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EASTERN **14** ECONOMIST

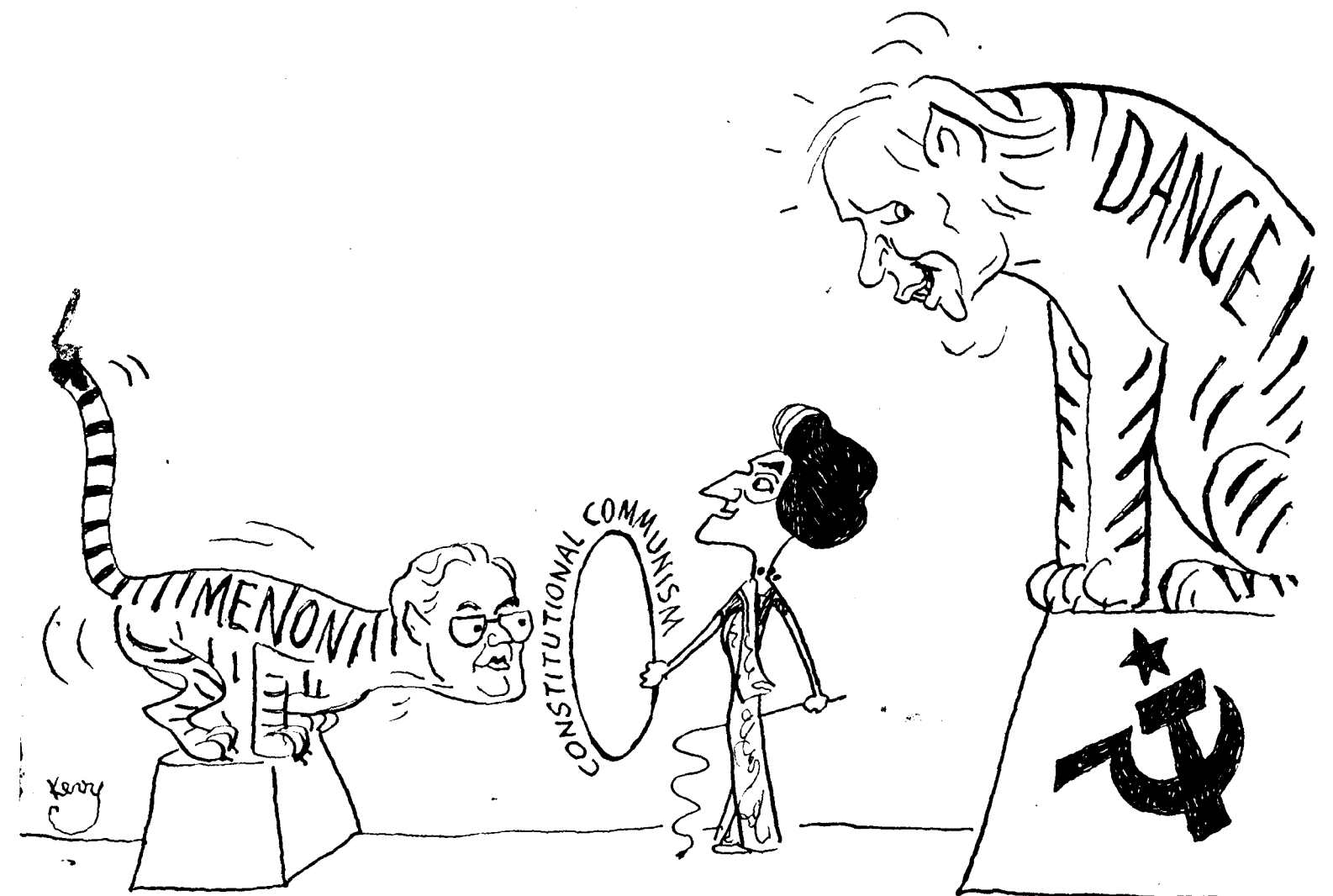
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Chavan at Copenhagen

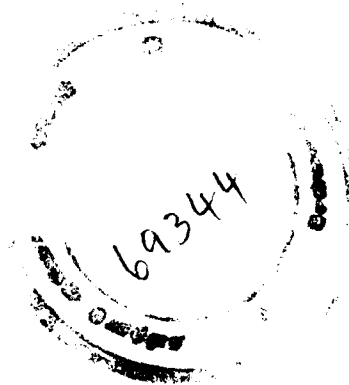
In the People's Best Interest

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EASTERN ECONOMIST

OCTOBER 2, 1970

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IN THE PEOPLE'S BEST INTEREST

WE ARE glad that the ideas of Mr N.A. Palkhiwala and Mr R.C. Cooper regarding the most productive utilisation, in the national interest, of the compensation money paid to shareholders of the nationalised banks have caught on and that several promising projects are being planned for bringing out a "reincarnation" of the institutions thrown out of the banking field by nationalisation. In the case of the Punjab National Bank Limited, it has been announced that the obvious course of reconstructing the business as a new bank would be followed with the consent of the shareholders. There is certainly a great deal to be said in favour of this move. A year of nationalised banking has been enough to show that the country clearly stands to benefit from the continuance of a strong and expanding private sector in banking. A banking monopoly by the state, as recent events have shown, could be a great misfortune for the nation's economy.

It is therefore in the best interest of the public that not only existing banks in the private sector should seize the opportunities still available to them for growth and expansion but new banks should come into the field of private sector banking. In this respect, expert and experienced bankers, who have built up and served the banks which have been nationalised are eminently fitted to play a leading role. It is to be hoped that the Reserve Bank and the Government of India will not be influenced by narrow considerations in dealing with such proposals and efforts and that, on the contrary, they will not only approve of them but also encourage them as a desirable challenge to nationalised banking to serve the people well.

While the Punjab National Bank Limited seeks to engage anew in banking, the Central Bank of India Limited is seeking the approval of its shareholders for the merger with the Tata Engineering and Locomotive Company Limited and the Indian Overseas Bank Ltd is similarly planning for amalgamation with Travancore Rayons. Here, again, all laudable attempts to prevent the dissipation of productive capital collected and organised through great effort and conserve it for further productive employment in important sectors of the national economy. Once again, the public has every right to expect the government to take a constructive view of proposals of this kind and not allow technical or other extraneous considerations to influence their judgment in a negative way.

Perhaps the most interesting possibilities opened up by exercises in resuscitating the institutions whose banking business has been taken away by nationalisation are through the proposal that they should convert themselves into specialised financial institutions for helping trade and industry in an imaginative manner far beyond the conventional limits of orthodox commercial banking. In the case of the United Commercial Bank Limited, for instance, a move has been made for launching a new institution called the United Commercial Finance Corporation Limited for the purpose of undertaking a wide variety of investment and credit services for its members. The aim is to serve individuals and businesses in such areas as the financing of housing schemes, operation of unit investment trusts and merchant banking. This new institution, it is envisaged, may receive deposits from its members and provide them with short and medium-term credit, besides acting as a discount and acceptance house. The project, once it is approved by the shareholders, will naturally depend for its implementation on the readiness of the government and its concerned agencies to recognise the potentialities of the scheme as an instrument for extending the scope and utility of financial institutions as powerful instruments of economic growth.

IDBI : A 'Radical' Orientation

FROM WHAT Dr R.K. Hazari, Vice-Chairman of the Industrial Development Bank of India (IDBI), told newsmen when releasing in Bombay on September 18, the bank's annual report for 1969-70, it is evident that this apex term finance institution is earnestly gearing its policies and operations to the new objectives of the government's radical monetary policies. This was, of course, expected, for, once the major commercial banks were nationalised to enlarge the base of the public sector in terms of organisational and financial resources, a reorientation of term-finance institutions, had to follow. It is noteworthy that, save for agriculture, the same sectors—the priority sectors—which began to claim the almost exclusive attention of the nationalised banks will now stand to receive the special attention of the IDBI, namely small-scale industries and exports. In addition—and it is in this sphere that the role of the IDBI will be particularly judged—it will help achieve a balanced industrial development of the various regions, especially the backward ones. In carrying out these special responsibilities, the IDBI, being the apex institution, Dr Hazari said, would move ahead very substantially. And he indicated that the total disbursements in the financial year (April to March) 1970-71 would amount to Rs 77 crores, as against only about Rs 53 crores in 1969-70.

Outlining the future policy of the IDBI, Dr Hazari laid special stress on widening the range of its operations by (i) participating in the financing of public sector undertakings; (ii) stepping up export assistance; (iii) ensuring a much wider impact of the IDBI scheme for re-discounting of machinery bills; and (iv) maintaining a more active liaison with the state finance corporations (SFCs) to increase their recourse to IDBI's refinancing.

Earlier, it may be recalled here, although the IDBI had decided to extend assistance to public sector undertakings also, it was intended to be not only on a modest scale, but subject to certain specified criteria. In fact, in its last annual report, the IDBI had stated that it would "consider on merits applications for direct assistance of moderate size for expansion and diversification from the existing companies in the public sector which have declared at least a maiden dividend and have sufficient internal resources to finance

part of the new programme, provided they do not resort to the government concerned for any finance and submit to the normal scrutiny and discipline of the IDBI". This is all changed now. As a matter of policy, the IDBI will henceforth entertain applications for financial assistance from the public sector undertakings which are incorporated under the Companies Act on the same basis as those from private parties. (Already, we are told, the bank is processing four applications from state units). Even so, bearing in mind its own limitations, the IDBI may be expected to extend assistance only to the relatively smaller public sector undertakings, which rules out assistance to the giants, say, Bokaro Steel.

In regard to export assistance, Dr Hazari spoke of some new schemes in the offing. The main beneficiaries would continue to be exporters of engineering and capital goods. According to the IDBI Vice-Chairman, direct loans for exports are expected to go up from Rs 1.4 crores to Rs 10 crores. (Even this figure of Rs 10 crores may turn out to be a conservative estimate, he felt). "We expect the export business to increase substantially", he said, and added: "The IDBI is ready to finance exports in a big way and take advantage of the expected boom in this sphere". All this only goes to confirm the claim of the IDBI Directors in their latest annual report that "the bank's approach to export proposals has been characterised by a certain amount of flexibility, to take account of the varying needs of the exporters and the particular circumstances of each case."

Dr Hazari also mentioned the steps being initiated by the IDBI towards ensuring a wider impact of the IDBI scheme of re-discounting of machinery bills. For this purpose, the bank proposes to establish closer contacts with manufacturers all over the country. A manager of the IDBI, it was disclosed, would actually go round the country for this purpose.

Again, according to Dr Hazari, the IDBI proposes to maintain more active liaison with the SFCs with a view to making them take greater recourse to the refinancing facilities offered by the IDBI. Apart from greatly simplifying the procedure, the IDBI authorities intend to persuade the SFCs to go to them. Evidently some SFCs are still

not fully aware of all the financial and other facilities extended by the IDBI, and it is just as well, therefore, that the IDBI has been making efforts to give the widest publicity to these facilities.

As stated earlier, the role of the IDBI would be judged particularly by the impact its activities are going to make on the development of backward regions. So far, the bank has only initiated regional surveys (two surveys, covering Assam and Tripura, were completed last June; surveys relating to Jammu and Kashmir and Bihar are on hand, and those for Uttar Pradesh and Rajasthan will be taken up shortly) in collaboration with the Reserve Bank, the IFCI and the ICICI (the central banking authority and the development banks) with a view to identifying industrial potential in the backward areas and to assessing the infrastructure facilities, supply of raw materials and market prospects for development of industries which could be advantageously located in such regions. This is good in so far as it goes, but, as Dr Hazari himself pointed out, it is the follow-up action that is very important. The follow-up action also offers an excellent opportunity to encourage small and new entrepreneurs. Equally important, we feel, is the necessity to prevent overlapping of efforts. As it is, there are already quite a few engaged in this sort of activity, although the IDBI Vice-Chairman seems to believe that the IDBI regional surveys are, or are going to be, different from those of the National Council of Applied Economic Research, the lead banks and perhaps such enterprising state industrial agencies as SICCOM. In a way, we are told, the IDBI surveys are to be more intensive and practical. Whatever this may mean, we still feel there is need to ensure that there is no avoidable duplication of effort, if only to make available resources, in manpower, technological ability and money, go as long as possible.

Obviously what the IDBI has been doing in West Bengal is over and above all these. The West Bengal problem, to quote Dr Hazari, "is not merely one of financing, certainly not of orthodox financing, but much more." It therefore, calls for a special approach on the part of the IDBI. It has for instance, to try and see the position of order books of the industries, in particular engineering and capital goods industries, with a view to exploring the possibility of channelling more export orders to Calcutta. There should be a thorough technical appraisal too of many of the exporting units. And, above all, a studied effort must be made to lift the gloom over West Bengal gradually.

All this mean resources. The natural

reaction of anyone would be: how will the IDBI find all the resources needed for the proposed substantial stepping up of its activities? The problem assumes serious proportions if, as Dr Hazari mentioned, no provision has been made for the rest of the fourth Plan period for the IDBI. But the IDBI Vice-Chairman does not appear to be too much troubled about it. It is, according to him, essentially an IDBI problem and the IDBI can take care of it. Of course, it is open to the IDBI to increase its paid-up capital (it is proposed to raise this from the present Rs 20 crores to Rs 30 crores); it can count on repayments of earlier assistance; it can sell its investments; it can also draw, if need be, on the Reserve Bank's National Industrial Credit (Long-term Operations) Fund, and it can borrow too with or without guarantee. (As on June 30, 1970, the IDBI's outstandings from the government were Rs 149.4 crores, exclusive of Rs 27.3 crores for credit to the DAF, and from the Reserve Bank—NIC (LTO) Fund—Rs 26.3 crores (the unutilised balance in this fund on June 30, 1970, accordingly, was Rs 68.7 crores).

During 1969-70 the total operations (exclusive of guarantees) of the IDBI

aggregated Rs 66.6 crores by way of sanctions and Rs 52.3 crores by way of assistance actually disbursed. These compare with Rs 66.3 crores and Rs 48.7 crores, respectively, during 1968-69. The corresponding figures of sanctions and disbursements since the IDBI was set up in July, 1964 aggregated Rs 340 crores and Rs 280 crores, respectively. Guarantees in 1969-70, 1968-69 and since inception were Rs 2.5 crores, Rs 0.6 crore and Rs 27.3 crores, respectively.

An analysis of these operations shows that direct loans to industrial concerns (other than for exports) in 1969-70 fell to Rs 7.6 crores from Rs 16 crores (sanctions) and to Rs 10.9 crores from Rs 15.3 crores (disbursements). Direct loans sanctioned for exports in 1969-70 rose sharply from Rs 6.5 crores in the preceding year to Rs 11.2 crores, but, despite total sanctions of Rs 17.7 crores over these two years, actual disbursements were no more than Rs 2.9 crores. Indeed, during 1968-69, there were no disbursements at all, reflecting perhaps the receipt of applications only towards the fag-end of that year. (This scheme was introduced only in December, 1968).

The IDBI's underwriting of, and dire-

ASSISTANCE SANCTIONED AND DISBURSED

	Assistance sanctioned			Assistance disbursed		
	1969-70	1968-69	July 1964-June 1970	1969-70	1968-69	July 1964-June 1970
1. Direct loans to industrial concerns (other than for exports)	—7.6	16.0	107.4	—10.9	15.3	84.8
2. Direct loans for exports	+11.2	6.5	17.8	2.9	..	2.9
3. Underwriting of and direct subscriptions to shares, debentures, etc. of industrial concerns.	+6.2	2.4	22.9	+2.2	1.6	15.9
4. Refinancing of industrial loans	+15.7	14.1	100.1	+12.5	11.6	96.9
5. Refinancing of export credits	—1.3	7.3	10.3	+2.7	2.5	6.7
6. Rediscounting of bills	+24.1	15.5	61.4	+20.6	13.3	52.7
7. Subscriptions to shares and bonds of financial institutions	0.5	4.5	20.1	0.5	4.5	20.1
Total of 1 to 7	66.6	66.3	340.0	52.3	48.7	280.0
8. Guarantees	+2.5	0.6	27.3	..	..	..

ct subscriptions to shares, debentures, etc. of industrial concerns amounted (sanctions) to Rs 6.2 crores in 1969-70, as against Rs 2.4 crores in 1968-69, while disbursements were Rs 2.2 crores and Rs 1.6 crores respectively. (To a question about the policy regarding the right of the IDBI to convert loans into equity shares, Dr Hazari said that, while the right was, of course, there, the IDBI would see whether the Bank stood to gain or lose before exercising its right, thereby implying that, if a given investment offers a good return, the IDBI would not be interested in swapping the loan into shares). Refinancing of industrial loans, the second biggest component of the IDBI's operations, improved from Rs 14.1 crores in 1968-69 to Rs 15.7 crores in 1969-70 by way of sanctions and from Rs 11.6 crores to Rs 12.5 crores by way of disbursements. As in the case of direct loans to industrial concerns, sanctioned refinancing of export credits in 1969-70 declined sharply to Rs 1.3 crores from Rs 7.3 crores in the previous year, but actual disbursements in 1969-70 at Rs 2.7 crores were a shade better than in 1968-69 (Rs 2.5 crores). In the re-discounting of bills also, the IDBI's record in 1969-70 was better than in 1968-69, the respective figures of sanctions and disbursements being Rs 24.1 crores and Rs 15.5 crores and Rs 20.6 crores and Rs 13.3 crores. There was only a small sanction and disbursement (Rs 0.5 crore) under subscriptions to shares and bonds of financial institutions.

The table alongside succinctly summarises the operations as above.

The IDBI annual report gives, as usual, a summary of the financial assistance provided by the other term finance institutions also (i.e. the ICICI, the IFC, the SFCs and the SIDCs). During 1969-70 (April-March), the total assistance by all these institutions and



The long and short of it.

the IDBI together aggregated Rs 14.9 crores, which represented an increase of 13 per cent over the previous year, and the greater part of this in-

Imbalance in Jute

THE INDIAN Jute Mills Association has reiterated its plea to the Government of India, first made in September 1969, to arrange for the import of six lakh bales of Thailand mesta. The association has argued that jute and mesta production in India this year will be around 64 lakh bales against the requirements of 66 lakh bales, which is the minimum needed by the industry for 1970-71. Adding to this deficit of two lakh bales the non-mill consumption and exports of four lakh bales, the crop deficit is estimated at six lakh bales. The quantity of the fibre carried over from the last season is 14 lakh bales, which is just sufficient for 2½ months' consumption. The association has warned that, on the basis of the present supply and distribution of raw jute, the carry-over will be just eight lakh bales, "a dangerously low opening stock" for the jute year beginning July 1971, since the next crop is also likely to be a short one. "When supply and demand, especially of a highly volatile commodity like raw jute, happen to be in a precarious balance such as at present is the case", says the IJMA, "the industry is bound to come up against serious difficulties in production planning and also in expecting normal forward sales of jute goods". Inadequate supply is also likely to subject the market to speculative pressures with their adverse repercussion on exports.

The reaction of the Government of India to the IJMA's plea is not known. If the government thinks that the estimates of the jute industry are incorrect and that no shortage is apprehended, it should clearly tell the country about its view. It is hardly proper for New Delhi to remain silent when the country's premier export industry has been repeatedly expressing concern about an impending acute shortage of raw jute and its inevitable impact on our export.

New Delhi does not seem to realise that the publicity given by our jute industry to the scarcity of raw jute is being carefully noted in Thailand; and when, in due course, we decide to import the fibre, Bangkok will naturally try to strike a hard bargain. India is now the biggest buyer of Thai jute. There was no import of Thai jute into India in 1963. In 1964 we imported 1,425 tonnes of raw jute. In the next two years the imports rose sharply to

crease, it needs to be added, was on account of higher assistance to the SFCs and the SIDCs, especially to the small-scale sector of the industry.

118,470 tonnes and 271,853 tonnes respectively. It is estimated that India has been taking about 40 per cent of Thailand's raw jute. But because of the bad planning, we have not been able to import the fibre at economic prices.

The USAID, in a recent survey of our jute industry made the following comment on India's policy of raw jute imports:

"While Thai kenaf is cheap India has always paid high prices. It was reported that whenever there is an announcement that India is to buy kenaf from Thailand, and licences have been granted, the prices go up sharply. India does not plan her purchases quite in advance, which would enable her to obtain better prices. Since the quantity to be bought is also publicised, which is always large, it tends to push up the prices". The USAID survey suggested that if it was envisaged that there would be need to import kenaf for some years, it would be in the interest of India to plan the purchases either on a firm agreed price or when the prices were the lowest and that licences could be issued in advance for making the purchases.

The jute industry has estimated that by 1973-74, the total fibre requirement will be about nine million bales including buffer stock and village needs.

About 30 per cent of the total fibre by 1973-74 will be in the form of superior grades. At present only about 15 per cent of the total jute fibre comes in this category. The Indian Jute Industries Research Association has drawn up a detailed scheme for achieving self-sufficiency in jute during the fourth five-year Plan. The scheme envisages bringing at least 50 per cent of the total jute and mesta area under improved seeds; adequate doses of plant fertilisers, plant protection and chemicals to the area under mother seeds; and concentrated efforts by the agricultural departments of the jute-growing states towards supervising and implementing this scheme. It has also been suggested that an apex body, consisting of representatives from the industry and government, should account continuously of the progress of work and be empowered to sanction the necessary measures for effectively implementing the scheme. The details of this scheme were submitted to the Government of India over a year ago but it is not known what action, if any, is being taken to implement them.

The IJMA has pointed out that if the production of jute goods were to increase in the event of an improvement in labour productivity, which at present is estimated to be about 10 per cent below normal, a serious situation would arise in regard to raw jute supply to cope with a consumption requirement of 70 lakh bales. There is, however, little prospect of an improvement in labour productivity in the immediate future. Leaders of five central trade unions have urged the IJMA to pay a minimum of eight per cent *Puja* bonus to the employees. They have warned that if the employers insisted on paying only

four per cent bonus, there would be unrest in the entire industry.

Meanwhile, there has been a decline of 68,500 tonnes in the export of carpet backing cloth in March-July, 1970, costing the country nearly Rs 38 crores in foreign exchange. About 75 per cent of the carpet manufacturing capacity, representing a total capital investment of Rs 70 crores, remains idle. Stocks

Plantations Plead for Helpful Attitude

THE PLANTATION industries have reached a stage where it has become necessary to raise output substantially if the quantum of exports is not to be affected by dwindling surpluses or the import bill, as in the case of rubber and cashewnuts, is to be prevented from increasing. With an improvement in the purchasing power of the rural population, there has been a sharp rise in consumption of tea and coffee while the requirements of rubber have been increasing at a fast rate because of a rising output of automobile tyres and tubes and rubber components. The tea industry has, no doubt, been experiencing rough weather in the past few years and it had been legitimately complained by the estate owners that world tea prices have been manipulated and remaining static when there has been a generally inflationary rise in prices in almost all countries. From the end of 1969, however, there has been a distinct improvement in both the quantum and value of exports while the exportable surplus has declined because of an unexpected improvement in internal consumption. If the new trend is any guide, it is emphasised that there will have to be a faster growth of production if the quantum of exports has to be maintained at the existing level, if not improved. In the case of coffee a difficult situation has developed in the 1969-70 season as there was an unexpected shortfall in the yield of the crop by 8,000 tonnes while with the world shortage of coffee, exports were brisk fetching higher prices.

As the output for 1970-71 is expected to constitute a record for all-time at 79,000 tonnes, the government did not think it worthwhile to prune exports though a small quantity was diverted for internal consumption. With restricted releases at internal auctions, coffee prices are now ruling at fantastic levels and a return to normal conditions is expected only after arrivals against the new crop are received towards the end of the year. If the current estimates regarding the size of the crop are realised it may be possible to satisfy fully

with the mills, which were 22,700 tonnes at the end of December, 1969, soared to 39,000 tonnes at the end of July this year. The IJMA has suggested that carpet backing qualifies for all the special considerations postulated in the export policy resolution for justifying liberal assistance. But New Delhi's approach to the problems of the jute industry continues to be one of leisurely indifference.

the needs of the home market and export also larger quantities. But looking further ahead it may become imperative to raise a crop of 90,000 or 100,000 tonnes before the end of the current plan period as the coffee-drinking habit is spreading fast and internal consumption alone may increase to 60,000 tonnes by 1973-74. Exports could easily be 40,000 tonnes. It is not possible, however to proceed on the basis of firm availability of coffee as once in two years, there is a shortfall due to failure of blossom showers or other reasons. There has necessarily to be an increase in the area under the crop and yield per acre if the industry is to fulfil its allotted tasks. But the state governments which are mainly concerned with the growing of coffee are not considering the problems of coffee planters in the proper perspective and the representations to the Mysore government particularly for a reduction in tax rates and the inclusion of development allowance for purpose of agricultural income-tax has not been conceded.

The case of rubber, however, is different and there can probably be no complaint about the heavy incidence of taxation though the bigger estates in Kerala are handicapped by the high slab rates in agricultural income-tax. But the incentives provided for the small growers should be helpful to every estate and the latest move of the government in fixing a minimum price of Rs 520 per quintal when the open market price is much lower is motivated mainly politically. The recommendations of the Tariff Commission have, of course, provided a convenient excuse for the central government. The timing of the decision on the eve of Kerala elections is significant indeed. It will be generally agreed, however, that the output of rubber will have to be continuously increasing for a long time as even with a growth of 12 per cent it is necessary to permit imports. The manufacture of synthetic rubber of over 30,000 tonnes in the current year will come in handy and it may be

possible for the first time in recent history to dispense altogether with imports. This peculiar situation has been due to the serious labour troubles experienced by tyre manufacturers and the absence of consumption of rubber on the anticipated scale in 1970. When the expansion schemes of all units are completed and exports also stepped up, consumption of rubber may exceed 1,60,000 tonnes necessitating again imports if the output of natural rubber did not increase in proportion to the growth in consumption.

A new policy, has, therefore, to be designed for stimulating the yield per acre and helping small growers. It is patently absurd to fix a minimum price for rubber which is nearly double the import parity. The latest developments in rubber cultivation in Malaysia and elsewhere indicate that there can be a doubling or trebling of the yield per acre with the growing of high-yielding clones and the adoption of hormone treatment even for old trees. The industry is already having the advantage of depreciation on field assets and the proper course would have been to offer a more attractive subsidy for replantation schemes than fixing a prohibitively high minimum price.

There is naturally a feeling in plantation circles that different yard sticks have been adopted for solving the problems of plantation industries and if there was not a generally helpful attitude India might find itself in a position where it will be losing its hold on international markets even though it may rank among the world's biggest producers for some plantation commodities. Mr N. Bhagwandas, President of the United Planters Association of Southern India, naturally emphasised the need for granting depreciation of field assets for agricultural income-tax purposes and regretted that the recommendation of the Barooh Committee in this regard was not accepted by the government. There is also need for a proper policy in regard to the utilisation of reserve land as it would be far more advantageous for the existing estates to develop new areas and bring about the desired increase in output of different commodities in a short period.

Eastern Economist 25 Years Ago

OCTOBER 5, 1945

The Government of India are reported to be engaged on the question of the future pattern of our foreign trade. The fact that several commodities are in shortage the world over will have a deciding force in the direction and volume of trade at least for a few years. The position in India at the moment is not bright as several of the commodities which other countries may require from us are not in plenty to leave a surplus after meeting the internal demands. The commerce Member of the Government of India, therefore, emphasized at a

meeting of the Export Advisory Council last, that it was premature at this stage to say definitely how much surplus of any commodity would be available for export. There is a growing agitation for removal of the quota limits and other controls over the textile exports. Supplies for the domestic market are not yet satisfactory and it is gratifying to note that the opinion of the members of the Export Advisory Council was firm on giving first priority to domestic needs.

Chavan at Copenhagen

THE EDITOR

It is a pity that the Finance Minister, Mr Y. B. Chavan, chose to make a political speech at the annual meetings of the International Monetary Fund and the World Bank at Copenhagen. To assert, as he did, that since these institutions were founded 26 years ago, their arrangements had become "out-of-date," was not only churlish but untrue. As a matter of fact, on any fair reckoning, the performances of these agencies of international co-ordination or co-operation in matters economic have constituted one of the bright chapters in the history of the world in the last 25 years.

Right now, the 25th anniversary of the United Nations is being observed. While much of this celebration may be formal or even meaningless, it is undeniable that so far as some of the specialised agencies of the United Nations such as the Fund or the Bank are concerned, their labours are entitled to be regarded with respect and gratitude, not least by India, which has had its development exercise so generously aided by the international effort of which the World Bank especially has been a pioneer and architect.

The posture struck by Mr Chavan at Copenhagen is all the more difficult to appreciate because, after criticising the IMF and the World Bank, of having become 'out-of-date,' he has shown himself to be singularly deficient in positive ideas about their future. As regards the IMF, for instance, he reportedly opposed any radical change in the present system of par values of currencies and declared categorically that "India would not like to see any significant modifications in the present articles of the agreement of the IMF."

Correct Attitude

I personally consider that this is the correct attitude for the Government of India to have adopted towards this issue of exchange rate policy. But, then, how would Mr Chavan reconcile his endorsement of the present functioning of the IMF in its main and essential area of responsibility, which is the regulation of the par values of national currencies, with his vague and sweeping characterisation of the IMF as having become "out-of-date"? It is clear that neither the Finance Minister

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nor his speech-writer has thought out the speech in its whole. Or, perhaps, both logic and reason have had to be subordinated to the need for creating political effects.

This is not to say that the Finance Minister had nothing useful to say at all about the future of the IMF. He recommended that the Fund should consider investing part of its profits in the bonds issued by the World Bank. This seems to be a reasonable proposal and should certainly be seriously investigated in view of the fact that the question of exploring new sources for augmenting the resources of the World Bank is not only a matter of urgency but is also one which promises to be of increasing importance in the years to come.

Establishing the Link

As for the other proposition that a link should be established between the Special Drawing Rights and development finance, Mr Chavan is only one of quite a few who speak for their respective governments, to have come out in its support. But is there not a contradiction between this plea and the fact, admitted by Mr Chavan, that the Fund is not an ordinary credit organization? In my view, the best as well as the most proper way in which the Fund could serve developing countries in this respect would be for it to take a liberal view of the concept of "temporary balance of payments difficulties" whenever such countries apply to the Fund for accommodation under its articles. It would be no service, certainly, to the cause of sound domestic management of the economies of these countries if the IMF were to underwrite in an indirect manner their balance of payments irrespective of any laxity on the part of national governments in pursuing necessary policies of economic conservation or consolidation.

Turning to the World Bank, the Finance Minister tossed up the King Charles' Head of the alleged discrimi-

nation, against non-project assistance. The Government of India, according to Mr Chavan, was quite unable to understand why non-project assistance was considered less desirable than lending for specific projects. The difficulty here, I submit, is entirely and peculiarly New Delhi's. There is a huge lot of literature on the subject and Mr Chavan, who has been recently appointed Finance Minister, may if he cares turn to it when he has time. The point is that, while developing countries have a legitimate interest in asking or arguing for more and more easy terms of development assistance, it does not seem to be respectable for responsible representatives of governments to talk as if assisting countries have no grounds at all for entertaining some preference for lending for specific projects as against non-project assistance.

Continued Project Assistance

If there is to be any constructive dialogue on this theme, it will not do for one or the other of the negotiating parties to try to wish away facts or considerations which may happen to be inconvenient to its particular contentions and it is, therefore, necessary for spokesmen of assisted countries to realise that project assistance, which has played an important part in the totality of development assistance so far, may well be allowed to continue to play a useful role in the future. While the particulars of the composition of an aid packet could and ought to be discussed in terms of the specific context of the aid transaction concerned, there is little to be gained through attempts at projecting non-project assistance as a general principle of exclusive validity.

In any case, is it possible that the Government of India is enamoured of non-project assistance to be used, for instance, for the repayment of earlier development loans? Is it not desirable from our country's own point of view that it should seek to finance repayment of loans through additional export earnings rather than want to be free to use new development aid for the purpose? Again, given the Government of India's proclaimed commitment to become free of foreign aid as early as possible, would it not be more appropriate that those who direct its policies in these matters should rather seek more project assistance than non-project assistance, thereby placing more reliance on increases in export earnings as a means of strengthening the country's general balance of payments?

Mr Chavan referred to the recommendations of the Pearson Commission with approval. The very fact that

the World Bank had taken the initiative to constitute this body belies Mr Chavan's suggestion that the Bank has become "out-of-date". Indeed, it is not only through or because of the Pearson Commission that the World Bank may seek to claim that, whatever Mr Chavan or others of his thinking may like to say, it has not been lagging behind the times but has been honestly seeking to keep in step with them. The short period during which Mr McNamara has been in office as the President of the World Bank or through the years of his predecessors, Mr Eugene Black and Mr George Woods, at the helm, the World Bank has been progressively developing and extending its concept of its responsibilities as well as building up means and methods of realising its own expanding vision of its obligations.

In view of this, a representative of this country or its government could certainly have shown a little more grace in his references to the World Bank or the trends in its continuing evolution than Mr Chavan was able to exhibit at Copenhagen. But, then, the spirit of Lusaka probably was too much with him. Once the Prime Minister had found it useful to question within the hearing of the galleries of the so-called non-aligned world, the bona fides of the aid policies of certain countries, the least that the Finance Minister could have done was, no doubt, to utilise the opportunities available at Copenhagen to play variations on the same theme.

Part and parcel, presumably, of this tactics was his loud-mouthed grievances about the structure of management or distribution of quotas in the International Monetary Fund. It is true that Japan has gained precedence over India on the Board of Governors of the Fund as a result of the redistribution of quotas which was effected following

the creation of the Special Drawing Rights, but there is surely nothing unfair in this. India has no divine right to demand a privileged position in international economic bodies merely by virtue of its size or population or even on the ground that the developing countries should be represented. For the time being, the Indian position in terms of a permanent seat on the Board of the Fund has been saved through a compromise formula to which Japan has agreed. But our country and our government should surely be mature enough to face the fact that such privileges have to be related in a rational way to the dimensions of the economies of member countries. If Japan has advanced in the ranking of the members of the IMF at the expense of India, it is simply because the former has earned it through its high rate of economic growth. It is clearly not open to India to allow its economic growth to lag behind and then complain if other countries are overtaking it in status on international bodies.

It is easily conceivable that, if our economic performance does not improve, we may be overtaken, in due course, by many other countries as we have been overtaken by Japan in the hierarchy of the IMF or other international bodies. While it may be a good debating point for spokesmen of India and other developing countries to insist on special treatment in such matters, it is obvious that these pleas will increasingly lose emphasis should they continue to be made out of context with the realities of growth rates. If there is a battle at all to be fought here, it is to be fought and won not so much at the annual general meetings of the International Monetary Fund and the World Bank, but within the Government of India where economic policies for the nation are made or not made.

The Demand for State Autonomy

DR A. APPADORA

THE PROCEEDINGS of the DMK sponsored conference on state autonomy, which concluded its session in Madras on September 13, highlight the growing demand in the country for greater autonomy for the states. The Madras conference would have a reappraisal of the constitution to ensure more autonomy for the states to make them "financially viable" and by the convening of a second Constituent Assembly for the purpose. To be fair to Tamil Nadu, it must be added, the conference was clear that the demand for more powers to states was not to be miscon-

strued as a call for separation from the Indian Union. The Tamil Nadu Chief Minister, Mr Karunanidhi, an active participant in the conference, stated clearly that the DMK demand for full autonomy was not a ruse for secession. This, he pointed out, had been proved by the terms of reference of the committee appointed by the DMK Government to examine the centre-state relations and suggest measures to give more powers to the states "without prejudice to the integrity of the country as a whole." He added that his party, in fact, wanted a true federal constitu-

tion "without the right to states to secede". The conceding of greater autonomy to the states was, in his view, necessary to prevent the emergence of secessionist forces.

Reviewing Centre-State Relations

Reference has been made earlier to the committee appointed by the DMK government to examine centre-state relations; a word about this committee and its terms of reference will be appropriate in this context. The appointment early this year of the three-man committee headed by Mr P.V. Rajamnar, a former Chief Justice of Madras, is the first attempt in the country at examining the whole question of centre-state relations at an official level and from the juristic point of view. The terms of reference ask the committee to suggest measures to augment the resources of the state and for securing utmost autonomy in the executive, legislative and judicial fields as well as suggest amendments to the constitution for the purpose but "without prejudice to the integrity of the country as a whole."

The committee issued a questionnaire consisting of more than hundred questions covering a wide ground ranging from administrative relations to matters like public services and elections. In a press interview published on March 16, the chairman of the committee said that he had been given an entirely free hand by the DMK government. "I must assure you that I have not been given by indication as to what lines our recommendations should follow", he added. The tenor of the questions asked by the committee, however, unmistakably indicates the direction in which its mind is working. Thus one question asks, should not the centre's role in the state field be confined to that of a "pioneer, guide, disseminator of information, an overall planner and evaluator?" Another: The resources for raising funds available to the states are comparatively inelastic, while the functions allocated involve expanding responsibilities — how would you remedy this imbalance? And a third: Should there be a redistribution of powers under the constitution and vesting of all powers in the states except defence, foreign affairs, communications, currency and the like which alone shall be vested in the union — with powers necessary to raise the finances required for these purposes?

In examining this demand for state autonomy if will be useful to note two political trends which have emerged in the country since the passing away of Jawaharlal Nehru in 1964. First, there has been an unmistakable shifting of the centre of political gravity from the centre to the states. The part played by the chief ministers of states

in deciding on succession to the prime ministership, twice, is evidence of this. Indeed the attempts made by the Prime Minister to secure support from states even for her own survival should be ample evidence. The second trend, after the Congress split of 1969, is the inability of any one party to have a stable majority at the centre, without formal or informal alliances with other "like-minded parties"; this, clearly, weakens the position of the centre, with the result that the demand for state autonomy becomes more and more widespread and insistent.

Delimitation of Spheres

Two preliminary remarks seem called for before I deal with the substance of the Madras demand. First, in a federal state, the centre and the units ought to be mutually independent in the spheres allotted to each by the constitution—in legislation, in administration, and in finance. This mutual independence is indeed the distinguishing principle of federalism and it can be truly said that the greater the independence of the units from the centre in their defined spheres, the more truly is the political system federal in character. Second, it cannot be denied that the Indian Constitution is quasi-federal. Constitutional experts correctly say that India is, in effect, a unitary state with subsidiary federal principles rather than a federal state with subsidiary unitary features. I must hasten to add, however, that constitutionally it is wrong to say that, normally, the states are subordinate to, or under, the centre. Indeed Dr Ambedkar was at pains in the Constituent Assembly to remove that misconception. He said on November 25, 1949: "A serious complaint is made on the ground that there is too much of centralization and that the states have been reduced to municipalities. It is clear that this view is not only an exaggeration, but is also founded on a misunderstanding of what exactly the constitution contrives to do. As to the relation between the centre and the states, it is necessary to bear in mind the fundamental principle on which it rests. The basic principle of federalism is that the legislative and executive authority is partitioned between the centre and the states not by any law to be made by the centre but by the constitution itself. This is what the constitution does."

The states under our constitution are in no way dependent upon the centre for their legislative or executive authority. The centre and the states are co-equal in this matter. It is difficult to see how such a constitution can be called centralism... The chief mark of federalism, as I said, lies in the partition of the legislative and executive authority between the centre and the units by the constitution. This is the

principle embodied in our constitution. There can be no mistake about it. It is, therefore, wrong to say that the states have been placed under the centre. Nevertheless, through various Articles in the Constitution specially relating to financial distribution, the centre has become the major partner.

Now on the substance of the demand for state autonomy. I would content myself, in this short article, with making three observations:

First, the principle that the centre must remain strong in its field having been accepted by the protagonists of state autonomy, it is really a question of re-defining the powers allotted to the centre and the states. I think there is a case for such re-definition. Experience shows that in a vast country like India, decentralization is a pre-condition for efficiency of administration. As has been well said, too much power vested in the centre results in apoplexy at the centre and anaemia in the parts. This is indeed the argument for a true federation, and the sooner we set about vesting only the essential subjects—essential for preserving the unity of the nation—in the centre, the better for all concerned. The DMK committee has suggested the vesting of all powers in the states except defence, foreign affairs, Communications and currency and the like which alone shall be vested in the Union.

Will it Work?

This, I suggest, looks well on paper, but those familiar with administration, especially in war time, are bound to consider such a suggestion amateurish. For if any lesson has been brought home by the conduct of war, it is that all subjects of administration are so interconnected that such a separation of functions as mentioned above will just not work. And if you are to be ready to conduct a war, certain preparations are necessary for it in peace-time as well. Look, for example, at a subject like law and order, a subject vested in the states. Who can deny, looking at the breaking out of lawlessness in different parts of the country that a reserve power to maintain law and order is essential for the centre, though the reserve power has to be defined most carefully but clearly; such a reserve power is necessary in the Indian context. The point is that a *a priori* theories, regarding 'a true federation' and 'state autonomy' are not adequate; since Aristotle, the lesson has been learnt by students of political science that *circumstances* must determine the content of political constitutions; we can ignore that lesson only at our peril.

But that there is a case for a dialogue on the subject cannot be denied. In

particular, a fresh look at what may, broadly, be called economic and financial powers allotted to the centre is called for. For instance is it necessary to retain item 7 in the Concurrent list in its present form: "Industries declared by Parliament by law to be necessary for the purpose of defence or for the prosecution of war"? The economic functions of the states should be such that they feel the responsibility for the economic welfare of their people; as it is the division of economic functions has to be more equitable between the centre and the states. In the field of finance, the case for a revision of the powers is clear. Twenty years' experience of the existing division of financial powers has resulted in a massive indebtedness of the states to the centre which has risen from Rs 239 crores in 1951 to some Rs 5,100 crores. The complaint of the states that the resources available to them are inelastic but the functions they have to perform impose on them heavy responsibilities in the field of social services is just and the position must be reviewed.

Elected Governor

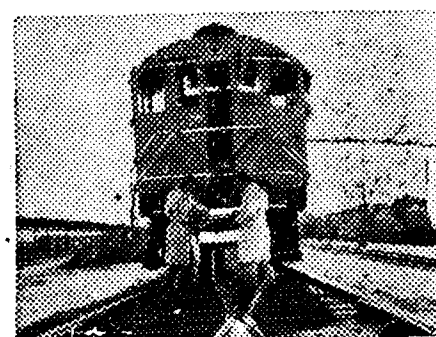
Second, it seems to me that the problem of state autonomy is connected closely with the form of the executive in the states. The present position — of a cabinet with a governor nominated by the centre at the head of the state — has sooner or later to be reviewed. The suggestion has been made by political and other leaders that the idea of an elected governor for the state with real powers, i.e., a fixed presidential executive, is worth exploration. From the point of view of state autonomy, the advantage is that as the governor will derive his power from the people of the state, and his term will be fixed, he will be in a position to assert the autonomy of the state against encroachment by the centre coupled with better financial resources — as amendment of the constitution in this matter is in any case essential — the elected governor will be able to manage the affairs of the state better than the cabinet system today under a multiple party system has functioned. A look at the number of parties that fought the recent elections in Kerala (the parties number twelve) will convince any one that the suggestion of a fixed executive for the states is worth serious study. No doubt, the suggestion has its pros and cons; but a detailed expert study has to be made.

Third. While, as indicated above, I am for a dialogue on the revision of the constitution, I would strongly urge that the *timing* for the proposed dialogue among political leaders must be carefully chosen. I myself would suggest that so long as (i) the external danger to India — from Pakistan and China — persists,

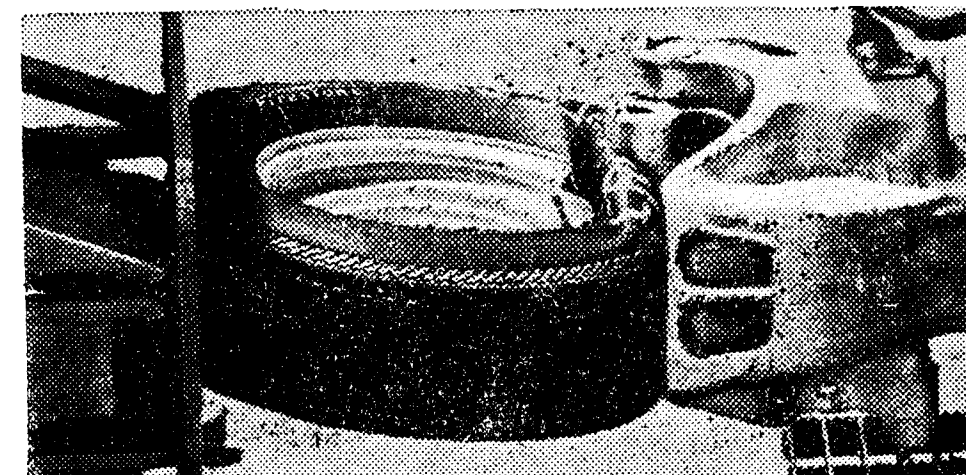
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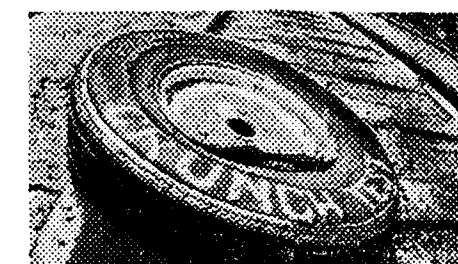


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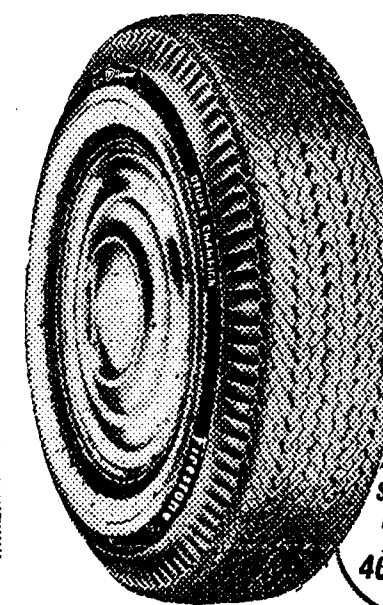
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it will be unreal to think of such a dialogue on the revision of the constitution. Such a dialogue is bound to accentuate divisions, whereas continuing unity is called for; and (ii) the take-off state in economic development must be reached before a meaningful dialogue can be

carried on the details of constitutional revision. Economic development now depends on many external factors which have to be controlled by the centre. It will be wise to allow time for such development before internal differences can be meaningfully discussed.

Silver Regaining its Lustre

S. P. CHOPRA

THE WORLD production of silver rose by 24 per cent between 1950 and 1969 while its consumption more than doubled during this period (see tables I and II). The use of the white metal for purposes of coinage is on the decline but it is its industrial consumption which has been on the increase. The largest consumers of this metal are the USA, West Germany, Japan, Italy and the UK. The sharp progress in the development of such sophisticated industries as photography and electronics in these countries has given a stimulus to the demand for this metal, though other uses such as the manufacture of jewellery and electroplated ware have not diminished. The increase in demand for the white metal was, by and large, satisfied by secondary sources such as the melting of coins and the liquidations of stocks. Our country has also made a contribution to the world supply of this metal even though its export from this country is banned.

Smuggling from India

Reviewing the supply position of silver in the international markets last year, Mr Francis H. Wemple, Vice-President and Treasurer of Handy & Harman, referred to "the large but undeterminable amount of silver in the hands of the people in India, which has been a significant source over the past two years".¹ It implies that despite the ban on the export of silver from this country, sizable quantities of the white metal have been smuggled out. Unofficial estimates put the total volume of unauthorised exports of silver from 1967 to 1969 at 70 million ounces² which at the current price of 185 cents an ounce would be worth \$129.5 million. It is hard to pronounce a judgment on this estimate; all that can be inferred from news appearing in the foreign press is that large quantities of silver moved out of this country in the past three years which without doubt intensified the activities of the unauthorised operators who surreptitiously imported, silver, such contraband goods as gold,

nylon, transistors and watches.

The tide however turned in June last year. The volume of silver smuggled out of this country dropped significantly in the middle of last year primarily for two reasons. First, the Silver Control Order of the Government of India had a restraining influence on exports. Second, and this was more important, the fall in the price of silver in the markets abroad made it less profitable to export the white metal. The price of silver in New York in June last year touched the lowest level in recent years at 154 cents an ounce which at the official rate of exchange of the rupee was equivalent to Rs 408 per kg. while the corresponding price in Bombay was about Rs 500 per kg. Even at the unofficial rate of exchange of Rs 12 a dollar, the margin of profit was not large enough to induce the operators in the white metal to continue this illegal business.

For the past few months, the price of silver in foreign markets has been steady around 180-185 cents an ounce. For instance, the price of ready silver in New York was a shade higher than 180 cents an ounce at the end of the last year and at present it is being quoted at not more than 185 cents an ounce. According to experts, this stability in silver prices is due to the liquidation of stocks in private hands and the reduced fluctuations in the foreign exchange markets of the world. But will silver prices stay at this level?

Demand to Increase

There are, however indications that the demand for the white metal in foreign markets is likely to be more than supply in the coming months and the price of silver cannot but rise. The futures market in London is already quoting prices of silver for six months delivery at five per cent premium; the premium for 12 months delivery is more than 10 per cent. In other words, the expected rise in the price of silver in the markets abroad is once again likely

to make exports of silver from this country remunerative even at the official rate of exchange of the rupee. At the free market value of the rupee, the export of silver does have an encouraging margin for the exporter. As stated above, currently the price of silver in foreign markets is 185 cents an ounce which is equivalent to Rs 490 per kg. at the official rate of exchange of the rupee. In Bombay, the price of silver has been fluctuating around Rs 500 per kg for some time. Because the rupee is being quoted at about Rs 12 a dollar in the free markets, the illegal export of silver is once again threatening to grow especially after the rainy season.

Will the Government of India sit back and helplessly watch unauthorised exports of silver? It is widely known that when a large differential between domestic and international prices of silver prevails, no government, however vigilant, can curb the activities of the unscrupulous elements. It is, therefore, argued that if and when the price of silver rises in the markets abroad, as it did in 1968 when the price of the white metal reached a new peak in New York at 256.50 cents per ounce, the government should authorise competent dealers to export silver and earn valuable foreign exchange for the country. It is necessary that the traders who are experienced in the handling of export operations are permitted to undertake its exports. The frequent fluctuations in the price of silver will make it difficult for government agencies to handle it as this metal is not like iron ore whose long-term supply as well as prices can be negotiated with foreign dealers.



"Demand a separate flag for the Salem plant."

¹Engineering and Mining Journal (McGraw-Hill Publication) March 1970.

²The Financial Express (Bombay) September 12, 1970 Exporting silver by Shantila Sonawala.

TABLE I
WORLD SILVER PRODUCTION (EXCLUDING COMMUNIST COUNTRIES)
(In millions of ounces)

	1950	1955	1960	1965	1966	1967	1968	1969	Percentage increase(+) or decrease (-) of 1969 over 1968
Mexico	49.1	48.0	44.5	40.3	42.0	37.9	41.6	47.5	+14.2
USA	42.3	36.5	36.8	39.8	43.7	32.1	32.7	39.8	+21.7
Canada	23.2	28.0	34.0	31.9	33.4	36.4	45.4	42.5	-6.4
Peru	13.4	22.9	30.8	36.5	32.8	35.9	37.0	37.0	..
Bolivia	6.6	5.9	4.9	4.1	5.1	4.3	5.0	5.0	..
Other South and Central American countries	7.0	6.2	7.8	10.1	10.5	10.2	11.0	11.0	..
Total Western Hemisphere	141.6	147.5	158.8	162.7	167.5	156.8	172.7	182.8	+5.8
Outside the Western Hemisphere	57.0	50.9	49.0	55.7	58.5	58.2	63.0	63.0	..
World production excluding communist countries	198.6	198.4	207.8	218.4	226.0	215.0	235.7	245.8	+4.3

Source: The annual reviews of silver market by Handy and Harman.

TABLE II
WORLD SILVER CONSUMPTION (EXCLUDING COMMUNIST COUNTRIES)
(In millions of ounces)

	1950	1955	1960	1965	1966	1967	1968	1969	Percentage increase(+) or decrease (-) of 1969 over 1968
I. Industrial Uses:									
USA	120.0	100.0	100.0	137.0	150.0	145.0	145.0	147.0	+1.4
Canada	5.2	4.6	4.3	5.3	5.8	5.4	5.2	5.4	+5.9
Mexico	..	2.5	4.0	4.7	3.9	5.0	5.0	4.3	-14.0
United Kingdom	12.4	14.2	16.5	25.0	25.0	24.0	23.0	25.0	+8.7
France	1.3	15.7	13.0	14.0	14.7	14.7	14.2	17.4	+22.5
West Germany	7.6	28.1	40.2	54.6	48.2	48.2	45.0	46.6	+3.6
Italy	..	..	..	25.0	30.0	28.2	22.0	26.0	+18.2
Japan	..	6.3	21.6	25.0	31.5	31.3	35.0	39.7	+13.4
India	..	3.0	..	16.0	16.0	15.0	16.0	16.0	..
Other countries	10.9	18.4	25.0	30.0	30.0	30.0	30.0	35.0	+16.7
Total I	157.4	192.8	224.6	336.6	355.1	346.8	340.3	362.4	+6.5
II. Coinage:									
USA (a)	24.6	8.2	46.0	320.3	53.6	43.8	36.8	19.4	-47.3
Canada	3.4	2.6	7.5	20.4	15.5	8.8	7.4	..	..
France	..	..	12.2	7.2	8.7	9.6	2.9	0.6	-79.3
Italy	..	..	7.1	2.9	4.6	0.7	0.5	..	..
Japan	..	..	4.6	5.8	9.0	..	..	0.7	..
Other countries	16.1	41.8	26.5	24.5	39.0	36.0	36.0	23.0	-36.1
Total II	44.1	52.6	103.9	381.1	130.4	98.9	83.6	43.7	-47.7
III. Total world consumption of silver excluding communist countries (I+II)	201.5	245.4	328.5	717.7	485.5	445.7	423.9	406.1	-4.2

(a) Supplies of silver for coinage in the USA are obtained entirely from Treasury stocks and have never been part of market demand.

*Exclusive of US consumption of silver for coinage purposes (19.4 million ounces) which were entirely met from Treasury stocks.

Source: The annual reviews of silver market by Handy and Harman.

WINDOW ON THE WORLD

Streamlining The Swiss Watch Industry

JOSSLEYN HENNESSY

I NEW DEVELOPMENTS

LONDON:

THE WATCH industry is important in Switzerland's economy. As an export earner, it helps substantially to reduce the structural deficit in Switzerland's trade balance. Thus, for example, in 1968 the exports of the watch industry ranked third, constituting 13.4 percent of total exports, behind industrial equipment, chemicals, and pharmaceuticals in the list of top ranking exports. The watch industry's contribution to exports and to foreign exchange earnings is enhanced by the fact that the value-added element in it is extremely important, because relatively few imported materials (such as steel, alloys or other precious metals) are used in making a watch. More important than basic materials are the experience, tradition and skill of Swiss watchmakers, who thus provide this intricate piece of delicate machinery with its high value-added element. Thus in terms of cost, a small amount of imported goods is transformed from a few grammes of metal into a jewel of precision and high technique. The long-standing repute of the Swiss watch industry also helps the economy in other ways, e.g., as a typical symbol of quality and reliability, Swiss watches are outstanding advertisements for other Swiss products. Swiss industry is often at a disadvantage because it lacks low-cost natural resources, when competing against the products of other countries. The reputation of the Swiss watch does therefore help to publicise the quality of Swiss products and constitutes a powerful sales argument.

Swiss Primacy Endangered

The emergence of new competitors such as the USA, Russia and Japan, the necessity for expensive research in order to remain in the vanguard of technical progress and innovation, the decreasing profit margins resulting from keen competition from mass produced goods, and unified series and standard brands, have recently endangered the primacy of the Swiss watch industry, while tariff barriers and

the legitimate desire of developing countries to launch their own watch industries (as in India) have added to Switzerland's headaches.

The era of industrial giants has now caught up with the Swiss watch industry, in which family enterprises, skilled manual labour, small-scale production and proud individuality have hitherto reigned supreme. The amalgamation of innumerable small manufacturers into a few huge groups is now felt to be a necessary evil if the Swiss industry is to compete in the changing conditions of the world market.

Structure of Swiss Watch Industry

Here, therefore, is a brief analysis of the present structure of the Swiss watch industry, which aims to give a picture of the problems that it is up against if it is to achieve concentration.

The industry is divided into a wide array of independent manufacturers. Vertical integration is the exception rather than the rule. It is, therefore, entirely different, for example, to the Russian watch industry, which is one huge state-owned combine producing a limited range of mass produced models and concentrating mainly on the cheap end of the scale. Similarly, in the US and Japanese watch industries, production capacity is concentrated in a few giants, such as US Time (Timex) and Bulova in the United States and SEIKO and Citizen in Japan.

By contrast, at the end of 1968 there were in Switzerland no fewer than some 550 companies, of which 500 were assembly factories using parts produced by a relatively limited number of specialised firms. The remaining 50 firms were watch manufacturing companies which, in addition to assembling parts, manufactured some of the components themselves.

Although a large number of firms are engaged in the final production of watches, in the initial stage spare parts and components are mostly manufactured by four firms: Ebauches SA, Fabrique d'Assortiments Reunies SA, Fabriques de Balanciers Reunies SA, and Groupement des Fabriquants

Suisse de Spiraux. Each of these firms, which specialises in a particular field of components, is in turn controlled by the Societe Generale del' Horlogerie Suisse SA (ASUAG), whose shareholders include a variety of watch manufacturing firms and organisations, banks and the Swiss Federal Government.

Also of outstanding importance is the role played by industrial and professional organisations such as the Federation Suisse des Associations de Fabrication d'Industriels del a Montre Roskopf and the Union des Associations de Fabriquants de Parties Detachees Horlogeres (UBAH). Research is conducted by industrial organisations such as the Laboratoire Suisse de Recherches Horlogeres (LSRH) and the Centre Electronique Horloger (CEH), while the Centre de Documentation Scientifique et Technique del' Industrie Horlogere Suisse (CENTRE-DOC) coordinates technical information for the industry. Research in allied fields such as semi-conductors, integrated circuits and lasers is conducted by joint-effort laboratories such as FASEC SA and LASAG SA.

The Table I shows that although Switzerland still leads in world production and exports, other countries are catching up, especially in exports, which take no less than 97 per cent of Swiss production because of the small size of Switzerland's national market. Japan's share of total exports, as in so many other fields, is growing rapidly and could perhaps sooner rather than later threaten Switzerland's present dominance. Whereas, for example, 99 per cent of imported watches on the US market in 1950 came from Switzerland, in 1966 Switzerland's share had fallen to 71 per cent. The formation of an integrated European market has, despite a tariff agreement between the EEC and Switzerland, created difficulties for Swiss exporters. Swiss watch makers are fully alive to the need for urgent measures to streamline their industry if they are to retain their supremacy.

II

MERGERS IN THE SWISS WATCH INDUSTRY

Swiss manufacturers have to compete with foreign firms vastly bigger than they are. They realise that the future belongs to big enterprises, which can pool their funds, production and marketing facilities, and their skilled labour, streamline their advertising and promotion expenses, and build up management teams in order to establish long-term planning goals. The greater availability of funds which goes with

size also allows more resources to be devoted to basic and applied research, which at present strains the limited reserves of small individual units. Not least, amalgamations and mergers widen the range of financing possibilities because they facilitate recourse to the capital market. Self-financing and family resources no longer suffice to enable individual firms to raise enough funds for investment. Recourse to the capital market also broadens the chances of firms by enabling them quickly to expand production and marketing facilities, stocks etc., to meet a market boom.

From 1962 to 1967 the share of exports of "ancré" watches by manufacturers who export more than Sfr 10 million rose from 42.5 to 63 per cent. Companies which exported watches for totals ranging between Sfr 5 and 9.99 million saw their share of exports fall from 19.2 to 12.5 per cent, and the share of small exporters (less than Sfr 5 million) fell from 38.3 to 24.4 per cent. Companies belonging to the group of big enterprises rose in number from 25 to 43 and boosted their exports from Sfr 462 million in 1962 to Sfr 985 million in 1967, a rise of 113 per cent, whereas the smaller groups recorded decreases of seven and nine per cent respectively.

Although comparatively still in its infancy, the movement towards mergers among Swiss watch manufacturers has slowly gathered pace. As shown above, in the initial stages of production the trend towards mergers is strong and the various firms, members of the ASUAG group, supply over three quarters of total needs of components. Watch jewel companies are also undergoing a wave of concentration rendered imperative by the threat of foreign competition, mainly Italian, and by the discovery of new production methods such as the use of laser equipment. Thus, at the end of 1968, a new holding company (Pierres Holding SA) was set up, which covers 60 per cent of Swiss watch jewel production.

Economically Inefficient

The situation is, however, different in the final stages of production, in which manufacturing is still scattered among too many small and economically inefficient enterprises. The biggest Swiss watch company — the Société Suisse del' Industrie Horlogère (SSIH) — had in 1967 a turnover of \$70 million, whereas foreign competitors such as Timex reached \$200 million, Bulova \$140 million, and SEIKO of Japan \$174 million.

The need to reorganise the industry into bigger groups has accelerated mergers since 1968. New horizontal mergers have been effected and new groups

have been established around highly reputed companies (for example Movado-Zenith-Mondia). A major role in mergers has been played by a new financial company set up expressly to promote amalgamation: Chronos Holding SA. This new company has acquired 100 per cent of Synchron, 20 per cent of Saphir and convertible bonds of Garde-Temps SA. A few verticle mergers have also taken place, such as that in 1968 between Waltham Watch Co. and ISECA, and lately the takeover by Girard-Perregaux SA of Consul and of Jean R. Grael Inc. This type of merger, relatively new in the watch industry, has sought to widen the marketing net of watch makers by enabling them to control the policy of their distributors.

The ASUAG holding company announced at its last shareholders meeting in November, 1969, that it would promote concentration and vertical mergers by acquiring watch assembling companies and thus diversifying away from the field of components. To carry out this decision to effect a radical change in policy, a major regrouping of watch making firms was announced in January, 1970: a new firm to be known as Holding Longines SA is to be established combining the merged

assets of the Longines-Record Watch Co. and of the Rotary Watch Co. The new international group, with a turnover of Sfr 100 million and a production of over one million watches, should be able to compete against the other giants and devote a higher share of resources to research.

The decision of Ebauches SA, the main producer of components (60 per cent of the capital of which is — controlled by ASUAG), to subscribe 30 per cent of the capital of the new company will allow the latter to share research facilities, especially in electronic and quartz wrist watches. Later on, other firms are expected to join the group, allowing Ebauches SA and ASUAG to diversify away from their traditional fields.

Finally, the necessity to obtain sufficient funds to finance investments and research has led a number of companies to broaden their capital by resorting to public subscription of their shares. Garde-Temps and Zenith have done this, while Girard-Perregaux went a step further since, after issuing 500 bearer shares in October, 1969, it obtained official quotations on the stock exchanges of Geneva, Basle and Neuchâtel. The

TABLE
WORLD PRODUCTION AND EXPORT OF WATCHES

Country	Production		Exports	
	1967	1968	1967	1968
In thousands of units				
Federal Republic of Germany	6,880	8,600	4,229	3,800
German Democratic Republic	2,468	2,500	1,725	1,800
China (mainland)	1,500	1,500	n.a.	n.a.
USA	16,600	17,110	150	150
France	9,000	9,000	3,486	3,800
United Kingdom	2,787	3,200	780	1,200
Italy	2,200	2,200	416	430
Japan	16,388	17,500	6,437	7,262
USSR	17,000	20,000	7,378	8,000
Others	1,600	1,600	n.a.	n.a.
Total without Switzerland	76,423	83,210	24,601	26,442
Switzerland	65,169	68,682	63,213	66,621
Total	141,592	151,892	87,814	93,063

Source: "La Suisse Horlogère" No. 27/July 3, 1969.

TABLE II
MERGERS IN THE SWISS WATCH INDUSTRY

millions of Swiss francs

Company	Registered Office	Year of formation	Main brand names	Turnover	Capital	Stock Exchange value
Manufacturers						
SSIH (Société suisse pour l'industrie horlogère (SA))	Geneva	1930	Omega Tissot	300	10	66.5
Movado-Zenith-Mondia holding horloger SA	Peseux	1969	Movado Zenith Mondia	n.a.	24	28.8
Saphir (Société anonyme de participations horlogères et industrielles réunies)	Geneva	1969	Jaeger-LeCoultre Favre Leuba	n.a.	4.2	..
MSR (Manufactures d'horlogerie suisses (réunies SA))	Bienne	1961	Vulcain Revue	n.a.	4.5	..
Assemblers						
Société des Garde-Temps SA	Neuchâtel	1968	Avia Helvetia Silvana Solvil Titus	50	17.5	28.0
Synchron SA Fabriques d'horlogerie réunies	Neuchâtel	1968	Cyma Ernest Borel	20	2.4	..
Ermano Holding AG	Bienne	1962	Cortebert Ermano	19	3.3	..
Vertical Mergers						
ISECA SA	La Chaux-de-Fonds	1968	Waltham	82	0.1	..
Girard-Perregaux SA	La Chaux-de-Fonds	1969	Girard-Perregaux Consul	23	3.2	14.4
Financial Holdings						
Chronos Holding SA..	Bienne	1966	..	..	21.2	23.3

Source: FH-Information No. 10/11 1969. With acknowledgements to the Swiss Bank Corporations Business News Survey.

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shares of Garde Temps and Chronos Holding are also actively traded on the over-the-counter market in Zurich.

Conclusions

The increased competition and huge need for funds have made amalgamation imperative among Switzerland's watch manufacturers. The changing markets of the 1970s will intensify the need for concerted action. Financial merging is, however, only the first step, after which merging companies must go on to rationalise if they are to secure maximum advantages from concentration. The

McNamara's Plea For Justice And Compassion

THE YEAR that has passed since we last met has been a pivotal one, it marked the beginning of the second quarter-century of the Bank's existence, and prefaced the opening of the Second Development Decade. In our meeting twelve months ago I sketched out our plans for maintaining the momentum of the Bank Group's accelerated activity, stressed the need for fashioning a more comprehensive strategy for development, and welcomed the publication of the Pearson Commission Report.

Today, I would like to

*Report to you on the Bank Group's operation in the fiscal year 1970.

*Review progress toward meeting the projected goals of our five-year Programme.

*Discuss the responses to the key recommendations of the Pearson Commission.

*And comment upon the objectives of development in the seventies.

Operations in 1970

Let me begin by touching upon our operations during the past fiscal year (FY). For that period, new loans, credits, and investments totalled \$2.3 billion. This compares with \$1.88 billion in 1969 and \$1.0 billion in 1968.

The Bank's cash and liquid security balances continued to rise and on June 30 of this year totalled \$2.1 billion, up \$250 million from June 30, 1969 and \$700 million from June 30, 1968. As I indicated to you at our last meeting, we believe that our plans for expanded operations — particularly at a time of uncertainty in the world's capital markets — ought to be backed by a high level of liquidity. This provides greater flexibility in our financing, and enables

Swiss hope that by adapting to changing world conditions, their watch industry will be able not merely to hold its own with foreign competition but to retain its long-standing leadership in a market which is its third biggest export earner.

Sources and Acknowledgements

The foregoing summarises a report in the latest issue the Swiss Bank Corporation's *Business News Survey*, but the Bank is responsible neither for the emphasis of my summary nor for my comments, based on a variety of sources.

This is the text of the address by Mr Robert S. McNamara, President of the World Bank Group, to the Board of Governors on the occasion of the Group's annual meeting held in Copenhagen on September 21.

us to ride out market fluctuations over which we have no control. We propose to continue that policy.

The Bank's administrative expenses are, of course, rising as operations expand and as price inflation continues. But despite increases in operating costs, profits in FY 1970 amounted to \$213 million: the highest in the Bank's history, and up 25 per cent over 1969. Approximately one-half of the net income is to be retained in the Bank to support future concessionary lending and \$100 million is recommended for transfer to the International Development Association.

The Five-Year Programme

The Bank Group's performance in 1970 was that of a vigorous and growing organization. But as I stressed last year, I believe the organization should shape its strategy to a longer time frame than year-to-year planning can provide. For that purpose, we have developed a Five-Year Programme and in measuring any given year's performance, we should look to the larger framework of that Plan to assess our progress.

One objective is to double the Bank Group's operations in the five-year period 1969-73, as compared with the period 1964-1968. Should we succeed, it will mean that we will have approved loans, credits, and investments during these five years that aggregate \$12 billion for high-priority development projects — projects whose total cost will approximate \$30 billion.

We have now completed the first two years of that Five-Year Programme,

and I can report to you that we are on schedule, and that I remain confident that we can reach our goals, formidable as they are.

They are formidable not merely, or even mainly, because of their quantitative magnitude, but because of their qualitative character. The Bank Group over the past two years has not simply been trying to do "more" — but to do more of what will best contribute to the optimal development of the developing nations.

Significant Shifts

Over the past 24 months we have made specific and significant shifts in that direction:

*We have intensified our efforts in the agricultural sector — to guarantee more food for expanding populations, to promote agricultural exports, and to provide a necessary stimulant to industrial growth. Our agricultural projects in 1969 and 1970 alone totalled half as many as in the entire previous history of the Bank.

*We have substantially increased our financing of education projects — projects designed to reduce the drag of functional illiteracy on development. Lending for education in these past two years was more than the total of all prior years put together.

*We have broadened out geographical scope considerably so that we could be of service to more developing countries and in particular to more small and very poor countries. In each of the years 1969 and 1970 we lent to a total of 60 countries, 75 per cent more countries in each year than in the average year 1964-1968. Further, in the same two-year period, we have served 14 countries (including such very poor countries as Indonesia, Rwanda, Chad, Dahomey, Democratic Republic of the Congo, and Nepal) which had received no loans or credits in the previous five years.

*We have begun work in the field of population planning — admittedly more modestly than the urgency of the problem demands — at the specific request of countries such as India, Indonesia, Jamaica, and Tunisia.

*We have made a start at broadening the concept of development beyond the simple limits of economic growth. The emerging nations need, and are determined to achieve, greater economic advance. But as I will state more fully later, we believe economic progress remains precarious and sterile without corresponding social improvement. Fully human development de-

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mands attention to both. We intend in the Bank, to give attention to both.

We have initiated a new and expanded programme of Country Economic Missions in order better to assist the developing nations in their formulation of overall development strategies, and at the same time to provide a foundation for the donor nations and international agencies to channel their technical and financial assistance in as productive a manner as possible. Practical planning in the development field calls for current and comprehensive socio-economic data. The World Bank Group will gather, correlate, and make available this information to the appropriate authorities. As this programme gains momentum we will schedule regular annual reports on the 30 largest of our developing member countries — we recently issued the first in this new series — and biennial or triennial reports on another 60 countries.

Pearson Commission Report

I want to turn now to the attention given to the recommendations of the Pearson Commission. As you know, the Commission's work was financed by the Bank, but with the stringent safeguard that it should be completely independent in its investigations, and that its conclusions should represent the candid consensus of the Commissioners themselves, speaking their minds frankly. The Report was addressed not to the Bank itself, but to the world at large, and its purpose was to take a fresh and impartial look at every significant factor in the global development scene.

At our last annual meeting, which coincided with the publication of the Report, I indicated that we in the Bank would undertake a thorough analysis of each of the Commission's recommendations that touched upon our own activities. There were 33 such recommendations. After giving the most careful consideration to these proposals, I have so far submitted to the Executive Directors detailed memoranda on 31 of them for discussion and review. In the great majority of instances, I expressed agreement with the Commission's recommendations.

The Commission, for example, recommended that the policies of the International Finance Corporation should be reoriented to give greater emphasis to the development implications of its investments, and should not simply stress their profitability. I fully agreed with that viewpoint, and, after review by the Executive Directors, the IFC issued in January a new Statement

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of Policies which reflects the recommended shift in emphasis.

The Commission was concerned, as well, over the danger of the excessive use of export credits — a practice that has led a number of countries to assume external debt of unmanageable proportions. To guard against this hazard the Commission recommended that the Organization for Economic Co-operation and Development and the Bank develop what it termed "a strong early warning system" which can help developing countries avert sudden debt crises. We agree that there is a role here for the Bank: we are working, therefore, with the OECD to improve the scope and quality of information on external debt and with the International Monetary Fund to identify debt problems and help developing countries work out solutions.

Another recommendation dealt with the issue of establishing new multilateral grouping which could provide for annual reviews of the development performance of recipients and help to assure the external aid is closely linked to their economic objectives. I concur, and with the approval of the governments concerned, we are currently organizing new groups for the Republic of the Congo, Ethiopia, and the Philippines, and reactivating the groups for Thailand and Nigeria.

The Commission felt that the Bank should participate in discussions of debt-servicing problems, with a view to searching out new solutions to that increasingly complicated question. We agree and have initiated a series of studies of the debt-servicing difficulties facing a number of our member nations. The external public debt of developing countries has increased five-fold since the mid-1950s, and debt-service payments have grown at a rate of 17 per cent annually while foreign exchange receipts from exports have risen only six per cent year. Obviously such trends cannot be allowed to continue indefinitely.

Need for Research

The Commissioners, in another proposal, suggested that international centres should be established within developing countries for essential scientific and technological research that could be practically applied to urgent problems. The case of agriculture is particularly important, since the work on new wheat and rice strains, for use on irrigated land, has dramatically demonstrated what can be achieved. But as encouraging as these discoveries have been, it is clear that a food crisis in the 1980s and 90s is unlikely to be avoided unless additional research is devoted now — in the

70s — to the improvement of rain-fed cultivation of rice and wheat, as well as to other essential food resources such as sorghum, maize, oilseeds, grain legumes, and livestock.

What we require is not simply incremental improvements in agriculture, but whole new technologies adaptable to the conditions of the developing countries. The Bank is seeking to find ways in which it can assist in stimulating and supporting such a programme.

Identical Criteria

Among the very few recommendations of the Commission with which I disagreed, there is one on which I should comment. This was the suggestion that the International Development Association may require reorganization. By implication, the Commission appeared to be saying the Bank would operate as a bank and not as a development agency, and therefore IDA should be set up independently to go its separate way.

Such a conclusion appears to reflect the view that because the Bank obtains its funds by borrowing in the world's capital markets whereas IDA is financed by appropriations from governments, the two will of necessity follow different lending policies. But this is not the case. Subject only to creditworthiness considerations, I believe the two organizations should lend on the basis of identical criteria. The source of the funds to be lent is irrelevant to the economic case for their investment. What contributes most to the development of the borrowing country should be the decisive factor in both Bank and IDA operations.

If the Bank were in fact subordinating the development interest of its borrowers to other considerations, the proper solution, in my opinion, would be to change the Bank's policies — not to reorganize IDA. Any policy which can be justified for IDA as consistent with its development function can, I believe, be equally justified for the Bank, and the Bank should adopt it.

There is occasional criticism of both our Bank loans and IDA credits because of the stringent conditions on which they are negotiated. But those very conditions are specifically designed to assist the borrowing country. Their purpose is to insure that the Bank Group's resources are used for the optimum development of our borrowers. Economic losses and financial waste are, after all, of no benefit to any country's development. Our standards of prudence and performance should be just as strict for IDA credits as they are for Bank loans. Indeed, it is the poorest countries, those

who benefit most from IDA, who can least afford losses or waste.

As I have noted, the Pearson Commission Report was addressed not specifically to the Bank, but to the world at large. And it is clear that three of its most far-reaching recommendations dealt with:

*Establishing and meeting a realistic target for the flow of external assistance to the developing countries.

*The design of better criteria and the creation of new machinery to measure and assess the performance of both donor and recipient nations in the development field.

*And the urgent need to find acceptable and effective measures to reduce excessive rates of population growth in those countries where the promise of a better future is being swept away by a tidal wave of unwanted births.

The first of these recommendations — the formulation and achievement of a realistic target of development assistance — is making encouraging progress. Action by the development community on the other two issues is far from satisfactory.

Let me discuss for a moment the first.

Not only is the Pearson Commission's proposal on this matter one of its most important recommendations for the 1970s, but the whole background of the question is worth recalling.

Aid Target

In 1960 the UN General Assembly adopted a resolution to the effect that "the flow of international assistance and capital should be increased substantially so as to reach as soon as possible approximately one per cent of the combined national incomes of the economically advanced countries." This concept was elaborated by the United Nations Conference on Trade and Development in 1964, and was endorsed as well by the Development Assistance Committee of the Organisation for Economic Co-operation and Development. At the second meeting of UNCTAD in 1968 the target was reformulated to call for one per cent of Gross National Product, and was adopted again by resolution.

As the Pearson Commission points out, the irony is that although the one per cent target was in fact exceeded during the five years prior to its formal adoption by the DAC in 1964, it has not been fully met in any year since.

What is perhaps not fully understood by the public is that the target of

one per cent of GNP has not, in the strict sense, been an aid target at all. In practice, it has described the total flow of financial resources from the richer nations to the poorer nations, and has not distinguished between conventional commercial transactions, and concessional, development-oriented aid as such. Commercial transactions can contribute to the development process. But private capital flows are simply not available on the terms required for many of the priority projects — schools, for example, or roads, or irrigation — which the developing countries need so badly. The Commission concluded, therefore, that the flow of official development aid was indispensable. And yet in relation to GNP in the developed world, official development aid fell by a third during the 1960s.

In the Seventies

It was for these reasons that the Commission strongly recommended that a separate target be established for official development assistance — a target equivalent to 0.7 per cent of GNP — and urged that this target be reached by approximately the middle of the decade, but in no case later than 1980.

This is a target calling for a very substantial effort. Since the total official development aid of the member governments of DAC amounted in 1969 to 0.36 per cent of their combined GNPs, the Commission was in effect recommending that government aid, in relation to GNP, be doubled in the seventies.

What has been the response to this recommendation?

To the surprise, perhaps, of the sceptics, it has on the whole been very positive. With but a single exception, no member government of DAC has rejected the target, and several — including Belgium, the Netherlands, Norway and Sweden — have fully accepted it. Canada and the United Kingdom have agreed in principle on the size of the commitment, but have not set a firm date for its achievement. France is already meeting the target, and both the Federal Republic of Germany and Japan have stated they will move toward it.

Among the first consequences of the decisions of governments to increase their official development aid, and reflecting their concern over the growing burden of debt, was their agreement to support a Third Replenishment of IDA, for the years 1972, 1973, and 1974 at a rate of \$800 million per year, as com-

pared to \$400 million per year in the previous period.

Though it is true that the United States has noted that it cannot commit itself to specific quantitative aid targets, the US Administration provided strong support to the substantial increase in the replenishment of IDA and has stated it intends to propose expanding the flow of US aid from the present low levels.

In 1949, at the beginning of the Marshall Plan, American economic aid amounted to 2.79 per cent of GNP and 11.5 per cent of its federal budget. In 1970, the AID programme constituted less than 0.3 per cent of GNP, and less than one per cent of the budget. The United States now ranks eleventh, among the 16 DAC members, in the proportion of GNP devoted to aid.

No one can question that American domestic problems — particularly in the social and economic fields — require increased attention and financial support. But it is wholly unrealistic to suppose that this can only be achieved by cutting off aid to desperately poor nations abroad. Economists have pointed out that in the next 10 years the US will increase its income by 50 per cent and that the GNP in 1979, at constant prices, will be \$500 billion greater than in 1969. It would appear that country is wealthy enough to support a just and reasonable foreign aid programme, and at the same time deal effectively with domestic needs. And to me it is inconceivable that the American people will accept for long a situation in which they — forming six per cent of the world's population but consuming almost 40 per cent of the world's resources — contribute less than their fair share to the development of the emerging nations.

Basic Question

As I have noted elsewhere, the decision to respond both to the pressure of domestic problems, and the urgency of essential foreign assistance, will in the end be dependent upon the response to a far more basic and searching question — a question that must be faced not in the US alone, but in every wealthy, industrialized country of the world. And that question is this. Which is ultimately more in a nation's interest: to funnel national resources into an endlessly spiraling consumer economy — with its by-products of waste and pollution — or to dedicate a more reasonable share of these same resources to improving the fundamental quality of life both at home and abroad?

Following the end of World War II, the world witnessed a massive transfer

of resources from the wealthy nations to both the war-torn and the less-developed countries. This began as an unprecedented act of statesmanship. Over the years, however, this capital flow was increasingly influenced by narrow concepts of national self-interest. Some nations saw it as a weapon in the cold war; others looked upon it mainly as a means to promote their own commercial gain.

Today these narrow views are waning. More and more, the concept of economic assistance is being accepted as a necessary consequence of a new philosophy of international responsibility. It is a philosophy which recognizes that just as within an individual nation the community has a responsibility to assist its less advantaged citizens, so within the world community as a whole the rich nations have a responsibility to assist the less advantaged nations. It is not a sentimental question of philanthropy. It is a straightforward issue of social justice.

A growing number of governments are accepting this conclusion and there are, therefore, solid grounds for concluding that the decade of the seventies will witness a substantial increase — both in absolute amounts, and in proportion to the GNP — of the critical flow of official development aid from the wealthier nations to the poorer nations.

Better Co-ordination

But as the Commission points out, the global development effort is currently fragmented into an almost bewildering number of overlapping and uncoordinated activities. This leads inevitably to duplication of effort, inefficient planning, and a scattering of scarce resources. What is required is organizational machinery that can effectively and authoritatively monitor and assess the performance of donor and recipient countries alike, reduce the proliferation of unstandardised reporting, and effect more coherent, co-operative and purposeful partnership throughout the entire development community.

This is particularly important if we are to rally the necessary public understanding and support in the industrialized countries for the critical tasks of global development that lie before us.

The Commission recommended that the President of the World Bank call an international conference on this matter this year. However, within the United Nations system, of which the Bank is a part, these functions are the responsibility of the Economic and Social Council. That body is presently considering proposals for new machinery for review

and appraisal of development programmes at then ational, regional, and international levels. Under the circumstances it would be premature for the Bank to take action at this time. The problem itself, however, remains and we must find ways — and find them soon — to secure a far greater measure of co-ordinated management of the combined capabilities of the national and international agencies participating in the development process. Such an objective is, in itself, one of the most productive goals we could pursue as the new decade begins.

But if the issues of an official development aid target, and improved management within the development community, are among the most important recommendations of the Pearson Commission for the short-term, the most imperative issue for the long-term is population planning.

Population Planning

The Commission faced this problem squarely, without hedging its views. "No other phenomenon," it stated flatly, "casts a darker shadow over the prospects for international development than the staggering growth of population It is clear that there can be no serious social and economic planning unless the ominous implications of uncontrolled population growth are understood and acted upon."

Are the "ominous implications of uncontrolled population growth" being acted upon effectively? If one is to be candid, the answer would have to be no. With the exception of Singapore and Hong Kong, which are special cases, in only two developing countries, Taiwan¹ and Korea, is there clear evidence that the rate of population growth has been significantly reduced by family planning programmes.

It is worth asking why?

One prominent authority in the population field has pointed out that the prospects for the success of family planning throughout the world are at one and the same time promising, and dubious: promising if we do what in fact can be done; dubious if in fact we continue as we are.

