, Mrs Gandhi should have lost no time in using the phone to talk directly to President Yahya Khan and tell him firmly that the least he could do to prevent any further deterioration in Indo-Pakistan relations would be to have the plane with its postal and other cargo restored to us intact.

Mrs Gandhi, like her father before her, is a great believer in personal diplomacy and the public exchequer has had to meet heavy bills incurred by these Prime Ministers, past and present, on their visits abroad to visit Presidents, Prime Ministers and the like. Similarly, all the four Presidents of India, including the person who now happens to hold this office, had or have gone on numerous state visits to foreign countries, the purpose being the development of relations between governments on lines more than purely formal or official. Our people surely have a right to expect some return on all these investments of the taxpayer's money and yet when a genuine necessity arose for personal diplomacy, it just did not occur to Mrs Gandhi that it was possible to talk to Pindi on the phone.

I would not argue that she should have paid even a personal visit to Gen. Yahya Khan since this could possibly be seen in some quarters as pampering to Pindi's arrogance or intransigence, but the Prime Minister could certainly have rung up the President of Pakistan and made him understand what was what, without in any way compromising our national prestige. There is supposed to be a hot line between Washington and Moscow. Here was an occasion when New Delhi could usefully have improvised a hot line with Pindi. It is possible that had Mrs Gandhi intervened personally at the time when the hijackers were still only threatening to blow up the plane and impressed upon President Yahya Khan the fact that there was bound to be a dangerous deterioration in Indo-Pakistan relations if our country was humiliated by having

our plane burnt by the hijackers with the connivance of the Government of Pakistan, Pindi might have had the good sense or prudence to prevent an intolerable strain being imposed on Indo-Pakistan relations.

Even otherwise, had Mrs Gandhi got in touch with President Yahya Khan and still failed to stop Pindi from collaborating in the destruction of the plane, our government would have gained a diplomatic advantage and strengthened its position enormously in subsequent exchanges with Pindi. In that event, the plea which the Government of Pakistan has now made that the two governments concerned should attempt to normalise relations would have sounded even more dishonest and cynical, and it is even possible that certain publicists editorialising in newspapers or functioning otherwise might find it rather less easy to advise the Government of India that it should thankfully respond to the Pakistan government's suggestion not to fuss about the loss of a mere Indian Airlines plane which, incidentally, is not even a jet aircraft.

The Prime Minister certainly owes an explanation to the voters of Rae Bareilly constituency for the Lok Sabha why she has chosen to show her name on the ballot papers as 'Indira Nehru Gandhi'. If she was particular about having a middle name as well as a personal name and a surname, her parents after all had provided her with one, viz. 'Priyadarshini'. Before her marriage she was Indira Nehru, after her marriage she was Indira Gandhi. Now, when her father and husband are no more, she wants to be known as Indira Nehru Gandhi at least on special occasions and perhaps for special purposes. If I am not mistaken, there is a law against trading on name suggestive of national leaders.

While referring to the controversy about the cow-and-calf symbol, the Chief Election Commissioner reportedly rejected the argument about "the cow mother" by remarking that he for one would object to being called "the son of a cow". Mahatma Gandhi has been called "the Father of the Nation".

Does it necessarily mean that Mr Sen-Varma is a son of Mahatma Gandhi? It is true that in our country even Presidents sometimes behave like clowns. The Chief Election Commissioner is no doubt much smaller fry. Even so Mr Sen-Varma should at least realise that it is of no advantage to him to go about talking or otherwise behaving in a manner which may sustain the alleged legend that he should more appropriately be known as "Mr Insane-Varma".

It is a pity that Mr Inder Gujral, who has been habitually claiming to share with the leader of his party the confidence and support of 95 per cent of the people of India, has after all decided not to run the risk of contesting for the Lok Sabha from the capital or anywhere else. It is good that Mr Shashi Bhushan is to be Mrs Indira Gandhi's candidate in the South Delhi constituency. He has been one of the worst offenders in his party's game of exploiting the memory of Mahatma Gandhi for political purposes. His outrageous parody of the ritual of fasting over the Birla House issue was something which should not be easily forgotten and forgiven. The electorate has now been given a chance to treat him with the contempt he deserves.

A few weeks ago I wrote in these columns about the question I put to the Prime Minister at her last Press Conference whether her party would persist in considering the DMK as a like-minded party in spite of the latter's known ideas on the Language issue. Mrs Gandhi's evasive reply was that her own views on the Language question were too well-known to need repetition. Since then we have had the benefit of the DMK election manifesto. In this document it has been categorically laid down that this party will not tolerate any place for Hindi in the scheme of education in Tamil Nadu. DMK's rejection of Hindi is thus total. May I once again ask the Prime Minister where she stands with regard to the DMK's policy on Hindi? I wonder whether she would care to speak on this issue when she goes electioneering in the 'Hindi states'.

V. B.

Trade Winds

TRADE WITH G.D.R.

A PROTOCOL on scientific and technical co-operation between India and the German Democratic Republic, valid for a period of five years, was signed recently by Mr J. Socelle GDR Minister of External Economic Relations and Mr L.N. Mishra, union Minister of Foreign Trade. Simultaneously, letters were also exchanged between the GDR Deputy Minister of External Economic Relations, Mr E. Kattner, and Chowdhary Ram Sewak, union Deputy Minister of Foreign Trade, finalising the trade plan for 1971. Trade relations between India and GDR have steadily grown from Rs 18 lakhs in 1953 to Rs 45 crores in 1970. GDR has emerged as the fourth largest trading partner of India amongst the east European countries. The trade plan finalised for 1971 envisages further growth of trade between the two countries around 10 per cent in the current year. This growth is envisaged over the level achieved at the end of 1970, which has been the highest ever achieved in mutual trade between India and GDR. Principal items of import from GDR into India would be rolled steel products, alloy tool and special steels, printing machinery, harvesting combines, ships, medical X-ray and cinematograph films, various organic and inorganic chemicals, muriate of potash fertiliser, raw diamonds and other items of machinery and equipment.

Principal items of export from India to GDR, apart from traditional goods, would be engineering goods, such as, hand knitting machines, cutting tools, wire ropes, locks and padlocks, fittings, automobile accessories, etc. Increased purchases of jute manufactures, coir yarn and products, tanned and semi-tanned hides and skins and chappals are envisaged. GDR is also emerging as a potential market for fruit juices, marine products, paints for ships, linoleum, glazed tiles, sports shoes, etc. The protocol on scientific and technical co-operation between the two countries signed for the first time recently envisages exchange of experts and trainees as well as relevant information in different fields of science and technology. Among others, it envisages closer co-operation in the field of foreign trade through joint co-operation in product development, adaptation and market research for deve-

loping bilateral trade as well as for joint co-operation in third countries.

IMPORT OF RAW COTTON

The union government has released Rs 9 crores in free foreign exchange for the import of 100,000 bales of raw cotton. This cotton will be of one inch and above staple length and will be imported from countries other than UAR and Sudan. Bilateral trade agreements between India and the UAR and Sudan exist and hence the arrangement. This quantity of 100,000 bales will be allocated to those mills which undertake supply of cotton yarn at fixed prices to handlooms, powerlooms and hosiery manufacturers in accordance with the scheme announced in the Textile Commissioner's press note dated January 19, 1971. The shipment period for import will be May 31, 1971.

IMPORT OF STAPLE FIBRE

The State Trading Corporation of India has informed the Indian Cotton Mills' Federation that they have already contracted for import of 80,000 bales of staple fibre — 30,000 bales from the USA, 45,000 bales from the UK and 5,000 bales from Italy. The shipment has been programmed between now and June next. The STC is making efforts to procure further supplies from other sources. The distribution of the fibre will be made to all mills shortly.

BAGGAGE RULES LIBERALISED

The import of goods as personal baggage has been liberalised in certain directions, according to an Import Trade Control public notice issued by the Ministry of Foreign Trade. At present, passengers returning to India from abroad, after a stay of less than three months, are allowed to import, duty free and without Import Trade Control (ITC) formalities, articles upto a value of Rs 500. Under the public notice now issued, a passenger will be eligible, at the discretion of the customs authorities, to import articles for an additional value of Rs 750, subject to payment of customs duty. It has also been decided that in the event of the value of any of the following articles, exceeding Rs 750, only that article will be allowed to be imported, on payment of duty: (i) a TV set; (ii) a fire-arm; (iii) a watch of a value above Rs 100; (iv) a camera; (v) a movie camera; (vi) a projector; (vii) a tape-recorder; (viii) an

amplifier; (ix) a golf set; (x) electric shaver; (xi) hair dryer; (xii) flash gun; (xiii) exposure meter.

ELECTRONICS COMMISSION

The union government has decided to establish an Electronics Commission with full executive and financial powers. This step has been taken to ensure the necessary balanced development of electronics in the country as rapidly as possible. The government attaches the highest importance to this aspect of the electronics industry and have considered it necessary to set up an organisation free from all non-essential restrictions or needlessly inelastic rules. The commission will review the entire field of electronics with regard to research, development and industrial operations, with full authority to formulate policy in this field. It will also direct implementation on sound technical and economic principles of all measures, both promotional and regulatory, that are necessary for the country to attain self-reliance in the shortest possible time and in the best possible manner.

ROCK ROLLER BITS

The union government has proposed to encourage creation of indigenous capacity for the manufacture of Rolling Cutter Rock Drill Bits (Rock Roller Bits). Applications, in the prescribed form, have been invited for grant of licences under the Industries (Development and Regulation) Act, 1951, for establishment of such capacity either by way of "new industrial undertaking" or "substantial expansion" of the existing undertakings or inclusion of "new articles" of the manufacture of this item. All applications for grant of industrial licences are to reach the Secretary, Ministry of Industrial Development and Internal Trade (Department of Industrial Development), CLP Section before May 1, 1971 and are to be self-contained giving details of phased manufacturing programme, requirements of both imported and indigenous capital equipment, raw materials, salient features of foreign collaboration, if any, and complete in all respects.

PUBLIC SECTOR CAR PROJECT

Automobile manufacturers of France, Italy, Japan, the USA, West Germany and Yugoslavia have shown interest in collaborating with India in the production of a proven popular passenger car in the public sector. Eight proposals have been received by the government and are under active scrutiny by the expert technical and financial advisory committees set up by the Ministry of Industrial Development and Internal Trade. They are from: Renault (R-6) of France; Alfa Romeo and Fiat

(124) of Italy; Nissan (Datsun 1200) and Mazda of Japan; Ford Escort of U.S.A., Volkswagen of West Germany and Zestava of Yugoslavia. Manufacturers whose proposals are prima facie suitable for further consideration will be informed and given facilities to ship their models to India to enable the advisory committees to examine and test them for suitability of operation under Indian conditions. The committee's recommendations are expected to be received in the Ministry of Industrial Development and Internal Trade in the next few weeks. The manufacturers are also being invited for detailed discussions on the terms of collaboration. The government's intention, however, is not to entrust the entire project to the prospective foreign collaborator on a turn-key basis. The scope of collaboration will be strictly limited to aspects for which indigenous expertise is not adequately available and foreign assistance is inevitable.

TATA EXHIBITION

The exhibition of Tata enterprises, which was opened in New Delhi last week, has as its theme: "bigness is no sin". On display at the exhibition are a wide variety of products that flow from the house of Tatas. They range from such consumer goods as textiles, hair oils, soap, tea, refrigerators and radios to steel, tractors, commercial vehicles, textile machinery, fork lift trucks, water well drilling rig, etc. The exhibition brings home the fact that besides producing within the country a wide range of sophisticated products, the big industrial houses earn sizable foreign exchange through exports and help the development of small-scale and ancillary industries. The various activities of the Tata charitable trusts are also depicted in pictures at the exhibition.

A spokesman of Tatas revealed to newsmen at a press conference organised at the time of the inauguration of the exhibition, that with a view to helping the industrialisation of the backward areas of our economy, which is one of the principal objects of the new industrial licensing policy, Tatas have proposed to set up a seamless tube plant in a backward region for the benefit of the dairy industry. They are also working on three other projects — the manufacture of protein-rich food, development of fisheries and manufacture of leather oil. In the interest of manufacturing more sophisticated products, work has been started by one of the Tata enterprises in the field of computerisation and electronics. The expansion of Telco from 24,000 to 36,000 commercial vehicles per annum is also on the anvil. For helping exports,

a new cross-country vehicle has been developed which can operate in very rough terrains.

ANNUAL PLANS : 1971-72

Maharashtra

The outlay for the Annual Plan: 1971-72 of Maharashtra will be of the order of Rs 178.74 crores. Central assistance for the Annual Plan will be of the order of Rs 49.16 crores. The state's fourth Plan is of the order of Rs 898.12 crores. Plan expenditure during 1969-70 came to about Rs 136.52 crores and it will be about Rs 72.11 crores during 1970-71. Distribution of outlay (in Rs lakhs) among various sectors of development in the Annual Plan is as follows: Agricultural Programmes 3256; Co-operation and Community Development 813; Irrigation and Power 7484; Industry and Mining 493; Transport and Communication 1556; Social Services 4262; and Miscellaneous 14. During the discussion, the Chief Minister referred to the special accommodation given to some states and said that Maharashtra had also large backward areas which needed special effort for development. The Finance Minister of Maharashtra referred to the allocation of central assistance for its special problem relating to metropolitan city of Bombay and pleaded for larger allocations to meet the acute problems of the city. He also suggested that the next year's borrowing programme may be raised beyond Rs 47 crores already fixed, in the light of current year's figure of Rs 44 crores.

Kerala

The outlay for the Annual Plan: 1971-72 of Kerala will be of the order of Rs 60 crores. Central assistance for the Annual Plan will be of the order of Rs 35 crores. The state's fourth Plan is of the order of Rs 258 crores. Plan expenditure during 1969-70 came to about Rs 44 crores and for 1970-71 it will be about Rs 50 crores. The distribution of outlay (in Rs lakhs) of the Annual Plan for 1971-72 among various sectors of development is as follows: Agricultural Programmes 1108; Co-operation and Community Development 252; Irrigation and Power 2380; Industry and Mining 464; Transport and Communications 463; Social Services 1322; and Miscellaneous 11.

Andhra Pradesh

The Annual Plan of Andhra Pradesh for 1971-72 was discussed recently between Prof. D.R. Gadgil, Deputy Chairman, Planning Commission and Mr J.V. Narasinga Rao, Deputy Chief Minister of Andhra Pradesh. On the basis of assessment of resources available during 1971-72, the Planning Com-

mission had proposed an outlay of Rs 87 crores for the state's Annual Plan. In this, the central assistance for the Plan will be of the order of Rs 48 crores. The Deputy Chief Minister pointed out the minimum outlay required during 1971-72, in view of the commitments on continuing schemes, was of the order of Rs 105 crores. Prof. Gadgil explained that with regard to central assistance there was no scope for any upward revision. However, if the state was in a position to raise additional resources, it should be possible to increase the size of the Annual Plan. Without locating the sources of additional revenue, it would not be possible to raise the outlay of the Annual Plan to the size suggested by the state government. Expenditure on the state Plan during 1969-70 came to about Rs 79 crores, and the anticipated Plan expenditure for 1970-71 is about Rs 85.58 crores.

TATA-FINLAY

During 1970, Tata-Finlay's exports, both of instant tea powder and of packet tea totalled Rs 1.35 crores, which is twice as much as they had been in 1969. In the coming year, the company hoped to redouble this figure. Both instant tea powder and packet teas are non-traditional exports, from which the country earns a greater foreign exchange as compared to export of tea in bulk. Tata-Finlay's blended and packeted teas worth Rs 60 lakhs were exported to Sudan, Jordan, UAR, Fiji, Australia, Nepal, Mexico, Italy, Holland and the UK. These included the company's prestige, Lalit, Ace, Bahadur, Shan and Milap blends, which are well known in the domestic market too. Tata-Finlay was one of the first companies in the world to develop a process for the commercial manufacture of instant tea powder directly from the green leaf of the tea bush, bypassing the intermediate stage of manufacturing black tea and retaining a much greater degree of freshness in the final product. The realisation by Tata-Finlay is approximately Rs 40 per kilogramme of instant tea powder. If, however, the same amount of green leaf which went into the manufacture of this instant tea, was converted into black tea, instead, the realisation would be only Rs 25. Therefore, for every kilogramme of instant tea powder exported by Tata-Finlay, the country is a nett gainer by an additional Rs 15.

NAMES IN THE NEWS

Mr Bhagwan Singh, Additional Secretary in the Ministry of Foreign Trade, has been appointed with immediate effect to perform the duties of the Chief Controller of Imports and Exports. This will be an additional charge for Mr Bhagwan Singh.

Company Affairs

SUDARSAN TRADING

MR M. Velayudhan, Chairman, Sudarsan Trading Company Ltd. told the shareholders that the Chit Fund business of the company for the year up to July 31, 1970 recorded an increase of 12.03 per cent over the previous year, the gross business towards the end of the year standing at Rs 20.12 crores. He pointed out that six new branches of the company were opened and four existing ones were upgraded, so that it has now 82 offices throughout the country. In the context of regulation of chit fund business through comprehensive legislation, Mr Velayudhan pointed out that the company had submitted a detailed memorandum explaining the operation of Chit Fund to the Chief Minister of Andhra Pradesh and had also suggested model regulations. The Chief Minister had taken note of the suggestions earnestly and had initiated enactment of comprehensive laws and regulations for controlling Chit Fund in Andhra Pradesh. This was a matter of considerable satisfaction to the company revealing the esteem in which it is held by the state government.

Mr Velayudhan told the shareholders that the Standard Furniture Company and Mace Tools were acquired by the company early in 1970. Standard Furniture is an old plywood and mechanised furniture making concern in Kerala with two units at Kallai and Chalakudy. This company has a tradition of 50 years of successful performance. Recently the supply of raw materials was interrupted because of the scarcity of timber. The company has therefore approached the Kerala government and was hopeful of a favourable response. The other unit, Mace Tools, is manufacturing fully automatic cinetrolleys and has been functioning as a service unit. The chairman pointed out that 14,896 equity shares of the Sudarsan Trading were issued before July 31, 1970 and 5,000 equity shares were privately issued subsequently. He informed the shareholders that the response to the issue was excellent and reflected the confidence of the public in the company.

BHARAT STEEL TUBES

Bharat Steel Tubes Ltd have announced an interim dividend of six per cent, i.e., 60 paise per share on equity shares. The dividend was declared at a board

meeting of the company held on February 4, 1971. The dividends will be free of tax under Section 80K of the Income Tax Act, 1961, as applicable to new industrial undertakings. The company, therefore, proposes to pay the dividends to the shareholders without deduction of tax, if the certificate of Income Tax Department is received in time. The working results for the nine months upto December 31, 1970, have been quite impressive. The gross profit for the period has been estimated at about Rs 1.46 crores before deducting depreciation. The net profit after depreciation, but before providing for tax liability, comes to about Rs 1.24 crores for this period, as against the net profit of Rs 1.43 crores for the 12 months ended 31st March, 1970. The free reserves as on 31st December, 1970 stand at Rs 1.14 crores. The company is the largest manufacturer of electric resistance welded steel tubes within the size range of 15 mm to 150 mm. It is also manufacturing electricity transmission poles and is also the leading exporter of steel pipes and tubes. It was awarded the Certificate of Merit by the union government for its outstanding export performance during 1966-68 and 1968-69. The company was also selected as the only exporter in the country for FICCI-1969 Export Award. The company has recently started a new division — pipework engineering division. The strip mill project of the company involving a capital outlay of about Rs 16 crores is also making good progress and the company is likely to offer further share capital within the next few months.

ESCORTS FORD TRACTOR

Sir Morrice James, British High Commissioner in India, recently formally drove the first Ford 3,000 tractor out of the new plant of Escorts Tractors Ltd, Faridabad. This is one of the 850 Ford tractors received against the British loan of £1.13 million (Rs 2 crores). These tractors, which are to be manufactured in this country by Escorts under an agreement with Ford company, have been received in knocked down condition and are being assembled here under Escorts management. Escorts Tractors Limited came into existence under an agreement signed between Escorts and Ford Motor Company of the US on May 22, 1969. Ford 3000, the tractor being made by Escorts is a 48 h.p. tractor and among the most advanced in the world. It

may be significant to mention that one Ford 48 h.p. tractor can work 150 to 200 acres of land for three crops, thus multiplying productivity to the extent that an average farmer could earn a minimum of Rs 25,000 per acre annually. The production of the Ford tractor, starting this month, is phased over three years. In the first year, these will have 50 per cent imported content. In the second and third year, the company will attain, through progressive import substitution, an indigenous content of 75 per cent and 90 per cent respectively.

TAFE

Mr Karunanidhi, Chief Minister of Tamil Nadu, recently inaugurated the new building of TAFE's Product Training Centre at Pudupakkam, 20 miles from Madras. The Chief Minister suggested that Agricultural Productivity Council could supply know-how and facilities for discussion at a more sophisticated level and the government would render all assistance for it at the formation stage and later too.

Mr Karunanidhi added that the State was forging ahead with plans for building the proper infrastructure for a solid base in agriculture. The Rs 4.5 lakh tractor workshop proposed at Vellore was nearing completion, and within this year 16 bulldozers would be locally purchased at a cost of Rs 23 lakhs, a tractor training centre would be set up at a cost of Rs eight lakhs and six tractor workshops and tractor sheds would be established at a cost of Rs 16 lakhs. Mr Sivasailam, Chairman of TAFE stated that almost simultaneous to the formation of the company in 1959 a policy was evolved to enlarge, on a planned basis, the activities of product training and farmer education to bring about at the national level, consciousness regarding the need for agricultural mechanisation by appropriate dissemination of knowledge in use of farm machinery.

KOTHARI TEXTILES

The directors of Kothari Textiles Ltd stated in their report for the year ended August 31, 1970 that in its process of diversification, the company has increased the manufacture of hosiery yarns and has now established itself as one of the major hosiery yarn manufacturers in south India. More powerloom yarn was also produced as a result of installation of additional cone winding machine. In the field of cloth, its diversification to superfine fabrics continued. Total sales in the current year were expected to be higher than in 1969-70. A programme of renovation of the two mills costing Rs 1.50 crores was decided upon. The first phase of Rs 50 lakhs was expected to be over by August 1971 and second would be started from Sep-

tember, 1971 and spread over three years. The scheme of amalgamation of the five companies in the Kothari group, including Kothari Textiles, has been approved by the shareholders of the respective companies and the petitions are now pending before the High Court and orders are expected shortly.

FIT TIGHT NUTS

Fit Tight Nuts and Bolts Ltd has proposed a final dividend of Rs 10 per share, making a total of Rs 17 per share for the year ended September 30, 1970. To mark the completion of 10 years, the directors have also proposed a cash bonus of Rs five per share. Thus the distribution for the year will be Rs 22 per share of which 49 per cent is expected to be tax free. The company skipped the dividend in the previous year but proposed a bonus issue in the proportion of one share for every three shares held but the Controller of Capital Issues turned down the issue as the new guidelines did not permit such an issue in lieu of dividend. The distribution in 1967-68 was 17 per cent. The company's net sales increased to Rs 3.02 crores from Rs 2.52 crores in the previous year but the gross profit declined from Rs 63.12 lakhs to Rs 56.75 lakhs. The setback was attributed to various factors such as the rise in the prices of steel, tool steel and tools and recession in the pumps and diesel oil engine industries. Allocations include Rs 23.85 lakhs for depreciation Rs three lakhs for taxation, and Rs 11.25 lakhs for development rebate reserve. The net profit was Rs. 16.67 lakhs. The proposed dividend will be made from the company's reserves.

VYSYA BANK

The working results of the Vysya Bank Limited for the year ended December 31, 1970 show that total deposits improved from Rs 8.30 crores at the beginning of the year to Rs 9.15 crores towards the end. The advances of the bank including bills have improved from Rs 495 lakhs to Rs 628 lakhs during the same period. The increase in advance by Rs 133 lakhs during the year has exceeded the growth in deposits by Rs 85 lakhs during the year, keeping in line with the general trend in the banking system. Advances made to priority sectors like agriculture and small scale industries amount to Rs 178 lakhs or 28 per cent of the total advances. The net profit of the bank for the year amounted to Rs 7.39 lakhs after providing for taxation, as against Rs 3.79 lakhs for the previous year. A sum of Rs 4.00 lakhs has been transferred to reserve fund increasing it to Rs 14 lakhs. Out of 41 offices, 27 branches are located in semi-urban and rural areas. The bank has been the

first to open branches in several unbanked areas thus providing banking facilities to rural populations.

SHIPPING CORPORATION

The Shipping Corporation of India proposes to acquire a large sized bulk carrier from a Japanese Shipyard, Mitsubishi Heavy Industries Ltd, for delivery in end 1974. Negotiations for this acquisition were held by the chairman and managing director in Tokyo with the Mitsubishi team in Bombay. Contract for this vessel is expected to be signed shortly. This will be by far the biggest and most modern vessel to be ordered on the Indian register as also for the Corporation. Technical specifications of this vessel were negotiated in Yokyo. The main engine and auxiliaries can be operated by remote control from the wheel-house. The Corporation at present owns a fleet of 76 vessels comprising 1.27 million dwt. Another 29 vessels of an aggregate dwt of 659,000 are on order in shipyards in India and abroad. These include large sized bulk carriers and tankers, container oriented highspeed cargo vessels, small sized tramp bulk carriers, cargo liners and sophisticated passenger vessels. The Corporation has further plans on hand for the development of its tonnage.

CAPITAL AND BONUS ISSUES

CONSENT has been accorded to nine companies to raise capital of over Rs 52 crores by issuing bonus shares, and the amount of bonus shares ranges between Rs 14,000 and Rs 86.47 lakhs. The consents are valid for 12 months. The following are the details:

Tata Chemicals Ltd, Bombay, has been accorded consent to capitalise Rs 86,47,260 out of its general reserves and to issue fully paid equity shares of Rs 10 each, as bonus shares, in the ratio of one bonus share for every five equity shares held.

Bajaj Auto Limited, Poona-19, has been accorded consent to capitalise Rs 52,15,700 out of its general reserves and to issue fully paid equity shares of Rs 100 each, as bonus shares, in the ratio of one bonus share for every two equity shares held.

Roxur India Ltd, Calcutta, has been accorded consent to capitalise Rs 9,00,000 out of its general reserve, and to issue fully paid equity shares of Rs 10 each, as bonus shares, in the ratio of six shares for every five existing shares.

Bakelite Hylam Ltd, Bombay, has been accorded consent to capitalise Rs 44,29,600 out of its general reserves and to issue fully paid equity shares of Rs 50 each, as bonus shares, in the ratio of four bonus shares for every one equity share held.

Handymen Industries Private Ltd, Madras, has been accorded consent to capitalise Rs 14,000 out of its general reserves and to issue fully paid equity shares of Rs 10 each, as bonus shares in the ratio of one bonus share for every six equity shares held.

A.T.E. Private Ltd, Bombay, has been accorded consent to capitalise Rs 1,00,000 out of its general reserves and to issue fully paid equity shares of Rs 100 each, as bonus shares, in the ratio of one bonus share for every six equity shares held.

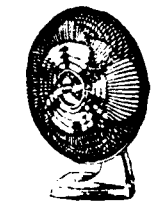
Paharpur Timber Private Ltd, Calcutta-27, has been accorded consent to capitalise Rs 15,00,000 out of its general reserves and to issue fully paid equity shares of Rs 100 each as bonus shares, in the ratio of three bonus shares for every one equity share held.

All India Reporter Ltd, Bombay, has been accorded consent to capitalise Rs 3,75,000 out of its P and L account and to issue fully paid equity shares Rs 250 each, as bonus shares, in the ratio of three bonus shares for every four equity shares held.

Rewa Coalfields Ltd, Calcutta, has been accorded consent to capitalise Rs 40,50,000 out of its general reserves and to issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every equity share held.



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COMPANY MEETING

UNITED COMMERCIAL BANK

The following are extracts from the report of the Directors on the accounts of United Commercial Bank relating to 1969 submitted for and on behalf of the Directors by Shri R. B. Shah, Custodian, on 22nd December 1970.

The United Commercial Bank Limited along with thirteen other Scheduled banks having deposits in excess of Rs. 50 crores, was nationalised on July 19, 1969. The continuity of the functioning of the Bank was not affected by nationalisation, and this Report covers the developments over the entire year.

The Report begins with a Survey of the general economic and banking developments during the year; in the subsequent section, aspects of activities pertaining specifically to the Bank are covered.

Economic and Banking Development

The Indian economy continued to maintain a fair rate of progress during the year under review. While agricultural production in the crop year 1968-69 was marginally lower than in 1967-68 on account of untimely rains and droughts in some parts of the country, production in 1969-70 moved up by nearly 3 per cent. The output of food-grains in 1969-70, at 99.5 million tonnes, is the highest recorded so far.

The average index of industrial output, with 1960-61 as base, went up by 7.1 per cent.

During the year, the country's exports rose to Rs. 1,376 crores and 4.7 per cent higher than what they were in 1968. With imports declining by Rs. 314 crores over the year, there was a considerable narrowing in the trade gap from Rs. 533 crores in 1968 to Rs. 157 crores in 1969. The country's foreign exchange reserves (inclusive of gold) went up from Rs. 577 crores at the end of March 1969 to Rs. 729 crores at the end of March, 1970.

Securities

The Centre's borrowing programme during 1969-70 was completed in two phases. The 5½ per cent 1999 Loan Floated on April 30, 1969, for an amount of Rs. 250 Crores, netted Rs. 275 crores — Rs. 107 crores in cash and Rs. 168 crores by conversion. The 4-1/4 per cent 1976 Loan, issued on July 1, 1969 for Rs. 250 crores, yielded Rs. 260 crores (Rs. 99 crores in cash and Rs. 161 crores by conversion). Fifteen State Governments issued 5-3/4 per cent

Development Loans maturing in 12 years for an aggregate amount of Rs. 155 crores. Maturing loans of 12 States amounting to Rs. 88 crores were offered for conversion. All the loans were over-subscribed. Subscriptions accepted after partial allotment amounted to Rs. 171 crores, consisting of cash subscriptions of Rs. 125 crores and conversion of Rs. 46 crores. The gilt-edged market continued to be steady, the quotations for State Government and Semi-Government securities rose marginally.

Money Market

Conditions in the money market remained easy throughout the year and the banks had in general a comfortable liquidity position. The inter-bank call money rates in Bombay and Calcutta fluctuated between 3½ per cent and 6½ per cent, touching the peak of 6½ per cent during the busy season. On September 1, 1969 the Reserve Bank of India issued a directive prohibiting the payment of interest of current accounts and on deposits for periods up-to 14 days, as well as the payment of brokerage on deposits. Rates of interest fixed on other categories of deposits were not disturbed.

Scheduled Commercial Banks

The deposits of Scheduled Commercial Banks rose by Rs. 621 crores (14.7 per cent) to Rs. 4,842 crores during 1969, compared to a rise of Rs. 458 crores (12.2 per cent) in the previous year.

Credit

Over the year, the Scheduled Commercial Banks' total credit rose by Rs. 516.3 crores (6.8 per cent) to Rs. 3,585.3 crores as against a rise of Rs. 343.8 crores (12.6 per cent) in 1968.

Investments and Borrowings

Investments of Scheduled Commercial Banks in Government Securities rose by Rs. 100 crores to Rs. 1,217 crores in the calendar year 1969 as against an increase of Rs. 108 crores registered in the previous year. The borrowing from the Reserve Bank of India by the Scheduled Commercial Banks at the end of December 1969 was Rs. 91.9 crores

as against Rs. 38.6 crores in the previous year.

Operations of the Bank

The accounts appended to this Report cover the period of operations of the Bank from 19th July 1969 (the date of nationalisation) to 31st December 1969. The review however deals with the year 1969 as a whole, since the business of the existing Bank was acquired by the State as a going concern. The Malaysian branches of the Bank have not been taken over by virtue of Section 5 (6) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the data for the Malaysian branches as on 31st December 1968 have been omitted for the purpose of comparison of accounts.

The operations of the Bank in India and abroad recorded a satisfactory progress during the year. The deposits and other accounts of the Bank increased by Rs. 24.43 crores to Rs. 257.53 crores. The advances and bills went up by Rs. 24.89 crores to Rs. 162.82 crores. The credit-deposit ratio at the end of the year rose by 4.04 percentage points to 63.22 per cent. Investments increased by Rs. 7.82 crores to Rs. 84.28 crores, the investment-deposit ratio being 32.73 per cent.

Business in India

The aggregate deposits of the Bank in India rose over the year by Rs. 24.23 crores (11.33 per cent) to Rs. 238.04 crores as against an increase of Rs. 24.53 crores (12.96 per cent) in the previous year. The average deposits of the Bank in India recorded an increase of 17.24 per cent in 1969 as compared to 13.86 per cent in 1968. The increase in deposits in India over the period 19th July to 31st December 1969 was Rs. 15.86 crores.

Borrowings

The borrowings of the Bank from the Reserve Bank of India at the end of December 1969 were Rs. 4.49 crores as against Rs. 3.45 crores at the end of 1968.

Advances

The Bank's advances outstanding on

31st December 1969 were Rs. 146.77 crores indicating a rise of Rs. 20.30 crores over 1968, Rs. 4.88 crores of this increase being accounted for by a rise in bills. The Bank's advances to the preferred sectors were Rs. 25.89 crores at the end of December 1969 as against Rs. 14.09 crores at the end of 1968.

Medium Term Loans

The outstanding of medium-term loans granted by the Bank amounted to Rs. 3.60 crores in 1969 as against Rs. 3.99 crores in 1968. A part of these outstanding medium-term loans was refinanced by the Industrial Development Bank of India. The medium-term advances were made to Industries in priority sectors. In order to enable the Indian machinery manufacturers to sell their equipment on a deferred payment basis, the Bank discounted bills to the extent of Rs. 3.25 crores; the corresponding figure for 1968 was Rs. 2.14 crores.

Investments

During the year 1969 investments went up by Rs. 8.71 crores to Rs. 82.90 crores, the ratio of investments to deposits being 34.82 per cent.

Foreign Exchange Business

The volume of foreign exchange business — both pre-shipment and post-shipment — continued to increase during the year. Total export credit disbursed amounted to Rs. 68.81 crores during the period April 1, 1969 to March 31, 1970. Of this Rs. 21.60 crores represented packing credit and pre-shipment finance. The export and import bills outstanding at the end of 1969 were Rs. 6.38 crores as against Rs. 5.36 crores at the end of 1968.

The acceptances of the Bank in respect of outstanding letters of credit, etc., amounted to Rs. 18.38 crores at the end of 1969 as against Rs. 16.44 crores in 1968.

Business Abroad

During the year the business at the Bank's branches in London, Singapore and Hongkong continued to be steady.

Profit and Loss Account

The profit of the Bank, including that of the overseas branches, for the period from 19th July to 31st December 1969 amounted to Rs. 48,86,864.92. A sum of Rs. 9.80 lakhs was transferred to the Reserve Fund in terms of section 17 of the Banking Regulation Act 1949, and a further sum of Rs. 13.65 lakhs was provided for bonus to staff. The balance of Rs. 25,41,864.92 is available for transfer to the Central Government

in terms of Section 10 (7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

The profit for the period from 1st January 1969 to 18th July 1969 amounted to Rs. 40,35,279.45, out of which a provision of Rs. 16.35 lakhs was made for bonus to staff, Rs. 8.20 lakhs transferred to the Reserve Fund under Section 17 of the Banking Regulation Act 1949 and the balance of Rs. 15,80,279.45 together with Rs. 77,667.28, the balance of profit carried over from 1968 (Total Rs. 16,57,946.73), was transferred to the Reserve Fund as profit prior to nationalisation.

The profit for the whole year of 1969, before making provision for bonus to Staff and transfer to the Reserve Fund, but after making provision for taxes etc., amounted to Rs. 89,22,144.37 as against a profit of Rs. 81,03,684.43 in 1968, indicating a rise in profit of the order of Rs. 8,18,459.94. There was an increase of Rs. 1.61 crores in interest and discount received while interest paid on deposits went up by Rs. 99 lakhs.

Branches

52 branches were opened during 1969 as against 47 in 1968. Amongst new branches opened 26 were in rural areas, 18 in semi-urban areas and 8 in urban areas. The total number of branches at the end of 1969 was 372, out of which 184 were in rural and semi-urban areas, 182 in urban/metropolitan towns and 6 in foreign countries.

Consequent to the Lead Banks scheme announced in December 1969, twenty three districts have been allotted to the Bank as "lead" districts in seven States. The Bank is making special efforts for opening branches in the eastern region of country. Surveys have been completed for some of the districts and the process of opening of branches in the 'lead' Districts is being speeded up.

Deposit Mobilisation

The move for deposit mobilisation has been intensified. To reach the rural population, as noted above, a large number of branches were opened in rural areas; to meet their requirements a number of forms were simplified and prepared in regional languages. A new scheme of Housing Recurring Deposit was introduced.

Staff

At the end of last year, an agreement on promotion policy was arrived at with the Unions of Employees under the Award, which provided for promotion of existing members of the staff to Officers' Grade 'D' on the basis of test, seniority, educational qualifications etc. The agreement among others pro-

vided for promotion of officers from within to the extent of 75% and direct recruitment to the extent of 25%. To cope with the burden of rapid expansion of the branches, training programmes for the members of the staff have been undertaken in a bigger way.

A number of conferences of managers of different branches were held where matters of policy and problems relating to particularly advances to the preferred sectors were discussed, and methods evolved for deposit mobilisation; lending policies in the changed context following nationalisation were also reviewed.

Periodical discussions are held with the Employees' Union and the Officers' Association with a view to evolving a harmonious relationship and fostering the involvement of the employees in the task of improving the Bank's services and efficiency. The Board records its appreciation of the services rendered during the year by all members of the staff towards the progress of the Bank.

Staff Welfare

At most of the branches, members of the staff have their own clubs for fostering closer relationship among themselves; a subsidy is given by the Bank to such clubs.

In order to enable the members of the staff to construct their own houses, the Bank provides loans at a nominal rate of interest of 3½ per cent to be repaid in easy instalments; the total amount of such loans outstanding at the end of 1969 was Rs. 1,52,73,500. Loans to the members of the staff are granted free of interest for purchase of scooters and bicycles.

Advances to Preferred Sectors

In order to fulfil the obligations expected of it following nationalisation, particularly for augmenting agricultural and industrial production in the small-scale sector and for helping the weaker sections of the community, the Bank intensified financing of productive operations in these areas and for such sections.

For meeting the challenge of the new circumstances in an effective manner, special cells were established at the Head Office and branches to offer guidance to the borrowers and to appraise and examine problems arising out of enlarged financing of the preferred sectors. A deliberate policy of decentralisation was adopted in the matter of sanctioning of advances by delegating higher discretionary powers at regional and branch levels so that credit could be disbursed quickly.

Agriculture

The year witnessed a substantial spurt in the Bank's assistance to

this most important sector of the economy. The tempo was accelerated particularly after nationalisation. The total number of farm accounts increased from a mere 578 on 31st December 1968 to 4,654 in July 1969 and to 9,951 at the end of the year. The total limits sanctioned for agriculture which were Rs. 1.19 crores as of end of last year, increased to Rs. 8.73 crores in July 1969 and to Rs. 13.64 crores at the close of the year. The total outstanding advances to the sector similarly showed a steep rise from Rs. 48 lakhs on December 31, 1968 to Rs. 3.46 crores in July 1969 and to around Rs. 5 crores at the end of the year.

Assistance is extended to farmers to meet their requirements of working capital for inputs; such as fertiliser, seed, labour etc. Medium-term loans are extended for capital expenditure for equipment like tractors, pump sets, tubewells, and for irrigation and land development. An amount upto Rs. 3,000 depending on the acreage is generally allowed per farmer by way of clean short-term loan to meet the cost of various inputs. The medium-term loans are repayable in instalments in five to seven years.

The Bank grants loans to various State Electricity Boards for energisation of pump sets installed by farmers. It also extended finance for construction of warehouses, cold storage etc. Assistance has been given for development and working of dairy and poultry, piggeries and fisheries. Medium-term loans have been granted to plantations for the purpose of developing areas.

Small Scale Industries

Bank maintained a steadily increasing flow of assistance to this sector throughout the year. The number of accounts rose from 1304 on December 31, 1968 to 2,265 in July 1969 and to 3,010 at the end of 1969. The total limits sanctioned to small scale industry and the outstanding advances in such accounts showed a steady upward trend from Rs. 12.13 crores and Rs. 5.69 crores respectively at the end of December 1968 to Rs. 18.12 crores and Rs. 8.57 crores in July 1969 and further increased to Rs. 21.90 crores and Rs. 10.25 crores respectively on 31st December 1969.

Assistance is extended to small scale industries to meet the working capital requirement both against stocks and purchase of bills. Term loans are granted for the purchase of capital equipment and for the construction of the factory shed, repayable in instalments spread over five to seven years. Technical persons are provided loans at a low or nil margin to establish new units or for expansion. The establishment of the industrial estates is also being en-

couraged through finance provided for building sheds for small units.

Finance is made available to transport operators for the purchase of buses, trucks, taxis, scooters and auto-rickshaws. The limits sanctioned under this head went up from Rs. 1.85 lakhs in December 1968 for 3 accounts to Rs. 23.45 lakhs for 45 accounts in July 1969 and further to Rs. 60.19 lakhs in 140 accounts in December 1969. The amount outstanding for such finance stood at Rs. 39.92 lakhs in December 1969 as compared to Rs. 1.25 lakhs in December 1968.

Other Preferred Sectors

The Bank also enlarged its advances to the other preferred sectors such as retail trade, artisans, small businessmen, professionals and self-employed persons, students etc. The amount outstanding to these groups was Rs. 3.13 crores in 1969 accounts in December 1969.

Several meetings were held at different centres with artisans, weavers, cobblers and sports-goods manufacturers to understand their problems and to assist them with finance. For example, in the past cobblers, weavers and sports-goods manufacturers in Agra and Meerut used to get payment for their products by Post dated cheques which they used to discount with money-lenders at rates of interest varying between 18 per cent and 24 per cent. By providing them with working finance and discounting their cheques at 9 per cent, the Bank has been able to render great assistance to these groups. The scheme of financing cobblers in Calcutta has resulted in about 1,300 cobblers being financed to the extent of Rs. 6.25 lakhs. The net impact of such assistance has been significant, with a rise of about 25 per cent on the average in the income of each cobbler. Weavers are given loans to replace their old looms, besides being provided with working capital. Loan is allowed to post-graduate students for studies in India and abroad.

The Bank continued to participate during the year in financing on easy terms small traders, artisans and small manufacturers who suffered because of floods in Gujarat and in the Jalpaiguri district of West Bengal. The total amount of loans disbursed under this head was Rs. 32 lakhs covering 615 accounts.

The Bank participated in the Gujarat Small Industries Exhibition at Ahmedabad. The products of industries financed by the Bank were exhibited and information was supplied in regard to the assistance provided by the Bank to small industries. Our stall was awarded a "Certificate of Merit" for excellence of display.

Exports

Exports are considered the life-line of country's economy; assistance to this sector has always received the Bank's prime attention. With the network of our branches in India and abroad and correspondents throughout the world, it has been possible to render adequate foreign exchange service by way of pre-shipment as well as post-shipment advances at the concessional rate of interest of 6 per cent per annum. Finance is being provided at an increasing number of exporting centres other than port towns. The Bank agreed to finance an Indian company for the supply of capital goods valued at about Rs. 77 lakhs on deferred payment terms which enabled the company to participate in an arrangement entered into by it and its foreign associates for a turn key project for D.M. 9 million. The Bank helps its customers to establish new contacts abroad; service provided in this connection includes information on prime import needs of various countries.

The Bank's contribution to export promotion is evident from the data on export finance provided, given below; 40 per cent of such finance has been pre-shipment and the rest for post-shipment:

	(Rs. in crores)	
	Limits sanctioned	Balance outstanding on 31-12-69
July 1969	14.93	8.17
December 1969	16.68	8.00

Management

The first Board of Directors of the Bank appointed by the Government on the 18th July 1970 consisted of the following:

Shri R.B. Shah, Custodian
Dr. D. Banerjee
Dr. Upen Bordoloi
Shri Raghunath Mohapatra
Shri G.P. Sinha
Kumari N.K. Ambegaokar
Dr. Ashok Mitra.

There is no question that a period of less than six months is too short a time for providing a major departure in the functions and activities of the Bank. A vast amount of effective work still needs to be done before the twin task of adequate deposit mobilisation and liberal provision of advances to the preferred sectors can be even minimally accomplished. But the Board can at least claim the satisfaction that the necessary measures towards fulfilling the objective have been initiated during the latter half of 1969.

BOOKS BRIEFLY

Development Assistance in 1970s

Development Assistance in the Seventies: Robert E. Asher; The Brookings Institute; Pp. 248; Price \$6.95.

Pakistan—Industrialisation and Trade Policies: Stephen R. Lewis Jr; Oxford University Press; 1970; Pp 214; Price 25s.

Agricultural Development and Small Farmers: Gogula Parathasarathy; Vikas Publications; Pp 123; Price Rs 16.50.

Paths to Progress — Selected Addresses by Takeshi Watanabe: The Information Office, Asian Development Bank, Philippines; Pp 100; Price not given.

India — Planning for Industrialisation: Jagadish N. Bhagwati and Padma Desai; Oxford University Press; 1970; Pp 536; Price 50s.

A Course in Monetary Theory: D.M. Mathani; Somaiya Publications (Pvt) Ltd, Bombay; Pp 686; Price Rs 20.

Reviewed by ACADEMICUS

The Nixon Administration, when it assumed office in January 1969, fell heir to an unenviable array of problems of which one of the most important was the US foreign aid programme. *Development Assistance in the Seventies* by Robert E. Asher focuses attention on development assistance from rich countries to facilitate economic growth in developing countries.

The study begins with a brief resume of changes in the domestic and international environment which make development assistance in the world of the 1970s radically different from what it appeared to be during the first post-war decade when the case for development assistance necessarily rested on a series of untested assumptions. Experience to date has, according to the author, taught the US Administration a few lessons about the nature of development process and the role of foreign aid in its evolution.

The most important lesson, according to the author, is that aid works. Despite widespread frustration among donors and receivers of aid and almost universal conviction that existing arrangements of foreign aid are no longer appropriate, rates of growth, impressive by any historical standards, have been achieved by aid-receiving countries. Capital assistance, by providing about 20 per cent of the investment resources of low-income countries has shown that significant increases in gross national product can be achieved within a short span of time. It is possible to realise the target of four per cent growth rate favoured for the poor

countries as a group during 1970s with inflows of long-term resources approximating one per cent of the GNP of rich countries.

The author has made a good point that not all of the one per cent needs to be obtained by resource transfers from rich countries only. New sources of assistance which at the present are not the property of any national government, such as income from registering or licensing the exploration of petroleum and other sea-bed resources beyond the limits of present national jurisdiction and, in the monetary field, paper that is as good as gold, constitute potentially important supplement. Use of specially created drawing rights in the IMF as a basis for credit to poor countries from the International Development Association could, according to the author, readily add \$1.5 million per year to the volume of resources during 1970s. Also more could come from the private community in rich countries, if mechanisms were set up to guarantee bond issues floated by developing countries or by new lending agencies and if various other incentives to foreign investment by individuals and corporations are offered. The government contribution could go further than it does, if part of it could be used as an interest subsidy.

Whereas per capita incomes in developing countries can be increased fairly rapidly, the author is of the opinion that attainment of comparable social and civic progress appears to require both longer time horizons and better arrangements for international technical

co-operation, after the need for capital assistance on concessional terms has subsided.

The author has made one more important suggestion. At present, there is little in international law that requires rich countries to give aid to poor countries. He suggests that the present moral obligation should gradually be transformed into a legal one by strengthening the existing institutions.

Another very constructive suggestion is that there should be a phased transition from the present overwhelmingly bilateral development assistance programme (with 85 per cent bilateral and 15 per cent multilateral) to a predominantly multilateral (say 40 per cent bilateral and 60 per cent multilateral). The World Bank is the most dynamic force in the development sphere at the present and it should receive at least half of the resources allocated to multilateral auspices.

It is obvious from this study that the author's thrust is in two directions. On the one hand he wants to vest more responsibility in the less developed countries themselves for programming their development, deciding on their priorities and putting them into effect. On the other hand, the author wants to vest more responsibility in international bodies including consortia and consultative groups, for developing standards and criteria, receiving and appraising country programmes and arranging for agreed requirements to be met.

Changes Required

Numerous changes in aid policies and procedures seem to be required. The most important policy change is to reverse the downward trend in US assistance. In part this means easing the debt burden of countries like India so that what they now receive will not be needed for interest and amortization payments on previous borrowings. In part such a policy would also mean changes in trade policy that would permit the more advanced developing countries to earn through trade more of foreign exchange they need. It also means sizable increase in the volume of new aid and considerable easing of financial terms on which fresh loans and credits are made available. Project aid need not be abandoned; but the author feels that more of the increases in available capital assistance should be allocated to sector and programme assistance, for example, co-ordinated, efforts to improve agriculture or educational sector or family planning programme or to bring in imports needed throughout the

economy instead of at a single project point.

For how long must the US continue supporting a sizable development assistance effort? The author feels that self-sustaining growth in the least developed countries in Latin America, Asia and Africa is probably several decades ahead and this means the US cannot leave these countries to their own devices so long as they are poor. He feels that if the US can hold down its defence budget after extricating itself from the morass in Vietnam, it can easily devote more resources, ingenuity and know-how to the relief of poverty and for the reward of self-help in low income countries.

Mr Asher has put forward his thesis in this book in a very lucid and readable manner. He has shown great sympathy for and understanding of the problems of developing countries. His suggestions regarding aid programme for 1970s are extremely practicable and if put into operation would greatly benefit both the rich and poor countries. In anticipating the problems of the 1970s the author has shown an uncommon wisdom and vision of the future.

PAKISTAN'S TRADE

In his book *Pakistan — Industrialization and Trade Policies* Mr Lewis Jr has described the major structural changes in Pakistan's economy since 1947.

According to the author, Pakistan's economy performed rather poorly during the 1950s, as real GNP per capita did not increase. During the 1960s, however per capita GNP rose by about 2.5 per cent per year. Throughout the entire two decades, the growth of large-scale manufacturing industry progressed at a compound rate of between 10 to 15 per cent per year, bringing about important structural changes in Pakistan's economy. There has been a wide divergence in economic performance in East Pakistan which is predominantly agricultural and West Pakistan where major large-scale industries have got concentrated. During the 1950s, per capita income in West Pakistan rose at a rate of approximately one per cent, while it fell in East Pakistan by about one per cent per year. During the early 1960s, both wings of Pakistan grew at the same rate; since 1964-65, however, there has apparently been a more rapid rate of growth of real GNP in West Pakistan than in East Pakistan, since agricultural sector in West Pakistan has outperformed the agricultural performance in East Pakistan by a considerable margin. The decade of 1950s and particularly the period

of the first five-year Plan (1955-60) was the period of major increase in the disparity in per capita GNP between East and West Pakistan and, according to the author, the experience of the past few years indicates that the disparity is continuing to grow.

Principal Tool

The principal tool of economic policy which affected the rate of growth of manufacturing industry was the system of exchange control and import licensing which transferred large amount of resources from the agricultural sector and from urban consumers to the new industrialists who were given access to foreign exchange at prices far below its opportunity cost to the economy. These industrialists sold goods in markets which were highly protected. The relatively low rates of direct taxes on incomes and profits in the industrial sector and tax holdings for new industries seem to have had the effect of encouraging a rise in the rate of private savings which were reinvested. But this very policy appears to have exacerbated the unequal distribution of income in Pakistan.

A major indicator of successful economic policy and performance is often taken to be the growth rate in exports. Pakistan has performed admirably in this field since the late 1950s and the growth rate of new exports, particularly of manufactures, has been of the order of 20 to 25 per cent per year for the last decade. A wide variety of policies has been used most effectively in promoting exports: export bonus scheme, special access to import licences for exporters, refunds of import duties on imported components, special subsidies through the corporation income tax, and exemption of exported goods from local sales and excise taxes, etc. During the third five-year Plan (1965-70) all indications are that the stringency of import licensing has returned to the level of 1950s and that once again virtually all manufacturing industries that compete with imported goods are enjoying very high rates of nominal and effective protection because of the general scarcity of foreign exchange. The third Plan period also saw continuance of high subsidies to export industries and continued high rates of growth of exports from the manufacturing sector.

The first five-year Plan (1955-60) was a period of relatively slow overall growth as well as a period of stagnant export earnings and extreme shortages of foreign exchange. It was during this period that the transfer of resources from East to West Pakistan through the mechanism of exchange control and inter-wing trade was at its highest

point, and it was also during this period that differential in real income per capita in the two wings of Pakistan reached its maximum point.

The second five-year Plan period (1960-65) saw a marked acceleration in the rate of growth of real GNP spurred by a 'break-through' in the agricultural sector in both the wings, a substantial inflow of foreign aid, a substantial increase in export earnings along with a continued high rate of growth of manufacturing industry.

In spite of comparative success of the second Plan when the rate of saving was twice that during the first Plan, there continued to be three disturbing elements in the pattern of economic growth and government policy. East Pakistan continued to show less attractiveness to private investors than West Pakistan and less ability to execute public sector projects; secondly, distortions in the relative price structure within the manufacturing sector increased owing to uneven nature of import liberalisation programme; and thirdly there was mounting discussion of the growing inequalities of personal incomes within both the wings of Pakistan.

Major Factor

During the third-five year Plan (1965-70), the major factor was war with India in 1965 and reduction in aid from the USA. Therefore both the rate of saving and rate of investment have been well below the rates envisaged in 1965. But growth rate of exports continued to rise rapidly.

The author has indicated that it is critical for Pakistan's economic and political future that the rate of growth of real GNP per capita in East Pakistan must be accelerated substantially and that this will be possible only with major improvements in agricultural technology and provision of services for the agricultural sector which provided during 1950s the major source of resources for the growing industrial sector. The author is of the opinion that the manufacturing sector is still a very inefficient producer of goods and in the absence of increasing inflows of foreign assistance, the agricultural sector will have to continue to provide growing subsidies to a rapidly growing but inefficient manufacturing sector. Thus even for the continued expansion of the manufacturing sector, expansion of agricultural sector in both the wings of Pakistan is absolutely necessary. The author feels that since the manufacturing sector is becoming a much larger sector of the total economy than it was a decade ago, it cannot continue to ex-

pand indefinitely at its present relatively inefficient state of operations even if the agricultural sector continues to grow. He feels that the time is overdue for Pakistan to introduce a structure of prices within manufacturing and between manufacturing and agriculture that will induce manufacturers to improve productivity and efficiency to a degree more consistent with Pakistan's real resource position.

It is an excellent and scholarly analysis of the growing economy of Pakistan. The author has looked at the developments objectively and has spotlighted the problems which Pakistan is facing. There are many things common between India and Pakistan which means that Indian scholars and policy-makers can learn much from this objective study of a country that is our neighbour.

FARMER IN ANDHRA PRADESH

In *Agricultural Development and Small Farmers*, the author has discussed the magnitude of the problems of small farmers in Andhra Pradesh.

What is the definition of a small farmer? Is he to be defined on the basis of all assets, or land, or output, or volume of business transacted, or employment potential or farm business income? Out of the various alternatives mentioned above, the author, on certain assumptions regarding techniques and cultural practices, defines all households getting from their land income between Rs 800 to Rs 2,400 as 'small farmers and small farms'. The author is of the opinion that farms getting below Rs 800 cannot possibly survive as independent farm units even with superior techniques and capital assistance while 'small farmer' as defined above could be assisted to survive as an independent business unit.

According to the author, the size of holding necessary for obtaining an income of Rs 2,400 varies between 3.41 acres in West Godavari district to 20.38 acres in Adilabad district in Telengana. It exceeds 10 acres in Rayalaseema while in coastal Andhra the requirement is less than 10 acres in all the districts. In Godavari deltas the minimum size required to obtain Rs 2,400 is less than five acres.

The percentage of small farmers as defined by the author varied between 64.09 per cent in Krishna and 92.11 per cent in Visakhapatnam districts. This is an indication of widespread and universal poverty among cultivators of Andhra Pradesh. In most of the districts one-half to two-thirds of holdings were found to be those which cannot survive as independent business units. This analysis shows that the number of holdings which cannot survive as independent business units by far exceeded those which could be assisted to

survive with technical and capital assistance.

The author has also observed that in the deltas of Andhra Pradesh there have been remarkable changes in the agrarian structure in recent years. The fear of land legislation, increasing possibility of mechanisation of land and the prospects of profitable agriculture have created a new class of entrepreneurs, particularly in the Deltas. The rich farmers who had rented part of the land to tenants have now turned into entrepreneurs on a large scale displacing the former tenants or transforming them into hired workers. The new entrepreneurial class has already established itself in the Deltas. Something could however be done to improve the lot of tenants in less prosperous areas, where such an entrepreneur class has not yet emerged. But on the whole the author feels that benefiting the small tenant farmers by better implementation of tenancy legislation is almost a lost opportunity in Andhra Pradesh.

There is no unique set of policy measures relevant to all stages of agricultural development. The author therefore is of the opinion that at the lowest level of development in which social and economic overheads are not adequately developed, the general measures such as construction of roads, taken to promote growth, will enable even the small farmers to take advantage of the situation. This will be the position in all districts of Andhra Pradesh identified to be in the low stage of development.

Selective Measures

It is in the second stage of agricultural development that selective measures for the benefit of 'small farmers' become much more relevant and meaningful. Timely and adequate supplies of inputs, finance for purchase of agricultural inputs, adequate marketing services at reasonable costs are crucial to the management of small farm economy. The author favours such selective measures in selected and appropriate areas as the general measures can hardly be expected to strengthen the small farmers in Andhra Pradesh.

It is a fine micro-study successfully advocating different agricultural policies for farmers with significantly different holdings. If till today agricultural policy and vast agricultural investments have not been bearing proportionate fruits, the main reason is that the agricultural policy is drawn and executed in an omnibus way which while benefiting some farmers left the others untouched. The author has arrived at the significant conclusion that agricultural policy will have to be more sophisticated (even in the same district) if it is to succeed. Similar district-wise

studies of other states will provide surer foundation for realistic agricultural policy. The author is to be congratulated for providing a new angle to the problem and a model for similar studies.

PATHS TO PROGRESS

Paths to Progress—Selected Addresses by Takeshi Watanabe is a compilation of addresses by Takeshi Watanabe, the President of the Asian Development Bank. The speaker has in these speeches outlined the activities that have already been or are or intended to be undertaken by the Asian Development Bank (ADB) which was started in 1966 "to foster economic growth and co-operation in the region of Asia and Far East".

The member countries have to date subscribed \$978 million to the ADB. The President expects the subscribed capital soon to exceed \$1 billion. Of this amount, one-half is callable capital which serves as a guarantee for the Bank's borrowing. The ADB has at present 33 members, 10 of them European, in addition to the USA and Canada as well as 20 regional members including Australia, Japan and New Zealand. There is professional staff of about 150 persons recruited from more than 30 countries. This represents a wide expertise as varied as the problem of Asia.

The ADB's first major task was to prepare an Asian Agricultural Survey. This ADB has already done so that now the institution is in a position to identify potential projects. Similarly, the ADB is preparing a Regional Transport Survey which aims at pinpointing potential projects to alleviate transportation problems and bottlenecks of major countries in Asia. The ADB is also considering the undertaking of an Asian Industrial Survey similar in scope and nature to the one prepared for the agricultural sector.

The ADB's first loan of \$5 million was made in January 1968 to the Industrial Corporation of Thailand which subsequently obtained another loan of \$10 million. By the end of 1969, the Bank had made 26 loans totalling \$139 million to 11 developing countries of this region. In 1969 alone the Bank lent \$98.1 million to 10 countries. The ADB has already begun to make its impact felt on agriculture, manufacturing, public utilities and infrastructure. This is clear from the fact that the ADB's activities have covered financing an irrigation project in Indonesia, building of a highway in Korea, a petrochemical plant in Taiwan, an airport construction in Western Sanda, expansion of a port in eastern Malaysia and providing money for development banks in five member countries. The amounts of loans have

ranged from half million dollars to 10.2 million dollars and the Bank is prepared at present to consider loans of even larger amounts.

What is more important is that the ADB is considered as their own bank by the Asians as the Bank is quick to respond to their needs, and if necessary to help find and prepare economically viable projects.

Impressive as the work of the ADB is, the Bank in years to come will be required to supplement its resources by raising money on the world's capital markets so that it might meet its rapidly expanding requirements for lending operations. The ADB has already made a successful entry on the world's capital market in September 1969 with a DM 60 million issue of seven per cent bonds. The Bank's DM bonds were subsequently listed on the Vienna Stock Exchange.

Soft Loans

The ADB makes soft loans to some countries from out of 'Special Fund' which is a special category of Bank's capital marked for loans at concessional rates. To date the ADB has made six loans totalling \$22 million from its Special Funds account, all in 1969, with interest rates ranging from 1½ to 3 per cent and with maturity from 24 to 30 years. The President has stressed that the need for money to be loaned at concessional rates will be ever-increasing one, as the problems of poor Asia are vast.

The speeches make it clear that psychologically and economically the day of the dole is over and that the realisation has dawned on the Asian countries that economic development depends mainly on their own efforts. The speeches make us aware that slumbering Asia is awake and is making efforts to utilise its vast natural and human resources to better the lot of almost one billion people in the region.

It is a wonderful little book describing the activities of the ADB against the backdrop of development theory. The profiles of various economic problems of Asia are drawn with confidence and clarity. The reader gets the vision of the emerging personality of Asia. Watanabe's confidence is contagious and the Asian readers begin to share his confidence and optimism in the bright future that awaits Asia. The speeches are interspersed with wise sayings and wonderful illustrative anecdotes and the English language of the speeches has a new flavour all of which make the reading of this book a pleasure.

INDIAN INDUSTRIALISATION

India — Planning for Industrialisation like the volume on Pakistan, forms

part of a series on industry and trade in some developing countries.

The authors have pointed out that when Indian planning efforts began in 1950-51, India had already experienced nearly a century of industrial expansion, growth of industrial entrepreneurship, social overheads and financial institutions, inheriting at the same time from the British an efficient civil service and traditions of responsible administration. There was thus remarkable endowments of agents and institutions for making rational economic decisions in response to a set of economic objectives. India could have thus planned for its further industrialization by exploiting these advantages as she was not constrained in quite the same way that several developing countries happened to be. Indian planners, the authors maintain, could have thus concentrated their planning efforts to taking major allocational decisions: between agriculture and industry and between heavy industries and the rest on broad development-strategy grounds.

In-Depth Policies

This should have been accompanied by in-depth policies to implement these decisions efficiently i.e. systematic cost-benefit analysis and choice from alternative designs and projects of heavy industries, ruling out possible inefficient units. The allocation of foreign exchange and basic materials (such as steel) to sectors, industries, firms and plants within the broad sectors could have been left to the market mechanism, instead of being controlled rigidly without any economic rationale. The authors point out caustically that instead Indian economic policies in the industrial sector degenerated into an extravagant display of bureaucratic controls and restrictions which soon turned into *de facto* ends. A shift towards more efficient policies came about only towards the end of 1965-66; but these delayed changes were themselves to run into difficulties which were generated by the inefficient economic regime of the earlier formative period of planning. This underlines the moral that it is best to start from an efficient regime!

This is the main burden of the thesis which the authors have propounded and elaborated in very great detail in the book. The authors have analysed in a masterful way the tradition of industrialization in India and major economic achievements since Independence, the planning framework within which the developmental process was promoted by the government and the policy instruments which were deployed to regulate this process. They have also analysed critically the institutional constraints

and objectives which influenced the development process, the political structure which functioned in India and interacted with her economic progress and the state and role of administrative structure which is a crucial element in the Indian economic experiment. They have given a full-length review of the working of the massive public sector investment in industry which India made during this period and the role played by external resources in India's economic performance.

In Part VII, the authors have taken up analysis of India's foreign trade. They have analysed in detail import policy, export policy, effective rates of protection and the overall effective exchange rate system.

Chapters 18, 19 and 20 on India's export policy easily attract our attention. The authors have shown how Indian export policy has evolved over the period from indifference, pessimistic neglect, and for several major items, even a constellation of measures adding up to positive discouragement, to growing encouragement via escalating subsidization (culminating in 1966 devaluation) and positive promotional measures undertaken by the government. For 10 years exports were neglected and remedying policy started only towards the beginning of the third five-year Plan and then with insufficient attention until the latter part of the third Plan period. The authors have calculated that during the 10 years (1951-60) the potential increase in India's exports could have been roughly of the order of Rs 820 crores which we lost, thanks to the assumptions of our planners, especially of Mr Mahalanobis who while framing the second Plan implicitly assumed 'a closed economy or a situation of stagnant export earnings through inelasticity of export demand'.

Lessons for Future

It is against this background of detailed and massive analysis of the Indian problems of industrialization and foreign trade that the authors have made an attempt to derive some lessons for the future. One lesson is that Indian planning for industrialization suffered from 'excessive attention to targets down to product level, and a wasteful physical approach to setting and implementing thereof, along with a generally inefficient framework of economic policies designed to regulate the growth of industrialization'. In certain important respects India planned inadequately. Physical cost-benefit ignoring and choice-negligent planning, combined with detailed regulation of such inefficiently determined targets really proved a negation of planning. This in itself, according to the authors, is

a major lesson. This should be of significance both to India in her future planning and to other developing countries who are in a comparable situation.

India's experience has also a direct bearing on the strategy of development which consists in the generation of booming industrial investment by cutting off imports and offering sheltered markets indiscriminately. As a fact such an approach negates the very meaning of planning and leads to an indiscriminate growth of industries regardless of costs. And once these inefficient industries have taken root, it is extremely difficult to revert to efficient policies. The authors have rightly emphasised that "You cannot have 'growth' first and 'efficiency' next". The two processes have to go hand in hand. Indian experience highlights this lesson dramatically. The authors have made an attempt to disabuse economists and policy-makers of the attractiveness of such simplistic solutions to development. And the final lesson of this stupendous volume is that 'there are no short-cuts to sustained and efficient growth'.

It is a massive book extremely rich in material and ruthless in its logic. The authors have exhibited exceptional analytical ability and have drawn inferences which must have escaped even the imagination of our policy-makers. The policy-makers in India would do well to read and digest this book, especially because the joint authors proclaim their belief in the socialist goals of the Government of India. It is a monumental book both in form and quality and a must for students of Indian economy, government officials and above all the policy-makers.

MONETARY THEORY

Monetary economics is a rapidly developing science and the old books dealing with the subject in the traditional manner have become for all practical purposes out of date. The need for a comprehensive text book taking note of new ideas and institutions and considering monetary theories in the context of developing countries is thus a justification for the appearance of *A Course in Monetary Theory*. And as one wades through the book, one is happy that the book has arrived on the scene at the proper time and that it would be welcome to the student world as also to others who are interested in monetary economics.

Of the three parts into which the book is divided, part one deals with the operation of monetary and banking system, various theories and problems concerned with money, its value and its

dynamic role in modern economy as also with problems of monetary policy. Some chapters in this part easily attract our attention. For example, the author has analysed the role of money in the socialist economy in quite a detailed way which is generally not done in other books on the subject. He has shown how money is used in communist countries for exchange purposes, to bring about allocation of resources according to pre-determined priorities and for distribution of national dividend, etc. Similarly, chapter on supply of money attracts attention. The author has shown how various agencies such as mint, commercial banks, central bank and government both directly and indirectly influence the supply of money in a community. He has explained the meaning of demand for money from the classical and modern points of view, the former being demand for money for transactions purposes while the latter meant demand money to hold as liquid asset. The quantity theory of money is analysed at length.

Disappointing Omission

It is rather disappointing that the author has not made use of the restatement on the quantity theory of money by Prof. Milton Friedman. Dissatisfaction with the quantity theory of money to explain changes in value of money naturally leads us to the analysis of the income-expenditure approach. This is followed by analysis of inflation and deflation. The various definitions of inflation (which is as difficult to define as to cure) and the quantity theory of money approach and the excess demand approach are all well examined. Section on inflation and economic development examines the two theses of Keynes and Milton Friedman, namely development through inflation and development with stability in a critical way. Indian experience with the former naturally has led us to the adoption of the latter method in the fourth five-year Plan (at least on paper). Chapters on commercial banking and central banking are fairly exhaustive. The author has posed the question as to whether central bank is a necessary institution in view of its acting, after its nationalisation in most of the countries, as a rubber-stamp of the finance ministry. The operation of the methods of quantitative and selective credit control methods in developed as also developing countries is well analysed. This part naturally culminates in the analysis of the various objectives of monetary policy such as neutrality of money, exchange stability and equilibrium in balance of payments, price stability and control of business cycles, full employment and economic growth. It is good that at every stage in his analysis the author has analysed the

various aspects not only from the point of view of developed countries but also developing countries which makes the analysis realistic and relevant and therefore interesting.

In part two, the author has made an attempt to analyse Keynesian economics which has revolutionised our economic thinking. He has first given the classical background against which the General Theory of Keynes and its various components such as consumption function, investment function, multiplier, liquidity theory of interest, saving and investment, the role of money and fiscal policy are all well explained. Chapter 23 of this part on the 'General Theory and Underdeveloped Countries' should attract attention of readers due to early exaggerated enthusiasm for the Keynesian theory and subsequent inevitable disillusionment.

Part three of the book deals with various theories of trade cycles such as monetary theories and non-monetary theories. This part and the book end appropriately with the analysis of measures for economic stabilisation.

While the analysis of some topics such as money market, money supply, inflation and consumption function is quite satisfying, the author has not attained the same lucidity in the case of some other topics, especially when he analyses Keynesian economics. Avoidance of repetition would have made both for brevity of the book and clarity of analysis. In such a fairly big book, the author should have included some of the post-Keynesian monetary developments so that the book would have embodied well-rounded monetary theory. With all these deficiencies, the book will prove useful to graduate students and to the general readers and as a good introductory reading to the post-graduate students of the Indian universities.

A FITTING TRIBUTE

Studies in Politics: National & International: Edited by M.S. Rajan; Vikas Publications, Delhi, Pp. 504; Price Rs 60.

Reviewed by Dr SATISH C. SETHI

This is a collection of 27 learned papers which have been grouped in five parts — namely Indian Politics and Economics; Theory of International Relations; International Law and Organization; Current Problems of International Relations and Diplomatic History — and written and published to honour Dr A. Appadorai for his contributions to the development of the study of political science and international relations in India.

Dr Appadorai is a well-known writer and scholar in the field of political

science *per se* and has also earned a permanent reputation by building up two of India's premier institutions of research or advanced studies, viz. the Indian Council of World Affairs and the Indian School of International Studies.

Jawaharlal Nehru considered Dr Appadorai as "one of those persons who had not worked for personal advancement". Dr Zakir Husain in his foreword to this collection of essays written in 1968 observed that Dr Appadorai's "pioneering work in promoting instruction, research and publication in international affairs and area studies is a lasting contribution to the development of higher education in the country".

The present publication includes able pieces written by eminent scholars such as Prof. Bhasker Morris Jones, Quincy Wright, Kenneth W. Thomson, P.A. Raynolds, J.D.B. Miller, Leyland M. Goodrich, Fred Alexander, Anirudh Gupta, R.P. Anand, Gargi Dutt, Amalendu Guha, P.A. Narsimha Murthy and K.P. Mishra.

Coherent View

Collections of assorted contributions do not normally lend themselves to an easy summing up of their key message. In the present instance, the totality of studies, however, does present a coherent view of the problems of teaching of political science in India as well as the more important facets of Indian nationalism and political development.

In the section concerned with the theory of international relations, question of norms and realities in international relations including conflicts have been well discussed. In a subsequent section we come across a discussion by different writers of the role of the United Nations in the changing world including that of the developed and under-developed countries. There are also essays included in this book which delineate the broad features of the foreign policy postures of the United States, Pakistan, China, Ceylon and including problems of the Afro-Asian countries as well as West Asia.

The book is not without its historical bias, particularly, in the section which deals with the the Commonwealth, the partition of Palestine and the creation of Israel, the European rivalries in Morocco, McMahon Line, India and the Peace Settlement with Japan; all these essays constitute the subject-matter of the section dealing with diplomatic history.

The last essay in this collection deals with the foreign policy pursued by

Jawaharlal Nehru. Prof Mishra attributes idealism in Nehru's foreign policy as an essentially new approach in international affairs which "may be variously described as a deviation from, a substitute for or an alternative to the traditional power-oriented approach". Mishra thinks that Jawaharlal Nehru's policy, "does not ignore realities of power, but rejects power politics". He further adds: "In concrete terms, as a realist, he was all for increasing the power of India by all kinds of planned development though this development was to create social structures based on social justice rather than to increase the war potential of the country to enable it to play the game of power politics. Thus, in his case, the power was to be used for the benefit of the socially and economically oppressed people of India, and not for coercing the weaker countries of the world".

We may congratulate Dr Rajan for bringing out a publication of wide-ranging scholarship which is a fitting tribute to Dr Appadorai's role in our country's higher education.

Books Received

Programming and Coding Digital Computers: Philip M. Sherman; Wiley Eastern Private Ltd; Pp 443; Price Rs 19.50.

Handbook of Statistics (1959-70): Compiled and published by the Indian Engineering Association, 6 Netaji Subhas Road, Calcutta-1; Pp 310; Price Rs 12 for members; Rs 16 for non-members.

The Madras Stock Exchange Official Year Book, 1970-71: Compiled and published by Madras Stock Exchange Ltd, 322/323, Linghi Chetty Street, Madras-1; Pp 1272; Price Rs 20.

FAO Commodity Review and Outlook, 1969-70: Published by the Food and Agriculture Organisation of the United Nations; Pp 174; Price \$4.50.

The State of Food and Agriculture 1970: Published by the FAO; Pp 274; Price \$7.50.

Agricultural Development in Asia: Edited by R.T. Shand; George Allen & Unwin; Pp. 360; Price £4.25 in UK only.

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Mysore, 1969-70, An Economic Review: Published by the Bureau of Economics and Statistics, Government of Mysore Vidhana Vardhi, Bangalore-1; Pp. 63.

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India and European Socialist Countries (An Economic Study): M.S.N. Menon; Perspective Publications (Pvt.) Ltd., F-24, Bhagat Singh Market, New Delhi; Pp. 282; Price Rs 30.

India - Pocket Book of Economic Information, 1970: Govt. of India, Ministry of Finance, Dept. of Eco-

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the inadequate target of five per cent annual growth rate is not achieved.

Smuggling is ever on the increase. It has now reached Rs 1,000 crore per year mark. What little has come to light has revealed a close link-up between smugglers and politicians of the ruling party. This link-up is ruining the economy, industry and trade. In agriculture the outlays made have been appropriated by a handful of people. Unemployment is increasing on an average at the rate of 10,000 per day and one-third of the country labour power goes waste. In the last ten years while the income from the farming has gone up by 12.6 per cent or so, the population dependent on agriculture has gone up by more than 25 per cent. As a consequence, two-thirds of the country's population is more under nourished, more exposed to disease and more desperate and dispossessed than before. The per capita consumption of foodgrains has declined from 16.4 ounces in 1960-61 to 15.44 in 1970 and per capita consumption of cloth has come down from 15.1 meters in 1964-65 to 14.1 meter in 1970. Prices are soaring. The households of not only the poor but even the middle classes are being crushed.

Chinese Occupation: The country's borders are continuously shrinking. Only three years ago, three hundred square miles of Kutch were ceded. Even today thousands of square miles of India and if Tibet be taken into consideration, lakhs of square miles are in illegal occupation of China. The ruling party has conveniently forgotten the solemn resolve of the Parliament to get the illegal Chinese occupation of Indian territory vacated. The shameless manner of our UN representative extending overt support and our Prime Minister herself extending covert support to the cause of admission of China to UNO and similar other indications, make one fear that if the government of the ruling party survives, some more territories of India might be ceded in the name of peace and harmony.

It is, therefore, the conviction of the Samyukta Socialist Party that it is the sacred duty of every citizen of India to dislodge the present central government of national shame, corruption, economic stagnation, price loot, disparity, famines, unemployment, poverty, smuggling, slavery to English and conspicuous consumption and to instal a popular government composed of all progressive parties committed to a concrete and time-bound programme.

New Constituent Assembly : The SSP

is committed to the convening of a Constituent Assembly on the basis of adult suffrage with a view to framing a new Constitution to replace the present one which is mainly based on the Government of India Act of 1935. Besides, the Constituent Assembly which drafted this Constitution was formed on the basis of limited suffrage under the aegis of British imperialist regime. Hence, the socialists had boycotted the Constituent Assembly. The SSP feels, especially in view of certain judgements of the Supreme Court, that in the present Constitution there are several provisions which come in the way of development of people's languages, providing preferential opportunity to backward sections and economic equality and the establishment of a four pillar state structure through decentralisation of administration. The SSP is of the view that the power to form local panchayats, to regulate and control them should not rest with the central and the state

government; rather, there should be provisions in the Constitution itself for the formation of representative bodies at grass-roots level. The redundant office of governors and collectors should be abolished. The police and the general administration in the district or city should function under the panchayats concerned.

Right to property in the list of Fundamental Rights impedes the endeavours towards equality. It should be deleted from the list. In case of socialisation or take-over, the principle of rehabilitation grants, instead of compensation should be adopted. Food, clothes, shelter, education, employment and medical aid to every citizen should be included in the list of Fundamental Rights

Basic change in the centre — state relation has become necessary. At the moment, the power being centre-oriented, the states are denied necessary

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.

The Bulletin averages 64 pages and is priced at Rs 4 per copy. The annual subscription is Rs 16.

Inquiries regarding subscription and advertisements may be addressed to:

**The Manager,
The Eastern Economist Ltd,
Post Box No. 34,
New Delhi-1.**

initiative and adequate opportunity for experiments and sufficient resources for development. It promotes tension to subsist between the states and the centre and between different states. The new Constitution will provide that the states do not have to abjectly depend on the centre for development funds. The financial set-up should be such that the states and the local panchayats are able to mobilise resources in such ways that they deem fit. Any coalition government in which SSP is a partner will effect all possible amendments in the present Constitution, while making every effort for the convening of a new Constituent Assembly.

The principle of election and not of appointment will be adopted for key executive posts. All the Directive Principles of State Policy should be made justiciable as far as possible. In the situations in which it may not be possible to make them justiciable, it will be incumbent on the central government to place an annual report in regard to the implementation of the Directive Principles before the Parliament.

The SSP will fight through popular struggles and civil disobedience for the end of such laws which empowers the state governments to deprive a citizen of civil liberties without a trial. The sections 107, 109, 117, 144, 151 etc of the Criminal Procedure Code will be removed. The property slant of the judicial system will be ended and justice will be made cheap in costs and easily accessible to all. The relation between the police and the people will be changed and the police will have power to open fire only when there is armed riot, or the crowds have committed murders and are further bent on violence. Whenever the police indulges in firing, it will be inevitably inquired into. Capital punishment will be abolished.

All the heavy industries and all the foreign capital will be socialised.

Government of Concrete Programmes : The SSP knows that after the end of the present government at the centre, a coalition government will come into being. From right now, the SSP wants to put certain criteria of concrete, time bound programmes so that this government becomes an instrument for radical transformation leading the country to equality and prosperity.

Changes in Agrarian Structure: It is the firm conviction of the SSP that without radical changes in the agrarian structure, prosperity is impossible in the country. The coalition government will have to accord priority to a

concrete policy on agriculture and foodgrains in its programme.

Where land revenue has not been abolished on uneconomic holdings, the state government should be compelled to abolish them and income-tax be imposed on the farmers falling within income-tax bracket.

The ceiling on family holdings should be fixed at three times the economic holdings, and all the surplus lands and all the government and non-government barren and uncultivated lands be distributed among harijans, landless peasants and agricultural labourers. The government should give necessary resources in the form of aid and loan without interest or at low rate of interest to families which have thus obtained lands.

Of the above two items of programmes, the first item should be implemented within two months and the rest should be started within six months.

A national irrigation policy should be evolved under which a seven-year irrigation plan to irrigate lands be implemented.

To bring all the barren lands under cultivation and to augment facilities for irrigation, a land army consisting of the unemployed and agriculture labourers should be formed.

A rational price policy should be evolved so that the prices of industrial goods will be at par with the prices of agricultural goods. Manufactured goods should not sell at more than one-and-half times their cost of production and transport and the prices of foodgrains should not change more than 20 per cent between the two harvests.

Ceiling on Expenditure : It is necessary for the development of a broad-based economy in the place of present shrinking economy to put a ceiling on the luxury expenditure of the ruling classes. The ceiling of Rs 1,500 per month should be enforced on all personal expenditure, inclusive of all sorts of allowances and perquisites. Today, the Rashtrapati Bhavan, Prime Minister's House and Raj Bhavans are the greatest symbols of feudal luxury, on the one hand, and the extreme poverty and inequality, on the other. The salary of the President is Rs 10,000 per month, but the travelling allowances of his two assistants are to the tune of one lakh of rupees per month. The salary of 42 officers of Rashtrapati Bhavan is equal to the salaries of 2,000 class III and IV employees.

In the Rashtrapati Bhavan, on the

one hand, there are princely comforts and, on the other, the class III and IV employees live in utter misery and filth. On the Prime Minister there is an expenditure to the tune of Rs 30,000 per day and the average expenditure of 30 crores of our people comes to 20 or 25 paise per day. This is a mirror to the decadent state of our ruling classes. If there is ceiling on personal expenditure, the country can save Rs 1,500 crores per year, which can be gainfully invested in the developmental plans. For this purpose, all the means, including nationalisation, change in structure and banning of conspicuous consumption, should be fully used.

Education : The first precondition of equality of opportunity is equality in education. All the primary schools should be equal in matters of expenditure, salary, buildings, books, etc. Primary schools of excessive expenditure and English medium primary schools should be closed by law within six months. Everybody's children, from the President down to a poorest man, should study in the same type of schools. English medium should be ended forthwith. In regard to the students who want to go in for higher education, there should be no restrictions to their admission to colleges and universities. English should be made an optional subject. Even today 70 per cent of the population is illiterate. The number of primary schools is not sufficient for the education of all the children even today. Education should be compulsory up to the secondary level. In order to achieve the goal of cent per cent literacy, a literacy army of the unemployed educated youth should be formed and within 10 years the entire population should be made literate. Special opportunities be given for the education of girls.

The educational pattern should be so changed that the knowledge of students is related to the conditions and the needs of the country, their power of original thinking and creativity gets awakened and the researches and inventions are carried out in accordance with national thinking and needs. Student unions with compulsory membership based on direct elections should be established as independent forums for students in the colleges and universities and student's and teacher's representatives should be allowed to participate in university administration.

The teachers of the same grade should get equal pay and, as far as possible, there should be parity in the pay of primary school teachers and teachers engaged in higher education. In free India, the predominant position

of English language in the public life of the country has killed the creativity of the people and preceded the possibilities for national resurgence. English language has not only widened the gulf between the poor and the rich, but has also worked as an effective instrument for maintaining the ruling class in power. Any government either partnered or supported by the SSP will eliminate the predominant position of English from public life and re-establish the people's languages.

Labour Policy : A government in which the SSP will be a partner or which it will support will strain every nerve to re-establish the revolutionary character of the working class. The working class will get a hand in the management of industries so that they can feel a sense of personal commitment in the developmental plans. The labour unions should be recognised on the basis of secret ballot. Except army and armed constabulary, all other members of the working class will have the right to participate in the politics of the country. Freedom to organise and right to strike will also be given to government servants. All the people who have lost their jobs during strikes will be reinstated immediately. Equal salary will be given for equal work and the employees of the state governments will be given the salary on par with the central government staff. A minimum national wage will be fixed and workers in the unorganised sector will be entitled to get it. The entire working class will be covered by a comprehensive scheme of social security, like insurance against sickness, unemployment and old age.

Preferential Opportunities for the Backward : The Indian Constitution has made provision for some reservations for Harijans and Adivasis in the services. But whereas the Constitutional reservation is between 12 to 15, in actual fact, Adivasis and Harijans have not got more than one to two per cent of jobs. Also the appointment of Harijan and Adivasis does not reach upto the constitutional limits; 40 to 45 per cent of new posts must be reserved for them. The SSP would like to make it clear that it stands for 60 per cent reservation for the backward classes including Harijans, Adivasis, Shudras and backward sections of the religious minority, more particularly backward sections of the Muslim community like weavers, kunjras, kabadi, dhunia and the aged women of all the castes. Those who are both economically and socially backward must be given special attention.

Liberation of Women : In majority of the villages of the country, women has to put in a tremendous amount of

work to get even drinking water. In so many villages, there are no wells. In the absence of provision for latrines in the villages, the lot of women folk becomes one of physical and psychological suffering. They have to spend most of their lives in front of ovens emitting smoke which spoils their eyes as well as their health. The SSP would like to make provisions for *Vardha* type latrines in the villages and also for handpumps. The scientific talent of the country must be utilised in such a fashion as will find solution to problems like irrigation, making of small units machine, cheap but comfortable housing and smokeless ovens.

Youth Power : For SSP youth power is the most powerful medium for change and reconstruction, because like the proletariat the youth is also least attached to the status-job. But in a society based on inequality and borrowed thinking and faulty education and unemployment the youth power is ineffective. The SSP would like the government to strain every nerve to save the students from the clutches of unemployment, by launching literacy army, land army and by starting a large number of public industries based on indigenous resources. Besides, the youth should also be given an effective hand in shaping the country's destiny by reducing the voting age upto 18 years. Right to Work should be included in the list of Fundamental Rights and those who are not given employment should be given unemployment allowances. The SSP calls upon the youth of the country to come forward and throw their weight and creative energy in the favour of socialist policies so that the task of revolutionary reconstruction of the country might be taken up in right earnest. It also calls upon them to give organised resistance to injustice and to arouse and awaken the people for the reconstruction of the country. The SSP is convinced that ultimately the fate of the country will depend on such a revolutionary movement alone.

Communal Harmony : The ever-increasing communal discord, more particularly Hindu-Muslim riots, is one of the most serious danger facing the country. What has strengthened the forces of disintegration and communal disharmony is the shrinking economy, steep inequality and unemployment. A coalition government partnered by the SSP would not only take upon itself the task of preventing communal riots and subsequently punishing those found guilty but also it would make serious efforts to remove all the basic causes of communal disharmony. It will leave no stone unturned to promote the forces

of communal harmony. The SSP stands for secularism and the elimination of caste system from the body politic of the country. Besides, the SSP assigns greater responsibilities to Hindus for protecting the life and honour of the Muslim community and also for eliminating the forces of Hindu-Muslim discord. That is why the SSP has included the backward sections of the Muslim community in its programme for preferential treatment for the backward classes. But the SSP would like to warn the minorities, more particularly the Muslims, that they should not fall a prey to the communal forces in the country. The SSP is committed to removing all misunderstanding between the Hindus and Muslims so that every citizen of the country, whether a Hindu or a Muslim, should work for the reconstruction of the country.

Foreign Policy : The Indian foreign policy has been a weak-kneed foreign policy—SSP is convinced that to put vigour into the foreign policy of the country, India must come out of the the Commonwealth. In the context of the national interest, the primary aim of foreign policy should be that either Tibet becomes independent or Kailash-Mansarovar eastern flowing Brahmaputra becomes the boundary line between India and China. To strengthen the defence of our northern frontiers, it is also necessary to strengthen the democratic forces at work in Nepal and Sikkim and Bhutan. Nepal is like a brother of India and the Indian people, more particularly socialists, have a great deal of interest in the aspirations of the Nepali people for establishing democratic rule.

Another aim of foreign policy should be to have close relations with all the neighbouring countries not only on the governmental level but also people to people level, particularly on cultural level. The SSP stands for strengthening the will of the people to defend their frontiers. Even an inch of our national territory should not go to the enemies hands. The SSP is further convinced that an iron will coupled with developmental plans alone can be an effective policy for the defence of the country. The SSP also thinks that the people of Bharat and Pakistan belong to the same nation and the artificial partition has made them alien to each other. The SSP is happy that the democratic forces in Pakistan have achieved a great success in the last elections. It would like to put its anguish on record that Pakistani diplomats in India put hurdles in SSP's way to rush relief-provisions to the people of East Pakistan. The SSP hopes that the people of India and Pakistan will come closer and in the

near future the artificial partition will be wiped out by the sheer will of the people of India and Pakistan.

SSP would like to put an end to alternate slavery to both the camps and would base its foreign policy on independent and creative policy of non-alignment. As a prerequisite of starting this new creative phase of foreign policy that SSP commits itself to working for stopping all foreign aid, whether economic or military or food, and would strain every nerve to mobilise and utilise the production resources of the country to the maximum capacity.

The SSP would also make earnest effort to extend all help to the people of South Rhodesia and South Africa for ending the racist rule and to the people of Mozambique and Angola for ending the colonial rule. The SSP is convinced that the fate of mankind is as much linked with the elimination of poverty as with elimination of arms from the world. The direct colonialism is coming to an end neo-colonialism in the form of foreign aid and control of economic life of the weaker countries is on the increase.

According to one estimate, by the end of the twentieth century, per capita income of an average American would be somewhere between Rs 50,000 and Rs 60,000 per year, that of an average Russian somewhere between Rs 20,000 and Rs 25,000 whereas the per capita income of an average Indian, if the present rate of growth continues, would be somewhere between Rs 1000 and Rs 1500 per year. If the increasing expenditure of the Indian ruling classes and the rising prices are taken into account, it seems that an average Indian by the turn of the century; will be languishing in the same kind of dirt, poverty and disease as he is doing today. But history is changing and the fate of India might take a new turn. The SSP will make every effort to unite the people of the world and all the democratic governments to fight against neo-colonialism so that a world government could be established on the basis of economic and political democracy.

Release of Lokshakti: The SSP believes that the country might break into pieces and democracy might be ruined if people have to make a choice only between cruel violence and governmental suppression. The SSP has tried to defeat this conspiracy against democracy by its recent civil disobedience movement which has gone a long way in arousing and organising Lok Shakti. The SSP commits itself to continue the process. It knows that without releasing a

people's energies the revolutionary policy cannot be given a legal shape and even if measures are designed, they cannot be effectively implemented. Therefore whatever the complexion of the government, the SSP will continue to launch civil disobedience in organised manner for protecting peoples democratic rights and for making structural changes in the society.

The SSP would also drive the point home among the middle class youth that without structural changes in the society, neither the country nor the youth would develop. Besides, the SSP would arouse and awaken the backward classes so that they may gather sufficient courage to resist non-violently all kinds of ills and injustices.

For SSP election is just one of the media to fight against the injustices and the ills of the society. The SSP is not interested in capturing power and forming government, but its primary interest is to create a new civilisation for mankind. All over the world the fight against ills and injustices is on. Seven types of revolutions are taking place before our eyes. They are :-

1. The revolution of equality among men and women.
2. The abolition of inequalities based on colour.
3. Elimination of inequalities of birth and caste.
4. End of foreign oppression and establishment of a world government.

PSP Manifesto

THE FORTHCOMING mid-term poll is the consequence of the decision of the President of India to accept the advice of the Prime Minister to dissolve the Lok Sabha. The Praja Socialist Party feels that in the interest of healthy democratic conventions, the president ought to have consulted the leaders of different parties and groups in the Lok Sabha before acting on the advice of the Prime Minister. However in the midst of the present confused political situation, the dissolution of the Lok Sabha has provided an opportunity to the political parties to seek a fresh and clear mandate on their socio-economic policies. If in the forthcoming mid-term poll the realignment of political forces takes place on the basis of community of socio-economic outlook, the elections will inevitably lead to the polarisation and radicalisation of politics.

In the mid-term poll, the PSP wants to

5. There revolution against economic inequality based on private property and and for planned increase in production.

6. The revolution against encroachments on private rights.

7. The fight against armaments and for the principle of civil disobedience.

To these seven revolutions, the SSP dedicates itself.

Warning to the Nation : The SSP would like to warn the Indian people that the continuance of Indian Congress in power after this mid-term election would mean retardation of economic growth, high incidence of taxation, rising prices, growing unemployment inequality and the loss of people's faith in changing the government through democratic means. Not only that; it would also mean a great encouragement to the forces of violence and national disintegration. Least all this should happen, monopoly of power of the ruling party must be broken up so that revolutionary forces are released. The only way to ensure this is to repose a massive confidence in the socialists and ensure their victory at the polls.

The SSP calls upon the Indian people to defeat Indira Congress which represents the forces of status quo, unemployment, oppression, violence, rising prices, shrinking national frontiers, starvation, epidemics and famine and thus to pave the way for the formation of a progressive, decent people's government.

approach the electorate and seek a clear verdict on its radical democratic socialist policies, which will strive for fundamental structural changes, radical land reforms, effective measures to break the stranglehold of monopoly, socialisation of the commanding heights of our economy, restoring to Parliament the sovereign right to amend the Constitution, so as to remove all obstacles in the path of socio-economic reforms, and introduction of measures to ensure economic equality and social mobility.

Our Role: The Praja Socialist Party, with its correct understanding of the political and ideological currents and cross-currents, has always shown the foresight in warning the nation against aggression on our frontiers. On the one front the party has consistently warned the people against the disastrous economic policies that have led to economic stagnation, exploitation and widening of economic inequality. The

party has at the same time pleaded for positive and concrete policies on problems which are of vital importance to the nation. It has exposed from the forum of Parliament and state legislatures as well as from outside, corruption in high places and has done a singular service to the nation in exposing and unearthing the subversive activities of anti-national and anti-democratic elements. The PSP has been a symbol of vigilance for the defence of the nation's freedom and sovereignty. It has remained the zealous watch dog of the rights and interests of the common man and a pioneering force of a genuine democratic socialist movement in India.

It is a matter of pride for the PSP that the issue of the abolition of privy purses and special privileges of the princes, that has created such a political ferment, acquired a sharper edge and greater urgency only after the PSP's resolution on this subject was passed in the Rajya Sabha. The PSP has always viewed the abolition of the privy purses and the special privileges of the princes without any compensation as an expression of the nation's desire to establish equality before law.

While the forces of *status quo* have shown greater concern for the preservation of the "fundamental right to unlimited property," and special privileges of the princes, the PSP has been striving to amend the Constitution so as to incorporate in the Fundamental Rights "the right to work."

Constitution Amendment Bill: The PSP has always upheld the sovereign right of Parliament to amend any part of the Constitution as clearly stated in Article 368 of the Constitution. This right is sought to be taken away from Parliament through the Supreme Court's majority judgment in the Golaknath case. (Late) Mr Nath Pai's Constitution Amendment Bill merely seeks to restore to Parliament its sovereign right to amend the Constitution, which was already enshrined in the Constitution but was challenged only after the Supreme Court judgment in the Golaknath case.

The PSP wants to get a clear mandate from the electorate in favour of (Late) Mr Nath Pai's Constitution Amendment Bill, so that Parliament's sovereignty is restored and all impediments in the path of rapid socio-economic reforms through democratic processes are removed. Creating Constitutional hurdles against the speedy implementation of radical reforms will only put a premium on the activities of the anti-democratic forces, which strive to wreck the Constitution and work for a socio-economic change through violence.

The PSP does not favour the election of a new constituent Assembly, firstly, because there is no provision in the

Constitution to do so and, secondly, because the procedure for amending the Constitution — suggested in Article 368 and accepted by (Late) Mr Nath Pai's Bill, requiring voting by two-thirds of the members of both Houses of Parliament present and voting in favour of the amendments — constitutes a better safeguard against the indiscriminate use of the Constitution amending powers. On the other hand, a new constituent assembly can amend the Constitution by a simple majority and hence there is a greater likelihood of the misuse of powers to change the present Constitution.

Food, Agriculture and Land Reforms: The Praja Socialist Party will introduce a comprehensive and co-ordinated food policy, whose implementation will result in augmentation of food production and its equitable distribution. The party will suitably revise the existing land laws, including the ceiling acts so as to bring about equitable distribution of land and make the tiller of the land its owner. The ceiling of land will be fixed at thrice the economic holding *per family*, all loopholes in the ceiling laws will be plugged and the excess land and cultivable waste land will be distributed to the landless and small peasants. All facilities in respect of seeds, fertilisers, pesticides, credit, electricity, irrigation, etc., will be extended to the small peasant. The party will abolish land revenue and replace it by a graded land tax and will ensure stoppage of all evictions.

The peasant will be assured of a remunerative price for his agricultural produce at the very commencement of the sowing season, and it will be made incumbent upon the rich peasant to sell a fixed percentage of the surplus produce to the accredited government agency.

A land army will be mobilised to bring under cultivation land reclaimed through state efforts. The party will encourage co-operative farming on such reclaimed and released land and will concentrate on consolidation of holding in other areas. The party rejects the concept of establishing joint stock companies in the field of agriculture.

Purchase and procurement of food will be undertaken by the government and effective rationing will be introduced to cover cities and the vast masses comprising the landless peasants, workers and lower middle classes. The depressed and Adivasi community will not be left to the tender mercy of the open market; a network of fair price shops will be set up.

In order to accelerate the pace of rural development, steps will be taken to create an agro-industrial base. Sales-tax on food will be abolished and crop and cattle insurance will be introduced.

All efforts to tackle the food problem

are likely to founder on the rock of the growing population. The PSP will, therefore, encourage effective steps for family planning.

The PSP feels that the "green revolution" has only helped the rich sections of the peasantry to grow richer, while the poor sections, like the landless labour, Harijans and scheduled tribes, have remained neglected. The recent land agitation in the country has awakened these neglected masses. Through the various land reforms mentioned above, the PSP will strive to satisfy the poorer peasants' hunger for land, justice and equality. By giving them loans, agricultural implement, irrigation facilities, etc., the PSP will try to revolutionise the life of the poor peasants.

Integrated Price Policy: Despite good monsoons, the prices in the country are going up and this spiralling of prices, especially of essential commodities, has broken the back of the common man. The government has all along fought shy of adopting policies which would provide a real and lasting solution to the problem. Encouraging the growth of production to the maximum extent and a tight monetary policy based on higher interest rates could have helped in securing the solution. Instead the government has tinkered with the problem by oscillating between control, partial control and decontrol of scarce goods and establishment of super bazars in big cities for distributing consumer goods. Neither the various shades of controls nor the distribution outlets for urban areas have helped the people. The PSP believes that the government cannot escape the responsibility of rational and equitable distribution of goods, assuring the poorer sections supply of essential consumer commodities at constant prices.

While fixing prices, a proper relationship with costs of production must be maintained with a view to eliminating excessive profits and simultaneously encouraging increased production of agriculture and essential industries. The maximum use should be made of fiscal expedients for regulating the incidence of prices to different classes of consumers. In particular, prices secured by the farmer must be remunerative and a proper balance must be maintained between agricultural and industrial prices.

As regards the administrative machinery, besides drastically eliminating corruption and inefficiency, due regard must be paid to the objective of replacing the middlemen by co-operative agencies. Even more important would be active state participation in wholesale trade as well as foreign trade.

Unemployment: The backlog of unemployment both in urban and rural

areas has increased to about 70 million. At a time when labour-intensive techniques must receive priority in India, the government has pursued the policy of putting emphasis on cottage industry, on one hand, and rationalisation and automation in some fields, on the other, without creating a higher employment potential.

Though automation has to be considered as the inevitable accompaniment of the modernisation of industries, the PSP does not favour its introduction at the present stage of our development and particularly in fields where it is likely to displace the employees on a large scale, without any prospects of alternative employment opportunities to them at the present level of their wages.

The PSP will place greater emphasis on cottage industries as well as agro-industries and labour-intensive techniques both in the rural and urban sectors of the economy and undertake a massive programme of rural as well as urban housing and road construction so as to create conditions of fuller employment. The PSP will introduce a scheme for unemployment benefit and old age pension.

Perspective of Development: Economic planning in India has led to lopsided development and has been a source of frustration rather than mass enthusiasm, primarily because of the timid and halting determination of priorities and the extremely poor performance at the implementation level. The PSP believes that public participation is the key-pin of successful planning and hence the techniques adopted must be such as would create appropriate opportunities and incentives for all agencies in the national productive apparatus to make their distinctive contribution to common endeavour.

A socialist-oriented economic plan necessarily implies a progressive increase in the scope and authority of the public sector. But neither nationalisation nor the acquisition of a monopoly position in the field in which the state enters by itself can be called socialism. In order to overcome the mistakes of the past which have resulted in colossal losses, the public sector industries need to be restructured by setting up autonomous corporations with adequate representation to technicians and workers on the boards of management and by adopting modern methods of management. Such a step will do away with the current overcentralisation and bureaucratisation in the nationalised sector.

The PSP is strongly in favour of large-scale entry of the public sector in the consumer goods industries. If organised on sound business principles, it will reduce the existing shortages of essential goods, improve the popular

image of the public sector and generate resources for later investment in heavy industry.

The PSP regrets that nationalisation of the 14 banks was not followed by effective action in developing new norms of credit-worthiness and channelling precious funds in larger volume to the underprivileged sections of agriculture, industry and trade.

Effective steps must be taken immediately to utilise fully the underutilised capacity in both the public and private sectors. Underutilised capacity is largely the product of ill-planned and faulty distribution of raw materials in short supply. The PSP believes that an autonomous corporation must be set up for procuring, stocking and equitably distributing such materials to important sectors like defence and export industries and small-scale manufacturing.

Socialism does not mean killing of individual initiative and spirit of enterprise. It only means that this initiative and enterprise have to be used in the service of the community as a whole through national re-ordering of economic relationships. At this stage of our development, larger production should mean more amenities to the unemployed and not greater affluence for the rich. To this extent productive processes have to be so organised as to lead to redistribution of increased production.

Regional imbalances in development are the main source of current tensions in our federal polity. The foremost objective of national planning must therefore be to promote a more balanced development by correcting these imbalances. A judicious policy for locating central industrial projects must be supplemented by a policy framework in which individual states are empowered to secure optimum utilisation of the resources in men, material and money.

Gaps between income levels could be reduced through encouraging participation in productive activities by those who possess the requisite skills and enterprise but have no access to capital. The public financial institutions should earmark the major part, if not the whole, of their resources for the development of the medium and the small-scale sectors. These sectors should have access to scarce raw materials at reasonable prices. The PSP would strive for an arrangement in which these raw materials are supplied to the medium and small-scale sector at graduated prices taking into account the level of organisation reached by each of these sectors. This should equalise opportunities for production more effectively than a mere negative limitation on the large sector to enter certain fields. The findings of the Dutta Committee bear testimony to the fact that permits and licences fail to ensure production according to social

priorities accepted in the Plan documents.

In a modern economy bigness is inevitable in certain lines of production. Present indications are that it will take some time for the public sector to so reconstruct itself as to undertake these tasks and perform them in an efficient manner. This period should be brought down to the minimum. Till such time as the public sector is ready to assume these responsibilities the larger industrial houses should be permitted to establish units in these lines of production provided they are prepared to accept certain added social responsibilities. These would include active help to the small-scale sector in organising production of parts and components required for large-scale enterprise, sharing of technical know-how with them for this purpose and lending them finance and organisational assistance so that the small units can perform their tasks cheaply and efficiently.

Earmarking of a definite share of profits in these core and priority sectors for technological and scientific research must be an added condition for permitting their establishment in the large-scale sector. Of course, fair labour practices have to be insisted upon in all undertakings irrespective of their size and profitability.

Labour: For the success of industrialisation and increased industrial production, the PSP will enlist the willing and active co-operation of labour. Both in the public as well as the co-operative sectors, the worker will be accepted as an equal partner and he will be represented on corporations. Through work councils and production committees, workers' co-operation will be secured in the planning and management of the enterprise. In the private corporate sector, a system of double audit will be established so that workers will have the right to know the exact financial position of the concern.

The PSP will encourage voluntary collective bargaining and, wherever necessary, a process of arbitration. It will foster the growth of free and democratic trade unions which will guard the rights and interests of the workers and at the same time prepare and train them for participation in management and in trade union movement. The PSP favours a process of referendum through secret ballot for setting the claims of rival unions for recognition. The party accepts the concept of union shop in every industry.

The PSP favours a uniform progressive labour code in place of the various legislations in different states. The party will suitably revise legislations like the Bonus Act. Through the guarantee of a need-based minimum wage, old age pension, scheme of

better housing, etc., security of worker's life will be ensured.

Equality: Equality and social justice are the guiding values of socialist policies and programmes. The PSP believes in equality of opportunity as the basis of equality. The party will strive to limit the minimum and maximum incomes after taxation to the ratio 1:10. It will adopt measures to reduce disparities in urban incomes through appropriate price and wage policies and administrative and fiscal measures. The party will introduce capital levy and wealth tax to remove the tapering peaks of property.

The forces of *status quo* have been misinterpreting (Late) Mr Nath Pai's Constitution Amendment Bill to restore to Parliament the sovereign right as an effort to expropriate even the limited personal property of the poor. The PSP wishes to make it explicitly clear that the Party is not opposed to private property as such. The PSP considers property as a social institution governed by social laws, needs and conditions. It must satisfy claims of social good and is liable to be affected when it outlives its utility and hinders social progress or welfare. Thus only the unrestricted property of the rich and not the personal property of the people would be affected by the progressive measures proposed by the PSP.

The PSP favours ceiling on urban property and elimination of disparities between the salaries of the central and state government employees.

The PSP's efforts to usher in equality will not be restricted to the economic field alone but will be extended to the social plane as well. It will be the endeavour of the PSP to remove various taboos and social inequalities from which women in India suffer. The PSP will provide to women free education at all stages.

The PSP will relentlessly fight against social orthodoxy that seeks to preserve untouchability through the mobilisation of public opinion, effective implementation of laws concerning untouchability and above all through extensive economic programmes that will try to uplift the scheduled castes from the existing depth of degradation. When land is reclaimed through state efforts, priority will be given to the scheduled castes and scheduled tribes in the scheme of redistribution of land.

With all the tall talk of equality, housing of the poor has remained neglected. The PSP will undertake cheap housing on a large scale through the housing corporation. For this purpose the PSP will freeze land prices. Neighbourhood housing schemes will be encouraged. On one hand, the PSP will lay stress on slum clearance and on the

other, on providing cheap alternative accommodation.

Youth and Education: The system of education will be reoriented so that it is more responsive to the needs and urges of the youth. The syllabi will be re-framed so that through education the students are liberated from the stranglehold of outmoded social customs and beliefs.

To foster the spirit of modernism among the students, education will have to be science-oriented. Free and compulsory primary education will be ensured in the shortest span of time and efforts will be made to abolish differentiations in educational institutions which create a privileged section of student community in a class-ridden society. Teachers will be offered better emoluments so as to attract talented persons to the teaching profession. The student participation in the affairs of educational institutions will be made more effective and purposeful.

To create among the youth a greater sense of participation in the democratic politics of the country, youth of the age of 18 will be given the right to vote in the elections.

Administrative and Electoral Reforms: For the effective implementation of the policy enunciated by the PSP, fundamental structural changes are required. Devolution of political power and decentralisation of economy are vital for the growth of democracy.

To eradicate corruption, the PSP will strive to make the office of Lokpal more effective. The responsibility of allocating licences, quotas and permits will be entrusted to a quasi-judicial machinery independent of the government. The separation of the judiciary and the executive will be completed.

The PSP wants that defector must cease to be a legislator if he crosses the floor.

Constitution Reforms Commission: The PSP favours the appointment of a Constitution Reforms Commission, which will recommend suitable revision of the Constitution so as to make it a fitting instrument of socio-economic progress.

Foreign and Defence Policy: The PSP believes in a dynamic, independent foreign policy that upholds the peace and freedom of all nations but remains deeply rooted in our national interests. The party is opposed to all types of military alliances, which invariably lead to entanglements with the politics of big powers. While adhering to a policy of genuine non-alignment, the party will not refuse to judge every international event on its merits. The PSP will always express its solidarity with the struggle of the colonial people who are suffering under imperialist and neo-imperialist regimes.

The PSP wants to strengthen the United Nations as an instrument of collective security. The party favours forging of close links with Asian countries against Chinese expansionism.

The PSP will never allow the Indian Ocean to be exploited by the big powers for their domination or political interference.

The PSP feels that friendly relations with the Arab world are compatible with similar relations with Israel. The PSP welcomes the victory of the forces of progress and secularism in the general elections in Pakistan and hopes that it will pave the way for friendly relations between India and Pakistan.

For strengthening the defence of our country in the face of the threat to our freedom from the aggressors, the PSP would strive to be self-sufficient in conventional as well as nuclear weapons — starting with tactical nuclear weapons.

The defence effort will be broad-based by ensuring the widest association of the people with it. The efforts of our Armed Forces to defend our borders will be supplemented by establishing co-operative agricultural communities on our frontiers providing a second line of defence.

Kashmir: The PSP reiterates its earlier stand that after the adoption of the constitution by the Constituent Assembly of Jammu and Kashmir, the entire state has become an integral part of India and the accession of Kashmir is final and irrevocable. The PSP will prevent the misuse of Article 370 of the Constitution, which is intended to protect the special interests of the people of Jammu and Kashmir.

An Appeal: On the eve of the mid-term poll, the PSP assures the electorate that the party will co-operate with all those who share with it a common perspective and who are committed to radicalise politics, to implement socialist policies and to combat the forces of traditionalism, *status quo*, Hindu and Muslim communalism, and left extremism.

The PSP realises the imperative need to take positive steps to strengthen the democratic and secular fabric of our nation and respond to the egalitarian urges of the people. For this purpose the party will make concerted efforts to radicalise and at the same time stabilise our country's political life. In this contest, the mid-term elections assume special significance. In the present era of instability, the PSP will not merely play the role of a responsible democratic opposition, but it will also strive to provide a stable and progressive government dedicated to the implementation of socialist policies.

The PSP hopes that the mid-term poll will create a new upsurge and bring us nearer to our goal of building a democratic socialist order.

Heads are for use!

600,000 years ago a head was just an eating machine for a hunk of meat.

60,000 years ago a head already had enough brains to light a fire to cook its hunk of meat.

And lips to smack.

60 years ago heads had a lot more brains.

And Germany had some fine heads in this direction.

The brainy heads went to Berlin where they developed the theory of relativity and discovered the quantum theory.

Not bad.

Then the German heads invented a state that was going to last a thousand years, but which lasted only for 12 years.

12 years too long.

Today, heads need to learn from these mistakes. We must learn how to create a

new calendar — one for the future.

One, that goes with the times. One with brains.

What should it look like?

Point 1: We must all learn more. Especially our children.

Point 2: We must learn how to think.

Not just see how things are, but see how they are and how they can get better.

Today out of a hundred heads only a few think. Yours and ours, of course.

In six years' time there should be ten in every hundred.

And in sixty years a hundred in every hundred.

And that takes us to point 3: Everybody should have the same chances, with efficient comprehensive schools, with teaching machines, programmed lessons, as well as — very soon — comprehensive high schools.

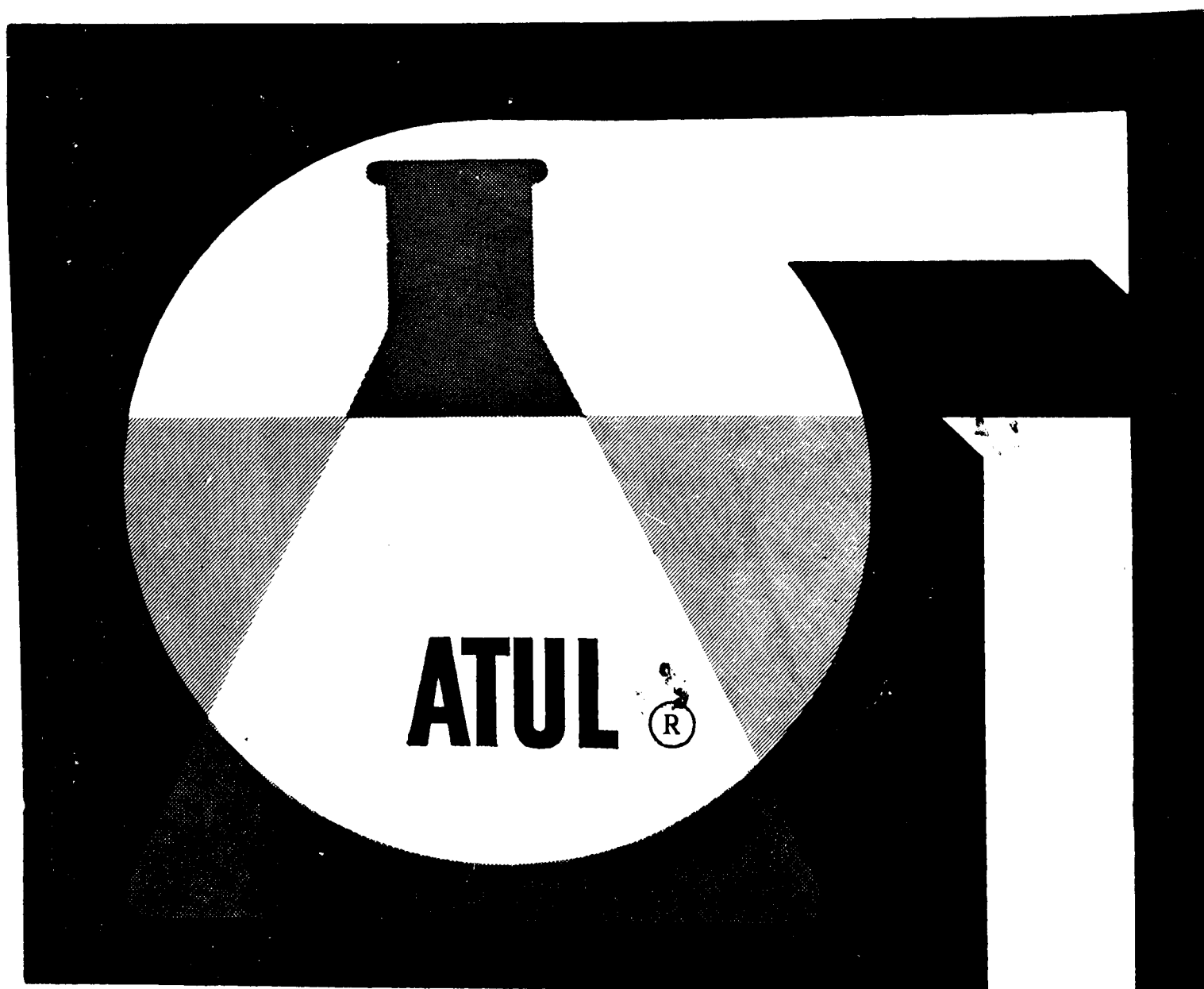
And where can you find all that today?

In Berlin. Yes, in Berlin.

And from now on we do not want to live from hand to mouth: but rather with our heads.

**Or at least,
that's what we think
in Berlin.**





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EASTERN 8 ECONOMIST

FEBRUARY 19, 1971 VOL. 56

The Call of Duty
Credit Squeeze
Bank Secrecy in Switzerland and India
The New World Credit Markets



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High-grade ore is found in mountain heights. Which makes the electrification of ore preparation plants an uphill task. The entire process—from collection of ore to crushing, screening, sizing, washing, pelletising and loading—requires a conveyor system miles long. On certain circuits 1800 tonnes of ore have to be rushed downhill, involving all kinds of steep electrical problems. The elaborate safety network, with complicated interlocking devices, comprises a project in itself.

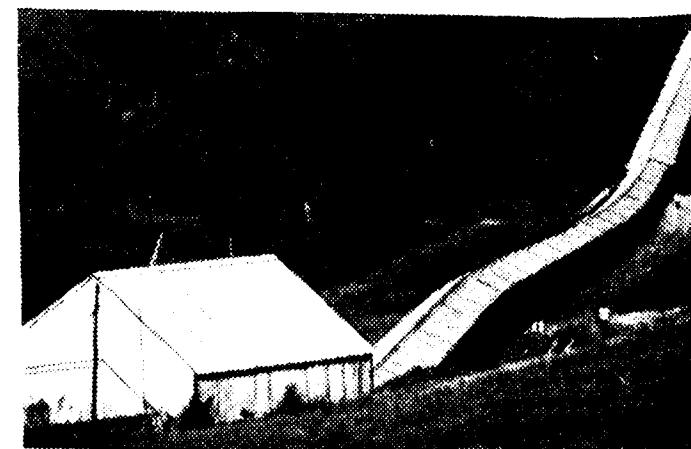
The electrification of Noamundi, Tata's gigantic ore preparation plant, is one example of how Siemens rose to the challenge. Other projects of similar dimensions were carried out for McNally Bird, TRF, Elecon and other industries.

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EASTERN
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FEBRUARY 19, 1971

The Call of Duty	317
Credit Squeeze	318
Balanced Nutritious Diet	319
Bank Secrecy in Switzerland and India — H.S. Gupta	321
WINDOW ON THE WORLD	325
The New World Credit Markets. SDR Allocations.	
THE MOVING FINGER WRITES	329
TRADE WINDS	330
Export Promotion Councils; Cashew Corporation; Committee on Irrigation; LIC covers Bank Depositors; Export of Oilcake; Gresham and Craven; UNDP Meet; Easun Exports Electricals; Ghana International Fair; US Assistance for Pesticides; Rolls-Royce; Management Convention; Ragi Output: 1970-71; Names in the News.	
COMPANY AFFAIRS	332
Indian Oxygen; ACC; ICICI; Siemens; State Bank of Bikaner; Canara Bank; Bayer (India); Excel Industries; Toshiba Anand Batteries; Hindustan Breweries.	
CHAIRMAN'S STATEMENT	343
Voltas Ltd.	
RECORDS AND STATISTICS	346
Election Manifestos: CPI; CPI (M); DMK; Akali Dal.	

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THE CALL OF DUTY

MR ARVIND MAFATLAL who was presented with the Business Leadership Award of the year—an award instituted by the Madras Management Association in memory of the late Anantharamakrishnan, a prominent industrialist of South India—at a function held in New Delhi a few days ago, addressed himself to the topical theme of the social responsibilities of the business community, in the second Anantharamakrishnan Memorial Lecture, which he delivered on the occasion. The citation of the award, which was read out by Mr Shivasailam (a leader of the younger generation of industrialists in Tamil Nadu) had commended Mr Mafatlal and his family for their faith that “the private sector can only survive, if it proves its value to society”. Mr Mafatlal's own address reiterated this faith in ringing terms and was eloquent on the obligation of business leaders to ensure that economic growth was accompanied by social justice.

We may be pardoned for pointing out here that quite often there have been more than a suspicion of opportunism in businessmen loudly proclaiming their enthusiasm for the social responsibilities of the business community. This is because politicians of various degrees of integrity have for some time now been attempting to whip up or exploit public prejudices against businessmen by calling on industrialists and middle men to prove their *bona fides* as deserving citizens of our country. More than a few business leaders appear to have been unnerved by this propaganda against them and in the process, they have been protesting too loudly and too frequently their commitment to social justice especially when Prime Minister or other politicians in power happen to be present on the scene. In these circumstances, Mr Arvind Mafatlal's address has the great virtue of being authentic in its philosophy and logic. He has uncompromisingly linked social justice to economic growth and has emphasised the fact that the business community's ultimate duty to the people consists in assisting society to generate more wealth and use the wealth thus created to do more good to more people.

In the course of his address, Mr Mafatlal stated and criticised what he described as “a theory of automatic percolation” which according to him, assumed that increased production would necessarily and in due course distribute itself among the community. Mr Mafatlal argued that, in actual life, wealth tended to stagnate along the top layers of the community and that unless purposive steps were taken to correct this imbalance, the less well-to-do or more vulnerable sections of the community tended to remain strangers to the fruits of economic growth. This is true enough provided it is borne in mind that a properly functioning democracy based on universal suffrage and spreading education, including political education, among the people, is probably the best means the civilisation of man has yet devised for ensuring that the greater part of the people in a community cannot remain poor or disinherited for long while that society itself keeps growing in economic terms.

The problem here is that the processes of economic growth getting translated into the widest possible social welfare through democratic institutions take rather longer to work themselves out than expectant men and women, in their natural impatience, would care to wait for. This has imposed an obligation on the democratic set-up in free societies to improve its techniques and performance continuously so that the people's legitimate desires are met as early as possible. Unfortunately, opportunist or adventurist politicians do not always find it to their personal or party advantage to co-operate constructively with the community in this task. On the contrary they often find it paying to aggravate tensions and antagonisms in the community in order that they may be able to perpetuate themselves in power. This places a great responsibility on those businessmen as are genuinely concerned with social justice to be on their guard against playing into the hands of unprincipled politicians.

Mr G. L. Mehta, who presided on the occasion of the presentation of the Business Leadership Award to Mr Arvind Mafatlal, greatly helped in the right determination of perspective. He pointed out that the common people were no longer satisfied with the financial achievements of business and that they

were increasingly coming to associate business with various social objectives. It is not only the duty but also the privilege of the business community to respond positively to these expectations of the larger community in which they live and function. But it is emphatically not a part of the obligations of the business community to become apologetic about itself or its role in the economy merely under pressure exerted by government, or political parties. In particular, businessmen must remember that they can exist and do their duty by the community only if they themselves have a genuine and robust faith in the social as well as economic worth of the private sector and the free enterprise system.

Mr Mehta has advised that production or employment cannot be held to be secondary to non-economic objectives. We ourselves would recommend that production or employment cannot be dissociated from non-economic objectives. This is a basic issue on which business leaders who believe that eco-

nomic growth and social welfare are an integrated whole must have the moral courage and political detachment to make a firm stand. As Mr Mehta has put it, in the general election, now only a couple of weeks away, the people will not only be asked to make a choice of the kind of government they would like to have for the next five years but will also be called upon in effect to determine the role that should be properly assigned to private enterprise in the economic and social development of the country. If business leaders are at all concerned that the electorate should vote on the right lines, they should not hesitate to be true to themselves or to the institutions of the private sector or free enterprise while playing their role in the electoral process whether as individual citizens or, collectively, as a social and economic force in the nation. To succumb now to the pressure tactics of the politicians in power would be for them to forfeit the right, responsibility and opportunities of serving their country in the achievement of economic growth or the realisation of social welfare.

Credit Squeeze

THE GOVERNOR of the Reserve Bank of India and his colleagues have had fresh discussions with the chief executives of major banks for assessing the impact of the revised credit policy for the current busy season and of the restrictive influence of the higher bank rate and revised lending rates of credit institutions which became effective early in January. It is, however, unlikely that they would have felt wiser as the developments in the current busy season so far have belied their expectations and there is as yet no clear understanding of what exactly are the points at issue. It is even now not realised that the over-extended position of scheduled commercial banks is due to the fairly high level of advances for procurement of food-grains, the grant of loans to small borrowers in the agricultural and small-scale industries' sectors and the continuing accumulation of sugar stocks. Instead of analysing how it has become necessary for banks to borrow on a large scale and whether the loans granted for new purposes are being productively applied, the chief executives have been merely told that they should manage their affairs with available resources and credit expansion could not take place liberally with the use of refinance facilities provided by the Reserve Bank.

It has become clear from the developments of the past 18 months that even with a faster growth of deposits, it will not be possible for the banking system to cater fully for the needs of the old constituents and meet also the new de-

mands arising out of the use of agricultural inputs and the expansion of activities of small industries. As the organised sector only had been taken care of by commercial banks until recently and indigenous money-lenders were busy in the rural areas, the process of displacement of the activities of the latter by the banking system has given rise to new problems, the significance of which has not been properly understood. Apart from the fact that commercial banks are being asked to play also the role of indigenous money-lenders, there has been injection of credit into the farm sector on a scale which has not been witnessed so far. If it is contended that the new loans are productively applied and the application of agricultural inputs and the organisation of tube-wells have been helpful in raising agricultural production, there need not be any alarm over the fast expansion of credit that has been taking place in the past year. So long as agricultural inputs are available in the desired volume and there is also no difficulty in securing pumpsets, electric motors or other equipment, the grant of loans even with the funds borrowed from the Reserve Bank cannot have inflationary effects. But doubts have arisen about the proper application of loans taken from banks and the procedures adopted for granting these loans.

It has, therefore, become necessary, as stated above, to find out what proportion of the increase in advances in the past 18 months has been on account

of new factors and whether any undesirable trends have emerged. There is also a justifiable demand that the organised sector too should be subject to greater discipline and there is no misuse or misapplication of short-term credits. If it is found that the new small loans are proving to be useful and they may take some time to be repaid, there is no alternative to the creation of credit for this purpose. It is the lack of proper understanding of the issues involved that has been responsible for the absence of any major decisions at the conference of chief executives recently.

It cannot be denied that deposits are increasing at a faster rate and in 1971 the addition to the resources of scheduled commercial banks will be over Rs 1,000 crores against Rs 800 crores in 1970. Even in the current busy season, between October 30, 1970, and January 29, 1971, deposits rose by Rs 213 crores, against only Rs 141 crores in the corresponding period in 1969-70. On the other hand, advances jumped by Rs 336 crores, against Rs 270 crores. As there was compulsion to observe a higher statutory liquidity ratio and no fat had been accumulated at the end of the last slack season, investments were actually higher by Rs 36 crores in the first three months of the current busy season, against a net disinvestment of Rs. 75 crores in the same period in 1969-70. It has, therefore, been necessary to borrow heavily from the central banking institution and these rose by Rs 239 crores against only Rs 97 crores in the same period in the last busy season.

There has no doubt been a slowing down in the growth of advances after the bank rate was raised and it was also decided to adopt a higher net liquidity ratio for computing the quota for refinance at the bank rate. But can it be expected that there will be fresh developments in the money market according to the expectations of the Reserve Bank? It will be seen from an analysis of the developments in the last busy season in February-April and in the first two months of the 1970 slack season that there is usually sizable expansion of credit in the latter half of every season and it will not be surprising if it became necessary to expand credit by as much as Rs. 350 crores in the second three months. In February-April, 1970, advances rose by Rs 289 crores, while deposits improved only by Rs 165 crores. There was, therefore, a further increase in borrowings by Rs 163 crores.

Even assuming that there will be growth in deposits in February-April this year to the order of Rs 225 crores, it may become obligatory to borrow further a sum of Rs 200 crores, if not more to meet the requirements

of all constituents. In spite of restrictions on advances against raw cotton, oilseeds, and cotton fabrics, some increase will be inevitable because of higher prices, while imports are expected to be received in larger volume. Above all, it is estimated that there will be a rise in sugar stocks by at least 800,000 tonnes which itself will require additional credit of about Rs 90 crores even allowing for the margin amounts that will have to be found by sugar mills. Since the Reserve Bank has indicated that there can be an increase in advances against sugar to the extent of the increase in the last season, the question has been asked whether member banks will be allowed discretionary accommodation by the Reserve Bank at the bank rate for effecting advances against sugar. The best course would be to take a decision in regard to the creation of a buffer stock of about one million tonnes of sugar or provide refinance to banks to the extent of Rs 100 crores at the bank rate for meeting the needs of the sugar industry.

The monetary authorities will not be accentuating inflationary pressures by adopting this procedure as sugar stocks are likely to decline to the level of September last year by the end of current crushing season as the additions to stocks in February-May will be offset by a corresponding decline in stocks in June-September, 1971. It is, of course, assumed that the output of refined sugar will not be more than four million tonnes in the current crushing season. If it proves to be higher at 4.2 million tonnes, there may be a marginal increase in stocks at the end of the season. On present calculations, it can, therefore, be emphatically stated that an expansion in advances to industry and trade, which will be only seasonal, will not be harmful and care should be exercised only when granting credit against commodities in short supply. The Reserve Bank will probably be obliged to think on these lines by the first week of March when heavy tax payments will have to be effected by corporate and individual assesseees. What is needed is a policy decision about how small loans should be effected and what should be the safeguards needed for preventing abuses. If the special problems of the current busy season can be got over without creating undue disturbance in the money market, there will be ample time to review the whole situation after July and determine whether the policy of over-lending has had undesirable repercussions. The acute stringency in the money market will be evident from the fact that the inter-bank call rate had risen to 13 per cent even in the first week of February and new high levels may be touched in Bombay and elsewhere if a helpful policy is not adopted by the Reserve Bank. There cannot be compul-

sion to lend to particular classes of borrowers with the availability of refinance facilities and create a situation in which the older constituents can expect to get their reasonable needs only with

the amounts secured through refinance. If quick decisions were not taken, the new measures will prove to be more harmful than beneficial and more inflationary than deflationary.

Balanced Nutritious Diet

AMONG THE most pressing problems confronting the developing countries today, malnutrition is next in importance only to growing population. This is because, as Mr A.H. Boerma, Director-General of the FAO, told the Asian Congress on Nutrition, held in Hyderabad recently, malnutrition could well wreck a country's growth potential in terms of industrial and agricultural output, as also intellectual development. The last eventuality would indeed be disastrous, especially at a time when the knowledge gap between a developing country like India and the advanced countries of the west is already fast widening. We must be grateful to the FAO, therefore, for holding this conference in India and highlighting the multi-dimensional nature of the problem. Those engaged in the relentless fight against malnutrition in India are undoubtedly aware of this, thanks to the keen interest evinced by agencies such as the Food and Nutrition Division of the US Agency for International Development (USAID). But if they have not been able to hit upon a practicable approach yet, it is not so much a reflection on the sincerity of their efforts as on the intractable nature of the problem.

Take, for example, the problem of providing better diet to poor children. It was disclosed at the Hyderabad conference that, in one instance, the dietary intake of children covered by a school feeding scheme was cut at home approximately to the same extent as the food given at school to supplement home feeding. This is as much an indication of ignorance, as of poverty. Both need to be overcome. It is not correct to argue, as is so often done,

that once their poverty is removed, the children of the poor will receive a better diet. They may — in fact, they do — receive a different diet, but it is not always better nutritionally for a variety of reasons. In this connection, it is worthwhile drawing attention to the conclusions of Mr Alan Berg, until recently Chief of the USAID Food and Nutrition Division in New Delhi (Vide Vol XII No. 3 of 1970 of *International Development Review*), on the question of whether growth in *per capita* income leads to better nutrition.

Answering the question "how do you provide better diet to children in poor societies?", he, in turn, questioned the theory that growth in *per capita* income leads to better nutrition. Now this theory as he rightly syllogised it, is based on the following assumptions: (1) an increase in the average *per capita* income of a country leads to an increase in the *per capita* income of the poor; (2) an increase in the *per capita* income of the poor leads to an increase in the amount they spend on food; (3) an increase in the amount spent on food by the poor leads to an improvement in nutrition, and (4) an improvement in nutrition by a poor family means an improvement in nutrition for the pre-school aged members of the family.

All these assumptions, Mr Berg has shown, are open to question. More money, according to him, does not automatically lead to a better diet. In some situations, he says, "there actually may be an inverse correlation between income and nutrition when income increase are modest and start from a low base". Even though poorly nourished,

Eastern Economist 25 Years Ago

FEBRUARY 22, 1946

High prices of raw cotton, however, are not going to be the only headaches of the textile industry in India. In a recent communication addressed to the Commerce Department of the Government of India, the Cotton Importers Panel of the Buyers' Association, have pointed out the precarious supply position of East African cotton during 1946. They have estimated that the needs of the Indian mills for producing 40s warp which is mainly met by East African and Sudanese cotton at present would amount to some 300,000 bales of East African cotton. But the supplies from East

Africa will be no more than 190,000 bales, leaving thereby a gap amounting to some 110,000 bales to be filled up. Supplies from Sudan will be no more than would suffice for the usual requirements of the mills and there is not enough of cotton of Egyptian styles available at Economic prices to spin 40s. In respect of 30s warp, too, the domestic supplies, of required cottons would not be enough and the only sources from which this deficit can be made good is the import of lower grades of East African cotton which are not available for 40s.

because increased wealth (or is it income?) bring them into the monetised sector of the economy, many poor people tend to spend their increased income on purchases of such sophisticated items as transistors, ball-point pens, etc. In other words, though better compensated monetarily, they may not benefit nutritionally to a corresponding extent.

Again, spending more on food may mean eating more, but not necessarily eating better or more nutritious food, as evidenced, for instance, by the shift from gur to sugar. The reason for this shift is because the former is identified as the poor peoples' food. A recent survey in western India, it is said, disclosed a significant drop in protein intake as incomes rose and cereal diets were upgraded. Another anomaly — and this stems from the shift from a subsistence crop to a cash crop — is that an increase in wheat production should have led to a marked decline in pulse consumption. Thus, while, on the one hand, significant nutritional benefits must have flowed from increased cereal production, there was also simultaneously a sharp decline — 27 per cent — in *per capita* consumption of pulses!

Mr Berg is, therefore, justified in his conclusion that increased income cannot be regarded as a cure-all for all malnutrition. Before categorically asserting this income-nutrition relationship, as he rightly opines, we need to know more than we do of the complex realities of habits among the very poor. But coming back to the question of how to provide better diet to the children in a poor country, he indicates the magnitude of the problems by referring to a composite examination of the results of 220 Indian diet surveys. Coupled with national economic projections, this examination, according to him, suggests that "unless a new nutrition strategy is adopted and implemented, at least a generation will pass before many Indians can afford an adequate diet". The relevant data indicate, ignoring unequal distribution at various levels of income, that "*per capita* disposable income must reach from \$4 to \$5 a month to achieve an acceptable diet. Between 60 to 70 per cent of India's urban dwellers fall below this line, and the percentage is higher in the rural population. One-third of India's families would need at least twice their current incomes to attain adequate diet on the basis of rising earnings alone. Even on the assumption of a three per cent annual *per capita* real income rise, it would take 30 years for one-third of India's families to reach the required level. Given population growth trends, this means a 5.5 per cent annual national growth rate — compared to a 3.5 per cent growth trend over the last 13 years." Mr Berg

adds: "If the average *per capita* income of 162 million people will not reach the minimum level until the year 2000, it could be 20 years beyond that before the average would be high enough to meet the average pre-school child's nutritional requirements".

All this goes to show that the problem of malnutrition is a not at all a simple one. So many so-called answers have been suggested: soyabean, fish protein concentrate, blended cured type product, lysine, single cell protein, opaque 2-corn, mothercraft centre, child feeding programmes or nutrition education and so on and so forth. But none is universally effective or even universally enforceable. This is not to discourage any set solution that it is being attempted or proposed. Only, as Mr Berg suggests, it is worthwhile examining whether these solutions could not be made more effective even within the admitted limitations of managerial sophistication and financial resources. And this is precisely what he has attempted, after pointing out what we should do and what we should not do, even if it be in an unorthodox way. First, he says, "we should not be starting by examining specific foods or specific fortification scheme" (He approves though, of the Modern Bread approach in India — and he has given his reasons for it.) Secondly, "we should be examining (mark the stress on the continuous form of the verb) what it is that affects the child's nutritional well-being". Thirdly, he says, "we should see what he eats, why he eats and how it goes to him. And two more requisites, besides: "What

are the feasible points of intervention into that delivery system — points that are susceptible to modification? What are the incentives and disincentives that are at play?" An answer that sounds obvious and simple but what took four years of close study, offered by Mr Berg is this: "A slight twist of the market mechanism". This, he says, may mean more to the nutrition of a child than all the new foods we could ever devise and produce. According to him, "a shift in production incentives, retail price policies, or ration shop procedures could well be a major part of the answer".

Meanwhile, he refers to a project that is to study the nutrition delivery system of an entire state in India with a view to developing a soundly based strategy for action programmes. And even while this study is under way, he realises there is need for immediate action and so is not averse to moving ahead, as India has done, without waiting for all the answers. This is because he is only too aware of the several inherent limitations. He is conscious too that programmes are ultimately the result not of econometric analysis, but of political appeals (this is more so during election time), of basic human concerns and of personal intuition. Even so, he pleads for a conceptual re-examination to bring about an approach that is not only more systematic but also more in tune with the complex realities of contemporary decision-making. Needless to add, it is only thus that some worthwhile results could be expected in the fight against malnutrition.

EASTERN ECONOMIST

ANNUAL NUMBER 1971

The cross-roads at which India stands today will have an extraordinary and truly tremendous significance in determining its future. In this particular situation the theme of this Annual Number, appropriately, is "Whither India?" An attempt has been made to analyse the twin-crises of political progress and economic development which confront our country. A valuable feature of the Annual Number is a section of special articles on issues of outstanding importance.

Illustrated with charts and graphs and carrying, as usual, an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy. It is available, however, without extra charge to subscribers who are already on our mailing list. New subscribers enrolled before March 31, 1971, will also be entitled to a free copy of the Annual Number.

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Bank Secrecy in Switzerland & India

H.S. GUPTA

THE OBLIGATION to keep the secrecy about the state of customers' accounts directly flows from the contractual relationship between a banker and a customer. If a banker discloses information about the state of a customer's account to unauthorised persons, he may be sued and would be liable for damages which may arise. As such, professional secrecy is considered as a duty of the banker in almost all countries in one way or the other.

In France, the nationalised banks are obliged by law to maintain secrecy. Their staffs are subject to imprisonment and fines for breaches of secrecy under article 378 of French Penal Code.

In Austria, the deliberate violation of secrecy or illicit use of knowledge of business secrets acquired in professional capacity is subject to imprisonment or fines under the Austrian Credit Law.

In India, the secrecy obligation flows from the contractual relationship between a banker and a customer except in the case of the State Bank of India, its subsidiaries and the recently nationalised banks which are required to disclose the information relating to the affairs of the customers 'in accordance with law or practice and usages customary among bankers. Nothing has been stated about the penalties in case of violations of secrecy except what comes under common law.

Protection of Law

In Switzerland, one finds that the bank secrecy is protected by law and its violation is subject to penalties. According to article 47 of the Swiss Banking Law, 1934,

"Whoever knowingly...
'as member, official or employee of a bank, as auditor or assistant auditor, as member of the Banking Commission, as official or employee of its staff violates the obligation of secrecy or who causes or attempts to cause its violation, is liable to a fine up to Sfrs. 20,000 or to a prison term not exceeding six months. Both penalties can be imposed concurrently. If the violation is due to negligence the penalty is a fine up to Sfrs. 10,000."

In addition, he could be sued by the depositor for the damages.

Even before 1934, the bank secrecy in Switzerland was recognised as a part of common law. The intensive espionage for Jewish money induced Swiss authorities to define it more precisely in the 1930s. The notable feature of bank

secrecy in Switzerland is that it is part of law and breaches are punishable under the law.

Numbered Accounts

In addition, one finds a system of numbered accounts in Switzerland, as distinct from the named accounts, which gives added protection to the customer against the risk of secrecy being broken by the bank staff. The main characteristics of these accounts are as under:

- (1) An identification number is assigned to the customer which is known only to a few top bank officials.
- (2) This number is not known to any body in the accounting department where the record of money is kept.
- (3) The authorised signature for making deposits or withdrawals from the account is the depositor's number written in long hand.
- (4) For transactions by cable, an elaborate identification code is assigned to the customer.
- (5) If the depositor wishes, no statement of account is sent to him; otherwise it is mailed in a plain envelope.
- (6) If the depositor forgets his secret number, there would be difficulties in withdrawals.

Thus a numbered account where business is done under an identification number instead of a name enjoys the extra bank secrecy to the extent that the state of account is not known to the clerical staff. Beyond that there is not much difference between a named account and a numbered account.

The necessity of numbered accounts arose before the second World War, when Nazis and Fascists were espionageing for Jews and their other political opponents' money. By allowing Jews to open the numbered accounts the assets of victims were protected against Nazis or other totalitarian regimes.

From the above it is clear that Swiss banking follows the principle that no one has the right to learn anything about anybody's account. Their attitude can be best summarised in the following statement of one Swiss financial editor: "A highly developed sense of privacy is part of our nature. I do not know what the man in the next office makes or where he lives. He would have it that way, and so would I."

Though bank secrecy in Switzerland is protected by law, it is not absolute.

It is obligatory for banks to disclose information, whenever high public interest demands.

It is obligatory on the part of Swiss banks to give the information in cases of crimes or offences within the meaning of the Swiss Criminal Code. Such disclosures refer only to the information which directly concerns an accused person. The information cannot be given in respect of a person who is indirectly affected by court proceedings. Secondly, the court authorities are also bound for professional secrecy to the extent that the information given in the course of criminal enquiry but not relevant to the enquiry can not be supplied to anyone. Thirdly, the customers are also informed about the demand of information by the authorities, so they have the opportunity to bring forward the evidence which might justify a refusal of disclosure.

Swiss banks also give information to the third countries in those criminal offences which are punishable in Switzerland. This obligation does not apply to the cases of offences of a military, political or fiscal nature or those concerned with foreign exchange.

Banks are also expected to supply information in cases of debt, bankruptcy and inheritance.

Taxation Laws

The Swiss taxation law recognise the bank secrecy obligation. It is not obligatory for Swiss banks to supply information in law suits concerning taxation, as the taxation authorities cannot go directly to the third parties for the information. They can only collect information through the tax-payer himself. The authorities can ask the tax-payer for certain certifications, which a bank cannot refuse to give to the tax-payer. It is up to the tax-payer whether he sends them to the authorities or not. However, it is obligatory for banks to give information to the authorities where criminal proceedings are started for tax fraud.

Since banks are not obliged to disclose information in fiscal matters in Switzerland, they do not disclose information to foreign countries for legal assistance in fiscal matters.

It cannot be said definitely that Switzerland became the paradise for international smugglers, tax-evaders, dictators, etc., to keep their anonymous funds due to the protection of secrecy by law. But it is certain the these provisions contributed a lot to growth of Swiss economy, by inducing the flow of funds in productive channels both national and international. By reinforcing the links of confidence between banks and clients, these provisions encouraged the fullest use of banking facilities. They discouraged the withdrawal of funds for hoarding or for purchase of physical assets. In fact,

savings, both large and small, flowed from the remotest corners of the world and were used in productive channels mainly due to the protection of privacy in Switzerland.

Bank Secrecy in India

It is obligatory on the part of Indian banks to disclose information about customers' accounts to the authorities, under the following Acts.

1. Code of Criminal Procedure: Section 94 (1) of this Code states:

"Whenever any court, or in any place beyond the limits of the towns of Calcutta and Bombay, any officer-in-charge of a police station considers that production of any document or other thing is necessary or desirable for the purposes of any investigation, inquiry trial or other proceedings under this code by or before such court or officer, such court may issue a summons, or such officer a written order, to the person in whose possession or power such document or thing is believed to be, requiring him to attend and produce it, or to produce it at the time and place stated in summons or order."

2. Prevention of the Corruption Act, 1947: Section 5 A (2) of the Act reads as under:

"If from information received or otherwise, a police officer has reason to suspect the commission of an offence which he is empowered to investigate under sub-section (1) and consider that for the purpose of investigation or inquiry into such offence, it is necessary to inspect any banker's books, then, notwithstanding anything contained in any law for the time being in force, he may inspect any banker's books in so far as they relate to the accounts of the person suspected to have committed that offence or any other person suspected to be holding money on behalf of such person, and take or cause to be taken certified copies of the relevant entries therefrom, and the bank concerned shall be bound to assist the police officer in the exercise of his powers under this sub-section."

3. Foreign Exchange Regulation Act, 1947: Section (2) of the Act states:

"Where for the purposes of this Act the Central Government or the Reserve Bank considers it necessary or expedient to obtain and examine any information, book or other document in the possession of any person or which in the opinion of the Central Government or the Reserve Bank it is possible for such person to obtain and furnish, the Central Government or, as the case may be, the Reserve Bank may, by order in writing, require any such person (whose name shall be specified in

the order) to furnish, or to obtain and furnish, to the Central Government or the Reserve Bank or any person specified in the order with such information, book or other document."

4. Indian Income Tax Act, 1961: The banks in India may be asked to disclose information about the state of customer's account under the following sections of the Indian Income Tax Act, 1961.

Section 133 (6)—

"The Income Tax Officer, the Appellate Assistant Commissioner or the Inspecting Assistant Commissioner may..... require any person, including a banking company or any officer thereof, to furnish information in relation to such points or matters or to furnish statements of accounts and affairs verified in the manner specified by the Income Tax Officer, the Appellate Assistant Commissioner, or the Inspecting Assistant Commissioner, giving information in relation to such points or matters as, in the opinion of the Income Tax Officer, the Appellate Assistant Commissioner, will be useful for, or relevant to any proceeding under this Act."

Section 285—

"The person responsible for paying any interest, not being 'Interest on Securities' shall on or before the fifteenth day of June in each year, furnish to the Income Tax Officer having jurisdiction to assess him, return in the prescribed form and verified in the prescribed manner of the names and addresses of all persons to whom during the previous financial year he has paid interest or aggregate interest excluding such amount not being less than four hundred rupees, as may be prescribed in this behalf, together with the amount paid to each such person."

Rule 37 (2A) of the Income Tax Rules—

"The person making deduction of tax in accordance with Section 194A from income by way of interest other than income chargeable under the head 'Interest on Securities' should send to the Income Tax Officer having jurisdiction to assess him, a statement in Form No. 26A quarterly on July 15, October 15, January 15 and April 15 in respect of the deduction made by him during the immediately preceding quarter."

In Form 26A, all particulars like name and address of the recipient, amount of interest, date, etc., are to be shown.

5. Indian Companies Act 1956: Section 627 of the Indian Companies Act empowers the central government to

issue an order to inspect the books or papers of a person carrying on the business of banking for the purpose of investigating and obtaining evidence of the commission of and offence in connection with the management of any company's affairs under investigation.

6. Indian Banking Companies Act 1949: Section 26 of the Act states:

"Every banking company shall within 30 days after the close of each calendar year, submit a return in the prescribed form and manner to the Reserve Bank as at the end of such calendar year of all accounts (in India) which have not been operated upon for 10 years, giving particulars of the deposits standing to the credit of each such account. Provided that in the case of money deposited for a fixed period, the said term of 10 years shall be reckoned from the date of expiry of such fixed period."

The following inference can be drawn from the above mentioned legal provisions:

1. Banks in India are progressively compelled to move farther from their obligation to keep the secrecy of the customers' accounts as they have to disclose information whenever demanded by the authorities under one act or other. The Committee on Finance for the Private Sector (the Shroff Committee) reported "..... that one of the reasons for the downward tendency in bank deposits is inquisitorial investigation of the Income Tax and Sales Tax Departments of Governments which are adversely affecting the confidence of the public in the secrecy of banker-customer relationship".

2. It is obligatory for the banks in India to disclose the state of a customer's account even if the customer had not violated any law in force. For example, under Section 285 of the Income Tax Act, 1961, if a person receives an interest of Rs 400 or above, his state of account would be advised to the Income Tax Officer, even though the customer's overall income is not taxable under the Act. Similarly, under Section 26 of the Indian Banking Companies Act, 1949, the state of a customer's account is disclosed to the government if he has not operated upon the account for 10 years.

3. Under Section 5A (2) of the Prevention of Corruption Act, 1947, it is obligatory for banks to disclose the information not only in respect of persons who are directly involved in the case, but also who are suspected to be indirectly related with the case.

Apart from these legal provisions, banks in India are not secrecy-oriented in the real sense of the term. Most of the frauds in banks in India are committed due to the non-observance of secrecy regarding their customers' accounts. Under the slogans of improved and

efficient customer service, it is not difficult to find out on telephone whether a particular person is having an account and whether the balance to his credit is in high three or low four figures. It is also not much difficult for a payee of a cheque to encash the same, even though the balance in drawer's account is not sufficient to meet the drawing, as he can easily find and deposit the deficiency in the drawer's account.

Thus, these legal provisions accompanied by the indifference of banks towards secrecy have weakened the link of confidence between the banks and

customers. Due to the weakening of the link of confidence, persons are reluctant to utilise whatever banking facilities are available in India. The Shroff Committee stated that "the public seem to feel that banks are being compelled to act as agents of income tax and sales tax authorities and their feeling drives some of them away from the banks and encourages hoarding in the form of currency notes and bullion. In respect of sales tax in particular, representations were made that banks were being asked by some governments to furnish them with detailed information relating to trade transactions and apprehensions were ex-

pressed that this might result in increasing the number of trades' transacting the business outside the banking system and thus discouraging the banking habit".

It is high time for banks to ponder as to what extent they have moved away from the secrecy obligation under their newly acquired enthusiasm of maintaining good public relations. Steps should also be taken to prevent the inquisitorial enquiries that are presently being made from banks in respect of customers who are highly sensitive in regard to the secrecy of their financial transactions.



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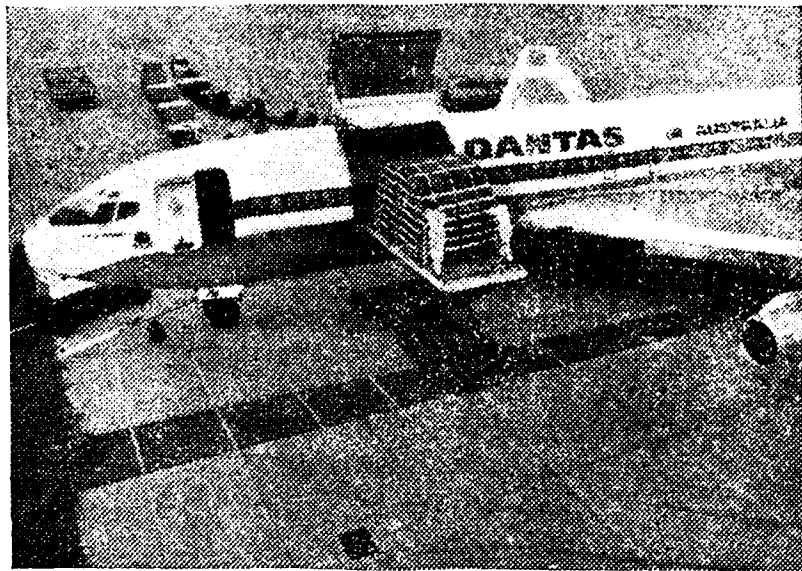


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WINDOW ON THE WORLD

The New World Credit Markets

JOSSLEYN HENNESSY

LONDON:

I

"INTERNATIONAL" MARKET

THE FORMATION of the United International Bank Ltd, a new multi-national company in London, was recently announced by eight great banks, namely, Williams and Glyn's Bank of London, the Banco di Roma, the Dutch Bank Mees and Hope NV, the Bank of Nova Scotia, the Banque Francaise pour le Commerce Extérieur, the West German Bayerische Hypotheken and Wechsel Bank, the Credit du Nord and Crocker-Citizens National Bank.

The new bank was founded to meet the demand for medium term finance required for large development and export projects in all parts of the world; it will specialise in loans to major international companies and to the public sector. The significance of its inauguration emerges when seen against the background of new developments in the international money and capital markets in the past few years.

What are commonly called "Euro-markets" are really international money and capital markets, in which banks and other parties from continental Europe and Great Britain play an important, though by no means exclusive, part. Among other major participants are American banks and companies, and governments and financial institutions from Japan, eastern Europe and developing countries. The name "Euro-dollar" market, also frequently used, is similarly too restricted, because other currencies are also important. However, the terms Euro-dollar (or Euro-currency) and Euro-bond market are popularly, if not strictly accurately, used. A better general designation, covering the various sectors, would be Euro-credit or international credit markets.

Euro-Dollars

The oldest and largest sector is the Euro-dollar market, which deals in US dollars held in banks outside the United States. Several forces have boosted this market; the most obvious is that the continuing United States balance of payments deficit has caused non-residents to accumulate dollar claims. For various reasons, such as the higher interest rates obtainable, holders of these dollars have, instead of

maintaining deposits with US banks or investing in American securities, preferred to deposit them outside the United States, frequently in London.

In 1969 and 1970, the US monetary policy exerted a major influence on developments in the Euro-dollar market. Tight US monetary conditions, together with Regulation Q, which prohibited US banks from competing for deposits on an equal footing with other institutions, caused them to step up their borrowings elsewhere, mainly from their branch offices in Europe. In the first half of 1969, the liabilities of US banks towards their foreign branches rose from about \$7,000 million to \$14,000 million, and the size of the Euro-dollar market increased by about \$8,500 million.

Strain Relieved

The expansion of the Euro-dollar market began to slow down during the second half of 1969. Borrowing by US banks in the Euro-market was restricted in September, 1969, by reserve requirements on liabilities towards foreign branches above the average amount outstanding in May, 1969. Also the abolition from June 24, 1970, of Regulation Q for 30 to 89-day large-denomination Certificates of Deposit enabled US banks to compete more effectively for deposits at home, thus reducing their recourse to the Euro-dollar market. As a consequence, liabilities of US banks to their foreign branches fell to about \$9,000 million in November, 1969. Recently the FED has even taken measures to prevent US banks from decreasing their Euro-dollar borrowings too much. In general, the easing of monetary conditions in the USA relieved the strains in the Euro-dollar market and lowered interest rates. Likewise, the growth of the volume of the market slowed down; in the second half of 1969 and the first half of 1970 the market's size increased by about \$40,000 million (as estimated by the Bank for International Settlements; if US dollar deposits held in Canadian banks, which are not included by the BIS, are included, the total would rise to \$45,000 million). But this is only the dollar component of the market. Deposits in other currencies, notably West German D-marks and Swiss francs, held at banks outside the country of origin of the currency, are also important, and are estimated at \$8,000 million, which brings the total volume of

the Euro-currency market to well above \$50,000 million.

Part of the Euro-currency market takes the form of negotiable Certificates of Deposit, introduced by London banks. The total amount is now about \$4,000 million. The outstanding CD's mostly have maturities of up to one year, as have the deposits, but there have been few issues of longer term maturities. Apart from their negotiability — for which London maintains a secondary market — CD's differ from the normal bank deposits in that they are of smaller denominations; the minimum amount of short-term CD's is \$25,000 and of medium-term issues \$10,000, which makes them attractive for smaller investors.

II

NEW BANKING INSTRUMENTS

During 1970, various new instruments were introduced into the international money market. One of these is the so-called Euro-commercial paper, i.e. promissory notes issued directly by business companies. The interest offered is 1/4 per cent over the inter-bank Euro-dollar deposit rate, which for the issuing company is still cheaper than bank credit. The amount outstanding is as yet small, although the potential seems great. However, the quality of the issuing companies will be all-important for the future growth of the market, as is borne out by the difficulties that arose in the USA — where commercial paper is better known than in European countries — after the failure of several large companies. Another instrument serving the same purpose is the *acceptance credit*, which has recently emerged in the international market. In this case, bills of exchange denominated in dollars are drawn by an American company and accepted by a London merchant bank, a facility which has the advantage of a well-known London banking name as acceptor.

The various new devices used in the international money market originated in the difficult circumstances that prevailed during the past year. On the longer-term side of the international credit market, we encounter the same increasing differentiation in instruments, again as a reaction of borrowers to changing market conditions. The international market for longer-term loans, commonly called the *Euro-bond market*, although there are many non-European borrowers and investors, emerged largely because of the various measures taken by the US authorities to stem the capital outflow from the USA, such as the 1963 Interest Equalisation Tax and the

"guidelines" for US direct investments abroad, first introduced in 1965 and tightened up in 1968 when US companies increased their borrowings in international markets considerably, to a large extent by the issue of convertible bonds. Consequently, 1968 saw a record volume of issues floated on the Euro-bond market. In 1969, however, high interest rates, and depressed sentiment on the New York Exchange, often made it impossible for US companies to issue convertible bonds.

As regards the developments on the Euro-bond market, from a mere \$200 million in 1963, the total amount of new issues increased to over \$3,000 million in 1968 and 1969. In 1970, the volume of new issues slightly lagged behind 1969, because, again, interest rate developments and depressed stock exchanges did not create a favourable climate for the Euro-bond market. In 1970, however, the situation improved and the closing months showed high activity in the new issue market. Under the prevailing circumstances, the part played by American companies has relatively declined. In 1968, nearly 60 per cent of the amount issued was taken up by US companies, in 1969 and 1970 their share was down to 30 per cent.

Big Business Attracted

D-mark bonds attracted big business in 1969, but after the revaluation of the D-mark and rising interest rates in West Germany, they lost ground. In the course of 1970, the Dutch guilder came to the fore, as confidence in its position increased. The Dutch monetary authorities made the issue of bonds in guilders dependent on the following conditions: the maturity must be between three and five years; they should be exclusively placed with non-residents; the proceeds should be used abroad and a public offering is not permitted. The total amount of these privately placed guilder "notes" is now about Dfl. 1,500 million (\$400 million). They have been issued both by Dutch and foreign companies.

Falling prices in 1969 and 1970 made investors shy of long-term bonds; prospective borrowers consequently to a certain extent switched to medium-term bonds; in this respect the guilder notes also met the requirements of investors. Another device to overcome difficulties arising from falling bond prices was the introduction of *floating interest rates*. A good example was the issue by ENEL, the Italian state electricity concern, which in May, 1970, floated a \$125 million 10-year Euro-bond loan. The interest rate will be fixed every six months at $\frac{3}{4}$ per cent above the London inter-bank rate for six months' Euro-dollar deposits. The minimum rate in

this case will be $7\frac{1}{2}$ per cent; the debtor has the right of redemption at a relatively low penalty should the rate exceed 13 per cent. Such floating rate issues appeal to both the Euro-dollar and Euro-bond markets, because they are acceptable to banks for purchase for their own account — banks can always re-finance a purchase in the money market — and investors are to a great extent protected against capital loss in the event of rising interest rates. This explains why the loan could be so large at a time when \$ 25 million was the maximum that could be issued.

Floating Rate Notes

The ENEL loan has been followed by several other issues of floating rate notes, the "spread" — i.e. the interest to be paid above the inter-bank rate — varying between $\frac{3}{4}$ to $1\frac{1}{2}$ per cent. For the borrower, a disadvantage of the floating rate is that it introduces uncertainties into his planning. It can therefore be expected that the floating rate issue will be used more, especially in times of rising interest rates when it is difficult to attract money on conventional conditions.

We now come to issues denominated in European units of account — the value of which is dependent on 17 European currencies — and to loans with a currency option for the lender. An extension of the latter type is the European Coal and Steel Community loan to be denominated in so-called European money units. The value of EMU is based on the present exchange rates of the EEC countries, which will be guaranteed throughout the maturity of the loan. The investor can subscribe and receive interest and redemption in any EEC currency. This fits in with EEC plans for a monetary union in which exchange rate variations between members will ultimately be excluded. For the time being, the exchange risks seem to be too great for private borrowers to follow the ECSC example.

Between the short-term Euro-currency and the mainly long-term Euro-bond market, a sizable market for medium-term banking credits has arisen. These credits are mostly granted either by multi-national medium-term credit banks or by *ad hoc* syndicates of banks from various countries. The United International Bank Ltd is an example of the multi-national medium-term credit banks, which are mostly in London, and often have credit facilities from their parent companies in addition to their own resources. Moreover, they attract funds in the Euro-currency markets or in the medium-term Euro-bond market. In view of interest rate developments during the past few years, credits granted by multi-national banks

have, to a growing extent, been arranged on the basis of floating rates. These so-called "roll over" operations are usually based on the London inter-bank rate for six months dollar deposits. In many instances they take the form of standby facilities for several years on a six months revolving commitment basis; a commitment fee is charged on the unused part of the credit. The loans are mostly in dollars, although other currencies may be used, and some multi-currency loans are granted.

Ad hoc co-operation also exists between banks. In the case of very large credits, an international consortium of banks is formed to make the funds available. Recent instances are the seven year \$300 million loan to the Italian ENEL — coinciding with the previously mentioned Euro-bond issue — and the credit facility to the Dutch Philips Co. In the latter case, the consortium consisted of no fewer than 45 banks from the USA, Canada, Japan, the UK and European countries. The amount was \$250 million to be taken up in tranches of \$50 million in dollars or other Euro-currencies; the maximum is five years; the rate of interest will be fixed every three or six months at $\frac{3}{4}$ per cent above the London inter-bank dollar deposit rate.

Rapid Growth

The volume of this medium-term credit market has grown rapidly, partly because of the difficult situation on the Euro-bond market, which has compelled companies to seek other sources for their capital needs. In 1970, publicly announced medium-term credits amounted about \$4,000 million, but a further sizable total of such credit transactions was not made public.

Equities on the Euro-market should also be noted. A number of Japanese companies issued shares on the European capital market. Even more than with the Euro-bond market, where secondary trading has often posed problems, trading in shares on an international scale presents technical difficulties. The share issues have been mostly in the form of European or Curacao depository receipts, which can be bought and sold more easily than the original shares.

All this shows that the Euro-markets have been able to satisfy the growing international needs for capital. Co-operation between market parties enabled difficult situations that cropped up largely to be overcome. And co-operation has introduced new instruments, or new conditions, adapted to new circumstances. *These constructive developments have been stimulated by the Euro-*

markets freedom from government controls. Although national governments can influence participation by their own citizens, they have found it impossible to hamper the growth of the markets. In certain countries government policy between the international and the various national money and capital markets react on each other, and this may pose problems for national monetary policies. It must also be noted that the existing "Euro" money and capital markets are not the future European capital market, which the EEC authorities have been trying to establish for a long time by means of gradual liberalisation of stock exchange regulations, etc. The formation of such a European capital market is part of the Werner Plan for economic

and monetary union between the EEC countries. The 64,000 Euro-dollar questions are: Can a European capital market be set up and, in the light of the development of the international capital markets that I have described in this article, can an EEC capital market amount to much?

Sources and Acknowledgements: This article summarises a report in the latest Economic Review of the Dutch Bank Mees and Hope of Amsterdam, which is one of the eight founders of the new United International Bank in London. The BMH is, however, responsible neither for the emphasis of my summary nor for my comments, based on a variety of sources.

SDR Allocations

E.B. BROOK

VIENNA:

THE FUTURE allocations of Special Drawing Rights through the International Monetary Fund are causing some early debate over the next distributions which are not due till the next year when the Fund is committed to distributing a further 3 000 million dollars' worth of this new reserve asset, often known as "paper gold." The Bank has already distributed, in January 1970 and in January this year allocations amounting in all to about \$ 6,360 million. The next distribution will thus have brought a total of almost \$ 10,000 million (US) into international finance through this newly-designed form of government wealth.

It is scarcely surprising that the successful emergence of this new form of international finance and the large sums involved within a fairly short period should have aroused debate and dissent. Finance ministries and government bankers, despite the usually technical character of their functions, are not averse to expressing their opinions at length and, when their interests are affected frequently. Discussions among these financial centres over the nature of Special Drawing Rights and the size of allocations have been going on for some time and, although a final decision over the size of the next allocation and its distribution is many months ahead, the debate is already intense, a trifle irritating and very varying in the conclusions drawn. Special Drawing Rights have their critics as well as opponents on both sides of the Atlantic.

Generally speaking, the American

critics take up the attitude that Special Drawing Rights detract from the dominant position of the US dollar because they give other countries an alternative form of currency for borrowing and for financing some of their international commitments. The Europeans have been inclined so far to rebut this argument and to allege that Special Drawing Rights have resulted in the Americans themselves being less scrupulous about trying consistently to lower the level of their unfavourable imbalance in payments.

French Resentment

This persistent large balance-of-payments deficit which the USA fails to reduce disturbs not only the French, who resent the US dollar maintaining its role as the major reserve currency in international exchange when its value, according to Paris, is undermined by the US persistent payments deficit, but is regarded by others as threatening the stability of the present system of international finance itself. Since 1970s the volume of US dollars accumulating in the reserves of European central banks — a volume likely to increase for some time — has grown to such dimensions that European governments are beginning to fear that, instead of Special drawing Rights allocations, they might, by 1973, be obliged to accept the surplus dollars built up in deposits in their banks, deposits outside the USA which help considerably to keep the US balance of payments deficit at a consistently high level. The continued distribution of IMF Special Drawing Rights in 1972-73 at their present level of distribution would help to counteract the effect of the mountain of US dollars held

on deposit outside the USA, and mostly in Europe; any reduction in the size of their distribution would, for this reason, be harmful to Europe's interests.

As a leading international monetary planner, the Deputy Director-General of the Bank of Italy has argued recently that there would be two possible adverse results of a continued build-up of US dollar deposits in Europe combined with a reduction in the level of distributions of Special Drawing Rights. One would be that gold would again become the basis of the monetary system. If this were the case, the price of gold would have to be raised and thus, the dollar devalued. Since gold earns no interest, after a period of recurring financial crises, European countries and others would, in self-defence, begin converting their gold into dollars while its value was still high in order to earn interest.

Dangers of Reduction

The second probable results of a reduction in the level of Special Drawing Rights allocations, in the Italian banker's view, would be that the United States Treasury might suspend the convertibility of the dollar into gold, a move that would halt the European Monetary Union which the Common Market has just decided to adopt and do considerable damage to the Common Market and to its members individually. The US at present holds gold, on the basis of the official price of 35 dollars an ounce, worth \$ 11.07 billion, a bulk of gold that, if the dollar could no longer be converted into gold, would set up conditions leading to the disintegration of the Common Market which would have to resort speedily to the strictest exchange controls.

Many Common Market officials are coming to the opinion that they should begin permitting more flexibility between the dollar and their currency rates while, at the same time, limiting the permissible fluctuations among currencies of the members of the Common Market. The monetary integration now decided upon within the Common Market area involve European currency values in moving against the dollar by the full one per cent of their par values permitted by the International Monetary Fund rules. So far, the Market members have been making use of only 0.75 per cent margin either way and are discussing the possibility of reducing this to 0.5 per cent more or less for trading in Common Market currencies only.

The basic value of the IMF's Special Drawing Rights to both reserve and

other currencies is that an increase in SDR holdings represents a net increase in world reserves and absorbs no real resources. For this reason, the creation of more, and not fewer, Special Drawing Rights in 1972-73 would be the most telling way in which Europe could put pressure on the United States to correct its balance of payments deficit. An increase in interest rates offered

on additional SDR holdings would act as an additional pressure.

Some European central banks in the Common Market area have already exchanged some of the US dollars accumulated with them for Special Drawing Rights which the US treasury had to pay out in return. This tactic of insisting that the US redeem some of its dollar deposits against an equivalent

in "paper gold" may be Europe's solution for the financial indigestion the USA is at present causing it. For the Europeans the SDRs are an invaluable financial gambit, not least in persuading the USA to reduce its balance of payments deficit from the record level of \$ 9½ billion which it attained last year.

INTERNATIONAL FAIRS & EXHIBITIONS

Abroad—April-June, 1971.

**INDIAN EXHIBITION,
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—May, 1971.**

**5th BRITISH COLUMBIA INTERNATIONAL
TRADE FAIR, Vancouver (Canada)
—June 2-12, 1971.**

**SWEDISH INTERNATIONAL TRADE FAIR,
Gothenburg (Sweden)
—May 7-16, 1971.**

**TOKYO INTERNATIONAL TRADE FAIR,
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—April 16 to May 5, 1971.**

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The moving finger writes

Two FACTORS are apt to go against the party in power at election time; the first is the existence of serious public grievances and the second the ability of opposition parties to fix the blame for this on the party in power. In the case of the forthcoming general election in our country, the first condition is fully met. The public is aggrieved over many things. The high cost of living, unemployment, frequent shortages of essential commodities, inadequate housing, poor public health services, widespread corruption in administration and among ministers, the venality of political parties or men and women in public life and the disillusionment of the people with the levels of character and ability in governmental or public leadership and above all, the feeling of insecurity as regards internal law and order as well as our defences against foreign aggression, are all considerations heavily weighing on the minds of our people at the present time. Ordinarily, all this should go against the ruling party. Unfortunately, the second requirement, namely, the capacity of opposition strategy to cash in on this public discontent has so far not been convincingly demonstrated.

I should perhaps qualify this statement. In one state, namely Tamil Nadu, the opposition strategy of Mr Kamaraj appears to have been reasonably effective in exploiting public grievances against the ruling party in the state, viz., the DMK. Mr Kamaraj has no doubt been turning his guns simultaneously against the government at the centre but the main thrust of his campaign has been the DMK, and its government in Tamil Nadu. It is of course true that to the extent that he is successful in mobilising public opinion against the DMK on the crucial occasion of the actual polling he would also be dealing a blow at the party of Mrs Gandhi in Tamil Nadu. But, on a national scale it would still be true to say that the politicians or parties who are opposing Mrs Gandhi have not been

public grievances to the point of persuading the people that it is Mrs Gandhi and her government which ought to be blamed for their distress and discontents. This is the Achilles heel of the opposition electioneering, so much so Mrs Gandhi has even been able to plead in a plausible manner that it is just for the purpose of dealing more effectively with public grievances that she has taken the risk of a general election in the hope that she will be able to obtain an effective mandate to govern.

Mrs Gandhi has alleged that Mr N. G. Ranga was opposed to the establishment of a steel plant at Vishakapatnam whereas it was her government which, brushing aside such objections, did take the decision to put up the plant. Mr Ranga has denied the charge and since Mrs Gandhi is not the most truthful of persons, there is no reason why her word must necessarily stand against Mr Ranga's. What really matters, however, is not what Mr Ranga thought or said about the steel plant at Vishakapatnam but that Mrs Gandhi should have stooped so low as to try to make electioneering capital out of an economic policy decision which the central government had presumably taken in the normal course of administration and on the merits of the case. To go and tell the people of Andhra that, although Andhra leaders such as Mr N. G. Ranga were against the steel plant at Vishakapatnam, she in her generosity made the gift of a steel plant to Andhra Pradesh, is behaviour unbecoming of the Prime Minister of a country while electioneering for herself and her party. Some of us had always thought that the Prime Minister's decision on steel plants in the south, like so many of her decisions in economic matters, were politically motivated. Mrs Gandhi has now virtually confirmed that this was so.

Apart from a general grievance against Mrs Gandhi that she has been misgoverning the country and downgrading public life, values and stan-

in Tamil Nadu, have against her the specific complaint that she is doing great harm to Tamil Nadu and its people by making common cause with the DMK for her personal and political ends. Even during the short period the DMK has been in government, it has plumbed the depths of corruption in most of its forms. It has also threatened the culture of the Tamil people and has done its best (or, rather, its worst) to convert them into a tribe of mean and small-minded people, suspicious of the main-stream of national life and vulgarly boastful of a false exclusiveness. The ministers, legislators and party bosses of the DMK have soiled the public services in the state with their unprincipled excesses, while their leader, the Chief Minister, has all too frequently displayed fascist trends of character or temperament, threatening his political opponents or even dissidents in his own party with the police power of the government or the goonda forces of his political faction.

All this however has made no difference to Mrs Gandhi who has not hesitated to conspire and collaborate with the DMK to foist another term of DMK rule on the Tamil people mainly because she desperately needs allies in her bid for personal political power, no matter who these allies are or what their terms may be.

During his tenure as Minister for Industries in the years of Congress rule in Tamil Nadu, Mr R. Venkataraman earned a handsome reputation as a promoter of the industrialisation of the state. As a Member of the Planning Commission in charge of industries his record has been much less eventful or distinguished. He, however, seems determined to ensure that his stay in Delhi does not go entirely unremembered; hence, perhaps, his enthusiasm and activity in connection with the construction of a temple in the capital. It is certainly easier to house gods or goddesses than slum-dwellers or pavement-sleepers.

V. B.

Trade Winds

EXPORT PROMOTION COUNCILS

FOLLOWING THE recommendations made by the Board of Trade at its meeting held last month, the union government has set up an eight-member Committee, under the Chairmanship of Mr Bhagwan Singh, Additional Secretary in the Ministry of Foreign Trade, to review the work of the Export Promotion Councils.

The terms of reference of the Committee are : (1) To review the services extended by Export Promotion Councils to their registered exporters in terms of their functions, (a) at home and (b) overseas, with specific reference to enquiries received from foreign buyers; (2) to review the constitutional framework and administrative apparatus obtaining in Export Promotion Councils and to recommend revised criteria of eligibility for MDF support; (3) to review the lines of communication and relationships between EPCs and various departments of government; (4) to determine the role of EPCs vis-a-vis Trade Development Authority and Federation of Indian Export Organisations; (5) to determine the extent to which the EPCs can be invested with professionalisation in their management cadre and to suggest the responsibilities of the professional management vis-a-vis the elected office bearers; and (6) to determine the need to strengthen the financial status of EPCs and suggest the norms that should govern, (a) the size and quality of the organisational set-up, both in India and abroad, and (b) the sharing of various elements of expenditure between government and members of the council. The Committee consists of : Mr Bhagwan Singh, Additional Secretary, Ministry of Foreign Trade (Chairman); Mr G. L. Bansal, Secretary-General, FICCI, New Delhi : Member; Mr A. C. Banerjee, Executive Director, TDA : Member; Mr H. D. Shourie, Director General of Indian Institute of Foreign Trade : Member; Mr K. Eswaran, Easun Engg. Co. Ltd, Madras : Member; Mr B. Nehru, Director-in-charge, Tata Exports, Bombay : Member; Mr Subhash Mehta, Management & Marketing Consultant, New Delhi : Member and Mr S. K. Modwel, Deputy Secretary, Ministry of Foreign Trade, New Delhi : Member-Secretary.

The Committee will submit its

preliminary report within two months.

CASHEW CORPORATION

The newly set up Cashew Corporation of India has stepped up its export programme in respect of raw cashewnuts with a view to ensuring steady supplies to all factories in Kerala. Official circles in Delhi were confident that as a result of this, there would be no unemployment in the industry in the state. In effect the Corporation's programme is being so formulated as to ensure that cashew industry changes from a "seasonal" industry to a perennial one employing its workers throughout the entire year. The Corporation has been successful in establishing regular contacts with the Tanzanian National Agricultural Produce Board.

The position in respect of imports of raw cashew compares favourably with that of last year. During 1969-70, 163,000 tonnes of raw cashews had been imported. The corresponding figure for 1970-71 would be 194,000 tonnes, consisting of 115,000 tonnes imported during April-December 1970 and 79,000 tonnes shipped or to be shipped in January-March 1971.

A significant point about Cashew Corporation's operations in India is that the entire work of handling and distribution of raw nuts is being done directly by the Corporation without any intermediaries or agents.

COMMITTEE ON IRRIGATION

A thirteen-member Advisory Committee on Irrigation, Flood Control and Power Projects has been set up by the union government under the Chairmanship of the Secretary, Ministry of Irrigation and Power. The Committee has been set up in the context of the selection of new schemes for inclusion in the fourth and subsequent five year Plans. According to a Planning Commission resolution, the Committee will examine irrigation, power, flood control and other river valley projects proposed by the state and central governments and other authorities and advise the Commission and the Ministry of Irrigation and Power on the merits of individual projects. While work on some schemes may commence in the fourth Plan period, their implementation may spread over

the subsequent Plans. The Committee will examine whether the schemes have been prepared after detailed investigations, whether they are technically sound, and if the estimates are complete and correct. It will scrutinise whether the financial forecasts and the estimates of benefits to be derived are based on accurate data.

L.I.C. COVERS BANK DEPOSITORS

The Life Insurance Corporation is introducing a new scheme under which a bank account would confer two advantages on the depositor—saving and insurance cover. The scheme to be introduced this year, will provide life insurance cover to holders of small savings accounts in banks. In the event of death of a depositor, aged up to 40, twice the amount of the deposit would be paid as death benefit. For depositors between 41 and 49 years, an amount equal to the deposit will be paid.

EXPORT OF OILCAKE

There is substantial scope for expansion of oilcake exports. The USAID sponsored "Survey of India's Export Potential of Oilcakes," conducted jointly by the University of Bombay and Operations Research Group of Sarabhai Management Corporation Ltd, suggests, among other things, setting up of an export promotion council for oilcakes, increased supply of the raw material, revival of forward trading in oilseeds, reduction in freights and increased cash compensatory support to achieve the objectives. It has been estimated that foreign exchange earnings from the export of groundnut cake can be increased from Rs 32.7 crores in 1969-70 to Rs 60 crores in 1972, Rs 66.6 crores in 1974 and Rs 72.6 crores in 1976. Exports of cottonseed cake can be raised from Rs 4.7 crores in 1969-70 to Rs 20 crores in 1976.

GRESHAM AND CRAVEN

The union government has ordered full and complete investigation into the circumstances leading to the closure of Messrs Gresham and Craven of India (Private) Limited, Calcutta. The factory was engaged in the manufacture of the railway rolling stock. The investigation has been ordered under Section 15 of the Industries (Development and Regulation) Act of 1951 and the investigating body has been asked to report within ten days. The investigating body is headed by Mr A. Bose, Special Officer and ex-officio Secretary, Commerce and Industries Department, Government of West Bengal. There are two Members : Mr J. Matthan, Director, Mechanical Engineering (Production and Deve-

lopment), Railway Board and Mr M. P. Wadhawan, Director (Finance), Hindustan Steel Ltd, Ranchi. The government's order issued on February 9, 1971 states that it has come to the notice that the volume of production of the articles manufactured in the Gresham and Craven of India (Private) Ltd had been gradually going down and the production has now come to a standstill consequent upon the closure of the said factory by the management. The order adds that it is expedient to take urgent measures to remedy the situation arising out of the closure of the factory and to ensure that production does not suffer to the detriment of the public interest.

U.N.D.P. MEET

A two-week global meeting of resident representatives of the United Nations Development Programme (UNDP) was convened in New Delhi by UNDP Administrator, Paul G. Hoffman. The meeting, inaugurated on 15 February by the Vice-President of India, Mr G.S. Pathak, and brought together some 200 officials of the United Nations family of organizations for detailed technical discussions. The officials include the 94 resident representatives who co-ordinate and supervise the planning and implementation of pre-investment project in more than 130 countries assisted by the UNDP. Representatives of some 15 international organizations, including the World Bank (IBRD), the Food and Agriculture Organization (FAO), the World Health Organisation (WHO), the International Labour Organisation (ILO), and the United Nations Educational, Scientific and Cultural Organization (UNESCO), as well as other major international aid programmes such as the World Food Programme (WFP) and the United Nations Children's Emergency Fund (UNICEF) also participated in the meeting. The total number of major projects receiving UNDP support has now risen to 1363 at an overall estimated cost of \$1305.5 million to UNDP and the equivalent of \$1882 million to the recipient countries. India has the largest programme with 59 projects for which the UNDP is contributing just over \$57 million and the government the equivalent of \$129 million.

EASUN EXPORTS ELECTRICALS

Easun Engineering Co Ltd exported nearly Rs 3.5 crores worth of electrical engineering equipment and services within two years of their export drive. A member of the Easun Group, Easun Engineering, is one of India's leading electrical engineering organisation and a government-recognized "export house". The Engineering Export Promotion Council recently honoured the

company in recognition of its outstanding export performance during the year 1969-70. Recently Easun Engineering exported to Malaysia, the first high voltage class of transformers ever exported from this country. Easun has been executing export orders for Hackbridge-Hewittic and Easun (HHE) power and distribution transformers to South America, Tanzania, Kuwait, Sudan, Trucial States and Uganda. It has supplied Easun Ottermill switchgear to Malaysia and is also currently executing transmission line contract work at Kuwait valued at nearly Rs 2 crores. Easun's equipment and services have gained a reputation for the good quality workmanship adjudged by the world's leading consultants and inspecting authorities.

GHANA INTERNATIONAL FAIR

The visiting Indian businessmen to the Second Ghana International Trade Fair opened on February 1971, in Accra, have made retail sales of a variety of Indian goods such as laces, flasks, silks ties and sarees, worth more than Rs one lakh and have received trade enquiries for engineering items consumer products, textiles, transistors, PVC cables, stainless steelware, office equipment and stationery etc. worth about Rs 14 Lakhs, in the first six days. There are also good prospects for industrial collaboration in various fields. Several Cabinet Ministers of the Ghana government paid special visits to our pavilion and expressed keen interest, particularly in engineering equipment, and greatly appreciated our display.

U.S. ASSISTANCE FOR PESTICIDE

The University of Udaipur launched recently a research project to study the possible adverse effects of the application of insecticides on five important crops. The project, supported by a United States government grant of Rs 3.85 lakhs will seek to find whether the insecticides affect the germination of seeds, whether they are absorbed by plants and stored in seeds and tubers, and what portion of the insecticides continues to stay in the soil as residue. The research is an offshoot of the world-wide concern over the possible danger of pollution of the environment resulting from pesticides.

ROLLS-ROYCE

Layoff of upto 6500 Lockheed-California Company employees in the wake of the financial difficulties of Rolls-Royce, British builder of the engines for the new Lockheed Tri-Star jetliner, was announced in California by President Charles S. Wagner. Most of the layoffs will be effective soon. "It is with deepest regret that we must lay-off many loyal employees who have

worked so hard to make our programme succeed," Mr Wagner said. The Lockheed California Company President, explained that it was necessary to curtail production of the L-1011 Tri-Star pending resolution of the problems connected with Rolls-Royce's announcement that it could not make the scheduled deliveries of the RB.211 engines for the new wide bodied jetliner.

MANAGEMENT CONVENTION

In her inaugural address at the National Management convention sponsored by the All India Management Association in New Delhi recently, Mrs Indira Gandhi referred to the responsibility of professional management in the context of the social change in the country. She said, it meant working for the objective of achieving a 'social basic minimum' for every individual. Unless this was attained, there could be no stability. About 1,000 delegates representing the managerial and executive cadre of the government, industry, both public and private and the armed forces took part in this three day convention. Mrs Gandhi's address was read by Mr D. Sanjivayya, union Minister for Labour and Social Welfare, in her absence.

RAGI OUTPUT : 1970-71

The first all-India estimate of Ragi has put the current year's area under this crop at 2,065,800 hectares. According to the Directorate of Economics & Statistics, union Ministry of Food, Agriculture, Community Development and Co-operation. This year's estimate shows an increase of 8,500 hectares or 0.4 per cent as compared with the corresponding adjusted estimate of 2,057,300 hectares for the year 1969-70. The increase in area under Ragi during the current year has been mainly in Tamil Nadu and Uttar Pradesh and is attributed to favourable weather conditions at the sowing time. This increase has, however, been offset to some extent by a decrease reported from Mysore. The present estimate does not cover the entire area sown under Ragi crop during 1970-71. Past experience has shown that the area at the first estimate stage forms roughly 85 per cent of the area under the crop finally reported.

NAMES IN THE NEWS

Mr B. Sivaraman, retired Cabinet Secretary to the Government of India, has been appointed Vice Chairman of the National Commission on Agriculture. Till a full time chairman is pointed (in place of Mr C. Subramaniam who had resigned), the Vice Chairman will carry on the duty of the Chairman of the Commission.

Company Affairs

INDIAN OXYGEN

MR N. Dandeker, Chairman, Indian Oxygen Ltd, told the shareholders at the annual general meeting held recently that the revival in the economy was reflected in the company's performance for the year ended September 30, 1970. Its turnover was recorded at Rs 17.37 crores, nearly 10 per cent more than last year's turnover of Rs 15.86 crores. He added that company's efforts to expand and diversify its export sales also continued so that export turnover for the year was 43 per cent more than in the previous year. The company exported nitrous oxide, argon and other industrial gases and electrodes to several countries in South East Asia, West Asia, and east Africa. The company also exported a number of its popular anaesthetic apparatus to Burma and a small quantity of manual arc welding electrodes to the UK.

Mr Dandeker indicated that profit for the year, after providing depreciation of Rs 83.48 lakhs, amounted to Rs 1.90 crores as against Rs 1.52 crores a year before. This increase in profit was a reflection of increased turnover. The chairman pointed out that a sum of Rs 1.14 crores was provided for taxation. A sum of Rs 3.50 lakhs was transferred to development rebate reserve but a sum of Rs 13 lakhs was brought back and was released from this account. A sum of Rs 1.22 crores was transferred towards general reserve out of which a dividend of 14 per cent was proposed to be distributed subject to deduction of tax against 12 per cent paid a year before. During the year the company made a repayment of Rs 78 lakhs against the medium term loan granted by Punjab National Bank and a sum of Rs 4.50 lakhs was repaid to the British Oxygen Company Ltd against loan received from them. Mr Dandeker pointed out that company has received a licence to manufacture open arc continuous electrodes at Ambattur factory, but several other applications for industrial licences were still pending with the government. He also indicated that the company's application for approval by Joint Research Agreement with the British Oxygen has not received the consent. The proposed agreement would make available to the company the full range of technical know-how expertise of British Oxygen for a nominal contribution towards

the actual expenses they incur on research and development. In the absence of this agreement the company is now not entitled to receive free and full technical collaboration from British Oxygen which may make it necessary for the company to spend large sum on research and development project. He hoped that the government would pay due consideration to this application.

A.C.C.

Mr N.A. Palkhivala, Chairman, The Associated Cement Companies Ltd, stressed the fact that consumption of cement along with that of steel is an index of development. While addressing the shareholders on the annual general meeting held recently, he added that the annual rate of growth of demand of cement in this country has been stable around 10 per cent. The projections of demand for the fourth Plan range from 18 million tonnes to 21 million tonnes. He pointed out that even this demand would be quite low in terms of international comparison. The potential demand, he added, has been enormous but a great sense of urgency was required to meet it and to make a crash programme a success. Mr Palkhivala stated that the industry has been geared to produce as much cement as would be required but it was hobbled by lack of finance in addition to the licensing and 'monopoly' restrictions. Financial stringency will further aggravate the problem.

The chairman stated that the company has been able to maintain the dividend at a steady rate of 12 per cent, even by dipping into the reserves, for the last few years. While capacity, production, sales and realisations have been high every year, the net profit has been declining as a result of price control, because increased costs due to government action have not been recompensed in full. Even inadequate adjustments have been granted very late. In advanced countries the companies, he pointed out, increased their profits by increasing prices to offset increased costs. Secondly they expanded production so that unit costs were reduced by the economies of scale. Thirdly by diversification into new products which might be allied to the existing lines or something entirely new, where the return on the capital employed was higher. Fourthly, by mergers, acquisitions or forming conglomerates. And lastly, by intensive and rigid cost con-

trol and production. None of these avenues, he pointed out, except the last one was freely available to this company. Cost reduction has been a continuous exercise with the ACC, he said.

I. C. I. C. I.

At a meeting of the board of directors of the Industrial Credit and Investment Corporation of India Limited (ICICI) held recently, the audited accounts for the year ended December 31, 1970 were adopted. Net profit after providing for depreciation, doubtful debts and taxation was Rs 168.26 lakh as against Rs 160.39 lakhs last year. The directors have decided to recommend a dividend of 10 per cent subject to deduction of tax, as against nine per cent subject to deduction of tax last year on ordinary shares.

SIEMENS

SIEMENS India Ltd has proposed an equity dividend of eight per cent for the year ended September 30, 1970. This decision came on the eve of the company's equity and debenture issues proposed for March 1971. The company's total income has increased to Rs 25.03 crores from Rs 20.31 crores. Its working has resulted in a gross profit of Rs 2.21 crores compared to Rs 0.76 crores in the previous year. After adjustments and providing Rs 94 lakhs for depreciation, Rs 36 lakhs for development rebate reserve, Rs 6.6 lakhs for doubtful debts reserve, the net profit worked out to Rs 89 lakhs. After adjusting carried forward losses of Rs 12.32 lakhs, the balance of Rs 76.68 lakhs has been transferred to general reserve from which dividends amounting to Rs 9.60 lakhs will be paid subject to tax. The directors expected a further rise in the turnover for the business year 1970-71 and given normal circumstances, a far return on investment could be expected by shareholders.

STATE BANK OF BIKANER

The State Bank of Bikaner and Jaipur has made a net profit of Rs 7.48 lakhs for the year ended December 31, 1970, as against Rs 17.92 lakhs during the previous year. The board of directors have decided to transfer Rs 1.50 lakhs to reserve fund. A sum of Rs 40,000 has been transferred to Staff Welfare Fund. A dividend at the rate of seven per cent, subject to tax, will absorb Rs 5.60 lakhs and an amount of Rs 2,000 has been carried over for the next year.

CANARA BANK

The working of Canara Bank during 1969 has resulted in a profit of Rs 55.36 lakhs compared to Rs 44 lakhs

in the previous year. The profit for the period January 1, to July 18, 1969, has amounted to Rs 21.19 lakhs and for the period July 19 to December 31 to Rs 34.17 lakhs. During the year the bank's deposits increased from Rs 146 to Rs 185 crores, advances from Rs 97 crores to Rs 125 crores and credit to priority sectors from Rs 17 crores to Rs 35 crores. The number of branches increased from 302 to 368 and the number of deposit accounts from 1.04 million to 1.33 million.

BAYER (INDIA)

Bayer (India) Ltd proposes to set up a plant for TDI (toluene-d-isocyanate) which is used for the manufacture of polyurethane foams. This TDI plant will be very important to India since polyurethane foam can replace latex foam, which up to now is made from natural rubber latex. As natural rubber can be substituted by the new product, a considerable quantity of it will be available for meeting the increasing demand of the tyre and rubber industries. An application to manufacture TDI has already been made last year and a letter of intent is expected in the near future. Meanwhile two experts from Bayer's headquarters in Leverkusen, Dr H. Boeker and Dr A. Mitrowsky, have come to India to help the company in launching the plant. Bayer is the pioneer of the polyurethane chemistry and is presently setting up TDI plants in different parts of the world. Bayer is also the world's largest suppliers of TDI at present.

EXCEL INDUSTRIES

The subscription list of the public issue of Rs 46.55 lakhs in equity shares of Rs 10 each by Excel Industries Ltd will open on February 24 and close on March 6 or earlier at the discretion of the directors but not before February 26. The entire public issue has been underwritten. The present issue is for Rs 50 lakhs of which shares of Rs 3.45 have been reserved for working directors and employees. The company has been issued an industrial licence to manufacture elemental phosphorous. The plant is being set up with an installed capacity of 2,500 tonnes per annum at Bhavnagar in Gujarat. Trial runs are expected by May and commercial production by October 1971. The capital outlay on the project is estimated at Rs 1.60 crores, of which Rs 26 lakhs have already been spent on setting up the plant. The balance finance will be met by fresh capital (Rs 50 lakhs), loan from the ICICI (Rs 11.80 lakhs) bank borrowings (Rs 40 lakhs) and internal resources (Rs 32.20 lakhs).

Mr G.C. Shroff, chairman, indicated recently that the proposed shares rank for dividend from the financial year beginning from October 1, 1970 on a pro-rata basis. The company's net turnover for the year ended September 30, 1970 was Rs 3.06 crores. For the first four months of the current year the turnover has amounted to Rs 1.29 crores compared to Rs 82 lakhs in the same period of the previous year. The chairman has said that the company will be able to sell at the landed cost of the imported phosphorous.

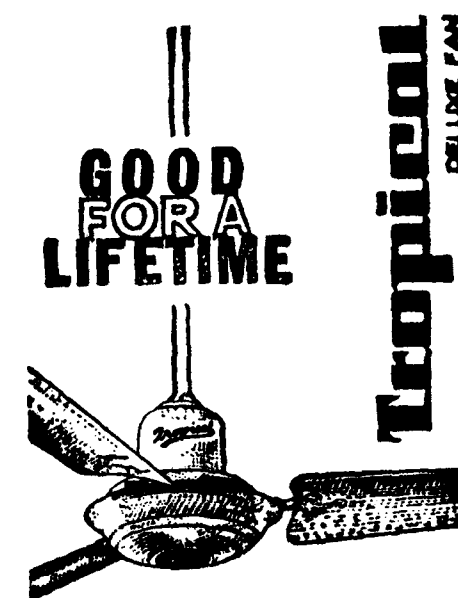
TOSHIBA ANAND BATTERIES

Toshiba Anand Batteries Ltd entered the capital market on February 15, 1971 with a public issue of Rs 21.87 lakhs comprising 92,700 equity shares of Rs 10 each and 12,600 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each, offered at par. The subscription list will close on February 25 or earlier, but not before February 17. The entire public issue has been underwritten. The existing paid-up capital of the company amounts to Rs 21.78 lakhs (Rs 16.88 lakhs in equity and Rs 4.90 lakhs in preference) out of the total authorised capital of Rs one crore. The present issue amounts to Rs 45.97 lakhs (Rs 33.37 lakhs equity, Rs 12.6 lakhs preference). Of this, Kerala State Industrial Development Corporation has been given equity shares worth Rs 4.6 lakhs, Messrs Toshiba, Toshiba Ray-O-Vac K. K. (Japan), and Kanematsu Goshu, the three Japanese technical and financial collaborators have been allotted shares worth Rs 13.65 lakhs, Rs 3.75 lakhs and Rs 2.10 lakhs, respectively. The balance of equity shares worth Rs 9.27 lakhs is offered to the public. This company proposes to manufacture and deal in dry batteries and cell of all types and other accessories and materials directly or indirectly required for the manufacture of dry batteries and cells. The company will be manufacturing for the first time in the country tin-jacket fully leak proof dry cell batteries instead of conventional paper-jacket dry cell batteries. The factory is located near Ernakulam.