The task is difficult for many reasons, but primarily because of its sheer overwhelming size. Consider the magnitude of the factors involved: there are dozens of countries plagued with the problem — each of them different, each of them possessing their own particular set of social and cultural traditions. There are thousands of clinical facilities to be established; hundreds of thou-

sands of staff workers to be recruited, trained and organized in the administration of the vast national programmes; hundreds of millions of families to be informed and served; and well over one billion births to be averted in the developing world alone, if, for example, by the year 2000 the present birth rate of 40 per 1000 population were to be reduced to 20 per 1000. What we must understand is that even if an average family size of two children per couple is achieved, the population will continue to grow for an additional 65 or 70 years and the ultimate stabilized level will be far greater than at the time the two-per-couple rate is achieved².

Thus, even with gigantic efforts, the problem is going to be with us for decades to come. But this fact, rather than being an excuse for delay, is all the more an imperative for action — and for action now. Every day we fail to act makes the task more formidable the following day.

What must we do?

First, we must have a feasible goal. I suggest that goal should be to gain a few decades on what would occur to fertility in the absence of population planning. The achievement of this goal would mean a substantial increase in the quality of life for both the parents and the children of the developing countries — in better health, better education, better nutrition, and in many other ways — as a direct result of populations totalling some six billion less than would otherwise be the case.

Achievement of Goals

And what must be done to achieve this goal? Five ingredients are needed:

1. The political will to support the effort.
2. The required understanding and the willingness to act on the part of the people.
3. The availability of effective, acceptable birth control methods.
4. An efficient organization to administer the programme.
5. Demographic data and analyses to evaluate results and point to programme weaknesses requiring correction.

Where do we stand on each of these?

To begin with, there has recently been a dramatic increase in political support for population planning. The latest example is the Philippines, a country with a severe population problem, but a country in which it has been understandably difficult to take the open, public decisions that are required.

President Marcos faced the delicate issue frankly in his State of the Nation message to his Congress a few months ago:

"With a soaring birth rate, the prospects for a continued economic development are considerably diminished. Indeed, there is a strong possibility that the gains which we have carefully built up over the years may be cancelled by a continuing population explosion... After a careful weighing of factors, I have decided to propose legislation making family planning an official policy of my Administration."

His Minister of Foreign Affairs put the matter with equal candour:

"The control of population is essentially an economic, cultural and political problem. One of the most hopeful means of bringing the birth rate down to near replacement level is the Department of Education's plan to introduce this entire subject into the curricula of schools and colleges. Underlying this approach is a clear recognition that education has the two-fold obligation to reinforce, and where necessary, to help change public mores. Educational institutions, from the elementary to the post-graduate years, can perform no more useful service in the seventies than to illuminate the principles of human survival and to dedicate themselves to preserving and enhancing the quality and diversity of life."

Population control

In 1960 only three countries had population planning policies, only one government was actually offering assistance, and no international development agency was working in the field of family planning.

In 1970 (as indicated in the attached table) 22 countries in Asia, Africa, and Latin America — countries representing 70 per cent of the population of those continents — have official population programmes. More than a dozen other countries, representing a further 10 per cent of the population, provide some assistance to family planning, though they as yet have no officially formulated policy. And among the international agencies, the UN Population Division, UNDP, UNESCO, WHO, FAO, ILO, UNICEF, OECD, and the World Bank have all stated a willingness to participate in population planning activities.

There are geographical differences (in Asia, some 87 per cent of the people live in countries with "favourable family planning policies," while in Latin America and Africa the figure is only

20 per cent), but political acceptance of family planning programmes is widespread. Even where the political support is currently more apparent than real, it is becoming stronger with each passing year.

If, then, the first requirement for the success of family planning is political support at the top — and that is improving — where are the roadblocks?

The first is that the citizenry lacks access to the information and assistance required. Surveys indicate that the interest in family planning among people everywhere is high, but that their understanding is often tenuous at best and tragically erroneous at worst. Millions of parents, even in remote areas of the world, want fewer children, but they simply lack the knowledge to achieve this. Programmes must be developed to provide them with the information they seek.⁴

Massive Programmes

But political support and widespread knowledge are still not enough. The techniques of family planning must, themselves, be adequate, appropriate, and available. The means we currently have at hand are much better than those of a decade ago, but are still imperfect. They can be used to accomplish much more than has been already achieved, but concurrently a massive programme to improve them must be initiated. Our knowledge in this field is so incomplete that though we know that certain techniques do work, we still do not completely understand how or why they work. The fact is that compared to what we need to know, our knowledge remains elementary, even primitive.

The clear consequence of this is that there must be a greatly expanded research effort in basic reproductive biology. At present, I know of only seven locations in the world in which as many as five full-time senior researchers are working in this field. Some \$275 million a year is spent on cancer research. But less than \$50 million a year is spent on reproductive biology research, and this includes all the funds allocated, worldwide, by public and private institutions alike. The estimate is that an optimal programme of research and development in this field would require \$150 million a year for a decade. That is an insignificant price to pay in the face of a problem that — if left unsolved — will in the end exact social and economic costs beyond calculation.

Finally, a population planning programme to be successful requires a strong administrative organization and a

comprehensive data analysis and evaluation service. With but one or two exceptions, none of the developing countries has established adequate support in either of these areas. I know, for example, of only one location in the world where as many as three senior researchers are working full-time on the evaluation aspects of population planning. A number of governments have made a start at strengthening the organizational structure of family planning, but progress is thwarted by bureaucratic difficulties, lack of technical assistance, and inadequate financial support. It is in these areas that the international institutions can be most effective. Additional effort is required from all of us, including the Bank. Many of our members are appealing for greater support. They want our advice as well as our financial help, and I propose to organize our capability to provide them with more of both.

The additional funds required to attack the population problem on all fronts — for reproductive biological research, for social science research, and for better organization and administration — are relatively small, less than 50 cents per capita per year. But the time that will be required to achieve results will be greater than many have realised. This is all the more reason for accelerating our pace. An OECD study concluded that in 1968 family planning programmes in developing countries accounted for only 2 1/2 million averted births, compared to the total of over one billion that must be averted in the next three decades if the rate of growth is to be reduced to one per cent by the year 2000. If we are to achieve an average fifteen-fold increase in the effectiveness of the programmes over the next 30 years, we must accelerate our efforts now.

Perpetual Solution

The Pearson Commission emphasized that the population problem will not go away. It will be resolved in one way or another: either by sensible solutions or senseless suffering. If we want a sensible solution, with the corresponding enhancement of the quality of life for hundreds of millions of children, as well as for their parents — all of whom clearly have the intrinsic right to something more than a degrading subsistence — then we must get on with it.

I want to emphasize the last point and relate it to the objectives of development in the seventies. The profound concern we must feel for the rapid growth of population stems precisely from the menace it brings to any morally acceptable standard of existence. We do not want fewer children born into the world because — to quote the more

extreme critics of population policy — we do not like their colour, or fear their future enmity, or suspect that they will in some unspecified way encroach upon the high consumption standards of already industrialized lands. This is not, as is sometimes claimed, an exercise in concealed genocide perpetrated by the already rich on the aspiring poor. It has one source and one only — the belief that without a slowing down and control of the population explosion, the life awaiting millions upon millions of this planet's future inhabitants will be stunted, miserable, and tragic or, if you prefer the hackneyed but fitting phrase of the philosopher Hobbes, "nasty, brutish and short."

A Vital Problem

This fact takes us far beyond the population explosion. We have to see population as part — a vital, critical part but still only a part — of a much wider social and political crisis which grows deeper with each decade and threatens to round off this century with years of unrest and turbulence: a "time of troubles" during which the forces of historical change threaten to disintegrate our frail twentieth-century society.

We cannot divert these forces. They are an essential part of the process by which mankind is adapting the whole of its life to the advances in science and technology. About one-third of humanity has moved far in the transfer toward modernization and relative affluence. Now the rest of the human species jostle behind. They certainly have no intention of renouncing or missing the wealth and prosperity, above all, the power locked up in modern technology.

"Modernization" is a central thrust throughout the still-developing lands, but they are seeking to modernize under quite unprecedented conditions. Technological and scientific modernization is now more complicated, more hazardous than it was for the industrial nations a century ago. This is in fact the real root of the crisis.

Mr Lester Pearson in a speech at the Columbia University Conference in February this year, gave a cogent and relevant resume of the historical differences between nineteenth — and twentieth-century development. He emphasized the contrast between the balanced and fundamentally progressive character of economic, social, and technological change in the nineteenth century, and the growing evidence of fundamental imbalance and hence regressive forces at work in the unfolding of the same processes of modernization today.

In the nineteenth century, popula-

tion — held down by epidemics and poor public health — caused the work force to grow by less than one per cent per year. This was just about the amount which the technology of the times could usefully absorb and employ. Agricultural productivity rose and temperate land was opened up for European use all around the globe. The cities grew as centres of manufacturing, and by the time technology demanded fewer and more sophisticated workers, and public health had lowered the death rate, education and city-living had produced a more stable population. In addition, the vast migration of Europeans to new lands was a further safety valve.

Today, every one of the nineteenth-century conditions is reversed.

Just as the censuses of the 1950s first alerted the world to the scale of the population explosion, so today surveys made in the 1960s of unemployment, of internal migration, of city growth, begin to lay bare for us a new world topography of vast social imbalance and deepening misery.

Advances in public health have resulted in a growth of population which increases the work force by at least two per cent per year. At the same time technology steadily becomes more capital-intensive and absorbs steadily fewer men. Although agricultural productivity is now on the rise, the new techniques are destabilising in the sense that they widen income inequities and release still more workers from the overcrowded land. And where today can the rural migrants go? The world is already allotted, the land occupied by the nineteenth-century modernizers.

Influx in cities

So the cities fill up and urban unemployment steadily grows. Very probably there is an equal measure of worklessness in the countryside. The poorest quarter of the population in developing lands risks being left almost entirely behind in the vast transformation of the modern technological society. The "marginal" men, the wretched strugglers for survival on the fringes of farm and city, may already number more than half a billion. By 1980 they will surpass a billion, by 1990 two billion. Can we imagine any human order surviving with so gross a mass of misery piling up at its base?

Let us for a moment look at this misery in the developing world in the realities of human suffering and deprivation:

Malnutrition is common.

The FAO estimates that at least a third to a half of the world's people suffer from hunger or nutritional deprivation. The

average person in a high-standard area consumes four pounds of food a day as compared with an average pound and a quarter in a low-standard area.

*Infant mortality is high.

Infant deaths per 1000 live births are four times as high in the developing countries as in the developed countries (110 compared with 27).

*Life expectancy is low.

A man in the west can expect to live 40 per cent longer than the average man in the developing countries and twice as long as the average man in some of the African countries.

*Illiteracy is widespread.

There are 100 million more illiterates today than there were 20 years ago, bringing the total number to some 800 million.

*Unemployment is endemic and growing.

The equivalent of approximately 20 per cent of the entire male labour force is unemployed, and in many areas the urban population is growing twice as fast as the number of urban jobs.

*The distribution of income and wealth is severely skewed, and in some countries more so.

In India, 12 per cent of the rural families control more than half of the cultivated land. In Brazil, less than 10 per cent of the families control 75 per cent of the land. In Pakistan, the disparity in per capita income between East and West, which amounted to 18 per cent in 1950, became 25 per cent in 1960, 31 per cent in 1965, and 38 per cent in 1970.

*The gap between the per capita incomes of the rich nations and the poor nations is widening rather than narrowing, both relatively and absolutely.

At the extremes that gap is already more than \$3,000. Present projections indicate it may well widen to \$9,000 by the end of the century. In the year 2000, per capita income in the United States in terms of today's prices is expected to be approximately \$10,000; in Brazil, \$500; and in India, \$200.

At least a quarter of the human race faces the prospect of entering the century in poverty more unacceptable by contrast than that of any previous epoch. Frankly I do not see this as a situation in which any of our shared hopes for a long peace and steady material progress are likely to be achieved. On the contrary, I agree with Lester Pearson's somber belief that "a planet

cannot, any more than a country, survive, half-slave, half-free, half-engulfed in misery, half-careening along towards the supposed joy of almost unlimited consumption." In that direction lies disaster, yet that is our direction today unless we are prepared to change course and to do so in time.

How then should we react to these deepening risks? I must assume that we will react, for to carry on any of our activities as political leaders, government officials, business and labour leaders or responsible citizens, we must take for granted a certain minimum rationality in human affairs. And it is not rational to confront historical pressures on a far greater scale than those of the revolutionary periods of the eighteenth and nineteenth centuries without accepting the consequences.

So I would like to end my report to you with four possible points for your agenda.

Unprecedented Growth Rate

The first is that we accept the full scale of the world crisis. Over the last decade the developing nations have achieved the historically unprecedented rate of growth of five per cent a year. This has been made possible in part by a reasonably sustained level of external assistance. Yet as the 1970s open, the evidence accumulates that economic growth alone cannot bring about that steady social transformation of a people without which further advances cannot occur. In short, we have to admit that economic growth — even if pushed to the six per cent annual rate proposed as a target for the '70s both by the Pearson Commission and by the United Nations Committee on the Second Development Decade — will not, of itself, be enough to accomplish our development objectives. Growth is a necessary but not a sufficient cause of successful modernization. We must secure a six percent growth rate. We must deploy the resources necessary for it. But we must do more. We must ensure that in such critical fields as population planning, rural renewal, fuller employment, and decent urbanism, positive policies support and hasten the social transformation without which economic growth itself becomes obstructed and its results impaired.

This brings me to my second point. I have already discussed at some length the difficulties attendant upon any strategy for family planning. I think we have to admit that in other equally critical fields as well we still lack the necessary understanding and expertise. It must be our prime purpose in research and analysis to close these gaps.

We do not want simply to say that rising unemployment is a "bad thing"

and something must be done about it. We want to know its scale, its causes, its impact and the range of policies and options which are open to governments, international agencies and the private sector to deal with it.

We do not want simply to sense that the "green revolution" requires a comparable social revolution in the organization and education of the small farmer. We want to know what evidence or working models are available on methods of cooperative enterprise, of decentralised credit systems, of smaller-scale technology, and of price and market guarantees.

Careful Studies

We do not want simply to deplore over-rapid urbanisation in the primary cities. We want the most accurate and careful studies of internal migration, town-formation, decentralised urbanism and regional balance.

These issues are fully as urgent as the proper exchange rates or optimal mixes of the factors of production. The trouble is that we do not know enough about them. As we enter the '70s we have in field after field more questions than answers. But this only adds to the urgency and determination with which we must intensify our intellectual attack.

This urgency in turn is related to my third point. I need not belabour it. It is simply that we cannot allow the fundamental task of developing the undeveloped nations of this planet to fail for lack of resources — both the resources needed for research and experiment, and the much larger resources needed to back the policies which we already feel to be successful.

Let us look for a moment at this question of resources. For the so-called security of an ever spiraling arms race, the world is spending \$180 billion annually and the figure steadily goes up.

Four years ago in a speech in Montreal, I tried to point out that more and more military hardware does not provide more and more security. There is a point of diminishing returns beyond which further financial expenditure on military power does not yield increased returns and does not provide greater strength. I believed then, and I believe today, that most of the nations of both the developed and the developing world are beyond that point of diminishing returns.

If that is true, it is tragic that for the fundamental security of societies progressive enough not to explode into lethal revolution, the developed nations hesitate to maintain even the present \$7 billion of public aid expenditure. That twenty times more should be spent on

military power than on constructive progress appears to me to be the mark of an ultimate, and I sometimes fear, incurable folly. If there were only a five per cent shift from arms to development we would be within sight of the Pearson target for official development assistance. And who among us, familiar with the methods and audits of arms planning, would not admit that such a margin could be provided from convertible waste alone?

This brings me to my last point. There are really no material obstacles to a sane, manageable, and progressive response to the world's development needs. The obstacles lie in the minds of men. We have simply not thought long enough and hard enough about the fundamental problems of the planet. Too many millennia of tribal suspicion and hostility are still at work in our subconscious minds. But what human society can ultimately survive without a sense of community? Today we are in fact an inescapable community, united by the forces of communication and interdependence in our new technological order. The conclusion is inevitable: we must apply at the world level that same moral responsibility, that same sharing of wealth, that same standard of justice and compassion, without which our own national societies would surely fall apart.

Thus the challenge of the scientific revolution is not a tremendous technological conundrum like putting a man on the moon. It is much more a straightforward moral obligation, like getting him out of a ghetto, out of a favela, out of illiteracy and hunger and despair. We can meet this challenge if we have the wisdom and moral energy to do so. But if we lack these qualities, then I fear, we lack the means of survival on this planet.

References:

¹Even Taiwan, which through a most effective population planning programme has reduced its growth rate from 2.8 per cent in 1965 to 2.3 per cent in 1969, will—if it succeeds by 1985 in reaching a point where couples only replace themselves see its present population of 14 million rise to 35 million before it becomes stationary.

²I am indebted to Bernard Berelson, President of the Population Council, for a number of the points in this section.

³If, for instance, by the year 2000, the developed countries were to reach the point at which couples only replace themselves, and the developing countries were to reach that point by the year 2050 — and both these achievements appear unlikely — the world's present population of 3.5 billion would not become stationary before the year 2120, and would then stand at 15 billion.

⁴In only a handful of developing countries is there a significant percentage of women of reproductive age following fertility control practices. The percentage of women in developed countries who are doing so is six times as great.

The moving finger writes

"I CAME, I saw, I conquered"? I think not. The newspaper reports that Mr Y.B. Chavan, returning immediately from Copenhagen, burnt the midnight oil in order to persuade the agitating bank employees to go back to work, are all bunkum. The fact is that the Indian Banks' Association had been duly compelled to agree to the surrender earlier in the day and the conference at the Finance Minister's house late in the night was, therefore, a merely stage-managed affair. With the sordid compromise which the government has now made with the All-India Bank Employees' Association, the law of the jungle has entered in full force the field of industrial relations in our country. Hereafter there can be no respectable reason why any labour indiscipline, however outrageous, or trade union demands, however preposterous, should be resisted at all. What makes this episode particularly disgusting is the fact that at no time was the Banking Department in the Finance Ministry serious at all in resisting the efforts of the agitators to reopen and revise the agreements of May 12 and July 24 unilaterally. What puzzles me is why then had the Banking Department allowed the disruption in banking services to be brought about or to be continued through so many days.

The Prime Minister's loud thinking on her party's general election strategy, it appears, has provoked adverse reactions in her camp. Her suggestion that the Kerala pattern of electoral alliance could perhaps be adopted for, or at least adapted to a wider purpose, has, in fact, been received by some of her senior colleagues with alarm and dismay. According to one report, Mr Jagjivan Ram has actually written to Mrs Gandhi, not only placing on record his objections to her adventurism but also informing her that he would like to be relieved of the office of party president in case the Prime Minister is resolved to work for an alliance with the CPI, the Muslim League and the like in the next general election to Parliament. According to some political observers, although Mr Jagjivan Ram has acted alone in putting his views on paper for the benefit of the Prime Minister, he has received informal assurances from other stalwarts in the party such as Mr Y.B. Chavan, that they would support him in the stand he has taken.

Another interesting bit of political gossip which has come my way is a

report that the Government of India has decided to sponsor the name of the Chief Justice, Mr M. Hidayatullah, for a seat on the International Court of Justice at the Hague. It is said that Mr Hidayatullah's consent has been secured and that New Delhi has informally been sounding foreign governments for their reactions. While all this needs to be confirmed authoritatively, some political purists or puritans have started asking whether the government has acted properly in initiating this move at a time when the issue of the validity of the President's order, de-recognising the princes, is pending before the Supreme Court.

It is perhaps not far-fetched to suggest that the election drama enacted in Kerala had no heroine, but only a hero — and that this hero is Rajaji. In other words, Mrs Gandhi may have won a victory, famous or otherwise, but the grand strategist, surely, was Rajaji. In the last general election, Rajaji was able to capitalise on the accumulated grievances of the public against Congress rule in Tamil Nadu for building as wide-ranging an election front as possible against that party. It is clear that Mrs Gandhi has been a diligent as well as an intelligent pupil in drawing a lesson for Kerala from that precedent. Sensing that there was resentment or at least disillusionment of sufficiently formidable dimensions in the minds of the people of Kerala where the record of the CPI(M) in government was concerned, the Prime Minister and her advisers wisely concluded that the chances of her party promoting its political presence in that state depended mainly on isolating the CPI (M) and converting the election into a confrontation between that party on the one hand and the Prime Minister's own party in collaboration with as many as allies as could be found. In 1967, Rajaji's generalship saw to it that the anti-Congress vote was split as little as possible. Some three years later, Mrs Gandhi, taking a leaf out of his book, was similarly successful, although not perhaps to the same extent, in identifying the nature of the vulnerability of the main opponent and marshalling effectively the potential of public opposition to it.

The emergence of the CPI as the main leftist force in the Government of Kerala will necessarily have repercussions over a wider area than the politics of the

state. Even if Mrs Gandhi does not pursue or finally implement her nascent ideas regarding a more comprehensive understanding or association between her party and the CPI, the fact that the boss of the ruling party at the centre made her choice of allies in the Kerala election in the manner she did has undoubtedly helped the CPI to acquire a position of vantage among parties of the left in national politics. The CPI has now the privilege of functioning as an opposition party in partnership, even if limited, with the party in power at the centre. One consequence is that the outrageously absurd doctrine of "constitutional communism" is already finding friends and propagandists in the most unexpected quarters. There is here an incipient threat to the liberty of our citizens and the democratic way of life which may be far more dangerous than all the excesses of Naxalite violence since this threat is so insidious. When people talk complacently of "constitutional communism" they clearly overlook the fact that communism is unacceptable not only in its means but also in its ends.

Another likely consequence of the CPI's new-found political status could be a further growth in the influence of the USSR on politics and government in our country. It is a self-evident fact that, with every political gain that the CPI makes, the voice of the Soviet Union in our affairs must grow stronger. The results of the Kerala election, in fact, may be considered a bonus to Soviet diplomacy in India as practised from Moscow or in New Delhi.

The damage and distress flowing from floods in some parts of northern India have, as is to be expected, engaged the ministering efforts of voluntary agencies such as CARE. Drawing on the buffer stocks which the US Embassy in our country have built up for its Food for Peace Programme, CARE has been able to mobilise at short notice vital supplies of food and other necessities for the stricken communities. A noteworthy feature of this operation is that it has been organised without any move being made by the Government of India on this account and purely as a part of the normal relations of close co-operation which CARE has developed over the years with state governments in carrying out its humanitarian mission in this country.

V. B.

Trade Winds

BRITISH LOANS

TWO AGREEMENTS for new British loans to this country were signed in New Delhi on September 24, in an exchange of notes between the British High Commissioner in India, Sir Morrice James, and Mr Y.T. Shah, Joint Secretary in the Department of Economic Affairs in the Ministry of Finance. The first of these agreements for £26 million (Rs 46.8 crores) is the UK-India Maintenance Loan No. 2 (1970) and this is available for the full range of maintenance imports, components, commodities, other items and related services from Britain. From the total amount made available under the new loan, £2 million (Rs 3.6 crores) will be reserved for allocations, under the import policy for Actual Users, to UK-oriented industrial units, firms, etc. who in recent years have been able to receive allocations against the separate Kipping Loans. The £ 26 million (Rs 46.8 crores) loan is the first to be given against the British offer made at the Aid India Consortium meeting held in Paris in May to pledge £ 45 million (Rs 81.0 crores) in loans to India in the financial year 1970-71, in addition to the advance debt-relief of £ 7.5 million (Rs 13.6 crores) for 1970-71 made available in March 1970. Other new agreements will be signed later in the year.

The present agreement brings the total value of loan agreements signed between Britain and India to £445 million (Rs 801.0 crores).

The second new loan agreement is for £3.1 million (Rs 5.58 crores) and is intended for the purchase of spares, steel rolls and capital renewal items for the Durgapur Steel Works. The new loan is not being made available from Britain's current aid pledge, but from savings which have occurred under an earlier loan for Durgapur, the £22 million (Rs 39.6 crores) UK/India (Durgapur Extension) Loan of 1962. This new loan will provide for the purchase of items which have been agreed by the two governments to assist the smooth running of the plant. Some of the equipment has already been shipped and the £3.1 million loan therefore also provides for reimbursement against those purchases which have already been authorised. This agreement is a further step in the long and continuing association of the Indian and British steel industries.

Both the new loans have been granted

on the same soft terms as all recent British loans, which are interest-free and repayable over a period of 25 years, including a grace period of seven years before repayments begin.

DJAKARTA FAIR

Orders worth over Rs 2 crores of Indian goods have been booked, following the Indian participation at the Djakarta International Fair. Negotiations are also understood to be under way for additional orders worth Rs 3.5 crores. Goods, for which orders have been booked include: air conditioning units worth Rs 80 lakhs, cement plant machinery worth Rs 45 lakhs, dumper trucks worth Rs 15 lakhs and diesel engines, steel tubes, scientific apparatus, light engineering goods, tools, shock absorbers, drilling machines, bicycles, plastic and leather cloth and cotton textiles of varying value. Orders under negotiations include those for the supply of 100 Indian-made buses for Djakarta city, core drilling machines, 200 diesel engines, cement plant machinery and bicycles. Spot sales at the India pavilion totalled Rs 3 lakhs, comprising oil expellers, disintegrators and filters press, single spindle automatic lathes, diamond core drills, heavy duty ammonia compressors, scientific apparatus and laboratory equipment, dumper trucks, core drill high pressure pumps, sound equipment, ITI telephones, fans and handicrafts. The Djakarta Fair was held from June 13 to August 1, 1970 and this country was the third largest participant in the fair among the foreign countries.

ORES PRICES REVISED

The question of refixation of prices of columbite-tantalite ores was engaging the attention of the union government for some time past and in view of the latest developments in the fields of mining and production of columbite-tantalite ores in the country, the government has decided to revise the prices of columbite and tantalite ores in supersession of the price notified earlier as under:

Columbite Ore: (a) 30-49.9 per cent (Cb, Ta) 2°5 grade — Rs. 8 per kg of contained pentoxides. (b) 50 per cent and above (Cb, Ta) 2°5 grade — Rs 9.60 per kg of contained pentoxides.
Tantalite Ore: (a) 30-49.9 per cent Ta 2°5 grade — Rs 24 per kg of con-

tained Ta2°5. (b) 50 per cent and above Ta 2°5 grade — Rs 32 per Kg. of contained Ta-2°5.

CENTRAL SALES TAX

The first sitting of the Select Committee on the Central Sales Tax (Amendment) Bill, 1970 will be held on October 3, 1970 in New Delhi to consider their future programme of work.

CREDIT GUARANTEE UNIT

The creation of a new credit guarantee organisation for instituting a comprehensive scheme to cover the credit risk incurred by commercial banks and other financial institutions in granting loans to small borrowers, is under consideration of the central government. This has been stated in the annual report of the Reserve Bank of India. Following nationalisation of banks, it is noted that there has been greater involvement of banks in lending to priority sectors such as agriculture, small-scale industries and other socially desirable sectors. Scheduled commercial banks advances for agricultural purposes rose from Rs 188.4 crores in June, 1970 while the number of such accounts increased from 267,000 to 710,000 during the same period. Advances to the small scale sector, road transport operators and industrial estates, rose from Rs 294 crores in June 1969 to Rs 419 crores in March 1970 and the number of accounts increased from 86,280 to 135,000. While bank deposits are covered by the deposit insurance corporation up to a limit of each account, there is no agency for covering the risks of bank credit, except in the case of export credit, which is guaranteed by the Export Credit and Guarantee Corporation.

RICE FROM THAILAND

An agreement for sale of 100,000 tons of par boiled Thai rice to India was signed in Bangkok on September 22 by Mr Nam Poonvathu, Director General of Foreign Trade, Royal Thai Government and Mr K.P. Jain, Deputy Director General in the Ministry of Food Government of India. The conclusion of this agreement is a result of initiative taken by Mr Bunchana Attakhor, Minister for Economic Affairs of the Royal Government of Thailand and M. B.R. Bhagat, former Minister of Foreign Trade and Supply, Government of India in August, 1969, to strengthen cooperation in commercial, industrial and other economic fields between Thailand and India. The Memorandum of Understanding envisaged a three year arrangement under which the Government of India agreed to buy on hundred thousand tons of rice a year from Thailand and the Royal Govern-

ment of Thailand agreed to buy for an equivalent value plant, equipment and machinery from India for Thai state enterprises and Government organisations under competitive international tenders.

SUGAR PRICES

The Union government has revised the tariff value of free market sugar from Rs 125 to Rs 130 a quintal for the purpose of Central excise with effect from September 25, 1970.

NEW LOANS FLOATED

The union government has announced the floatation of two new loans of 7 and 30 years maturity, aggregating Rs 125 crores. The loans are: (i) 4½ per cent loan 1977, to be issued at Rs 100.00 per cent and repayable at par on October 15, 1977; and (ii) 5½ per cent loan, 2000 (Reissue), to be issued at Rs 100.00 per cent and repayable at par on April 11, 2000. Subscriptions to the loans will be received in the form of cash/cheque or securities of the three per cent First Development Loan, 1970-75. Subscriptions will be received from October 15, 1970 to October 17, 1970, but the subscription list may be closed earlier without notice as soon as the total subscription amounts to Rs 125 crores. The government reserves the right to retain subscriptions up to ten per cent in excess of the notified amount. If the total subscriptions received for the new loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible.

The securities of the three per cent First Development Loan, 1970-75, will be accepted for conversion at par. Interest at the rate of three per cent per annum on the securities of three per cent First Development Loan, 1970-75, tendered for conversion will be paid up to and inclusive of October 14, 1970, at the time of issue of the new securities.

The new loans will bear interest from October 15 1970. In respect of 5½ per cent Loan, 2000 (Reissue), interest for the period October 15, 1970 to April 10, 1971 inclusive will be paid on April 11, 1971 and thereafter payment of interest will be made half-yearly on April 11, and October 11. Interest on the 4½ per cent Loan 1977 will be paid half-yearly on April 15, and October 15. Interest payable on the securities of both the loans will be liable to tax under the Income-tax Act, 1961. Under Section 80L of In-

come-tax Act, 1961, interest on government securities along with income in the form of interest or dividends on other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum.

As already notified, the outstanding balance of three per cent First Development Loan, 1970-75, is repayable at par on October 15, 1970, and no interest will accrue thereon from that date. The

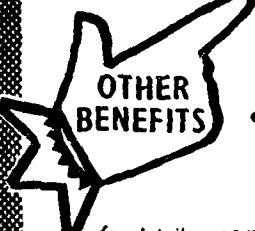
holders may tender their securities for conversion into 4½ per cent Loan, 1977, or 5½ per cent Loan, 2000. Those who do not desire to convert their securities may, to facilitate repayment on the due date, tender their securities at Public Debt Office, Treasury or the branch of the State Bank of India or its subsidiary bank (at which they are encased/registered for payment of interest), on or after October 1, 1970.

EARN

5%

TAX-FREE INTEREST

THROUGH PUBLIC PROVIDENT FUND ACCOUNT



OTHER BENEFITS

- FACILITIES OF LOANS AND WITHDRAWALS.
- DEPOSITS NON-ATTACHABLE BY COURT.
- DEPOSITS QUALIFY FOR DEDUCTION FROM INCOME FOR PURPOSES OF TAX.

for details, contact the State Bank of India.

NATIONAL SAVINGS ORGANIZATION

Adv 70/372

Company Affairs

OIL INDIA

Mr A. B. Das Gupta, Managing Director, Oil India Ltd stated that Oil India was formed in the wake of oil discoveries in the Assam Valley, by the Assam Oil Company (a subsidiary of the Burmah Oil Company Limited), during 1953-56. These discoveries set in motion a chain of events, leading to the installation of a regional complex, involving a total capital outlay of about Rs 270 crores. Oil India's allotted share in this complex was the development of the Nahorkatiya and Moran oilfields, the transportation of the produced crude oil to the three eastern sector refineries (Digboi, Gauhati and Barauni), production and sale of natural gas, and exploration in the two Petroleum Exploration Licences to the north-east of Nahorkatiya-Moran.

The union Minister for Petroleum and Chemicals Mr D.R. Chavan, stated that Oil India has not only an exemplary record of work and economic performance but it has also shown how a collaboration venture should be run. The production of Oil India's fields involved developing a multitude of relatively small petroleum accumulations, laying of service facilities in an undeveloped area, designing and installing a crude conditioning plant to render its crude oil pumpable during the cold weather, and the laying of a large modern pipeline, running through one of the most difficult terrains of the world. All this was achieved in scheduled time, with the utmost emphasis on overall economy.

Mr D.R. Chavan, Minister in the Ministry of Petroleum and Chemicals and Mines and Metals, Department of Petroleum and Chemicals, drew lots for the redemption of Rs 3 crores debenture scrips, 10 per cent of Oil India's Rs 30 crores Debenture Stock, 1968-77, at a function, in the New Delhi office of the company, on September 28. A select gathering, represented the concerned government departments and ministries, banks, financial institutions, industry and trade. The Rs 30 crores debenture stock, carrying a 6.5 per cent interest, was the single largest issue to be floated on the Indian market. Raised in 1962, it is repayable in 10 instalments of Rs 3 crores each, commencing from November 15, 1968. However, the company has the

option to repay the outstanding, any time, after 1971, after giving 12 months notice, in writing. The present rate at which it is being redeemed, i.e. Rs 3 crores per annum, is also the highest, to date, in this country. The company has thus repaid a total amount of Rs 6 crores: Rs 3 crores in 1968 and Rs 3 crores in 1969, with the outstanding remaining at Rs 24 crores. The redemption was undertaken by draw of lots which, on both previous occasions, were held in Calcutta. Now for the first time, draw of lots for the redemption of the third lot of Rs 3 crores, took place in New Delhi.

PHILIPS

The directors of Philips India Limited will meet on November 20, 1970, to consider the declaration of an interim dividend not exceeding 10 per cent subject to deduction of tax from the calendar year 1970. The board has decided that the register of members of the company will remain closed from November 5, 1970 to November 18, 1970, both days inclusive.

DUNLOP

The directors of Dunlop India Limited have proposed an interim dividend of 7½ per cent on the ordinary shares for the year 1970, payable on or after November 2 to those shareholders registered as on October 30. The total dividend, paid for the year 1969, was 20 per cent.

UNION CARBIDE

Further to the resolution passed at the extraordinary general meeting held on March 26, 1970, approving the issue of 40,95,000 bonus shares of Rs 10 each, it is now announced that these bonus shares will be allotted to those registered as on October 28 in the ratio of one-for-two. The consent of the Controller of Capital Issues has since been received.

INDIAN OVERSEAS BANK

The Indian Overseas Bank Ltd is to be merged with Travancore Rayons Ltd, according to a decision taken by the boards of directors of the two companies. The scheme will be implemented after approval by members of two companies at meetings to be called under the direction of the High Court.

All the property rights powers and liabilities of the Indian Overseas Bank Ltd will be transferred to and vested in Travancore Rayons Ltd., according to the merger scheme. Under the terms of the proposed amalgamation, the holder of every shares of the Indian Overseas Bank Ltd., will receive: (a) seven fully paid equity shares of Rs 10 each of Travancore Rayons and (b) one eight per cent redeemable debenture of Rs 100 treated, in the first instance, as paid up to the extent of Rs. 50. They will be made fully paid-up subsequently. The debentures will be redeemable after 12 years, but before 15 years.

SWADESHI COTTON

Swadeshi Cotton Mills Co Ltd, Kanpur, proposes to invest Rs one crore in million equity shares of Rs 10 each at par of Swadeshi Polytex Ltd, Kanpur. A new company, Swadeshi Polytex Ltd has been incorporated in Uttar Pradesh for the manufacture of polyester fibre with an annual capacity of 6,100 tonnes. The new company has decided to issue capital to the extent of Rs 4.4 crores comprising 3.3 million equity shares of Rs 10 each and 110,000, 9.5 per cent cumulative redeemable preference shares of Rs 100 each. The plant is being put up by the company at Ghaziabad in collaboration with Vickers Zimmer Ag., Frankfurt (West Germany). The plant is likely to go into production early in 1973.

INDIAN DETONATORS

Indian Detonators Ltd proposes to issue shortly 1,000 — 7.75 per cent debentures 1980-84 of Rs 1,000 each at par in cash payable in full on application. The entire debenture issue will be underwritten. The proceeds of the proposed debenture issue will be utilised for financing the company's diversification and expansion schemes in explosives and other fields and for the modernisation of the plants to manufacture the latest types of detonators and explosives. The company's explosives unit at Rourkela has started manufacturing explosives at its plant and with the expanding explosives sales, a substantial investment is required in storage and distribution. The company has recently completed a project in Hyderabad for the manufacture of petn, an explosive raw material used in the manufacture of detonating fuse and detonators, which was hitherto imported. When this plant reaches its optimum production, savings in foreign exchange will amount to about Rs 20 lakhs. The company has also plans to manufacture sodium azide and styphnic acid, two other important raw materials for detonators. In its diversification plans, it proposes to manufacture chemicals and

pharmaceuticals in technical collaboration with Atlas Chemical Industries Inc.

GRAUER AND WEIL

The directors of Grauer and Weil (India) Ltd have finalised allotments in respect of the company's finalised allotments in respect of the company's recent issue of 1.20 lakhs equity shares of Rs 10 each and 82,000—9.5 per cent cumulative redeemable preference shares of Rs 20 each. The equity issue was oversubscribed to the extent of 12.5 times. 145 applicants out of 1,000 for 50 shares will get 50 shares. Similarly 222 applicants out of 1,000 for 50 to 100 shares, four applicants out of 10 for 150 to 200 shares, four applicants out of 9 for 250 to 300 shares, four applicants out of 7 for 350 to 400 shares, seven applicants out of 10 for 450 to 500 shares and three applicants out of four for 550 to 600 shares, will be allotted 50 shares each. Applicants for more than 600 shares have been allotted as follows: 650 to 1,200 (50 shares) 1,400 to 3,000 (10), 3,200 (200) 4,000 to 6,000 (300) 7,000 (350) 10,000 (500) and 30,000 (1,500) In the case of the preference issue which was also oversubscribed, full allotment was made for applications up to 1,000 shares and about 95 per cent in the case of applications for more than 1,000 shares.

INDIAN IRON

Sir Biren Mookherjee, Chairman, the Indian Iron and Steel Company Ltd pointed out in a statement issued to the shareholders at the annual general meeting the working of the company for the year ended March 31, 1970, that the desire of the government to stabilise selling price of steel within the country as a general means of controlling the prices of products made out of steel sounded fairly good but this ought to be accompanied by similar controls by the government on various elements of costs which went into the making of steel itself. He pointed out that the cost of coal, for instance, continued to rise from year to year. A thorough scrutiny of the factors that lead to the increased price of raw materials revealed that it was essentially due to the increase in labour costs. He added that even the railways were forced to increase freight rates under the pressure of operating costs which were mainly fuel and labour. He, therefore, reminded the government that if prices and incomes policy was to be evolved and adhered to in the national interest, prices alone should not be controlled while wages were allowed the luxury of constant expansion without a corresponding increase in productivity.

The chairman indicated that the company proposed to expand its capacity

and the costs of expansion worked out to nearly Rs 925 per tonne a year capacity while the cost of plants producing one tonne of steel per annum varied from Rs 2,500 to Rs 3,500 depending on the process employed. The chairman indicated that the World Bank after having suspended its loan because of the increased cost, was prepared to re-appraise the project on the basis of current data and technological innovations and if it proved viable it would

negotiate a fresh loan. This expansion project was vital not only for the country's economy but for the company's future operation too. A considerable part of the vast expenditure already incurred and to be incurred on the collieries development project of the company will become superfluous because the steel making capacity necessary to optimise the benefits which would arise out of the collieries development project would not be created.

Assignment of Indian Export Abroad

The developing countries of Asia, Africa and Latin America need services of Indian Experts in diverse fields. With a view to meeting such demands expeditiously, the Cabinet Secretariat, Department of Personnel, maintain ready panels. Such demands are for different levels of Professors, Lecturers, Teachers; Specialists in the fields of Surgery, Gynaecology, Pathology, Physiotherapy/Occupational Therapy; General Duty Doctors; Engineers, Civil, Electrical, Mechanical, Irrigation, Mining and Ship building; Industrial Engineers, Production Engineers, Textile Engineers, Public Health Engineers, Chemical Engineers, Agricultural Engineers; Quantity Surveyors, Architects Planning Experts, Agronomists, Economists, Banking Experts, Management Experts, Trade and Insurance Experts, Statisticians, Accountants, Auditors; Small Scale, Medium and Large Scale Industries Experts; Food and Dairy Technologists; Farm Management Experts, Agriculture Extension Officers, Cooperative Officers (Mica Sorting), Cooperative Officers (Accounts); Wood Carving and Designing experts, Geologists and Mining Experts; Paper and Board experts, Nurse Tutors, Nurses, Pharmacists and experts in various other fields of development activity.

Experts wishing to be considered for such assignments may register themselves with the Department of Personnel. They should possess at least three years practical experience in their field of specialisation. Freshers are not accepted by these countries for assignments.

Requests for prescribed 'Personal History Statement' forms for enrolment should be addressed to Foreign Assignment Section—Department of Personnel, New Delhi—11, and should clearly indicate the following:—

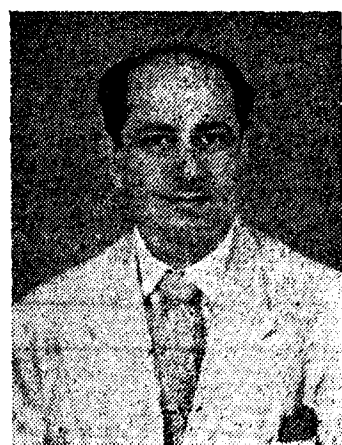
- Name (in block capitals):
- Address (in block capitals):
- Date of birth:
- Qualifications: (with year of passing):
- Field of Specialisation:
- Length of experience (Number of years):

While asking for a form, please attach a self addressed envelope (12 cm x 32 cm).

Those who have already enrolled with the Foreign Assignment Section after July, 1968, need not apply again.

No. davn—660(3)/70.

COMPANY MEETINGS



Shri H. C. Kothari

HINDUSTAN PHOTO FILMS MANUFACTURING CO LTD. OOTACAMUND

Speech by the Chairman, Shri H. C. Kothari

Following is the text of the speech delivered by the Chairman, Shri H. C. Kothari, at the Ninth Annual General Meeting of the Company held on 22nd September, 1970.

I welcome you to this Ninth Annual General Meeting of the Company. The Directors' Report and the Audited Statement of Accounts for the year ended 31st March 1970, have been with you for sometime now and with your permission I shall take them as read.

2. We achieved during the year 1969-70 a total output of 2.25 million sq. m., nearly double that of the previous year. Manufacture of new products like Roll Films, 35 mm. Negative Film and cine film sound commenced during the year. The commencement of manufacture of the last named product is a matter of special pride since in respect of this product, only the technological operation documentation was supplied by the collaborators and we had to start the production on our own. A number of technical problems confronted by us during this period came in the way of our attaining even better progress. All the same it is gratifying that in spite of these problems, we were able to build up our output considerably. These technical problems could to some extent be attributed to indigenous procurement of raw materials, especially of cellulose triacetate, as has been detailed in the Directors' Report. As a result of these problems it was not possible to maintain the targeted production. And this in turn resulted in a shortage of Black and White films as also X-ray films, a temporary set-back resulting in temporary inconvenience to the consumers in the country. The Company therefore requested the Government to allow the import of black and white films and X-ray films to tide over the temporary crisis.

3. Although the production of bromide paper was to have been taken up only during 1970-71 the programme was advanced to 1969-70. But, this be-

ing a process involving various technical problems, production could not be stepped up and therefore there has been a shortfall during the year. Steps have been taken to solve these problems and increased output of bromide paper has been planned. It is therefore expected that in the next year, total production will exceed that of the year under review. Here, I must also clear the general impression that it is the H.P.F., which is responsible for the shortage of bromide paper in the country. Actually, it is the private units which are already in production for several years now, with higher capacities than the H.P.F., which have to meet the demand, whereas the targeted capacity of 1.5 million sq. metres per annum set for the H.P.F., is yet to be reached and, only by 1971-72. Besides, the ban on the import of photographic paper was there even before production from our factory started reaching the market. Hence, it will be clear the H.P.F., cannot be held responsible for this shortage.

4. As anticipated, the year ended in a loss, of Rs 2.04 crores which also includes, in addition to the sizeable provisions for depreciation and interest, a portion of the preliminary expenses and deferred revenue expenditure, written off from the books. A redeeming feature, however, is the fact that the loss as a percentage of sales is less in 1969-70 than in the previous year, which in itself is a healthy trend. The output during the year 1970-71 is expected to be of the order of 3.6 million sq. metres and according to present calculations we should attain the break-even point in 1971-72.

5. Though during these years our total production was less than what we aspired for, it cannot be gainsaid that

we have done well in terms of quality of the product and mastery over manufacturing techniques. It should be remembered that the results which are now before you are only that of the third year since commencement of production. The nature of this industry is such that a long gestation period is unavoidable, and the build up of technology has of necessity to be slow. In our case, along with the build-up of technology we also had to face a number of problems quite a few of which were due to our advancing the dates of commencement of production of some products and the efforts in the direction of rapid import substitution of raw materials. However, it is good that these problems cropped up in these initial years since it has given our men training and confidence in tackling them instead of being confronted by them all of a sudden at a later stage. Further, since we started production, we have not undertaken total shutdown of the Plant. This could not be done for certain adequate reasons. It has now been decided to have a regular shut down, periodically, so that a complete overhauling and check up of the machinery and plant will be possible. But such a process will necessarily result in the loss of a week's production. Accordingly we recently had a total shutdown of the Plant.

6. The outlook for the future is quite hopeful. This has already been evidenced by the fact that in spite of the various technical problems which retarded the operations, we were able to sustain production at higher levels. Our personnel instead of getting discouraged by these, have taken them as an opportunity to grasp thoroughly the technology. If today leading photographic manufacturers in the world have shown eagerness to collaborate with us in our expansion plans, it is, in no small mea-

sure due to the significant progress made by us in producing on our own, materials conforming to international standards, thus proving that given the opportunity and training our technicians are second to none in the world in grasping the most sophisticated of technologies.

7. Our turnover is steadily on the increase. During the year under review it was Rs 3.72 crores against Rs 2.29 crores in the previous year. During the next year (1970-71) it is expected to be more than Rs 6 crores. Your Board are already giving thought to the question of strengthening the Marketing Wing to handle this growing volume of business. They are also constantly conscious of the need to make the system of distribution of our products more broad-based.

8. On the export front, we continue to get a steady stream of orders and the prospects for the future seem to be quite bright.

9. You might be anxious to hear the progress made in regard to the scheme for production of colour films. The results of the negotiations we had and

the offers received from the various prospective collaborators are now before Government and Government's sanction to our proposals is eagerly awaited and will enable us commission a feasibility study.

10. The time has also come for us to think in terms of modernising the existing plant to ensure that our manufacturing operations are smooth, the efficiency of production is increased further, and the output increased to sustain the ever growing demand. Technology of photographic manufacture is continuously making rapid strides the world over and the gap between our present techniques and those prevalent abroad is getting wider every day. At this point of time when we are keenly pursuing the possibility of entering into collaboration arrangements for expansion, we should also seek to have a long enduring arrangement whereby we get continuously updated in technology in the production of all materials. This is essential for the survival and prosperity of this highly specialised industry. Your Board therefore feel that along with the implementation of the Project to manufacture colour films we should also strive to effect modernisation of the

present equipment and processes with a view to attain higher levels of efficiency even in the existing range of products. The expansion schemes are therefore being drawn up in such a way as to include modernisation of the present equipment also. With programmes for expansion and modernisation, it will be well advised to take advantage of the latest available knowledge in technological development. To this end, we must also have collaboration arrangements on continuous and permanent basis. This will then enable us to have access to information on developments taking place abroad. On the other hand your Directors do not favourably view any suggestion to obtain technical help on a limited basis but are on the look out for collaboration both on permanent and partnership basis.

11. A major task completed during the year was the National Productivity Council's study on the factory's Manpower requirements, Job Evaluation and Wage Survey. It must be remembered that since ours is a specialised type of industry, the like of which is not in existence anywhere in the country, the task of laying down proper standards for our manpower requirements and

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evolving a rational wage structure is not an easy one; that a study of this nature has been completed, is by no means, a small achievement. We now have a scientifically prepared document which gives us an idea of the type and number of men we need to run this plant with optimum efficiency and also to evolve a rational Wage Structure and these, I am sure, will prove to be very valuable to us in our future operations.

12. Government have taken certain

decisions conferring greater autonomy on the Boards of Public Enterprises with a view to making them have effective control on the operations of the companies under their charge. In line with the Government's thinking in this regard, a number of amendments to the Articles of Association of your Company have been brought up. I am sure the greater powers now reposed in the Board will result in greater efficiency in the management of our affairs.

13. In conclusion, I thank all my colleagues on the Board for their valuable advice and guidance. My thanks are also due to the employees at all levels for the progress made so far and for their hard and sincere work.

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

THE INDIAN IRON & STEEL CO. LTD.

The following statement by Sir Biren Mookerjee, Chairman of the Indian Iron and Steel Company Ltd., dealing with Company's working for the year ended 31st March 1970 has been issued to shareholders. The Annual General Meeting of the Company will be held on Tuesday the 29th September, 1970 at 3 P.M. at the Registered Office of the Company, 12, Mission Row, Calcutta-1.

Ladies & Gentlemen,

The year that ended in March this year has been the worst for your Company since it commenced operating as an integrated steel producer.

Some of you may elect to contest this statement on the grounds that the available profits relative to the Company's installed capacity have been lower in the year 1967-68. It should not be forgotten, however, that in a controlled economy, and especially in a controlled industry within that controlled economy, available profits are not always a reliable criterion for measuring successful operation. There are many factors which contribute to available profits, the most important of which are obviously output and prices. Unfortunately, during the last few years your Company's management have had little or no control over these two primary elements which eventually determine the level of profits. Within the confines of the prevailing economic system applicable to the steel industry, output is a more correct index for the purpose of comparison. On this basis the results of your Company last year have never been worse. Statistics in regard to output have been included in your Directors' Report and therefore I do not wish to repeat them here.

As regards output, labour have become the sole arbiters as to what production is to be achieved. Various officials of your Company make and are required to make periodical financial projections, variance analyses, cash-flow statements and sales budgets for the purpose of efficient management and to enable the management to take correct management decisions as occasions arise. In recent years I have often felt that all the energy and ex-

dies are entirely a waste of time and effort. It is utterly useless to ask a Plant Manager what he proposes to make, what his plant is capable of producing and when he proposes to do so; it is similarly futile to ask Marketing Managers how much they expect to sell and when. Since labour have taken upon themselves the onerous duties of basic management, namely, production and planning, it seems to me a simpler exercise merely to ask them what they intend to produce and when, and utilise their answers for the purpose of financial projections!

As regards prices which, after all, determine the margin a productive unit makes on its sales, the Government is continuing with its arbitrary policy of insufficient ad hoc price increases at indefinite intervals. These prices, regulated as they are by Government, have no empirical basis whatsoever. If any rationale can be attributed to this pricing policy, it can only be that of expediency. Shareholders will agree that for a basic industry, total uncertainty and instability cannot lead to consolidation and the attainment of desired targets. While the Government can be congratulated for its desire to curtail inflation and a general rise in prices, the results achieved so far have not been impressive. Not being a professional economist, it seems to me a simple thesis that if the price line must hold, it must be held at all levels.

I will take the specific case of the steel industry. While I am one with the Government in its desire to stabilise the selling price of steel within the country as a general means of controlling the prices of multifarious products which are made out of steel or in which the price of steel plays an indirect part, I cannot understand why the various

ing of steel itself are not similarly controlled by Government.

The important and substantial elements of cost in the making of steel are, coal which is converted into coke, iron ore and limestone all of which are raw materials, and labour and railway freight which are not. The cost of the basic raw materials continue to rise from year to year and the steel producer has no control over the price at which he must buy. A thorough scrutiny of the reasons for such increase in the price of raw materials reveals that it is due to the increase in labour costs imposed on the suppliers of the raw materials. I have not made a close study of the Railway Budget or the reasons for the rise in operating costs of the Railways which induce annual increases in freight charges—again to be borne by the steel producer. But it is fairly obvious that there are two important elements which go into the cost of operating the Railways and these are fuel costs and labour costs, but not necessarily in that order. I am sure the Railway administration is faced with the same problems of cost faced by the steel industry; but fortunately for them they are able to secure annual and adequate price increases to enable them to continue to operate. The steel industry, despite the fact that it is largely Government-owned, (or because of the fact that it is not wholly Government-owned) is not so fortunate. I have heard the argument that the Railways, which is the largest Public Sector Undertaking, is required to contribute to the General Revenues of the State; by the same token the immense investment of public funds in the steel industry should also be permitted to earn surpluses for the national coffers.

on the cost of steel. In the case of your Company, (and discounting the incidence of labour cost in the purchase price of goods and services which your Company buys for the purpose of production) salaries, wages and other employee benefits have, during the year under review, emerged as the largest single element in costs, higher even than the cost of raw materials!

It is obvious that if a Prices and Incomes Policy is to be evolved and adhered to in the national interest, prices alone cannot be controlled while wages are allowed the luxury of constant expansion without a corresponding increase in productivity. But, for that section of the community whose income consists of salaries or dividends, there is already in existence an effective Incomes Policy through penal rates of tax which result in a ceiling on income.

The Government has instituted a Wage Negotiating Committee for the Steel Industry in order to determine the wages and other benefits payable to employees in that industry. Many of you will recall the table which was incorporated in my Statement to you of last year in which the average emoluments of workers in your Company in different categories were listed. After the publication of the Statement, I received numerous communications, including some humorous ones from shareholders expressing a fervent desire to be employed as unskilled workmen in your Company in view of prospective emoluments! It is in this context of the prevailing emoluments paid to your labour that I must inform you that I have been told that the industry will be saddled with an additional burden of about Rs. 20 crores per annum in respect of labour benefits which are now being negotiated. This in effect means an average increase of Rs. 1,000 for each of the 200,000 workers in the industry. With such an example before them will not the workers in other industries, including those which feed the steel industry, make similar demands on their employers? I would request you to ponder over not only the dimensions of the problem now faced by all the units in the steel industry but also the dimensions of this additional financial burden to which I have just referred. Your Directors in their Report have touched on this aspect in the following terms:—

"A five-year embargo on price increases while costs continue to rise daily, can mean that all the Main Producers, both in the Private and Public Sectors, may soon be operating at a loss."

Unless wages bear a direct relation-

ship to output and productivity, no realistic Prices and Incomes Policy can be made to operate and therefore inflation will continue to mount.

In 1966 your Company obtained a Loan from the World Bank to meet the foreign exchange element of its Balancing of Plant Project which had earlier received the approval of the Government of India. At that time, the total cost of the Project was estimated at about Rs. 2114 lakhs consisting of foreign exchange amounting to Rs. 739 lakhs and the balance of Rs. 1375 lakhs or rupee expenditure to be financed out of the Company's own generation of resources. The last estimate prepared for this Project revealed a total cost of Rs. 2776 lakhs consisting of a foreign exchange element of Rs. 1007 lakhs and a rupee expenditure portion of Rs. 1769 lakhs. Of course, the devaluation of the Indian rupee intervened during this period and to a great extent accounted for the increase in the estimated project cost. Your Directors, in their Report, have mentioned the reasons which have led to the World Bank suspending further withdrawals against this Loan which virtually means that all progress on the Project has come to a standstill as it would be infructuous to continue with rupee expenditure when the foreign exchange required to complete the Project is no longer available. I do not wish to elaborate on the reasons why the World Bank suspended its Loan and why the Project has therefore been aborted, because your Directors have already given you some particulars in this regard. But I must advise you, that since then, I have received a communication from the World Bank in which they have requested the Company to ask for a cancellation of the Loan as the World Bank would prefer not to cancel the Loan on their own, although they are entitled to do so. I cannot prognosticate with absolute certainty what action your Board will take on the World Bank's request; however, it seems to me to be a case of Hobson's choice.

Whatever might be the ultimate fate of the Loan and of your Company's expansion Project, I would like to take this opportunity of once again spelling out the consequences for the benefit of shareholders.

Steel, as shareholders are aware, is a capital-intensive industry. On present-day estimates, the cost of plants necessary to produce 1 tonne of steel per annum varies from Rs. 2,500 to Rs. 3,500 depending on the processes employed. It is for this reason, and the inability to raise adequate resources, that the steel industry in the Private

Sector finds it almost impossible to expand its capacity. However, in the case of your Company, even on the basis of the latest estimates, the cost of expansion works out to only Rs. 925 per tonne. The colossal saving in much needed national resources which would have obtained if the scheme had materialised will be obvious from the figures mentioned above. In addition, an annual recurring saving of about Rs. 24 crores in foreign exchange would have accrued to the nation through a reduction in imports of steel. I will do no more than to let these figures speak for themselves. There is however a faint ray of light glimmering through the gloom. I do not know whether it can be called a ray of hope or a will-o-the-wisp. The World Bank have indicated that after the cancellation of the present Loan they are prepared to re-appraise the Project on the basis of current data and technological innovations and if it proves viable, negotiate a fresh Loan.

For the reasons I have just stated, this Project was vital not only for the nation's economy but particularly for your Company's future operation. A considerable part of the vast expenditure already incurred and to be incurred on your Collieries Development Project will become superfluous because the steel-making capacity necessary to optimise the benefits which will arise out of your Collieries Development Project will not be created. While on the subject of the Collieries Development Project, I must say after many initial impediments this project is now proceeding very satisfactorily.

Shareholders will have noticed in the Press various statements regarding the conversion into equity shares of Loans granted by Government or Government Lending Agencies. The two Steel Companies in the Private Sector have also been recipients of such loans from Government. Arising out of the Company's request for a re-scheduling of Government Loans in 1968, the Government has recently advised us that it is prepared to convert the balance outstanding into equity shares. Your Directors carefully considered the matter and feeling that it would not be in the best interests of shareholders to accept such a proposal, have informed the Government accordingly.

I have mentioned earlier that many industries, and the steel industry in particular, are unable out of their own resources to raise sufficient funds for expansion due to the capital-intensive nature of the industry. In such circumstances and others, Government's intention to launch a Joint Sector is

welcome. My only reservations in this regard are that both the participants in any Joint Sector venture should be

fully aware of their mutual rights before the venture is undertaken, and that neither party should be permitted the

privilege of being a fair-weather friend at moments of convenience. 15th September, 1970.

SESHASAYEE PAPER AND BOARDS LIMITED

REGISTERED OFFICE :
Pallipalayam, Cauvery R.S., P.O., Erode-7,
Salem District

Speech of Sri S. Narayanaswamy, M.L.C., Chairman, at the Tenth Annual General Meeting of the Company held on 26th September, 1970.

Gentlemen,

I have great pleasure in welcoming you all to this Tenth Annual General Meeting of the Company. The Directors' Report and the audited accounts for the year ended 31st March 1970 have been in your hands for some time and with your permission I will take them as read.

2. As indicated in my speech at the last Annual General Meeting, there has been considerable improvement in the company's performance as well as profitability of operation. These have enabled the company to make adequate profits to write off the entire backlog of depreciation amounting to just under Rs. 80 lakhs and to provide depreciation for the last financial year amounting to a little over Rs. 50 lakhs, and to carry forward a surplus of Rs. 16.88 lakhs. The aggregate of profits before depreciation for the year was Rs. 117.66 lakhs which together with the sum of Rs. 28.88 lakhs brought forward from the previous year made a sum of Rs. 146.54 lakhs available for appropriation.

3 Some shareholders have written to me or asked me in person as to whether a maiden dividend however small, could not have been declared with the residual profits of the year. Your Board of Directors were most anxious that the company should come on the list of dividend payers at the earliest. But, at the same time, they wanted that the maiden dividend should be such as to make up, in some measure, for the long period during which the shareholders have had to wait for a return. It was, therefore, decided to carry the residual profits and also keep a close

watch on the working of the first half of the current year. I am glad to say that the profits of the first five months of the current year alongside of the estimate of profits for the month of September are such, as to enable your Directors to make a provision for the entire year's depreciation, amounting to Rs 63 lakhs approximately from out of the half-year's profit and also to declare an interim dividend. Your Board of Directors, at a meeting of the Board held earlier this morning took a decision to declare an interim dividend of 6% for the year 1970-71 on the company's Paid Up Capital I am sure, this decision, which I have been authorised to announce at this meeting, will have your approval.

4 The Company was incorporated on 22nd June 1960. Construction and machinery erection started towards the middle of 1961 and the first reel of paper rolled out of our plant in November 1962, that is, within a period of 18 months. We had practically no teething trouble and within a short period of commencement of operations, the plant came into commercial production.

5 In retrospect, it is sad to contemplate that despite the company's success with commissioning the plant within what is now admitted to be a record time for a heavy industry, the simultaneous operation of price control on the diverse varieties of paper, fixed as far back as 1959 and a steep increase in the production cost of paper, rendered it impossible for the company to make adequate profits, to provide even depreciation on the straightline method. The prices of paper under the control pattern were unremunerative even for the then established producers,



Sri S. Narayanaswamy, M.L.C.

who had written off the bulk of their fixed assets and had, therefore, the advantage of being low capitalised companies. In that background, you can visualise the hardships which your company had to face in having to compete with well established units who were themselves making meagre profits, without having their feet dragged by heavy depreciation commitments such as your company had.

The high interest charges on our borrowings absorbed the residual margin of meagre profits and thus deprived us of an opportunity of providing depreciation in the manner we would have liked. Therefore, it must be a matter of no small satisfaction to you, that we have wiped off all arrears of depreciation and found enough funds to provide the depreciation for 1969-70. All these have been made possible by decontrol of paper. Throughout the lean period, the company has serviced its long term loans without any let up despite poor cash generation.

You can appreciate that the lifting of control over prices announced in May 1968 provided a turning point in the fortunes of your company, despite the fact that the producers voluntarily decided to effect only a modest increase in paper prices. If the announcement of decontrol had come two years earlier, it would have enabled all paper companies to plough back enough funds to finance sizeable expansions and also to pay handsome dividends to shareholders, such as would have enabled them to invite fresh capital on attractive terms from the same shareholders to finance such expansion.

8. In the instance of your company,

the announcement of decontrol coincided with the completion of our expansion programme which has enhanced our annual capacity from 18,000 tonnes to 33,000 tonnes, which includes partial diversification from the manufacture of duplex boards to the extent of 10,000 tonnes. We are glad that our expansion programme has been completed in time to assuage, in some measure, the shortage that is acutely felt in the paper market today, apart from contributing substantially to the company's profits and plough back.

9. The Paper Industry, among a few other industries, was fulfilling the target fixed by the Planning Commission during the First and Second Plan periods. The deterioration in the position started after the control measures were introduced in 1960 which, in large measure, eliminated the incentive for promoting so capital intensive an industry as paper. A large number of industrial licences issued during the Third Plan period remained unimplemented by the entrepreneurs. If decontrol had been announced some time earlier, the prosperity of subsisting units would have been sufficient attraction to entrepreneurs to establish fresh units.

10. Scarcity conditions are likely to persist in the coming 3 or 4 years, as it will take between 3 and 4 years for any new unit to be planned and established. Is it too much to hope that the Government will take prompt action by either licencing substantial expansion of existing units or by promising massive assistance to those who start fresh units in the form of soft long term loans?

11. The Government have recently come forward with a "crash programme"; but it is now seen that the Government are not interested in substantial increase in the existing installed capacity of established units, but in the latter making some minor adjustments in order to secure a marginal expansion of the rated capacity. The gap between the demand and supply of paper is such as to rule out any tinkering with this problem. What is manifestly indicated is a robust and positive approach to the creation of substantial additional capacity within the country.

12. I want to refer briefly to a few anomalies that have crept in the recent past on the procedural front. The paper and pulp industry is exempted from the licencing procedure prescribed under the Industries (Development and Regulations) Act. At the same time, under the new procedure, all schemes involving a capital expenditure of over Rs 5 crores require industrial licences. Paper is a capital

intensive industry and it is not possible to establish an economic sized paper plant within the ambit of a 5-crore outlay. A 100-tonne plant is what is regarded today as an economic unit and at current prices of plant and machinery, the capital expenditure on such a project would amount to about Rs 18 crores. Even a plant of 60-tonne capacity will cost about Rs 12 crores. In the result, the so called exemption of the paper and pulp industry from licencing procedure is, in a large measure, farcical. At the same time, several of the paper units in the country will attract the provision of the Monopolies and Restrictive Trade Practices Act by reason of the value of their fixed assets. Any proposal to expand the existing units will have, at the outset, to be cleared by the Central Government or the Monopolies Commission and when this is done, the unit will have to apply for an industrial licence by reason of the intended expansion bringing their employed capital beyond the Rs 5-crore limit.

13. With the abolition of the Managing Agency system, the 'groups' defined under the Monopolies Act have disappeared and individual companies have come under the management of individuals of proved credentials. The paper industry is no exception. In view of all these and in view of the grave shortage of paper which the consumers are facing today in our country, I appeal to the Government of India to take the paper industry out of the purview of licencing procedure and also the Monopolies Act, which will enable new units to be established and also enable the existing mills to carry out speedy programmes of expansion. The advantage in expansion of subsisting installed capacity is that expansion will cost substantially less than the establishment of new units, while expansion programmes can be carried out in perhaps half the time which it takes for a new unit to come into production. This does not mean that existing paper companies are against new units being commissioned. Indeed they would appeal for every possible measure that will mitigate both short-term and long-term shortages in paper, a task which can only be achieved by speedy action on both fronts. The Government must also not hesitate to licence import of capital goods where abnormal delays are likely to occur in the supply of indigenous equipment as they are tending to do. Otherwise, the very purpose of licencing new units or expansion will be defeated.

14. Raw materials are still an ever-present problem for the paper industry. Several units have already been doing experiments with soft woods, short fibred hard woods and bagasse in view

of the known shortage of bamboo supplies in the country. Your company, among others, has already started utilising hard woods and bagasse for pulp manufacture. Your company has considerable experience in the utilisation of bagasse and is fully acquainted with the technical problems in that behalf. The most important factor in raw materials mobilisation is that they must be reasonably low priced. The present concession given to mills using 40% bagasse pulp has not resulted in any benefit to the mills because of the practical difficulties in the operation of such a concession.

15. Your company is well placed as to raw materials stock. At the moment, the question of revising the seigniorage rates for bamboo supplies from Government forests is the subject matter of discussion between the Company and the Tamil Nadu Government. It is hoped that we would be able to enter into a fresh long-term agreement at slightly increased seigniorage rates with the Government. We are beholden to the Tamil Nadu Government for their appreciation of our problems and their co-operation.

16. The company has entered into an agreement with the labour unions for a period of three years ending with 31-3-1973. This agreement provides for a substantial upward revision in the rate of Dearness Allowance. Your Board of Directors think it is a reasonable price to pay for the goodwill created among all ranks of employees in the company. The Board has sanctioned the new agreement.

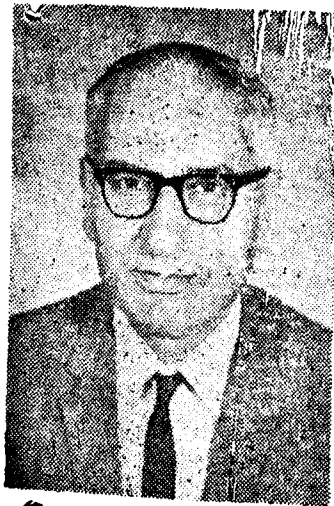
17. The cost of production has been continuously increasing as a result of increased cost of coal, railway freight, chemicals and other stores. Maintenance costs have gone up mainly as a result of increase in the cost of steel and some stores. Despite all these handicaps, your company is continuing to do well in the current year.

18. There have been frequent comments both in the Press and on the floor of the Parliament about increased paper prices. Over a full ten year period, Paper units were prohibited from putting up prices despite steady increase in the cost of manufacture. This has created a very heavy backlog of unprovided high costing elements in production. Your Company is only too anxious to maintain the price line. We are practically the first unit in the country to have come out with a public announcement through prominent press advertisements throughout the country, about the prices which the consumers are called upon to pay for the different varieties of paper manufactured by the company. I am glad to say that your

company's panel of distributors has generally co-operated with us in maintaining these prices.

19. Messrs. Seshasayee, Parsons and Whittemore Private Ltd. ceased to be Managing Agents of the company on and from 31st March 1970. Even during the last year of their office, the Managing Agents drew only the minimum remuneration. I think I must express to them on your behalf the very special appreciation of the shareholders for the manner in which they established and operated the plant over a crucial and problem filled 10-years period. During this decade they operated the mill with great competence and circumspection. This enabled the company to carry out their expansion smoothly and without disturbance to current levels of production.

20. Mr S. Viswanathan, who was a Director of M/s Seshasayee, Parsons and Whittemore Private Ltd., and who was the Chief architect of the company, has accepted the invitation of your Board



Shri C. D. Khanna

Friends,

This is my first opportunity of placing before you this report since taking over charge of the Corporation on the 19th May, 1970 as its Chairman. It is my privilege and pleasure, soon after my taking over, to present to you the Annual Accounts of the Corporation and the Report of the Board of Directors for the year ended the 30th June, 1970. The printed copies of the Accounts and the Report have been circulated to all the shareholders and I shall, with your permission, take them as read.

Changes in the Board

2. During the year, a number of changes have taken place in the composition of the Board of Directors of the Corporation. Shri N.D. Nangia relinquished office as Chairman on the 18th May, 1970. I would like to express my sincere appreciation of the valuable services rendered by Shri Nangia during

to be the Managing Director of the company. I can testify from personal knowledge to the strenuous efforts made by Mr. Viswanathan to build up this company from scratch and to bring it to the present position of remunerative working. A resolution relating to his remuneration is now coming up before the General Meeting for approval as required by law. I look forward with confidence to the future of this company under his wise guidance and stewardship.

21. I wish to extend my grateful thanks to Mr D.V. Reddy, the General Manager of the company, for the excellent work done by him during the first full year of his office. He has been ably assisted by a team of fine executives and employees at all levels. I must specially thank all those employees who, on the shop floors, have contributed to the excellent output of paper during the year.

22. I wish to convey your thanks to the USAID and to the Industrial Cre-

dit and Investment Corporation of India, to the Industrial Development Bank of India and to the Life Insurance Corporation of India, for their assistance at all times to the company. I must thank the company's bankers, namely, United Commercial Bank and Syndicate Bank who have assisted us with their timely co-operation throughout the period.

23. I take this opportunity to convey our profound thanks to the Government of Tamil Nadu for their continuous support and encouragement.

24. I now move for adoption of the Report and Accounts of the company and in doing so shall be glad to answer any question you may have relating to the Accounts.

I thank you all for your forbearance.

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

INDUSTRIAL FINANCE CORPORATION OF INDIA

Statement made by Shri C. D. Khanna, Chairman, Industrial Finance Corporation of India at the 22nd Annual General Meeting of the shareholders of the Corporation held on the 30th September, 1970.

his tenure of office.

At the last Annual General Meeting of the Corporation, Shri S.J. Utamsing was elected as a director to represent Scheduled Banks in the vacancy caused by the resignation of Shri C.H. Bhabha with effect from the 27th June, 1969. At the same meeting, Sardar Santokh Singh was elected as a director to represent Insurance concerns, Investment Trusts, and other like financial institutions vice Smt. Raksha Saran, who retired. Shri N.A. Kalyani was re-elected as a director to represent Co-operative Banks. The Central Government nominated Shri T. Swaminathan, Secretary to the Government of India, Department of Industrial Development, Ministry of Industrial Development and Internal Trade, in place of Shri N.N. Wanchoo with effect from the 16th February, 1970. The Industrial Development Bank of India nominated Shri S.L.N. Simha as a director in place of Shri P.K. Dasgupta with effect from the 27th April, 1970. They have recently

nominated Shri F.K.F. Nariman in place of Shri Charat Ram with effect from the 14th September, 1970. Since the close of the year, Shri S.D. Srinivasan representing Insurance concerns, Investment Trusts and other like financial institutions, resigned with effect from the 30th July, 1970 and the vacancy caused by his resignation is going to be filled at today's meeting.

I take this opportunity to place on record the valuable services rendered by Smt. Raksha Saran, Shri N.N. Wanchoo, Shri P.K. Dasgupta, Shri Charat Ram and Shri S.D. Srinivasan while they were associated with the Corporation. I also place on record my thanks to all the present Directors on the Board for their valuable co-operation and wise counsel.

Economic situation

3. The overall economic situation in 1969-70, the first year of the Fourth

Five-Year Plan, has been satisfactory. The rate of growth in national income, at constant prices has been estimated at 5 to 5½% compared to the increase of about 2% in 1968-69. The output of foodgrains in 1969-70, at about 100 million tonnes, was higher than the level of production in 1968-69 by about 6 million tonnes. Though the production of some of the commercial crops was also higher than in the previous year, it was not sufficient for meeting the entire requirements of the industrial sector and shortages were pronounced in respect of supplies of cotton and oil seeds.

Industrial activity has picked up considerably and the economy has recovered from the effects of the recession. During the year under review, there has been a notable improvement in the utilisation of existing capacity in many industries assisted by the Corporation, viz. paper, caustic soda, sulphuric acid, aluminium, tractors, artificial fibres cement, refractories, steel castings, steel forgings, etc. The cotton textile industry did not fare well because of a steep rise in the prices of cotton and shortage of working capital. Jute industry also did not do well because of certain adverse factors including a sudden fall in the demand for carpet backing cloth in the U.S. market.

The balance of trade has also improved during the year, with exports at a higher level and imports showing a welcome reduction. At the end of June, 1970, the foreign exchange reserves at Rs 837 crores were higher by Rs 209 crores compared with the position obtaining during the same month of the previous year.

While the capital market appeared to be active, buoyancy was confined to a few selected shares. It would appear there are plenty of investible funds, while promising scrips are relatively few which explains partly the recent spurt in the price of some industrial securities.

The Annual Plan for 1970-71 has already been announced. It aims at a growth rate of 5.5% in the national income to be achieved from a 5% increase in the agricultural output and an 8% increase in industrial production. The green revolution is still in stride, and the agricultural situation could be regarded as satisfactory. The new industrial policy announced by Government is expected to give an impetus to production, particularly, in the small and medium scale sectors and to stimulate exports. The reorientation of lending policies of nationalised banks and financial institutions aimed at meeting the credit requirements of all sectors of economy and encouraging new entrepreneurship, is a significant develop-

ment. The economy on the whole has a promise of better health.

Sanctions and disbursements during the year

4. During the year 1969-70 the Corporation sanctioned total financial assistance of Rs. 19.38 crores to 49 industrial units made up of rupee loans of Rs. 13.63 crores, foreign currency loans of Rs. 2.07 crores, underwriting of shares and debentures of Rs. 1.68 crores and guarantees for foreign currency loans and for deferred payments on imported plant and machinery of Rs. 2 crores.

5. Assistance disbursed during the year aggregated Rs. 18.05 crores of which cash disbursements, i.e. excluding guarantees issued totalled Rs. 17.71 crores.

Working Results for the Year

6. The Corporation's total income for the year under review was higher at Rs. 12.82 crores as compared to Rs. 11.94 crores in 1968-69. Interest paid by the Corporation on its borrowings and discount and brokerage paid on bonds were higher at Rs. 7.95 crores as against Rs. 7.57 crores in the previous year. The gross profit registered an increase of Rs. 41 lakhs, being Rs. 4.33 crores as against Rs. 3.92 crores in the previous year. After making provision for taxation to the extent of Rs. 2.37 crores, as against Rs. 2.22 crores in the previous year, the net profit was higher at Rs. 1.96 crores as compared to Rs. 1.70 crores in 1968-69.

Provision for Income-Tax

7. With the continuous increase in the gross profits of the Corporation from year to year, higher provision is being made for taxation. Since its inception on the 1st July 1948, till the 30th June, 1968 i.e. over a period of 20 years, the income-tax paid by the Corporation aggregated Rs. 11.19 crores. For the subsequent two years, viz., 1968-69 and 1969-70 for which assessments have not yet been completed the provision for taxation has been made to the extent of Rs. 4.59 crores. These figures are a measure of the contribution which the Corporation has made to the national exchequer.

Corporation's Reserves

8. During the year, additions made to reserves out of the profits were to the extent of Rs. 1.71 crores. The total reserves of the Corporation, including the General Reserve of Rs. 7.60 crores, now amount to Rs. 12.65 crores, which figure exceeds the Paid-up Capital by Rs. 4.30 crores.

Cumulative Sanctions and Disbursements

9. The net amount of cumulative

assistance sanctioned by the Corporation, since its inception in July, 1948, i.e., after accounting for cancellations and withdrawals, amounted to Rs. 337.08 crores. This comprised rupee loans of Rs. 216.35 crores, foreign currency loans of Rs. 39.29 crores, underwritings and direct subscription to shares and debentures of Rs. 28.08 crores. Of the total assistance sanctioned for 505 projects, new projects numbering 333 claimed assistance of the order of Rs. 214.27 crores and the balance assistance of Rs. 122.81 crores was sanctioned for expansion, modernisation or diversification. The aggregate capital cost of the 505 projects for which the Corporation has so far sanctioned financial assistance is estimated at Rs. 1,450 crores which is an index of the over-all resources mobilised for the implementation of the projects. In the case of a development bank like the Industrial Finance Corporation of India, the number of industrial projects which the Corporation can help finance, along with contributions from other sources, rather than the absolute amount of the Corporation's own assistance, should, in my opinion, be regarded as the true measure of the Corporation's contribution to the economic development of the country.

10. As against the aggregate net assistance sanctioned to the extent of Rs. 337.08 crores, assistance actually disbursed upto the end of the year under review amounted to Rs. 301.39 crores, constituting about 89% of the total sanctions. This could be considered as quite satisfactory.

Foreign Currency Loans

11. During the year, the Corporation was allocated a further loan of DM 5 million, being the eighth line of credit, under an Inter-Governmental Agreement between the Governments of the Federal Republic of Germany and India, signed on the 25th July, 1969. The relative Loan Agreement between the Corporation and the Kreditanstalt für Wiederaufbau has since been signed. With the execution of this agreement, the eight lines of West German credit to the Corporation aggregated DM 102.5 million. A notable feature of the DM lines of credit is that they can now be utilised for the import of capital goods, engineering know-how and services, etc. not only from West Germany but also from other countries, except certain countries specifically excluded.

12. As on the 30th June, 1970, the Corporation had sanctioned effective sub-loans aggregating DM 86.16 million, U.S. \$ 27.08 million and FF 12.32 million against the respective lines of foreign credits available with it. While the lines of credit from the U.S. AID had been fully committed, the credits from the Kreditanstalt to the extent of

DM 16.35 million were still available for sanctioning further sub-loans. During the past 2 months, we have sanctioned further sub-loans of DM 4.76 million. Of late, there have been a number of enquiries for the DM sub-loans and it is hoped that the balance of the DM lines of credit would be fully committed in the near future. In fact, having regard to the number of applications and enquiries pending with us for DM sub-loans, we have already moved the Central Government for allocation of a further DM line of credit.

13. Recently under the UK/India Capital Investment Loan 1969, the Government of India have allocated to the Corporation £ 1 million to enable it to finance the import of capital goods by eligible industrial concerns from the U.K. Though this is a tied credit, it is to be welcomed, as it is for the first time that sterling resources have been placed at the disposal of the Corporation for meeting the requirements of its constituents.

Industries financed during the year

14. The Corporation continues to cover in its operations, as large an area of the industrial sector as possible. During the year under review, sugar, cotton textiles, non-ferrous metals, artificial fibres and jute textiles were the principal beneficiaries of financial assistance from the Corporation. A number of other industries, viz., engineering products, rubber products, fertilisers, electrical machinery, glass, paper, motor vehicles, cement, basic industrial chemicals, ceramics and hotels, also received financial assistance from the Corporation.

Assistance to Underdeveloped Areas

15. The Corporation has been giving special consideration to applications for financial assistance emanating from relatively less-developed parts of the country. Of the total assistance of Rs. 337.08 crores sanctioned for 505 industrial projects upto the end of the year under review, roughly about 32%, viz. Rs. 106.89 crores, spread over 140 industrial units, was accounted for by Andhra Pradesh, Assam, Bihar, Madhya Pradesh, Meghalaya, Orissa, Rajasthan, Uttar Pradesh, Andaman and Nicobar Islands and Goa, which have been classified as less-developed States/Territories. During 1969-70, industrial projects in the above-mentioned relatively less-developed States/Territories claimed a total assistance of Rs. 4.68, crores i.e., 24.2% of the total assistance sanctioned during the year.

Concessional finance for Under-developed Areas

16. In consultation with the Indus-

trial Development Bank of India, the Corporation announced on the 23rd July, 1970, a scheme of concessional finance to small and medium sized industrial enterprises to be located in the industrially underdeveloped districts where the infra-structural facilities for industrial development exist, in the various States and Union Territories selected for such assistance by the Central Government in consultation with the concerned State Governments. The concessions include reduction in the normal lending rate of the Corporation, longer initial grace period, longer amortisation period, reduced margin of security, lower contribution from the promoters to the financing of a project, larger participation by the Corporation in the share capital of the industrial concerns by way of underwriting or otherwise, and reduction in the Corporation's service and legal charges. These concessions will normally be applicable to cases where the total project cost does not exceed Rs. 1.00 crore; concessional finance for bigger projects will be considered on a selective basis.

I trust, the concessions offered by the Corporation will help quicken the pace of industrialisation of these selected industrially less-developed areas in the country. The Corporation looks forward to playing an increasing role in extending larger financial assistance to such areas.

Financing of Sugar & Textile Co-operatives

17. A unique feature of the Corporation's operations is the financing of industrial co-operatives particularly sugar and textiles. During 1969-70, loans aggregating Rs. 3.45 crores and Rs. 2.22 crores were sanctioned to 5 sugar co-operatives and 6 cotton textile co-operatives respectively. The assistance to sugar and textile co-operatives sanctioned during the year amounted to Rs. 5.67 crores, i.e., about 29% of the total assistance.

Upto the 30th June, 1970, the net financial assistance sanctioned to 91 industrial co-operatives aggregated Rs. 68.21 crores, which constituted about 31% of the total rupee loan assistance of Rs. 216.35 crores. These figures are eloquent proof of the significant part played by this Corporation in fostering the development of rural areas and the dispersal of industries. The impact of this assistance to industrial co-operatives on the economy as a whole can be judged from the fact that for implementing these projects in the co-operative sector, financial resources of the order of Rs. 145.17 crores have been mobilised, the Corporation's contribution being 47%. The extent to which savings in the agricultural sector have been mobilised

for productive purposes is evident from the fact that in respect of the co-operative sugar factories, the producer members had contributed about Rs. 22 crores as share capital, the contribution from others, viz., non-producer members, co-operative institutions and the rest, amounted to Rs. 4 crores and assistance from the State Governments, by way of share capital, totalled Rs. 15 crores. In addition, over Rs. 1 crore had been collected by the co-operative sugar factories, which have gone into production, by way of non-refundable deposits out of the price of sugarcane payable to the growers.

18. It has been accepted as an objective of national policy to encourage new entrepreneurs in the industrial field. The recent changes in the industrial licensing policy of the Government are also calculated to achieve the same objective. The Corporation has been encouraging new entrepreneurs by according special consideration to applications received from them. Besides, the Corporation has also been extending the necessary guidance to the new entrepreneurs and technologists so that the projects sponsored by them become technically and economically viable, thereby qualifying for assistance from the public financial institutions.