HINDUSTAN BREWERIES

Hindustan Breweries and Bottling Ltd proposes to enter the capital market towards the end of this month or early next month with a public issue of Rs 12.25 lakhs in equity shares of Rs 10 each. The company has plans to set up a brewery plant of 25,000 bottles of beer per day capacity at Thana near Bombay. The company's authorised capital is Rs one crore (Rs 75 lakhs in equity shares of Rs 10 each

and Rs 25 lakhs in 25,000 cumulative redeemable preference shares of Rs 100 each). The issued, subscribed and paid up capital is Rs 12.75 lakhs. The proceeds of the present issue will be utilised for providing a part of the finance for acquiring the fixed assets, construction of an additional factory building and installation of a brewery plant with a capacity of 25,000 bottles of beer per day. A part of the factory building is ready and construction of additional factory building is due to commence shortly. Orders have already been placed for the brewery plant. Production is expected to commence in September 1971. Messrs Turcon India Private Ltd, have been appointed technical advisers and turn-key contractors for the project. They will be paid a total fee of Rs five lakh by way of 50,000 equity shares of Rs 10 each fully paid up. The capital outlay on the project is estimated at Rs 74.24 lakhs, which will be met by share capital (Rs 25 lakhs), borrowings (Rs 46.24 lakhs) and deferred payments (Rs 3 lakh). The company expects to produce about 15,000 bottles per day to start with and output will be raised to about 18,000 in 1972, to about 23,000 in 1973 and 25,000 thereafter. The main raw material for the brewery, namely malt, is readily available.



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ADVERTISER'S ANNOUNCEMENT

For a Prosperous Tomorrow

India today faces many problems. The main problem is the abysmal poverty of the people. Vast millions of her population live at a very low living standard.

Agricultural production lags much behind in the race with population. Industrial growth is tardy and too far below the needs of the people. Even existing industries do not work at their installed capacity.

A low rate of industrial growth and a surfeit of agricultural employment have resulted in large-scale unemployment, as the rapid population growth remains unchecked.

Heavy taxation, spiralling prices and all pervasive controls and restraints, coupled with administrative inefficiency and corruption and political slogan-mongering, have put the country's economy into a strait-jacket of stagnation and decline—heading towards disaster.

The country is getting continuously poor. Social tensions and industrial unrest are spreading. No wonder law and order are going to pieces.

We emphatically believe the nation has the abilities, talents and resources to be prosperous. We can still assure the people an expanding standard of living which will improve the goodness of their life by making available to them the facilities, amenities and enjoyments of modern life. We members of different political parties are confident that this can be achieved. This is the affluence which USA and the war-devastated countries of Europe, and Japan have already achieved. The Communist countries, including the Soviet Union, are striving for it but they have failed to reach this standard so far because of their confused policies.

We want to banish poverty and make the people partners in prosperity. The need today is for correct policies to be followed—policies that would give a scope to and open up the vast untapped capacities of the people to build up a prosperous tomorrow. We are confident of achieving this goal if the people are given the necessary opportunity.

The opposition is often charged with lack of policies and programmes. The policies and programmes are herein described and commended to the nation. There are many more who subscribe to these but they are busy at present in their constituencies.

CANDIDATES FOR LOK SABHA

Shri Digvijay Narain Singh (Cong O)
Shri D. K. Kunte (BKD)
Shri N. Dandekar (Swat)
Smt Tarkeshwari Sinha (Cong O)
Shri D. N. Patodia (Swat)
Dr Karni Singh—Maharaja of Bikaner (Indep)
Shri Bhanu Prakash Singh—Maharaja of Narsingarh (J S)
Shri Bhupal Bose (S S P)
Rajmata Gayatri Devi of Jaipur (Swat)
Shri P. K. Dev of Kalahandi (Swat)
Shri Kamalnayan Bajaj (Cong O)
Dr R. K. Amin (Indep)
Shri Ramnath Goenka (Indep)

Shri Prabhudayal Himatsingka (Cong O)
Shri Surendra Tapuriah (J S)
Shri M. L. Sondhi (J S)
Pundit Shiv Sharma (J S)
Shri Manabendra Shah—Maharaja of Tehri Garhwal (Indep)
Shri K. P. Singh Dev (Swat)
Shri R. R. Singh Dev (Swat)
Shri Hiralal Somani (Swat)
Rajmata Krishna Kumari of Jodhpur (Indep)
Shri H. P. Nanda (Indep)
Shri P. G. Pani (Cong O)
Shri N. K. Somani (Swat)
Shri J. N. Rath (J S)
Shri Biswanth Jhunjhunwala (Swat)
Shri Manikya Bahadur—Maharaja of Tripura (Indep)

Shri S. S. Vedak (Indep)
Shri Hamid J. Dalvi (Indep)
Shri Virendra Agarwala (J S)
Shri Meethal Meena (Swat)
Shri J. P. N. Singh—Raja of Maksudpur (Janata)
Shri B. N. Das Gupta (Bangla Cong)

MEMBERS OF PARLIAMENT (RAJYA SABHA)

Dr C. D. Pande
Shi Dahyabhai Patel
Shri Suresh Desai
Shri M. K. Moha
Shri Loknath Misra
Shri Niranjan Verma

Plan For Prosperity And For A Prosperous Tomorrow

India today faces the most critical times. On the people devolves the historic responsibility in this election to preserve their nascent democracy and protect the very sovereignty of the country. If they fail, this may come to be the last opportunity when they exercise a free franchise.

That the Congress Party is working

in an authoritarian manner is becoming more and more obvious. Their plea for a committed bureaucracy and a committed judiciary, their instigating different sections of the people against one another, their desire to tamper with the fundamental rights guaranteed by the Constitution, their utilising the tax-collecting, CBI and other machinery of the Government for intimidating citizens and amassing huge corrupt gains are signs of authoritarianism. While the Press is sought

to be muzzled in a number of ways, the All India Radio has been made the subservient hand-maid of the ruling party. All forms of dissent are sought to be suppressed and attempts are made even to override the Parliament and belittle its prestige and supremacy.

Failure Of The Present Government

The Government has completely betrayed the confidence which the

nation reposed in it. The country is on the brink of a state of utter lawlessness and fast approaching chaos and anarchy. Violence runs rampant in the streets of metropolitan towns, in industrial establishments and in University campuses. Large sections of the people in the country live in constant fear and terror. Crime is sought to be justified by imparting a socio-economic content to it.

The economy is in shambles. Though the country has every potential of being prosperous, its rate of growth in per capita real income is one of the lowest in the world. Even the neighbouring countries enjoy a higher per capita income and better living standards than India. Singapore's per capita income is ten times that of India, Japan's twenty times and Australia's thirty-three times. While India's per capita income rose during the last ten years by 4%, Japan's rose by 210%, Australia's by 87% and Singapore's in only 5 years, by 50%. In real terms, the per capita income today is less than what it was in the thirties under British Rule.

Twenty-five years of rule has made India one of the poorest countries of the world. The unemployed, partially unemployed and seasonally unemployed run into the staggering figure of more than 150 million persons. In the last few decades, prices have risen by more than ten times and the inflationary spiral still goes on unchecked. Additional taxation to the tune of Rs 25,000 crores has been imposed in these years on an impoverished people. The foreign indebtedness of the country recklessly expanding to Rs 7,000 crores has mortgaged the future generations of the country till well nigh into several decades of the next century.

A country without economic strength commands no respect in the community of nations. A beggar country which cannot feed its population or could not defend itself against aggression by China is an object of international pity. School children in other countries skip over their mid-day meal as a gesture to help the starving millions of our country.

The disastrous policies followed so far have thrust the nation deep into the mire of frustration and distress. People tired of their dismal surroundings have become cynical and have lost faith in all politicians and ideologies. Disruption and disintegration loom large. The nation is drifting into a climate of uncertainty and insecurity,

fear and terror—a climate favourable to the partisans of dictatorship.

To restore faith and hope to the people should be our first task.

What The Congress Party Has To Offer!

Faced with the failures of a bankrupt policy, the Congress Party has taken recourse to purveying loud slogans of pseudo-socialism. The ignorant masses are made to believe that the culprit was somebody else and the millennium will now commence by the magic wand of socialist slogan-mongering. But the Congress Party has to offer for the next five years the same as before—more and more taxes, spiralling prices, widespread unemployment, more industrial unrest, more nationalization and inefficient wasteful public undertaking and more interference with the life of the people.

Socialism pre-supposes production in plenty and its equitable distribution. But the Government policy devises new impediments to production at every stage and discourages fresh investment and savings. While millions and millions go without the basic necessities of life such as nourishment, shelter, clothes, education and medical care, the Government gives top priority to the small car project and the people's television set.

While they talk of social justice in the name of the people they conveniently forget that the inflationary rise in prices and the stagnation in production are most unjust to the poorer sections because they hit their low living standard more.

Our Way

We are determined to build a prosperous India—an India which will not only provide the basic essentials of civilised life to every man, woman and child in the country but will make them partners in prosperity.

The production in the country will be immensely multiplied to meet the demands of a population of 100 crores by the end of the century. India will then have to produce and consume annually 750 million tons of steel, about 4,000 million tons of oil, about 40 million motor cars and 10 million trucks. It is possible that by the end of the century some alternative fuel may be discovered. The annual cloth production will have to increase to 50,000 million yards. Corresponding increases in the production of cement, paper, drugs and medicines and capital goods will have to be achieved. The

target should be for every individual to have an income of Rs 25,000 per year and for every family Rs 50,000 per year. Those below the limit of Rs one lakh per family in assets should be considered as paupers. Every family will be provided with a home and a car. This huge production will be necessary to ensure to the nation after thirty years a standard of living which the Western nations are enjoying today.

There is no doubt we can create this huge wealth for the vast population. Modern technology puts no limits to production. Large scale moderately priced production will set a chain reaction of increased demand being met by expanding production. The vast population, hungry for goods, must be turned into an asset of an unlimited consumption market and an efficient working force.

Instead of the confused industrial policies of the present Government which has politicalised and thus gravely handicapped the economic process, we shall provide the correct framework of incentives within which the energies, abilities, resources and expertise of all sections of the people will be developed unhindered to the fullest extent.

Instead of making the people more and more dependent on the Government and authority we shall encourage personal responsibility and individual initiative, which have always made nations great. We shall invite the participation of all people in the massive adventure of production for 550 million persons, who will be 1,000 million by the end of the century.

We shall provide educational opportunity to every child, comfort to the needy and the aged and gainful employment to all the able-bodied and while adequately saving and investing for the morrow progress towards a fuller life.

We shall build up a society where people will not subject themselves to passive fatalism out of a sense of frustration and defeatism but will look forward with hope and aspiration to material advance which in its turn will foster the deeper spiritual values that have been the heritage of this country.

We shall provide honest Government based on democratic values and rule of law—honest to the Parliament, honest to the Press and honest to the people.

We will preserve the fundamental rights guaranteed by the Constitution.

We believe erosion of any such right will later on lead to the extinguishment of all fundamental rights and denial of the basic liberties which form the corner-stone of a modern civilised State.

We shall build up an India of which not only its citizens will be proud but which by contributing to peace and progress in the world will evoke the respect of other nations.

The Programme

Instead of moving from crisis to crisis as the present Government does, we shall lay down a long-range policy which will assure the people and inspire them to contribute to the rapid progress of the country.

The crux of the economic problem in India is that we spend so little because we can afford so little. There is a vicious circle of low incomes, low demand, low savings, low investment and low employment. The policies of the present Government can produce only a declining economy on a low gear. Our policy will be to make the people and the Government work harmoniously and purposefully together to create new massive national wealth and prosperity.

The foundation for a happy life for every family, can be laid only on the creation of more and more wealth.

Food And Farming

Our first priority will be to provide food for all our people.

We shall bring the benefits of science and technology to agriculture by providing cheap electricity, water, fertilizers, machines and technical know-how to the farmer so that production is multiplied and the large agricultural community is enabled to make a substantial contribution to the economy. Unless we put our agriculture on a scientific basis and run the farms like an industry, we shall not be able to feed our vast growing population. We shall provide liberal credit facilities to the farmer so that he can buy better seeds, fertilizers, pesticides and machines for farm operations. Necessary training will be imparted to the farmers for the purpose.

We will abolish land revenue absolutely and will try to consolidate fragmented holdings. We will not reduce the size of farm holdings and make them uneconomic. We will assure a fair price to the cultivator for his produce. We will take steps to check the

large-scale erosion of valuable top-soil due to floods and other factors.

A Home For Every Family

In a tropical country like India house building for the masses will not be very expensive. So few houses are, however, being built every year. Our endeavour will be to build five million houses every year, to begin with, from the indigenous raw materials, so that in the next twenty years, progressing to ten million houses every year, every family will live in home of its own.

Our task will be three-fold : (1) to house the homeless and to concentrate on slum clearance, (2) to protect tenants and to provide them with houses with better amenities and (3) to bring about a great increase in home ownership.

We will give liberal loans for house construction both in the urban and rural areas. We will give direct encouragement to cooperative housing societies and other voluntary organisations and incentives to industrial concerns to build housing colonies for their staff and workers. For this purpose we shall establish a Union Housing Authority who will give a long-term low interest loan of up to Rs 25,000 to any person desiring to construct a house.

We shall provide every village with roads, water supply, drainage, sewage, electricity, educational, medical, amusement and entertainment facilities. We will also ensure that every major village has one factory where people can locally find jobs instead of migrating to the cities.

By providing cheap electricity, pucca houses and roads in a planned layout, we will beautify the villages and endow them with modern amenities, so that the residents will enjoy their stay there and not join the exodus to the cities. We shall be able to provide these facilities with rising incomes.

A large building construction programme while satisfying the cherished wish of many families to have a home of their own will open up vast possibilities of employment. It will also generate a huge demand for building materials which again will give a fillip to many industries.

Employment

In a belated move, the Government have appointed a Commission to report on the grave unemployment situation in the country.

The number of totally unemployed,

partially unemployed and seasonally unemployed persons in India is estimated to be between 100 and 150 millions. In the last 25 years of Government, jobs in factories have multiplied to the extent of 2 millions only while the population has increased by 220 millions. It is a strange phenomenon that in a developing economy thousands of technicians are also unemployed.

A tardy low rate of industrial growth and a surfeit of agricultural employment coupled with a rapidly growing population is bound to result in galloping unemployment. Unemployment means low living standards and acute distress for the family. The present Government is totally responsible for this serious unemployment situation as their bankrupt policies have kept the economy backward and impoverished.

India with a 73 per cent of labour force in agriculture has a per capita income of only \$80 whereas USA with only 5 per cent of its labour force in agriculture has a per capita income of \$4,200. This shows the failure of the policies of the present Government.

We will firstly remove all restrictions on industries. With the people's initiative released, thousands of new industries, big and small, will come up and employment will improve. We will give special development incentives to the small-scale sector which is employment-oriented.

Particularly in order to expand the avenues of employment, we will take up two crash programmes of house construction and road building. Millions of new jobs will be created by this programme. The Congress Party plans to raise half a million new jobs per year as against the rise in population of 12-1/2 million per year. It would hardly come to one new job per village.

We propose to create as the cumulative effect of all our policies, a condition of full employment in a period of three years as prosperity returns to the country.

Lower Taxes

In the USA, 31 per cent of the population pays income tax, in the U.K. 39 per cent, in Australia 41 per cent and in Japan 21 per cent. In India only 0.5 per cent of the people pay income tax. Because of heavy taxation, there is large-scale tax evasion and the consequent evil of black money. This imposes the burden of

development expenditure on an extremely small section of the people. Less than 0.2 per cent of the population bears 80 per cent of the tax burden. Heavy taxation also enters into prices and kills initiative and the will to work more. It also discourages savings.

At present, in many cases, the incidence of income tax and wealth tax amounts to more than the total income itself.

We will reduce taxation and simplify the tax system. We will concentrate on making progressive and substantial reductions in income tax and other personal taxes so that the people will retain and enjoy more fruits of their hard labour.

These reductions will be possible because we will cut out unnecessary Government spending and because we will encourage savings. And as our national income rises we will get a larger revenue with lower tax rates.

We shall permit ample allowances for reasonable aims. We shall encourage free from tax the flow of private funds to charitable trusts including those for voluntary social services, sports and cultural pursuits.

More Savings

When savings go up taxation can come down. Instead of encouraging voluntary savings and their productive employment, the present Government has consistently tried to mop up savings by heavy taxation and then to use them in unproductive expenditure or incompetent and inefficient projects. The result has been a huge loss of national wealth.

The net loss of production because of the mismanagement of the Government sector in the last 13 years, calculated on a cautious moderate scale, amounts to more than Rs 10,000 crores. We could have set up 1,000 more industries with this amount.

We will encourage all forms of savings and saving at every level of earning. Every family should be encouraged to have savings. This not only gives them security for the future but also a stake and share in the prosperity of the country.

Government Spending

The salary bill of Government employees rises to as much as 40 per cent of the income in some States. With the rise in prices, the salary bill tends to

rise still further. And under Parkinson's Law the Government establishments tend to proliferate further and further. Every Cabinet Minister at the Centre gets a salary and perquisites an equivalent of Rs 4 lakhs a year.

We shall reduce the size of the civil establishment. There will be cost reduction plans for every Ministry and the widespread application of the most modern management budgeting and cost effectiveness techniques.

We propose to have four groups of Ministries, each comprising : (i) Internal and External Security, (ii) Centre-State Relationship, (iii) Economic Development, and (iv) Services like Health, Education and Housing. This will streamline the administration. While the Minister for Internal and External Security will look after Defence, Foreign Affairs and Internal Matters, the Minister for Centre-State Relationship will see that all the development needs of the States are satisfied. Unless the States develop, people's living conditions will not improve.

All the men, money, and materials necessary for the development of the States will be found by the Union Government and the Deputy Prime Minister for States will ensure it.

All the Economic Ministries will concentrate on production and creation of wealth by their various policies while the Services Ministries will concentrate on providing a better life for the people including facilities for health, education, housing, family planning, cultural pursuits and physical improvements, etc.

Controls

In a country where capital is scarce, and available foreign exchange limited some regulation of investment is necessary. But the policy of industrial licensing, control over capital issues, control over imports and exports, the monopolies commission and the Restrictive Trade Practices Act, coupled with bureaucratic redtapism and administrative corruption have created serious impediments to industries and completely slowed down the rate of industrial growth. Thousands of applications for industrial licences or essential imports of machinery or vital raw materials remain pending with the Government for years together till the very incentive to produce dies out.

Also unreasonable controls over the prices of end-products often result either in deterioration of quality or closure of the establishment. As the

profitability declines, fresh investment is discouraged and the growth of the industry is retarded.

We shall simplify and do away with all these complex procedures and controls. We shall help and encourage every entrepreneur, big or small who wants to produce and create more wealth for the country and thereby more employment.

Industrial Progress

While India's gross national product has been increasing at the slow rate of 2.6% per annum, Japan doubles her industrial output every four years.

We shall identify and remove all restrictions to production which the present Government has imposed and encourage massive production for the people at all levels. To satisfy their vast growing needs, we shall follow a policy which will release enterprise and reward initiative to produce more.

We will check any abuse of waste of foreign exchange or domination of the market or monopoly but not in a way as the present Government does, which hampers production and gives rise to official corruption.

We reject the State capitalism of the present Government which takes away management from expert hands and places them into the hands of inexperienced officials and dictates uncompetitive prices based on inefficiency.

We shall improve the working of the public sector by infusing economy and inducting expertise in management. We shall release them from the stranglehold of bureaucratic indecision and allow them more autonomy of management. We shall make the people real participants in the public projects as shareholders.

We believe the small-scale sector has to make an important contribution to the nation's economy—especially in view of the large volume of unemployment in the country. We will provide these small units with technical know-how, capital resources, raw materials and market research. We will free them from the burden of filling in a number of onerous Government forms and will give them tax-incentives.

We shall stop all further nationalisation of industries in the country and scrap the Industrial Policy Resolution and the confused policy about industrial licensing. These latter two have be-

come handy instruments of obstruction and corruption. We are totally opposed to putting a premium on inefficiency and mismanagement under the guise of nationalisation. An increasing use of private capital will help reduce the burden on the tax payer, get better investment decisions and ensure more effective use of total resources.

We shall also stop the loans granted by financial institutions being converted into equity. We are opposed to the tax payers money being utilized by the Government to buy its way into private industry—especially creeping in by the back door.

Regional Imbalance

Scanty production, unemployment and low living standards are the characteristics of the backward areas. The basic question is to increase the economic attraction of these backward regions. For this purpose, we shall provide these regions with the infrastructure necessary for development and institutions for imparting technical skill. We will give financial incentives—such as tax allowances and reductions—to industries commencing operation in these areas.

Fair Deal To Workers

The past few years have been marked with unprecedented labour troubles—both in the private and public sectors. There is no doubt that labour in some industrial zones has become the instrument of political parties for ulterior ends. When the country is starved of steel and a number of engineering concerns have to curtail vital production for lack of raw materials, the Durgapur and Rourkela Steel Mills are beset with chronic labour troubles. Durgapur Steel Mills have been continuously incurring a loss of Rs one crore every month. Similar troubles have bedevilled HMT and Heavy Electricals, nationalised banking and insurance, Government Airlines, Central and State Government employees and a number of private sector units.

We are determined to instil a sense of responsibility in industrial relationship. We desire healthy trade unions who will be protected against the irresponsible action of their unofficial minorities, motivated to create political leverage. We aim at creating conditions in which the fair demands of sound trade unions are met by the management, if necessary by conciliation machinery and strikes become the means of last resort and not of first resort. While strengthening the unions, we desire to link wages with pro-

ductivity. By a new code we will establish clear rights and obligations for unions and employers. It will lay down guidelines for good collective agreements and standards for good management and trade union practices. It will make agreements binding on both unions and employees.

Training For Better Jobs

We will establish vocational institutes where a worker can acquire in a few months' time knowledge of a new profession, which may even be quite different from the work he is engaged in. We shall start a massive retraining programme for men and women in industry to bring up the general technical level of workers.

Management of industries has now become a science. We propose on the one hand to help management institutes to grow and on the other to have scientific management installed in every major industrial unit.

Steadier Prices

The steep rise in prices and the rocketing cost of living have brought acute distress to large sections of the people, especially to the poorer sections. At the same time, the Government have been taking away an ever increasing share of the people's income by way of taxation. The two together have proved disastrous to the people.

Inflation is a sign of a basic imbalance in the economic process. It is also a major cause of social injustice because it hits hardest the weaker and the poorer sections of the community.

The main causes for inflation are unproductive Government spending, increase in money supply, increase in wages unrelated to productivity, heavy indirect taxation on every kind of article and natural shortfall in raw materials. The present Government never planned production to meet the vastly expanding demand.

Our policy of curtailment of Government spending, cutting taxes, avoiding industrial tension and generally stimulating production will help keep down prices. The faster rate of economic growth will mean that we can combine higher wages with steadier prices to bring about a real increase in living standards.

To bring the present inflationary prices under control will receive our over-riding priority.

Better Education

The demand for admission to educa-

tional institutions has tremendously multiplied at all levels. Schools, colleges, polytechnics cannot meet with the rush of students.

We will greatly expand educational facilities at all levels. Education will not only create better employment opportunities for the student but will raise the intellectual level of the nation as a whole in the long run. We will plan so that by the end of the century of all children coming of age at least 30% will have University education and be engineers, doctors, scientists, etc.

For an expanding economy India will need millions of technically trained persons. We shall provide the widest opportunity for men and women to achieve technical skill and to train for new and better jobs.

There are several research laboratories under the Council of Scientific and Industrial Research. The Universities have also got their research departments. Except in a few of these laboratories, the research work done is perfunctory and without any aim or purpose. Very often processes which are known in Western countries for decades are freshly investigated. The research facilities available are not of a high order but even those which are available are not properly utilized.

We believe a research tradition is very necessary but instead of going in for pure research or for processes already known abroad, we will go in for projects immediately useful to the country. This is necessary because of our need for rapid industrialisation.

Rule Of Law

The present Government is directly responsible for the deteriorating law and order situation in the country. In many parts of the country life has become insecure, violence erupts at any moment and schools, colleges, hospitals and public transport are wantonly attacked. The country is fast heading towards chaos and guerrilla insurrection.

The Government at the Centre is directly responsible for this grave situation. In the beginning, when the Naxalite trouble could have been checked, the Government in a pseudo-radical pose, condoned it by calling it an aberration arising out of socio-economic frustration. Being a minority Government dependent for its survival on the support of the Communist parties the Government long hesitated to enact against their wishes, the laws urgently required to meet the situation. Now the

Naxalite menace has grown out of all proportion and is ready to engulf the country into violence.

The most disturbing feature of the situation is that the Naxalites are avowedly anti-national and working actively for establishing Chinese suzerainty over this country.

We shall take every possible measure to meet this challenge to our democracy. We shall enact the most draconic laws to meet this danger to India's independence.

We shall strengthen and restore the morale of the police force.

At the same time we shall uphold the basic rights of the citizens to assemble, march and demonstrate in support of ideals and principles they believe in. We shall clearly demarcate the line where demonstrations encroach upon the lawful activities of society and hold the latter at ransom.

We are strongly opposed to the denigration of the judiciary of the country for political ends. The judiciary knows no social purpose and must interpret the law as it exists. It is for the Parliament to infuse social objectives into legislation. Constitution and Rule of Law is supreme. Parliament makes laws and the Judiciary interprets them.

We shall strongly support the independence of the judiciary and their commendable efforts to maintain the Rule of Law in the country. An independent and fearless judiciary, we believe, is the very corner-stone of our democracy.

India And World Affairs

India's prestige in the world has shown a marked decline in recent years. Three major factors among others have significantly affected India's standing among nations: firstly, lack of economic viability. Even after twenty-five years of independence, India has not been able to set her economy right and remains one of the poorest nations of the world, begging aid even from small countries.

Military strength of a nation depends largely upon its economic strength. The respect which a nation commands depends largely upon its military and economic strength. The weakness in India's military strength became quite apparent to the world when the Chinese invaded India in 1962. Though the Chinese withdrew, their continued hostility and adverse propaganda

considerably deflated the prestige of the country and the leadership.

India has considerably deviated from its policy of non-alignment and peaceful co-existence. While professing to be independent of the two super Powers and their blocs India has in recent years shown a consistent subservience to the Soviet bloc. Whether it is the American presence in South Viet Nam and Cambodia or a debate on Czechoslovakia or election in the United Nations, India has consistently followed the Soviet line.

We shall restore proper dimensions to India's policy of dynamic neutrality. We will uphold the values of national sovereignty, territorial integrity, freedom from colonialism and freedom from exploitation and will remain friendly to all nations. But we shall shape our foreign policy strictly in our own national interests. We shall try to forge cordial relations with our neighbouring countries. We shall be particularly friendly with the South East Asian countries, with whom we shall arrive at mutual aid and collective security arrangements.

Our foreign policy will be based on realities and not on radical postures cleverly assumed to favour one bloc. Being a democratic country we shall remain particularly friendly to other democratic countries and shall help other subject nations to achieve freedom and establish democratic institutions. We value the Commonwealth link and shall continue to be a member of the Commonwealth.

We shall produce the newest weapons necessary to defend the vast borders of our country, including nuclear weapons.

As the country becomes prosperous by the policies we have described above, India will play a more important part in the United Nations for achieving peace and progress in the world.

Broadcasting

The Congress Party has made the All India Radio a subservient handmaid for their party propaganda and a vehicle for indirectly attacking opposition parties. We will establish autonomous corporations—one each for Radio and Television so that the independence of these important organs of communication is maintained in keeping with democratic tenets.

Social Services

In India, social services used to

be largely looked after by voluntary organisations and charitable trusts. In addition to a few Government educational institutions and civil hospitals, a large number of schools, colleges, universities and hospitals were founded by private charities. Some of these charitable trusts also managed orphanages, houses for the aged and for widows and free food centres. But with the economic conditions worsening, these charities are now dying out.

Much remains to be done, however, for the vast number of unemployed, the sick and the ailing, the old and the infirm, the disabled and widows. Pensioners find their income reduced to one-half or one-third because of the loss of purchasing power of the rupee.

Once the primary needs of the people are satisfied, we shall evolve a programme of social security for the aged, the disabled and the handicapped widows the sick and the unemployed.

We shall review the incidence of price-increase on the purchasing power of pensions every few years.

Minorities

We shall provide equal security and opportunity to all people professing different religious denominations. We shall lessen the communal and inter-State tensions by providing a fair deal to all the communities and language groups and by shifting the emphasis from caste, religion and language to a competitive effort for economic well-being.

Environment

With growing industrialisation, the danger of pollution of the air and environment will arise. Already sewage from factories with harmful chemicals is drained into rivers which have hundreds of towns and villages downstream. We shall enact the necessary law to stop the pollution of environment.

Devolution Of Power

We believe in a strong Centre as the seat of authority in the country.

Consistent with this we believe in the democratic process of arriving at decisions after fuller consultations and discussions. India has a varied landscape and the social, cultural, educational and economic needs of the regions differ. We shall follow the dual process, firstly, closer integration of the peoples in different States on the basis of a common culture and secondly encouraging satisfaction of the regional

urges and aspirations for cultural literary or social expression.

Better Tomorrow

The aim of our policy is to lift the country out of the morass of stagnation and decline in which the Ruling Party has thrown it and set it moving on the path of prosperity.

The task is not only a huge one but also an urgent and vital one, in view of the rapidly growing vast population of the country. But the adventure is worthwhile because we have confidence in the ability of the nation.

By releasing the creative energy and initiative of these millions, we shall lay down the firm foundation of future prosperity. We need only an opportunity that will allow the people to work for building a better to-

morrow in freedom and thereby improve the texture and goodness of their life.

What we say here, we are determined to implement.

The choice before the electors today is not between personalities but between policies and programmes which result in a way of life the country should follow in the next few decades.

If the present policies of the Government were allowed to continue, the country will face widespread distress in the next few years. The stagnant economy will collapse with the population explosion and the country will approach chaos and near anarchy. The signs on the wall are already visible.

The Government has moved from

crisis to crisis. Not a single major problem of the country has been solved. The instinctive reaction of the Government to any crisis is to control, to restrict and to evade decision.

Our policy is quite opposite to this. We will reduce the burden of taxation and extend individual choice, freedom and responsibility.

The government has imposed strangulating restrictions and controls at every level. Our task is to scrap them all and release the people's vast energies and initiative to build up a Prosperous Tomorrow for the nation.

India has worshipped too long Daridra Narayan. Let the country now worship Lakshmi Narayan with the slogans "Banish Poverty" and "Long Live Prosperity for the Nation."



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CHAIRMAN'S STATEMENT

VOLTAS LIMITED

A Year of Record Results



Mr. R. F. S. Talyarkhan

The following is the Statement by Mr. R. F. S. Talyarkhan, Chairman and Chief Executive, Voltas Limited, circulated to the Members of the Company with the Annual Report for the year 1969-70.

To the Members,

In my Statement to you last year, I referred to 1968-69 as the "crisis year", because the results were the worst ever achieved in the history of our Company. In view of the fact that we had two successive years of labour unrest severely affecting our working and the normal growth of our Company, some people seriously doubted whether we would be able to survive the shocks to our corporate system, while others felt it would take a very long time before we could get back into our stride. I am happy to say that all those gloomy forebodings have been proved wrong and in 1969-70 we achieved the very best results of any year since the inception of our Company 16 years ago.

What was even more remarkable was that this figure was obtained in much less than a full 12 months' period, for the reasons given in the Directors' report. In addition, our working was affected by rising prices, shortages of raw materials and components, intense competition and unstable political conditions in certain States. The task, first of recovery from the damage suffered last year, and then of reorganising ourselves to meet the new challenges posed in 1969-70, required all the skills we possess. After much thought and careful planning, a three-pronged attack was launched: one involving a market strategy which would yield the best results, another on a careful utilisation of our available financial resources, and the third on improving our operational efficiency to the maximum extent possible. Team work in the entire organisation was necessary to achieve all these objectives and, except for a handful of malcontents, the response was most heartening. It would appear that employees by and large have begun to realise that full co-operation is as essential to their well-being and welfare, as it is for that of the Company at large.

The year 1970-71 has started well in that the first four months' sales and

gross margins show an improvement on those of the previous year. However, because of our product-mix and other variable factors, sales in any particular period do not necessarily reflect the position as it might be at the end of the financial year. Given a fair chance to operate, without too many restrictions and restraints, there is no reason why the results in 1970-71 should not be at least as good as for the year under review.

We look upon the present decade as one for expansion and diversification. It has been decided to enter, on a large scale, the growing market for consumer products — both consumables as well as durables. The Company's distribution outlets throughout the country offer an excellent opportunity to reach every sector of the population right down to the village unit level. The development of systems and processes to supplement the products handled by your Company is another avenue for expansion. In this context Members will be glad to know that the Government has approved of our collaboration with one of the best known firms in the world for design engineering and installation of Electrostatic Precipitators. Air pollution is amongst the greatest hazards facing the health of people today, particularly those living in or adjacent to industrial zones and your Company's associates Research-Cottrell Inc., U.S.A., who have done such remarkable work in other countries, will be of great assistance in solving similar problems in India. Perhaps the most significant achievement attained during the year was in Air Conditioning and Refrigeration, where new ground was broken particularly in the ship building industry. Cold storages and silo air conditioning for essential food products, as also freezing storage equipment for export of items such as fish, were developed at a faster rate along with Dairy Refrigeration which holds great promise for the future.

Another significant feature was the

decision to expand the Project Engineering Division which is being equipped to undertake turnkey assignments incorporating systems and design engineering. The need for such services is growing in India and it is expected this Division will play a vital role in the planning and structuring of manufacturing schemes not only here but also in foreign countries.

Members are aware of the Company's substantial interest in the rural economy and I would like to digress on this aspect for a while. The terms of trade have been shifting in favour of agriculture. Three good crop seasons and the introduction of new farming techniques have increased the purchasing power of the farmer and the Seventies should see a tremendous growth of rural markets. More and more goods, both capital and consumer products, will have to head towards the rural tracts which lie in far away and distant places in the interior, well off the highway. Remote locations call for greater marketing efforts, which must be planned beforehand so that goods reach the farmer ahead of the time of use. Along with this it is necessary to impart specialised training to the rural buyer who is not particularly mechanically minded. This training should extend to the buyer's employees and the members of his family, and even to the bazaar mechanic who is the farmer's guide and friend. Lack of such training is already resulting in heavy losses through increased down-time, frequent breakdowns and higher costs of farm operations.

It is realised that Government has already introduced many schemes for training and for the use of scientific methods in agriculture. I feel I am right in saying that the Private Sector is anxious to join in this enormous task and to help make it a successful joint venture. However, to explore and develop rural markets is an expensive venture. It is not merely the cost of selling the goods required, but

the costs of essential services including training, extension education and demonstrations which absorb much time and money. To encourage business houses to plough more resources into such essential services, I would suggest that these expenses are reimbursed through a system of refunds in corporate taxation as is done in the U.K. where, I believe, all expenses incurred by the farmer for his training and that of his employees, are made good to him by Government by way of grants. These grants, in fact, go to the input suppliers who provide the training required. Then again, the development of rural markets requires data collected through market surveys which are essential though expensive marketing tools. Without such surveys it is difficult to assess the demand, to develop the profile of the rural buyer, and to identify rural markets and the scope for development of secondary industries. Here again, to encourage industries to take greater interest in exploring rural markets, expenses on market surveys and studies of this nature, could be reimbursed by Government through suitable remission in corporate taxation. In any event, your Company is alive to the problems of the rural markets which pose a challenge to marketing skills and it is fully committed to an integrated programme for their development. Fortunately, we are associated with one of the world's leading producer of minerals and fertilizers — the International Minerals & Chemical Corporation, U.S.A. — one of the world's largest producers of mixed and complex fertilizers with the finest fertilizer marketing organization in America. In association with your Company, it recently organised its 7th Asia/Pacific Food Production Conference in Delhi to discuss the all important problem of "Incentives for Development". With the assistance of their world-wide experience and expertise, I expect Voltas to become a vital unit in the national task of solving the food problem of this country.

While India's record of exports in the past ten years is quite impressive, it accounted for no more than 5% of the total output of the country's engineering industry, whereas it is quite common for firms in other countries to export 20% to 40% of their production. This means that we have a long way to go before we can be compared in size and strength to our foreign neighbours, and consequently if the export successes of the Sixties is to be repeated, or even improved upon, in the Seventies, we shall have to ensure the creation of a rapidly expanding manufacturing home base which has in-built capacity to cater both to the home and overseas markets. Any weakening or deterioration of the home base will have an immediate effect on the growth of exports, and in the

present age only those corporate units which can exploit and utilise today the technology of tomorrow have fighting chance in international markets. Restrictions and restraints on manufacturing capacity, technology, imports, development, finances, marketing techniques and labour discipline only hinder and dampen the spirit of enterprise so essential to the growth of international operations. If we wish to operate on an international scale, we have to be internationally minded and put aside preconceived and ideological notions which ignore the demands of world business today. The separations and distinctions between domestic and foreign markets are fast disappearing — the successful corporation of today thinks in terms of global strategies for a global market. Perhaps it is not fully appreciated by the authorities as to what is involved in the establishing of exports and of operations abroad. I am positive that many more firms would be in a position to start manufacturing ventures in foreign countries if permitted freely to explore particular markets and to make a sizeable investment in such projects. I would plead that our Government makes available by way of repayable loans, at least a fair amount of foreign exchange in such cases, after satisfying itself about the viability of the project and the standing and ability of the applicant.

The progress of almost all our associate companies was most encouraging and fully justified the confidence reposed in them from their very inception. On the engineering side the products of Tata-Merlin & Gerin are reputed to be at least as good as those of any other older established electrical equipment company, and second to none in quality. Power and distribution transformers, winding wires and conductors as well as foundry products of the National Electrical Industries Group of Companies are also firmly established in the market. Your Company's order books for the products of both these units are in a very healthy position and the outlook for the next few years appears to be very bright. For reasons largely beyond their control, as for example the shortage of heavy plates and hydraulic equipment, the output of the Scottish Indian Machine Tools Ltd. was severely affected. The Company's Machine Tool Division and other technical staff are working closely with the Simtools Management to so plan its production schedules as to make that company a viable unit, while at the same time providing sufficient support to our trading as well as manufacturing operations. The International Tractor Company of India Limited and the Lakshmi Machine Works Ltd., in both of which your Company has a sizeable invest-

ment, contributed handsomely to our turnover.

Your Company received excellent support from its two Pharmaceutical Principals, Roche Products Limited and Merck Sharp & Dohme of India Ltd., in both of which we are financially interested. However, the Drugs (Price Control) Order will have an adverse effect on our margins in future. Being a low margin/high volume business, any reduction in margins will have to be offset by a higher volume of sales and the use of highly sophisticated methods and techniques to restrict the costs of sales to the minimum while maintaining a high degree of operational efficiency. Your Company enjoys a high reputation for fair and equitable distribution of all goods, particularly those that may be in short supply from time to time. In the belief that the Government intends to make life-saving drugs available to wider public, your Company has taken necessary steps during the year to augment its own sales force, as also create a network of stockists in about 200 important towns throughout the country, which will ensure that goods are delivered expeditiously even to the most distant clients.

The Directors' Report deals fairly exhaustively with the improvement in operations at the manufacturing unit at Thana and some of the more important new products developed during the year. I shall not therefore dwell further on these aspects, but I should like to draw attention to the effects of Government policies and of the application of the Monopolies and Restrictive Trade Practices Act on the normal development of manufacturing operations in your Company. Tagged as we are with the label of a large concern, or dominant undertaking, we are today restricted from expanding our manufacturing base, except as provided for in the Monopolies Act and in certain recent notifications of Government. If applied too literally, it would in fact prevent your Company from obtaining any new industrial licences since very few, if any, of our proposed ventures would be of the magnitude laid down by Government for large concerns or be regarded as projects named in the hard core of industries. Yet such projects as we envisage are but a normal development and growth of specialised lines for which we are already licensed, or where we are in a position to introduce into India a high degree of technology by collaboration with foreign firms for products and projects vitally necessary for the country and about which we have acquired a certain expertise. I would therefore respectfully submit for the attention of the Authorities that Government adopt Mr. J.R.D. Tata's

recent suggestion for establishing certain fair and significant criteria, rather than mere size, when dealing with the granting of industrial licences to a firm or company.

The introduction of restraints and restrictions on the growth of the larger corporations in the private sector comes at a time when critical shortages of vital raw materials such as steel were already beginning to spiral manufacturing costs upwards and cause serious under-employment of productive resources. Inflation of this sort can only be countered by a steady growth in the supply of goods and services which should keep pace with their demand and any policy which inhibits the growth and development of the Nation's economic assets will only aggravate the series of factors which have already made India into a high-cost producer of manufactured goods.

It must be realised that the accumulated financial resources of the larger corporations and the deployment of these in the expansion, diversification of manufacturing facilities, and in research and development, constitute the main-stream of economic growth and prosperity, pulling in its wake the growth of a host of smaller entrepreneurs for whom a widening market is created. Then again, the advanced technology of the 1970's can only be tapped by organisations and resources equal to the tasks and risks involved; organisations which can withstand the vicissitudes of global business successfully.

It is hard to understand some of the reasoning behind the restrictions on the growth of large corporations, especially since these corporations are only mid-gets when compared to the large multinational companies in the East and West, which account for so much of the prosperity and dynamism of their respective national economies. The growth of efficient manufacturing units — whatever the size — never forecloses or restricts opportunities for the smaller man. The contrary is proven true, for, with every advance in technology, a plethora of new ventures spring up to reap the rich harvest that inevitably follows.

The large corporations in India have a genuine record of economic and social service to the Nation in general and to their employees in particular. If these companies are to continue to offer the best terms of service to their employees, thereby raising the general standard of living, they must be allowed to expand into existing and new fields, failing which they will be faced with mounting overheads and costs, the pressures of which, if not canalised and harnessed, will only lead to disintegration of

a well-ried and proven economic structure.

Lest it be felt that my remarks above are made in a spirit of criticism, let me say quite frankly that this is not so. A very large and growing section of the private sector is perfectly willing to accept certain disciplines and controls, but these should not be such as to retard the fast development of the country along democratic lines. It would be ideal, but too much to hope for, that this country follows the Japanese pattern, where Government and industry sit down together to pre-audit national economic policies. Too much has been said in this country of dialogues between Government and Industry, which usually result in nothing more than carping criticism from both sides. Nothing constructive ever appears to emerge from these dialogues. To my mind, it is vital at this critical stage of the country's economy that both Government and Industry adopt a POSITIVE APPROACH towards each other and to finding practical solutions to our various problems. Unemployment, the establishing of small and middle scale entrepreneurs, the promoting of research and development and the harnessing of the enormous potential of this country in men, materials and undoubted skills, could best be tackled and solved by

a positive and combined approach, shorn of all mistrust and lack of confidence in each other.

I should like to conclude my Statement with an expression of sincere appreciation for all those employees who worked hard and conscientiously during the year to bring about such excellent results. I trust that the few who advocate agitation on the slightest pretext, and the adoption of measures to embarrass the Management, will soon have a change of heart, for such tactics only recoil on themselves and prevent the bulk of the staff from getting the benefits of good results. I am sure I voice the feelings of my colleagues on the Board and in the Management when I express the hope that industrial relations in this Company will soon improve so that the entire organisation may once again work together as a closely knit and united team.

R.F.S. Talyarkhan

Chairman

Bombay, January 22, 1971.

Note: The above Statement is not a report of the proceedings of the Annual General Meeting which will be held on the 23rd February, 1971.

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RECORDS AND STATISTICS

Election Manifestos

THE ELECTION manifestos of six all-India parties—the Congress (R), the Congress (O), the Jana Sangh, the Swatantra Party, the Samyukta Socialist Party and the Praja Socialist Party—have been published in this section during the past three weeks. The manifestos of the remaining two all-India parties, namely Communist Party of India and the Communist Party (Marxist) are being published this week. Also being published this week are the manifestos of the Dravida Munnetra Kazhagam and the Akali Dal.

The manifesto of the Communist Party of India has called upon the electorate to eradicate what it calls the right reaction of the Congress (O), the Jana Sangh and the Swatantra Party. It regrets that even the dominant leadership of the Samyukta Socialist Party has also joined hands with a rightist camp. The CPI accuses the Communist Party (Marxist) as well of disrupting the leftist unity.

Interestingly enough, the CPI says that it does not stand for the abolition of the right to property as such. On the contrary, it demands that so far as the common man, including the small property holder is concerned, his property be given full protection against the onslaughts of the capitalists, the landlords, the money-lenders and also of the government acting in the interest of these exploiters.

The CPI has scathingly criticised the judgement of the Supreme Court on the issues of bank nationalisation and the abolition of the privy purses and privileges of the erstwhile rulers of the Indian states. It has proposed a number of changes in the Constitution affecting judiciary, electoral age, representation in the Lok Sabha and the state assemblies, declaration of emergency, central-state relations, etc.

This party has come out vehemently against the bureaucracy, specially against the Indian Civil Service.

Regarding its economic programme, the manifesto repeats the CPI's well-known utterances like imposition of radical ceiling on property, enactment of radical legislation in regard to agricultural holdings, nationalisation of monopolistic concerns without compensation, rapid expansion of the public sector, etc.

In the realm of foreign policy, the CPI wants an alignment with the eastern bloc and various other communist countries.

The Communist Party (Marxist) has

assailed the present government on various counts. The policies of the Congress (R), it says, are leading to a rapid disintegration of all sense of national unity. The policy of inflation deliberately pursued to rob the people of their earnings, the high prices accompanying this policy and the ever-increasing cost of living index, it says, have impoverished people, especially the fixed income groups. The present government, the CP(M), opines, repeatedly compromises with the reactionaries in her foreign policy. The CP(M) manifesto is also a scathing criticism of the Supreme Court and the Constitution.

As regards economic policies, the CP(M) wants nationalisation of industries, banks, plantations, mines and other property owned by private foreign monopolists; nationalisation of all heavy industry and other key sectors of the economy; complete elimination of all feudal and landlords in the countryside; vigorous measures to raise the wages of agricultural labour; total reversal of the food procurement and price policy in such a way as to be of

benefit to the poor, middle peasants, on the one hand, and the consumer, on the other, and overhaul of all the policies of taxation with a view to making the burden on the rich heavier while giving substantial relief to the poor.

The DMK, according to its manifesto, aims at socialism with property rights. It also wants greater powers for states. Planning, the DMK says, should emanate from the states and not foisted from above.

On the language question, the manifesto says that English and Tamil would be kept together in such a manner as to be "useful and fruitful". "Whatever be the opposition, there shall be no change in this two-language policy and there shall be no place whatsoever for Hindi."

The Akali Dal manifesto also demands greater powers for states, especially in the field of "finance and legislation" so that the Constitution becomes "really federal". Ceilings on property are also advocated by the Akali Dal, but the Right to Property is recognised. Expansion of the public sector is favoured. The Akali Dal wants regional languages to flourish but has no objection to the promotion of Hindi as the national link language.

The following are detailed excerpts of the summaries of the four manifestos.

CPI Manifesto

(Abridged)

THE NATION goes to the mid-term poll to elect a new Lok Sabha. This election takes place in the background of a grim confrontation between the forces of progress and reaction. . . . At a moment when our people are determined to march ahead with urgently needed social and economic changes in order to remake their future, the vested interests have mounted a vicious offensive not only to hold back progress but even to sabotage the achievements of freedom. In their treacherous attacks the vested interests have found encouragement and support in the posture the Supreme Court and judiciary have taken. Even the supremacy of Parliament is cynically challenged and assailed. . . .

The issue before this mid-term poll is plain and simple. Our people are called upon to decide whether the dark forces of exploitation and oppression, national disintegration and national ruin shall be allowed to get away with their treachery and crime, or whether they are going to be pushed back and given a smashing rebuff. The Communist Party of India is confident that the verdict of the people in the crucial elections will be against reaction. And it will be unmistakably

in favour of progress. But then the victory will not come of its own. It has to be won in the election battles by the left and progressive forces. It has to be won by developing the election campaign into a national offensive against right reaction and a national upsurge for democratic advance. Our party will devote its energies to achieve this.

During the years of Independence the democratic movement in the country has advanced from strength to strength. After the 1967 general elections, great events have taken place in the life of our nation. The people's urge for a better life, social justice and rapid progress has found eloquent expressions in countless mass struggles and actions. Our people have fought many heroic battles and have also won significant victories for the betterment of their living conditions and in defence of their democratic rights. Faced with the advance of the democratic movement, the monopolists, princes and big landlords have struck back more viciously than ever before. In the political sphere, this offensive is led by the rightist Grand Alliance of the Syndicate, Jana Sangh and Swatantra Party.

February 19, 1971

Having failed to seize power during the Presidential Election in 1969, these parties are now making another bid to capture power at the centre. This is their one point programme. This is their electoral aim. To the everlasting shame of our left movement the dominant leadership of the SSP has joined in an open alliance with these inveterate enemies of democracy and socialism. . . .

In their opposition to progress, the rightist parties and the vested interests whom they serve have found in the Supreme Court judgment in the Golaknath case a powerful weapon to protect wealth, economic power and privilege. This judgement, as is well-known, has laid down that Parliament has no power to amend Part III of the Constitution relating to Fundamental Rights.

This blow to the supremacy of Parliament has been followed by further blows from the Supreme Court in the bank nationalisation case and over the issue of privy purses and princely privileges. Not only has the Presidential Order derecognising the princes been struck down by the Supreme Court, thereby restoring the privy purse and privileges to the former rulers, the Supreme Court has further held that privy purse is a property which cannot be taken away.

The Supreme Court has thus created a situation when no social reform which may affect the handful of exploiters is possible except on their terms. This is nothing but a licence to monopolists, princes, landlords and others of the same breed to hold the nation to ransom.

The challenge to the authority and power of Parliament and also to the state assemblies in their respective spheres is indeed a challenge to the very right of our people to seek social justice and to take to the path of social progress. The position the Supreme Court has taken has palpably added a new dimension to the threat of right reaction and its bid for the capture of power at the centre.

The rightists have raised a hue and cry that the Constitution is in danger simply because the masses are in no mood to allow the Supreme Court to veto the will of the people and Parliament. In the name of the Constitution and the rule of law, right reaction wants to fetter and disable Parliament from carrying out the wishes of the people for radical social and economic measures. The challenge of right reaction has to be met on all fronts—social, economic, political and cultural. . . .

For all the significant gains of planning and economic development during these years of Independence, the tragic fact remains that none of the basic pro-

EASTERN ECONOMIST

blems of the masses has been solved. Rural India, where over 80 per cent of our people live, is a forbidding picture of human sufferings and unmitigated poverty and economic exploitation.

In the urban areas, the working people are living in neglect and frustration. Unemployment is on the increase on a frightening scale among all sections of the working people. The number of the unemployed among engineers, technicians, doctors and other sections of the educated youth is swelling at a rapid pace, which cannot but cause serious concern. Workers and employees are constantly faced with closures, retrenchment and lay-offs and they have to face repeated attacks on their interests and rights from the employers and from the government. The labour policy of the Congress rule still continues to be reactionary. The rising prices and taxes add to the economic burdens of the common man, and go on depressing their living standards.

Great hopes were aroused after the banks nationalisation and it was expected that this bold step against the monopolists would be followed up by other actions. But the hopes are far from fulfilled. Except for the move to abolish the privy purses and privileges of the princes, no significant step has been taken against the power of big money and vested interests. Rather, in some cases, new concessions have been offered to big business. Even the nationalised banks have been managed more in the interest of the monopolists and speculators than for achieving the objectives for which they were nationalised. The fourth five-year Plan has been reduced to all but a caricature of planning. For this climb-down and compromise, the pressure of the vested interests and their representatives within the Congress (R) and the ICS and other top echelons of bureaucracy are largely responsible. . . .

The disruption and disarray in the left movement is being fully exploited by right reaction. The dominant SSP leadership has dragged their party into the rightist camp. They have pitted themselves against the left and progressive forces. . . . The CP (Marxist) has chosen to equate the Congress (R) and other parties which are today fighting the rightist axis with the parties of the axis. Behind its public pose of equidistance from what it calls "two reactionary combines", the CP (Marxist) is concentrating its fire not against the rightist combine but against the CPI, PSP, DMK and other left and democratic parties. Not only is the CP (Marxist) disrupting the left unity and mass organisations and mass movements; it is using physical violence and terror against the CPI and

other left and democratic parties. . . . In the final analysis, the CP (Marxist)'s political line amounts to a plain invitation to communalism and fascism. This ideological and political degeneration of the CP (Marxist) leadership is the result of its break with Marxism-Leninism and of its practical policy of rank opportunism and disruption. Notwithstanding this betrayal and disruption by the leaderships of the SSP and CP (Marxist), the Communist Party of India does not equate these two parties with the parties of right reaction. . . .

It cannot but also cause concern that the reactionary and anti-left elements within the Congress (R) are also trying to distort the fight against right reaction and limit its sweep by clinging to a narrow partisan and even factional approach. It is not realised that the overriding national task in this mid-term poll is to rouse the whole nation against the challenge of right reaction and communalism and to give these enemies of the people a smashing defeat. This demands the maximum possible united confrontation of the rightist forces by all those who are committed to fight them. It has to be remembered that it is only by joint actions in the dissolved Lok Sabha by the party in power and parties of the democratic opposition that the rightist forces were kept at bay.

In the coming elections, the consolidation and broadening of the left and progressive forces and securing for them an overwhelming and political firm majority in the new Lok Sabha should be the electoral aim. This is necessary not only for routing right reaction in the election battles but even more so for carrying out the tasks thereafter in accordance with the mandate we are seeking. In the prevailing political situation, no party alone can meet this requirement. Hence, it is altogether wrong to substitute the slogan of single party majority in place of the left and democratic unity which is the need of the hour.

The electoral aims of our party are to rout the forces of right reaction and to thwart their bid to capture power at the centre; to bring into existence a new Lok Sabha which will have a firm left and democratic orientation than the last one and which will be committed to effecting basic changes in the Constitution and asserting the supremacy of the Parliament. Only such a new Lok Sabha can undertake decisive measures to liquidate the remnants of landlordism and carry out land reforms in favour of the peasantry, curb the monopolies by radical measures of nationalisation and rid the country of neo-colonialist exploitation and influences. Only such a Parliament, can take the nation forward

and bring well-being and happiness to the working people.

In the course of efforts in the above direction in Parliament and the mass struggle outside, the democratic movement will reach a still higher stage and the conditions will be created for the establishment of a government of left and democratic unity at the centre. Such a government alone can put our country on a sound basis on the road to all-round social progress.

In the programme of our party, we have set forth in detail what should be done to complete the unfinished tasks of our freedom fight by establishing national democracy and thus putting our great country on the road to socialism. It is not necessary here to reiterate these tasks. They and the prospective that guides them remain valid as ever.

But the recent developments have posed certain immediate problems for the solution of which a fresh mandate from the people in the coming elections will provide great strength. It is with this objective in view that the Communist Party of India places before the people its proposals. Our party is confident that the implementation of these proposals along with other progressive measures, will be a great step forward in the fight against right reaction and for a radical democratic advance.

The supremacy of Parliament, which has been challenged by the Supreme Court, must at all cost be restored. The Constitution must be amended to place Parliament's supremacy and the will of people, expressed through Parliament, beyond all challenge by the judiciary, including the Supreme Court. This implies, first and foremost, that Parliament must resume its power to amend the Fundamental Rights chapter of the Constitution. The Constitution should also be amended to make it obligatory on the part of the judiciary to interpret legislations for social and economic changes, not for restricting their scope or for protecting the vested interests affected by them but for promotion of social justice and progress. The judiciary must be obliged to be guided by the Preamble and Directive Principles of the Constitution in dealing with such measures.

The Fundamental Rights chapter should be so amended as to provide for a wider range of curbs and restraints on monopolists, big landlords and other vested interests, including the right of the state to nationalise their concerns and other property with which they exploit the masses and build up their economic power, without compensation. When Parliament or a state assembly decides to pay any compensa-

tion, it will be for them to decide in all cases the quantum of compensation and also the manner of payment. The Supreme Court and the judiciary should have no jurisdiction even to entertain any complaint in regard to this issue of compensation. Parliament and the state assemblies should have the final say.

In this connection, the Communist Party of India wishes to make it clear that it does not stand for the abolition of the Right to Property. On the contrary, the Communist Party of India demands that so far as the common man, including the small property-holder is concerned, his property be given full-protection against the onslaughts of the capitalists, landlords, money lenders and also of the government acting in the interests of these exploiters.

The Communist Party of India, however, wants the right of property of the monopolists, princes, landlords and other men of wealth to be severely restricted so that they cannot abuse this right to carry on their plunder, perpetuate their vested interests and obstruct and block social and economic progress. The Communist Party stands for the necessary amendments to the Constitution to ensure this.

All provisions in the Constitution, relating to privy purse and princely privileges, must be deleted so that the shameful chapter of treachery on the part of the former princes and appeasement on the part of the government is once for all put an end to. Article 314 which provides for special rights and privileges, etc., to the ICS and certain other categories of officials must also be deleted in order to end this patronage to the servitors of British rule. All ICS officers, still in service, should be compulsorily retired.

The Constitution should be amended to ensure:

Judges, including the Chief Justices of the Supreme Court and High Courts, shall be appointed from among the names of the panels approved by Parliament in the case of Supreme Court and by the concerned state assemblies in the case of the High Courts. The seniority shall not alone determine as to who should be appointed as the Chief Justice of the Supreme Court or a high court. There shall be no legal restriction on the number of judges of the Supreme Court. It will be open to Parliament to remove any judge from the Supreme Court by a resolution passed by a simple majority in the Lok Sabha alone.

The minimum qualifying age for voting right should be lowered from 21 to 18. This is essential to ensure our young people the full measure of

participation in the political life.

The system of proportional representation should replace the present system for elections to the Lok Sabha and state assemblies and all other local bodies. This has become an urgent necessity to ensure that the electoral contest is based on the clear-cut programmes and policies of those parties and not on opportunist vote-catching combinations. The system of proportional representation will give the parties their due representation according to their electoral support.

The posts of governors should be abolished.

The council of ministers should be restricted to the maximum of 10 per cent of the total elected membership of the Lok Sabha and the concerned state assemblies. Prime Minister and chief minister must be a member of the Lok Sabha and the assembly concerned.

The upper houses should be abolished. The provisions for joint session of the two Houses of Parliament should be made explicitly applicable for passing the Constitution amendment bills by such joint sessions.

The provisions relating to the emergency shall be drastically revised to reduce the emergency powers, particularly those that affect the democratic rights and weaken democracy.

The Constitutional provision relating to centre-state relations should be amended to provide for more powers to the states consistent with the basic unity of the country.

The special provisions relating to certain rights of the schedule castes and scheduled tribes and other backward sections of the community should be amended in order to make them more comprehensive and effective for ensuring their all round upliftment.

The fifth and sixth schedules of the Constitution must be amended to provide for autonomous districts and autonomous regions within the states for continuous areas where the tribal people constitute a majority in areas where they constitute a good proportion of the population, but not a majority, the Tribes Advisory Council shall be elected by the tribal people of that area.

The Constitution should also be amended to give more powers to Parliament and the union government to ensure that minorities do get all necessary protection against discrimination and other communal

encroachments on their rights and interests.

The Communist Party of India has tirelessly fought for the concrete demands of the working class, agricultural workers, peasants, Harijans, adivasis and other sections of the toiling people for the realisation of a decent standard of living for them. Our party has stood for the protection of the small traders, businessmen and industrialists against unfair competition by monopolists and for securing them necessary assistance. Our party has striven for the creation of a self-reliant national economy and achievement of economic independence.

Experience has shown that without meeting out social justice to our working people and curbing monopolists, landlords and other exploiters, it is not possible even to make our secularism and democracy safe. The Communist Party of India will fight with redoubled vigour against these vested interests and for the cause of the masses and the nation. In the coming elections, the Communist Party of India will seek the mandate of our people for the following urgent tasks:

In the field of Agriculture: The CPI stands for: (1) radical ceiling legislations on the basis of drastic reduction of the present high ceilings, family as unit for ceiling and the scrapping of exemptions; (2) distribution of the surplus ceiling lands, as well as all types of government lands among the agricultural workers, poor peasants and adivasis, free of cost; (3) tenancy legislation ensuring the banning of evictions, reduction of rents and conferment of the ownership rights on tenants as has been done in Kerala by the UF government headed by Achutha Menon; (4) cheap credit and remunerative prices for the produce of the peasants; (5) restoration of the lands of the tribal people, grabbed by the landlords and moneylenders; and (6) adequate wages and house-sites free of cost for agricultural workers.

In the field of Industry: Our party stands for: (1) nationalisation of monopoly concerns; (2) take-over by the state of foreign capital such as foreign-owned oil companies and foreign banks; (3) rapid expansion of the public sector to make it decisive in the national economy and its democratisation; (4) creation of new employment opportunities by starting new industries in the public sector and agro-industries in the countryside; (5) provision for unemployment relief and necessary assistance to the small and medium industries in the form of credits, raw materials and marketing facilities; (6) promotion of industries to remove regional disparities along with other assistance to the economically back-

ward regions; (7) ban on closures, retrenchments and lay-offs; (8) need-based minimum wage for the workers, government employees, teachers and other sections of the working people; (9) full recognition of trade union rights, including the unfettered right to strike; and (10) reinstatement of the victimised government employees and other workers.

Prices: In regard to prices, we plead for (1) effective measures to hold the price line, ban on forward trading and bank credit for speculative purposes; and (2) distribution of articles of daily necessities through fair price shops under the aegis of the government and co-operatives.

Safeguarding Democratic Rights: We plead for the repeal of the black repressive laws and revocation of the repressive measures.

Protection of minorities: We call for (i) most vigorous administrative and other actions to curb communal forces and communalism in all walks of life and for strengthening secularism and national unity;

(ii) all necessary protection to the minority communities and backward sections of the people by legislative and administrative measures; (iii) ban on communal propaganda and activities; (iv) strengthening of the Untouchability Abolition Act and its strict enforcement, and vigorous measures to stop all forms of oppression against the Harijans and the people of the backward castes.

Education: In regard to education our plea is complete overhaul of the present educational system so as to strengthen the secular and technological base in the country. Full right should be accorded to students to participate in the management of the educational system and its organisations.

Science and Technology: We call for: (1) more funds for the development of science and technology to help attain economic independence; (2) more purposive integration of scientific research with the needs of economic development; and (3) ending of bureaucracy in scientific institutions and proper democratic functioning on the basis of fullest autonomy.

Women: We plead for: (1) rights for women who constitute half the population of our country; (2) removal of all legal disabilities and ensuring of equal political, economic and social rights with men; (3) equal pay for equal work; and (4) enabling women to participate fully in the socio-economic life of our country, through provision of adequate maternity benefits, medical facilities

and provision of creches and kindergartens for the care of children.

Sphere of Foreign Policy: We stand for: (1) the strengthening of Indian foreign policy of peace and non-alignment based firmly on anti-colonialism and anti-imperialism and on friendship and co-operation with the Soviet Union and other socialist countries; (2) more effective stand against racialism and break with the British Commonwealth; (3) full, diplomatic recognition to the Democratic Republic of Vietnam (DRV), German Democratic Republic (GDR), Democratic People's Republic of Korea (DPRK) and upgrading of the Indian missions in these friendly countries to ambassadorial level; (4) recognition of the Provisional Revolutionary Government of the Republic of South Vietnam; (5) upholding of the Tashkent Declaration and constant effort to normalise Indo-Pak relations in the Tashkent spirit; (6) all possibilities being explored for breaking the present deadlock in India's relations with the People's Republic of China; (7) strengthening of India's solidarity with Afro-Asian countries, especially with the UAR and other Arab peoples defending their freedom against Israeli aggressor and US imperialism; (8) uninhibited trade with the Democratic Republic of Vietnam (DRV), Cuba and other friendly countries; and (9) effective measures to defend national interest against neo-colonialist drives and pressures.

Appeal to the People: We have placed our views and proposals before the people of our country. And once again we approach them for the renewal of their support and confidence in the Communist Party of India in the coming elections. Our party has always been in the forefront of organising mass actions and mass struggles against the reactionary vested interests and dark forces of reaction. Our party has never spared any effort to build the unity of left and democratic forces, which alone can lead the people's militant upsurge along the path of all round progress and well-being of the people. Our party's entire record is one of uncompromising fight against the poison of communalism and other divisive forces. It is precisely to carry forward these left and militant trends in our national life today that the Communist Party of India seeks the wholehearted support from our people.

The Communist Party of India appeals to the people in this crucial hour in the destiny of our great country:

Come forward in a mighty torrent and rout the parties of the right reactionary combine and sweep them off into the dustbin of history!

Vote massively for the victory of candidates of the Communist Party

of India, the consistent fighter in the cause of the toiling people, fearless defender of secularism and democracy and selfless builder of the unity of the Left and democratic forces in our country!

CPI (M) Manifesto

(Abridged)

THE PRIME Minister has plunged the country into a fresh parliamentary election. The people are called upon to give their verdict on the policies of the ruling party, and opine on the claims of various parties.

In this election, two combines are in the main facing each other, and people are being asked to vote for the one or the other. The Syndicate-Jana Sangh-Swatantra combine represents a reactionary combination which openly announces its reactionary aims to defend the vested interests. It is a combine which has declared itself unashamedly to be an instrument of big business, big landlords, monopolists all of whom demand a growing attack on the standard of living of the people and a further shift to the Right in the domestic and foreign policies of the country.

The other combine led by Indira Gandhi poses to fight against the reactionary alliances of the Syndicate and the Jana Sangh in the elections. However, it pursues the same class aims and stands for strengthening the rule of the monopolists and the landlords. Notwithstanding its refusal to join hands with frankly communal organisations like the Jana Sangh and its opposition to the Swatantra Party and its attacks against the Syndicate, its policies are governed by the interests of the big bourgeoisie and the landlords.

The split in the Congress which was presented as one over basic policies has now revealed itself to be two tactics of the same class—tactics of how to rule over the masses in the present period of economic crisis.

In this election, besides the main forces of the people that confronted the united Congress in 1967 and 1969 the forces of the democratic anti-Congress front stand disrupted, divided and paralysed.

The SSP leaders, disrupting the ranks of the democratic people, have openly thrown their lot with the Syndicate-Jana Sangh alliance. In the name of fighting the Indira Congress, of 'Indira hatao', they are joining hands with those who serve the enemies of the people the same class masters whom the Indira Congress serves.

The Right Communist Party, along with some other parties like the PSP,

Vote for candidates of the left and democratic parties, which are pledged to uncompromising fight against right reaction, so that a left-oriented Lok Sabha emerges from the momentous mid-term elections!

have joined the bandwagon of the Indira Congress in the name of strengthening the fight against the Syndicate alliance.

Our party remaining true to the interests of the masses and the aims and objectives of the democratic and socialist movement, denounces both the combinations as reactionary, as instruments of the rule of the capitalists and the landlords in this country.

In the last four years of Congress rule, India has seen one of the worst economic crises, throwing thousands of people out of employment.

That factories started closing down one after another offers a bizarre comment on Congress planning which was securing one success after another according to its advocates.

The policy of inflation deliberately pursued to rob the people of their earnings, the high prices accompanying this policy and the ever-rising cost of living index have been continuously lowering the real earnings of the central and state government employees, school teachers, professors and the working class. It has been one systematic assault on the standard of living of these classes, an assault without which the government cannot keep its mixed economy running. While the masses of the people are being driven to destitution, the monopolists, big capitalists have not only been increasing their monstrous profits, but have been getting greater and greater control over the lives and the economic well-being of the people. The so-called anti-Monopolies Act of the Indian government is just a delaying measure to throw dust into the eyes of the people while in reality new licences are being granted to the monopolists and new excuses are being advanced to expand their operation. These monopolists aided by government price regulations continue to loot the people demand high prices for their goods and demand suppression of all resistance to their policies.

The Green Revolution which has been paraded with so much fanfare has benefited only a small section of the rural elite.

For the people as a whole food prices continue to remain high forcing them to live on starvation diet. Official statistics show that per capita availability of cereals

came down from 14.03 ounces to 13.80 ounces in 1969.

And in the rural areas who have been real beneficiaries of this advertised munificence? Not the poor peasant, not the agricultural worker, not the tenant or the sharecropper.

Big farmers, landlords with large tracts of land have made the greatest absolute and relative gains, partly by mechanising farm operations to take up double, multiple cropping, etc.

The hold of the wealthy over the small farmers has increased.

Worse still is the fact that the Indian people are rapidly losing their claim to consume what they produce and are forced to allot a greater and greater share of their wealth to satisfy the demands of their foreign creditors. India's foreign debt running into more than Rs 7,000 crores has become such a heavy burden that the government was forced to demand re-schedule of the payments and now nearly 30 to 40 per cent of fresh loans have to be sequestered for paying old debts. The exports of India are virtually mortgaged to this payment of old debts and the paucity of foreign exchange, the cry for more and more exports is nothing but an expression of the growing dependence of the economy on foreign loans.

By pushing through the measure for nationalisation of big banks Indira Gandhi pretended to strike a new path. By raising the demands for the abolition of privy purses of the princes, she again tried to achieve the same thing...

The nationalisation of banks has not resulted in relaxing the stranglehold of the monopolists over our economy; nor have they stopped giving a major part of their credit to them.

The hopes of the small man raised sky-high by interested propagandists have been dashed to the ground.

After lot of hesitation, bargaining, the Indira government found courage to tackle the privy purses issue. But all the while every effort was made to reach a compromise with the princes on the basis of compensation extending over years. Notwithstanding the de-recognition of princes, efforts at compromise continued till the end.

The Indira government has intensified the robbery of the people through taxation.

The taxation forms more than 20 to 40 per cent of the prices of certain commodities. The peasant, the worker, the middle classes—all are ground down by this monstrous load of taxation, and the Indira Congress plans a further increase of Rs 400 crores immediately after the elections.

While the taxation on the common

man increases, the rich are allowed many concessions in recent years. Above all, they are allowed to evade taxes to the tune of hundreds of crores of rupees. The big capitalists not only evade income-tax; they evade sales and excise taxes; they do not pay electricity charges and defraud the state of hundreds of crores of rupees. But the state machinery does not move against them.

With people starving, with the central government employees denied adequate interim relief under the plea of lack of funds, the government goes on spending Rs 1,000 crores on defence callously. This monstrous defence expenditure has no justification. The need for it arises only because of the wrong foreign policies pursued by the bourgeois-landlord government.

Nothing can reveal better the bankruptcy of Indira Congress policies more than the fate of the fourth Plan.

The Plan was doomed before it was ushered into existence. Two years of the Plan have passed, and yet the government dares not bring it up for discussion before Parliament.

All its assumptions regarding foreign aid, internal finance, export targets, and objectives have gone away and the Plan is in a complete mess. The growth rate under it is one of the lowest on record.

Twenty years of this bankrupt planning has not solved the problem of backward areas. Industry continues to be concentrated in certain areas, according to the dictates of profiteers and monopolists. The backward regions, the tribal areas remain rooted in the past, denied even the minimum progress in education, employment or industry.

Among the monstrous devices the Congress governments have invented to fleece the people, rising prices and inflation occupy a place of high importance.

The fighting peasantry of our country has started its fight for land occupation and in Kerala, the agricultural workers showed exemplary heroism in meeting the police terror of the Achutha Menon government.

In Rajasthan, Bihar, Maharashtra, Punjab—the mass of peasants waged a heroic struggle for land and the Congress governments tried to crush them in cold blood.

The heroic working class of our country, led by the fighting workers of West Bengal waged prolonged battles in defence of their rights and demands and in the states ruled by the Indira Congress they were often met with lathis, jails and bullets.

Fundamental Rights: The Fundamental Rights are now re-

duced to sanctity of private property, the right of big property holders to hold private property while small-holders like the peasants are evicted by thousands. But for this, the right to hold property would not have led to greater concentration of land in the hands of a few holders; nor to the rise of seventy five monopoly houses who control a substantial part of production and capital, exercise control over the government and the press and the economic life of the people.

The Constitution has placed in the hands of these people the right to play havoc with the jobs and lives of thousands of people.

Freedom of organisation, etc., which directly affects the class struggle of the masses, is being virtually scuttled. Not only preventive detention acts have been enacted; not only is there the handy use of Section 144 in every strike and arrests of workers; the worst type of legislation of the British days is being shamelessly enacted in West Bengal in the name of suppressing the Naxalites. In contrast every freedom is ensured to the capitalists—freedom of profit, freedom to hire and fire workers as they like, of running or closing the concerns.

The abolition of untouchability proclaimed in the Constitution is being accomplished with atrocities on Harijans in villages, including burning of their huts and sometimes burning alive of Harijans.

Freedom of the press really has meant freedom of the Goenkas, Tatas and Birlas to propagate poisonous and lying propaganda against the masses and in support of the vested interests.

A public bonfire is being made of all the Fundamental Rights. The CRP, the Central Industrial Security Force are the new instruments of enforcing Fundamental Rights.

The Constitution is federal only in name but unitary in content and practice.

Role of Governors: The role played by the state governors shows that they invariably act as the instrument of the centre against the people of the state. They act as the watch-dog of the centre, the refuge of the anti-people bureaucracy. They conspire to bring down popular ministries and install docile ones. The CPI (M) demands the abolition of the post of governors so that one instrument of thwarting popular will is removed. The CPI(M) further demands that the President must be shorn of all powers which enable him to take over the administration of states for months and

run it without the consent of the people.

Centre-State Relations: Notwithstanding detailed lists dividing the state and the union subjects, the real power is in the hands of the centre. The states' power in relation to the Concurrent List is purely illusory and formal since all legislation on the Concurrent List is subject to the President's approval.

The concentration of all economic power in the hands of the centre has made the state governments a supplicant at the door of the union government. Their economic programmes, their agricultural programmes, all are at the mercy of the centre.

The CPI(M) warns that this monstrous concentration of power in the hands of the centre is creating the danger of a bureaucratic police state, spelling abrogation of all democratic rights.

Role of Bureaucracy: The centre uses its hold over the all-India cadre of the bureaucracy to over-ride the elected ministries. The concept of all-India police and administrative cadre—IAS, etc.—was originally advocated in the name of an Indian outlook and unity.

In reality, it has meant that the bureaucracy is responsible only to the centre, acts as its spies against the elected ministry, subverts the policies of the Legislature and conspires with the centre to bring down an unwanted ministry. The police 'revolt' against the UF ministry in West Bengal was not hatched without the knowledge of the superior police officers whose loyalty is only to the centre.

So powerful is the bureaucracy when supported by the centre that an unwanted head of a department could not be sent out of the state by the state ministry.

The creation of the Industrial Security Force in central establishment constitutes an open assault on the states' powers regarding maintenance of law and order.

The members of the force can arrest and detain any worker without a warrant, can take action against the workers in the name of protecting the plant without reference to the state authorities.

The arbitrary interference of the army in Karnataka and its moves without the knowledge of the state government show how the centre is using all powers and unmasking the sham federalism of the Constitution.

Supreme Court: The Supreme Court, the holy of holies, declares that the Right to Property cannot be abridged by Parliament; it decrees that banks cannot be taken

without full compensation and liberty of the banks to start banking business with the compensation money.

The Supreme Court further decrees that privy purses are property and for time eternal they cannot be abolished under the Constitution. At the same time, under the same Fundamental Rights, they declared ultra-vires agrarian legislation measures benefiting the peasantry.

The Supreme Court verdicts emphasise that basic changes in the condition of the people cannot be ushered in under the present Constitution. They demand both a change in the Constitution and a complete overhauling of the machinery of the Supreme Court.

It seems that according to the Supreme Court while Parliament has no right to amend the Constitution, six Supreme Court judges can do it.

In the name of independence of the judiciary, the right to interpret the Constitution, unheard of powers are claimed by public officials paid from the common treasury.

The entire concept about the Supreme Court must change. The judges are paid officials of the people who constitute the only sovereign authority. The officials or their judgments cannot be allowed to determine the basic policies of the people.

The CPI(M) demands that the concept of the role of the court and its organisation must be completely changed. The courts must function as the instrument of people's will, not as an instrument opposing popular progress. The people must have complete freedom to dispense with the services of judges who hold up the march of progress. The courts must move with the times. Above all, the court must be deprived of all powers to set at nought legislations in regard to removal of social injustice, inequality and oppression.

The Indira Congress upholds this Constitution. The Syndicate-Jana Sangh-Swatantra upholds the same lending support to all the verdicts of the Supreme Court.

The shameless opportunists of the Right CP swear by the same bourgeois-landlord Constitution and join the Indira Congress in defending it against the people. The opportunist leaders of the SSP defend it in the company of Syndicate-Jana Sangh allies.

Our Party calls upon the people to realise that unless the entire Constitution is overhauled by the mighty hands of the people, unless all the reactionary defenders of the Constitution are defeated and routed, the people can-

not advance to their cherished goal.

People's Democracy : The great goal of *People's Democracy* leading to socialism cannot be achieved within the framework of the present bourgeois-landlord Constitution. Unless the democratic movement, basing itself on an alliance of the workers and peasants develops mass sanctions to scrap the present Constitution and replace it by one enshrining the sovereignty of the people, socialism and freedom from exploitation cannot be achieved. The CPI(M) calls upon the people to join hands to forge the requisite sanctions to end the bourgeois-landlord rule.

Indira Congress, with 'fight the Syndicate' on its lips, started in right earnest a fight against the democratic forces and anti-Congress democratic front they had formed to challenge the Congress rule.

Attack on Labour : The central government with its profuse promises of socialism, is forging new measures to attack the working class strikes and choke all independent trade union movement.

Its proposal for an Industrial Relations Commission, armed with full powers of arbitration, and accompanied by banning of workers' strikes, is one of the atrocious measures it is placing to fulfil its promises of socialism.

Under President's rule in West Bengal, it despatched 25,000 armed police including the notorious CRP to crush the strike of 60,000 Durgapur workers, protesting against the arrest of their leaders. Laying siege to the town, the CRP stopped food and milk supplies, raided the workers' quarters, beat and tortured, assaulted their wives to break the strike.

The Durgapur attack constitutes one of the most shameful events in recent Indian history showing how the ruling classes are ready to smother all principles of democracy and the Constitution to put down the just struggles of the masses.

In order to hunt down the democratic movement led by our party, the only challenge to the Congress rule, the police, under the guidance of the central Home Ministry, headed by Indira Gandhi, is conniving and encouraging murderous goonda attacks by Naxalites and by other anti-social gangs organised by sections of the Forward Bloc and SUC against the leaders of the trade unions and kisan movement and against the leading cadres of our party and the democratic movement. More than a hundred and fifty of our best comrades have died either in police firing or killings by these gangsters who are actively helped by the local police.

Anti-People Policies: The CPI(M) warns the country that what is being done by the Indira Gandhi Congress in West Bengal will have the gravest consequences on the future of our people and our country. Here is an open and frontal attack against democracy in the most shameless and naked manner. It is screened from the public eye because of the approval it gets from the treacherous Right CP leaders and some sections of the leaders of the Forward Bloc, SUC and others. They conceal the Indira Gandhi government's brutal attack on the people, often join with the police, as in Durgapur, and prevent the people from learning the truth. They are aiding and abetting the Indira Gandhi government to attack the CPI(M) and destroy the democratic liberties and lay the foundation of a police state.

State governments loyal to Indira Gandhi are adopting the same policy of repression towards popular movements.

Having pitted itself against the people, committed to suppress them in the interest of the exploiting strata, the Indira Congress repeatedly compromises with the reactionaries in her foreign policy.

Foreign Policy: Under the weight of American debts, the Indira government dares not openly support the Vietnam struggle and demand a complete withdrawal of American forces without conditions and declare US imperialism to be the aggressor in Vietnam. Frightened by the Jana Sangh and Swatantra pressure, the government took an apologetic attitude in connection with the visit of Madam Binh.

The government dares not recognise the Sihanouk government; it dares not raise the status of its relationship with the Korean and North Vietnamese governments for fear of offending the Americans, for fear of reaction at home. When almost every country in the world is developing friendly ties with People's China, which bring mutual economic benefits, the Indira government, frightened by the reactionaries, is unable to take initial steps for bettering relations. The same fear directs it to freeze its relationship with the people of Pakistan.

The Indira government has not yet granted full diplomatic recognition to the Democratic Republic of East Germany. Its relations with Cuba are formal. Notwithstanding the fact that the socialist countries have rendered immense help to India, the government pursues this discriminating policy.

Once more the Syndicate-Jana Sangh-Swatantra alliance stands for an open shift in a reactionary direction in the foreign policy.

National Unity: The policies of the

Congress (R) are leading to a rapid disintegration of all sense of national unity. Indira Gandhi's Congress is unable to maintain the unity of India, because it can be maintained only on the basis of equality of its constituent units. Under its rule the initiative in the states is passing to the landed gentry, to the separatists and chauvinists who avoid democratic issues and rouse chauvinism to blackmail the centre for additional funds, or a steel plant or a refinery. For its own selfish ends, the Indira government compromises with such elements to crush the democratic movement in the state.

The communalists [who organise Hindu-Muslim riots, the casteists who attack Harijans, the chauvinists who attack workers from other states, all play the game of the capitalists and landlords and often act as the agents of the American Central Intelligence Agency. The CPI(M) calls upon the electors to reject all such parties that directly or indirectly support communalism.

Minorities: The CPI(M) expresses its sympathy and solidarity with the masses of the minority communities who are being oppressed under the Congress regime. Standing firmly for the defence of minority rights, for full protection to their life and property, for full freedom to Urdu, the CPI(M) calls upon the Muslim masses not to walk into the trap of Muslim communalists who seek to exploit their plight to keep them away from the common struggle against the Congress regime.

It is only the united struggle of the workers, peasants, and others — the united struggle of the Hindu and Muslim masses that will defeat the Jana Sangh, end the Congress regime and ensure safety for the minorities.

CPI(M) Programme: The CPI(M) warns the people that unless the economic and political power of the capitalist and landlord classes is attacked, unless the masses are able to secure their demands, the way to real freedom and democracy will not be open. Against the reactionary programme of the Syndicate-Jana Sangh-Swatantra, against the deceptive promises of the Right CP and SSP, the CPI(M) puts forward the following programme for immediate implementation:

The CPI(M) fights and expects all the genuinely democratic parties, organisations, groups and individuals to fight the bankrupt policy of the capitalist path which has been consistently followed by the Congress and its central government for twenty years of planning. This is the path which has reduced the country to the position of a beggar going all over the world for

'aid' on such terms as no self-respecting nation can accept.

- Nationalisation of industries, banks, plantations, mines, and other property owned by private foreign monopolists, which will prevent the flow abroad of the interest on and the principal of the capital invested by these private foreign monopolists;
- review of all agreements at governmental level, or at the level of international agencies, with a view to removing all those provisions which are detrimental to the national interests;
- nationalisation of all the heavy industries and other key sectors of the economy, whether they are owned by foreign or Indian capitalists;
- effective democratic control over, and employee participation in the management of nationalised sector of the economy with a view to un-

leashing the production enthusiasm of workers and employees, eliminating wastages, maximising production, enhancing the quantum of savings out of the nationalised sector even while improving the living standards of workers and employees, etc.;

- complete elimination of all feudal and big landlord interests in the countryside including the abolition of all the privileges and privy purses of the princes without compensation, annulment of compensation amounts which are still due to the zamindars and other feudal landlords, take-over of large estates held by big landlords;
- vigorous measures to raise the wages and improve the living and working conditions of agricultural labourers, artisans and other sections of the rural poor; distribute the surplus lands of big landlords among those sections of the rural

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poor as well as among such poor peasants as have only small patches of lands; large-scale and generous aid by way of seeds, fertilisers, water and other agricultural inputs to poor and middle peasants; a thorough overhaul of the working of the credit and other co-operatives in such a way as to be of benefit to the poor and middle peasants;

- (g) a total reversal of the procurement and price policies in such a way as to be of benefit to the poor and middle peasants on the one hand, and to the mass of consumers on the other;
- (h) overhaul of the policies of taxation with a view to making the burden on the rich heavier while giving substantial relief to the poor.

Rise in Prices & Unemployment:

A break with the present policies involving the above measures would alone help the country out of the very serious crisis into which planning has fallen. This alone will help any government to take even initial steps for the solution of the two major problems which are affecting every single family and individual in the country — the problems of ever-increasing prices and of ever-deepening unemployment.

The party would therefore fight, and invites other genuinely democratic parties, organisations, groups and individuals to fight, the two Congresses and other parties of the ruling classes in the fields of the political and constitutional rights of the people by demanding:

- (a) repeal of all repressive laws including the Preventive Detention Act, the Industrial Security Act, and so on;
- (b) an end to the practice of resorting to prohibitory orders, security proceedings and so on to prevent workers' strikes and other popular struggles;
- (c) release of prisoners and withdrawal of cases in connection with workers' and other toiling people's struggles;
- (d) necessary amendments to the Fundamental Rights laid down in the Constitution so as to make it possible for Parliament and the state legislatures to legislate against the private property of foreign and Indian monopolists, former princes and big landlords and other top strata of society, together with measures which will further strengthen the democratic rights of the common people, including their right to the land, instruments of production, and other small property they won;
- (e) the resolution of the conflict which

has arisen between the requirements of a rapidly changing democratic public opinion in the country and the reactionary viewpoint held by the Supreme Court and high courts many of whose judgments have been admitted to be 'political' rather than judicial. A thorough reorganisation of the judiciary by replacing those who are demonstrably prejudiced in favour of the vested interests by those who are committed to a rapid change in the socio-economic set-up in the country. Courts must be deprived of all powers to set at nought legislations in regard to removal of social injustice, inequality and oppression.

True Federal Character: The two decades of the working of the present Constitution has shown that its federal character is being rapidly undermined. All the powers that had been envisaged for the states to exercise are being increasingly encroached upon. This naturally has intensified the conflict between the states and the centre in a situation in which the natural tendency of a multi-lingual country like ours is for the states to assert themselves as against the centre.

Our Party will therefore fight, and invites all other genuinely democratic parties, organisations, groups and individuals to fight against the policy of this increasing centralisation of power and for greater powers to the states. It would demand:

- (a) Abolition of the post of governors and of President's rule in the states;
- (b) Revision of the allocation of powers and functions between the states and centre with a view to making the state's powers real;
- (c) most of the subjects in the Concurrent List of the 7th Schedule to the Constitution to be transferred to the states;
- (d) greater resources to the states; 75 per cent share of all the taxes centrally collected to go to the states, to begin with;
- (e) complete control by the state governments over all its officials, including those who belong to all-India services.

Together with these proposals in the field of economic development, political and constitutional reforms, etc., the party would also fight for, and invites all other genuinely democratic parties, organisations, groups and individuals to fight for, a genuinely

anti-imperialist foreign policy. It would demand:

- (a) A firm line of struggle against imperialist (particularly American) policy in relation to the three Indo-China states, to Korea, to West Asia, to Germany, and to Cuba; full recognition by the Government of the Vietnamese, Korean, the GDR and Cuban governments with exchanges of ambassadors between each of these countries and India and recognition of the Provisional Revolutionary Government of South Vietnam. Full support to the African people struggling against white racist regimes in South Africa and Southern Rhodesia and to the liberation fighters against Portuguese imperialism in Angola, Mozambique and Guinea-Bissau. Full solidarity with the Arab people fighting against Israeli government aggression, backed by US imperialism;
- (b) new initiatives to be taken by the government of India to organise common struggles of all the anti-imperialist countries, particularly those of Asia and Africa, against the increasing penetration of the American, West German, Japanese and other imperialist powers in the economy, political life, cultural activities and in the military affairs of the newly-independent countries;
- (c) bold initiatives to bring India's relations with People's China and Pakistan back to normalcy;
- (d) revision of all cultural agreements with foreign countries with a view to eliminating all those provisions that enable foreign powers to penetrate into the social and cultural life of the nation.

The CPI(M) hopes that every genuine democrat in the country, including those who belong to the parties that have allied themselves with, and even those who belong to the two Congresses, would see that unless a complete break from the present policies is made, the nation's economy, political and cultural life and all those values which we treasure are in danger of being submerged in the barrage launched against it by the imperialist powers and their faithful followers in the country.

The party therefore is confident that larger and larger sections of the people will see the necessity of a consistent struggle inside Parliament, inside the state legislatures and everywhere in the country to carry on a fight for the policies outlined here. The party wants to assure the people that every one of its candidates, if elected, either to the Lok

Sabha or to the state legislatures will fight for these policies and that the party organisation outside will supplement

this fight inside Parliament and the state Legislatures by powerful mass movements outside.

DMK Manifesto

(Summarised)

THE DRAVIDA Munnetra Kazhagam will strive "steadily" to brighten the life of the poor, to achieve and consolidate social justice and translate socialism into action "without impairing those property rights that are the basis of the life of the individual."

"Just because our ideal is a socialist society," the manifesto says, "it does not mean our objective is to destroy the Fundamental Rights and distribute poverty among all."

The manifesto reiterates that English and Tamil would be kept together in such a manner as to be "useful and fruitful". "Whatever be the opposition, there shall be no change in this two-language policy and there shall be no place whatsoever for Hindi."

The manifesto says that the DMK would work to secure more powers for the state; to establish a joint sector for certain large and medium scale industries and to have a separate Planning Commission for the state.

"We have a definite proposal to create a board for extending assistance to small shop-keepers and tradesmen." The DMK would be of aid to the afflicted people of the slums and villages.

The manifesto also asserts that the DMK is "steel" in its determination to oppose the construction of dams in Mysore on rivers such as the Hemavathi, which would adversely affect the interests of Tamil Nadu.

After listing the achievements of the DMK government during its four-year rule, the manifesto mentions that the "noteworthy events after the 1967 general elections were the split in the Congress Party—one group openly identifying itself as the enemy of socialist policies—and the emergence in several parts of the country of Naxalites, who had no faith in the ballot box to bring social and economic changes but were "enamoured of the bullet." In the circumstances, the party believed that the "ship of society" should be steered clear of "the storm of extremism and the submerged rocks of reaction that acted as impediments."

Re-affirming its determination to protect and nurture the Tamil heritage, the Tamil language and the Tamil tradition, the manifesto says the party was of the opinion that Indian integration was not a mould made out of a conglomeration of different languages, arts

and cultures beaten into shapelessness. "It is a 'union' that shall contribute to the emergence of a strong India and not uniformity concocted out of an amorphous mixture of several languages, arts and cultures."

On the language policy, the manifesto says the two-language formula laid down in the unanimous resolution of the State Legislative Assembly (removing Hindi and retaining only Tamil and English) had been implemented in the educational institutions under the direct administration of the government. "Whatever be the opposition, there shall be no change in this policy and there shall be no place whatsoever for Hindi." To provide for the continuance of English the Constitution should be suitably amended. "Such a step alone will be the foundation which the present generation will be laying for a strong India."

State Autonomy: Pleading for more power for the states, the manifesto asserts that the DMK would undertake to gather support for the "movement for state autonomy" on a country-wide basis, after getting the report of the Experts' Committee appointed by the government to consider the issue. The demand for more political and financial powers to the state is not "impelled by a desire to 'enjoy' more powers." It arose because the state governments, which were closer to the people, would be able to serve them in a manner expected of them only if they (states) took over more powers from the centre.

The goal of the DMK, the manifesto says, would be to establish a socialist society "suited to the scientific age."

Just Society: Enunciating the party's aim to translate socialism into action, the manifesto says that mere increase in production and productivity would not bring about the result. "Suitable and cautious" measures have to be taken to ensure that the fruits of progress do not fill the coffers of only a few but are distributed to all. "Increase in production" without impairing the initiative of the individual and social justice, would form the pillars of the party's ideal of a "Just Society."

The manifesto further says that the DMK would like to create a joint sector for certain large and medium-scale industries. Under this set up, a three-fold partnership could be estab-

lished—the government safeguarding the interests of the public; the private sector giving the advantage of efficiency that it had evolved; and the workers. The DMK would like to give a fair trial to this system.

The system of planning in India, according to the DMK manifesto, is "wholly in contradiction with the concept of federalism." The Planning Commission, which was created by Parliament is functioning as an instrument opposed even to the minimum federalism enshrined in the Constitution, "imposing decisions from above". This has resulted in even the due needs of the states being disregarded.

Since the rapid development of the states is synonymous with the progress of the country, it is necessary that planning originates only from the state. Every state should have a separate Planning Commission, which would investigate and assess the wealth of raw materials and resources as also suggest ways and means of exploiting and developing them. For Tamil Nadu the Commission would also draft a ten-year Plan. Discounting the fear that such a set-up would give rise to centre-state conflict, the manifesto points out that "economic and social planning" came under the jurisdiction of both the centre and the states.

Licensing System: The Government of India's licensing system is a classic example of delay, says the DMK manifesto. It urges that the licensing powers should be transferred to the states. The only way to promote industrial development, according to the manifesto, is for the centre to give a due share to the state in planning and set apart necessary foreign exchange retaining to itself the co-ordinating function at the national level.

It is the desire of the DMK to set up an agricultural productivity council on the model of the existing one devoted to improving the industrial productivity. The party also wants to establish an industrial marketing society for small-scale manufacturers.

Unemployment: Demanding that the fourth Plan should be "revised and recast" in such a manner as to ensure eradication of unemployment, the manifesto says that it is the development of small-scale industries that would help solve the problem to large extent in rural areas. In spite of excellent opportunities for small industries, many people have not come forward to avail of them because of lack of financial resources. It is to remove this handicap that the Tamil Nadu Small-Scale Industries Corporation has been created and the party proposes to set up a committee for each district to intensify the corporation's work.

The manifesto further says that the DMK feels that it is nothing short of a "sacred struggle" on its part to rout the reactionary forces that have thrown to the winds the principle that all the persons in the country are rulers and which have set before themselves the sole objective of capturing power through opportunist alliances.

Response to People's Demands : Spelling out the DMK's stand on agitations, the manifesto says that it is its "salutary policy" to consider the cause of an agitation—whether it is by students, workers or agriculturists—and having done so to lend a receptive ear to the demands without standing on false prestige and to do what was fair and just.

Among the "countless" achievements of the party the manifesto lists 50 including the passing of a resolution by the Legislature keeping out Hindi from schools; re-naming of Madras State as Tamil Nadu; control of prices with "success to some extent"; "credit-able success" in initiating steps to nationalise bus routes; exemption from tax for wet and dry lands; reduction of land ceiling to 15 standard acres; abolition of food control and removal of permit system in many fields stage by stage; separate Ministry for Backward Classes; setting up of the Slum Clearance Board to replace slums by houses within seven years in Madras City and in stages throughout the state; validation of "self-respect" marriages; "unprecedented" pay increases to government servants as per the Pay Commissions' recommendations and grant of pattas to lakhs of landless and homeless people.

The assurances given by the party on the eve of 1967 elections that it would strive for the Salem Steel Plant, East Coast Highway, Kalpakkam Atomic Plant, drinking water scheme for Madras and Tuticorin deep sea port, the manifesto says, were not allowed to "evaporate." On the other hand, the objectives have been realised in a "most satisfying manner."

On the provision of drinking water and drainage facilities, the manifesto says blue-prints have been drawn up for implementing schemes throughout the state before 1973 and a water board has been set up. Education has been made free up to the PUC and the government has a proposal to extend the facility, stage by stage, up to the degree level.

In the field of agriculture, the DMK government has enabled ryots with small landholding to get credit facilities through the establishment of the land development banks and co-operative lift irrigation society. It is proposed to have an agricultural university functioning from the coming year.

Akali Dal Manifesto

(Summarised)

THE AKALI Dal manifesto has demanded a basic change in the Constitution to make it "really federal" to grant more autonomy and power to states, particularly in the field of "finance and legislation".

Its demand for a change in the Constitution has been spelled out by it as a "rationalisation of the linguistically re-organized states on the basis of spoken language and taking the village as a unit" so that all injustice done to the various linguistic states in this regard, especially to the people of Punjab, is removed.

Property : The Dal has pledged to impose a ceiling on urban property to bring it on a par with the ceiling on land ownership in the rural areas. Efforts will be made to curb "anti-social racketeering" in the purchase and sale of urban land so that residential plots are made available to the low-income group and the poor in the urban areas on a "no profit no loss" basis.

Unemployment : The manifesto says the party will "fight for starting a national unemployment insurance scheme" by the union government. In this connection it will also strive to mobilize all resources in the Lok Sabha to provide "gainful employment" to the youth in general, and the educated youth—engineers, doctors, technicians and scientists—in particular.

Backward Classes : Referring to the scheduled castes and backward classes, it urges for formulating special schemes, such as scheduled castes development and finance corporation as has been done in Punjab, to provide credit and employment to this backward section. The party will strive that at least 50 people in each village panchayat should be provided gainful employment through such schemes.

Law and Order : Expressing its concern over the activities of certain para-military organisations, it says that it will press the new union government to "curb activities of such organisations."

Minorities : The manifesto says the Akali Dal stands for "secularism" and will struggle for the protection of rights of all the religious minorities—the Muslims, the Sikhs and the Christians—in the country.

National Language : Speaking about Dal's stand on the national language question, the manifesto says that Hindi should be promoted all over the country as a "national link language," but the regional languages must be given

their rightful "place in the national life".

Foreign Policy : On foreign policy and defence, the Dal stands for "international harmony" and, therefore, will continue to support the present policy of "non-alignment and peaceful co-existence between various countries of the world, irrespective of their social order". Advocating for the development of "friendly relations" with the neighbours, the Dal will support the national liberation movements throughout the world.

State's Economy : Decrying the centre's discrimination against Punjab in the field of industry and finance, the manifesto says, the monopolist control over the national economy has assumed a new proportion despite some "half-hearted measures" like nationalization of banks and appointment of Monopolies Commission by the Congress (R). It reiterated the Dal's demand to bring consumer goods industries under public sector and says that all foreign interests in the country such as tea estates, foreign trade and general insurance should be nationalised. The Dal will also fight for the investment of 70 per cent of the bank deposits in each state from which they have been raised for economic regeneration of that state.

Land Reforms : Referring to agrarian policies, the manifesto says that the Dal will pursue vigorously the land reform measures already initiated and plug loopholes in these measures wherever necessary. Landless agricultural labour and poor peasants should be settled on surplus lands and government waste cultivable land should be distributed to the landless, preferably to the persons belonging to the scheduled castes and scheduled tribes. The scheme for distribution of these lands should be evolved in such a manner that the poor section of the landless population, particularly the Harijans, benefit from it. The Akali Dal will also examine how the tenants can be given the right to mortgage their interests in land for obtaining credit.

Farm Products : Announcing the Dal's stand of "complete nationalisation of foodgrains", the manifesto says that the party will work for the takeover of wholesale trade in grain and other agricultural produce by co-operatives and government agencies.

Power : The Akali Dal promises to force the central government to locate a 1,000 mW atomic energy station in the state to meet the state's chronic shortage in power.

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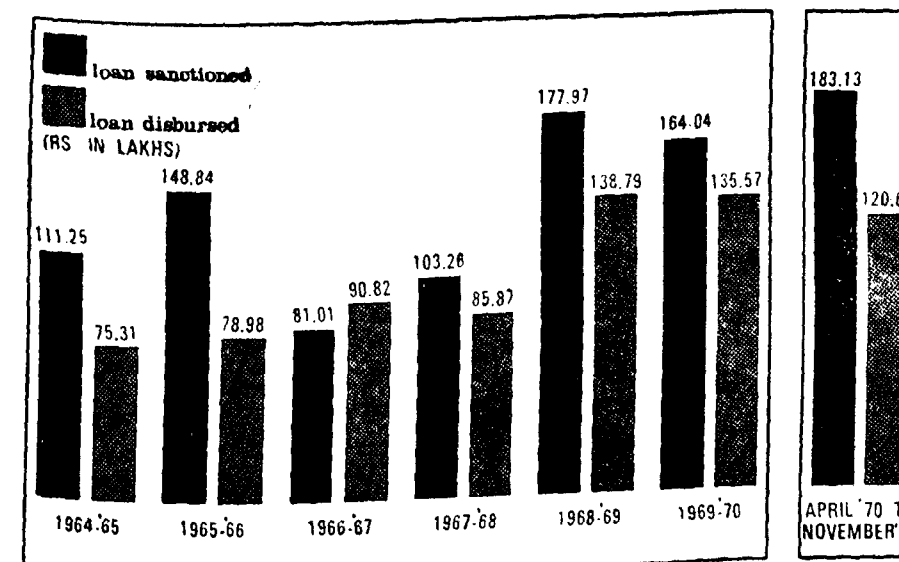
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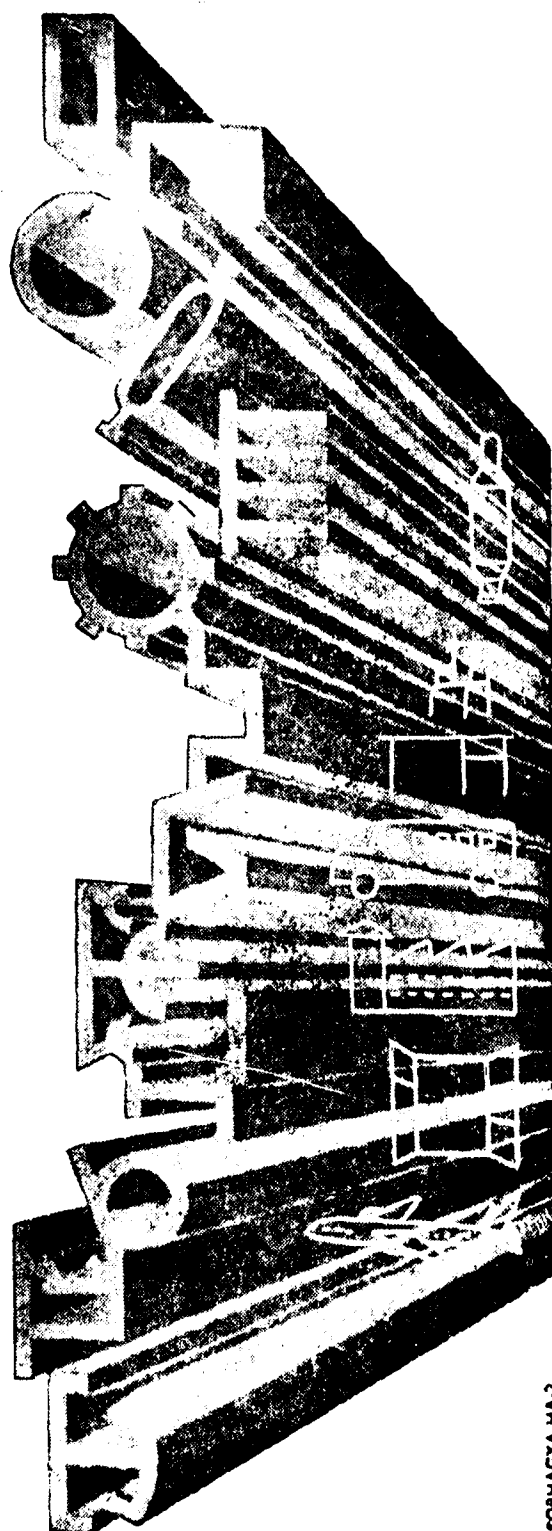
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EASTERN ECONOMIST

FEBRUARY 26, 1971

Only Some Lives are Precious ? ..	361
Whither Kerala ? ..	361
Business and Politics ..	362
Joining Hands with Italy ..	363
Crude Price Hike ..	364
Reserve Bank and West Bengal ..	365
Accountability in STC —R.V. Murthy ..	368
All-India Management Convention — A Special Correspondent ..	369
WINDOW ON THE WORLD ..	370
The World Monetary Outlook ..	373
THE MOVING FINGER WRITES ..	374
TRADE WINDS ..	374
TDA Steering Committee; Cotton for Mills; Problems of Sugar; Three- Wheeler's Production; Coop Fertilizer Complex; Zinc Smelter at Vizag; Indo- French Pact; USAID; Planning for Employment; Scrap Melting Plant in Libya; Budapest Fair; Seventy-four More Ships; Output of Tur in 1970-71; Rubber Purchase by STC; Insurance for Farmers; Control of Desert Locust; Use of Copper in Cables; Small Drug Units. ..	377
COMPANY AFFAIRS ..	380
United Commercial Bank; Indian Oxy- gen; Kirloskar Tractors; Associated Bearings; Indian Aluminium; Ma- hindra and Mahindra; Licences and Letters of Intent. ..	380
RECORDS AND STATISTICS] ..	380
From Recession to Stagnation, Alliance Declaration: Save Democracy. Foreign Collaborations. ..	380

Whither Kerala? (a special supple-
ment on Kerala is published along
with this issue).

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ONLY SOME LIVES ARE PRECIOUS?

THE PRIME Minister has been talking of threats of assassination against her and has charged the Jana Sangh with complicity. Given her Joan-of-Arc complex, it requires no effort on her part to cast herself in the role of an eager martyr. Fortunately, our political system is still democratic enough to provide for unwanted Prime Ministers being removed without resort to violence. It is not denied that the spirit of political terrorism is very much abroad at the present time. This it certainly is, largely because of the sins of commission and omission of the Prime Minister personally or her government and party institutionally.

However, instead of being publicly preoccupied with threats, real or imaginary, to her life, Mrs Gandhi, who is also the Home Minister, should take some interest in ensuring that the central government discharges its obligations with regard to the maintenance of law and order in the country. The centre's responsibility in this regard is both immediate and direct in West Bengal which is under President's rule. In this unhappy state, political murders have become grimly real and are not simply a theme of platform histrionics. Had Parliament been in session, Mrs Gandhi would have had to face a motion of censure for her lapses and failures as Home Minister. As it is Parliament is not in session and in these special circumstances the President has the right and responsibility to take over the Home portfolio and as a first step in the direction of making President's rule effective in West Bengal, dismiss the present Governor, if only because of the latter's demonstrated inadequacy.

Mr V.V. Giri, however, has got into the habit of thinking and acting as if he were President by courtesy of the Prime Minister. Here he may be right. But this in itself does not help the people. Mr Kuldip Nayar, in a book just published, implies that the President had successfully approached the Prime Minister for a Lok Sabha ticket for one of his sons. The 'son' concerned, now a candidate of Mrs Indira Gandhi's party, is contesting from a constituency in Madhya Pradesh. When this is the state of morals and manners in New Delhi, it is unrealistic to expect the President or the Prime Minister to lose even a night's sleep over the kniving of a septuagenarian politician in Calcutta or the shooting down of a member of the state assembly in Rajasthan.

Whither Kerala?

It is possible that there would have been a little more industrial development in Kerala had its politics been a little less wayward. The wonder, however, is that in spite of having to live with various brands of communism, this state has saved itself from being completely neglected by private enterprise. Among Kerala's more important economic assets now is the success of its export effort in new directions such as marine foods. Even so, the Kerala economy remains markedly vulnerable since some of its staple exports are facing dwindling demand or otherwise shrinking markets. This state is vastly dependent, then, on processes of development which would diversify its economy, particularly by exploring new industrial possibilities. A special supplement, published with this issue of *Eastern Economist*, takes a look at the main trends or developments in Kerala's economy in the light of its needs and prospects.

Business and Politics

WHEN a country ruled by an alien power achieves independence, it invariably also seeks to cast off all traces of foreign rule, including even some fine traditions. One such good feature of the British administration that independent India chose to shed almost immediately after becoming free was "functional" representation in our legislative and other important governing bodies. The result has been the non-availability to the administration of the sound counsel that only those engaged in business and industry could offer, with consequences disastrous to our country's economy, as every right-thinking person is bound to admit. When, on several occasions, this point was made by this journal as well as others, spokesmen of business and industry simply would not take notice of it, but, after over two decades of experience of what the absence of "functional" representation has led to, opinion seems to have crystallised that businessmen and industrialists should themselves try and enter Parliament to explain their point of view. We indeed are happy that Mr K.K. Birla, a leading industrialist, who has decided to contest a Lok Sabha seat from Rajasthan, said as much at a news conference in Pilani, a few days ago, when he was explaining why he took the decision to enter politics. He was quite right too in adding that the case of the industrialists needed to be stated adequately. At a press conference in Bombay recently, Mr Naval H. Tata, who is contesting a Lok Sabha seat from Bombay, also made the same point, besides explaining why he had not cared to enter politics heretofore. This is what he said:

"For decades I have felt that businessmen involved in industrial activities have no place in politics and that politics should be left to professional politicians who could not only find time and energy for it but the flexibility and elasticity of conscience the avocation demands. It was precisely for these reasons that, during two previous elections I was offered promising opportunities which I did not avail of."

"With the passage of time covering the span of previous elections, we businessmen have suffered as a result of the passive attitude adopted by us. In the years gone by, absence of knowledgeable responsible industrialists with a balanced outlook has created a lacuna in the House of

Parliament resulting in massive attacks being mounted against businessmen in general and against a few prominent houses in particular, very largely based on total misrepresentation of facts, with the result that the case of the business community has gone by default."

It is significant that the objectives prompting these industrialists — and we expect also of the nearly 40-50 other businessmen and industrialists who have sought seats in Parliament — are identical, namely, to bring about speedy industrialisation and to create more employment opportunities. "The industrial base in the country must be developed in order that national wealth may grow", said Mr Tata, and added: "The mounting unemployment and the miseries of the underfed and the undernourished can be ended only by permitting honest business houses to grow and develop and make their contribution to increase in national wealth". This stress on increasing wealth, it should be noted, does not stem from purely acquisitive considerations, as interested parties seek to make out to malign industrialists, but from the pragmatic realisation that wealth must first be created before it can be distributed. It is easy to talk tall of distributive justice and so on, but mere believing in distributive justice or talking of distributive justice will not take the country anywhere. There must be something to distribute in order that or before distributive justice can get off to a start, as Mr Tata observed. No wonder that to people like him commerce and industry constitute a sort of a national church.

In order to know what these industrialists will be able to do if and when elected, it is not necessary for one to look out for their election manifestos, apart from the fact that it is purposeless to expect elaborate election manifestos from individuals in the same way as from political parties. But, from the speeches made by them from various forums and in different capacities, from time to time, one can gather enough information as to how their minds have been working and what precisely the people can expect from them. On this basis, it is possible to say that, if these eminent men are elected, we may expect them to work for the following goals:

(1) **Eradication of poverty:** Everyone knows that we are a very poor country,

although quite some people do not seem to know that it requires sound economic policies and hard toil to eradicate poverty. Empty slogans cannot remove poverty. To quote Mr Tata, "...poverty can be eradicated only by sound economic policies and by hard, unremitting toil. The industrial base in the country must be developed in order that national wealth may grow."

(2) **Ensuring that every worker feels a joy in his work:** In order to do this, i.e., creating the necessary atmosphere, these mis-called *laissez faire* industrialists believe in "wisely directing" and not "stifling" business activity. What is more, they realise that practice is better than precept and are really intent on establishing such a leadership as would compel emulation. This leadership should make every worker do his work well and also feel a joy in doing the work allotted to him.

(3) **Belief in true socialism:** What is true socialism? It is the investment of human and material resources in an enlightened manner which can contribute to the vitality and the progress of the nation and thereby raise the standard of living of the masses. This requires pragmatic planning, for, unless planning is done on proved and pragmatic, instead of purely ideological lines, in place of a planned economy we may have "planned chaos", as Mr Tata remarked.

(4) **Respect for law and order:** No one could care more for law and order than a businessman or an industrialist. For, unless there is law and order and also a reasonable measure of self-discipline, neither will industry thrive nor the country prosper economically. Industrialists like Mr Birla and Mr Tata may, therefore, be expected to accord this subject top-most priority in Parliament.

(5) **Respect for Fundamental Rights and sanctity of the Constitution:** As people with some stake, businessmen and industrialists would naturally be particular of their Fundamental Rights under the Constitution. "Fundamental Rights and the sanctity of the Constitution must be protected", said Mr Tata the other day. Considering the cavalier manner in which Fundamental Rights have lately been sought to be curtailed and the Constitution has so often been amended, we want men like these who believe in Fundamental Rights as well as sanctity of the Constitution.

(6) **Pride in the country's heritage:** These industrialists, who have an all-India outlook, if only because they want their products to sell all over the country, are not only deeply conscious but sincerely proud of the priceless heri-

tage of this great country and may be expected, unlike professional politicians, to rise above the considerations of community or caste, religion or region. Indeed, all good business must transcend such narrow and parochial barriers.

(7) **Dignity of the individual:** This is perhaps the most coveted among all civilised people. The worth of state in the long run, as John Stuart Mill put it, is the worth of the individuals composing it and a state which dwarfs the men in order that they may be more docile in its hands, even if it be for beneficial purposes, will find that, with small men, no great things can really be accomplished. The leading industrialists of the country fully endorse this sentiment and may, therefore, be expected to do everything possible, in a constitutional

Joining Hands with Italy

THE EXCHANGE of economic missions between India and Italy during the past three years has not helped in bridging the trade gap between the two countries, although the volume of trade has continued to grow year after year and doors have been opened for increased industrial co-operation between the two nations. This is evident from the visit of the Italian delegation of businessmen and industrialists led by Hon. Prof. Paolo Barbi, Member of Parliament, which toured this country from February 7 to February 21 and which paved the ground for three Indo-Italian joint ventures. The first of these ventures is designed to start the manufacture of Italian shoes — renowned all over the world for their superior quality — in our country. FIACCONI of Italy is joining hands with an Indian manufacturer to set up a shoe factory in Madras. The terms of this venture stipulate that 90 per cent of the output would be exported mostly to traditional Italian markets for shoes such as the USA. Besides the shoe factory at Madras, the Italian businessmen nearly finalised the agreement for the setting up of a unit at Poona to manufacture scooter carburettors. This factory is likely to cost a crore of rupees. Then there is the possibility to an Indo-Italian venture in Ahmedabad for the establishment of an injection pump manufacturing factory.

Prior to the tour of this country by the Italian industrialists and businessmen, an economic mission consisting of exporters, importers and marketing research specialists from our country had visited Italy during November-December last year for the specific

manner, to ensure that man's dignity as man and man as an individual is not allowed to be sacrificed at the altar of any 'ism'.

Then, with all these, will these industrialists bring down the heaven on earth? They are modest enough not to promise any such thing — not to offer a Utopia which only professional politicians dare promise, even when they know fully well that this cannot be done. But the enlightened voter should be more than thankful to these industrialists who only promise to ensure a clean and healthy administration, to cut down government expenditure at all non-productive levels and to work towards the creation of a true welfare society. These promises may not be pompous, but they are certainly not likely to prove puerile.

objective of formulating export marketing strategy in respect of such engineering goods and chemical products as automobile components and parts, dry batteries, electric motors, transformers and switchgears, basic chemicals, including organic dyestuffs and pigments, strychnine and brucine preparations, emetine preparations, oxalic acid and rare earth chloride. The delegation also assessed the import potential of shoe-making machinery, food processing and packing machinery, textile machinery and machine tools from Italy to this country. The delegation was led by Mr G.L. Bansal, Secretary-General of the Federation of Indian Chambers of Commerce and Industry.

This economic mission to Italy, which was the third in the series — the earlier two missions had visited Italy in January, 1968, and January, 1970 — came to the conclusion that the volume of our trade with Italy had increased substantially but had failed to be reflected in the official statistics because of the "switch trade". This expression has now been commonly used to describe the diversion of our goods to western Europe which are in the first instance sold to the rupee payment countries in eastern Europe. The mission is of the view that the apparent declining share of our exports to Italy might be due partly to the "switch trade" in such items as cotton textiles, cashew kernels, black pepper and tanned hides and skins.

The evidence of this switch trade is provided by the discrepancy between the value of Indian exports and the

corresponding registrations in Italian import statistics. For example, in 1969, this country's exports to Italy were valued at Rs 143 million (f.o.b.) or 12 billion lire, while Italian imports of Indian origin for the same period were of the value of 18 billion lire. Even if 20 per cent is allowed for insurance and freight, the mission has come to the conclusion that the c.i.f. value of this country's exports during 1969 would not exceed 15 billion lire, which leaves unaccounted three million lire (Rs 36 million) worth of goods of Indian origin. It is presumed that these are not exported directly by this country to Italy. It is necessary that we must take steps to plug this hole, because in our enthusiasm for increasing our exports to rupee payment countries, we should see to it that our interests elsewhere in the world are not hurt.

Because the economy of Italy has been growing at a fast rate in recent years, the increase in demand for goods is largely being met through increased imports. This has obviously created increased prospects for the import of foreign goods, including those from our country. It is in this background that the mission received concrete enquiries (supported with drawings and specifications wherever necessary) valued at about Rs 70 million. Included in these enquiries were firm export orders for Rs 2.6 million, comprising molasses (Rs 1.5 million), chemicals (Rs 0.5 million) and ready-made garments (Rs 0.6 million). The findings of the mission reveal that export possibilities to Italy exist for a number of chemicals and minerals, besides a large number of other industrial goods.

The report of the mission sets down specific suggestions in respect of each product whose export possibilities in Italy have been studied by it. However, it has suggested five elements of the marketing strategy which should be carefully considered both by the Government of India and Indian exporters and industrialists if our exports to Italy are to be increased. First, the mission has stressed the importance of building up a favourable image for our goods in Italy. For this purpose efforts need to be made to publicise the rapid strides taken by our industries. The mission has suggested that the leading trade houses should appoint agents for Indian products in major Italian business centres such as Milan, Turin and Genoa. There is need to collect marketing intelligence and its dissemination among the prospective exporters to Italy.

Secondly, to overcome the problem of deliveries created by the closure of

Suez Canal, our exporters should make use of the warehouses in Italy. Goods can be deposited in these warehouses for an unlimited period against payment of duty. This suggestion had been made by a number of other research agencies also which have studied in recent years the possibilities of increased exports to Europe.

Thirdly, the mission is of the view that an Indo-Italian Businessmen's Group at the non-official level should be constituted on the same lines as the Indo-Japan Businessmen's Group and Indo-British Technological Group. The Group should consist of representatives of chambers of commerce, marketing specialists from both the countries with officials as observers. Such a group, in the view of the mission, would be a proper body to suggest amendments to trade agreements and for preparing marketing plans and joint collaboration schemes. Fourthly, to encourage joint ventures, particularly in the electrical field, possibilities need to be explored for the formation of a consortium of leading manufacturers of machinery items in our country. This also applies to castings of auto components and spares. Enquiries in this regard have been received by the mission from the leading vehicle manufacturers in Italy. Lastly the mission has suggested exchange of marketing information between corresponding institutions in both the countries. This will assist in the dissemination of information about the marketing prospects of each country's products. All these recommendations need serious consideration and there is no doubt that if they are pursued in a business-like manner, trade between the two countries would grow sizably.

The prospects of export of automobile components are rated high in view of the fact that the mission received enquiries of the value of Rs 47.6 million. What needs emphasis is that these enquiries should be actively followed and wherever the mission has suggested certain measures, the government and industry must join hands to take them. Even in the case of dry cells, cotton textiles, dyestuffs, molasses and gum resin there are great possibilities of export. The suggestion of the mission that demonstrations of the use of agar-battis should be arranged on ceremonial occasions in important departmental stores in Rome and other cities needs consideration because the use of incense if popularised in Italy can be a valuable source of earning foreign exchange.

It was expected that the mission with the help of the marketing specialists would be able to put forward concrete suggestions for increased trade between the two countries: its contribution is

in no way mean but not in all cases has it been possible for the specialists to collect complete information required for concluding trade contracts. The mission has, therefore, in a number of places in its report suggested the conducting of further studies for obtaining additional information. For example,

Crude Price Hike

THE INTERNATIONAL oil companies have yielded to the terms of the Organisation of Petroleum Exporting Countries (OPEC). With just a day left for the expiry of the ultimatum given by the Shahenshah of Iran early this month that the oil companies should by February 15 come to an understanding with the Persian Gulf petroleum exporting nations lest the governments of these countries be compelled to put an embargo on the export of crude oil and petroleum products besides legislating for higher prices, they signed an agreement with the six Gulf states of Iran, Kuwait, Saudi Arabia, Iraq, Qatar, and Abu Dhabi, raising the posted prices of crude oil to very near the levels demanded by the OPEC.

Under the agreement, the posted prices of crude (which govern the oil revenues of the oil exporting countries) for exports through the Gulf ports are to be raised immediately by 35 US cents a barrel. On June 1, 1971, they will be stepped up further by five cents a barrel. Thereafter, an increase of five cents a barrel will be effected on January 1, 1973, 1974 and 1975 to reflect increase in demand for crude oil. On June 1, 1971, and on the first of January in each of the calendar years 1973, 1974 and 1975, a further upward adjustment in these prices to the extent of 2½ per cent will be made to offset the adverse effects of the global inflationary tendencies on the oil exporting countries. A new basis has also been worked out for providing for the gravity differentials of crude. The new basis envisages that the posted prices will be increased by half a cent per barrel for each full degree above 30 degree API gravity. The oil producing states, on the other hand, have agreed to stabilise their taxes on the profits of the oil companies for the next five years at 55 per cent. The cumulative effect of the settlement will be only marginally lower than of the original demand of the OPEC members which envisaged that the posted prices of crude this year should be raised by 49 cents a barrel, next year by another eight cents and in the subsequent three years by 10 cents each year. The increased posted prices are expected to benefit the oil exporting countries by nearly \$ 1,200 million this year. By 1975, the additional revenue accruing to the exporting countries is

in the case of such items as remote control and system control panels, it has recommended a deeper study to estimate the demand potential. The mission's report, therefore, is useful in indicating areas which need to be probed further for increasing the flow of trade between the two countries.

anticipated to go up by as much as \$3,000 million.

Apart from ensuring stability in crude prices and maintenance of supplies for the next five years, at least for the consumers of Persian Gulf crude, the above settlement is significant from the point of view of the developing nations at large because it concedes that the interests of the producers of primary products have to be safeguarded against world-wide inflation. The main plank from which the oil producing countries have fought is that during the last 20 years, thanks to global inflation, their real income from oil has gone down by about 20 per cent. The settlement between the oil companies and the Gulf members of the OPEC not only compensates to some extent the latter for the erosion in their real incomes from oil that has already taken place but also provides for a cushion against future inflation. If this principle is accepted for the other primary products of vital interest to the developing countries such as cocoa, tea, sugar, etc., it will go a long way in accomplishing the objectives of the current, second development decade.

The enhancement of the posted prices of crude obviously will have a profound impact on the energy policies of the consuming countries if the entire or even substantial incidence of the increase is sought to be passed on to the ultimate consumer. An indication of this is available from two statements in the press last week—one attributed to the Shahanshah of Iran and the other to a spokesman of the European Economic Community. While welcoming the settlement the Shahanshah is reported to have warned the oil companies that "a substantial rise in their oil prices would cause bankruptcy in the consumer countries." The EEC spokesman, similarly, while hailing the agreement because it ensures regular supplies of oil from the Gulf countries, has expressed the hope that the prices to the consumers would not be raised any substantially. "The rise in crude prices which have been or will be decided will not cause upheavals if rise of consumer prices is maintained within the limit of rising costs", he is reported to have observed.

Not to speak of such big consumers

of Persian Gulf crude as the UK, West Germany and Japan, the incidence of increased crude prices even in countries like India, where the dependence on oil for providing commercial energy is not as great as in the highly industrialised countries, is not insignificant. At the present level of imports of crude, India will have to spend nearly Rs 25 crores worth additional foreign exchange this year itself. The crude import bill in the next four years, which otherwise was expected to go up by about Rs 50 crores, may now swell by over Rs 90 crores or so. Apart from the fact that our foreign exchange resources may not permit this additional expenditure on crude, the impact of the increase in petroleum prices for the consumers will be quite significant; it will add to cost-push inflation.

What is the way out? Can the oil companies wholly absorb the impact of the increase in the posted prices of crude? The Shahanshah of Iran recently observed that of every fourteen dollars the consumer pays for meeting his requirements of petroleum, the producing countries get only one dollar. He asked: where do the remaining thirteen dollars go? Whether corresponding to the one dollar take of producing countries, the consumer price is \$14, as stated by the Shahenshah of Iran, or nine dollars, as stressed by the oil companies, is beside the point. There is, however, no denying the fact that there is a large gap between the consumer and producer prices. An analysis of the average pricing of petroleum products suggests that 45 per cent of the consumer price goes to swell the consumer governments' exchequers. Distribution charges account for another 22.5 per cent; producer governments' take for 12.5 per cent; transportation charges for about nine per cent, refining costs for nearly 4.5 per cent and crude production for about 2.5 per cent. The oil companies' take is nearly four per cent. This should suggest that the profits of the oil companies are not so large as to absorb a significant portion of the increased price of crude, but then their profits are an incomplete guide. The transportation and distribution charges, however, appear to be quite high; some saving should be possible here. It should also be possible to reduce the refining costs. Since the operations of most of the international oil companies are integrated from production of crude to marketing of the refined products, it may be possible for these companies to absorb a fair portion of the incidence of the increase in the posted prices of crude.

A major portion of the incidence, will have to be absorbed by the governments of the consuming countries which load the prices of petroleum products

quite heavily—on an average by about 45 per cent of the consumer prices as suggested by the analysis referred to above. In countries such as ours where funds for development are required in an increasing measure, ostensibly, the

Reserve Bank and West Bengal

THE DECISION of the Reserve Bank of India to set up Industrial Reconstruction Corporation with headquarters in Calcutta appears to have been well received in West Bengal, especially by the business community. For the past many years, industrial organisations have been agitating for locating in this state the headquarters of at least one national financial institution. The Reserve Bank has now conceded this demand. It remains to be seen to what extent the Reconstruction Corporation will be able to fulfil, so far as West Bengal is concerned, its objective of stimulating industrial growth.

The immediate task of the Corporation is said to be to identify the industrial units which still remain closed and to help them to revive. The problem of reopening the closed units—there are estimated to be 192 of them—has been engaging the attention of the Government of West Bengal for more than a year. But not much progress has been achieved in this direction. The government set up a committee to study this problem about a year ago, but it is not known what happened to it. Recently, the government appointed a three-member committee with Mr Sanjoy Sen, Chairman of the Indian Engineering Association, at its head, to study a few selected units and to recommend measures for their re-opening. But this committee is to examine the problems only of the engineering sector. What

the government proposes to do about the closed units in other sectors is not clear. Meanwhile, another committee has been formed to report on the closure of the Clive Works of Braithwaite & Co.

In this background it will be interesting to watch how the Reconstruction Corporation is going to initiate its task. It is reported that attempts will be made to bring about an amalgamation of certain units and induction of modern plant and processes in others. The Corporation will have a capital of about Rs 10 crores to begin with, and it may offer to the units concerned soft loans and other concessions. The Corporation is expected to do this through the Industrial Development Bank of India. But a good deal of preliminary work has to be done before the Corporation can have a clear idea of how to proceed with its work. Unless the causes of the closure of the units are thoroughly and objectively examined, the Corporation cannot effectively perform its function. Even when such a large unit of Braithwaite was closed, many conflicting reports appeared about its causes and it has become necessary to set up a committee to find out the truth! One wonders, therefore, how many months will be required before the Corporation can have a correct picture of the closed units.

Industrial circles in West Bengal have

Eastern Economist 25 Years Ago

MARCH 1, 1946

On the 1st of September 1939, the deposit liabilities of the Indian scheduled banks aggregated Rs 236.60 crores. Of this sum, the Imperial Bank alone held Rs. 87.76 crores or more than one third. By the beginning of February 1946, total deposits had risen to about Rs 1,000 crores, in the same period the increase in the deposits of the Imperial Bank was Rs 182 crores. In other words, the Imperial Bank alone accounted for something like one-fourth of the entire war-time accretion of deposits to the Indian banking system. On the eve of the outbreak of war,

the number of offices of scheduled banks was 1,252; by December 1945, it had gone up to 2,924. During the same period, the Imperial Bank increased its offices from 400 to only 429. With only a very small increase in its branch organisation, the Imperial has added so much to its deposits that resources per office have risen very considerably. Easily it is the most dominant institution in the Indian banking world, despite the very big impetus which national commercial banking has received under skilled and enterprising direction.

urged that the Reconstruction Corporation should have a cell to assist the establishment of new industries. But even if this suggestion is accepted, it is unlikely to be of much assistance for this purpose. The financial institutions in West Bengal have never experienced any dearth of money. Throughout the year ended March, 1970, the West Bengal Financial Corporation carried on an average a credit balance with banks of Rs 93.40 lakhs against its average undisbursed commitment of Rs 200.30 lakhs. The report said that there was "a significant drop" in the number of applications received by the Corporation. Many small-scale industrialists did not show interest in availing themselves of the sanctioned loans. Against 33 sanctions made in 1969-70, small-scale industries claimed 22 sanctions and in amount Rs 23.13 lakhs against the total sanction of Rs 92.13 lakhs.

Recently the Corporation's assistance to small-scale industries was liberalised. The debt-equity ratio was fixed at 3 : 1 in small-scale industries with technical entrepreneurs developing industries in under-developed and backward areas. Acquisition of new machines for modernisation and expansion was to be encouraged with 10 per cent margin in cash, provided the overall security value left a margin of 30 per cent. If a margin of 40 per cent or 50 per cent on the overall security would be available, the Corporation would even relax the insistence on 10 per cent margin. The Corporation agreed to relax margin up to 25 per cent to encourage technician-entrepreneurs to develop industries in under-developed areas. The rate of interest was also lowered to seven per cent per annum. Nevertheless, there has not been an encouraging response from the people for setting up new industries.

If the Reserve Bank is keen to play its part in helping the West Bengal economy to revive, it should see to it that the credit needs of the industries in this state are met promptly and adequately. When Mr S. Jagannathan, the Governor of the Reserve Bank visited Calcutta on February 4, his attention was drawn to the difficulties experienced by industries arising from the high cost of bank credit, the deterioration in the services of the nationalised banks, the increas-

ing red-tape in dealing with them, their reluctance to accept the accounts of other banks, and the locking up of large funds due to the guarantees demanded by the various government departments. The industrialists urged on the RBI Governor the need to give more discretion to the custodians of the nationalised banks to give advances on the basis of the size of the accounts. They also stressed the importance of giving adequate accommodation to export industries like jute. It was pointed out that jute mills experienced considerable difficulty in getting bank finance when large stocks accumulated with them during the bargemen's strike in the Calcutta port and also during the recent recession in the United States. The Reserve Bank perhaps cannot do much to improve the efficiency of the nationalised banks. Even if the clients are willing to bring to its notice specific cases of delay or other complaints against the nationalised banks, the Reserve Bank can do no more than ask

for an explanation from the bank concerned.

While the Government of India and the Reserve Bank should do their best to reopen the closed units and to set up new industries in West Bengal especially in the backward districts, they should also take prompt measures to ensure that the existing industries are able to function at a high level of efficiency. Shortage of steel and other materials, frequent and prolonged interruption of railway transport, and lack of regular and sufficient orders for their products—these are some of the major handicaps of the industries of West Bengal. Unless these problems are quickly tackled, more units are likely to be closed. The revival of West Bengal's economy depends on many factors over which the Reserve Bank has little control. But the Reserve Bank can do a great deal to see that the economic situation in this state does not further deteriorate.

RECORDS AND STATISTICS

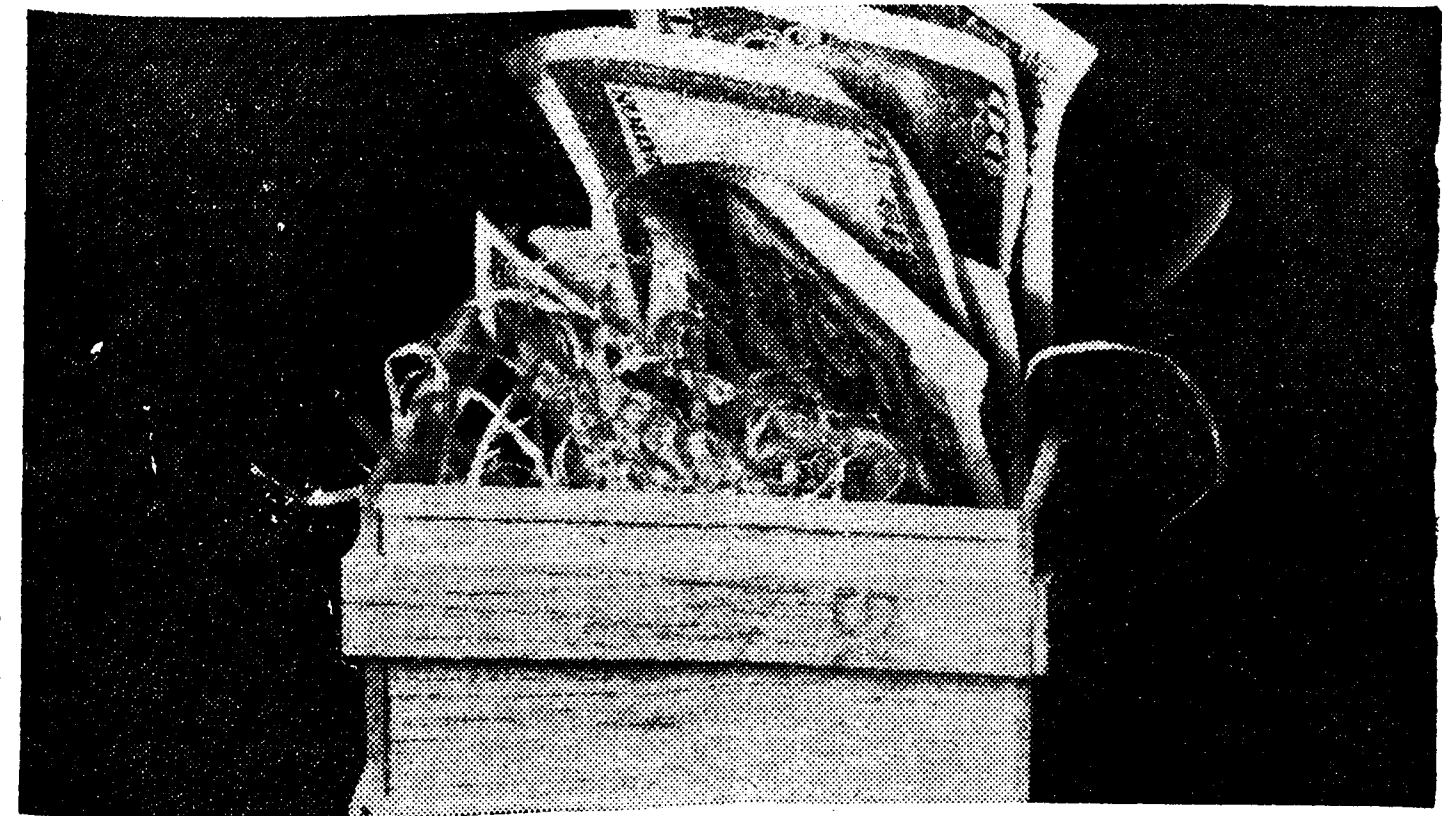
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Accountability in STC

R. V. MURTHY

MR PRAKASH Tandon recently resumed the duties of the Chairman of the State Trading Corporation of India, thereby putting an end to all speculation about his continuing to hold this office. Soon thereafter he visited Bombay, although one expected that he would take a few days' leave and some rest following his three months' strenuous lecture engagement to post-graduate students of several leading universities in the USA. At an informal get-together with pressmen, on arrival in Bombay Mr Tandon not only gave some impressions of his latest visit to the United States, but also spoke about the STC (when pressed to do so), and both were interesting. In particular, we in this country ought to take a special note of one of his penetrating observations, namely that concerning the visibly widening knowledge gap between the USA (or the west generally) and India. Even to ensure that the existing gap, wide as it is, does not become wider still, we have to make more elaborate preparations than we seem to believe is absolutely necessary and keep on racing. This is only by the way, though.

System of Periodic Review

Essentially a management expert, Mr Tandon may be said to have completed introducing the system of accountability in the STC, with the formal release of the corporation's mid-year review and the revised performance budget. Already, the STC has a performance budget, a weekly sales, orders and stocks statement, a monthly review and accounts, a quarterly review and audited accounts and, of course, the annual report and accounts. The only missing link now is a weekly profit and loss account and one so obsessed with accountability as Mr Tandon (how we wish all those at the helm of affairs of every public sector undertaking also were similarly obsessed) may be depended upon to try it out too. It is after all an accounting nicety and, with a monthly profit and loss account already there, even such should not present much difficulty.

"But is all this necessary?" it might be asked. The answer, of course, is an unqualified yes. For, when crores and crores of rupees of the country's money are involved, the public must have at least some idea of not only how these are being earned but also how these

are expended, if only to be able to offer constructive suggestions, if need be, on how to improve upon the corporation's performance under one or more of the several heads of the growing volume of its operations. The STC has dealings not only on its own but on behalf of the government as well as industry, and, besides, there are operations on just a margin basis with no liability for losses, as in the case of imports of soyabean oil, and those where the STC is required (and allowed) to make good its losses on exports through import of scarce products (and selling them at rates the market can bear) as in the case of sugar. Occasionally, on ill-meant or well-meant advice, given willingly or unwillingly, as in the case of exports of rayon fabrics, the STC may also be required to explain how it came to bungle.

The redeeming feature is that, in Mr Tandon, the STC has a chief who is prepared to own a miscalculation, or even a mistake, and to ensure that there is no repetition. It is humanly impossible, where thousands of commodities are involved and hundreds of parties are concerned, to foresee every development and that all over the world, as also to insure against the ever present element of human error

at each stage. But there is satisfaction in being able to locate where precisely one's calculations have gone awry and pride in being able to overcome the snag. In other words, accountability is a continual, if not continuous, process of asking oneself where something has gone wrong, how it came to happen, whether it could not have been foreseen or guarded against and, more important still, whether it can be prevented in future. It is undoubtedly difficult to inculcate this consciousness of accountability in every one of the 1,849 persons manning the corporation (excluding the labour force — 773 regulars and 11 casuals — in Wig India), but the effort is worthwhile, certainly so in a country with perhaps the poorest cost-consciousness in the world and the most pressing need to push up exports.

Again, in our country, we are accustomed to receive official statistical returns months after the period to which the data relates, but here is a public sector organisation which has shown it is possible to provide any such information promptly enough. The release of the monthly review for November, 1970 on the last day of December, 1970, is a case in point, and this review, it must be added, tells not only about trading conditions in our country but all over the globe. And it is noteworthy that anyone can have access to all this information, provided one cares to contact the management services division of the STC in Delhi. Mr Tandon offered to furnish any information even on the telex, if one so desired. This is, indeed, laudable.

Now, what the STC's mid-year review

EASTERN ECONOMIST ANNUAL NUMBER 1971

The cross-roads at which India stands today will have an extraordinary and truly tremendous significance in determining its future. In this particular situation the theme of this Annual Number, appropriately, is "Whither India?" An attempt has been made to analyse the twin-crises of political progress and economic development which confront our country. A valuable feature of the Annual Number is a section of special articles on issues of outstanding importance.

Illustrated with charts and graphs and carrying, as usual, an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy. It is available, however, without extra charge to subscribers who are already on our mailing list. New subscribers enrolled before March 31, 1971, will also be entitled to a free copy of the Annual Number.

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has to say may not be that impressive when compared to the original estimate for 1970-71. Thus, despite a turnover of Rs 234 crores in 1970-71, as against the profit of Rs 15.73 crores in 1969-70 (after excluding the profit on fertilisers) and the earlier estimate of profit for 1970-71 itself of Rs 18.97 crores, the revised figure amounts to only Rs 12.10 crores. After adjustments of profits payable to government and commission or reimbursements due from government, however, the latest estimate is Rs 12.67 crores, as against the earlier corresponding estimate of Rs 14.67 crores, or a decline of Rs 2.30 crores.

This is due, the STC explains, to a variety of factors, a rise in overhead expenditure (save for normal escalations) not being one of them though, as so often happens in large undertakings. These factors include additional loss

in exports (Rs 38 lakhs), drop in profits, etc. The STC review itself admits that these results "show that, judged by any standards, the profitability of the corporation in 1970-71 is likely to be poor". But, as the same review puts it, "the net expected profitability of the corporation in the year 1970-71 has to be judged in relation to the overall performance and the stresses, strains and revelations under which it has to function". The lot of any STC chief, who must need get along with a politician minister, a bureaucratic secretary and an inquisitive Parliament, not to speak of the exacting business community and the inquiring press, cannot be enviable. But so far, at any rate, Mr Tandon has managed to do it and that comfortably enough as well. His long and varied experience as manager of a leading business house has surely stood him in good stead.

All-India Management Convention

A SPECIAL CORRESPONDENT

THE ALL-INDIA Management Association held a national convention recently at New Delhi the objective of which was to highlight the new dimensions of the role of management in the context of the social and economic changes that are taking place in India. The Prime Minister, Mrs Indira Gandhi, whose inaugural speech was read out by Mr D. Sanjivayya, Union Labour Minister, called for "investment in the welfare of the masses" and said it was a guarantee of long-run business survival. To her the responsibility of business and management meant "working for the objective of achieving a social basic minimum for every individual". Unless this was attained, there would be no stability, and without stability business could not flourish. The Prime Minister cautioned the participants, who included among them a large number of leading executives in the public and private sectors, against importing ready-made solutions for Indian problems. She observed, "You will have to evolve concepts and practices of your own on the basis of your experience." Mr M.K. Raju, President of the AIMA, said that there was at present a variety of management philosophies and practices prevalent in the country — from the enlightened industrialist and competent professional manager to the ruthless and insensitive industrialist and the uneducated manager — and that "the limited conception of management is on the way out."

In the field of professional management, discussions covered the present state of the profession, management education and the opportunities of the Indian manager and his responsibili-

ties. Prof. Ravi Matthai observed that management education was not getting adequate recognition. Practising managers were not making proper use of managers coming out of institutes. There was a gap between the young entrants and the older generation. He warned against the danger of proliferation through a wide dispersal of the education facilities. Quantity might increase at the expense of quality. With limited resources it was better to concentrate on a few institutions to ensure quality. It was suggested that it might be a good idea to follow the UK practice of a company to allocate one per cent of its salary bill for management education. This should be subsidised by the government through tax incentives.

The discussions at the convention extended further to a wide range of subjects — the role of government in the motivation of economic development, the role of the public sector, of trade unions, etc. in the changing social environment. Dr Vikram Sarabhai said that in the environment, which is qualitatively transforming rapidly on a global basis, we require a long-range projection of the environmental and social needs and the infrastructure on which solutions of tomorrow would rest. The currently accepted time-frame of five years in the Plans needs to be extended to at least 20 years at the national level and to about 10 years in enterprises. Mr Eric da Costa pleaded for a single objective for the next 10 years — abolition of destitution. To meet the needs of large sections of the population which are below the poverty line, he advocated increase in expenditure on

education to eight per cent of the GNP, a build-up of 2½ million teachers, and rural works programmes with an investment of 1/2 per cent of the GNP to provide a million jobs a year.

Pela for Balanced Approach

Mr Harish Mahindra criticised the excessive emphasis on social objectives in the new Industrial Policy Resolution of the government and maintained that wider dispersal and ownership would not help the poor. He pleaded for a balanced approach that would not curb the growth of larger houses and at the same time encourage new entrepreneurs, but not uneconomical units. On the other hand, Dr R.K. Hazari, Deputy Governor of the Reserve Bank, pointed out that the objection was not to largeness of size, but to the failure to fulfil certain national needs. Large houses had all the opportunity for deployment in new areas of technology and in the so-called backward areas. In the discussions on "economic power" in one of the symposia of the convention, it was generally felt that concentration of economic power was a myth. But Mr K. Srinivasan made a point that this was not quite true. There was today a concentration of economic power in the hands of government. In the circumstances, there was no reason why large industrial organisations should not have the same facilities.

In the discussions in one of the symposia on the image of industrialists, Dr D.K. Rangnekar observed that the people had now become so conscious of their rights that they could no longer be ignored. He suggested that to improve their image, industrialists must accept the concept of distributive justice.

In the discussion on the public image of industry, it was felt that socially conscious industrialists must make a meaningful contribution to meet social challenges and co-operate with the government in the work of solving the problem of unemployment and promotion of social welfare. While there was agreement that if industry had to play its role as manager of development, it had to accept social welfare as a basic ingredient of economic growth, the view was expressed that social justice would not be attained if there was no rapid economic development and that the problem was not so much of distribution. We have to produce more to increase the purchasing power of the common man.

ANNUAL NUMBER COVER

The picture which appeared on the Cover of *Eastern Economist Annual Number 1971* was supplied to us by Mr A.S. Krishnamoorthy, New Delhi.

WINDOW ON THE WORLD

The World Monetary Outlook

JOSSLEYN HENNESSY

LONDON:

I

TOUR OF THE WORLD HORIZON

THE LATEST report on the world monetary outlook issued by the Societe Financiere Europeenne (the multinational company owned by the Algeme Bank Nederland, Banco Nazionale del Lavoro, Banque Nationale de Paris, Bank of America N.T. and S.A., Barclays Bank and the Dresdener Bank, with headquarters at 20 rue de la Paix, Paris 2, France) foresees extensive experiments in monetary policy in 1971 as the major industrial countries try out new ways to cope with the world economy's two abiding problems: inflation and imbalance in international payments.

Innovations, such as the temporary floating of the D-mark prior to its revaluation in 1969, and the sustained floating of the Canadian dollar in 1970, foreshadowed such moves. There have also been some marked policy shifts, including that of the UK government, which, together with the proposals of the Werner Report favouring monetary union in Europe and the possibility of success in the current negotiations to widen membership in the European Economic Community, will make 1971 a year of transition towards a different world monetary order. Because this is still in its early stages, conditions are likely to be unsettled.

Steady Expansion

Economic activity in most of the major industrial countries is expected to show a steady expansion in 1971 and this should stimulate an increase in world imports of between 12 and 15 per cent.

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Problems of inflation remain unsolved. One bright spot is the evidence of a general tendency to rely less on monetary restraint for disinflation than has been the case over the past two or

three years. Various degrees of monetary easing are indicated in Belgium, Canada, France, West Germany, Italy and the United Kingdom. Among the major countries, only the UK seems likely to maintain a more stringent monetary policy. On the whole, however, the main impact of an easing in international credit will be felt in the short-term money markets. Sustained demand for capital precludes any significant easing in long-term rates.

The net surplus on goods and services accounts of the 10 major industrial countries covered in the Societe Financiere Europeenne's report is expected to be at least \$1,000 million larger in 1971 than in 1970. This, of course, implies a larger net deficit for the rest of the world which, unless offset by long-term capital flows, will strain the reserve position of other countries.

Lower Demand

Reductions in Eurodollar borrowings by US banks are likely to lead to a lower demand in the Eurodollar market in 1971. This is expected to be gradual, even if further suspensions of ceilings on rates payable by US banks permit more competitive bidding for time deposits in the United States. The use of Eurodollar financing by foreign subsidiaries of US corporations (encouraged by the restrictions on US bank lending abroad) together with foreign demands for funds are expected to cushion the tendency for Eurodollar rates to fall.

The Federal Reserve Bank has already taken steps to prevent US banks from sharply reducing their Eurodollar liabilities, because the US monetary authorities are concerned about the impact of such a decline on the balance of payments. The measures introduced include raising of reserve requirements against the use of Eurodollars.

In the United States, the possibility of excessive fiscal ease, together with rising concern over the balance of payments, could cause the central bank to tighten credit. In Europe, should the OECD's predictions of greater-than-expected cost inflation prove correct, increased monetary stringency could lead to considerable demand pressures on external currency markets, especially the Eurodollar market. Furthermore,

these demands may be concentrated over a relatively short period. Another factor is the effect on the dollar of world currency speculation. Waves of speculative pressures, such as those witnessed in 1969, are unlikely, however, and any flows that appear will be firmly and probably successfully countered by concerted official action.

Strains among European currencies (already substantially reduced by the 1969 changes in par values) may be eased further by continued small but significant steps toward monetary union. In 1971, the European Economic Community will begin a co-ordinated experiment in currency stabilisation. A projected reduction in margins of fluctuations among EEC currencies will be supported by sophisticated measures of co-operation.

II

THE U.S. DOLLAR

Capital markets in the United States are recovering from the fluctuations of the past five years but they should, at least over the first six months of 1971, be more orderly than in the recent past.

Severe monetary restrictions were introduced in the winter of 1969-70, but another spell of monetary ease is under way. This is reflected in interest rates in the short end of the market which should continue to decline erratically for several months. With the demand for debt renewal continuing high and calls for new long-term funds at near record levels, long-term rates will decline much less and more slowly than short-term rates which have been falling rapidly with sluggish demand for short-term loans. However, recent reductions of the Federal Reserve discount rate to 5½ per cent may affect rates throughout the market. Many firms have serious liquidity problems; moreover, with rising unemployment (which may not reach its highest level until the third quarter of 1971), real growth is still slow. In addition, the effects of the recent strike in the car industry are expected to last into 1971 and a major strike in steel is widely expected.

Stimulated by inflationary expectations and the easy monetary policy, the US capital markets handled a record volume of funds in 1969. The momentum in these markets proved stubbornly resistant to restrictive measures in the winter of 1969, and the resulting turbulence of domestic markets was strongly reflected in the US balance of payments accounts and in massive flows of dollars through inter-

February 26, 1971

national markets. In 1969, the net balance on the goods and services accounts was sharply reduced, although there was some improvement again in 1970. On the capital account, there was a large increase in private holdings of liquid dollar assets abroad, the result of rising net capital outflows from the United States and transfers from foreign official holdings (which reduced foreign central bank dollar balances to a 10-year low by the summer of 1969).

Since then, however, foreign official dollar holdings have risen steeply. Various measures taken by the Federal Reserve Bank to relieve the stringency of credit conditions in the United States have resulted in a heavy return flow of funds to the Eurodollar market, which the Federal Reserve Board has now attempted to stem by raising reserve requirements on Eurodollar borrowings. (Over the previous 18 months, Eurodollar deposits in foreign branches of US banks had risen by \$5-6,000 million much of this increase representing investment by some European central banks). This in turn has facilitated the recovery of official reserves in European centres where money has remained tight. Dollar liabilities to foreign central banks have risen to record levels while private foreign dollar holdings have declined from their mid-1969 peak, reversing flows witnessed during 1968 and the first half of 1969.

The current development in the US balance of payments, particularly recent and prospective rise in foreign official dollar balances, have led a number of observers to predict difficulties in world exchange markets in 1971. There is, however, some justification for a more favourable outlook. Short-term business and consumer confidence has lately been at a low ebb because of dramatic declines in security prices, curtailed dividends, weak profit performances and the resistance of prices to disinflationary measures. If improvements in all these areas become evident, a rise in confidence should occur this year. In addition, the gradual slackening in inflationary pressure has already been reflected in significant increases in export surpluses and this is expected to continue. There are also signs that capital movements are becoming much more favourable.

III

THE FRENCH FRANC

During the second half of 1970 the French economy entered a new phase of more balanced growth, and the government modified its previously stringent monetary policies in order to provide support for a steady expansion.

EASTERN ECONOMIST

371

With a more liberal credit climate, the national income could expand by some six per cent in 1971, about the same rate as in 1970.

A slowing in economic growth which had begun to be manifest at the end of the first six months was confirmed during the summer and was reflected largely in an increased demand for jobs. During the autumn the aggregate level of industry's backlog of orders nevertheless remained steady, while inventories increased only moderately. Production threatened to decline only in certain industries such as steel, where international demand has fallen, and farm machinery, which has reflected a contracting domestic market. In contrast, the demand for consumer goods showed signs of an upturn, and this is likely to have continued.

Liberal Policy

There had been a slightly faster increase in the money supply in recent months but, largely because loans by the banking system to the treasury have fallen appreciably, the expansion has remained moderate, despite a large inflow of currency from abroad. It has, therefore, been possible to introduce a more liberal monetary policy; at the end of October quantitative credit restrictions were replaced by a more flexible means of control, which gave market rates and the play of mandatory reserves a bigger role. Rates for short-term money, however, should continue to reflect the lower trends in international rates. Indeed, the discount rate was reduced from eight per cent to 7.5 per cent on August 27, and to seven per cent on October 20. In contrast, there is likely to be a slower decline in the long-term rate because of a continuing high demand for funds to finance capital investments. The normal differential between short and long-term rates, which has largely disappeared, could, therefore return this year.

The budget for 1971 should show a small surplus. There is to be a larger increase in expenditure than in 1970 but this should be covered by the growth in gross domestic product. Additional funds will probably be directed to the Economic Contingency Fund to support expansion if this becomes necessary.

The move to an expansionist policy is inherently dangerous because of the persistence of inflationary tensions. The rise in hourly wage rates exceeds 10 per cent per year (although the increase in total incomes is slightly less because of reduced working hours and a slower rise in the case of independent workers). In 1971, wages and salaries are expected to expand by some eight per cent. Re-

tail prices rose by about five per cent in 1970. Government forecasts show only a three per cent growth rate for 1971, but this, like the estimates for 1969, may be somewhat optimistic. It is notable, however, that the rise in the cost of manufactured products was only 3.6 per cent in 1970, which, after devaluation, is a satisfactory rate and most French manufacturers have kept their competitive edge.

Exports continue to expand far faster than imports. It will, however, be difficult to sustain a favourable trade balance if the international market deteriorates, and it will be necessary for exports to continue to grow rapidly if the trade surplus in 1971 is to show a small increase over 1970 in line with official predictions. The balance of payments during the first six months of 1970 showed a surplus of 7,142 million francs, as a result of the improvements in the balance of trade and a reversal of capital movements. Another surplus is expected in 1971. Official reserves have risen by almost \$3,000 million since devaluation and the position of the franc on exchange markets has strengthened sufficiently to allow some alleviation of exchange controls.

IV

THE D-MARK

In West Germany there are signs that the economic disequilibrium is gradually being brought under control. The Bundesbank, however, is still hesitating to ease its restrictive monetary policy, particularly in view of continuing overfull employment and considerable wage increases. Bank liquidity will, therefore, continue to be tight. There is a marked shortage of labour despite increasing employment of foreign workers (now totalling two million and this has caused pressure on wages, which have been rising by 15 per cent. Productivity gains, on the other hand, have become as small as four per cent even though capacity is being fully used. The resulting rise in labour costs is by far the biggest that the West German economy has ever had to carry. As it becomes more and more difficult to pass on increased costs in higher prices, a substantial profit squeeze appears imminent.

The cost of living index now stands some 4.1 per cent above the level of the previous year, and wholesale prices have increased by approximately six per cent. This has prompted the federal government to introduce additional fiscal measures. The funds accruing from this tax are to be frozen in a special account with the Bundesbank. In July, the Bundesbank reduced bank

rate from 7½ per cent to seven per cent and this was followed in mid-November and early December by two further reductions each of half a percentage point, mainly in order to narrow the widened gap between domestic and foreign money market rates. For short and medium-term bank credits, rates of 10-12 percent are still being charged. Long-term bond yields remain near their peak of mid-1970.

Although new issues of external DM loans have recently increased, they will fall far short of last year's comparable figures and it will also be impossible to meet the world-wide issuing requirements on the West German capital market. Foreign investors show a strong interest in DM-denominated international bonds and have acquired up to 50 per cent of recent issues. The West German balance of payments continues to present a puzzling picture. During the first nine months of 1970, the monetary reserves of the Bundesbank increased by more than \$4,000 million to \$11,300 million, mainly as the result of increased borrowing by West German companies from foreign banks and shifts in West Germany's favour in the terms of payment. Apart from the high interest rates in West Germany, short-term speculation on a freeing of the exchange rate or another revaluation of the DM has also been a contributory factor, but such expectations are, however, ill-founded for the time being. West German exporters are facing strong competition on foreign markets after the 1969 revaluation and are carrying the burden of considerable cost increases. Orders from abroad are considerably below the level recorded in 1969 and the growth rate in exports has fallen from 14 to seven per cent. A smaller trade surplus, together with mounting wage transfers of foreign workers to their home countries, has brought the balance on current account into equilibrium.

An increase in GNP of some 4½ per cent is expected this year, after a rise of five per cent in 1970. The federal budget is to be considerably increased in an effort to assist further growth. Fixed investment is expected to expand by only seven to eight per cent, after a 22 per cent expansion in the current year. With continuing inflationary pressure, an early easing on the money market is hardly to be expected. Moreover, any marked reduction in interest rates on the capital market appears even less probable in view of the huge capital demand from public authorities, companies and foreign borrowers.

V

THE POUND STERLING

The Chancellor of the Exchequer has reinforced the credit squeeze in the

United Kingdom. Bank advances had been rising fairly strongly and it was felt that some action was necessary to keep the money supply under control. It is already apparent that there will not be the expected large overall surplus in the budget, mainly because of a great increase in costs in the public sector and also a reduction in corporation tax, which will reduce the receipts coming into the exchequer. In the event, the Chancellor felt that the excess liquidity which had built up in the clearing bank system should be reduced by the imposition of a further one per cent special deposit. Since the spring of 1970, demand for government fixed interest stocks had been strong, largely because of high current yields, uncertainty over equities and the rapidly increasing money supply.

Exaggerated Fears

However, somewhat exaggerated fears about controls of the money supply and the high rate of cost inflation led to some weakness in the gilt-edged market during the autumn, and this was reinforced by the Chancellor's call for special deposits. There was a sharp fall back in gilt-edged, which was enough to stop any thought of easing UK interest rates. Nevertheless the substitution of investment allowances for grants and a continuing upward cost spiral in industry have undoubtedly made people cautious about equities, and funds should continue to flow into fixed interest stocks. The prospects of further increasing costs, combined with a difficult credit situation, make the growth prospects for many equities doubtful, and the present prices of many cannot really be justified. It, therefore, seems probable that there must be some further weakness in the equity market, which should help to stimulate gilt-edged to some extent.

The Tories have changed the whole emphasis in UK's financial policy and it is evident that if their strategy is to succeed, there must be a strong attack on government expenditure, which has in fact already started. It is indeed the only weapon in the government's hands. Doubts about the effectiveness of an incomes policy are widespread and until the weight of official demands on the economy is reduced, monetary policy will be unable to play its part.

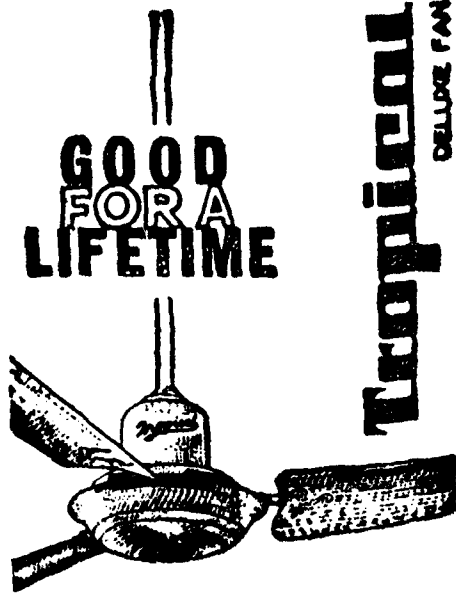
There is little possibility that any sharp rise will occur in the economic growth rate in the near future. With higher incomes beginning to be reflected in consumer spending, there may be some improvement in the coming months, but it is obvious that the UK cannot at this stage afford a consumer-based expansion. The surplus on the balance of payments for 1971 will be

reduced, but it should still be significant. If, however, sterling is to be safeguarded, inflation must be controlled. While the sterling rate is well above its floor, nervousness about the economic position could well bring new pressures, as it did in early September.

It may be that the UK is in the last phase in the rise in labour costs. Nevertheless those industries which are labour intensive are likely to continue to be fairly heavily hit and throughout industry as a whole investment remains weak. The latest increase in retail trade will probably do little to alter capital expenditure. There are continued complaints about slow payment and the difficulties that this causes for the smaller firm, although it may be that the terms of credit are probably no longer lengthening. Certainly business budgets at the present time are being closely watched and receipts and payments carefully matched.

Sources and acknowledgements: The Societe Financiere Europeenne's full twelve-page report covers, in addition to the countries summarised above, the Netherlands, Italy, Belgium, Canada, Switzerland, Japan and the Eurodollar and Eurobond markets. The SFE is not, of course, responsible for the emphasis of my summary nor for my comments.

GOOD FOR A LIFETIME



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DMK, USA

The moving finger writes

REFERRING to allegations reportedly made by two political workers at a public meeting at Palampur in Gujarat (at which Mrs Gandhi was present) that they were given Rs 10,000, each by Mrs Gandhi's party for defecting to her side, she is said to have retorted in effect, "Where are our people supposed to have got that kind of money?" This, one might say, is indeed the sixty-thousand-dollar question in this election. Where precisely does Mrs Gandhi's party get its election money from? I submit that she is the person who is in the best position to enlighten the public on this point.

Talking of money, there was a case the other day of Yogi Dharendra Brahmachari on whom was found a pistol and some currency notes by security men at Palam airport as he was about to board a plane for Amritsar. Newspaper reports of the incident said that the amount which the Yogi was found to be carrying was Rs 2 lakhs. He, however, has denied this and has said that he was carrying only Rs 200. In these days of inflation and highly expensive political activity, even Rs 2 lakhs would be a modest sum while Rs 200 is the merest pin-money. Yoga in any case is big business in the capital these days and the more resourceful practitioners of this art may certainly be expected to travel in style. As for Yogi Dharendra Brahmachari himself, he seems to be well on his way to becoming the Rasputin of our Czarina's court. Only, there must continue to be a Czarina in New Delhi after the poll in March.

Some time ago when some sections of the public in Tamil Nadu demanded that there should be a judicial inquiry into the sudden appearance and the subsequent equally abrupt disappearance of an idol of Vigneswara in a suburb of Madras city, the DMK Chief Minister, Mr Karunanidhi, airily declared that he would order an investigation provided Vigneswara was prepared to give evidence in person. To this, the irrepressible 'Cho' (of Tughlak fame) retorted that the electorate, in turn, might well say that it would vote for the DMK candidates provided the late 'Anna' returned to the good earth to canvass for the party.

Adversity is supposed to turn atheists

into agnostics and agnostics into believers. Mr Karunanidhi, even if he may not want God on his side, is certainly not keen on having God against him or his party in this election. Unfortunately for him even the Pope whom he ostentatiously met during a stop-over in Rome on his way to France and UK some time ago, seems to have let him down. The good Pontiff is reported to have sent a special message of blessing to Mr Kamaraj "in recognition of his services to the people of India". Mr Karunanidhi is however hardly likely to make an issue of it. With so many Hindus so upset over the conduct of his government with regard to the antics of the Superstition Eradication Conference at Salem, Mr Karunanidhi is hardly in a position to pick up a quarrel with other religious communities. Incidentally, it is interesting that the leaders of the Muslim League in Tamil Nadu (who have formed an alliance with the DMK) have been keeping discreetly silent over the reported demand made by Mr E. V. Ramaswami (the leader of the Dravida Kazhagam, which is the parent body of the DMK) at the Salem conference that his party should be free to criticise or condemn what it considered to be the superstitious beliefs or practices of all religious communities including the Hindus. After Rama, whose turn will it be?

Bowing to the compulsions of electioneering, the DMK government in Tamil Nadu has at last given up obstructing the reopening of the Standard Motors factory which had remained closed since May last following lawless and disorderly behaviour on the part of some sections of its workers. Although the management was prepared to consider any reasonable proposal for the restarting of production with some assurance of minimal labour discipline and productivity, the DMK government found it more to its political advantage to carry on a war of attrition against this automobile concern and, in the process, it even went to the extent of threatening to take over the plant and run it as a government undertaking. It was only when it was at last forced to realise that the workers of the factory, who had been rendered idle and were knocking at the factory gates for re-employment, would prove an electoral liability to the DMK that it gave up insisting as part of the terms of

a settlement the unconditional reinstatement of employees found guilty by the management of inciting workers to disrupt production or otherwise interfere violently with the functioning of the management or operations of the plant.

This, however, has not prevented Mr N. V. Natarajan, the Labour Minister, from claiming that his government had all along been interested only in preventing victimisation and that it had at last succeeded in achieving this object. The implication was that the management was interested in practising victimisation—an allegation wholly inconsistent with the demonstrated attitudes of the management, but entirely in conformity with the DMK government's characteristic dishonesty in dealing with the public or public issues. Even a cursory reading of the terms of the agreement would show that the concern of the management all along had been to ensure that the plant would have a reasonable chance of running smoothly when reopened. So far as this objective could be secured on paper, the clauses of the agreement have sought to protect the legitimate interests of the management by prescribing for the good behaviour of hostile or suspect elements with a stipulation that all workers would be taken as new entrants and placed on probation for six months during which period they could be discharged for proved misconduct.

I fail to see why there should have been so much ritualism and ceremonials in connection with the so-called inauguration of the Trade Development Authority of the Ministry of Foreign Trade in New Delhi a few days back. It is after all only one of the many agencies of the administration, the success of which will have to be proven in actual working. Celebration, if any is at all called for, could therefore come only much later; meanwhile the TDA having already been in existence for some months, its alleged inauguration a few days ago was essentially a phoney function, whose obvious purpose was to obtain some publicity for the minister concerned and some of the senior bureaucrats at the expense of the tax-payer. What risks me really is that permanent civil servants should also have become as greedy as politicians for cheap public notice secured through contrived public functions.

V.B.

Trade Winds

T.D.A. STEERING COMMITTEE

THE STEERING Committee of the Trade Development Authority has been re-constituted with Mr H. Lal, Foreign Trade Secretary, as chairman. The Steering Committee, TDA's top policy making body, will have ten members. These are: M. T. Swaminathan, Cabinet Secretary; Mr M.R. Yardi, Secretary, Department of Expenditure, Ministry of Finance; Mr B.D. Pande, Secretary, Ministry of Industrial Development and Internal Trade; Mr P.L. Tandon, Chairman, STC; Mr M.G. Kaul, Additional Secretary, Department of Economic Affairs; Mr V.V. Chari, Deputy Governor, Reserve Bank of India; Mr K.C. Banerjee, Executive Director, TDA; Mr S.K. Modwel, Deputy Secretary, Ministry of Foreign Trade; Chairman, Engineering Export Promotion Council, Calcutta and Chairman, Export Promotion Council for Finished Leather & Leather Products, Kanpur.

COTTON FOR MILLS

The union government had earmarked 100,000 bales of imported cotton for distribution to those mills which agreed to supply cotton yarn to the handloom, powerloom and hosiery sectors at prices fixed by the Textile Commissioner, with a view to alleviating to some extent the shortage of yarn felt by these sectors. In response to the above scheme, more than 60 mills offered to supply yarn to the pool covering a quantity of about 50,000 bales. Mills, which had agreed to participate, had been advised of their monthly quotas of yarn to be supplied to the different state directors of industries/handlooms who would, in turn, make it available to the decentralised sector. The last date for submission of applications under the scheme has been extended and it was expected that further offers would be forthcoming from mills.

PROBLEMS OF SUGAR

The representatives of the Indian Sugar Mills Association have had a series of discussions with the Department of Food on problems being faced by the sugar industry. The department pointed out that it was necessary to contain inflation and hold the price line. The industry was assured, however, that the difficulties pointed out by them including bank finances were receiving the consideration of the government and that decisions would

be taken as early as possible. The representatives of the industry were advised to refrain from taking any action which might aggravate the situation and adversely affect the public interest including the interest of the industry itself, of cane growers and of labour.

The Federation of Indian Chambers of Commerce and Industry has, however, expressed concern over the present difficulties of the sugar industry. The problems stem from: heavy accumulation of stocks, maintenance of cash-credit limits by the Reserve Bank of India at old levels, and continuance of uneconomical prices for levy sugar. The current crushing season started with an all-time record in the carry forward stock of 2.1 million tonnes as against 1.3 million tonnes last year, and there is likely to be a peak level stock of 3.4 million tonnes in the next three months. For financing such huge stocks, the requirements of the industry are about Rs 400 crores. This calls for an immediate increase in cash-credit limits of sugar factories, but it is unfortunate that advances against sugar stocks have continued at the old level of Rs 253 crores.

THREE WHEELERS' PRODUCTION

There has been a large and unsatisfied demand for three-wheelers of the scooter and motor-cycle varieties in the country. With the popularity of this type of vehicle in towns for the quick transport of passengers and materials, the demands for three-wheelers has been growing rapidly. In order to fill the gap between the anticipated increase in demand and the present installed capacity, the government has decided to licence additional capacity in this field. Accordingly, parties interested in the establishment of new units in the private sector for the manufacture of three wheelers with complete indigenous know-how, components and raw materials and without foreign collaboration have been invited to submit applications for industrial licence in the prescribed form with complete particulars to the union Ministry of Industrial Development and Internal Trade (Department of Industrial Development). The application should include detailed information about the design of the three-wheeler, the annual production capacity, investment, manufacturing programme and anticipated retail selling price. The last date for the submission

of applications for licence under the Industries (Development and Regulation) Act, 1951 is April 30, 1971.

COOP FERTILIZER COMPLEX

An industrial licence for raising a fertilizer complex for the manufacture of 300,000 tonnes of ammonia and 396,000 tonnes of urea at Kalol and 475,000 tonnes of compound NPK fertilizers at Kandla in Gujarat state has been issued to the Indian Farmer Fertilizer Co-operative Ltd, a society registered under the Multi-unit Co-operative Societies Act, 1942. Of the total estimated cost of Rs 91.76 crores of the project, Rs 27 crores is the equity portion and the balance loans. The equity has been distributed between co-operatives and the Government of India at Rs 9 crores and Rs 18 crores, respectively. Co-operatives of 10 states i.e. Andhra Pradesh, Gujarat, Haryana, Punjab, Madhya Pradesh, Maharashtra, Mysore, Rajasthan, Uttar Pradesh and Tamil Nadu are subscribing to the co-operative equity. Rs 9.04 crores of co-operative equity has been subscribed to as on January 31, 1971, fulfilling the targetted subscription.

ZINC SMELTER AT VIZAG

The Ministry of Petroleum & Chemicals and Mines & Metals has asked the Hindustan Zinc Limited to implement the government decision to have a zinc smelter at Visakhapatnam in Andhra Pradesh. The smelter will have a capacity to produce every year 30,000 tonnes of zinc metal (electrolytic grade) and 1,500 tonnes of zinc dust, apart from other major by-products, viz., about 45,540 tonnes of sulphuric acid, 96 tonnes of cadmium metal and 2,120 tonnes of pig lead. The project, though based on imported zinc concentrates (about 55,000 tonnes per annum), will also use the zinc sludge thrown up during zinc production in the existing smelters in the country. This sludge contains about 16-17 per cent of zinc. The use of sludge will not only reduce the quantum of import of zinc concentrates, but will also ensure maximum recovery of metallic values.

INDO-FRENCH PACT

An agreement was signed recently by representatives of M/s L'Air Liquide, France and the Managing Director, Bharat Heavy Plate & Vessels Limited, Visakhapatnam, for collaboration in the design, manufacture, erection and commissioning of large tonnage oxygen and nitrogen plants, gas separation plants and low temperature purification plants for removing impurities from synthesis gases. M/s L'Air Liquide are internationally famous in the low temperature technology field and have

built a number of plants in all parts of the world for the separation of the constituents of air and various gases for the production of oxygen, nitrogen, argon, hydrogen etc. The technology developed by this firm over a period of more than fifty years and proved in a large number of installations will now be available to Bharat Heavy Plate & Vessels Limited, a Government of India undertaking, which has been set up to supply equipment to the process industry. The conclusion of the present agreement enables the Bharat Heavy Plate & Vessels Ltd to offer on a turn-key basis complete air and gas separation plants required by the process industry — particularly for the coal and fuel oil-based fertilizer plants, units using oxygen for steel making and others. The manufacture in India of an appreciable percentage of the equipment required for these plants will contribute to large savings in the expenditure of foreign exchange which has so far been unavoidable.

USAID

The recent decision of the United States government to partially untie USAID loans to developing countries has opened up new opportunities for Indian exporters. As a result of this untieing, countries receiving USAID loans may now import the commodities and equipment covered by such loans from lesser developed countries, including India. It is hoped that Indian exporters will take full advantage of these new export opportunities. Exporters have, however, been advised to carefully note the special procedure to be followed for supplying goods against USAID loans.

PLANNING FOR EMPLOYMENT

The setting up of a committee of direction to go into various aspects connected with employment orientation of development plans was recommended by the meeting of economists, which concluded recently. The meeting which was presided over by Prof D.R. Gadgil, Deputy Chairman, Planning Commission was convened to consider follow-up action on the Report of Committee of Experts on Unemployment Estimates, headed by Prof M.L. Dantwala. It was attended, among others, by Mr Pitambar Pant, Mr B. Venkatappiah, Members, Planning Commission, official economists and statisticians and non-official experts from universities and research institutions.

SCRAP MELTING PLANT IN LIBYA

The team from the National Industrial Development Corporation, led by Mr M.K. Krishnamurti, handed over to the Libyan government in Tripoli, on

February 11, the provisional report on the establishment of a steel scrap melting plant in Libya. The report has been donated gratis to Libya by the Ministry of External Affairs of India as a gesture of friendship and technical co-operation.

BUDAPEST FAIR

The union government has decided to organise India's participation in the Budapest International Fair to be held at Budapest (Hungary) from May 21 to 31, 1971. The Budapest Fair is an important annual event, through which a considerable portion of import trade of Hungary is negotiated. The fair also attracts a large number of buyers and visitors from other countries. The government proposes to give extensive publicity to Indian manufacturers and to project the image of India's developing economy at the fair.

SEVENTY-FOUR MORE SHIPS

The Ministry of Shipping and Transport has launched a vigorous drive to acquire seventy-four ships during the coming three years in order to reach the target set for the fourth five-year Plan of four million GRT. The Ministry proposes to acquire 14 large tankers and bulk carriers so that a higher share of Indian shipping in transporting bulk cargo, which forms 65 per cent of the total trade, could be achieved.

The operating tonnage on February 1, 1970 was 2.28 million GRT and on the same date in 1971 it is 2.4 million. During the year 1970-71, the number of vessels ordered or approved for acquisition are five bulk carriers with a tonnage of 215,000, five tankers, 141,000, and five tramp vessels or dry cargo vessels accounting for four million GRT. Negotiations are in progress for acquiring four more bulk carriers with a tonnage of 283,000 GRT. Thus, nearly 54 per cent of the total acquisition presently negotiated is for the priority categories.

OUTPUT OF TUR IN 1970-71

The all-India first estimate of Tur (Arhar) has put the current year's area under this crop at 2,244,000 hectares. According to the Directorate of Economics & Statistics, union Ministry of Food, Agriculture, Community Development and Co-operation, this year's estimate shows an increase of 43,100 hectares or 2.0 per cent as compared with the corresponding adjusted estimate of 2,200,900 hectares for the year 1969-70. The increase in area under Tur (Arhar) crop during the current year has been mainly in Maharashtra, Andhra Pradesh and Orissa

and is attributed to favourable weather conditions at the sowing time

RUBBER PURCHASE BY S.T.C.

The union Ministry for Foreign Trade has directed the State Trading Corporation to step up purchases of raw rubber in Kerala, with a view to ensuring the support prices for the growers, particularly the small growers in the state. The STC, which has already bought large quantities of rubber, has now entered the market for another 6,000 tonnes. If necessary, further purchases will be made in the state to bring the price up to the support level. It is learnt that STC has been directed by the Foreign Trade Minister to open as many centres as necessary in various districts, so that the small growers can off-load their supplies quickly and without difficulty.

INSURANCE FOR FARMERS

From April this year agriculturists will have the benefit of a new type of life insurance policy. Since their income is subject to the vagaries of nature, their policies will be kept in force even if there is a default in the payment of premia up to two years. This default can be condoned if it is due to drought, flood or crop failures, affecting the policy-holder's income. The new policy, to be called "Centenary Policy", is being introduced by the Life Insurance Corporation of India.

CONTROL OF DESERT LOCUST

The seventh session of the FAO Commission for Controlling the Desert Locust in the Eastern Region of its distribution area in south-west Asia



Naturally!

held in New Delhi recently has strongly recommended that a strict watch be kept over all the areas in southwestern and southeastern Iran and in Mekran and Lasbela areas of Pakistan. The Commission also emphasised the need for adequate arrangements for survey and control during the ensuing monsoon breeding season this year both in India and Pakistan. The Commission further recommended that the joint Iran-Pakistan survey which is to commence by the first week of next month should pay special attention to the potential breeding areas in southern Iran and Mekran in Pakistan and keep the respective national organizations informed of the locust situation in the areas surveyed.

USE OF COPPER IN CABLES

At a meeting held in the Ministry of Industrial Development and Internal Trade (Department of Industrial Development) on January 21, 1971, to discuss the issues raised by the Copper (Prohibition of Use in the Manufacture of Electrical Cables and Wires) Order, 1970, representatives of the small scale sector brought to the notice of the government that they would require some more time beyond February 10, 1971 for disposing of pending orders. The government has accordingly decided that units which are registered with the state Directors of Industries can continue to manufacture cables and wires requiring the use of copper up to April 30, 1971, notwithstanding anything contained in the Copper (Prohibition of Use in the Manufacture of Electrical Cables and Wires) Order, 1970, provided that such manufacture is undertaken with a view to clearing the orders pending with them. As has been already announced, the MMTC are in a position to supply electrolytic aluminium of an equal value in exchange for electrolytic copper surrendered by the cable and wire manufacturers.

SMALL DRUG UNITS

The Study Group, appointed by the Ministry of Petroleum & Chemicals and Mines & Metals to suggest various measures for the growth of small scale pharmaceutical units. It has recommended that all large and medium scale firms and such small scale firms as are owned or controlled by foreign interests should not ordinarily be permitted to produce any such new formulation that could be produced by small scale units. The restriction, however, should not apply, says the Group, to those formulations that pertain to new drugs developed through research or are formulated in a manner as to ensure improved therapeutic properties or are based on the basic drugs made by the unit concerned

up to a specified percentage thereof. Some members have, however, expressed doubts about the advisability of such reservation. The Group has not considered it advisable to reserve any category of existing items for production by the small scale pharmaceutical units alone. Such reservation, it feels, would adversely affect the interests of consumers, create shortages and tend to increase the incidence of spurious drugs.

The Group has suggested making it in-

cumbent on bulk drug makers to supply a specified percentage of their production to other formulators. Of this not less than 50 per cent should be released to small scale units. In view of the foreign exchange requirements of the small scale units not being much, free foreign exchange for the import of raw materials has been suggested to be granted for the full face value of their licences. Some other suggestions include reservation of raw materials for small units, introduction of quality control, exemption from central sales tax, etc.

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	Rs. in crores
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Electricity	215.73
Water Supply and Drainage	28.49
Engineering	43.25
Cotton Textiles & Jute	30.74
Iron and Steel	17.35

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Company Affairs

UNITED COMMERCIAL BANK

Mr R. B. Shah, Custodian, United Commercial Bank, reported recently that deposits and other accounts of the bank increased by Rs 24.43 crores to Rs 257.53 crores towards the end of 1969. Advances and bills increased by Rs 24.89 crores to Rs 162.82 crores during the year. The profit of the bank including that of the overseas branches for the period July 19 to December 31, 1969 amounted to Rs 48.87 lakhs. A sum of Rs 9.18 lakhs was transferred to reserve fund and another sum of Rs 13.65 lakhs was provided for bonus for staff. The balance of Rs 25.42 lakhs was available for transfer to central government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970. During the year 1969 as many as 52 branches were opened by the bank as against 47 in 1968. Amongst the new branches opened 26 were in rural areas and 18 in semi-urban areas. The total number of branches at the end of 1969 was 372, out of which 184 were in rural and semi-urban areas.

Mr Shah indicated that following the Lead Banks scheme announced in December 1969, twenty-three districts were allotted to the bank as "lead" districts in seven states. The bank has been making special efforts for opening branches in the eastern region of country. The custodian indicated that the bank has been trying to help agricultural and industrial production in the small-scale sector by intensified financing of productive operations. For this purpose special cells were established at the head office and branches to offer guidance to the borrowers. The year also witnessed a special increase in the bank's assistance to agriculture. The total number of farm accounts increased from 578 on December 31, 1968 to 9,951 at the end of 1969. The total limit sanctioned for agriculture which was Rs 1.19 crores at the end of 1968 increased to Rs 13.64 crores at the end of 1969. The bank also maintained steadily increasing assistance to small industries, and other preferred sectors such as retail trade, artisans, small businessmen, professionals and self-employed persons.

INDIAN OXYGEN

Mr N. Dandekar, Chairman of Indian Oxygen Ltd, told the shareholders at the annual general meeting that the improving trend noticed in the com-

pany's working during the year ended September 30, 1970, is expected to be maintained in the current year. The sale turnover for the quarter ended December 1970, justified this expectation, he added. Give normalcy of operation and favourable political developments, the company was expected to derive benefit this year from the slowly but steadily growing tempo of industrial activity in the country.

A comprehensive expansion plan for the next few years has been prepared by the company and would be submitted to the union government shortly, stated Mr N. Dandekar. He explained that the plan envisaged manufacturing activities by the company in many fields—several of these in areas not directly related to the company's existing manufacturing facilities and products. The new projects, he went on to state, had been selected after a careful assessment of the company's own resources, the external resources likely to be available, the country's needs of the various products, as also the feasibility of the entire plan in a co-ordinated way. Special emphasis had been laid on the task of import substitution and export promotion and the implementation of the plan would help to improve the country's foreign exchange position, he added. The project also sought to improve the supply of certain critical raw materials the shortages of which have been seriously hampering the country's industrial activities recently. Mr Dandekar in his statement also expressed the hope that the company's application for the issue of bonus shares long pending before the Controller of Capital Issues would be expeditiously dealt with.

KIRLOSKAR TRACTORS

Kirloskar Tractors Ltd has been granted licence to produce 10,000 tractors per year in collaboration with West German Firm—Klockner-Humboldt-Deutz. The imported Deutz tractors fitted with world-famous Deutz air-cooled engines will be available in India from August-September, 1971. The construction of the factory building has started in Nasik. It is estimated that within three years the tractors will be manufactured with over 60 per cent indigenous content. At the end of five years the indigenous content will be 90 per cent. Kirloskar Tractors Limited will be manufacturing four models of tractors ranging from 30 to 100 b.h.p. The tractors will be fitted with air-cool-

ed engines. Air cooling of engines eliminates parts such as the radiator, water pumps and hose pipes, which will make these tractors "simple-to-operate and easy-to-repair." Reduction of so many parts will reduce maintenance cost for the farmers. The difficulties experienced in water cooled engines, like clogging and over-heating will be eliminated in these air-cooled engines. Because of these benefits and advantages, the operation of these tractors will be both economical and simple with considerably less costs in their maintenance.

ASSOCIATED BEARINGS

Associated Bearing Co. Ltd has proposed an equity dividend of Rs 12.50 per share for 1970 compared to Rs 10 paid for 1969. The entire dividend will be tax free in the hands of shareholders as in the previous year. According to the preliminary statement from the company, it has made a tax provision of Rs 64 lakhs for 1970 after completely availing the benefits of development rebate in respect of 1970 and earlier years, as also the accumulated relief under Section 80J of the Income Tax Act, 1961. The company will now be liable to income tax at the rate applicable and depending upon the profits that may become liable to surtax. The dividends will absorb Rs 50 lakhs and will be paid from the general reserve.

INDIAN ALUMINIUM

The directors of Indian Aluminium Company Limited, have recommended payment of a dividend of Rs 6.25 (less income-tax payable by the company) on each preference share, and a dividend of Re 0.85 on each fully-paid ordinary share, the dividend on partly-paid ordinary shares being in proportion to the amount actually paid up. With new output from the Belgaum smelter, the company's production and sales for 1970 reached new records. Sales for the year at Rs 35.40 crores showed a substantial increase over the previous year's figure of Rs 26.43 crores. Net profit for the year, after taxes and provision for development rebate reserve was Rs 2.75 crores compared to Rs 2.61 crores in 1969. Development rebate reserve amounted to Rs 2.52 crores compared to Rs 2.05 crores in 1969. At Belgaum, the third potroom and the alumina plant were commissioned during the year. All the major units of the smelter and alumina plant are now in operation. Construction activities for the new sheet mill at Talaja increased substantially following the end of the monsoon. Installation of the hot mill equipment has now commenced and production is expected to start by the end of the year.

During the year the company

obtained an industrial licence to expand the Belgaum smelter by the addition of a fourth potroom. The fourth potroom will add about 10,000 tonnes per annum to the capacity already installed and is expected to be in production by the end of the year. In order to bring the issued share capital of the company more in line with the value of its fixed assets, the directors have recommended capitalisation of a sum of Rs six crores out of the capital and general reserves of the company by the issue of bonus shares in the proportion of one new ordinary share for every two existing ordinary shares. The proposed issue of bonus shares is subject to the approval of the shareholders at the forthcoming annual general meeting and the consent of the Controller of Capital Issues.

MAHINDRA AND MAHINDRA

Mahindra and Mahindra Ltd has proposed to maintain for the year ended October 1970, the dividend at Rs 1.10 per share, less tax. Its turnover has increased to Rs 32.46 crores from Rs 29.46 crores in the previous year. The gross profit is at Rs 123.33 lakhs compared with Rs 107.67 lakhs in the previous year. After providing Rs 36.99 lakhs for depreciation, Rs 13.42 lakhs for development rebate reserve and Rs 30.50 lakhs for taxation, the net profit is Rs 42.42 lakhs against Rs 36.13 lakhs last year. A sum of Rs 4 lakhs has been taken to debenture redemption reserve. The distribution of both preference and equity dividend will absorb Rs 42.91 lakhs. The demand for the products produced and serviced by the company continued to rise at a healthy rate calling for expansion and rationalisation of manufacturing facilities.

The directors are exploring different avenues to augment the financial resources to undertake the expansion. The proposed merger with the erstwhile Union Bank of India is the first step in this direction. Negotiations are being held with financial institutions and the directors are confident that these efforts will fructify soon to enable the company to enlarge its activities.

LICENCES AND LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the four weeks ended September 26, 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

Metallurgical Industries

M/s Acme Pig Iron & Centrifugal Pipe Works Ltd; Commisariat Bldg;

231, Dr D. N. Road, Bombay. (Maharashtra)—Grinding media balls—2000 tonnes on the basis of maximum utilization of plant & machinery. (COB) M/s Guest Keen Williams Ltd; 3A, Shakespeare Sarani, Calcutta-16. (Bangalore-Mysore)—Pandrol Rail clips & lock spikes—1.5 million nos. (SE) M/s Indian Sugar & General Engg. Corp., Yamunanagar, Dist: Ambala, Rly. Station Jagadri, (Haryana)—Fabricated pipe work & pipes—50 tonnes per annum. (COB)—

Fuels

D. Mondal & Co., 135-A, Biplabi Rashbehari Basu Rd; Calcutta. (Bihar) (Shampur Badjana Colliery) Coal—2,50,800 tonnes. (COB)

Electrical Equipment

M/s Kerala Electrical & Allied Engg. Co. Ltd Cochin. (Kerala)—Electric motors upto 50 HP—500 nos. (COB) M/s Elpro International Ltd; Nir-mal, 17th Floor. 241-242, Backbay Reclamation, Nariman Point, Bombay-20. (Maharashtra)—Cast Alloy Permanent Magnets—40 tonnes. (after expansion 60 tonnes per annum) (SE)

Industrial Machinery

M/s Kirloskar Brothers Ltd; Udyog Bhavan, Tilak Road, Poona-9. (Maharashtra)—power driven pumps—1,04,000 nos. per annum. (COB)

Chemicals

M/s Munjal Gases, G.T. Road, Ludhiana. (Punjab)—Oxygen Gas—4,32,000 cubic metres. (COB) M/s Indian Dyestuffs Industries Ltd; Mafatlal House, Backbay Reclamation, Bombay-20. (Maharashtra)—Sodium Hydrosulphite—3,000 tonnes. (NA) Sugar

M/s Balasaheb Desai Sahakari Sakhar Karkhana Ltd; Morali, Taluka Patan, Dist: Satara. (Maharashtra) Sugar—crushing capacity of 1250 tonnes of sugarcane per day. (NU) M/s Marathwada Sahakari Sakhar Karkhana Ltd; Dongarkada, Taluq Kalamnuri, Distt: Parbhani, (Maharashtra) Sugar—crushing of capacity 1,250 tonnes of sugarcane per day. (NU)

Leather Goods

M/s Savera & Co. (P) Ltd; 18, South Tangra Road, Calcutta-46. (West Bengal)—(i) Wet glue chrome tanned goat skins—11.51 lakh nos. (ii) Wet glue chrome tanned sheep skins—0.30 lakh nos. (iii) Wet glue chrome tanned buffalo skins—0.09 lakh nos. (COB) M/s P. AbdulHader Sahib & Co., 17, Kumarappa Chetty St; Madras-3 (Tamil Nadu)—EI tanned goat skins—9 Lakh pieces. (COB) M/s Nazir Basheer & Co., 5, Labhaimankuppam, Ambur, NA (Tamil Nadu)—EP tanned goat skins—2 lakhs nos. (COB) M/s T. Abdul Razak & Sons, 15/3, Vepery High Road, Periamet,

Madras. (Tamil Nadu)—(i) Wet glue chrome tanned goat skins—6.30 lakh nos. (ii) EI tanned goat skins—2.05 lakh nos. (iii) EI tanned sheep skins—2.26 lakh nos. (iv) EI tanned hides—0.02 lakh nos. (COB) M/s EK Mohammad Ebraheem Sahib & Sons, Tannery, Peria Agraharam, Erode-5. (Tamil Nadu) (i) EI tanned cow hides—46,400 pieces. (ii) EI tanned cow calf skins—39,000 pieces. (iii) E.I. tanned buffalo calf skins—51,000 pieces. (iv) EI tanned buffalo hides—5,000 pieces. (COB)

Cigarettes

M/s Universal Tobacco Co. Ltd; 8-3-324, Vellavediguda, Hyderabad-16. (Hyderabad - Andhra Pradesh) Cigarette—1,800 million pieces. (NU)

Electrical Equipment

M/s Davis & White (I) (P) Ltd; Kundan Mansion, 2-A/3, Asaf Ali Road, New Delhi-1. (Haryana)—Electrolytic Capacitors—5.0 million nos. p.a. (NA) M/s W.S. Insulators of India Ltd; Dhun Bldg., 175/1, Mount Road, Madras-2. (Tamil Nadu)—1. Coupling capacitors with potential devices—400 nos. p.a. 2. Line traps (wave taps—400 nos. p.a.) 3. Line matching units—400 nos. p.a. (NA) M/s Lumina Electric Industries, Bhawanishankar Cross Rd; Dadar, Bombay-28. (Bombay - Maharashtra) — (a) Auto head & tail lamps—2.5 mill. nos. (b) Telephone switch board lamps—2.25 mill. nos. (c) Photoflash lamps—0.15 million nos. (On double shift basis) (SE)

CHANGE IN THE NAMES OF OWNERS/UNDERTAKINGS

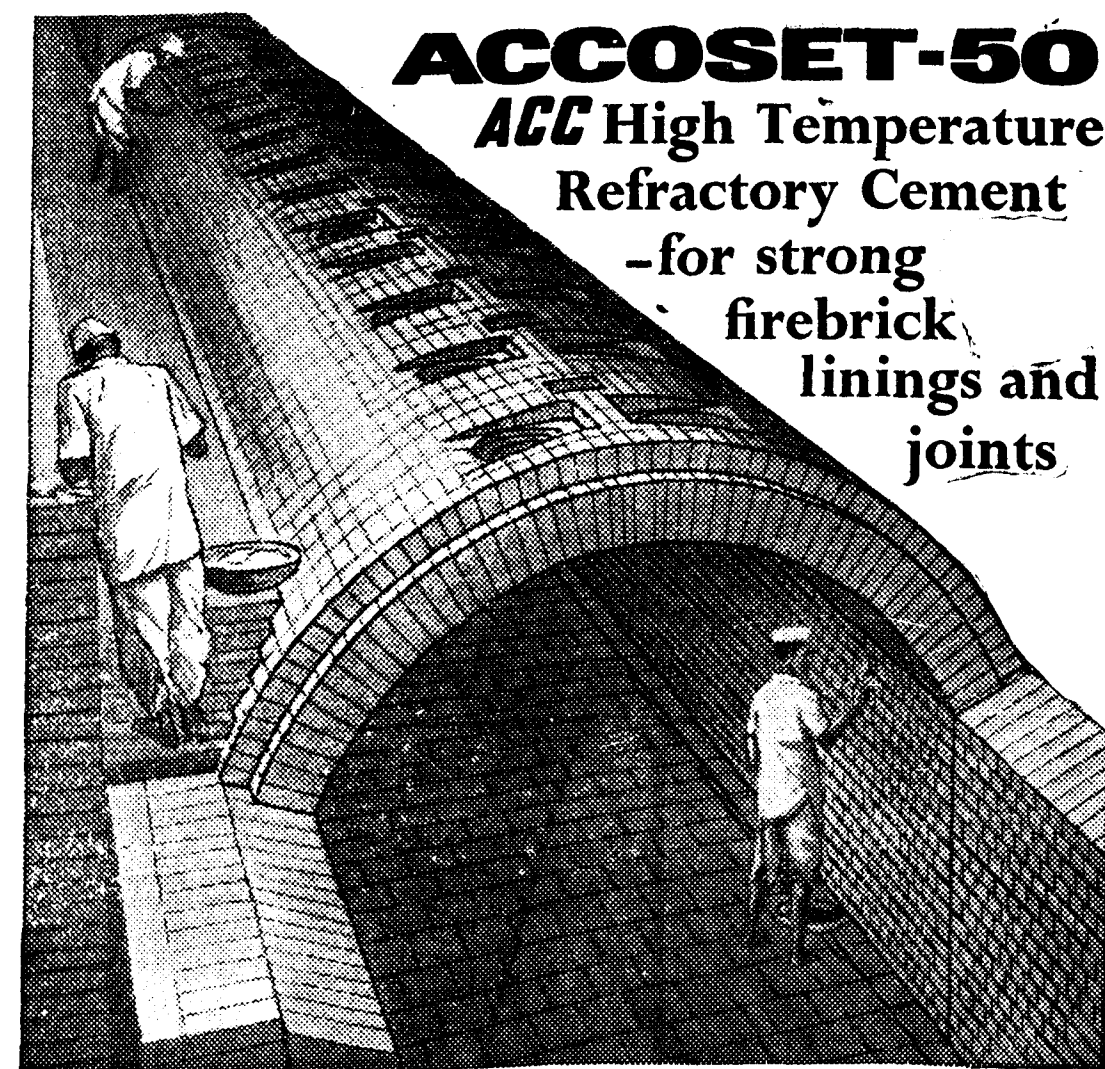
Information Pertains to particular licences only.