Assistance to Public Sector Projects

19. I wish to refer to another significant development in the coverage of industrial concerns eligible for financial assistance from the Corporation. In the past, the Corporation's policy had been to assist mainly projects in the private sector as was intended at the time of the setting-up of the Corporation in 1948. This policy has since undergone a change. The Central Government have decided that public financial institutions should be authorised to consider applications for financial assistance for projects in the public sector on the same terms as industrial projects in the private sector. The Corporation accordingly announced in August, 1970, its decision to entertain applications for financial assistance from public sector undertakings (irrespective of the extent of Government's shareholdings in them) on the same basis as applications from concerns in the private sector. Industrial projects in the public sector, which are incorporated as public limited companies are, therefore, now eligible for financial assistance from the Corporation for expansion, modernisation or for the setting up of new projects. The Corporation has also moved the Central Government for amendment of the IFC Act for authorising the Corporation to give financial assistance to private limited companies also, so that public sector projects which are incorporated a

private limited companies under the Companies Act may also be eligible for financial assistance from the Corporation.

Conversion of loans into equity

20. The right of development banks to convert, at their option, a part of the loan into equity capital of the assisted concern has recently attracted a good deal of public attention. It has been argued that the term-lending institutions want to have their cake and eat it too, that as lenders they should not expect additional rewards. As there is a lot of misconception in the public mind on this subject, a brief explanation of the philosophy and the rationale of the practice of convertibility of loans into equity by development banks may not be out of place.

It is customary with development banks in most of the industrialised countries to make long-term loans with equity features such as convertible loans or such other features as stock options, profit participation or the right to contingent interest payments. The object of conversion is not to interfere in the management of clients' business, or to hold shares so acquired as investments. The objective of the conversion of the loan into equity is to participate in the prosperity of a successful project and this is achieved by timing the exercise of the conversion right in such a way as to enable the shares to be sold at a premium at the earliest appropriate time. This process enables such profit to be made without placing additional burden on the project; while during the period of its construction and getting into profitable operation, fixed interest which is moderate by commercial standards is charged on the loan. The profit made through conversion of loan into equity at a premium helps the development bank to strengthen its reserves, to cover occasional losses and to provide further funds for re-lending.

It may be relevant to mention that under Section 23 (1) (i) of the IFC Act, the Industrial Finance Corporation of India was vested as early as December, 1960 with the power of "granting loans or advances to, or subscribing to debentures of, an industrial concern, which may at the option of the Corporation be convertible into stock or shares of that concern within the period the loan, advance or debenture is repayable." The All-India term-lending institutions are currently charging an effective rate of interest of 8% on rupee loans which is low indeed compared with the rates which the commercial banks charge on short or medium-term advances. The cost of rupee funds to the IFC is a little over 6%. The spread between the cost of funds and the lending rate is quite small. The Corporation also pays

income-tax on its profits like any joint-stock company. It is, therefore, reasonable that the Corporation as a development bank should share in the prosperity of an industrial concern which has been the recipient of substantial assistance from it out of public funds. In the case of new ventures, long-term financial institutions today are financing upto 75% to 80% of the capital cost of the project in the form of long-term loans and underwriting of share capital, the contribution of promoters being not more than 20 to 25% of the capital cost of the project by way of equity participation. Public financial institutions are thus major financial partners in the projects which they finance and some right to share in the prosperity and the growth of the project cannot be considered as unreasonable.

In this connection, I would like to clarify that the right of conversion wherever exercised will be on terms and conditions negotiated or agreed upon in advance, having regard to the merits of each case. These would cover the amount of the loan to be converted, the period during which option for conversion may be exercised and the issue price at which loan would be converted into equity shares.

It may be added that the right of conversion will not apply to, past loans except that the financial institutions will have discretion to negotiate conversion in cases of default. As a matter of fact, the Corporation has in several recent cases already converted a portion of its overdues into equity as part of the rehabilitation schemes of certain projects which got into difficulties.

Defaults

21. As on the 30th June, 1970, interest in default amounted to Rs. 372.72 lakhs and the principal in default to Rs. 313.21 lakhs representing 2.43% and 2.04% respectively of the outstanding loans of Rs. 153.22 crores. While there has been a marginal increase in the number of concerns in default from 47 to 51, the increase in the amounts of principal and interest in default was higher on account of repeated defaults committed by a few concerns. However, the amount in default in respect of deferred instalments guaranteed by the Corporation declined from Rs. 527.42 lakhs as on the 30th June, 1969 to Rs. 293.84 lakhs as on the 30th June, 1970, as a result of a rehabilitation scheme in respect of a paper project in which the Corporation has a large financial stake. The largest number of defaulting concerns was in the textile industry where the number of concerns in default increased from 12 to 14 during the year. The working of the cotton textile concerns in general continued to be un-

satisfactory on account of a steep rise in the cost of raw materials and manufacturing costs, without a commensurate increase in the sales realisation. In some cases there were other difficulties also such as, shortage of working capital, inefficient management and labour trouble.

General Approach to Defaults

22. The Corporation's general approach in cases of default has been to find a constructive solution for bringing about an improvement in the working of the concerns by strengthening the existing management or by bringing about a change in management, where necessary, by financial reconstruction, by rescheduling of existing loans, by conversion of short-term liabilities into long-term obligations, or in suitable cases, by conversion of a part of the overdues into equity capital with a view to reducing the burden of interest and repayment of the loan. In the interest of maintaining employment, the Corporation's policy is to avoid any step which may have the effect of closing down a running unit. However, in the case of a few factories which had already closed due to inefficient management, financial difficulties, or as a result of legal action for winding-up initiated by unsecured creditors, the Corporation has been obliged to take legal action for the realisation of its dues.

The Corporation had initiated legal action against two of the defaulting paper projects. In one case, the project could not be completed due to financial and other difficulties and, in another case, the project was lying closed due to uneconomic working. In both the cases, the Corporation has taken steps for their rehabilitation. In case of one project which was causing considerable concern to the Corporation, in view of its large financial stake, the rehabilitation proposal has been finalised with the cooperation of the State Governments of Bihar and Assam. The project would be operated as a joint venture of the two State Governments. In the other case, negotiations for rehabilitation of the project under a new management have been approved by the Corporation in consultation with the Government of Bihar. In another case, proposals for financial reconstruction of the company have been finalised in consultation with the financial institutions involved in the project and with the cooperation of the State Government concerned which has also financial interest in the company. It is expected that with the implementation of the rehabilitation schemes in the case of these three projects and some other defaulting concerns, the outstanding defaults will

be substantially reduced in the course of this year.

Bond Issue

23. To maintain a steady pace of lending operations, a constant inflow of funds is required. The main sources of funds of the Corporation, other than its own capital, retained earnings, repayment of loans and sale of investments, are borrowings from the market by issue of bonds, loans from the Central Government and foreign credits. With a view to meet the existing and future commitments on rupee loans, as also with a view to reduce its dependence on borrowings from the Central Government, the Corporation has decided to go to the market again this year with a bond issue of Rs. 4.50 crores. The details of the issue will be announced shortly. I trust that, as on previous occasions, the shareholders of the Corporation as well as other investors will lend us their maximum support, and help make the issue a success.

Revised Instructions on Questions of Policy

24. In exercise of the powers conferred by the IFC Act, the IDBI issued to the Corporation at the end of July, 1970, revised instructions on questions of policy in supersession of the earlier instructions, which had been issued by the Central Government from time to time and later adopted by the IDBI in October, 1964. The revised instructions are, *inter alia*, aimed at achieving greater operational flexibility and are in keeping with current concepts and practices followed by development banks.

Recommendations of the Parliamentary Committee on Public Undertakings

25. At the last Annual General Meeting of the Corporation, it was mentioned that the Parliamentary Committee on Public Undertakings (1968-69) — Fourth Lok Sabha — had examined the working of the Corporation upto the year ended the 30th June, 1968 and its report was presented to the Lok Sabha on the 29th April, 1969. One of the important recommendations of the Committee was that a stage had reached where the IFC and the IDBI should be merged. The Industrial Licensing Policy Inquiry Committee had also recommended that the IFC should either be merged with the IDBI or its operations should be confined to projects of a certain size and those of IDBI to projects above that size. These recommendations were of great importance to the future of the Corporation. After careful consideration of the recommendations of the Committee on Public Undertakings as well as the recommendations of the Industrial Licensing

Policy Inquiry Committee, the Central Government have come to the conclusion that the two institutions, viz. the Industrial Finance Corporation of India and the Industrial Development Bank of India need not be merged at this stage.

Additional Offices of the Corporation

26. In view of the increase in the number of projects financed by the Corporation and for exercising more effective supervision and follow-up of its existing and future investments as also for rendering guidance and technical assistance particularly to new entrepreneurs, the Board of Directors of the Corporation has decided to open new Branches and sub-offices of the Corporation, particularly in under-developed states. Proposals in this behalf have been sent to the Industrial Development Bank of India for approval.

Streamlining of Procedures

27. Over the last several years, the Corporation has been streamlining its procedures with a view to reducing delays both in the sanction and disbursement of loans. We have now standardised and introduced printed loan agreement for different types of facilities as also for various deeds of security. We have introduced a printed mortgage deed for long-term loans. Introduction of standard printed forms of loan agreements and documents of security has brought about a striking improvement in the matter of reducing delays in legal documentation in the Corporation. We have also recently introduced standard questionnaires in simplified forms for financial assistance from the Corporation for industrial projects in various fields, such as sugar, textiles, jute, heavy industrial projects, light industrial projects, foreign currency loans etc. All these innovations have been greatly appreciated by our clients. Efforts are being continuously made for further streamlining of procedures and for improving the efficiency and productivity of staff with a view to render prompt and efficient service to our constituents. In this connection, I acknowledge with gratitude the constructive suggestions which the various Chambers of Commerce have made to us in the course of our discussions with them for improving our procedures and our service to our assisted concerns. In order to disseminate information about our requirements and procedures, we have recently brought out a series of brochures containing guidelines for applicants for financial assistance from the Corporation.

Some Reflections

28. Corporation has now accumulated 22 years of experience in develop-

ment banking. As a result of experience gained in the financing of over 500 industrial enterprises, the Corporation has had firsthand opportunity of appraising many of the problems involved in establishing new projects and expansion of existing undertakings. I may pause to make a few observations based on our experience about the problems involved in the financing of industrial projects.

It has been the experience of the Corporation that the importance of adequate management for any industrial undertaking is frequently not fully realised. It has been observed that failure of management is one of the important and frequent causes of the failure of the project. Success in modern industry calls not only for complicate technical skills, efficient plant and equipment and up-to-date technology, but also executive management capable of dealing with complex problems of financial planning and control, marketing, taxation, labour, public relations, sound organisational structure and adequate supervision and training of personnel. In modern business, financial management has become as important as technical management. The lack of sound financial management is reflected in the building up of fixed assets out of short-term liabilities and frequently at the cost of working capital. Internal cash flows are utilised on capital expenditure at the cost of sound liquidity. The importance of a sound capital structure both for new enterprises and for expansion is under-estimated. Frequently a balanced and sound capital structure is sacrificed for an undue proportion of debt in order to improve future value of the equity. Optimism of the promoters in estimating the total financial requirements of a project is common. Overruns in capital costs are a frequent phenomenon; under inflationary conditions, overruns tend to increase. Another common error is the failure to provide for sufficient permanent working capital and for initial cash losses which usually occur before the project starts generating funds. Completion of projects is rarely achieved on schedule, resulting in overruns. Obligations with short-maturities become due before the project starts generating cash to meet such obligations and the period of such obligations is too short to be serviced out of the profits of the concern. Credits extended by suppliers of equipment often fall in this category. These observations emphasise the need for effective executive and financial management in addition to sound technical management or the success of an industrial project.

The Future

29. The Annual General Meeting of

the Corporation is an appropriate occasion for taking stock of our achievements and our short-comings — for appraising past accomplishments and for measuring the tasks that lie ahead.

Consistent with the national objective of encouraging new entrepreneurship in the industrial field, the Corporation has to expand its advisory services both technical and financial for giving necessary guidance and assistance to new entrepreneurs who lack industrial experience. Such assistance is necessary not only at the stage of project formulation but also during its execution and operation. Partly with this objective in view, we have decided to post technical officers at our Branches also. It is also our intention to organise an Advisory Services Department at the Head Office of the Corporation for organising and co-ordinating the advisory services. The proposal for opening of additional offices of the Corporation, particularly in comparatively less industrially developed States, is also designed partly to achieve this objective. The Corporation's officers are already being associa-



Shri A. P. Jain

Ladies and Gentlemen,

It gives me great pleasure in welcoming you to the 21st Annual General Meeting of your Company.

The Report of the Directors and the Audited Statement of Accounts for the year ended 31-3-1970 have already been in your hands for some time now and with your permission I shall take them as read.

As you may have noticed, the Annual Accounts for the year under review reveal a progressive and promising position. I am sure that you would be happy at the working results.

The Chairman in his speech of the last

ted with the surveys by the IDBI of the industrial potential of the less-developed regions. The financing of industrial projects in the public sector will place additional responsibilities on the Corporation. For achieving the above objectives, it will be necessary to suitably strengthen the organisation. This matter is already engaging my attention.

Staff

30. The Board appointed Shri Baldev Pasricha, Secretary, as the General Manager of the Corporation, with effect from the 29th May 1970. Shri L. Sitarman, Comptroller, was designated Secretary, with effect from the 29th May 1970, and Shri S.N. Pai, Manager, was appointed Comptroller, with effect from the 25th July, 1970.

Acknowledgement

31. Our appreciation and thanks are due to Kreditanstalt Fur Wiederaufbau of the Federal Republic of Germany with whom our relations have continued to be cordial. We are also grateful to

the United States of America Agency for International Development and to the Banque Francaise du Commerce Extérieur of France for the consideration they have shown us.

32. I would like to express, on behalf of the Board, our thanks to the members of the Advisory Committees who have given freely of their expert knowledge and experience to the Corporation and to the non-official nominees on the Boards of Directors of assisted concerns, for looking after the interests of the Corporation. I would also like to express, on behalf of the Board, our appreciation of the devoted work of the General Manager, other officers and the entire staff of the Corporation, who have put in another year of loyal and devoted service. I am also happy to say that the relations between the staff and the management continued to be cordial during the year.

33. Friends, I thank you for your presence at this Annual General Meeting, and hope that the Corporation can continue to rely on your co-operation and goodwill in fulfilling its tasks.

BAGALKOT CEMENT COMPANY LIMITED

In the absence of Shri A. P. Jain the statement was read by Shri J. P. Saxena, Managing Director and Chairman of the meeting at the 21st Annual General Meeting of the company held on 29.9.1970.

Annual General Meeting discussed in detail about the Government of India's announcement in Parliament to decontrol cement and abolition of freight pooling from January 1, 1970 in the interest of balanced growth of the industry and easy availability of cement to the consumers throughout the country, especially in the light of experience gained during the two years of the decontrol 1966 and 1967. It is regretted that as a result of various pulls and pressures the Government had reversed their decision and continued control on cement and freight pooling beyond 31st December 1969. This reversal of decision is unwarranted more so taking into consideration the facts that continued control on the cement industry for a period

of two decades had only resulted in regional imbalances in the growth of production capacity resulting in ever-increasing burden of freight on the consumers besides artificial scarcity despite availability. It would be worthwhile to mention here that in so far as your Company is concerned, freight pooling results in reduction in profits by about Rs 12 lakhs per year.

Another important change as a result of the Government's revision in their policy towards cement industry is that the industry has again been brought under the licensing provisions of Industries (Development & Regulation) Act 1951 with effect from 19th February 1970 and as a consequence thereof all

expansions and setting up of new units will now require approval and/or industrial licences from the Government of India.

During the brief period of about 4 years when the cement industry was delicensed, substantial expansion in its production capacity has been achieved and the installed capacity of 115.3 lakh tonnes at the end of 1965-66 has steadily risen to 154.57 lakh tonnes by March 1970. While a number of new units have been set up, expansion of existing ones has been carried out and consequently supply position has eased considerably. Progress on many new schemes of expansion and/or setting up of new units has almost come to a halt for want of approval and/or industrial licence from the Government of India which has not accorded approval or granted industrial licence even in single case during the period of past 6 months during which the cement industry has once again been under the ambit of industrial licensing requirements. This is not a very happy position. Cement is a basic and capital intensive industry and any lack of buoyancy in its production is bound to create bottlenecks, jeopardising the entire development programmes. It is therefore necessary that all schemes of expansion or setting up of new units whereof effective steps have already been taken by the entrepreneurs prior to announcement of relicensing provisions of cement industry are cleared by the Government of India without further delay with a view to avoid delay in creation of additional capacity essentially needed to take care of increasing demand of cement in the coming years. So far your Company is concerned, necessary steps have already been taken to complete the expansion already in hand before the end of current financial year subject to our getting the industrial licence for which an application has already been submitted to the Government on 12th March 1970. Necessary plant and machinery for expansion has already been procured and civil work on foundations and buildings at the factory site has made considerable progress. It is expected that in view of the effective steps that has already been taken prior to the announcement of relicensing, the Government would

accord permission to complete the expansion as scheduled.

It has already been brought to your notice that the production of cement including blast furnace slag cement, which is expected to be 4.3 lakh tonnes per year after completion of the present expansion, would further increase to about 5 lakh tonnes after the Company's scheme to convert the present Wet Process kilns to Dry Process kilns has later been implemented.

You had at the last Annual General Meeting approved setting up of Vanaspati Plants. The Government of India has again brought this industry under the licensing provisions of the Industries (Development & Regulation) Act, 1951 from 19th February 1970. As such necessary applications for industrial licences have been submitted to the Government and the same are receiving their consideration. As the Company had already taken effective steps to implement these projects before this notification, we hope the industrial licence will be received soon. Steps have also been

taken to study other profitable lines of business including possibility of setting up some joint ventures in foreign countries. You will be approached at appropriate time for your considering and approving a suitable scheme.

I would now like to conclude by expressing my warm appreciation of the sincere and devoted work put in by all the employees of your Company during the year under report. I would also express my gratefulness to the State Governments of Mysore and Maharashtra for their continuing support and help. My grateful thanks are also due to all the Shareholders who have been kind enough to spare their valuable time to participate in this meeting.

N.B. 1. This does not purport to be a report of the proceedings of the Annual General Meeting.

2. In the absence of Shri A.P. Jain, the statement was read by Shri J.P. Saxena, Managing Director and Chairman of the Meeting.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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BOOKS BRIEFLY

A Policy for Development

- Economic Progress and Policy in Developing Countries:** Angus Maddison; George Allen & Unwin Ltd. (1970); Pp. 313; Price £3.50.
- External Debt of India:** Prof. Chandra Dalaya; Vora & Co., Publishers Pvt. Limited, Bombay (1970); Pp. 117; Price Rs 12.
- Rural Industrial Development:** J. D. Sundram; Vora & Co., Publishers Pvt. Ltd., Bombay (1970); Pp. 181; Price Rs 12.50.
- National Income in India — Concepts and Methods:** B.W. Chavan and Anita Chavan; Sindhu Publications Pvt. Ltd, Bombay, (1970); Pp. 88; Price Rs 12.50.
- A Course in Monetary Theory:** D. M. Mithani; Somaiya Publications Pvt. Ltd., Bombay, (1970); Pp. 686; Price Rs 20.
- Indian Economic Thought and Development:** Edited by Ashok V. Bhuleshkar; Popular Prakashan, Bombay; Pp 445; Price Rs 36.

Reviewed by PROF. S.S.M. Desai

It is always a pleasure to read Angus Maddison. He always brings to his study deep sympathy and understanding and writes with a style that is at once facile and attractive. This book, like his earlier studies, is no exception.

In *Economic Progress and Policy in Developing Countries*, Maddison has made an attempt to assess the successes and failures of economic policy in the developing world in the past two decades and quantify the performance of a twenty-two country sample covering three-quarters of the developing world and explain the reasons for post-war acceleration in growth and for the wide variation in growth rates.

Wave of Pessimism

The author shares the general belief that it is easy to be pessimistic about economic development of most of the developing countries. In the past twenty years, many a panacea has been tried and found inadequate. Land reform, community development, planning, creation of social overhead capital, technical assistance, development of human resources and education, and a take off engendered by foreign aid have all inspired confidence only to lead subsequently to some degree of disillusionment. Since 1960s there has been a new wave of pessimism in India which was regarded as a test case. Faith in planning has been shaken and IBRD reports showed the inefficiency of the control mechanism and government enterprises. In India the fourth five-year Plan was three years late in appearing and is still very tentative. The whole of Indian economy is undergoing agonising reappraisal and the political system is showing dangerous cracks.

In spite of all these pessimistic fore-

bodings, Maddison's view of the developing world is more hopeful. There is no doubt that these developing countries have moved decisively into a new era. Political independence has permitted experiment with a wide variety of growth policies. Aid has been fairly successful in countries where it was given in large quantities. If post-war performance is measured in the light of economic history, the acceleration of growth has been remarkable almost everywhere. Per capita income has risen about three times as fast as in the past and there is tangible evidence of change for the better in these countries. Improvements in health, nutrition and sanitation have lowered death rates everywhere. There has been a big improvement in education in these countries and it has contributed greatly to enrich the lives of people and their social mobility. According to the author there has been some genuine progress in development policy. The urgency and immensity of the problems have provoked a whole series of new models and ideas for policy which for all practical purposes did not exist two or three decades ago.

Potential Contribution

To assess the actual and potential contribution of policy to growth, the author has constructed a model and applied it to his sample of twenty-two developing countries. This puts the performance of all countries within the same frame of reference and brings out clearly some of the major characteristics of post-war growth in these countries. His model suggests that between 1950 and 1968 the average growth rate of twenty-two countries was 5.6 per cent a year which was better than the United Nations' target

of five per cent for the Development Decade. The model also suggests that on an average, two per cent of this can reasonably be attributed to improvements in domestic policy, one per cent to foreign aid and the rest to spontaneous growth forces of the type which operated in pre-war years. However, the role of spontaneous growth, foreign aid, and domestic policy have varied enormously from country to country and growth rates have varied from three per cent in Argentina to 10 per cent in Israel.

Maddison is of the belief that there are three ways in which domestic policy can contribute to accelerate the growth of income—by increased resource mobilisation, increased efficiency and population control.

Resource Mobilisation

The effort of resource mobilisation, though already vast, has still some scope in most of the countries, particularly in the longer run. But the most promising prospects for higher growth for the developing countries lie in more efficient resource allocation. If the efforts of resource mobilisation are to bear proper fruits, there must be better management of the general level of demand with more attention to the dangers of inflation, better allocation of scarce capital resources, better provision for diffusing new inputs and technology to farmers, more regard to comparative advantage in the choice of industries for development, and more attention to export promotion.

Increased efficiency will also require more careful planning. There will be needed more topical statistics, closer scrutiny of costs, better choice of technology, more attention to economic value of research and education, better management of public enterprises and closer link between the public and private sectors, both in planning and implementation. Efficiency policy also requires a bigger effort to deal with payments problems. Developing countries are hampered because half of their exports consist of food and raw materials for which demand is expanding slowly and of which prices are weak. But some payments difficulties are self-inflicted. Inflation, over-valued exchange rates and highly protected home markets have all discouraged exporters. In several countries there have been disincentives due to government price controls, tax system and other bureaucratic impediments. For example, this is true of Brazil, Argentina and India.

Almost all governments have given heavy emphasis on industrialisation, and there was often criticism that money had been wasted on costly ventures which are symbols of modernisation.

whilst agriculture was neglected. But the author justifies the basic strategy of concentrating on industries. The real problem with industry is not that it received too high a priority over agriculture, but that in practically all countries there has been substantial misallocation of resources within industry. The author is of the opinion that protectionist weapons have been too crude and have given too much emphasis on import substitution. Most countries need to reduce and rationalise their protective barriers so that domestic industry is gradually subjected to more competition. Export promotion needs much greater emphasis. But the author is candid enough to admit that some of the past errors in resource allocation in developing countries have been due to policies of the developed countries such as protection in USA. He therefore feels that in such a situation, action by developed countries to remove trade barriers would certainly be more useful than increased aid.

The author also feels that there are serious shortcomings in present foreign aid doctrine and practices, as the present criteria for allocating aid funds are not satisfactory either in identifying countries which should be helped or in demonstrating when aid should be ended. He wants that the primary purpose of aids should be to help poor countries to get richer. Potential aid should therefore be defined in terms which are objectively measurable and poor countries be helped until they cross the poverty line. This would involve a commitment to aid for an indefinite period of time as it will take several decades to raise all developing countries above the poverty line. Foreign aid on *ad hoc* basis will not be of much help in solving the problem of poverty of these countries.

There is excellent discussion of all this and many more relevant topics. The book contains a detailed consideration of agricultural and industrial efficiency in developing countries, of fiscal policy, protectionism, the use of price mechanism and direct controls and also an examination of different types of inflation and instability which have been consistently plaguing developing countries. Compactness of style and lucidity of exposition characterise the book from the first page to the last. And therefore, like all other books by Angus Maddison, this book is a must for the students of growth economics.

FOREIGN AID AND DEBT

Prof. Chandra Dalaya, in his *External Debt of India* is of the firm opinion that without foreign aid long-term development is not possible for a country

like India. In spite of all problems and difficulties arising out of foreign aid, external debt has played an active role and helped many developing countries. The large investment in the industrial sector in India, the inflow of technical skill and the establishment of various educational and organisational projects would have been impossible without the availability of foreign assistance. With all the criticism that can be levelled against foreign assistance, it will continue to play an important role in the process of development of backward countries. However desirable the objective of self-reliance, under the existing conditions in countries like India, it cannot be realised in the near future.

Increase in Public Capital

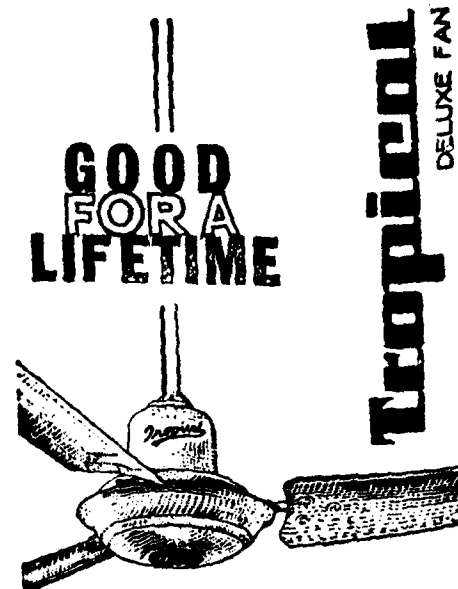
With the adoption of economic planning, the trend towards import of public capital has increased rapidly, more so since 1956 as a result of the adoption of the policy of rapid industrialisation of the country. The author has analysed the different problems that arise because of the existence of large external public debt. The author has made an attempt to analyse the impact of foreign public capital on the process of industrial development, on exports and imports, and on balance of payments and service charges. The author feels that the problems of external debt are difficult at the present because India is at a stage where she cannot be self-reliant and cannot give up external aid because of the need for maintaining the internal development of the economy. The author feels that without external assistance, internal development problems will be more difficult. The author pleads that emotional prejudices against external borrowing have to be put aside and the role of this capital in the internal economy must be appreciated. The author also pleads that the creditor countries should take an enlightened attitude in this respect and help developing countries to solve the problem of servicing charges which are eating away a substantial portion of export earnings. They should adopt a rational policy of rescheduling of payment of debt and service charges to help developing countries.

This has been a sort of rambling essay dealing with various aspects of external public debt of India and at the same time and no one particular aspect in detail anywhere. The reading therefore creates only a sort of vague picture about the problem in the minds of readers. And what is more important, the analysis is not critical enough of the gaps in the policy and practices of foreign aid as adopted during the last 20 years or more.

Some of these gaps are well-known.

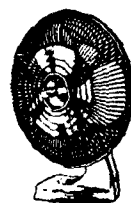
The fact that good deal of foreign aid has been given in the form of surplus food has definitely weakened incentives to increase farm output in developing countries including India. Also, the earlier refusal of aid-givers to help programmes of birth control and family planning have retarded action in this sphere. Aid donors have tended to prefer large-scale capital projects some of which particularly in the field of irrigation have had a low rate of return. The donor countries were reluctant to help current developmental expenditure on education and to provide general purposes funds for imports to keep the capital stock working. They have not been particularly helpful in providing aid to strengthen export capacity or regional co-operation. Technical assistance for atomic energy has tended to encourage diversion of indigenous scientific resources away from more useful and profitable lines of research. And uncertainty about the size and duration of foreign public aid have contributed to the problem of instability and payments disequilibrium.

In the post-war period developing countries have received about \$ 80 billion in official aid. But the aid is now so hamstrung with restrictionist clauses that it tends to foster a philosophy of autarchy. There is need for



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greater precision about the content of foreign aid. In view of the difficulties experienced by debtor countries in repayment of loans and the trend in reducing aid, possibilities of debt cancellation programme may have to be explored to help the debtor countries including India. And above all the most serious deficiency is that foreign aid is conceived as a temporary device and its supposed objectives are only obliquely related to abolition of poverty.

That foreign aid is necessary to accelerate economic growth of backward countries has become almost axiomatic these days. But that foreign aid policy and practices need streamlining in various ways as pointed out above in the light of experience in this field is also equally true. Dealing with the above aspects in depth would have given a more comprehensive picture of the role of foreign aid in developing countries such as India than what the present book gives.

RURAL-INDUSTRIAL DEVELOPMENT

The problems posed by massive annual additions to our population and the staggering net addition to the backlog of unemployment continue to plague the Indian economy now as much as when the first five-year Plan was initiated in 1951. The cry therefore goes up for more rapid economic development of the country through industrialisation to solve, among other things, the problem of unemployment. Against this background, the case for decentralised rural economy may appear either inappropriate or at best idealistic. In this context Dr Sundram has critically examined the concept of decentralised economy and its role in Indian economic development in his book, *Rural Industrial Development*.

According to the author, the problem of unemployment in India, apart from its massiveness, is complex due to a variety of socio-cultural factors. Whether it is the urban or the rural aspect that is studied, one has to take into account the subtle shades of these factors which are often concealed and therefore neglected.

It is of utmost importance to understand the basic factors that have contributed to the failure of most development efforts, especially in rural areas, over the last two decades. It is important to recognise the importance of catering to the needs of the younger sections of the population in rural areas. There is the need for creating a whole set of new conditions in which it may be possible to work for a classless or at

least casteless society through the training and equipping of a whole new generation of young people with skills that have alternative uses and adaptability and for which there will always be an independent and growing market in the newer and better India.

In this context the author has subjected to criticism the work done by the Khadi and Village Industries Commission to solve the problem of rural unemployment. According to Dr Sundram, the work done by the Commission served no more than as 'relief' industries. The various development programmes, in spite of many efforts at being 'modern', did not address themselves to the most vital sections of the people, namely the younger generation whose expectations are rising because of the spread of education and increasing contact with urban areas due to improved means of communication such as state transport and radio. The training programmes did not promise these people the acquisition of a skill that was capable of finding an independent market outside the area of operation. The tools and appliances such as Ambar Charka that were made and distributed among the population, though better than the ones that were in traditional use in the area, did not promise an economic return that was attractive enough for the people. Nor were the activities in themselves such as to enthuse the people through the prospect of a fundamental change in the socio-economic set-up of the rural areas. The response to the various

attempts to develop various small-scale industries in rural areas has therefore always been half-hearted from the younger and promising sections of the rural masses. They mostly became a sort of relief work and lacked the vitality to reconstruct rural society. The author has been rightly critical of the various policies which are being adopted to rebuild rural society with the aid of antiquated technology and with programmes which do not inspire the rising younger generations in rural areas.

Rural Reconstruction

There is certainly truth in what Dr Sundram says. Because of doctrinaire approach and uncritical acceptance of the Gandhian philosophy and teachings, measures have been taken all these years which, inspite of the possible noble sentiments behind them, have resulted not only in not solving the problem of rural reconstruction but actually worsening it. The situation that is developing requires a dynamic approach that is in consonance with the changing needs and aspirations of the rural people.

This is all that Dr Sundram wants to say and the whole thing could have been expressed in an essay of less than 20 pages instead of more than 180 pages which he has taken for the purpose. The inevitable consequence is tiresome repetition. The writing is often pointless and the reader is left wondering what the author is driving at. The reader fruitlessly wades through

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pages after pages which contain analysis of the obvious and not a single new idea. No wonder the reader will find the book not much rewarding though the basic idea round which the author has built his thesis is a sound one.

NATIONAL INCOME AND GROWTH

There is no better index of the rate of economic growth than national income. In planned as well as unplanned economies, concepts such as national income and its various components such as consumption, investment and saving provide the basic framework for formulating economic policies and programmes of economic development. The study of national income, its components and the methods of their measurement has therefore become an essential part of economic study at the present.

An attempt is made in *National Income in India — Concepts and Methods* to explain the concepts of national income, allied aggregates and their inter-relationships and limitations of the various methods of measuring them.

National income is a measure of the net value of goods and services produced by a nation within a specified period. This is available either for consumption or for additions to wealth. The three distinct approaches to measure national income must give the same figure, because the same quantity is measured at three different stages of economic activity, viz. production, distribution and consumption.

The authors have briefly but lucidly explained related aggregates such as gross national product at market prices, gross domestic product at factor cost, net national income, personal income, personal disposable income, national income at constant prices and national income at current prices. After defining these various aggregates, the authors have explained the various limitations of national estimates.

In the light of the above definitions, the authors have explained the methods adopted in measuring income from various sources such as from working force, from agriculture, animal husbandry, forestry, fisheries, small-scale industries, construction, road transport, banking and insurance, from other services and income from abroad.

In the same way the book explains the concept of state income which is "either the income originating within the boundaries of a state or as income accruing to its residents."

The state income estimates as a single

economic indicator express the progress made by the state in overall economic development. As a measure of regional imbalances, this single indicator, in spite of its many conceptual and statistical deficiencies, is the only common denomination which can show not only the relative imbalances among states, but can also indicate the areas in which remedial measures need to be taken to correct these imbalances. Availability of such reliable state income statistics may also facilitate the distribution of central taxes and other grants among different states. As a fact such state income estimates will help the framing of national plans, one of the aims of which is balanced regional development. Realising the value of this, state statistical bureaus have been set up in most of the states in India to measure state incomes and keep the figures up-to-date.

Some of the tables in the book which summarise the position in some of these fields are very educative. Thus Table No. 1 which summarises the past estimates of national income of India from Dada-bhai Naoroji to National Income Committee indicated, with all their methodological differences and other deficiencies, the longrun trends in national per capita income in India. The appendix giving various tables indicating movements of national income and state income from 1960-61 to 1967-68 is extremely educative and useful.

The reports of the National Income Committee and subsequent publications of the National Income Unit of the Central Statistical Organisation are not a suitable introduction for the general readers and beginners in economics because of their highly technical treatment of the subject. The general reader is interested in having at a glance the whole panorama in as short a compass as possible. This book, without sacrificing any of the essentials, very satisfactorily meets this need.

Considering the increasing significance of the estimates of national and state incomes, this book deserves to be read by students taking courses in economics, politics, sociology and other social science as also by administrators who must have some idea of this subject of growing importance.

MONETARY THEORY

Though there is no dearth of excellent books on the subject of monetary economics, it is the opinion of the author *A Course in Monetary Theory* that most of them fail to fully meet the needs of students of Indian universities and other general readers. Also new ideas and new institutions have been emerging with far reaching impact on some of the

postulates of the traditional monetary theory. This necessitates keeping the students abreast of the prevalent trends in monetary theory and practices. The author claims that his intention is to meet this need and it can be said that claim appears fully justified.

The author begins by analysing the technical and dynamic functions of money, the role of money in capitalist and socialist economies and the classical and the modern approaches to money. This has been done with great clarity and serves as good background for further analysis.

Chapter on supply and demand for money is excellent. The author has systematically analysed the meaning of supply of money and the various factors that influence the supply of money, namely currency, demand deposits and creation of money by commercial banks, central bank and the state. On the demand side of money, he has analysed the classical view (i.e. demand for money as medium of exchange) and the modern view (i.e. demand for money to hold for transactions, precautionary and speculative motives).

Value of Money

What determines the value of money, i.e. the price level? The traditional quantity theory of money is subjected to a detailed criticism to show that it does not contain the ultimate determinants of the price level. This leads the author to analyse the income and expenditure approach which more satisfactorily explains changes in the price level. Inevitably this brings us to a detailed and excellent analysis of all the aspects of inflation and deflation. Can inflation be used as an instrument of economic development? Can the redistributive effect of inflation in favour of the richer sections of the society with higher propensity to save and therefore invest bring more rapid economic development as Keynes said it would? Or would inflation reduce absolutely and relatively the saving capacity of the society, adversely affecting the rate and quantum of investment as stated by Milton Friedman? This controversy has been well examined in the book. The general reader gets here all that he needs to know about inflation and deflation.

Are central banks universally necessary is a new topic which is generally not discussed in other books. The author has shown why Friedman and Mynts, viewing that central banks in recent years have come more and more under the control of the executive namely the treasury, opine that the need for its separate existence has disappeared. Both the sides are well presented in the

book and especially the role of a central bank in a developing country. Limitations of all the quantitative and selective credit control measures in developing countries have been well brought out. Chapter on the liquidity theory of money is generally not found in other books and is therefore extremely welcome. It shows how, if inflation is to be checked, the entire liquidity position of society (i.e. money, and other liquid assets) must be controlled either directly or through manipulating the interest rate structure as suggested by Radcliffe — Sayers and the Gurley-Shaw theses. The part ends with detailed analysis of the various objectives of monetary policy such as neutral money, exchange stability, price stability, control of business cycles, full employment and economic growth.

Part II of the book contains a detailed and critical exposition of the Keynesian economics. The chapter on the general theory of Keynes and underdeveloped countries deserves special notice as it shows the limitation of that theory for backward countries where people out of their enthusiasm are likely to place too much faith in monetary policy as an instrument of economic development.

Part III of the book contains the various theories of trade cycles such as monetary and non-monetary theories. The book ends with a chapter on measures of economic stabilisation.

There are certain topics such as commercial banking which have not been adequately dealt and there has been certain amount of repetition which could have been avoided. Also, if the analysis were supplemented by referring to Indian monetary institutions and policies, it would have been better understood and the utility of the book for Indian students would have been much enhanced. And yet, in spite of these gaps and deficiencies, this book on monetary theory is one of the best written on the subject and gives to the readers a fairly comprehensive and satisfactory picture of this rapidly developing field in economics.

ECONOMIC THOUGHT AND DEVELOPMENT

Indian Economic Thought and Development was planned in 1964 shortly after the death of Jawaharlal Nehru in honour of the great man who can be said to be the maker of modern India. We are at this distance of time in a better position to take a critical review of some of the policies initiated and followed during 1950s and 1960s covered in this book.

Part I entitled 'Indian Economic Thought' contains three articles on

ideas and ideology of Jawaharlal Nehru. Asoka Mehta has pointed out how Nehru was the principal force behind the fusion between the idea of political independence and that of social justice to be realised and made secure through comprehensive economic planning. M.L. Dantwala has explained how Nehru's image of socialism was anything but doctrinaire so much so that he was often chided by petty critics for the vagueness of his ideas. S.J. Dhavamony has examined the thesis whether Nehru believed or cared for anything beyond material welfare in national and international affairs and whether he was indifferent, if not averse, to values whether personal or religious. The author has concluded that Nehru did believe in religious and personal values as the ultimate objective of his socialism.

Individual Co-Operative Farming

Part II contains articles on 'Agriculture and Economic Development'. Otto Schiller has drawn attention to the significant fact that in the programme of co-operative farming as planned until now, little attention has been given to the fact that co-operative methods in farming operations can also be adopted even if individual use of land is maintained. In the Federal Republic of Germany and in other countries of western Europe interesting new forms of inter-farm co-operation have appeared. The author suggests that considering the intense attachment of the Indian farmer to his land, this new method of 'individual' farming on co-operative lines may have better chances of success.

Vera Ansely writing about agricultural reconstruction in India has made some very useful recommendations. She maintains that the present slow progress of rural reconstruction in India justifies a fresh approach. The main trouble according to her is that 'too much has been attempted too quickly'. There should be more research and pioneer projects before large-scale movements are launched. Priority should be given to agricultural education and training. She believes that no firm basis has been established for the choice of policies.

Part III deals with the problems of 'Industry and Economic Development'. I.M.D. Little's article on public sector project selection is worth careful study. He is of the opinion that at the present, all sorts of criteria namely profitability, import content, apparent direct import saving, employment, etc. are given an airing. But according to him, in a properly conceived criterion, all valid considerations should be given due weight and should apply to every project

equally, for without such a criterion, bias and prejudice are inevitable.

Wilfred Malenbaum has made an attempt to compare Indian economic growth with that of China against overall world development. The conclusion is inescapable that in spite of a better start enjoyed by India, China has made significantly greater economic progress during the 15 years after independence. K.K. Kurihara and A.V. Bhuleshkar have pleaded that in a mixed economy like that of India, if public investment is not to compete with private investment for limited investible resources, the state ought to gear its investment activity to the production of social and economic overheads.

Part IV contains articles on Monetary Policy and Economic Development. A.G. Chandavarkar has pleaded that so long as planning in India operates in the context of a mixed economy, there will always be a place for an effective monetary policy as an instrument for regulating the liquidity of the private sector.

In Part V which deals with some general problems, S.K. Belsare has presented with rare clarity and comprehensiveness the international liquidity problem, especially with reference to developing countries. By international liquidity is meant all those financial resources and facilities available to the monetary authority of a country to use in settling deficits in international payments. At the present, means of international payments, consist of monetary stock of gold with the central banks and IMF, dollar and sterling reserves, member countries 'drawing' limits with the IMF, the 'special drawing rights' and credit arrangements between countries.

Function of Liquidity

The basic function of international liquidity reserves is to act as buffer in respect of international payments. Unfortunately the distribution of these reserves is very unfavourable to developing countries. Thus in 1966, the industrial countries held 75.5 per cent of the reserves, other developed countries 8.7 per cent and the less developed areas of the world only 15.8 per cent. Since the process of development would initially mean more imports and less exports, the reserves are extremely inadequate to meet the situation faced by developing countries. The solution lies in developed countries coming to the rescue of developing countries by investing more of public and private capital in developing countries and importing more goods from them. The general reader gets in this essay all that he needs to know about

the complex problem of international liquidity.

This book is an excellent commemorative volume in honour of that great man, who more than any one else, made a bold attempt to lay the foundations of modern India. The reading of this book will give the necessary breadth and depth to the understanding of the general readers in India and abroad of Indian economic problems. The editor deserves compliment for this excellent compilation.

Books Received

The Antitrust Laws of the USA (A Study of Competition Enforced by Law): A. D. Neale, Cambridge University Press, Bentley House, 200 Euston Road, London; Pp 530; Price £ 1.40 net in UK.

Great Britain and the Colonies (1815-1865): Edited by A.G.L. Shaw; Methuen & Co Ltd., 11 New Fetter Lane, London; Pp 216; Price £ 1.60 in UK only.

Cost of Marketing Cotton: M.G. Pavaskar and V. Radhakrishnan; Published by V. Radhakrishnan, Dept. of Economics, University of Bombay, Bombay-22; Pp 55; Price Rs 6.

The Economics of the Common Market: D. Swann; Penguin Books Ltd, Harmondsworth, Middlesex, England; Pp 200, Price Canadian \$ 1.65.

Public Finance: Edited by R. W. Houghton; Penguin Books Ltd., Pp 471; Price Canadian \$ 2.50

Growth Economics: Edited by Amartya Sen; Penguin Books Ltd, Pp 549; Price Canadian \$ 2.50.

Delhi Capital City: Asok Mitra; Thomson Press (India) Ltd, Publication Division, New Delhi; Pp 129; Price Rs 18.00.

Conditions Necessary for Agricultural Growth: Dr. A. N. Rajamani; Lakshmi Narain Agarwal, Publishers, Hospital Road, Agra-3; Pp 97; Price Rs 15.

Productivity and Economic Planning: Published by the Development Centre of the Organisation for Economic

Cooperation and Development; Pp 324; Price \$ 5.50.

Planners' Paradise (Sotto Voce: Fourth Series): "Vighneswara" (N. Raghunathan); B. G. Paul and Co., 4 Francis Joseph Street, Madras-1; Pp 336; Price-Popular Edition—Inland Rs 6.00; Library edition—Inland Rs 7.50.

Labour Problems and Industrial Development in India (A Select collection of Speeches and Articles by the author) D. Sanjivayya; Oxford and IBH Publishing Co; Pp 283; Price Rs 32.00.

Seminar on Fertiliser Production and Technology 1969 Proceedings: Published by the Fertiliser Association of India, 85 Sundar Nagar, New Delhi-3; Pp 753.

Introduction to International Economics: D. M. Mithani; Vora and Co

Publishers Pvt Ltd; Pp 300; Price Rs 12.50

Indian Manager (Vol. No. 1-Jan-March 1970): Editor in Chief: M. V. Pylee; Published quarterly under the auspices of Foundation for Management Education, School of Management, Ernakulam, University Centre, Cochin-22; Pp 112; Annual Subscription Rs 35: Single copy Rs 10.

Employment Output and Wages of the Substitute Labour: Jitendra L. Dholakia; Asian Thought Centre, Maitri Sadan, Ahmedabad-1; Pp 47; Price Rs 3.00

World Constitutional Law and Practice (Major Constitutions and Government) S. R. Patel; Vikas Publications; Pp 495; Price Rs 37.50

The Himalaya Borderland: Ram Rahul; Vikas Publications; Pp 157; Price Rs 20.

GOVERNMENT OF INDIA

4½ per cent loan 1977 to be issued at Rs. 100.00 per cent and repayable at per on 15th of October 1977.

5½ per cent loan 2000 (reissue) to be issued at Rs. 100.00 per cent and repayable at per on 11th of April 2000.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 125 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) securities of the 3 per cent. First Development Loan 1970-75, which will be accepted for conversion at par. Government reserve the right to retain subscriptions up to ten per cent. in excess of the notified amount.

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

Interest at the rate of 3 per cent per annum on the securities of 3 per cent. First Development Loan 1970-75 tendered for conversion will be paid upto and inclusive of 14th October 1970 at the time of issue of the new securities.

The new loans will bear interest from the 15th October 1970. In respect of 5½ per cent Loan, 2000 (Reissue) interest for the period 15th of October 1970 to 10th of April 1971 inclusive will be paid on 11th April 1971 and thereafter payment of interest will be made half-yearly on the 11th of April and 11th of October. Interest on the 4½ per cent Loan, 1977 will be paid half yearly on the 15th April and 15th October and will be liable to tax under the Income-tax Act 1961. Under Section 80L of Income-tax Act, 1961, interest on Government securities along with income in the form of interest or dividends on other approved investments will be exempt from income tax subject to a limit of Rs. 3,000 per annum.

Subscription lists will open on the 15th of October 1970 and close on 17th of October 1971 or earlier without notice.

Applications for the new loans will be received at—

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

(b) branches of the subsidiary banks of the State Bank of India conducting Government treasury work except at the branch of the State Bank of Hyderabad, Gunfoundry Hyderabad and

(c) branches of the State Bank of India at other places in India.

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

RECORDS AND STATISTICS

Development of Technical Consultancy

INDIA HAS attained self-sufficiency in many advanced fields of technology. Indian engineers can now plan, design and build infrastructural facilities such as power, irrigation, roads, railways and telecommunications. Consultancy work can also be undertaken in other industrial fields such as iron and steel, aluminium, mechanical, chemical, mining, metallurgy, fertilizers, petro-chemicals, and in consumer industries like paper, sugar, cement, textiles, oils, food products, soaps and cosmetics, leather and hosiery. India also gained experience in planning, designing and establishing small-scale industries.

India is thus not only self-sufficient in many fields of technology but can also render assistance to developing countries in establishing infra-structural facilities and industries in specified sectors or economy.

These are some of the main conclusions of the reconstituted Committee on Technical Consultancy Services, headed by Mr R. Venkataraman, Member (Industry), Planning Commission, which submitted its report to the government recently. The committee, which was reconstituted in February 1970, consisted of representatives of Planning Commission, union Ministries of Industrial Development and Steel and Heavy Engineering, public sector projects and other interests.

Committee's Recommendations

For building up exports of consultancy and engineering services from India, the Committee has recommended (i) conducting of pro-investment surveys and preparation of pre-feasibility reports for securing consultancy contracts in foreign countries, (ii) advance knowledge and information of the national plans and the projects selected for execution; (iii) organisation of consortia of consultants for meeting the requirements of package deals for turn-key jobs; (iv) partnerships of Indian consultancy organisations with reputed organisations in other countries and/or acceptance of sub-contracts from international firms; (v) registration with the international organisations, (vi) credit facilities to developing countries short of foreign exchange or with inadequate financial and other resources; (vii)

financing of complete projects, involving turn-key jobs and payments for contracts over long periods; and (viii) creation of a foreign projects development fund for undertaking studies and establishing close contacts in foreign countries.

The 153-page report deals with nature and types of services of technical consultants, regulation of the profession, conditions of engagement and scales of fees, measures for the promotion of indigenous consultancy, requirements of consultancy and engineering services, and export of consultancy services.

In Appendix I an illustrative list is given of industries in which, according to the committee, foreign consultancy services may not be required in India. This list includes paper, pulp and allied industries, rubber goods, chemical industries, Leather and leather goods industries, rayon and synthetic fibres, asbestos and carbon products, timber-based industries, glass industry, cement and cement products, ceramics, castings, electrical engineering industries, industrial machinery, machine tools and small tools, and certain other industries.

History of the Committee

In an introductory chapter, the history of the Committee, since it was originally constituted, has been traced. The terms of reference of the reconstituted Committee were:

to suggest the general type of organisational matters for technical consultancy establishments suitable for our conditions;

recommend suitable measures to expedite the establishment of technical consultancy services to the requisite extent in the country;

advise on the pattern of technical collaboration or association, which may be necessary for drawing on foreign technical know-how to the required extent;

assess the extent and types of technical consultancy services required to meet the country's needs during the fourth Plan period and subsequent years;

assess existing facilities available in the country, in both public and private

sectors, and locate gaps to be filled; and

advise on the measures to be taken to fill the gap.

The Committee prepared a draft report in June 1969 and circulated it for comments. In March 1970, the comments received from different quarters were discussed in a broad-based meeting, where all interests were represented. These discussions helped the Committee framing final views on many specific issues and in finalising the report.

Self-Sufficiency in Specified Sectors

Defining the services rendered by technical consultants, the report classifies them into four categories, namely, (i) project planning, (ii) project designing, (iii) project implementation and (iv) project evaluation. The professional engineers undertaking technical services are broadly categorised as (a) consulting engineers, (b) process engineers, and (c) contracting engineers.

It points out that India has an advantage over the more developed countries in providing consultancy services and undertaking 'turn-key' contracts in the neighbouring countries either for building up infra-structural facilities or for establishing industrial projects by virtues of her experience under similar conditions.

The Committee has pointed out that a stage has been reached when there is good scope for export of consultancy and engineering services. By virtue of her experience of taking up development projects under varying conditions, India has an advantage over the more developed countries in providing consultancy and engineering services and offering turn-key contracts to other countries of the world.

Comparatively low-cost of Indian engineers is another advantage over the developed countries. The Committee has suggested many important measures to encourage exports of consultancy services, like pre-investment surveys, preparation of pre-feasibility report, advance knowledge of the national plans of foreign countries and preparation of suitable project reports, formation of consortia of consultants, manufacturers and other concerned for offering turn-key projects.

The report also points out that engineering services have taken root in this country during the last 10-15 years and the time is now opportune to place them on sound footing. There was general agreement that in order to develop this profession of healthy lines and avoid undesirable elements and practices, there should be an all-India

institution or institutions and association or associations to lay down proper standards of education, experience, capability, capacity, etc. There could be one all-India institution or association to represent both the "independent" and "associated" consultants; or else, there might be two such institutions or associations to represent the two types of consultants separately.

Code of Conduct

The proposed institutions or associations should prepare a code of conduct which should be followed by all practising consulting engineers. After examining the different standards and codes of conduct followed in other countries, the committee was of the view that it is advisable to adopt in entirety the UK, US, Japan or any other foreign models. After taking due account of the developments in India, the objective of the proposed code should be to encourage growth of consultancy services on sound lines, to make the services efficient, reliable and internationally competitive. The code should also promote good relations between the consultants, contractors and project owners.

In order to expedite the formation of the proposed institutions and associations and to deal with other related problems, the committee has suggested that the government should set up a broad-based "panel of experts", headed by a senior official of the Government of India, with representatives of consultancy organisations of both categories (independent and associated), process and design engineers, contracting engineers, product and equipment manufacturers in the private and public sectors, and government departments dealing with consultancy services and projects in one form or the other.

For promoting indigenous consultancy services, the Committee has recommended that the government should lay down policies which would ensure (i) the utilisation of the best and most up-to-date techniques of production suitable for Indian conditions; (ii) maximum utilisation of the consultancy and engineering services available in the country and providing opportunities for their further development; and (iii) allowing import of foreign know-how and consultancy services only where absolutely necessary for development and improvement of the industrial structure of the country.

Proper goodwill should be created for the facilities which are now indigenously available. Effective steps are necessary for removing the bias in favour of forming consultants and equipment. Some of the steps are:

(i) The proposed all-India institu-

tions/associations should prepare annually a monograph of know-how, processes, technologies, and equipment which are available in the country on the basis of information collected from consultants, process engineers, and manufacturers;

(ii) All cases of engagement of foreign consultants, whether for public or private sector, must require prior approval of government;

(iii) In all foreign collaboration agreements, a condition should generally be included to the effect that Indian consultancy organisations will be associated for preparing feasibility study reports, layout designs and for planning the engineering work. This will pave the way for building and improving the technological base of Indian consultants and process engineers;

(iv) Even where foreign consultants have otherwise to be appointed, it should be made conditional that as far as possible and keeping in view the technology of production suitable for India, designs shall be developed on the basis of indigenously available equipment;

(v) Where foreign consultants suppliers of equipment refuse to take over all responsibilities for the entire plant if indigenous equipment is partly used, the project owners should accept guarantees of satisfactory performance offered by the indigenous equipment manufacturers and contractors.

Fiscal Relief

The Committee felt that in order to encourage the development of indigenous consultancy services, some fiscal relief are necessary. Some of the measures suggested are: (i) The banks should grant loans on easier terms to enable engineers organisations to meet their working capital needs. Consultancy and process engineering should be treated on par with other industries for purposes of bank loans; (ii) the rate of income tax for consultancy work should be lower than that applicable to other corporate bodies; (iii) income-tax should be levied on the average income of the past three years; (iv) Indian consultancy organisations should be permitted to create special tax free reserve funds (like development reserves) for earnings during good periods to help them tide over occasional lean periods; and (v) tax rebates should be permitted on fees received by indigenous organisations for passing on the available know-how.

The Committee has recognised that there are some gaps in consultancy and engineering services to be covered. These

are in respect of process know-how, details engineering, procurement and inspection, start-up and performance guarantees, and product and equipment design. There is an imbalance between product design and production capacities in a large number of industries.

Correcting the Imbalance

The Committee felt that the main efforts require for correcting this imbalance should come from the plant manufacturers themselves. It would be better if the large design offices created, along with various plants in both public and private sectors, were used more for product design and development. This would also result in reduction in their preoccupation with project design work which was mainly the function of consulting engineers.

The Committee has also indicated gaps in certain specific sectors. There are in respect of various electronic components for telecommunications, working and development of ports in India, know-how and experience for deep mining, air-borne geo-physical surveys and shaft sinking and tunnelling techniques. In some other sectors, India has technical competency but self-sufficiency has to be reached in these fields.

The Committee has studied the remaining industries, like heavy inorganic chemicals, sugar, cement and paper and has found that the consultancy services in the country are more or less adequate. It is also stated that foreign assistance may still be required to deal with specific problems to introduce latest technology and for more sophisticated industries dealing with electronics and specialised chemicals. The general policy for filling in these gaps should be to acquire once the latest know-how to suit Indian conditions and thereafter take up further development and diversification programme through indigenous research.

The Committee has stated that the areas of self-sufficiency and gaps identified will not hold good for all times. Fields in which presently there is self-sufficiency might require imports of process know-how in view of new technological development in foreign countries. On the contrary, fields in which presently there is need for import, India may acquire self-sufficiency with the research and technological developments being accomplished in the country.

The Committee has suggested that the proposed all-India institution or association of consulting engineers

should prepare annually an authentic document indicating fields of self-sufficiency and gaps.

APPENDIX I

Illustrative list of Industries where Foreign Consultancy Services may not be required

1. Paper, Pulp and Allied Industries

Common grades of printing, writing, packing and wrapping paper and boards e.g., white printing papers, azure, cream laid and woven papers; art paper and board; litho, offset paper; drawing and catridge paper; MG poster; bank and bond paper; airmail paper; cheque paper; kraft paper; match paper; greaseproof and glassine paper; ordinary MG tissue papers; blotting paper; straw boards; mill boards; grey boards; pulp board; duplex board; ticket board; carbon paper; typewriter ribbons; VP I paper.

2. Rubber Goods

Bicycle tyres and tubes; tyre retreading material; rubber and canvass footwear; conveyor belting; industrial and agricultural hoses; automobile rubber components; rubberised fabrics; latex foam; industrial and surgical gloves; medicinal rubber goods such as vaccine and other injectible bottlevials, ice cups and hot water bottles and reclaim rubber.

3. Chemical Industries

Formaldehyde, acetic acid; esters of acetic acid like ethyl acetate; butyle acetate; formic acid; monochloroacetic acid; ethyl chloride; methyl bromide; chloroform; methylene chloride; chlorobenzene plasticisers (phthalates batch process); oxalic acid; chlorinated paraffins; beer; ethenol; Pentaorysthirotol; aniline.

4. Leather and Leather Goods Industries

Glue/technical gelatine; vegetable tanning extracts; pickers; licking bands; leather belting; cotton and hair finished leather; leather footwear; synthetic tanning materials.

5. Rayon and Synthetic Fibres industries

Viscose filament yarn/staple fibre; viscose tyre yarn.

6. Asbestos and Carbon Products

Asbestos cement products; pencils.

7. Timber Based Industries

Teachest plywood, commercial plywood, matches.

8. Glass Industry

Sheet glass, table and pressed ware;

vacuum flasks; enamelware; containerware.

9. Cement and Cement Products

Cement, ROC pipes, Prestressed and pre-tension cement products; building bricks and roof tiles.

10. Ceramics Industry

Sanitary-ware; glazed tiles; crockery.

11. Castings

Grey casting, steel casting.

12. Electrical Engineering Industries

Distribution transformers; Power transformers 1000 KVA and below; AC motors below 30 HP; Electronic Components (Ferrite, transformer coils, telescopic aerials, ceramic capacitors)

Cables (except power cables above 11 KV);

Iron Clad Switches; Winding wires and strips; Hospital wares; Electric fans; Domestic refrigerators; Domestic air-conditioners; Commercial radio receivers; House service meters; Ammeters and volt-meters other than sub-standard; Multimeters; Storage battery.

13. Industrial Machinery

Sugar machinery; Cement Machinery; Conveyors; L.P. Gas Cylinders; Coal mining machinery (except hydraulic props & electric drills); Coal Washery plant; Building and constructional machinery except specialised items.

Poultry equipment; Pesticides application equipment (other than special type equipment); Milk and dairy machinery except specialised items;

Cooling towers; Tea processing machinery; Oil Mill Machinery; Water treatment plant; Solvent Extraction Plant; Rice Mill Machinery of conventional type; Weighing machinery except specialised items;

Cold formed sections and slotted angles;

Tubular structurals; Railway wagons; Railway mechanical and signalling equipment;

Railway points and crossing; Steel doors;

Windows and rolling shutters; Wire ropes; (other than bicable rope-ways); Lifts;

Welding Electrodes (other than special types);

Bright bars;

Welded GI steel pipes and tubes; Conduit pipes;

Electric hoist block and chain pulley block

Transmission line towers;

Rail and road bridges;

Structurals (light, medium and heavy);

14. Machine Tools and Small Tools

Forged hand tools (Spanners, Pliers etc.) steel Files (except export oriented); Twist Drills, General purpose machine tools (simple types);

15. Other Industries

Drums and barrels; Collapsible tubes; Crown corks; Pilfer proof seals and closures; Hurricane lanterns; Chaff-cutter knives; Buckets; Domestic utensils and cutlery; Agricultural implements and machinery (manual and animal drawn); Clocks;

Time pieces (conventional);

Franking machines;

Duplicators (other than special types);

Oil pressure stoves;

Belt fastners;

Steel belt lacing;

Spectacle frames;

Oil pressure lamps;

Hand sewing and gramophone needles;

Addressing machines;

Pressure cookers;

Domestic sewing machines;

Air rifles;

Cigarette lighters;

Bicycle and bicycle parts;

Ball bearings (only);

Steel Balls;

Leaf springs;

Zip fastners;

Grinding media;

Coil springs excluding hair and other

delicate and complicated springs;
Snap fasteners;
Toys;
Bolts, nuts, rivets, dogspikes of all types excluding specialised types of rivets;
Wood screws other than with special recessed Heads;
Mild steel welded link chains other

than ship chains and alloy steel chains;
Machine screws other than specialised types;
Pipe fittings other than specialised types;
Locks;
Valves and cocks (other than specialised);
Shoe grindery;

Builders hardware;
Welded wire mesh;
Wire gauze and netting;
Oil milling;
Solvent extraction of oil cakes;
Soap;
Synthetic detergents (formulations);
Fatty Acids;
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Kerala Assembly Mid-Term Election

In the mid-term elections for Kerala assembly held in September 1970, the Congress Party (N) emerged as the single largest party in Kerala. Out of 56 seats contested no less than 32 seats were won by it. The Communist Party (M) followed close on its heels with 28 seats. As the Congress Party

(N) in Kerala had an election alliance with the CPI-led front (including CPI, Muslim League, RSP and PSP) it conducted its election campaign in close co-operation with it. Since no less than 36 members of this alliance were successful in the election, the Congress party (N) and the CPI-led

front jointly hold a majority of the seats in the legislative assembly. The Organisation Congress which contested 39 failed to win even a single seat.

The table below sets out the seats contested by all the parties along with the seats won by them and the total votes polled by them:—

Total Seats	133	Electorate:	10,170,038
Seats declared:	133	Valid votes polled	7,508,995

Party	Seats contested	Seats won	Votes polled
Congress (N)	56	32	13,72,346
CPI-M Led-Front			
CPI-M	72	28	17,59,797
SSP	14	6	3,06,763
KTP	4	2	90,953
KSP	3	2	49,345
CPI Led Front			
CPI	31	16	7,01,558
Muslim League	20	11	5,79,320
RSP	14	6	3,30,983
PSP	7	3	1,82,760
Congress (O) Led Democratic Front :			
Congress (O)	39	Nil	2,61,057
Kerala Congress	31	12	4,43,232
ISP	11	3	2,44,205
Independents	92	12	10,98,733
Jana Sangh	8	Nil	45,079
DMK	6	Nil	19,39
Swatantra	2	Nil	7,982
Revolutionary Communist Party	6	Nil	5,127
Vettuva Mahasabha	4	Nil	2,508
Kerala Karshaka Party	3	Nil	5,408
RPI	1	Nil	1,242
Socialist Unity Centre	1	Nil	1,288

Votes polled by the independents are those for 172 candidates.

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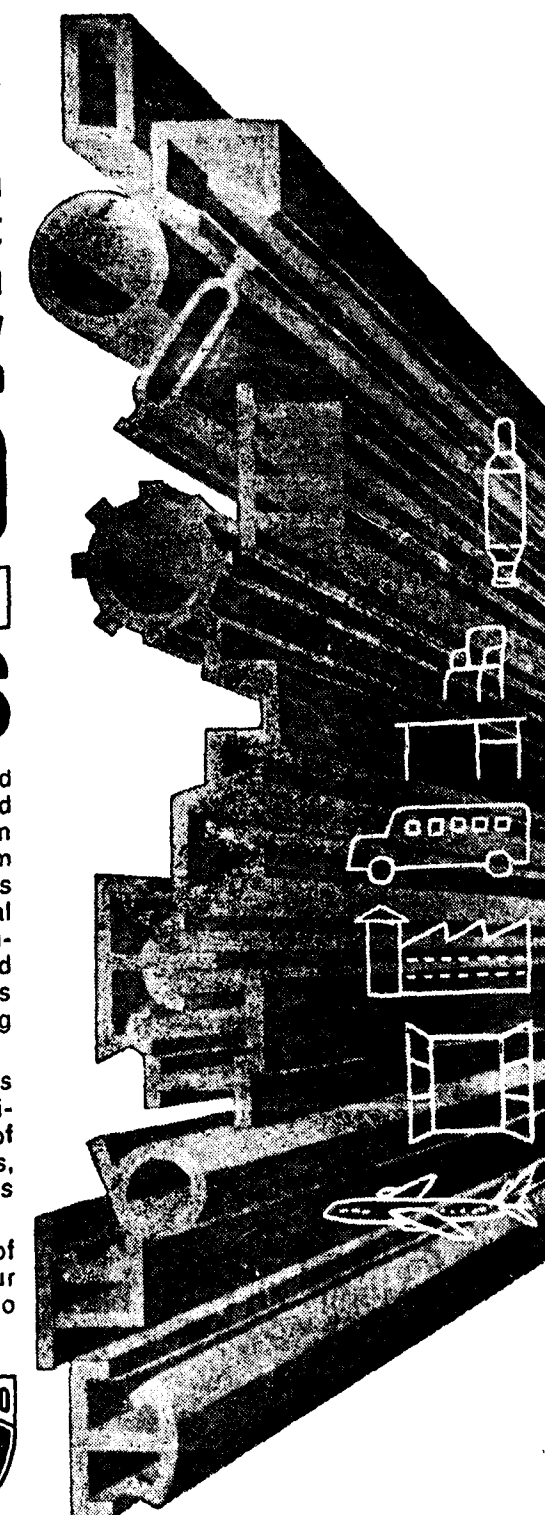
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AGENTS : Gangabishan Bhasin, Krishan Gali, Katra Neel; S. K. Traders, Katra Neel, Chandni Chowk, Delhi.

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THOUGHT FOR MR CHAVAN

Nations with currency circulation of less than \$20.00 per capita have to be considered as poor countries. In most of these lands the supply of food, clothing and other consumer goods is not always adequate. Medical institutions are few. Ownership of an automobile is an achievement of political rank, or of wealth. Average life expectancies of human beings, as well as of currencies, are the lowest in the world. Savings exist either in the compulsory form of government bond acquisitions, through salary withholdings, or have been wiped out by inflation. Illiteracy is widespread. Foreign investments, urgently needed, are hindered by collectivistic leanings or by political insecurity. *India, Poland and Pakistan are examples. (Italics ours)*

—from Pick's Currency Year Book, 1970.



Getting power-drunk?

OCTOBER 9, 1970

OVER-RIPE FOR AN OBITUARY

As IF to persuade herself that, in the pursuit of her particular brand of politics, she is not wholly neglecting the economics of the nation, the Prime Minister, who is also the Chairman of the Planning Commission, has staged a meeting of that idling body to take stock of the fourth Plan, such as it is. One of the items on the agenda was a reappraisal of targets in the light of performance in the 18 months for which the Plan is supposed to have been operative. It would be wrong, of course, to have expected much or even anything from these confabulations, which, in the event, have proved predictably unproductive. It has been clear enough for some time now that the aged and ailing Deputy Chairman of the Planning Commission is living in a world of economic assumptions which does not touch at any point the harsh universe of the Prime Minister's politics of convenience. The situation is not much improved by the fact that the Member for Industry in the Planning Commission is spending most of his time in presiding over pointless committees labouring to produce equally pointless recommendations. The plain truth is that the very existence of the Planning Commission has become a sick joke in the farce which now goes by the name of economic planning in our country.

Attempting what it called a mid-year review of the state of our economy, *Margin*, the quarterly journal of the National Council of Applied Economic Research, has suggested in its issue of October 1970 that the growth or mobilisation of resources for development has been inadequate and discouraging. This is primarily because of lapses or lags in industrial production or investment. Disappointments on the vital export front have also served to worsen the national resources outlook. (Incidentally, this has served to show how very apt the Planning Commission is to let its wish father thought in making Plan projections.) When it is considered that the fourth Plan had started with much woolly-headed thinking about resources, the trend discussed by the National Council of Applied Economic Research should not cause surprise. It also ought to have made it unnecessary for the Prime Minister to go through the elaborate motions of a much publicised meeting of the Planning Commission to discover the fact that the fourth Plan is and has been a non-starter.

Speaking in Madras the other day, our reluctant Finance Minister, Mr Y.B. Chavan, confessed to concern on the part of the government about the price level. Rising prices have an immediate and direct impact on the economic and social conditions of the people. No politician can therefore afford to seem to ignore them. All the same, prices, whether rising or falling, are only symptoms and not the disease itself. The government has been cutting down on development spending or investment outlays without however being able to control non-productive expenditure. As a result, the growth in public spending (or public revenues) is not being accompanied by a growth in production apparatus or capital formation in the community. Unless this basic imbalance is corrected, the economy will not stabilise or grow. The third Pay Commission, in its interim report, has said that the government ought to be able to meet a bigger establishment bill since its revenues are growing while its development spending has been halted. May we suggest that in this observation or the thinking it implies is to be found the obituary for which the fourth Plan is now over-ripe?

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A Pragmatic Approach

CONTRARY TO expectations in money market circles, the monetary authorities have adopted a pragmatic approach when formulating terms of the new central loans for completing the second stage of borrowing for the current financial year. With the changes that have been effected in the liquidity ratio on two occasions since April this year and the flotation of loans of the state governments earlier than usual, the central government has been obliged to adopt a cautious policy when issuing new open market loans for the second time in seven months. With the banking system already straining under competing claims on its resources, the Reserve Bank cannot be unduly enthusiastic about mobilising much larger resources than usual for the central and state governments, the statutory financial corporations, the state electricity boards and other public bodies in the absence of a much faster growth of deposits.

It is difficult to visualise at this stage when there can be a distinctive improvement in conditions in the money market and banks will be in a position to meet the needs of all classes of borrowers without difficulty. There has, no doubt, been a slowing down in the growth of deposits in the current year as compared to 1969. But it is quite likely that by the end of December, the leeway will have been made up and the actual additions to deposits may exceed Rs 800 crores in a full year against Rs 642 crores in 1969. But with the grant of liberal loans to borrowers in the priority sectors, a heavy accumulation of sugar stocks and the raising of the liquidity ratio by three per cent since February, 1970, even a sizable increase in deposits has not been found adequate and on September 18 borrowings of scheduled commercial banks from the central banking institution were fairly high at Rs 189.26 crores even after a substantial decline from the peak levels.

As the central government had already raised the considerable amount

of Rs 209.06 crores through the 5½ per cent 2,000 loan and the Reserve Bank also was able to effect net open market sales to the scheduled commercial banks for complying with the new stipulations regarding the liquidity ratio, the notified amount for the two new central loans had necessarily to be fixed on the low side. The mobilisation of resources by the state governments also for a sizable amount had created strain on the banking system. The second tranche of the centre's borrowing programme is, therefore, in the nature of a funding operation, the notified amount in respect of the two new loans being only Rs 125 crores against the outstanding amount of Rs 115.05 crores in regard to the maturing three per cent 1970-75 development loan. Even taking into account the possibility of the government accepting subscriptions up to 10 per cent in excess of the notified amount, net borrowing will not be more than Rs 22.50 crores in the second stage. The terms of the new loans are somewhat different as the short-medium-dated loan is carrying interest at 4½ per cent against 4 per cent in 1969. It, of course, matures in seven years while the issue price has been fixed at par. The long-dated 5½ per cent 2,000 loan, however, is again offered at par, the same loan being floated early this year on the same terms.

But the question is what exactly will be the course adopted by the Reserve Bank in the coming months and whether there will be reissues of existing loans, which will benefit the central government. It has not been indicated so far whether there were reissues in recent months and the open market sales resulted in an increase in capital receipts for the central government. If there had been only a funding of *ad hoc* securities for replenishing the portfolio of medium and long-dated loans of the Reserve Bank, the budgetary position of the central government will not be advantageously affected.

Whatever might be the course ultimately adopted, it will be reasonable to presume that the central government will eventually be borrowing about Rs 525 crores in a full year, Rs 290 crores in the first tranche, Rs 135 crores in the second tranche and Rs 100 crores in the form of investments in securities by the scheduled commercial banks for raising the liquidity ratio to 33 per cent. The budget estimate for gross borrowing in 1970-71 is Rs 455 crores and net borrowing Rs 161 crores as there were two maturing loans for Rs 294 crores. It will, therefore, be seen that net borrowing, which will be carried out on a staggered basis, will be at least Rs 227 crores against the budget estimate of Rs 161 crores. If there is an aggressive rise in deposits in the next six months and the Life Insurance Corporation also adds to its assets in an impressive manner it may not be surprising if aggregate borrowing amounts to Rs 550 crores.

The central and state governments have secured their requirements to a greater extent than expected earlier and the funding operation now being carried out may not impose any great additional strain on the banking system. It will, however, be difficult to bring about a big reduction in borrowings of scheduled commercial banks before the onset of the next busy season if the statutory financial corporations, the state electricity boards and other public bodies seek to raise from the open market in the next few weeks about Rs 50 crores. On the basis of the develop-



Do you think Mysore will sit quiet?

ments in the first three weeks of September it is likely that there would be an increase in deposits and a decline in advances amounting in the aggregate to Rs 125 crores till the end of October. This could be helpful in reducing borrowings to below Rs 100 crores. But if there is a diversion of funds on account of fresh investments by member banks, the Life Insurance Corporation and other institutions in the new loans and there are also issues of bonds by the financial corporations and others, the position at the beginning of the 1970-71 busy season may not be quite comfortable. As sugar mills will be requiring assistance on a large scale right from the start of the crushing season and there may be a bigger demand for funds for marketing bumper cash crops, the Reserve Bank will have to formulate a helpful credit policy in order to get over a difficult situation that may arise in the first quarter of 1971. The situation in the money market will have to be reviewed by the end of October as usual and the needs of the busy season also carefully assessed. While a clearer picture may emerge after the middle of October there is no reason to doubt that a squeeze in the money market can be avoided only if liberal refinance facilities are provided by the Reserve Bank to the member banks and the efforts to mobilise additional deposits

yield results. What has been overlooked so far is the likelihood of the cumulative effect of larger borrowing by the central and state governments and others and liberal expansion of credit to borrowers in the priority sectors resulting in a considerably over-extended position. This will be responsible for the paradoxical trends in investments in government securities by the banking system and heavier borrowing by it at the same time from the central banking institution. The position may probably get corrected by the middle of next year with a spectacular growth in deposits, though there will have to be a change in the method of procurement of foodgrains if bumper harvests are not to create special problems for the Food Corporation of India and the state governments. There will necessarily have to be a relaxation of the restrictions relating to the movement of rice and other foodgrains and statutory rationing even in Calcutta and Bombay areas abolished. These far-reaching decisions can, of course, be taken only if the outlook for rabi crops is bright by February-March next year. It is only sought to be emphasised here that a careful watch should be maintained on the money market and an integrated approach adopted to the special problems that have arisen in recent months.

On an Even Keel

SHIPPING is perhaps the one industry that is most vulnerable to international developments. Liner shipping services are particularly so, as the experience of operating them in respect of the Shipping Corporation of India Ltd. (SCI) has demonstrated. Apart from such general trends as rising stevedoring costs, which have increased sharply in the USA, Australia (and, of course, in India as well), the SCI's services were also affected adversely by the decline in foreign aid to India.

However, until Mr C.P. Srivastava, Chairman and Managing Director of the SCI, told the twentieth annual general meeting of the corporation about this the other day, few suspected that the decline in foreign aid to this country had led not only to a sizeable reduction in import cargoes but also the avail-

ability of high-freighted import cargoes. During the year 1969-70, according to him, there was a reduction in import cargoes, particularly from the USA and Japan, and also imports of machinery equipment from the UK. The SCI felt the impact of the latter more than that of the former, for it is the latter that constitute high-freighted imports.

If the decline in foreign aid to India affected the SCI's earnings on imports from the leading aid-giving countries, the decline in exports from India to some countries affected its earnings in export cargoes as well. Thus, during 1969-70, we are told, there was a fall in shipment of export cargoes to Japan with its disastrous effect on the operation of services from the east and the west coasts of India to the far east. Similarly, the decline in exports of jute

products to Australia and of tea and tobacco to the UK and Europe took its toll from the SCI's earnings. Notwithstanding these adverse factors, the SCI, as the largest shipping line of the country (also as one of the world's biggest shipping lines now) continued (and must perforce continue) to provide sailings on these liner sectors.

It is against this background, not to speak of the increased operation costs generally, most of which are beyond the control of any shipping line, however prominent or dominant, that we must assess the working of the SCI last year (1969-70), which Mr Srivastava described as "a land-mark" in its progress. Well might he pride himself thus, for there are at least five justifiable reasons for this claim. In the first place, it was in 1969-70 that the SCI's tonnage exceeded one million DWT, a necessary qualification to be classed among the largest shipping lines of the world. (As on September 21, 1970, the SCI had 75 ships with a tonnage of 11.83 lakh DWT). Secondly, the addition of eight ships to the SCI's tonnage in 1969-70 at 2.24 lakh DWT was the largest annual addition so far. Thirdly, apart from the SCI's gross earnings in 1969-70 (Rs 53.72 crores) being the largest, the net profit for that year also (Rs 5.51 crores) was a new record. Then, the volume of the SCI's business also expanded further, even as new areas came to be tapped. Above all, employer-employee relations were most cordial, a really unique achievement these days for any big undertaking, more so a public sector undertaking. These achievements are best appreciated from a perusal of the table on the next page.

What about the future outlook? It is significant that Mr Srivastava sounded quite guarded on this aspect both in his address to the annual general meeting and at his meeting with the press thereafter. "Do your best and be prepared for the worst" seems to be the philosophy of the SCI chief. In so far as the SCI's own efforts go, the corporation must be said to be quite alert. For instance, the SCI has not been slow to pay special attention to orient its own development programme in line with international trends, which show a phenomenal increase in tanker and bulk

carrier tonnage of the world fleet. Fifty per cent of the SCI fleet is already thus oriented, in that it consists of tankers, bulk carriers, colliers, passenger-cum-cargo vessels and a timber carrier, and this fits in too with the country's trade requirements. Incidentally, as yet, only a small fraction of India's trade in bulk cargoes is being carried by our shipping.

It is not the shipping tonnage already with us that is important today. Even more so is the acquisition of new ships. True, the SCI has already 28 ships (aggregating about 5.14 lakh DWT) on order with several shipyards in India as well as abroad and is also negotiating shipbuilding contracts for several more ships, particularly giant tankers, which are required to carry crude oil to our refineries (tankers are also wanted for coastal movement of oil products) and giant bulk carriers. But, as Mr Srivastava pointed out, there seems to be considerable difficulty in booking orders for building ships, despite all the efforts made by the management and the unstinted assistance by the government at all levels. This is because it is a sellers' market for the construction of giant tankers and bulk carriers today. For one thing, there are only a limited number of shipyards in the world which are capable of building these vessels; secondly, these shipyards have their order books filled for the next three years or more; thirdly, shipbuilders, especially the Germans and the Japanese, are very tough guys to deal with, according to the corporation chairman. But this is not all; even if we succeed in locating a suitable shipyard, there is the problem of finding the large investment capital for payment on or before delivery. Gone are the sunny days when shipyards used to offer deferred credit facilities for anyone wanting to acquire ships from them. Shipyards now prefer to pick and choose and, naturally enough, they prefer those who are prepared to purchase their ships on cash payment. Moreover, the prices of vessels, in particular of those in great demand, such as tankers and bulk carriers, also have gone up sharply. To quote Mr Srivastava, "the extremely difficult market position and the unusually sharp escalation in the price of ships would have repercussions on the

pace of growth of Indian shipping." It is not surprising, therefore, that Mr Srivastava expressed his apprehension, reminding one of the constant cautioning in this respect of the late M.A. Master, about our being able to achieve the shipping target as per our planners. Said the SCI chief "...it would be extremely difficult for the country to fulfil the shipping development target incorporated in the fourth five-year Plan unless the resources at the disposal of the Shipping Development Fund Committee are significantly increased."

What is the SCI doing to meet this situation? The SCI chairman said that the management was making every possible effort to meet this situation.

One of these, for example, is "improvement of operational economics" by the increasing use of unitising techniques like pelletisation and pre-slinging of cargoes. But far more important than this is the effort to find internal financial resources for development of the corporation's fleet. It is noteworthy that, as on March 31, 1970, the SCI's self-generated component amounted to Rs 53.52 crores out of a total capital outlay of Rs 135.19 crores. And this concern for building up its tonnage doubtless explains the maintenance of the rate of dividend at the same level as last year, viz., Rs 5 per share (even this absorbs more than Rs 1.17 crores), a decision that has led critics to brand the corporation's dividend decision as conservative, if not niggardly.

Year	Gross earnings (Rs crores)	Gross profits before depreciation, interest and tax (Rs crores)	Net profit (Rs crores)	Percentage of net profit to paid-up capital
1961-62	8.13	2.68	1.07	4.56
1962-63	10.64	3.24	1.32	5.64
1963-64	13.34	3.56	1.40	5.96
1964-65	17.04	4.07	1.64	6.98
1965-66	17.98	4.95	1.87	7.96
1966-67	29.28	9.05	4.70	20.05
1967-68	35.59	10.03	5.42	23.13
1968-69	42.25	10.79	4.89	20.83
1969-70	53.72	13.23	5.51	23.50

Eastern Economist 25 Years Ago

OCTOBER 12, 1945

The other difficulty is not less serious. In some respects that is more fatal to success than even the political factor. The Government of India, to put it quite bluntly, is not organized to make a success of planning. It has not the personnel, the machinery, the integration and above all the sense of public spirit, which are the minimum essential for any kind of planning. Plans and proposals framed either by the

Planning Department or the Provinces are just held up "for want of superior staff who are unable to devote adequate time for the consideration of reconstruction plans". There is also a lack of co-ordination between the departments, and not unless the whole structure of the administrative machinery is overhauled are the prospects for action bright.

Lessons from Kerala

DR A. APPADORAI

THE KERALA election of September 1970, with its generally unexpected results, has a number of lessons for students of Indian politics: it is proposed, here to analyse briefly (a) the party position; (b) lessons from the point of view of Kerala; (c) lessons from the point of view of the nation and (d) lessons from the point of view of other states.

Party Position

The main facts in the party position may be briefly stated: Congress (R) and its election ally, the CPI-led Mini-Front (Communist Party of India, Muslim League, Revolutionary Socialist Party and Praja Socialist Party) emerged with a three-seat majority in the 133-member Kerala Assembly winning 69 of the seats. Congress (R) also emerged as the largest single party with 32 seats. The CPM, which had ruled the state from 1967 till some eight months ago, secured 30 seats. It is not necessary here to mention the number of seats secured by the other parties (sixteen parties besides Independents participated in the election). The highlights of these results from the point of view of our political analysis as compared with the last election held in 1957 are: (i) The CPM which had secured 52 seats in 1967 now secured only 30 seats, though its leader Nambudiripad was returned; (ii) The strength of the CPI was reduced from 19 (in 1967) to 16; (iii) The strength of the Muslim League was reduced from 14 (in 1967) to 12; (iv) Congress (R) with its 32 seats won a spectacular success; the undivided Congress had secured only 9 seats in 1967; and (v) Congress (O) secured no seats, though five Independents supported by it were returned.

Kerala Politics

Kerala has gone to the polls five times since 1957; it has come under President's rule more often than any other state in the Indian Union. Each successive government has been unable to provide what Kerala most needs—a stable popular government and maintenance of law and order. In judging the impact of the election on Kerala politics the recent changes in the political scene must be taken into account: the split in the Congress and the split within the Communist party. The vote of the electorate must be taken as a vote for stability

and law and order. The CPI-led mini-front supported by Congress (R) may be expected in the electorate's judgment to provide a stable government. Their rejection of the CPM (they lost 22 seats) must be taken as their rejection of the violent and agitational methods of the Marxists. The thesis of "wrecking the Constitution from within", through strengthening of mass militant movements, it will be seen, does not commend itself to the sensible voter.

Besides, the reputation of the former Chief Minister, Mr Achutha Menon, for integrity and an honest administration has weighted the scales in favour of the CPI and the front led by it. But it will be politically wrong if the inability of the CPM to secure a larger number of seats is taken as an indication that they have no strength in the state at all. Statistics of voting show that the party secured 22.5 per cent of the electoral vote, a figure somewhat larger than their share of vote in 1967. (One estimate is that the party got 700,000 votes more than in 1967). As one commentator has significantly stated, "the Marxist are still the most formidable single party in Kerala though they have been reduced to 30 in the new Assembly, and they can be expected to fully exploit their position outside the legislature in variety of ways."

The remarkable success of Congress (R) and the equally noteworthy defeat of Congress (O) have also to be taken note of; the latter must also be judged in the light of the fact that the party machinery of the Congress—built up before the Congress split was under the control of Congress (O). Clearly, the personality of the Prime Minister, who toured the state on the eve of the election, had a great deal to do in enabling the Congress (R) to achieve its success. Besides, it is a hard fact of politics that those who hold power attract to themselves those who aspire for power. Success, however, brings with it its own problems. The basic problem before Congress (R), in the context of Kerala politics, is that whether they join the government as a partner or they support it from outside, friction, as the Uttar Pradesh experiment vindicates, is inevitable.

Besides the Kerala situation highlights the paradox of Indian politics. Ideally

two or three parties would be the best for working a parliamentary democracy successfully. But in a plural society such as India with numerous social and political groups, coalition governments seem inescapable; but how to work coalition government successfully seems a difficult problem. West Bengal, Bihar, Uttar Pradesh and Kerala offer a sufficiently large number of coalition experiments during recent years and all of them have come to grief largely because the co-ordination of views among the constituent units has been well-nigh impossible. Indeed in a recent resolution on September 24, the national executive of the Praja Socialist Party stated on the eve of joining the Kerala coalition ministry that the "PSP's participation in the coalition will not, in any way, fetter the freedom of the party to criticize the actions of the constituent parties of the coalition." Individualism among the political class coupled with the politicians' inexhaustible desire for sharing in power adds to the difficulty. Stability in administration which is what the Kerala electorate unmistakably desires as convincingly shown by their vote, seems a mirage. Research in depth is necessary to evolve guidelines for the successful working of coalition governments. The students of political science would advocate a stable majority party government; the plethora of political parties with the consequent division of votes makes such advocacy a wishful thinking in the Indian context.

National Politics

What is the impact of the Kerala election on national politics? The key to the answer is contained in a remark which Mrs Gandhi made at Trivandrum on the eve of the Kerala elections; she said that the electoral alliance in Kerala (the Congress (R) with the CPI and the Muslim League) might become a national pattern; her success in Kerala makes such a pattern not only a possibility but a probability. Is such an alliance desirable in national interest, even if it might be for Congress (R).

Communist philosophy whether of the 'I' variety or 'M' variety is an open book, whatever a party here or there professes. It is to alter the *status quo* through violence. True, peaceful methods have also been recommended in recent years, more especially in the Twentieth Party Congress of the Soviet Communist Party; but as students of political science know, they are not to be taken seriously. Karl Marx Lenin and Mao do not go well with peaceful methods; the skeleton of the capitalist, in their well-known phrase, is needed for the Communist museum. Jawaharlal Nehru's estimate of communism, made

in the evening of his days in his essay, 'The Basic Approach' (1958), has to be pondered over and over again by those who would ally themselves with the communists and through such alliance would bid for political power. While communism has succeeded, he says, in some measure by giving a content to man's life, it fails because (i) it ignores the essential human desire for freedom and (ii) it adopts the method of violence. On the first, it is sufficient to say that its suppression of human freedom results in a certain contempt for the moral and spiritual side of life and deprives human behaviour of standards and values. On the second aspect, Jawaharlal asserts that communism has definitely allied itself to the approach of violence. Even if it does not indulge itself normally in physical violence, "its language is of violence, its thought is violent, and it does not seek to change by persuasion or peaceful democratic pressures but by coercion and indeed by destruction and extermination." Briefly, in communism, means distorted ends.

Equality Through Ballot Box

Constructively, Jawaharlal believed that the basic ideal of equality stressed by communism could, in the democratic age, be achieved through the ballot box. Marx had developed his theory in an age when democracy had not established itself; the methods advocated by him had become out of date. It should be possible now to achieve equality through peaceful democratic methods.

A second national impact of the Kerala election is the filip it might give to communalism elsewhere. Congress (R), it will be recalled, allied itself not only with the CPI but with the Muslim League; Mrs Gandhi is on record having said recently that the Muslim League in Kerala was non-communal—the League which, under the Nambudiripad ministry asked for and got the Mallapuram district carved out in order to have a district with a Muslim majority. Mrs Gandhi went on to add that the League's role outside Kerala was unmistakably communal. What does communalism mean? The Oxford Concise Dictionary has this to say under the word 'communal'—(India) of the antagonistic religious and racial communities in a district. The present writer has lived through the infamous 'Moplah rebellion' in the early twenties of the present century; thousands of Hindus then deserted their homes to seek refuge in distant places fearing violence at the hands of the rebels. One likely impact of the alliance in Kerala and of the respectability given to the League by the Prime Minister's declaration is the possible onward march of the League to other parts of

India claiming its secular character, and establishing itself, with undoubted consequences in inflaming communal hatred. Again, as Mrs. Gandhi has said, the alliance might set a national pattern, giving rise to an alliance of the Congress (R) and the CPI at the centre. Indeed after the Congress split, the Prime Minister has relied more and more for her party's survival on the CPI.

Will the success of Congress (R) in Kerala precipitate the general elections earlier than 1972? Much speculation has been going on in the press on the subject. The present writer's view is that Kerala alone is unlikely to decide the issue; the recent developments in Uttar Pradesh are even more important, and on their outcome will the decision on the date of the general elections depend.

Will the outcome of the Kerala elections have any impact on the air of violence in the country, on the activities of the Naxalites and the like? It is too soon to say. It is true that Kerala's verdict on CPM is a verdict on the use of violent methods resorted to by the party; this is bound to have an impact on the use of violence as a means of achieving political ends. But in the final analysis violence in the country must be put an end to by a firm government. The quick ending of the riots in Bombay recently by the firm and quick

action of the government there is an example to be emulated. A government, as the truism is, must govern.

On Other States

It can be hoped that the lesson—that the electorate do not like violence and lawlessness—will be learnt in other states, more especially in West Bengal. That state too needs a stable popular government, and if the CPM learns the lesson from Kerala it will be for the good of all concerned. West Bengal and Kerala are the two states in the union—besides Andhra—which have communist leanings; the Kerala elections ought to bring home to communists everywhere that the constitution must be worked in its proper democratic spirit, that the welfare of all is bound up with peaceful methods of achieving radical change. A lot of constructive work has to be done to forge unity, to increase production and to raise the living standards of the people. There are bound to be conflicting interests, the interests of various classes and of regions. But as Jawaharlal wrote on August 25, 1954 to the presidents of the Pradesh Congress Committees: "The very essence of a democratic state is its functioning in an atmosphere of peace. Problems, however, difficult, are solved by peaceful methods, by discussion, negotiation, conciliation, and persuasion." The sooner we learn this lesson the better for all of us.

World Trade in the Sixties

S. P. BAKSHI

THE STATISTICAL Office of the United Nations Organisation has published recently data on world trade in 1969. It has now become possible to take a comprehensive view of the course of international trade during the past decade. An analysis of these statistics reveals that in the sixties, the trade among nations not only increased tremendously but also underwent significant structural changes in commodity composition and direction.

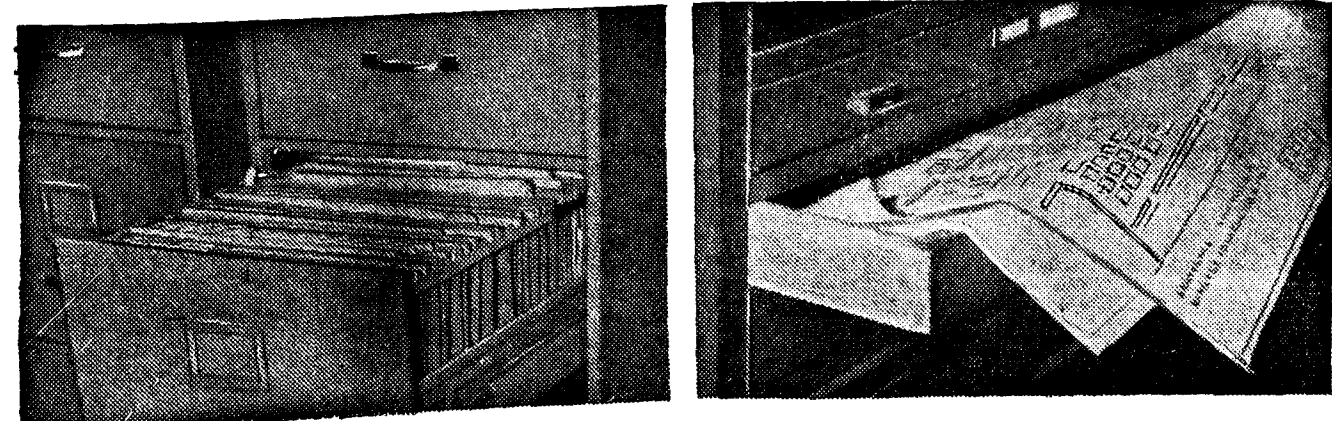
The decade of the sixties witnessed an unprecedented increase in the value of world trade. The total exports of all the countries of the world in 1969 were 2.36 times those in 1959 and four times those in 1949. The annual average compound rate of growth for the sixties works out as 8.9 per cent, much higher than 7.1 per cent in the preceding decade.

Almost the whole of the expansion was real; price-rise accounted for a meagre 10 per cent in the value of world

exports. Inflation in most countries of the world has not, till recently, affected export prices. The export price index (1963=100) was more or less stable in the first half of the decade. It then crawled up slowly until 1969 when the pace was quickened and export prices rose by as much as three per cent.

The growth of world exports in the sixties was uninterrupted. None of the years showed a decline although rates of growth for different years differed widely. The best year was 1968 when exports rose by 11.5 per cent in value and 12.8 per cent in volume.

The reasons for this record expansion in world trade are to be seen in the increased economic activity in the industrially advanced countries and in the comparatively greater freedom of international commerce. Developed countries account for more than two-thirds of the world imports and the tempo of economic activity in these countries greatly influences the world



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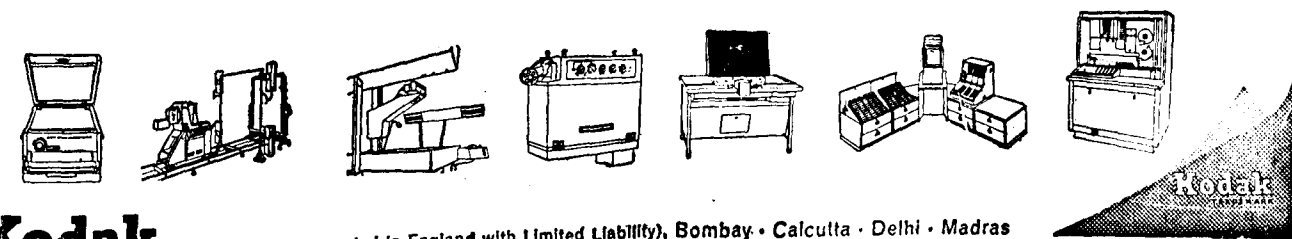
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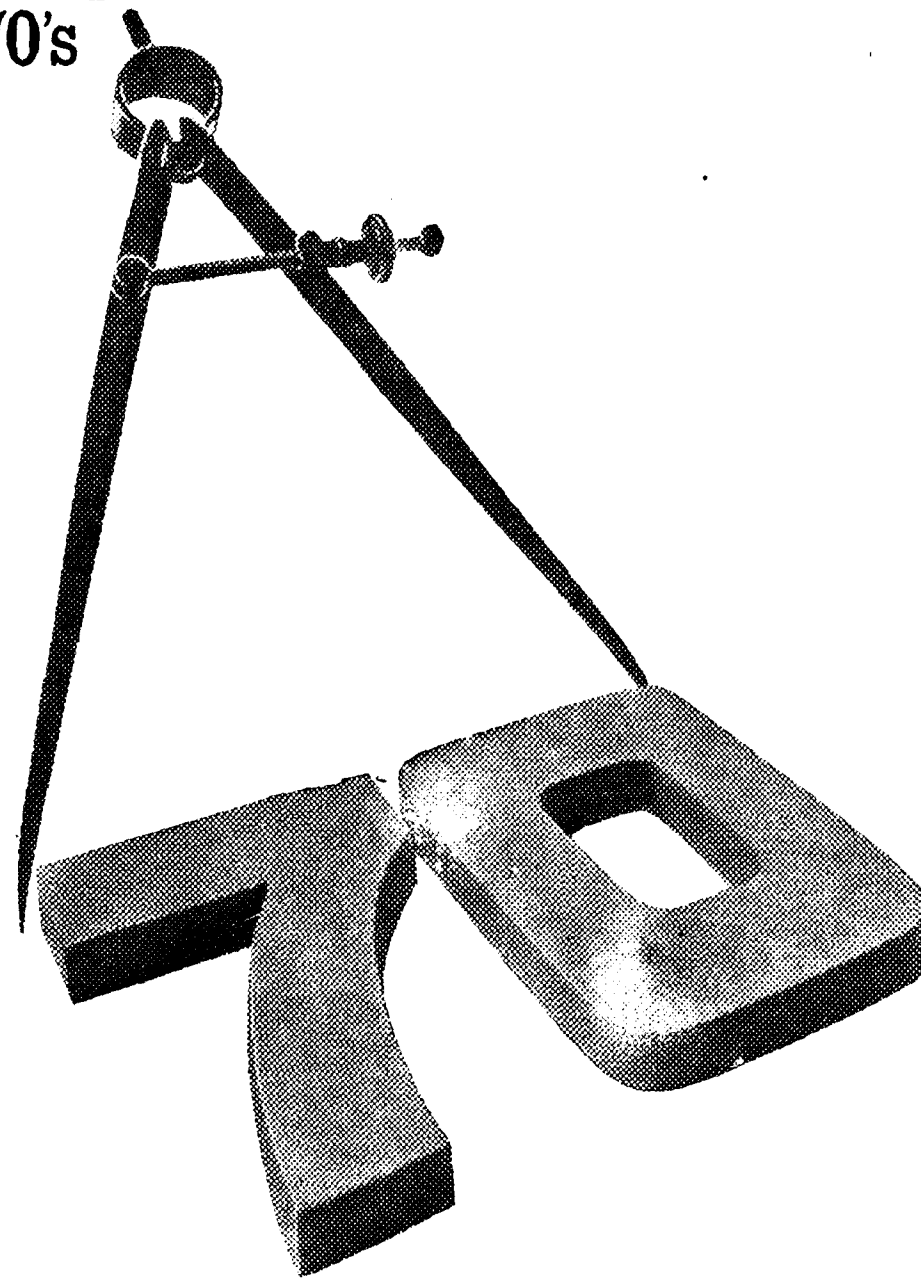
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trade. The sixties witnessed a 60 per cent increase in the GNP and an 85 per cent rise in industrial production of these countries. Such a remarkable increase in economic activity was bound to boost up world exports.

Apart from the high level of economic activity in developed countries, the factor which provided great stimulus to world trade was the movement towards liberalisation of international trade. The decade of the sixties saw in both the European Economic Community and the European Free Trade Association the completion of customs union and elimination of all protective tariffs and quantitative restrictions on imports of industrial goods. Substantial progress was also made towards freedom of intra-trade in agricultural products. The closing years of the decade also witnessed large-scale tariff reductions under the Kennedy Round. Viewed in their totality, these measures represented a significant enlargement of freedom of international trade and imparted dynamism to world exports.

Increases in world exports were very unevenly distributed over the different classes of countries. Over the decade, total world exports expanded by about \$ 157,000 million. Three-fourths of this increase was accounted for by the developed countries. Developing countries increased their exports by about \$ 22,000 million, representing only 14 per cent of the total expansion. The share of the centrally planned economies was 11 per cent.

The exports of developed countries in 1969 were 2½ times those of 1959. The rate of their growth being higher than the rate of growth of world exports, the share of developed countries in the world trade, which had increased from 61.7 per cent in 1950 to 65.3 per cent in 1959, increased further to 71.3 per cent in 1969. Among the developed countries, the performance of the EEC and Japan was remarkable. The EEC tripled its exports during the sixties and increased its share of world exports from 22.1 per cent to 28.0 per cent. Japan achieved a five-fold increase in her exports and doubled its share of world exports.

Considering the remarkable expansion of world trade, the export performance of developing countries as a whole has been much below expectation. Their exports increased at the average rate of about 6.4 per cent per annum, much below the rate of expansion of world exports. Consequently their share in world exports, which had declined from 30 per cent in 1950 to 22.4 per cent in 1959, fell further to

TABLE I
WORLD EXPORTS IN 1960s

Year	Value of world exports in millions of US dollars	Percentage rise over the previous year	
		Value	Volume
1960	127810	10.8	10.5
1961	133850	4.7	4.8
1962	141320	5.6	5.7
1963	153850	8.9	7.5
1964	172120	11.9	10.0
1965	186400	8.3	7.3
1966	203410	9.1	7.6
1967	214190	5.3	4.7
1968	238750	11.5	12.8
1969	272050	13.9	10.7

TABLE II
SHARE IN WORLD EXPORTS

Area/country	Annual average rate of growth of exports in 1960's	(Percentages)		
		Share in world exports 1950	1959	1969
Developed Countries	10.0	61.7	65.3	71.3
USA	7.9	16.8	15.1	13.8
UK	5.8	10.4	8.3	6.2
EEC	11.6	15.2	22.1	28.0
Japan	16.6	1.3	3.0	5.9
Developing Countries	6.4	30.0	22.4	17.7
Latin America	4.7	9.7	7.2	4.8
Middle East	8.8	3.8	3.4	3.4
South and South East Asia	6.0	10.8	6.2	4.7
Africa	8.5	4.3	4.2	4.0
Centrally Planned Economies	7.5	8.3	12.3	10.8
World	8.9	100.0	100.0	100.0

TABLE III
COMMODITY STRUCTURE OF WORLD EXPORTS
(Share in total world exports)

Commodity class	1959				1968			
	Deve- loped coun- tries	Deve- loping coun- tries	Others	Total	Deve- loped coun- tries	Deve- loping coun- tries	Others	Total
Foods, beverages and tobaccos	9.7	6.8	2.0	18.5	8.3	4.6	1.4	14.3
Raw materials	8.3	6.2	2.0	16.5	6.5	3.5	1.4	11.4
Fuels	2.6	6.4	1.5	10.5	2.3	6.2	1.1	9.6
Manufactures	43.5	2.8	6.7	53.0	52.1	3.9	7.0	63.0
Others	1.2	0.2	0.1	1.5	1.2	..	0.5	1.7
Total	65.3	22.4	12.3	100.0	70.4	18.2	11.4	100.0

17.7 per cent in 1969. The fall was quite steep in the case of Latin America and south and south-east Asia whose shares, which were 7.2 per cent and 6.2 per cent respectively in 1959, declined to less than five per cent in 1969. Exports increases from middle east and Africa matched the rate of growth of world exports. In the case of middle east, satisfactory export performance was due to buoyancy in world demand for petroleum. Petroleum exports, particularly from Libya, also accounted, to a large extent, for the fast growth of exports from Africa.

In the last decade, far-reaching changes occurred in the commodity composition of world trade. In 1959, manufactured goods (SITC* 5, 6, 7 and 8) constituted about half of the world exports; in 1969 they were two-thirds of the total. This notable increase in the share of manufactured goods has been due to unprecedented growth in their exports—at an annual average of 11.1 per cent. The exports of foods, beverages and tobacco (SITC 0 and 1) and raw materials (SITC 2 and 4) increased much slower than the total world trade and consequently their share in the total trade declined from 35 per cent in 1959 to about 25 per cent in 1969. Exports of fuels (SITC 3) grew almost as fast as world trade and their share in the total world exports declined only marginally. Thus world exports, which in 1959 were equally divided between primary products and manufactured goods, have come to be dominated by manufactured goods.

Rise in Manufactures

Between 1959 and 1969, world exports of manufactured goods increased by \$ 90,000 million. Most of this increase was appropriated by the developed countries and the centrally planned economies. The developing countries accounted for only about \$7,000 million or about eight per cent of the increase. In the case of the developing countries, the increase was mainly in traditional manufactures and other simple and light consumer goods. Impressive percentages of increase in exports of manufactures from developing countries published in recent economic literature are misleading as they are calculated on a small base. Increases are confined to a few among the developing countries and the share of the developing countries in the total world exports of manufactures is still as low as seven per cent.

It is yet too early to call the recent increases a well-established trend. Much will depend on the action taken by the developed countries to facilitate the entry into their markets of the manufac-

*Standard International Trade Classification

tures from the developing countries. The developing countries have, no doubt, demonstrated that, given facilities, they can make headway in export of manufactured goods.

Preponderance of manufactures in world trade, particularly in the trade among developed countries (nearly three-fourths of intra-trade of the developed countries consists of manufactured goods) has given rise to the need to explain afresh the course of international trade. It seems that, contrary to the commonly held view, there exists a high degree of complementarity among industrial countries with similar resource endowment. Owing to product differentiation, the same product is capable of being exported from and imported into a country. Further, the complexity of manufacturing processes and constant need for innovations gives rise to specialisation in some products and processes and thus makes exchange of goods possible.

Drop in Raw Material

The great dynamism in the exports of manufactured goods and the slow growth of exports of foods, etc. and raw materials reflected themselves in the export performance of the developed and developing countries. Three-fourths of the exports of the developed countries consist of manufactured goods and it is no wonder that these countries achieved an impressive export record and increased their share in world trade. In the case of the developing countries, on the other hand, manufactured goods constitute only about one-fifth of the exports which are still dominated by foods, etc. (25 per cent), raw materials (20 per cent) and fuels (35 per cent). Consequently they have not benefited from the expansion in world trade.

Even in the case of foods, etc. and raw materials, the export performance of the developing countries was inferior to that of the developed countries. The reason is that while the demand for the foodstuff exported by the developing countries (such as coffee, tea and sugar) is inelastic to changes in income and price, the food stuffs exported by the developed countries (such as meat, eggs, dairy products, fruits and vegetables) possess relatively high income elasticity of demand. In the case of raw materials, exports of the developing countries, like fibres and rubber, face increasing competition from synthetics. The result was that while the share of the developed countries in the total world exports of foods, etc. and raw materials increased from 51 per cent at the beginning of the decade to nearly 60 per cent at the end of the decade, the share of the developing countries

declined from 37 per cent to about 30 per cent. The picture that now emerges is that the developed countries dominate world exports in every class of commodities, except fuels.

The commodity composition of the trade between the developing countries and developed countries in the last decade witnessed both elements of continuity and change. The exports of the developing countries to developed countries in 1968 consisted predominantly of primary commodities as in 1959. The share of primary commodities in the total exports, however, declined from 88 per cent in 1959 to 79 per cent in 1968 while that of manufactures increased from 12 per cent to 21 per cent. Within the group of primary commodities, the share of fuels increased substantially while that of foods, etc. and raw materials declined. The exports of the developed countries to the developing countries still comprise mainly manufactured goods whose share in the total exports remains at 80 per cent as in 1959. Within the manufactured goods group, however, there has been some shift from consumer manufactures towards chemicals, machinery and transport equipment. This is indicative of the increasing self-sufficiency of the developing countries in light manufactures and their growing need of heavy machinery for development schemes.

Notable Changes

The sixties saw some notable developments in the geographic distribution of international trade. The tendency of the developed countries to buy from and sell to one another increased markedly. The intra-trade of the developed countries increased nearly three-folds from \$ 52,750 million in 1959 to \$ 148,500 million in 1969. The share of intra-trade in their total exports increased from 70 per cent in 1959 to nearly 77 per cent in 1969. The progressive liberalisation of trade and formation of trade groupings, such as the EEC and the EFTA, contributed to this growing interdependence among developed countries.

Intra-trade of the EEC quadrupled itself in 1960's, increasing at an average annual rate of about 16 per cent. In 1969, intra-EEC exports constituted about 48 per cent of total EEC exports as against 33 per cent in 1959.

The EFTA has been less inward-looking than the EEC. Inter-EFTA trade increased at an average annual rate of about 11 per cent and its share in the total EFTA exports stood at no more than 23.8 per cent in 1969.

The trade of the developing countries with the east European countries, commonly known as the east-west

trade, increased considerably in the sixties. The exports of the developed countries to the east European countries increased more than four times during the decade to \$ 5,990 million while those of the latter to the former increased more than 2½ times to reach the figure of \$ 6,110 million in 1969. A noteworthy feature of the east-west trade is that the exports of the east European countries to the developed countries have been growing faster than the intra-east European trade.

The bulk of the exports of the developing countries is still directed to the developed countries. The dependence of the developing countries on the markets of the developed countries increased in the sixties, the ratio of their exports directed to the developed countries rising from 73 per cent and 75 per cent. The exports from the developing countries to the developed countries increased at an annual average rate of 6.7 per cent, much below the rate of increase of total imports (fob) into developed countries. Their share in the imports of the developed countries consequently declined from 25 per cent in 1959 to about 19 per cent in 1969.

The last decade witnessed a remark-

Autonomy for Reserve Bank ?

SUHAS JOSHI

ADDRESSING A Rotary Club meeting in Bombay recently, the former Governor of the Reserve Bank of India, Mr B.N. Adarkar, pleaded for continued autonomy for the Indian Central Banking Authority. In contrast, the Commons Select Committee on Nationalised Industries in England has made revolutionary recommendations to strip the Bank of England — the old, infallible lady living on the Threadneedle Street — off her customary veil of secrecy and to make her more accountable. The committee ignoring the special status of the Bank of England, has come down heavily on the freedom enjoyed by the bank from the discipline to which the nationalised industries in Britain are subject. The committee has suggested that the bank should publish full accounts like the other nationalised industries and that its capital expenditure programmes should be subject to annual investment reviews. It is true that since 1694, the bank has never published regular accounts, other than the Weekly Bank Return, which according to the Permanent Secretary to the Treasury, 'does not give any clue to the specific problem of the general overall state of their accounts.'

Another controversial recommenda-

able growth in the exchange of goods between the developing countries and the east European countries. The exports of the former to the latter increased from a meagre total of \$ 770 million in 1959 to \$ 2,140 million in 1969. The share of the developing countries in the imports of the east European countries increased from seven per cent to nine per cent. This increase, however, did not compensate for the decline suffered by the developing countries in the markets of the developed countries.

Intra-trade of the developing countries remains low. It rose during the decade slightly less fast than the total exports of the developing countries. Its share in the total exports of the developing countries, therefore, declined marginally to about 20 per cent.

The decade of the sixties thus witnessed not only a phenomenal growth in world trade but also far-reaching changes in its structure and direction. The developing countries emerged from the decade with their share in international exchange of goods considerably reduced. It is a sad commentary on the progress achieved in what was termed as the Development Decade.

tion of the Commons Committee is that there should be much greater accountability with the internal affairs of the bank from time to time by the Nationalised Industries Committee. In the absence of any external check, the bank could go on operating inefficiently for years without anyone outside having knowledge about it. The committee came to a firm conclusion that the proper interests of the bank would suffer in no way, if much of the traditional secrecy which has so far surrounded its activities were to be dispelled. Further, the bank ought to be answerable to Parliament in much the same way as other nationalised industries. This prompts us to examine the most intractable and intricate problem of developing proper relationship between the government and the central bank to facilitate implementation of monetary policy.

The basic idea of treating the central bank on par with other nationalised industries hinges on the problem as to whether it enjoys a special status. The MacMillan Committee described the Bank of England as 'the institution called upon to keep the economy upon an even keel'. The bank no doubt enjoys a peculiar status in its overseas connections with

the rest of the sterling area, overseas central banks and international agencies. Further, the Bank of England Act, 1946 (Section 4 (1) confers a statutory right on the Bank to be consulted before a directive is issued to the Bank by the Treasury. However, the Committee on the Working of the Monetary System — popularly known as the Radcliffe Committee — has thoroughly gone into this question. They had rightly thought that 'mistaken stress' was laid upon these provisions of the Act.

Complete Independence

It is also a fact that the power to direct has never been employed. The Committee did not subscribe to the view that the central bank should be assured complete independence from political influence as it would otherwise mean contemplating two separate and independent government agencies of which each is capable of initiating and implementing its own monetary policy. It would also mean entrusting the central bank the single objective of maintaining monetary stability, which is both too limited in scope and at the same time incapable of achievement by the Bank without the concurrent action on the part of the central government. Finally, the committee did not advocate the view that the bank should be treated as an exceptional government department.

The working relationship between the central bank and the government is evolved through the system of continuous and confidential exchanges between them. The function of the central bank is that of a highly skilled executive in the monetary field and its unique practical experience and contacts qualify it to tender valuable advice to the government. In fact, Lord Norman, the famous Governor of the Bank of England remarked: "I think it is of the utmost importance that the policy of the bank and the government should, at all times, be in as complete harmony as possible. I look upon the bank as having the unique right to offer advice and to press such advice even to the point of nagging but always of course subject to the supreme authority of the government." Though the supremacy of the Treasury is recognised, effective implementation of monetary policy warrants close co-operation of the central bank and the government. Thus the central bank and the Treasury are prisoners of one another.

The cleavage between the Bank of England and the Treasury is as old as one hundred years, when Mr Gladstone, the then Chancellor of the Exchequer, commented that the bank had developed a detached, independent and even hostile attitude towards the government and the Commons Select Commi-

tee remarked, "that fight of Mr Gladstone's has not been completely resolved even in 1970". Lord Cromer, the former Governor of the Bank of England seems to be the recalcitrant Governor, who openly came into conflict with the government; though his personal dynamism had helped the Labour government initially in the salvage operation of the pound. The bitterness between Lord Cromer and the Labour government could be seen from the recent remarks of Mr George Brown, Deputy Leader of the party. "I have not much regard for him as a political strategist or an economic adviser, he said and added, 'he has never been noted for not being impartial or non-partisan.' Even as regards the advice given by the present Governor, Sir Leslie O'Brien the former Chancellor, Mr Jenkins, frankly admits that "the number of occasions on which the Governor speaks to me as the representative of the city are, frankly, very very few indeed." This did not even happen once in six months. In fact a change is noticeable giving an upperhand to the Treasury and this led Sir Douglas Allen to make the unequivocal statement that "the Chancellor of the Exchequer determines the Bank Rate. This is one example of a major change," he observed. It, therefore, depends more on the treasury to forge a useful relationship with the central bank by occasionally seeking expert advice from the Bank.

Reasons for Harmony

The Indian situation in respect of the relationship between the government and the Reserve Bank of India is quite different from that in England. Since its inception in 1935, the RBI has given no cause for the government to frown upon it. It is quite interesting to find out how such harmonious relationship has been developed. Firstly, it has been a practice for officials, particularly of the Ministry of Finance, to assume high offices in the Reserve Bank. Secondly, during the second and third Plan periods, the government, by resorting to massive deficit financing, had virtually subordinated monetary policy to fiscal policy thereby curbing the initiative of the Reserve Bank which is entrusted with the responsibility of maintaining monetary equilibrium in the country.

Thirdly, the Reserve Bank itself played a passive role not only in respect of controlling the monetary situation but even to avoid conflict with the government. How passive was the role of the Reserve Bank would be clear from one interesting example quoted by Mr Narayan Prasad, who was once Economic Adviser to the bank. In 1951, when the bank rate was raised, the then Governor,—the late Mr B. Rama Rau, was

against such a move as thereby the cost of government borrowing would have increased. He, therefore, wanted the then Finance Minister, Mr C. D. Deshmukh, to take such risk. Finally, 'it was Mr Deshmukh who took the decision to alter the Bank Rate'. Even in March 1968, when the bank rate was reduced, it seems the Reserve Bank was against introduction of a cheap money policy and the decision to reduce the rate was announced by the government from Delhi. There are also instances where the Reserve Bank's advice had been totally accepted by the government. Mr H.V. R. Iengar, in his B.F. Madon Memorial Lecture in July 1961 stated: "I make no secret of the fact that before the last budget the advice of the Reserve Bank was that the government should increase the tax burden and reduce the budgetary deficit. It says much for the political courage of government that they not only concurred in this analysis but acted accordingly and imposed a substantial tax burden in a pre-election year."

Finally, the need for autonomy for the Reserve Bank of India at the present moment, quite contrary to the recommendation of the Commons Select Committee for more accountability for the Bank of England, arises from three important reasons. Firstly, freedom of

policy decision is necessary to ensure that the bank's powers of credit creation were used discreetly on the basis of an expert and non-political opinion. In the context of the present political turmoil and rivalries among states, the Reserve Bank might be finding it difficult to steer its policies without avoiding conflict either with the central or state governments. Secondly, with the nationalisation of 14 major banks, the RBI has to undertake additional responsibility of virtually managing these banks. The RBI representative, who has been attending the weekly meetings of the nationalised banks, is responsible for all the important decisions taken.

Besides, the Reserve Bank is scrutinising thoroughly loan applications for implementing the new credit policy laid down by the government. Thirdly, it is difficult to deny the truth that the Reserve Bank's initiative is to some extent curbed by the creation of the National Credit Council and the Banking Department in the Ministry of Finance. However, before giving the necessary freedom to the Reserve Bank to undertake the new responsibilities it is pertinent to make a thorough enquiry into the methods of the bank by an expert committee like the one recently conducted by McKincsey for the Bank of England.

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LONDON:

THE FEDERAL Trust for Education and Research (12A Maddox St. London W1R 9PL, UK), which conducts research on all aspects of European political and economic co-operation with special reference to the UK and the EEC, recently held a two-day conference in London on European Technological Co-operation, which I attended on your behalf.

The Trust has just published the texts of the ten papers read at the conference, with transcripts of the discussions that followed them. The texts include: European Technological Co-operation by the Rt. Hon. Fred Mulley, MP, and by Dr Jacques Defay, Head of the Study Department of the Belgian Prime Minister's Office for Science Policy; Collaboration in Molecular Biology and its Technological Significance by Dr Raymond Appleyard, Executive Secretary of the European Molecular Biology Organisation; European Organisation for Nuclear Research (CERN) by its Director, Dr J. B. Adams; Co-operation in Research by Professor W. Kleen, Director of the European Space Technology Centre (ESRO); the Oceans: A strategy for Development by Laurance Reed, MP; Nuclear Fuel Supply in West Europe by Peter Jelinek-Fink of Germany; Telecommunications by the Hon. Christopher Layton; Rapid Inter-Urban Transit and Rapid Ground Transport by Bernard de Fontgalland, Head of Research of the French National Railways; and Competing Developments by Alan Stratford.

Faced with the invidious task of picking one paper out of this galaxy to summarise for you, I have, after much dithering, chosen that by Christopher Layton.

I

TELECOMMUNICATIONS

Telecommunications is an example of a sector of the economy in which the state is inevitably massively involved and in which, therefore, common action at a governmental level is essential to economic and technological co-opera-

tion in Europe. It has been suggested that Europe needs a motor if it is to develop high technology. The motor in America was the desire for security and defence. The needs created the programme. Telecommunications seems to be an admirable motor with which to develop a common European programme, because the need for it is undeniable.

Of the 222 million telephones in the world at the beginning of 1968, over half were in North America. There are thrice as many telephones per capita in the USA as in European countries. Yet in Europe there is a huge growth rate—some countries double the number of telephones every five years. Then there is the remarkable growth of data communication—in terms of new growth it is expected that there will be as much in data traffic as in voice traffic in the USA. The expectation may be optimistic but still should video telephones become common, there will be a logarithmic expansion of the need. With video telephones, the capacity for transmission through telephone channels will have to be vastly multiplied if they are to become an everyday form of communication. Here we have a tremendous need, a massive industry in which many thousand millions of pounds are already invested in Europe. The problem is how to make the best use of the huge resources that are being poured into it.

Need for Co-operation

Communications are international by nature: you cannot avoid co-operating with others if you want to speak to someone the other side of frontier and, as the European economy integrates, as we build up a need for data banks and information systems communicating across Europe, bringing together information from many parts of Europe, that growth of international traffic will be even more dramatic, and it will be important that this traffic should be efficient and free from mistakes. So there are two facets: one is the need for economic efficiency, to make the most efficient use of the tremendous investments in research, development and production which go into this

industry, and secondly, a technological need to provide an efficient international service.

European and US Contrasts

But this industry also illustrates the classic weaknesses of Europe in this type of industry. First, there is a most impressive American role: IT & T—a great section of the Bell Telephone Company, which was broken off by the Anti-Trust authorities 40 years ago—is the world's largest international telephone and telecommunications company and the largest American employer in Europe. Their sales of telecommunication equipment are comparable to those of the next two European companies, Siemens and Ericson. Up to one-third of the telecommunications equipment of Europe is supplied by IT & T. There is also a more remarkable splintering of the market into protected national markets than in any other industry. In this most international of all industries you find the highest degree of protectionism. The major states—Britain, France, West Germany and Italy—rarely buy from outside their frontiers. Each tends to have its own technically different telecommunications structure and system, which act as barriers to an integrated, operating system and protect the local industry by limiting the scale of production and development. The consequence is that, whereas the USA has one company, the Bell Telephone Company, supplying almost half of the world's telephones and operating the major part of the system, Europe has not only many nation states but many companies in each, splintering the system and the economic effort that goes into it.

Until recently the UK had the Ring—a Post Office sponsored cartel. The Ring has been made more competitive: three manufacturers now compete with each other, but there is still no foreign competition. A straw in the wind did appear when Ericson was recently allowed to sell a private exchange. Until then, the market had been virtually sealed and so had the standards, the structure and, in a sense, the technology. But there is no sign yet that the Post Office will allow foreign firms to share the British market.

The West German system is as sealed as the British. The Bundespost dictates its requirements. There are three companies: Siemens, AEG-Telefunken, which has now taken over Telephonbau Normalzeit and as in Britain, IT & T, known in West Germany as Standard Lorenz. These companies develop products to meet requirements of the Bundespost which adopts the design that suits it best, which is then

followed by the two other companies. In France, it is the same: IT & T dominates about half the market. Ericsson, through its French subsidiary, has about twenty per cent and other French companies about 30 per cent. But again, the standard is laid down by IT & T. In Italy, the largest company is IRI's subsidiary, SIT-Siemens with about half the market drawing on Siemens technology but with a majority holding by IRI. There is an Ericsson subsidiary, an IT & T subsidiary and the Autel Company, a subsidiary of US General Telephone. So Italy gets its telecommunications technology essentially from international companies. There are a number of international companies operating in Europe—IT & T is the largest—but in the four big countries each of the national systems is separately controlled and many of the requirements are different.

II

RESULTS OF PROTECTIONISM

Small countries have a different approach. Denmark, Holland and Sweden tend to competitive tendering. In Sweden, the home of Europe's most successful company Ericsson, the Swedish telecommunications administration manufactures most of its exchanges and Ericsson sells only 10 per cent of its total world sales in its home market; it is not protected and is most successful. Is there a moral in this? It might be supposed that protection would help the local industry but the evidence is against this.

Protectionism has not had bad results in every country: Siemens has a world position and in Italy, although there are no imports, there has been a deliberate attempt to draw the best from different technological systems. Italy shows that international companies can transfer technological expertise. The Italian administration is now able to compare the benefits of a pentaconta system, used by IT & T, and a cross-bar system. Nevertheless, some of the internal evidence from the international companies damns the economics of the European system. About two years ago IT & T were developing eight different types of telephone exchange and six of micro-wave equipment in Europe to satisfy the different requirements of post offices. There are about fifteen types of electronic exchanges being developed in different parts of Europe. AT & T, the great company which runs the American system, spends less on research and development than all the telecommunications companies in Europe. AT & T spend in one place according to one plan, whereas European suppliers have to satisfy varying technical requirements

and innumerable different developments. Thus the present European system wastes resources in R and D. The limited production of each type of equipment is wasteful. When Europe has fully electronic exchanges, great economies of scale in production will follow and telephone exchange will work like computers. These economies will be lost if different, public requirements in a dozen countries proliferate systems.

III

EXISTING EUROPEAN CO-OPERATION

To understand the extent of these problems a word must be said about the co-operation already taking place, of which there is a great deal that has been going on for many years. Telecommunication has been world wide and international ever since telegraph and telephone began. There are two bodies: (1) the International Telecommunications Union dating from the nineteenth century, which has an international co-ordinating committee (CCIT); and (2) the Union of European Post and Telecommunications (CEPT) authorities. These bodies, especially the ITU, have done tremendous work in certain respects: they have made it possible to talk to New York or to Tokyo and this has involved vast negotiations between many sovereign states. There are volumes of agreements on tariffs, rates in different parts of the world, accounting procedures—on all the questions of interface—to enable one system to plug into another. The negotiations in CCIT inevitably involve world-wide planning. For instance, there are main reserve routes going from one continent to another, agreements on regional routes, and a hierarchy in world communications, all of which have to be agreed, often bilaterally, between governments.

This work has been essentially concerned with the interfaces between sovereign states; sometimes agreements have, however, penetrated the domestic systems, forcing alterations in internal practice; e.g., an agreement on common standards of distortion may cause changes, in say, UK domestic practice, because if a different standard exists between London and Birmingham and this is joined up to an international system the agreement may be broken. Yet although there are some effects on national practice, basically all this is going on the old world of negotiations between sovereign states.

This does not tackle the economic problem of making the best use of resources and Mr. Layton doubts that it will tackle satisfactorily the technical

needs. A new development called PCM translates messages into digital form, making it possible to communicate many more calls on a single channel, thus multiplying transmission capacity. As PCM spreads, and if Europe moves to electronic exchanges, which are computers, the system becomes digital and there will be greater need than ever for uniform technology. There is technological as well as economic pressure on Europe to build a uniform system, just as IT & T in America did when it absorbed the systems developed by other private companies.

The Aigrain Committee has made some modest suggestions for co-operative development work in Europe: common development of components, experimental development of common data communications links within the existing network. What are the facts of the problem?

Computerisation

The need is for an integrated telecommunications system throughout Europe which incorporates data processing facilities. Mr Layton seeks a strategic plan for European telecommunications with the means to implement it. There are many possible ways for doing this and Mr Layton's proposals are offered solely to stimulate discussions. He suggests that the European PTTs (Post, Telegraph and Telephone systems), a growing number of which are becoming independent corporations (like the British Post Office) should set up jointly a European telecommunications corporation. This would have executive, planning and supervisory tasks in guiding the development of a common market equipment. Mr Layton believes that a corporation offers the best kind of organisation, because it would have built-in financial disciplines and probably offers the most effective management structures. A corporation would be acceptable to PTTs, because they would have shares and directors on the Board and would participate in a flexible structure. In the beginning, the corporation might be mainly a joint planning subsidiary of the PTTs, but eventually it would grow into an AT & T for Europe.

Its two main tasks would be (a) policing and developing a common market in equipment and (2) planning in conjunction with the post and telecommunications authorities. It would take an inventory of the existing system and draft long-term plans to develop a European system over five, ten or twenty years. Such planning would be continuous. Forecasts would be based first on constant analysis of the needs of the services. It would then begin to

plan the gradual integration of the system. From developing a single number plan for Europe the ECC would then gradually develop common operating and equipment standards.

Long-Term Process

It is not necessary to standardise everything; but Europe must obviously go much further than it has. At present there are two main differences. There are practices which are the inheritance of each nation state; different operating procedures and vast ranges of different requirements. The British Post Office, e.g., likes to have components and exchanges that it can maintain and take to pieces itself. Many others prefer modular systems for which the manufacturers are responsible. Other differences are fundamental: e.g., in existing equipment, which represents a massive inertia because thousands of millions of pounds worth of already installed equipment must inevitably remain in service for many years to come. In Britain, the first automatic telephone exchange was installed in 1912 and the last might go out of use about 1990, replaced by electronic exchanges. So vast equipment is involved and its standardisation needs long-term continuous planning and adaptation. In many ways, differences in equipment may be less important than those in procedures.

For the second major task, the development of a common market, parts of the system could simply be opened up to straight competition from other countries in an enlarged community. A start could be made with private telephone exchanges. Then a more forward-looking attempt to build up a common central grid based on a common type of electronic exchange for Europe as a whole would need to be developed. With this aim, the European Communications Corporation would have to place development contracts with competitive multi-national companies, and thus concern itself with Europe's industrial structure. Mr Layton thinks that many of the operations, and the market for local equipment, will remain in the hands of the local PTTs for a long time to come. But the central grid for Europe and the major exchanges could be developed multi-nationally. In placing contracts for this central nervous system, there could be a rule like that for ESRO contracts, by which groups which tender must have a base in at least three countries. This could be a way to speed up the emergence of three or four competitive multi-national private European telecommunications manufacturing companies, of which IT & T would be one.

As part of its all-European planning and development, the ECC would be

well placed to make the great technical choices, e.g., whether Europe should use satellites as a regional instrument of transmission, comparing the economics of satellites with cables and micro-waves. Such a choice would be part of an assessment of communications as a whole and should not be taken in isolation just because Europe would like to have a satellite.

Telecommunications illustrate problems that exist in other European industries, e.g., the problem of public purchasing, so often the chief obstacle to the creation of a common market. There is the need for long range plan-

ning, the need to make national, but also competitive use of Research and Development, and the need to restructure industry by placing development contracts with multi-national companies on a European basis. Mr Layton hopes that Britain, as it approaches the European Economic Community, will make constructive and positive proposals in these fields. "We may not", he concluded, "obtain a fully fledged European Communications Corporation until we have a more effective political authority over it. We ought, however, to be planning for it and to see it as typical of the ways in which we can use our resources in Europe effectively and well."

An Unwanted Trade War

E. B. BROOK

VIENNA :

WHILE FINANCE ministers prepare their theses on currency convertibility for the meeting of the International Monetary Fund in Copenhagen the economies of their countries are moving steadily towards a trade war inside the non-communist world.

The principal protagonists shaping up for a trade fight that could dwarf anything in the history of the last quarter century are the United States, Japan and the Common Market countries of Europe with Britain and the Scandinavians (the EFTA group) mixing in the melee closer to the ropes.

The earlier fight, about ten years ago, between the USA and the Common Market over the price of poultry, then regarded as a fairly savage affair, would be a fleabite compared with what seems to be simmering in the trade world. Then the USA and the Market contended for the American poultry sales in Europe worth £10½ million a year; today the stakes are twenty times as high. If the US Congress passes the expected legislation to enforce quotas on American textile and shoe imports the worth of the market affected would be well over £200 million. Each side is seeking the others' weaker spots—the Americans aiming at Europe's and Japan's textiles and footwear, the Common Market at American soyabeans and other fats and oils. Earlier, American protests about restricting its fats imports to Europe when the Market was at its most difficult period with its mountain of surplus butter were sufficient to let the Europeans know clearly where it was possible to hurt US commerce most effectively.

Trade relations between the United States and the European Common

Market have been deteriorating for several years. The USA, and particularly its actively lobbying farm groups, strongly resent the Common Market's policies which give a large measure of protection to the Market's farmers and bring it into direct competition with the United States in third country markets. Equally, the Common Market resents protectionist trends in the USA, especially its attitude to imports of footwear, textiles pharmaceuticals and chemical products generally—all lines of production in which west and central Europe excels and which form the industrial basis of its prosperity.

These frictions became very vocal in the "chicken war" of the early 1960s, continued during the negotiations of the Kennedy Round—which must be regarded as the highest peak attained in liberalization of international commerce since the last war. Since the Kennedy Round completed its long and difficult course three years ago, inflation and a sharply reduced trade surplus have persuaded the USA to more inflexible positions while the Common Market feels increasingly the weight of the financial burden it has taken on itself in aids and subsidies to its farming. The cost of inflated food prices, also to the 180 million consumers within the Common Market approaches £3,000 million a year. Market farm food prices being set well above the world market level. This immense cost is a burden on the treasuries of the six Common Market countries that will have to be eased sooner or later but before that sensible relief is undertaken—probably with subsequent social changes leading to political perplexities—the trade fight with the United States and, to a lesser extent, with Japan appears almost inevitable.

The Europeans, almost all of them

beneficiaries of immediate post-war Marshall Aid (an episode rarely mentioned nowadays) claim that, within reasonable limits, they provide a wide-open field for American business enterprise, investment and straight-out banking and that, through the operation of Eurodollars, they help the USA considerably by holding large sums of surplus dollars that remain recallable on demand—often to the perplexity of European bankers. The Americans report that the Common Market's variable import levy introduced four years ago on American farm imports is equivalent to triple protection and has already reduced these types of US imports to Europe by nearly one-fifth.

The moves to invent and implement new restrictions on world trade are gaining momentum while efforts to the contrary are steadily losing their force. The resulting pile of subsidies, trade supports, credit guarantees, border duties and entry taxes and import quotas are multiplying as restrictive and expensive devices for safeguarding domestic industries and agriculture which are enabled to produce less satisfactory commodities as a result. In many countries domestic products are already costing considerably more than the

imported equivalents, largely because the latter become less easily available. This phenomenon occurs in areas well beyond manufactures and has some surprising results—Californian honey, for example, costs 20 per cent less in Austria than does honey locally produced.

These restrictions not only invite a reduction in domestic efficiency, they are also expensive to operate both in terms of money and manpower. They also invite retaliation. Basically, the rising wave of protectionism is due to the current worldwide inflation, since inflation gives protectionism a deceptive appearance of plausibility and is the easiest, most direct, way of meeting a challenge. The true answer to inflation—multi-national efforts to meet the shortage of capital—is much more difficult and complex to achieve.

But nations, and the world generally will be the poorer if high quality products, technological advance and the results of superior managerial and mechanical skills are excluded or hindered by parochial fears. Japan's restrictions on foreign investments are no less cramping than the more clearly politically-angled self-defence of west-

ern Europe. It is ironic that American bankers and Soviet government leaders both complain almost simultaneously about west Europe's armoury of protectionist devices and their cramping effect on international trade.

The most hopeful note in the situation is that no one in the USA, Europe, or Japan wants a trade war; they only want to save themselves from each others' products. Retaliation is almost too childish a device for a world that has seen two great conflicts in this century and the economic collapse between them. It would be encouraging if more were heard of negotiating non-tariff barriers out of the way—as GATT has consistently urged to a deaf world—and if world statesmen can bring themselves to negotiate quotas instead of imposing them in the isolation of their own capitals. But while Japan continues to discriminate against American imports in 87 different ways and the Common Market and Washington confront one another with threats of trade-cramping quotas there should still be hope that more liberal counsels will provide a margin for negotiation and that the gloom of the immediate prospect proves to be exaggerated.

The moving finger writes

THAT GAMAL Abdel Nasser was one of the most charismatic personalities in the chronicles of our times is true enough, but I doubt that history will rate him very high as one of its makers. It was his personal tragedy that, starting from a position of power without responsibility, he ended up in a situation of responsibility without power. In the earlier days of his supremacy in Arab politics he could have achieved much, but, dissipating his opportunities, he did not. In the later and particularly the last years, he found himself the Frankenstein of the monsters he had created.

Nasser's misfortune was that he was born much after his time. The Arab nationalism, which he attempted to arouse and use for his or Arab purposes, was stoked by fires of a world which was irrelevant to the realities of the middle twentieth century. What the Arab countries and the Arab people, like other countries and other peoples, newly become independent of foreign rule or dictation, needed most was to be helped to move into the mainstream of the science and technology of the world of today and tomorrow. Nasser was no great help to them here despite the Aswan Dam. In fairness to him, however, it must be said that he did not err alone. Jawaharlal Nehru to a lesser degree and Soekarno to a far greater extent died similarly unfulfilled.

Some people thought that it was just possible that Mr Giri might not agree to put his name to the order promulgating President's rule in Uttar Pradesh, which was rushed to him at Kiev for his signature. This, of course, was wishful thinking. It had been reported, after all, that the Prime Minister had already spoken to him on the telephone. If she had then not made sure of his going along with her in this matter, she would not have taken the step of despatching the messenger boy from the External Affairs Ministry to Kiev. The Prime Minister is far too careful a politician to risk being snubbed by the President. Power may have gone to Mrs Gandhi's head, but she still has a head on her shoulders.

When it came to be felt at one stage of the drama which was being played between New Delhi and Lucknow that Mr Charan Singh might be able to form a new coalition ministry independently of Congress (R) and face the

legislature successfully if it re-convened on October 6 as then intended, there were not a few in the capital, belonging to the Prime Minister's camp, who started doing some loud thinking which was not exactly flattering to her reputation for sagacity. It was freely suggested by these people that Mrs Gandhi had overplayed her hand and allowed her bluff to be called by her political opponents in her home state. The argument was that, not yet having lost his cunning, Mr C. B. Gupta was not to be expected to let Mrs Gandhi's party have its way in UP politics. According to these critics, the Prime Minister should have expected the Congress (O) and the other parties, such as the Jana Sangh and Swatantra, to come forward to bail out Mr Charan Singh, as indeed they did. What was significant in these questionings in Mrs Gandhi's camp was that the ranks of her close advisers were no longer homogenous.

It is true that the Prime Minister, in a way, has had, at least, the last but one laugh. Mr Charan Singh has been prevented from using the chief ministership as a vantage point from which to bargain with would-be allies. The question, however, is who laughs last. Will Mrs Gandhi succeed in placing her own party in power in UP before the next general election is held for Parliament? Some have argued, no doubt, that it would serve her purpose equally well to have President's rule continue in UP till and during a poll is held for the Lok Sabha. But it is not going to be easy for her to sustain President's rule for any length of time. The resistance that this is bound to provoke must necessarily strain her reserves of political authority. It follows that, unless she is going to opt for an early general election for Parliament, she has no alternative to making an all-out bid for a coalition which would help her party to form a ministry in Uttar Pradesh in the new future.

The Chief Justice of India, deploring the multiplicity of parties in our country, suggested recently that the nation needed an optimum of only six parties in the Lok Sabha and that this desirable number could be secured through a provision that only parties, each having at least one-sixth of the total number of seats in the Lok Sabha, should be considered eligible for recognition and that members of other parties, which failed to secure the qualifying percentage of

seats, should be required to sit in the House as Independents. The arithmetic of this formula may not be as simple as Mr M. Hidayatullah supposes. If one or more parties get more than one-sixth each of the seats, the number of parties entitled to recognition would automatically fall below six. This may or may not be a good thing in itself, but, then, the Chief Justice feels that, in Indian conditions, it is desirable to have six political parties functioning in the Lok Sabha.

This arithmetical complication apart, there is the political difficulty that, under Mr Hidayatullah's formula, regional parties such as the DMK or the Akalis or others which may already exist or may emerge in due course, will be prevented from functioning as recognised parties. These parties, especially when some of them are confined to single states, cannot obviously secure individual strengths of one-sixth of the total number of seats in the Lok Sabha. Even if one is inclined to agree with another legal luminary, Mr M. C. Chagla, that the Indian polity is not a federation but a union of states, I wonder whether it is reasonable or fair to recommend that state or regional parties should be denied the facility of organised functioning in Parliament. Some time ago, when Mr Hidayatullah informed the public that he found Vatsyayana impractical, I was tempted to tell myself that it would have been surprising indeed had it been otherwise at his age. However, while age may be a liability in some matters, it need not be so in the philosophic discussion of politics.

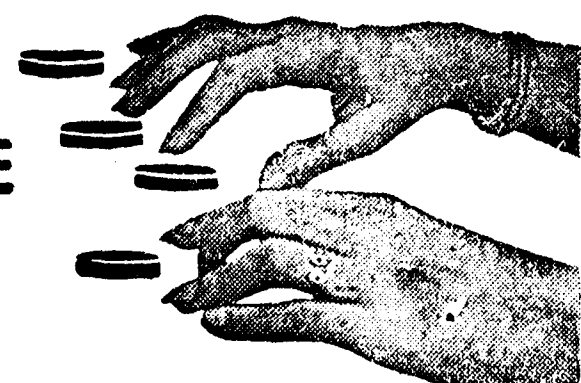
In the joint communique issued at the conclusion of the state visit of the President of Pakistan to Nepal, there were references to Kashmir and Farakka. The King of Nepal's joining in the expression of a hope that these matters could be settled peacefully might be innocent or innocuous, but some of us may still wonder how Kathmandu's excursions into the uneasy terrain of Indo-Pakistani politics are consistent with the pious statement in the joint communique proclaiming the principle of non-intervention in the affairs of other countries. But, then, we, Indians, cannot afford to protest too much. Was not Jawaharlal Nehru the prime architect of the language of equivocation or prevarication in the drafting of joint communiques?

V.B.

KORES

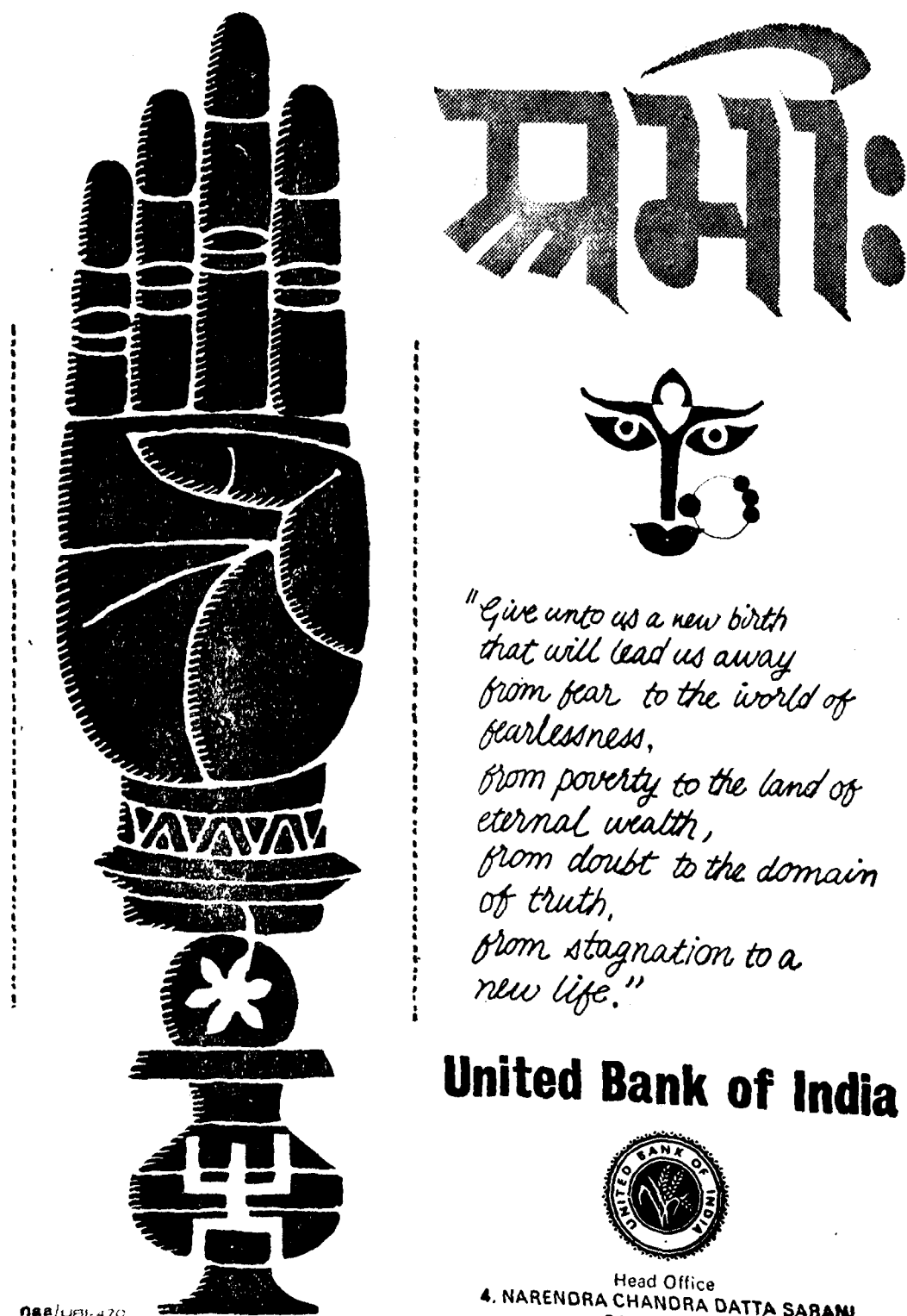
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Kores (India) Limited, Plot No. 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.



United Bank of India



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naa/UBI-470

Trade Winds

I.F.C.

THE INDUSTRIAL Finance Corporation of India during the year ended June 30, 1970, sanctioned financial assistance of the order of Rs 19.38 crores to 49 industrial units, Rs 17.71 crores of it in cash. The bulk of this assistance—Rs 13.63 crores—was in the form of rupee loans. Foreign currency loans amounted to Rs 2.07 crores. The principal beneficiaries of assistance were the sugar industry, cotton textiles, non-ferrous metals, artificial fibres and jute textiles. New units claimed about 40 per cent of the assistance while the balance of 60 per cent went to existing units for their expansion, diversification or modernisation. The gross profit made by the Corporation during the year was Rs 4.33 crores, Rs 41 lakhs higher than in the previous year. After providing Rs 2.37 crores for taxation, the net profit amounted to Rs 1.96 crores, Rs 26 lakhs more than in the year before.

The relatively less developed states and territories of Andhra Pradesh, Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and Goa were sanctioned assistance of the order of Rs 4.68 crores—about 24 per cent of the total. In July 1970, the Corporation announced a number of concessions to industrial units that may be set up in less developed areas notified by the union government. Over the past 22 years, the total net assistance sanctioned by the Corporation to 505 industrial projects aggregated Rs 337.08 crores. Actual disbursement was of the order of Rs 301.39 crores—about 89 per cent of the total sanctions.

The Corporation made a bond issue for Rs 5 crores with a maturity period of 12 years in November 1969. Subscriptions for Rs 7.07 crores were received, of which allocations were made to the extent of Rs 5.50 crores. The aggregate amount of bonds outstanding at the end of the year was Rs 52.74 crores. In order to meet existing and future commitments on rupee loans, and to reduce its dependence on borrowings from government, the Corporation has decided to go to the market again this year with a bond issue of Rs 4.50 crores.

SUSPENSION OF BANNED LIST

The union government announced decisions in respect of modified licensing policy in February, 1970 and

issued orders in notifications dated February 19, 1970 and February 28, 1970 about relaxations from licensing provisions of the Industries (Development and Regulation) Act, 1951. Thereafter, certain clarifications arising out of these orders were issued in which it was stated that it had been decided to dispense with the lists of industries in which adequate capacity had already been installed and licensed/approved and the applications for which were to be normally rejected, commonly called the 'banned lists' as an experimental measure, for a period of six months i.e., up to the September 12, 1970. It was recently decided that the period of suspension of the banned list has been further extended up to the March 12, 1971.

PRINTING MACHINES

The union government proposes to encourage creation of additional capacity for various items of printing equipment including (a) printing presses such as platen presses, cylinder machines and rotary machines; (b) photo mechanical process equipment, process camera; (c) composing machines/equipment such as linotype composing and casting machine, intertype composing and casting machine and monotype composing and casting machine; (d) binding machines (e.g. paper guillotine, three knife trimmer, folding machine etc. book backing and rounding machine and sewing machines); and (e) specialised box making & packing machine equipment (e.g. platen type punching and creasing machine, cylinder type punching and creasing machine folding box glueing machine, rotary board slitting and creasing machine, punching machines, varnishing machines glueing machine and card board and corrugated board bending machine, which are used by the printing industry). Proposals were accordingly, invited from prospective entrepreneurs for establishment of capacity for manufacture of various items of printing machinery. Proposals in this regard were expected to indicate details of (i) phased manufacturing programme; (ii) complete requirements of both imported/indigenous capital equipment and raw materials; (iii) foreign collaboration, if any. Applications are to be addressed to the Secretary, Ministry of Industrial Development and Internal Trade (Department of Industrial Development) C.L.P. Section, New Delhi and

all such applications received before October 15, 1970, will be considered.

EXPORT OF STEEL KNOW-HOW

The Central Engineering and Design Bureau (CEDB) of Hindustan Steel Limited has received enquiries from about twenty countries in east and west Asia as well as South America for "know-how" in setting up steel works. CEDB's international standards of ability became known abroad when a fact-finding team from ECAFE (Economic Commission for Asia and the Far East) which visited India reported to the United Nations that CEDB was in a position to assist in the economic development programme of the ECAFE region by way of preparation of studies and other work required for the setting up of steel and allied projects. The feasibility report submitted by CEDB for the establishment of a billet mill in Singapore was well received by ECAFE, which also utilised the services of CEDB for an expert survey of the iron and steel industry in the region. CEDB has also received from ECAFE a request for the services of its engineers to work in Thailand.

Of the new enquiries received by CEDB are those from Ceylon for setting up a rolling mill for production of tin-plates and sheets as well as an aluminium rolling plant. Enquiries relating to wire rod and other mills have come from Malaysia, Indonesia, the Philippines and South Vietnam. The United Arab Republic has sought technical information from CEDB for establishing a continuous wire rod mill and two re-rolling mills. Similar enquiries for setting up steel works have been received from Kenya, Ghana and Nigeria as well as Kuwait, Bahrain and Dubai. Turkey has asked about equipment for an alloy steels plant. From South America, an enquiry has come from Argentina for setting up a complete rolling mill complex on a turn-key basis while Mexico requires a feasibility study for a wire rod mill.

ANNUAL PLAN: 1971-72

A schedule of discussions, beginning on September 28, 1970, on estimates of financial resources for the Annual Plan for 1971-72 between the Planning Commission and state representatives was drawn up recently. Similar discussions were proposed to be held with state electricity boards, road transport corporations and departmental electricity and transport undertakings in the states. These discussions would conclude early in November 1970. A firm view of estimates of financial resources in respect of each state would contribute towards a purposeful and concrete discussion between the Planning Commission and states on develop-

ment programmes to be undertaken by the states next year. It was expected that discussions with states to finalise their Annual plans for 1971-72 would be held towards the end of the year.

STUDY OF BAUXITE MINING

A four-men official delegation came from Guyana on a four-day visit to this country. The team came to study the mining of bauxite and its exploitation in this country. It also proposed to study the contribution the aluminium industry was making to the economy of the country and also the practical engineering problems which were being confronted during mining operations and the extraction of the metal. The team held discussions with the officials of the Department of Mines & Metals, Director General of Geological Survey of India and officials of the Bharat Aluminium Company. The team later visited bauxite mining operations and an alumina plant in Bihar.

INDIAN GOODS IN SWITZERLAND

An exhibition of Indian products was organised by the Society of Consumers Co-operative known as the Coop was inaugurated in Geneva on September 25 by Mr. Claude Merker, Deputy Director of the Society. The Coop has a chain of stores selling consumer products in Switzerland. The exhibition remained in Geneva from September 26 till October 10 and thereafter proposed to move to Lausanne in the third week of October for another ten days. The products being exhibited are handicrafts, silks, garments, carpets and fresh and tinned food products. The exhibition is organised in collaboration with two Indian private entrepreneurs of Switzerland, the Air India, the Indian Tourist Office, the Tea Board and the India Office for Food Products. Air India's art collection forms a part of the exhibition.

INDIAN PAVILION AT IZMIR

Indian pavilion at Izmir Fair (Turkey) held recently attracted over 100,000 visitors and was one of the most popular pavilions in Izmir. The display of colourful handicrafts as well as industrial products and heavy machinery evoked considerable interest in Indian goods. Daily cinema shows of Indian documentaries also attracted large crowds.

AWARD FOR CIGARETTES

India Kings manufactured by India Tobacco Company Limited has received recently a gold medal award for excellence at the Monde (World) Selection for Tobacco and Tobacco Made Products held at Rotterdam (Holland). ITC's India Kings which won gold medals at two international contests

held in Brussels in 1968 and early in 1970, was the first Indian cigarette to be so honoured. It has now been awarded its third gold medal in Rotterdam. The award was presented at Rotterdam on October 2, 1970.

KHARIF PROCUREMENT PRICES

The consensus arrived at the meeting of the Parliament's Consultative Committee for the union Ministry of Food, was that procurement should continue and that procurement prices should be higher than those suggested by the Agricultural Prices Commission for kharif cereals for the 1970-71 season.

FERTILIZER AT RAMAGUNDUM

The union Minister for Petroleum and Chemicals and Mines and Metals, Dr Triguna Sen, laid the foundation stone of a fertilizer project at Ramagundum in Andhra Pradesh on October 2, 1970. This was the second fertilizer project based on coal as feedstock; the foundation stone of the first such plant was laid by Dr Triguna Sen at Talcher in Orissa in February this year. The projects are being set up by the Fertilizer Corporation of India and will be the largest coal-based plants in the world. The project costing about Rs 71 crores with a foreign exchange component of about Rs 20 crores, will have the capacity of manufacturing 900 tonnes of ammonia and 1500 tonnes of urea per day, and will ensure the economies of large-scale production. The Planning and Development Division of the FCI has complete technical know-how to handle coal-based plants from the designing and engineering stage to that of construction and commissioning. Ramagundam in the Telengana area has assured abundant supply of water, power and quality coal.

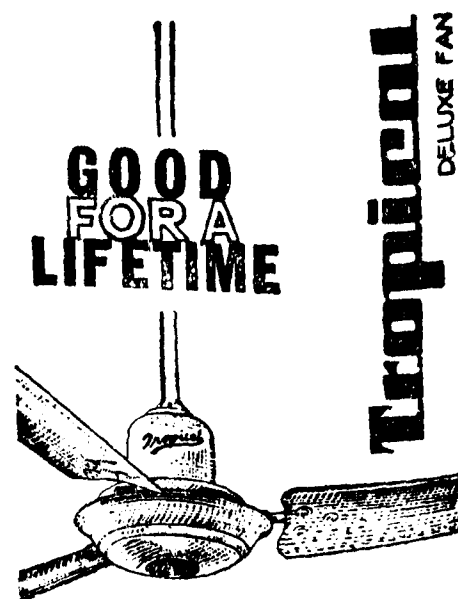
RAW JUTE SHORTAGE

The raw jute position in the current season is causing anxiety and the Indian Jute Mills Association is distressed at the apparent unconcern of the government over the industry's repeated pleas for immediate import of fibre to prevent the loss of production in the mills. According to the latest trade estimate of production, the combined jute and mesta crops in this country during 1970-71 may not exceed 6.2 million bales against the total industry requirement of 6.6 million bales and the usual 400,000 bales going into domestic (non-mill) consumption and export, thus leaving a deficit of 800,000 bales. As the fibre stocks carried over from 1969-70 are only 1.4 million bales, the industry will have barely 600,000 bales, or a little over one month's consumption as opening stocks for the 1971-72 season.

NAMES IN THE NEWS

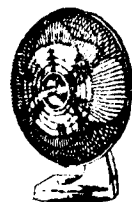
At the annual general meeting of the Indian National Shipowners' Association held recently, Mrs. Sumati Morarjee was elected as the President of the Association for the fifth time for the year 1970-71. She was elected President of this Association in the years 1957, 1958, 1959 and 1964-65.

Mr. P.N. Menon, Deputy Managing Director, Best & Co. Pl. Ltd. Madras retired recently. He was associated with the company for many years. It was Mr Menon who in 1954 persuaded the company to embark on manufacturing, and the pump factory in Madras, in technical collaboration with Worthington-Simpson, UK came into being. In 1966 the pump factory at Bangalore also went into production. The special alloy foundry in Bangalore followed in 1969, set up mainly to feed special alloy castings to the pump factories for manufacturing chemical and other special application pumps. Mr Menon has been a Director of the company since 1957 and the Deputy Managing Director since 1966. Mr Menon also announced the appointment of Mr K. Raman, Mr K.R.M. Menon and Mr S.N. Ramakrishnan as directors for Industrial section. Finance and Sales and Service respectively.



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DEPT 17A

Company Affairs

SESHASAYEE PAPER

Mr S. NARAYANASWAMY, Chairman, Seshasayee Paper and Boards Ltd, revealed recently at the annual general meeting that the company had improved its performance considerably and during the year ended March 31, 1970, it was able to write off the entire backlog of depreciation amounting to nearly Rs 80 lakhs and was able to provide Rs 50 lakhs for depreciation during the year under review. A residual profit of Rs 16.88 lakhs has been carried forward. The chairman indicated that an interim dividend of six per cent had been declared for the year 1970-71. He added that operation of price control associated with increase in cost of production made it impossible for the company to provide even depreciation for some years. Moreover, the large interest charges on the company's borrowings absorbed the residual margin of profits. The lifting of control over prices of paper in May 1968, he pointed out, provided a turning point in the fortunes of this industry although the producers voluntarily decided to effect only a modest increase in prices.

Mr Narayanaswamy pointed out a few anomalies regarding this industry. He stated that it has been exempted from the licensing procedure but at the same time all schemes involving a capital expenditure of over Rs 5 crores required industrial licences. In this context the exemption of paper industry from licensing procedure is meaningless because paper is a capital-intensive industry and it is not possible to establish an economic-sized unit with an outlay of less than Rs 5 crores. He added that a 100-tonne plant, which is regarded as an economic unit, involves the capital expenditure of nearly Rs 18 crores, and even a unit with 60 tonnes capacity will cost nearly Rs 12 crores. In view of the grave shortage of paper, he suggested that the government should take the paper industry out of the purview of the licensing procedure and allow the existing mills to carry out expansion programme.

HINDUSTAN PHOTO FILMS

During the year 1969-70, Hindustan Photo Films Manufacturing Company Ltd produced 2.25 million square metres of film which was nearly double that of the previous year, stated Mr H.C. Kothari, Chairman of Hindustan Photo Films Manufacturing Company

Ltd on the occasion of the annual general meeting held recently. He added that the manufacturing of new products such as roll films and 35 m.m. negative film commenced during the year. He added that a number of technical problems were faced by the company but it all resulted in good performance during the year. He pointed out that steps had been taken to increase production of bromide paper and he expected that during the next year the output would be substantially more than that during the year under review. In spite of the fact that a long gestation period is unavoidable in this industry, the company was able to build up technology to a fair extent and it has started producing several items in an attempt to advance towards import substitution. Mr Kothari indicated that one definite proof of the company's good performance has been that the leading producers of photographic material have always agreed to collaborate with the company in its expansion plans.

Mr Kothari stated that the turnover of the company during the year was Rs 3.72 crores against Rs 2.29 crores a year before. During the current year, 1970-71, the company expected a turnover of nearly Rs 6 crores. Consequently the company is streamlining its marketing wing to handle the growing volume of business. The company also continues to get a steady stream of orders from abroad and the chairman considered the future quite bright in this context. He pointed out that schemes to manufacture colour films and the results of negotiations with certain collaborators had been passed on to the union government for sanction. He added that along with the implementation of the project to manufacturing colour films the company proposed to effect modernisation of the present equipment with a view to increase levels of efficiency even in the existing range of products. The expansion schemes, he added were, therefore, being drawn up in a way to improve modernisation of the present equipment.

BANK OF INDIA AMALGAMATION

A scheme of amalgamation of the Bank of India Ltd with Calico Mills (Ahmedabad Manufacturing and Calico Printing Co. Ltd) has been approved by the board of directors of both the companies. The scheme will be implemented after its approval by the share-

holders of the two companies at meetings to be held under the direction of the High Court. Giving this information at the annual general meeting of the Bank of India Ltd, Mr Krishnaraj M.D. Thackersey, Chairman, pointed out that the scheme will come into effect from April 1, 1971, subject to the approval of the government. Under the terms of the proposed amalgamation, every holder of 20 shares of the Bank of India Ltd will be entitled to receive (1) 12 equity shares of Calico of the paid up value of Rs 125 each, (2) one convertible bond of Rs 500 bearing interest of eight per cent per annum and, (3) 20 redeemable bonds of Rs 116 each of the Calico Mills bearing interest at eight per cent per annum. The bonds will be redeemable after 10 years from the date of coming into force of the scheme. The convertible bond of Rs 500 will be convertible into one share of Calico at the end of five years from the date of coming into force of the scheme at the option of the shareholders who will otherwise be entitled to repayment of the full value of the bond at its maturity. On the basis of the above scheme a shareholder holding 20 shares of the Bank of India Ltd, will get in value in equity shares convertible bonds and redeemable bonds of an aggregate of Rs 3,390, approximately, or about Rs 170 per share, yielding an annual income of about Rs 12.36 per share, subject to tax. As the scheme will come into force from April 1, 1971, a further dividend of Rs 2 per share subject to tax, will be declared and paid to the shareholders of the Bank of India Ltd before March 31, 1971, the chairman said at the meeting. The shareholders of the Bank of India Ltd, who do not wish to participate in the scheme will be given an option to receive a sum of Rs 135 per share in cash. The Bank of India has received a compensation of Rs 14.7 crores in the form of 5.5 per cent government securities. If the scheme goes through the funds will be utilised by the Calico to finance its expansion and diversification programme, particularly its polyester fibre project. The chairman hopes that the scheme would be approved by the shareholders at a meeting to be convened for the purpose.

TRAVANCORE-COCHIN

The Travancore-Cochin Chemicals Limited achieved good progress in 1969-70 in the matter of sales turnover, disclosed Mr N. Chandrabhanu IAS, Chairman of the company at its annual general body meeting held recently. The net profit earned by the company during 1969-70 was Rs 39.41 lakhs as against Rs 16.87 lakhs earned during the previous year. In the matter of sales turnover, the company has been

able to achieve an all-time record during 1969-70. The total turnover during the year rose to Rs 405.9 lakhs from Rs 301.08 lakhs last year. In terms of production also there was appreciable increase in respect of the main products. The inadequate supply of sulphur dioxide, however, hampered the production of sodium hydrosulphite to a great extent. In view of the continuing difficulties in getting the full requirement of sulphur dioxide from outside, the company has applied for a licence to install a 25-tonne per day sulphur dioxide plant. The application is now pending with the central government. A plant to fuse caustic soda lye with a rated capacity of 60 m. tonnes per day is under erection and it is expected that this plant will start commercial production by the end of October '70. Mention has to be made about the expansion programmes envisaged by the company. Already letters of intent have been received from the union government for the following projects: (1) A 100 tonne per day caustic soda-chlorine plant with necessary hydrochloric acid and chlorine liquefaction plants. (2) Expansion in the production of sodium hydrosulphite from 10 tonnes to 14 tonnes per day. (3) Expansion of capacity of the present sodium sulphide plant from four tonnes to seven tonnes per day. Preliminary work on these projects is in progress and the company hopes to complete them by 1972-73.

TATA CHEMICALS

For the year ended June 30, 1970, the value of sales (inclusive of excise duty) of Tata Chemicals Ltd., of all products, subject to final audit and necessary adjustments, was Rs 12.18 crores, exceeding the turn over for the previous year by Rs 43 lakhs. Among the company's major products, the output of soda ash during the year at 206,829 tonnes was lower by 772 tonnes over the previous year.

BROOKE BOND

Brooke Bond India Ltd has produced fairly good working results for the year ended June 30, 1970. The preliminary statement, released by the company revealed a higher pre-tax profit of Rs 524.19 lakhs as against Rs 475.15 lakhs for the previous year. The provision for taxation was raised to Rs 315 lakhs from Rs 287 lakhs, leaving a net profit of Rs 209.19 lakhs. After crediting Rs 27,898 being profit on the disposal of assets, Rs 1.20 lakhs being development rebate reserve no longer required and Rs 20,960 being provisions no longer required, there was an available sum of Rs 210.88 lakhs. From this amount Rs 5.50 lakhs were transferred to development rebate reserve, Rs 27,898 to capital reserve, Rs

161.10 lakhs to general reserve and Rs 44.00 lakhs to contingency reserve. The directors have proposed a dividend of 20 per cent as against 17.50 per cent paid previously and this is payable out of general reserve.

INDIAN OIL CORPORATION

The Indian Oil Corporation marketed over 10 million kilolitres of petroleum products during 1969-70, and met over 50 per cent of the country's petroleum needs, Mr N N Kashyap, Chairman of the corporation stated recently. With a turnover of over Rs 634 crores, the corporation has made a profit of Rs 20.41 crores after depreciation and interest as against Rs 18.46 crores for 1968-69. Before providing for depreciation and interest, the profit amounted to Rs 36.20 crores as compared to Rs 32.41 crores during the previous year. The corporation has declared a dividend of seven per cent on its paid-up capital same as for the previous year, which amounts to a payment of about Rs 5 crores to the shareholders. The chairman stated that the profitability of the corporation would have improved but for the unavoidable losses amounting to Rs 6.80 crores due to under-recoveries of rail freight, central sales tax (Rs 0.68 crores) and coastal transportation costs (Rs 3.97 crores). He added that the corporation achieved a crude throughput of 6.25 million tonnes in its refineries at Gauhati, Barauni and Jawaharnagar. Nearly 2.5 million tonnes of petroleum products were transported through the corporation's pipelines as against two million tonnes during the previous year. Mr Kashyap indicated that the Gauhati refinery operated at a higher level than its designed capacity. The Gujarat refinery also crossed the designed capacity of three million tonnes and processed 3.4 million tonnes of crude as against 2.9 million tonnes in the previous year. Barauni refinery operated at a higher level at 2.09 million tonnes as against 1.77 million tonnes in last year.

KHATAU MAKANJI

The directors of the Khatau Makanji Spinning and Weaving Co Ltd have stated in their annual report that the company proposed to spend Rs 3.25 crores for improving and replacing spinning weaving and processing machinery. It has already placed orders for machinery of Rs 1.40 crores and the remaining orders would be placed as soon as financial arrangements were completed. This replacement, rehabilitation and modernisation, programme was proposed to be financed from internal resources and guarantees under deferred payment terms. It has been pointed out that the present profitability

was largely due to the replacement and expansion programme already undertaken by the company.

RECKITT & COLMAN

The directors of Reckitt and Colman of India Ltd have proposed a special interim dividend of seven per cent on the equity capital for 1969-70. The equity shares, recently issued for subscription by the public and subsequently allotted on July 15, 1970, will not be entitled to the aforesaid dividend. The interim dividend has been made on the basis of the provisional working results for the nine months ended July 31, 1970, and in the light of the best current estimate of distributable profit for the year ended October 31, 1970.