From Shri S.M. Patel, Chairman, Board of Director, Newasarwa Mfg Co. Ltd; Ahmedabad-11. to Newasarwa Manufacturing Company Limited, Outside Dariapur Gate, Ahmedabad-16. From M/s Metur Beardsell Ltd; Madras to M/s Mettur Beardsell Ltd; Madras—From M/s J. B. Advani-Oerlikon Electrodes Pvt Ltd.; to M/s Advani-Oerlikon (P) Ltd. From Shri Balkrishna Harivallabhda Krishna Society, Ellisbridge, Ahmedabad to Shri Arbuda Mills Ltd; Rakhia Road, Ahmedabad. From Morarjee Goculdas Spg. & Wvg. Co. Ltd; (Unit No. 2) to M/s Piramal Spg. & Wvg. Mills Ltd; Army & Navy Bldg; M. G. Road, Bombay-1. BR. From M/s Vallabh Textile Mills Ltd. to M/s Century Spinning & Manufacturing Co. Ltd; Bombay.

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RECORDS AND STATISTICS

From Recession to Stagnation

AFTER THE recession of 1967, industrial production picked up. The general index went up from 151 to 173 at the end of December, 1969. The growth was particularly pronounced in the case of basic industries like cement, aluminium, electricity, etc., and consumer goods industries like flour milling, sugar, hydrogenated oil, paper and so on. In the case of capital goods industries, production was almost stagnant.

Since the beginning of 1970, industrial production has once again been stagnant. In the first six months of 1970 there was hardly any increase in industrial output. This was due to three main causes: Firstly, industry was subject to labour unrest. The total man-days lost were nearly 27 million in 1970, as compared to only 13.8 million in 1966. The loss in production due to strikes and lock-outs has been estimated at Rs 150 crores a year. Secondly, there was severe shortage of many important industrial raw materials, like cotton, oilseeds, iron and steel, etc. Thirdly, there was fall in demand for the products of industries which depend on public sector organisations and government departments like railways, irrigation, power, etc. The outlay on power declined from Rs 403.7 crores in 1966-67 to Rs 367 crores in 1969-70. The expansion programmes of railways also came in for a cut and consequently reduced demand for wagons and rolling stock. All this had a chain reaction and the demand for castings and forgings, steel pipes, cables, etc., was reduced.

Sluggish Investment

What is worse there has hardly been any significant increase in installed capacity either in the public or in the private sector. The unmistakable index of this phenomenon is the stagnation in the output of capital goods industries, on the one hand, and the fall in the import of machinery, on the other. The index of production of capital goods industries rose from 205 in 1967 to only 209 in May, 1970. Imports of capital goods actually declined in the three years 1967-70 by 20 per cent. The reasons for sluggishness in investment are principally four: (i) delay in industrial licensing; (ii) depression in the capital market; (iii) Import restrictions; and (iv) price controls.

Until recently industrial licensing was characterised by unreasonable

delays. The monopoly angle and considerations about dominant undertaking have made clearance of licensing more difficult. In recent months, a number of licences have, no doubt, been cleared. But it will take at least three to four years before these projects are actually implemented.

The capital market has been subdued for quite sometime. Share prices showed some revival in 1970, particularly in the month of September. But there was hardly any demand from the public for new issues. The bulk of the capital issues (nearly 90 per cent) had been underwritten and nearly three-fourths of it had been held by underwriters themselves. The corporate sector has, therefore, come to depend too heavily on financial institutions. The new regulations about conversion of loans into equities have made even this source of finance less attractive.

Investment activity has been further restrained because of delays and diffi-

culties in the licensing of imports, and rendered uneconomic by price controls. There are a number of industries which are subject to formal and informal price controls which have squeezed the margin of profit and made the controlled lines unattractive for fresh investment.

Stagnation in industrial production and investment had deleterious effect on unemployment, prices and export. The number of applicants on live registers of employment exchanges increased from 3.4 million in September, 1969, to four million in September, 1970. The total number of unemployed is estimated at about 13 million. The general level of prices increased in 1970 by about seven per cent. The rise in the prices of manufactures was 7.2 per cent or so. The fall in industrial production restrained exports, particularly of engineering items. In the first six months of 1970-71 exports declined by about three per cent, compared to the seven per cent growth target of the Planning Commission.

The stalemate in industry which has been brought about partly by imbalances and partly by policy limitations has to be corrected before it

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begins to have a snow-ball effect on other sectors of the economy. This calls for a review of industrial licensing policy, an effort to step up pro-

duction of cash crops and determination to avoid labour unrest. — *Business Indicators*, February, 1971. (A FICCI publication).

Alliance Declaration: Save Democracy

IN A joint declaration issued last week, the four-party Alliance, comprising the Congress-O, the Jana Sangh, the Swatantra Party and the Samyukta Socialist Party, has expressed its resolve "to give to the people a government wedded to the cause of political, economic, social and secular democracy, the integrity and independence for our country and its speedy economic and social progress."

The Alliance has accused the ruling party of taking the country, in pursuance of a deliberate design in which counsels of foreign powers are not missing, in an authoritarian directions. It has also assailed the All India Radio for doing propaganda for the ruling party.

The following is the full text of the joint declaration:

"The final list of candidates for Lok Sabha throughout the country and state assemblies in West Bengal, Tamil Nadu and Utkal is before our people now. Our countrymen are all anxious to exercise their choice correctly after weighing in their minds all relevant considerations. In their hands rests the decision whether our country should continue to go the democratic way or surrender itself to the forces which, in order to achieve absolute

power, are raising seductive slogans to mislead the country and take it away from the democratic path.

"It is the realisation that democracy is in real danger which led us to decide that parties firmly wedded to the democratic way of life should not, at this critical juncture, weaken the democratic cause by each setting up its own candidates, dividing the vote of our people who are eager to preserve democracy and help those whose dominant aim is somehow to capture power and use it to establish an authoritarian regime. It was in this critical context that the Congress Party gave a call to all democratic forces to co-operate in repelling the grave danger which threatens democracy.

"The Congress, the Swatantra, the Jana Sangh, the SSP, the Soshit Dal, the BKD in some states and some other state parties have been endeavouring ever since the snap poll was announced, to avoid any dissipation or division of their democratic strength. This was a task which bristled with difficulties and yet the strong sense of common danger has enabled these parties to achieve a maximum measure of common agreement on candidates. There are only some constituencies where agreement could not be reached or it was otherwise thought desirable to have candidates of more than one of our parties

in the field. The agreement to have one common candidate in the bulk of constituencies has been warmly received by our countrymen.

"The parties who have joined this Alliance are resolved to give to the people a government wedded to the cause of political, economic, social and secular democracy, the integrity and independence of our country and its speedy economic and social progress."

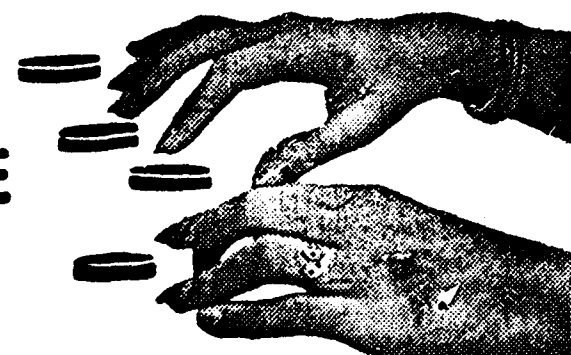
"We would again take this opportunity to humbly warn our countrymen that the ruling party is taking our country, in pursuance of a deliberate design in which the counsels of foreign powers are not missing, in an authoritarian direction. For achieving this aim it is accepting few restraints in using the resources of the government. It is blatantly misusing All India Radio for doing propaganda for the ruling party. It is also misusing its licensing powers to collect vast material resources. Our main resource is the desire and will of our people to defeat all these evil designs. Our appeal to them is that this will should be effectively mobilised in the poll campaign and particularly on the polling day.

"We also appeal to workers of all our parties to ensure that in all constituencies where we have only one candidate belonging to any one of the parties in Alliance, he receives their enthusiastic co-operation. It is only thus that we will be able to create the right atmosphere for the success of our candidates and enable the people to understand the basic issues facing the electorate in this crucial mid-term poll."

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Foreign Collaborations

DURING THE quarter July to September 1970, the Government of India approved 49 collaborations between Indian and foreign companies. The largest number of collaborations was in the case of UK companies at 10, followed by nine for West Germany, seven for USA, five for Switzerland, four for Czechoslovakia, three each for Japan and France, two for Italy and one each for Austria, Bermuda, Denmark, GDR, Sweden, and Uganda.

Sl. No.	Name of the Indian company	Name of the foreign collaborator	Item of manufacture
INDIA—AUSTRIA			
1.	Indian Detonators Ltd, Post Box No. 1, Sanatnagar (IF) P.O. Kukatpalli, Hyderabad.	Schafiler & Co, Austria	Exploders for gassy mines
INDIA—BERMUDA			
1.	The Indian Rolling Mills, Deputy-Ka-Parao, Kanpur.	IECA & Tentor concessions Ltd, Bermuda	Tentor high tensile steel bars
INDIA—CZECHOSLOVAKIA			
3.	Bharat Heavy Electrics Ltd, New Delhi.	Skodaexport, Prague, Czechoslovakia	Steam turbines and turbo alternators of 1 M W to 60 M W
4.	HES Ltd, Jogeshwari Estate, Swami Vivekanand Road, Jogeshwari, Bombay.	Merkuria, Praha and Elton, Nove Mesto Nad Metuji, Czechoslovakia	Gents watches
5.	HES Ltd, Jogeshwari Estate, Swami Vivekanand Road, Jogeshwari, Bombay.	Merkuria Praha & Chronotechna, Czechoslovakia	Alarm time-pieces and lever clock movement
6.	Hindustan Machine Tools Ltd, P.O. HMT, Bangalore.	Motokov of Czechoslovakia	Zetor tractors
INDIA—DENMARK			
7.	Shri M.K. Jajodia, 2, Ring Road, Lajpat Nagar IV, Part I, New Delhi.	Carlsberg, Bryggerierne, Copenhagen V. Beer Denmark	
INDIA—FRANCE			
8.	Shri D.M.Shah c/o Chloro-Chem, Pvt. Ltd, Alice Building, 3rd Floor, 339 Dr D.N. Road, Bombay.	Protec-Bataille, Paris	Chloroform and its bye-products based on natural gas
9.	Mahindra Ugine Steel Co. Ltd, 14, Altamount Road, Bombay.	Ugine Kuhlmann, Paris	Tool, alloy and special steels.
10.	Larsen & Toubro Ltd, P.O.Box 8901, Bombay.	Appareils & Evaporateurs KESTNER, 7 Rue de Toul, 7 Lille, France	Evaporators
INDIA—G.D.R.			
11.	The Standard Printing Machinery Co., 9 Mount Road, Madras.	VEB Repratechnik, Leipzig, GDR	Process cameras
INDIA—ITALY			
12.	Bhai & Bhai Associates, Bhai House, 4/23-B, Asaf Ali Road, New Delhi.	S.P.A. Edilmac, Milano, Italy	Tower cranes and climbing universal cranes
13.	Gwalior Rayon Silk Mfg.(Wvg.)Co Ltd, UCO, Bank Building, Parliament Street, New Delhi.	De Nora of Impianti Electrochimici, Milano, Italy.	Caustic soda/chlorine
INDIA—JAPAN			
14.	Baroda Electronics Industries (P) Ltd, Chhani Road, Baroda.	Shinei Tsushin Kogyo Co. Ltd, Japan	Fabrication of equipment required for manufacture of mular an polystyral capacitors

(Continued)

Sl. No.	Name of the Indian company	Name of the foreign collaborator	Item of manufacture
15.	Hindustan Machine Tools Ltd, Bangalore.	Citizen Watch Company, Japan	Automatic gents watches
16.	Mukand Iron & Steel Works Ltd, Lal Bahadur Shastri Marg, Kurla, Bombay.	Nippon Steel Corporation, Tokyo, Japan	High carbon and special grade wire rods
INDIA—SWEDEN			
17.	J. Stone & Company (India)(P)Ltd, 16, Taratalla Road, Calcutta.	Svenska Aktiebolaget Bromsregulator, Sweden	Load brake adapters, AC tow stage automatic load-brake device, brake regulator, and brake cylinder adjust- ter unit
INDIA—SWITZERLAND			
18.	Mr. H.J. Thackor, NYLOC House, 254-D2, Dr Annie Besant Road, Prabhadevi, Bombay.	Plate and Suter Schwyz, Switzerland	Plastic strappings bristles and other allied products
19.	Kores (India) Ltd, Post Bag No. 6558, Plot No. 10 Off Haines Road, Worli, Bombay.	Management Advice Estt. of Sparrangasee Vaduz, Liechtenstein, Switzerland	Improved quality of duplicating stencils and carbon papers
20.	Nibin Pharmaceuticals, near Chamuda Mata, Asarwa, Ahmedabad.	Dolder & Co., 4000, Basle 4, Immen gasse 9, Switzerland	Chlerpheniramine maleate
21.	Mahindra & Mahindra Ltd, Gateway Building, Apollo Bunder, Bombay.	Cellpack Ltd, Wohlem/Aargau, Switzerland & Sprecher & Schub, Aargau, Switzerland	Fibreglass reinforced electrical insulations
22.	Navin Fluorine Industries, Mafatlal House, Backbay Reclamation, Bombay.	Buss Ltd, Switzerland	Aluminium fluoride by the fluidized bed process
INDIA—UGANDA			
23.	R.M. Punjabi, (F) 9, Natraj, 250-A linking Road, Bandra, Bombay.	Shri Satpaul Singh Bakshi and Shri Gurdial Singh Aluwallia, Kampala, Uganda	Snake type chains
INDIA—U.K.			
24.	ACC-Vickers-Babcock Ltd, P.O. Durgapur, Distt Burdwan.	Diamond Power Speciality Corporation, UK & USA	Soot blower equipmentt heroprobes etc.
25.	Aeromarine Industries (P) Ltd, 19, Ganapati Nagar, Madras.	RFO-GQ Ltd, Goldming, UK	Inflatable life rafts
26.	Alkali & Chemical Corporation of India Ltd, 34, Chowringhee, Calcutta.	Imperial Chemical Industries Ltd., UK	Primidonne propranolol etc.
27.	Dunlop India Ltd, Dunlop House, 57-B, Free School Street, Calcutta.	Dunlop Co. Ltd, Dunlop House, Ryder Street, London SW-1, UK	Gold balls
28.	G. Williams & Co. Pvt. Ltd, 1/I, Kimber Street, Calcutta.	W. Green Son & Waite Co. Ltd, Invicta Dandy rolls for paper mill machiner Works, Chaik Pit Avenue, St. Paul's Cray. Orpington, Kent, UK	Electrical furnaces
29.	Indian Furnace Company Ltd, NSE Estate, Goregaon East, Bombay.	Wild Barfield Ltd, UK	Air rifles
30.	Narendra & Co. Gandhi Road, Dehra Dun.	Webley and Scott Ltd, Birmingham, UK	

(Continued)

(F) Indicates cases involving financial collaboration

Sl. No.	Name of the Indian company	Name of the foreign collaborator	Item of manufacture
31.	Shri S.A. Samant, Carmichael House, Carmichael Road, Bombay.	Saunders Valve Company Ltd, UK	Diaphragm valves
32.	S.V. Krishnamurthy & S.V. Ramaniah, No. 18, Grems Road, Madras.	Hunslet Engine Works, Leeds, 10, UK	3-wheeled passenger vehicles
33.	The State Industrial and Investment Corporation of Maharashtra Ltd, P.B. No. 11047, Bombay.	Linotype and Machinery Ltd, Aktrincham, Cheshire, England, UK	Web offset presses
INDIA—U.S.A.			
34.	Bharat Electronics Ltd, Jalahalli PO, Bangalore.	RCA Corporation New, York, USA,	Integrated circuits
35.	The Fertiliser Corporation of India Ltd, F-43 South Extension Area Part I, Ring Road, New Delhi.	Leonard Process Company and Indus- trial Consulting Bureau, New York, USA	Methylamines project
36.	Larsen & Toubro Ltd, (F) L & T House, Dougall Road, Ballard Estate, Bombay.	Gordos Corporation, USA	Reed relays, switches and keys
37.	Larsen & Toubro Ltd, (F) L & T House, Dougall Road Ballard Estate, Bombay.	ITT Corporation, USA	Connectors
38.	National Rubber Manufacturers Ltd, Leslie House 19, Jawaharlal Nehru Road, Calcutta.	Miller Lubricator Company, 1155 East Eighth Street, Winona, Minnesota, USA	Rubber pads for journal type lubrica- tors
39.	Union Carbide India Ltd, 5-Parliament Street, New Delhi.	Union Carbide Corporation, 270, Park Avenue, New York, 10017, USA	Distillation trays
40.	Zuari Agro Chemicals Ltd, United Commercial Bank Building, 2nd Floor, Parliament Street, New Delhi.	US Steel Corporation, USA	Supply of know-how and technical services for Goa fertiliser project
INDIA—WEST GERMANY			
41.	Alembic Chemical Works Co. Ltd, Alembic Road, Baroda.	Chemiewerke, Hamburg, West Germany	Pipa zathate hydrochloride
42.	Amco Batteries Ltd, Post Bag No.1, GEF P.O. Mysore Road, Bangalore	Varta Aktiengesellschaft, West Germany	Dry cell batteries
43.	Mr Amolak Singh, Village Arungpur, near Railway Crossing, Faridabad.	Fritz Hintermayer, Nurnberg, West Germany	Carburettors
44.	Bengal Tools Ltd, Todi Mansion, P/15 India Exchange Place Extension, Calcutta.	Josus Corts Sohn, West Germany	Shear blades and cutting knives
45.	Bramco Suri Pvt. Ltd, 1655, S.P. Mukerjee Marg, Delhi.	Jurid Werke, GmbH, West Germany	Clutch facings
46.	The Eagle Lithographing Co.(P) Ltd, 268 Christopher Road, Entally, Calcutta.	Dr Bekk & Kaulen of West Germany	Technical know-how for a particular process for preparation of printing plates for photogravure printing
47.	Elemal & S.T.C. Industries, (F) 241 Rai Bahadur Road, Behala, Calcutta.	Brunotte & Niemeyer, Maschinenfabrik GmbH & Co., West Germany	Vulcanising and retreading machine with electro-hydraulic press
48.	Heavy Electricals (India) Ltd, Bhopal.	Maschinenfabrik Reinhausen, Regensburg, West Germany	Onload tap changers
49.	Suessen Textile Bearings Ltd, Bombay Ahmedabad National Highway No. 8, Pratapnagar, Baroda.	Spindelfabrik Suessen, Schurr, Stahleker & Grill GmbH, West Germany	Bottom roller bearings

(F) Indicates cases involving financial collaboration



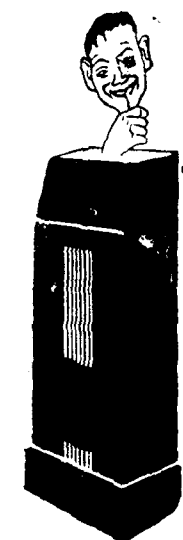
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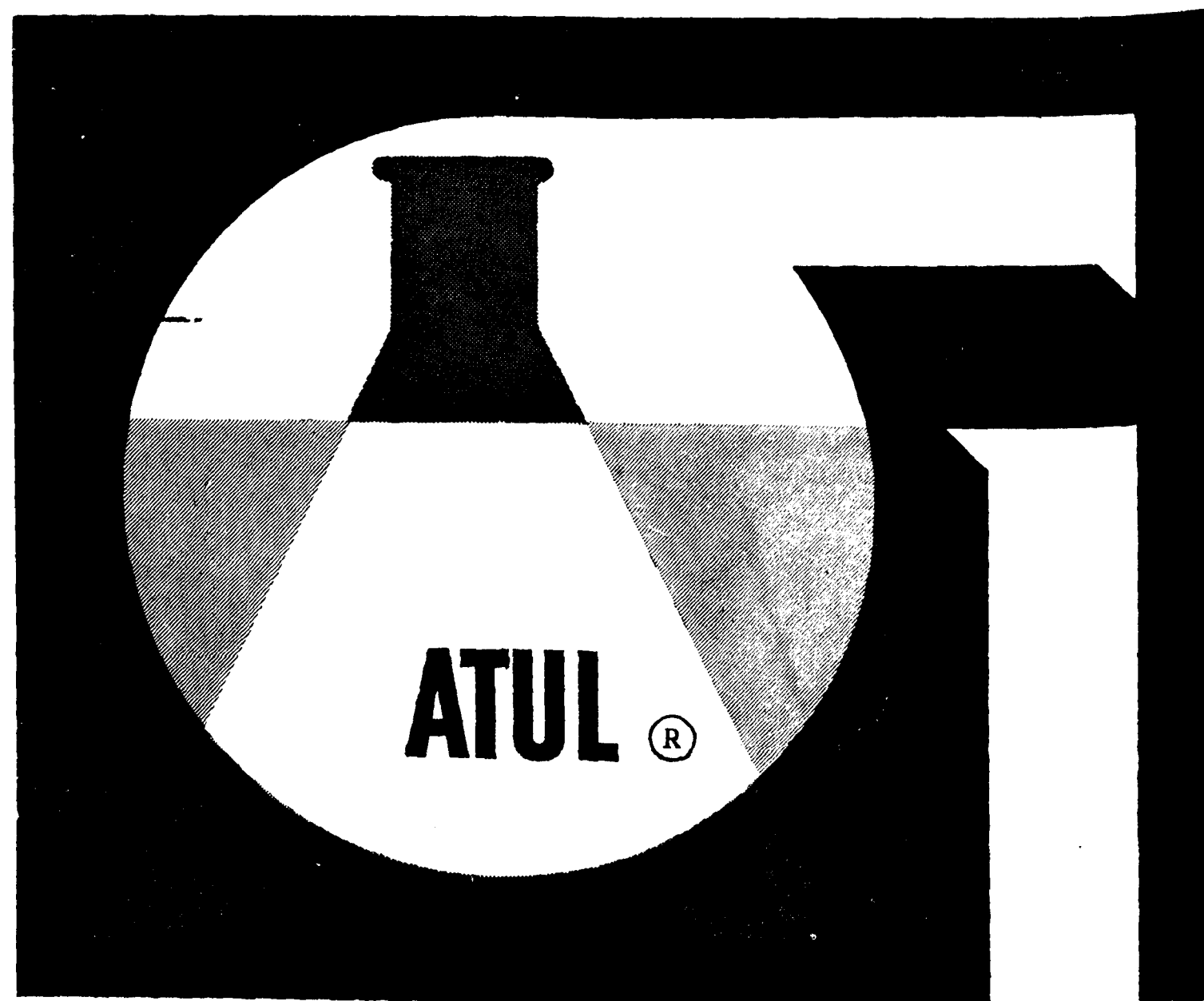
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Beyond the Election	389
MMTC Should Do Better	390
Better Roads for Improved Exports ..	391
Providing Jobs for Millions	392
Export Strategy for Fourth Plan —Dr P. Chattopadhyay	394
Costlier Crude Oil—Sagittarius	396
Occupational Distribution of Working Population —Dr R. P. Singh	397
WINDOW ON THE WORLD	400
Ted Heath's Long-Term Aims. EEC Expansion.	
THE MOVING FINGER WRITES ..	405
TRADE WINDS	406
Industries in Small Sector; Jute Corpora- tion; UNDP Operations; Tourist Traffic; Housing Corporation; Expansion of Co-operation; Output of Sannhemp (Fibre); Boeing 737 for Indian Airlines; Coop Fertilizer Complex.	
COMPANY AFFAIRS	410
Nuchem Plastics; Dunlop India; Jain Vanaspatti; Jubilee Mills; Bajaj Tempo; Kaveri Structural; Shriram Refrigeration; Standard Motors; Kerala Fisheries; Capital and Bonus Issues.	
BOOKS BRIEFLY	413
A Policy for Better Farming; Rich Fare; A Comprehensive Account; Books Received.	
COMPANY MEETING	420
Nuchem Plastics Ltd.	
RECORDS AND STATISTICS	421
Bank Lending to Agriculture.	

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BEYOND THE ELECTION

BY THE time this issue is published, the general election would have been in progress for four days. Although political leaders and political parties have done their worst to confuse the issues by lavishly indulging in the language of opportunism, the electorate seems to realise that what it really has to decide is whether there should be a change in government, both in style and substance. It has been the consistent view of this journal for the past two years or more that a change is not merely desirable but necessary. We have to wait for a few days more to find whether and to what extent the public is also of the same view.

New faces or even new policies at the centre, however, will not by themselves ensure a good economic future for our country. Our problem is that for 20 years this nation and those who have been trying to govern it have been habituated to think in small or even pitifully mean terms both about the economic needs of our people and the potential capacity of our country to organise itself and mobilise resources for fulfilling those needs. As a result, our perspective of economic development has been set in terms of alleviating our national poverty here and there rather than in terms of our participating fully — even as so much of the rest of the world is doing — in the fruits of those forces of technological progress and modern business organisation which have imparted to the second half of this century its special characteristic as an era of increasing abundance.

For this disappointing state of affairs, blame must go to two of our basic national attitudes. The first of them is that, since Independence, we as a country have tended to place more and more reliance on governmental intervention in and regulation of the national economy as a means of furthering what is being called 'the planned development of our country'. In the course of this process, we have stifled individual as well as voluntary institutional urges and initiatives to an extent which has resulted in preventing the sufficient activation of our resources both human and material. This has meant that our planning has been reduced to a very partial and inadequate effort which could at best mitigate our national poverty only in some of its parts.

The situation has been aggravated by the second of the two national attitudes to which we have referred early. There has been a grievous failure in our country to realise the objective fact that the task of development of the magnitude that confronts us can be successfully taken up only if we are willing and able to associate with us in this effort the technological and business resources of the advanced countries of the world. While on the one hand we have had the advantage of the potential availability of the tremendous advances in technology and business organisation that the world economy has witnessed in the last 25 years, on the other hand, we have been denying ourselves access to these facilities, thanks partly to the mindless hostility of some among us to foreign collaboration and partly to the inertia and indifference of many more of us in the same connection. We have been talking more than enough about our national commitment to rapid economic development but very few of us have appreciated in a positive way the objective truth that mass poverty of the dimensions that is now seen in our country cannot be eliminated within any relevant period of time without our summoning to our assistance the technological and business organisational resources of the advanced countries of the world. We have still not awakened to the fact that this country simply cannot afford to go it alone in its effort to break through the barriers of mass poverty.

It follows then that there will be no economic salvation for our people unless and until we are prepared to think in really large terms both about our aims and means. It is from this point of view that the testament, "For a Prosperous Tomorrow", which was published in *Eastern Economist* dated February 19, 1971 (pages 334-340) gains a significance which is far greater than that of the election manifestos of all the political parties taken together. Here is a document which has dared to speak in terms of taking our economy forward to a position comparable to the affluent countries of the world within a generation. It makes out an unanswerable case that the economic policies and postures adopted since Independence will, if continued, condemn the country indefinitely to an inferior position in the world scale of wealth and wellbeing and may, moreover, lead to a progressive impoverishment of our rapidly increasing population. It has therefore called for the rejection of these policies and for a new national effort at aiming high and at achieving even higher. The signatories to the statement include public men of different political affiliations united by a common desire to salvage the

economic future of our country by rescuing it from the negative and restrictive philosophy or machinery which has gone by the name of the five-year Plans. The most valuable point made by them is that this country has no use for small men and their even smaller ideas in building up its economic future or fortunes. Development cannot remain a captive of the prejudices of politicians or the inhibitions or limitations of the bureaucrats if a mass effort is to be mounted to liquidate mass poverty. The nation must release and employ the energies and initiatives of millions of its men and women in every area of economic effort. It has to stimulate all these people by placing before them inspiring goals of economic achievements

MMTC Should Do Better

THE MINERALS and Metals Trading Corporation (MMTC) has announced that its total trade during the first 10 months of the current financial year has exceeded the target of Rs 200 crores. At this rate the MMTC's total turnover during 1970-71 is expected to reach Rs 255 crores against Rs 137 crores in the previous year. The performance from April to January represents an increase of almost 100 per cent as compared with the corresponding months of 1969-70. The exports made in the first 10 months of 1970-71 include 10 million tonnes of iron ore 1.4 million tonnes of manganese ore, four lakh tonnes of coal and 58,000 tonnes of ferro-manganese.

This achievement seems commendable. But the MMTC could have stepped up its earnings of foreign exchange to far higher levels by making better use of the services of the private trade by greater co-ordination between the economic ministries at the centre and by more energetic efforts at sales promotion.

For instance, the MMTC has been concentrating too much on one market for the export of iron ore, namely, Japan. It has concluded a contract with Japan for the export of 61.26 million tonnes of iron ore over a period of nine years valued at Rs 467 crores. But India is no longer the largest supplier of iron ore to Japan which she was till 1967. In 1969 imports from India were valued at \$ 159 million but import from Australia amounted to \$273.4 million. Japan's requirement of iron ore has been increasing rapidly. Her total import amounted to 83.2 million tons in 1969 compared to 38.9 million tons in 1965. Japan has been trying to diversify her import of iron ore and in this process has been able to obtain it at a cheaper price. In 1965

consistent with what so many other countries have already secured for their people. It has to inform and convince peasants, workers, white collared employees, self employed businessmen and other economic categories in the nation that by working in freedom and under conditions of a liberal democracy they can steadily improve the standard of living of the people despite a growing population and may hope to raise our national levels of savings, investment, production and consumption to those obtaining in the advanced industrial countries of the world. Even amidst the dust and din of this election, a perspective of this kind speaks more loudly and clearly than the auction cries of mere politicians.

a metric ton of iron ore cost \$ 13.34. But in 1969 it was only \$ 11.64.

India, therefore, must consider seeking new markets for iron ore while at the same time trying to retain and increase her share of Japan. In this context it is disquieting to note that we have practically lost the market for iron ore in Italy. In 1963 the import of iron ore from India into Italy was valued at 3640 million lire, but in the subsequent years our share decreased steadily. In 1969 there was practically no import of iron ore from India into Italy, though the total import by that country was valued at 65 billion lire. The main suppliers were Liberia, Mauritania, Algeria, Tunisia, Brazil, Venezuela, Peru and Sweden. It will be worth investigating as to what extent the loss of the Italian market for iron ore has been due to factors beyond the control of the MMTC. The table below shows the import of iron ore into Italy in 1968 and 1969.

The Government of India has been implementing various schemes for improving the loading capacity of the

ports of Vizag, Madras, Paradeep, Haldia and Marmagao. But it seems that the progress of some of them is being slowed down because of the lack of effective co-ordination among the ministries in New Delhi. For instance, the plea of the Paradeep Port Trust to the Ministry of Transport and Shipping for one reclaimer and two belt-wagons is said to have been held up for want of sanction of foreign exchange for importing them. Because of this delay, there have been frequent breakdowns in the reclamation units resulting in low loading rate. It is necessary to expedite the port development schemes to facilitate larger and quicker exports. For example, when the outer harbour scheme of Vizag is completed, it can handle 100,000 DWT vessels at the rate of 8000 tons per hour.

The MMTC's efforts to export manganese ore would have met with more success if it can cut out red tape. At present the established shippers and mine-owners are free to utilise their contacts and goodwill in other countries to get orders. But their negotiations with foreign buyers can be concluded only with the prior knowledge and approval of the MMTC in regard to prices and other terms. It is here that the red tape comes in, which irritates and frustrates the private trade. It is said that the MMTC imposes terms and conditions which are often discriminatory and unduly strict.

The trade is also handicapped by the MMTC's insistence on the final settlement with the importers regarding the penalty or premium being made by it though it is the private exporters who have to bear the ultimate responsibility. Indian manganese ore is facing stiff competition from South Africa, Australia, Gabon, Ghana, Brazil and Russia. These countries have many natural and other advantages over India. It is all the more important therefore that the MMTC should create enthusiasm among the exporters by

IMPORT OF IRON ORE BY ITALY

From	1968		1969	
	Quantity (Quintals)	Value (Million Lira)	Quantity (Quintals)	Value (Million Lira)
India	524,216	502	12,109,009	6,252
Venezuela	9,679,509	5,380	8,199,004	3,832
Algeria	11,550,997	5,663	21,967,154	11,706
Brazil	21,536,495	12,416	11,572,399	7,133
Mauritania	9,374,995	5,851	5,022,622	2,438
Tunisia	4,597,484	2,263	2,124,090	1,740
Peru	1,742,048	1,616	3,036,611	2,423
Sweden	4,240,429	3,166		
Total (all countries)	100,686,423	61,952	109,583,617	65,306

eliminating tedious procedures and unfair conditions.

The MMTC's approach to coal exports also has not been soundly conceived. The grievance of the private trade is that the MMTC is charging a commission of 50 per cent of the difference between the negotiated price and the minimum price fixed by it. The commission at this rate is considered excessive in view of the little work done by the MMTC. The Associated Chambers of Commerce and Industry has pointed out that as a result of canalisation through the MMTC the private sector exporters are denied the benefits of the schemes designed to encourage exports, and that buyers abroad are disinclined to pay more than the minimum prices announced by the MMTC and that the exporters' bargaining position is therefore weakened. The ACCI has suggested that the private sector exporters should be trusted to make the best bargain possible in their and the country's interest.

The export policy resolution has laid

Better Roads for Improved Exports

THE FACT that roads in our country need increased attention is widely known. What is not known is the vital role which roads play in the transport of cargo which is exported for earning valuable foreign exchange. It was this aspect of the problem which formed the subject of a detailed study by the Operation Research Group (ORG), Baroda, last year. This study was sponsored by the Export Promotion Division of the United States Agency for International Development which, in association with the Ministry of Foreign Trade, has initiated a number of studies during the last three years for studying the possibilities of increased exports from this country. The chief merit of this study is that it has thrown up some extremely useful data about the transport of cargo in this country.

This study has three broad objectives, namely determination of the extent to which inland transport facilities currently meet the needs of our export trade, the assessment of inadequacies in the domestic transportation system, which act as impediments to increased exports and formulation of plans and programme, to alleviate the transport difficulties being faced by exporters.

As basic data for this study did not exist, the ORG planned a sample survey of export shipments. Every tenth export consignment shipped during the quarter April-June, 1969, was listed from trade returns compiled by the customs authorities for each Port. Since the daily list of trade re-

turns is classified according to groups of commodities, the sampling framework included commodity groups as strata. In other words it was a systematic stratified sample using commodity groups as strata and sampling fraction of one in 10. The information tabulated from trade returns was supplemented by interviews of the exporters of these shipments. Though it was not possible for the ORG to locate all the exporters in the sample, it did succeed in interviewing about 89 per cent of them.

The ORG has estimated that more than 60 per cent of our export shipments are moved by road. Therefore, it has recommended that energetic programmes should be prepared and carried out to improve the efficiency of road transport. For this purpose, it has been suggested that a high priority programme of construction and improvement of export routes on the national highways should be drawn up so as to remove all deficiencies. There are in all nine such road routes which demand an investment of about Rs 128 crores. The investments needed for these routes are listed in the table alongside.

The ORG has also recommended that the government must see to it that the longer run steps are taken at the earliest to reach the road investment target of two per cent of national income by 1975.

Besides this, the ORG has drawn attention to certain measures which must be taken if the obstacles to exports

are to be eliminated. High in this list is the hindrance caused by numerous octroi posts on the export routes. Drastic reduction in the number of check posts is necessary so as to permit free and efficient movement of road transport. It requires an agreement between the Inter-State Road Transport Commission and the state governments so as to issue about 10,000 all-India 'green permits' which would enable the holders of these permits to move their trucks on the national highways and within 50 kms from them throughout this country without any hindrance. Such an agreement according to the ORG, could be reached by compensating the states for revenue losses they would suffer by not taxing green permit trucks from the 'Inter State Road Transport Fund' which could be created by a five per cent allocation of the taxes on fuel collected by the centre.

The above-mentioned suggestions have emerged mainly from the sample survey conducted by the ORG; it has however, studied the findings of committees and commissions which have scrutinised this problem in the past. The ORG has listed these suggestions along with its own findings.

While the road transport industry needs to be given high priority, other modes of transport need not be ignored. Railway transport plays not a small role in the shipment of exports and for this purpose, the ORG has stressed that wagon allotment for exports should be placed in priority schedule, next only to the priority for military movements. This should not be difficult for the railways in view of the fact that daily export wagon loading "excluding ores" forms only one per cent of the total daily wagon loading of the railways. As the major deficiency in rail movement of export cargo appears to be uncertain transit time, the ORG has suggested that the railways should provide priority movement of export cargo by keeping a special watch on it.

For the purpose of speeding up export shipments by rail it has been sugges-

Section	Investment (Rs crores)
Amritsar-Delhi	2.26
Delhi-Calcutta	27.86
Agra-Bombay	20.82
Madras-Bombay	21.64
Vijayawada-Madras	7.08
Delhi-Bombay	22.62
Dalkola-Calcutta	10.60
Dindigul-Madras	5.73
Salem-Quilon	9.30
Total	127.91

ted that special favour should be shown to export shipments in the allocation of space on express services now operating between the major centres. Because of the importance of exports the railways should grant concessionary rates for export shipment as such subsidies can be justified as a matter of economic policy.

Regarding air freight rates, the ORG is of the view that "dollar rates" charged by Indian Airlines for domestic movement of export cargo are higher than the rates applicable for domestic cargo. This naturally acts against the movement of export by air. It has therefore been rightly suggested that the Indian Airlines should revise the "dollar rates" for export cargo. The

Providing Jobs to Millions

IT is a sad state of affairs in any country when responsible persons are made to feel that the discussions of the problems of their country, "based on fact and conducted through the process of ratiocination by informed and experienced people, have no influence whatsoever on the formulation of policy and that, therefore, all such activity is an excise in futility". This precisely has been the feeling of no less a person than Mr B.K. Nehru, Governor of Assam, Nagaland and Meghalaya, who, discarding the so-called restrictions on a Governor, chose to dwell upon the unemployment problem in the country and to describe it as "the first priority" when he delivered the eighth B.F. Madon Memorial Lecture in Bombay, a few days ago. "Though Governors must remain above partisan politics", he said, and quite rightly, "it would be wholly undesirable for them to remain silent (and thus fail to discharge their duties as citizens) on the fundamental disorders of our body politic".

This is indeed a healthy convention, in that it underlines the important point that whatever the position or profession — Governor or Maharaja, President or Prime Minister, industrialist or worker, agriculturist or trader, professional or self-employed — everyone has a duty as a citizen and this duty he must perform conscientiously and courageously. For there are quite a few in our country who still genuinely believe — though wrongly, of course — that an erstwhile Maharaja or a prominent industrialist has no right to seek election to union or state legislatures. In questioning the right of these people to seek election, they seem to forget they are questioning the very rights of these people as citizens.

Our body politic is suffering today not from one but several fundamental disorders, and, as Mr Nehru pinpointed it,

ORG has also touched upon a number of other subjects such as the creation of the dry port in Delhi, the need for speedy customs clearance at airports and the deepening of Cumourjna Canal in Goa.

The utility of the ORG study cannot be denied in so far as it has drawn attention to a number of problems which need to be tackled but the real test lies in the implementation of its recommendations. It is high time that an evaluation was made of the use to which the USAID-sponsored studies have been put so far. If they are also gathering dust at the desks of the bureaucrats like other official reports then all the effort put in would be a stupendous waste.

unemployment problem is perhaps the one disorder a solution to which simply cannot brook any delay. For not only is the magnitude of the malady great as it is, but it is in creasing so rapidly that "if nothing is done to cure it, it will eat into the vitals of our nation and cause a collapse of the body politic". Accordingly, although the subject has been dealt with by us in these columns quite often, we make no apologies to revert to it, if only to highlight some of the important points on this pressing problem made by Mr Nehru in the course of his memorial, and also memorable, lecture.

Mr Nehru is not the first by any means to draw pointed attention to the absence of reliable statistics on this vital question of unemployment in our country, but he did not for that reason throw up his hands in despair; nor was he prepared to wait until expert committees could arrive at the correct concept of unemployment applicable to Indian conditions. For him, whatever figures have been published — official and other — were enough to provide approximate indications of the order of magnitude and the direction of movement. According to him, we shall end up this decade with a total of 37 million unemployed or no less than almost 14 per cent of the labour force in 1980, and this is how he arrived at this estimate;

Estimate of unemployed in 1970	14 million
Gross addition to labour force during the Seventies	90 million
Total	104 million
No. of workers expected to die or retire over the decade	27 million
Balance	77 million

Maximum No. of jobs likely to be created in the Seventies 40 million

Therefore, number of unemployed at the end of 1980 37 million.

Of these 37 million, it is necessary to ascertain how many would fall in the category of "educated unemployed". In April, 1970, there were, according to the live register of the Employment Exchanges, as many as 1.75 million educated unemployed. Add to this just the number of persons who study up to matriculation — over 2.50 million every year — and set off just a fraction of the estimated 40 million jobs to be created in the seventies that these would be able to secure and you have an idea of the explosive situation. But this is not all. There are in our country as many people, nay more, who fall in the category of persons who have no means of livelihood or only inadequate means of livelihood and who are either wholly unemployed or only partially employed. And the total number of these is estimated at between 220 million (according to our perspective planners) and 270 million (according to others).

The resulting discontent in which not only these unfortunates but also those who sympathise with their lot (the more sensitive ones with genuine humanitarian considerations) tend to join assumes unimaginable proportions and manifests itself, as, for instance, in Calcutta, as Mr Nehru pointed out, in ghraos, strikes, hartals, bandhs, demonstrations, processions and even wanton murders, regardless of the safety of lives of the ordinary citizen or the property of the common man. An unfortunate result of this — and it is a great pity that this has not been taken into account even by those who indulge in these disorders with a view to bettering their own lot — is that, instead of remedying the ills, which are indirectly the cause of these disorders, the same ills become further accentuated leading to stagnation in industry and commerce, decline in production, and migration of industrialists to relatively more secure regions. The question of questions, therefore, is: how long will this be allowed to go on? Or, as Mr Nehru felt impelled to say: "One cannot but feel that, when the supporters of chaos have succeeded in creating chaos, no organised system of society or government will replace that chaos at all".

What then is the solution? Mr Nehru was clear and categorical in his answer. He said: "My submission is that today we should subject any policy or action that comes to us for approval or decision to only one simple test — namely, whether or not it will create

employment? If it does, we should accept it; if not, it should be rejected".

Be that as it may, a notable point made by Mr Nehru is the colossal ignorance in the concerned quarters about the meaning of "gainful employment". Gainful employment to these does not mean "productive employment," but just employment gainful to the individual without regard to the effect it may or may not have on the nation as a whole. What such a conception could lead to is best put as follows in the words of Mr Nehru himself:

"Consequently employing 27,000 people in a steel mill when only 7,000 are required to produce the maximum amount of steel; doubling the number of clerks in government office — so that they might more effectively come in each other's way; in the monsoon, building village roads in every dry season to be washed away, encouraging village industries when the value of the end-product may be lower than that of the inputs required to produce it, deliberately preventing the application of better techniques of production even when the machines and the skills are available — these are all defended by people holding responsible positions on the ground of creation of employment. The logical culmination of this argument would be not only to prohibit tractors in favour of the bullock-drawn plough but to prohibit the employment of bullocks to pull the plough in favour of humans or, to take the argument a step further, to prohibit the plough in favour of the hoe and indeed to prohibit the hoe in favour of one's own hands. What a colossal number of people could be "employed" per acre of land if they were deprived of all the instruments they now use to coax mother earth to yield its wealth!"

It is thus clear that employment, even if gainful, is not employment unless it is also productive. After making this point, Mr Nehru proceeded to drive home another equally important one, viz. that employment is not really important for its own sake but that "employment is required as a vehicle for the redistribution of the gross national product". Here, he pointed out the difference between a highly mechanised and sophisticated society like America where the President can think of ensuring to each American family a guaranteed minimum income of Rs 1,000 a month whether its members work or don't work and our own country (with the lowest rate of economic growth in the world) where, even with such a scheme all that will happen is to push the prices, of necessities further as a sufficiency of these is not being produced and for the same quantum of

goods more purchasing power is made available.

Hence the objective of creating employment is, in reality, to increase production, on the one hand, and to ensure that the total purchasing power is so distributed that as much of the needs of as many people as possible are met from this increased production, on the other. (Contrary to what many, suppose, Mr Nehru declared: "The problem of distributing purchasing power of which such heavy weather is made and which seems to occupy almost exclusively the forefront of public discussions of our economic policies is, in reality, the easiest of all problems to solve" — through progressive direct taxation, disguised grants for emergency programmes, grants of loans through government or quasi-government agencies and so on).

However, as Mr Nehru himself noted, the real trouble arises in bringing about an increase in production so as to satisfy in real terms the money incomes thus generated and distributed. Mr Nehru therefore, exhorted "If once we accept that we are at a stage in our national life, where, if we do not increase the real incomes of millions of our people, we will be faced with the collapse of our entire social system, the one and only priority that will remain to us and to which all other priorities must, at least for the time being, be subordinated will be the priority for production".

There is no reason why this cannot, or should not, be done when even Russia, for whose system there is so much of open and not just sneaking sympathy at the highest levels, chose a similar course, with immediate beneficial effect, in 1921 after four years of the October Revolution. Lenin then said: The aim is "at all costs to increase the quantity of products". "We have no right to forgo the opportunity of immediately improving the condition of the workers and peasants, for our improverishment makes it essential."

Without presuming to tell the businessmen assembled what should be done to increase production, it is significant that Mr Nehru indicated some areas in which, he said, we as a nation must revise our mental attitudes and our policies to ensure the maximum public welfare. These are:

(1) *Our attitude towards the creation of mental wealth.* Mr Nehru said: "If we wish a national effort to create more wealth, we must hold those who create it in higher social esteem than who regulate and restrict its creation".

(2) *The incentives and disincentives to each individual engaged in the task of creating wealth should be so arranged as to encourage production:*

According to Mr Nehru, "neither our taxation nor our labour policies are at present so designed; and both need a long close new look. Over the long haul, the carrot and the stick are the only two instruments which make people work... Our trouble is that our democracy does not allow us to use the stick; our socialism does not allow us to use the carrot!"

(3) *Ownership in the third quarter of the 20th century is an almost irrelevant concept.* "What is relevant is management", said Mr Nehru. "Whoever can produce at less real cost to the economy should be allowed to do so. We need to professionalise management (this, according to him, and according to all impartial observers of our economy, refers to both public and private sectors).

(4) *"We must really get rid of our macrophobia and microphilia".*

(5) *The fear complex in regard to the use of foreign capital and foreign collaboration must go.* "We still seem to act", observed Mr Nehru, "as if we were afraid that foreign gunboats will sail up the Ganges if we were to encourage foreign investment in India".

(6) *"We might re-examine the content of the term social justice".* The question here really is, to use Mr Nehru's words, "whether the homeless, hungry, naked man would prefer to have a house and food and clothes or whether he would prefer to ensure that everybody around him was reduced to his own level of poverty."

(7) *"Neither educational reform nor population control has been seriously tackled, whether before or after independence".*

In conclusion, Mr Nehru posed what he called a philosophical question — "whether it is all possible to reconcile the kind of political liberty that we have, bordering as it does on anarchy with the carefully regulated economy we are trying to create?" In reality, this is a rhetorical question.

Maybe many others, in particular those engaged in business, have said as much about the ills plaguing our country and have offered almost the same solutions. But there is one difference. Mr Nehru is not involved or committed. He was only unburdening himself of what, according to his deep deliberate reasoning, are dogging the progress of this unfortunate country and how, even at this stage, a proper re-thinking of the priorities and a sensible change in attitudes can arrest the rot that has set in our body politic — or is it our body socio economic politic? If only because of this difference, may we hope for a better and understanding response from our rulers?

Export Strategy for Fourth Plan

DR P. CHATTOPADHYAY

THE BITE in India's export promotion effort comes from the fact that during the era under planning the Indian economy has had continuous doses of imported inputs of materials, intermediate goods, machinery and food. To maintain the tempo of development initiated in various sectors of the economy, loans, aid and deferred credits had to be procured from different sources abroad — both private and public. During the initial years after independence, the accumulated balance of foreign exchange reserves was enough to sustain the economy at that time. However, with the tempo of activity picking up, the balance of payments position deteriorated considerably.

The export promotion measures introduced by the Government of India

owe their origin to the need for boosting exports to pay for not only the current imports, but also for the unfavourable balance of trade of previous years. In addition, debt repayment obligations and the interest on loans, etc., procured earlier posed a burden on the economy. The boosting of exports in such a situation has acquired a good deal more significance than ever before. The fourth five-year Plan expresses the anxiety of the planners towards the need for earning more and more foreign exchange through exports to meet the mounting foreign exchange requirements.

According to the final fourth Plan document, finalised a few months ago, a progressive rise in exports has been contemplated during the period

covered by the Plan to reach a level of about Rs 1,900 crores by 1973-74. This involves a rise of Rs 540 crores over the exports attained in the year 1968-69, the base year of the fourth Plan. In 1968-69, the level of exports attained came to Rs 1,360 crores. Thus, the fourth Plan envisages a cumulative rate of growth of seven per cent per annum. It has been expected that iron ore will record a substantial increase in export value. Various measures to attain this increase have been contemplated. Exports of jute goods are expected to rise substantially during the period. Engineering goods, iron and steel, chemicals and allied products and footwear are also desired to record a significant rise in exports. Similarly, exports of fish and fish products as also cashew kernels are expected to increase considerably. These expectations of the planners have been on the basis of the requirements of foreign exchange as also the possible increases in exports of various products. The trends with regard to individual items do not seem to lend support to the expectation of the planners.

In the first year of the fourth Plan,

that is 1969-70, exports have recorded a rise over the previous year by only 3.8 per cent. The shortfall of 3.2 per cent in the very first year of the Plan should be reckoned with from two points of view. First, this shortfall raises doubts as to whether the cumulative rate of growth of seven per cent per annum during the fourth Plan period can be actually attained. Secondly, the shortfall in the first year would imply that to achieve the contemplated cumulative rate of growth over the entire period, the actual exports would have to be more than seven per cent per annum to result in an average rate of growth of seven per cent for the entire period.

Typical Features

In addition, there are certain points that require to be considered in the context of our national export policy. Our exports are characterised by certain typical features which do not seem to have been adequately noticed. First and foremost, of the 3,000 and odd items that presently figure on our export list, only 15 items in 1968-69 commanded more than 68 per cent of the total foreign exchange earned. In the earlier years, the relative importance of these 15 items was still greater. This is illustrated by the table page 394. The composition has been calculated from the figures given in the Report on

Currency and Finance for the year 1968-69 of the Reserve Bank of India.

Crux of the Matter

A glance at the relative importance of commodities among the 15 items reveals that the export of jute goods and tea commands by far the largest importance. It is necessary to consider the fact that a small rate of rise in these two items would be higher in significance than even a substantial rate of rise in the other items. It is a good sign that the fourth Plan envisages a structural change in our exports in so far as non-traditional items, specially engineering goods, are desired to dominate the scene in place of the present predominance of jute goods and tea.

The crux of the matter, however, would be the cost incurred in engineering goods exports vis-a-vis the benefits received. Secondly, we at present export to almost every market of the world with whom we have good relations. Of these, the USA, West Germany, the UK and the rupee payment countries such as the USSR are of special significance. Thirdly, it has been made out in a recent survey by the Industrial Development Services that there are some 21,720 exporters of non-traditional goods in the country.

It has been stressed in a separate context that only about 125 to 130 units

have achieved exports which are of some significance to the country. In such a situation, it seems that there is a curious type of dispersal of the exporting units of various descriptions in the country. Mention may also be made of the fact that companies — private and public limited — co-operatives and other organisations, firms and unitary concerns at present are engaged in export business.

As pointed out by the Industrial Development Services in its study, it is not in the national interest that each and everyone should be allowed to export freely. Thus, selectivity in products, markets and exporters has become imperative. We heard a lot about selectivity some years back. Little seems to have been done in this regard. Our export effort should be streamlined to respond to the needs of the situation that has developed in the context of the overall foreign exchange shortage.

Proliferation of Agencies

This suggests that our export effort has got into a mess. It would not be completely out of place to suggest that government policy has resulted, perhaps without meaning it, in further aggravating the difficulties that were already persistent in this sphere. The proliferation of institutions, often with overlapping responsibilities, has been

IMPORTANT EXPORT ITEMS OF INDIA AND THEIR RELATIVE PROPORTIONS IN FOREIGN EXCHANGE EARNINGS: 1961-62 TO 1968-69

Srl.	1961-62		1962-63		1963-64		1964-65		1965-66		1966-67		1967-68		1968-69	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
1	144.79	21.9	155.66	22.7	157.42	19.8	168.45	20.6	182.84	22.7	235.50	21.5	234.09	19.5	218.01	16.6
2	121.40	18.4	128.22	18.7	122.22	15.4	123.51	15.1	102.68	12.7	154.83	14.1	179.12	14.9	154.94	11.4
3	48.26	7.3	46.21	6.7	54.34	6.8	64.16	7.9	63.29	7.8	71.42	6.5	79.44	6.6	87.97	6.4
4	17.41	2.6	19.83	2.9	36.40	4.6	37.39	4.6	39.36	4.9	6.09	5.9	74.78	6.2	88.40	6.4
5	24.45	3.7	22.63	3.3	26.38	3.3	27.35	3.3	28.21	3.5	58.09	5.3	53.45	4.5	72.67	5.5
6	17.32	2.6	31.79	4.6	35.37	4.4	39.76	4.9	34.64	4.3	46.89	4.3	45.47	3.8	49.47	3.6
7	18.17	2.7	19.36	2.9	21.41	2.7	29.03	3.5	27.40	3.4	42.76	3.9	43.03	3.5	69.93	4.4
8	17.51	2.7	13.79	2.0	16.02	2.0	16.73	2.0	23.09	2.8	27.96	2.6	27.24	2.3	25.14	1.8
9	9.68	1.5	2.28	0.3	3.61	0.5	10.34	1.3	12.39	1.4	24.34	2.2	54.84	4.7	78.96	5.8
10	14.05	2.1	18.00	2.6	21.09	2.6	24.38	3.0	19.58	2.4	18.59	1.7	34.85	2.9	33.16	2.4
11	20.35	3.1	17.04	2.5	16.84	2.1	14.22	1.7	13.09	1.6	16.33	1.5	19.40	1.6	15.74	1.1
12	8.22	1.2	10.71	1.5	9.60	1.2	9.05	1.1	9.55	1.2	15.39	1.4	7.39	0.6	5.04	0.4
13	9.02	1.4	7.61	1.1	8.31	1.0	13.42	1.6	12.94	1.6	14.54	1.3	18.18	1.5	17.96	1.3
14	9.66	1.5	10.36	1.5	9.20	1.2	9.74	1.2	11.37	1.4	13.45	1.2	15.04	1.3	13.46	0.9
15	10.44	1.6	7.88	1.1	8.26	1.0	13.13	1.6	11.05	1.3	13.18	1.2	11.10	0.9	13.46	0.9
TOTAL:	660.34	100	658.48	100	793.24	100	816.30	100	805.64	100	1094.97	100	1198.67	100	1360.02	100
		74.3		74.4		68.6		73.4		73.1		74.6		74.7		68.1

The serial numbers represent—1. Jute manufactures; 2. Tea; 3. Cotton textiles; 4. Iron ore and iron ore concentrates; 5. Leather and leather manufactures; 6. Oil cakes; 7. Cashew kernel; 8. Spices; 9. Iron and steel; 10. Tobacco (unmanufactured); 11. Cotton raw and waste; 12. Hide and skins; 13. Coffee; 14. Mica; & 15. Manganese ore and manganese ore concentrates. (Yarn has been excluded from cotton textiles while it is included in jute manufactures.)

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 - Pilani Investment Corpn. Ltd., Gwalior.
 - Birla Cotton Spg. & Wvg. Mills Ltd., Delhi.
 - Sutlej Cotton Mills Ltd., Amritsar.

I, R.P. Agarwala, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date: 27th February, 1971.

Sd/- R.P. AGARWALA,
Signature of Publisher.

very costly to the exchequer. The export promotion measures have also not helped achieve the desired motivational effects because of the fact that government's export promotion measures have, directly and indirectly, resulted in appropriating powers to the ministries or to their agencies which should have been left with the exporting organisations. Cumbersome procedures, delay in dispensation of claims and indecision with respect to particular problems of exporters, have together contributed to the creation of a climate which practically negates the objectives behind such export promotion measures.

Dark Areas

On the other hand, at present the export management function at the organisational levels is almost at a primitive stage and selling against orders, exporting at throw-away prices and constraints of many other kinds have inhibited the performance of individual organisations on the export front. Instead of allowing the enterprises to streamline their functions, the government has taken upon itself the task

of assisting them to boost exports, as if the ministry concerned has the necessary expertise in this respect. This kind of aggregative approach has been ineffective and wasteful.

It is possible to achieve the cumulative growth rate of seven per cent as envisaged in the fourth Plan. But this would require a type of concerted effort which is conspicuous by its absence. It is necessary that government and the export organisations develop a better rapport on a continuous basis; not merely in the form of bargaining platforms like the Board of Trade or the Import-Export Advisory Council. As a matter of fact, it is necessary that some form of weeding out is applied on the purely advisory bodies. During the last decade, these bodies have shown a marked proclivity for multiplication in India. The specific aim of more exports at the least cost to the enterprises and the country should be the core matter in formulating the national and enterprise policies. We have yet a long way to go in this context.

Costlier Crude Oil

SAGITTARIUS

FOR THE first time in recent history, the Organisation of Petroleum Exporting Countries (OPEC) has been successful in extracting a big increase in the posted prices for crude oil from the international oil companies in order to increase the revenues of the oil producing countries from supplies of crude oil. The negotiations between the western oil companies and the Persian Gulf oil states had been going on for several weeks and it looked at one stage that they would break down and an embargo would be placed on the export of crude oil from west Asia. Thanks to the tact displayed by the Shah of Iran, an agreement has been eventually reached between the Gulf oil states and the international oil companies, under which posted prices for crude oil have been raised by 35 US cents a barrel. It has been estimated that the west Asian oil countries will derive an additional revenue of \$1,200 million annually as a result of higher taxes and royalties being levied on the posted prices and this amount will increase by more than 2½ times by 1975 through progressive increases envisaged later on but specifically provided in the agreement. The oil-rich countries will certainly be more prosperous and there will be greater opportunity for India and other countries to increase their trade with them and promote also joint ventures.

The question, however, is what will

be the effect of the revised posted prices and apart from the additional outlay involved in foreign exchange for the oil deficit regions like western Europe, Japan and India, what will be the penalty imposed on consumers of petroleum products? Western Europe, which has an annual consumption of nearly 580 million tonnes of crude, is dependent to the extent of 50 per cent of its supplies on west Asia, while Japan imports as much as 90 per cent of its requirements from the same source. India, for its part, purchases the bulk of its imports of nearly 11 million tonnes annually from the Persian Gulf states.

The contention of members of the OPEC has been that the western oil companies have been making enormous profits at the expense of the former and they could easily bear the burden of additional taxes and royalties. Indeed, it has been complained that some independent American companies have agreed to pay taxes as high as 60 per cent to Libya and because of the moderate policy adopted by Iran and others, they were losing unnecessarily their legitimate revenues. The oil companies have of course been contending that they had already been selling crude oil to the main consuming countries at a considerable discount below the posted prices and it had become compulsory to pass on in full the incidence of additional taxation to the consumers.

In this wrangle the consumers' interests are in great jeopardy as the foreign oil companies operating in India have already asked for an increase in the cost of imported crude oil by 35 cents a barrel. Even earlier the demand had been made that there should be an increase by seven or eight cents a barrel. Taking this increase into account, Esso, Caltex, and Burmah Shell have asked for an increase of 35 cents a barrel in the aggregate, thus indicating that the upward adjustment in the posted prices will be fully reflected in import bill.

First Years' Experience

This demand is naturally being resisted by the union Ministry of Petroleum and Chemicals as it has been argued that not only the incidence of additional taxation should be taken into account and but it should also be examined whether in the changed circumstances the western oil companies would be justified in adhering to their old ideas of return on investment and providing for a large element in the price for meeting exploration expenses. With the success of oil exploration in Libya, Algeria, and Nigeria and the big increase in the output in the Gulf region, west Asia and Africa are now accounting for nearly 50 per cent of the free world's crude supplies. What is more important is the availability of large quantities of crude oil from this region being refined elsewhere as the USA, in spite of its huge output, is still dependent on imports to the extent of one-third of its requirements, while the Soviet Union's output is only about half of that of the USA and there is no big exportable surplus. West Europe, the UK, Japan, India and others will necessarily have to import their requirements from west Asia and Africa and it is a clear case of the OPEC seeking to exploit its advantageous position in this regard.

The western oil companies are anxious to bring about a much more dispersed availability of crude oil in the world by exploration in other regions. But this will involve heavy expenditure and a long time. It is, therefore, necessary to adopt a helpful attitude and avoid an undue increase in the end-price of crude oil. There can, at best, be an increase to the extent of 50 per cent of the additional burden of taxation, which may probably warrant a revision of the f.o.b. price for crude oil to around 1.40 cents a barrel at the outside limit. But what will be the ultimate outcome will depend on the success with which the union Ministry of Petroleum and Chemicals conducts negotiations and it becomes possible for India to arrange for imports of crude oil from other sources.

It took several years to bring down

the price of crude oil by 30 cents a barrel. A few months back, it was even hoped that there would be a further reduction in the price now being paid. But the latest developments have come about in an entirely unexpected manner and with no new success in our efforts to establish fresh oil deposits and an increase in internal consumption, both the quantum and value of exports are bound to increase sharply. Already, the oil companies have refused to import crude on the old basis and after December there has been a cut in the quantum because the government refused to allocate additional foreign exchange on the basis of an increase in the price by seven cents a barrel. This will result in a cut in the throughput of the private sector refineries by five per cent. There may not immediately be any adverse effect on this account as the output of the coast-based public sector refineries can be suitably raised and the possibility of a shortage in kerosene emerging averted.

There is no doubt, however, that the oil import bill will become more costly

Occupational Distribution of Working Population

DR R.P. SINGH

DURING THE past half century, the population of the world has nearly doubled. Slightly more than half the world's total is accounted for by Asia alone. The rate of population growth varies greatly from one region to another. The mean annual increases in the population show that the rate of increase is becoming greater in every region of the world. The world's growth rate rose from 1.2 per cent during the twenties and thirties to 1.8 per cent during the fifties and sixties. In the latter period the rate varied from 0.8 per cent in Europe to 2.7 per cent in Latin America. The population projections show that the expansion of the past 50 years will assume the proportions of an explosion during the coming decades and that at the present rate of increase, the world's total population will exceed, 6,000 million before the end of the second millennium.

The economically active population of each country depends on the age structure of the total population and in particular on the number of persons of working age which is proportionately lower in countries with young population. In countries like Africa, Latin America and Asia, the population below 15 years of age accounts for 40 per cent of total, as against only 25 per cent in Europe. The number of per-

eventually and also the cost of refined products. This raises the question whether there will be any attempt to increase product prices. As the central and state governments are already collecting taxes, which amount to as much as 80 per cent of the end-prices of petroleum products and in the earlier stages the gains resulting from a reduction in the cost of imported crude were derived by the government, it only stands to reason that the consumers will not be penalised and the additional excise duties imposed on the oil companies will be suitably revised. There will, of course, be an increase in the cost of imports of crude by Rs 25 crores annually and this will increase yearly with periodical adjustments in prices and an increase in the volume of imports. If the Oil and Natural Gas Commission cannot succeed in raising indigenous production of crude oil, there will have to be greater reliance on other forms of energy and coal and electricity will have to be consumed in larger quantities to prevent a heavy drain on our foreign exchange resources as a result of rising imports of crude oil.

sons of working age, therefore, should be much higher in the latter than in the former. The economically active population is hardly more than two-thirds of the population of working age. This proportion, however, varies appreciably from region to region depending on a number of social factors such as the school leaving age and the age of retirement, the type of economy and, above all, the degree to which women take part in economic life. In 1960, the world's economically active population of about 1,300 million people represented 43 per cent of the total population. The ratio of economically active population to total population varied from 33 per cent in Latin America to 45 per cent in Europe and 52 per cent in the USSR. More than half the economically active population of the world is in Asia and less than 30 per cent in all the industrialised countries such as North America, European countries and the USSR.

The phrase "economically active population" has no rigid definition and is capable of being interpreted differently in different countries. Obviously, the data collected for the economically active population in different countries, show considerable divergence in scope, methods, coverage and contents. The comparability of the data, therefore,

is hampered by the differences between countries as regards details of definitions used, age groups and methods of collection adopted. For example, the extent to which family workers assist in family enterprises and are included among the enumerated economically active population, varies considerably from one country to another. While in some countries only those persons who have attained a certain minimum age are included in the statistics of economically active population, in others there is no such age provision in the definition of economic activity.

Right Interpretation

In interpreting the participation rates, the effects of differences in the definitions of the economically active population used in the various countries should be taken into account. In particular, the activity rates for females are frequently not comparable internationally, since in many countries relatively large numbers of women assist on farms or in other family enterprises without pay and there are differences from one country to another in the criteria adopted for determining the extent to which such workers are to be counted among the economically active.

There are several difficulties of classification. First, classification by status gives rise to many points of difference from country to country. In most countries managers and directors are classified as salaried employees, but in a few cases they are grouped with employers. Family workers are nearly always counted among the economically active but the figures are based on a number of different definitions or criteria. Employers and workers on their own account are shown as one group since separate data for these categories are generally not available. For the same reason, salaried employees and wage earners have also been grouped together. Differences between countries with respect to classification by status are particularly pronounced with regard to the treatment of unemployed persons who are sometimes included with salaried employees and wage earners and sometimes shown as 'others and status unknown.'

Secondly, the classification according to industry is fundamentally different from that according to occupational groups. All persons employed by manufacturing establishments are classed under manufacturing, irrespective of their particular occupations. The classification according to occupational group, on the other hand, brings together individuals working in similar occupations irrespective of industries or branches of economic activity with which they are connected. Where the data are given according to national

classifications employed by the different countries, many points of divergence crop up. The actual contents of industrial or occupational groups may differ from one country to another owing to variations in definitions and methods of tabulation. Classification in broad groups may also obscure fundamental differences in the industrial or occupational patterns of various countries.

The occupational distribution of working population among different trades and callings brings into being several distinct social groups. Each group, within its bounds, is marked by similarity of income, similarity of habits and behaviour and similarity of social outlook. But members belonging to different social groups may have very little in common. Usually they have different social codes and show a striking contrast in their economic status and social hierarchy. Thus, the formation of social groups mostly has an economic basis, provided by their respective calling, according as they are high or low rewarding. For example, if business executive and manual labourer are compared, the glaring income disparity between the two would obviously mark them out into two distinct social strata, the lines of demarcation between which are sufficiently rigid.

Self-Contained Groups

Along broad lines of social stratification, the total working population in a country may be divided into five fairly self-contained groups. At the bottom of the scale are the unskilled workers in all occupations. In the second group may be placed the manual workers of some little skill whose occupations require a certain amount of responsibility and mental alertness. The third group comprises the skilled craftsmen, the aristocracy of manual workers. In the fourth group are found the white collar workers who provide the office and the clerical staff of business enterprises and teachers of the lowest grade. The fifth and the highest group contains those superior workers who are either self-employed or occupy salaried positions of heavy responsibility.

Within each group there is a tendency for the earnings of the different sub-groups or specific callings to become fairly uniform. This is particularly true of the earnings within the first two groups. The members of the third group fall more definitely into separate skilled trades or callings. They cannot shift from one occupation to another with the same ease as the members of the lower groups; for each specific calling requires a fairly

high degree of technical training which once acquired tends to commit the individual more and more irrevocably to his chosen occupation. The skilled crafts call for very little preliminary education of a general nature; hence the annual supply of new-comers qualified to learn the trades is relatively large. The great mass of white collar employees comprising the fourth group, though falling into a large number of slightly dissimilar occupations are rewarded with money incomes which vary within fairly narrow limits. Unlike the skilled craftsmen, the worker in this group can more easily shift from one specific calling to another. One of the impressive results of the modern educational system is the tremendous increase in the supply of persons electing to seek their livelihood in white collar occupations.

The uniformity of earnings is least marked in the highest class. The annual supply in relation to demand for people possessing long and expensive training is very much limited. Family traditions, sentiments, innate differences of native ability and aptitude play an important part in determining the supply. Adjustments of numbers to differences in earnings are longer delayed and less automatic. The independent enterprisers of the business world who belong to this general social group are to some extent a class apart. In their case success depends more upon inborn qualities and less upon training. Competi-

tion among them is generally absent.*

The classification of working population based on the element of skill is extremely difficult because a great deal of arbitrariness is bound to come into operation for the simple reason that there are many borderline occupations which can be put equally well either in the lower category or in the next higher. This is particularly true of the semi-skilled category. However, a glance at Table I brings home the fact that the developed countries register higher percentages of both skilled and highly skilled workers. For example, the UK and Germany take the lead in the former and Canada and the USA in the latter, India trailing far behind. In the category of unskilled labour it is the developing countries like India and Brazil, mostly agricultural, that rank very high at 73 and 53 per cent respectively, while the USA ranks lowest at six per cent. Semi-skilled category comprises numerous occupations more or less similar. Its analysis should, therefore, be read for what it is worth. This category accounts nearly for one-fourth of the total labour force in all countries, except India which records the lowest percentage at eight.

All clerical staff and school teachers representing a fairly educated section of the working force in every country

**Movement of Industrial Wages in India* Asia Publishing House, Bombay.

TABLE I

OCCUPATIONAL DISTRIBUTION OF WORKING POPULATION

	(Percentages)					
	Un-skilled	Semi-skilled	Skilled	White collar workers	Highly skilled	Total
	(1)	(2)	(3)	(4)	(5)	
Canada	11.7	28.4	28.8	12.8	18.3	10
USA	6.1	30.8	31.4	13.0	18.7	10
UK	3.3	30.8	39.3	13.7	12.7	10
Germany	13.5	25.4	38.5	11.9	10.7	10
Czechoslovakia	21.3	24.4	32.0	6.6	15.7	10
Italy	27.9	23.3	35.4	7.0	6.4	10
Japan	24.2	24.9	29.7	12.8	8.4	10
Australia	9.7	24.7	35.3	14.7	15.6	10
South Africa	30.2	28.9	30.6	5.5	4.8	10
India	72.9	8.2	14.5	1.7	2.7	10
Brazil	52.5	21.6	14.6	3.9	7.4	10

1. Unskilled: Farmers and fishermen.
2. Semi-skilled: Sales, service, sports workers and others.
3. Skilled: Craftsmen and pro-process workers.
4. White-collar workers: Clerical workers.
5. Highly-skilled: Professional, technical, administrative, executive and managerial workers.

Source: Year Book of Labour Statistics, 1968, ILO

constitute the white collar workers. Some of the most highly developed countries like the UK, the USA and Australia return the highest percentage ranging between 13 and 15. India stands at the lowest rung of the ladder. Surprising as it is, the Indian percentage should have been so low at 1.7 in the face of considerable amount of educated unemployment. This seems to be explained by the lack of a fully developed infrastructure, imperative for her industrial development, with a huge employment potential.

Unscientific Division

Countries devoting not more than one-third of their total working force to agriculture are normally regarded as developed and the rest either less developed or developing. This economic division can, at best, be considered as an expedient for economic analysis and not a scientific or appropriate basis. Germany and Japan, for instance, both are nearly in the same stage of economic development, yet the latter, because of its high demographic density and none too hospitable physical features, has perforce to put considerably more than twice the labour force of Germany to land, to feed her population. More or less the same can be said about India and Brazil though for different reasons. India's fertile alluvials oil and favourable climatic conditions draw more people to land to make an easy living though heavy population pressure is an equally forceful contributory factor. This explains a much higher percentage of India's working force committed to agriculture than in Brazil. Obviously this does not mean that India is less developed than Brazil or Japan less developed than Germany. One should, therefore, be on one's guard to read the economic health of nations.

During the sixties, both in developed and developing countries, there has been a shift of a proportion of working population from agriculture to industry and services. In terms of percentage, the magnitude of the shift is greater in the case of the developed countries than that of the developing. In the proportion of labour devoted to agriculture, Italy, for example, records the largest drop of 15 percentage points closely followed by Japan, Czechoslovakia and Germany. Amongst the developing countries listed for analysis, Poland registers the largest decline by 10 percentage points followed by Brazil and India.

This percentage decline of working population in agriculture has enabled the developed countries to add more people either to industries or to services. Since this decline itself in the

case of the developing countries has been small, the consequent accretion to working force in industries and services has been, *ipso facto*, correspondingly small. Some of the developed countries, for instance Canada and Japan, have added more persons to services whereas Czechoslovakia and Italy have added more to industry. Amongst the developing countries, India has recorded a very large growth in industry and only a relatively small growth in services, whereas Poland has added the labour input, saved from agriculture, to its industries and services in about equal proportions. To be precise, the more advanced countries experienced a more rapid decline in the relative importance of agriculture than the developing countries. The European countries experienced some of the largest drops in the relative share of agriculture during the fifties. The decline was often quite rapid both in the socialist economies of eastern Europe and the market economies of the remaining industrialised countries.

To be precise, in the less developed regions, the labour force in both industry and services is small compared to that in agriculture and the relative size of services is generally higher than that of industry. This phenomenon is partly explained by the economic history of these regions. The impressive growth both of foreign and domestic trade led to the organization of elaborate transport and distribution networks. The ports in these regions grew at first into large non-industrial centres. The more recent growth of large-scale manufacturing has itself stimulated the later growth in services. In some developing regions the lack of alternative non-agricultural employment has led many to engage in

service activities of very low productivity, often as self-employed persons. On the other hand, in some regions the growth of such a service activity as petty trading provides higher incomes with lower physical effort than heavy industrial work.

One of the striking features of the sectoral distribution in the developing countries is that the labour force in industry is considerably smaller than that in services, whereas in the developed group of countries industry and services are about equal in size. During the decade the world's labour force became slightly less agricultural but this change was primarily due to economic development among the more developed regions. In the developing countries the decline in importance of agriculture was slight.

Both industry and services increased their relative shares of the world's labour force during the fifties. In the developed group of countries, services have a much larger relative increase than industry. In the developing countries, industry gained virtually all of the relative loss experienced by agriculture and the share of services remained constant.

In the developing countries where the rates of increase of the labour force are generally greater than in the industrial countries, the proportion of additional workers who go to agriculture is slightly smaller than the share of agriculture in the existing work force. Consequently, although there is no net transfer of workers from agriculture and the number of workers in agriculture continues its upward trend, the proportion of agricultural workers in the labour force declines.

TABLE II

SECTORAL DISTRIBUTION OF WORKING POPULATION

	Agriculture		Industry		Services	
	1950-51	1960-61	1950-51	1960-61	1950-51	1960-61
Canada	20	12	36	35	44	53
USA	13	7	37	40	50	53
UK	5	4	49	49	46	47
Austria	32	23	38	41	30	36
Germany (F.R)	24	14	44	49	32	37
Czechoslovakia	38	26	37	46	25	28
Italy	42	27	32	40	26	33
Poland	58	48	23	28	19	24
Japan	46	33	23	28	31	39
India	74	72	10	12	16	16
Brazil	61	52	13	16	26	32
South Africa	34	33	29	30	37	37

Sources: (i) Census of India, 1962. (ii) International Labour Review, 1967.

WINDOW ON THE WORLD

Ted Heath's Long-Term Aims

JOSSLEYN HENNESSY

I

THE TREND TO THE RIGHT

Is TED Heath, as Harold Wilson (not inconceivably a biased observer) says, trying to put the clock back not to the depression years of the 1930s but to the compassionless *laissez-faire* of the 1830s?

Is he seeking to end—Butskellism—the pragmatic compromise of R.A. Butler with socialism and of Hugh Gaitskell with capitalism?

To dismantle the Welfare State?

What are his long-term aims?

If 25 years of welfarism have undermined individual initiative and created inertia by teaching everyone to look to the government whenever a strike threatens, or a hitherto important but now obsolescent firm or industry runs on the rocks, do the Tories think that they can reorientate opinion in the life-time of a single Parliament?

Will not the initial disturbances to set ways be so unpopular as to ensure the return of Labour in 1975?

Let us first distinguish between (a) economic and (b) welfare policies.

Economic Policy

In economic policy, Ted Heath sees the role of the government as analogous to that of the MCC in cricket. The MCC draws up the rules, amends them when necessary, and appoints umpires to enforce them. But it does not itself intervene in match play. If the English captain complains that India has a nasty looking fast bowler, the MCC does not intervene "in the national interest" so give the English team bigger bats. In like manner, the long-term Tory aim is to extricate the government from intervention in industry, production, management and labour relations and to enforce the rules by appropriate fiscal and monetary policies and by ensuring equality of employer and employee before the law, but it is not going to bail out e.g. the bankrupt Mersey Docks and Harbour Board—that is the job of its executives and shareholders; the government is shying away from appeals to put more tax-payers' money into shipbuilding and is thinning out the featherbeds of farmers.

This is goodbye to Butskellism which, be it remembered, originated in the sense of guilt instilled into leaders like Butler, Macmillan and Gaitskell by memories of the inter-war depression when unemployment seemed insoluble. Of today's 39 ministers only one—Alec Douglas Home—was playing a major role in 1951—the last time that a Tory government launched new policies with such confidence. Then it was the generation whose minds were moulded in the 1930s who were in control.

Today's policies are being launched as confidently by the generations that came of age after the war. Mr Wilson alleges that they are out of tune with the electors. Are they? Let us look at some facts.

Trend away from Butskellism

In the years after the 1966 election Labour lost control of local governments all over the country and in parliamentary by-elections the Tories won seats that had always been Labour strongholds. Now Harold Wilson is one of the astute operators in any country; he is quick to sense opposition inside his party to any of his policies and if it shows signs of developing seriously, he crosses over to lead the opposition to his policies. His diagnosis of the reasons for Labour's set-backs since 1966, therefore, merits consideration. He recognised working class resentment of high direct taxes and he tried to reduce public spending; he postponed raising the school age; he denounced compulsory wage-freezes as "monstrously unfair" and proclaimed his faith in a voluntary incomes and prices policy. Recognising the feeling among the public and workers alike that the union hierarchies were abusing their monopoly power, he introduced "In Place Of Strife", his industrial relations bill for trades union reforms. By mid-1970, Mr Wilson had led the opposition to every one of these policies. In 1966, he imposed a statutory wage freeze backed by the harshest squeeze in UK's economic history and he scrapped the National Plan with its near-four per cent growth rate. In 1969, when the TUC mobilised its 130 MPs to oppose Mr Wilson's Trade Union Reform Bill, Mr Wilson said "...The question really is whether the Labour government can continue...the passage of this bill is essential to the continuance of this government in office...."

But finding that if he persisted he would continue in office only with the aid of the Tories (who were not opposing the bill) he adroitly crossed over to head the Labour opposition and withdrew the bill after persuading the TUC to give a "solemn and binding undertaking" that unions would refer inter-union disputes to the TUC Council and would not call a strike until the council had considered the dispute. By far the best assessment of the value of the TUC's undertaking had, with his characteristic political foresight, been given by none other than Mr Wilson himself six weeks before the TUC gave its undertaking: "Nothing that has happened in these past five years and more suggests that the trade union movement alone can produce with the urgency that is required effective means of dealing with strikes."

"Milk and Water" Toryism

In other words, sensitive to the trend of opinion, Mr Wilson the politician reversed Mr Wilson the Prime Minister and sought to steal Mr Heath's opposition clothes; the only exception was his industrial relations bill in which he began by adopting the Heath policy but crossed over to the TUC's opposition. So, when the election came, Mr Wilson was, in fact, committed to what might be called "milk and water Toryism", and one reason for his defeat was that the electors evidently sensed that if Tory policies were right, the best people to carry them out were Tories.¹

A second reason was that to prepare for an election either in June or in October, 1970, Mr Wilson lifted the restraints on wage demands that had so upset his union supporters and, in effect, allowed the workers to seize the pie in the sky that they could normally have expected in a pre-election budget, so that on budget day, April 14, the Chancellor could, on the one hand, announce the success of his post-devaluation strategy² in restoring the balance of payments, but, on the other, he could offer no real tax relief, because several million electors had already had their election bonus via wage rises.

Mr Wilson raised a roar of hollow laughter when he said that the opinion polls had nothing to do with his decision

¹ Just as after Chancellor Selwyn-Lloyd introduced an incomes policy and national planning in 1962, the voters felt that if these Socialist ideas were right, they had better vote people into office who really believed in them. Hence Labour's victory in 1964.

² Which, despite Mr Wilson's famous TV assurance that devaluation had not altered the value of the "£ in your pocket", had naturally put up import prices, especially food and raw materials which constitute more than half of UK imports.

for a June election, which he had taken long before, but, respecting his intelligence as I do, I credit him with foreseeing the wage-cost-push inflation to come in the autumn, fearing that it would antagonise voters and taking avoiding action by an early dash to the polls in June.

Before and throughout the election, Mr Heath warned voters that they were in for heavy inflation from Labour's policies and the opinion polls have since suggested that the voters felt that if there were economic storms ahead, Mr Heath was better qualified than Mr Wilson to cope with them.

Victory on June 18, 1970, put Ted Heath in a position of strength second only to that of Winston Churchill in British history. He personally created the Tory committees which since 1964 had been drafting policies, carefully researched down to administrative detail, for less government, more self-help, more selective Welfarism, reduced taxation, reduced expenditure, hiving off accumulated excrescences on the nationalised industries, switching agriculture from the system of subsidies to levies on imports—all of which add up to lower and fewer subsidies and hand-outs and increased prices to consumers of food and welfare.

Electorally Dangerous

Heath overrode criticisms that much of this was "electorally dangerous". On the contrary, he began spelling out and hammering home to the electors the whole "Tory New Deal" six years ago. No voter can complain that ambiguous promises of largesse deceived him. Ted landed himself at No 10 when all around were doubting him. He entered owing no man a single political debt. Every Tory MP and minister owes his job to him. By contrast, although Harold Wilson towered high as the party wizard in 1966/67, he had to take notice of the views of George Brown, Jim Callaghan, Barbara Castle, Roy Jenkins and last, but far from least, the trade unions.

In opposition, Heath lacked confidence and authority and emerged groggily from sparring matches with Wilson, but as Prime Minister he acts and speaks with authority and as often as not sends the old master to the ropes.

II

TORY ASSETS

The Tory balance sheet, like any other, has both assets and debts. Consider, first, the assets.

That the Labour government was driven to the right and that the Tories won on an unequivocal programme of "self-help" reform implies that (1) both political parties and (2) the electors

agree that Butskellism is outmoded and that direct taxation must be lowered: the unsophisticated because as they rise into the tax-paying brackets they don't like it, the sophisticated because they realise that Butskellism and high taxes have stifled initiative and enterprise.

Modernising Welfare

The electors do not want the welfare state to be dismantled, and Mr Heath is not proposing to do so, but the evidence is ample that most voters consider that the *methods* of welfarism no longer apply to present circumstances and that it is bursting with abuses which they want eradicated. It is significant that opinion polls show that those most indignant with welfare "scroungers" are the so-called working classes. At present, for example, those who go on strike get, in effect, a generous measure of tax-free unemployment pay³. The government propose to stop up this hole. One would have thought that this would be enough to cause the barricades to spring up in every city, but talks with workers up and down the country support a recent opinion poll which showed remarkable approval for such measures.

Typical comments were those of Robert Wood, a 54-year old street newspaper seller, who said: "I agree completely. A man who comes out on strike should forfeit any money until he goes back. I went dog racing in Wimbledon with a striker who bet, and lost, all his welfare money. That's not right", and David Ryan, a 19-year old apprentice electrician, who said "because of the strength of a union they can come out in numbers and blackmail the employers. Within reason, it's OK. If you are fighting for a decent standard of living, but some want more and more, strike every time and get it. If the government cuts down unemployment benefits then it should stop unnecessary strikes."

The Institute of Economic Affairs' new survey, *Choice in Welfare* shows that the belief that there is overwhelming approval of the welfare state is a myth; many would prefer a choice between public and private provision. The survey revealed that 46 per cent wanted the state to continue the health service but allow people to contract out and use the money to pay for their own services. In education 35 per cent wanted to contract out and in pensions 40 per cent. Less than 33 per cent wanted the state to take more taxes to pay for better health services which everyone would have. In education on the other hand, nearly 50 per cent favoured increased taxes for better services whereas in pensions only 31 per cent. There was a three to one preference for charges rather than increased income-tax to pay for state welfare. In accordance

with the trend, the proportion of people wishing to contract out of the three services had increased since the IEA's last survey in 1963.

In welfare policy, Mr Heath will streamline—not abolish—the health, education and pensions services. In general he will make scrounging more difficult; those who can afford services will have to contribute more to their cost. Help will be concentrated really in need. The Labour Party's plans for creeping rationalisation of schools and pensions schemes will be scrapped. State schools and pensions schemes will co-exist with private institutions encouraging enterprise and choice in both sectors and again concentrating on the needy. In university education limits are likely to be set to the system whereby numbers expand at state expense by the automatic admission of everyone with the necessary number of A Levels (which lowers standards to whatever this swollen number of candidates is able to reach).

Is Heath "Dividing the Nation"?

Nor does the evidence support the charge that Ted Heath's policies are "dividing the nation" i.e. so trampling on the interests or convictions of large sections of the people as to put government by consensus at risk. Of course the Industrial Relations bill angers the Trad union hierarchy and activists but they are a minute minority. Membership of unions affiliated to the TUC is 8,730,000, one-third out of the total labour force of 26,236,000 (i.e. about 66 per cent of the labour force are not affiliated to the TUC). It frequently happens that at union elections substantial majorities of members, often 90 per cent and over, do not bother to vote. In other words, the union leaders who dispose of thousands of block votes at party conferences, are usually elected by a few hundred scattered votes. Further evidence that the rank and file of union members are not all dedicated supporters of the Labour Party came statistically to light after the repeal of the Trade Dispute Act of 1927. Under that Act, a member wishing to subscribe to his union's political levy had to go out of his way to make his wish known by signing a form. In 1946, 450,000 (30 per cent) of the Transport and Gene-

³ This is an inaccurate generalisation but the tortuosities of the formula applied would take up a page to expound. The fact is that large sums of the tax-payer's money are paid out in benefits after a strike is over. If logic applied to politics, Labour MPs should find it difficult to object the government's decision, because the Tories are merely taking over a proposal that R.H.S. Crossman, the Labour Minister, had introduced—another example of the Labour government's appreciation of the trend of opinion towards the reform of industrial relations.

ral Workers Union's 1,273,920 members did this. After the Labour government had passed the 1946 Act, which enabled the union to collect the political levy automatically *unless* the individual member signed a form expressing his wish *not* to pay it. 800,000 (60 per cent) of the TGWU's members (by then risen to 1,317,824) became paying members of the Labour Party — a huge jump of 77.5 per cent. What is surprising is not the jump in Labour support but that no fewer than 40 per cent of members were ready to risk personal unpleasantness in order to contract out for the sake of their political convictions. Another pointer to the result of the automatic collection of the political level was that whereas only 221 out of 60,000 members the National Seamen of Union refused to affiliate to the Labour Party after the 1946 Act, 48,000 out of the 55,000 had refused in the previous year.

Finally, it is a statistical fact that since 1885 when the urban working class became the biggest single group in the electorate, well over a third have consistently voted the Tories into office for three-quarters of that period, while the leading Radical Party has won a clear majority in Parliament only thrice — in 1906, 1945 and 1966. Without working class support the Tories haven't a hope.

III

TORY DEBITS

Consider, now, the debits in the Tory balance sheet.

The Labour government kept up a stream of high drama, as Harold Wilson seized every possible chance in the news to give the photographers a picture by summoning VIPs to "last minute" conferences at No 10, and to make historic — or at least histrionic — declarations by TV and radio. Mr Wilson too often appeared to think that a political *speech*, particularly if adorned with quotable nuggets, was identical with political *action*.

Ted Heath goes to the other extreme. In his first seven months as Prime Minister, he was interviewed on television once. He believes that deeds speak louder than words, that he will be judged by the results of his deeds, not by the sound of his words. His colleagues follow his lead.

The trouble is that the government's goals are all long-term and that its get-on-with-the-job silence leaves the interim field clear to the opposition.

This would be fine for the opposition — if it had alternative policies to publi-

cise, but its trouble is that if Harold Wilson criticises Tory policies on incomes, industrial relations, taxation, entry into the European Economic Community, or the economy as a whole, he attacks policies close enough to his own in the recent past to invite devastating quotations from the anthology of his 1964/70 pronouncements.⁴

I imagine Mr Wilson to be torn between the demands of reality and the demands not of the trade union rank and file, substantial numbers of whom favour Heath's industrial relations reforms, but of the trade union hierarchy, the biggest single element in block votes and in cash support of the Labour Party. At the time of writing, it is not yet finally clear whether Mr Wilson will follow his intellect (an outsize in IQs) or his instincts.

Rabble Rousers

My analysis above suggests that the mass of the nation accepts (what it voted for) the Tory programme, but masses are acquiescent, while vocal rabble-rousing individuals will, if encouraged, always emerge to subvert and to destroy. If Mr Wilson encourages the handful of disruptive militants among trade union officials and MPs, the debate could be transferred from the floor of the House of Commons to the floors of the factories, via political strikes, with incalculable social and economic damage. Mr Wilson's intellect should warn him that in Labour's own interests, as the future alternative government, he should seek to keep the battle out of the workshops and streets and confine it to exchanges in Parliament and the hustings. David Wood, *The Times* political correspondent, summed up the situation when he wrote (30-11-70): "In their own interests, of course, Mr Wilson and Labour leaders will want to control the struggle within safe political channels, but it is not certain that they or union leaders have the will, or enough authority over the most militant workers, to impose restraints."

During this first year of office, the government is (as David Wood also wrote) "being whipped along on a whirlwind, which the old government's policies — or abandoned policies — had raised." It is also vulnerable from a phrase which Heath let slip in the heat of the election that the Tories would end inflation "at a stroke". No political opponent could fail to exploit such a gift and, as prices rise and strikes boost wage-costs, Labour joyfully rubs it in. The Tories have a perfectly good reply which, so far, they have signally failed to use the communications media to publicise, i.e., their election manifesto

said that the forces of inflation "could not be reversed overnight", that Tory policies were not "short-term devices" but "a strategy for the next five years".

In short, I am not urging that Ted Heath should dramatise day-to-day political tensions, or even inevitable periodical crises, by constant press conferences and TV interviews. But it is one thing to push them to the point, as Harold Wilson did, when they lose their purchasing power like an over-issued currency, quite another to ignore the necessity for a politician not only to be doing his job but to be *thought* to be doing it.

The Tory government faces two risks, the first within, the second outside, its control.

The first is that unless all ministers from Ted Heath downwards become much more public relations conscious, and much more available to political commentators and correspondents, they will leave the field to their opponents, who will enjoy the initiative. The Tories should remember that the electors eventually tired of the Wilson documentary film, which was all sound-track and no film, and that they are likely to be bewildered by the Heath documentary, which is all film without an explanatory sound-track.

Outside the government's control is whether the opposition decides to follow the lead of its left wing and preach class warfare in the factories. One reason for doing so that I have heard in Labour circles is that class warfare offers an emotional rallying point in which the mutually suspicious intellectuals and horny-handed sons of toil could, in the absence of a thought out alternative policy of government feel joyfully united. This, I submit, would be the way to divide the nation which, as the facts imply, is not divided today. I find it difficult to believe that the leaders of the Labour Party can fail to realise that if they were successful in defeating the Tories by class warfare tactics, they would, in victory, find that they had created an ungovernable country, or at least a country ungovernable by democratic parliamentary methods.