ASIAN ELECTRONICS

Asian Electronics Ltd has proposed to diversify its activities by undertaking of some new items in the component group. The letters of intent for the items have been already received. Negotiations are in progress for the import of the equipment. The new items will have employment potential and will help import substitution. The present production of electronics in the country is of the order of Rs 4 crores. It will have to be stepped up to the fourth Plan target of Rs 80 crores. There is, therefore, enough scope for the company to expand and diversify. The company is trying to build an export market even in the face of competition. Exports so far have been of the order of Rs 6 lakhs but can be raised to Rs 40 lakhs in another three years. The company's sales for the first six months this year have been maintained at the previous year's level despite further reduction in prices.

BLUNDELL EOMITE

Blundell Eomite Paints Ltd proposed to maintain an equity dividend of 10 per cent for the year ended June 30, 1970. The company's gross profit for the year has amounted to Rs 30.48 lakhs against Rs 29.08 lakhs for the previous year with the sales rising to Rs 3.22 crores from Rs 2.96 crores. Out of the gross profit, the directors have provided Rs 7.87 lakhs for depreciation Rs 10.25 lakhs for taxation and Rs 83,000 for development rebate reserve. After transferring a sum of Rs 2.71 lakhs from the development rebate reserve and taking credit for Rs 1.55 lakhs in respect of excess tax provision for previous years, the directors have provided Rs 2.86 lakhs for additional provision for depreciation. The balance of Rs 12.92 lakhs has gone to general reserve. The directors regard the company's results as satisfactory.

COMPANY MEETINGS

THE MYSORE PAPER MILLS LTD.

Bangalore-2

Speech delivered by

Sri I. P. Mallappa, I.A.S., Chairman and Managing Director, The Mysore Paper Mills Ltd., at the Thirtyfifth Annual General Meeting of the Company held at Bangalore, on Monday the 28th September, 1970.

Ladies & Gentlemen,

I deem it a privilege to be in your midst today and to welcome you, as Chairman and Managing Director, to this the 35th Annual General Meeting of this Company. As some of you may know, I assumed this office just about 2½ months ago, and am still in the process of gathering the reins. It is indeed hard to succeed such officers as Shri M. D. Shivananjappa and Shri H. G. V. Reddy, who have presided in succession, over the affairs of this Company before me. I may, however, claim with impunity to have a certain amount of experience in Industrial Management, and hope that, with this experience and with the advice and guidance of my esteemed colleagues on the Board of Directors, and with your understanding and co-operation, I will be able to maintain, if not improve, the tempo of development of this Company, and to raise its image in public esteem.

Let me take this opportunity of expressing, on behalf of you all, and on my own behalf, our deep sense of gratitude to Sri H. G. V. Reddy, my predecessor in office, for the able manner in which he has conducted the affairs of the Company for about fifteen months preceding my taking over.

The report of the Directors and the Audited Balance Sheet for the year ended 31-3-1970 have already been in your hands for sometime now, and I propose, if you have no objection, to take them as read, and to confine myself to a few broad remarks.

As you might have noticed even from a cursory glance, the Balance Sheet and Profit & Loss Account of the Company reveal a progressive and promising position. The total production during the year has increased by more than 10% over the previous year's, being 23,590 tonnes as against 21,284 last year. This increased production has naturally resulted in an increased turnover by an even larger percentage i.e., by about 15%, the actual figures being Rs. 452.18 lakhs as against Rs. 390.98 lakhs. Thanks to the hand-

some profit earned, we have been able to clear the arrears of depreciation for the years 1967-68 and 1968-69 amounting to Rs. 74.67 lakhs, and to provide for a substantial portion of that for 1969-70, leaving just about Rs. 14.00 lakhs to be provided in the current year's accounts.

I am grateful to you, Ladies & Gentlemen, for having borne with us for the last three years without dividends. I quite understand that some of you might have expected that with the increased turnover and profits during 1969-70 the Company might have been able to declare some dividend. But, as you all know, no dividends can be declared so long as depreciation is not fully provided for, and now that we have practically cleared all arrears of depreciation, we are confident that the Company will be in a position to declare dividends from this year onwards. In point of fact, the current year's operations have so far been quite satisfactory, and I am sure that the working results of the remaining period also will be equally successful, and that the present rate of profitability will be maintained.

Reverting to the financial results for 1969-70, the figures furnished in the Balance Sheet and Profit and Loss Account give further evidence of our anxiety to present a clean picture and to bring down our commitments. You will kindly notice that we have paid instalments towards all secured loans strictly in accordance with the agreed repayment schedules. Out of the total borrowings of Rs. 336 lakhs we have so far repaid Rs. 124 lakhs (including Rs. 38 lakhs during 1969-70 and Rs. 16 lakhs subsequent to 1-4-70) and the balance remaining is Rs. 212 lakhs. With the payment of two more instalments falling due in November 1970, and May 1971, the first loan of Rs. 104 lakhs from the Industrial Credit & Investment Corporation of India, will have been fully cleared. There have been substantial reductions in current liabilities also.

Against the limit of Rs. 80 lakhs in the Cash Credit Account with the State

Bank of Mysore, the actual amount availed of as on 31-3-1970 was Rs. 19.66 lakhs as compared to Rs. 60.36 lakhs at the end of the previous year. It is Rs. 5 lakhs as on this day. The Cash Credit Account with the Canara Banking Corporation, Bhadravati, which stood at Rs. 27.24 lakhs at the end of the previous year has been completely liquidated during the year under review. These large reductions have naturally brought down the incidence of interest charges.

While our liabilities and interest charges are thus being reduced, steps have been taken at the same time to improve the Factory's operational efficiency and effect economies. Though the production has increased by about 10.9%, the operational expenses have been kept at a minimum. There has been practically no increase in consumption of stores and spares, despite the increased production. The only noticeable increase in expenditure was on Power & Fuel which have cost us about Rs. 9.00 lakhs more than in the previous year. This was partly due to increase in production and partly due to the fact that the price of coal and the tax on electric power were enhanced during the year and, despite all economies, the increased expenditure became inevitable.

I am happy to say, that our relations with our employees continue to be cordial. The agreement entered into with the Labourers' Association expired on the 8th August 1969, and the Association has put forward some fresh demands. These are receiving consideration, and I am sure that with the mutual understanding that has all along existed between the Labourers' Association and the Management, we will be able to evolve a formula which will be acceptable to both, and will at the same time be conducive to the further development and stability of the Industry. We have provided for, and paid, the Bonus of 4% admissible to the employees for the year 1969-70. In addition to this the Management has also sanctioned an exgratia payment equivalent to seven days basic wage to each of the

employees, as a gesture of appreciation of the increased production achieved.

Paper, as you all know, plays a vital role in all developed and developing countries, and the demand for this essential commodity has been rapidly increasing in our own country, in which the production has not been catching up with the demand. It is of utmost importance, in such a situation, that great care should be taken to ensure the most equitable distribution of the available stocks. Steps are no doubt being taken to ensure this. It is inevitable, however, that when the supply of any commodity falls short of the demand for it,—particularly of a commodity like paper, which is so widely used,—there should be some complaints about its distribution. The only remedy for this is increased production. I am happy to say that the Government of India are alive to this problem, and have recently set up a Paper Corporation in the public sector to tackle it. As I have said earlier, we too have been taking every step to meet the country's needs by increasing our production with the existing plant to the utmost extent possible, as the figures for the past few years will testify. But there is, of course, a limit to the extent to which production can be intensified with the existing plant, and I feel we have nearly reached this limit. The Management has, therefore, been thinking of formulating schemes for further expansion. The trend of thinking today is that the most economic units for production of paper are those of a capacity of 150 to 200 tonnes per day, and most of the new plants that are being set up in the

country are of this capacity. In formulating our expansion programme, this fact will be given due consideration.

Another important factor to be considered seriously is the supply position of the required raw materials. Our factory has so far been dependent largely on bamboo. But the sources of supply of this material have gradually been receding farther and farther from the Factory site, involving increasing transport expenses. Ultimately, perhaps, as forest areas get progressively reduced, and as other demands arise for bamboo and soft woods from industries like, Rayon, Artificial fibres, etc., we would have to explore the possibilities of alternative sources of raw material. This matter has also to be seriously considered before any expansion programme can be formulated.

Meanwhile, Ladies & Gentlemen, let us all feel happy that the Company has done fairly well during the year 1969-70. We are grateful to all those who have co-operated with and assisted us in our operations, particularly to the Government of India and the Government of Mysore who have not only evinced abiding interest in our progress, but have also assisted us in various ways. In point of fact, the Forest Department of the Government of Mysore is the supplier of our main raw material, on which indeed depends our very existence. I take this opportunity therefore, of giving expression to our deep sense of gratitude to these two Governments and to the officers of the Forest Department.

We are thankful also to the various

credit Agencies and the Bankers how have advanced credit to us and have enabled us to carry on and expand our operations.

The good results that have been achieved are largely due to the devotion and industry of the Company's officers and workers at every level. I take this opportunity of recording our appreciation of the very good work done by them during the year.

My association with the Directors of this Company has been of a relatively short duration. But I have fortunately had opportunities of knowing many of them even before I became its Chairman and Managing Director, and I know that the Company's prosperity is largely due to their wide experience and wise counsel. On behalf of you all and on my own behalf, I take this opportunity of expressing my profound sense of gratitude to them for the valuable assistance they have given to my predecessors and myself in guiding the affairs of the Company.

With these words, Ladies & Gentlemen, I have great pleasure, in moving, for your approval and adoption, the Directors' report and Balance Sheet and Profit and Loss Account of this Company for the year ended 31st March 1970.

This does not purport to be a report of the proceedings of the Shareholders' meeting, a copy of which shall be sent to the Shareholders separately.

THE INDIA CEMENTS LIMITED

Mr. P. Suryanarayana Reviews Activities

Addressing the Twentyfourth Annual General Meeting of the Company held at Madras on 28th September 1970, Mr. P. SURYANARAYANA said :

On behalf of the Board of Directors and on my own behalf, I extend to all of you a cordial welcome to the Twenty-fourth Annual General Meeting of your company.

The financial results of the working of your company for the year 1969-70 have been generally satisfactory. It has to be viewed in the context of increased installed capacity on the one hand and rising costs of production on the other. The installed capacity was increased from approximately one million tonnes to 1.4 million tonnes, with the commissioning of the first two units of the one million tonnes expansion scheme. Although, however, the capacity was increased, the actual pro-

duction did not keep pace with it for reasons which have been set out in the Directors' Report. I need not repeat them here. I shall content myself by pointing out that the reasons were wholly outside the control of your Board of Directors. The production of clinker and cement for the year ended 31st March, 1970, were 9,79,207 tonnes and 9,90,704 tonnes respectively, while sales amounted to 9,77,618 tonnes. The net profit of Rs. 88,02,196 is higher than the profit of last year by Rs. 15.29 lakhs.

The question naturally arises why with the increased production capacity, a more adequate correspondence has not been established between it and

the profits of the company. The main reason for the situation is the steadily increasing cost of production which does not show any sign of abating. There is an impression amongst some persons that there is scope for administrative and technical economies in the cement industry, and that by making the necessary adjustments in these directions, it will be possible to keep down the cost of cement. This is such a completely wrong view that it is surprising that responsible persons should continue to hold it. The main increase in costs are due to the purchase of materials from outside which are directly related to the production of cement like pithead price of coal, furnace oil, freight and royalty; and Government imposts like electricity

tariff, dearness allowance, customs and excise duty and wages following the implementation of the Second Wage Board of the cement industry. The aggregate increase as a result of all these factors works out to more than Rs. 16/- per tonne while the price increase sanctioned by the Government effective from the 15th April 1969 amounts to only Rs. 4.80 per tonne on an average and in the case of your company only to Rs. 5.50 per tonne. Further, there is no automatic provision for escalation in the retention price of cement with the increase of external costs. On the contrary, even the time lapse that generally occurs between the actual increase and the relief given by Government adds to the inadequacy of the partial advantage thus obtained.

During the year under review, the Government announced in April, 1969 that cement would be decontrolled from the 1st January 1970 and that the control over price and distribution of cement which has been in existence for over a decade, will be lifted from 1-1-1970. I dealt with this problem in my speech last year and pointed out how the removal of the uniform price to the consumer which is the basic rationale behind all other incidental controls over cement prices, would adversely affect both producers and consumers of cement in the country and more especially the producers in the South and the consumers in the north and north-east of India. You will be glad to know that the cement producers did not acquiesce in this policy decision, but made reasoned representations to the Government pointing out that the temporary surpluses prevailing just prior to the time of the Government order was not an indication that supply had become equal to demand, but that the temporary surpluses then available were due almost exclusively to the aftermath of the industrial recession and poor harvests, which were temporary economic setbacks and not a normal aspect of the expanding economy of the country. On this point of view we were supported by several public men and legislators and consumer interests.

The industry also proved to the Government with facts and figures that during the next few years the demand would be more than the supply. Indeed, the Government figures themselves showed that, by 1971, as against an availability of 163.4 lakhs of tonnes, the demand would be 171.8 lakhs of tonnes. The north and north-eastern regions of India are scarcity pockets for cement and a considerable part of their supplies have been and are being met by the Southern units. This surplus production of cement has always been part of the plan for the cement industry and is based on locational advantages, chiefly

the presence of limestone. As if in justification of the representations mentioned above, shortages of cement developed in the north and north-eastern part of India during the later part of the year 1969. The Government, therefore, saw the correctness and the truth of the representations made by us, and I am glad to inform you that they decided not to implement the order of April, 1969. The present position is that the status quo continues and it is to be hoped that till a complete examination of the supply and demand position and the differing costs of each industrial unit is made on a technical basis, the present arrangements will not change. In an expanding economy, the immense advantage of the freight pool by which the consumer in every part of India gets cement at the same price cannot be over-emphasised.

As far as one can see, the supply will lag behind demand for the next few years. Last year, cement production was 13.6 million tonnes. Production this year is expected to go up to 15.5 million tonnes as six new factories will be commissioned. According to reports available, the Industry Ministry estimates that after providing for 5 lakhs of tonnes for export, the demand for the current year will be 16 million tonnes. Thus even this year, there will be a shortfall in supply. Taking a longer view, the revised Fourth Plan visualises production at 18 million tonnes in 1973-74. There is no doubt that with agricultural and industrial revival, and the severe demands that will be made on the cement industry to help the green revolution in agriculture, the estimate of production made in the plan is not only moderate but may still continue the situation of marginal deficit in supply. It seems to me, therefore, that taking all these facts into account, the Government policy of maintaining the freight-pool is a wise one, and that before any step to the contrary is taken, a complete technical and economic enquiry should be made of differing costs on the one hand and consumer demand on the other. Nothing is more dangerous than facile conclusions based on the fleeting phenomena of the moment which generally fortuitous, and rarely inherent, of the supply and demand position.

In this connection, I should also mention to you that as a result of the representations made by the industry, the Government granted a price increase and fixed the retention price at Rs. 100/- per tonne on a uniform basis for all units. A group of producers in the South including ourselves challenged this decision in the High Court on the ground that in view of differing costs of production and the earlier de-

cisions of the Government based on such differing costs, such a uniform increase was ultra vires of Article 14 of the Constitution. The High Court held in our favour and against the Government. The Government have gone on appeal and the matter is now pending.

The export of cement and clinker during the calendar years 1968 and 1969 from all units in the country amounted to 3.54 lakh tonnes. This is by no means a satisfactory figure in relation to the total installed capacity of the industry. During the year ended 31-3-1970, your company exported cement to the extent of 41,000 tonnes, which quantity also is substantially below expectations. The main reason for the low level of cement export is still international price competition. Also, the ocean freight from Indian ports has been going up steadily. The silver lining in the cloud is the reported examination by the Union Government of the plan submitted by the State Trading Corporation of India (S.T.C.) to achieve a major break-through in cement export. The scheme prepared in consultation with the Cement Controller envisages export to the extent of 5 lakh tonnes per annum. We, ourselves, are negotiating a contract with S.T.C. under the new scheme, covering a substantial quantity for exports during the year 1970-71 to any destination nominated by S.T.C.

Before I conclude I consider it my duty to mention that the shareholders of India Cements owe a deep debt of gratitude to the careful manner in which the Managing Agents of your Company built it up during the difficult early years and expanded it subsequently. When your company was started, it was almost a pioneering effort for Southern industrialists. The venture was backed by ambition and faith rather than by experience. It is in no small measure due to the careful handling of the affairs of the company by the Managing Agents that your company has now reached an important position in the industrial field. I take this occasion to express our thanks to them for the good work they have done for the company before laying down their office.

The relations with labour at the factories and the staff at the Head Office continues to be cordial as usual. On behalf of the Management and on behalf of all of you, I take this opportunity to accord our thanks to all the employees of the company for their unstinted co-operation and hard work during the year. The company looks forward to their continued services and co-operation in the coming years.

Note: This does not purport to be a record of the proceedings of the annual general meeting.

OIL INDIA LIMITED



(A 50 : 50 Partnership of the Government of India and The Burmah Oil Company for Prospecting, Drilling, Production and Transport of Crude Oil from Assam to Refineries in the North East : Gauhati and Digboi in Assam and Barauni in Bihar).

Statement of the Chairman, Shri Dev Kanta Borooah, M. L. A., to the shareholders on the occasion of the Eleventh Annual General Meeting of Oil India Limited held at Duliajan, Assam, on Tuesday, September 1, 1970.

Gentlemen:

The Report of the Board of Directors and the final Accounts of the Company have been with you for some time. These give all the information required about the working of the Company during 1969 and with your permission, I will take them as read. It remains for me now only to highlight some of the special points.

Financial Position

Your Company's performance, in the past, has been one of continuous improvement. During 1969, this trend has been satisfactorily maintained. The crude oil sales have touched 2.96 million tonnes, showing a 74% increase over the 1968 sales. Stocks of crude oil sold at the end of the year but not delivered to customers have come down satisfactorily from a little over 158 thousand tonnes in 1968 to a little under 40 thousand tonnes only in 1969. Gas sales have improved by 23½% from 0.51 million cubic metres per day in 1968 to 0.63 million cubic metres per day during 1969. The quantity of Oil and Natural Gas Commission's crude oil transported by Oil India has also increased from a mere 17½ thousand tonnes in 1968 to nearly 141½ thousand tonnes in 1969.

These developments have meant increased operational workload on the Company's staff and they have met these demands satisfactorily.

Arising largely out of the above, the financial situation of the Company has

also shown steady improvement, and has been possible for your Board to recommend the payment of a dividend of 13% (net of all taxes) after payment of a substantial price discount to its crude oil customers. As a result of this discount, the final price of OIL's crude oil has come down to a little under Rs. 91.55 per tonne. This is about Rs. 3.45 per tonne less than the final price of Rs. 95.00 per tonne achieved last year and well below the import parity cost of any equivalent crude that can be landed at the nearest port (i.e. Calcutta).

The Second Supplemental Agreement signed in 1961 laid down a price formula for Oil India's crude oil and a basis of payment of retrospective price adjustment from its customers to Oil India in case the profitability fell below 9% of the equity capital, and retrospective price discount from Oil India to its customers when the profitability was over 13%. For 1969, I am happy to say, the Company will be giving a price discount of Rs. 6,29,40,136 (Rs. 5,56,18,732 to the Government of India and Rs. 72,31,404 to the Assam Oil Company) to the purchasers of crude in terms of Clause 9 (C) of the Second Supplemental Agreement. Over the period 1967 to 1969, such discount have added up to Rs. 1756.76 lakhs (Rs. 1544.44 lakhs to the Government of India and Rs 212.32 lakhs to the Assam Oil Company).

Operations

As a result of the extension drilling carried out during the year there has been

a small increase of 0.75 million tonnes in the estimated quantity of ultimately recoverable proved and indicated resources of crude oil. However, since the year's production exceeds this amount, there has been a corresponding fall in the proved and indicated future recoverable reserves (as at 1-1-70) to 40.59 million tonnes from the Nahorkatiya and Moran Mining Leases.

On the exploration front, the Government have recently been able to make the required foreign exchange allocations and steps are in hand to accelerate the tempo as soon as the required equipment and material have been landed on site. In the meantime Government have agreed to give the Company an extension of its Ningru P.E.L. to 26-11-1974.

In Dum Duma, where a number of small discoveries of crude oil and natural gas have already been made, the Company has requested the Government for a mining lease as from 26-11-1969. Meanwhile, a new exploratory well (Kusijan 3) has been spudded during June 1970, about 2 miles away from the successful Kusijan 2.

Floods and river erosion again caused major problems during the year to pipeline maintenance in North Bengal. The Company personnel, however, rose to the occasion, and made alternative arrangements, with only 21 hours of interruption in pumping, even after the railway bridge supporting the pipe-

October 9, 1970

line had been washed away by the Chel River.

Manpower and Environment

On the manpower and environment fronts, the year saw some mounting tension caused by the agitation by the people of Assam for a new refinery in the State. Thanks to the good local relations maintained by the Company, the impact of this agitation on the Company's activities was relatively minor. On the internal front also, there was a demand by the workmen for a revision of their pay scales. Taking into consideration that the basic pay scale and allowances of this Company dated back in origin to 1961, your management approached this problem with sympathy and was able in January this year to conclude a fresh agreement, satisfactory to both parties, with its recognised labour union.

Management

Arising out of Clause 16 (C) of the

EASTERN ECONOMIST

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Second Supplemental Agreement, it has been the past practice in your Company to appoint a Managing Director selected from a panel submitted by The Burmah Oil Company, and a Financial Director from a panel submitted by the Government of India to OIL. It has been agreed that henceforth these two Directors would be appointed with the approval of both shareholders mutually. In pursuance of this decision, Mr J.C. Finlay who has been Managing Director of OIL since 9-3-1962, relinquished charge of the office on 5-11-69 and Shri A.B. Das Gupta was appointed full time Managing Director from the same date. Mr Finlay continues to remain a Director on the OIL Board as a nominee of The Burmah Oil Company. I avail of this opportunity to thank Mr Finlay for his valuable services to the Company.

Shri R.S. Gupta, who has been part-time Financial Director of the Company from 20-3-1968, became full time Fi-

nancial Director of the Company from 27-5-1969.

Shri K.B. Kanuga, the Resident Director of the Company at Duliajan retired after long and meritorious service (initially with the Burmah Oil Group of Companies and later with Oil India Limited). His place in the operational headquarters has been taken over by Shri K.C. Roy, the Company's erstwhile Technical Manager, with the designation of Resident Chief Executive.

Shri W.B. Metre, a senior Director on the Board, suffered a stroke while addressing the Mining, Geological and Metallurgical Institute of India and is now convalescing in Delhi. I wish him speedy recovery.

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

THE JAY ENGINEERING WORKS LIMITED

Speech delivered by Lala Charatram, Chairman, Board of Directors, at the 33rd Annual General Meeting on 28-9-70 at Calcutta.



Lala Charatram

Dear Friends,

The accounts and the directors' report for the operations of the company for the year ending 31st March, 1970 have been in the shareholders' hands for some weeks now. As is customary on the occasion of the annual meeting of the shareholders it would be helpful if we were to take account and note of some of the events during the year which are likely to have an important bearing for all of us. We may also attempt a little crystal-gazing for the year and years ahead of us.

Production Stoppage

The main event of the year which merits the attention of our shareholders was the fact of the decline and subsequently a complete cessation of production in our Calcutta factories. This event at Jay Engineering, a company whose workers are probably amongst the highest paid in the entire engineering industry of not only Bengal but of

India, and a company eminently known for its fair dealings with its employees and totally ethical dealings commercially, merits the attention and analysis of the shareholders of the company, and may be of the industry, the working class and of the government too. The near-eight months' record-setting forced work stoppage at Jay has led to the economic ruin of the workers; their savings were drained away and they had to pawn their domestic durables for their sustenance. For the company the financial loss was colossal, almost crippling, as it must be for any company; it would take a year or more of normal uninterrupted operations for restoring the financial health of the company. The country's export markets for sewing machines and fans were starved and some of these may be lost for a long time to come. The consequence for the small scale industry, committed for years to a stable demand in feeding the Usha factories, of the work stoppage of eight months were

disastrous. It would be naive and conventional to analyse this unprecedented work stoppage in terms of an industrial relations situation. The fate that befell Jay Engineering has been faced in lesser or greater measure by many large and scores of small scale enterprises, the only difference being that Jay case received attention on account of its employment of over 5,000 persons and for its being what by many has been called the "Pride of Bengal" industry. As I see it, this situation in Bengal is a story of organised militant movement by trained and dedicated party workers to paralyse the economic, academic, social and cultural life of the people for the achievement of their long term political objectives; to this particular politico-social group, the forced unemployment of the earning members of thousands of families is a welcome situation as helping in their long term political objectives.

On the occasion of our meeting to-

day any more detailed analysis of the situation is not possible. It is for the government of the day to decide what compliance it expects and can command for the laws that it makes, from those whom it governs. It is for the government to analyse these events and their meaning in depth, and to decide as to the form of protection that it can provide to those people who are not in the business of running or demolishing governments, but of running enterprises or following other vocations of life.

Reverting to the specific aspects of our company situation, you will be happy to note that work was resumed in the Calcutta factories about six weeks ago. It may not be imprudent to ask as to who gained by the many months of the forced work stoppage. Clearly everybody, whether it be the workers or their leaders, the industry or the country, could only be a loser by such a work stoppage. A question could be asked as to whether the work could not have been resumed earlier. The answer is that the work resumption was not in the hands of the management at all, nor probably for the matter of that in the hands of the mass of workers who must have been keen to return to work, but in the hands of those few who seem to hold, under threat and intimidation, the reins of labour. The management on its part did not declare a closure or lock-out and kept the factory gates open throughout for the workers to return to work on any day they wanted to. The agreement which has been signed upheld the management's original position almost in its totality. Since however, after such a prolonged strike it always devolves on the management to provide a base to labour leadership for a settlement, the company has agreed to provide some marginal benefits to those factory personnel who under the Tripartite Engineering Industry settlement of last year would not have been entitled to any benefits, and some benefit to the marketing section personnel in the Bengal area. The agreement settles for the company many long-outstanding disputes. In the net I think the agreement should be considered good and it is my hope and prayer that the company may now have a few years lease of a normal working and production situation. I would like to take this opportunity of expressing our thanks to the advisers of the Bengal Government, the officials of the Labour Department, and the conscientious labour leaders, for their untiring effort at bringing this unhappy chapter to a close. I would also like to assure the government and our workers that we carry no rancour in our hearts and that we shall continue to apply our minds and hearts with our work-force for the continued

health and profitability of our Calcutta factories.

The financial impact of the work stoppage in our Calcutta factories is shown up in the audited accounts of the company circulated to the shareholders; these indicate a decline in profits by about 30%. This figure however does not represent the true total effect of the work stoppage on the decline in profits, since some profit was made on the normal pipeline stocks carry-over during the period. The actual profit position without what may be called the balance sheet profit, would have been much worse.

Managing Agency

A landmark in the history of your company along with that of others as a consequence of State policy, was the transition in the company's management from the managing agency-based management. The test of all governmental policies, as of any corporate policy is whether in the long run the objectives sought to be realised have been achieved or not. Whereas time only will show the true position, doubts have been raised about the wisdom of the government's policy in this regard. My own feeling is that the government has acted in this matter somewhat in haste, may be on account of the buffeting from some overeager party members; and that in course of time, the industrial growth of the country will receive a setback and the measure will prove very costly. No system is totally free from some misuses by some people, and there can be no certainty that the new desired patterns of management will also not be misused by some managements to defraud and mismanage companies. The answer to these situations is not the enactment of more laws with each breach of the law but to concentrate on an honest and adequate enforcement of the existing law. Speaking for your company's erstwhile managing agents, I would like to say that they had served the company with all the dedication and devotion and ethics that anyone could boast of. The USHA sewing machine has been built up without any foreign collaboration as national and international byword. In the area of fans, not only the company but may be the country could be proud that the USHA factory is one of the largest fan factories in the world. In the fields of exports of precision engineering products, USA has been the biggest exporter in India. The Company's labour force is about the highest paid in country. In stating all this, I am not suggesting that possibly better could not have been done. I take this opportunity of thanking the shareholders of the company for all the confidence that they had resposed for over three de-

cade in their managing agents, and hope that this trust has been honourably discharged by them.

Calcutta Operations

Friends, I would like to make a reference to a certain situation pertaining to the company on which there appears to be some misinformation, and would like to make a public statement in this regard. I have heard it mentioned some times that the company is contemplating a progressive closure of its Calcutta factories. Nothing could be far from the truth and company policy in this regard. The company has in fact been advertising for many senior level, and trainee level personnel for its Calcutta factories and has also continued its investment year by year in them. In fact we had made fairly detailed plans for augmenting the already high levels of production achieved in some of the earlier years. The continued nursing of the existing factories however must not be taken to mean for any company the closing of its mind to the planning of new production centres—and this your company has steadily continued to do. While declaring the past and current position of the company for its Calcutta factories, it would be unrealistic to assume that any company could or must run all its operational units in perpetuity irrespective of the financial situation of each of the units, or that the profits of one unit will be used for subsidising the continuing losses of another unit of the company. The financial situation of the sewing machine unit in Calcutta which was already bad has now been made precarious, and I can do no more than plead with our labour colleagues for a realistic approach with regard to this unit. The winning of financial gains for the workers in this unit have already crossed the danger mark and would be disastrous if these lead to an otherwise avoidable closure of the unit.

Economic Situation

In the national situation scene, the main aspects to watch generally are of political stability and economic growth. The political stability situation seems to grow increasingly blurred and uncertain. It is not clear as to whether well mapped out plans of some people are succeeding, or the well mapped-out plans of the government are failing in their execution. On the economic growth situation there should be in my view considerable concern. The slight upturn in the agricultural situation should not make us forget that continuing attention to this sector is still needed, for the country is still importing large quantities of foodgrains, and rationing and zoning are still continuing in several parts of the country. The industry sector situation however is the one which must

make us sit up. As a consequence of increased agricultural incomes and vastly increased plan outlays, there is a rising tempo of demand. The country is not able to do adequate advance planning and to take advance action to enable supplies being made available before shortages develop. It is entirely for the government to decide as to whom it wishes to produce the goods the people want, i.e., the larger enterprise or the small one, or even the State. What is crucial however is that a practical decision based on achievable capability should be taken without delay in every case. No one can be against ideology, for a man or a nation without ideology is like a body without a soul. But a government may need to temper ideology with practicality, at least in the short run. The entire industry is in the grip of shortages of all kinds—leading to escalating costs and prices, and unavailability of goods for domestic consumption and export. There are shortages of steel, copper, aluminium, oil, cotton and of most other items. Observations such as these are unfortunate, usually not appreciated by the administration, but it needs to be borne in mind that a minimum average period of 2 to 3 years is required after all governmental clearances, for finished goods to roll out of factories for the consumer. The creeping shortages of today are bound to assume unmanageable proportions. The potential entrepreneur finds himself at sea amidst the multitude of ministries and departments for getting any scheme totally approved for implementation. The government should seriously consider the advantage of having an "integrated examination" system

for projects from all angles concurrently, inclusive of monopolies act, licensing etc., etc. This will help to expedite greatly the industrialization situation.

I would like to take this occasion to commend wholeheartedly the government's new policy of increasingly lending its support for the development of small scale industry. This is a measure which was long overdue. As all of you are aware, Lala Shri Ramji, the founder of Jay Engineering started the scheme in Jay Engineering of supporting small scale and ancillary industry in a big way over two decades ago. The way to a long-term stable development of the engineering industry particularly is certainly via the small scale industry base. The initial steps in this direction in my opinion need to be for concentrating on the manufacture of precision components while the larger and sophisticated organisations should have the responsibility for development and quality of finished products. We need to be careful that in the reservation of certain types of industries for the small scale industry, the customer needs of quality and quantity may not suffer.

Prospects

I have earlier on made a reference to the working of the company for the year gone by. A reference to the prospect for the year may be relevant. I am afraid that I am not in a position to paint a bright picture for the year at all. It must obviously be considered worse than last year. Of the eight month work stoppage, nearly five months spilled over into the current year. We are try-

ing hard to step up production rapidly to recover as much of the lost ground as possible. I have a great deal of confidence in the company's competent and dedicated managerial team—and the factories' work force also is trained and capable of achieving what we may term wonders. But then, as all of us know in Bengal, it is difficult to predict what tomorrow holds for us in store. In the general situation in Bengal and in your factories, there appear to be some bright spots; but one could promise no more than, a more than normal effort by the management team, for that is all that is really in the hands of company managements. To my fellow workers and their leadership, I can only appeal for the best than they are capable of.

Friends, what more may I say on this occasion? The country is passing through what could be called a revolutionary era. Conventional thoughts and attitudes need to give way in a spirit of realism of some of the new emerging directions of thought.

Clearly, there was need for change in our body politic. To the extent that we will be able to absorb these changes peacefully and with courage, will be indicative of our maturity as a nation. It will need the coolness and sobriety of all of us to be able to weather the storms and sail to new horizons without the ship of state capsizing.

Jai Hind.

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

INDIAN INSURANCE COMPANIES' ASSOCIATION

BOMBAY

Chairman, Shri C. M. Telivala's Review

Addressing the 42nd Annual General Meeting of the Indian Insurance Companies' Association, held in Bombay on Friday, the 2nd October, 1970, the Chairman, Shri C.M. Telivala, reiterated the views of the industry that any move to nationalise general insurance business as a matter of political expediency would prove detrimental to self-reliant and self-generating economic growth of the country. He further expressed high optimism that the policy-makers would not act in haste and that in the context of the pronouncements made by the Prime Minister, Mrs. Indira Gandhi,

on various occasions, nationalisation would not be resorted to, unless it was established beyond doubt that it was the only panacea for the economic evils. Shri C.M. Telivala appreciated the effective but quiet campaign by the Special Committee representing the Indian and Non-Indian Insurers operating in India to mobilise public opinion in favour of the stand taken by the industry, especially in the context of the inclusion of general insurance in the 10-Point programme of the Ruling Congress. He, however, emphasised an urgent need for the politico-economic climate that would replace prevailing

uncertainty adversely affecting the working of the industry by confidence and stability.

In replying to the critics who frequently maintained that the general insurance industry that occupied a commanding height in the economy and that was a credit institution, did not expand and embrace other sphere of insurance activities such as crop insurance, Shri Telivala categorically stated that the Government were convinced that this industry did neither enjoy the commanding height nor the status of a credit institution, and that

the reluctance on the part of insurers in private sector to initiate any scheme for crop insurance was basically due to conspicuous absence of essential data and also lack of proper environments to build up such an activity. He maintained that general insurance industry would not lag behind in accepting the challenges of expansion under the climate of congenial economic relationships having accent on growth and stability.

Shri Telivala, referring to the restrictive measures increasingly adopted to regulate and control the activities in the private sector, posed a problem as to whether the concept of a Mixed Economy as fostered by late Shri Jawaharlal Nehru was likely to prove a myth and was being lost sight of. He indicated that the revised industrial licensing policy, various curbs on investments in private sector, enforcement of the Monopolies and Restrictive Trade Practices Act, 1969, exercise of voting rights by Banks in respect of shares pledged to them, if the loan sought was over Rs.

50,000 and continued insistence by the State Financial Corporations and State Governments on the loanees to insure the risks only with the LIC or State Funds or Cooperative Insurance Enterprises, were some of the irksome restrictions which would substantially curb competitiveness in the economy. He, further, emphasised that it was highly essential to withdraw such restrictive measures that were detrimental to successful co-existence of the private sector with the public sector.

Shri Telivala also made a reference to the Questionnaire issued by the Direct Taxes Enquiry Committee appointed by the Government of India to examine and suggest legal and administrative measures for countering evasion and avoidance of direct taxes and pointed out that question related to general insurance business made a biased statement in connection with proliferation of black money and its utilisation in payment of illegal rebates shown as bogus expenses. He emphatically main-

tained that with all the stricter social control measures recently imposed and with efficient checks on procedures involved and obviously with less margins in incomes due to statutory restrictions the statement contained in the question would not reflect the true situation in the industry.

With a view to realising better co-ordination in the activities and programmes oriented towards the optimum welfare of all the insurers operating in India, Shri Telivala suggested that the Federation of all the Insurance Associations and Organisations be expeditiously formed with head quarters, possibly at Bombay. This measure, he said, would go a long way in efficient co-ordination of the activities relevant to this industry, in strengthening the hand, of the Special Committee for streamlining the activities, and making available all the facts up-to-date for conducive development of economic research to facilitate expeditious decision-making.

BHARAT HEAVY PLATE & VESSELS LTD.

VISAKHAPATNAM

Speech of the Chairman, Shri S. N. Bilgrami

Following is the speech delivered by Shri S. N. Bilgrami, Chairman, Bharat Heavy Plate and Vessels Limited at the Fourth Annual General Meeting of the Company held on 25th September, 1970 at Visakhapatnam.

Gentlemen,

I have great pleasure in welcoming you to this the Fourth Annual General Meeting of the company. Copies of the Directors' Report and Annual Accounts for the year ended 31st March 1970 are already in your hands. Relevant explanations on certain important matters arising out of the accounts had been given in the financial notes attached to the Statement of Accounts. I shall, with your permission, take them as read.

Although during the year under review the construction of the Heavy Plate and Vessels Works has made substantial progress, the completion of the buildings was delayed to a great extent. As you will notice from the Directors Report, the construction of the Main Production Building has fallen behind schedule due to non-receipt of required steel sections and channels for the fabrication and erec-

tion of the columns. Consequently, this has resulted in a delay in the completion of a number of other associated civil works.

When it was known that the completion of the Main Production Building would be delayed for the reasons explained above, your company took a decision to get some of the fabrication equipment installed in the Machine Shop Building which was already completed. This enabled your company to take up initial production from July, 1969.

During the year under review your company has manufactured equipment worth Rs. 7 lakhs and some of it has already been despatched to the customers. It may be mentioned that although the production during the year was not significant in volume or value, commencement of production in the Machine Shop without waiting for

the completion of the Main Production Building has enabled your company to project itself as a unit capable of manufacturing sophisticated equipment required by the process industries. Your company has been submitting quotations for the fabrication and supply of many items of equipment included in the range of production. During the year under review, your company has secured orders worth Rs. 200 lakhs, bringing the total value of orders received on date to Rs. 277 lakhs. Although no export orders have been received so far it is hoped that your company will be able to export the products manufactured in the near future.

As you are aware, your company is established to manufacture equipment required for operations under very critical conditions of temperature, pressure, corrosion etc. This makes it necessary for your company to main-



Shri S. N. Bilgrami

October 9, 1970

tain a high quality production. It is relevant to mention here that your company has been at pains to inculcate quality consciousness in the minds of the workers and has established the required inspection facilities for inspection at all stages from the incoming raw materials to the finished products. In addition, your company has engaged the services of the Lloyds Industrial Services to ensure that the quality of its production conforms to the rigid specification of Lloyds'. I am glad to say that some experts in plant construction from various industries within India and abroad who have visited the factory have appreciated the quality of work and this has dispelled any doubts that they might have had in regard to our ability to execute certain orders for them.

You are aware that your company has been facing difficulties in the matter of procurement of raw material. Your company had made several case studies with a view to eliminate the delays in getting the clearances for

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import and also for the release of necessary foreign exchange. These case studies were submitted to the Government and I am glad to report that this is receiving the sympathetic attention of the Government.

The relationship between the employees and the management was generally cordial during the year under review.

Your Company has recently negotiated an agreement with the Unions for implementing the recommendations of the Wage Board for Engineering Industries. The negotiations with the Unions were held mainly on the basis of the recommendations of the Chairman and the Independent Members of the Engineering Wage Board. The guidelines issued by the Labour Commissioner, Andhra Pradesh, and the manner of implementation of the award by other Public Sector Engineering Companies operating in the region. As a result of the agreement reached, your Company has revised the Pay Scales of all the employees with re-

trospective effect from the 1st January, 1969.

I thank my esteemed colleagues on the Board for their cooperation and valuable advice in the management of the affairs of the Company. I would also like to express on your behalf and on behalf of the Board of Directors, our appreciation of the devoted services of the Managing Director, the officers and staff at all levels who have spared no efforts to complete the construction phase of the project as early as possible in spite of innumerable difficulties.

Before I conclude, I would like to thank the officials of the Ministry of Steel and Heavy Engineering for the cooperation and support extended to me and to my colleagues on the Board.

I now commend for your adoption the Balance Sheet and Profit and Loss Account for the financial year ended 31st March, 1970.

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

INDIAN OIL CORPORATION LTD.

Speech of the Chairman, Shri N. N. Kashyap, ICS

Following is the statement delivered by Shri N. N. Kashyap, ICS, Chairman, at the Eleventh Annual General Meeting held in Bombay on the 29th September, 1970.



Shri N. N. Kashyap

Gentlemen,

On the occasion of the Eleventh Annual General Meeting of the Indian Oil Corporation, which has completed 10 years of its existence, it is today a matter of personal happiness for me to greet you and to recount to you the

performance of your organisation during the year 1969-70. The annual accounts and reports there on are already in your hands, and I hope you have read them.

I am sure, looking back over the past decade will fill your hearts with pride, as it does mine. It has been a decade of achievement, of success against besetting odds, for your Company culminating in our present position of having a market participation greater than that of all our competitors put together. This struggle of ours against gigantic competitive forces with our limited financial and manpower resources and inadequate know-how in the earlier years, has been uphill all the way. That the achievement has been possible at all is due entirely to the determination and sense of dedication of the officers and the staff of your company, to whom all of us owe a deep debt of gratitude.

During the last 10 years, three petroleum refineries have been built while a fourth one is on its way, four pipeline systems have been constructed for

transportation of refined products, distribution facilities have been put up at 23 port and pipeline installations, 334 upcountry depots of all kinds, and 66 airfield stations and 2,681 retail outlets i.e. kerb-side pumps have been set up. Since the amalgamation of the Indian Refineries Ltd. with the I.O.C. (year 1964), it has earned net profits aggregating Rs. 57.72 crores and generated internal resources totalling about Rs. 92 crores. The Corporation's latest project, namely, the refinery at Haldia costing Rs. 68 crores, which is under construction is being financed to a very large extent out of its own resources.

During the year under report, the Corporation achieved progress in all the three facets of its operations. The Corporation achieved a crude throughput of 6.25 million tonnes in its own refineries at Gauhati, Barauni and Jawaharnagar and a sale of 10.46 million kilolitres—thereby recording increase over the preceding year by 13% and 28% respectively. During the year 2.42 million tonnes of petroleum products were transported through your Corporation's pipelines as against

1.99 million tonnes during the previous year.

Your refinery at Gauhati continued to operate at a level higher than its designed capacity. The Gujarat Refinery also crossed the designed capacity of 3 million tonnes and processed 3.4 million tonnes of crude oil as against 2.9 million tonnes in the previous year. Barauni Refinery also operated at a higher level at 2.09 million tonnes as against 1.77 million tonnes in the last year. The refinery's throughput remained restricted due to non-availability of crude oil from indigenous sources. Feasibility of processing imported crude oil at this refinery is under active consideration.

The profitability of your Corporation recorded a further improvement during 1969-70. Profit during the year before providing for depreciation and interest amounts to Rs. 36.20 crores as against Rs. 32.41 crores for the previous year. Profit after depreciation and interest amounts to Rs. 20.41 crores during 1969-70 as against Rs. 18.46 crores during the previous year. The profitability of the Corporation would have been still larger but for the unavoidable losses totalling Rs. 6.80 crores resulting from under-recoveries of rail freight (Rs. 2.15 crores), Central Sales Tax (Rs. 0.68 crores) and coastal transportation costs (Rs. 3.97 crores).

It is a matter of gratification for us all that your Directors have decided to recommend dividend at 7% on the paid-up capital of the Corporation—the same as for the previous year. This is the fourth consecutive year during which dividend is being paid, the total dividend for the four years being Rs. 18.89 crores, representing well over 26% of the present paid-up capital.

While maximizing our sales effort in the indigenous market, we have continued our export promotion during the year under report. The export earnings during the year amounted to Rs. 5.45 crores.

Although the ceiling selling prices of petroleum products continue to be determined by the Government of India, competition among the oil companies continues unabated, including

competition in the matter of service to customers. In this highly competitive field of petroleum marketing, your Corporation built up a 52.7% share in the all-India trade during 1969-70 as against 44.5% achieved in the previous year.

Some of the highlights of the Corporation's efforts have been:

(a) gearing up special arrangements for the distribution of L.D.O. (Light Diesel Oil) in the interior markets for the convenience of agriculturists in the interest of food production;

(b) the construction and commissioning of a lube blending plant at Madras to convert the base stocks of the newly set-up refinery at Madras into premium and non-premium brands for the Corporation and for the other oil companies;

(c) operation of Koyali-Ahmedabad pipeline giving a record performance at 132% capacity;

(d) continuous run of the coking units at Gauhati and Barauni for very long periods to process reduced crude so as to produce middle distillates and coke, etc., and

(e) production of aviation turbine fuel at Gauhati to meet local aviation demands.

In the specialised field of aviation the Corporation has now developed sophisticated refuelling facilities at 66 airfields. During the year under report the Corporation handled about 70% aviation fuel business and supplied aviation fuels inter-alia, to 19 international airlines. The Corporation is now supplying LPG (cooking gas) in 37 cities to 2,35,000 Indane customers. During the year 417 outlets were added to the automotive retail marketing set-up.

Considering its increasing responsibilities in the field of distribution and marketing and the coming pattern of Railway movements, your Corporation has drawn up a programme for augmenting its storage facilities, mainly at upcountry stations. This programme envisages the construction of additional facilities for the storage of one-quarter million kilolitres during the next three

years and involves a major effort on the part of our engineers.

During the year under report, your Corporation introduced a new scheme to help young unemployed graduates belonging to low-income families by reserving dealerships/distributorships for them. Over 400 proposals under the scheme are at different stages of development and over 60 appointment letters for dealerships/distributorships have already been issued. The Corporation is in close touch with the Reserve Bank of India and the public sector banks in order to obtain financial assistance for selected parties.

Another significant development of the year was the purchase by your Corporation of the majority interest in Indo-Burma Petroleum Company (IBP). IBP is now a subsidiary company of your Corporation and it is anticipated that, under the new management, its performance and profitability will improve.

Your Corporation has been laying considerable emphasis on training, productivity, inventory control, control over revenue expenditure and over working capital. During the year 127 training courses were conducted and training was imparted to 1274 officers and 390 other employees, as well as to 180 Defence Services personnel. The customers' outstanding which represented 25 days' sales at the end of 1968-69 were brought down at the end of 1969-70 to represent 22 days' sales in spite of the very considerable increase in the volume of sales.

Your Corporation is looking to the future with eager anticipation, while gearing itself up for the onerous tasks which lie ahead. We are aware that as the country progresses in the diverse fields of economic activity with its socialistic base, the responsibilities of your Corporation will become increasingly heavier. I wish to take this opportunity to assure the shareholders that our vast Indianoil family will continue as ever to serve the nation by doing its very best to perform whatever tasks are set before it.

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



Shri N. Chandrabhanu

Gentlemen,

It gives me great pleasure to extend to you all a cordial welcome to this, the 18th Annual General Meeting of your Company. The Report of the Directors and the audited statements of accounts for the year ended 31st March 1970 have been circulated to you in advance and, with your permission, I shall take them as read.

Working Results

In the last year's statement, I had indicated to you how the Company had been able to consolidate the fruits of our Third Stage Expansion and proceed along the path of progress. I had also given an optimistic note on the working results of this year. The Annual Report and the audited accounts which are in your hand will certainly justify the optimism. The year under review was noteworthy for substantial increase in the sales turn-over. The sales turnover of your Company during the year 1969-70 crossed the mark of 4 crores of rupees thereby achieving about one-third increase over the previous year's performance. The net profit also rose to Rs. 39.41 Lakhs from Rs. 16.87 Lakhs in the previous year. I am sure you will all agree with me that these are commendable achievements by themselves and will speak high of the Company management and the efforts put in by all concerned. In order to obtain the benefits of Development Rebate in terms of the Income Tax Act 1961, a total sum of Rs. 42,29,364/- including Rs. 2,88,423 relating to the previous year has been transferred to the Development Rebate Reserve.

In view of this and the need to conserve as much as possible of the internal resources of the Company for the expansion programmes, your Directors have decided not to recommend any dividend for this year and I am sure, all of you would appreciate the wisdom of this decision made in the larger interests of the Company.

I would now like to supplement the Report of the Board of Directors by

THE TRAVANCORE-COCHIN CHEMICALS LIMITED

UDYOGAMANDAL P.O.

Speech delivered by the Chairman, Shri N. Chandrabhanu, I.A.S., at the Eighteenth Annual General Meeting held at the Registered Office of the Company at Eloor, Udyogamandal P.O., on Saturday, the 26th September, 1970.

saying a few words about the major problems of your Company and the future prospects.

The twin problems facing our caustic soda plants have been the limitations for selling caustic soda in lye form and the disposal of chlorine. In my statement for the year ended 31st March 1968, mention was made about the former and it was hoped that the problem could be solved by commissioning the new caustic fusion and salt recovery plants in 1969-70. But mainly due to delay in getting indigenous equipments, this could not be achieved. Even so with increased sales efforts, your Company has been able to increase the production and sales of caustic soda substantially during the year under review. It is now expected that the Fusion Plant could be commissioned by October, 1970. The utilisation of chlorine and chlorine products could only be increased marginally during the year especially since the question of price for HCl Acid gas supplied to FACT still remains unsettled. Your Company hopes that with the enormous goodwill existing between FACT and TCC, the question will be amicably settled in the near future to the advantage of both.

In addition to the above problems, another issue which might assume serious importance is electricity charges. You will recollect my mentioning a year ago about the additional levy of 33½% surcharge made by the Kerala State Electricity Board. The Electricity Board has since revised the tariff perpetuating the additional 33½% levy. Your Company has taken necessary legal steps against the unilateral revision in the tariff made by the Board in spite of the long-term agreement between your Company and the Board. But this apart, I would like to mention that any additional levy towards electricity will seriously upset the economics of production of caustic soda. The prices of the basic raw materials required for caustic soda production, such as common salt, graphite, mercury etc. have registered substantial increase. Further, due to several other factors, the cost of production of caustic soda in your

unit is considerably higher than that in many other competitive units. To a certain extent this was being mitigated by the comparative low cost of electricity prevailing in this part of the country. This advantage will be taken away by the proposed additional levy thereby adversely affecting the competitive capacity of your Company in caustic soda business. I therefore hope that the State Government will give particular thought to these aspects and favourably consider the question of giving a preferential treatment to your Company.

Even while your Company is thus facing some acute problems in regard to caustic soda, it was possible for it to make a reasonable return on the total capital employed mainly because of the favourable market conditions for hydrosulphite of soda which existed during this year. The production capacity of this chemical could not be fully utilised due to the short supply of the essential raw material, viz. Sulphur-dioxide. But the increased cost due to this under-utilisation of capacity was to a great extent offset by the then prevailing favourable price for this product. However as mentioned in the Directors' Report, the price of this chemical has been steeply reduced subsequently in consultation with the Government of India following the large-scale import of this chemical.

In addition to the above problems, the recent Finance Act has also aggravated the strain on our finances. For quite some time now we have been feeling acute scarcity of metal sheets used for packing our main products and the packing cost is considerably high. Effective from 1-3-1970, a 10% ad valorem excise duty has been imposed on metal containers. The existing 5% ad valorem duty on caustic soda has also been increased to 10% and for the first time hydrosulphite of soda has also been subjected to a duty of 10%. The value of these products on which duty is reckoned includes the element of packing cost and hence it is obviously unjustifiable to impose a second levy separately on the container.

I have detailed above some of the

problems facing us. Despite these, your Company has been trying its best to improve its past performance.

Expansion Programme

With the commissioning of the caustic fusion and salt recovery plants expected by October 1970, the IIIrd Stage Expansion will be complete. The main projects included in the Fourth Stage Expansion programme have been detailed in the Directors' Report. Effective steps are being taken for the implementation of the Scheme. A separate Project Division has been constituted for prompt and effective execution of the Scheme.

It is estimated that the Fourth Stage Expansion will involve an outlay of over seven crores of rupees. This, no doubt, is a very ambitious programme and I hope that liberal appreciation of the problems facing your Company will be coming forth from Government in order to enable the Company to achieve the targets.



Shri S. Swayambu

Ladies & Gentlemen,

It gives me great pleasure to welcome you to the 14th Annual General Meeting of Heavy Electricals (India) Limited, Bhopal. The audited accounts for the year ended 31st March 1970 and the Directors' Report have already been circulated and with your permission, I shall take them as read and adopted.

Market situation

During the year under review, the effect of the earlier recession was slowly disappearing and a new buoyant condition was coming on the economic scene. Although the products which were produced during the year were sold at the low prices at which the orders had

Labour Relations

Labour-Management relations in your Company have always been quite cordial. Your Directors have also been alert in keeping up this tradition of harmonious relationship. Mutual discussions and understanding of each other's problems have always been encouraged. This policy has paid rich dividends and the recent finalisation of the new Agreement within a record time of 27 days bears ample testimony to the spirit of good-will and co-operation existing between the Management and Labour. The new Agreement confers on the employees considerable benefits by way of increase in remuneration etc. A number of additional welfare schemes are also being given final shape to. It is my expectation that with the spirit of understanding and enthusiasm which now prevails it will be possible to achieve greater prosperity in future.

General

Before concluding, I would like to thank my colleagues on the Board for

their keen interest in the affairs of the Company and also for all the co-operation and assistance they have been extending to me. I would also like, on behalf of the Board of Directors, to acknowledge the able manner in which the affairs of the Company have been managed by our former Managing Director, Shri P.M. Abraham and the present Managing Director, Shri R. Ramachandran Nair. I would like to place on record my appreciation of the hard work done by all the employees and executives of the Company for ensuring the satisfactory and better working of the Company. Further, I will be failing in my duty if I do not acknowledge the debt of gratitude we owe to the Government of Kerala, the Government of India and our Bankers for their continued support and encouragement which facilitated the implementation of the Company's programmes of expansion as well as its day-to-day working.

Thank you.

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

HEAVY ELECTRICALS (INDIA) LIMITED, BHOPAL

Speech of Shri S. Swayambu, Chairman & Managing Director, at the 14th Annual General Meeting addressed to the Share-holders at Bhopal on 7-10-1970.

been obtained in the earlier years, new orders were coming in rapidly and the prices of equipment particularly in the competitive field returned to the level prevailing in the pre-recession period and have been higher in some cases to compensate for the rapidly increasing costs. In the case of large steam turbines for which no orders were received in the preceding two years, new orders were booked for four more 120 MW sets and some more are under negotiation. The order position for large transformers particularly in the 220 kV class and for Switchgear in the whole range from 11 kV to 220 kV and for Industrial motors and traction equipment exceeded all expectations and I am glad to say that our capacity is fully booked for the next 2 to 3 years. In the case of

water turbine we had already received a large number of orders which will keep our shops active for the next 4 years. A few more orders are expected for delivery of certain large machines in the Fifth Five Year Plan. The total value of the order book as at end of March 1970 stands at Rs. 124 crores and this brings forth a hopeful outlook for the Company's activities in the next few years.

Growth of technology

The most important factor for the successful operation of your Company is the establishment and growth of technology which is extremely sophisticated and difficult to master. I am glad to report that in respect of transformers,

switchgear and motors, the techniques are fully established and the skills of workers and supervisors have reached a fair degree of proficiency, although some further improvement is yet to be achieved. As against this, the technology and skills in respect of large turbines and generators are still in the very early stages and further experience extending over the next 5 years will be necessary. The hydraulic turbines and generators are custom built and involve a wide variety of design and technology. The steam turbine is of a standard design but it involves even more difficult techniques and skills. These factors are responsible for the slow growth of physical output and financial results. Even so, considerable success has been achieved in the areas of design, engineering, research and development and this has brought about a sense of confidence which would help in mastering the techniques in due course. Based on this confidence, we have entered into new fields like the manufacture of turbines for the Madras Atomic Power Plant and for sophisticated equipment like rectifiers for large aluminium plants and industrial drives for rolling mills, mine winders etc.

Special attention has been given to research and development programmes leading to improved design of machines and equipment. Facilities available in the higher technical institutions and in some of the CSIR laboratories have been utilised to augment our own effort by sub-contracting research work to them. Within the organisation, special programmes have been initiated to improve project design, develop indigenous materials and make innovations. These activities have already produced good results in product improvement and diversification and the involvement of a large number of highly qualified engineers in research and development in helping to build a strong technological base for the growth and efficiency of the organisation.

Production

It is unfortunate that due to serious labour troubles and to a smaller extent due to difficulties in procurement of components and raw materials, there has been a substantial shortfall in pro-

duction during 1969-70. We have started the year with high expectations for a target of about Rs. 36 crores gross output but realised only Rs. 25.5 crores and this shortfall is on account of the reasons mentioned above. The deficiency is large in respect of turbines and generators particularly due to the technological difficulties.

An important achievement of your Company during the year is the successful design, manufacture and supply of a 250 MVA Power Transformer of the 230 kV class for the Rajasthan Atomic Power Project. Another important achievement during the year is the manufacture of the first 30 MW steam turbine generator set for Parli thermal power station in Maharashtra State. Mention should also be made of the 20 MVA Rectifiers made for the Indian Aluminium Company's smelter plant at Belgaum and this again is the first time that this type of equipment is built in the country. Another new product is the metre gauge diesel electric locomotive for the Railways and this equipment was fully designed and manufactured by your Company. The process for the manufacture of capacitors has been changed from oil to 'Aroclor' impregnation. The manufacture of large D.C. motors upto 2500 HP was also established during the year.

Operating Results

Due to the circumstances referred to earlier, the trend in the steady progress in the operating results of the preceding years has suffered a set-back during 1969-70. The Company could only make a surplus of Rs. 1.32 crores after meeting all the operating expenses of the factory and township but before providing for depreciation (Rs. 2.88 crores), interest (Rs. 5.72 crores) and training expenses written off (Rs. 0.48 crores). As such, the total loss of Rs. 7.76 crores is more than offset by interest and depreciation charges. But for the labour unrest resulting in go-slow and tool-down strikes during July to September 1969 the output of the factory would have been higher by about Rs. 5 crores and would have resulted in a better picture than what is indicated above.

Cumulative loss

It is not always realised that a long

gestation in an industry not only results in the slow growth of output but also accumulates a huge amount of shortfall, particularly in respect of interest and depreciation charges. In the original project report, which excluded the township, the Consultants had forecast a cumulative loss equal to the total capital invested in buildings and machinery, at the end of 13 years of working and this is indicative of the inherently slow rate of growth in projects of this kind, in reaching the stage of viability. The project scope of Heavy Electricals has been greatly enlarged over the years and our ultimate objective is about Rs. 60 crores of annual output to be realized in the next 4 or 5 years. It has to be recognised that the long term national objective of self sufficiency in heavy power equipment would warrant the incurrence of losses in the initial years, but experience in other countries has shown that once the industry is stabilized, it will pay reasonable return on investment.

The cumulative factory output since commencement of production in 1960, has amounted to Rs. 126 crores worth of electrical machines and equipment and the corresponding figure of cumulative loss is about Rs. 55 crores and the table below gives a break-up of this amount:—

	Factory Rs. crores	Township Rs. crores	Total Rs. crores
Interest	18.74	5.11	23.85
Depreciation	19.46	2.77	22.23
Consultancy, training, deferred revenue etc.	9.46	..	9.46
Operating surplus/ deficit	0.98 (surplus)	0.73 (deficit)	0.25 (surplus)
Total	46.68	8.61	55.29

It is significant that the entire loss has been accounted for by interest, depreciation, subsidy on township and cer-

tain policy charges towards consultancy and training. In other words, all the direct expenditure of the factory comprising materials, labour and management charges have been met. A stage is now reached that with further improvement in productivity and growth of output, the interest and depreciation charges would also be met progressively.

In this context, the question of sale price for our products has an important bearing on profitability. In the case of switchgear, transformers and motors which by and large come under the competitive range, our prices are determined on the basis of actual cost of production and reasonable margin. However, in the case of large equipment like turbines and generators, we are called upon to settle prices on the basis of landed cost of similar imported machines and this invariably works out far below the actual cost of production.

Export

I am glad to report that our export efforts which started in the previous year have begun to yield results. During the year your Company have received orders for Rs. 5.45 lakhs and have exported 11 kV switchgear and starters to Iraq, motors and capacitor banks to UAR and Singapore and mica sheets to Switzerland. Active steps are now being taken to intensify the export drive and we are hopeful of entering into new markets and securing more orders for our products.

During the year, Government established a new organisation called the Indian Consortium for Power Projects with its registered office at New Delhi to give fillip for export of heavy electrical equipment and in particular to undertake turn-key power projects in other countries. Heavy Electricals are one of its partners and have helped the Consortium to put out a number of bids in foreign countries.

Staff & Labour Relations

There has been a some-what large exodus of trained and experienced

engineers during the year which had some adverse effect on production. As our engineers have acquired a high standard of specialization, other units in the public and private sector have offered them more attractive openings and some have also left for foreign countries. This trend is difficult to arrest and the long term remedy would be to train adequate number of young engineers to make good this sort of turn-over in future.

The Company has associated itself with academic institutions in the field of education and research and in co-operation with the Regional Engineering College at Bhopal industry-oriented engineering courses have been started. Middle and senior managers are asked to participate in management training courses and a number of special courses have also been arranged in our own factory by securing the services of experts from outside.

As mentioned earlier, industrial relations in the factory were disturbed during a part of the year under review. The unrecognised trade unions were agitating on matters arising out of inter-union rivalries, recognition and leadership and this had caused major disruption in the functioning of the factory.

The incentive scheme introduced 4 or 5 years ago has been effective and the productivity of skilled workers in many areas has shown marked improvement.

Your Company has never been lagging in providing its employees the benefits of various modern amenities and welfare measures. During the year the Company initiated various new activities related to the health, safety, welfare and education of the employees.

Organisation

An important step taken during the year was the re-organisation of the management structure on an experimental scale. With focus on the major product lines as 'Profit Centres', this scheme will provide a large degree of autonomy to the product managers, and

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bring about decentralized operations and accountability with overall central control. Under this re-organisation, six main product divisions are set up, each under a Divisional Manager and these are (i) Switchgear, rectifier and capacitor, (ii) Transformers, (iii) Motors — traction and industrial, (iv) Generators, (v) Water turbines and (vi) Steam turbines. In addition, there are the feeders, services, contracts, exports and such other divisions. It is expected that the divisional pattern will bring about greater awareness towards cost and profitability and pin-point responsibility at the appropriate levels.

Consultancy Agreement

By the middle of November 1970, the Consultancy Agreement with M/s. GEC-AEI of UK is due to end. Except for the nuclear and steam turbine department for which a new agreement for a period of 7 years has been concluded, all other products will hereafter be serviced by our own engineers and technicians. New technology as and when required is being obtained on a piecemeal basis from various sources.

In conclusion, I wish to thank my colleagues on the Board of Directors for giving me valuable advice and support. I also wish to take the opportunity of expressing my sincere appreciation for the co-operation and help received from our British Consultants, M/s. GEC-AEI-English Electric. Our thanks are due to the Ministry of Industrial Development, Internal Trade and Company Affairs, the Ministry of Irrigation and Power, the Central Water & Power Commission, the State Electricity Boards, the Indian Railways and several large electric supply and industrial organisations for their kind patronage.

I would like to acknowledge the contribution of our loyal and dedicated staff and workers and I have no doubt that with the co-operation of all our employees, the challenge of the future can be met successfully.

Sd/ S. SWAYAMBU
Chairman & Managing Director

October 9, 1970

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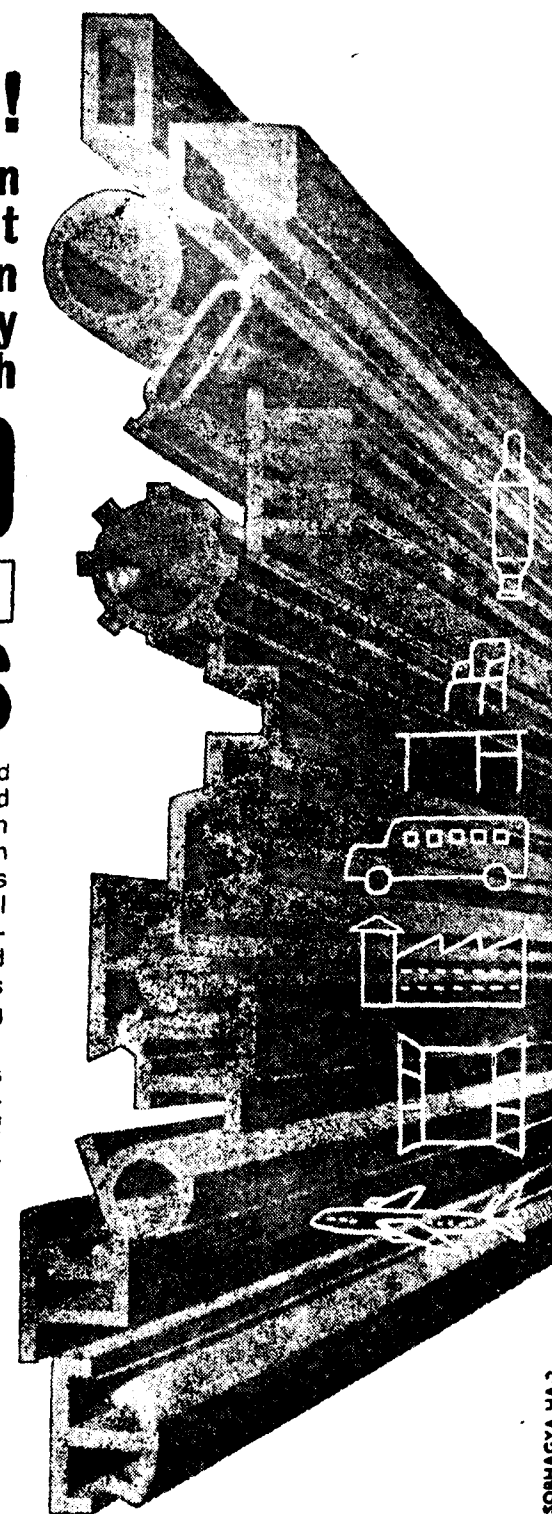
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RECORDS AND STATISTICS

Cotton Textile Exports in 1969

DESPITE REDUCED production in cotton textiles in 1969, our exports recorded a new peak at Rs 105.2 crores. The output of cotton yarn in 1969 at 951.1 million kg was slightly lower than the level attained in 1968 at 960.9 million kg. Similarly, the production of cotton piece-goods in 1969 was a shade lower than the level reached a year earlier. Exports of cotton textiles improved from Rs 95.3 crores in 1968 to Rs 105.2 crores in 1969. The following review of the export of cotton textiles in 1969 by the Cotton Textiles Export Promotion Council discusses both the composition and direction of exports and also lists the various reasons which subdued production in this industry.

Low Productivity

Activity in the textile industry in India touched a low in 1969. On an average, only 82 per cent of the total number of looms installed in the textile mills were active in 1969, which was the lowest percentage in the past eight years. Likewise, the spindle activity was also at its lowest level, at 76 per cent for the year 1969. The working of the industry was affected to some extent by the power cuts in Bombay City in the beginning of the year, general strike in West Bengal and Coimbatore area and civic disturbances and curfew in Ahmedabad. The output of both cotton yarn and cloth was therefore lower in 1969. The spiralling prices of raw cotton due to a lower volume of production upset the cost structure of cotton textiles, making it all the more difficult to offer cotton textiles at competitive prices. In spite of these adverse factors, the industry, made valiant efforts for a larger share of trade in the overseas markets. The industry was able to achieve an export figure of Rs 105.19 crores in 1969 — a record level of exports.

The availability of raw cotton continued to be the main problem of the industry. The green revolution in the country failed to touch the fringe of the problem of cotton growing. The raw cotton production fell much below the anticipated level in 1969. The short crop assisted price rise to higher levels since the beginning of the year. With a view to arresting this upward trend in the prices and the rush of the mills to buy up available stocks the government restricted the stock limits with the mills in the cities of

Bombay and Ahmedabad to 2½ months, those in Assam to four months and mills in the other areas to 3½ months, average cotton consumption. The government also took steps to import additional quantity of cotton to tide over the temporary cotton shortage. A major policy decision to canalise the imports of cotton was announced by the Government. A separate corporation has been set up for this purpose. Another wind of change came into play with the recommendations of the NCAER to substitute the imports of cotton with synthetics, notably polyester, on grounds of durability, low cost of maintenance etc. The government has already granted permission to install capacities for polyester fibre. A supply of 24,600 metric tons, is expected to be available by the end of fourth Plan.

The yield of cotton per acre stood at 123 lbs, the lowest in the world. India can produce cotton to meet the indigenous demand at steady prices. The Indian Cotton Mills' Federation has enlarged the scope of the Cotton Development Project and brought a larger area under the project, as part of its effort to improve the cotton cultivation methods and assist farmers to raise the yield per acre by supplying them with necessary inputs and technical know-how. However an extension of the scheme to the vast cotton growing tracts will be possible only with assistance from the government. During the fourth Plan, a sum of Rs 9 crores has been set aside by the government for this purpose.

Obsolete Machinery

The industry is saddled with old machinery, which makes it difficult to turn-out flawless quality fabrics. Out of the total number of 207,627 looms installed so far, only 33,933 looms or 16 per cent are automatic. In Japan this percentage is 25 per cent, in Pakistan 69 per cent and in Hong Kong and USA it is 100 per cent. In the USA, the quantum of production of cotton yarn per worker is nearly nine times than that of the Indian worker. In Japan, it is nearly four times. If we are to maintain and develop our trade in cotton textiles our costs of production have to be reduced and our efficiency considerably increased, through speedy modernisation and rationalisation of the industry. It is to be noted that our competitors have the advantage of modern machinery, which

has helped them to compete with us more effectively. Our progress in the direction of modernisation has so far been slow.

Even a figure based on conservative estimates, place the requirement of funds for modernisation at Rs 180 crores during fourth Plan. The requirement of funds for modernisation varies from mill to mill pending on the age, nature and condition of machinery installed in individual mills and the extent of modernisation already carried out. The mills have found it difficult to raise resources for financing any large-scale programme of modernisation. This is due to the fact that the profitability of the textile industry is among the lowest for any industry in the country. The banks and other lending institutions should adopt a liberal policy to give loans to mills which have definite programme for modernisation and particularly to mills who set aside every year a part of their production for export.

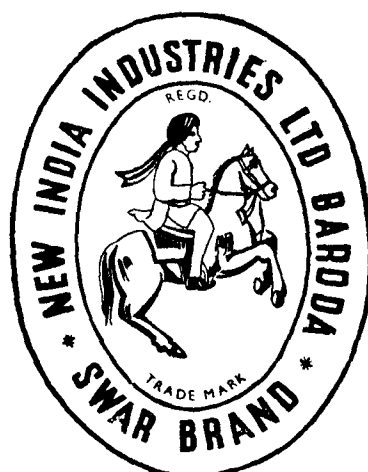
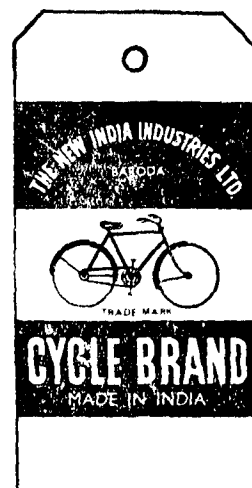
Serious Problem

The development of cotton textile industry in a number of developing countries has posed a serious problem for India. Formerly, greys used to find ready markets in African, Middle East and South East Asian countries and consequently greys formed the bulk of our exports. With the attainment of independence, textiles industries have been set up by the countries in these regions. Most of these countries are now self-sufficient and meet their requirements of greys from the indigenous production. They have either banned totally imports of greys or raised the tariff walls on imports of this item. The market for greys in the developing countries has therefore shrunk considerably. In processed varieties, in view of the high cost of production due to non-availability of dyes and chemicals at reasonable prices, India is not well placed. Competing countries like Japan, Hong Kong etc have continued to dominate in this field of trade.

In recent years, the demand for man-made fibre fabrics and blended fabrics, in the international markets has considerably increased. This is due to easy care and wash-n-wear properties of these fabrics. Exports by the developed countries who have set up the man-made fibre industry with large capital investment, have continued to expand. This has affected the growth of the cotton textile trade, particularly of the traditional countries, like India.

The British Textile Council brought out a report on the restructuring the British Textile Industry and the need to do away with the antiquated quota

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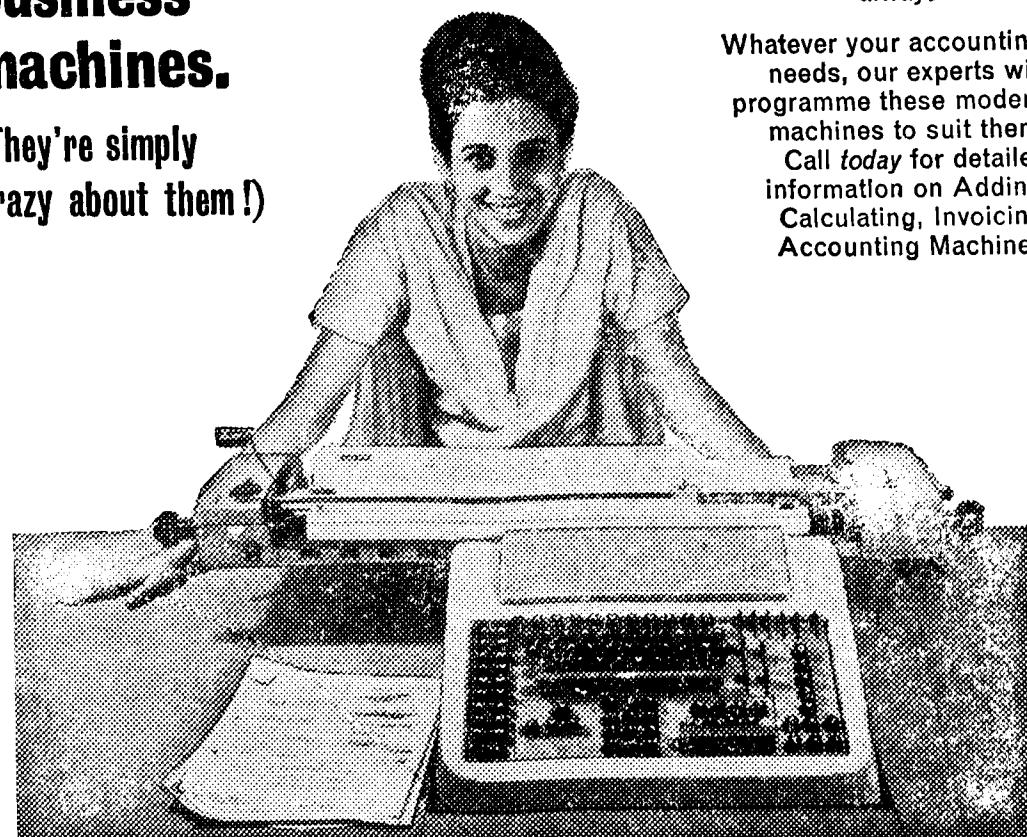
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system. The main recommendations of this report were the imposition of 15 per cent tariff on cotton textiles imported from the Commonwealth countries and the abolition of quota *in toto*. The Government of the UK accepted the recommendations effective from January 1972. It is expected that the British industry would have carried out the structural changes by then. This decision has been received with utmost concern by the Commonwealth countries including India. Exports of cotton textiles from India to the UK alone form about 30 per cent of our total exports of cotton textiles. The impact of the British decisions will be keenly felt in India. This has been realised by the UK government when it assured that at the time of determining aid to India after 1972, it would take into account any adverse effects on her exports arising from the imposition of tariff. By declining to take any action on imports from the European Free Trade Area (EFTA) countries, the Government of the UK has given a clear demonstration that its trading henceforth will be oriented towards Europe. If the aim of the decision is to help the Lancashire industry it may not be achieved. Instead of imports from Commonwealth sources, there would be spurt in imports from EFTA countries, whose exports will be allowed duty-free entry in the UK.

Third countries like Taiwan, South Korea will take advantage of the abolition of quotas and reduction in the tariff margin and export more of the cotton textiles to the UK. The Indian Cotton Mills' Federation and Texprocil prepared a rejoinder to the Textile Council's report, which formed the basis of the UK's decision, pointing out the fallacies in its conclusions. The Government of India also took up this matter forcefully with the British government. If the Government of the UK decides to abide by her decision it will have far-reaching consequences on India's trade in cotton textiles.

Cloth Production

Table I gives the figures of production of cotton fabrics in the mill sector as well as in the decentralised sector.

It will be seen from the Table that while production in the decentralised sector increased marginally to 35,380 lakh metres, the production in the mill sector declined from 43,661 lakh metres to 41,684 lakh metres — a fall of 4.5 per cent. The working of the mills in the Bombay City area was affected by the power cuts imposed by the state government. The mills in the Ahmedabad area were affected by civic disturbances followed by curfews.

The total number of composite mills in the organised sector remained constant at 289 in 1969. The number of looms installed totalled to 207,627. During 1969, the activity in the spinning and the composite mills in the first and second shifts were lower. This largely accounted for lower production in 1969. In the third shift, there was however a slight improvement.

Table II gives categorywise figures of production of mill cloth in India during the last five years.

The overall fall in output of cotton piecegoods was shared by all the categories namely coarse, medium ('B' and

'A'), fine and superfine. The steepest fall was in the coarse category from 7,088 lakh metres in 1968 to 6,082 lakh metres in 1969, which is, incidentally the lowest figure during the last decade.

In the medium category the fall is only marginal from 30,965 lakh metres to 30,959 lakh metres. The production of fine and superfine cloth totalled only 1,766 lakh metres and 3,241 lakh metres in 1969 as against 2,079 lakh metres and 3,529 lakh metres respectively in 1968. Production of medium fabrics accounted for 73.4 per cent in relation to total production. This percentage compares favourably with that of 70.9 per cent in 1968. The percentage share of coarse

TABLE I: PRODUCTION OF COTTON PIECEGOODS

(Figures in lakh metres)

	1965	1966	1967	1968	1969
Production in the mill sector	45,875	42,389	40,975	43,661	41,684
Production in the decentralised Sector (estimated)	30,560	30,970	31,790	35,300	35,380
Total	76,435	73,359	72,765	78,961	77,064

TABLE II: CATEGORY-WISE PRODUCTION OF COTTON PIECEGOODS

(Figures in lakh metres)

Year	Coarse	Medium ('B' & 'A')	Fine	Superfine	Total
1969	6,082 (14.6)	30,595 (73.4)	1,766 (4.2)	3,241 (7.8)	41,684
1968	7,088 (16.2)	30,965 (70.9)	2,079 (4.8)	3,529 (8.1)	43,661
1967	6,828 (16.7)	29,122 (71.1)	1,702 (4.1)	3,323 (8.1)	40,975
1966	7,196 (17.0)	29,924 (70.6)	2,089 (4.9)	3,180 (7.5)	42,389
1965	8,026 (17.5)	32,444 (70.7)	2,196 (4.8)	3,209 (7.0)	45,875

Note: Figures in brackets represent percentage to total cloth production.

SOURCE: Indian Textile Bulletin.

fabrics as compared to 1968, has fallen by 1.8 per cent at 14.6 per cent. The shares of fine and superfine fabrics were marginally lower in 1969 at 4.2 and 7.8 per cent respectively.

Production of Cotton Yarn

Table III gives figures of production of cotton yarn during the last five years.

The bulk of the yarn produced is in the counts between 11s to 40s. During 1969, the output in this count-range totalled 7,376 lakh kgs. which is only marginally short of the level of 7,451 lakh kgs. reached in 1968. The share of the yarn produced in this count group in relation to total production works out to 77.6 per cent. Cotton yarn in counts up to 10s formed only 11.8 per cent to the total production at 1,124 lakh kgs. in 1969, which in comparison to the 1968 percentage share, has fallen by 0.2 per cent. The next highest is the count group of 41s to 60s. Production in this group aggregated 604 lakh kgs. and its share worked out to 6.4 per cent in 1969. In counts between 61s to 80s, a total quantity of 233 lakh kgs. of cotton yarn was produced, which represent a marginal rise

as compared to the level of 209 lakh kgs. reached in 1968. The output in the counts above 80s showed a distinct improvement by 20 lakh kgs. at 174 lakh kgs. in 1969. In terms of percentage also, the share of yarn output in counts above 80s improved to 1.8 per cent.

Processed Cloth

Table IV gives the figures of the quantum of cloth processed during the last five years.

The quantum of cloth bleached, dyed, printed and sanforised increased in 1969 as compared to 1968. The cloth bleached worked out to 41.6 per cent of the total cloth production in 1969, which represented 3.8 per cent increase over the share in 1968. Likewise cloth dyed also registered a substantial improvement at 11,180 lakh metres, which represented 26.8 per cent of the total cloth produced. The quantum of cloth printed was 9,077 lakh metres in 1969. Its share worked out to 21.8 per cent in 1969. The quantum of cloth mercerised declined slightly in 1969 at 6,914 lakh metres. However, the percentage share of which in relation to total cloth

produced, increased slightly to 16.6 per cent. The cloth sanforised increased to 3,682 lakh metres, while the cloth which went through other chemical processes declined slightly to 852 lakh metres in 1969.

Textile Exports

Table V gives figures of export of cotton textiles during the last five years.

Exports of cotton textiles amounted to Rs 10,519.1 lakhs in 1969 registering an increase of 10.4 per cent over the exports of Rs 9,531.6 lakhs in 1968. As compared to the figures for the year 1967, of Rs 8,221.3 lakhs, the rise in 1969 has been of the order of about 28 per cent. The overall rise in exports of cotton textiles was largely due to considerable improvement in offtake of cotton yarn and apparel. Exports of cotton hosiery improved moderately in 1969. The overall increase in exports of cotton textiles would have been still broader, but for the fall in exports of cotton piecegoods and other cotton manufactures.

Exports of cotton piecegoods in 1969 aggregated 4,185.0 lakh sq. metres,

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which was valued at Rs 6,308.9 lakhs. As compared to the 1968 figures of 4,751.0 lakh sq. metres valued at Rs 6,676.5 lakhs, exports of cotton piecegoods in 1969 registered a fall of 11.9 per cent. A feature of trade in cotton piecegoods in 1969 is that though the quantum of trade is less compared to that in 1968, the average price realisation showed an improvement by 10 paise at Rs 1.51 per sq. metre.

Exports of cotton yarn expanded further in 1969 from 165.4 lakh kgs. valued at Rs 1,068.8 lakhs in 1968 to 330.7 lakh kgs. valued at Rs 2,373.7 lakhs, which represent an increase of the order of 122 per cent.

Exports of apparel from Rs 245.5 lakhs in 1967 increased to Rs 303.0 lakhs in 1968 and expanded further to Rs 437.1 lakhs in 1969. The increase in 1969 has been of the order of 44 per cent as compared to the exports in 1968.

Exports of cotton hosiery increased by Rs 3.0 lakhs at Rs 25.1 lakhs in 1969 as compared to the 1968 figures. Exports of other cotton manufactures however declined in 1969 at Rs 1,374.3 lakhs as compared to the exports worth

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of Rs 1,461.2 lakhs in 1968. As compared to the 1967 figures of Rs 1,276.0 lakhs, exports in 1969 registered an increase to the extent of 7.7 per cent. Cotton bedsheets, pillow cases, waste blankets, sewing thread, tarpaulins, chaddars etc. were some of the items, exports of which declined in 1969.

Composition of Trade

Table VI gives the composition of trade in cotton piecegoods during the last five years.

It will be seen from the above, that with the exception of printed fabrics, exports of all other processed varieties declined in 1969 as compared to the 1968 figures. Exports of greys in absolute terms though declined, the percentage of which in relation to the total export increased in 1969 by 4.5 per cent. The percentage share of printed fabrics increased by nearly 2 per cent in 1969. The decline in the share of bleached fabrics has been of the order of three per cent, while of piecedyed and yarndyed fabrics, it has been of the order of 1.6 and 1.8 per cent respectively.

Exports of grey fabrics, after reaching a peak of 2,813.4 lakh sq. metres in 1968 declined to 2,664.9 lakh sq. metres in 1969. The United Kingdom, the leading market for this variety declined her offtake from 1,383.1 lakh sq. metres in 1968 to 1,021.0 lakh sq. metres in 1969, which mainly accounted for the sharp fall in the exports of this item. Sudan is the other major market which declined her offtake of this variety considerably from 143.3 lakh sq. metres to only 4.0 lakh sq. metres during 1969. The USA, the second largest market for this item improved her offtake to 573.6 lakh sq. metres. France, West Germany and Nepal, the other major markets also improved their offtake from India.

Exports of bleached fabrics declined from 808.8 lakh sq. metres in 1968 to 583.6 lakh sq. metres in 1969. Sudan, Nepal, Indonesia, Afghanistan and the UK the leading markets for this quality declined their offtakes considerably during 1969. The USSR, improved her offtake twofold from India during 1969 at 106.5 lakh sq. metres, which made up to some extent the sharp set-back in exports to other markets.

Exports of printed fabrics increased from 396.0 lakh sq. metres in 1968 to

TABLE III: COUNT-WISE PRODUCTION OF COTTON YARN

(Figures in lakh Kgs.)

Year	Counts up to 10s	Counts 11s to 20s	Counts 21s to 30s	Counts 31s to 40s	Counts 41s to 60s	Counts 61s to 80s	Counts above 80s	Total
1969	1,124 (11.8)	2,782 (29.3)	2,913 (30.6)	1,681 (17.7)	604 (6.4)	233 (2.4)	174 (1.8)	9,511
1968	1,158 (12.0)	2,874 (29.9)	2,947 (30.7)	1,630 (17.0)	614 (6.4)	229 (2.4)	157 (1.6)	9,609
1967	1,048 (11.7)	2,625 (29.3)	2,733 (30.5)	1,567 (17.5)	594 (6.6)	249 (2.8)	148 (1.6)	8,964
1966	1,026 (11.4)	2,741 (30.4)	2,638 (29.3)	1,591 (17.7)	603 (6.7)	265 (2.9)	146 (1.6)	9,010
1965	1,003 (10.7)	3,032 (32.3)	2,911 (31.0)	1,528 (16.3)	506 (5.4)	296 (3.1)	116 (1.2)	9,392

Note: Figures in brackets represent percentages to total yarn production.

TABLE IV: CLOTH PROCESSED IN MILLS

(Figures in lakh metres)

Year	Bleached	Piecedyed	Printed	Mercerised	Sanforised	Other chemically processed cloth
1969	17,331 (41.6)	11,180 (26.8)	9,077 (21.8)	6,914 (16.6)	3,682 (8.8)	852 (2.0)
1968	16,524 (37.8)	9,732 (22.3)	8,962 (20.5)	6,952 (15.9)	3,639 (8.3)	864 (2.0)
1967	15,040 (36.7)	8,542 (20.8)	7,511 (18.3)	6,681 (16.3)	3,537 (8.6)	675 (1.6)
1966	15,579 (36.8)	8,552 (20.2)	8,164 (19.3)	7,294 (17.2)	3,419 (8.1)	541 (1.3)
1965	15,940 (34.7)	8,370 (18.2)	7,437 (16.2)	6,545 (14.3)	2,703 (5.9)	485 (1.1)

Figures in brackets represent percentages to the total cloth production in the mill sector.

SOURCE: Indian Textile Bulletin.

TABLE V: EXPORTS OF COTTON TEXTILES FROM INDIA

Year	Cotton Piecegoods		Cotton Yarn		Apparel	Hosiery	Other cotton manufactures	Total
	Lakh sq. metres	Lakh Rs	Lakh Kgs	Lakh Rs	Lakh Rs	Lakh Rs	Lakh Rs	Lakh Rs
1969	4,185.0	6,308.9	330.7	2,373.7	437.1	25.1	1,374.3	10,519.1
1968	4,751.0	6,676.5	165.4	1,068.8	303.0	22.1	1,461.2	9,531.6
1967	4,095.6	5,937.1	110.2	748.5	245.5	14.2	1,276.0	8,221.3
1966	4,243.3	4,913.6	162.0	869.2	255.8	16.9	1,005.9	7,061.4
1965	5,068.5*	4,725.9	127.5	602.5	328.1	28.7	688.0	6,373.2

Note: Figures up to May 1966 are in pre-devaluation rupees.

*Partly in linear metres.

TABLE VI: PROCESS-WISE EXPORTS OF COTTON PIECEGOODS

(Figures in lakh sq. metres)

Year	Grey	Bleached	Printed	Piecedyed	Yarndyed	Total
1969	2,664.9 (63.7)	583.6 (14.0)	432.9 (10.3)	360.1 (8.6)	143.5 (3.4)	4,185.0
1968	2,813.4 (59.2)	808.8 (17.0)	396.0 (8.4)	484.9 (10.2)	247.9 (5.2)	4,751.0
1967	2,324.5 (56.8)	701.6 (17.1)	348.4 (8.5)	519.1 (12.7)	202.0 (4.9)	4,095.6
1966	2,222.6 (52.4)	684.9 (16.1)	568.4 (13.4)	562.9 (13.3)	204.5 (4.8)	4,243.3
1965	2,639.9 (52.1)	843.0 (16.6)	616.7 (12.2)	542.8 (10.7)	323.1 (6.4)	5,068.5

Note: (i) Figures in brackets represent percentages to total.
(ii) 1965 process-wise figures do not add up to the total due to non-availability of process-wise figures of canvas and mixed fabrics for the period Jan-March 1965.
(iii) 1965 figures partly in linear metres.

SOURCE: D.G.C.I.S., Calcutta.

432.9 lakh sq. metres in 1969. The USSR, the leading market for this quality improved her offtake from 100.5 lakh sq. metres in 1968 to 187.2 lakh sq. metres in 1969, which mainly contributed for the better position of exports of this quality in 1969. Sudan the second largest market for this quality declined her offtake from 92.7 lakh sq. metres to 76.4 lakh sq. metres. The other markets for this quality in 1969 were Nepal, Trucial Oman, Ceylon, Southern Yemen, Muscat etc.

Exports of piecedyed fabrics declined from 484.9 lakh sq. metres in 1968 to 360.1 lakh sq. metres in 1969. Sudan and Nepal the leading markets for this quality in 1968 declined their respective offtakes in 1969. Kenya, Afghanistan, Persian Gulf Ports, Tanzania, Canada, the USA, Australia etc. also declined their offtakes in 1969. Ceylon improved her offtake considerably in 1969 to 50.0 lakh sq. metres and stood second to only Sudan, which accounted for 62.9 lakh sq. metres. The USSR, Burma and East Germany were the other markets, which recorded increases in 1969.

Exports of yarndyed fabrics declined in 1969 by 104.4 lakh sq. metres at 143.5 lakh sq. metres. The markets which mainly accounted for this decline were the UK, Canada, Nepal, Australia, Sudan and Zambia which incidentally were the major markets for this quality. The USSR made purchases to the tune of 9.3 lakh sq. metres in 1969 as against her offtake of the order of only 0.2 lakh sq. metres in 1968. Sweden, New Zealand and the USA also recorded moderate increases in their offtakes during the year under review.

Table VII gives zonewise figures of

export of cotton piecegoods from India during the last five years.

It will be seen from the Table VII that while all other zones more or less maintained their respective offtakes, the offtake by the African zone declined by more than 50 per cent in 1969.

Exports to Asian zone totalled 1,006.3 lakh sq. metres in 1969 as against 1,176.4 lakh sq. metres in 1968. Nepal is the leading market in this zone, which in 1969 improved her offtake to 558.5 lakh sq. metres or 55.4 per cent of the total exports to this zone. Ceylon accounted for 90.6 lakh sq. metres. The offtake by Persian Gulf Ports as a whole was of the order of 97.3 lakh sq. metres. Aden, Afghanistan, Saudi Arabia were other major Asian markets for cotton piecegoods in 1969. Indonesia which had made substantial purchases in 1967 and 1968 declined her offtake considerably in 1969. Burma made purchases to the tune of 17.1 lakh sq. metres in 1969 as against negligible quantity in 1968.

Set-back in Africa

Exports to African zone declined from 675.2 lakh sq. metres in 1968 to 319.5 lakh sq. metres in the year under review. This sharp set-back in exports to this zone was mainly due to lower offtake by Sudan, which declined her offtake from 481.2 lakh sq. metres in 1968 to 224.9 lakh sq. metres in 1969 — the fall is of the order 53 per cent. The other major African markets namely Kenya, Tanzania, Nigeria, Mauritius, Sierra Leone, Somalia and Zambia also contributed for the overall fall in shipments. Only Uganda and Ethiopia re-

corded a moderate rise in 1969.

Exports to the European zone at 1,979.2 sq. lakh metres in 1969 were only marginally short of the level of 1,998.9 lakh sq. metres reached in 1968. The United Kingdom, the leading market in this zone, accounted for 1,131.2 lakh sq. metres in 1969 as compared to 1,574.8 lakh sq. metres in 1968. This market alone accounted for a fall of 443.6 lakh sq. metres. This fall was however made up to some extent by France, West Germany in the European Economic Community. Both these markets at 233.9 lakh sq. metres and 143.3 lakh sq. metres in 1969 registered substantial improvement. The USSR contributed her share by increasing her offtake two fold to 330.9 lakh sq. metres. Scandinavian countries consisting of Norway, Sweden, Denmark and Finland also recorded a moderate increase. But for the fall in the UK the exports to this zone would have been considerably better in 1969.

Exports to American zone expanded slightly from 678.3 lakh sq. metres in 1968 to 695.9 lakh sq. metres in 1969. This increase was mainly due to improved offtake by the USA from 549.1 lakh sq. metres in 1968 to 593.2 lakh sq. metres in 1969. There were however slight setbacks in shipments to Canada and West Indies, the other major markets in this zone.

Exports to Oceania zone totalled 184.1 lakh sq. metres in 1969 as against 222.2 lakh sq. metres in 1968. Exports to New Zealand maintained her offtake at 44.5 lakh sq. metres. Exports to Australia on the other hand declined her offtake from 160.1 lakh sq. metres in 1968 to 123.8 lakh sq. metres in 1969.

TABLE VII: ZONE-WISE EXPORTS OF COTTON PIECEGOODS

(Figures in lakh sq. metres)

Year	Asia	Africa	Europe	America	Oceania	Total
1969	1,006.3	319.5	1,979.2	695.9	184.1	4,185.0
1968	1,176.4	675.2	1,998.9	678.3	222.2	4,751.0
1967	1,040.7	568.9	1,671.8	566.7	247.5	4,095.6
1966	1,098.8	544.4	1,631.3	729.3	239.5	4,243.3
1965	1,426.6	821.8	1,954.5	561.5	304.1	5,068.5

SOURCE : D.G.C.I.S., Calcutta.



who is he ?

a popular stylist

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he lends the town a-hooting ;
his models are the cream ;
in gay

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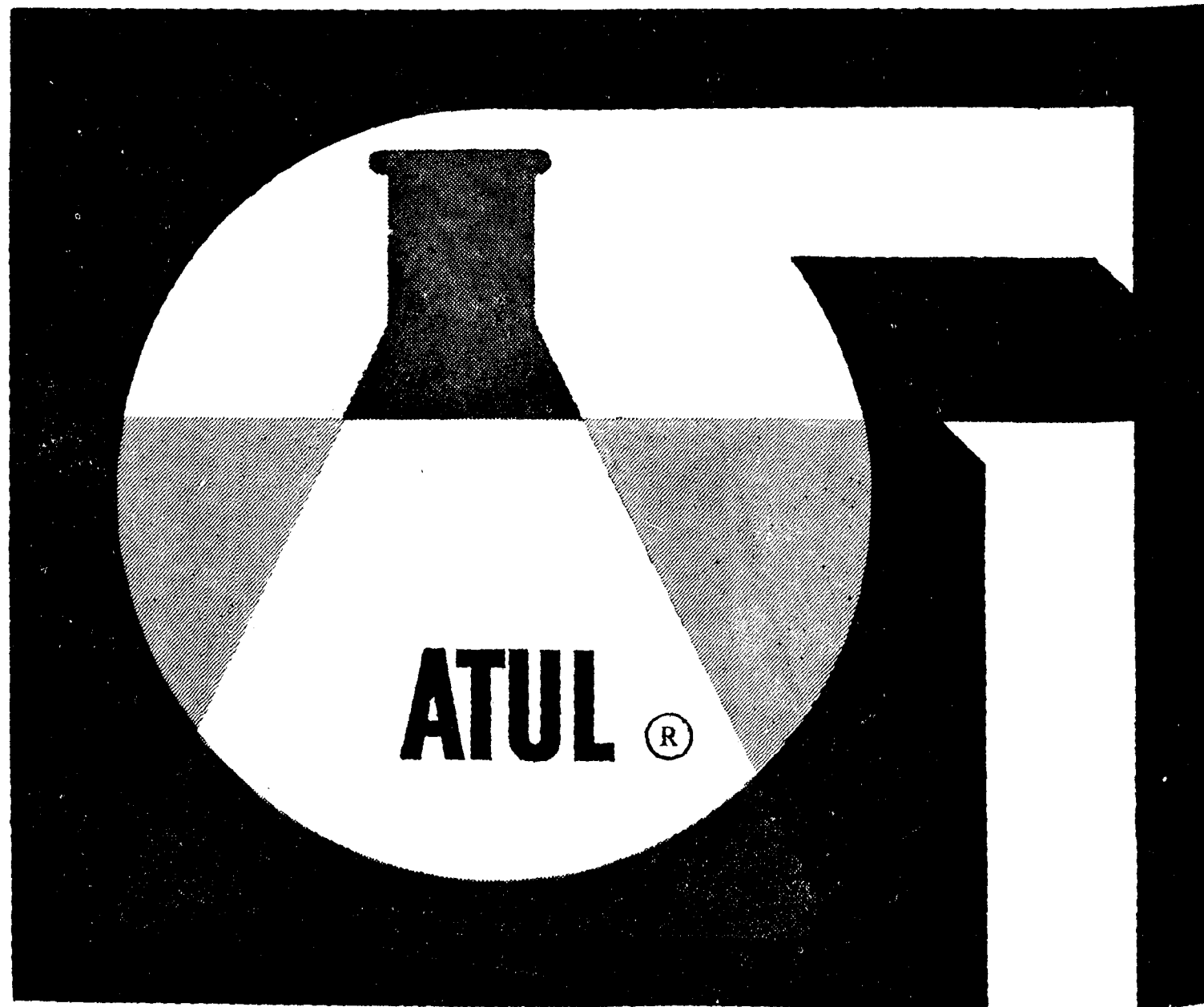
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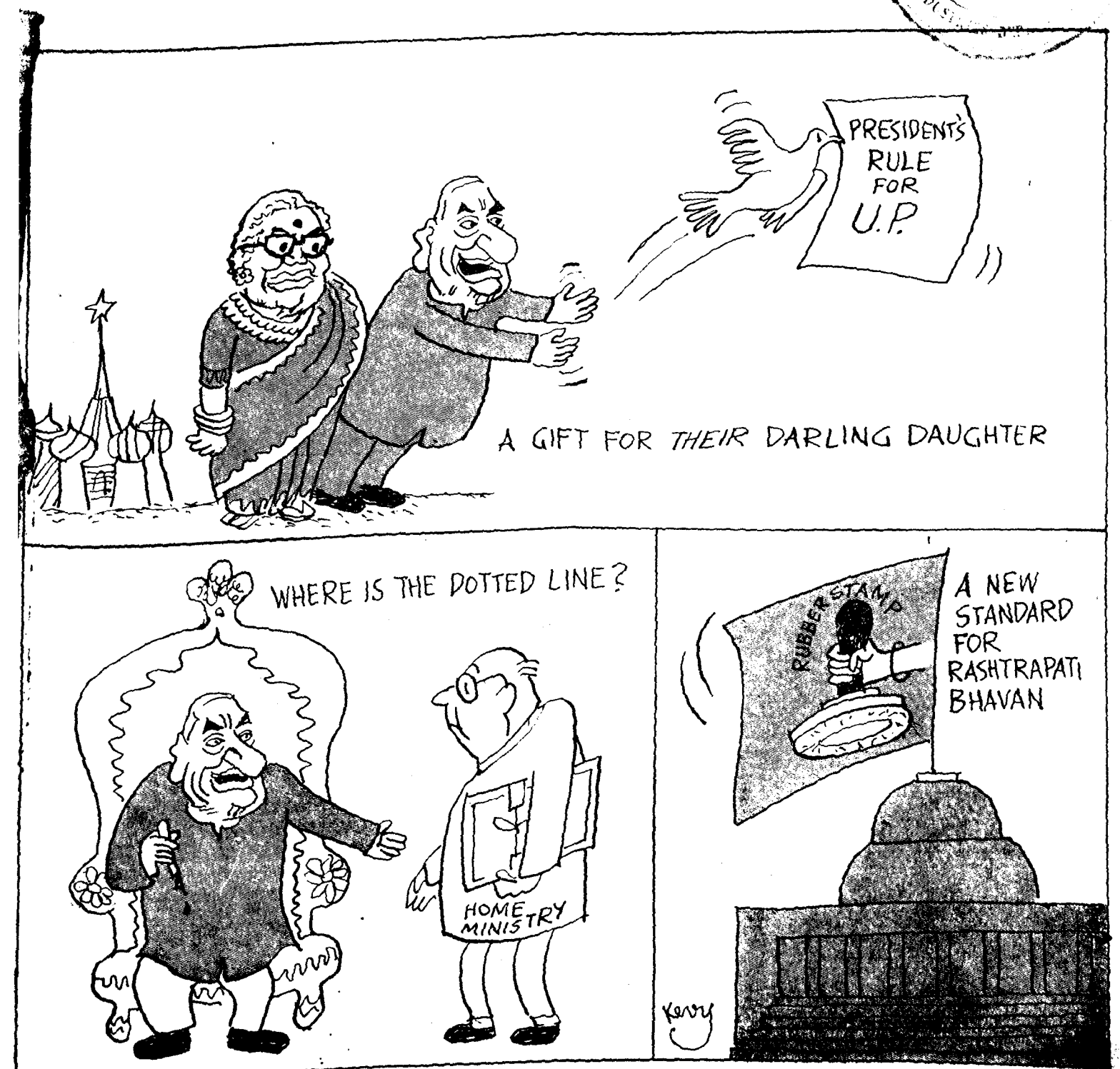
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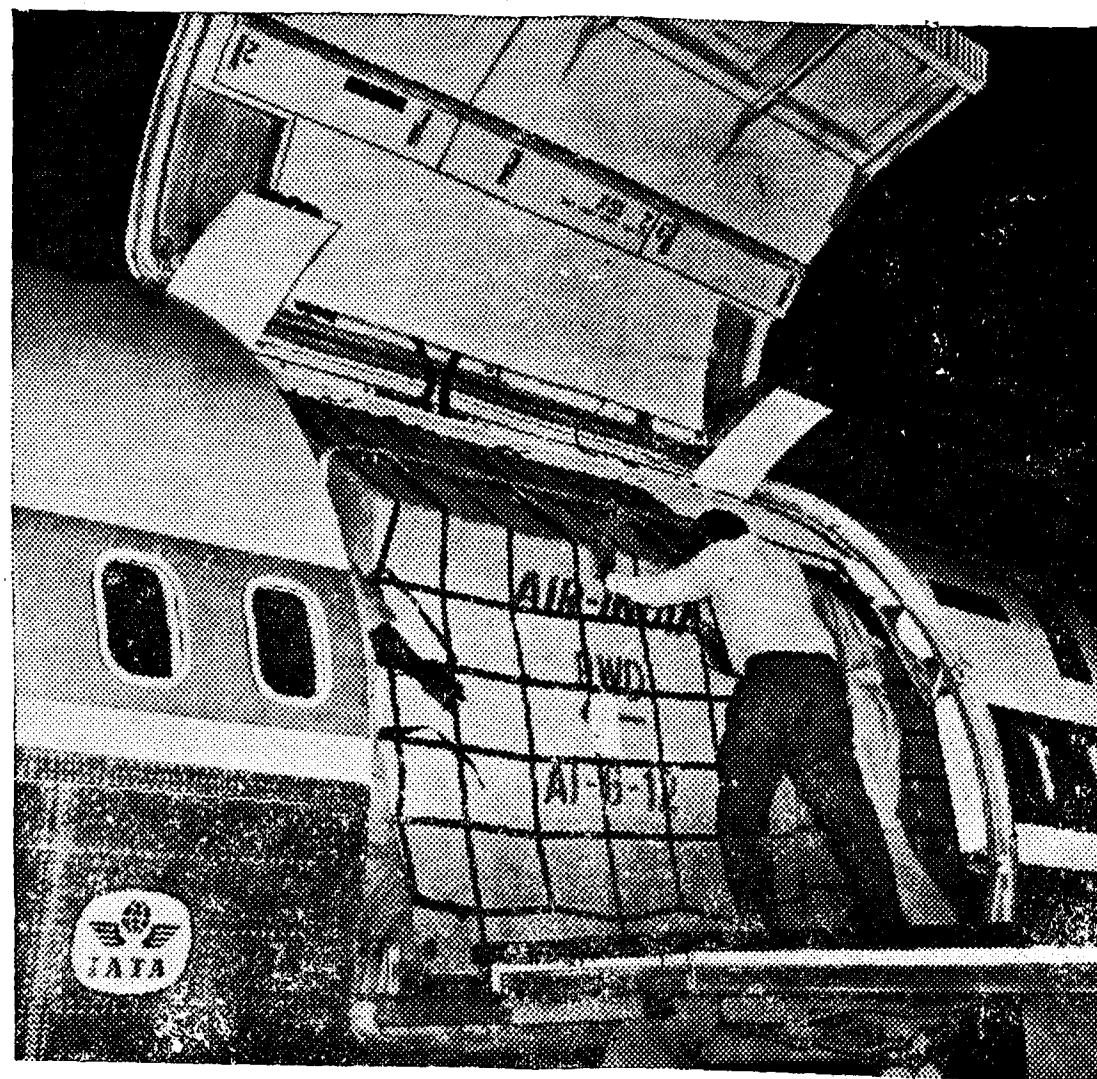
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OCTOBER 16, 1970

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ZERO HOUR FOR STEEL

WHAT is happening in Durgapur is of far greater consequence to the nation surely than what took place in Patna earlier this week. Granted that the foremost concern of the nation is with the *malaise* of its faltering economy, the symptoms of which are now seen as shortages and high prices, poor export performance and growing unemployment, it would have made no difference at all had every one of the speeches made at the "AICC" session of the party of the Prime Minister been taken as spoken. On the other hand, it matters a great deal indeed to our country and its people that the working of the steel plant at Durgapur has been dislocated by a strike in its melting shop.

Employment, let us remind ourselves, is not generated by the hot air of politicians but by, among other things, the availability of basic materials for industry to feed on. An integrated iron and steel works is an orchestrated whole and disturbance in any part of it is liable to disrupt its entire functioning. The strike in the melting shop at Durgapur is therefore essentially of the nature of a total strike at the works. It has been said that the management has been authorised by the Ministry of Steel and Heavy Engineering to deal firmly with the strikers. The nation therefore has the right to expect quick results. In case these are not forthcoming, the central government should not hesitate to place the Durgapur steel plant under the Defence Ministry and have it operated as a Defence establishment. A decision on these lines may not only be necessary to save Durgapur but is also required as a warning to Rourkela where, too, go-slow and localised strikes in individual units of the plant have been coming in the way of the full functioning of the plant.

Tamil Nadu Aiming High

A SPECIAL supplement to this issue of *Eastern Economist* discusses the economic problems, progress and prospects of the State of Tamil Nadu. Agriculture in the state is now well and truly in a dynamic phase and the New Agricultural Strategy seems to be a vigorously functioning force in much of the countryside. Given this encouragement, the industry of Tamil Nadu could also look forward to a period of vigorous expansion. Already the state has a large and diversified small-scale sector and the further advantage that over a period of years certain basic industrial facilities have been set up in this territory both by the private sector and the central government. There are, however, problems. The marriage of development of power to expansion of industry would surely remain a challenging task. There is also the question of availability of enough local capital, particularly in terms of personal savings, for industrial investments. Institutional financing may well remain a major condition of further industrial development in Tamil Nadu. Perhaps it is to the particular advantage of this state that it should not only encourage the flow into it of private capital from other parts of the country, but also court foreign private investments in a vigorous fashion.

It is just possible that the economic progress of Tamil Nadu could pick up greater momentum if the state's needs and problems could be dealt with as far as possible at the level of the state government through the delegation of authority and discretion by the central government. Fortunately, there is a tradition of mutual confidence, mutual reliance and co-operation between industrialists in the state and the state government. This tradition could naturally function to great advantage in circumstances which make it possible for decisions to be taken and implemented without the obstructive or otherwise time-consuming processes of an over-centralised bureaucracy. *Eastern Economist* hopes that statesmanship at the state and central levels will be competent enough to ensure that this issue is considered and dealt with less in terms of politics and more in terms of the obvious need for rationalising the functioning of the economic apparatus of the administration in a vast country such as ours with its varying regional situations.

"the most dynamic component of international trade" since the value added to the export product by the industrial processes is high and the export of industrial products provides opportunities for the effective use of resources in skilled and unskilled manpower. But, regrettably, industrial policy is not being so implemented as to generate surpluses for export. The economic ministries at the centre have seldom functioned with proper co-ordination; and the fact that

Foreign Trade, at present, is handled only by a Minister of State must be a handicap in securing the timely and adequate support of the other ministries. It is all the more the reason therefore why the Ministry of Foreign Trade should constantly take the help of the Board of Trade as well as of its other advisory bodies in pressing on the cabinet the imperative need to give export promotion the urgent and adequate attention it deserves.

Reclaiming Water from Sewage

THE Rs 45-lakh sewage water reclamation plant commissioned recently in Trombay, near Bombay, is the first of its kind in India and is wholly Indian in conception, design and construction. Indeed, it was the water shortage problem in Bombay that made the young Indian engineers in Union Carbide conceive the idea. After having invested nearly Rs 20 crores in their huge petrochemical complex the company had to put it to the maximum use, but when it found it could not do so because of water shortage, it could not afford to sit and mope.

It is common knowledge that chemical plants generally require large quantities of water for cooling, process and boiler feed purposes. And there is not only one such plant in Trombay but many. Besides Union Carbide, there are the Burmah-Shell and the Esso refineries, the Fertilizer Corporation of India, Calico Chemicals unit, Polychem and Lube India, not to speak of the atomic reactors and the Tata Thermal Power Station. The combined water demand of all these is enormous and, even if the population of Bombay were not rising as sharply as it has been, it would have been impossible for the Bombay Municipal Corporation to provide adequate supply of water to all these. No wonder "there is almost a perpetual water scarcity in this area", as Mr Keshub C. Mahindra, Chairman of Union Carbide, said in his welcome address on the occasion.

That "necessity is the mother of invention" is deeply borne out by the efforts of Union Carbide to ensure for the company all its requirements of industrial water. When the company completed its major expansion of its chemicals and plastics facilities and commissioned its petrochemicals complex in Trombay in 1966, it found that its water requirements increased substantially and that the Bombay Municipal Corporation could not give all the

water needed. As a matter of fact, the Corporation could not supply even the guaranteed quantity at times. So Union Carbide went about frantically in search of water.

First, it dug surface wells and tube wells and, unmindful of its scientific knowledge and background, even sought the services of a water diviner, but to no avail. Then the company turned to the sea, which is nearby and decided to use sea water (instead of fresh water) for part of the plant's cooling needs, but apart from having to go in for special corrosion-resistant alloys, pump water from a distance and store it in large special-sized basins, it could not altogether get over the problem of corrosion. Union Carbide's experience for just four years and the greatly inflated maintenance and repair bills were enough to make it think of a better alternative, and that was to be reclamation of sewage water.

When the solution was in sight thus, preparations followed—approach to the municipality which, fortunately, readily agreed, sensing evidently the potentialities of the proposal, study of the flow volume over a period, months of intensive work on a pilot reclamation plant and last, but not the least, the economics of reclamation. It is significant that a local firm of water treatment experts (Associated Industrial Consultants) collaborated in these preparatory investigations. Then followed development of process conditions and design data which were used by Dorr-Oliver (India) Ltd to build the full scale tertiary treatment plant.

A three-kilometre pipeline brings the sewage from a municipal sewer through a screen chamber to clear it of rags and other solids. After the sewage enters the tertiary treatment plant, bar screens remove floating material and a detritor removes grit. Then the sewage is pumped into aeration tanks for oxida-

tion, a process that explains why the plant does not give out any disagreeable odour at all, contrary to popular belief. Be that as it may, aerobic bacteria which merrily grow and reproduce in the oxidised sewage break up organic matter in the sludge into simple and easily disposable forms. The oxidised sewage is later fed to the clarifier for removal of solid residues, if any, and the clarified effluent is led to a flash mixer where it is mixed with alum and chlorine and sent to the clarifloculator.

Here chemical coagulation and precipitation take place and the effluent is then passed to the rapid sand gravity filters for filtration. Next, the water goes to the water softeners and is chlorinated and pumped into the storage tanks, from where it is distributed as cooling water. This water is still not suitable as boiler feed process water, but when further treatment facilities, already under installation, are completed, the same sewage-reclaimed water could be used to feed boilers as well. It is still not potable.

The capacity of this plant is five million litres, but it can be stepped up to ten million litres with future expansion, for which provision has been made. It is not the saving of these five or ten million litres to the Bombay Municipality or elimination of an equal quantity of sewage that is important. Far more so is the prospect of other industrial units in the city also installing similar plants, which would not only eliminate the bulk of the sewage of this metropolitan city but reduce the pressure of demand for water from these industrial units. Incidentally, there would be less pressure on the municipal sewage treatment plants which are best gradually closed down so as to put an end to the disagreeable odour these plants emit.

It is only fair to sum up this sewage saga by quoting Mr Mahindra who has reasons to be proud of what Union Carbide has achieved. Indeed he said: "We are proud of this sewage water plant because it represents an unconventional and a highly innovative solution to what was only recently an almost intractable problem. And we are proud because the solution was devised and implemented entirely by Indian engineers using wholly indigenous equipment. Let us repeat this all over our city of Bombay (and Union Carbide has made it clear that this know-how is open to anyone), so that people may have a decent supply of water, so essential for maintaining at least a decent standard of health in the city."

Agitating Bankmen

M.R. PAI

WHEN 14 leading commercial banks were nationalised, reportedly after the union cabinet had taken this momentous decision in less than two minutes, great hopes were aroused in the country. An era of plenty of cheap credit for farmers, small industrialists, professionals etc, was to be ushered in. An euphoria was created that with bank nationalisation our economic problems, such as rising prices (the rupee is worth 59 paise today compared to nine years ago), and unemployment (the number of unemployed is anywhere between 12 and 20 million, with promise of an increase to 27 million in another four years), were on the verge of solution. Above all, the enthusiasm demonstrated by bank employee unions (not employees) for nationalisation was so great, and their promises of better service so assertive, that many were led to believe that a new era of industrial harmony had dawned on this sector. In more than one bank, for instance, the union enthusiasm manifested itself in "courtesy week" posters greeting bank customers.

Hasty Retreat

One enthusiastic leader even promised that the employees would not make further demands for better emoluments. Only when the office of the leader was besieged by irate employees protesting against this act of self-denial, the leader hastily explained away the statement as a mistake in press reporting!

Within 15 months of nationalisation, promises have been forgotten and industrial harmony has become a mirage.

A newspaper report on September 26, 1970, quoted the general secretary of the All-India Bank Employees Association, Mr H.L. Parvana, as saying that "the working in the banks will remain paralysed until a settlement is reached". Further, "jamming the work and demonstration" was the first phase of the campaign. Only a year earlier, on August 4, 1969, he had on behalf of the central committee issued "a clarion call to all bank employees to not only maintain their high standard of service, efficiency and discipline but

Mr M.R. Pai is the Honorary Secretary, All-India Bank Depositors' Association, Bombay Branch.

to improve upon it wherever there is scope. The mischievous lie about apprehended deterioration in service will be nailed in no time".

The banking public has been held to ransom and serious damage inflicted to the economic life of the country. There is promise of more to come.

At the time of nationalisation, the author had predicted that as in the State Bank of India strike in the summer of 1969, in the huge near-monopoly government sector of banking, any industrial strife would paralyse the economic life of the country and put depositors and customers to serious inconvenience, such as inability to withdraw their own hard-earned monies for urgent medical care, or payment of examination fees or payment of salaries. The expected has happened.

Work Paralysed

In the United Commercial Bank strike, a few weeks ago, not only work in that bank was paralysed, but employees of 13 other nationalised banks refused to accept UCO Bank cheques. This was a blackmail of depositors and customers in a dispute between UCO Bank employee union and nationalised management. This had never happened when banks were under private management. Such a move during a strike in the Syndicate Bank Ltd some six years ago was averted by the foresight and flexibility of private managements.

The recent 12-day strike was novel. Only a couple of hours during banking hours the employees would resort to demonstrations, thus bringing the work to a standstill. This ensured no loss of pay (which a full day strike would entail) while demonstrating their strength (or weakness?) to the public. It is a pity that bank employees forgot that they owed their bread and butter to depositors and borrowers who made possible the functioning of banks. This type of ingratitude to the *Annadatas* (givers of food) is unknown to the Indian tradition but since the main employee union is under communist leadership, under Marxist-Leninist-Mao ideology this is normal behaviour.

Bank officers mostly refused to do the work of clearing cheques or paying

cash. Having suffered all these years at the hands of unions and some managements, the officers have apparently cultivated a new philosophy of life — neither fear unions nor respect the nationalised management. Like all government employees, they are assured of their pay at the end of the month whether they put in the little extra efforts or not, and whether they display excessive zeal and loyalty to the institution or not. Human nature has triumphed over ideological effusions of political leadership.

The background to the dispute is very interesting, proving once again this author's prediction in 1969 of politicalisation of the banking industry. The dispute was ostensibly over some anomalies in the new agreement between the union and the Indian Banks' Association, both of which had initialled the agreement.

Political Dispute

The genesis of the dispute was purely political. When renewal of the agreement was due, the bankers had prepared their bargaining points carefully. However, there was no occasion for them to bargain on that basis. Reportedly, a communist leader of the bank employees went to the Prime Minister and demanded an agreement as stipulated by him in return for political support for her. Being the leader of a minority government, influenced by borrowed Marxian ideas which, though outdated, serve to enlarge the portfolio of power and patronage, the Prime Minister is said to have instructed the Secretary in charge of Banking Affairs in the Finance Ministry to accept the terms. The custodians, in turn, were ordered to enter into such an agreement. They meekly submitted, though it was patently against the interests of the industry because of the terrific squeeze on profits.

Some time later, the Banking Department realised its mistake and started nagging the chief executives that they had not been firm with the employees! In the mean time, the jubilant union leaders found that anomalies created by the new agreement had let loose discontent among some workers. Rival unions (non-communist) were making capital out of this. The communist union leaders benefited in more ways than one. Having gained their initial demand through political pressurisation now they could display their militancy to the rank and file! So, disruption of normal work was resorted to.

An examination of the role played by different parties during the strike is of interest to the public as it fully exposes the politicalisation of the industry,

and why nationalisation is a curse on the public as socialists in Europe have long ago realised.

The Prime Minister was not bothered at all with the harassment of the public and dislocation of economic activities. On the other hand, she was busy selling her son's small car for the "middle classes"! The Finance Minister was away at Copenhagen practising sophisticated beggary for international aid, and uttering grave warnings to developed nations which nobody heeded. The Banking Division of the union Finance Ministry and the Department of Banking Operations of the Reserve Bank under a political appointee without banking or managerial experience operate in a clumsily amateurish fashion and are inadequate to deal with it.

The Reserve Bank's performance has become amateurish as indicated by reports that it issued a directive to one nationalised bank to accept the supervision of a RBI officer. Later on, the RBI found that it had no powers to issue such a directive, and, therefore, withdrew it and asked that and some other nationalised banks to "request" the RBI for the service of such officers! The appointment of a "second chairman" in these banks is a violation of the basic principle of sound management that there should be no dual authority in an organisation.

The RBI has also compromised its position as an autonomous authority entrusted with supervision of banking business under the law by appointing its officers as directors of the nationalised banks!

Worthless Board

The interim boards of directors, which the Finance Ministry had appointed after one year's labour, proved their real character as worthless rubber stamps of the government. Having no stakes in the banks, and most of them having been appointed on grounds of personal favouritism instead of competence, the boards tolerated the recent labour situation. To expect any sense of responsibility from these rubber stamp boards is to ask too much. In sharp contrast, when there was a go-slow in some banks some six years ago, boards of directors promptly intervened and saved harassment to the public.

An examination of the new boards shows that for a number of them, board directorship means "Bharat Darshan" and fat sitting fees for doing just that. The skill and competence of these boards can be realised from the fact that at one board meeting, no less than over 200

items were cleared by the board in half an hour!

One appointee, for instance, is an old sick man, hardly able to move! The RBI directors are hypnotised with the board rooms of these banks and some government directors are so busy even to attend board meetings that the first board meeting of a Bombay bank was not held for a long time, holding up considerable work.

The behaviour of custodians is in conformity with their docility, and remarkable ability to receive kicks. Many of them are busy attending to their own personal positions. Some of them, getting practically twice the emoluments of the RBI Governor or the State Bank Chairman, want to play safe to ensure their privileged position.

Depositors Suffer

It must be admitted that the depositors are, unfortunately, not well organised, and hence suffer quietly harassment, humiliation and deteriorating service. Like consumers in all nationalised enterprises, whether it is IAC or LIC, they have to put up with all nonsense while professional politicians commit economic crimes in the name of public good.

Any change in the situation can be brought about quickly only by the bank employees. Most of them are from good families, and have had the advantage of attending schools and colleges. In private, many of them grumble against nationalisation which has led them into a blind alley. They are also resentful of the behaviour and tactics of union bosses. But fear of non-conformity, dislike of social ostracism, and plain intimidation, if they show any independence of thinking and sense of duty towards the public, has made them submit meekly to the dictates of the union bosses.

This brings us to the union bosses. In some banks, like the Bank of Baroda or the State Bank of India, the unions are controlled by employees who represent only the employees. Hence, there has been no trouble in these banks. In most of the banks the unions are constituents of All-India Bank Employees' Association which is controlled by the communists. For them unions and bank employees are merely tools in their larger political game. To control strategic sectors of the economy and hold the community to ransom, while hoodwinking the public by slogans of democracy and false promises, is part of the communist game. To destroy law and order and subvert the foundations of democracy to facilitate imposition

of totalitarian communist rule is the avowed objective of communists. In this game, they are favourably placed today with a Prime Minister who is communist-minded and leans heavily on their support. The bank employees are used as sacrificial sheep.

The situation can be remedied as follows:

(1) By amending the Indian Trade Union Act, prohibiting political leadership of bank and other white collar employee unions.

(2) By discontinuing the present practice of allowing union leaders to draw salaries while doing no bank work.

(3) By requiring publication of audited accounts of bank unions every year. In one inter-union dispute the fact was brought out that half of about Rs lakh collected was debited in the account to cyclostyling.

These are some legal remedies to alleviate the present malady. The real cure, however, is different.

(1) All patriotic employees should unite and throw out political leadership, and convert their unions into



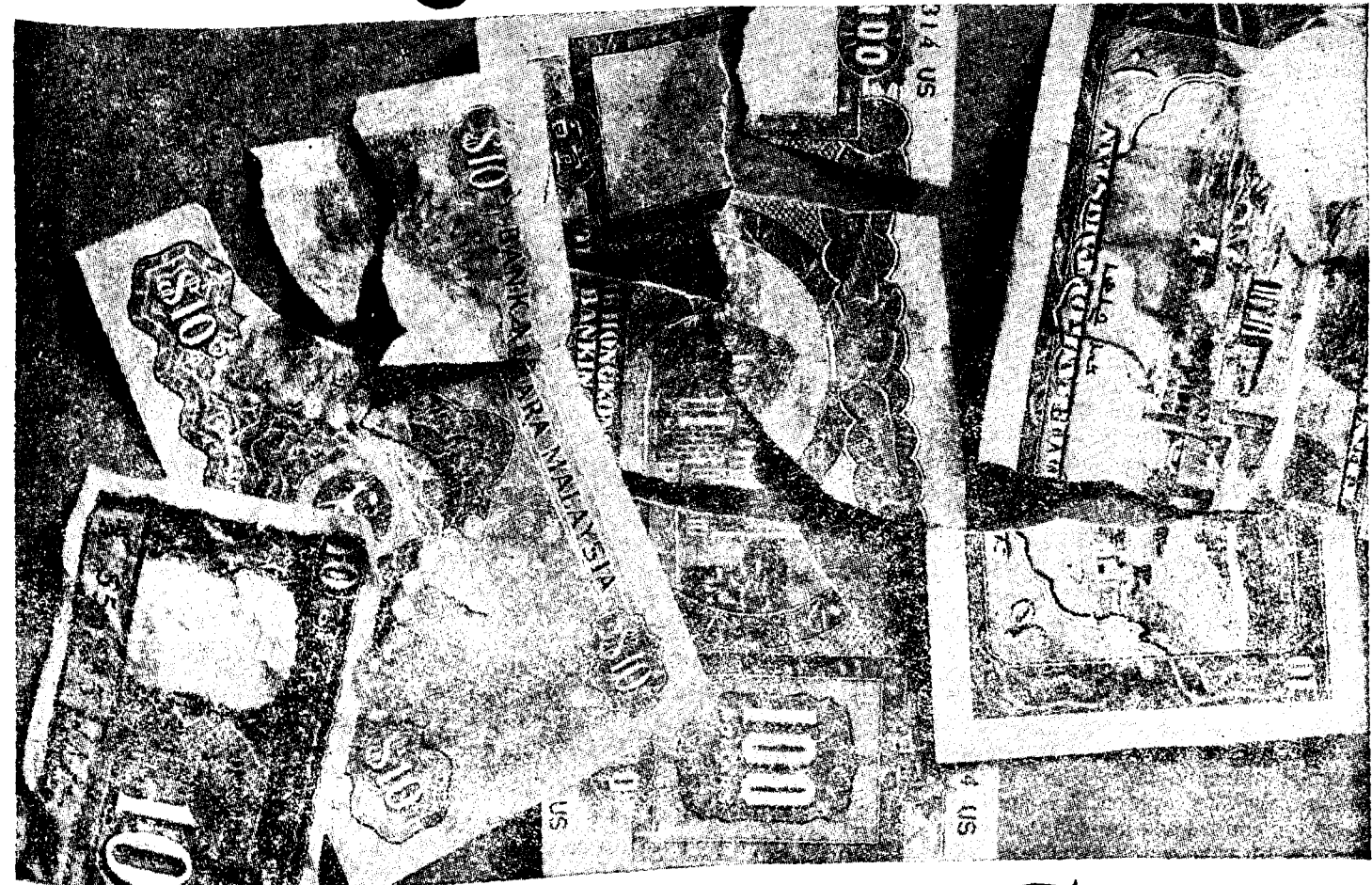
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genuine trade unions devoted to welfare of employees, industry and public.

(2) Depositors and borrowers should combine into a powerful organisation to safeguard their interest.

(3) Banking should be removed from the hands of professional politicians and incompetent bureaucrats and restored to

private institutions, supervised and regulated by an autonomous Reserve Bank of India. Only a highly competitive banking industry, whose managements are professionalised, can serve national interests. If these changes are not brought about, then there will be a flight of deposits and eventually the nationalised banking sector will become the dead rat in the Indian economy.

Surplus Rural Manpower Utilisation

M.P. SRIVASTAVA

UTILISATION of surplus rural manpower has become an important subject for a variety of studies by economists, social scientists and manpower analysts. It has caused concern amongst governmental bodies and has also received attention at the international level. This article is confined to a discussion of the utilisation of surplus rural manpower of India and much of this discussion will necessarily be focused on the current situation in our country.

Planners have their assumptions about how resources can be increased and now they should be allocated. There is especially a proposal about the transfer of surplus rural manpower from the agricultural to the non-agricultural sector of the economy. "For strengthening the rural economic structure and providing maximum employment opportunities to surplus manpower, the country needs rapid economic development both in the agricultural and non-agricultural sectors." Surplus rural manpower utilisation falls under three different heads:

(1) Those calculated to create employment; (2) those which arrest employment; and (3) those which remove imperfections of the labour market. The first category covers the programmes of public works. Measures arresting unemployment which start from a negative approach comprise population control and family planning. Measures to remove the imperfections of labour market are the organisation of employment exchanges, schemes of industrial training and vocational guidance. Measures second and third fall outside the scope of this article.

Handy Programme

Works programmes come in most handy and effective for providing employment in the rural areas of this country. But the wage employment has been planned in the main through works projects of the state and local bodies utilising unskilled and semi-skilled labour and supplementary works programmes which are planned to be organised in the areas of high unemployment incidence.

To quote the third five-year Plan report, "A fairly large programme of rural industrialisation should be undertaken with special emphasis on rural electrification, development of rural industrial estates, promotion of village industries and effective redeployment of manpower. Even though in the first instance, the introduction of new production techniques may result in a decrease in employment, it is expected that there will be significant long-term benefits in revitalising the rural economy. In addition to other measures for increasing employment through small industries, it is proposed to organise a rural works programme, which will provide work for an average of, say 100 days in the year for about 2.5 million persons and, if possible more. This programme, and specially the proposal for rural works, will assist the general mass of the population and will provide increased opportunities for educated unemployed."

Acute Problem

The problems of surplus labour are particularly acute in chronically drought affected areas and relief can be provided to them only by taking up a concerted programme of rural works which have a high employment potential and can, at the same time, increase the productivity of land and labour. With this objective, "a substantial provision of Rs 100 crores is proposed to be spent on rural works in the coming four years in chronically drought-affected areas. The budget for 1970-71 includes a provision of Rs 25 crores for this purpose."

Having regard to various relevant factors, such as irrigation facilities, rainfall distribution etc., 40 districts have been chosen in various states for taking up the rural works programme. Their break-up state-wise is as follows: Rajasthan 10; Andhra Pradesh 6; Haryana 1; Uttar Pradesh 3; Mysore 5; Maharashtra 8; and Gujarat 7.

These programmes will be integrated into local area development programmes designed to generate a longer-

term employment potential for surplus labour. The Estimates Committee's (fifty-fifth) report on Rural Works Programmes stresses that the expenditure should be regulated in such a manner that areas having high incidence of unemployment and which are backward derive maximum benefit under the Rural Works Programme. Table I (page 691) indicates the expenditure incurred and employment generated by the various states up to June 30, 1963 under this programme.

Proper Planning

It will be seen that in Andhra Pradesh, Assam, Bihar, Gujarat, Jammu & Kashmir, Kerala, Madhya Pradesh, Tamil Nadu, Maharashtra, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal, Himachal Pradesh and Tripura the employment generated per hundred rupees of expenditure has been of the order of 78, 52, 59, 55, 68, 61, 54, 67, 58, 56, 62, 59 and 51 per cent respectively. This means that in respect of 77.7 per cent of the total expenditure incurred on the rural works programme up to the end of June, 1963, the employment norm originally envisaged has been fulfilled and in some cases, it would appear, it has been exceeded.

The analysis of expenditure incurred and employment generated shows that in Assam, Kerala, Punjab and West Bengal the employment generated per hundred rupees of expenditure has been rather low, being only 38, 44, 23 and 46 per cent respectively. The Estimates Committee says "that in the light of the study, government may consider the advisability of laying down a certain minimum percentage of employment generation to expenditure incurred as a prerequisite condition for sanctioning schemes under the Rural Works Programme." It is provided in the third Plan, "that since unemployment and underemployment are specially acute during the slack agricultural seasons, to the extent possible, work programmes should be planned for execution during these periods." Precise determination of slack agricultural seasons with reference to conditions in different regions in a state, is, therefore, necessary for proper planning of the Rural Works Programme.

In the last year of the third Plan, expenditure stood at a level of nearly Rs 8 crores and the employment provided could be reckoned at about 400,000 in terms of 100 days in the year. At present it covers 998 community development blocks. Information available for 137 blocks up to 1962-63, 352 blocks for 1963-64, 473 blocks for 1964-65 and 231 blocks for 1965-66 shows that at a cost of roughly Rs 8.35 crores, 351,243 acres benefited

October 16, 1970

from soil conservation, 150,603 acres benefited by anti-water logging, flood protection and land reclamation measures and 6,868 miles of inter-village roads were constructed.

Evaluation studies made by several states have revealed that, even on its present modest scale, the programme has provided some relief to the unemployed and underemployed specially during the slack agricultural seasons. Table II shows the period during which work was actually done vis-a-vis the period of slack season for 10 projects for which the information was available to Programme Evaluation Organisation.

Academic Question

It can be concluded from Table II that only in Dharamgarh (Orissa), Kondothi (Kerala) and Karmala (Maharashtra) the work was carried out almost during the slack season. In three others, Nowboicha (Assam), Dhanera (Gujarat) and Rajarhat (West Bengal), the work was done entirely outside the slack period. In the remaining blocks the work was done partly during and partly outside the slack seasons. The fluctuations in the availability of work from season to season, actually from week to week, necessitate hanging around by a large mass of labour who are fully and gainfully employed only in a few months of the year. At the same time, their total withdrawal can harm peak time agricultural operations.

More important, diversion of surplus labour from agriculture is not a once-and-for-all operation. The problem is aggravated by a rapid rise in population and as a consequence, an ever increasing number of workers both in the rural and urban sectors. Most of this increase is, however, in the countryside. Therefore, as Lloyd Reynold has remarked: "The question of what would happen to agricultural output if there were a net withdrawal of labour from agriculture, is thus only of academic interest. The practical question is whether labour-using innovations can be introduced into agriculture fast enough to absorb the growing labour force without depressing marginal productivity."

The rural manpower programme includes a wide spectrum of human resources development either to improve the individual's productivity and self-dependence in his present rural surroundings, or to better equip him for reallocation in areas of greater labour demand. The first major problem is the retention of skilled farm workers. The second is not only to retain the

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unskilled, but to upgrade them through necessary training.

going to take place in the rural labour force.

The absorptive capacity of agriculture is to be exploited to the maximum in view of the urgent need of the rural sector, i.e., the large increases that are

The crucial problem in an under-developed economy, where the agricultural sector contributes the largest component of national income, is to

TABLE I

EXPENDITURE INCURRED AND EMPLOYMENT GENERATED

State	Expenditure incurred (Rs)	Employment generated (Mandays)	Percentage of Column 3 to 2
1	2	3	4
Andhra Pradesh	889,187	692,931	78
Assam	2,293,111	872,932	38
Bihar	328,472	169,963	52
Gujarat	1,351,913	794,733	59
Jammu & Kashmir	107,718	59,655	55
Kerala	351,224	154,780	44
Madhya Pradesh	1,272,665	859,329	68
Tamil Nadu	881,655	540,012	61
Maharashtra	2,803,286	1,526,156	54
Mysore	961,116	648,665	67
Orissa	1,114,459	648,186	58
Punjab	975,880	220,240	23
Rajasthan	852,602	474,660	56
Uttar Pradesh	2,369,772	1,457,746	62
West Bengal	434,132	197,811	46
Himachal Pradesh	1,114,697	654,131	59
Tripura	113,078	57,143	50
Total	18,214,967	10,029,073	54.7 (Average)

Source: Estimate Committee, 1963-64, Fifty-Fifth Report, Lok Sabha Secretariat, New Delhi, April 1964, Pp. 24-25.

TABLE II

RURAL WORKS PROGRAMMES AND SLACK SEASONS : STATEWISE

State	Project	Slack season	Period when work was done
Andhra Pradesh	Ibrahim Patnam	Nov. to May	April to July
Assam	Nowboicha	Aug. to Oct.	March to May and November to June
Gujarat	Dhanera	March to June	December to June
Himachal Pradesh	Kunihar	October to April	January to June
Kerala	Kondothi	March to May and October	March to May and October
Tamil Nadu	Avanashi	March to June	March to August
Maharashtra	Karmala	April to Sept.	March to June
Orissa	Dharamagarh	January to May	March to Mid-June
West Bengal	Memari	Mid-Feb. to Mid-June	March to August
	Rajarhat	Feb. to June and Mid-Sept. to Mid-Dec.	December to January

Source: Estimates Committee (1963-64) Fifty-fifth Report, Lok Sabha Secretariat, New Delhi, April 64.

generate an agricultural surplus through improvements in agricultural productivity and, secondly, to channel the available surplus for investment in the industrial sector. Fei and Ranis are of the opinion "that in the improvement of agricultural productivity and in the generation of surplus, the market mechanism and price incentives can play an effective role. It is indeed difficult to ensure mass participation among the millions of small landlords and cultivators by means of direct intervention by the state in the productive process." On the other hand, in the task of channeling investment funds from agriculture to industry the government may play an important role, either by fiscal means or by improving the efficiency of commodity and financial markets to facilitate the inter-sectoral flow of resources.

A labour surplus economy has an additional reason to invest in skill creation because of the pressing need to provide employment through the development of a wider range of industries, which require the development of skills. The Rural Industries Planning Committee 1962 (as quoted by the Estimates Committee) says: "For this it is essential to secure the fullest possible development of agriculture as well as the development of industries and of economic and social overheads undertaken as part of the five year and long term Plans of development for the national economy as a whole. In the field of industries to be developed in rural areas, there is need to evolve effective techniques, methods and programmes which could be extended progressively to other areas which have a large incidence of unemployment and under-employment." Moreover, in a poor and labour-surplus country like India, one may suggest a relative emphasis on industries which depend relatively more upon human labour and skill than on capital which in the context of relative scarcity needs to be imported.

Various Alternatives

It is pertinent to observe in this context that the whole of the agricultural surplus consequent on the withdrawal of 'surplus labour' might not be available for use in the industrial sector. The first alternative is that family farms themselves undertake construction activity through the use of family "surplus" labour who continue to eat the same food in the same kitchen. However, if the surplus labour of one farm family is to undertake construction of a well, a fence or bunding and levelling of land, the gestation period is likely to be long and the activity may be beyond the time-limit of any individual farmer. There are a few projects which can be undertaken on the basis of the labour

of individual family farms and which can be completed within the time available to individual farmers. Alternatively, if the surplus labour of the several farm families can be put to work, as a "brigade" or "team" to undertake projects on all farms on a co-operative village-wide basis, the gestation period of each activity would be automatically shortened.

Each will gain from this effort because in exchange for his work on the improvement of other farms, others work for the improvement of his farm. No cash payment and no transfer of food or payment in any terms are involved. Some amount of capital has to be supplied either from the village itself or from outside. All this will directly expand employment. The Indian data on labour-force can be examined on two fairly well accepted assumptions, viz., (i) a rate of growth of population of 2.4 per cent per annum, and (ii) a labour participation rate of 43 per cent. India will have a labour force of 238.1 million by 1971 and 300.3 million by 1981. This represents an increase of 49.7 million in 1971 over 1961 figures and a further increase of 62.6 million in 1981 over 1971.

Participation Rate

As regards the participation rate, which at present is reckoned at 43 per cent of the total population in India, the change may occur first due to a small participation of children, and, secondly, larger participation of women, in the labour force over the next decade. A possibility of much fuller participation by male workers in the age group 15-59 also cannot be ruled out especially in view of the land-reform legislation which necessitates some participation by land owners in agricultural operations. However, as the participation rate in this age group in 1961 was as high as 91.60 per cent, (and 93.78 per cent in rural areas) scope for improving the rate is only marginal.

To sum up, the rate of participation is already fairly high and is likely to improve slightly; the period of work available per worker is low and intensity of the demand for labour and the supply of labour fluctuates sharply from season to season. The emphasis, therefore, has to be not only on creating more employment opportunities in agriculture, but on providing more productive and gainful employment to rural workers in the non-farm sector also.

An important contribution to the solution of the problem of utilisation of surplus rural manpower, therefore, lies in the steps taken to expand employment opportunities in rural areas

on a permanent basis especially, through, (a) the intensification of agricultural operations by means of irrigation, improved practices, including mixed farming, etc., (b) diversification of the occupational structure of the rural areas and the rapid development of village industries, and (c) expansion of works programmes comprising the following: (i) works projects included in the plans of states and local bodies which involve the use of unskilled and semi-skilled labour; (ii) works undertaken by the community or by the beneficiaries in accordance with the obligations laid down by law; (iii) local development works towards which local people contribute labour while some measure of assistance is given by government; (iv) schemes to enable village communities to build up remunerative assets; and (v) supplementary works programme to be organised in areas in which there is high incidence of unemployment.

Role of Primary Sector

The rural and urban occupational structure of India shows that the primary sector predominates in rural areas and the secondary and tertiary sectors are negligible. As the economic activities of urban areas are concentrated on commercial and transportation activities, they are able to generate a high rate of capital formation which leads to high per capita income; this type of activity is absent in rural areas. India, being an agricultural country, must have a rural orientation to planning so as to attain a high rate of growth. If this is done, the rural population would not migrate to urban areas; urban economy would be in a balanced set-up and it would be able to sustain rural economy. This can be done by providing amenities to rural inhabitants within the vicinity of rural areas. This is possible either through the building up adequate employment opportunities in the village themselves so that more and more agro-industries develop and the economy is geared to provide all amenities for a better utilisation of the surplus rural manpower in the rural areas itself.

All in all, an important scheme like rural works programme has lagged far behind the target, though it has been recognised as significant not merely for creating the additional employment opportunities, but even more as an important means for harnessing the large manpower resources available in the rural areas for the rapid economic development of the country. The purpose of the rural works programme is to generate maximum employment for local unemployed and underemployed

labour. However, nothing can replace concern, dedication, planning and common logic in establishing corrective programmes.

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Calcutta Port Disintegrating ?

P. THANKAPPAN NAIR

CHRONIC FINANCIAL stringency, fantastic port charges, mounting labour indiscipline and sharp decline in the volume of traffic have, cumulatively, brought the port of Calcutta on the verge of disintegration. The speedy completion of the Farakka Barrage for improving the draft of the Hooghly by supplying a perennial headwater and the commissioning of the Haldia satellite port for welcoming the advent of containers and lashes are, no doubt, welcome, but the fate of the port seems to have been sealed even as the commissioners of the port are planning to celebrate their centenary from October 17 to 21.

This centenary, nevertheless, is worth celebrating for the history of the Calcutta port has been an important part of the economic history of India even from the years before 1825 when a steamship first visited it. Among the landmarks in this history was the construction of the Kidderpore dock system. The construction was done departmentally in 1885 at a cost of Rs 2.28 crores and completed in 1892. An extension was made in 1902 and there are 27 berths to handle import and export trade. Vessels up to a maximum length of 515 feet can be received in the dock which has a lock entrance from the river measuring 580 ft x 80 ft. Vessels of 30 feet draft are accommodated here. The construction of the first stage of King George's docks was taken up in 1920 and was almost completed in 1929. At present this dock system has a lock entrance measuring 720 ft x 90 ft with six 600 ft long berths and six import and one

export berths. The Plan periods saw the streamlining of the port facilities and installation of mechanical handling equipments.

The development of the Hadlia satellite port 56½ miles downstream into a container port for welcoming the advent of containers, roll-on roll-off cargo, lashes and other modern means of cargo handling, at a cost of Rs 53.82 crores, was taken up in the third Plan period. There will be six berths within an enclosed dock for handling coal, iron ore, rock phosphate, heavy-lift-cum-container, grain-cum-general cargo, finger jetty and oil (river-side). The oil jetty has already been commissioned in August 1968. The project is expected to be completed by April 1971.

Farakka barrage is designed to save Calcutta port from silting up. The barrage is expected to supply 40,000 cusecs of headwater which will flush the river bed throughout the year. The large scale dredging by which even the 26-ft draft is maintained and the problem of bore tides will be done away with when the Farakka is commissioned. The draft will considerably improve.

The hinterland of the port of Calcutta is composed of upper India, north India, central India, north-eastern India and north-east frontier India. There is the highest concentration of industries and heavy engineering works such as steel plants in the hinterland of Calcutta. Jute and tea are the traditional cargoes of Calcutta. India's up and coming export goods such as engineering goods, chemicals etc. supple-

ment the cargo. There is a wide variety of cargo that passes through the port. Cotton, salt, sugar, silk, saltpetre, lac, opium etc. were the cargoes that passed through the port in the 17th century and the import consisted of bullion. The total tonnage handled during the second world war was only 7,436,846. The tonnage handled by the port reached its peak at 12.9 million tonnes in 1963-64 after which there has been a downward trend, which has taken the tonnage handled to a low of 6.9 million tonnes in 1969-70. It is doubtful, that the port can regain its former glory.

The Commissioners' Role

As the Commissioners are celebrating the centenary of the Port Trust, it is not out of place to say a few words about them. The Calcutta Port Trust was established in 1870, following the opening of the Suez Canal, and the high port charges. The trust was established by the Government of India at the instance of Sir William Grey, the then Lt-Governor of Bengal. Other ports in India followed suit. Before the Commissioners got a full-time chairman in the year 1921, the Senior Member of the Board of Revenue also acted as chairman of the port. The Indian mercantile community was not at first represented on the trust. While this deficiency was removed in 1871, the number of Commissioners was also increased from nine to eleven. Their number was further increased to 19 in 1926. Their number remains the same, more or less. Thanks to the selfless services of the Commissioners the facilities which consisted of six screw-pile jetties, six cranes and four sheds in 1871 have increased to the most modern fleet of cranes, sheds, warehouses, jetties etc. The improvements effected by the Commissioners are difficult to enumerate. They built the Budge Budge petroleum wharf in 1886. The Commissioners' own railway network was started in 1875 with a total route mileage of 8.26. The most outstanding achievement of the Commissioners in the last century was the construction of the Kidderpore docks.

The Commissioners were time and again criticised by the mercantile community whenever any proposal for improvement of the port was mooted. The construction of the Kidderpore docks evoked the most scathing criticism. Undaunted, the Commissioners undertook further improvements. Their wisdom and sagacity have borne fruits. The docks constructed at a cost of Rs 2.28 crores were boycotted by the mercantile community in 1892! The Commissioners, on the other hand,

have always been accommodative for attracting trade by giving concessions on port dues, and at the same time, making improvements on port facilities. The draft was considerably deteriorating and as early as 1907 the Commissioners acquired the suction dredger Sandpiper, followed by Belari. They observed the utmost frugality in their spending. The Commissioners had to wait till 1906 to get their first motor car. The Indianisation of the staff of the Commissioners was proceeding apace and in 1922 two Indians joined the service of the Port Trust.

The Commissioners have always been ready to shoulder additional responsibilities. They were appointed the Bridge Commissioners when the first pontoon bridge over the Hooghly was constructed. Again they acted in the same capacity when the present cantilever bridge was constructed during the years of the second world war. The Calcutta Port (Amendment) Ordinance 1970 has entrusted the Port Commissioners with the construction of a second bridge across the river. There was no permission in the original Port Act to undertake such construction. Calcutta was declared a major port in 1921 which meant that the central government was responsible for its finances. The Constitution of India has included major ports in the Seventh Schedule. The Commissioners of Calcutta port worked in committees and functioned as models worthy of imitation by other bodies.

Total Investment

An amount of approximately Rs 75 crores has been invested on Calcutta from 1951 to 1969. The actual investment during the first five-year Plan period (1951-56) was Rs 3.49 crores. The loans granted by the government amounted to Rs. 3.16 crores. An amount of Rs 15.73 crores was invested during the second Plan period of which the loans granted by the government amounted to Rs. 7.50 crores. The investment during the third Plan period amounted to Rs 26.67 crores. The central loan during this period amounted to Rs 8.60 crores only. The capacity of the port at the commencement of the third Plan period was 12.16 million tonnes. There was slight improvement in the capacity of the port at the end of the third Plan period, the tonnage being 12.20 million. There has been an investment of Rs 8.5 crores, Rs. 10.41 crores, and Rs 10.80 crores in 1966-67, 1967-68 and 1968-69 respectively, the central loans being of the order of Rs 3.45 crores, Rs 8.80 crores and Rs 9.0 crores in this respect. The capacity of the port at end of the

fourth Plan period is estimated to go up to 14.77 million tonnes from 12.50 million tonnes at the commencement of the fourth Plan (1968-69).

The Calcutta port earns 40 per cent of the total foreign exchange of India every year and handles 20 per cent of the imports. About 1,800 vessels enter and leave the port every year. The main exports after independence are jute goods, tea, coal, shellac, linseed, ores, mica, sugar, iron scrap and engineering goods. The chief imports include foodgrains, salt, machinery, petroleum and fertilisers.

Major Difficulties

The port suffers from high port charges, berth congestion, inadequate facilities of transit sheds and warehouses, lack of mechanical aids, lighters and dredging vessels and poor output of labour. According to the World Trade Department of the Indian Chamber of Commerce, the port charges have not been fixed on any rational basis. The charges the shippers have to pay for handling cargo and for other purposes have been increased steeply and frequently. Between 1947-48 and 1966-67 the port charges were raised ten times. The following table, according to the chamber, shows the number of occasions when the port charges were raised and the extra income derived on each revision.

Year	Traffic in million tonnes	Additional income in lakhs of rupees
1947-48	6.9	51
1951-52	9.6	40
1952-53	9.7	54
1953-54	8.1	49
1954-55	7.8	30
1958-59	9.2	15
1959-60	9.6	135
1963-64	10.9	78
1965-66	9.8	129
1966-67	10.3	150

Source: "Calcutta Port Must Look Ahead"—Indian Chamber

The chamber has held that partly as a result of this continuous increase in charges, there has been a decline in the volume of traffic handled at the port. For example, the volume of imports fell from 6,028,090 tonnes in 1963-64 to 5,792,573 tonnes in 1966-67 and exports from 4,910,340 tonnes to 4,312,143 tonnes. The number of ships entering the port declined from 1,828 in 1963-64 to 1,678 in 1966-67 and the number of ships leaving from 1,784 to 1,640. It is also reported that traffic is being diverted to other ports. A prominent example is that oil-cakes are being increasingly exported

through Bombay rather than Calcutta although the cost of transporting them to the latter is much cheaper. It is interesting to see that while the tonnage of cargo handled at the port of Calcutta dwindled from 10.9 million in 1963-64 to 9.8 million in 1965-66 there has been an increase from 17.3 million to 18.2 million at Bombay during the same year.

Despite the frequent and substantial increase in charges, the financial position of the Calcutta port continues to be unsatisfactory. An official committee has observed that the Calcutta port which budgetted for an expenditure of Rs 6 crores in 1947-48 on 7 million tonnes of traffic now budgets for Rs 23 crores for an increase in traffic of a little over three million tonnes, i.e. an increase in expenditure of 300 per cent for 43 per cent rise in traffic! Between 1958-59 and 1964-65 there was a nominal surplus of about Rs 50 lakhs per year but in 1965-66 there was a deficit of Rs 1.75 crores and for 1966-67 it is estimated at Rs. 3.11 crores. In 1967-68 the port incurred deficit of Rs one crore. The budget of the port for 1969-70 has shown a deficit estimated at Rs 4.13 crores. Taking into account Rs 2.50 crores to be received from the centre as 50 per cent matching grant towards the cost of river dredging and maintenance, the net deficit is likely to be Rs 1.63 crores.

Debt Charges

It is significant that the port's total outstanding loans amounted to Rs 109.78 crores in 1966-67 against Rs 21.50 crores in 1947-48 and the debt charges increased from about Rs 1.28 crores to Rs 5.07 crores in the same period. The debt charges account for 21 per cent of the total revenue expenditure for 1966-67. The port derives about 60 per cent of its income from goods, 13 per cent from vessels and 15 per cent from roadways and the rest from other sources.

The future of the Calcutta port is doomed. Finances are in a terrible mess and the mercantile community is apathetic to the increase of port charges. Labour indiscipline at the port has undermined the confidence of the business community and the port users. There is heavy congestion and detention of ships. The Commissioners are overstaffed and the productivity of the staff is poor. The commissioning of the Farakka and Haldia will not save the port. There is no silver-lining on the sky and just as the Father of Calcutta port-city, Job Charnock, is awaiting the day of resurrection in his mausoleum in St. John's churchyard, with its crumbling stucco and the vagaries of weather, the port itself is awaiting the advent of a saviour.

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WINDOW ON THE WORLD

UK Entry into EEC will Hit Developing Countries

JOSSLEYN HENNESSY

I THE HARDEST HIT

LONDON:

THE THIRD countries most adversely affected by UK entry into the EEC will, in the short term, probably be New Zealand, those Commonwealth countries heavily dependent on sugar, (e.g. Mauritius and Fiji) and some of the EFTA countries. It is not often appreciated that there is a danger that serious long-term repercussions for the developing countries of the Commonwealth may arise out of UK acceptance of the Rome Treaty and its regulations. This report attempts to consider the economic relations of the developing countries (a) with the EEC and (b) with the UK and to assess the balance of advantages and disadvantages to the developing countries of UK entry into the Common Market.

One of the most important forms of economic aid which developed nations can provide to developing countries is free access to their markets for exports. In most of the principal export products of developing countries both the EEC and the UK already grant relatively free access, because tariffs on imports from most of them are low or non-existent and quotas normally applied only where special fixed or premium prices are paid by the importing countries. Under the Yaounde Convention, which sets out the principles governing economic relations between the EEC and associated states in Africa, premium prices and quotas on imports from the associated states have gradually been phased out (except for bananas) as have the premium prices enjoyed by French exports to former French colonies. Quotas have, however, been applied to imports of tropical products from other African countries which have special agreements with the EEC, e.g. Nigeria and the East African Community, so as to safeguard the interests of the 18 associated countries (AASM) which are parties to the Yaounde Convention.

The main difference between the EEC/AASM relationship and that between the UK and the developing countries of the Commonwealth Preference Area (CPA) is that the Commonwealth arrangement does not

require reciprocal tariff concessions to the UK by the other countries and that the preferential tariffs offered by the UK cover manufactured goods as well as primary products. The Yaounde Convention not only does not provide free access to the EEC for manufactured goods from the AASM but limits the primary products which may be imported free of restriction to the following:-

Fresh pineapples; desiccated coconut, coffee (unroasted, not freed of caffeine); tea (in packets of not less than six lbs); pepper (not crushed or ground); cocoa beans (whole or broken, raw or roasted); vanilla; cloves (whole fruit, not crushed or ground); nutmeg (not crushed or ground) other than for use in manufacture of essential oils or resinoids.

Thus the list of commodities imported free of duty by the member states from the associate states not only excludes manufactured goods but confines free entry to raw tropical commodities, which have not been processed or picked in a marketable form.

The insistence of the EEC members on receiving reciprocal concessions

from the AASM—in the shape of free access to the AASM for goods emanating from the EEC—is contained in Articles 6 to 9 of the Yaounde Convention. These articles also prohibit the setting up of any customs union or free trade area among the AASM or between any of them and third countries on any basis which is incompatible with the provisions of the convention. By thus establishing that the member states must always receive most favoured nation treatment from the AASM, the convention ensures that EEC members will also effectively obtain free access to any regional trade grouping (e.g. in West Africa) in which any of the AASM may participate.

The value of imports from all developing countries by the EEC and the UK in recent years is shown in Table I.

Table I shows that although the percentage share of UK imports from developing countries has fallen more rapidly than the corresponding share of EEC imports, the UK continues to take a significantly bigger proportion of its imports from developing countries than the EEC countries as a whole. Against this, the EEC provides a much bigger market and a more rapidly growing market for developing countries' exports as a whole than the UK.

II MANUFACTURED GOODS

What, however, may well be more important to developing countries (at

TABLE I

IMPORTS OF THE E.E.C. AND U.K. FROM DEVELOPING COUNTRIES

	All goods		Manufactured goods	
	US \$ bn		US \$ bn	
	EEC	UK	EEC	UK
			As % of all imports	As % of all manufactured imports
	EEC	UK	EEC	UK
1963 ..	9.10	4.36	22.5	32.3
1964 ..	10.12	4.43	22.5	28.7
1965 ..	10.84	4.47	22.1	27.7
1966 ..	11.64	4.41	21.7	26.4
1967 ..	11.93	4.48	21.7	25.3
1968 ..	12.94	4.81	20.9	25.4

Source: OECD Trade by Commodities.

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least in the Commonwealth) in view of possible U.K. entry into the E.E.C., and in the light of the New Delhi UNCTAD conference recommendations, is that the UK offers them preferences on manufactured goods as well as on their traditional primary products. This, of course, is a coincidence, because the Commonwealth preferences offered by the UK do not discriminate in favour of the developing countries of the CPA or against the developed ones. It is none the less true that the preferences in effect give manufactured exports of certain developing countries more favourable treatment than those of developed countries outside the Commonwealth (and EFTA). The most obvious example is cotton fabrics, of which the UK gets half its imports from developing countries (compared with about 12 per cent for the EEC countries in 1968). Another important point is that the rate of growth of imports of manufactured goods from developing countries into the UK is comparable to the rate in EEC despite the considerably faster average EEC economic growth rate (4.8 per cent p.a. at constant prices in 1963-68, compared with 2.9 per cent in the UK).

Private Investment

One of the most important sources of capital for developing countries is direct private investment from overseas, representing (in 1967) about one-third of all financial flows from developed to developing countries, including multilateral aid but excluding export credits. Moreover, this form of aid is usually more welcome than official loans, which are usually tied and frequently merely add to the debt burdens of the recipients. It is thus important to ensure that flows of direct private capital investment to developing countries are maintained at the highest possible level.

Before considering the effects of UK entry into the EEC on direct private capital flows to developing countries it is worth comparing the existing levels of these flows from the UK and from the EEC countries.

For most of the countries the figures of Table II are to some extent conjectural, especially for France, and two other factors further distort their comparability. The figures are net capital flows and give no indication of the gross level of new investment in the developing countries or of the negative flow of repatriated investment income. In particular, this factor puts the UK's investment performance out of perspective, since the UK's cumulative stock of capital

assets in developing countries is probably greater than that of all the EEC countries combined.

The figures for France are not entirely comparable with those of other countries because about half of French direct and portfolio investment in developing countries goes to countries in the Franc zone, most of which not only make no restriction on capital movements to or from France but seem to have little or no prospect of imposing such restrictions without French approval.

Less Beneficial

This means that a lot of the French private investment funds flowing to developing countries are by definition potentially less beneficial to the recipients, because even if the French investment in these countries creates as much employment as investment from other developed countries in developing countries generally, the lack of local control over the right to repatriate profits vitiates the chances of these countries achieving self-sustaining economic growth by depriving them of the ability to reinvest the surpluses arising from foreign investment. Moreover, because of this French monetary control, it is almost impossible to regard such investment as being made in the French domestic economy rather than overseas.

The most obvious results of UK entry into the EEC from the viewpoint of the developing countries will be the loss of the CPA trade preferences and of the Commonwealth Sugar Agreement. The impact of the changes will be determined by the length of any transitional period arranged to allow the countries concerned to adjust to the new situation. It seems unlikely, however, that countries particularly dependent on the UK sugar market (notably Mauritius, Fiji, Bar-

bados, Guyana, and Swaziland) will be able to avoid major setbacks to their economies and living standards.

It can be assumed that provisions will be made to give the developing Commonwealth countries access to the EEC on similar terms to those enjoyed by the associate states of the Yaounde Convention. This, however, would merely allow them to export those tropical products listed in the annexe to the convention and probably in limited quantities. Moreover, this could not be regarded as a concession to them as developing countries, since the only products affected would be those which cannot be produced in Europe. Thus the only discrimination in their favour would be against those tropical countries not in the AASM or CPA, i.e. the Latin American countries and a few others. In fact, with so many developing countries competing for the relatively limited market in the enlarged EEC for their tropical products (other than sugar), association with the EEC on terms similar to the AASM countries will offer no compensation to the developing Commonwealth countries for the loss of their privileged position in the CPA.

III

U.K. WILL DIVERT FUNDS TO EUROPE

The effects of UK entry into the EEC on the level of UK investment in developing countries is harder to assess. As mentioned above, the UK remains a substantial net investor in developing countries despite its very large stock of existing investment in these countries, as compared with EEC investment in them, and despite the UK's own relatively weak economic situation in recent years.

In these circumstances it seems inevitable that UK signature of the Rome Treaty will make the EEC a far more

TABLE II
DIRECT INVESTMENT AND OTHER PRIVATE CAPITAL FLOWS (NET)*
(US \$ mn)

	1960	1961	1962	1963	1964	1965	1966	1967
Belgium	..	53	36	35	61	57	69	70
France	..	385	334	321	319	388	416	364
West Germany	..	142	156	151	96	117	133	155
Italy	..	105	128	167	120	83	92	85
Netherlands†	..	176	103	20	95	47	64	140
Total EEC	..	861	757	694	691	692	774	824
UK	..	367	371	194	181	283	410	291

*Excluding export credits.

†Excluding oil investments.

Source: OECD

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attractive area for UK investment funds in view of the very large and developed market that it offers for industry, thus perhaps providing scope for substantial economies of scale in production. This may well attract capital which might otherwise have gone to developing countries.

Moreover, the new monetary regulations which the UK would adopt as an EEC member would provide every incentive for UK companies to invest in the EEC rather than in developing countries outside, because capital movements between the UK and other EEC members would be free. The planned adoption of a common EEC currency would hasten this trend, and even though implementation of the plan seems fairly remote at the moment, attempts to realise it will involve pressure on the UK to run down sterling as a reserve currency more rapidly than ever.

End of the Franc Zone?

One advantage of British entry, however, would be to create greater pressure for the abolition of the Franc zone in its present form, since the UK would be unwilling to share such preferences as it still enjoys in the developing countries of the Commonwealth with the rest of the EEC as long as France was still able to retain its valuable privileges in its former colonies. The proposed monetary union of the Six would, however, presumably necessitate the end of the Franc zone in any case.

Apart from the possibility of reduced access to the UK for developing countries' exports there is also the possibility that UK entry into the EEC will impinge heavily on the commercial policies of the developing countries. For if the Commonwealth countries are obliged to associate with EEC on the same basis as the AASM, they will have (1) to grant the EEC members most favoured nation status and (2) slowly phase out all duties and quotas of imports from member states. Even if it seems unlikely that they will be asked to grant complete freedom of access to imports from member states (which could be seriously damaging to the infant industries in these countries), the most favoured nation requirements will obviously inhibit any attempt to set up regional trade groups among the countries concerned (or with third countries), thus preventing the establishment of larger markets for new industries and retarding the advance of these developing countries towards economic viability and independence. This would be particularly damaging in Africa, where most of the economies are far too

small to support a significant industrial base with their individual national market.

The strongest argument for the UK entry into the EEC from the viewpoint of the developing countries is one of indirect and longer term benefits. It is expected that once the UK is inside the EEC, its economy will start to grow at a rate comparable to the EEC average, and that the growth rate of its imports, from developed and developing countries alike, will be higher in consequence. It would also make possible a higher level of official economic aid to developing countries. If such a boost to the UK's economy does come about, it will work to the advantage of the developing countries, although it seems certain to be some years before the change in the orientation of the UK economy results in a sustained higher growth rate.

What stands out from this study of the possible results of UK entry into the EEC from the viewpoint of the developing countries is that the drawbacks are tangible and will probably be felt immediately, while the advantages are mainly uncertain and at best likely to be a long time before they are felt. There are, moreover, differences of opinion as to whether the UK's

economic growth rate will really rise following entry, though its failure to do so would deprive the developing countries — as well as the UK itself — of any economic benefit whatsoever from entry.

Irrespective of whether the UK growth rate improves in the longer run, the immediate effect on the exports of many developing Commonwealth countries will be severe. For apart from the damaging trade diversion which will allow UK entry, the resulting weakness of the UK balance of payments — even if only in the short-term — will ensure that the underlying demand in the UK for the exports of developing countries will remain relatively weak, while the level of effective demand will probably fall. Moreover the strain on the currency reserves from an adverse balance of payments, combined with the freeing of foreign exchange movements to and from the EEC countries, is likely to reduce new capital investment in developing countries to a trickle.

Perhaps the greatest cause for optimism is that the plight of the Commonwealth developing countries under any kind of UK relationship with an enlarged EEC along the lines at present enjoyed by the AASM countries would be so great as to compel member states to grant all the asso-

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Co-ordination to be really effective would imply some form of combination, a merger of interests and a curtailment in the free and unfettered choice of operating the services. If transport is to fulfil its responsibilities efficiently to trade, industry and agriculture, large companies with adequate resources and subject to necessary control in the interests of the community can alone discharge the functions satisfactorily. But here arises an important issue giving rise to much controversy. Should road transport be operated by private enterprise or should the State participate in it? On this or should there is a wide divergence of opinion. Road operators having vested interests in the industry naturally plead for non-participation of the State. Among the provincial Governments also there were advocates at the two ends, Punjab, for instance, favouring non-participation and Madras pressing for full ultimate State ownership. In the present circumstances,

thorough nationalization of road transport is not feasible and has not been proposed in responsible quarters as an immediate objective. On the other hand, private enterprise has proved that it cannot be depended upon to operate the services as public utility concerns, giving due regard to public convenience, safety and protection from exploitation and petty harassment. Again it is highly doubtful whether it would be inclined to develop unremunerative routes. The Government of India have, therefore, decided that their policy would be directed towards securing proper and close integration between the two systems of transport and that this integration can be best ensured by railways taking financial interest in road transport. In principle, there is nothing objectionable in railways having such financial participation, provided the range of operations of road services is not curtailed and sacrificed in the interests of railways.

ciate members a new deal in trade. Already the possibility that the Six will implement some of the recommendations of UNCTAD II is being discussed, particularly tariff preferences for developing countries for certain types of manufactured goods. Sceptics, however, may doubt whether such good intentions will be strong enough to overcome the entrenched vested interests which the EEC Commission, or even a majority of the member states, might be

Singapore : Oil Capital of S-E Asia

H.R. VOHRA

SINGAPORE, BEREFT of its old naval importance on one of the crossroads of the world, is finding a new role for itself. As things are developing it may become, so to say, the oil capital of south-east Asia.

There is a new intensive search for oil in many parts of the world, including Alaska, the Arctic Ocean, Africa, Russia and Australia. The latest region to join the feverish quest is the stretch of water starting from South China Sea to the Straits of Malacca and south-eastwards to Java Sea. The search extends to the shallow waters as well as to the surrounding lands which fall under many jurisdictions.

The region is agog with excitement which is most visible in Singapore where every big oil company has established its headquarters to obtain a share of the black liquid "gold". The changing scene is illustrated by the spreading number of drilling rigs, the funny-looking oil fleet and pipelaying barges which are ousting the traditional passenger ships, freighters and tankers.