IV

INFLATION

The basic challenge to Ted Heath's government is inflation — not a UK monopoly but a world scourge, which up to now has taken the place of inter-

⁴ *Five Years Hard Labour*, obligingly compiled (I need hardly say) by the Conservative Central Office and obtainable from them at the give-away price of three shillings.

war unemployment as the "insoluble" problem.

The reason why inflation is "insoluble" is a gap not in economic but in political understanding. Inflation originates in the failure of governments to (1) enforce thorough-going competition and (2) limit the increase in the supply of money to the real increase in goods and services. Politicians, shrink from the former because powerful pressure groups of employers and workers seek to maintain the *statute quo* by tariffs or subsidies which keep up, or more often increase, prices. They shy away from the latter because they fear that their rivals will outbid them in tariffs, subsidies, and electoral largesse. Make no mistake: a government enforcing fiscal and monetary discipline from purely economic motives would, allowing for a reasonable growth rate, experience a gentle and tolerable trend of (probably rising) prices. Inflation arises from markets distorted by decisions taken for political reasons. Some people say that inflation doesn't matter, but all history shows that it creates social conflicts by re-distributing purchasing power in response not to real earnings arising from honest individual effort but from chance to the benefit of profiteers, spivs and black marketeers. Lenin understood this: to destroy the capitalist system, he said, you must first debauch the currency. Although there is a handful of would-be crypto-but well-known Communists, who want to end capitalism, the overwhelming majority of electors voted Tory precisely because they are fed up with rising prices.

Long-Term Aim

What is remarkable about Ted Heath's government, and what has not, but should be proclaimed from the rooftops of every country in the world suffering from inflation, is that he realises that inflation results from political decisions and his long-term aim is to introduce policies which leave the price level to fiscal and monetary control of the market.

The first step is to cut income-tax. Over-taxation boosts inflation by making the worker reluctant to increase productivity. If he asks for another 40s a week, he knows that some 12s will go in taxes and another 8s in inflation, so he demands 80s as a precaution and, after (so-called) arbitration he gets an inflationary 60s. A stable currency would substantially reduce wage demands and keep those that came up within productivity limits.

Reduced taxes create extra demand for scarce goods and services, so the next

step is to reduce it by cutting government expenditure. One important way is to apply "organisation and methods" to cut down the numbers of those dependent for their livelihood on the central government which total over one million. Space lacks to detail what is being done. Suffice it that this is a whole-time job for a ministerial team, which inherited from Labour an expected increase in 1970-71 of as many as 7,500 civil servants, which has already been reduced by 2,500. Slower recruitment, 15 per cent annual wastage and constant review of departmental functions will continue the process.

The biggest cuts will come by withdrawing subsidies to industry. The £600 million a year that Labour was pouring out in investment grants is being replaced by depreciation allowances. The January White Paper announced net savings of £300 million in 1971-72 and as much as £1,100 million for 1974-75. This is a beginning. The next step in the disinflation strategy is to abolish the selective employment tax, which imposes 48s a week on all male and 24s on female employees in service industries (on the fallacious principle that only manufac-

turing increases growth); this will reduce all service prices and should rejoice the hearts of the Australians who use British hotels and restaurants every year.

Looming over all, however, is money supply. The Chancellor could allow this to grow at (1) a "passive" rate financing the existing real growth and rate of inflation or (2) at a "neutral" rate financing only the sustainable long-term growth; this would be strongly deflationary on output in the early stages and disinflationary on prices thereafter. The Chancellor has opted for a middle way between (1) which is a "Go" policy, and would cause roaring inflation and (2) which is a "Stop" policy that would cause rising unemployment and bankruptcy.

The trouble is that the Chancellor's policy is long-term and that in the short-term strikes and wage and price rises continue. There are, indeed, signs that public opinion recognises the futility of this and that hostility to irresponsible wage-strikes is rising, but (a) will the unions now moderate their demand; and/or (b) can the private sector control them? My guess is that we can coun-

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on (a) and (b) to a considerable extent but that the Chancellor will be compelled to give them extra shoves by steering away from his present mid-way course somewhat nearer to "neutral" monetary policy. This would be painful, although it is probable that it would merely hasten bankruptcies⁵, take-overs and reorganisations that must come sooner or later

⁵ As I write this, the news of Rolls Royce's bankruptcy has just come through.

EEC Expansion

E. B. BROOK

VIENNA:

THE ENDURING point of economic interest in western Europe continues to be the enlargement of the Common Market, its growth into a full economic union with new institutions to take over some present national powers and the possibility of a common European currency. The possible entry of Britain after over 10 years and two rounds of negotiations forms part of this pattern of interest but is by no means an essentially major part of it. The Market will expand even if Britain finally decides the terms are too steep or if its application is rejected.

But, in the meantime, Europe is exercising itself very much about what needs to be done to ensure expansion. The Common Market has given itself a speculative 10-year period to achieve full union and may be said to be working to a 10-year plan. The Market has at least shown that the problems of full union and of expansion are not insurmountable, but they have not as yet by any means been surmounted. Circumstances also may arise during the next 10 years that may make them more insurmountable but indications at present do not justify this pessimistic doubt.

The first phase of the union will take some three years, aiming at co-ordination of budgetary, monetary and fiscal policies and the reduction of fluctuation margins between the Market's six members' currencies. The three-year period also begins the creation of a two-billion-dollar middle-term financial aid fund for assistance of any member country suffering from "fundamental balance of payments difficulties."

No institutional changes have yet been decided and the resolution adopted by the Market's Council of Ministers on February 9 was very cautious — not to go too far to suggest too much. The "principal economic decisions will be taken at community level", it said, "and the necessary powers will be trans-

ferred to the Community. The final stage could (not would) result in the creation of a common currency which would guarantee the irreversibility of the enterprise." Necessary Community institutions would be created each time they appear necessary and the Market's decisions will be submitted to the "deliberations and control of the European Assembly" — a body which meets in Strasbourg and whose members are appointed by the member-governments, not elected by their voting populations.

The whole plan is almost necessarily technocratic and only the smallest element of democratic procedure comes into it. If they join the Market, the British, who have just decimalised their currency by the vote of their elected MPs, might find their currency changed again altogether and made one with the new one of western Europe on the recommendation of the Market's Council of Ministers, endorsed by government-appointed representatives to the European Assembly in Strasbourg.

The concept of a western Europe in which there will be free circulation of all persons, merchandise and capital is attractive, almost incredible in view of the long arguments during the Kennedy Round and the continuation of many non-tariff obstacles to free trading. But much remains to be done before it can be thought of, even now, as anything much more than an idea.

A few things are already being done; the Market's central bankers are setting up a "hot line" for instantaneous communication, linking the Market's government banks at two levels — the foreign exchange trading desks and the governments' offices. This means that technical discussions could be undertaken at any moment during working days on the many unforeseen minor problems arising from a mutual exchange rate and a common currency or in the steps towards creating them. The conversations could be six-way instead of only two-way, as at present.

In a report to the Market Commission on this subject a Dutch fiscal expert recommended the British-Dutch system on the ground that both the German and the French systems create fiscal frontiers; the Commission has since appeared to support his ideas. But, with tax systems still the subject of political debate in most west European countries, including some seeking association with the Market and not membership, the fiscal problem will be one of the first and most difficult spheres for unification that the Market's Commission must tackle.

The biggest problem will probably arise in evolving standardisation of taxation between the members and potential members of the Common Market. This step will be essential if there are not to be hindering disputes and inequalities in the projected single integrated west European market in which a German firm could set up a new plant in Britain or Italy and a British citizen invest without hindrance in Belgium or France in commercial stocks.

The first problem that will need examination will be to reduce or remove the huge fiscal barriers that arise from current use of four entirely different systems of taxation in regard to companies and dividends. Britain, Holland and Luxemburg levy corporation tax at a single rate and dividends are then taxed as shareholders' income at normal current income-tax rates. West Germany levies corporation tax at two rates, the lower (15 per cent) being imposed on profits paid out as dividends and the higher (51 per cent) on those retained and being paid over as tax. Dividends re-taxed as shareholders' income at normal rates.

France and Belgium levy corporation tax at one rate of 50 per cent but shareholders' dividends are taxed in a special way with an initial tax of 30 per cent after which the shareholder is either charged more tax or receives a rebate according to his own tax position.

Outdated System

Italy uses an outdated fiscal system which is popular because its complexity facilitates evasion. Different taxes are levied on a person's or firm's income according to its type and according to its different sources.

Each system aims to mitigate the double taxation on company income that would occur when profits are distributed as dividends but the Germans tax paid-out profits at a specially low rate and the French and Belgians give shareholders a tax credit, usually about half the tax already paid on company income as corporation tax. The British tax a company's income twice and, in foreign opinion, seem to deter dividend distribution.

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The moving finger writes

AS THE day or days of polling approached, there was naturally an outbreak of pre-election jitters among politicians and political parties. Even apart from this, there had come into evidence a general tendency towards greater sobriety. In Mrs Indira Gandhi's camp, for instance, there was less talk those days of her returning to power on a tidal wave of votes. As a matter of fact, there was less readiness on her side to talk of a sure win of 270 seats. The figure which was being more frequently mentioned was only 240. Some of her men were heard to be even more cautious and were speculative in terms of a plus or a minus of 10 over her party's strength of 228 (220?) seats in the dissolved Lok Sabha.

As for the alliance, all that its more responsible members were sure of was that it would substantially add to the total of 147 seats held by its four constituent parties in the old Lok Sabha. The expectation was that it would secure about 20 additional seats at the expense of Mrs Gandhi's party and another like number at the expense of other parties such as the communist groups, the DMK and independents. On this reckoning, Mrs Gandhi would have a clear edge over the alliance in bidding for the right to be invited to form the next government. The President, fortunately for him, would be spared the necessity of straining the proprieties for giving Mrs Gandhi an opportunity. With a margin of about 40 seats over the alliance, she would certainly be in a reasonably advantageous position to initiate moves for a coalition government. Speaking for myself, this would be the likely course of events after the last election result has been declared.

The next most interesting question is how, in the event of these developments taking place, Mrs Gandhi's personal fortunes are likely to shape. On the assumptions I have made she will have received no clear mandate for her party and much less for herself. The positions of both will be considerably weaker politically in the new Lok Sabha than they were in the last one. Two consequences seem indicated. In the first place, the capacity of her party to provide effective government at the centre and in the country will have been greatly diminished and its day-to-day functioning in Parliament will be rendered vastly more difficult.

Secondly, not having succeeded in her declared attempt to gain an absolute majority in the Lok Sabha, Mrs Gandhi will find that she has lost much of her charisma in the process. This is bound to expose her more to rivalry and resistance within her party. It will only be a question of time before a bid is made by one or more of her colleagues to unseat her; even in the meantime, conditions of grave instability will prevail in her camp. In other words, the formation of a coalition government by Mrs Gandhi, which seems the most probable direct result of this election, may only mark the beginning of a phase of alarms and excursions which may last quite some time before the government at the centre becomes relatively stabilised and is able to settle down to its proper duties.

I spent a day recently in Jhunjhunu Lok Sabha constituency in Rajasthan where Mr K.K. Birla is one of the candidates. I was with him for the better part of the day as he went in a jeep to villages deep in the interior and addressed two large public meetings, besides contacting, in between, local groups at about eight or 10 hamlets. This constituency is a sprawling one and is about 250 miles long between its farthest points. Much of it is an arid spread of desert land, sparsely populated and accessible only with difficulty even by jeep. Electioneering here is thus an exercise in sheer physical hardship. Mr Birla has therefore to fight a strenuous campaign which makes intolerable demands on one's stamina. He is in no position to take things for granted since this area is a microcosm of this country of castes and creeds. The major caste constituents of the electorate, particularly the Jats, are expected to divide sharply in their voting preferences because of caste considerations. The family's record of social service and welfare work, particularly in the educational field, is of course a great electoral asset to Mr K. K. Birla and it is easy to see that the Birla name for philanthropy is widely respected and admired. At the same time, most of the impact of the family's public service is felt in Pilani and its neighbourhood and in a desert country both information and benefits tend to travel rather slowly.

Mrs Indira Gandhi addressed a public meeting in Jhunjhunu on behalf of

the candidate of her party, Mr Sheonath Singh, who is reckoned to be Mr Birla's principal opponent. It was widely noted that her speech was very proper and that she cast no aspersions on candidates of the other side. Mr Birla, on his part, has scrupulously endeavoured to keep personalities out of his campaign. His election symbol is the Swatantra star and appropriately enough he is emphasising in his speeches and talks his commitment to the rapid economic development, particularly industrialisation, of the country through the active agency of private enterprise. Simultaneously, he is dwelling on the social obligations of the business community and its role of trusteeship in securing genuine social justice. Thus this has been a clean campaign despite the political tensions and animosities prevailing in the country and the pressures to which a candidate known to be wealthy is necessarily subjected in a context in which elections have for long been tests of money power. Mr Birla himself is valiantly resisting these pressures but those who are campaigning for his opponent are not following his example, thanks to the special interest that the ruling party in the state has taken in working for the success of Mr Sheonath Singh.

I have justly been taken to task for criticising (in the issue of 12th Feb. 1971) the Prime Minister for describing herself as 'Indira Nehru Gandhi' in her ballot papers. I have been informed that this is the name by which she is legally known ever since her marriage. I am sorry that I have not been well-informed on this point but I would still ask why a professed democrat such as Mrs Gandhi should be so dynastically inclined.

I am afraid I have one more apology to offer. More than one reader in the south has been annoyed by the reference to *Thirukkural* in the cover page cartoon of the issue of February 5. The lines quoted in the cartoon should have been attributed to *Avvaiyar*, the ancient Tamil savant and poetess. To make matters worse, there was also an error, though minor, in the reproduction of the passage. I am sorry for these lapses and grateful to those who have written to me and given me an opportunity of putting the record straight.

V. B.

Trade Winds

INDUSTRIES IN SMALL SECTOR

THE UNION government had announced in February, 1970, a revised Industrial Licensing Policy in which the exemption from licensing was raised from Rs 25 lakhs to Rs one crore subject to certain conditions particularly in respect of imported raw materials and machinery. It was made clear, however, at that time that as a measure of continued protection to the small-scale sector, the existing policy of reservation would be continued and that, in fact, the area of reservation would be extended wherever production in the small-scale sector could be expected to grow to meet the demand. In fact, eight more items were added to the reserved list then currently in force, making the total so far reserved to 55. The government has recently selected a further list of 73 items which would be reserved for the small-scale sector bringing the total number of reserved items to 128. In most of these cases, the bulk of the production of these items is already in the small-scale sector and investment required for setting up viable units for the production of these items is within the ceiling of Rs 7.5 lakhs on plant and machinery as defined for a small-scale unit.

It has been pointed out that many new items which are of a comparatively sophisticated nature are now being included in the reserved list for the small-scale sector. Low tension insulators, ACSR conductors, electric transmission line hardware, PVC and VIR wires, are items which are of particular importance from the point of view of widespread electrification in the country. Similarly, a number of automobile ancillary items as well as garage equipment have also been selected for reservation in the small-scale sector. The government expected that the cost of production of these items would be lower in the small-scale sector than in the large-scale sector. The government also proposed to ensure that wherever Indian standard specifications exist, production in the small-scale sector conforms to these specifications. The Development Commissioner (Small-Scale Industries) will keep a close watch on the progress of production in these items and will recommend to the government suitable measures for ensuring the continued success of this programme. The government hopes that with the large

number of items now added to the reserve list, there will be fuller scope for the expansion of the small-scale sector and that many entrepreneurs will take advantage of the facilities that are being offered for setting up such enterprises, particularly in the industrially backward areas.

The items are: (1) Pressure die castings (upto 4 KG) (2) drums and barrels (upto 50 litre capacity); (3) tin containers—unprinted (other than CTS) cans upto 18 litre capacity; (4) flash light torch cases (plastic); (5) truck body building (wooden structure); (6) battery cell tester; (7) pressure gauges (upto 50 lbs. per sq. inch); (8) low tension insulators; (9) AA & ACSR conductors, upto and including 19 strands; (10) electric transmission line hardware, (other than those manufactured in malleable castings); (11) grease nipples and grease guns; (12) exhaust mufflers; (13) zinc oxide; (14) auto leaf springs; (15) chaff cutter blades; (16) PVC & VIR wires of domestic type; (17) metal fittings for garments and leather goods; (18) weights; (19) sodium silicate.

Automobile Ancillaries: (20) Fuel tank caps; (21) fuel lines; (22) wiring harness; (23) tail lamp assembly; (24) side lamp assembly; (25) spot lamp assembly; (26) spot lamp assembly; (27) horn buttons (28) bulb horn; (29) seats for bus and truck; (30) ornamental fittings; (31) rear view mirrors; (32) sun shades; (33) sun visor; (34) luggage carrier; (35) tyre inflators (both hand and foot-operated); (36) ash trays; (37) hub caps; (38) wind shield wipers (arms and blades only); (39) electrical fuses; (40) electrical fuse boxes; (41) battery cables and fittings; (42) spokes and nipples; (43) steering wheels.

Garage Equipments (44) Armature tester; (45) battery terminal lifters; (46) condensers and resistance testers; (47) fender spoons and hammers; (48) feeler gauges; (49) flaring tools; (50) gear flushers; (51) puller of all types; (52) ring expanders; (53) ring compressors; (54) screw extractors; (55) spark plug testers and cleaners (56) toe in gauges; (57) stud removers (extractors); (58) tyre valve pull out tool; (59) tube cutters; (60) flanging tools; (61) valve lifters; (62) valve replacing & resetting tools; (63) camber testing equipment.

(64) Domestic utensils (other than stainless steel); (65) steel measuring

tapes; (56) cashew shell oil; (67) room coolers (desert type); (68) auto measuring tapes; (69) rubberised cloth; (70) household knitting machines; (71) para-dichloro benzene balls; (72) potassium silicate; (73) calcium silicate.

JUTE CORPORATION

The union government has decided to set up a Jute Corporation in the public sector for conducting price support as well as buffer stock operations, impart stability to raw jute prices and contribute to the growth of jute production in the country.

The Corporation will have a share capital of five crores of rupees out of which one-fifth will be the paid up capital initially. The functions of the Jute Corporation, which will be registered shortly, are: (i) to conduct purchase operations to ensure the maintenance of support prices; (ii) to procure and maintain a buffer stock of fibre (including imported fibre, if necessary); (iii) to conduct commercial operations in a judicious manner; (iv) to import fibre, as and when necessary to supplement indigenous availability; (v) to export fibre (to the extent authorised by government); (vi) to process and export jute goods; and (vii) to undertake export promotion measures for jute goods.

A centralised agency with its judicious purchasing policy will be able to ensure for the growers a better price than at present, by a process of elimination of the many tiers of intermediaries now operating in the jute market. This will be the main long-term objective of the Corporation and would save the growers from the clutches of the middlemen. The Corporation is expected to assume a commanding position in the jute market and be in a position to act as the most powerful stabilising factor in the market. In the field of exports of jute goods—a function which may be taken up by the Corporation in due course—particularly sackings, the Corporation will play a useful role.

In brief, the Jute Corporation will combine in itself the functions of (i) Buffer stock Agency, (ii) Jute Board and (iii) Jute Marketing Board envisaged in the report of the survey of India's Jute Products by the Administrative Staff College on behalf of USAID. With the setting up of the Jute Corporation, the STC will cease to be responsible for jute purchases with effect from the 1971-72 season onwards.

The Corporation whose headquarters will be located in Calcutta, will be managed by a board of directors, including a part-time chairman, a managing director and two full-time func-

tional directors. It will have 11 directors. The chairman will be a non-official and the managing director a person having sufficient experience of jute and jute industry.

U.N.D.P. OPERATIONS

Addressing newsmen in New Delhi recently at the conclusion of the two-week conference of the resident representatives in the member-countries of the UN Development Programme, the Administrator of UNDP, Mr Paul Hoffman, expressed the hope that by 1976 UNDP assistance to developing countries would grow to \$500 million. As the developing countries would have to make counterpart contributions to the same extent, the operations of UNDP in that year should aggregate to \$1,000 million.

Although UNDP assistance had grown phenomenally from a mere \$54 million in 1959 to \$250 million for 1971, the contributions to UNDP funds, Mr Hoffman felt, were not adequate because not only global inflationary tendencies were eroding the real worth of these funds, but also the requirements of developing countries were growing fast. He pleaded for the raising of the contributions to UNDP by 15 per cent in 1972 and thereafter. If this materialises, the assistance of UNDP next year would go up to \$287 million.

Mr Hoffman also revealed that for the first time in its history, UNDP had adopted a system of five-year indicative planning; hitherto, the planning of assistance to various countries had been done on yearly basis. The UNDP assistance covers a broad spectrum of development works in the field of agriculture, industry, education, public health, public utilities and public and social services. The developing countries—with India as leader—Mr Hoffman said, had demonstrated the usefulness of the activities of UNDP by steadily increasing their contributions to it.

Mr Hoffman felt that the large increase in UNDP assistance called for the re-structuring of its administration to make it more efficient. The two-week conference of the resident representatives, he said, had approved a scheme under which the Administrator would be given bigger responsibilities than hitherto. The Administrator's work would be decentralised "under a direct line to him" through regional bureaux in developing countries. The UNDP representatives would in future have a greatly increased role to play. In addition to helping countries in getting assistance, they will also conduct periodic reviews with the

governments concerned of priorities problems and progress.

TOURIST TRAFFIC

The Director-General of Tourism, Mr S. K. Roy, disclosed at a press conference in New Delhi recently that a committee, set up by the Ministry of Civil Aviation and Tourism, was considering the possibility of operating air taxis between important centres of tourist attraction. These air taxis—small 20-seater aircraft—could be operated by private parties.

Mr Roy further revealed that during 1970 India received a total of 280,821 foreign tourists, as against the year's target of 277,000 tourists and 244,724 tourists arriving in the country in the previous year. In 1970 tourists from the affluent countries of America, Europe, Australasia, and Japan aggregated to 206,531. The earnings in foreign exchange from the tourist traffic in 1970 were of the order of Rs. 38 crores, as against Rs 33 crores in 1969. The encouraging inflow of foreign tourists, Mr Roy felt, could make the achievement of the target of 400,000 tourists in 1973-74 possible.

Mr Roy stressed that there were two inhibiting factors to a faster rate of growth of tourism—the internal air services and hotel accommodation. Both were inadequate to meet the growing demand. Even after the projects on hand were completed, Mr Roy pointed out that in 1973 we would be short of at least 5,000 hotel rooms. According to an international expert, we need to add in the next few years at least another 20,000 hotel rooms to our present capacity if the growing inflow for foreign tourists has to be fully catered for.

The Additional Director-General of Tourism, Mr B.N. Raman, disclosed that 18 parties had been permitted to put up luxury hotels at a cost of Rs 7 crores. These hotels will be constructed with assistance from government at Bombay, Calcutta, Jaipur, Lucknow and Srinagar. They would provide 6,000 rooms. Besides, a number of smaller and less expensive hotels were coming up at various centres in the country through private initiative. But the shortage of hotel accommodation would still continue. So there was a great scope for additional hotels to come up, observed Mr Raman.

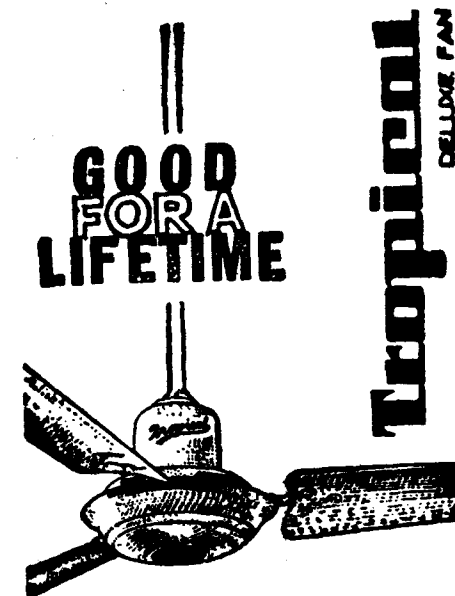
HOUSING CORPORATION

The union government has appointed Mr Keshub Mahindra as Chairman of the Board of Directors of the Housing & Urban Development Finance Corporation. In all eight directors have been appointed, six of them are part-time including a repre-

sentative each from Ministry of Finance and Ministry of Works, Housing & Urban Development, and two are full-time. Following are the names of the Directors who have been appointed for a period of one year with effect from today: Mr Keshub Mahindra, Chairman, Mahindra & Mahindra Ltd, Mr N. Mahalingam, an industrialist, Mr Jagdish Saran Agarwal, a former Chairman of UP State Housing Board, Mr T.A. Pai, Chairman, Life Insurance Corporation of India, Mr G.N. Bhanot, Joint Secretary Ministry of Finance, Mr P. Prabhakar Rao, Joint Secretary, Ministry of Works, Housing & Urban Development, Mr L.G. Selvam, (full time Director-Technical); and Mr N.R. Bansod, (full-time Director-Finance). The Corporation has already approved a number of housing schemes received from different state governments.

EXPANSION OF CO-OPERATION

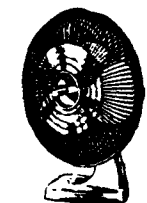
According to the recent assessment made by the National Co operative Development Corporation, marketing of agricultural produce by co-operatives increased by over three times in seven years, from Rs 175 crores in 1961-62 to Rs 588 crores in 1968-69. Of this,



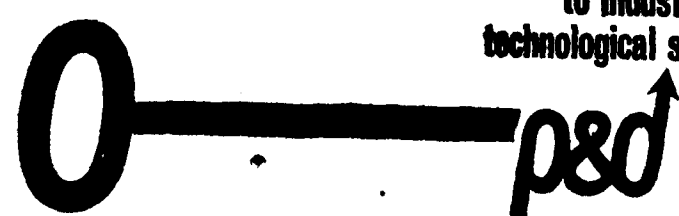
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plants, the physicists in the labs, the technologists in the chemical laboratory, draughtsmen at the drawing board and engineers—mechanical, chemical, civil, structural, electrical, instrumentation—planners, economists and accountants—all of them form part of P&D's multi-disciplinary set-up, to make the country self-reliant in fertilizer production and know-how. Today the P&D has on hand 500 crores worth of projects, on its own planning, design, engineering, and installation.

PLANNING & DEVELOPMENT DIVISION
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Tele. No. 6541-44 Jharis, Gram: PLANDEV Sindri

FERTILIZER CORPORATION OF INDIA LIMITED

the progress in the marketing of food-grains has been more spectacular. The number of processing units assisted by the corporation rose from 561 in 1961-62 to 1,759 in 1969-70. The paddy processing units registered an increase from 164 in 1961-62 to 770 in 1969-70, boosting up the processing capacity from 0.3 million tonnes to 2.7 million tonnes. Co-operative sugar factories are now producing 33 per cent of the total sugar produced in the country. When all the licensed co-operative sugar mills shortly go into production, they will account for 44 per cent of the total sugar produced in the country.

OUTPUT OF SANNHEMP (FIBRE)

The first all-India estimate of Sannhemp (fibre) has put the current year's area under this crop at 155,000 hectares. According to the Directorate of Economics & Statistics, union Ministry of Food, Agriculture, Community Development and Co-operation, this year's estimate shows an increase of 5,400 hectares or 3.6 per cent as compared with the corresponding adjusted estimate of 149,600 hectares for the year 1969-70. The increase in area under Sannhemp (fibre) crop during the current year has been mainly in Haryana, Maharashtra, Mysore, Punjab, Rajasthan, Uttar Pradesh and Himachal Pradesh and is attributed to favourable weather conditions at the sowing time. This increase has, however, been offset to some extent by a decline reported from Orissa, Madhya Pradesh; Andhra Pradesh and Jammu & Kashmir.

BOEING 737 FOR INDIAN AIRLINES

Indian Airlines has started operation of its Boeing 737 aircraft on the Delhi-Madras-Delhi, Delhi-Agra-Khajuraho-Banaras and Kathmandu and back, Bombay-Calcutta-Bombay and Bombay-Goa-Bombay and Bombay-Delhi sectors from February 26. Indian Airlines has received five Boeing 737 aircraft so far. The fifth aircraft arrived at Delhi airport on February 17 and was ready for operations on February 20 after customs and other technical formalities were completed.

From February 26, Indian Airlines will operate three of its Boeing 737 aircraft on scheduled services while one aircraft will be utilised for training of flying crew and the fifth will undergo engineering checks and kept ready to operate extra flights for tourists.

COOP FERTILIZER COMPLEX

of 300,300 tonnes of ammonia and 396,000 tonnes of urea at Kalol and 475,000 tonnes of compound NPK fertilizers at Kandla in Gujarat state has been issued to the Indian Farmers Fertilizer Co-operative Ltd, a society registered under the Multi-unit Co-operative Societies Act, 1942. Of the total estimated cost of Rs 91.76 crores of the project, Rs 27 crores is the equity portion and the balance loans. The equity has been distributed between

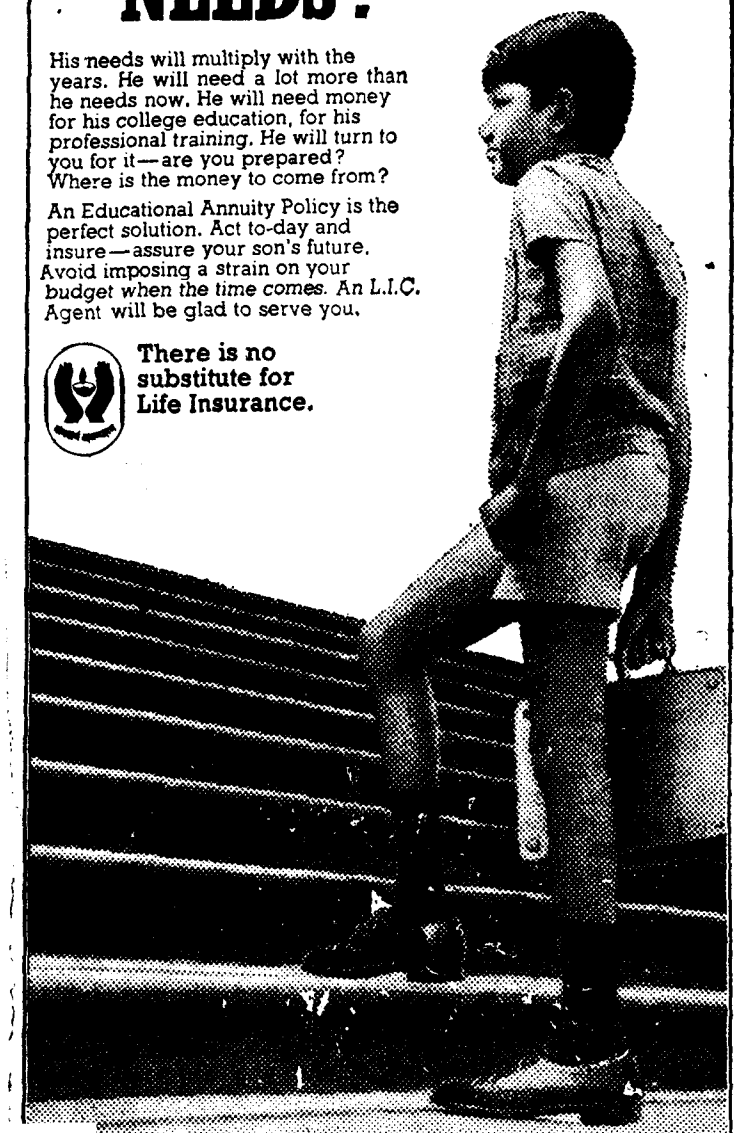
co-operatives and the union government at Rs 9 crores and Rs 18 crores, respectively. Co-operatives of 10 states i.e. Andhra Pradesh, Gujarat, Haryana, Punjab, Madhya Pradesh, Maharashtra, Mysore, Rajasthan, Uttar Pradesh and Tamil Nadu are subscribing to the co-operative equity. Rs 9.04 crores of co-operative equity has been subscribed to as on January 31, 1971, fulfilling the targetted subscription.

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Company Affairs

NUCHEM PLASTICS

Mr HANSRAJ Jain, Chairman, Nuchem Plastics Ltd told the shareholders at the annual general meeting held recently that during the year ending September 30, 1970, the company had recorded sales to the extent of Rs 95.97 lakhs showing an increase of nearly 19 per cent over the previous year and its profits touched a figure of Rs 12.58 lakhs against the previous year's figure of Rs 6.69 lakhs. He informed the shareholders that the resin plant which had remained idle for most of the time or want of formaldehyde was operating to full capacity and the company was producing materials of standard quality.

Another problem faced by the company, he pointed out, was the non-availability of hexamine in the second half of the year which was overcome by the production department of the company. With the help of research and development facilities the company was able to produce it thereby freeing itself of the dependence. The company proposes to manufacture this product on regular commercial basis.

Mr Jain indicated that the sales during the four and half months of the current year had touched the level of last year's total figures. Under these conditions the company hoped to produce good results, during the current year. He pointed out that sufficient attention was being paid to the exports and the company was a regular exporter of urea formaldehyde moulding powder and melamine formaldehyde moulding powder to Middle and Far East markets.

The chairman also informed the shareholders that during the current year an agreement for collaboration with M/s Daniels of Stroud Ltd, UK, for the manufacture of hydraulic presses had been finalised and was pending with the union government for approval. As soon as the consent was received the company would take in hand the matter of raising capital, loans and installation of the plant. The project was expected to cost Rs 50 lakhs or more and it would contribute considerably to diversification and growth of the company. He also stated that the company had some other valuable items under plan-

ning for production which would be revealed to the shareholders in due time.

DUNLOP INDIA

Subject to the sanction from the Controller of Capital Issues, the directors of Dunlop India Limited have proposed to issue 15,00,000 ordinary shares of Rs 10 each, at a premium of Rs 4 per share to those shareholders, registered as on a date to be fixed later, in the ratio of three for twenty.

Meanwhile, the company has released encouraging working results for the year ended December 31, 1970. With continued higher demand for its products, total income of the company has increased to Rs 88.41 crores from Rs 81.74 crores in the preceding year. Income from trading is shown at Rs 9.32 crores (Rs 8.79 crores). After providing Rs 1.31 crores (Rs 1.12 crores) for depreciation and Rs 96.70 lakhs (Rs 68.90 lakhs) against interest, the net profit before taxation and development rebate reserve, amounts to Rs 7.04 crores (Rs 6.99 crores). A sum of Rs 3.02 crores (Rs 2.83 crores) is provided for taxation and Rs 31.87 lakhs (Rs 45.47 lakhs) for development rebate reserve, leaving a balance of profit of Rs 3.72 crores (Rs 3.70 crores), the directors have proposed a final dividend of Rs 1.25 per ordinary share, making a total of Rs 2.00 per share, same as previously. Transfer books will be closed from April 6 to 19.

JAIN VANASPATI

Jain Sudh Vanaspati Ltd proposes to enter the capital market with a public issue of Rs 35 lakhs comprising 240,000 equity shares of Rs 10 each (Rs 24 lakhs) and 11,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each (11 lakhs). Out of the proposed public issue, equity shares worth Rs. 19 lakhs and preference shares worth Rs 11 lakhs have been underwritten. For the balance amount, the promoters have given an undertaking to the institutional underwriters that they shall be responsible for having equity capital of Rs 5 lakhs subscribed in case of the shortfall in the public issue. The company has an authorised capital of Rs 75 lakhs (Rs 60 lakhs in equity and Rs 15 lakhs in preference shares). The issued subs-

cribed and paid-up capital is Rs 20 lakhs in equity shares. The company is setting up a factory for the manufacture of 50 tonnes of vegetable ghee per day at its factory at Ghaziabad, near Delhi. In due course, the capacity of the plant will be raised to 100 tonnes per day. Installation of plant and machinery has already commenced and production is expected to commence shortly. The capital outlay on the plant is estimated at Rs 113 lakhs, which will be met by share capital (Rs 55 lakhs), loans from financial institutions (Rs 45 lakhs), deferred payments (Rs 7.80 lakhs) and unsecured loans, trade deposits etc. (Rs 5.20 lakhs).

JUBILEE MILLS

The Jubilee Mills Ltd has received the sanction of the Controller of Capital Issues for its proposal to issue bonus shares in the ratio of one share for every share held. The company will now issue bonus shares by capitalising a sum of Rs 20 lakhs. The company's working in the first seven months of this year (from July 1970 to January 1971) is stated to be quite good.

BAJAJ TEMPO

The directors of Bajaj Tempo Limited have proposed to pay dividend of Re one per share for the year ended September 30, 1970, against 50 paise per share paid in the previous year. The company's sales increased from Rs 3.26 crores to Rs 5.41 crores during the year. While its gross profit went up from Rs 38.66 lakhs to Rs 58.53 lakhs. Allocations include Rs 14.39 lakhs for depreciation Rs 2.20 lakhs for development rebate reserve and Rs 4.65 lakhs for taxation. After adjusting the loss of Rs 10.67 lakhs brought in from last year, there is a surplus of Rs 26.60 lakhs.

KAVERI STRUCTURALS

Kaveri Structurals has, an export order for pressure vessels for use in an oil refinery in Iran. The order secured is for 38 pressure vessels weighing 140 tonnes valued at approximately rupees 10 lakhs. It is of considerable significance for Kaveri Structurals because apart from this being their first export order it also happens to be the first order for pressure vessels for an refinery from abroad placed with any Indian manufacturer. Pressure vessels form an important part of any petro-chemical complex and are required to be manufactured to international standards under strict inspection. Pressure vessels are highly sophisticated equipment and Kaveri Structurals have supplied a number of

these vessels to various petro-chemical and other plants in India such as Madras Refineries Ltd, Madras Fertilizers Ltd, Chemicals and Plastics India Limited, Bharat Heavy Electricals Ltd, Trichy and Hyderabad. Started in 1962 as a structural fabrication unit, Kaveri Structurals diversified to the manufacture of sophisticated equipment such as pressure vessels only in 1965.

SHRIRAM REFRIGERATION

Shriram Refrigeration Industries Ltd has reported improved working during the year ended September 30, 1970. Sales increased to Rs 1.87 crores from Rs 1.43 crores and the gross profit to Rs 10.49 lakhs from Rs 6.47 lakhs. After providing Rs 7.87 lakhs for depreciation and Rs 1.40 lakhs for development rebate reserve, the net profit works out at Rs 1.21 lakhs. This has been adjusted against the brought-in deficit of Rs 15.31 lakhs and a debit balance of Rs 14.09 lakhs has been carried forward. The directors state that the demand for the company's diesel engines is picking up. The company proposes to diversify its activities and has plans to set up the business of in-shore, off-shore and deep sea fishing, processing of marine products and also shipping transport.

STANDARD MOTORS

The Standard Motor Products of India, makers of Standard Herald cars and one-tonne trucks, resumed working with a skeleton staff after exactly nine months. Formally declaring the factory open, Mr N.V. Natarajan, Minister for Labour in Tamil Nadu, who was instrumental in bringing about a settlement, exhorted the management and workers to forget the past and concentrate their attention on making the factory viable. He appealed to the workers not to pitch their demands too high but to adopt a reasonable attitude and a policy of give and take.

KERALA FISHERIES

The Kerala Fisheries Corporation Ltd has at present five ice and freezing plants at Cannanore, Calicut, Cochin, Alleppey and Nendakara. The present installed capacity of these plants is 30 tonnes per day. The raw prawns for freezing are available from the catches of the fishing vessels owned by the Corporation, though a part is purchased from various co-operatives and private suppliers. The corporation is selling its frozen products to the USA, Japan, Australia and France.

The export figures of frozen products

for the past three years are: Rs 83.90 lakhs in 1967-68; Rs. 85.35 lakhs in 1968-69 and Rs. 95.02 lakhs in 1969-70.

The corporation also has seven ice and cold storage plants. The total capacity of ice production of these plants is 105 tonnes per day. Sizable quantity of ice produced in these plants is being utilised for the corporation's requirement in transporting raw materials from the fishing centres and coastal villages and also for use for processing. It has recently put up a canning plant at Cochin. This plant has a capacity to produce 10,000 cans per shift. The corporation has five boat building yards at Cannanore, Bepore, Azhicode, Sakthikulangara and Vizhinjin.

The corporation has a fleet of 21 mechanised fishing boats ranging from sizes 32' to 50'. Quite recently three steel hulled trawlers of 57' in overall length have been added to the corporation's fleet. The products caught by these vessels are also utilised for freezing in their factories. Five more 57' steel hulled trawlers and two imported 72' trawlers will join the fleet before long. It also has a plant at Calicut manufacturing fishmeal. Wastage from shrimp such as shell, head, etc., sardine fish and pressed cakes after oil extraction from sardine are used as raw material for fishmeal.

A more sophisticated fishmeal plant capable of producing 2.5 tonnes of fishmeal and one tonne of fishoil per day is being put up at Azhicode near Cranganore. There is a considerable demand for fishmeal from Animal Husbandry Department of Kerala and neighbouring states. It has a nylon net factory situated at Ernakulam, equipped with modern machinery.

CAPITAL AND BONUS ISSUES

Consent has been accorded to 10 companies to raise capital of over Rs 4.11 crores. Nine of them are to issue bonus shares totalling over Rs 3.44 crores. The consents are valid for 12 months.

The following are the details.

Hovanesian Brothers Ltd, Calcutta, has been accorded consent to capitalise Rs 25,000 out of its general reserves and issue fully paid equity shares of Rs 25 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Industrial Supplies Private Ltd, Bombay, has been accorded consent to

capitalise Rs 50,000 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 two equity shares held.

Indian Dyestuffs Industries Ltd, Bombay, has been accorded consent to capitalise Rs 50 lakhs 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 five equity shares held.

The Western India Plywoods Ltd, has been accorded consent to capitalise Rs 26,21,800 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares for every two equity shares held.

The United Provinces Sugar Co. Ltd, Calcutta, has been accorded consent to capitalise Rs eight lakhs out of its free reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one share for every four equity shares held.

Garg Associates Private Ltd, Ghaziabad (UP), has been accorded consent to capitalise Rs 1,00,000 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 10 bonus shares for every 10 equity shares held.

State Trading Corporation of India Ltd, New Delhi has been accorded consent to capitalise Rs 2,00,00,000 out of its free reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Excel Industries Ltd, Bombay, has been accorded consent to capitalise Rs 7,50,000 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 five equity shares held. They have also been given consent to the issue of Rs 50,00,000 in 5,000 equity shares of Rs 100 each for cash at par in connection with a project for the manufacture of elemental phosphorus to be set up at Bhavnagar.

Birpara Tea Co., Ltd, Calcutta, has been accorded consent to issue fully paid equity shares of Rs 100 each of a value of Rs 66,58,700 to the shareholders of Gungaram Tea Co., Ltd, Gunglee Runliot Tea Co., Cinnatolliah Tea Co., Ltd, and Kilcott Tea Co., Ltd, as a result of the latter companies' amalgamation with Birpara Tea Co. Ltd, in the manner approved by the High Court of Calcutta

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Countries • One of Europe's Leading Cultural Capitals • West Berlin's 2.2 million people comprise one of the most dynamic concentrations of business, professional and artistic talent on the European continent.

Chancellor Willy Brandt is confident that two of the principal aims of Bonn's foreign policy—settlement of the Berlin problem, and ratification of the Federal Government's treaties with Moscow and Warsaw—will be reached during 1971. The two are not only closely interlinked but have a significance far beyond Germany and Europe.

BERLIN so often a crisis point in world affairs during much of this century, is now the focal point of east-west detente not only in Germany and Europe—but far beyond.

For Berlin is now the test case of Soviet intentions. What happens during the first months of 1971 in and around the Communist-riven former Reich capital will determine the relationship between the Soviet bloc and the western world for a very considerable time to come.

The German policy on Berlin is aptly summed up by what have been called the "three Z policies":

Zugang: Free unhindered access across Communist East Germany by road, rail, air and water to West Berlin from the Federal Republic.

Zutritt: Untrammelled entry for West Berliners into East Berlin from which they have been completely barred by the Berlin Wall since 1961; and the concomitant end to the murder by German Democratic Republic guards of East Berliners and East Germans trying to flee across The Wall to West Berlin.

Zuordnung: Confirmation of West Berlin's economic, financial and legal links with the Federal Republic built up over the past two decades.

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BOOKS BRIEFLY

A Policy for Better Farming

The Administration of Agricultural Development—Lessons from India: Guy Hunter; Oxford University Press; 1970; Pp 160; Price Rs 30.

India and the ILO—The Story of Fifty Years: N.K. Kakkar; Sultan Chand and Sons, Delhi; Pp 127; Price Rs 10.

Foreign Aid: Edited by Jagdish Bhagwati and Richard S. Eckaus; Penguin Books; Pp 351.

Taxation and Economic Development in India: James Cutt; Frederick A. Praeger Publications; Pp 413; Price not given.

Price Strategy in Indian Planning: T.T. Sethi; S. Chand & Company, Delhi; Pp 565; Price Rs 40.

India and European Socialist Countries: M.S.N. Menon; Perspective Publications (Pvt) Ltd, New Delhi; 1970; Pp 282; Price Rs 30.

Reviewed by: **ACADEMICUS**

Guy Hunter always makes stimulating reading and therefore it is with great expectations that one picks up his book *The Administration of Agricultural Development—Lessons from India*. In a sense this book is supplemental to his earlier *Modernizing Peasant Societies* (already reviewed in these columns) and is full of penetrating analysis and constructive suggestions which deserve careful study by our policy-makers.

In his earlier book the author had emphasised "the extreme selectivity which is needed in seeking to use, in developing countries, the technologies, the institutions, and indeed the type of economic and social thinking which reflect the history and stage of development in highly industrialised countries." He then went on to suggest the sequences of growth through which a developing country may pass and the implications for practical policy which these stages may imply.

In this book, Guy Hunter brings the argument down to a single example and carries it a step further. This is because policy has to consider not only the object of change but also the tools which can be expected to work effectively.

Of the four subjects with which this book deals, first concerns the co-ordination of administrative action by the government of a developing country in the provision of a complex service of information, technical help, investment, supply, credit and marketing to a peasant agriculture. The second subject deals with the changing pattern of relationship between services directly by government and those which the private commercial sector and co-operatives of farmers can supply. The third problem concerns the relation between administrative action and the effort which many governments are anxious to make to draw the rural

community into participation in the development effort, possibly to give some responsibility to elected local bodies. The fourth subject dealt with is the double question of what type of effort can best be applied to a farming community at each of its changing stages of development and simultaneously what type of organization, administrative, political or private, can the developing society itself in its own changing stages of development hope to apply effectively.

The author has arrived at conclusions which have important policy implications. He feels that there is need for adaptation of policy and structure to movement and change in society as it passes at local levels from poverty towards greater individual prosperity and a stronger cash-economy. It is seen as a transition "from necessary and multiple intervention by government to break the circle of dependence and powerlessness to a condition where the farmer in his greater security, can choose among the richer variety of services which a richer economy can offer and thus co-ordinate his own farm-management by himself." The author rightly feels that the most difficult part of the transition is the earliest stage where government generally weak in personnel has to assume in a very poor society the maximum task. This is because it so happens that the co-operatives and local bodies are composed largely either of the weak and the poor for whom the help is needed or of the rich and powerful whose position often stands in the way of wider progress.

If a country like India can barely make such a system work satisfactorily, it is, according to the author, highly unlikely that many other developing countries, less rich in varied skills and experience, will be able to do as well. It has therefore become the main object

of this book to suggest how the task can be simplified and the administrative strain reduced. The author has made a number of concrete suggestions to improve the efficiency of various organisations from government departments to agricultural extension staff and the panchayats through whom alone technical advice and the means of using it can be brought to farmers.

This book concerned with the vast masses of farmers, who due to various reasons cannot yet benefit from all the scientific improvements and the human organisations, will be found extremely useful by the policy-framers in India and other developing countries which are at a comparable stage of development. It is advisable to read the two books of Guy Hunter together as together they will give the readers a comprehensive view of the problem and policies outlined.

APPRAISAL OF I.L.O.'S ROLE

The conventions and recommendations of the International Labour Organisation (ILO) have exercised tremendous influence on all aspects of labour movement, not only in India but also in other parts of the world. In his book, *India and the ILO—the Story of Fifty Years*, Dr Kakkar has made an attempt to trace the influence of the ILO on the progress and development of the Indian working class movement in various spheres like social security, wages, working conditions, labour legislation and trade union movement.

The author has explained the origin and development of the ILO. He has shown how after World War I, various developments such as awakening among labour for their rights and among governments to do something for workers and violent upheaval in Russia and other countries, led to the appointment of a Commission on International Labour Legislation on whose recommendation the ILO came to be established in 1919. The preamble to its constitution clearly brings out the nature of work which the ILO is concerned with during the last 50 years. The preamble lays down as objectives of the ILO "... the regulation of the hours of work including the establishment of a maximum working day and week, the regulation of labour supply, prevention of unemployment, provision of an adequate living wage, protection of workers against sickness, disease and injury arising out of their employment protection of children, young persons and women, provision for old age and injury, protection of the interests of workers, recognition of the principle of freedom of association, the organiza-

tion of vocational and technical education and other measures —."

The ILO has a tripartite structure representing government, workers and employers, and it is on account of this that the ILO has been able to do what it has done so far. It is an inter-governmental organisation with 120 countries as members in 1969. The ILO has three important organs. The International Labour Conference is the supreme body of the ILO and constitutes a world forum for labour. The governing body is composed of members representing various governments, management and labour. It is this body which exercises general supervision over the work of the office, prepares the budget and is responsible for formulating plans and policies. The International Labour Office acts as the secretariat, collecting all relevant information and data and publishing periodicals and annual reports. There are many committees and panels of consultants.

The ILO passes conventions and recommendations. A convention is a treaty which if ratified by a member state creates an international obligation on that member state to give effect to that convention, whereas a recommendation creates no such obligation.

Details of Conventions

The author has given some details of the 128 conventions adopted by the ILO up to 1968, as also of 132 recommendations. Out of 128 conventions, nearly 90 have received a sufficient number of ratifications to bring them into force. Of 128 conventions, India has ratified 30 covering such important matters as hours of work, night work, workmen's compensation, forced labour, protection against accidents, equality of treatment, etc. The author has briefly traced the development of labour movement in India and has shown how improvement came to be effected in their working conditions, social security, wages and other matters such as organisation and factory acts. The author has concluded that if today, the workers in India enjoy an 8-hour day and 48-hour week, have statutory safeguards for their health, safety and welfare, if women workers are getting maternity benefits, if the wages of workers are regulated by government and if workers have become conscious of their rights, it is to a great measure due to the work which the ILO has been doing for the past 50 years.

This small book is purely descriptive and only catalogues the various conventions adopted and recommendations passed by the ILO. There is hardly any critical analysis worth mentioning.

For example, problems such as whether some of the common standards applied to developed as well as to developing countries have not proved to be a sort of barrier to the development of backward countries and therefore whether different standards should have been applied to different countries in different stages of development needs detailed analysis. And it is strange that while the ILO had adopted various conventions ensuring various rights to labour, there is not one convention or recommendation which draws workers' attention to their reciprocal obligation to society, especially in developing countries where increased production is the need of the hour. There is plenty of scope for a thorough reappraisal of the role and functions of international organisations such as the ILO and the readers have a right to expect such an analysis in a book published in 1970!

ASPECTS OF FOREIGN AID

Foreign Aid is one of the finest books on this extremely complex subject. The book contains analysis of various important aspects of foreign aid by eminent economists who have given considerable thought to the subject. The book is of special significance at present, since foreign aid programmes for providing economic assistance to developing countries appear to have fallen on hard times.

To begin with it is necessary to agree what constitutes foreign aid. The short answer is that foreign aid "consists of explicit transfers of real resources to less developing countries on concessional terms." It should be noted that unless the resource transfer involves to some degree more favourable terms than those available commercially, there is no 'gift' element involved.

It would be instructive to know the views held by some of the eminent economists on various aspects of foreign aid.

G. Ohlin has given a masterly account of the ideas, attitudes, interests and actions underlying the foreign aid policies of the major donor countries at present. He is of the opinion that the United States' involvement with the developing countries chiefly reflects a concern with world-wide political development. Also the former colonial powers play a similar role in some of their old possessions, notably in Africa, though they are grouping towards modes of marginal assistance to other countries, partly in response to co-ordinate bilateral assistance through consortia and partly to use development assistance as economic diplomacy. A third group of countries, notably West Germany and Japan, have been giving

loans and grants for specific projects frankly to promote economic relationship between donor and recipients. Small donor countries, knowing that they can play only a limited role have concentrated on technical assistance, and reserve most of their financial resources for multilateral contributions.

Milton Friedman has argued that though the objectives of foreign aid are commendable, the means are however inappropriate to the objectives. Foreign economic aid, far from contributing to rapid economic development along democratic lines is likely to retard improvement in the well-being of the masses, to strengthen the government sector at the expense of the private sector and to undermine democracy and freedom. He has argued powerfully that the proponents of foreign aid have unwillingly accepted the communist ideology that centralised and comprehensive economic planning and control by government is an essential requisite for economic development. He proposes that an effective programme be based on the American ideology aiming at achieving complete free trade by a specified but not too distant date. He believes that such a programme would do much to promote an environment and international climate favourable to rapid development of the uncommitted nations along democratic ideals. According to Prof. Friedman this would be truly an act of enlightened self-interest.

Aggregate Flow

Many economists and donor countries have been much concerned with the economic criteria for determining aggregate flow of aid and its allocation among different countries. Rosenstein-Rodan sees aid as supplementing domestic saving. Chenery and Bruno look upon aid as supplementing both domestic saving and foreign exchange. Eckaus examines the criteria which have actually been deployed for allocating aid flows among alternative claimants.

The relative merits of multilateral and bilateral aid have been debated for long. The early emphasis on the desirability of multilateral aid has now given way among many economists to a growing realisation that "a major role for bilateral aid is both inevitable and desirable." Balogh considers a number of arguments in favour of bilateral aid, while Rosenstein-Rodan makes a plea for multilateralisation of bilateral aid, through the consortium technique which seems to combine the advantages of bilateralism and multilateralism.

Another vexatious question in the

field of foreign aid is the problem of tying aid by source so that the aid has to be spent on goods and services from donor countries alone, which thus reduces the real worth of the aid programme to developing countries. Bhagwati has analysed in detail this emergence of source-tying practice, its spread, its effects on both donor and recipient countries and the possible methods of mitigating its adverse impact on recipient countries.

The surplus-commodity-disposal programme mainly under PL 480 sales by the USA has raised important issues such as their real cost to donor countries, their real worth to recipients and their effects on the agricultural development in the recipient countries. There are many economists in India who believe that the PL 480 aid in the form of farm products has disincentive effect by not allowing agricultural prices to rise to their natural level and thus adversely affecting Indian agriculture. Schultz discusses these aspects of commodity aid, especially the last aspect mentioned above. He warns against the potentially serious long-run adverse effects of PL 480 farm products on the agriculture of countries like India now absorbing substantial amounts of them, "unless positive measures are taken to counteract their adverse effects."

This is an excellent collection of articles by eminent economists who discuss in depth different aspects of foreign aid. This book in Penguin Modern Economic Readings series provides truly excellent reading with vast mass of material and

Indian students should make full use of this publication both because of excellent material and cheap price.

TAXATION AND DEVELOPMENT

The role of taxation in development plans in India has not been subjected to thorough examination since the Report of the Taxation Enquiry Commission in 1952-53. *Taxation and Economic Development in India*, which had its origin in a doctoral thesis completed for the University of Toronto in 1966 has undertaken the consideration of the major taxes in India.

The role of tax policy as a means to further the attainment of planning objectives has been analysed under three heads: growth, redistribution and stabilisation. The author is of the opinion that the redistributive objective requires the establishment of appropriate exemption levels and over-all progressivity in the tax structure, combined with a series of exemptions and allowances designed to maintain functional inequalities. The sharpness of the rates of progression in the various taxes and choice of exemption levels, according to the author, depend on what is regarded as a proper state of distribution which is a political issue and is to be determined by social choice as reflected in the policy of the ruling party.

As regards personal income tax, James Cutt is of the opinion that the effectiveness of personal income tax in India is greatly diminished by the unsatisfactory definition of income, by exclusion of agricultural income and by

related problem of substantial avoidance and evasion. Further measures to increase the resource mobilisation possibilities of the income tax, according to the author, include a curtailment of the privileged position of the Hindu undivided family, increase in tax rates at all income levels and sharp progression in the rate structure. These amendments will also serve as a means of diminishing inequalities and as a tool of automatic and discretionary stabilisation. It is important to note the author's further suggestion that "the effect of the suggested tax changes on the private sector may be mitigated by a scheme of savings, investment and work exemptions, by complete loss offset for risk involvement and by a scheme of income averaging for tax purposes." It is difficult to accept the first part of the amendment suggested by the author and one is rather inclined to agree with Prof. Kaldor's analysis of income tax structure in India and with his recommendation of 45 per cent as the maximum rate of income tax.

As regards capital gains tax, the author's suggestion is that with radical revision of exemption levels, the list of exemptions, the rate structure and particularly by closing of the gift and inheritance loopholes, the tax should offer a much higher revenue and should be a more effective means of diminishing vertical inequalities and correcting inflationary price movements. He however insists on concessionary treatment of long-term gains, application of exemption scheme to savings from capital gains, introduction of averaging and full

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loss-offset provision in order that the suggested amendments do not have serious effects on the private sector.

As regards the oft-debated problem of taxation of agricultural incomes in India, the author opines that the relative burden on Indian agriculture has been slight and the objectives of growth, equality and stabilisation require both enhanced resources mobilisation for public spending and increased agricultural productivity. He therefore wants the imposition of agricultural income tax based on ascertained net income and qualified by a series of exemptions and allowances for reinvestment. Assessment problems in the short-run suggest that the first step to the solution might lie in a reformed land tax structure which though progressive in terms of land size would be proportional in terms of average potential output for each land size.

Wealth Tax

As regards wealth tax, the author believes that capital levy would be a useful addition to union fiscal weapons in two distinct forms: first, in the form of a moderate levy payable immediately and designed to finance an emergency situation and second, in the form of more severe levy payable by instalments over twenty or thirty years and designed to provide a substantial revenue over the payment period and to effect a radical diminution in disparities of wealth.

The author has justified a progressive expenditure surcharge on various grounds. The measures would serve to curtail the extent to which increases in income are consumed rather than saved and thus increase savings-income ratio. The tax would offer a useful supplementary revenue source. It will also act as a cross-checking device on personal direct tax system and would contribute to administrative efficiency of the whole gamut of personal tax system. Further, a tax on expenditure would help in the reduction of inequalities of consumption and would also act as additional discretionary or automatic stabilising device. And finally, this tax would appear to have negligible disincentive implications with regard to work and investment. The author therefore insists that the expenditure tax be made an integral part of the Indian tax system.

As regards the tax policy in the institutional setting, James Cutt has some very interesting suggestions to make. He feels that the successful implementation of a policy of gold mobilisation cannot be achieved simply by the use of tax policy. A policy mix of fiscal and monetary

devices and the application of social and cultural pressures of various kinds would be necessary to obtain the release of the greater part of gold reserves. Successful implementation of Indian plans may depend in a large measure on bridging foreign exchange gap in the initial stages of development and mobilisation of even a portion of gold hoards would alleviate this problem.

The author has also analysed the possibilities of labour tax in India. He feels that a surplus man-power, both in rural and urban areas, provides immediate justification for labour intensive government projects and an opportunity for local bodies to enlist such idle resources for development schemes. He however is of the opinion that this does not provide the rationale for a labour tax, other than as a last resort. He wants that local bodies be given powers to collect more contributions within a wider range.

As regards corporation income tax, according to the author it is of considerable importance for the tax objectives of resource mobilisation, vertical equality and stabilisation. Although this tax probably reduces funds available for private investment more than other taxes, a variety of incentives to new industries and expanded production, preferably extended by provision of selective accelerated depreciation should offset serious effects on private sector growth. He pleads for the simplification and rationalisation of the present corporation income tax in India.

Indirect Taxation

The author has analysed the structure of indirect taxation in India, though briefly. He thinks that indirect taxation in India provides an elastic and productive source of revenue. The revenue productivity of union excise may be increased by increased rates on a wider range of commodities, use of *ad valorem* rates, establishment of tax rates and coverage on the basis of extrapolations of consumer expenditure and taxation at progressively higher rates of articles with successively higher rates of income elasticities of demand. Such reform would also reduce inequalities and inflationary pressures. According to the author, considerations of revenue productivity suggest that the form of sales taxation should be a combination of a turn over tax and a single point retail levy, with a combination of high rate of wholesale levy and a low rate general levy at the retail level.

As regards the important subject of tax administration, the author has suggested that inadequate present ad-

ministration cannot provide the parameters around tax reform. It is also necessary to reduce administrative cost in the long-run. A variety of procedural changes are suggested to minimise the problems of avoidance and evasion, in particular a comprehensive self-checking tax return covering all personal direct taxes and sales tax. According to the author, devices such as National Tax Board and the tax assessment and computation by tax authorities would serve to mitigate the tax-payer's inconvenience.

It is a monumental work executed with great ability and objectivity. On occasions the treatment of some individual taxes may appear rather scrappy and on some others the readers may not share the views of the author on some issues. And yet the fact remains that after the Report of the Taxation Enquiry Commission published more than a decade and half ago, there has not appeared such a comprehensive book on the subject of taxation structure in India. The book therefore deserves to be read as a text book by students of Indian universities.

THE PRICE STRATEGY

Price strategy is one of the most complex problems and has been neglected for long by Indian economists. One therefore is much pleased that Prof T.T. Sethi in his book, *Price Strategy in Indian Planning* has taken up this subject for his doctoral dissertation.

A suitable price policy is an essential prerequisite for the successful implementation of planning. Under the system of mixed economy characterised by the existence of private and public sectors, India does not possess the operational advantages which planning authorities in communist countries possess. There is the private sector where self-adjusting price mechanism is supposed to operate and there is the public sector where prices are supposed to be controlled and fixed by the government. It is only a well-formulated and well-executed price policy, both at the macro and micro levels which can direct the activities of the private and public sectors in a manner that is conducive to the realisation of the planned goals.

The author begins by analysing the price behaviour in India. He has shown how the general price level actually declined by about 17 per cent during the period of the first Plan, while it rose by 35 per cent during the second Plan period and by 32.2 per cent during the third Plan. The price level has been rising since then by much higher annual rate, this year the rise being by 7.5 per cent. What was the price policy

during the planning period? The author has rightly stressed that during the first 10 years of planning, there was hardly any price policy. It was only in the draft of the third Plan that for the first time a full chapter on price policy appeared. But during the third Plan, the policy, whatever it was, could not be properly executed due to external pressures such as Chinese and Pakistani attacks. The fourth Plan approach is to give maximum incentive to productive enterprises, both agricultural and industrial, for maximising production of all types of goods. This can hardly be called 'policy'. After reading the chapter, the reader is left in no doubt that neither the Planning Commission nor the Government of India has even a conceptual framework of price policy. It is all *ad hocism* from beginning to end and it is monsoon which seems to control our price level than any government agency or price policy. People have lost faith in government's ability to control prices.

Analysing the various determinants of price behaviour, the author has drawn attention to factors such as structural disequilibrium, investment outlays, production, especially of agricultural commodities, money supply, population growth and urbanisation, wages and unaccounted money. Clearly price determination is a truly complex phenomenon and all the above factors and many more have direct and indirect impact on the price level. This also implies that the solution to the problem of prices does not lie in just introducing one or a few isolated measures in a particular field or direction. The price strategy has to be an all round and integrated policy composed of all the above mentioned constituents properly adjusted.

Controlling Spiralling Prices

Analysing the monetary policy of the Reserve Bank, the author has drawn attention to the various steps taken by that institution, especially since 1956 to control rising prices and he has also shown why the monetary policy could not succeed to any significant extent. Existence of substantial non-monetised sector and non-scheduled banks and non-banking financial institutions which are beyond the purview of the Reserve Bank of India put severe limits on the efficacy of its monetary policy and it is therefore important that we in India learn not to expect too much from the Reserve Bank. Section on black money is excellent, while that on the nationalisation of commercial banks is politically oriented. The author expected from such nationalisation, rapid growth in bank deposits, rapid march towards socialism, immediate gains for the economy, reduction of concentra-

tion of wealth, regulation of foreign trade, standardisation of banking services and increase in efficiency due to the introduction of 'service motive' in place of 'profit motive'. These pages (169-172) were written before the nationalisation of the 14 major commercial banks in India and therefore the author would be much amused if he reads now what he wrote before nationalisation.

Then follows the analysis of fiscal and commercial policies and deficit financing, these chapters repeating all those things and arguments with which the readers of these columns are all too familiar.

Logic of Controls

The author has analysed in detail the logic of direct controls as also their operation in India. He has convincingly shown how very difficult it is to attain satisfactory fixation of relative prices without adversely affecting the efficient working of the national economy. Dr D.R. Gadgil's suggestion of looking after only certain groups of prices such as cereal foodgrains, cotton, oilseeds, oil and oilcakes, artificial fertilisers, cement, iron, iron implements, diesel oil, etc. is theoretically unsound and practically impossible. Logically either you control all prices or you do not control any one or group of them in isolation, unless you fix them at their natural levels in which case such fixation is unnecessary.

Prices of foodgrains occupy a pivotal position in the price structure in developing countries and therefore the author has devoted a full chapter to their consideration. He has explained the importance of the stability of food prices and the various measures such as fixation of maximum and minimum prices, procurement, establishment of the Agricultural Prices Commission and food imports etc. taken by the government.

The chapter on 'Growth With Stability' is an excellent analytical chapter examining the thesis of 'growth with inflation' as propounded by Keynes, Kaldor, Lewis and others and 'growth with stability' as advocated by Prof. Milton Friedman. The argument in favour of the first thesis is that inflation brings about income redistribution from those with higher propensity to consume to those with higher propensity to save, thus promoting higher savings and investment in the economy, apart from the optimism which inflation generates in the economy. On the contrary, Prof. Friedman is of the opinion that inflation actually reduces net savings of the community, creates uncertainty in the minds of producers and leads to investment in speculative ac-

tivities. The author therefore favours 'growth with stability' which appears to be the appropriate policy and the one adopted by the fourth Plan.

In the last chapter the author has made an attempt to indicate a price policy and income policy without which the former will not succeed. The picture however lacks clarity.

Price strategy in Indian planning is an extremely complex subject and Dr Sethi deserves our compliments for attempting to analyse the problem, if not for the doubtful success which he has achieved. He is satisfactory when he analyses the policies followed by the Government of India; but when it comes to making positive suggestions, he is either silent, or on uncertain ground. It is extremely difficult to work out first the conceptual framework with appropriate macro and micro parts and then to fit in different policies such as monetary and fiscal, commercial and incomes. In the absence of such a framework, even of a tentative nature, Dr Sethi's attempts appear to be like aimless wanderings in different directions. And yet the book deserves careful study for it gives an idea of how complex the problem of prices is and how various determinants and policies need to be taken care of.

A POLEMICAL TREATISE

India and European Socialist Countries is a polemical book with a clearly partial attitude in favour of the countries of the communist bloc. When an author takes such an attitude, it is obvious that objective analysis of world developments becomes impossible, which also means that policies based on such analysis may prove dangerous. And yet it is interesting and instructive to closely examine the thesis which the author has put forward in this partisan book.

The central thesis of M.S.N. Menon is that socialism and capitalism are contending for the world supremacy, especially by winning over to their side the uncommitted nations of the third world. The contention of the author is that India's close association with the capitalist countries through trade, aid and business collaboration will only mean perpetuation of the past exploitation and subjugation and eventually end of democracy and our socialist goal. The foreign trade or aid from these countries only strengthens the capitalist class in India who benefit from such trade and industrial collaboration and since capitalists of all countries are hand in glove with one another, they will manage to dominate the government and governmental policies and will see that exploitation of the Indian

masses continues and that the socialist goal is not attained.

The author therefore pleads that we totally forsake the capitalist camp and join hands with the communist countries of the eastern Europe. It will be with their assistance and collaboration alone that public sector in India will and can expand and strengthen and eventually supplant the private sector which at present, with the collaboration of foreign capitalists from the western countries, is giving battle to the public sector. According to the author the Russians and their east European colleagues are alone inspired by the altruistic motive of helping the down-trodden peoples of the developing countries and therefore with full faith in their professions we must whole-heartedly join hands with them, doing away with our relations with the western capitalist countries. This is the gist of Menon's argument.

To be on Guard

It is essential that we are extremely watchful of our national interests and goals. But that does not mean that we should be wholly suspicious of one group of countries and put full and blind faith in the other. While the author is suspicious of all western aid, Prof. Friedman, as we have already seen in these columns, maintains that the western countries by their aid policies are actually strengthening the public sector, governmental machinery, interventionist policies, economic planning and are thus hastening the spread of communist ideology in developing countries. Are not some of these countries aiding some of the public sector enterprises, spread of education and family planning? It is difficult to accept the author's thesis regarding our association with capitalist countries, though we can always be on our guard.

Similarly it is impossible to share his views regarding the altruistic motives of the Russians and their colleagues. The picture of economic development of the countries of the Council for Mutual Economic Assistance (namely Bulgaria, Czechoslovakia, Hungary, Poland and Rumania) which the author has presented is not a true picture. The economies of these countries have been made entirely subordinate to Soviet economy and its needs and the world is familiar with what happens when communist countries like Hungary and Czechoslovakia try to break away from the Russian yoke. And therefore while sharing the view of the author that we do not allow our economy and our national ideals to be dominated by the western capitalist powers, it must also be emphasised that neither should we allow the communist countries to domi-

nate over us. We must keep our independence and refuse to be dominated by any one. That is true non-alignment and not the present policy of the Government of India which leans too heavily on one side.

Apart from the polemical part where there is genuine ground for disagreement, in Part III, the author has given

abundant material regarding the economies of east European countries and the rapid development of India's foreign trade with them. It is good that this trade is developing because of its bilateral nature, rupee payment agreements and because it lessens our extreme dependence on western countries. This carefully collected material should be of use to students of Indian economy.

Rich Fare

Swarajya Annual Number 1971: Published by M/s Bharathan Publications Pvt. Ltd; Editor Philip Spratt; Pp. 242.

Year Book 1971: Published by Far Eastern Economic Review Ltd, Marina House, Hong Kong.

Reviewed by HARDEV SINGH

The Annual Number of *Swarajya* provides rich reading material on important issues thrown up by the current election to the Lok Sabha. In a sense, this Number is an effort to defeat the attempts of the Prime Minister, in the words of Rajaji, "to do away with the Fundamental Rights solemnly inscribed in our Constitution and declared by the Supreme Court to be irrevocable by Parliament." An interesting article by Dr K.M. Munshi, who died recently, contains the course of discussion in the Constituent Assembly on the Right to Property as outlined in the Constitution. Mr Munshi holds that Sardar Patel had clear views on the Right to Property and was against the state acquiring any property without paying fair compensation. After Sardar's death there was no one to share power with Jawaharlal Nehru. As a result several constitutional amendments were made, whittling down the Right to Property originally guaranteed in the Constitution. Dr Munshi quotes Justice Douglas of the American Supreme Court on this subject. The latter holds that "whatever the cause, the 1955 amendment casts a shadow over every private factory, plant, or other individual enterprise in India. The legislature may now appropriate it at any price it desires, substantial or nominal. There is no review of the reasonableness of the amount of compensation. The result can be just compensation or confiscation, dependent wholly on the mood of the Parliament".

An article by Mr N.A. Palkhivala contains a lively discussion on Fundamental Rights. He stresses that "the essential purpose of our Constitution is to ensure freedom of the individual and the dignity of man, and to put basic human rights above the reach of the state and of transient politicians in power whose naked juvenile chatter is covered by the flag-leaf of demagogic

claptrap." Prof. N.G. Ranga, a former president of the Swatantra Party, has discussed the significance of democratic coalitions based on consensus. Mr G.L. Mehta has made some meaningful comments on the controversy of dictatorship versus democracy. The Number has several contributions on economic subjects by well-known persons such as Dr Bharat Ram, Prof. B.R. Shenoy, Mr C.L. Gheewala and Mr Naval Tata.

A COMPREHENSIVE ACCOUNT

The year-book produced by the Far Eastern Economic Review Ltd has now developed a concrete character of its own and this year's volume is substantial improvement over the previous ones. Economic and political developments in the Far East, South-East Asia and Australia and New Zealand have been outlined country-wise so that fairly comprehensive account is available in one volume making it an important reference book for one interested in the area.

The Year Book 1971 starts with the portrayal of the changing political landscape in the region. The most significant development of the year in this area was the issue of White Paper on Defence by Japan for the first time in the postwar years. This was important because Japan, which has become economically fairly strong and has been effectively unarmed, has come back to join the militarily strong powers. Although Japan has made it clear that its military preparedness would be essentially a defensive step, it has to be interpreted that now onwards Japan is bound to play a more effective role in the politics of the area, apart from its dominant role in the economic field. The editors of *Far Eastern Economic Review* believe that relations between China and Japan will continue to improve be-

cause China has realised the significance of Japan's economic might and would like to avoid any major confrontation.

The report of an endless turmoil in Viet Nam and Laos that continues to plague the peace of the area is quite detailed. Similarly comprehensive are the reports on China, India, Australia and Indonesia. The use of tables, graphs and pictures help to elucidate points made in various sections.

Books Received

Principles of Wage Determination (An Empirical Study): T.S. Papola; Somayia Publications Pvt. Ltd; Pp 243; Price Rs 35.00.

Trade Union Movement in Indian Railways: Mahesh Kumar Mast; Meenakshi Prakashan, Begum Bridge, Meerut; Pp 210; Price Rs 25.

Science in India: Ward Morehouse; Published for the Administrative Staff College of India by Popular Prakashan; Pp 144; Price Rs 25.

Some Aspects of India's Tax Structure: Ved Gandhi; Vora and Co. Publishers Pvt. Ltd; Pp 202; Price Rs 15.

Central Excise Law and Practice in India: F.L. Berarwalla; Vora and Co. Publishers Pvt. Ltd; Pp 243; Price Rs. 35.

India: The Critical Years: Kuldip Nayar; Vikas Publications; Pp. 280; Price Rs 20.

Fertiliser Statistics 1969-70: Published by the Fertiliser Association of India, 85, Sundar Nagar, New Delhi-3; Pp 656; Price Rs 25.

Soviet Relations With India and Pakistan: Devendra Kaushik; Vikas Publications; Pp 119; Price Rs 15.

Monetary Economics: K.P.M. Sundharam; Sultan Chand and Sons, 4792/23, Daryaganj, Delhi-6; Pp 189; Price Rs 6.

Modern Banking — Theory and Indian: K.P.M. Sundharam; Sultan Chand and Sons; Pp 244; Price Rs 7.50.

An Introduction to International Trade and Foreign Exchange: K.P.M. Sundharam; Sultan Chand and Sons; Pp 123; Price Rs 4.50.

Public Finance: K.P.M. Sundharam; Sultan Chand and Sons; Pp 169; Price Rs 4.

World Resources and Trade: K.K.

Khanna and V.K. Gupta; Sultan Chand and Sons; Pp 713, Price: Vol I—Rs 7.00, Vol II—Rs 8.50, Vols I and II Rs 15.

Banking Law and Practice: P.N. Varshney; Sultan Chand and Sons; Pp. 302; Price Students Edition Rs 8.50.

Some Essentials of Monetary Economics: J.N. Sarangapani; J.N. Sarangapani, 20-21, Meenakshipuram, 1st, Ramnad Road, Madurai, Tamil Nadu; Pp 41.

Consumption Pattern of Selected Petroleum Products: Published by the National Council of Applied Economic Research, Parisila Bhawan, 11, Indraprastha Estate, New Delhi-1; Pp 154; Price Rs 20.

Survey of Backward Districts of Andhra Pradesh: Published by NCAER; Pp 124; Price Rs 20.0.

Techno-Economic Survey of Haryana: Published by NCAER; Pp 247; Price Rs 20.

Changing Horizon — Public Sector: (A collection of editorials from *Lok Udyog*); Raj K. Nigam; The Fertilisers and Chemicals Travancore Ltd; Pp. 129.

West Bengal (An Analytical Study): Bengal Chamber of Commerce and Industry; Oxford & 1BH Publishing Co; Pp 208; Price Rs 30.

The Constitution and the Common Man: N.A. Palkhivala; Popular Prakashan; Pp 21; Price Rs 1.

Leading Group Discussions (A Handbook for Adult Education and Extension Workers): M.B. Talpallikar; Popular Prakashan; Pp 48; Price Rs 4.

Income Tax Reform in India: V.V. Borkar; Popular Prakashan; Pp 234; Price Rs 36.

Role of Labour in Economic Development: Edited by V.B. Singh; Popular Prakashan; Pp 276; Price 36.

Agricultural Development and Population Growth: R.N. Tewari; Sultan Chand and Sons; Pp 226; Price Rs 25.

Correction

In the *Eastern Economist* issue of February 12, 1971, the book entitled *Studies in Politics* (P. 301) was reviewed by Dr Satish C. Seth and not by Dr Satish C. Sethi. The error is regretted.

EASTERN ECONOMIST ANNUAL NUMBER 1971

The cross-roads at which India stands today will have an extraordinary and truly tremendous significance in determining its future. In this particular situation the theme of this Annual Number, appropriately, is "Whither India?" An attempt has been made to analyse the twin-crises of political progress and economic development which confront our country. A valuable feature of the Annual Number is a section of special articles on issues of outstanding importance.

Illustrated with charts and graphs and carrying, as usual, an interpretative section of statistics, the Annual Number is priced at Rs 10 per copy. It is available, however, without extra charge to subscribers who are already on our mailing list. New subscribers enrolled before March 31, 1971, will also be entitled to a free copy of the Annual Number.

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COMPANY MEETING

NUCHEM PLASTICS LTD.

Speech by the Chairman Shri Hans Raj Jain

Following is the speech delivered by the Chairman, Shri Hans Raj Jain, at 19th Annual General Meeting of the Company held at Faridabad on 19th February, 1971

Ladies and Gentlemen

I have great pleasure to extend my welcome to you at the Nineteenth Annual General Meeting of your Company.

The Auditors' Report and the Directors' Report for the year ending 30th September, 1970, have been circulated to you earlier and with your permission I shall take them as read. I now take the liberty to refer to the working for the year and future of the Company.

The year was not without obstacles and hurdles. There were frequent suspensions in the supplies of raw material particularly of Formaldehyde and Wood-pulp both being main items. In addition to this, the Formaldehyde Plant which was installed in a short period of few weeks only with the untiring efforts of our staff came to a standstill as the principal part of "Reactor" had got damaged. The Management lost no time and had it repaired. We got the required necessary stainless steel sheets air lifted in spite of heavy bill of freight. The Plant was again put to working by end of August.

Notwithstanding all these handicaps and difficulties the Company could succeed in presenting results better than the previous year. The sales having increased by Rs. 5,72,203 to Rs. 95,97,259, an increase of 6% and the profits before depreciation were Rs. 12,57,993 i.e. 13%, against previous year's Rs. 6,68,521 i.e. 7.4%. After allowing Rs. 7,95,858 for depreciation against last year's Rs. 3,77,350 the net earnings were Rs. 4,56,751 which figure is higher than previous year's.

The Board has decided to write off depreciation on Formaldehyde Plant on straightline basis. However the development rebate charge has been deferred to next year as there are no profits available after depreciation calculated on Income Tax Rules basis. The Board of Directors have recommended a dividend of 6% to be declared, the same as was declared in the previous year, which I hope you will accept together with the audited accounts before you.

Our Resin Plant had remained a

burden to the Company as it stood idle for most of the time for want of Formaldehyde. I am glad to report that it is now working to full capacity. We are now not only producing materials of standard quality but our production is competing with best materials and is now acceptable everywhere and the demand for our product is increasing.

The other hurdle which arose in way of continued production of moulding powders during the year was with regard to the non-availability of Hexamine in the 2nd half of the year. This has also been overcome by Production Department with the help of Research and Development facilities of the Company by producing the same themselves, thereby removing our dependence from outside and gaining valuable experience in the manufacture of the same. We are now looking into the possibilities of manufacturing the same on regular commercial basis.

All the Plants at present are working to full capacity.

Our sales even in 4½ months of current year have almost reached to the total of last year's figures. If the value of materials such as Formaldehyde and Hexamine consumed in our own production, be taken in account it even crosses the line, in spite of yet developing transport facilities in carrying Methanol to the Factory and Formaldehyde from Factory to outstations and a severe cut in electricity. Under the conditions as such, we have every hope of Company producing brilliant results this year. Your Board may feel in a position to declare an interim dividend.

Export side is also having due attention of Management and we are now regularly exporting our product both Urea Formaldehyde Moulding Powder and Melamine Formaldehyde Moulding Powder to Middle and Far East which are gladly accepted in those markets and can match with any foreign product.

The Company keeps a redical outlook in formation of policies in a

sphere of their activities. We feel that we have a responsibility towards our customers, who must get a square-deal in quality and competitive product, together with good sales service. Our employees must get a recognition in talents, receive constant training, get good working conditions and their welfare is our concern. To our shareholders, we promise good return on their invest ments. Our product must constantly find improvement. Our watchword is action, looking to the future.

The Company has started to raise Research and Development Division on Mathura Road site to make ourselves independent of dependence on others. The erection of suitable laboratories for the purpose has already been taken in hand.

This year an Agreement for the collaboration with M/s. Daniels of Stroud Ltd., U.K., for the manufacture of Hydraulic Presses had been finalized and is now pending with the Union Government for approval. No sooner the approval is received the Company will take in hand the matters of raising capital loans and installation of the Plant. The Project is expected to cost Rs. 50 lakhs or over. It will, no doubt, contribute considerably to diversifications and the growth of your Company's outputs.

There are some other valuable items under planning for production which I shall have the pleasure to disclose at proper time. We certainly look to the future with confidence and predict a bright future for the Company.

In conclusion, I record my sincere thanks on behalf of the Board of Directors and myself to all concerned with Company, to the Financial Institutions, Employees, Shareholders and others, who have contributed to the success of the Company.

Thank you.

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

RECORDS AND STATISTICS

Bank Lending to Agriculture

IN A circular issued to all commercial banks on December 16, 1970, the Reserve Bank of India provided guidelines for the financing of agricultural development. These guidelines have been prepared on the basis of a study made by the Credit Planning Cell into the methodology of operations, policy and procedure adopted by some of the nationalised and other commercial banks involved in agricultural financing. While making a study every effort was made to see what organisational pattern was available for not only evaluation and scrutiny of proposals but also for keeping an effective watch over disbursement, utilisation and timely recovery. These studies indicated that there were in many cases perceptible and avoidable gaps in communication within the banks in this matter. In several cases, the field level staff were not conversant with their proper role in the field of agricultural financing, and in several others, the procedures relating to appraisal, post-credit supervision and recovery called for improvement.

New Guidelines

The Reserve Bank, therefore, felt that it may be useful if a set of guidelines were issued so that at all levels the rationale, policies and procedures for making agricultural loans were made clear. In its very nature, the set of guidelines cannot be considered exhaustive though every effort has been made to make them as comprehensive as possible. The broad indications given in the guidelines are to be observed while making loans for agricultural development, both for crop raising and for durable capital investment. While making these loans, as has been indicated in the guidelines, the agro-economic and agro-climatic situations, where the branches are operating, would have to be kept in mind and the scales to be adopted by the branches may have to be on the basis of local requirements and local needs. While meeting the requirements the efforts of the bank should always be; (a) to improve the quality of loaning; (b) to help the borrowers to move on to a higher technological plane; and (c) funnel back into banking system surpluses accruing to the borrowers or from others residing in the area.

Emphasis has been laid on the banks moving into agriculturally less developed areas, moving away from security-oriented lending to purposive, produc-

tive and incremental income-oriented lending and financing small and potentially viable farmers.

The text of the guidelines is reprinted below:

General Objectives

The main objective of commercial banks lending to agriculture is to assist proved package of practices and thus move them to a higher technological plane of activity. Credit for agriculture would have to be purposive and should be provided not only to already viable cultivators for further increasing their surpluses but, more importantly, to marginal and potentially viable cultivators.

The efforts of banks in the field of agricultural credit should be directed primarily towards lending for discernibly productive purposes viz., for new investments that would result in a better input-output co-efficient and consequently higher incremental income. Lending for purposes in the nature of ways and means accommodation, for the maintenance and replacement of existing assets, should be given lower priority.

However, the financing of agriculture at the traditional or existing plane cannot be altogether avoided. Indeed, it may, at times, be worthwhile to undertake such lending in order to bring cultivators within the ambit of commercial banking. The effort should thereafter be to improve upon the package of practices with a view to increasing the output of the cultivator and conse-

quently the incremental income accruing to him.

In agricultural lending even more than in lending to other sectors, the availability of funds at the right time and in adequate quantity are of vital significance. When the requisite finance is not forthcoming from banks, the cultivator has to borrow from elsewhere and it is the provider of this crucial instalment of credit who comes to be considered a benefactor. The basis for a proper enduring relationship between the bank and borrower is hence affected.

Close and constant touch with the borrower will have to be maintained, not only for the purpose of loan recovery but with the wider objective of educating the cultivator and getting him into the habit of regular repayment.

Every effort should be made to inculcate the banking habit in the cultivators. Borrower should be encouraged to open a savings account. The loan amount may be credited to the deposits account of the borrower and, in some cases, even the value of the 'kind component' of a loan may be so credited ensuring that the suppliers of inputs are paid by cheques on the account. All efforts should be made to get some deposits after the sale of the produce. Some linking of deposits to the credit provided and collecting such deposits at the time of repayment after the sale of the produce. Some linking of deposits to the credit provided and collecting such deposits at the time of repayment of the loan may advantageously be considered.

Hitherto, banks have tended to concentrate their activities in high potential, easy areas and have also leaned heavily on intermediaries. For the future, they would have to move into more difficult areas and also consolidate the

Eastern Economist 25 Years Ago

MARCH 8, 1946

We must welcome the disappearance of the external debt that war has brought about, for payment to another community by way of principal and interest means a corresponding reduction in the real current income of the paying community. In our case, it was particularly a hardship, for the principal of the sterling loans, which we had been paying from the mutiny onwards, represented largely the cost of the mutiny, the payments for buying the E.I. company, a succession of imperial wars etc. In so far as it represented productive assets like the railways, the value was extraordinarily inflated. And what is worse, the money was raised in London at rates of interest, which has

no correspondence to prevailing rates anywhere in the world. It may be no good politics to cry over spilt milk, now that it has all been liquidated. But in so far as H.M.G. drew upon our real resources for repatriation, it ought to be classed in real economic terms with the sterling balances. Whether we are debtors or creditors, the accounts have yet to be settled. If the British class the sterling balances as war debts, the pre-war sterling loans from the mutiny onwards are also war debts and we may reasonably insist on a cumulative settlement. But that would take us too far into history and it may not be practical politics.

position in regard to the recovery of old loans.

Area of Operations and Staff

Recent experience has shown that better results are achieved when banks adopt an "area approach" in agricultural lending. In the context of an overall shortage of resources, it is of the utmost importance to avoid the possibility of overlapping of efforts and resources in the same area by two or more commercial banks. Consistent with the availability of staff, each bank branch

should decide on the "command area" it would serve. In general, a branch with one field officer/assistant attached to the agent could serve an area within a radius of 10 miles. For this area, a norm of one supervisor for 450 to 500 borrowers could be adopted. However, in areas where a multiple cropping pattern prevails or seasons tend to overlap two sets of staff may be considered; one for evaluating and scrutinizing proposals and the other for effecting recoveries.

The discretionary powers allowed to the branch agent should be such that at

least 80 per cent of the proposals can be cleared by him, without reference to the central office. Since the scale of finance would vary considerably between areas, there should be suitable adjustments in the discretionary powers allowed to agents according to the prevalent conditions and no attempt should be made towards uniformity in this regard.

The branch agent should collect and have available for ready reference the basic agricultural data relating to the area under his jurisdiction, e.g. land use and cropping pattern; seasonality of

operations; extent and types of irrigation facilities, tenurial structure etc. For medium-term loans more detailed technical information would have to be collected e.g., sub-soil water table recharge potential, minimum distance between wells etc.

Credit Norms

Based on all the relevant data pertaining to the area, the branch agent would have to work out (with the help of the District Agricultural Officer and progressive cultivators) a rational scale of finance for the various crops grown locally. The Head of the Agricultural Finance Department of the bank should look into the scales suggested by various agents, particularly with a view to checking on discrepancies between contiguous or similar areas.

The scales should be worked out considering all the inputs required as well as the off farm income or resources available to cultivators.

While working out the scales of finance banks may check with the scales fixed by the co-operatives in their annual Field Workers' Conference. These scales would broadly indicate an optimum, and may require some alteration for adoption by commercial banks, in case the scales of the co-operatives were inadequate due mainly to constraints of resources with the co-operatives.

Short-term loans, for crop raising should generally be divided into a cash and kind component. It should be ensured that the kind component is in actuality, lifted in kind, and necessary payments could be made directly by the bank. A list of approved dealers, common to all banks, could be maintained for this purpose. As cultivators grow more responsive to the use of fertilizer and other inputs, the kind component may in course of time be provided in cash. Before doing this the bank should be sure of effective post credit supervision.

A tendency has been in evidence to exaggerate the cash component of a scale. This should be worked out realistically, taking into account both the conditions of cultivation in the area as well as the circumstances of a particular borrower (e.g. the number of labourers employed by him; the consumption requirements of himself and his family, etc.). In general, the cash component may be around 30 per cent of the value of the inputs.

In regard to medium-term loans, the norm should relate to the income generating potential of the proposed investment rather than to the size of the holding, e.g., a certain acreage may be

able to support a composite well sinking or pump-set loan in a particular area because of the cropping pattern, agro-economic and agro-climatic situation while the same may not be true in an equivalent land-holding in another area.

Some banks have been asking for a 25 per cent margin. Despite this, however, the scales of loans were more liberal than those adopted by the co-operatives in the area. This followed from the initial enthusiasm of banks to build up custom. Where scales are worked out realistically and the supervision machinery is adequate there is actually no need for any margin. The only precautionary measure in this regard should be that in working out the requirements of big cultivators, the amount of owned funds that could be brought in by them for their operations should be correctly estimated and taken into account in determining the size of loan.

The question of security is mainly of relevance to medium-term loans although some banks have been insisting on mortgage security even for short-term loans. This is unjustified in case of crop loans to small and medium cultivators and in such cases, provided rational scales have been fixed by the bank, a mere charge or hypothecation of crop would be sufficient.

Since banks should attempt to dissuade cultivators from approaching various agencies for *ad hoc* loans and meet the entire financial needs of farm requirements (short as well as medium term), it would be advisable to persuade the cultivator to mortgage his entire holding, even if, for a specified initial purpose, the mortgage of a part of the holding may be sufficient.

Some cultivators might prefer to provide two guarantors and accept margin in the case of pump-set loans, etc. The sanction of a loan against hypothecation of the assets could be considered in such cases. However, it would be in the interests of the borrower himself, in view of the overall requirements of his advancement to a higher technological plane, to provide a mortgage of land for which purpose, some special facilities are offered in some states.

Seasonality and Timing

Banks should canvass and elicit custom well in advance of the commencement of operations. (Say by mid-May for kharif and end-September for rabi). This would ensure that preliminaries would be completed and the funds kept ready for disbursal at the right time.

Some banks have been insisting on

disbursal of loans in instalments (two to three). In the present conditions and for the majority of cultivators, it would be most advantageous to make the loan available in one lump, simultaneously with the disbursal of the kind component.

The appropriate time for the disbursal of medium-term loans would be the off-season, when the cultivator is not busy with his crops (March-May and September-October).

Repayments and Recovery

For both short and medium-term loans, the repayment schedule of loans should coincide with the time when the cultivator has sold his produce and is fluid. The branch agent should hence study the trend in market arrivals and peak sales of all the major crops in his area. The due date of loans should be fixed on the basis of this information. Care should be taken to allow sufficient manoeuvrability to the cultivator to hold the produce and get a good price.

Efforts at recovery should commence in advance of the due date. It has been seen that banks, which are systematic in sending reminders and notices one or two weeks before the due date and whose field staff have been active around this time have been far more successful at recovery than banks that have merely waited for the repayment to flow in. The branch agent should keep the recovery procedure fair but firm.

Where multiple-cropping prevails or one of the two seasonal crops is pronouncedly more important than the other — one being the main crop and the other a subsistence crop — the due date should be related to the time of sale of the main crop. It is extremely important that the habit of regular repayment should be inculcated in the cultivators; if this is not done, a psychosis of default would develop rapidly.

The cultivator's repayment capacity would depend on the yields expected from the improved practices adopted. In working this out, care should be taken not to exaggerate the gross output. Generally, 50 per cent of the gross value of the produce could be taken as available for meeting all loan commitments with two-thirds of the 50 per cent set apart for short-term crop loans and the balance for instalments of medium-term developmental loans.

The close inter-relationship between short and medium-term credit requirements is best illustrated from the angle of recovery. The repayment of developmental loans, as also crop loans, come from out of the crop raised. If the lender bank does not take care of

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5th British Columbia International Trade Fair,
Vancouver (Canada)
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Swedish International Trade Fair,
GOTHENBURG (SWEDEN)
—May 7-16, 1971.

Tokyo International Trade Fair,
TOKYO (JAPAN)
—April 16 to May 5, 1971.

Budapest International Fair,
BUDAPEST (HUNGARY)
—May 21 to May 31, 1971.

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the requirements for crop raising under an improved package of practice, the chances of the recovery of the instalments of the developmental loan would be jeopardised. This has been the experience of many banks which have advanced term loans, ignoring crop raising requirements.

Recovery programmes should at all times be sufficiently flexible as to allow easy and appropriate rephasing in case of natural calamities or adverse seasonal factors.

It is of the utmost importance that the recovery performance in each area and for each season, should be under constant and close review. In this connection, recovery performance should be related, not so much to total outstandings as to the demand raised on account of the loans. Each bank branch should hence maintain demand, collection and balance register and a due date register.

Financing of Small Farmers

Small Farmers Development Agencies have already been registered in certain districts as directed by the Planning Commission for identifying small farmers and working out economically viable schemes of agricultural development mixed farming, which would have to be serviced by both commercial banks and the co-operatives.

Generally, in areas where small farmers development agencies have been organised, the co-operative credit structure may perhaps not be very strong and therefore to service the programme the commercial banks branches would have to be very much more active and properly staffed, with field officers and/or field assistants.

Small farmers may first have to be identified and generally it has been indicated that farmers holding land between 2.5 to five acres could be considered as small farmers. This norm would vary, as has been stated earlier in the guidelines, depending upon the fertility of the soil, cropping pattern, crop yields and so on. Having identified the small farmers, the banks may have to group them into various categories for credit support so as to enable them to become viable cultivators. The categories may be as follows:

(a) Land holding of the small farmer may be situated in a place where sub-soil water table was high and with a well the cultivator could convert his dry holding into wet. Coupled with a pump-set loan he may change the cropping pattern into double or even multiple cropping activity and thus be in a position to pay back the loan in five years or so.

(b) Some cultivators situated as they

may be near urban centres and with some irrigation of facilities available from canals, wells, tanks etc. may with additional crop loans go in for vegetable cultivation, coupled with poultry schemes or one or two milch cattle.

(c) Third category would be which might need combination of all these schemes viz. agriculture, poultry, dairy as well as digging of a well, a pump-set and so on.

In the financing of these small farmers, supervision would assume crucial significance and therefore, the branches to be opened in the small farmers development agency areas or in areas where there is a preponderance of small farmers may have to be on a slightly more liberal pattern than elsewhere.