The Oil Giants

Among the oil giants which have entered the scene are Standard Oil Company, Mobil Oil Corporation, Royal Dutch Shell Group, British Petroleum Company and Italy's AGIP SPA, Japan's Petroleum Development de Recherches et d'Activities Pétrolières.

There are also drilling companies. Some famous names, include Reading & Bates Offshore Drilling Co, Fresser Industries Incorporated, Huges Tool Company and Santa Fe International Corporation. There are 150 oil-related companies with offices in Singapore at present bringing unheard of boom to the town. They are beginning to overflow into adjoining countries.

It is utterly too early to predict what the commotion will produce, if anything. The world-wide interest in the area is

powerless to dislodge.

Sources and Acknowledgements

The foregoing summarises, by special arrangement, a thirty-page report in the latest issue of "European Trends" published to subscribers only by the Economist Intelligence Unit, 27 St. James's Place, London, S.W., but the E.I.U. is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

proof enough of the lure of oil in a promising area which is described by geologists as "young". Asian oil is said to have flowed out after the rock crust was created right into this area. There is about 900,000 square miles of it awaiting to be explored.

High Hopes

Whether oil will be found in commercial quantities remains to be seen. Hopes are high. Whatever else may happen, at least six billion dollars are expected to be spent in the exploration and development of oil here in the next one decade. It is a pity that India is not represented in this major international venture to claim a share of luck although other government-controlled companies have appeared on the scene. Nor has India gone into partnership with any country or company which could have been a second-best proposition but infinitely better than its unimaginative absence.

Nothing tangible has yet been found but the potential, described by one expert, "is as large as the middle east". No one knows what the estimated reserves are. Nor are estimates possible without drilling and drilling is just beginning.

Major attention is being directed to off-shore drilling. Whether oil is found in the sea-bed or on land it would alter the industrial fortunes of the region and the surrounding area.

The *Wall Street Journal* reports that Royal Dutch-Shell has discovered a new deposit off the coast of Brunei. Union Oil Company has found success in Indonesia which indicates possible existence of a large oil field off the coast of Borneo. Natomas and Company announces a discovery off Sumatra. Further drilling is required to establish the extent of the oil, the depth in which it is found and the quantities obtainable before someone can say whether the

oil is worth the pursuit and the expense involved.

Oil companies can be secretive. Rumours, therefore, take the place of news. One of them is that Jersey Standard has stuck oil in its 28,000 square mile concession off the coast of Malaya. The company is quiet, leading to the secularization that it would keep mum until it has obtained a concession from adjoining South Vietnam. News of oil strike might boost Saigon's terms.

One reported advantage of oil in this area is its low sulphur content. This is important in a world suddenly aroused to fight further pollution of the atmosphere. Indonesian oil is rated very highly for this reason. It has practically no sulphur.

The oil if found in and around the seas of this area would be readily marketable. Japan would consume a large share of it diverting its purchases from the strife-torn Arab world. Asian consumption is expected to rise to 10 billion barrels a year within the next decade from the current two billion barrels.

* * *

Mr Robert McNamara, President of the World Bank, has emerged as the strongest supporter of increased aid for the developing countries and the greatest critic of his own. As an American and as President of the World Bank, he has a right to play dual role although as an international servant, one would imagine, his country would expect him to be more restrained.

His annual speech at the World Bank meeting shows that he enjoys speaking frankly and out of conviction. His memorable appeal to the Americans who, he says, give "less than their fair share to the development of the emerging world" needs to be recorded. He said: "In 1949 at the beginning of the Marshall Plan, American economic aid amounted to 2.79 per cent of GNP and 11.5 per cent of its federal budget. In 1970, the aid programmes constitute less than 0.3 per cent of GNP, and less than 1 per cent of the budget. The United States now ranks eleventh... in the proportion of GNP devoted to aid.

"Economists have pointed out that in the next ten years the US will increase its income by 50 per cent and that the GNP in 1979 at constant prices will be \$500 billion greater than in 1969. It would appear that the country is wealthy enough to support a just and reasonable foreign aid programme, and at the same time deal effectively with domestic needs. And to me it is inconceivable

that the American people will accept for long a situation in which they... contribute less than their fair share to the development of the emerging nations."

When he added that "these narrow views are waning," he could not have been speaking about the US where, surely, they still are gaining ground.

He could not be unaware of the fact that President Nixon's latest message to Congress proposing to dismantle the Agency for International Aid in the alleged interest of "efficiency" has big sounding words but it has no mention whatsoever about national goals or national targets of aid either in terms of GNP or as a proportion of the national budget.

He does talk about "major transformation", new dimensions and "investment in the future of mankind". But after tasting these honeyed though trite expressions one finds that, quantitatively, he is thinking very small. As a politician, he is sniffing the prevailing breezes and instead of converting them into winds of change he has decided to snooze, nationally speaking, or to do what little can be done without exertion in company with the international community as organised under the umbrella of the World Bank and other international institutions or by prompting the private sector. The impression left is that President Nixon's do-it-with-others slogan is intended to lend aid more dignity which the recipient must appreciate even if no additional money is thrown into the kitty. Thus quality is offered as a substitute for greater effort.

Invisible Packets

President Nixon's philosophy of aid is also based on the assumption that if you cut up the packet so that each portion is small enough to be virtually invisible and if you demolish existing big institutions which have disbursed aid to the tune of \$100 billion over the last two decades, then Congress would not notice the slices and the institutions from which they emerge. Aid, in the circumstances, having evaded congressional notice would pass through the congressional mill without inviting a jarring word.

The third philosophical assumption is that if a slice is presented in the name of an international bank it would find ready congressional acceptance because Congressmen would be too ashamed to vote it down knowing that other countries are increasing their share.

This reporter is completely unaware of the basis of these assumptions. Aid can stand only as a desirable national goal evoking the sentiment that national interest is best served by promotion of

international good and this country being the richest must contribute most if it is to avoid wallowing in the mire of its own riches, producing like a giant in insufferably larger quantities which the "Pygmies" of the poor countries are unable to buy. Uneven world development is leading the US to just such a result. This is what Mr McNamara intended to convey when he propounded his own philosophy "which recognizes that just as within an individual nation the community has a responsibility to assist its less advantaged citizens, so within the world community as a whole the rich nations have a responsibility to assist the less advantaged nations".

There is precisely nothing new in Mr

McNamara's observation. But he must have thought it was worth repeating.

The *Washington Post*, more than any other paper, has put its editorial finger on a relevant point:

"The President says: 'The answer to the downward drift in aid is to reform our foreign assistance programmes and do our share to meet the need of the seventies.' Programme 'reform' is not an answer, but an escape. To meet the needs of the seventies, one must first acknowledge what they are. So long as Mr Nixon tells the country—as his aid message does—that it can scrape by with a minimal effort, the country will be more than happy to agree."

International Finance in Stalemate

E. B. BROOK

VIENNA : preventing more extensive fluctuations in value.

THE DECISION that emerged most clearly from the annual meeting of the World Bank and International Monetary Fund in Copenhagen is that nothing radical is going to happen in international finance for some time. Too many states have been obliged in the last 10 years to admit formally that their money is no longer worth as much as it used to be and even more have had to watch as their money has bought less and less at home and abroad for any schemes, however theoretically sound, for experiments with currencies to be adopted.

The argument has gone on for years whether or not a wider margin for movement in values of international currencies than that allowed now by World Bank rules—movement from the rate fixed by 1 per cent up or down—would be a means to avoiding devaluations and other critical exchange rate adjustments. By permitting changes of up to 2 or 3 per cent, it was argued, room would be made for adjustments to match deterioration in value and any such sudden critical situations as have frequently arisen in recent years through systematic runs on a currency. Britain, France, Italy and Denmark have all faced such crises in the last decade and Federal Germany the embarrassment of a flood of foreign funds to its banks.

A wider margin of legitimate exchange rate movement, allowing a state to accept up to 3 per cent fall or increase in the exchange value of its currency against those of other countries would, it has been argued, provide a shock absorber cushioning, delaying or even

This argument has always been regarded as excessively experimental by many governments, as accepting the pattern of fairly wide changes in the exchange value of money as a norm and thus surrendering what should be part of a nation's stability to the contemporary pattern of frequent crises in international finance. This fear of making permanent what all good governments and bankers should regard as exceptional was one of the factors which made the Copenhagen meeting a mainly conservative occasion.

The other factor was the argument expressed principally from outside Europe—that if money values were allowed legally to change more widely there could no longer be the same reliance placed in the various schemes of international loan, aid and other industrial support. The value of any payment, credit or loan could be reduced overnight by such a device to an extent damaging to the whole concept of support from the most industrialized countries and no less to plans made in the less industrialized ones. Fortunately, the voice of the less industrially developed countries is sufficiently strong in the counsels of the International Monetary Fund to make it deceive in delaying risky experimentation.

Fundamentally, the question was the basic problem of world money supply and who should control it, a question that goes to the heart of world politics. World money is made up of those assets which central banks in each country hold as part of their reserves. The

recognized reserves assets are gold, US dollars, reserve positions on the International Monetary Fund and the newly-devised IMF special drawing rights (SDRs). Other assets, such as pounds in the sterling area, are minor. Gold is a less important constituent than it used to be although it still comprises nearly half of the total world reserves. Eight years ago it was more than half but the Washington Agreement of 1968 and last year's accord on the disposal of newly-mined South African gold limits new supplies severely.

Dollar reserves are a major component of the new liquidity and these are created only when any central bank other than the US Federal Reserve buys dollars as assets. This intake is measured by the US balance of payments deficit less financing of that deficit from the American reserves.

The third source of world reserves is the newly-created IMF Special Drawing Rights. At the beginning of the year the first 3,500 million dollars worth of these SDRs were created; another 3,000 million dollars worth are coming on January 1 next and a similar sum on January 1, 1972.

It has been objected that, whereas gold or dollars are "real money",

Special Drawing Rights are only paper permission to draw specified sums in dollars from the International Monetary Fund which has its wealth from the reserves held with it by its constituents, like any other bank. Of these constituents, the United States has easily the biggest reserve. In addition to this influential position, the United States is the only country able to print money to settle its international debts since dollars are accepted as reserves by any country other than the USA. The reason for this is that the USA, like other countries, cannot include its own currency in its reserves but its currency is a reserve for all others.

This situation, to Europe's deep discontent, places the USA in a unique position and is especially damaging when, as at present, the US official payments are in heavy deficit. For this reason, total official holdings of US dollars outside the USA are now at an all-time peak. The flow of dollars appears likely to continue for some time, with the probable result that the basis on which the first three years' creating of Special Drawing Rights was proposed will be completely upset since it was assumed that only 1,000 to 2,000 million dollars a year would be added to official reserves and thus

to the world's money supply.

The result could be a smaller distribution of Special Drawing Rights, especially after the first three years' allocations. The more dollar balances there are after that period (1972) the more difficult it will be to get SDRs and the smaller will be the allocations made. The process whereby the SDR would take over from the dollar as the main source of new liquidity would be slowed down, the International Monetary Fund's function as creator of the world's money similarly delayed and the US Federal Reserve would retain longer its present status as the world's central bank.

Since it is clear that the USA is not willing to part with any significant amounts of its gold or to reduce its balance of payments deficit by ceasing to print dollars to pay its international debts, the only solution preserving the IMF's position would be for the pound, the mark and the franc to devalue themselves significantly against the dollar—and of that move, also, there is no sign and no likelihood of it. New parities might be sensible but they remain far more hypothetical than is the growing threat to the outflow of Special Drawing Rights.

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The moving finger writes

THE US decision to resume sale of arms to Pakistan is stated to have been taken at the level of President Nixon himself. Could it be that this is Washington's way of reacting to the spread of the political influence and authority of the Communist Party of India in our country? The formation of a CPI-led government in Kerala, the significance of which has been enormously increased by the association and collaboration of the Prime Minister's party with the CPI-led mini-front at the election and with the CPI-led administration after the election, may well have made American diplomacy at last realise that it is steadily losing ground before the advance of Soviet influence in the politics of our country. Assuming that Washington has been persuaded to think along these lines, what could be more natural than that President Nixon should have decided to make it clear to the Government of India that American diplomacy in this part of the subcontinent is not without teeth?

I wonder whether this possible interpretation of the American move to resume arm sales to Pakistan is receiving the attention it deserves from Mrs Gandhi or those who may be advising her in these matters. While it is both necessary and proper that India should protest—as indeed it has done—to Washington against the latter's action, this protesting will not achieve its object unless the Government of India is prepared to study in a mature manner the background to and the motivations for President Nixon's decision. Never before in our uneasy history of the last 25 years has it been more important than now for the government of our country to watch its steps and reassess its attitudes and activities in the light of what is in the best interest of our nation.

Who is the second most clever politician in the country? The question who is the cleverest need not be posed at all since the answer is obvious. In my view, as a tactician, the Chief Minister of Tamil Nadu comes next only to the Prime Minister of India.

Mr Karunanidhi has been having a hard time indeed these days. The image of his party or its leaders has become considerably tarnished as a result of charges of corruption levelled against them by their political opponents to

the accompaniment of a suspicion in the public mind that there is no smoke without fire. It is true that Mr Karunanidhi has been successful to some extent in taking advantage of even this situation since it has helped him to get rid of some inconvenient ministerial colleagues. But he will surely have to pay a price for this since at least one of the men who had thus to leave the ministry is a boss of considerable influence over the rank and file of the DMK. It must also be added that how high this price would be can be known only in course of time. Meanwhile, the indefatigable Mr Kamaraj is tirelessly cutting swathes through the hold of the DMK on the masses and, what is more, has destroyed the DMK's monopoly of the top personalities of the Tamil screen as instruments of party propaganda. As against the DMK's use of the Tamil matinee idol, 'MGR', as a crowd-and-vote puller, Mr Kamaraj has now produced his own trump card, another popular matinee idol, Sivaji Ganesan, who announced formally a few days ago his decision to soldier in the cause of the party of Mr Kamaraj.

Things, then, have not been going too well for Mr Karunanidhi, but then this has only provided him with an opportunity to show how resourceful a politician he is. Capitalising immediately on the adverse public reaction to the imposition of President's rule in Uttar Pradesh as well as the feelings of indignation and anxiety that have broken loose among most opposition parties following this show of unprincipled high-handedness by the Prime Minister's party, the Chief Minister of Tamil Nadu has captured the political limelight and newspaper headlines with a proposal for amending the Constitution for the purpose of providing that a governor must secure a state legislature's approval for recommending the imposition of President's rule. As only to be expected, Mr Karunanidhi's move has elicited generally favourable responses from the various parties who are opposing President's rule in UP and even Dr Ram Subhag Singh of Congress (O) has reacted positively to Mr Karunanidhi's suggestion. It would, no doubt, be interesting to learn what Mr Kamaraj's private views are on all this—Mr Morarji Desai has expressed reservations—but whatever may be the ultimate fate of Mr Karunanidhi's recommendation that the Constitution should be amended, the Chief Minister of Tamil Nadu has

certainly succeeded for the time being in turning public attention in his state away from the difficulties of his party and towards his attempt to reap the role of a statesman in national politics.

As Minister for Industrial Development, Mr Dinesh Singh seems inclined to take as rosy a view of the nation's industrial prospects as he took of his own political future in the heyday of the so-called 'kitchen cabinet.' Speaking in Bombay recently, he drew an expansive picture of small and medium industries emerging in large numbers as a result of the government's commitment to check monopolies, regulate big businesses and generally disperse economic activity among new entrepreneurs. The fact, however, is that the growth of industries, whether big or small, is slowing down in spite of increasing agricultural production and demand running at a fairly high level in the case of many consumer goods although, in fairness to the Ministry of Industrial Development, it must be said that, since Mr Dinesh Singh assumed charge of his ministry, there have been welcome signs of a desire on the part of the official hierarchy to take a more positive view of its functions, cut red-tape and reduce delay.

It is difficult to understand why there should be all this fuss about Dr K. N. Raj's wanting to resign the Vice-Chancellorship of the Delhi University except that one could very easily see that most of the fussing is being done by Dr Raj himself. Stripped of their pompous verbiage, the various statements made by him merely boil down to this that he has found the job too big for himself. For this those who thought of Dr Raj for the Vice-Chancellorship are, of course, more to blame than Dr Raj himself. Nor can it be held against him that he is trying to wring the last drop of personal and political advantage out of his resignation or rather, threat to resign. While his success in capturing newspaper space has, indeed, been extraordinary, he is not the first publicist, nor even the first Vice-Chancellor of the Delhi University, to have discovered that in this country a man's chances of becoming important in public life are directly related to his capacity for making a big noise, whether in season or out of season.

V.B.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Trade Winds

NEW REFINERY IN ASSAM

THE UNION government has announced its decision to set up a Rs 100-crore refinery cum petrochemicals complex at Bongaigaon in Assam. The decision was announced by Dr Triguna Sen, the union Minister for Petroleum and Chemicals recently. Mr K.P. Tripathi, the Finance Minister of Assam, has, however, indicated that the state government wants larger investment to be made in the venture for manufacturing products of a more profitable type than those envisaged in the centre's proposal. He has estimated that the state government's demand would involve an additional investment of about Rs 200 crores. The state government's proposal is to have a one-million tonne "grass roots" refinery and a DMT polyester plant. The centre, on the other hand, wants the LSHS (low sulphur heavy stock) from the refinery to be transported to the Sindri to be utilised as feedstock for production of fertilizer. The establishment of the refinery has been agreed to by the Assam government. The question whether LSHS should be transported to Sindri or a DMT-polyester plant should be set up near the refinery is to be decided after getting the opinion of a foreign expert. The work on refinery construction is expected to start by the end of the current financial year.

VANASPATI PRICES

Vanaspati prices have been reduced by 10 paise per kg in the south zone with effect from October 8. Prices in the other zones continue to be unchanged according to a recent official press release.

RUBBER PRICES

The recent announcement by the union government increasing the floor price of rubber has disturbed the small-scale rubber manufacturers. The increase effected by the government on September 12, 1970 fixing the price at Rs 5,200 per tonne means that during the last three years the price of natural rubber has been increased by approximately 60 per cent. Prior to October 20, 1967 the floor price of raw rubber was Rs 3,230 per tonne and on that day the price was increased to Rs 4,150 per tonne. In 1968 the price, when the ceiling was removed, went up to as much as Rs 7,000 per tonne. In this country out of 1,100 rubber manufacturers only 10 are large-scale one. Out of the remaining nearly one hundred are me-

dium and all others are small-scale manufacturers consuming not less than 50 per cent of the total natural rubber produced in the country. The recent price rise might mean that small-scale manufacturers of items such as shoe-soles, heels, sheeting, hoses and moulded articles might be thrown out of business because lesser expensive raw materials might replace rubber as has already happened in the case of cables (PVC replacing rubber), belting, rubber sheeting, tubing, hose pipes, etc. (PVC and plastic replacing rubber).

COTTON ADVISORY COMMITTEE

A five-member official delegation left for Washington on October 10 to attend a meeting of the International Cotton Advisory Committee to be held there. The committee proposed to discuss questions relating to cultivation, distribution and consumption of cotton. The delegation was led by the Additional Secretary in the Ministry of Foreign Trade, Mr C. S. Ramachandran.

CEMENT PLANT FOR IRAQ

The Associated Cement Companies Ltd have secured a contract (nearly Rs 3.68 crores) from the Iraq government for the supply, erection and commissioning of a 200,000 tonnes per year wet process cement plant at Kufa, about 100 miles from Baghdad. It will be recalled that in May this year the company achieved a major breakthrough in the export of industrial machinery by winning a Rs 2-crore turnkey contract for a clinker grinding and a cement packing plant in Kuwait, in competition with 18 other reputed companies.

EXPORT OF DRUGS

Preliminary figures of export of drugs and pharmaceuticals from India during the first five months of 1970-71 totalled Rs 3.54 crores, as against Rs 2.76 crores during the corresponding period of last year—an increase of 28 per cent. If this trend were to continue, export of drugs and pharmaceuticals in 1970-71 may well exceed the record of Rs 7.16 crores reached last year. Last year's export represented an increase of over 40 per cent compared to the 1968-69 figure of Rs 5.06 crores. Items exported from this country last year consisted of finished preparations of the value of Rs 4.55 crores bulk drugs and fine chemicals, including quinine salts, of the value of Rs 2.61

crores. A noteworthy feature is the progressive increase in the share of finished preparations in the total exports and the corresponding decline in the share of bulk drugs including quinine salts.

COTTON TEXTILE EXPORTS

COMMENTING on the Indo-American Cotton Textile Agreement concluded recently, it has been pointed out that it provides for a 13 per cent increase in Indian exports to the United States during its first year. Responding to a request from the government in this country, the United States has increased the aggregate ceiling on imports from India to 110 million square yards during the year beginning October 1, 1970. Last year's ceiling was 97.24 million square yards. Further, during each of the succeeding three years of the agreement, which is scheduled to expire in September 1974, India's ceiling will be increased by 5 per cent. This will assure India of an increasing share in the growing US market. A separate provision has been made in the agreement for handloom product exports to the US. This is in addition to the 110 million square yards ceiling. The cotton textile agreement was concluded on September 28 by an exchange of notes between Indian Ambassador Mr L.K. Jha and the US Assistant Secretary of State for Economic Affairs, Mr Philip H. Trezise. It supersedes the agreement of August 31, 1967, which has already expired.

INDO-BULGARIAN TRADE

The Indo-Bulgarian Trade Protocol for 1971 was signed on October 10 in Sofia by the Indian Deputy Minister, Chowdhary Ram Sewak and the Bulgarian Deputy Minister, Mr Tikomarov. The principal items of export from Bulgaria during 1971 will be special steel, rolled steel products, drugs, pharmaceuticals, chemicals, fertilisers, non-ferrous metals, tractors and other machinery. Among other things this country will export to Bulgaria increased quantities of iron ore, animal feed compound, jute manufactures, finished leather, wire ropes, drugs and pharmaceuticals, chemicals and marine products. Bulgaria proposes to send a technical team to this country to identify new engineering, manufactured and consumer items, for importing on a continuing basis. Interest has been expressed in new items such as handloom textiles, catalysts for ammonia synthesis, aluminium foil, sport shoes, dehydrated fruits and vegetables, gramophone records, petrol and jeeps etc.

India, Bulgaria and Tunisia also signed the Second Trilateral Deal for 1970-71 worth Rs 1.5 crores involving the export of tea from India to Tunisia,

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rock phosphate from Tunisia to Bulgaria and urea from Bulgaria to India. A contract for zinc was also concluded on the day of the signing of the protocol for 1971.

TRADE WITH GREECE

The trade agreement between India and Greece has been extended by another year. Letters to this effect were exchanged recently between the Ambassador of Greece and the Ministry of Foreign Trade extending the present agreement between the two countries until the end of 1970. Mutual trade agreements exist between India and Greece since 1958. The two countries found it convenient to extend the agreements every year. This will benefit mainly India's jute industry as this item was mainly being exported to Greece. Recently, Greece started buying in large quantities non-electrical machinery and appliances also so that exports from this country to Greece had almost doubled to Rs 189 lakhs in 1969-70 against Rs 97 lakhs in 1968-69. The upward trend in trade with Greece is expected to continue this year also. Greece also buys items like compressors, rock drills, coir manufactures, hand-tools and wire products. This year Greece also has given a contract to this country to mint coins for Greece. Some more new items are also expected to be added to the trading list.

TRADE WITH RUMANIA

An Indian economic delegation left Bucharest recently after initialling a longterm trade agreement with Rumania. The delegation led by the Director-General of the Ministry of Foreign Trade, Mr N. P. Jain, signed the 1971-75 trade agreement. The delegation also signed an agreement on economic and technical co-operation.

F.I.C.C.I. ON COTTON

The Federation of Indian Chambers of Commerce and Industry has come out with a brochure on cotton trade. The publication places in perspective the problems of cotton trade and in particular the threat of take-over. It has been pointed out that the producers' interest are best served in conditions of free competition. Any monopoly organisation will deprive the producers of this basic benefit. The accusation of exploitation by the middleman is entirely misplaced for the simple reason that the cotton trader has always operated at a very small margin. This fact has been testified by numerous impartial studies. Other issues discussed in the publication are the futures trading in cotton, credit curbs on cotton trade, and the canalisation of imports. It has been argued that the advantages of

hedge trading have not been sufficiently appreciated. Hedging is in fact beneficial to mills as well as to the farmers as it carries an in-built machinery for stabilising prices.

STANDARD MOTORS

The Standard Motor Products of India, makers of Standard Herald and one-tonne trucks, is to reopen shortly—not later than October 20. The decision to reopen the factory, which has remained closed for nearly four months, was announced by its director, Mr K. V. Srinivasan, at the end of a recent meeting of the board of directors. He stated that in view of the request of the ex-workers, the board of directors decided to open the factory by stages beginning from a day not later than October 20.

INDUSTRIAL AND FARM FAIR

The Southern India Chamber of Commerce and Industry, Madras, will be completing sixty purposeful years of dedicated service to the community by the end of the current year. To celebrate this significant landmark in its history, the Chamber has decided to organise an "All India Industrial and Agricultural Exhibition", as part of the Diamond Jubilee Celebrations, between December 24, 1970, and February 7, 1971. On a similar occasion, in 1961, when the Chamber celebrated its Golden Jubilee it organised an "All India Industrial and Commercial Exhibition", which was a considerable success. Between 1961 and 1970, so many new industries have been set up in the country, and so much technological developments have taken place in every field. The Chamber is, therefore, confident that the proposed exhibition will serve as a show-window of the significant advances recorded in every field of economic activity in the country.

BACKWARD AREAS

One of the four West Bengal districts identified as industrially backward is to be selected for special assistance for its economic development. The four districts in an otherwise industrially developed state are Purulia, Bankura, Midnapore and Darjeeling. For industrial units in one of these four districts, there will be an outright grant or subsidy amounting to ten per cent provided the total fixed capital investment of each new unit does not exceed Rs 50 lakhs. This special assistance will be in addition to the general concessional schemes—applicable to all four districts—initiated by the Industrial Development Bank of India and the Industrial Finance Corporation of India for districts or areas identified as industrially backward. Under these schemes, projects in such districts or areas get finance on soft terms (including lower rates of interest and a longer amortisation pe-

riod for repayment of loans) for viable projects whose total cost does not exceed one crore of rupees. For bigger projects, concessional finance is extended on a selective basis.

NAMES IN THE NEWS

Mr W. B. Metre has retired from Oil India Ltd recently. He is one of the foremost petroleum scientists in India, and an authority on matters connected with the indigenous crude oil industry. At its meeting in New Delhi, recently, the Board of Oil India, with Chairman, Mr Dev Kanta Borooah, presiding, reluctantly accepted Mr Metre's request to be relieved of membership of the Board, on grounds of health, and placed on record its deep appreciation of his services. Joining the Burmah Oil Group of companies in 1930, Mr W.B. Metre, has had 40 years close association with the petroleum industry in India. He was awarded Padma Bhushan by the President of India in 1967 for his services to the oil industry and Oil India Limited.

Mr J.C. Bagai, a prominent Businessman, industrialist and progressive farmer of Delhi, and a former Chairman of the Indian Mining Association, has been elected to the Board of Oil India Limited, in the vacancy created by the resignation of Mr W. B. Metre. Mr Bagai is a nominee of the Burmah Oil Company, a partner in Oil India Limited. The reconstituted Board now consists of the following: Mr Dev Kanta Borooah, MLA, Chairman; Mr A.B. Das Gupta, Managing Director; Mr R. S. Gupta, Financial Director; Mr J. C. Finlay, MC, Chief Representative, the Burmah Oil Group of companies, Director; Mr M. V. Rajwade, IAS, Joint Secretary, Ministry of Petroleum and Chemicals and Mines and Metals (Dept. of Petroleum) and Member (part-time), ONGC, Director; Mr Dharmananda Das, IAS, Chairman, Assam State Electricity Board, Director; Mr B. S. Negi, Member (Exploration), ONGC, Director; Mr B. T. Merchant, solicitor from Bombay, Director; Mr C.G.S. Paterson, Deputy Chief Representative of the Burmah Oil Group of companies, Director; and Mr J. C. Bagai, businessman, Director.

Mr M. A. M. Ramaswamy, Managing Director of Chettinad Cement Corporation Limited who was the Vice President of the Southern India Chamber of Commerce and Industry, Madras, has now been unanimously elected as President of this Chamber for the ensuing year which is the Diamond Jubilee year for the Chamber. He is a Director of Indian Mercantile Insurance Co. Ltd, Bombay and the Indian Trade and General Insurance Company Ltd Calcutta and also Chairman of South India Structural Corporation Ltd, Madras.

Company Affairs

KESORAM INDUSTRIES

KESORAM INDUSTRIES and Cotton Mills Ltd has reported a gross profit of Rs 158.99 lakhs for the year ended March 1970. Taking into account Rs 47.20 lakhs being development rebate reserve no longer required, there is an available sum of Rs 206.19 lakhs. After deducting for managing agents' commission and Rs 102.2 lakhs for depreciation, there is a balance of Rs 103.98 lakhs. From this, a sum of Rs 18,976 is set apart for expansion reserve, Rs 1.08 lakhs for dividend reserve, Rs 51.50 lakhs for general reserve No 1 and Rs 5.10 lakhs for general reserve No 2. No provisions are made for investment reserve and development rebate reserve. The directors will consider the declaration of dividend at the next meeting, to be held in due course. It is stated that, during the current year, the rayon and transparent paper sections are lying closed for the past three months due to labour unrest. The spun pipes section is also facing crisis due to inadequate supply of raw materials, particularly pig iron, because of trouble in the Durgapur Steel Plant. Inadequate supply of wagons due to floods, etc., has also adversely affected the working of that section. The textiles section of the company, which is the biggest textile mill in West Bengal, is also facing serious crisis due to several factors such as high prices of cotton and other requisite stores and the government's decision not to permit any increase in the prices of controlled varieties of cotton piece-goods. Over and above, the said section is reported to be facing serious labour trouble due to which the working in the mills is paralysed.

SCINDIA STEAM NAVIGATION

The directors of Scindia Steam Navigation Co Ltd have proposed an equity dividend of Rs 1.75 per share for the year ended June 30, 1970. The company had paid an equity dividend of Rs 1.50 per share for the previous year. It had also paid a bonus dividend of 75 paise per share to mark its Golden Jubilee. The company's total turnover has risen to Rs 39.46 crores from Rs 36.60 crores, but its gross profit has dropped to Rs 6.09 crores from Rs 6.42 crores. With depreciation claiming Rs 3.36 crores and taxation Rs 52 lakhs, the net profit amounts to Rs 2.21 crores against Rs 2.92 crores. Of this development rebate reserve gets Rs 90 lakhs and the dividend will absorb

Rs 90 lakhs. The balance has been transferred to general reserve. The company's working for the first three months of the current year has been quite encouraging, according to Mrs Sumati Morarjee, a director of the company. It has placed orders for ten ships of which eight will be supplied by the GDR and two by West Germany. Of these *Jalamyoor* with a DWT of 13,700 was to be delivered to the company on October 9. *Jalamatsya*, another similar ship, will be delivered towards the end of November. Most of the ships will become available before the end of 1972.

KIRLOSKAR BROTHERS

Kirloskar Brothers Ltd proposes to issue 100,000 (9.5 per cent) cumulative redeemable preference shares of Rs 25 each for cash at par. The proceeds of this issue will be utilised for investments in new projects such as Kirloskar Tractors Ltd and for financing the company's development plans. These shares have been offered in the first instance to the existing equity shareholders in the ratio of one new preference share for every five equity shares of Rs 25 each held. The preference shares are to be redeemed any time after August 1, 1982 and in any event not later than July 1, 1985.

INVESTMENT CORPORATION

The Investment Corporation of India Ltd has recorded a profit of Rs 32.04 lakhs for the year ended June 30, 1970, against Rs 26.80 lakhs for the previous year in line with an increase in its gross income to Rs 58.53 lakhs from Rs 51.26 lakhs. The directors of the company propose to maintain the equity dividend at 9.5 per cent for the year. The company's net profit amounts to Rs 25.09 lakhs against Rs 23.45 lakhs after providing Rs 6.95 lakhs for taxation. After adjustment, the directors have transferred a sum of Rs 25.16 lakhs to general reserve. The proposed preference and equity dividends aggregating Rs 21.66 lakhs will be paid out of general reserve.

CENTRAL INDIA SPINNING

The Chairman of the Central India Spinning Weaving and Manufacturing Co Ltd, Mr Naval H. Tata, has stated that the company has been making every effort to improve its profitability through attempts of diversification on projects involving modest capital out-

lay. He has therefore no hesitation in expressing a note of optimism based on the current working of the company. The company is taking steps to acquire from Voltas Ltd a dealership for agro-industrial products such as tractor oil, engines pump sets etc. for four districts in Vidarbha. It is also contemplating the purchase of certain products of the metals division of the Ahmedabad Advance Mills Ltd on principal to principal basis for the purpose of re-sale either in the same form or any converted form.

ALLAHABAD BANK LTD.

The Allahabad Bank Ltd will be put into voluntary liquidation after June 1971, according to a recent announcement. A press note issued by the bank's secretaries stated: 'The Chairman of the Allahabad Bank Ltd announced that out of the total amount of compensation Rs 3.10 crores from the government in three equal instalments, the Allahabad Bank Ltd received in July this year the first instalment. The remaining two instalments are expected to be received in June 1971 and June 1972. It is presently intended that after receipt of the second instalment, the company will be put into voluntary liquidation and the compensation money receivable in excess of the paid-up capital and share premium amount will be distributed as dividend commencing with an interim dividend of Rs 7.80 per share on preference capital and Rs 90 per share on equity capital for 1969. The proposal for distribution of the interim dividend for 1969 is subject to approval of the board of directors of the company at its next meeting.'

TRAVANCORE COCHIN

Travancore-Cochin Chemicals Limited has received a letter of intent for setting up a caustic soda plant with a capacity of 100 tonnes a day and also for the expansion of capacity of its hydro-sulphite plant from 10 tonnes to 14 tonnes a day and also its sodium sulphite plant. The preliminary work on these projects is in progress and the company hopes to implement them by 1972-73. Meanwhile, the company's working for the year 1969-70 has resulted in a net profit of Rs 39.41 lakhs as against Rs 16.87 lakhs for the previous year. The company's sales have increased to Rs 4.06 crores from Rs 3.01 crores. The company's plant to fuse caustic soda with a rated capacity of 60 tonnes a day is expected to go on stream shortly.

BOMBAY BURMAH

The directors of the Bombay Burmah Trading Corporation Ltd, have proposed a final equity dividend of Rs

2.50 per share of Rs 25 each for the year ended May 31, 1970. This dividend is payable on a higher equity capital resulting from the bonus issue in the ratio of one share for every ten shares held made early in 1970. Together with the interim dividend of Rs 1.25 per share paid in July, 1970, the total dividend for the year is Rs 3.75 per share. The total dividend distribution amounts to Rs 55.17 lakhs.

HINDUSTAN LATEX

The Hindustan Latex Ltd is working on a scheme for the production of lubricated condoms and these are expected to be put in the market during the current year. Production of some sophisticated types of condoms, including the lubricated ones has been taken up as the government had stopped further import of condoms. This was disclosed by Mr D. J. Madan, Chairman of the Hindustan Latex Ltd, while presenting the fourth annual report of the company to the board of directors. The Hindustan Latex Ltd had also undertaken a research project for developing meteorological balloon in the factory. A grant of Rs 12 lakhs had been given to the company by Indian Space Research Organisation and Indian Meteorological Department, Mr Madan stated.

HINDUSTAN TELEPRINTERS

Hindustan Teleprinters Ltd is currently engaged in developing new products such as electric typewriters. Substantial progress has already been made in this respect. This was disclosed by Mr Kirpal Singh, chairman of the company, at the annual general meeting held recently. The company has made an all round progress during the year ended March 31, 1970. Production has gone up by six per cent with 5,310 teleprinters assembled during the year as against 5,010 units in the preceding year. After providing for tax, the profit is Rs 66.52 lakhs. In view of the satisfactory profit the directors have recommended an increased dividend of 12 per cent on the equity capital. The company has reduced the price of a teleprinter by Rs 300 to Rs 5,300 with effect from September 1, 1970, as compared to Rs 7,000 prevailing before April 1, 1968. The company has entered the export field in a big way. It has secured orders from various countries for teleprinters worth Rs 47.99 lakhs during the year. Sustained efforts towards import substitution have yielded an additional annual saving of foreign exchange of Rs 8.18 lakhs.

SHREE SYNTHETICS

Shree Synthetics Ltd will enter the capital market on October 20 with a public issue of Rs 192.50 lakhs comprising 1.11 million equity shares of Rs

10 each (Rs 111.25 lakhs) and 81,250 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each (Rs 81.25 lakhs). The subscription list will close on November 2 or earlier but not before October 22. The entire public issue has been underwritten. The company, which has an authorised capital of Rs 5 crores (Rs 4 crores in equity and Rs 1 crore in preference shares), has an issued capital of Rs 3.25 crores (Rs 243.75 lakhs in equity and Rs 81.25 lakhs in preference shares). Out of this, the promoters and their nominees have been allotted equity shares of Rs 62 lakhs, the foreign collaborators, Chamtex Inc, USA, equity shares of Rs 60 lakhs, the IDBI equity shares of Rs 5.5 lakhs and IFC of Rs 5 lakhs.

The company is setting up a project at Naulakhi near Ujjain (Madhya Pradesh) for manufacturing nylon six filament yarn with an annual licensed capacity of 1,100 tons per annum (three tons per day). It has also been permitted to produce polyester filament yarn in the plant up to 25 per cent of its licensed capacity. The cost of the project is estimated at Rs 7.35 crores, which will be met by share capital (Rs 3.25 crores), foreign exchange loan from the Exim Bank (Rs 145.75 lakhs) and rupee loans from the IDBI, IFC and banks (Rs 264.25 lakhs). Construction of the factory building is expected to commence shortly. The plant is scheduled to go on stream by October, 1972. The company has also sought permission for expanding its licensed capacity from three to seven tons per day. The cost of this expansion is placed at Rs 6 crores. According to a spokesman of the company, the turnover in the first year of production on 60 per cent capacity is estimated at Rs 6 crores. In the second year of production with full capacity the turnover will be about Rs 8.20 crores. On a seven-ton per day capacity after expansion, the annual turnover is estimated at Rs 20 crores.

SWADESHI POLYTEX

Swadeshi Polytex Ltd, which is setting up a polyester fibre plant with an annual capacity of 6,100 tons in Uttar Pradesh, is expected to enter the market shortly for raising capital. The outlay on this project is estimated at Rs 12 crores. The share capital of the company is Rs 4 crores, comprising three million equity shares of Rs 10 each and 100,000, 9.5 per cent cumulative redeemable preference shares of Rs 100 each. Swadeshi Cotton Mills Company Ltd, Kanpur, proposes to subscribe to the equity of Swadeshi Polytex to the extent of Rs 1 crore. According to a spokesman of Swadeshi

Polytex, leading financial institutions have agreed in principle to underwrite the public issue. The relevant documents and papers are being processed. The President, Mr V.V. Giri laid the foundation stone for the project at Kavi nagar industrial area, Ghaziabad on October 12. The promoters feel that the plant will be ready for commissioning in a record time by June or July 1972. By going in for the "continuous" process, the company will be manufacturing superior quality of fibre at a lower cost. The anticipated cost reduction is estimated at 10 per cent. Vickers Zimmer AG, West Germany (a member of the Vickers group of UK) is collaborating in this venture.

HINDUSTAN LEVER

Hindustan Lever has announced its decision to pay an interim dividend in respect of the year 1970, of 60 paise per share, same as for 1969, subject to deduction of tax.

DENA BANK LTD

Dena Bank Ltd proposes to convert itself into a financial investment company, if its major shareholders, LIC and UTI approve the proposal. An investment company, Dena, the residual banking company after nationalisation, also proposes to act as an issue house. The residual company needs the support of 75 per cent of the shareholders to engage in a new line of activity. LIC holds 24 per cent and UTI four per cent of Dena Bank Ltd shares.

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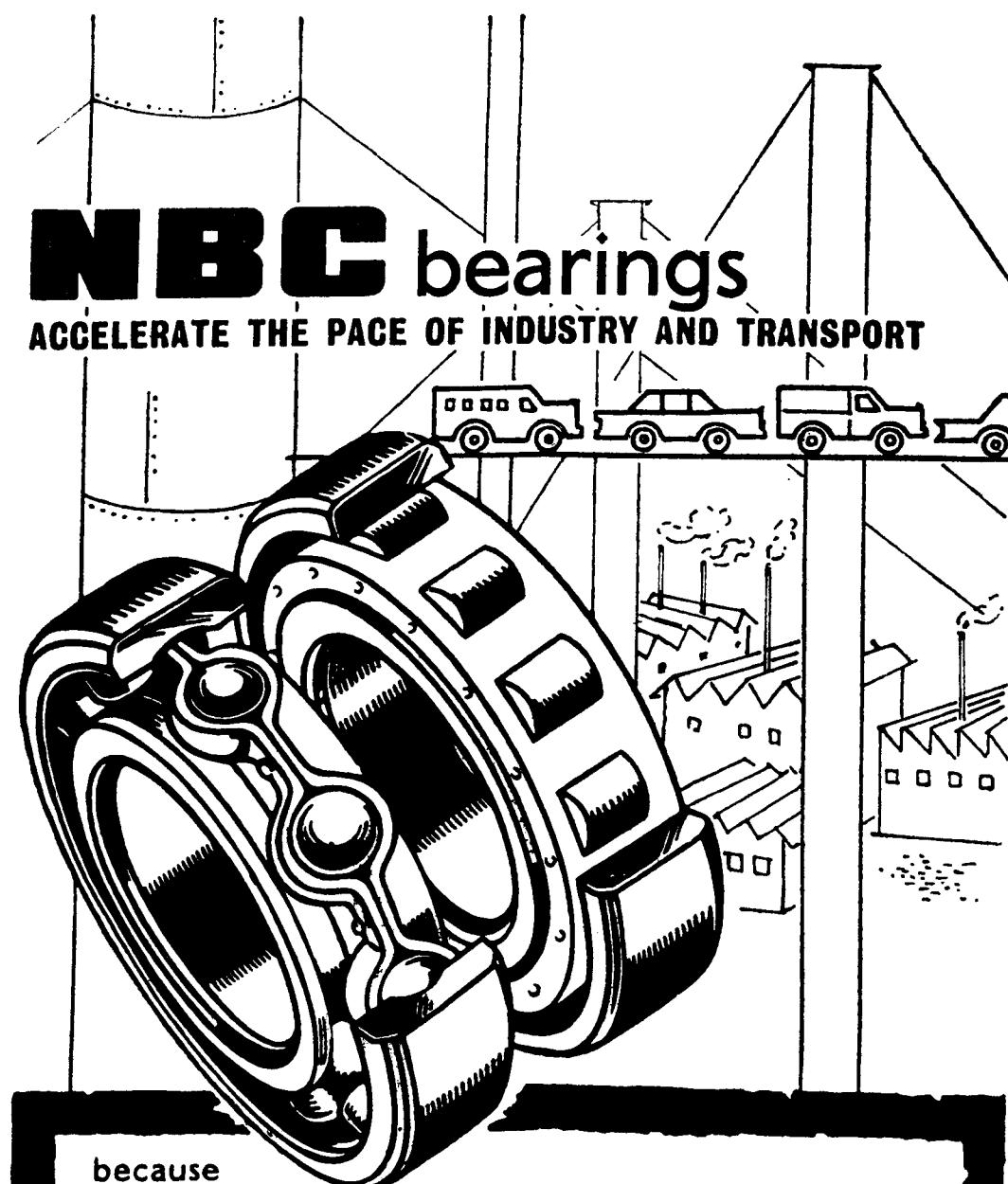
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COMPANY MEETINGS

UNIT TRUST OF INDIA

45, Veer Nariman Road, BOMBAY 1

Statement of Shri R.S. Bhatt, Chairman, Unit Trust of India, to the Contributors to Initial Capital and Unit holders of the Trust for the year ended June 30, 1970

The Unit Trust of India completed, as of June 30, 1970, its sixth year of operations and its accounts for this year have now been audited and published. The Board of Trustees have desired me to present a brief review of the Trust's operations for your information. Accordingly, I have great pleasure in reviewing the salient features of the Trust's working during the year.

2. The Trust has declared an income distribution to unit holders, who were on the Register of the Trust as on June 30, 1970, at the rate of 72 paise per unit i.e., 7.2 per cent—marginally higher than the rate of 7.1 per cent paid last year. As you may be aware, this income distribution, according to the changes made in the Finance Act 1970, taken together with income on other specified categories of investments is tax-free upto Rs. 3,000. I have explained later (vide paragraph 13), in some detail, the present scheme of tax concessions applicable to the units. The income distribution to the initial capital contributors is 4 per cent.

3. During the year under review, there was a further increase in the income of the Trust to Rs. 6.28 crores* (inclusive of profit from sale of securities of Rs. 9.00 lakhs) from Rs. 4.83 crores in the preceding year. Total expenses including expenses on administration, provision for sundry liabilities etc. rose to Rs. 67.31 lakhs from Rs. 58.02 lakhs in the preceding year. The increase in expenditure is mainly attributable, besides normal annual increments in salaries paid to the staff and commission paid to the approved agents to the relatively larger proportion of business canvassed by them during the year, to additional staff employed to cope with the increasing work load and larger outlay on publicity from the Trust's own funds (vide paragraph 14). In terms of Section 24 of the Unit Trust of India Act, 1963 (as amended), the share of the Trust's income allocated to Unit Capital worked out to Rs. 590.68 lakhs and that of Initial Capital to Rs. 38.13 lakhs in line with the ratio of Unit Capital to Initial Capital as of June 30, 1970. Under Section 25(2) of

*No income was received by the Trust during the year on its shareholdings in recently nationalised banks.

the Act, a maximum of only 5 per cent of the income allocated to the Unit Capital can be charged to the Unit Capital towards expenses of the Trust, the rest of the expenses being required to be charged to the income allocated to the Initial Capital. Accordingly, the share of expenses allocated to the Unit Capital and Initial Capital amounted to Rs. 29.53 lakhs and Rs. 14.94 lakhs respectively, after setting off Rs. 22.83 lakhs (as against Rs. 21.17 lakhs in the preceding year) representing recoveries towards management expenses. After deduction of expenses in the manner indicated above, the net income allocated to unit holders amounted to Rs. 561.15 lakhs. This, together with the balance of Rs. 24.17 lakhs in the Unit Capital Appropriation Account—in all Rs. 585.32 lakhs—is available for distribution to the unit holders whose names were on the Register of the Trust as of June 30, 1970. Although, the improvement in the working of companies generally, noticed last year, has been carried forward to some extent there has been a marking down of the yield on variable dividend industrial securities reflecting the firmness in prices, induced mainly by paucity of floating stocks relatively to demand. Accordingly the Board of Trustees decided to continue to pursue a cautious policy in regard to income distribution. Consistent with this policy, the Board decided to increase nominally the income distribution to the unit holders to 72 paise per unit, i.e., 7.2 per cent (as against 7.1 per cent in the preceding year) which will absorb Rs. 557.62 lakhs leaving a balance of Rs. 27.70 lakhs. The income allocated to the initial capital contributors, after deduction of their share of expenses, worked out to Rs. 23.18 lakhs. This, together with the balance of Rs. 7.65 lakhs in the Initial Capital Appropriation Account—in all Rs. 30.83 lakhs—is available for distribution. Of this, the Board, once again conscious of the need to follow a policy of abundant caution has decided to make an income distribution to the initial capital contributors at the rate of 4 per cent, which will absorb Rs. 20.00 lakhs, leaving a balance of Rs. 10.83 lakhs. Out of the undistributed income, namely, Rs. 27.70 lakhs, in the case of unit holders and Rs. 10.83 lakhs in the case of initial capital contributors, it is proposed to transfer to General Reserve, Rs. 8.46 lakhs and Rs. 0.54 lakh, in

proportion to their respective shares. The aggregate transfer to General Reserve thus amounts to Rs. 9.00 lakhs, which also equals the profit realised on sale of securities during the year. This will leave Rs. 19.24 lakhs and Rs. 10.29 lakhs to be carried forward in the respective Appropriation Accounts.

4. Sale of units at Rs. 22,83.40 lakhs during 1969-70 established a record. It was higher by Rs. 5,67.23 lakhs over the preceding year's sales (Rs. 17,16.17 lakhs) and by Rs. 3,69.87 lakhs over the previous high recorded in 1964-65 (Rs. 19,13.54 lakhs). Viewed against the continuous and sizable expansion in sales since 1965-66, it would seem that units have now come to be regarded as a convenient medium of investment by a wide cross section of the community. Virtually, the whole of the investment in units made in 1969-70 was by individuals who accounted for Rs. 22,65.72 lakhs, the share of institutions being only Rs. 17.68 lakhs. Of the aggregate applications numbering 74,471 received, applications of individuals were 74,382, the balance being those of institutions.

5. During the year, sale of units to non-residents showed further improvement. Both the number of applications and the amounts subscribed to by the non-residents nearly doubled. Thus, during the year ended June 1970, the number of applications from non-residents was 603, the amount subscribed to being Rs. 48.36 lakhs; the corresponding figures for the previous year were respectively, 323 and Rs. 24.20 lakhs. As of June 30, 1970, the units sold to and outstanding with non-residents amounted to Rs. 1,21.42 lakhs under 1,788 applications.

6. The Trust repurchased units during the year amounting to Rs. 2,03.84 lakhs under 9,480 applications as against Rs. 1,67.11 lakhs under 8,217 applications in the preceding year. Repurchases during the year worked out to 2.6 per cent of the aggregate funds invested by unit holders.

7. Total investments of the Trust as on June 30, 1970 amounted to Rs. 88.3 crores. The distribution of the investments among the different categories of

October 16, 1970

securities and percentage thereof, to total investments, as of this date, are given below :

	Rs. Crores	Percentage to total investment
Ordinary shares	31.5@	35.67
Preference shares	11.9@	13.48
Debentures	37.2	42.13
Bonds of Public Corporations and Government Securities	3.0	3.40
Treasury Bills	0.1	0.11
Advance Deposits in respect of purchase of debentures and preference shares	0.6	0.68
Advance Call Deposit	*	0.02
Application Money	0.9	1.00
Money at Call with Banks	3.1	3.51
TOTAL	88.3**	100.00

*Less than Rs. 5 Lakhs.

**Inclusive of stamp duties, commission, transfer fees etc. capitalised.

@Includes investments in recently nationalised banks.

8. The pattern of investments of the Trust remained practically unchanged during the year and reflected the overall investment objectives of the Unit Scheme, 1964, namely, safety of capital and regular and growing income. The main guidelines for investment continued to lay emphasis on securities of well-established and sound companies providing safety of capital coupled with good yield.

9. There was a further rise in the volume of the Trust's underwriting operations which continued to be in the nature of firm commitments to invest upto the amounts underwritten with respect to issues floated by old and established companies. During the year, the Trust participated in the underwriting of 25 issues to the extent of Rs. 9.69 crores as against 32 issues totalling Rs. 87.8 crores in the preceding year. By far the bulk of the underwriting was claimed by debentures (Rs. 749.75 lakhs). The balance comprised ordinary shares (Rs. 122.00 lakhs) and preference shares (Rs. 97.50 lakhs).

10. The post recession recovery in industrial output, which had gathered momentum in the preceding year, was generally sustained in the first seven months of the year under review (July-January). The increase in industrial output was, however, at a slightly lower

rate (6.2 per cent) than in the corresponding period of 1968-69 (8.4 per cent). The progress of recovery was impeded to some extent, by shortage of industrial raw materials such as cotton, oil-seeds, steel and non-ferrous metals and labour troubles in certain industries. The industries which recorded significant increases in production included heavy inorganic chemicals, cement, copper smelting and rolling mills, aluminium, brass, electricity and fertilisers among basic industries, manufacture of mining, earth-moving and construction machinery, electrical motors and furnaces, electrical machinery and transport equipment among capital goods, structural clay products, non-metallic mineral products, batteries among intermediate goods and soaps and communication equipment among consumer goods. However, railroad equipment, cotton textiles, jute and commercial office and household machines recorded significant decline in output.

11. In the capital market, new issue activity continued to remain more or less sluggish for the major part of the year. There was an improvement in the new issues during the last quarter which represented partly implementation of investment decisions taken earlier. With the announcement of tax concessions in the Budget for 1970-71, there were distinct signs of improvement in the investment climate. This combined with encouraging corporate reports and with scarcity of floating stocks and the higher compensation for shares of nationalised banks, helped to improve sentiment and the market turned distinctly bullish. The index number of prices of variable dividend industrial securities which had reached a peak level of 99.0 for the month of June 1969 just prior to the announcement of the ban on forward trading in shares, and had declined steadily to 88.4 by February 1970 recovered fully at 99.0 by June 1970. Over the year as a whole, the index showed no variation over the previous year's level of 99.0 as against a significant increase of 22.5 per cent in the preceding year (vide table below).

Reserve Bank of India Index Numbers of Security Prices : All-India
(Base : 1961-62=100)

	Monthly averages for June				Variations over the year (per cent)		
	1967	1968	1969	1970	1967-68	1968-69	1969-70
Ordinary shares	78.1	80.8	99.0	99.0	+3.5	+22.5	—
Preference shares	88.1	85.9	88.3	88.0	-2.5	+2.8	-0.3
Debentures	91.5	91.9	93.4	93.6	+0.4	+1.6	+0.2

12. Thanks to the revival of stock market prices during the latter half of the year, the market value of the Trust's investments in relation to their book value as of June 30, 1970 showed an appreciation of 9.6 per cent as against 8.9 per cent as at the end of the previous year. As was to be expected, the appreciation in the portfolio is mainly accounted for by ordinary shares. Taking into account the appreciation in its investments, the net value of the assets of the Trust as on June 30, 1970 amounted to Rs. 91,54,81,962. During the year under review, 36 companies whose securities are in the Trust's portfolio, issued bonus shares. The ratio of bonus shares to existing shares ranged from 1 for 10 shares to as high as 1 for 1.

13. The Finance Act, 1970 has introduced changes in the scheme of tax concessions available to units. Accordingly, where the gross total income of an assessee includes any income from units and other specified categories of investments such as interest on Government securities, interest on debentures issued by any co-operative society or any other institution notified, dividends from Indian companies and interest on deposits with banks, in computing his total income for purposes of income-tax, there will be a deduction namely (i) where the amount of such income does not exceed rupees three thousand, the whole of such amount and (ii) in any other case, rupees three thousand. Till now, income upto rupees one thousand from units received by an individual was exempt from income-tax. For the first time, units will also enjoy exemption from Wealth tax. Under the Finance Act, 1970, investments in units of the Unit Trust together with certain other categories of investments are exempt from Wealth tax upto an overall limit of Rs. 1.5 lakhs. As regards deduction of tax at source, as hitherto no deduction will be made by the Trust at the time of income distribution to an individual unitholder who is a resident. In the case of an individual who is a non-resident, tax will now be deducted at source from his income from units, only if such income exceeds Rs. 3,000

(as against Rs. 1,000 earlier) at the rate of 15 per cent of the whole of such income.

14. Sales promotion efforts of the Trust continued to be oriented towards spreading the message of the Trust in the countryside. During the year, Trust's agency force was therefore further strengthened. The number of approved agents at the end of the year stood at 2,303 as compared with 1,775 in the previous year. The number of approved brokers was also higher at 315 as against 286 a year ago. Besides the Trust's various offices, units continued to be on sale at about 9,000 branches of the banks and at over 15,000 post offices throughout the country. The Board wishes to thank the banks, the Posts and Telegraphs Board and the National Savings Commissioner's Organization for their continued assistance and co-operation. The Trust's publicity during the year continued to be organised and implemented under the general supervision of the Inter Departmental Committee of the Ministry of Finance, Government of India. The actual execution of the publicity work continued to be shared by the Directorate of Advertising and Visual Publicity. The Government of India's grant towards the Trust's publicity expenses tapered off further. For the financial year 1969-70 the grant sanctioned was Rs. 7.5 lakhs as against Rs. 9 lakhs for the previous year. As a consequence, Trust's outlay, from its own revenue, on publicity was stepped up sharply to Rs. 1.90 lakhs from about Rs. 50,000 in the preceding year. Among the usual media of publicity employed by the Trust, mention may be made of the display of the Trust's posters at about 550 important railway stations throughout the country. Apart from these, the Trust addressed over 50,000 personalised letters to Government employees, including employees of the public-sector undertakings all over the country, drawing a salary of Rs 500 and above. The Trust produced a 600 ft. film entitled "Planning for Plenty" and exhibited it throughout the country through the good offices of the Films Division of the Ministry of Information and Broadcasting, Government of India. The Trust continued to take advantage of commercial broadcasting and the Trust's message is being

relayed daily from the All India Radio stations at Bombay, Calcutta, New Delhi and Madras.

15. The Reinvestment Plan 1966 made further progress during the year. The total amount reinvested during the year with respect to income distribution relating to the year ended June 1969 was Rs. 36.52 lakhs, the number of applications being 12,253. With respect to income distribution for the year ended June 30, 1970, the number of new applications for reinvestment under the Plan received by the Trust totalled 6,293 involving 23,10,410 units.

16. Details were given in my last year's statement of the Voluntary Savings Plan 1969, which was introduced from July 1, 1969, with a view to facilitating investment in units by the medium and small income groups of the community through periodical contributions. In the first year of its operation i.e. 1969-70 about Rs 1 lakh were received as contributions for investment under 491 applications. I hope that when the advantages of the Plan become widely known, small savers will increasingly participate in it.

17. I made a reference, in my previous statement to the formulation by the Trust of a Children's Gift Plan. The Plan was finalised during the year under review and has since been introduced from July 1, 1970. The Plan provides to parents, relatives of a minor child—grand parents, uncles, aunts etc.—and others a facility whereby units will be issued in favour of a minor child (who has not completed fifteen years of age) who is the sole beneficiary. Further, the child in whose name the unit certificate has been issued, can deal with the units only from the date on which he completes the age of 21. Meanwhile, the income on the units held will be reinvested in further units. By the time the child attains the age of 21 years, capital in the form of units would have been accumulated in favour of the child in a convenient manner which would be available for major needs such as the child's marriage, higher education abroad, setting up house or business. Under the Plan, units will be issued in multiples of ten and the minimum num-

ber of units to be applied for is fifty. (There is no upper limit).

18. Reference was also made by me last year to the discussions held with the Life Insurance Corporation of India in regard to the formulation and operation of a Savings-cum-Insurance Plan. In view of several important questions relating to trained personnel, administrative costs etc., thrown up by the discussions, a Committee of the Board of Trustees of the Unit Trust of India has since gone into all these aspects of the Plan. The Board would consider these on the basis of the Committee's report which is expected to be submitted to the Board shortly.

19. In my statement for the last year, I had referred to the acquisition and transfer of undertakings of the 14 leading Indian banks to corresponding new banks, whose entire capital has now been vested with the Central Government. Compensation, as provided for under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 has since been received by the nationalised banks. As indicated earlier, no income was received by the Trust during the year with respect to the compensation amounts received by the banks. Interim dividends have since been declared by some of the banks. On the larger issue of the disposition of the principal amounts of compensation, such proposals as may, in due course, be placed by these banks before the shareholders will be carefully considered by the Board of Trustees on merits, having regard solely to the interests of the unit holders.

20. The Trust is grateful to the Reserve Bank of India for the various facilities and the personnel the Bank continued to make available to it. It also wishes to place on record its deep appreciation of the co-operation and assistance it has continued to receive from the State Bank of India and its subsidiaries and other commercial banks and the Life Insurance Corporation of India.

N.B. Owing to the distribution arrangements which are designed for expeditious despatch of dividend warrants, you may receive more than one copy of this Statement.

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Chairman's Speech

Speech delivered by Shri N. W. GURJAR, Chairman at the Seventh Annual General Meeting, held on 17th September, 1970.

Ladies and Gentlemen,

I am very happy in extending you all a cordial welcome to the Seventh Annual General Meeting of the Company. The Directors' Report and Accounts for the year ended 31st March 1970 have been in your hands for some time past and I will, with your permission take them as read.

The year 1969-70 has been a year of further consolidation both with regard to turnover and profitability. Sales during the year have risen to Rs. 2.15 crores as against Rs. 2.02 crores of last year, and the net profit for the year is up from Rs. 10.52 lakhs to Rs. 14.72 lakhs after providing for depreciation and Development Rebate. Your Directors have recommended the equity dividend at 10%, which is tax-free under Section 80-K of the Income-tax Act.

It appears that the economy is showing signs of improvement on the agricultural front and some industries are

also showing buoyancy. Judging by these trends and taking into consideration the position of the order book, we can look forward to one more successful year.

You will be happy to note that the products of your Company enjoy a high reputation among its customers. We are progressing satisfactorily on export front also and we expect to do still better in the current year.

The relationship between the Management and the Labour had been cordial and peaceful.

Your Company has made an application to the Government for licensing additional capacity and I hope our application will receive favourable consideration at the hands of the Government.

Before I close, I would like to express thanks and appreciation to all my colleagues on the Board, Shri A.P. Mehta, Managing Director, whose constant efforts to improve the wor-

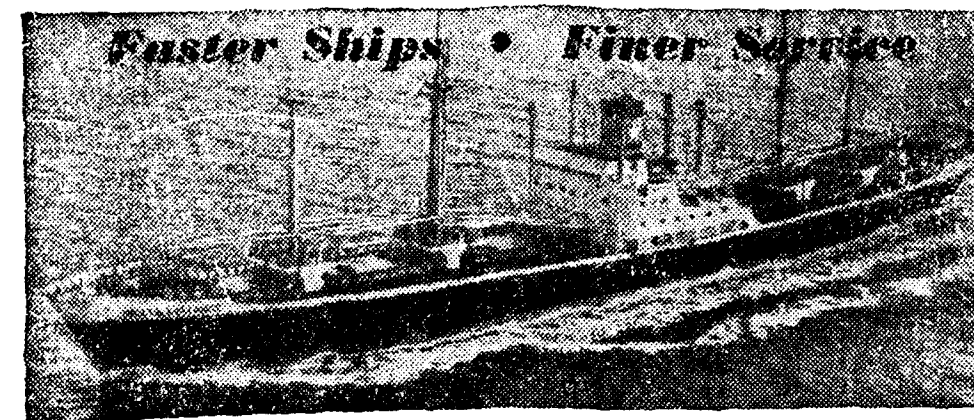
king of the Company have set the Company on further firm footing, and the members of the staff and the employees for their devoted services.

You will be glad to know that Thursday, the 14th May 1970, can be considered as a Red Letter Day in the annals of your Company as His Excellency Shri V.V. Giri, President of India, visited our factory and laid the foundation of the new Strip Rolling Mill.

I would like to thank the State and Central Governments for the help and encouragement we have received from them from time to time. I also place on record our appreciation of the co-operation extended by our Bankers and the Industrial Credit and Investment Corporation of India Ltd.

Finally, Ladies and Gentlemen, I thank you very much for having spared your time this morning.

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



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RECORDS AND STATISTICS

Indian Economy at a Glance

WHAT PROGRESS has the economy of our country made since 1960-61? The Reserve Bank of India, in a special brochure recently set out the salient features of the onward march of our economy. The growth in national and per capita income, agricultural and industrial production, foreign trade, prices, money supply and a number of other economic indicators were put together. Reprinted below are the major economic indicators culled from the above mentioned brochure.

ECONOMIC TRENDS : 1960-61—1969-70

Indicator	1960-61	1965-66	1966-67	1967-68	1968-69	1969-70 (Provisional)	1968-69	1969-70
							over	
							1967-68	1968-69
							%	Change
NATIONAL PRODUCT (Revised series)								
Gross National Product at Factor Cost (Rs in crores)								
at current prices	14044	21799a	25002a	29377a				
at 1960-61 prices	14044	16053a	16233a	17622a				
Net National Product at Factor Cost (Rs in crores)								
at current prices	13308	20586a	23647a	27922a				
at 1960-61 prices	13308	15045a	15173a	16525a				
Per Capita Net Product (Rs)								
at current prices	307	420a	471a	543a				
at 1960-61 prices	307	307a	302a	321a				
Net Domestic Product by Industry of Origin (Rs in crores)								
at current prices	13380	20753a	23902a	28187a				
at 1960-61 prices	13380	15199a	15333a	16692a				
Agriculture, Forestry and Logging and Fishing								
at current prices	6822	9846a	11755a	14973a				
at 1960-61 prices	6822	6421a	6411a	7560a				
INDUSTRIAL PRODUCTION								
General Index (Revised series) (b) (1960=100)								
Use-based classification (b)**		154	153	151	161	172	+6	+7
Basic industries (")								
Capital goods industries (")		164	173	176	195	212	+11	+9
Intermediate goods industries (")		244	210	205	210	214	+3	+2
Consumer goods industries (")		140	137	140	148	154	+6	+4
Input-based classification (b)**		128	131	126	132	145	+5	+10
Agro-based industries (")								
Metal-based industries		121	120	115	119	125	+3	+5
Chemical-based industries (")		213	205	200	211	223	+6	+6
Sector-based classification (b)**		153	171	180	206	227	+14	+10
Transport and allied industries (")								
Electricity and allied industries (")		194	164	158	170	170	+8	—
Ammonium sulphate 'N' content (b) (Tonnes)	76800	88020	85212	81816	109896	135063	+15	+14
Coal including lignite (b) ('000 Tonnes)	52620	69456	70536	71148	74928	77917	+34	+23
Sugar (refined) (c) (d) (")	2588	3260	3510	2147	2267	3560	+5	+4
Petroleum refinery products (b) (")	5747	9119	11256	13462	14948	16138	+6	+57
Cement (b) (")	7844	10578	11058	11310	11944	13624	+11	+8
Pig iron and ferro-alloys (b) (")	4264	7123	7196	7021	7243	7493	+6	+14
Finished steel (b) (")	2222	4519	4483	4139	4403	4851	+3	+4
Diesel engines (b) (Nos.)	52752	96744	114180	118188	118583	140078	+6	+10
Motor vehicles (b) (")	6211	72588	72408	70356	79536	75918	—	+18
Electricity generated (Mill. Kwh.)	17160	32010	34997	39393	44961	50253	+13	+6
AGRICULTURAL PRODUCTION								
All Commodities Index (Agricultural year 1949-50=100)	142	132	132	161	159		+14	+12
Foodgrains ('000 Tonns)	82018	72030	74231	95052	94013		—1	
Sugarcane (f) (")	11141	12100	9501	9786	12003		—1	
Oilseeds (")	8847	8029	8228	10270	8821		+23	
							—14	

ECONOMIC TRENDS : 1960-61—1969-70 (Continued)

Indicator	1960-61	1965-66	1966-67	1967-68	1968-69	1969-70 (Provisional)	1968-69 1969-70 over	
							1967-68	1968-69
							%	Change
Cotton (lint) ('000 bales of 180 kgs. each)	5293	4762	4973	5454	5270		—3	
Jute (" " ")	4134	4471	5358	6320	3052		—52	
All Commodities Productivity Index (Agricultural year 1949-50=100)	118	110	108	126	126		—	
TRADE AND TRANSPORT								
Foreign Trade								
Import quantum index (1958=100)	128	154	149j	166	151	128	—9	—15
Export quantum index (")	100	124	119j	122	142	143	+16	+1
Import unit value index (")	96	104	150j	136	141	140	+4	—1
Export unit value index (")	110	113	169j	169	166	171	—2	+3
Net terms of trade	115	109	113j	124	118	122	—5	+3
Gross terms of trade	128	124	125j	136	106	90	—22	—15
Value of imports (g) (h) (Rs in crores)	1122	1409	1704	1986	1910	1567	—4	—18
Value of exports (g) (h) (i) (")	642	806	967	1199	1358	1410	+13	+4
Exports (g) (i)	3	12	5	11	10	9	—36	—16
Sugar	17	23	3	25	25	34	—8	+37
Spices	123	103	8	147	155	122	—14	—21
Tea (Black)	134	183	27	208	234	207	—7	—5
Jute manufactures	58	63	10	62	79	88	+11	—2
Cotton textiles	7	11	2	12	16	24	+30	+27
Chemicals	39	59	11	79	99	113	+14	+5
Metalliferous ores and metal scrap	25	28	6	52	53	73	+81	+36
Leather and leather manufactures	28	39	7	43	51	68	+55	+34
Vegetable oils, seeds and oil cakes	19	27	6	37	43	61	+57	+42
Cashew kernels	15	20	5	13	35	33	—5	—1
Tobacco (unmanufactured)	7	11	2	14	22	45	+105	+26
Machinery and transport equipment	181	322	64	508	518	337	—35	—22
Imports (g) (Rs in crores)	86	105	18	169	273	284	+184	+35
Cereals and cereal preparations	123	98	12	79	106	86	—19	—6
Chemicals	333	492	72	464	503	514	+393	+24
Iron and steel	47	68	7	76	89	89	—	—16
Machinery and transport equipment	69	68	7	54	75	133	+77	+14
Non-ferrous metals	82	46	6	50	83	90	+8	—8
Mineral oils (Petroleum and petroleum products)								
Cotton (raw)								
Transport								
Railway traffic and earnings								
(i) Total wagons loaded—Broad gauge ('000)	6164	8168	8226	8271	8557	8829	+4	+3
Metre gauge ('990)	3593	3972	3770	3662	3692	3869	+1	+5
(ii) Total freight originating (Million tonnes)	156	203	202	197	204		+4	—
(iii) Total goods earnings (Rs in crores)	286	465	482	503	563	590	+12	+5
(iv) Number of passengers originating (Millions)	1594	2082	2192	2257	2213		—2	—
(v) Total passenger earnings (Rs in crores)	132	219	229	253	265	282	+5	+6
BALANCE OF PAYMENTS (Rs in crores)								
Balance of Payments on Current Account (net) (n) (p)	—392	—490k	—813m	—804m	—365m		—55	
Balance of Payments on Capital Account (net) (n) (p)	+399	+481k	+797m	+890m	+479m		+46	
Foreign Exchange Reserves (q) (r)	304	298	478	539	577	821	+7	+42
Commercial Banks' Foreign Assets (Gross) (q) (r)	16	26	49	23	37		+58	
PUBLIC FINANCE (Rs in crores)								
Government Revenues (u)	174	3610	4010	4348	4715	5002aa	+8	+6
of which								
(i) Tax revenue	1350	2922	3261	3455	3701	3994aa	+7	+8
Direct taxes	402	734	767	780	814	844aa	+4	+4
Indirect taxes	948	2188	2494	2675	2887	3150aa	+8	+9
(ii) Non-tax revenue	374	688	749	893	1014	1008aa	+14	+1
Government Expenditure (u) (v)	1677	3437	3918	4323	4856	5371aa	+12	+11
of which								
Defence services (net)	281	885	909	968	1051	1110aa	+9	+6
Development services	691	1339	1495	1683	1884	2174aa	+12	+15
Small Savings Outstandings (q) (w)	982	1549	1667	1789	1902		+6	
CURRENCY AND BANKING (Rs in crores)								
Money supply with the public (s)	2869	4529	4950	5350	5779	6381	+8	+10
Currency with the public	2098	3034	3197	3376	3682	4006	+9	+9
Deposit money with the public	771	1495	1753	1974	2097	2375	+6	+13
Factors Affecting Money Supply (s)								
Net bank credit to Government sector	2489	3809	4007	4253	4697	4726	+10	+1
Net bank credit to private sector	408	1051	1276	1454	1546	1807	+6	+17

ECONOMIC TRENDS : 1960-61—1969-70 (Continued)

Indicator	1960-61	1965-66	1966-67	1967-68	1968-69	1969-70 (Provisional)	1968-69 over 1967-68		1969-70 over 1968-69	
							%	Change	%	Change
Net foreign exchange assets of banking sector	178	71	149	161	326	587	+102	+80		
Government net currency liabilities to the public	206	287	310	317	341	356	+ 7	+ 4		
Net non-monetary liabilities of the Reserve Bank	250	360	434	422	590	627	+40	+ 6		
Non-identifiable net non-monetary liabilities of banks	163	329	358	413	540	468	+31	-15		
Aggregate Deposits of banks (s) (x)	1824	3036	3527	3964	4467	5169	+13	+16		
Bank Credit (s) (x)	1411	2570	2775	3125	3517	4115	+13	+17		
Investments in Government Securities (s) (x) (y)	591	851	930	1010	1106	1226	+10	+11		
Savings Deposits with Scheduled Commercial Banks (s)	282	716	836	962	1105	1291	+15	+17		
No. of Offices of Commercial Banks (g)	4993	6275	6738	7117	7947	9348	+12	+18		
Monetary Resources (s)	3964	6134	6817	7460	8306	9330	+11	+12		
Advances of Scheduled Commercial Banks—Purposewise (cc)										
Total Advances	1306	2347	2717	3064						
Agriculture and allied activities	41	57	57	67						
Industry	664	1471	1748	2067						
Commerce	373	502	527	588						
wholesale trade	353	471	477	541						
INSURANCE (Rs in crores)										
Life Insurance Business										
New business		798	770	844	929	1036	+10	+11		
Total business in force		4394	4724	5240	5725	—	+ 9	—		
Premium income		180	197	213	235	—	+10	—		
General Insurance Business (b) (dd)										
Gross premium written in India	38	69	69	79	94	108	+14	—		
Net premium income in India	26	53	60	71	82	—	+17	—		
PRICES AND EXCHANGE RATE										
Index Numbers of Wholesale Prices* (1961-62=100)										
All commodities (")		132	150	167	165	172	— 1	+ 4		
Food articles (")		145	171	208	197	196	— 5	—		
Industrial raw materials (")		133	158	156	157	180	+ 1	+14		
Manufactures (")		118	128	131	133	144	+ 1	+ 8		
Agricultural commodities** (")		142	167	188	179	194	— 5	+ 8		
Rice (")		137	169	200	196	196	— 2	—		
Wheat (")		149	178	214	204	211	— 5	+ 3		
Groundnuts (")		142	188	165	149	199	—10	+34		
Cotton manufactures (")		114	122	126	129	134	+ 2	+ 4		
Iron and steel manufactures (")		121	126	137	145	151	+ 6	+ 4		
Consumer Price Index—All India*										
Working class (1949=100)	124	169	191	213	212£	215£	—	+ 1		
Industrial workers (1960=100)					174	177		+ 2		
Index Numbers of Security Prices (1961-62=100)										
Government and semi-Government Securities		95	94	96	98	99	+ 3	+ 1		
Debentures		94	92	92	93	94	+ 1	+ 1		
Preference shares		94	90	87	86	88	— 1	+ 2		
Variable dividend Industrial Securities		77	80	77	82	93	+ 6	+14		

(a) Provisional. (b) Relates to calendar year. (c) Relates to year ending October falling within the period. (d) In respect of cane sugar only. (e) Production in terms of cleaned rice. (f) Yield in terms of gur. (g) Indian rupee was devalued on June 6, 1966, hence the data for April-May and June-March are shown separately for 1966-67. (h) Exclude treasure. (i) Including re-exports. (j) Average of indices of 10 months, June 1966 to March 1967. (k) Revised. (m) Preliminary. (n) Based on predevaluation exchange rates upto end of May 1966 and on current exchange rates thereafter. (p) Include transactions relating to Goa, Daman and Diu from 1963-64. (q) End of period. (r) Including gold valued at Rs 53.58 per 10 grams upto May 1966 and Rs 84.39 per 10 grams thereafter. (s) Relates to last Friday. (t) Covers both foreign currency assets and rupee overdrafts to non-resident banks. (u) Relate to centre, state and union territories. (v) Relates to developmental and non-developmental expenditures on revenue account and defence capital outlay. (w) Including prepartition liabilities. (x) Relating to scheduled and non-scheduled commercial and state co-operative banks. (y) At book value. (z) During the year. (aa) Relates to budget estimates. (bb) Relates to local head offices of selected major scheduled commercial banks (excluding State Bank of India). (cc) Relate to March 31 of the year except for 1961 which relates to April 29. (dd) From 1965 figures are inclusive of general insurance business done by the Life Insurance Corporation of India which relates to financial year ending 31st March.

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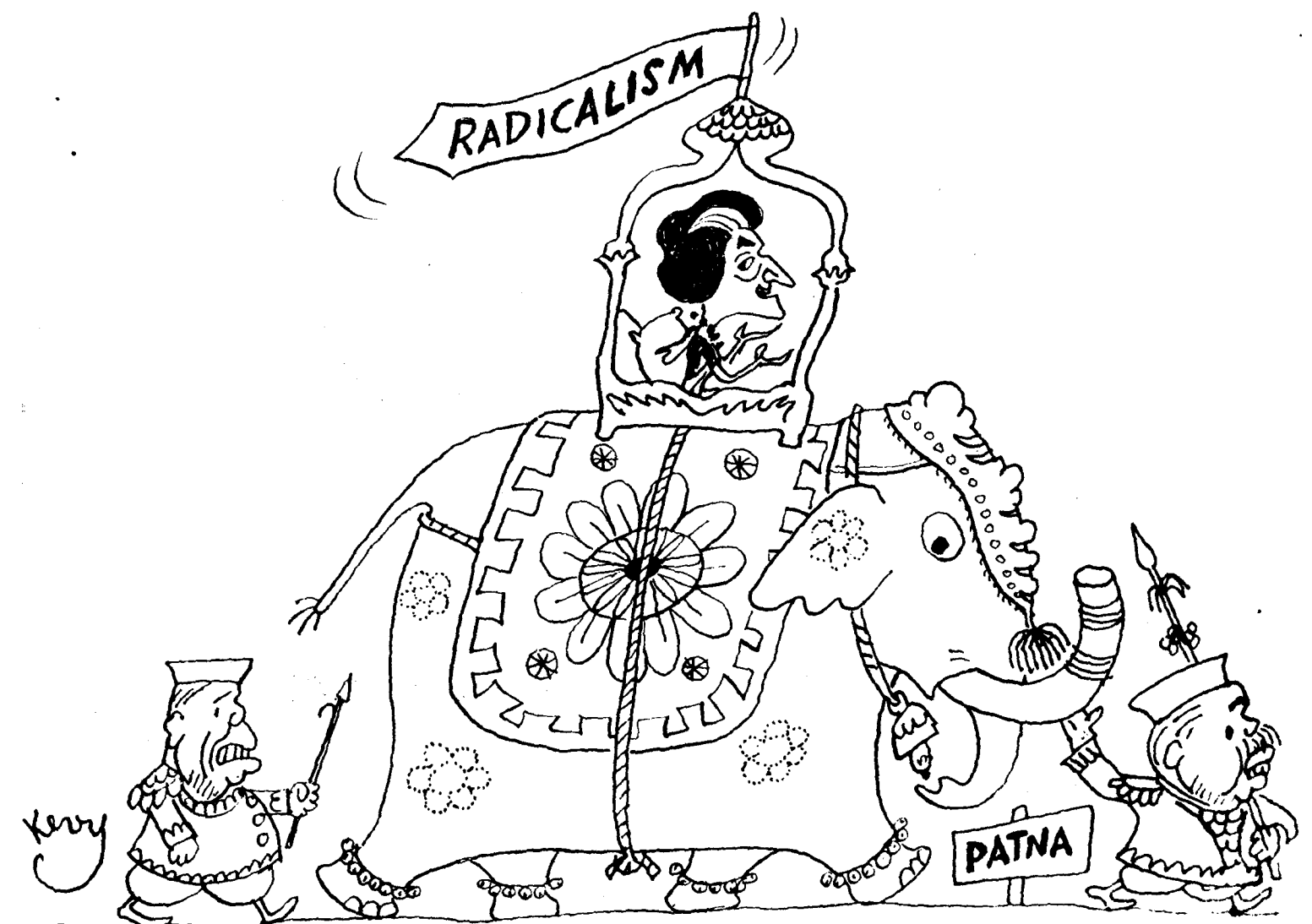
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Is it the beginning of the end? The end, that is, of the present Prime Minister's very personal brand of politics? To answer hopefully might perhaps be wishful thinking yet, since our country and its people have had immense patience, historically, with the folly, or worse, of their rulers. All the same, the ignominious failure of Mrs Indira Gandhi's maladroit attempt to capture the state government of Uttar Pradesh for herself and her party is clearly a serious set-back to the series of political gains that have been hers since she split the Congress organisation. There is surely more than enough in the recent developments in her home state to make her think furiously whether her unprincipled pursuit of power would not be found to be self-defeating.

From 'The Beginning of the End'



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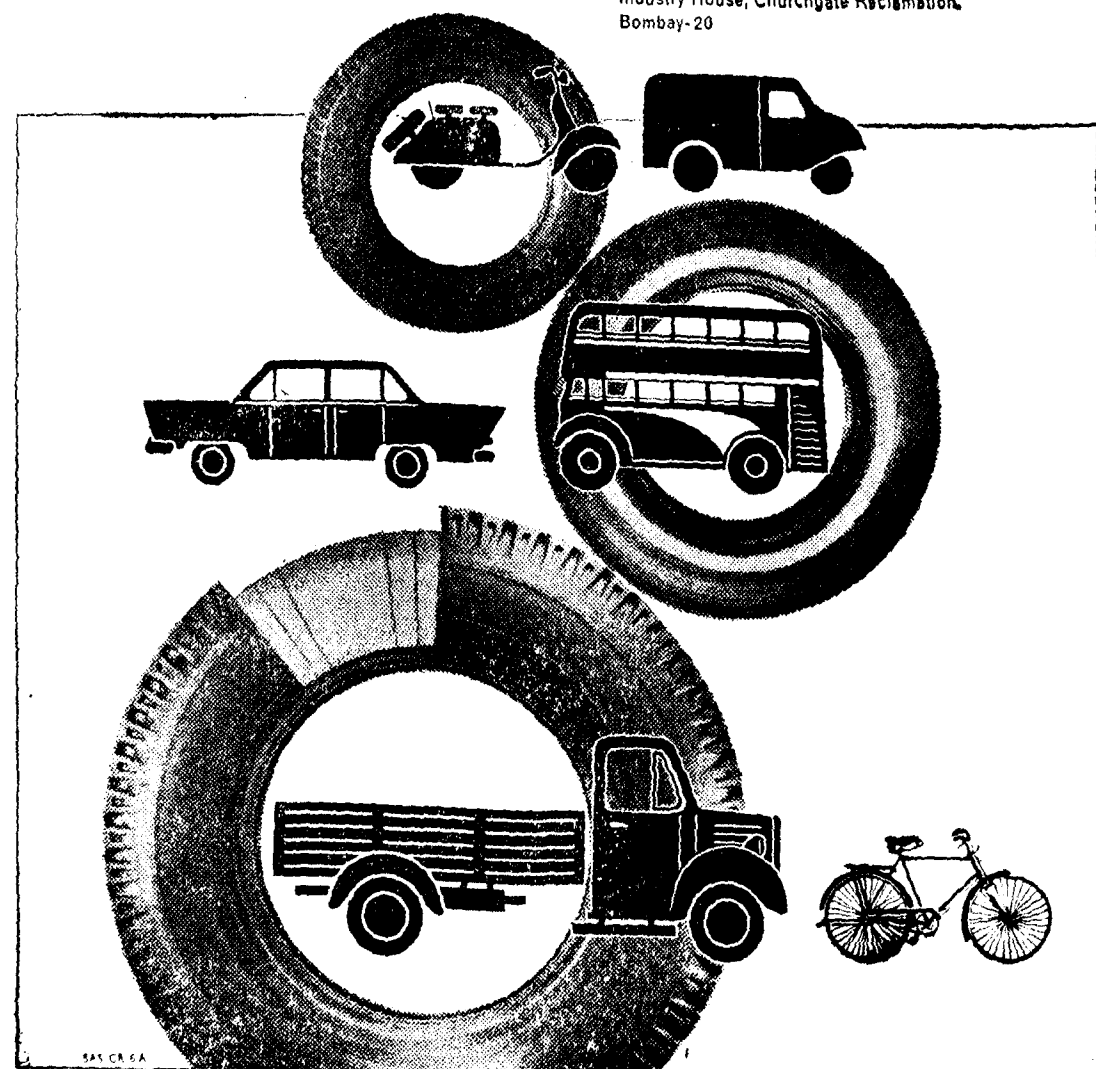
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THE BEGINNING OF THE END ?