It should, however, be borne in mind by the bankers that once small farmers are identified, the effort should be to make them viable farmers by proper technological advice. But if the incremental income indicates that the borrower may not be able to pay back the loan within the maximum currency permissible, as per the rules in force with the banks, he may be advised to approach a long-term financing agency.

The currency for the durable capital loans, such as loans for well digging, purchase of pump-sets, milch cattle, poultry etc. may perhaps have to be longer in these cases than in other cases.

Commercial banks would do well to commence operations in small farmers development agency areas where the agency has been doing some good work in the last one year or so e.g. Purnea in Bihar and use this expertise elsewhere while making loans in other small farmers development agency areas or in areas where there may be a preponderance of small farmers.

Supervision

The most crucial art of production credit is supervision. Without close and constant supervision, it would be difficult to arrive at realistic scales of credit or effect smooth recovery. As recovery would depend upon the yields estimated on the basis of package of practices indicated in the proposal, the banks would have to build up an effective machinery for post credit supervision. An efficient supervisory machinery should be built up at the head office, with a view to both judging the actual implementation of their policies, understanding the problems and lacunae in the field and ensuring genuine timely recoveries.

Reporting systems should be strengthened to provide information in the regional offices and/or the head office,

on such matters as the types of advances made, recovery performance and the impact of agricultural lending on deposit mobilisation.

Inter-Institutional Relationship

At various stages of lending to agriculture, banks would have to turn to the concerned governmental extension and developmental agencies for guidance and help. While this is absolutely necessary at this stage of commercial banking experience in agriculture, banks should not lean too heavily on government staff or depend on them entirely for technical and financial supervision. At no time should banks lose direct contact with their clients. Also, while the required data etc. may be sought from the government, the final decision in all cases of loan sanctions would have to be that of the banker and the banker alone.

At the initial stages of commercial banks entry into the agricultural sector, a certain extent of duplication of effort was perhaps unavoidable. Thus, it has been noticed that occasionally more than one commercial bank as well as co-operative banks might have financed the same borrower for the same purpose and against the same security. It is common banking practice for lending institutions to consult each other in the process of appraising loan proposals. Such consultation is of special significance in agriculture where the base for repayment is relatively narrow. It is hence essential that all branch agents in a centre/area should be in touch with each other as well as with their counterparts in the co-operatives and attempt to work out informal methods of exchanging information. This collaboration should not merely stop with avoiding duplication of financing — which is of course crucial — but should be extended to such matters as working out common norms and scales of finance.

It is also necessary for banks to obtain full information on the programmes of the Agricultural Refinance Corporation in their various areas. Commercial bank's financing of developmental programmes in areas where ARC schemes are in operation might result not only in the bank loan becoming infructuous but might have more far-reaching consequences by adversely affecting the water table and thus the economic viability of the loans financed by the ARC scheme.

In the ARC scheme areas the commercial banks should see that full benefit accrues to the borrowers of durable capital loans by providing crop loans, especially in ARC scheme areas, where the co-operative credit structure is weak.

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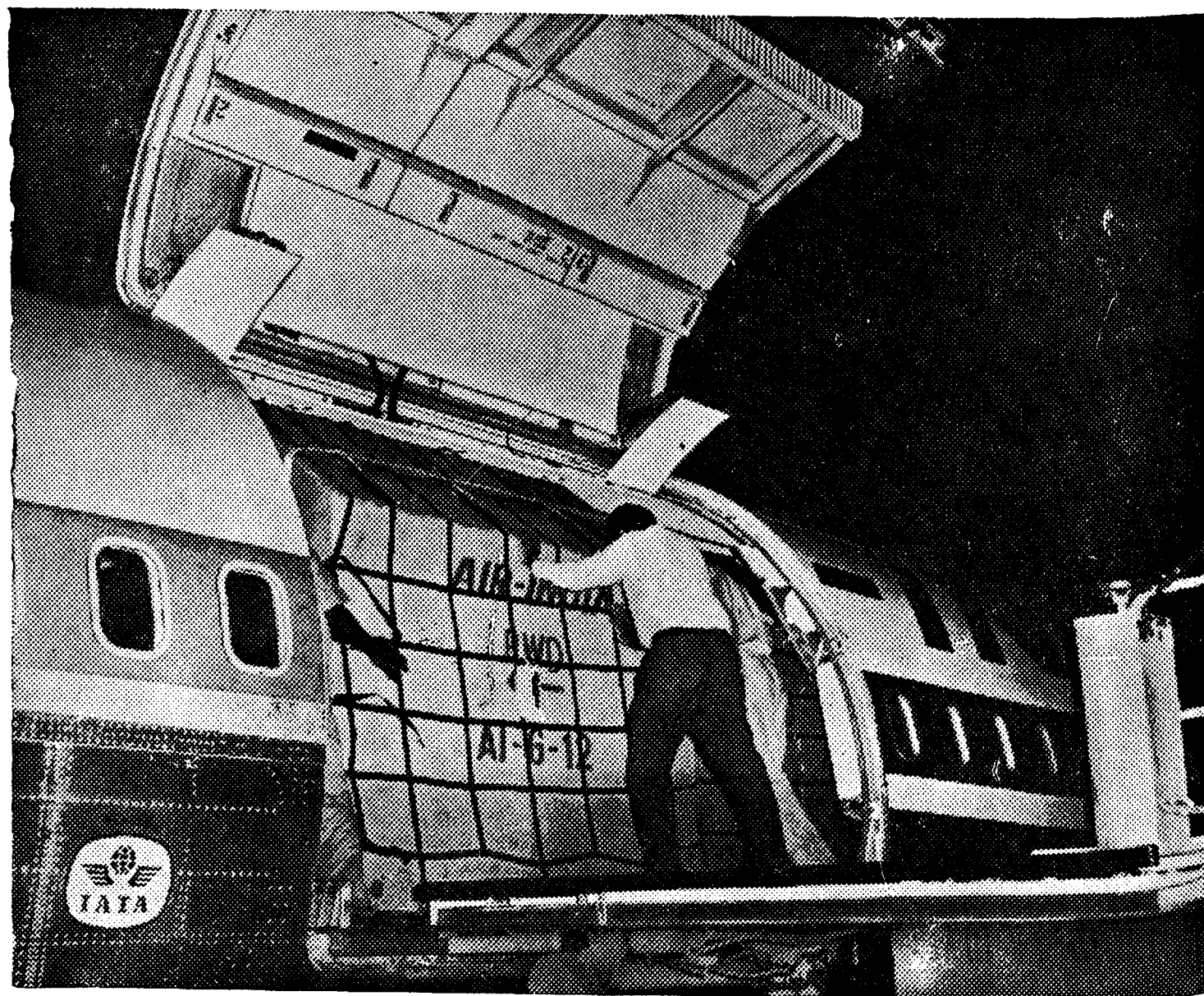
EASTERN 13 ECONOMIST

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**Meet the Ministers
Jobs in the Countryside
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EASTERN ECONOMIST

MARCH 26, 1971

Meet the Ministers	501
Jobs in the Countryside	502
Census—1971	503
Dearer Money! —Pesi M. Narielvala	504
EC's Progress —A Correspondent	505
Indo-Nepalese Trade Treaties —Brahmanand	508
WINDOW ON THE WORLD	512
Two Views (and Some Glimpses) of West Germany. Funds for East Europe.	
THE MOVING FINGER WRITES	517
TRADE WINDS	518
Industrial Licensing; Manufacture of Carbide; Fertiliser Team Abroad; IS Loan to India; Trade with Mongolia; Savings Certificates; JK Television; British Project Aid; EC Delegation; Leather Team for Japan; State Budgets; Foreign Collaborations; Indians in Foreign Firms; Estimate for Sesamum: 1970-71.	
COMPANY AFFAIRS	521
Arsen & Toubro; Hindustan Lever; Anara Bank Merger; Philips; ICICI; Iemens India; Hindustan Thompson; East Tyres; Devidayal Cable; Vulcanaval; Belsund Sugar; Champarunagar; Shipping Corporation; Capital and Bonus Issues.	
HAIRMAN'S STATEMENT	525
The Industrial Credit and Investment Corporation of India Ltd.	
RECORDS AND STATISTICS	528
The New Council of Ministers; Wholesale Prices; Index Numbers of Industrial Production; Money Supply with the Public; Reserve Bank of India; Scheduled Commercial Banks; Consumer Price Index Numbers for Industrial Workers and for Urban Non-Manual employees.	

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MEET THE MINISTERS

THE PRIME Minister's latest exercise in ministry-making clearly has 'that tired feeling'. This, more than the legitimate need to assess the possible ministerial worth of newcomers to the Lok Sabha, would explain the inchoate character of the new Council of Ministers. Mrs Gandhi apparently did not even have that little extra energy which was probably needed to dislodge Mr Fakhruddin Ali Ahmed from his ministerial estate.

Not that her scheme of appointments (and disappointments) is entirely lacking in interesting details. The induction of Mr Siddhartha Shankar Ray, Mr Moinul Haq Choudhury and Mr H.R. Gokhale has the appeal of freshness and they will certainly start with a fund of public goodwill. Mr Raj Bahadur, though a newcomer to this cabinet, had been 'here' before and he has returned with the advantage of a reputation established earlier as a sound and stable, even if not a spectacular administrator. Mr Mohan Kumaramangalam, on the contrary, has a political past to live down, especially as his surrender sometime ago of his communist party card was due to purely technical reasons. The Prime Minister in her wisdom has given him the sensitive and strategically important ministry of Steel and Heavy Engineering and this is all the more the reason why there is bound to be mixed feelings in the country about his inclusion in the cabinet.

Apart from Mr Satya Narayan Sinha, who had resigned earlier in return for the flesh-pot of governorship in Madhya Pradesh, seven of his colleagues of cabinet rank have been omitted from Mrs Gandhi's new list. That some old-timers had to be dropped in order to make room for new men would be readily understood, but only Mrs Gandhi and her closest counsellors may know all that is to be known about why the axe fell wherever it did. Not that some of the rejections need to be justified even cursorily. Few tears will be shed for Mr G.L. Nanda, an incompetent ancient if ever there was one. Sympathy again would be misplaced in the case of Dr V.K.R.V. Rao whose recent public career has been unashamedly opportunist. Dr Triguna Sen perhaps does not expect to be a politician and he could leave the New Delhi scene without hard feelings and with some satisfaction of having done his job well enough, given his limitations, both personal and environmental.

As to Mr D. Sanjivayya, his departure from the cabinet is logical enough since he is the obvious successor to Mr Jagjivan Ram as president of the party organisation. What must intrigue, however, is why Mrs Gandhi has discarded Mr Dinesh Singh, Mr B.R. Bhagat and Mr Raghu Ramaiah. Quite possibly personal considerations had figured a great deal in the Prime Minister's mental processes when she took the decisions affecting Mr Dinesh Singh and Mr B.R. Bhagat. It is also possible that, in respect of these two members of the outgoing cabinet as well as Mr Raghu Ramaiah, calculations of regional politics had something to do with the Prime Minister's thinking.

Mr Jagjivan Ram evidently has been made to commit partial suicide, so to say. The Prime Minister however has been generous enough to leave to him the choice of weapons. Faced with the alternatives of quitting the cabinet or leaving the post of the party chief, Mr Jagjivan Ram seems to have concluded that even an idling cabinet minister is worth two sleeping party presidents. Even this resourceful veteran in Congress politics has evidently had to submit to punitive surgery and part with a big slice of his political status and prestige. As for Mr Chavan, his chief consolation must be that the *status quo* has not been disturbed to his disadvantage. For as long as the Prime Minister chooses to keep it that way, he will be allowed to drift on the mystery waters of the Finance portfolio. Mr Swaran Singh remains as much a fixture in government as the Nehru legend threatens to be in the history of our times, but this should not evoke criticism, since Mr Swaran Singh is a kindly man who has always tried to serve the country according to his lights and whose fault, if any, is the rather human one of a passion for survival.

There has been little evidence that the Prime Minister or his counsellors have been really scouting for talent. The exit of Mr Dinesh Singh and Mr B.R. Bhagat has left a gap at the level of economic ministries which very few of the members

of the new cabinet seem qualified to fill. In this sense even Dr V.K.R.V. Rao may be missed since there is not a single member of the present cabinet who has got the capacity for comprehending economic issues. There is no reason really why the Prime Minister should lose time in drafting, say, Mr C. Subramaniam and Mr Manubhai Shah for making good this deficiency.

In the matter of promotions, the Prime Minister has been wholly unenterprising. She could certainly have elevated Mr K.C. Pant and given him cabinet responsibility for, say, the Ministry of Petroleum and Chemicals, which has now been left in charge of a pair of ministers of state. Similarly, she could have entrusted cabinet responsibility for the Home portfolio to, say, Mr L.N. Mishra who certainly has some of the talents needed for this position and who had undoubtedly worked with great zeal

Jobs in the Countryside

NOW THAT Mrs Indira Gandhi has secured all the mandate she wanted and more, the first and perhaps the foremost among the policies and programmes outlined in her election manifesto which she will be called upon to implement is the so-called crash programme to relieve unemployment. Already, that is between announcing her decision to have mid-term poll and the actual elections, the Government of India has announced one crash programme involving an expenditure of Rs 50 crores which seeks to provide large-scale employment in the rural areas. It is not clear whether this is in addition to its decision to create half a million additional jobs in the country before the end of the current year. Even assuming it to be so, the fact remains that, alongside the magnitude of the task involved, the cumulative effect would still fall far short of requirements.

In the words of Mr Y.B. Chavan, when he inaugurated the AIMO seminar on "Self-employment and Development of Entrepreneurship" some time ago, "creation of jobs for the millions will have to be the corner-stone of our development effort in the present decade". The AIMO deserves to be complimented not only for organising this seminar and bringing together the aspiring, the new and the already established entrepreneurs and the financial institutions on the same platform, but also for making it possible for 100 final year students of technical and technological institutions in the country to attend the seminar. The organisation deserves credit too for the methodical manner in which its Technical Education and Training Wing has gone about in arranging this and the previous two

and resourcefulness for the success of the party in the election. If Mr Mishra were to be rewarded, the public will easily understand. Incidentally, why should not Mr Uma Shankar Dixit have been included in the cabinet? Had this been done, it would have squared with the reality of the functioning of the Prime Minister's inner council of associates and advisors.

Finally, it is only too apparent that the present Council of Ministers is incomplete in terms of regional representation. Madhya Pradesh, Gujarat, Andhra and Tamil Nadu are certainly entitled to be given weight at cabinet level and for this, if not for any other reason, it could be expected that even before the budget session of Parliament is due, the Prime Minister may attempt to impart more credibility and finish to the structure and composition of the cabinet.

seminars, one on "Manpower Planning and Training Needs of the Country" and another on "Reorientation of Technical Education to Meet the Changing Needs of the Country". That is an indication of its studied and sustained interest in the problem of providing employment. Mere provision of employment will not do. It must be of the proper type, proper to the person concerned, proper to the environment and also proper to the country's requirement.

Even the prospect of some 4.85 lakh engineers competing for only about 3.84 lakh jobs that are likely to be available by the end of 1973-74, not to speak of thousands of doctors, scientists, accountants and others, is terribly unnerving. But engineers and technicians are a set of young men who can become self-employed and have the making of future entrepreneurs in them. Entrepreneurship is an attitude of life and, as defined by Mr G.B. Navalkar, Chairman, Maharashtra State Small Industries Development Corporation, it is "the propensity of man to take calculated risk with confidence to make a success of industrial or commercial enterprise". It cannot be created, but it can certainly be cultivated, given the required educational background and the needed environment.

Inasmuch as environment, especially industrial environment, nurtures and nourishes nascent entrepreneurship, it behoves the state, as also society, to create such environment. Likewise, it is enlightened economic motivation that must impel our national large and medium industries to feed, fertilise and

foster this nascent entrepreneurship. How can this be done? It is to find an answer to this all-important question that the AIMO's third seminar addressed itself. According to the AIMO president, Mr S.M. Dahanukar, encouragement to small and medium industries spread throughout the rural areas would offer a big help in tackling this problem. This would also appear to be the view of the Government of India, to judge from the observations of Mr Chavan in the course of his inaugural address to the seminar.

After referring to what he described as "an inherent urban bias" of our industrialists until recently, which he conceded was not altogether without some justification, Mr Chavan pointed out that at least some notions, such as, for example, that economies of scale could only be reaped in larger units, had been belied since by more recent developments, namely growth in agricultural prosperity and improvements in transport and communications. He also alluded to the enormous environment cost of locating industries in exclusively urban surroundings.

Not many years ago, it needs to be noted here, Mr Chavan was also among those who supported huge capital-intensive industries. Then, to be charitable to Mr Chavan, we must add, concepts like development of agro-based industries and regional dispersal of industries for extra-

As our next issue will be a Special Election Number, the regular feature 'Books Briefly' will appear in the issue of April 9, 1971.

economic considerations were not so widely known or being advocated. The success of agro-based industries, particularly the sugar industry, is a relatively more recent experience, but it is not just regional dispersal alone that explains the success, suitability of the region being even more important. Today's success of the sugar industry in the Deccan may be a good example of successful agro-industry, but the same sugar industry in parts of UP and Bihar has created more problems than it has solved. So the suggestion of regional dispersal even in the case of agro-industries is not a universally applicable or workable remedy.

As Mr Chavan himself noted, a close analysis will have to be done before we can decide on the general pattern of rural industrialisation, for this pattern cannot be identical for the country as a whole. "From region to region, the sources and availability of raw materials vary, the quality of rural employment and under-employment diverges, and communications and transport pose

different kinds of issues. The availability of funds and entrepreneurs too is not the same everywhere, the latent skills of the population also are divergent." In the ultimate analysis, it is the all round suitability of the region to a given agro-industry, such as the Deccan for the sugar industry, and the availability of all the infrastructure facilities, such as roads, transport, power and water, that will not only determine the location but also ensure the success of any industry, be it an agro-industry or a small-scale industry.

This is not to say there is no compelling reason whatsoever for giving a rural shift to our industries. No one conversant with the economic conditions of this country will dispute the need for such a shift, if only to arrest the flow from the villages to the cities. It is well known that, even after the achievement of the green revolution, agriculture cannot sustain all the rural population. Indeed, according to Prof M.L. Dantwala, the coming years will throw up an inconveniently large army of landless labourers and it will be a problem for agriculture alone to find work for all of them, notwithstanding the green revolution. Mr Chavan was, therefore, perfectly well-advised to urge upon the manufacturers and industrialists to create more employment in the countryside. For, "if lack of adequate opportunities for jobs leads to mass migration and, as a consequence, to the swelling of the number of urban unemployed", as he said, "the consequences will be felt in several areas of social and productive endeavours".

If this much is conceded, the logical conclusion that follows is that no effort must be spared to encourage anyone, whether a big industrialist or a medium or small-scale industrialist, whether one belongs to the big industrial house or otherwise, if one has a workable proposition for a given region, in particular a rural area or an underdeveloped area, to go ahead with one's proposal. The acid test of the sincerity of the authorities to create more agro-industries or disperse industries and provide more employment opportunities will be the extent to which they will do this.

Transforming even engineering graduates or technicians who have the makings of entrepreneurs into self-employed entrepreneurs bristles with difficulties, because there would seem to be at least an initial reluctance among them to take up self-employment. In a recent survey of the educated unemployed persons in South Kanara conducted by Syndicate Bank, for instance, out of 2,573 applicants for jobs, not more than 236, or less than 10 per cent, were ready to take up self-employment! There is need, therefore, to fight this reluctance which

calls for quite a psychological and sympathetic approach. It is possible to suggest a viable scheme, provide the tools and finance and even offer proper guidance, but as Mr Chavan stressed, "very often, small-scale units find it difficult to obtain a market for their products for the simple reason that they have no central organisation to take charge of the operations" — and he might have added, their wares were not competitive. It is here that the relevance consists of such experiments as those of Mr Arvind Mafatlal of not only

creating industries in rural areas but also of training entrepreneurs from the same areas, at the same time, and, what is more, making them run these industries on well-organised business lines. Unless the Government of India adopts a pragmatic policy such as this, it will not be possible for it to augment employment opportunities, increase production and encourage capital formation. Bereft of it, whatever may be its crash programmes and whatever their number, they are all bound to end up only in a big crash.

Census—1971

WHILE THE political situation in the country has undergone a sea-change after the recent mid-term poll, the fourth Plan in particular and the process of planning in general may get a new direction as a result of the decennial census currently being conducted. This is because, despite several crores of rupees having been spent on the collection of economic data during the planning era, comprehensive basic statistics on which the superstructure of planned programmes is built up still continue to be supplied by the census.

This year's census — eleventh in the series — is aiming at producing a wide range of sophisticated economic data, besides bringing the population, employment and other conventional statistics up-to-date. For the first time, an inventory of small establishments in the manufacturing, trade and service enterprises is being taken. A new establishments schedule is being used to gather information on the economics of their operations, including the products turned out, the number of employees engaged and the fuel used. Such data are available at present only in regard to the large-scale, organised sector of our economy.

The current census also has in view the collection of information regarding the total economic activity of indivi-

duals—how they are employed; how long in a year they find work; whether they have any subsidiary job in addition to their principal avocation, etc. Then, information is being collected about how the migration of population is taking place from the countryside to the urban areas and from agriculture to industry. Another innovation is the housing schedule, the primary object of which is to collect data regarding the types of buildings in the country, their age, the materials used in construction, the uses to which the buildings are put, the reasons for their remaining vacant, etc. An important refinement made in the collection of demographic data is the finding out of the fertility rate among married women. Till now population growth has been assessed through extrapolation of the previous census figures, marginally adjusted through sample surveys.

With a view to making the results of the census available expeditiously, the services of computers are being utilised extensively for the first time. The broad details of the data collected may be known within a month of the completion of the enumeration process. A fresh look at the fourth Plan is now being thought of; this census should assist in this process of reappraisal of the possibilities of the economy and the needs of the people.

EASTERN ECONOMIST ELECTION NUMBER 1971

The Special Number which was to have been published today has been postponed to April 2. As has been announced already, the Special Number will analyse the general election results and survey the post-election scene with particular reference to economic prospects before the nation. This Number will include a historical account of elections since Independence and a section on election statistics. Priced at Rs 5 per copy, the Special Number will be available without extra charge to subscribers on our mailing list.

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Dearer Money !

PESI M. NARIELVALA

EFFECTIVE JANUARY 9, 1971, the Reserve Bank of India increased the bank rate from five to six per cent. This was the level prevailing prior to March 1968. The Reserve Bank's action was motivated by the desire to hold the priceline imposing restraint on credit expansion and the consequent increase in the money supply. It was also the Reserve Bank's intention to mobilise additional deposits by making them more attractive in terms of interest return. A careful analysis of the present economic situation leads one to doubt whether either of these objectives will be attained through the relatively simple mechanism of increasing the bank rate.

To begin with, it is necessary to analyse the various purposes for which bank loans are taken by commerce and industry. A significant proportion of bank credit is utilised for purposes connected with production, including current requirements of working capital. Loans from banks and other financial institutions are also utilised for purposes of long-term investment in plant and machinery. To the extent to which an increase in the bank rate adversely affects bank credit for these worthwhile purposes, the present action may have the contrary effect of increasing the price level by curtailing productive capacity. In a relatively impoverished country such as India, the growing need is for increased production. Ultimately, this is the only stable method by which the price level can be held, consistently with the needs of an expanding economy. Consequently, even if the increase in the bank rate does not result in curtailing productive capacity, it is at least a retrograde measure inasmuch as it does not encourage productive investment.

Price Control

Also, it is assumed that the additional interest cost of bank credit will be absorbed by industry. Unless elaborate price control measures are instituted for this purpose—and one knows how ineffective and arbitrary such measures can be—there is no reason why the additional cost of bank credit will not be passed on to the consumer through higher prices, especially in the large area of goods and services where a seller's market still prevails.

It is true that, to the extent that bank

credit is utilised for purposes such as speculation and hoarding which are contrary to the national interest, it should be severely controlled and restricted. However, it is doubtful if these evils can be adequately controlled merely by a manipulation of the bank rate. The hoarder, for example, may be forced to look for even larger profits in order to compensate himself for the higher cost of bank credit, in which case, the ultimate effect would be exactly the opposite of what was intended.

Different Circumstances

The bank rate is certainly an internationally accepted method of controlling prices, but circumstances differ from country to country. In our country, the effectiveness of a general and indirect method of control and its suitability as the selected instrument of policy are doubtful when government and its agencies have the opportunity for more direct control—for example, over banking in general and over nationalised banks in particular, price controls, licensing and other similar methods of control. Also, in India, selective credit control is not only possible in theory, but is in fact exercised in practice because of the Reserve Bank's control over the banking system in general, and because the nationalised banks, in particular, are obliged to act specifically in accordance with the scale of priorities laid down by the Reserve Bank and the Government of India. In fact, even under the increased bank rate prevailing after January 9, priority sectors will continue to enjoy refinance facilities on concessional terms, and the selective priorities accorded to exporters will continue to operate.

Consequently, the question which arises for serious consideration is whether a blanket increase in the bank rate is a satisfactory instrument for price control or whether this purpose could be better accomplished through selective credit controls. In any scheme of selective credit control, it is necessary to remember that credit expansion will inevitably lead to price increases, if it is not matched by a corresponding increase in the production of goods and services. Recently, credit expansion has been motivated by political considerations, especially with reference to rural credit and credit to small-scale sectors of the economy. In that context,

it is worth recalling that, in his speech at the 15th annual general meeting of the State Bank of India on March 26, 1970, the chairman of that bank, Mr R.K. Talwar, pointed out that the inflationary trends which have appeared in the Indian economy cannot be controlled merely by credit restriction; instead, this situation would need to be rectified by insisting upon a growth in the industrial output. It is also worth noting that Mr Talwar particularly warned against the denial of credit to productive sectors and cautioned that the growth of credit would give rise to inflationary pressures if it was not matched by increased production. The fact that these words are quoted from the speech of an official connected with the public sector of the banking industry at the highest level, adds further point and force to the observations so pertinently made by him.

The real reason for our inability to hold the priceline lies elsewhere. It is to be found in the large and ever increasing volume of public expenditure which is not represented by any tangible or intangible goods or services. Another reason is to be found in our inability to step up production to the desired level. The high rates of tax to which we have become accustomed curtail the desire for restraint and economy in business expenditure. By encouraging tax evasion, they also lead to a parallel circulation of unaccounted money which is not conducive to any of the controls which government can exercise. By reducing the rewards for production and by making it impossible for honest tax-payers to save and invest, our tax system has directly contributed to our inability to increase the productive capacity for which otherwise, as a nation, we have ample resources—both human and physical. Even though this is not an article on our tax system, the reference thereto is not irrelevant, since the different aspects of our economic policy including such matters as price control, taxation, and the bank rate mechanism, cannot be discussed in isolation.

Peculiar Conditions

Some of the difficulties which are likely to arise from an increase in the bank rate are peculiar to the conditions under which Indian industry is obliged to operate. Under present conditions in India, a fair proportion of industrial credit is often kept idle due to conditions beyond the control of the industry itself. For example, there may be enforced unutilised idle capacity, prolonged closures, and in the case of new projects, delays in the start-up or commissioning of the plant. To the extent to which credit facilities remain idle, the cost of capital, as represented by in-

terest charges, is a dead weight on the industry and therefore, an additional burden. Bottlenecks and shortages of various types and other impediments to the smooth flow of production increase the real burden of interest charges in India, as compared to the situation prevailing in countries with a freer economy.

Another peculiarity of the conditions prevailing in Indian industry is represented by the need for large inventory holdings—especially of raw materials and stores. This is not a feature which is peculiar to the private sector and, in fact, the public sector suffers from this difficulty to the same extent, if not more. The need to hold large inventories of stores and raw materials does not arise from any desire to hoard merchandise. It is due merely to the long lead time involved in obtaining inventories, and the uncertainties and shortages of supply. To the extent to which capital is locked up in such inventories, the interest charge is again a dead loss, the burden of which will further increase after the rise in the bank rate.

Trader's Difficulties

Several traders will suffer a particular disadvantage from the increase in the bank rate. In the case of the various government levies such as excise and octroi, the trader is only a collecting agent or an intermediary. However, his peculiar difficulty is that, while his margin of profit remains the same in absolute terms, his investment in inventories and accounts receivable increases with every increase in the rate of such government levies. This increase in investment entails a corresponding burden of interest charges which will be further enhanced as a result of the recent action of the Reserve Bank. On the other hand, unless the trader is able to enlarge his margin of profit—which would have an unfavourable effect on the price level of the merchandise in which he trades—this increased burden will further reduce his trading profit.

Turning to the other purpose for which the bank rate increase was intended, the question is whether it will stimulate deposit mobilisation in the banking sector. Here again, the real and basic problem is overlooked. Deposits can only arise out of savings. The root cause of inadequate deposit mobilisation is not dependent upon the attractiveness of bank deposits in terms of interest rates. It arises, instead, from the absence of an investible surplus remaining with average tax payers after meeting the heavy burdens involved in taxation and personal expenditure. If this analysis is correct, it follows that a mere adjustment of the bank rate

will not help to mobilise deposits, unless it is coupled with other suitable measures aimed at increasing the investible surplus remaining in the hands of tax payers. Even the tax relief which has recently been given in respect of bank deposit interest cannot achieve the desired objective because this relief is available only after the tax-payer has been able to generate savings out of his taxed income. The relief is needed at the point of savings rather than after the return flows from the investment of such savings.

One further thought on mobilisation of bank deposits is appropriate at this point. The principal national objective is an overall increase in savings and investment, rather than an increase in investments directed into any particular channel of economic activity. Consequently, if the increase in the bank rate succeeds merely in diverting the same volume of funds from one form of investment to another, no over-all advantage is attained. It is well recognised that an increase in the bank rate has an adverse effect on the market value of fixed yield investments. A diversion of funds from such investments to bank deposits will not fulfil any economic purpose. In the field of equity investment, an increase in the bank rate is likely to reduce corporate profits and therefore equity dividends on the one hand, while such reduced dividends

would be compared to a higher interest rate prevailing in the market on the other, thereby causing a decline in equity prices.

Theoretically, the bank rate may be raised in order to attract the inflow of foreign funds, but this is hardly the purpose in the present case. Attraction of foreign funds is unlikely in our country by the mechanism of increasing the bank rate because—(a) our policy considerations dictate the terms on which we are prepared to accept foreign capital and such conditions are not always easy to comply with, and (b) any attractions which we may offer through an increase in the interest rate would be more than nullified by reason of the relative instability of our currency and the gap between its real or free value in the international market as compared to its official value. A high interest rate would serve to attract overseas funds only if there is reasonable security and stability with regard to the home currency.

While the objectives of the Reserve Bank are beyond question, it is doubtful whether they will be attained through an increase in the bank rate. The economic difficulties from which we suffer at the present moment are much too deep-rooted to be resolved through the simple formula of the bank rate. The solution lies in a complete reappraisal of our economic and fiscal policy.

K F C's Progress

A CORRESPONDENT

THE STATE financial corporations are financial institutions set up under the State Financial Corporations Act, 1951—a central legislation—for providing financial assistance to medium and small-scale industries. They are term-lending institutions, which grant long-term loans for financing industrial enterprises and undertakings, especially in regard to the creation of block assets against mortgage of land, buildings and machinery. Apart from advancing long-term loans for block assets, the state financial corporations are authorised to guarantee deferred payments for purchase of capital goods within India, to under-write the issue of stocks, shares, bonds and debentures of industrial concerns and to act as the agent of the central or state governments or the Industrial Finance Corporation of India for financial assistance to industries.

All types of industrial organisations—public limited/private limited companies, co-operative societies, partnership and sole proprietary—are included within the range and scope of

financial assistance by the state financial corporations. The maximum amount of assistance which they can provide is limited to Rs 20 lakhs in the case of co-operative societies and public limited concerns and Rs 10 lakhs in all other cases. Conceived as specialised financing agencies, the state financial corporations fill up a distinct gap in the capital market with regard to medium and small-scale industries; they play a vital role in industrial financing for the establishment of new industries and expansion of the existing industrial undertakings.

Among the 18 state financial corporations now functioning in the various states of India, the Kerala Financial Corporation was one of the earliest to come into existence. Established on December 1, 1953, as the Travancore Cochin State Financial Corporation, it became the Kerala Financial Corporation, when the Kerala state was carved out under the States' Reorganisation Act in 1956. It has a history of steady growth, which has, however, remained unobtrusive and unnoticed as it lacked

the fan-fare of publicity. The financial assistance rendered by the Kerala Financial Corporation covers a wide range of industries — textiles, tea manufacture, steel rolling, rubber products, chemicals, hotels, coir mats, printing, motion picture production, marine products, cable manufacture, etc. Later, it has also started financing road transport, which is an important item of infrastructure for industrial development. The contribution made by the corporation towards industrialisation of Kerala is summarised in the table below.

It is obvious that the advent of the corporation has had a dynamic effect on the industrialisation of the state. During the first year of its existence the financial assistance which the corporation provided to industrial units was of the order of Rs 37.15 lakhs which rose to Rs 137.50 lakhs last year. This is more or less symbolic of the progress of industrial development of the state. An analysis of industrial investment in the private sector will bring out the fact that there are only very few units in the state which had not at one time or other turned to this corporation for financial assistance and were not benefited thereby.

This, of course, does not mean that the working of the corporation does not leave anything to be desired. There are undeveloped and under-developed areas in the state where the activities of the corporation have made little or no progress. If such areas are identified and declared as such by government, the corporation would be able to channel its assistance for promoting industrialisation of those areas by availing of concessional refinance offered by

the Industrial Development Bank of India in the context of rectification of regional imbalances in economic development.

Mention may also be made of the procedural bottlenecks inherent in the State Financial Corporations Act, 1951. The state financial corporations are not risk-taking institutions and as such they are handicapped in assuming a credit-oriented approach as against the security-oriented industrial financing enjoined in the State Financial Corporations Act. The conventional demarcation of the functional sphere of the commercial banks and the state financial corporations has practically disappeared after the nationalisation of the major banks in the country.

In their anxiety to channel credit into priority and neglected sectors like small-scale industries, the nationalised banks, with the immensity of their resources and network of branches all-over are adopting an aggressive approach to the prejudice of term-lending institutions like the state financial corporations. Instead of confining themselves to the provision of working capital for the industrial concerns, the nationalised banks are now advancing medium and long-term loans to industrial units, which heretofore constituted the legitimate function of state financial corporations. What is wanted is co-ordination and not competition.

There is a large scope for participation arrangements between commercial banks and state financial corporations in the financing of industrial projects through co-operation in credit appraisal, recovery of loans, inspection of units and also in

devising schemes of rehabilitation of units, which get into difficulties. It is hoped that the Reserve Bank and the central government will in due time evolve a comprehensive scheme of co-ordination, demarcating the sphere within which the two categories of institutions can operate, one acting as complementary to the other. Some of the defects and deficiencies of the state financial corporations are of a built-in nature, which could be remedied only by amendments to the State Financial Corporations Act, 1951. A High Level Committee constituted by the Reserve Bank of India is currently considering the connected issues with a view to formulating the amendments to be effected in the State Financial Corporations Act.

Inhibiting Factors

It may not be out of place to refer here to certain factors which are inhibiting the expansion of the business of the Kerala Financial Corporation. While the Kerala Land Reforms Amendment Act of 1969 abolished landlordism, allowed security of tenure to tenants and created peasant proprietorship, it created some hurdles for the lending activities of the corporation. The ceilings imposed on holdings, reduction in the exempted categories of the holdings and added complexities in proving the title and possession are in fact impeding the land-owning entrepreneurs to switch over to the industry from agriculture. This is a serious bottleneck for industrial development in an under-developed economy, where land constitutes the main form of assets.

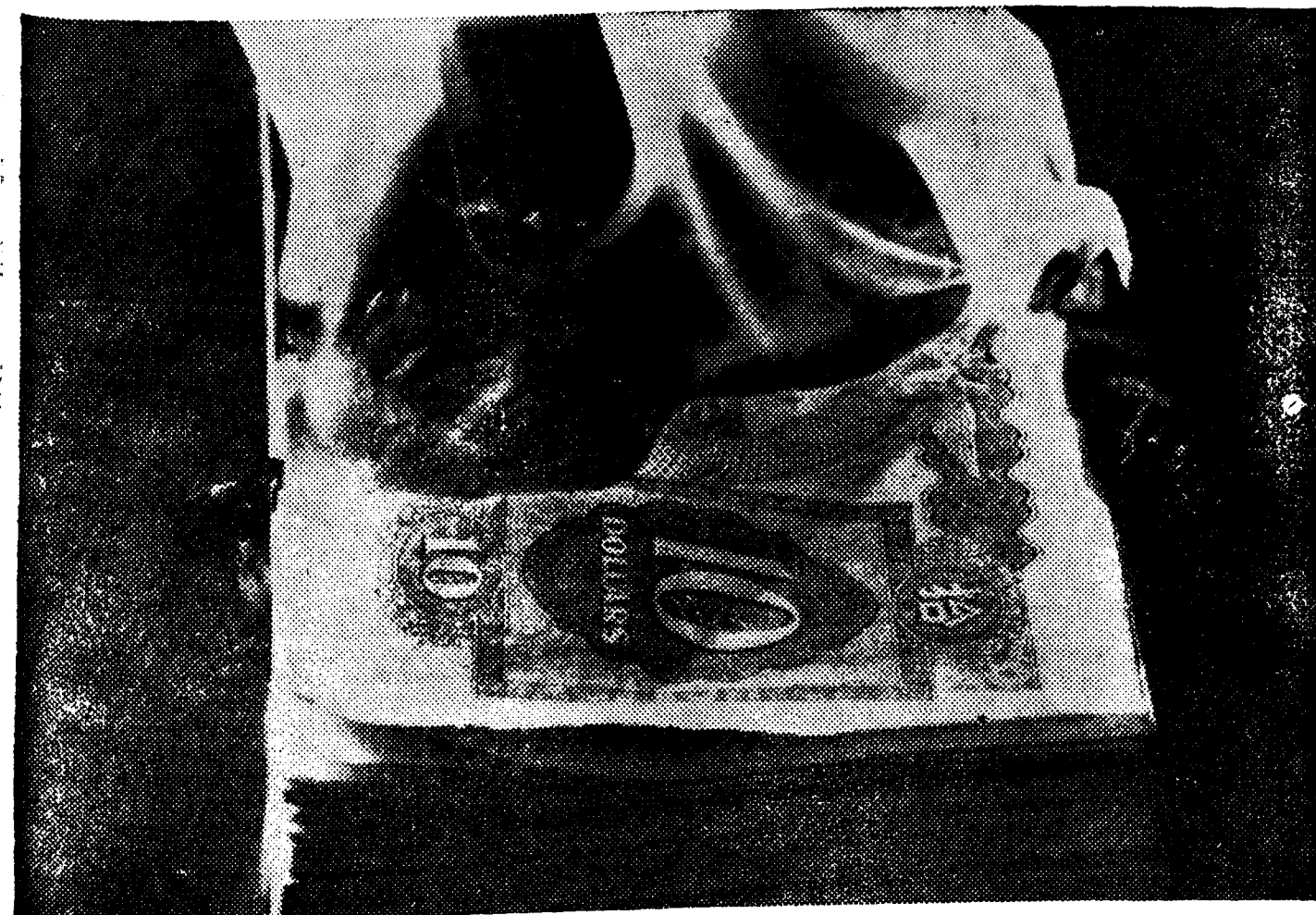
It is a well-known fact that small-scale industries need a lot of incentives in the initial stages of their existence. A small-scale industrial unit that has to raise funds by loans can ill-afford to pay stamp duty for documentation at the prohibitive rate now charged in the state and some relief is urgently called for. Then again, the system of disbursement of state aid loans on liberalised terms under the agency arrangement with government is restricting the flow of finance to small-scale industries. On account of budgetary limitations, the quantum of funds released by government from time to time for disbursement by the corporation under this "agency" arrangement is uncertain and inadequate. But the hope of getting such loans makes the small-scale entrepreneurs hesitant in availing of the loans from the corporation's funds which are replenished through the refinance provided by the Industrial Development Bank of India. Prompt and positive action has to be taken to solve this problem.

There is a misconception that the repayment of the loans sanctioned by the

ASSISTANCE SANCTIONED BY K.F.C.

District	Assistance sanctioned out of own funds		Assistance sanctioned under agency agreement with state government	
	No. of units	Amount Rs	No of units	Amount Rs
Trivandrum	433	89,94,775	50	19,73,349
Quilon	36	98,46,725	55	21,36,215
Alleppey	41	74,79,700	34	17,95,799
Kottayam	49	1,66,67,000	56	27,79,789
Ernakulam	41	1,76,03,800	49	23,68,900
Trichur	25	1,14,87,000	70	38,22,889
Palghat	6	47,24,150	20	11,86,750
Malappuram	..	..	2	1,39,000
Calicut	18	91,17,300	26	13,25,500
Cannanore	10	37,05,000	16	6,18,400
	259	8,96,25,450	378	1,81,46,591

Have you dollars to burn?



Not even J.P. Morgan, late of Wall Street, had them. In this jet-spiced era you can't afford to take the slow boat. Surface shipments involve endless forms to fill in, large inventories to check, warehouses to hire and maintain, extra labour and insurance, heavier packaging and late deliveries. What you thought you gained in freight costs is lost in time, travail and transit. Speed your cargo by air—it's a faster, cleaner, trouble-free operation. And profitable too.

If you can't make a complete switch to air exporting start now with BOAC's Air/Sea Mix Plan. Send the bulk by sea but use air as often as possible and always in emergencies by building an allowance into your costing system. This extra cost is offset by spreading it over every unit you send out. Ask BOAC or your Cargo Agent. They'll tell you how you can benefit. Don't burn money, turn it to profit.

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CARGO

No? then Air Cargo is the answer!

Kerala Financial Corporation is heavily in arrears and that its overdues are on the increase. As a matter of fact the corporation's overdues work out to only five per cent of the total dues, which cannot be deemed abnormal. At the same time the corporation is quite sympathetic and responsive in its dealings with the assisted concerns. Those undertakings, which were hit hard by the recession and could not turn the corner due to circumstances beyond their control were granted concessions by way of moratoria and rescheduling of the repayment liability. Apart from vicissitudes, which are bona fide, it is likely that industrial enterprises might run into difficulties as a result of imprudence, indiscretion, indifference and other dubious tactics of the managements. Inasmuch as the recessionary trends are vanishing, they should take advantage of their experiences in adversity for attaining financial stability. Promptness in the payment of the corporation's due is beneficial not only to the corporation, but to the loanee concerns also, because by avoiding accumulation of arrears, the latter protect themselves and enable the corporation to canalise more resources into new enterprises and needy units.

Statutory Obligation

The Kerala Financial Corporation has a statutory obligation to pay a guaranteed dividend to its share-holders, and whenever its profits are inadequate to discharge this liability, the corporation has to fall back on a subsidy from government for the purpose. From 1968-69 onwards, the corporation has been able to pay the guaranteed dividend without resorting to any subvention from government. In the years to come, the corporation would be able to earn enough profits to pay off even the subventions amounting to Rs 17.45 lakhs drawn from government to discharge the statutory liability to pay the minimum dividend to the shareholders. Along with the other share-holders, government has all these years received the minimum guaranteed dividend on their holdings in the corporation. It is worth mentioning in this context that during 1969-70 the working of the corporation has yielded to the state exchequer a sum of Rs 7.19 lakhs by way of stamp duty, registration fee and insurance premia. If these accretions to the state revenues from the very inception of this institution are added up, it will be seen that the subventions drawn in the past have been more than compensated and therefore it behoves government to renounce their claim for refund of the subvention paid to the corporation and sanction its write off.

The current thinking about the state financial corporations is that they should

function as the industrial development banks of the respective states. If the Kerala Financial Corporation should grow along these lines, it has necessarily to expand the range and scope of its services. This means that the corporation should have a technical cell manned by experts to examine the feasibility of the industrial projects to be assisted, a network of branch offices and additional field staff for inspection work

and extension service. Unless the corporation is enabled to make a larger allocation of its income for working expenses by relieving it of undue liabilities arising out of subventions drawn during the early period of building up business, the idea of moulding it up as the industrial development bank of the state may perhaps remain for long a dream of the past and hope for the future.

Indo-Nepalese Trade Treaties

BRAHMANAND

THE PROTRACTED talks on trade and transit treaties between India and Nepal have come to a standstill. It has two discernible effects: first, His Majesty's Government in Nepal has announced to follow a policy of austerity; the junior ministers in His Majesty's Government have decided to go through ordeals of self-restraint in the use of motor cars; and secondly, too much vent has been given to anti-Indian feeling creating national chauvinism through public protests, boycott of Indian goods, and public demonstrations all over the country.

What is this hullabaloo about, after all? There could be three possible explanations: first, His Majesty's Government has genuinely suffered on account of India's "intransigent" policy of not granting adequate trade transit facilities to Nepal in accordance with the international law relating to the transit of land-locked countries; secondly, the country is in the throes of a serious economic crisis and thereby His Majesty's Government may be interested in diverting the attention of the Nepalese people from the real issues; and thirdly, the Nepalese society is suffering because of its own contradictions. The King does not want to share his sovereignty with his people. The people, however, have become sharply conscious of their democratic rights and this has created a schism in the people's aspirations and existing political institutions.

The 10-year Trade and Transit Treaty between India and Nepal, which was signed during the Koirala Ministry, was to expire in October, 1970. The question was to renew the treaty for the coming years. A series of talks took place but unfortunately they ended in failure. His Majesty's Government of Nepal had three-fold complaints: First, the Government of India had not provided adequate transit facilities for Nepal's expanding trade. She was pressing India to construct a separate shed and a self-contained enclosure at the Calcutta port as well as a separate berth

for unloading Nepalese cargo which, she held, was obligatory on the part of India according to the recommendations of the United Nations Conference on the Transit Trade of Land-Locked Countries, 1965. Secondly, Nepal insisted on two separate treaties: one for trade and the other for transit. She pressed for transit facilities to reach East Pakistan through Radhikapur located on the border of East Pakistan and West Bengal. The main plea was to diversify its trade which, of course, is imperative for economic development.

India refuted the charge that Nepal had not been given adequate transit facilities at the Calcutta port. But what she objected most was deflection in trade access on the open border of India. India held that this had exposed her economy to serious consequences through unrestrained imports of goods from third countries to Nepal. There was no objection on her part in accordance with the Indo-Nepalese Trade Treaty to import Nepalese goods based on indigenous sources. Her main assertion was that Nepal take measures to regulate the export of Nepalese goods to India based on imported raw material according to terms, conditions and procedures agreed upon by the two governments. It insisted that the export of synthetic fabrics and stainless steel goods from Nepal should be conducted at the governmental level.

These are the respective stances taken by both the governments. How far the objection of His Majesty's Government is valid with regard to trade-transit? On June 11, 1964, the United Nations Conference on Trade and Development meeting in Geneva adopted eight principles regarding trade transit of land-locked countries with an interpretative note. Principle IV says: "In order to promote fully the economic development of the land-locked countries, the said countries should be afforded by all states, on the basis of reciprocity (emphasis is mine), free and unrestricted transit in such a manner that they have

free access to regional and international trade in all circumstances and for every type of goods. Goods in transit should not be subject to any customs duty. Means of transit should not be subject to special taxes or charges higher than those levied for the use of means of transport of the transit country." But as far as these principles are concerned, a land-locked country is however entitled to "free" and unrestricted transit, but it will depend on the basis of reciprocity and the transit state shall have the right to maintain its legitimate interests of any kind.

The Secretary-General of the United Nations appointed an expert committee to prepare a draft convention on the subject. The committee met in New York in October-November, 1964, and prepared a draft convention. This convention was considered by the United Nations conference of plenipotentiaries on the transit trade of land-locked countries and was adopted by it. The convention has altogether 23 articles. Article IV deserves our attention. It imposes on the transit states, the obligation to provide "subject to availability, adequate means of transport and handling equipment for the movement of traffic in transit without unnecessary delay." Articles XI and XII provide for exceptions to the convention. According to Article XI, "no contracting state shall be bound by this convention to afford transit to persons whose admission into its territory is forbidden, or for goods of a kind of which importation is prohibited...."

When one keeps all this in mind, it makes one's task rather difficult in apportioning blame. However, all human problems cannot be settled only through legal means. We must appreciate Nepal's desire to expand her trade and pave way for her economic development.

Search for Alternative Routes

Nepal may entertain a genuine apprehension that her dependence on India for trade may arrest her growth. At present she is almost completely dependent upon India for trade. Nearly 90 per cent of her trade is with India. She is also dependent upon India for transit facilities for almost all of the remaining 10 per cent of its trade. Nepal's imports from India account for 88 per cent of her total volume while her exports to India constitute 92.4 per cent of her export.

Apparently Nepal's quest of diversification of trade has some basis. But the question arises: where does the shoe pinch? She has in the past explored the possibility of developing other routes.

But what are their economic implications. A road connecting Lhasa and Kathmandu was constructed. But it unfortunately did not prove economically feasible for trade purposes; though quite good for the movement of troops. Pashupati Shumshere has admitted that "even the building of the Kodari Road gave us only one market. It did not add an alternative transit route for the enormous distance to any Chinese port from Nepal means Calcutta continues to remain her only economic access to the rest of the world." There is yet another possibility of trade transit through the Chittagong port, if passage through Radhikapur is open. But this route was closed after India-Pakistan war in 1965 and the strained relations between these two countries still continue. Even if India agrees to it will this route be advantageous to Nepal? There are two difficulties. First, the difficulty of transit and complicated problems of currency; customs will be the same as that of India. Secondly, before this war, the route was open to Nepal as well as to India; but it was used only once, when 50 bags of herbs were sent to Radhikapur from Raxaul. This clearly indicates that the route is not an economically feasible proposition for Nepal. Nevertheless, India should take some measures to improve its relations with Pakistan particularly East Pakistan. There is a possibility of better situation than today, especially, in view of the Awami League in Pakistan securing an overwhelming majority in the recent general election and even expressing keen desire to resume trade relations with India.

Need for Common Endeavour

There are other difficulties which cannot be ruled out. Do history and geography act as we desire? There are certain compulsions of realities with which Nepal is faced. Realistically speaking, as far as geography is concerned, it forms a contiguous part of the Indian sub-continent. Even if we leave aside the questions such as historical and cultural affinities between these two countries, nature has thrown them together to develop united endeavours if they are genuinely interested in their economic development. Between Nepal and India, construction of border highways, harnessing resources of common rivers, control of flood, and making traffic along the border free, smooth and secure, are the foremost problems calling for harmonious relations. To fight shy of this reality is to undermine the process of economic development in both these countries. Perhaps this was the intention behind the Trade and Transit Treaty of 1960. It stated in so many words that the goal before it was the establishment of a common market for the two countries. It sounds rather illogical to hold that Nepal has no prospect

of development if it has to depend upon India. The experience of other countries has been just the contrary. There are many instances of countries coming together to develop a common market. The Comecon in eastern Europe and the European Common Market are the two major examples before us; each country has profited economically and yet none of them surrendered its independence. Nepal's main fear appears to be due to the smallness of her size overshadowed on either side by two giants — India and China. But there is no real basis for this fear and it seems to have been fostered by an exaggerated amount of subjectivism. A case similar to Nepal and India is that of Canada and the United States of America. Both these countries have a common border of 4,000 miles which is the world's longest unfortified national border.

Border Disputes

It should not be construed that there was no border dispute among them, hostilities were there and collision did erupt. For about 50 years things went on like that till they came to settlement in 1814. In 1817 the American proposal that the entire border should be disarmed was accepted by the British and led to the establishment of permanent peace and understanding. Under this agreement (known as Rush Bago Agreement), the entire US - Canadian border was declared unfortified. The border question being a sensitive problem, one dispute or another does arise occasionally. But they are always solved through settlement. Only such a spirit can come to the rescue of India and Nepal, at least, so far as the institution of border dispute is concerned.

Nepal's geographical situation is still complicated and is rather ubniue as compared to other land-locked countries. Many land-locked countries such as Switzerland and Afghanistan have various economic accesses to the world. Switzerland can choose between France, Austria, Italy or even Germany to reach the sea. Afghanistan has Iran, Pakistan and the USSR to choose. But in the case of Nepal India alone has the monopoly over the transit facilities and this is a serious handicap. Pashupati Shumshere in his article 'India and Nepal—III' (*Indian Express*, April 4, 1970) pointed out that "Nepal is not only land-locked, but has historically had access to the sea only through India. In the past she has had to trade with the world at large only via India."

But still important is the question whether the present trade policy of His Majesty's Government is helpful for self-sustaining economic growth in Nepal. Nepal like other underdeveloped

countries is predominantly agricultural which contributes more than 65 per cent of the national income. About 75 per cent of her population is engaged in the agricultural sector while in Hongkong agriculture provides employment to only 7.4 per cent and in Singapore to 8.5 per cent. Hongkong and Singapore have from the beginning an economic structure with little agriculture — a very different economy from that of the other underdeveloped countries of this area. Hongkong is a trading centre. The economy of Singapore is dominated by the tertiary sector absorbing 75 per cent of the population.

The pattern of economic development in these countries cannot be said to be similar. How an agricultural country can develop is still a most debated question: it is as much vexing to India as to Nepal. The Nurkse model of development has failed to work, for Nurkse relied on population transfers and neglected the need for increased agricultural productivity. To create an agricultural surplus is a prerequisite to economic development. Even industrially developed countries of today had to fulfil this condition before they could achieve their development. Japan which is a relatively late comer to modern economic development provides one model for reference.

Food Production

In Nepal, the situation as far as food production is concerned does not hold out much promise. Under normal conditions only one-third of the cereal grain is produced in the Hills where two-thirds of the people live in the Hills, while, on the other hand, about two-third of all cereal grain is produced in the Terai where little more than one-third of the people live. Thus, the Hills suffer from deficit of 2,30,000 tonnes while the Terai produces a surplus of 5,65,000 tonnes. If 3,35,000 tonnes are exported to other countries, Nepal herself suffers from a serious shortage of food. According to the Economic Survey Report 1966-67, there has been a fall in the production of paddy, maize, millets, sugarcane and mustard. The paddy production in 1962-63 was 21,08,321 tonnes, it went up to 22,07,000 tonnes and ultimately fell down to 20,07,300 tonnes in 1966-67. The output of sugarcane fell down from 1,61,420 tonnes to 1,47,000 tonnes, that of maize from 8,42,705 to 8,24,025 tonnes and of mustard from 70,680 to 51,390 tonnes during this period.

The same is the situation with regard to industrial production. During 1965-66, the country produced 2,65,589 maunds of sugar but this output fell down to 1,32,015 maunds in 1966-67. Production of cotton textiles fell from

14,21,422 yards to 12,52,822 yards; of wool from 35,836 kgs (1964-65) to 14,446 kgs (1966-67), of jute from 13,745 (1960-61) to 4,118 tonnes (1966-67). According to another report, the Soviet-aided agricultural tools factory, Birganj, had an unsold stock valued at Rs 8,00,000 and the two jute mills of Biratnagar had accumulated stocks of unsold jute goods valued at Rs 11.5 million. The Judha match factory, Biratnagar, was closed down on December 20, 1969, because of non-availability of wood. The entire indigenous-based industry is in the grip of a serious crisis.

Lack of Purchasing Power

All this indicates clearly that people have no purchasing power. As a result, there is not sufficient domestic market for these commodities. Even the Economic Survey Report (1966-67) admits that "production in all industries other than jute has remained static. Owing to non-availability of markets, jute mills have been compelled to curtail production of gunny bags. Similar problems are being faced in the field of distillery, wool production and several other industries. The reasons were stated to be the shortage of raw materials. The sugarcane production at the Birganj Sugar Mill went down in 1966-67. In 1967-68, the production at the factory was three-fourths, of the quantity produced in 1966-67. The problems, thus, could be summed up as (1) paucity of capital, (2) lack of market for Nepali products, and (3) shortage of raw materials.

The recent shift in the trade pattern seems to be from commodities based on indigenous sources to commodities based on sources imported from countries other than India. These mainly include stainless steel and synthetic fabrics based on raw material and semi-manufactured goods from abroad and merely processed in Nepal. These industries are controlled primarily by Indian businessmen — some based in India and some expatriates from other Asian countries. As a result, most of the profits are transferred either to India or to Hongkong.

This is not a sound economic proposition, it does not lead to maximum utilisation of indigenous resources — both men and material — on which, as a matter of fact, depends the economic development in an under-developed country. There is need to make a distinction between social cost and private cost. The concept of "social cost" is very much relevant in case of under-developed countries. This is a cost which we call an "opportunity cost" or "alternative cost". In an under-developed country the opportunity cost

of labour is nil. In such a situation "high cost" products produced from indigenous materials are much more advantageous in comparison to "low cost" products produced with the help of highly efficient machinery from special materials which may themselves have been imported or else prepared by a further set of special machinery. The reasons are obvious: the products in the former case contain indigenous labour content while in the latter, the products, economically speaking, are the same as imports.

Nor does it solve Nepal's dependence on India; in fact it makes her more dependent on India. This may be clear if we study Nepal's exports. During 1968-69 India imported 1994 tonnes of stainless steel products out of which Nepal is accountable for 1,635 tonnes. In 1969-70 India imported 369.9 tonnes and Nepal's export to India was 199.9 tonnes. During 1968-69 India imported 3.14 million metres of synthetic fabrics worth Rs 183.3 lakhs out of which Nepal is accountable for 2.92 million metres with Rs 16.27 lakhs, in 1969-70 India imported 0.50 million sq. metres valued at (Rs 53.74 lakhs and Nepal exported to India 0.45 million sq. metres valued at Rs 41.52 lakhs. It shows that during 1968-69 Nepal accounted for 82 per cent of India's total imports of stainless steel goods and 93 per cent of synthetic fabrics imports. Thus the policy of His Majesty's Government for trade diversification is a mere eye-wash and leads to Nepal's greater dependence on India.

Unhealthy Trend

What is most serious is that the present trade policy of His Majesty's Government in Nepal does not reflect the healthy trend of development; it has only led to deflection of trade which suits unscrupulous businessmen to convert black money into white without corresponding gains to the country's economy. In 1962-63 the government introduced the import entitlement scheme known as the bonus voucher scheme. It allowed exporters to hard currency countries to import almost anything from 30 to 60 per cent which has now been raised to 90 per cent in some cases. This scheme was originally meant to import development goods. But the schedule of "development goods" has been made liberal. This has led to three results: One, it has provided easy means in the hands of unscrupulous elements in both the countries to smuggle jute, mica, sandalwood, oil and a variety of other Indian products into Nepal, and cameras, watches and other luxury goods into India. Two, Nepal's industrial investment has been shifted to move into stainless steel and nylon yarn. Three, efforts

of traders are now concentrated on importing thousand rupees parcels of goods and they are re-exported into India. The last one particularly is more evident from export of jute. The total production of jute in Nepal during 1967-68 was about 40,000 tonnes. Nepalese jute mills consumed around 19,000 tonnes and 13,000 tonnes were exported to India. Thus, this left about 10,000 tonnes with Nepal. But Nepal's total jute exports went up to 30,270 tonnes during this year.

Who has benefited? A few individuals. They are nobody else than Indian busi-

nessmen and the royal family which has some share in these two industries.

But no one has given thought to the serious economic crisis which is looming large on the horizon. The much lauded and proclaimed land reform schemes of His Majesty's Government have ended in a fiasco. The Land Reforms Act was enforced on May 16, 1963. It was enforced in phases: first in 16 districts and then throughout the country by 1967. It was bound to prove unsuccessful as the basic condition was never fulfilled before the enactment of the law. There are about 3,754 panchayats,

out of which cadastral survey was completed only in 789 panchayats — not even half of the village panchayats were satisfactorily surveyed. Then, the total surplus land found to be in excess of the ceiling level was 90,000 bighas, out of which only 20,000 bighas were actually distributed. The government's compulsory savings scheme too met the same fate and it had to be abandoned in view of the protest by the people.

Thus, one naturally asks the question: who is the worst affected in this melee? The people or a few individual businessmen in Nepal!

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WINDOW ON THE WORLD

Two Views (and Some Glimpses) of West Germany

JOSSLEYN HENNESSY

LONDON :

THIS WEEK I offer two extended views and some cheerful glimpses of West Germany's economy summarised from: (i) the latest stately report from Barclays Bank Intelligence Department,* (ii) the assessment of Professor Rolf Rodenstock, President of the Institute of German Industry†—a body comparable to the respected Institute of Economic Affairs in the UK—and (iii) some light-hearted snippets from *German International*, a monthly review which employs the style of America's weekly *Time* with the same unflagging sprightliness but with far greater approximation to the truth as I have seen it on the occasions when each has reported on a situation that I have observed myself.

Here, then are the prospects for West Germany in 1971 as seen by :

I

BARCLAYS BANK

It looks as though the high point of the West German boom has finally been passed. Most indicators now suggest some slackening of demand and progress is being made in clearing the huge backlog of orders. Prices and wages, however, continue to rise rapidly, causing concern. The maintenance of relatively high interest rates while other European rates were falling led to an embarrassingly large inflow of foreign funds. To counter this, the discount and Lombard rates have been gradually reduced over the past few months, and further reductions are likely.

The coalition government's ability to bring the economy back into balance has been restricted by internal disagreements and by its small parliamentary majority. The government was reluctant to break an earlier promise that sweeping social reforms would be financed without imposing higher taxes. By July, however, pressure on the government was strong and a package of fiscal measures was introduced; the two most important were a temporary suspension of depreciation allowances and the imposition of a 10 per cent

surcharge on all income and corporation taxes until mid-1971 re-payable by 1973 at the latest. The introduction in the same month of the draft budget for 1971 provoked sharp criticism because of the allegedly inflationary nature of the proposed expenditure. Government spending, under severe restriction until the end of 1970, is to rise by 12 per cent this year, with emphasis on housing, education and transport. A loan of DM 1,000 million for education is to be floated and paid into a special account at the Bundesbank. The budget draft is now in the process of examination, but it seems likely that, with demand easier, a large proportion of the increases proposed in the budget will be authorised.

Vociferous Critics

One of the most vociferous critics of the government's unwillingness to use fiscal controls has been the Bundesbank, which has been forced to apply more stringent financial measures than it would have thought necessary if the government had pursued other policies. The Bank's main method was the progressive raising of the banks' minimum reserve ratios, further increases in the discount rate as a deflationary weapon having been precluded by large inflows of foreign funds, attracted by the difference between West German and Euro-dollar market rates, which have been steadily downward. The movement of funds has been so great that reserves in November were almost those of the beginning of 1970. The reduction of the discount rate by half a per cent in July, November and December prevented the difference from widening, but hardly reduced the attractiveness of the West German rate. It was not until December, when the US Federal Reserve Board raised the minimum reserve requirements on Euro-dollar holdings of the US banks, that Euro-dollar rates began to move up to a comparable level.

There have been rumours for several months that the D-mark will have to be revalued again before very long and much of the currency movement has been speculative. The authorities have naturally denied any intention to revalue, but there is a growing feeling that the D-mark should be revalued

again sooner or later in order to strengthen the dollar. Much must depend, however, on relative price movements.

Much of the capital inflow has been borrowing abroad by firms unable to raise funds on the domestic market where rates have been much higher.

West German industry, which has already had its competitive position abroad partially eroded by recent realignments of European currencies, is now finding its profitability threatened by the rising cost of capital, labour and materials.

The labour market has remained exceptionally tight, with unemployment as low as 0.4 per cent despite the addition to the labour pool of nearly 2,000,000 foreign workers. In this situation, wages and salaries have been rising at an annual rate of nearly 15 per cent; even after allowing for some increase in productivity (at present rising at about four per cent per annum compared with 7.5 per cent in 1969) this has added over 10 per cent to unit labour costs. The government has suggested a maximum increase of eight per cent for wage agreements; recent settlements, although in excess of this, have shown some signs of dropping below the high awards earlier in 1970.

The Cost of Inflation

Although prices have so far been slow to reflect such large increases in costs and the rate of inflation remains lower than in many other European countries, the cost of living has been rising at four per cent per annum and this rate shows no sign of slowing. Furthermore, the rise of wholesale prices has been considerably higher, indicating perhaps that the upward movement has not yet worked fully through the economy.

The effects of inflation have perhaps been most serious in shipbuilding. Fixed price contracts and revaluation had already cut profits considerably and recent rises in wage costs and steel prices have meant that, despite high demand, heavy losses are being made on each vessel; it is even feared that the yards may have to turn entirely to repair work.

The steel industry, too, is experiencing difficulties, with costs forcing up prices when international competition is intensifying and home demand falling off.

Chemicals, cushioned from the worst effects of any slow down in domestic activity by a wide international market, have excellent long-term prospects,

while construction continues to boom despite a 35 per cent increase in costs in the 12 months to September last.

Despite persistently high foreign demand for West German goods, pressure on capacity, coupled with revaluation's effect on import and export prices, has steadily reduced the substantial trade surplus. The government's more liberal policy towards eastern Europe is boosting West German trade there, faster than in other world markets. However, opportunities for Indian, British and other exporters (providing that they are competitive and reliable on dates) are favourable. West Germany is already the UK's second largest customer, a position which would be further consolidated if UK membership of the EEC is achieved.

The continuing surplus on trade has been partially offset by transfers abroad from the many immigrant workers, resulting in a move towards equilibrium in the current account. However, the inflow of short-term funds has caused the reserves to rise from \$ 9,325 million in October, 1969, to \$ 10,940 million a year later, a higher level than that reached during the 1969 revaluation crisis. In addition, SDRs, of \$ 202 million were allocated in January, 1970; holdings at the end of October amounted to \$ 254 million.

Some further slowing in the economy is likely in the near future, with inflation continuing to be a major problem. There is little likelihood of a serious recession in 1971 as the government is well placed to boost demand, if necessary, by releasing blocked public expenditure and bringing forward the repayment of the tax surcharge. Speculation against the D-mark is likely to continue.

II

THE INSTITUTE OF GERMAN INDUSTRY

On the economic data available, it seems possible to predict a gradual slowing of the present inflationary drives in 1971.

Will there be a recession? Professor Rolf Rodenstock, President of the Institute, thinks not. For, despite certain similarities, there are also major differences between the year's end 1970-71 and the uncertainties of 1966-67. Then high prices and soaring wages combined with strained industrial capacities and ever-rising demand to produce an economic bubble that burst. Now the situation is different. True, abnormally high wages will still make their effect

felt on the West German economy for many months of 1971, not least in continuing price pressures. But for some months there has been a decline in new orders booked by industry. This pattern, unrelieved (as in 1966-67) by the stimulus of an export boom, will counter the inflationary trends.

If, then, there is no runaway inflation, can West Germany avoid the opposite extreme; a sudden deflationary cycle, with serious unemployment? Professor Rodenstock answers "Yes".

Working against inflation is that future collective bargaining will proceed in different atmosphere from 1970. Emphasis will be on performance on the work bench or in the office and moderation in further wage demands.

Working against pronounced deflation, with hardship for many and bad times for all, will be several other factors, e.g., some tax relief is ahead in both the degressive write-off scheme and the investment tax. And public spend-

ing at all levels of government will rise again, from 1970's DM 198,000 million to a new high of DM 214,000 million.

On balance, it looks as if 1971 will see the end of inflation and that, given a reasonable degree of co-operation between management, unions and public authorities, that equally unwelcome alternative, an all-out recession, will also be avoided.

1970's Unprecedented Wage Rises

The wave of expanding wages that had begun buffeting West Germany's economy in the autumn of 1969 continued through 1970. It touched off an unparalleled wage cost explosion, exerted much stronger pressures on prices, and cut deeply into earnings in industry after industry.

To the typical rises granted by the year's collective bargaining, ranging from nine to 12 per cent, must be added many "take-home" benefits, including holiday money, shorter working hours,



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yearly bonuses and structural improvements of wage-accumulation-of-property plans to the benefit of some 7,000,000 employees. As a result, collective hourly negotiated wages rose a good 12 per cent—far more than the previous record rises of 8.7 and 8.8 per cent in 1960 and 1961. The rise in actual earnings is more striking than indicated by the trade union-management agreements. The actual rise in gross wages and salaries was 14.2 per cent in the first half of 1970, and seems likely to be about +14 per cent for the whole year.

Wage costs per unit of production soared in the economy as a whole by over 11 per cent—thrice the average rise in 1960-69 and even exceeded the exceptional 1951 climb in costs induced by the Korean boom.

Even after allowing for 1970s steep increase in living costs, the average real net income of employees rose nearly eight per cent and gross incomes 10 per cent. However measured, the employees standard of living rose more steeply in 1970 than in any other year since West Germany's foundation in 1949.

The wage wave of 1970s must be curbed—and soon. The government has set wage rise guidelines of seven to eight per cent as permissible in 1971. Only if managements and trade unions recognise their responsibility to the community as a whole will 1971 see a return to a more balanced economy, with continuing high employment.

Social Welfare Records

Firms in West Germany contributed an additional DM 8,200,000 in social welfare benefits during 1970, thus breaking all records.

The biggest single new burden (which fell previously on a health insurance scheme) was the new sick pay law requiring management to continue an employee's full wages for the first six weeks that sickness keeps him off his job. The bill in 1970: DM 5,500,000,000. Other social welfare costs stem from changes in the law on employers' contributions to retirement pension funds. The year 1971 will present new and higher bills to employers for employees' social welfare. In the field of sickness

* Those who scan the marriage columns of the Indian press will be interested to learn that the research report referred to above was commissioned by West Germany's largest Marriage Institute, one of the firms of marriage brokers whose advertisements so fascinate non-German readers of West German newspapers. The same institutions exist in the UK. Did India follow Europe's example in this, or Europe India's?

insurance alone, West Germany's entrepreneurs will take up an additional burden of DM 3,000,000,000.

The West German social security system adjusts payroll deductions to earnings: as earnings rise, so do the levies on both management and employees. Meanwhile the money pouring into the social security organisations' treasuries grows enormously from year to year. While approving this "dynamic" system of social security, hard pressed employers wish that the administrative organisations would reduce the percentage of the compulsory deductions as their reserve funds grow.

The main source of the West German trade surplus is commerce with member states of the European Free Trade Area. West Germany's export surplus with EFTA soared from DM 1,016 million in the first three quarters of 1969 to DM 8,406 million in the same period in 1970. In contrast, the export surplus in trade with West Germany's EEC partners has decreased from DM 1,839 million to DM 1,006 million. In trade with the USA, an export surplus of DM 105 million in 1969's first nine months has been followed in the same period in 1970 by a return to the more traditional pattern of an import surplus: DM 1,007 millions.

III

FROM "GERMAN INTERNATIONAL"

Marriage is Safer

A West German professor of sociology claims that married people, live ten or more years longer than unmarried. So, if unmarried (men or women) want to live longer, he advises them to find a loving and caring soul but to avoid TB, arteriosclerosis, pneumonia, ulcers, cirrhosis, accidents in general and traffic accidents in particular, poisoning etc.* (I might add that I myself have achieved the "loving and caring soul" and have so far avoided all the other risks, except for a car accident in December, 1939, outside the Lahori Gate in Old Delhi involving my car with another, each of us—according to the evidence given in court—proceeding at five miles an hour, hugging the left-hand curb, and sounding our horns continuously, and yet inflicting injuries on me which put me in hospital for three weeks. But I have plenty of time in hand as I am only in my sixties. I'm thinking of settling for cirrhosis of the liver)

In 1969, foreign workers in West Germany sent almost DM 3,000 million to their families at home. Although Yugoslavia's contingent of 390,000

workers is the largest, the 360,000 Italians saved most; DM 971 million, followed by the 330,000 Turks with DM 545 million and the Yugoslavs coming third with DM 504 million.

But soon there will be a new contingent of foreign workers. If Daimler Benz plans to build a truck factory on the Kama river come off, 300 Soviet workers will be sent to West Germany to train at the Daimler-Benz plant.

Already now one in every eleven workers in West Germany is from abroad. Of the Federal Republic's male employees 9.3 per cent are non-German and 7.3 per cent are foreign women workers.

South Sea Sailors

The Gilbert Islands in the Micronesian archipelago, in the South Pacific, 75 miles north of the Equator, are proving an unlikely but highly successful reserve of scarce labour for West German shipping companies.

The merchant marine's school set up on Tarava Island by a consortium of eight West German shipping companies a year ago, operating in conjunction with the training ship "Tereka", now trains 200 Micronesian seamen per year, who thereafter serve on West German merchant vessels for an initial two-year contract. According to those concerned in this experiment, experience with the first all-Micronesian deck crews have justified all optimistic expectations. I wonder if those interested in the welfare of Bengal's *lascars* should not look into this?

Butterfly Tour

With the aid of the West German national airline, Lufthansa, British butterfly collectors will explore new hunting grounds next hot weather.

Lufthansa, always on the lookout for new ideas to boost its long distance traffic, has discovered that some of the most ardent butterfly chasers in the world live in the British Isles. First response to that discovery is a £535, 20-day-tour of choice butterfly areas in Northern India, Nepal and Malaysia, where Lufthansa sees good chances that collectors will acquire "many fine and interesting specimens". The tour, which is the first of its kind, will be conducted by a distinguished butterfly collector, Michael Dickens. If Lufthansa can, can't Air-India?

Temple Team Work

West Germany has agreed to contri-

bute DM 2 million towards restoration to rescue the historic temple of Borobudur in Indonesia.

Situated on the island of Java, some 300 miles east of Jakarta, the temple is considered one of the cradles of Indian culture. The agreement has come only just in time, because experts predict irreparable damage and decay

unless restoration is begun at once.

"The New World Credit Markets"

The following table giving Euro-bond issues in 1968, 1969 and 1970 provides additional information regarding a reference made in the article "The New World Credit Markets" in the *Eastern Economist* issue of February 19, 1971.

EURO-BOND ISSUES

(in million of US\$)

	1968	1969	1970*
Total	3,573	3,155	2,529
By Currency	2,554	1,722	1,579
US dollar			
D-mark	914	1,338	566
Other	105	95	384
By type of security			
Long-term straight debt	1,108	1,851	1,645
Medium-term straight debt	555	173	654
Convertible	1,910	1,131	230

*January-November

Source: Morgan Guaranty Trust Company of New York, World Financial Markets.

Funds for East Europe

E. B. BROOK

VIENNA:

WHILE CO-OPERATION within the Common Market is a dominating theme of interest in Europe, economic co-operation between west and east Europe is growing slowly, much more cautiously, almost slyly. But it is a growth of possibly more long-term significance than any other because it progresses still against the mainstream of politics and against the basic conceptions of two opposed economic systems.

This progress has in recent weeks taken one unexpected turn and another that, though expected, was not thought likely to occur for some time. The unexpected development has been the co-operation of a London bank, the National Westminster, with the Hungarian National Bank and a private mercantile financial house to launch in west Europe's Eurobond market, a Hungarian loan issue worth \$25 million, repayable

The rate of interest offered by the Hungarian loan has not yet been stated, but the general level of Eurobond stocks stand at fairly high interest rates at the moment and Hungary will have to pay well over seven per cent to attract support. It is a little surprising that the Eurobond market has been chosen since, at the present time, it is a far more sluggish market than that for Eurodollars.

It is not yet clear either how western

finance markets will receive the Hungarian Eurodollar bond, but some dealers have expressed willingness to back the issue in the hope that it will put them in good standing with the Comecon markets which many believe will open up to various forms of co-operation within a few years. Some banks in Zurich and New York which still hold pre-war Hungarian government stocks may be hary of the new issue but their reaction will be specially interesting to watch.

The second, more expected, development that is coming sooner than expected in west-east European economic co-operation is the highly probable establishment this year of a branch of the German Federal Bank in Moscow and of the Soviet State Bank in either Frankfurt or Dusseldorf. Soviet banks, notably the Narodny, have been established in London and Zurich for some six years but this will be the first exchange of official banking representation between the Soviet Union and Federal Germany which are, in economics as in politics, the centres of the two opposed European systems.

Fruits of New Pact

Paris has been host to a smaller Soviet bank for more than 10 years but German finance houses have swung their interest eastwards as political contact grew through the non-aggression treaty signed in July and, more particularly, by reason of the barter deal of German steel pipes for Soviet natural gas and, later, the enticing if complicated scheme for participation in building and equipping a giant heavy motor plant at Kama in the Tartar Soviet Republic.

The greatest obstacle in German-Soviet financial contacts remains the high rate of interest charged on loans by the Germans—at the moment some nine per cent—compared with the Soviet objection to paying more than six per cent (Lenin condemned higher interest rates as usurious) and the Germans themselves suggested the establishment of a Soviet state bank branch in Frankfurt as the best means of letting the Soviet banks see for themselves the tight state of the money market.

A lesser sign of co-operation, but an indication of western eagerness, is the recent establishment in Vienna of a finance house in which seven banks from Britain, Japan, France, Italy, Spain, Poland and Austria are co-operating to facilitate, investment, trade and technical co-operation between east and west Europe.

The urge behind these slow but in-

creasing measures of east-west commercial contact and co-operation is based on necessities and in no way, as in the case of the Common Market, on desire for union or possibly ambitious plans for commercial expansion. Comecon remains, apart from the possibility that part of the loan capital of its new International Bank for Co-operation may be made convertible, as introvert and exclusive as ever. Even Yugoslavia's biggest trading partner remains the Soviet Union with East Germany second, Poland third, and following a recent trade agreement, Czechoslovakia fourth. However much they may appear occasionally to diverge, in matters of trade east Europe sticks closely together — in the new plans up to 1975 more closely and in more intimate detail than ever before.

Despite this, east Europe's drive for trade with countries paying in convertible currencies is intense. Although there are shortages in these items in the domestic market and despite the declared policy of trying to satisfy that market, the Soviet Union is exporting machinery of all types from heavy industrial plant to wrist watches at almost bargain prices and in ever-growing quantities. In the last twelve months or so its exports of these items have grown by nearly 30 per cent from an existing highly satisfactory level. With several west European countries, including Britain, the USSR has a sizably favourable balance of trade and, in the most intensive sense of the term, the Soviet Union is today commercially a "go-getter."

Commercially Aggressive

The Soviet Union needs to be commercially aggressive and successful since its expenditure over defence, security and in loans to Egypt and its communist partners in Europe, Asia and in Cuba cost it a sum approaching £800 million a year, an immense sum it has to provide from a still shaky economic basis and by the work of a population that does not grow fast enough.

Everywhere in east Europe, from highly orthodox East Germany to divergent Yugoslavia, the search is unrelentingly for more trade with non-communist markets and to earn by commerce and tourism the convertible currencies. Hungary has recently signed a series of trade treaties with countries such as Spain and Turkey with which its relations have hitherto been the slightest and Poland, though saddled with serious problems, is a leader in the techniques of coal mining and the export of coal and is rapidly coming on in the mining and export of copper, zinc and lead. With the USSR, both Poland and Hungary are developing their production of natural gas and, in the case

of Poland, are likely to become exporters within a few years.

On its side, western Europe has become increasingly impressed with achievements in the eastern half of the continent to an extent that the Soviet Union has been admitted to a share in production processes in a large steel-making complex in the south of France and Soviet machine tools are used in many of the smaller British, French and Belgian factories with, perhaps, less precise finish but with a maintenance service superior to that offered

by large manufacturers in those countries.

The increasing impact of east Europe on its western half's markets is impressing firms and banks in west Europe with two points — that, despite its difficulties, the east European market is going to be a profitable area for co-operation and that east Europe's need for development finance opens up a broad field for cautious investment in which western Europe's other competitors, the USA and Japan, have not yet made much impact.

"LIC BUILT MY HOUSE"

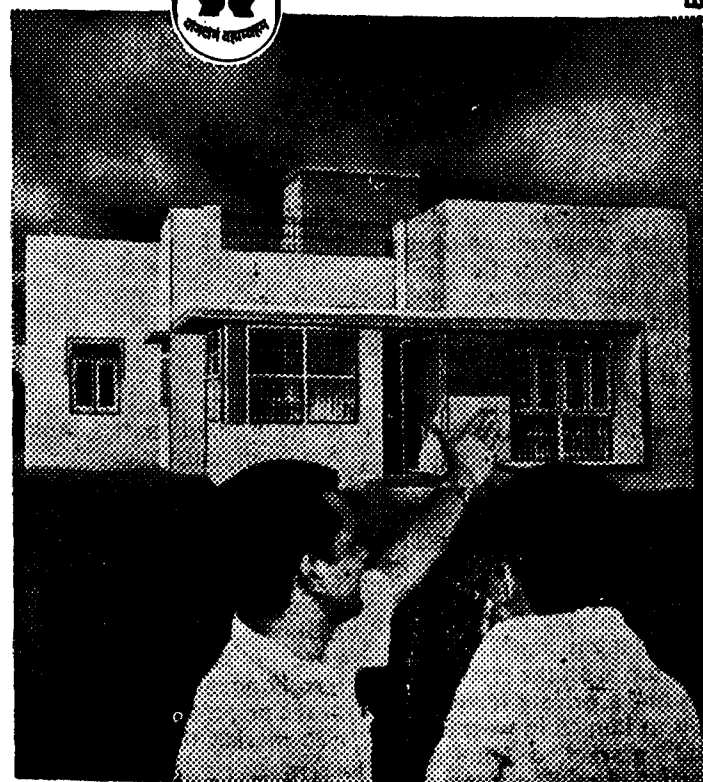
Says RAJAN of Alleppey.

"I never dreamt I would own a house. A friendly LIC agent explained to me how with the financial assistance of LIC, thousands like me were able to build their own houses under the 'Own Your Home' Scheme. LIC gave me a substantial loan at a reasonable rate of interest to build this house. Under this scheme they have sanctioned over Rs. 17 crores as loan to policyholders for building or purchasing new houses for residential purposes. LIC's total investment on housing is over Rs. 286 crores. The scheme has recently been extended to all centres where the Corporation has a Branch or Sub-Office — a total of 419 centres.

For further details contact your nearest office.



LIFE INSURANCE CORPORATION OF INDIA



The moving finger writes

MANY HAVE gambled heavily on stability as the ultimate virtue of government. I wonder what their reaction has been to Mrs Gandhi's observation about the Supreme Court at a press conference she had called at her residence as soon as it had become clear that her party was heading for a spectacular majority in the Lok Sabha. The Prime Minister remarked that it was for the Supreme Court to decide whether and how it should reform itself in the face of the verdict of the ballot box. It is true that her words marked a refinement on the crude terms in which the doctrine of a committed judiciary is being generally propounded. Even so, it is clear that the Prime Minister could not have thought deeply enough when she suggested that the judiciary should function by taking a note of the way the electorate has voted.

If this notion is to be accepted, the Madras High Court should be expected to be bound by the policies of the DMK while pronouncing on points of law. Similarly, the High Court in West Bengal must attempt to hold the scales more or less even between the CPI(M) and the Congress party of the Prime Minister when deciding cases that come up before it. It will indeed be easy to elaborate on the logical and practical absurdities which are implicit in expecting the judiciary to function in the light of election results. The Prime Minister ought not to have overlooked the fact that the judiciary after all is not an elective body. It is under no obligation to take its law from the ballot box. May I submit that the time has come for the slogan of a committed judiciary to be given a decent burial?

Mr M.V. Krishnappa has claimed credit for the 'authorship' of the cow-and-calf symbol for the Prime Minister's party. I wonder whether Mrs Gandhi is impressed. She has quite properly said that the time has come for the electorate to be weaned from symbols and to be educated in terms of parties and their programmes. In any case, so far as images are concerned, everybody knows which or whose image it was which had overwhelmed the electorate. It most certainly was not the cow nor even that of the cow and calf taken together.

Mistaken though Mr Krishnappa may be about the importance of the cow-and-calf symbol, he has certainly shown resourcefulness in exploiting it for what

it may be worth to him in terms of post-election possibilities. Even before the ink mark had time to dry on the finger of the last voter, he had announced that a champion dairy cow from Mysore would be presented to the Prime Minister on behalf of a farmers' federation of which he is president. Having been elected to the Lok Sabha from a state in which the Prime Minister must naturally take special interest, Mr Krishnappa evidently has great expectations. His problem, however, has been that his ambitions have a way of misfiring or even backfiring.

Whether Mr Krishnappa and Dr V.K.R.V. Rao — so very different from each other in every way — are still brothers under the skin may be a matter for speculation but their post-election behaviour has been strikingly similar. Having no milch cow to present to the Prime Minister, Dr Rao had to think of something else. He therefore issued a statement to the press hailing Mrs Gandhi's election victory as the final collapse of the era of the political bosses. Assuming that it did occur to him that the bosses, in their rout, had only yielded place to a super-boss, he seems to have wisely kept the thought to himself. After the split in the Congress organisation, when he decided to continue in the government for as long as Mrs Gandhi would have him, Dr Rao was known to deny that he had owed to Mr Nijalingappa the Congress ticket on which he had been elected to the Lok Sabha in 1962. He may be right, although the general impression is different. In any case, Dr Rao's debut in politics has not been spectacularly successful and it is doubtful that he will find much satisfaction in functioning merely as a member of the Lok Sabha especially if the Speaker were to be persistent in rationing the available parliamentary time among the numerous legislators wanting to hear their own voices.

It would be unfair to deny that Mr K.K. Shah had done odd bits of good work in the Ministry of Health; but his achievements in this respect belong essentially to the order of smalls. That he should have been retained is a surprise. So much so, there is a temptation to believe the report that it was Mr Uma Shankar Dixit's intervention which saved him. Another person who is rumoured to owe his continuing existence in government to the same guar-

dian angel is Mr Inder Gujral. He, however, has had to move from the Ministry of Information and Broadcasting to the Ministry of Works, Housing & Urban Development. It is possible that in his new job, his pre-ministerial background will be an advantage to him, while proprietors and editors of newspapers will certainly feel grateful to the Prime Minister for not being required to bear with Mr Gujral's hectoring and haranguing any longer.

The Prime Minister has assumed cabinet responsibility for the Ministry of Information and Broadcasting. This, obviously, is a temporary arrangement. It would be sensible to consider Dr Karan Singh for the job when Mrs Gandhi decides to hand over this portfolio to a colleague. This ministry could do with a man of real culture who is also naturally non-controversial. In any case, Dr Karan Singh's continuance in Civil Aviation is hard to justify. A gentle soul, he is soft in the wrong places. The nationalised airlines need a tough, 'no-nonsense' ministerial overlord. Only then the managements concerned will be able to function with the firmness necessary for restoring discipline and industrial peace in the functioning of the state monopolies in civil aviation.

Talking of the airlines, the lock-out declared by the IAC is a welcome indication of the beginning of a realistic labour policy on the part of the central government. If Mrs Gandhi's massive success in the election has given her the pride and confidence as well as a sense of responsibility which has moved her to act with a proper awareness of the government's authority, the public has every reason to feel happy. Provided the government does not wobble, the prospects are fair for discipline to be asserted on an equitable basis not only in Indian Airlines but in the public sector enterprises in general. We may reasonably expect that the beneficial impact of any such development will be felt also on the private sector. Industrial unrest has been allowed to reach such dimensions that it has become a threat to the elementary existence of the people at large. If the Prime Minister is to fulfil her election pledges of economic expansion and a greater measure of social welfare, she must be prepared to recognise industrial unrest as Public Enemy No. 1 and deal with it as such. This is not a sectional issue but a national problem.

V.B.

Trade Winds

INDUSTRIAL LICENSING

IN THE past certain items used to be put in the 'banned list' for licensing on the ground that adequate capacity had been licensed. This 'banned list' was given up for a period of six months as an experimental measure on March 13, 1970. The period of suspension of the 'banned list' was further extended up to March 12, 1971. The position has since been reviewed by the government and it has been decided to extend the period of suspension of 'banned list' for another six months ending September 12, 1971.

MANUFACTURE OF CARBIDE

Applications, in prescribed industrial licence application forms together with treasury receipts and all relevant papers, are invited from intending entrepreneurs for expanding existing calcium carbide plants or to set up new calcium carbide plants to meet the growing demand of this chemical in future. Expansion of existing units should be worked out so as to increase the existing capacity at least to 50 tonnes of calcium carbide per day or more. New units should be set up in a capacity of at least 50 tonnes per day of calcium carbide. Proposals based on maximum utilisation of indigenous machineries and know-how will be accorded preference. All applications together with relevant papers and documents should reach the Ministry of Industrial Development and Internal Trade, Udyog Bhavan, New Delhi on or before June 30, 1971.

FERTILIZER TEAM ABROAD

A three-member technical delegation on behalf of the union government left for Canada recently for a six-week on-the-spot study of bulk fertiliser unloading and handling machinery complexes. The delegation will also discuss and finalise with the representatives of the Canadian International Development Agency the details of assistance for the establishment of a modern bulk fertiliser unloading and handling complex at Kandla on the west coast. The Kandla project, when completed, will be able to handle one thousand tonnes per hour and save 16 million dollars per annum in foreign exchange on freight and bagging of one million tonnes of fertilisers in the exporting countries. The Canadian International Development Agency has agreed to finance up to Rs 78 lakhs, constituting the foreign exchange component of the Rs 3-crore

project. The delegation consisting of Mr B.P. Sikdar of the union Department of Agriculture, Mr Vijaya Raghavan, Project Engineer, and Mr Pinto, Civil Engineer in the Food Corporation of India, will tour Canada, USA and West Germany.

U.S. LOAN TO INDIA

India and the United States recently concluded an agreement providing for a \$155 million (Rs 116.25 crores) foreign exchange loan to India to help finance the import of a wide range of items required to sustain and expand both industrial and agricultural production. In the industrial sector, India will use the loan to import iron, steel, copper, aluminium and other metals. The imports are expected to lead to an increase in the output of the engineering industry and thus help expand India's exports. By supplying fertilisers, pesticides, and agricultural equipment to India's farmers the loan will help maintain the momentum of the green revolution. Other import items for which the loan provides financing include bulk pharmaceuticals for processing into finished drugs; chemicals; newsprint; industrial machinery and equipment; spare parts for aircraft and for diesel locomotives; petroleum activities; tractor spare parts and accessories; and tubewell drilling equipment. This is the thirteenth non-project loan made by the US Agency for International Development to India since 1962. Extended on concessional terms, the loan

is repayable in dollars over a period of 40 years, including a 10-year grace period. Interest is payable at two per cent per annum during the grace period and three per cent thereafter.

TRADE WITH MONGOLIA

A protocol was signed between India and Mongolia extending the validity of the existing bilateral trade agreement for a further period of three years, with effect from February 14, 1971. It will be recalled that the first ever trade agreement had been signed between the two countries in New Delhi on February 13, 1968. Both sides agreed to actively explore possibilities of developing two-way trade exchanges corresponding to the import needs and export possibilities of the two countries. Trade between India and Mongolia has so far been negligible. The long distance between the two countries has posed problems in developing mutual trade. The two sides have discussed ways and means of overcoming this difficulty. Further talks on developing shipping facilities are scheduled to take place. In the course of the discussions, the two delegations have also identified certain lines for expansion of trade. Some of the possibilities are, supplies, from the Mongolian side, of raw wool, animal hair, skins etc. and, from India's side, export of a wide range of industrial products.

SAVINGS CERTIFICATES

Annual interest in respect of 7-year national savings certificates III and IV issues, which were put on sale with effect from March 16 last year, has become due for payment on or after March 16, 1971, i.e. after one year from the date of purchase of certificates. The interest is payable at the post office where the savings certificate stands registered.

In case, the holder desires to take payment of interest at an office other than the office of registration, the certificate should be first transferred to the office where payment of interest is desired. The interest can also be credited in the post office savings bank account on holder's request provided the account stands in the office in which the certificate stands registered. Similarly, the annual interest may also be collected by the holder's bankers on an application being made to this effect. Annual interest in respect of post office time deposit accounts has also become due for payment from March 16, 1971 — after one year from the date of opening of such accounts. A depositor can take payment of annual interest at the counter of the post office where the account stands in the normal way as a savings bank withdrawal by presenting the time deposit pass book. For further details, holders may contact the postmaster.

J. K. TELEVISION

At a press conference in the capital on March 15, Mr Govind Hari Singhania, Director of J.K. Television, stated that the price of the indigenous TV set was high because of the heavy incidence of taxes. Out of about Rs 2000 paid by an Indian buyer for a TV set, more than Rs 600 were claimed by the government by way of taxes. While the industry was trying its best to reduce the price of the TV set in the country, its efforts were being nullified by the crushing burden of taxes. On this occasion Dr Atma Ram, Director General, CSIR, released a new model of TV set manufactured by J.K. Television. This model (No 702) with a 19" screen is claimed to be the cheapest indigenous set with a number of features such as a built-in push-button voltage selector, high quality loudspeaker and wide band amplifier to yield a clearer picture in different areas. While the new model has been made in association with CEERI, Pilani, J.K. Television has introduced some innovations in the light of its experience. Incidentally, this company has marketed, according to Mr Singhania, about 5,000 sets — the largest number sold by any company in this country.

BRITISH PROJECT AID

Agreements for three loans were signed recently under which Britain committed £16 million (Rs 28.8 crores) project aid to India. The three loans are intended to finance the purchase by India of British manufactured capital goods required for Indian development and to cover the British element of major projects. The first loan, for £12 million (Rs 21.6 crores), known as the UK India Capital Investment Loan 1971, covers the import of British-

manufactured capital goods. It is allocated to the following purposes:—(a) £5 million (Rs 9 crores) for the import of capital items by private sector firms in India; (b) £5 million (Rs 9 crores) for the import of capital items by public sector units in India; (c) £1 million (Rs 1.8 crores) for the import of capital items by firms in the small-scale sector through the hire-purchase facilities of the National Small Industries Corporation; and (d) £1 million (Rs 1.8 crores) for the import of capital items by firms which are obtaining finance for the purchase from the Industrial Finance Corporation of India. The second loan, for £1 million (Rs 1.8 crores), known as the UK/India ICICI loan 1971, covers the import of capital items by firms which are obtaining finance for the purchase from the Industrial Credit and Investment Corporation of India. The third loan, for £3 million (Rs 5.4 crores), known as the UK/India Mixed Project Loan 1971, covers the cost of British goods and services required for major projects the British element of which is being financed out of British assistance. The loans are all on soft terms granted for all British aid loans in recent years. Capital repayments are spread over 25 years inclusive of an initial grace period of seven years with no interest. They form part of the £72 million (Rs 129.6 crores) of project aid which the British government have indicated that they will commit to India during the last four years of the fourth five-year Plan period.

E.E.C. DELEGATION

A four-member delegation, led by Prof. Ralf Dahrendorf, Member, External Trade Relations in the Commission of the European Economic Communities, arrived in New Delhi recently, at the invitation of the union government. The delegation will have discussions with Mr L.N. Mishra, Deputy Chairman of Planning Commission. Other members of the delegation are Mr W. Ernst, Director, External Trade Relations, Commission of the EEC and Mr Ravenna and Mr Hammer, Senior Officers, Secretariat of the EEC Commission.

LEATHER TEAM FOR JAPAN

A four-member study team sponsored by the Ministry of Foreign Trade through the Export Promotion Council for finished leather and leather manufactures, Kanpur, left for Japan recently. The team, which was led by Mr Inder Raj Kapur, an exporter from Amritsar, will study the requirements of the Japanese market of sheep casings from India. Japan has been a principal importer of sheep casings from India, but in the recent past, there has been a greater offtake by Japan of sheep cas-

ings from countries like Australia, New Zealand, China, Pakistan, etc. As a result there has been a decline in the export of sheep casings from India to Japan. From 1965, there has been a perceptible improvement in quality of casings exported from India, due to the introduction of compulsory grading of casings before export.

STATE BUDGETS

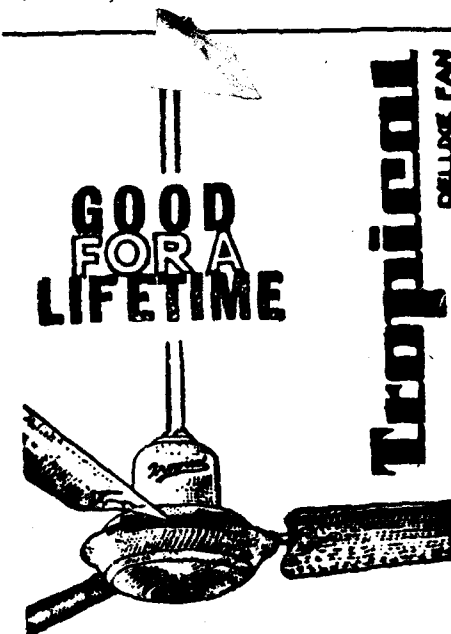
Jammu & Kashmir

The Finance Minister of Jammu & Kashmir, Mr Girdhari Lal Dogra, presented recently the budget estimates for the year 1971-72 in the assembly showing a deficit of Rs 50 lakhs. Receipts on revenue and capital account are estimated at Rs 96.23 crores and disbursements at Rs 96.73 crores. Mr Dogra has proposed additional levy on the sale of country as well as foreign liquor, an increase of two per cent in the rate of sales tax on luxury goods, enhancement of rates of motor vehicles tax, stamp duty, adoption of the slab system for levying property tax, and a five per cent increase in passenger tax to cover the deficits. He declared that these measures were expected to yield an income of Rs 50 lakhs. While the increase in excise duty proposed is expected to be nominal, motor vehicles tax will be re-

Eastern Economist 25 Years Ago

MARCH 29, 1946

A Planned economy in which the State assumes responsibility for maintaining full employment and making adequate outlay to create effective demand, calls for a very radical revision of our prevailing budgetary practices and techniques. Ever since the depression of the thirties it is more or less universally accepted that when private outlay falls short, the State must step in and fill the vacuum. And it was in pursuance of this aim that deficit financing and pump-pressing on public works were resorted to by quite a number of countries. The war time experience of total mobilization of resources has again brought home very forcibly that the economic effects of large scale public finance are, for good or ill, of crucial significance to the growth of income, employment and consumption and that the budget can be used as the instrument of planned direction and use of resources. While all this has been more or less accepted by most governments which stand committed to the policy of full employment, strangely enough the revision of the actual budgetary system has not kept pace with the progress of economic thought on the subject. With a few exceptions such as Sweden and Denmark, to which we shall allude presently, no country cared, until the war broke out, to readjust its budgetary system so that it could subserve the aim of economic policy; and even the readjustment brought about during the war is so very partial.



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vised substantially as owners of motor cars up to 14 horse power will have to pay Rs 100 instead of Rs 80 and truck owners will have to pay Rs 600 instead of Rs 440.

Bihar

Bihar's Finance Minister, Mr Rabish Chandra Verma, estimated the revenue receipts for 1971-72 at Rs 266.73 crores, revenue expenditure at Rs 261.76 crores, capital receipts at Rs 250.32 crores and capital expenditure at Rs 276.59 crores. Besides sales tax on hotels and restaurants and a health cess, other measures to reduce the deficit include plugging of loopholes to prevent evasion of commercial taxes and motor vehicles tax which would yield about Rs 6 crores and realisation of arrear dues estimated to yield an additional Rs 2 crores. Since the next financial year would begin after a fortnight, Mr Verma urged the House to pass a vote on account for three months as it would not be possible for it to pass the current budget before the end of the current financial year.

Gujarat

Gujarat's budget estimates for 1971-72 show a revenue surplus of Rs 13.71 crores. Revenue receipts are put at Rs 228.42 crores, and expenditure at Rs 214.71 crores. The Gujarat Finance Minister, Mr Babubhai Patel, proposed a rise in passenger tax. In his speech, Mr Patel said there was an increase of Rs 15.38 crores in the receipts and a decrease in expenditure of about Rs 9.19 crores. Receipts mainly included the amounts on account of share in central taxes (Rs 4216.34 lakhs), central assistance for Plan (Rs 950 lakhs), and central assistance for centrally sponsored and central sector schemes (Rs 729.52 lakhs). The budget provided for capital expenditure of Rs 4,714.73 lakhs, the important provisions being Rs 2,917.99 lakhs for irrigation works, Rs 454.36 lakhs for roads and buildings, Rs 498.50 lakhs for expenditure on the construction of the new capital and Rs 511.07 lakhs for capital outlay on industrial and economic development.

FOREIGN COLLABORATIONS

With the constitution of the Foreign Investment Board in December, 1968, the government had prescribed a form in which the prospective entrepreneurs should submit their applications for the government's approval to foreign investment and/or technical collaboration in setting up industries in India. In the light of the experience gained during the last two years, certain modifications have now been made in the pro-

forma mainly with a view to ensuring that complete information regarding collaboration proposals is furnished by the applicants in the first instance.

INDIANS IN FOREIGN FIRMS

The progress of Indianisation of superior posts in foreign-owned and foreign-controlled companies has registered further progress at all levels. The proportion of Indians in the total employment in these categories of companies has also risen. This is revealed by the employment returns as on January 1, 1970 submitted by these companies to the Ministry of Industrial Development and Internal Trade. An analysis of these figures shows that during the period 1960 to 1970 the total number of Indian employees drawing emoluments of more than Rs 2,000 a month increased more than fourfold from 1978 to 8604. The number of non-Indian nationals fell to almost one-third — from 3633 to 1326. Accordingly, the percentage share of Indians in the aggregate employment with foreign firms moved up from 83.5 as on January 1, 1969 to 86.6 as on January 1, 1970. In 1960, the percentage was 35.2. Among employees drawing total monthly emoluments ranging from Rs

2001 to Rs 3000, the number of Indians increased from 4,662 as on January 1, 1969 to 4,907 as on January 1, 1970, and the number of non-Indians declined from 173 to 147. Consequently, the share of Indians in the total employment under this salary group improved only fractionally from 96.4 per cent to 97.1 per cent.

ESTIMATE FOR SESAMUM: 1970-71

The all-India estimate of sesamum has put the current year's area under the sesamum crop at 1,467,400 hectares. According to the Directorate of Economics and Statistics, union Ministry of Food, Agriculture, Community Development & Co-operation, this year's estimate shows an increase of 93,000 hectares or 6.8 per cent as compared with the corresponding adjusted estimate of 1,374,400 hectares for the year 1969-70. The increase in area under sesamum during the current year has been in the states of Andhra Pradesh, Haryana, Kerala, Maharashtra, Mysore, Orissa, Punjab, Rajsthan, Tamil Nadu and Uttar Pradesh. This increase has, however, been offset to some extent by a decline reported from Madhya Pradesh, Bihar, Jammu & Kashmir and Gujarat.

Company Affairs

LARSEN & TOUBRO

SHAREHOLDERS OF Larsen and Toubro Limited approved recently at an extraordinary general meeting certain resolutions relating to the raising of the authorised capital of the company from Rs five crores to Rs 10 crores to enable the company to issue fresh capital at a future date in the light of the expansion contemplated by the company. Purchase of 50,000 shares as part of the 'right' from ICICI forming part of the equity shares of Utkal Machinery Limited subject to the sanction of the central government and the merger of Willcox Buckwell India Ltd, with Larsen and Toubro, in which the latter has 93 percent interest. The company's working in the first 11 months of the current year has been quite satisfactory with sales amounting to Rs 20.20 crores against Rs 15.02 crores in the same period of last year. The turnover for the full year is expected to reach Rs 26 crores against Rs 22 crores last year. Mr Holck Larsen, Chairman, has also visualised better profits for the year.

HINDUSTAN LEVER

The directors of Hindustan Lever Limited have proposed a final dividend of 80 paise per share for the year 1970, making a total of Rs 1.40 per share. Despite, an increase in its turnover from Rs 108.79 crores to Rs 119.21 crores, profits before charging capital expenditure on scientific research and before tax dropped from Rs 6.16 crores to Rs 5.35 crores. Profit after allowing capital expenditure and after tax dropped from Rs 2.75 crores to Rs 2.34 crores. The tariff commission has completed the inquiry into vanaspati costs and the company hopes that its recommendations will allow adequate margins. The company's exports during the year more than doubled from Rs 2.01 crores to Rs 4.78 crores. The company has exported synthetic detergents worth Rs 21 lakhs to the USSR.

CANARA BANK MERGER

The Chairman of Larsen & Toubro, Mr H. Holck-Larsen, has announced a scheme of amalgamation of Canara Bank Ltd, with Larsen and Toubro Ltd, which has been approved by the board of directors of the two companies. According to the scheme, every holder of five shares of Canara Bank Ltd, will be entitled to eight equity shares of Larsen and Toubro fully paid

up of the face value of Rs 10 each, three 9.5 per cent cumulative redeemable preference shares of Rs 50 each fully paid up, five eight per cent convertible bonds of Rs 22 each fully paid up with option to convert each bond into an equity share at the end of five years and on eight per cent redeemable bond of Rs 85 fully paid up to be redeemed at the end of 10 years (the face value of the redeemable bond may vary, based on the final amount made available. Dissenting members of Canara Bank Ltd, will be paid Rs 80 per share. The scheme will be implemented after it has been approved by the members of the two companies and by the government.

PHILIPS

The sales of Philips India Ltd for the year ended December 31, 1970 increased by 24.8 per cent to Rs 37.62 crores. Profit for the year after charging Rs 1.10 crores for depreciation and before tax amounted to Rs 6.72 crores as against Rs 5.27 crores of the previous year. Profit after tax stands at Rs 2.47 crores after making a provision for tax of Rs 4.25 crores.

From the profit after tax Rs 20 lakhs has been provided for the development rebate reserve and Rs 10 lakhs for debenture redemption reserve. Rs 3 lakhs has been written back from the development rebate reserve Rs 5 being excess provision for liabilities of previous years has been written back. For the year ended December 31, 1970, directors of Philips India Limited have proposed a final dividend of Rs 1.0 per share subject to tax. The proposed

final dividend together with the interim dividend Rs one per share less tax paid in December last will bring the total Distribution to the shareholder for 1970 Rs two per share. The proposed final dividend if approved will be paid out of the general reserve absorbing Rs 5.5 lakhs. The total dividend for 1970 will thus absorb Rs 1.10 crores.

Mr V.P. Naik, Chief Minister of Maharashtra, inaugurated recently Philips India's new radio factory at Pimpri, near Poona. Inaugurating the new unit, Mr Naik hoped that it would accelerate the growth of the electronics industry. He emphasised that the development of the industry should be in a planned way and in order to ensure it the state government had set up a special committee. Mr Naik further emphasised that the government's main business was to promote industries and not to find fault with the projects. In regard to the application for T.V. sets made by Philips, he said the state government would definitely recommend its case strongly for the grant of the necessary licence.

I.C.I.C.I.

The Industrial Credit and Investment Corporation of India Ltd, proposes to raise its equity capital from Rs 7.50 crores to Rs 10 crores by issue of 250,000 equity shares of Rs 100 each as rights shares at par in the ratio of one new share for every three shares held. The rights issue will be made by the middle of this year. As at the end of 1970, the Corporation's paid-up capital was Rs 7.50 crores and reserves of Rs 8.23 crores including capital reserve not available for dividend amounting to Rs 1.73 crores. The Corporation's operations in 1970 showed a marked improvement over those in 1969. The number of applications for financial assistance increased from 174 to 218, gross sanctions from Rs 39.20 crores

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to Rs 43.35 crores and disbursements from Rs 18.16 crores to Rs 27.96 crores. The Corporation's total net sanctions at the end of 1970 amounted to Rs 295.69 crores comprising Rs 174.39 crores foreign currency loans, Rs 51.89 crores, Rupee loans Rs 7.80 crores, guarantees, Rs 54.04 crores, underwriting and Rs 7.57 crores direct subscription. Total disbursements at the end of 1970 were Rs 201.13 crores comprising Rs 120.63 crores foreign currency loans, Rs 42.91 crores Rupee loans, Rs 30.44 crores underwriting and Rs 7.15 crores direct subscriptions. The gross income increased from Rs 8.98 crores to Rs 10.17 crores in 1970 and the profit after tax from Rs 1.60 crores to Rs 1.68 crores. Equity dividend has been raised from 9 per cent to 10 per cent, which will absorb Rs 75 lakhs.

SIEMENS INDIA

The Directors of Siemens India Ltd, decided to close the subscription lists for their equity issue on March 18, 1971. The issue was well over subscribed. The subscription lists for the debenture issue remained open up to March 25, 1971.

HINDUSTAN THOMPSON

Hindustan Thompson Associates launched a new unit, the Indian Market Research Bureau (IMRB) on March 15. The IMRB, an autonomous research division, came into existence earlier this year as a result of the amalgamation and expansion of the agency's market research operations in Bombay, Calcutta, Madras and Delhi. Thus the new division has at its inception the benefit of over 20 years of HTA market research experience in India. The Indian Market Research Bureau is associated with the British Market Research Bureau in London, Europe's largest and most experienced market research agency. From BMRB the new division will draw on expertise and new ideals techniques.

CEAT TYRES

The directors of Ceat Tyres of India Ltd, have proposed to maintain the equity dividend at Rs 11 per share of Rs 100 each for 1970. This dividend will be paid out of the general reserve to which a sum of Rs 40.10 lakhs has been transferred.

DEVIDAYAL CABLE

The directors of Devidayal Cable Industries have proposed a dividend of 10 per cent for 1970 against five per cent in the previous year. A dividend of 9.5 per cent on preference shares has also been proposed. The dividends will absorb Rs 6.91 lakhs. The company has

produced good results for the year with the net profit rising to Rs 20.52 lakhs from Rs 13.73 lakhs in the previous year in line with a 32 per cent rise in sales at Rs 5.14 crores from Rs 3.89 crores last year. The allocations include: depreciation Rs 8.95, development rebate reserve Rs 62,246 and taxation Rs 8.77 lakhs.

VULCAN-LAVAL

The directors of Vulcan-Laval Ltd, have proposed an equity dividend of six percent for 1970. This is the first time that the directors have proposed an equity dividend since the company's public issue of equity shares. The company has recorded a gross profit of Rs 34.45 lakhs against Rs 23.63 lakhs for the previous year in the wake of an increase in sales to Rs 3.25 crores from Rs 2.76 crores. The improved results are attributed partly to the contribution made by spray dryers of an hydro design marketed during the year. The company had on hand orders worth Rs 2.17 crores at the end of the last month. Despite irregular supply of essential raw materials, the management is trying to achieve an increase of 10 per cent in its turnover for the current year.

BELSUND SUGAR

The Belsund Sugar Co. Ltd reduced its net profits at Rs 3.15 lakhs during the year ended September 30, 1970 against Rs 4.79 lakhs in the previous year, after providing Rs 5.15 lakhs for depreciation, Rs 98,000 for development rebate reserve and Rs 3.30 lakhs for taxation. Sales increased to Rs 2.09 crores from Rs 1.63 crores. The directors have proposed to maintain the equity dividend at one rupee per share of Rs 7.50 each, which will absorb Rs 3.90 lakhs. No transfer has been made to general reserve. The factory crushed 179,000 tonnes of cane, the average recovery being 9.17 per cent. In the current season, a total crush of 140,000 tonnes is expected. The working of the company's subsidiary, Hindustan wire Products Ltd is satisfactory.

CHAMPARUN SUGAR

Champarun Sugar Co. Ltd, during the year ended June 30, 1970 recorded a loss of Rs 15.44 lakhs against a profit of Rs 1.64 lakhs in the previous year, allocation include: depreciation Rs 9.14 lakhs and development rebate reserve Rs 81,898. No provision has been made for taxation. After making some adjustments, a debit balance of Rs 19.48 lakhs has been carried forward. Sales have been higher at Rs 3.39 crores as against Rs 2.68 crores last year. The company crushed 2.71

million quintals of cane in 1969-70 compared with 2.19 million quintals in the previous year. The average recovery was however, lower.

SHIPPING CORPORATION

The shipping Corporation of India recently concluded its negotiations with Lithgows shipyard of Port Glasgow (a member of the Scott Lithgow group), UK, for the construction of two bulk carriers each of 75,000 tons dead weight. Mr A.R. Belch, Managing Director of Scott Lithgow and Mr C.P. Srivastava, Chairman and Managing Director of the Shipping Corporation of India, signed the agreement in Bombay recently.

CAPITAL & BONUS ISSUES

Consent has been accorded to nine companies to raise capital of over Rs 4.08 crores. Two of them are to issue bonus shares totalling Rs 24 lakhs and the amount of bonus shares being Rs 4 lakhs and Rs 20 lakhs. The consents

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are valid for twelve months. The following are the details:

M.R. Electronics Components Ltd, Madras, has been accorded consent to capitalise Rs 4 lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of four bonus shares for every 10 equity shares held.

Jubilee Mills Ltd, Bombay, has been accorded consent to capitalise Rs 20 lakhs out of its general share premium account and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every one equity share held.

Globe Steerings Ltd, Bombay, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 divided into Rs 40 lakhs in 4 lakhs equity shares of Rs 10 each for cash at par for manufacture of automobile steering gears.

Grindwell Abrasives Ltd, Bombay, has been granted consent for issue of 75,172 equity shares of Rs 100 each

to Morton Inc., Worcester, Massachusetts, USA, for an aggregate value of Rs 90,84,355. The share money will be paid in equivalent US dollars. The consent has been accorded in terms of Clause 8 of the Share Option Agreement entered into between the Indian company and US firm Norton Inc. Worcester, Massachusetts, USA.

Jain Shudh Vanaspati Ltd, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 divided into Rs 55 lakhs of 4,40,000 equity share of Rs 10 each and 11,000 of 9.5 per cent redeemable cumulative preference shares of 100 each for establishing a factory for manufacture, process and refining of oils.

Dunbar Mills Ltd, Calcutta, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, divided into equity shares of Rs 100 each of a value of Rs 11,87,500 and redeemable cumulative preference shares of Rs 100 each of a value of Rs 19,50,000 carrying 9.5 per cent dividend free of company's tax but subject to deduction of tax at source at pres-

cribed rate for modernisation and renovation of the mills.

Alembic Chemicals Works Company Ltd, Baroda, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 divided into Rs 57,48,700 divided into 57,487 equity shares of Rs 100 each for cash at par as rights shares for strengthening the financial position of the company.

Williamson Magor & Co. Ltd, Calcutta, has been granted consent to issue equity shares of Rs 10 each of a value of Rs 10,25,200 to the shareholders of Dufflaghur Tea Co. Ltd as a result of the latter company's amalgamation with Messrs Williamson Magor & Co. Ltd in the manner sanctioned by the Calcutta High Court by order of September 22, 1970.

Tube Investment of India Ltd, Madras, has communicated to government of its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 divided into 8½ per cent debenture of the value of Rs 100 lakhs to be issued privately to certain financial institutions and insurance companies to repay long term loans.

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CHAIRMAN'S STATEMENT

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

The following is the extract from the statement by the Chairman, Shri G. L. Mehta, circulated to the shareholders with the Directors' Report and Accounts for the year ended December 31, 1970.

In many senses, 1970 was a disappointing year — a year when slight gains in some spheres were more than counter-balanced by setbacks in others. The most noticeable achievement of the year was a good foodgrain harvest for the fourth consecutive year, a harvest for the first time exceeding 100 million tonnes figure. The most impressive aspect of this achievement is the evidence it gives of the roots that the new agricultural strategy has taken among the farmers, raising thereby the floor of foodgrain production in the country.

The picture in other sectors — non-foodgrain production, industrial output, exports and prices — was less than satisfactory. Among other agricultural crops, the production of cash crops, other than sugarcane, has been unsatisfactory for the last two years. Apart from restraining manufacture of cotton textiles and production of vegetable oils, the main impact of the unsatisfactory production levels of these crops has been, as I shall mention later, on the price-level.

The concentration of attention and resources on agriculture during the last five years has begun to bear fruit in the form of increased local availability of agricultural goods, particularly foodgrains. This is a development wholly welcome, not merely in itself but also as a means of improving the general level of living of the vast mass of the country's population and as increasing the potential for industrial growth.

Even thus, while the pre-conditions for rapid industrial development are being established, it is evident that we seem to have run out of policy initiatives in the field. This is evident not only in the slow growth of industrial production but also, in spite of four good harvests, the inadequate utilisation of industrial capacity, particularly in engineering industries.

Industrial growth, after showing a noticeable spurt in 1968 and 1969, seems to have slowed down in 1970. Industrial production for the first six months of 1970, as measured by the index of industrial production, shows a rise of 6.6 per cent over the level for the corresponding months in 1969 against a rise of 7.4 per cent achieved in 1969 over the previous year's level.

It is also evident that the industrial recovery, such as it is, is unevenly spread. While consumer goods industries suffered the least from the recession and have made up most of the leeway in idle capacity, the position in respect of intermediate goods and capital goods industries, particularly the latter, remains unsatisfactory. And unless we can improve the rate of utilisation of capacity in these two sectors of industry, there is little prospect of reviving the overall rate of industrial investment in the economy.

Several factors are responsible for the slow-down in the pace of industrial growth. Perhaps, the reduced availability of cotton and vegetable oil-seeds has restrained production of cotton textiles and vegetable oils. Perhaps, a more important factor is the shortage of steel, arising out of a failure to use fully the capacity already established in State-owned steel units, particularly at Durgapur and Rourkela. Steel being a basic commodity, its shortage has equally wide repercussions. Steel shortage has tended to keep production in further processing sectors at a low level; it has also been responsible for the slackening of our exports of engineering goods.

The most disappointing performance is in respect of export and prices. After the rise in 1969-70, exports seem to have slipped by about 3 per cent in the first six months of 1970-71 in relation to the corresponding period of 1969-70. On a closer analysis of export figures, it appears that while non-traditional exports

have more or less stood the ground, the shortfall has been mainly in the exports of traditional goods. However, both the sectors are responsible for the failure to achieve the planned 7 per cent increase in exports. If the consequences of this failure are not quite apparent in the economy, it is because the country has built up a reasonable level of foreign exchange holdings in the past three years and also because the economy has not been operating at full steam.

The other area which causes concern is the price-level. When prices rose during the three disastrous years, 1964-65 to 1966-67, it was possible to blame them on bad harvests. However, after four good harvests in a row, we can point to only one year, 1968-69 as a year of relative price stability; in all other years, prices have risen at a rate varying between 4 and 12 per cent. The only redeeming feature of this rise is the relative stability of foodgrain prices; prices of cash crops, industrial raw materials and finished goods have been continuously creeping up. It is evident that demand, rather than supply, factors are responsible for the continuous rise in prices. The need for discipline in monetary and fiscal policy fields is apparent in such a situation. It is necessary, in this context, to watch the impact of the recent rise in Bank Rate on the economy.

The picture in the industrial field should be a cause of some concern. The industrial recession following the Indo-Pak conflict brought to a near-halt the investment process in industry, both in the public and in private sectors. Not only did imbalances become apparent in the industrial structure, but there also seemed to be excess capacity in the whole industrial field. The excess capacity was most visible in the machine tools and capital goods industries, reflecting the inability of the economy to absorb the corresponding investment.

The go slow on industrial investment, for example, by putting off planning of new steel capacity.

Gradually as investment has been dormant, the excess capacity is being worked off in some sectors by the secular rise in demand for industrial goods. With industrial capacity showing only marginal rise, even the small rise in industrial production this year reflects a proportionately better utilisation of capacity and an increasing tendency to reach the capacity ceiling in many industries. In fact, in many industries like paper, steel, non-ferrous metals and so on, shortages have begun to appear — a position which will become more generalised and accentuated over the coming years.

This climate for a spurt in industrial investment should have been further accentuated by specific investment decisions taken by the Government. The Government has already announced a decision to set up three steel plants, it has also announced its policy regarding licensing of small cars and proposes to set up a small car and a scooter project with foreign collaboration in the public sector. The main impact of such a policy will be not only in meeting the present needs and removing one of the few shortages in the economy, but also in broadening industrial development through ancillary units. All these industries should have a large multiplier effect on investment in the private sector.

Yet, barring a few industries like tractors and automobile tyres, the response from the private sector has been hesitant. There are many reasons for this hesitation, and these need to be fully appreciated. In the first place, industrial recovery is neither as generalised nor so quick-paced as to infuse confidence in the private sector; the slow-down of growth in 1970 would seem to continue the hesitations of those who are sitting on the investment fence. In a sense, we are in a vicious circle of an investment deadlock which is deepened by lack of investment. Secondly, the country is in the midst of a transition in respect of its industrial investment policy, whose full implications have still to be worked out by the Government and absorbed by the entrepreneurial sectors in the economy. What has, therefore, happened is that while the entrepreneurial initiative and enterprise of the existing groups have been blunted, the expected upsurge of new and favoured categories of entrepreneurs has not come up to take its place.

The major areas of uncertainty in policy are the spheres of industrial investment assigned to different entrepreneurial categories. In recent announcements, the Government has sought to

demarcate the areas of operation for different entrepreneurial categories. Necessarily this has a negative, restrictive slant as regards freedom of investment. If the Government wants new entrepreneurial classes to come up — as it should seek to do, it is not sufficient to restrict the entry of large houses in these investment categories; it is desirable that positive inducement is offered to the entrepreneurial categories which are sought to be encouraged.

It is also necessary to re-examine the structure of planning and control in the light of developments during the last twenty years. Over this period, the industrial base in the country has expanded considerably. Moreover, the instruments of financial control have increasingly come into the hands of Government. Once detailed control is possible at the financing stage, it is possible to look upon administrative control as a less important element in the regulation of the economy. At the same time, it is desirable that industrialisation is broadened both concerning entrepreneurs and according to regions. I shall refer later to various moves by finance institutions by which they seek to give preferential treatment for these purposes.

It is also necessary that our entrepreneurs take a broader view of the development process. Development has, allowing to some extent for upsets like the one at present, become a self-generating force. In such a situation, there should be adequate scope for all potential entrepreneurial talent in the country. In many instances, particularly in ancillary units in engineering industries, industrial economics and political foresight require that some activities be hived off and carried on separately. In other words, while a policy of making everything under one roof might have had some justification in days when markets were limited and industries not diversified, it has little economic basis in the present context when markets are expanding and broader entrepreneurial groups have to be found and started. Industrialists also have an obligation to provide goods to consumers at reasonable prices. The emergence of a buyers' market during the last five years has made industrialists conscious of the need to control costs more effectively. Moreover, it is essential, as we build up industries with borrowed technology, that we seek to develop our own research and development facilities.

These aspects of industrialisation — broadening the industrial effort, cost reduction and research and development — are all facets of a dynamic industrial philosophy which our industrialists need to develop on their own.

March 26, 1971

Our industrialists have, in the past, like our economy, concentrated their efforts on solving the immediate problems of increasing production. However, the environment in which industry operates continually changes; so also the emphasis on different aspects of economic and social policy. Industry by its nature is flexible in its approach and has to keep pace with the changing needs of the economy. I am confident that the newer and finer needs which manifest themselves and will become important in the coming years will be recognised and industrialists will mould their action accordingly.

Significantly, given India's situation, time is hardly on our side. At the present rate of development, the economy is not able to absorb the increasing population in the working-age group. In the last three years, while the economy has stood still, the number of those seeking jobs has steadily increased.

Over a period, the situation is likely to get worse and not improve. It is true that the green revolution, especially the resort to increasing mechanisation in agriculture, has not had an immediate adverse impact on employment in agriculture, particularly of the landless and unskilled labour. Nonetheless, in the long run the increasing farm output is bound to be produced with less — although skilled — labour. And while increasing — and perhaps, cheaper — food supplies might compensate today for the loss of employment prospects, such supplies would hardly have any meaning to the unemployed.

The prospects, if the present trends continue, are, indeed, alarming: an economy with increasing food supplies but lessening employment opportunities. No system, political or economic, can expect to stand the strain of such an evolution.

There are no simple solutions to such a problem; what is disheartening is that the problem has been relegated to a subordinate place in the present order of priorities. We have now reached a stage where the consequences of inaction are far worse than of action, however misconceived.

In the long run, one answer to the problem lies in slowing down substantially the rate of growth of population. Because such a remedy takes a long time to work out, it is appropriate that we start on it now. It is unfortunate that after an initial spurt the family planning drive seems to have lost its momentum.

In the immediate present, the problem is not only to absorb the existing unemployed — not excluding the educated, technically and otherwise —

March 26, 1971

whom real resources have been spent to build up their specific skills — but give them jobs in non-agricultural activities. It is also necessary to build up a potential in these spheres to absorb the increasing numbers in working-age groups and to take up those who will be released from agriculture. In other words, the job potential in the non-agricultural sectors will have to rise geometrically to meet the increasing demand for such jobs.

In such a context, it is not the wage-rate but the employment rate that assumes importance. To the extent low-paid productive jobs are created, the strain on resources is reduced; to the extent jobs are created near the place of residence of jobs-seekers, problems of urbanisation — and, consequently of additional resources to provide the social infra-structure like housing — are minimised.

There are two activities which meet these requirements: construction and road transport. Unfortunately, our plans reveal the neglect of these two activities in the past. Not only to make good this neglect but also as an instrument of solving the urgent problems of the economy, a re-orientation in emphasis needs to be given to our planning priorities.

It would then be essential to work out the implications of such a programme on the resource requirements in other spheres — manufacturing and tertiary, and provide them the required resources. I am inclined to think that such a plan would not unduly increase the aggregate foreign exchange requirements of the economy, and the foreign exchange constraint is not likely to become worse.

The choice before the economy is becoming increasingly clear: is it to be a capital-intensive, high-wage development of a narrow base or a broad-based low-wage employment-oriented development effort? We have tried out the first alternative, and the gains, though substantial in industrial terms, have been narrow in terms of employment provided, and in the potential for creating employment opportunities and in generating resources.

It is in this context that some recent measures need to be examined. The Government is gradually building up a programme for generating off-season employment opportunities. The experience gained with the initial programme should prove helpful in developing more broad-based programmes later.

The object of all planning is, in the ultimate analysis, to maximise welfare. The Government itself now recognises the need to ensure increased welfare. It is necessary, therefore, that Go-

vernment encourages public effort to help improve the economic and social welfare of the people.

In the limited spheres falling within their purview, the finance institutions have also taken steps to broaden the impact of their operations. Under their initiative, surveys have been carried out in various States to determine their industrial potential and to suggest measures to realise such potential. The effort has been to identify projects which are based on local resources and which would be of maximum benefit to the people. Your Corporation has played, along with the other finance institutions, an active part in these surveys. The task has involved detailed examination of data and consultation with the State officials concerned. We expect that most of the States would be covered by the surveys during the current year. Such work has helped not only to lay the foundations of a broad development effort to be undertaken in the coming years but would also help to increase the business potential of your Corporation, as, indeed, of the other finance institutions.

In backward areas, the finance institutions must necessarily play a broad, promotional role and take a long view of the development process. To this end, your Corporation, along with the other finance institutions, has announced certain concessional terms as regards the rate of interest, period of loans and security coverage, for projects set up in such areas. It is to be hoped that the States would take this opportunity to promote actively industries within their borders.

Your Corporation has also sought to broaden its assistance to small entrepreneurs. Its policy to extend foreign currency loans to small enterprises has been assuringly successful. In 1970 alone, loans of Rs 5 lacs and lower amounted to 55. The Corporation has sanctioned loans for a total amount of Rs 47 lacs to 22 printing presses in 1970. The number of proprietary and partnership concerns assisted so far comes to 17.

Last year in my statement I had spoken to you about the importance of Research and Development in industry. In order to know more about the state of industrial research in the country and to promote greater research-consciousness, in December 1970 we held a Conference on Research and Development, attended by about 160 representatives from industry, government, national laboratories, technological institutes and financial institutions. The response we received was overwhelming. We propose to follow-up on the various suggestions made at the Conference for fostering industrial research in the country.

In all these matters, it is a broad and long-term view of the process of development that has guided your Corporation's activities. Necessarily the inducement to invest has been at a low ebb during the last three years. While consolidating its operations, the Corporation has taken initiatives — opening offices in Calcutta and Madras, financing small enterprises, offering concessional finance to industry in backward regions — which should help it to expand its role in future and to serve the industrial community better. Innovation and adaptability are the price of survival as much in financing as in manufacturing activity.

The Corporation has been examining for some time its role in broadening the financial facilities available in the economy. Towards this end it has made a small investment in a hire-purchase finance company to gain first-hand experience of such work. The Corporation has also been guaranteeing payments on purchases made by its clients on deferred credit terms. Another area in which the Corporation has been seeking to take a more active interest is housing finance. We consider that this is a major lacuna in the present financial facilities available in the economy, in that adequate credit facilities are not available to people for housing. Housing is also an important element in total construction activity, and would provide, besides shelter to those actively engaged economically, also employment on a large scale. We hope that the Corporation's efforts will soon bear fruit and the Corporation will be able to promote a housing finance corporation in the near future.

Last year I had referred to the proposal for setting up a financial management institute which the Corporation had been actively promoting. I am glad to inform you that the proposed institute has been registered as the Institute for Financial Management and Research, and that it has received the required tax exemption. Shri S.L.N. Simha has joined as the first Director of the institute. The Corporation has contributed a sum of Rs 20 lacs, Rs 10 lacs out of its own profit and Rs 10 lacs out of a surplus interest fund created out of KfW loans, towards the cost of financing the Institute. Shri D.C. Kothari and Shri H.C. Kothari have donated a sum of Rs 10 lacs to the Institute. The response from industrialists for donations to the Institute has been satisfactory and I would like to thank on behalf of the Corporation all donors who have so generously come forward for this worthy cause.

Bombay, February 11, 1971.

RECORDS AND STATISTICS

The New Council of Ministers

A 36-MEMBER Council of Ministers, headed by Mrs Indira Gandhi as Prime Minister, was sworn in by the President, Mr V.V. Giri, on March 18, 1971. The ministry comprises 13 ministers of cabinet rank, 15 ministers of state and eight deputy ministers. There are five new ministers of cabinet rank. Seven ministers of cabinet rank, three ministers of state and five deputy ministers from the previous council of ministers have been dropped. Following is the list of the new Council of Ministers

Members of the Cabinet

1. Mrs Indira Gandhi	Prime Minister, Minister of Atomic Energy, Minister of Home Affairs, Minister of Planning and Minister of Information and Broadcasting.
2. Fakhruddin Ali Ahmed	Minister of Food and Agriculture.
3. Mr Y.B. Chavan	Minister of Finance.
4. Mr Jagjivan Ram	Minister of Defence.
5. Mr Swaran Singh	Minister of External Affairs.
6. Mr K. Hanumanthaiya	Minister of Railways.
7. Dr Karan Singh	Minister of Tourism & Civil Aviation.
8. Mr Raj Bahadur	Minister of Parliamentary Affairs, and Shipping and Transport.
9. Mr Moinul Huq Choudhury	Minister of Industrial Development.
10. Mr Siddhartha Shankar Ray	Minister of Education and Social Welfare.
11. Mr H.R. Gokhale	Minister of Law and Justice.
12. Mr S. Mohan Kumaramangalam	Minister of Steel and Heavy Engineering.
13. Mr K.K. Shah	Minister of Health and Family Planning.

No minister has been appointed for the Ministry of Culture. Mr Siddhartha Shankar Ray will hold temporary charge of this ministry.

Ministers of State

1. Dr K.L. Rao	Minister of Irrigation & Power.
2. Mr L.N. Mishra	Minister of Foreign Trade.
3. Mr R.K. Khadilkar	Minister of Labour, Employment and Rehabilitation.
4. Mr I.K. Gujral	Minister of Works, Housing and Urban Development.
5. Prof. Sher Singh	Minister of Communications.
6. Mr K.V. Raghunatha Reddy	Minister of Company Affairs.
7. Mr D.R. Chavan	Minister of State in the Ministry of Petroleum, Chemicals and Non-Ferrous Metals.
8. Mr Niti Raj Singh Chaudhary	Minister of State in the Ministry of Petroleum, Chemicals and Non-Ferrous Metals.
9. Mr Om Mehta	Minister of State in the Department of Parliamentary Affairs.
10. Mr Ram Niwas Mirdha	Minister of State in the Ministry of Home Affairs and in the Department of Personnel.
11. Mr K.C. Pant	Minister of State in the Ministry of Home Affairs and Minister of State, Department of Electronics, Department of Atomic Energy and Department of Science and Technology.
12. Mrs Nandini Satpathy	Minister of State in the Ministry of Information & Broadcasting.
13. Mr P.C. Sethi	Minister of State (Defence Production) in the Ministry of Defence.
14. Mr Annasaheb P. Shinde	Minister of State in the Ministry of Food & Agriculture.
15. Mr V.C. Shukla	Minister of State in the Ministry of Finance.

Mr Moinul Huq Choudhury will hold temporary charge of Department of Supply.

Deputy Ministers

1. Mr K.R. Ganesh	Deputy Minister in the Ministry of Finance.
2. Mr A.K. Kisku	Deputy Minister in the Ministry of Health & Family Planning.
3. Dr (Mrs) Sarojini Mahishi	Deputy Minister in the Ministry of Tourism & Civil Aviation.
4. Mr Jagannath Pahadia	Deputy Minister in the Department of Supply.
5. Mr Mohammed Shafi Qureshi	Deputy Minister in the Ministry of Steel & Heavy Engineering.
6. Mr K.S.G. Ramaswamy	Deputy Minister in the Ministry of Home Affairs.
7. Mr Siddheshwar Prasad	Deputy Minister in the Ministry of Irrigation and Power.
8. Mr Surendra Pal Singh	Deputy Minister in the Ministry of External Affairs.

Wholesale Prices

WHOLESALE PRICES as measured by the official index (with the year ended March, 1962=100) advanced by 1.3 per cent to 183.3 in January, 1971 as against 181.0 for December 1970. The index for January, 1971 was higher by 5.4 per cent when compared to 173.9 for January, 1970. The rise in the all commodities index was shared by an advance in the indices of 'food articles' by 0.7 per cent to 201.1, 'fuel, power, light and lubricants' by 0.1 per cent to 162.7 (as against 162.5 for the earlier month), 'industrial raw materials' by 1.7 per cent to 206.5, 'chemicals' by 0.4 per cent to 189.4, 'machinery and transport equipment' by 0.7 per cent to 150.3 and 'manufactures' by 2.7 per cent to 161.5. However, the index for liquor and tobacco declined by 0.2 per cent to 184.6 during the month under review.

Food articles

Higher prices of all the cereals (except bajra and barley which moved down) pushed up the index for this sub-group by 1.7 per cent to 192.9 as against 189.7 for the earlier month. Owing to a fall in the prices of arhar and mung, the index for pulses sub-group declined by 0.3 per cent to 246.8. The prices of masur and urad however, moved up. On the whole the index for 'foodgrains' witnessed a rise of 1.2 per cent to 202.7, during the month, but it was lower by 4.2 per cent when compared to that of a year ago. The sub-group index for 'fruits and vegetables' rose by 3.0 per cent to 186.6 due to higher prices of oranges and bananas. The prices of potatoes and onions, however, drifted lower. Due to a rise in the prices of milk the sub-group index for 'milk and milk products' went up by 0.3 per cent to 210.5. An increase of 0.9 per cent to 234.0 in the sub-group index for 'edible oils' was caused by higher prices of ground nut oil and gingelly oil although the prices of coconut oil and mustard oil declined. Higher prices of fish pushed up the index for 'fish, eggs and meat' sub-group by 2.9 per cent to 215.5. The prices of eggs and meat, however, fell. Lower prices of gur and khandsari brought down the sub-group index for 'sugar and allied products' by 2.0 per cent to 175.2. The sub-groups index for 'other food articles' stood at 181.1 as against 181.0 for the previous month. Black pepper, chillies, cloves, tea and salt moved up while the prices of turmeric, cummin,

cardamoms, coffee and betelnuts declined.

Liquor & tobacco

The index for 'liquor and tobacco' group recorded a fall of 0.2 per cent

to 184.6 due to lower prices of tobacco raw.

Fuel, power, light and lubricants

The index for 'fuel, power, light and lubricants' group moved up from 162.5 in the earlier month to 162.7, due to an advance in the prices of castor oil.

Industrial raw materials

Higher prices of cotton raw, mesta, hemp raw, wool raw and silk raw pushed up the sub-group index for 'fibres' by 5.0 per cent to 199.5. The prices of

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS AND SUB-GROUPS OF COMMODITIES
(Base: 1961-62-100)

Groups and sub-group	Monthly average		% increase (+) or decrease (—) in Jan. 1971 as compared to	
	Jan. 1971	Dec. 1970	Jan. 1970	Dec. 1970
Food articles	201.1	199.8	198.2	+0.7
Food grains	202.7	200.2	211.5	+1.2
Cereals	192.9	189.7	201.1	+1.7
Pulses	246.8	247.6	258.6	+0.3
Fruits and vegetables	186.6	181.1	172.6	+3.0
Milk and milk products	210.5	209.8	195.3	+0.3
Edible oils	234.0	231.9	212.3	+2.9
Fish, eggs and meat	215.5	209.5	199.7	+2.0
Sugar and allied products	175.2	178.8	163.0	+0.1
Others	181.1	181.0	205.3	+0.2
Liquor and tobacco	184.6	185.0	186.0	+0.2
Fuel, power, light and lubricants	162.7	162.5	156.0	+0.1
Industrial raw materials	206.5	203.0	183.2	+1.7
Fibres	199.5	190.0	155.9	+5.0
Oilseeds	233.0	233.0	215.3	Nil
Minerals	141.1	141.1	134.8	Nil
Others	170.0	168.9	166.8	+0.7
Chemicals	189.4	188.7	186.5	+0.4
Machinery and transport equipment	150.3	149.2	139.1	+0.7
Electrical machinery	149.0	149.0	134.6	Nil
Non-electrical machinery	158.4	156.1	143.2	+1.5
Transport equipment	136.9	136.9	135.6	Nil
Manufactures	161.5	157.3	147.6	+2.7
Intermediate products	188.7	180.8	169.5	+4.4
Finished products	155.0	151.7	142.3	+2.2
Textiles	160.5	154.6	140.4	+3.8
Cotton mfrs.	157.0	149.6	136.5	+4.9
Jute mfrs.	182.0	179.2	157.4	+1.6
Silk and rayon Mfr.	120.7	118.7	113.8	+1.7
Woollen mfrs.	182.0	182.0	177.3	Nil
Coir mats and mattings	175.8	167.9	165.3	+4.7
Metal products	166.2	165.8	156.3	+0.2
Non-metallic products	145.0	144.1	135.2	+0.6
Chemical products	149.6	146.7	137.9	+2.0
Leather products (shoes)	92.1	92.1	92.1	Nil
Rubber products	155.4	155.4	156.5	Nil
Paper products	124.7	121.3	120.4	+2.8
Oilcakes	193.5	197.1	216.2	+1.8
Misc. products	122.9	122.7	120.2	+0.2
All commodities	183.3	181.0	173.9	+1.3

Source : Economic Adviser to the Govt. of India.

jute raw, however, declined. A rise in the prices of groundnuts, castorseed and gingelly seed was neutralised by a fall in the prices of rapeseed and copra, and the index for 'oilseeds' sub-group remained unchanged at 233.0. 'Minerals' stood stationary at their previous month's level of 141.1. 'Other industrial raw materials' advanced by 0.7 per cent to 170.0, due to a rise in the prices of hides raw, tanning materials and lac. The prices of skins raw, however, declined.

Chemicals

The index for the group advanced by 0.4 per cent to 189.4 due to rise in the prices of soda ash.

Machinery and transport equipment

The sub-group index for 'non-electrical machinery' moved up by 1.5 per cent to 158.4 on account of an increase in the prices of machinery other than electric, textile stores and beltings. The indices for 'electrical machinery' and

'transport equipment' sub-groups stood unchanged at their previous month's levels of 149.0 and 136.9 respectively.

Intermediate products

The index for 'intermediate products' recorded a rise of 4.4 per cent to 188.7 due to increased prices of cotton yarn, rayon yarn and linseed oil. The prices of zinc, tin and lead, however, declined.

Finished products

Higher prices of cotton manufactures (+4.9 per cent to 157.0), jute manufactures (+1.6 per cent to 182.0), silk and rayon manufactures (+1.7) per cent to 120.7), and coir mats and mattings (+4.7 per cent to 175.8) pushed up the sub-group index for 'textiles' by 3.8 per cent to 160.5. The index for woollen manufactures, however stood stationary at its previous month's level of 182.0. The sub-group index for 'metal products' rose by 0.2 per cent to 166.2 due to a slight rise in the prices

of iron and steel manufactures. The index for 'non-metallic products' sub group advanced by 0.6 per cent to 145.0 owing to an increase in the price of cement. The sub-group index for 'chemical products' moved up by 2.1 per cent to 149.6 due to a rise in the prices of drugs and medicines, paint and varnished and essential oils. A rise in the prices of other rubber products was neutralised by a fall in the prices of rubber tyres and tubes, and the index for 'rubber products' sub group remained unchanged, at its previous month's level of 155.4. The sub group index for 'paper products' advanced by 2.8 per cent to 124.7. The sub-group index for 'oilcakes' declined by 1.8 per cent to 193.5. The sub-group index for 'miscellaneous products' moved up by 0.2 per cent to 122.1 due to higher prices of lamps and lanterns. On the whole the index for 'finished products' advanced by 2.2 per cent to 155.0 during the month under reviews.

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base: 1960=100)

	1970				1970			
	1969	June	July	August	1969	June	July	August
General Index								
Seasonally adjusted	172.4	182.4	177.0	174.1				
Crude	172.5	179.0	178.5	174.9				
Mining and quarrying	147.4	144.6	144.9	NA				
Manufacturing	167.2	174.4	173.7	169.5				
Food manufacturing industries	137.0	146.1	151.6	150.0				
Sugar (refined)	149.1	66.4	29.3	10.6				
Vanaspati	142.7	156.9	NA	NA				
Tea	108.1	172.1	218.7	225.7				
Coffee curing	137.5	122.5	86.4	52.3				
Cigarette manufacturing	161.4	162.9	184.5	165.4				
Manufacture of textiles	109.5	110.3	116.1	110.7				
Cotton textiles	111.7	112.1	117.1	NA				
Cotton spinning	127.8	126.3	132.5	NA				
Weaving of cotton textiles	91.5	94.3	97.9	NA				
Woollen textiles	154.2	172.4	185.3	NA				
Jute textiles	77.8	88.6	95.8	89.6				
Paper and paper products	201.4	208.1	225.3	220.3				
Manufacture of paper	200.2	208.1	225.9	221.1				
Manufacture of paper-board	219.8	221.9	NA	NA				
Rubber products	215.5	213.0	213.2	215.6				
Tyres and tubes	255.0	248.8	258.0	258.6				
Chemical and chemical products	217.5	228.0	223.7	224.1				
Basic industrial chemicals (including fertilisers)	297.0	309.7	294.1	320.9				
Heavy organic chemicals	277.1	263.0	237.5	238.5				
Heavy inorganic chemicals	308.0	322.2	331.8	328.1				
Synthetic resins and plastics	174.8	196.9	216.8	169.4				
Synthetic fibres	223.1	236.6	242.9	236.1				
Dyestuffs and dyes	198.4	175.4	151.4	232.4				
Fertilisers	548.2	610.4	538.4	590.1				
Paints, varnishes and lacquers	111.3	109.4	121.8	115.5				
Fine pharmaceutical chemicals	156.7	156.6	156.5	156.1				
Petroleum refinery products	280.8	295.2	282.4	290.4				
Non-metallic mineral products	175.2	186.8	191.1	199.6				
Cement	173.7	166.0	180.6	183.1				
Basic metal industries	209.7	196.2	201.7	197.1				
Iron and steel basic industries	201.2	178.2	183.2	177.3				
Non-ferrous basic metal industries	256.0	293.4	302.2	304.4				
Aluminium manufacturing	424.0	503.4	516.2	526.3				
Metal products	205.1	201.2	223.7	184.5				
Machinery (except electrical)	349.1	415.0	341.9	365.2				
Industrial machinery	130.6	107.0	92.3	92.0				
Electrical machinery	322.4	359.4	358.6	352.0				
Communication equipment	646.8	646.4	650.3	668.3				
Transport equipment	135.4	150.6	132.6	125.0				
Motor vehicles	145.2	158.3	165.3	155.8				
Motor cycle and scooters	498.5	635.8	677.9	591.8				
Bicycles and tricycles	188.9	199.4	194.7	195.5				
Electricity	301.1	315.0	NA	NA				

Source: Central Statistical Organisation

MONEY SUPPLY WITH THE PUBLIC

(Rs crores)

Last Friday	Money supply	Total currency with public	Deposit money with the public			Total variations in money supply
			Total	Net demand deposits of banks	Other deposits with Reserve Bank	
1960-61	2,868.61	2,098.05	770.56	757.10	13.46	+199.16
1965-66	4,529.39	3,034.28	1,495.10	1,478.38	16.72	+449.11
1966-67	4,949.96	3,196.80	1,753.16	1,711.75	41.41	+420.57
1967-68	5,350.07	3,376.08	1,973.99	1,917.66	56.32	+400.11
1968-69	5,779.25	3,681.97	2,097.28	2,016.41	80.88	+429.18
1969-70	6,386.54	4,010.34	2,376.20	2,318.30	57.90	+607.29
December, 1969	6,035.95	3,763.61	2,272.34	2,205.82	66.52	+70.83
July, 1970	6,585.36	4,076.24	2,509.12	2,469.26	39.86	+50.58
August, 1970	6,518.93	4,003.77	2,515.16	2,463.73	51.43	+51.43
September, 1970	6,559.32	3,994.91	2,564.41	2,506.40	58.01	+58.01
October, 1970	6,697.17	4,100.32	2,596.85	2,522.69	74.16	+74.16
November, 1970	6,691.13	4,092.71	2,598.42	2,543.74	54.68	+54.68
December, 1970	6,791.10	4,163.93	2,627.17	2,564.18	62.99	+62.99

Source: Reserve Bank of India

RESERVE BANK OF INDIA (Rs crores)

	Feb. 26, 1971	A week ago	A month ago	A year ago
Issue department				
Notes held in banking department	3.03	11.78	6.46	19.39
Notes in circulation	4,155.81	4,171.88	4,096.35	3,755.55
Total notes issued	4,158.84	4,183.67	4,102.81	3,774.94
Gold coin and bullion	182.53	182.53	182.53	182.53
Foreign securities	263.42	273.42	261.42	306.42
Rupee coin	53.65	53.47	56.98	68.63
Government of India rupee securities	3,659.24	3,674.24	3,601.88	3,217.88
Banking department				
Deposits of central government	301.51	308.27	255.67	78.44
Deposits of state governments	5.18	5.01	9.52	7.68
Deposits of banks	212.57	201.04	207.26	179.95
Other deposits	75.48	74.52	82.11	160.48
Other liabilities	621.99	633.05	636.13	584.31
Total liabilities or assets	1,216.74	1,221.89	1,190.70	1,010.86
Notes and coins	3.14	11.88	6.58	19.53
Balances held abroad	94.90	91.04	114.16	108.56
Loans and advances				
(a) State governments	237.62	219.64	211.34	185.18
(b) Scheduled commercial banks	355.54	384.89	348.72	222.11
(d) State co-operative banks	315.13	314.67	316.89	293.75
(d) Other loans and advances	33.95	33.45	30.20	8.94
Bills purchased and discounted	21.12	15.60	7.77	35.95
Investments	111.98	109.16	114.49	93.67
Other assets	43.38	41.57	40.55	43.16

SCHEDULED COMMERCIAL BANKS (Rs crores)

	Feb. 26, 1971	A week ago	A month ago	A year ago
1. Demand deposits*	2,576.54	2,545.63	2,535.14	2,172.95
2. Time deposits*	3,290.17	3,266.50	3,229.96	2,801.29
3. Aggregate deposits*	5,866.71	5,812.13	5,765.10	4,974.23
4. Cash	163.35	165.15	164.04	134.94
5. Balances with Reserve Bank	183.13	171.20	174.82	162.63
6. Cash and balances with Reserve Bank	346.48	336.35	338.86	297.57
7. Borrowing from Reserve Bank	355.54	384.89	348.72	222.11
8. Investments in government securities	1,358.34	1,354.71	1,358.69	1,176.34
9. Advances	3,666.10	3,649.55	3,641.34	3,228.91
10. Bills purchased and discounted	976.63	971.37	940.55	663.83
(a) Inland bills	761.78	759.06	728.48	478.85
(b) Foreign bills	214.85	212.31	212.07	184.98
11. Total bank credit	4,642.73	4,620.92	4,581.89	3,892.74
12. Percentage of				
(6) to (3)	5.91	5.79	5.88	5.98
(8) to (3)	23.15	23.31	23.57	23.65
(11) to (3)	79.14	79.50	79.48	78.26

*Excluding inter-bank borrowings.

Source: Reserve Bank of India.

CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1969 Nov.	1970					
							June	July	Aug.	Sept.	Oct.	Nov.
							(1949=100)					
All-India	169	191	213	212	215	215	225	226	227	228	230	230
							(1960=100)					
All-India	—	—	—	174*	177	177	185	186	187	188	189	189
Ahmedabad	130	148	168	165	169	167	177	175	174	177	181	177
Alwaye	145	158	183	198	197	193	206	201	198	201	200	199
Asansol	140	145	168	176	178	180	186	188	190	193	195	196
Bangalore	144	159	172	180	183	182	184	185	186	187	188	191
Bhavnagar	132	152	173	176	178	178	184	185	188	190	188	185
Bombay*	130	147	162	167	175	174	182	182	181	182	183	183
Calcutta	131	148	163	170	172	178	182	184	185	189	190	190
Delhi	136	152	172	178	185	185	195	196	199	200	204	202
Digboi	138	160	198	185	180	180	187	188	192	193	194	196
Gwalior	139	160	191	179	184	182	193	194	196	193	195	192
Howrah	137	154	178	181	176	179	184	186	187	194	194	196
Hyderabad	140	158	167	173	185	184	188	188	189	191	193	192
Jamshedpur	136	158	183	171	170	173	184	187	188	188	189	190
Madras **	134	144	151	150	160	161	167	169	170	171	174	175
Monghyr	151	187	215	185	188	188	211	209	207	208	208	208
Mundakayam	138	152	173	186	191	189	204	201	198	203	196	196
Nagpur*	138	148	164	165	176	175	185	187	187	191	190	191
Sharanpur	141	163	188	176	181	179	184	186	185	183	187	184
Sholapur*	128	150	165	167	176	178	183	183	183	185	188	185

* Average of 8 months from August 1968, to March 1969.

** Figures for the period up to January 1970 have been estimated from the old Consumer Price Index Series for Madras City on Base: July 1935-June 1936=100. From February 1970 and onwards, figures are from the Labour Bureau's New Series on Base: 1960=100.

Source: Labour Bureau, Government of India.

CONSUMER PRICE INDEX NUMBERS FOR URBAN NON-MANUAL EMPLOYEES

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1969 Sept	1970					
							April	May	June	July	Aug	Sept
All-India	132	146	159	161	167	169	170	171	174	175	175	176
Bombay	132	142	153	156	162	165	166	167	170	168	168	169
Delhi-New Delhi	131	142	154	162	168	170	172	171	173	174	175	175
Calcutta	126	139	152	156	162	164	165	167	170	170	172	174
Madras	133	147	154	154	161	159	165	166	167	174	175	177
Hyderabad-Secunderabad	133	147	155	159	167	167	169	172	174	175	174	175
Bangalore	133	145	156	160	164	166	167	167	168	170	172	173
Lucknow	132	146	159	156	161	163	162	163	164	166	166	169
Ahmedabad	131	146	160	162	168	171	169	171	174	173	172	175
Jaipur	133	150	162	168	176	180	178	180	185	189	188	186
Patna	139	160	179	174	180	184	187	190	192	192	192	194
Srinagar	134	143	160	167	174	174	179	179	180	179	179	182
Trivandrum	131	146	165	168	172	174	173	174	174	176	178	180
Cuttack-Bhubaneswar	142	154	164	167	169	171	171	173	175	175	177	179
Bhopal	133	144	166	166	172	176	173	174	178	181	181	182
Chandigarh	129	143	155	164	171	173	177	175	178	179	179	180
Shillong	123	134	155	163	164	166	160	162	163	168	169	167

Source: Central Statistical Organisation.

EASTERN ECONOMIST



K1 (P&D) Supr 12

INDEX TO VOLUME 56

Nos. 1 TO 13

JAN. TO MARCH 1971

ABBREVIATIONS

Leading Article	LA
Special Article	SA
Window on the World	WW
The Moving Finger Writes	MF
Trade Winds	TW
Books Briefly	BB
Readers' Roundtable	RR
Records and Statistics	RS
Supplement	ST
Feature	FE

(For Company Affairs see pages ii & vi)

Registered Office :

UCO BANK BUILDING
Parliament Street, New Delhi-1.

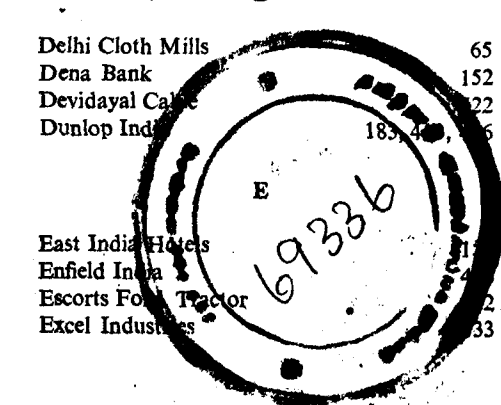
A		Reserve Bank and West Bengal		C	
Administration		Reserve Bank of India .. RS	365	Collaborations	
Business and Community .. SA	433	Role of State Banks in Farm Finance .. SA	531	Chemicals, Collaboration In .. LA	5
Business and Politics .. LA	362	Savings Certificates .. TW	203	Foreign Collaborations .. RS	382, 458
Call of Duty, The .. LA	317	Scheduled Commercial Bank .. RS	518	Foreign Collaborations .. TW	520
Only Some Lives are Precious? .. LA	361	Small Savings Interest Rates .. TW	181	HMT Tractors .. TW	221
Supreme Court and the Constitution .. SA	167	Towards Dear Money .. RS	155	Indo-French Economic Co-operation .. SA	8
Aid, Loans and Grants		Turn of the Screw .. LA	117	Indo-French Pact .. TW	374
ADB Loan for Nepal .. TW	63	Banks Briefly		Indo-Iran Co-operation .. TW	62
British Project Aid .. TW	519	A Course in Monetary Theory .. BB	297	Joining Hands with Italy .. LA	363
IDA Loan .. TW	16	Agricultural Development and Small Farmers .. BB	297	Kabul Declaration on Asian Co-operation .. RS	110
IFC Loans .. TW	63	Books Received .. BB	109, 302, 419	Libya Consultancy Contract .. TW	446
UNDP Operations .. TW	407	Development Assistance in the Seventies .. BB	297	Scrap Melting Plant in Libya .. TW	375
US Assistance for Pesticide .. TW	331	Foreign Aid .. BB	413	Towards Mutual Co-operation .. LA	52
US AID .. TW	375	Freedom and Necessity—An Introduction to the Study of Society .. BB	104	West Germany in Our Industry .. SA	246
US Loan to India .. TW	518	India—Planning for Industrialisation .. BB	297	Company Affairs	
Aviation		India and European and Socialist Countries .. BB	413	Accountability in STC .. SA	368
Boing 737 for Indian Airlines .. TW	409	India and the ILO—The Story of Fifty Years .. BB	413	AIMO in Maharashtra, The .. ST	43 (Jan. 29)
Indian Airlines .. TW	17	Industry and Trade in Some Developing Countries—A Comparative Study .. BB	104	Aluminium Industries Ltd (ALIND), Progress of .. ST	18 (Feb. 26)
All Honour to Them .. LA	429	Pakistan—Industrialisation and Trade Policies .. BB	297	Boeing 737 for Indian Airlines .. TW	409
All-India Management Convention .. SA	369	Paths to Progress—Selected Address by Takeshi Watanabe .. BB	297	Braithwaite, Take-over of .. TW	482
Automation .. RR	452	Price Strategy in Indian Planning .. BB	413	Burmah-Shell in India .. ST	50 (Jan. 29)
Automation: No Escape From It .. SA	54	Rural Savings in India .. BB	104	Capital Issues, Committee On .. TW	149
Academicus .. BB	104, 297, 413	Studies in Demography .. BB	104	Cashew Corporation .. TW	330
Agarwal, N. L. .. SA	124	Studies in Green Revolution .. BB	104	Cochin Refinery, Expansion of .. ST	17 (Feb. 26)
Ahmed, Fakhruddin Ali .. FE	215	Studies in Politics—National and International .. BB	301	Company Law, Seminar On .. TW	449
Aiyer, R.P. .. ST	17 (Jan. 29)	Swarajya Annual Number 1971 .. BB	418	Easun Exports Electricals .. TW	331
Alexander Grossmann, Dr .. SA	202	Taxation and Economic Development in India .. BB	413	ECGC: Role in Export Promotion .. ST	41
Arora, D.S. .. SA	56	The Administration of Agricultural Development—Lessons from India .. BB	413	Esso in Maharashtra .. ST	54 (Jan. 29)
B		The World's Money—How It Works .. BB	104	FICCI Session Post-poned .. TW	446
Banking, Money and Finance		Year Book 1971 (Far Eastern Economic Review) .. BB	418	Gresham & Craven .. TW	330
A Brake Which May Jolt .. SA	164	Budget		Hindustan Latex .. ST	23 (Feb. 26)
Bank Lending to Agriculture .. RS	421	Bihar Budget .. TW	520	Hindustan Steel .. TW	16
Bank Rate in Japan .. TW	222	Gujarat Budget .. TW	520	ICICI's Assistance to Maharashtra Industries .. ST	40 (Jan. 29)
Bank Rates Raised .. TW	149	Jammu and Kashmir Budget .. TW	519	Indian Airlines .. TW	17
Bank Secrecy in Switzerland and India .. SA	321	Punjab Budget .. TW	221	Indian Standards Institution .. TW	17
Banking Commission .. TW	149	Business and Community .. SA	433	Industrial Development Corporation .. ST	46 (Jan. 29)
Banks, Branch Expansion of .. RS	189	Business and Politics .. LA	362	J.K. Television .. TW	519
Banks, Guidelines For .. TW	16	Balaram, N.E. .. ST	12 (Feb. 26)	Jute Corporation .. TW	406
Capital Issues, Committee On .. TW	149	Banerjee, A.C. .. SA	54	Jute Corporation, The .. LA	468
Concessional Finance .. TW	483	Brahmanand .. SA	508	KFC's Progress .. SA	505
Credit Squeeze .. LA	318	Brook, E.B. .. WW	14, 60, 178, 287, 327, 404, 515	Lakshmi Mill's Jubilee .. TW	254
Dearer Money! .. SA	504			MMTC Should Do Better .. LA	390
Financial Institutions in Kerala .. ST	12 (Feb. 26)			Monopolies Act .. TW	255
Foreign Exchange Reserves Up .. FE	220			MUSCO's Gift to Maharashtra .. SA	60 (Jan. 29)
Hunger for Funds, The .. SA	129			New FICCI Chief .. TW	483
KFC's Progress .. SA	505			Peirce Leslie India .. ST	15 (Feb. 26)
Maharashtra, Profile of Banking In .. ST	76 (Jan. 29)			Role of STC in Indo-GDR Trade .. SA	281
Money Supply with the Public .. RS	531			Rolls-Royce .. TW	331
Oilseeds Credit Curbs .. TW	254			SICOM Lives Up to Its Slogan .. ST	42 (Jan. 29)
Quota in IMF .. TW	62				
Regional Office of RBI .. TW	450				

D		Swatantra Manifesto .. RS		Gold	
Tata Companies Operating in Maharashtra .. ST	59 (Jan. 29)	West Bengal, Pollitics In .. LA	243	Lure of Gold .. LA	466
Tata-Finlay .. TW	291	Exhibitions and Fairs		Gap Between Rich and Poor .. TW	482
Technological Institute of Textile: A Glorious Record .. SA	10	Budapest Fair .. TW	375	Global Marketing a Challenging Task .. SA	56
Unit Trust .. TW	255	Ghana International Fair .. TW	331	Good Old 'Seventy, The Growth of Maharashtra's Economy: 1960-70 .. ST	4 (Jan. 29)
Census—1971 .. LA	503	Tata Exhibition .. TW	291	Godrej, S.P. .. ST	11 (Jan. 29)
Chattopadhyay, Dr P. .. SA	394	Tokyo Fair .. TW	182	Gupta, H.S. .. SA	321
Chauhan, K.K.S. .. SA	124	Trade Fair in Sweden .. TW	150	H	
E		Exports		Housing	
Delegations		Cashew Exports .. TW	17	Housing Corporation .. TW	407
EEC Delegation .. TW	519	Cashews, Exports Trade in .. ST	23 (Feb. 26)	Himachal Pradesh .. LA	242
FICCI Team For Japan .. TW	221	Coins for Thailand .. TW	149	Himachal, Statehood for .. TW	150
German Tea Team .. TW	449	ECGC: Role in Export Promotion .. ST	41 (Jan. 29)	Hennessy, Josselyn .. WW	58, 142, 175, 208, 250, 283, 325, 370, 400, 440, 478, 512
Industrial Team to West Indies .. TW	62	Excavator, Export of .. TW	16	I	
Leather Team for Japan .. TW	519	Export Promotion Councils .. TW	330	Imports	
Trade Delegations .. TW	221	Export Strategy for Fourth Plan .. SA	394	Baggage Rules Liberalised .. TW	290
Desert Locust, Control of .. TW	375	Exports in November .. TW	149	Cotton for Mills .. TW	374
Doshi, J.H. .. ST	27 (Jan. 29)	Exports: Lessons from Tokyo .. LA	279	Raw Cotton, Import of .. TW	290
D'Souza, J.B. .. ST	64 (Jan. 29)	Exports Look Up .. LA	467	Sheep from USA .. TW	221
Economic Development		Fish Production and Exports .. ST	20 (Feb. 26)	Staple Fibre, Import of .. TW	290
Farm Investments in Sri Ganganagar .. SA	124	Handloom Fabrics, Export of .. ST	24 (Feb. 26)	Steel Imports .. TW	16
German Re-investment .. TW	446	Jute, Exports of .. TW	180	Tractors from Yugoslavia .. TW	449
Private Enterprise in Economic Development .. SA	434	Leather for Bulgaria .. TW	221	Industry	
Economy		Oilcake, Export of .. TW	330	Ancillary Industries .. TW	63
Farm Investments in Sri Ganganagar .. SA	124	Sugar Exports .. TW	16	Antimony Plant in Public Sector .. TW	482
From Recession to Stagnation .. RS	380	Editor, The .. LA	118	Bulk Drugs, Study Team for .. TW	181
German Re-investment .. TW	446	Editor, The .. SA	246	Calcium Carbide, Manufacture of .. TW	518
India's Growth Impressive .. FE	213	F		Ceramic Machinery .. TW	180
Resurrection for a Mixed Economy? .. LA	118	Feature		Chemicals and Engineering Goods .. ST	19 (Feb. 26)
Elections		Republic is 21, The .. FE	213	Copper Wire, Ban On .. TW	63
Akali Dal Manifesto (Summary) .. RS	356	Fertilizers		Cotton Mill Industry in Maharashtra .. ST	12 (Jan. 29)
Alliance Declaration: Save Democracy .. RS	381	Co-op Fertilizer Complex .. TW	374, 409	Dyestuff Industry, Contribution of .. ST	27 (Jan. 29)
Arithmetic of an Assertion .. LA	197	Fertilizer Team Abroad .. TW	518	Electronics Commission .. TW	290
Beyond the Election .. LA	389	Price of Urea Reduced .. TW	482	ICMF's Plea to RBI .. TW	483
Congress (O) Manifesto .. RS	263	Fibres		Industrial Expansion, Climate for .. ST	39 (Jan. 29)
Congress (R) Manifesto .. RS	228	Cotton, Self-Sufficiency In .. LA	6	Industrial Licensing .. TW	518
CPI Manifesto (Abridged) .. RS	346	Sannhemp (Fibre), Output of .. TW	409	Industrial Production, Index Numbers of .. RS	530
CPI (M) Manifesto (Abridged) .. RS	350	Food and Agriculture		Industrial Returns .. TW	449
DMK Manifesto (Summary) .. RS	355	Balanced Nutritious Diet .. LA	319	Industrialising Backward Areas .. LA	198
Election Manifestos .. RS	228, 263, 305, 346	Bank Lending to Agriculture .. RS	421	Industries in Kerala .. ST	9 (Feb. 26)
Her Holi .. LA	465	Estimate for Sesamum: 1970-71 .. TW	520	Industries in Small Sector .. TW	406
Her Ides of March .. LA	49	Expansion of Co-operation Farm Investments in Sri Ganganagar .. SA	124	Licensing Policy .. TW	255
How far Left is Left? .. LA	241	Fish Production and Exports .. ST	20 (Feb. 26)	Majarashtra's Industrial Development .. ST	11 (Jan. 29)
Jana Sangh Manifesto .. RS	232	Green Revolution, New Dimensions of the .. FE	215	Man-Made Fibre Industry, The .. ST	31 (Jan. 29)
Parties and Elections .. ST	7 (Feb. 26)	Green Revolution, The Genesis of .. SA	173		
PSP Manifesto .. RS	309	Groundnut, Estimate for .. TW	150		
She Stoops All Right .. RS	161	New Protein Unit .. TW	63		
SSP Manifesto .. RS	305	Output of Tur in 1970-71 .. TW	375		
		Ragi Output: 1970-71 .. TW	331		

Meeting Paper Shortage..	LA	53	West Germany in Our	..	SA	246	Crude Price Hike	..	LA	64
Newspapers in India ..	RS	39	Industry ..	..	..	..	Electricity Industry, Prob-	..	LA	163
Pharmaceutical Industry,	..	..	World Monetary Outlook,	..	WW	370	lems of ..	..	LA	..
Performance of ..	ST	22 (Jan. 29)	The ..	..	..	..	Expanding Trade with the	..	LA	51
Pipelines Industry ..	TW	63	Iron and Steel	..	..	..	USSR ..	..	LA	..
Release of Cotton ..	TW	221	Hindustan Steel ..	..	TW	16	Explosive Unemployment	..	LA	4
Rock Roller Bits ..	TW	290	New Steel Plants ..	..	TW	446	Problem, The ..	..	LA	..
Rural Industries in Indian	..	..	Outlook for Steel ..	..	SA	201	Exports: Lessons from	..	LA	279
Economy ..	RS	490	Steel Imports ..	..	TW	16	Tokyo ..	..	LA	467
Small Drug Units ..	TW	376	Vizag Steel Plant ..	..	TW	221	Exports Look Up ..	..	LA	3
Small Industries Service	..	..	Irrigation	..	..	..	Good Old Seventy, The	..	LA	465
Institute ..	ST	26 (Feb. 26)	Irrigation, Committee on	..	TW	330	Her Holli ..	..	LA	49
Small-Scale Industries in	..	..	Indebtedness Among the	..	SA	475	Her Ides of March ..	..	LA	242
Maharashtra ..	ST	35 (Jan. 29)	Bhils ..	..	..	..	Himachal Pradesh ..	..	LA	241
Soda Ash Scarcity ..	TW	180	Jute	..	..	..	How far Left is Left? ..	..	LA	119
Storage Battery Industry,	..	..	Jute Corporation ..	..	TW	406	Indo-Nepal Trade Talks ..	..	LA	198
The ..	ST	18 (Jan. 29)	Jute Corporation, The ..	..	LA	468	Industrialising Backward	..	LA	430
Three Wheelers' Production	..	..	Jute, Exports of ..	..	TW	180	Areas ..	..	LA	502
To Grow Together ..	LA	277	Jute Package, The ..	..	LA	120	Insurance Innovations ..	..	LA	507
Use of Copper in Cables ..	TW	376	New Jute Mills ..	..	TW	180	Jobs in the Countryside ..	..	LA	367
West Germany in Our	..	..	Insurance	..	..	..	Joining Hands with Italy ..	..	LA	468
Industry ..	SA	246	Insurance for Farmers ..	..	TW	375	Jute Corporation, The ..	..	LA	129
Wheelsets ..	TW	180	Insurance Innovations ..	..	LA	430	Jute Package, The ..	..	LA	466
LIC Covers Bank Deposi-	..	..	LIC Covers Bank Deposi-	..	TW	330	Lure of Gold ..	..	LA	197
tors ..	..	..	Maharashtra, Growth of	..	..	..	Maharashtra Marches On	..	LA	501
Life Insurance In ..	ST	44 (Jan. 29)	New Business by LIC ..	..	TW	182	Meet the Ministers ..	..	LA	50
International Affairs	..	..	Labour	..	..	..	Meeting Paper Shortage ..	..	LA	390
Alarm Over US Trade Bill	..	..	Disguised Unemployment:	..	..	..	MMTC Should Do Better	..	LA	390
Bank Secrecy in Switzerland	..	..	Social Perspective ..	..	SA	170	Only Some Lives are Pre-	..	LA	361
and India ..	SA	321	Employment for Millions	..	FE	219	cious? ..	..	LA	392
Chill Wind Over the Com-	..	..	Explosive Unemployment	..	..	..	Providing Jobs to Millions	..	LA	365
mon Market ..	WW	60	Problem, The ..	..	LA	4	Reserve Bank and West	..	LA	..
East-West Co-operation ..	WW	178	Govt. Servants' Right to	..	SA	121	Bengal ..	..	LA	..
East-West Relations ..	WW	250	Strike ..	..	SA	121	Resurrection of a Mixed	..	LA	118
Eating and Drinking in	..	..	Indians in Foreign Firms	..	TW	520	Economy? ..	..	LA	161
the EEC ..	WW	175	Industrial Relations, Rule	..	SA	7	She Stoops All Right ..	..	LA	244
EEC Expansion ..	WW	404	of Law In ..	..	SA	7	Southern States' Power Out-	..	LA	162
Employment in Developing	..	..	Jobs in the Countryside ..	..	LA	502	look ..	..	LA	277
Countries ..	WW	440	Maharashtra, Industrial	..	ST	73 (Jan. 29)	Tea Under Pressure ..	..	LA	..
Europe and Japan: Rivals?	..	..	Relations In ..	..	ST	71 (Jan. 29)	To Grow Together ..	..	LA	..
Partners? ..	WW	142	Maharashtra, Labour	..	ST	71 (Jan. 29)	Towards Mutual Co-opera-	..	LA	32
Funds for East Europe ..	WW	515	Movement In ..	..	ST	71 (Jan. 29)	tion ..	..	LA	117
Indo-French Economic Co-	..	..	Occupational Distribution	..	SA	397	Turn of the Screw ..	..	LA	243
operation ..	SA	8	of Working Population	..	SA	397	West Bengal, Politics In	..	LA	199
Indo-Italian Economic Co-	..	..	Planning for Employment	..	TW	375	West Bengal, The Jobless In	..	LA	361
operation ..	WW	252	Providing Jobs to Millions	..	LA	392	Whither Kerala? ..	..	LA	278
Inflation: A World Scourge	..	..	Railway Labour Tribunal	..	TW	446	Whither Public Sector? ..	..	LA	451
Israel: Silent Revolution in	..	..	Rural Employment ..	..	TW	182	Why So Many Statistics? ..	..	LA	..
Trade ..	WW	145	West Bengal, The Jobless	..	LA	199	Minerals and Metals	..	..	..
New World Credit Markets,	..	..	In ..	..	LA	199	MMTC Should Do Better	..	LA	390
The ..	WW	325	Leading Articles	..	..	..	Zinc Smelter at Vizag ..	..	TW	374
News from W. Germany	..	..	All Honour to Them ..	..	LA	429	Maharashtra: A Study in	..	ST	5 (Jan. 29)
and Netherlands ..	WW	478	Arithmetic of an Assertion	..	LA	197	Contrast ..	..	ST	197
SDR Allocations ..	WW	327	Balanced Nutritious Diet	..	LA	319	Maharashtra Marches On	..	LA	3 (Jan. 29)
Shadow of Socialism Over	..	..	Better Roads for Improved	..	LA	391	Maharashtra Marches On	..	ST	331
Australia, The ..	WW	283	Exports ..	..	LA	391	Monopolies Act ..	..	TW	255
Ted Heath's Long-Term	..	..	Beyond the Election ..	..	LA	389	Moving Finger Writes, The	..	MF	15, 61, 179, 253, 289, 328, 405, 445, 517
Aims ..	WW	400	Business and Politics ..	..	LA	362	Mann, R.S. ..	..	SA	475
Two Views (and some)	..	..	Call of Duty, The ..	..	LA	317	Meher, M.R. ..	..	SA	167
Glimpses of West Germany	..	..	Census—1971 ..	..	LA	503	Menon, K.S.V. ..	..	WW	145
US and EEC Conflict, The	..	..	Chemicals, Collaboration In	..	LA	5				
West German and Swiss	..	..	Cotton, Self-Sufficiency In	..	LA	6				
Views on Foreign Workers	..	..	Credit Squeeze ..	..	LA	318				

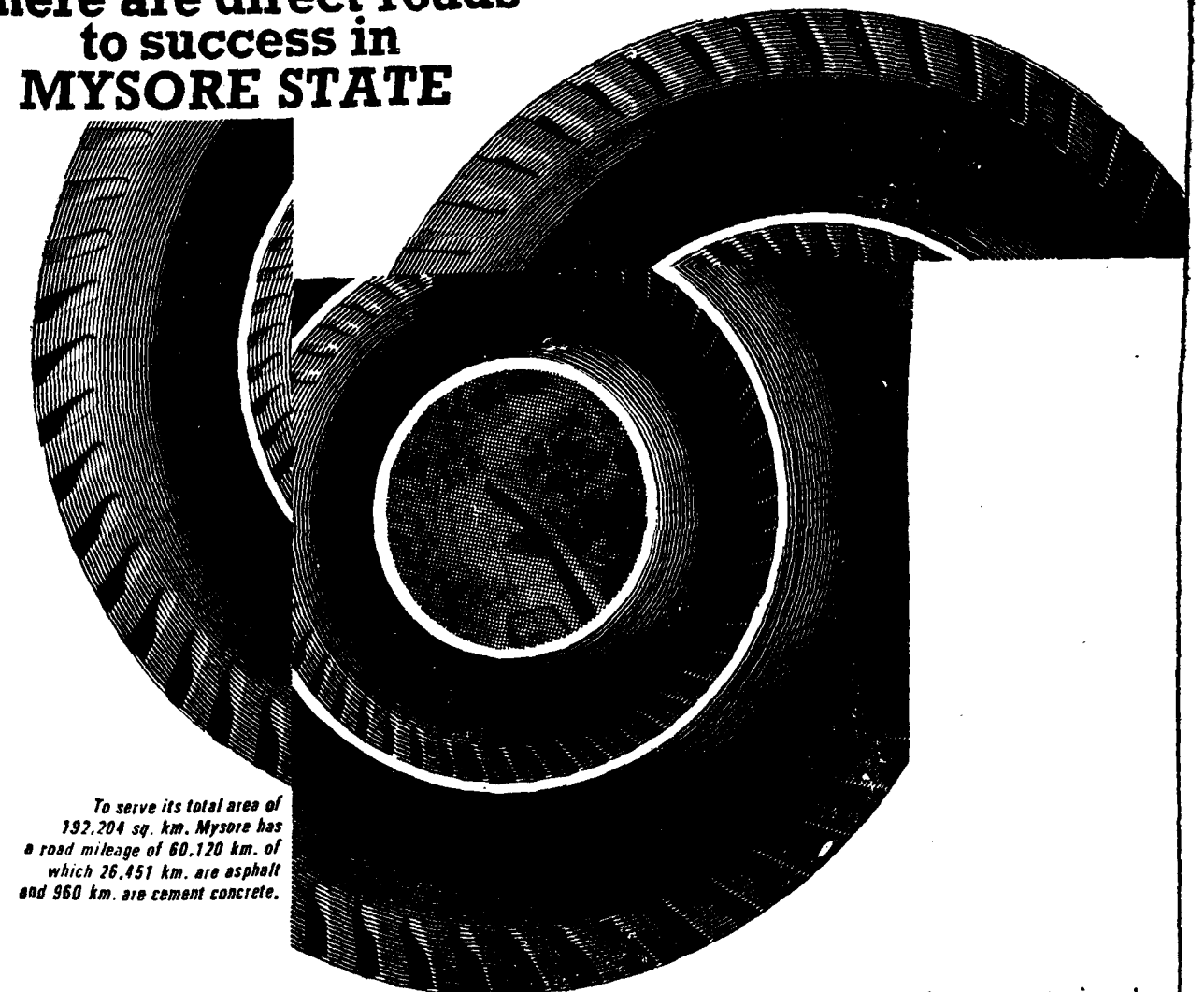
Muniramma, C.M.	..	SA	203	Jammu and Kashmir	..	..	Supplements	..	..	..
Murthy, R.V.	..	SA	53, 173, 368, 433	Annual Plan : 1971-72	..	TW	181	Maharashtra Marches On	..	ST (Jan. 29)
				Kerala Annual Plan : 1971-72	..	TW	291	Whither Kerala?	..	ST (Feb. 26)
				Madhya Pradesh Annual Plan : 1971-72	..	TW	291	Sagittarius	..	SA 201, 396, 473
				Maharashtra Annual Plan : 1971-72	..	TW	291	Sakhalkar, Dr S.B.	..	ST 15 (Jan. 29)
				Meghalaya Plan : 1971-72	..	TW	255	Santhanam, K.	..	SA 7
				Mysore Annual Plan : 1971-72	..	TW	255	Seth, Dr Satish C.	..	BB 301
				Nagaland Annual Plan : 1971-72	..	TW	182	Singh, Dr R.P.	..	SA 397
				Orissa Annual Plan : 1971-72	..	TW	222	Singh, Hardev	..	BB 419
				Planning for Employment	..	TW	375	Somaiya, S.K.	..	ST 63 (Jan. 29)
				Pondicherry Annual Plan : 1971-72	..	TW	222	Srikrishna, B.N.	..	ST 73 (Jan. 29)
				Punjab Annual Plan : 1971-72	..	TW	63	Srinivasan Krishnan	..	SA 170
				Tripura Annual Plan : 1971-72	..	TW	222	Sundaram, S.M.	..	ST 43 (Jan. 29)
				Plantations	..	..	..			
				Assurance to Tea Industry	..	TW	181			
				Cashew Exports	..	TW	17			
				Cashews, Exports Trade In	..	ST	23 (Feb. 26)			
				Kerala: A Leader in Cardamom Production	..	ST	27 (Feb. 26)			
				Rubber Purchase by STC	..	TW	375			
				Tea Under Pressure	..	LA	162			
				UPASI's Protest	..	TW	449			
				Power	..	..	..			
				Electricity Industry, Problems of	..	LA	163			
				Power Development in Maharashtra	..	ST	17 (Jan. 29)			
				Power Transmission Line	..	TW	449			
				Southern States' Power Outlook	..	LA	244			
				Prices	..	..	..			
				Consumer Price Index Numbers of Industrial Workers	..	RS	532			
				Consumer Price Index Numbers for Urban Non-Manual Employees	..	RS	532			
				Drug Prices	..	TW	150, 181			
				Price of Urea Reduced	..	TW	482			
				Vanaspati Prices	..	TW	181, 449			
				Wholesale Prices	..	RS	529			
				Places of Interest in Kerala	..	ST	29 (Feb. 26)			
				Padmanabhan, K.	..	SA	469			
				Patel, C.B.	..	SA	281			
				Pattabhi Raman, C.R.	..	ST	17 (Feb. 26)			
				Pillai, M.P.	..	ST	24 (Feb. 26)			
				Poornam, R.	..	ST	25 (Feb. 26)			
				Sugar	..	..	..			
				Higher Sugar Output	..	TW	483			
				"Not Sugar Alone"	..	ST	63 (Jan. 29)			
				Somaiya on Sugar Policy	..	TW	254			
				Sugar, Excise Duty On	..	TW	62			
				Sugar Exports	..	TW	16			
				Sugar Industry in Maharashtra	..	ST	15 (Jan. 29)			
				Sugar Policy	..	TW	62			
				Sugar, Problems Of	..	TW	374			
				Names in the News	..	..	..			
				Adagra, B.R.	..	TW	150			
				Adarkar, B.N.	..	TW	222			
				Amin, D.T.	..	TW	150			
				Baldhiwala, F.S.	..	TW	150			
				Borooah, Dev Kanta	..	TW	222			
				Chokhani, Shriram C.	..	TW	150			
				Jackson, R.O.	..	TW	17			
				Kajiji, A.T.	..	TW	150			
				Khira, H.N.	..	TW	150			
				Mahindra, Harish	..	TW	222			
				Mariwala, C.V.	..	TW	222			
				Patel, Dr Pranlal	..	TW	150			
				Rao, N. Ramanand	..	TW	222			
				Sahukar, N.D.	..	TW	150			
				Sen Retires from IOL	..	TW	483			
				Shah, Harshavadan J.	..	TW	150			
				Shah, Vinod	..	TW	150			
				Shastri, M.S.	..	TW	150			
				Singh, Bhagwan	..	TW	291			
				Singh, Raunaq	..	TW	63			
				Sivaraman, B.	..	TW	331			
				Subramaniam, C.	..	TW	331			
				Taleyarkhan, Homi J.H.	..	TW	150			
				New Bombay—The Twin City Project	..	ST	64 (Jan. 29)			
				Newspapers in India	..	RS	39			
				Naik, V.P.	..	ST	5 (Jan. 29)			
				Nainar, S.A.	..	ST	24 (Feb. 26)			
				Nambiar, K.K.G.	..	SA	8			
				Naresh Bahadur Johri	..	ST	67 (Jan. 29)			
				Narielvala, Pesi M.	..	SA	504			
				Nayar, K.G.	..	ST	27 (Feb. 26)			
				Newalkar, G.B.	..	ST	35 (Jan. 29)			
				Oil	..	..	..			
				Costlier Crude Oil	..	SA	396			
				Crude Price Hike	..	LA	364			
				Drilling at Suruinsar	..	TW	181			
				Expansion of Cochin Refinery	..	ST	17 (Feb. 26)			
				Parliament	..	..	..			
				Lok Sabha, Dissolution of the	..	RS	110			
				Meet the Ministers	..	LA	501			
				New Council of Ministers, The	..	RS	528			
				Planning	..	..	..			
				Andhra Pradesh Annual Plan : 1971-72	..	TW	291			
				Bihar Annual Plan : 1971-72	..	TW	222			
				Decentralised Economic Planning	..	ST	67 (Jan. 29)			
				Goa's Annual Plan : 1971-72	..	TW	150			
				Gujarat Annual Plan : 1971-72	..	TW	222			
				Himachal Pradesh Annual Plan : 1971-72	..	TW	182			
				Sugar	..	..	..			
				Higher Sugar Output	..	TW	483			
				"Not Sugar Alone"	..	ST	63 (Jan. 29)			
				Somaiya on Sugar Policy	..	TW	254			
				Sugar, Excise Duty On	..	TW	62			
				Sugar Exports	..	TW	16			
				Sugar Industry in Maharashtra	..	ST	15 (Jan. 29)			
				Sugar Policy	..	TW	62			
				Sugar, Problems Of	..	TW	374			
				Supplements	..	..	..			
				Maharashtra Marches On	..	ST	(Jan. 29)			
				Whither Kerala?	..	ST	(Feb. 26)			
				Sagittarius	..	SA	201, 396, 473			
				Sakhalkar, Dr S.B.	..	ST	15 (Jan. 29)			
				Santhanam, K.	..	SA	7			
				Seth, Dr Satish C.	..	BB	301			
				Singh, Dr R.P.	..	SA	397			
				Singh, Hardev	..	BB	419			
				Somaiya, S.K.	..	ST	63 (Jan. 29)			
				Srikrishna, B.N.	..	ST	73 (Jan. 29)			
				Srinivasan Krishnan	..	SA	170			
				Sundaram, S.M.	..	ST	43 (Jan. 29)			
				Taxation	..	..	..			
				Tax on Charitable Trusts	..	TW	63			
				Tourism	..	..	..			
				Places on Interest in Kerala	..	ST	29 (Feb. 26)			
				Tourism: Meeting the Challenge of Seventies	..	FE	216			
				Tourism, Professionals In	..	TW	17			
				Tourist Traffic	..	TW	407			
				Trade	..	..	..			
				Expanding Trade with the USSR	..	LA	51			
				India's Trade with GDR	..	SA	122			
				Indo-Nepal Trade Talks	..	LA	119			
				Indo-Nepalese Trade Treaties	..	SA	508			
				Machine Tools Trade	..	TW	450			
				MMTC should Do Better	..	LA	390			
				Role of STC in Indo-GDR Trade	..	SA	281			
				TDA Steering Committee	..	TW	374			
				Trade Gaps Narrows	..	SA	473			
				Trade Pact with Hungary	..	TW	482			
				Trade with GDR	..	TW	290			
				Trade with Jordan	..	TW	254			
				Trade with Mongolia	..	TW	446, 518			
				Trade with Nepal	..	TW	62			
				Transport	..	..	..			
				Better Roads for Improved Exports	..	LA	391			
				Indo-UAR Shipping Protocol	..	TW	62			
				Loan for Ships	..	TW	446			
				Mormugao, Traffic At	..	TW	483			
				Ports Study Abroad	..	TW	449			
				Public Sector Car Project	..	TW	290			
				Railway Labour Tribunal	..	TW	446			
				Roads in Economic Growth	..	SA	469			
				Seventy-Four More Ships	..	TW	375			
				Tatas' Contribution to Bombay	..	ST	58 (Jan. 29)			
				UNDP Meet	..	TW	331			
				Unfounded Charge, The	..	SA	53			
				Vanjari, Shrikrishna	..	ST	4 (Jan. 29)			
				Vardachary, T.R.	..	ST	41 (Jan. 29)			
				Vijayanagar, R.L.N.	..	ST	12 (Jan. 29)			
				Vithal Babu, V.	..	SA	122			

W	F	M
West Bengal, Politics In LA 243	Fit Tight Nuts 293	Madras Rubber 223, 451
Whither Kerala? LA 361	Food and Inns 65	Maharashtra Sugar 451
Whither Kerala? ST 3 (Feb. 26)		Mahindra and Mahindra 378, 484
Whither Public Sector? LA 278		Mandya National 152
Why So Many Statistics? LA 431		Matchwel Electricals 183
William S. Gaud SA 434		Mysore Cements 65
Company Affairs		
A		N
ACC 256,332		National-Standard Duncan 65
Ashok Leyland 18, 223		Nuchem Plastics 410
Asian Dehydrates 185		Paper Products 11
Associated Battery 223		Philips India 183, 521
Associated Bearings 377		Precision Bearings 184
B		Premier Automobiles 11
Bajaj Tempo 410, 484		Premier Breweries 15
Ballarpur Paper 64		Premier Construction 18
Bank of Baroda 64, 256		Punjab National Bank 6
Bayer (India) 333		R
Belsund Sugar 522		Rathi Alloys 11
Bharat Steel Tubes 292		Rathi Ispat 6
Bombay Dyeing 484		
British Paints 224		S
C		Scindia Steam 1
Canara Bank 332		Shalimar Rope Works 15
Canara Bank Merger 521		Shama Engine Valves 15
Capital and Bonus Issues 152, 224, 293, 411, 487, 522		Shipping Corporation 293, 452, 52
Ceat Tyres 522		Shriram Refrigeration 151, 41
Central Bank of India 64		Siemens 65, 332, 451, 52
Champarun Sugar 522		S. S. Duncan 22
Cochin Refineries 452		Standard Motors 41
Coromandel Fertilisers 151		State Bank of Bikaner 31
		State Bank of India 21
		State Bank of Mysore 21
		Sudarsan Trading 21
		T
		TAFE 21
		Tata Chemicals 183, 2
		Tata-Merlin 3
		Toshiba Anand Batteries 2
		Traub India 151, 1
		Tungabhadra Industries 2
		T. Maneklal
		U
		Ultramarine and Pigments 4
		United Commercial Bank 183, 3
		Uttar Pradesh Hotels
		V
		Voltas 185
		Vulcan Laval
		Vysya Bank



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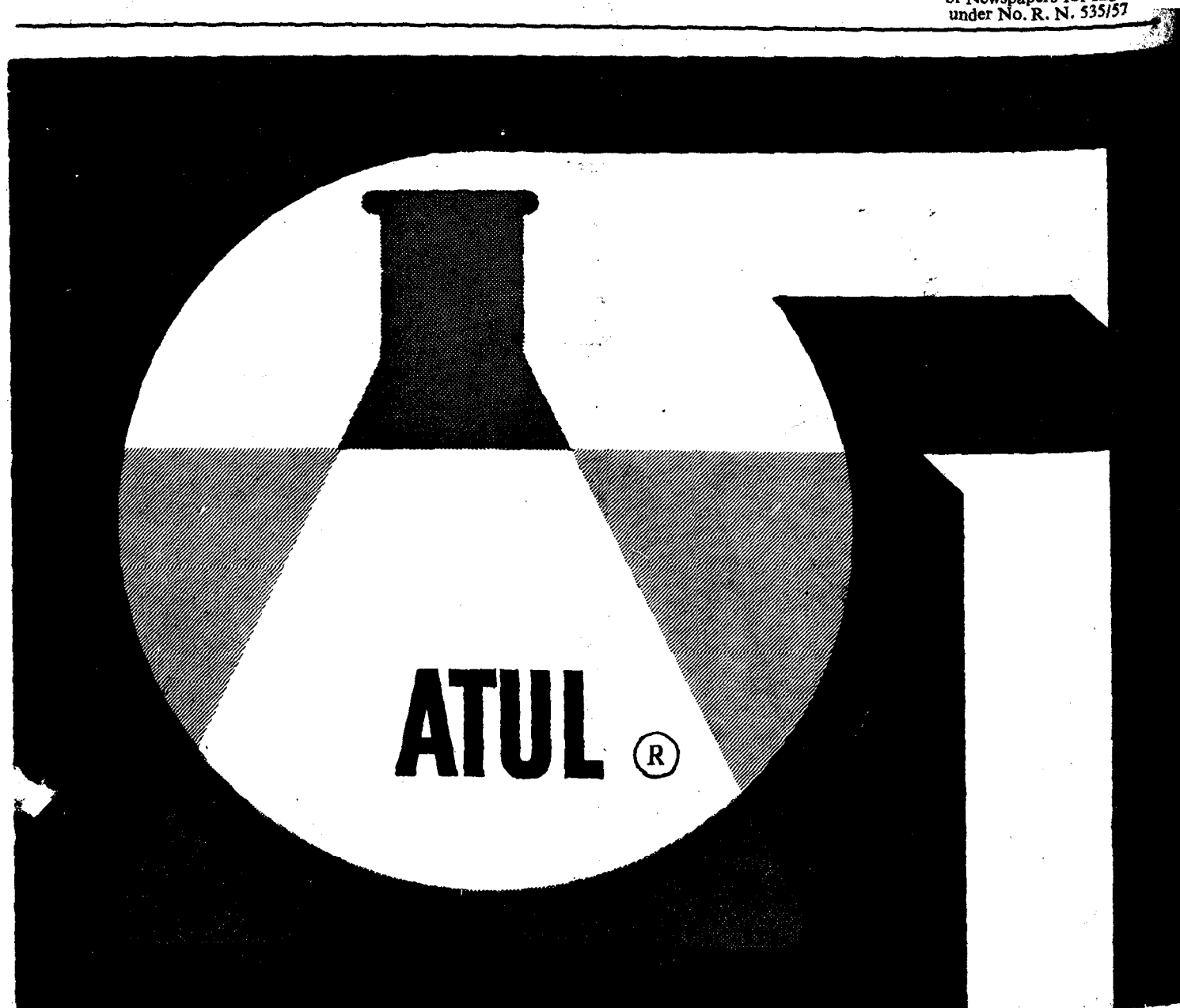
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