Is it the beginning of the end? The end, that is, of the present Prime Minister's very personal brand of politics? To answer hopefully might perhaps be wishful thinking yet, since our country and its people have had immense patience, historically, with the folly, or worse, of their rulers. All the same, the ignominious failure of Mrs Indira Gandhi's maladroit attempt to capture the state government of Uttar Pradesh for herself and her party is clearly a serious set-back to the series of political gains that have been hers since she split the Congress organisation. There is surely more than enough in the recent developments in her home state to make her think furiously whether her unprincipled pursuit of power would not be found to be self-defeating.

Over the past 12 months, the Prime Minister has been playing the political game solely according to rules of her making and, as a direct result of her sins of commission or omission, the period from July 1969 has been reduced to months after wasteful months of one long campaign for the next general election. The business of government has ceased to be the government's business, and not unnaturally, not only the general economic development of the country but specific and urgent problems of failing investment, faltering production and growing unemployment have been neglected. This, however, is far from being the end of the mischief. Worse still, the unholy manoeuvres of the Prime Minister, her counsellors and her hatchet-men to undermine the position of state ministries which do not owe allegiance to her or her party have spread the poison of political instability throughout the country. As a result, political opportunism and adventurism have come to be at a premium.

In the circumstances, it is only to be expected that administration, whether at the centre or in the states, has been compelled to lead a hand-to-mouth existence. To speak, under these conditions, of a fourth Plan as if it were still a functioning process is an act of hypocrisy of which only Yojana Bhavan, in its currently discredited state, can be capable. It is bad enough that politicians are talking with their tongues in their cheeks. It becomes intolerable when alleged experts, occupying essentially non-political positions, begin to share in this more than venial sin. Prof. Gadgil and his colleagues should certainly have realised by now that what is said or shouted on occasions such as the Patna conference of Mrs Indira Gandhi's party has more relevance to how government would act than the appraisals or re-appraisals of the planning process which are daily building more and more fat files in the Planning Commission.

The truth, then, is that so long as Mrs Indira Gandhi remains Prime Minister, she alone will decide whether the country progresses or whether it decays. It is no longer possible to hope that such level-headed people as there still may be around her will be able to exercise any moderating influence on her. It therefore becomes all the more necessary that the Prime Minister should soon draw the moral of the debacle of her tactics in UP. Unfortunately, this educative process does not appear to have started yet. Take, for instance, her jousting at the windmill of neo-colonialism. We wonder whether she remembers who was the most celebrated recent crusader in that cause. That warrior was Dr Kwame Nkrumah. We do not hear of or from Dr Nkrumah much these days. There are enough problems or issues in international relations, economic or political, without talkative politicians adding artificially to them. The Prime Minister's speeches have not always been noted for their relevance to the context. Even so, Mrs Gandhi's tirade against neo-colonialism comes particularly ill at a time when something like a breakthrough seems to have been achieved in the efforts of UNCTAD to negotiate an arrangement for generalised preferences on exports of developing countries to the industrially advanced countries. On the question of aid, again, Mrs Gandhi has expressed the opinion that, in her view, both types of aid arrangements — i.e., bilateral and multilateral — should coexist. It is not difficult to see why she says this. She would, no doubt, desire that all western aid, particularly US aid, should be multilateral. As for the Soviet Union or other communist countries, since they have no use for this kind of transaction, bilateral aid arrangements are not to be ruled out. Surely, the Prime Minister ought to realise that the practice by her of the economics of expediency in this manner is unlikely to contribute to the prestige of this country anywhere in the world community.

As for the more immediate issue of her own prestige or the prestige of her party within the country, the Prime Minister can ignore, only at her peril, the obvious

and objective fact that not much time is left for the mending of shattered fences. We suggest that, in her own interest and that of her party, she ought to act immediately to put an end to the dangerous phase of political instability which has been artificially created over the last 12 or 14 months. She could do this, first, by making a categorical statement that the next general election will not be held before its due date. This will go a long way towards putting an end to the uneasiness and unsettlement which have come over government and public life and thereby help stabilise the political

Abundance or Reluctance?

THE REVIVAL in economic activity in the past two years has not been reflected in brisker activity in the capital market and the term-lending institutions have not been called upon to provide larger assistance in the shape of loans or underwriting commitments for the promotion of new industries or implementation of expansion schemes of the existing industrial units. Indeed, except for a small increase in assistance sanctioned by the Industrial Development Bank of India, the expansion of activities of the term-lending institutions in 1969-70 is mainly due to the anxiety shown by the state financial corporations and the state industrial development corporations to meet the requirements of small industries and medium-sized projects. This is a welcome development as the flow of funds to these sectors of the industrial economy might result in broad-based activity and dispersed development. But the absence of any significant increase in sanctioned assistance for large-scale industries is an indication that entrepreneurs are not prepared to embark on entirely new ventures and the Chairman of the Industrial Finance Corporation of India, Mr C.D. Khanna, actually observed that there was no dearth of funds, but dearth of good borrowers.

Thus, out of the total sanctioned assistance of Rs 149.9 crores in 1969-70 against Rs 132.3 crores in 1968-69 in respect of all term-lending institutions, the state financial corporations approved new applications for as much as Rs 33 crores against Rs 19.6 crores and state industrial development corporations for Rs 17.1 crores against Rs 4.4 crores. The share of Industrial Development Bank of India was only modestly higher at Rs 56.4 crores against Rs 48.6 crores, while the Industrial Finance Corporation's share was even lower at Rs 21.0 crores against Rs 22.7 crores. The Industrial Credit and Investment Corporation of India, for its part, recorded a big decline in the quantum of its assistance to Rs 22.4 crores from Rs 37 crores which

situation. Secondly, she should take a decision and announce it publicly that she and her party would hereafter refrain scrupulously from using the resources or the machinery of the central government or resorting to other unfair or undemocratic practices for weakening or overthrowing ministries in states which may not owe allegiance to her party. These are the least that she can and ought to do as much for undoing the damage she has done to national interests as for making it possible for the country to regain its political stability or resume its economic development.

was mainly due to a big drop in loans in foreign currencies (Rs 13.3 crores against Rs 27.3 crores).

The recent spate of new floatations has been mainly in respect of the issues of additional capital by existing industrial units under Indian auspices and by foreign-owned companies, which have been executing expansion schemes, and which have been keen or obliged to have greater participation in the equity capital by Indian interests. In these instances, the underwriters have not been called upon to take up any large parcels in pursuance of their commitments as the subscription lists were considerably oversubscribed and the investors profited because of the availability of sizeable premiums in the open market for the respective equity issues. Some entirely new issues have also been oversubscribed as it is felt that the industrial units concerned will be working on a highly profitable basis even from the beginning and handsome dividends could be paid by them out of the earnings for the second or third year of full operation.

It has not, therefore, been necessary for the term-lending institutions to invest in industrial securities in a big way and in 1969-70 the additional outlay in respect of the Industrial Development Bank, the Industrial Finance Corporation, the Industrial Credit and Investment Corporation, the state financial corporations and state industrial development corporations was of the order of Rs 10.8 crores against Rs 9.5 crores. It is necessary to point out, however, that the increase under this head is due to the larger share of state industrial development corporations amounting to Rs 3.9 crores against Rs 1.52 crores. The Industrial Development Bank too has been obliged to take up equity or preference shares, as the case may be, in industrial units which were compelled to enlarge the capital base and which were unable to raise funds from the open market because they were in bad shape or they had not got out of the

period of gestation. There has actually been a decline in the quotas of the Industrial Credit and Investment Corporation and the Industrial Finance Corporation, which are the main underwriters besides the Life Insurance Corporation and the Unit Trust of India. The last-mentioned two institutions, however, are now the principal props of the capital market as the Life Insurance Corporation alone invested in pursuance of its underwriting commitments as much as Rs 11.6 crores in 1968-69 while the Unit Trust of India had, for its share, Rs 8.1 crores in 1969-70. The Unit Trust of India had really a problem of deploying its resources as, even with larger unit sales, it could have firm underwriting investments only for Rs 8.1 crores in 1969-70 against Rs 10.3 crores in 1968-69. This clearly indicates that the term-lending institutions, the Life Insurance Corporation and the Unit Trust of India, are in a position to fork out over Rs 30 crores annually for new issues in the form of equity and preference shares and debentures. This can be even Rs 40 to Rs 50 crores as the Life Insurance Corporation and the Unit Trust of India are adding to their resources at a faster rate than in earlier years.

There is understandable reluctance on the part of borrowers to approach the statutory financial corporations as the conditions imposed by them regarding the conversion of debentures are not quite acceptable to them. This perhaps explains the reason why in 1969-70 the term-lending institutions invested in debentures only Rs 3.5 crores against Rs 5 crores in 1968-69. The clarification given by the Chairman of the Industrial Finance Corporation in this regard has been generally welcomed as it is now clear that no attempt would be made to convert any portion of old loans or debentures into equities. But it is emphasised that there should be definite guidelines so that industrial units may know in advance on what conditions they can raise debentures which would be subscribed to a great extent by the statutory financial corporations. After the experience of Tata Iron and Steel Company Limited, there are still fears that loans cannot be easily raised from these institutions and further development can take place only when it is definitely known that there will not be any undue watering of the equity capital as a result of the conversion of debentures or a forcible change in the pattern of ownership of holdings.

The management of TISCO had to fight a hard battle as it thought that the financial corporations were adopting an unhelpful attitude and there was no justification for stipulating conversion terms on a basis which would not be even available to outside subscribers, when their contribution to the expan-

sion and modernisation schemes was not substantial. The objections raised by Tatas were quite justified as out of the total expenditure of Rs 106 crores expected to be incurred on the modernisation programme as much as Rs 88 crores would be found out of internal resources and only about Rs 20 crores was sought to be raised by way of debentures. The corporations eventually agreed to the underwriting of debentures without any stipulations. The process of industrial development and the mobilisation of resources would, however, be greatly facilitated if the lurk-

Uphill Task for Cotton Textile Exports

UNTIL a few days ago, that is until the sixteenth annual general meeting of the Cotton Textiles Export Promotion Council (TEXPROCIL) took place in Bombay, one was inclined to share, not without some reservations even then though, the seeming optimism of certain Foreign Trade Ministry circles which did not feel the export performance since April last to be not altogether disheartening. The reservation was because the same sources also admitted that it would be an uphill task to attain the annual growth rate of seven per cent in exports during the fourth Plan period. Spelling out the uphill task in relation to 1970-71, they said that it would mean an export performance of Rs 135 crores every month for the rest of the current official year! Evidently these sources must have had some inkling of the slight upturn in exports that took place during August. This apart, the export performance of cotton textiles, despite severe difficulties, was really heartening.

Thus, our textile exports in 1969-70 increased to touch an all-time record level of Rs 111.5 crores, as against only Rs 97.5 crores in 1968-69; in other words a growth rate of 14 per cent compared to the overall rate of growth of the country's total exports of only four per cent. And even thereafter, i.e., up to and inclusive of August 1970, for which figures are available, exports of cotton textiles maintained their upward trend. (Our exports during the five months ended August, 1970 aggregated Rs 46.9 crores, as against Rs 42.7 crores for the corresponding period of 1969). It is noteworthy that exports of all items—cotton yarn, cotton piecegoods (unlike in 1969-70) cotton apparel and other cotton manufactures (here, again, unlike in 1969-70)—showed an upward trend. But there our optimism ends.

For, addressing the TEXPROCIL annual meeting referred to above, its chairman, Mr Krishnaraj M.D. Thackersey, stated in no uncertain

ing fears were removed and the feeling also gained ground that the government was not anxious to secure for itself an entry into the private sector through the back-door and intensify its grip on important industrial units. With the need to encourage a boom in new capital issues on the lines of 1958-62 in order to hasten industrial development, the government will have to adopt a constructive approach as it has now a monopoly of institutional resources especially as the working funds of 14 nationalised banks also are at its disposal.

terms that we cannot hope to maintain this trend of exports in the future months of this year. He said, truly indeed, that "we need to look into our exports of cotton piecegoods and other cotton manufactures rather carefully, if we are to achieve the target of Rs 120.0 crores". But, at the same time, he also declared: "I am very diffident about the maintenance of this tempo of exports for the rest of the current financial year and am extremely doubtful whether, at the end of the year, we shall reach even the figure of last year, let alone achieving the target of Rs 120.0 crores because of the basic maladies."

It is, therefore, imperative to find out what these basic maladies are and also to think out ways and means of curing them speedily. According to, Mr Thackersey, the first of these is "the absurd increase in the cost structure since the first few months of this year". Between November 1969 and August 1970, cotton prices have risen by almost 35 per cent. It is not surprising that even some leading mills have begun to fight shy of taking on further export commitments in this unsettled cotton price situation.

The TEXPROCIL chairman, the pragmatist that he is, feels this is by no means an insoluble problem. "In my opinion", he said, "supply of adequate cotton to the industry is the only solution for sustaining the interest of the mills in export or promoting exports to targeted levels." Mr Thackersey was certain that the government too was quite aware of this. He wondered why it had not drawn up and implemented a proper scheme of priorities, and added that "the low level of yield in the indigenous production cannot be continued to impair our export effort. Adequate funds must be made available for imports and an increase in the yield per acre on a war footing."

But all this necessarily takes time. What is to happen betimes? As Mr

Thackersey said "in the intervening period, imports of cotton have to be increased substantially". There is no reason why this should not be done, especially as our foreign exchange position also has improved somewhat.

A second malady that has been known for years now to be afflicting the country's cotton textile industry is the absence of modernisation and rationalisation. How this affects our exports adversely will be obvious if we assess the effect of the use of our outmoded machinery. It has been estimated that, because of this and also our low productivity, the labour cost in India ranges between 20 and 30 per cent of the total cost of production, which means it is almost double that of such advanced countries as Japan and Hong Kong! For the same reason, the quality of our textiles also is not comparable to that of our competitors. At the time when most markets require high density cloths and sophisticated finishes, as also faultless cloth in long lengths, it is a tragedy that most of our cotton mills simply do not have the requisite equipment. So the TEXPROCIL chairman's suggestion that "a worthwhile scheme for modernisation of at least that sector of the industry which is contributing to export earnings has to be evolved on a most urgent basis" cannot brook any delay. Without as much as bestowing any thought to such *musts*, the Foreign Trade Ministry goes about demanding mills to give bonds to maintain exports for three or four years at the level of the basic year.

A third lacuna—let us not term this as a malady—is the lack of a modern processing house so necessary to ensure a standard quality of finished fabrics. Apart from the prevailing standards of finishing in India being not satisfactory, according to Mr Thackersey, the price of finished goods also is prohibitive. Hence his plea for putting up a modern processing house in Bombay either on a co-operative basis or with TEXPROCIL's own funds (of course, with financial assistance, by way of loans and grants, from the government).

As important as promoting exports of fine finished goods is the promotion of branded articles, which means a good deal of brand publicity and propaganda. If this is to be done effectively, there must be all round support to a scheme of co-operative advertising and brand publicity in the various markets, and it is just as well that both government and industry are alive to this need.

In order to keep pace with the switch to readymade garments (of

cotton as well as cotton blended with man-made fibres), the authorities have done well to centralise with TEXPRO-CIL as from April last exports of all apparels, irrespective of the fibres involved. The setting up of a garments panel since is the immediate outcome, but if this panel is to have its hands full, more mills must take to the production of blended fabrics for export. To make this possible, it behoves the government to make polyester fibre available to mills at international prices, a small but grudging beginning in which direction was made only last April. Perhaps the powers-that-be need to be reminded even as late as now that the future prospects of textiles really exist largely in man-mades and blends.

Perhaps the toughest problem ahead for our textile exports is the textile import policy of the UK. There has been a steep fall in our exports to that country in both 1969 and 1970 so far, thanks to the various measures brought in by British government to control imports. (It may be noted here that Britain's textile imports from India fell far more steeply than those from our

other competitors). But it is idle to ignore that as much responsible as, if not more responsible than, these restrictions have been the high cost of production in India and the lack of versatility on the part of our cotton mills to cater to the changing patterns of demand in the world's markets. The need to have a close look into these shortcomings and also to remedy them forthwith has been literally forced down our throats, thanks to the new British policy from January 1972, when all quotas are to be abolished and imports from Commonwealth countries will have to bear a 15 per cent tariff. Efforts have no doubt been made and are still being made (very likely the forthcoming visit of the British Prime Minister with the specific aim of improving Indo-British relations offers one more splendid opportunity to discuss this subject) to extract a more favourable treatment to India, but neither Britain nor, for that matter, Canada seems to be in a mood to oblige India. In the circumstances, maybe India has no alternative but to go in a big way for bulk deals which have ere now yielded promising results.

Between Delhi, Cairo and Belgrade

THE THIRD meeting of the ministers of India, Yugoslavia and the UAR, held recently at Bled (capital of the Slovenia province of Yugoslavia) took an important decision to permit other developing countries to accede to the trade expansion and economic co-operation agreement of 1967. Mr K.B. Lall, Secretary to the union Ministry of Foreign Trade, has explained that the Bled declaration will widen the area of economic co-operation among the developing countries as envisaged at the conference at Lusaka. Mr Lall however revealed that no tangible results had emerged in industrial co-operation among India, Yugoslavia and the UAR even though the tripartite agreement was signed over three years ago.

Why has this agreement not produced the expected results? One important reason is that the governments of the three countries have made little effort to create interest and enthusiasm among their business enterprises to follow up the agreement. Ministers of the three countries meet periodically and sign declarations. These meetings are followed by those of the secretaries; but the industrial organisations of the countries do not appear to have met at any time to discuss to what extent the tripartite agreement could be implemented. So far as India is concerned, New Delhi has done little to rouse interest among industrialists to explore the

possibilities provided in the agreement. Neither the FICCI nor the Assocham has been consulted and their co-operation sought in this matter. The three countries have merely identified the specific fields such as the manufacture of TV glass bulbs, TV picture tubes, wheeled tractors and scooters. But no serious studies or negotiations have been conducted as to how to implement these projects.

Apart from the lack of energetic efforts from the side of the governments, the rules and regulations followed by these countries for permitting the flow of foreign capital have hindered the progress of the tripartite agreement. For instance, Yugoslavia provides much scope for profitable investment and since 1967 the Yugoslav laws have been amended many times to attract foreign capital. But so far foreign investment in Yugoslavia has been small, being about \$44 million though the number of collaborations is 17. The countries involved in these agreements are the USA, Japan, Italy, West Germany, East Germany and France. The industries chosen for collaboration cover a wide field ranging from ball-bearings to tourist equipment. Yugoslavia bans foreign investment in banking, insurance, internal transport, commerce and public services (except research). Mr Anthony Solomon, President of the International Investment Corporation of Yugoslavia, has thus explained the reasons for the lack of

enthusiasm on the part of foreign investors: "The Yugoslav system, with its autonomous, self-managed and socially owned enterprises, differs from both the eastern centrally planned and western privately owned economies. Many potential foreign investors are still not familiar enough with Yugoslavia's unique economic system which evolved in the 1950s and 1960s from a centrally administered economy to one that can best be described as a socialist market economy". Mr Solomon adds that a foreign company cannot have its own branch or subsidiary in Yugoslavia or enter into shareholding forms of joint ventures. Partnership is the legal basis for Yugoslav business organisations with foreign investors. As he explains, "This contract relationship is unusually flexible and requires a lot of insight, and careful preparations on the part of partners. It is not only the foreign company which finds itself on an unfamiliar terrain. Yugoslav enterprises had in previous years increasingly collaborated with foreign partners in licensing, co-production and joint marketing but prior to 1968 had no experience in joint profit-sharing ventures".

The Yugoslavs also perhaps are not adequately aware of the possibilities and the facilities available in India for collaboration. Nor are the opportunities in the UAR properly made known to the industrial enterprises in India and Yugoslavia. It is doubtful if other developing countries are likely to show much enthusiasm to accede to the tripartite agreement when it has made so little progress so far. The tariff concessions made available under this agreement are, of course, helpful to the promotion of trade. But they have to be enlarged and publicised properly. At present they are available to about 500 items. It should be possible to extend the concessions to more items in consultation with the representatives of the industrial enterprises in the countries concerned.

Industrial co-operation need not be confined to the few items identified by the tripartite agreement. It can cover any field for which there is scope. For example, the Government of India recently released a list of 125 industries where there is a technological gap and where foreign collaboration will be permitted. These cover a wide field such as industrial machinery, electrical and metallurgical industries, glass, oil and chemicals, paper, pulp and allied products, asbestos and carbon, timber-based industries, rubber goods and fishing. Yugoslavia is likely to be interested in some of these fields. If New Delhi, Belgrade, and Cairo take energetic and continuous interest, the tripartite agreement can produce positive results and may succeed in persuading other countries to join it.

EASTERN ECONOMIST

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ABBREVIATIONS

Leading Article	LA
Special Article	SA
From the Press Gallery	PG
Question Hour	QH
Window on the World	WW
The Moving Finger Writes	MF
Trade Winds	TW
Books Briefly	BB
Records and Statistics	RS
Readers' Roundtable	RR
Supplement	ST

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[illegible]

Governor & the Coalition Cabinet

It need hardly be added that the opposition parties did not accept these

The point is that so long as the chief minister enjoys the confidence of the legislature — and it is not proved to the contrary on the floor of the legislature — it is difficult for the governor to dismiss the chief minister or refuse to accept the chief minister's advice to dismiss one or more ministers. There are two principles in Politics which support this proposition : (i) Power must go with responsibility. If the chief minister has to be responsible to the legislature, he must also have the power to recommend to the governor that one or more ministers be appointed or dismissed. (ii) A dual source of power cannot operate without friction. The

question is, according to the Constitution, who has the *substantial* power—the governor or the legislature. The provision regarding collective responsibility, referred to above, makes the position quite clear in favour of the legislature.

That is why to the question whether the governor has the right to ask the chief minister to resign on the ground that the major partner in the coalition cabinet has withdrawn support to him, the answer is an unequivocal 'No'; for it follows from what has been said above that the chief minister's responsibility is to the legislature. There are only two circumstances when the governor can dismiss the chief minister.

One is when the chief minister does not resign, even though the legislature has expressed its want of confidence in him in one of several methods discussed earlier. Here the fact that the assembly in UP had already been summoned to meet so soon is significant, the Governor could well have waited till then to test whether the Chief Minister did, or did not, command the confidence of the legislature. The second circumstance in which the chief minister may possibly be dismissed by the governor is when he refuses to summon the legislature for an unreasonably long time and the majority of the members of that legislature write to the governor expressing want of confidence in the chief minister; this hardly applies to the present case as, on the advice of the Chief Minister, the assembly had already been summoned to meet on October 6.

A distinguished Professor of Consti-

tutional Law in a recent broadcast from Delhi (October 4) made a novel suggestion in regard to the power of the chief minister to demand the resignation of ministers in a coalition cabinet. He said that it was precisely to meet situations such as this, viz. differences arising between a chief minister and his colleagues from another party included in the coalition and the chief minister desiring to dismiss ministers from the other party that Article 167 (c) was included in the Constitution:

Article 167 says:

It shall be the duty of the Chief Minister of each state—

(a) to communicate to the Governor of the State all decisions of the Council of Ministers relating to the administration of the affairs of the State and proposals for legislation;

(b) to furnish such information relating to the administration of the affairs of the State and proposals for legislation as the Governor may call for; and

(c) if the Governor so requires, to submit for the consideration of the Council of Ministers any matter on which a decision has been taken by a Minister but which has not been considered by the Council.

I can only say that I do not agree with the learned Professor. Article 167 has reference to administration and legislation; it has no reference to political differences between the chief minister and other ministers, which lead to the demand by the chief minister for the resignation of some ministers from another party.

Institutional Finance for Minor Irrigation

S. M. H. RIZVI

MINOR IRRIGATION works are very important not only to step up irrigation potential in a region but also to generate confidence in the farmers and provide them satisfaction about the reliability of the irrigation arrangements. One of the important factors responsible for the slow progress in the implementation of the minor irrigation programme in our country is the inadequacy of financial arrangements for meeting the growing credit needs of the farmers. The policy under the new strategy of agriculture has been that the increasing demand for private minor irrigation works should be taken care of primarily through mobilisation of institutional finance from such sources as the Agricultural Refinance Corporation (ARC), land development banks, central co-

operative banks, commercial banks, etc.

Consistent with this policy, institutional financing had been stepped up progressively at a fast rate from the year 1966-67. As against Rs 112 crores made available by the ARC, land development banks, central co-operative banks and agro-industries corporations during the whole of the third Plan period, the finances by these institutions during the three years 1966-69 amounted to Rs 230 crores. The Working Group on Minor Irrigation and Rural Electrification set up by the Ministry of Food and Agriculture, worked out the requirements of institutional finance for the programme of minor irrigation at Rs 750 crores during the fourth Plan period. The Working Group recom-

mended outlays of Rs 425 crores through land development banks, Rs 100 crores each through central co-operative banks and commercial banks, Rs 75 crores through the Agricultural Refinance Corporation and Rs 50 crores through agro-industries corporations of the states.

The total cost of the minor irrigation works proposed to be taken up during the fourth Plan period is estimated at Rs 1,428 crores. This would be met to the extent of Rs 650 crores through institutional finance, Rs 476 crores through Plan funds and the balance of Rs 300 crores by cultivators from their own resources. In the draft fourth five year Plan—1969-74, agencywise break-up of Rs 650 crores of investment from the institutional sector is not given. In order to have a proper perspective of institutional finance, it is essential to examine the mechanism of loans advanced through these agencies.

Medium and Long Term Finance

The Agriculture Refinance Corporation is primarily a refinancing agency providing medium-term and long-term finance to eligible institutions for promoting the development of agriculture. The institutions which are eligible to borrow from the ARC are state co-operative banks, central land development banks and scheduled commercial banks which are its shareholders. The refinance facilities are provided by the ARC by way of subscription in the case of central land development banks and by way of loans in the case of state co-operative banks and scheduled banks.

The corporation provides refinance facilities for minor irrigation schemes for the construction of open wells and installation of tubewells, provided that such schemes are worked out for a compact area on a project basis in an integrated manner with assured inputs, technical aid and administrative and supervisory facilities from the state governments. It was thought desirable initially that such schemes should be formulated on the basis of detailed ground water surveys. However, detailed ground water surveys have not been carried out in several states, though they are under way at present. The corporation has, therefore, agreed, in order to avoid delay in the formulation of schemes, to accept a certificate from the appropriate technical department of the state government indicating the availability of adequate sub-soil water resources to support the proposed programme on the basis of investigation involving test borings or by means of a quick survey based on the performance of existing wells.

A number of important changes in regard to the policies and proce-

dures for sanction of refinance facilities for minor irrigation schemes by the ARC were made during 1968-69. The facilities offered to state governments to make a reduced contribution of not less than 10 per cent to the special development debentures to be floated by the central land development banks for financing minor irrigation schemes, as against a contribution of 25 per cent required from them under other types of schemes, which was due to expire on June 30, 1969, was extended up to June 30, 1970.

Refinance facilities which were made available to the land development banks in respect of loans provided by them to cultivators for keeping the amount as deposit with the electricity boards for obtaining electric connections for energising their wells were extended in the year 1968-69 to the scheduled commercial banks in respect of loans which they may advance to cultivators for this purpose. It was also decided that the conditions regarding the formulation of agricultural development schemes in compact areas might not be rigidly insisted upon in the case of advances by the scheduled commercial banks for the purchase of pumpsets, tractors and other requirements provided the banks take proper steps for adequate supervision over the utilisation of loans and ensure that the equipment purchased by the cultivators results in an increase in agricultural production.

Large Gap

Experience has shown that there is a large gap between refinance committed by the ARC and refinance drawn against it by state governments, land development banks, commercial banks, etc., due to delay on the part of state authorities and development banks in locating, investigating and formulating schemes. This indicates the necessity to develop the techniques in investigating and framing projects for reference to the corporation by state governments and primary landing agencies. In order to get full benefit of refinance facilities it is also necessary on the part of land development banks and commercial banks to set up the iron technical cells and strengthen their administrative and supervisory machinery.

The ARC, since its establishment in 1963, has sanctioned 233 schemes up to 1968-69, out of which 125 are minor irrigation schemes involving an outlay of Rs 116.85 crores.

There are 19 central land development banks in the country. All states, except Nagaland, have a central land development bank. Among the union territories, only Himachal Pradesh, Tripura and Pondicherry, have one

central land development bank each. These banks float ordinary debentures; till the end of 1963-64, the Reserve Bank of India used to contribute 20 per cent, the State Bank of India 10 per cent and some *ad hoc* contributions by the Life Insurance Corporation and the balance by the state co-operative banks. The contribution of commercial banks was quite nominal. Consequent on the directives of the World Bank to put restrictions on deficit financing, the contribution of the Reserve Bank of India and the State Bank of India to the ordinary debentures of the land development banks have been reduced, and now some definite amounts have been fixed for the purpose.

Government Assistance

In view of the reduction in the contribution of debentures by the RBI and the State Bank of India, the Government of India came forward to provide assistance of the order of Rs 9.80 crores for supporting the debenture issues of the banks during 1966-67. This was increased to Rs 15 crores in 1967-68 and 1968-69. What was more important from the banks' point of view, this assistance was also required to be matched by equal support from state governments in states where land development banking was more developed. In other states, the matching support was placed at two-thirds of the central contribution in 1967-68 and one-third of it in 1968-69. On the other hand, the share of the LIC, which was earlier only *ad hoc* has been raised. Private commercial banks formed another source from which land development banks began to receive substantial support from 1967-68, following the developments associated with social control and bank nationalisation.

Land development banks are advancing long-term loans for minor irrigation works purely on the security of the landed property. In certain states the evaluation of the landed property offered for mortgage as security for the loan is arrived at on the basis of the average of the sales statistics. In other states, the basis of evaluation of property to be mortgaged is related to a certain multiple of the land revenue of the land to be mortgaged. The existing method of evaluation of landed property does not reflect the true mortgage value of the land. Broad analysis of the loaning procedures of land development banks indicate that although the emphasis in the loaning programmes has been shifted to loaning for productive purposes, the procedure for determining the loan eligibility of the farmers is still more security-oriented rather than production-oriented. The loaning policies of the land development banks should,

therefore, progressively be oriented to production potential and repaying capacity generated by the investment. The existing procedure should be amended to enable the land development banks to extend large assistance to viable small farmers. Criteria for minimum viable units for investments such as tubewells, pumpsets, etc., may be fixed by the technical department concerned so that, on the basis of such norms, the land development banks could advance loans to the small farmers and phase the repayment programme of such farmers to suit their repaying capacity.

The Reserve Bank of India has been allocating funds for medium-term loans to be routed through the co-operative sector. Central co-operative banks give short as well as medium-term loans. Medium-term loans, in case of minor irrigation programme, are utilised for the schemes of wells, pumpsets, tubewells, etc. These funds, however, are not being fully utilised mainly due to the weakness of the banking structure and a lack of co-ordination. To get full advantage of the loaning capacity of the central co-operating banks, the programme of financing by these banks should be effectively co-ordinated by the state governments with that of land development banks.

Repaying Capacity

In order to relieve the pressure on long-term resources and to make greater use of medium term resources available to the central co-operative banks, the state governments and central co-operative banks should assess the repaying capacity of the cultivators and issue medium term loans through the central co-operative banks in all cases where cultivators had adequate capacity to repay the loans in three to five years' time. The loans and advances of land development banks should be confined to only that class of cultivators which is really in need of long-term loan. For the same type of works, it is desirable to extend relatively short period loans to the well-to-do farmers and long-term loan to the small farmers.

Commercial banks are coming up in a larger measure to contribute to the debentures of land development banks. The value of debentures purchased by them increased from Rs 0.93 crore in 1965-66 to Rs 23 crores in 1968-69 and will probably go up further to Rs 25 crores in 1969-70. Besides the indirect investment, commercial banks have also now been trying to initiate a process of direct loaning to cultivators for minor irrigation programmes in some areas.

Commercial banks have little experience in the field of financing agriculture

and will have, therefore, to make considerable effort to develop proper policies and procedures and recruit proper type of personnel. In view of the technological changes taking place in the agricultural sector, the problem of these banks will not end only by providing credit to farmers. The banks should also provide technical assistance and supervision of credit, so that farmers get more return from their produce.

The agro-industries corporations have so far been established in 15 states. The participation of the central government is limited to nearly half the share of the equity capital. Apart from supplying pumpsets on hire-purchase basis, some of the corporations have also extended their activities to ground water exploitation. This is another good step towards institutionalisation of credit made available to the farmers for minor irrigation works.

To augment the institutional resources for minor irrigation, the Rural Electrification Corporation, with a Plan provision of Rs 150 crores, has been set up in the public sector. The corporation would finance rural electrification schemes in progressive areas of states, subscribe to special rural electrification bonds to be issued by state electricity boards, and provide loans to the rural

electric co-operatives being set up in a few states.

The loaning programme for minor irrigation projects calls for careful planning and co-ordination as various agencies are involved at different levels. Experience has shown that implementation of minor irrigation schemes financed by institutional agencies could have been expedited if better co-ordination had been ensured. It is essential, therefore, to ensure that the available resources are allocated and utilised with maximum benefit. This requires systematic co-ordination among the various agencies concerned for achieving effective application of resources and utilisation of facilities and avoiding overlapping of efforts. This points to the need of having a national committee to ensure co-ordination between the financing agencies and the various technical departments of the state governments. The main tasks of the proposed committee will be to scrutinise and approve programmes, designate agencies which will provide finance and fix a realistic scale of finance for various types of investment in different areas to obviate any tendency towards over-financing, undertake studies for assessing the economic viability and technical feasibility of schemes and keep a general watch on the implementation of minor irrigation works.

Future of Salt Industry

S. K. DRAVID

THE YEAR 1951-52 was a landmark in the history of the salt industry in our country which attained self-sufficiency in this commodity in that year. During this period the import of salt was completely suspended and it was regulated under import and export regulations. We are now exporting salt to Nepal, Ceylon, etc. We can find good markets in south-east Asia as well as the eastern coast of Africa provided Indian salt can be exported there on a cheaper freight rate. Salt from Aden and Egypt offers keen competition to Indian salt on account of lesser freight shipments. The State Trading Corporation deals with export of salt. For securing large and regular markets abroad, salt should be of good quality and of high purity. To check up the quality at the time of export to foreign countries, the Government of India introduced pre-shipment inspection of salt so that only good quality could be exported. Today when we are short of foreign exchange, salt which is abundantly produced and can be produced in India, can play an important role in earning foreign exchange without effecting Indian markets.

Salt is used not only for human con-

sumption but also by industries in large quantities. The industrial potentialities of salt have not been adequately tapped in our country its use being largely confined to leather curing, meat packing and fish preservation. In other industrially advanced countries such as the USA, salt is consumed by industries in larger quantity—more than 75 per cent is used for industrial purposes. While in India hardly 30 per cent is used by industries. Pioneering efforts to demonstrate the industrial potentialities of salt were made in the country such as at Mithapur in Kathiawar, but such efforts were few.

The future of salt industry is largely dependent on quality. It is essential that the salt we manufacture should be of good quality and high purity. Good quality salt is necessary both for human consumption and industrial use. Even the bad and inferior quality of salt is unfit for preservation of fish and for agriculture. The various committees appointed from time to time laid great emphasis on the strict quality control for salt industry.

The presence of sodium chloride determines the quality of salt.

The higher the percentage of sodium chloride, the purer the salt is. Besides this, salt should be white and crystals too should be large, compact, uniform and solid. For table use, the finer the crystals, the better the quality of salt. Prior to independence, the British Government had not paid much attention towards the quality but mainly concentrated on the marketing of foreign salt and the collection of revenue. Also, no systematic records of analysis were kept either by the government or the manufacturers. In 1950, the Indian Standards Institution (ISI) fixed 96 per cent sodium chloride as the maximum standard for edible salt, which was to be attained in stages.

Revised Standards

In 1967, the ISI revised the standard to suit particular industries. Very pure grade of material is required for manufacture of hydrosulphite and optical brighteners. Therefore, they proposed two grades of common salt.

Grade I—suitable for the manufacture of hydrosulphite and optical brighteners or where a pure grade of the material is required. This should contain 99.5 per cent NaCl and grade II suitable for chemical industries in general—containing 98.5 per cent NaCl. Further, the institution also emphasised that packing of grade I material shall be supplied in polythene lined jute bags and grade II shall be packed in jute bags only when supplied in bulk.

In order to educate and help the manufacturers to improve the quality of salt and ensure that it conforms to the prescribed standard and is produced at a reasonable cost of production, a number of test laboratories has been set up in the country. Also model salt factories have been opened for demonstrating the layout of salt pans and the technique of manufacture. The first such factory was opened in Wadala in Bombay in 1951-52. Moreover, the Central Salt Research Institute was established at Bhavanagar in Gujarat in April, 1954 under the auspices of the Council of Scientific and Industrial Research. All problems connected with the production of salt and recovery of by-products are scientifically investigated at the institute.

Another important aspect of the salt industry is recovery of by-products. Several by-products can be recovered either from the mother liquor left after the separation of salt or in the course of salt production. The marine salt industry throws back into the sea millions of cubic feet of 'bitterns', the chemical-rich solution left over after the crystallisation of common salt. It is a source of many by-products which are

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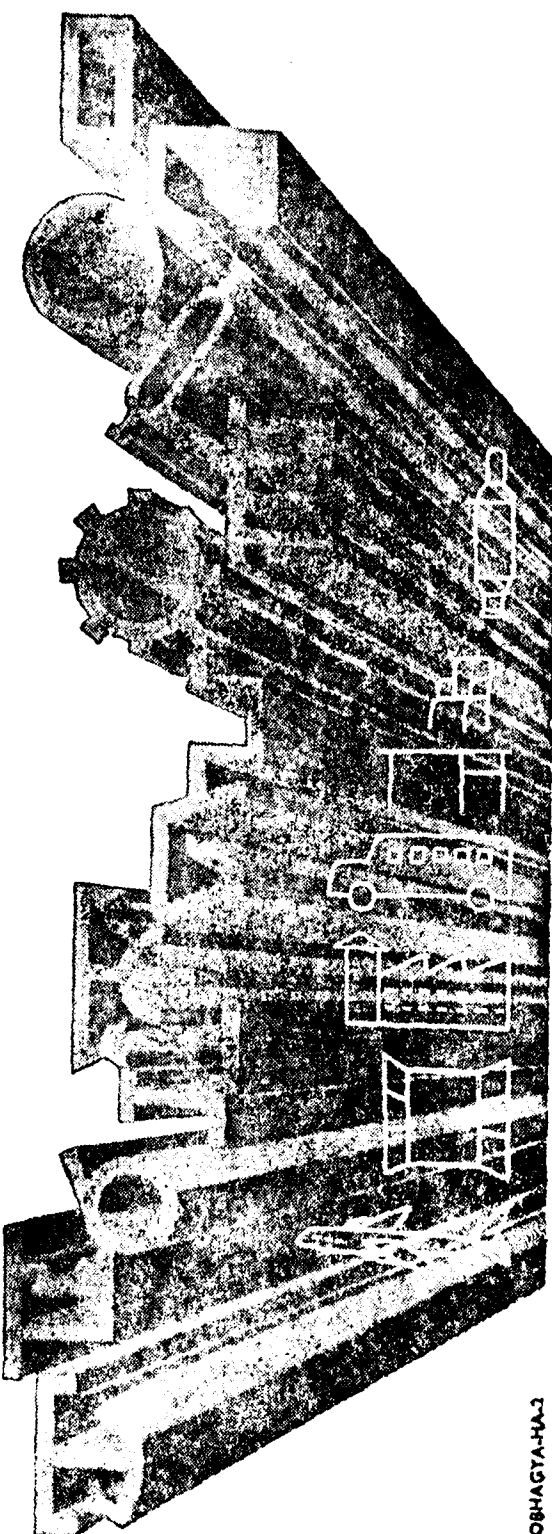
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important to industry; their exploitation will help not only to lower the cost of salt production but also to supply raw materials for chemical industries. It is possible to economically recover from sea and sub-soil brines magnesium sulphate (epsom salt) magnesium chloride (used in certain cement and wall plasters and as a raw material for the manufacture of magnesium metal) potassium chloride (an imported chemical useful as a fertilizer) and bromide (useful in the manufacture of dyes, insecticides, pharmaceuticals and photographic chemicals. From saline lakes, sodium carbonate (soda ash) and sodium bicarbonate can be recovered.

Unscientific Use

No systematic or scientific attempts have been made in our country to recover by-products. The Salt Experts Committee 1948 observed that "in America and in other parts of the world, the bitterns are utilised for the recovery of by-products. In India except at Mithapur, Kharaghoda and Dharangadhra no recovery of the by-products has been attempted and large quantities of useful salt, like magnesium sulphate, potassium chloride, sodium sulphate, calcium sulphate, magnesium chloride are consequently running to waste. A substantial portion of these salts goes back to the sea, but in some places (as in India these places are many) where there is not adequate removal of the bitterns, these salts soak into the crystallising pans and progressively lower the quality of the common salt manufactured".

The Central Salt Research Institute is making efforts to recover the by-products and for its economic exploitation. The institute has completed several important investigations on the process of recovery of by-products and its uses in various fields. A special effort should be made to recover these important by-products on a priority basis because this is one of the important items through which we can reduce the cost of production and check the present wastage of bitterns. On the other hand, it may also add to employment opportunities.

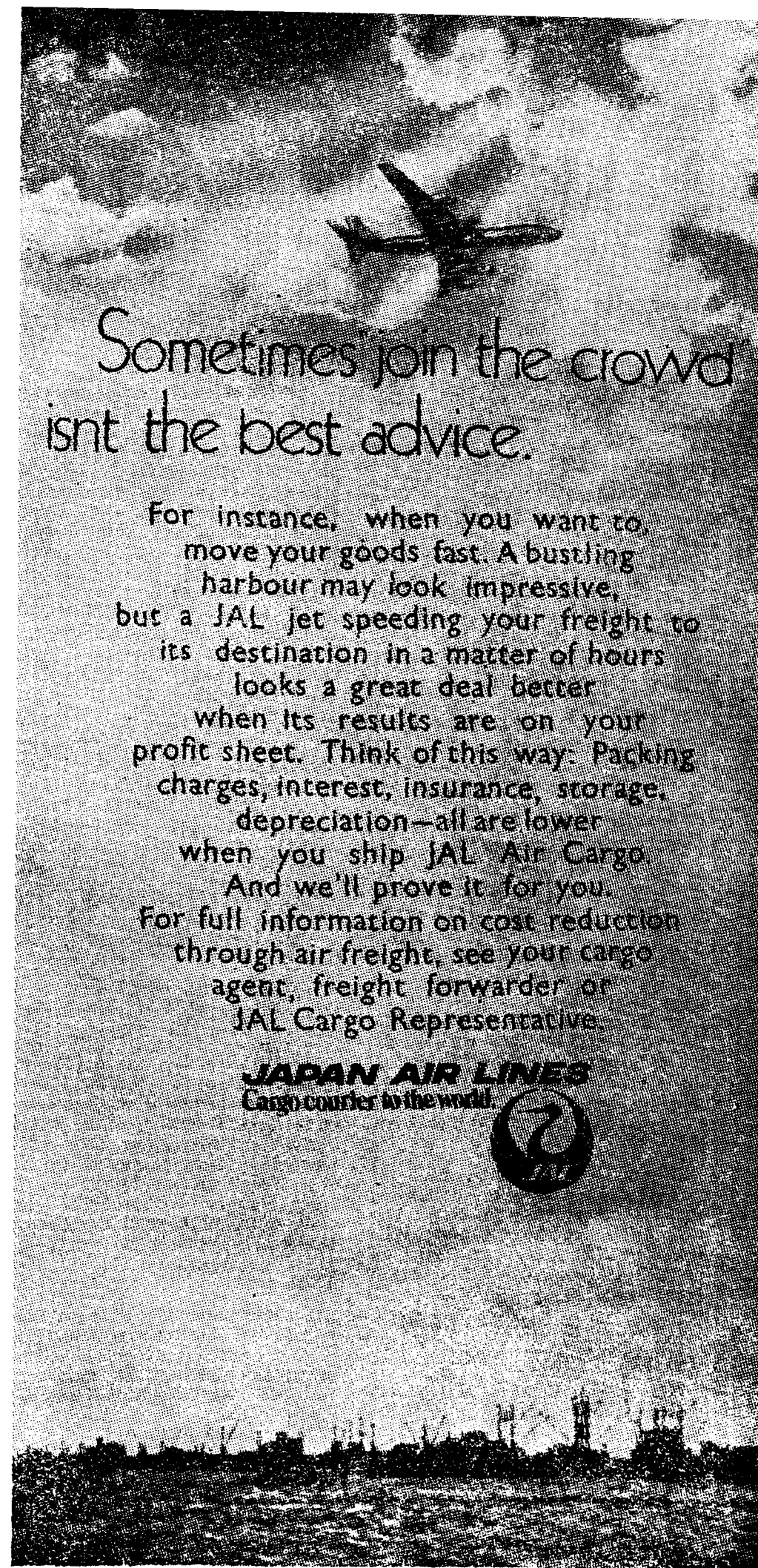
The public sector and large scale manufacturers should take the initiative in this field. Recovery of by-products requires technical know-how and big machinery which small holders cannot be expected to afford. The Salt Investigation Committee, 1958, also recommended that existing large scale salt manufacturers should be encouraged and pressed to recover by-products of salt particularly potassium chloride.

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WINDOW ON THE WORLD

The Russo-German Treaty

JOSSLEYN HENNESSY

I
TERMS OF THE TREATY

LONDON:

A TREATY of non-aggression and co-operation was signed in Moscow on August 12 by the West German Chancellor, Herr Brandt, and the Russian Prime Minister, Mr Kosygin.

Associated with the main treaty were an exchange of notes between the West German and Soviet governments about four-power responsibilities regarding Germany as a whole and Berlin, and a letter from the Federal German Republic on German unity, which was accepted by the Russians. Here is the text of the treaty and the substance of these communications:

The Treaty

The high contracting parties

Anxious to contribute to strengthening peace and security in Europe and the world;

Convinced that peaceful co-operation among states on the basis of the purposes and principles of the Charter of the United Nations complies with the ardent desire of nations and the general interests of peace;

Appreciating the fact that the agreed measures previously implemented by them, in particular the conclusion of the agreement of September 13, 1955, on the establishment of diplomatic relations, have created favourable conditions for important new steps destined to develop further and to strengthen their mutual relations;

Desiring to lend expression, in the form of a treaty, to their determination to improve and extend co-operation between them, including economic relations as well as scientific, technological and cultural contacts, in the interests of both states;

—have agreed as follows—

Article 1

The Federal Republic of Germany and the Union of Soviet Socialist Republics consider it an important objective of their policies to maintain international peace and achieve detente.

They affirm their endeavour to further the normalisation of the situation in Europe and the development of peace-

ful relations among all European states, and in so doing proceed from the actual situation existing in this region.

Article 2

The Federal Republic of Germany and the Union of Soviet Socialist Republics shall in their mutual relations, as well as in matters of ensuring European and international security, be guided by the purposes and principles embodied in the Charter of the United Nations. Accordingly they shall settle their disputes exclusively by peaceful means and undertake to refrain from the threat or use of force, pursuant to Article 2 of the Charter of the United Nations, in any matters affecting security in Europe or international security, as well as in their mutual relations.

Article 3

In accordance with the foregoing purposes and principles the Federal Republic of Germany and the Union of Soviet Socialist Republics share the realisation that peace can only be maintained in Europe if nobody disturbs the present frontiers.

They undertake to respect without restriction the territorial integrity of all states in Europe within their present frontiers;

They declare that they have no territorial claims against anybody nor will assert such claims in the future;

They regard today, and shall in the future regard, the frontiers of all states in Europe as inviolable such as they are on the date of signature of the present treaty, including the Oder-Neisse Line which forms the western frontier of the People's Republic of Poland and the frontier between the Federal Republic of Germany and the German Democratic Republic.

Article 4

The present treaty between the Federal Republic of Germany and the Union of Soviet Socialist Republics shall not affect any bilateral or multilateral treaties or arrangements previously concluded by them.

Article 5

The present treaty is subject to ratification and shall enter into force on the date of exchange of the instruments of

ratification which shall take place in Bonn.

II

BERLIN & GERMANY AS A WHOLE

On August 7 the West German government communicated to the governments of France, the United Kingdom and the United States assurances regarding the rights and responsibilities of these three countries (and of the Soviet Union) in regard to Germany as a whole and to Berlin. Here is the substance of this communication:

"The Federal Minister of Foreign Affairs declared to the Soviet Foreign Minister on August 6, 1970:

"The question of the rights of the four powers is in no way connected with the treaty which the Federal Republic of Germany and the Union of Soviet Socialist Republics intend to conclude and will not be affected by it".

The Foreign Minister of the Union of Soviet Socialist Republics thereupon made the following declaration:

"The question of the rights of the Four Powers was not the subject of negotiations with the Federal Republic of Germany. The Soviet government proceeded in the understanding that this question should not be discussed. Nor will the question of the rights of the four powers be affected by the treaty which the USSR and the Federal Republic of Germany intend to conclude. This is the position of the Soviet government regarding this question."

German Unity

The West German Government's letter on this subject presented to the Russian government reads as follows:

"In connection with today's signature of the treaty between the Federal Republic of Germany and the Union of Soviet Socialist Republics, the Government of the Federal Republic of Germany has the honour to state that this treaty does not conflict with the political objective of the Federal Republic of Germany to work for a state of peace in Europe in which the German nation will recover its unity in free self-determination."

The exchange of advantages as set out in the treaty might be barely stated as, for the West Germans, implicit renunciation by the Soviet Union of its claim to special rights of intervention in West Germany under Articles 53 and 107 of the United Nations Charter; and, for the Russians, explicit recognition by the Federal German Government of the 'inviolability' of the existing frontiers of eastern Europe. But of course the significance of the

treaty goes beyond these legal points.

The treaty is the first concrete step taken to put relations between West Germany and Russia on a normal footing, and this 25 years after the end of the Second World War. It opens up the possibility of an increasing normalisation of relations between West Germany and other nations of the eastern bloc. It has increased the possibility of achieving an agreement between the four powers on access to Berlin. Indeed the West Germans have made it clear that they will not ratify the treaty until an agreement on guaranteeing the access routes to West Berlin from the west and improving communications between the two halves of the city is in sight. Speaking in Scotland on August 29, the British Secretary of State for Foreign and Commonwealth Affairs, Sir Alec Douglas-Home, welcomed the signing of the treaty:

"There is a new opportunity for flexibility between east and west in Europe. The German Chancellor has called the treaty... the end of an era and the beginning... It could be a long step in the direction of normal relations between Germany and all her neighbours. If that can be achieved the way will indeed be opened to a new era of more constructive co-existence, an era in which some of the resources that Europe now has to spend to protect itself against the threat of military force could be diverted to more useful purposes.

Much will depend on whether the Soviet Union intends to give a true meaning to detente: for example in their policies towards Berlin, and whether or not they are prepared to contemplate a balanced reduction of the panoply of forces and weapons which they keep arrayed between themselves and us".

The governments of both the United States and France have also welcomed the agreement. Nonetheless, both in the opposition Christian Democratic party in West Germany and in sections of opinion elsewhere in the western world, there has not been unqualified approval. It is not alarmist to accept as a fact that the Soviet government is pursuing a consistent policy directed towards strengthening its own position and weakening the strength and cohesion of the west. And however much the present treaty may be welcomed as a breakthrough in the process of detente, and however much we all may protest that it does not weaken in any way West Germany's loyalty to the western alliance, there is bound to be unease in some quarters that present developments may eventually lead to strains on the alliance. One French political commentator has observed

that 'this treaty contains serious risks as against its satisfactory aspects. Among the risks one must remember that an entente between Germany and Russia has always had bad results. And that, on the other hand, the Soviet position in Europe has been considerably reinforced by the German concessions'.

There must also be a fear among some French people that West Germany may move towards the role which France has hitherto considered to be hers, namely to be the bridge between western Europe and Russia. In this way the critics could argue that the agreement raises a distant question-mark over the Franco-German reconciliation which, as Sir Alec Douglas-Home pointed out in the debate on the Queen's Speech on July 6, was the one event in Europe in the post-war period which has transcended all others, and upon which the European Economic Community is founded.

East Germany Ditched

Nevertheless when all is said and done, all the concessions have not been made by the west. The Soviet Union made no bones about ditching the interests of the East German regime in that the Federal Republic of Germany makes no formal recognition of the German Democratic Republic.

Nor have the Poles or anyone else secured the 'immutability' of the Oder-Neisse Line. 'Inviolability' is one thing, and a natural thing, to figure in a treaty of non-aggression. But it is not 'immutability'. Other countries of eastern Europe are somewhat put out at this demonstration of Russian concern for her own interests; and perhaps to counter these misgivings, in a speech at Alma-Ata on August 28, Mr Brezhnev, the General Secretary of the Politbureau, went out of his way to insist that the treaty was 'a result of the joint policy of Socialist countries that are parties to the Warsaw Treaty'. Moreover the Russian government evidently thought it incumbent upon them, or at least politically wise, to give some explanation of the treaty to their fellow members of the Warsaw Pact, for they called a meeting of the Political Consultative Committee of the Pact at Moscow on August 20, following which it was stated only that 'the delegations of the allied states showed high appreciation of the significance of the treaty between the USSR and the Federal Republic of Germany'.

III

HERR BRANDT'S POSITION

The West German Chancellor, Herr Willy Brandt, has had to contend with some opposition to his policies — notably of course from the opposition Chris-

tian Democratic Union — but he seems assured of continued backing from his own party and probably the majority of public opinion in the federal republic. Nevertheless, he took the opportunity of a flying visit to West Berlin on September 6 to emphasise the positive side of the treaty. He declared that the treaty had improved the chances of a solution of Berlin's problems. These problems included guarantees for economic, financial and legal ties between West Berlin and the federal republic; free land access to West Berlin; freedom for West Berliners to visit relatives in East Berlin and East Germany; and the representation of West Berlin's interests in the world. He told trade unionists that he was sure that most Germans supported his policy of actively securing peace with the east and that it was completely untrue that Bonn's agreement with Moscow was harmful to western unity and might endanger America's partnership with Europe. There were no German plans to quit the western defence alliance and the European Community.

Other Negotiations with the East

With the Russo-German Treaty signed, what are the prospects for the other discussions between east and west?

As regards Berlin, the next round of talks between representatives of the four powers was scheduled to open on September 30 and it should soon become possible to form some estimate of a development, if any, in the Russians' attitude. The talks between the federal government and Poland, originally due to resume on September 8, have been postponed at the instance of the federal republic and are now due to resume at a level of deputy foreign ministers this month. The biggest problem will be to find a mutually acceptable formula about the Oder-Neisse Line, because the phrase used in Article 3 of the Russian treaty (see above) is unsatisfactory in the Polish view. As for the renewal of contacts with eastern Germany following the high level exploratory meetings at Erfurt in March and at Kassel in May, this is more doubtful. There is no sign that the East Germans have budged from their insistence on full recognition by the federal republic, and although the East Germans may feel that the Russians have somewhat let them down they are unlikely to change their stand even if a treaty between Bonn and Poland is signed and they thus were to find themselves rather isolated.

Apart from these political developments, it is probable that the signature of the treaty between Russia and West Germany will lead to other agreements which will have the effect of

increasing trade between West Germany and the eastern bloc and the increased provision of western technology and capital to the east. But the touchstone of the eastern countries' sincerity must always remain their attitude towards political questions — their willingness to consider mutual and balanced reductions, in their armed forces, their willingness to discuss how the Brezhnev Doctrine can be reconciled with the freedom and sovereignty of individual states, their willingness to desist from propaganda against the federal republic

New Era in World Trade

E. B. BROOK

VIENNA:

THE AGREEMENT on a generalized system of preferences under which fully industrialized states will provide tariff advantages to manufactured goods from industrially developing countries has been reached, after arguments for over six years, at a time when the major industrial groups are arguing and threatening vigorously among themselves.

The UNCTAD scheme met a cold reception when it was first put forward in Geneva in 1964 by Dr Paul Prebisch but it was endorsed by the second UNCTAD conference in New Delhi four years later. Tardy international recognition of the fact that industrially developing countries have even more need of foreign exchange earnings and commercial growth than the rest of the world has enabled groups of industrially developed states — the Common Market, EFTA, the Scandinavian group as well as the USA and the UK — to put forward a dozen sets of offers, all of which exclude textiles from the benefits. The new preferences, also, will be controlled by safeguard mechanisms in the importing countries which have reserved the right to amend or withdraw items on their offer lists.

While this agreement provides a cautiously encouraging start for what is hoped will be a second "development decade" in the '70s the note of caution and reserve is still strong. The agreement comes into force next year for a 10-year trial run with an annual review by the UNCTAD committee of 100 states on its working. It is a distinct advance in the flexibility of international commercial attitudes, a welcome break from current trends to increased grouping under cover of protectionist safeguards and a more realistic appreciation both of the needs and possibilities of industrially developing areas in Asia, Africa and South America.

This agreement in the UNCTAD committee contrasts favourably with current attitudes in Washington, Brus-

lic on the theme of German revanchisme, their willingness to desist from blatant attempts to break up the cohesion and strength of the western alliance, their willingness to proceed in good faith to a reasonable agreement in the SALT talks, their willingness to pursue in good faith their initial helpful attitude towards the American initiative for a ceasefire in West Asia and the reactivation of the mission of reconciliation of Dr Jarring, the representative of the Secretary General of the UN.

sels and Tokyo but is only a small part of the world trade pattern which threatens to be the reverse of relaxation unless more long-sighted counsels prevail. There is some evidence that, under threat of hurtful retaliation, such counsels may win greater influence.

The crux of the matter is the growing volume of Japanese imports to the USA. Like most success stories, the saga of Japanese exports rouses less enthusiasm in its main target areas than elsewhere. In the United States, which takes up to one-third of total Japanese exports, their steady growth (over 60 per cent in three years to a total of 4.9 billion dollars) has produced alarm and a threat of restrictions. This restriction could not be an exclusively US-Japanese affair because, under conventional international trade rules, protective measures must not discriminate among countries. For this reason, US tariff or quota restrictions would apply not only to the commercially aggressive Japanese, but to the only slightly aggressive Common Market, to EFTA, Britain and all other exporters except to a minority enjoying special concessions.

The threat of some US measures to protect, especially, its textile industries has been clear for the past two years, ever since President Nixon's election campaign when he promised this industry help. It was a promise that set in motion a reversal of 35 years of increasingly liberal trade by the USA.

The resultant Trade Bill that has emerged from the US Senate Ways and Means Committee provides for quotas on textiles (other than cotton products covered by GATT agreements with low-wage textile-exporting countries) and footwear. These quotas would limit imports into the USA to the average levels of 1967 to 1969 with a further growth rate not exceeding 5 per cent per year. The proposal appears to be more wide-ranging than the US administration finds acceptable, especially as regards imports of footwear, but the proposed retaliation on textile

imports from the Far East is fully supported.

The US Senate Committee's proposal to impose quotas is a breach of GATT agreements and regulations. Their danger lies in the fact that they might set a precedent which future US administrations might find it difficult to avoid following and developing. The USA has hardly ever given quota protection to its industries before; the manufacturers are far less insistent on protection by quotas than is US labour, not least in the automobile industry, and the prospect of American labour exerting pressure for quotas against imports is neither remote nor insignificant.

At the moment, the Japanese — who refused in June to agree to voluntary curbs on their exports of textiles and footwear unless all other exporters to the US did likewise — give signs of taking a slightly softer line. Their Minister of International Trade and Industry has expressed hopes that some voluntary agreement might be worked out with Washington and it is possible that when the Japanese Prime Minister met President Nixon about October 22 he may have been able to discuss a new proposal more acceptable to the Americans.

The Japanese are able to argue that their year's trading will end with a deficit of some 400 million US dollars, that import prices have gone up about 3½ per cent and that Japan's economic growth rate next year will probably fall to about 9 per cent from its present level of nearly 13 per cent. The Japanese are also nervous about the Common Market's attitude. They are seeking in Paris abandonment of the existing escape clause against Japanese goods in the bilateral Franco-Japanese agreement and to persuade the French to avoid inserting a similar clause in the agreement being worked out between the Common Market and Japan.

Unlike the Japanese in their most recent attitude to the US proposals, the Common Market and Britain are threatening to adopt a retaliatory attitude to US trade if quotas are imposed. This week Herr Dahrendorf, Common Market's member for external relations, is in Washington with a list of politically-sensitive American exports against which the Market is considering hitting back. Both the Market and Britain hope to get the US Trade Bill delayed so that the effects of an expected growth in the American trade balance can be felt.

The future of reasonableness in world commerce appears to lie at the moment at the discretion of the Japanese textile industry but international discussions in Geneva on the GATT plan may influence both them and the governments concerned in the dispute.

The moving finger writes

BY THE merest chance I have come across a delectable tale of Jawaharlal Nehru's views on women being given political office. The story relates to the time when Mr Brahm Perkash was chief minister in Delhi and Dr Sushila Nayar was one of his colleagues in the ministry. It appears that Mr Brahm Perkash was having problems with Dr Nayar and that a certain local politician happened to mention the chief minister's difficulties to the then Prime Minister of India — whereupon Jawaharlal Nehru reportedly shrugged his shoulders and recalled that he had advised Mr Brahm Perkash against appointing Dr Nayar as a minister. Nehru, naturally, was asked why he had done so and his reply, which came promptly enough, was that he did not think it wise to give a woman a ministership since, when the time came to get rid of her, it could be done only by giving her a yet higher office. Well, Mrs Indira Gandhi is already Prime Minister and seeing what Mr V.V. Giri has made of the presidency, there just is not any higher office in the country than the prime ministership to tempt Mrs Gandhi with. The more is the pity.

Last week I suggested in these columns that President Nixon's decision to resume the sale of military hardware to Pakistan could possibly be linked to the emerging political collaboration between the party of the Prime Minister and the Communist Party of India and the general growth of Soviet influence in the councils of the central government. I am further tempted to think that this growth of Soviet influence may also explain Peking's recent gestures indicating a desire for a thaw in Indo-Chinese relations. I would be the last man, of course, to be in a hurry to make much of these gestures, but assuming that communist China has at last decided that the time has come for a reappraisal of its attitude towards our country, the possibility that the government of the USSR may be strengthening its ties with our government would clearly provide substantial ground for Peking wanting to counter the further advance of Soviet diplomacy in Indian politics.

There is also the fact that, while the meeting of minds between Moscow and New Delhi is encouraging and facilitating political collaboration between the Prime Minister's party and the CPI to the greater advantage of the latter, the hostile relations between China

and our country have placed the CPM at a disadvantage in functioning as a national party since it is so obviously vulnerable to the charge of extra-territorial loyalties. It is not impossible that the strategists of the CPM, who are obviously alarmed at the coming together of the Prime Minister's party and the CPI, have pleaded with their mentors in Peking that the CPM has no chance of survival unless Indo-Chinese relations change for the better thereby enabling the CPM to compete with the CPI on less unequal terms in our domestic politics. I therefore hazard this suggestion, for what it is worth, that Peking may currently be thinking along the lines that unless it moves to reconstruct its diplomatic relations with the Government of India on more or less friendly terms, it may well lose the ideological and political footing it has gained in this country through the CPM. If all this is true, it could be argued that the Prime Minister's policy of cultivating the Soviet Union and collaborating with the CPI seems to have had the effect of both provoking Mr Nixon to get tough with us and persuading Mr Mao Tse Tung to become soft with us. Whether, thereby, India has gained or lost on balance is a question which surely needs to be carefully considered.

The Prime Minister said recently that she was not over-keen on making speeches, but she had to make them since she had to refute or correct false or inaccurate reports which her opponents persist in spreading against her or the policies of her government. If this is true, I wonder why Mrs Gandhi has gone to New York for the UN's 25th anniversary and plans to make a speech there. Surely, this cannot be for the purpose of refuting whatever allegations or charges Mr Nijalingappa and company may be making against her. Or, is it contended that the member-governments of the UN have also been doing false propaganda about our Prime Minister, making it necessary for her to use the UN platform to counter the mischief? May I suggest that Mrs Gandhi has gone to the UN for the simple reason that her ego does not permit her to stay away from the limelight which such a ceremonious occasion as a special anniversary of the world body would provide? It is true that Mr Kosygin is not attending the UN function, nor is Mr Trudeau of Canada, but that need not discourage Mrs Gandhi.

There will still be a crowd there after all.

Talking of the UN's 25th anniversary, it is undeniable that there is very little genuine enthusiasm anywhere for this occasion. One very considerable reason for this, I suggest, is the personality and performance of the present Secretary-General. The man has been an inglorious failure for each and every day of all the days he has held this office. Part of the explanation for this, of course, is U Thant's personal inadequacy, but blame must also rest on his top aides who have transformed the UN secretariat into the world's most wooden bureaucracy. The officials of the UN, it is claimed, are a special race of international civil servants. In my view, they are only a pack of mules and, like the mule, without pride of ancestry or pleasure of progeny. They are truly the eunuchs of the world community and it is no credit to them that they claim that they do not consider themselves as belonging to any particular country. There must be very few countries indeed which do not reciprocate the sentiment. It may not be irrelevant to mention here that, some time ago, when an official functioning close to the Secretary-General thought that he might have to quit — it was being said then that U Thant might resign —, he (the official) was reported to be talking about settling in London which, incidentally, was not a city in the land of his birth.

The Orissa government's cottage industries' emporium in Connaught Place, which sells tickets for the lottery run by the state government, has this sign-board: "Step in and try your luck". Hardly an advertisement for the other goods which the emporium has to sell.

Now for what may well be the most memorable 'quote' of the seventies. Miss Leila Khaled, according to a Reuter report, observed at a press conference in Beirut: "It was not just a normal hijacking. It was more like capturing a military camp than hijacking a civilian plane." The italics are mine and needless to say I admire Miss Khaled's use of the adjective 'normal'. Her complaint was that half of the passengers were armed with pistols and that they used them.

V.B.

Trade Winds

INDIA AND SDRs

ALTHOUGH AS a result of mounting imports and faltering exports, we have had a trade deficit of as much as Rs 131.47 crores during the first five months of the current financial year, our foreign exchange reserves and the balance of payments position is deemed to be quite strong. In recognition of this, the International Monetary Fund (IMF) has chosen our country for the second successive quarter to contribute towards the Special Drawing Rights (SDRs) scheme. We are required to provide during the October-December period convertible currencies to the SDR pool to the extent of \$14 million. A similar amount was provided by us to this pool during the July-September quarter. The actual utilisation of the convertible currencies provided by us to the SDR pool during the July-September quarter, however, amounted to not more than \$1.5 million. Ours is one of the 25 countries which have been called upon by the IMF to contribute to the SDR pool during the October-December quarter.

The IMF chief, Mr Paul-Pierre Schweitzer, who disclosed the above at a press conference here last week, paid high tributes to our economic growth. He expressed the view that our country was well poised for a sustained progress in agriculture and industry. Referring to the question of exchange rates, Mr Schweitzer pointed out that the IMF's executive directors had not yet reached any consensus on various proposals which were before them in this connection. There was, however, a general feeling that the present system was sound and that stable exchange rates should be maintained. All the extreme proposals, Mr Schweitzer added, were ruled out, but certain more modest suggestions, such as slight widening of margins, were being considered. In considering these suggestions, Mr Schweitzer assured, the impact which they would have on the developing countries would be borne in mind.

GENERALISED PREFERENCES

The UNCTAD's Special Committee on Preferences, meeting in Geneva early this month, adopted on October 12, a scheme of generalised preferences to be accorded by the developed countries to the products of the developing nations. The scheme has since been approved by the Trade and Development

Board of UNCTAD. It now goes before the UN General Assembly for ratification during its current session at New York.

The scheme approved at Geneva by the Special Committee and the Trade and Development Board embodies the "agreed conclusions" arrived at earlier at informal discussions between the developed nations. Broadly, it is in two parts. Under the first part, the developing countries will be allowed to export to the developed nations their agricultural and industrial products either duty-free or at a low rate of duty. There will be no exceptions to this. Under the second part, some products of the developing nations will be subject to certain quota restrictions in the markets of the developed countries. While the countries belonging to the European Economic Community specifically favoured some quota restrictions, countries like the United States expressed the view that, although they would not impose any ceiling or quota on the products of the developing countries, they would like to have a list of exceptions. They also wanted the right to impose restrictions whenever excessive imports from the developing countries sought to cause disruption in their domestic markets. The scheme also envisages special treatment for the products of the least developing countries.

The above arrangements will be in force initially for 10 years. They will be subject to review from time to time.

As the scheme is to be ratified by individual countries on self-election basis, it is hoped that it will be introduced in stages during the next financial year. There is likelihood of varying concessions being given by the developed nations under this scheme in the initial stages depending on their specific problems.

One of the important issues which has not yet been resolved is the question of "reverse preferences"—the preferences enjoyed by developed countries in the markets of the developing nations. This issue is proposed to be sorted out through further consultations among the countries concerned (see details in the Records and Statistics section).

The east European countries (excepting Rumania, which is a preference-receiving country) have also indicated in a declaration that they would foster imports from the developing countries in more or less the same manner in which the other developed nations

would be doing under the above generalised scheme of preferences.

ASIAN ADVERTISERS' MEET

The seventh Asian Advertisers' Congress, to be held in New Delhi from November 18 to 20, will be considering various topics considered crucial for the development of advertising in this region. These include advertising research, training of advertising professionals, use of media for reaching rural markets, etc. The theme of the Congress is "Advertising and the Emerging Markets of Asia". Nearly 900 delegates from Asian markets are expected to take part in the Congress which has been sponsored by the Indian Society of Advertisers, the Advertising Agencies' Association of India, the Indian and Eastern Newspaper Society and the Indian Language Newspapers Association. It will be inaugurated by President Giri. This is the first time this Congress is being held in India. The earlier sessions of the Congress were held at Tokyo, Manila, Hong Kong, Taipei and Kuala Lumpur.

FOREIGN TRADE IN AUGUST

Exports in August 1970 amounted to Rs 127.00 crores and imports Rs 154.73 crores, recording an adverse trade of balance of Rs 27.73 crores. The table below shows the trade statistics for August 1970 as compared to August 1969:

	(Rs crores)	
	August 1970	August 1969
Exports (Including re-export)	127.00	126.46
Imports	154.73	147.13
Balance of trade (—)	27.73	(—) 20.67

The cumulative figures for April-August 1970 as compared to the same period last year are as follows:

	(Rs crores)	
	April-August 1970	April-August 1969
Exports (including re-exports)	558.83	580.90
Imports	690.30	653.55
Balance of trade (—)	131.47	(—) 72.65

TRADE WITH POLAND

Following the talks between an Indian trade delegation led by Chowdhary Ram Sewak, Deputy Minister of Foreign Trade and the Polish delegation led by Mr Ryszard Strzelecki, Vice-Minister of Foreign Trade, a trade protocol for 1971 was signed recently in Warsaw. The protocol

envisages increased import into this country from Poland of tractors and components, fertilisers, sulphur, steel products, newsprint and refractory materials.

This country will export to Poland, among other items, increased quantities of iron ore, tanned and finished leather, railway wagons, textile machinery, auto ancillaries, chemicals, pharmaceuticals and other engineering and consumer goods.

EXPORT OF BEARINGS

The National Engineering Industries, a private sector concern of Jipur, will supply roller bearings and axle boxes worth Rs 3.50 crores to Yugoslavia under an agreement signed between India and Yugoslavia for the export of 36,000 wagons. The supplies will be made through the State Trading Corporation. A spokesman of the company indicated that this was the largest single export order secured by this country for supply of roller bearings and axle boxes.

DELEGATION FROM PHILIPPINES

The high-level delegation from the Philippines came to this country recently. After the first round of talks with the union ministers and senior officials of the government it went to Bombay. The delegation, led by Mr Alejandro Melchor Jr., Executive Secretary to the President of Philippines, came on a fortnight's visit to this country. It called on the President and had discussions with the Minister of Irrigation and Power, Deputy Chairman of the Planning Commission and Chairman of the Railway Board besides visiting Rajghat, Fedders Lloyds at Kalkaji and Okhla Industrial Estate.

The delegation, after its return from Bombay called on the Prime Minister and had discussions with the ministers of Communications, Finance, Foreign Trade and External Affairs. Exports from the country to Philippines were worth Rs 175 lakhs in 1969-70 and imports from Philippines amounted to Rs 79 lakhs. The main items of India's exports to the Philippines are jute manufactures, base metals, machinery other than electric, transport equipment, shellac, metal manufactures etc. India's imports comprise rice, hemp and Manila fibre. Other members of the delegation are: Mrs Rosario P. Melchor, Attorney; Ronaldo B. Zamora, Special Assistant in the Office of the President; Mr Pedrito V. Villa, Special Assistant in the Office of the President; Major Jose Almonte, Member, Presidential Economic Staff; Mr Cancio, Industrialist; Mr Gernimo Z. Velasco, Chairman of the Philippine

National Electrification Administration; and Mrs Erlinda Velasco.

GOVERNMENT LOANS

The central government's two new loans for Rs 125 crores which opened for subscription on October 15, were closed within two hours of their opening on being fully subscribed. The loans in the second phase of the centre's borrowing programme for the current year were a short-term issue of seven years, 4-1/2 per cent 1977, and a re-issue of the 5-1/2 per cent 30-year loan aggregating to a total of Rs 125 crores. In the first phase the government issued a 5-1/2 per cent 30-year loan for an aggregate sum of Rs 275 crores in April last. The loan was fully subscribed.

MAHARASHTRA BONDS

The Maharashtra State Financial Corporation proposes to issue bonds of the face value of Rs 2.50 crores at issue price of Rs 99.75 per bond of Rs 100 with interest at six per cent per annum and repayable at par at the end of 12 years. The subscription for the bonds was open from October 20 to 23, both days included. The entire issue had been guaranteed by the Government of Maharashtra for the repayment of principal and payment of interest. The bonds will be treated as trustee securities under the Indian Trust Act, 1882, and also approved securities for the purpose of the Insurance Act, 1938, and the Banking Regulation Act, 1949.

PUBLIC SECTOR

Public sector undertakings under the Ministry of Petroleum, and Chemicals and Mines & Metals have been asked to send proposals by the end of this year about the ancillary industries that can be developed to meet their requirements or to use their products. Each enterprise will analyse productive activity and review to what extent these activities have been entrusted to ancillary units. It will also identify new areas suitable for ancillary units. The subject had come up for discussion at the meeting of the heads of public undertakings under this ministry recently. Dr Triguna Sen drew the attention of the heads of undertakings also to the lack of adequate delegation of powers down the organisational rung which sometimes resulted in lack of initiative and sense of personal responsibility among the personnel. The meeting felt that the board of management of each undertaking should examine the existing decentralisation of powers and organisation for supervision to see where further delegation of powers was needed in the interest of efficient functioning of the undertaking. The under-

takings were also asked by Dr Triguna Sen to send notes in the next three months about their requirements for the training of personnel and also the facilities that they had for the purpose. On receipt of this information it would be considered whether integrated training schemes could be drawn up.

COMMITTEE ON FUEL

The union government has set up a high level committee to formulate a long-term fuel policy. The committee will undertake a survey of fuel resources and the regional pattern for their distribution; study the current trends in exploitation and use of fuels; and, estimate prospective demand by sectors (in particular the transport industry, power generation industry and domestic fuel) and by regions. It will also study the efficiency in the use of fuel and recommend the outline of a national fuel policy for the next fifteen years; a pattern of consumption and measures, fiscal and otherwise, which would help the best use of available resources; and the measures and agencies to promote the optimum efficient use of fuel. The committee, will be headed by Mr R. Venkataraman, Member (Industry), Planning Commission, and will have Mr M. Dutta Chowdhury, Professor of Transport Economics, Delhi School of Economics, Delhi; Vice President, Central Water & Power Commission, New Delhi; Dr M.G. Krishna, Director, Indian Institute of Petroleum, Dehra Dun; Dr A. Lahiri, Director, Central Fuel Research Institute, Dhanbad; Mr R. Lall, Managing Director, Bengal Coal Company Ltd, Calcutta; Mr B.S. Negi, Member (Exploration), Oil & Natural Gas Commission; Dr Kriti Parik Director, Programme Analysis Group, Atomic Energy Commission, Bombay; Dr B. Ramamurti, Statistician; Mr K. Vaidyanathan, Additional Member (Mechanical), Railway Board, New Delhi; and Mr Rasiklal Wohra, President, Indian Colliery Owners Association, as members. The committee has been asked to submit its report to the Government of India (Ministry of Petroleum & Chemicals and Mines & Metal within a period of one year).

The government has been considering for some time past the question of formulating a long term fuel policy. The Energy Survey Committee, in its 1965 report, found that our energy resources are adequate but not abundant. They recommended that it was desirable to keep under review the trends in energy consumption as circumstances change. The energy consumption pattern indicates a growing dependence on liquid fuels although indigenous coal resources are available

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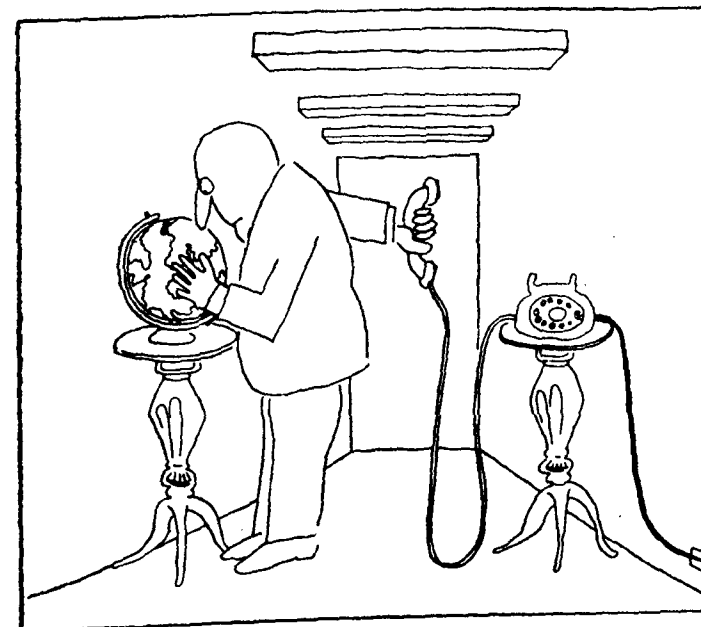
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in abundance. It is considered necessary to evaluate all the available fuel resources in the country with a view to optimise utilisation of the same.

The present pattern of fuel consumption (in terms of million tonnes of coal) is: Coal 70; lignite 2.5; oil 84; hydro-power 15; cowdung 20; firewood 135 and vegetable waste 32. The total energy requirement at present are estimates at 360 million tonnes of coal.

PETROLEUM DELEGATION

A delegation of officers of Indian Oil Corporation recently visited several countries to establish sources of supply of certain petroleum products which might fall short of this country's requirements in 1971. Present trends indicate that there might be a shortfall in furnace oil and a marginal deficit of kerosene in the country. The delegation contacted a number of parties abroad and explored the possibility of obtain-

ing deficit products at competitive prices. The corporation is currently engaged in determining the precise volume of imports that might have to be made to meet the country's requirements. It is also understood that offers received from several parties are being processed by the corporation. The corporation hopes to finalise the imports of petroleum products before the end of the year.

NAMES IN THE NEWS

Following Mr Bhaskar Menon's transfer to London, he relinquishes his present position as Managing Director of the Gramophone Co. of India Ltd on October 1, 1970, whilst continuing as Chairman of the Board from that date. With effect from that day the executive management of the company will be vested in Mr A.A. Warren and Mr V.P. Aghoram who are appointed Joint General Managers directly reporting to the Chairman.

Mr Warren will be responsible for Technical, Production, Personnel and Purchasing operations, and Mr Aghoram for Financial, Commercial and Administration operations. With effect from September 1, 1970, Mr S.B. Jain has been appointed as Commercial Manager of the company.

Mr S. Krishnamoorthy, Assistant General Foreman, roll turning shop of Bhilai Steel Plant has accomplished a unique feat on the import substitution front by developing a novel way of reclamation of scrapped straightening rings of the roller straightening machine by weld deposition. By his process the quality of the ring is also improved. Roller straightening machine is a vital equipment of the rail finishing section and contributes about ten per cent direct improvement in the quality of rails by eliminating defects like curves, waviness etc. which are inherent in the process of rail manufacture.

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5-3/4% BONDS 1982

PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL GUARANTEED BY THE GOVERNMENT OF INDIA

AMOUNT OF ISSUE : Rs. 4,50,00,000

Issue Price : Rs. 100.00 per cent

REDEEMABLE AT PAR ON 9TH NOVEMBER, 1982.

The Bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act, and are also eligible for grant of advances to Scheduled Banks by the Reserve Bank of India. They are on the approved list of securities of the State Bank of India. They are also eligible for investment of the accumulations of the Provident Funds, exempted as well as non-exempted.

Subscriptions will be received in cash or by cheque at the branches of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Kanpur, Madras and New Delhi from Monday, the 9th November, 1970 but the list will be closed without notice as soon as the total subscriptions amount to Rs. 4.50 crores, and in any case, not later than the close of business on Thursday, the 12th November, 1970. The Corporation reserves the right to retain subscriptions received upto 10% in excess of the sum of Rs. 4.50 crores.

The Bonds will have a currency of 12 years, and will be repaid at par on the 9th November, 1982. They will bear interest at the rate of 5-3/4% per annum from the 9th November, 1970. Interest will be payable half-yearly on the 9th May and 9th November, and will be subject to tax under the Income Tax Act, 1961.

Copies of the prospectus and application forms can be had from the Office of the Reserve Bank of India as also from the Head Office of the Corporation at Burmah-Shell House (Annexe II), Connaught Circus, New Delhi-1, its branches at Mehta Mahal, 5th Floor, 15-Matthew Road, Post Box No. 3928, Bombay-4, 4-Mango Lane, 2nd Floor, Post Box No. 2483, Calcutta-1 and Raji-Building, 3rd Floor, 147-Mount Road, Post Box No. 1080, Madras-6 and also from the Delhi Division at No. 5, Parliament Street (Jeevan Tara Building), New Delhi-1.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerage will be paid at the rate of six paise per Rs. 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds bearing their stamp.

NEW DELHI,
Dated 3rd Oct., 1970.

C.D. KHANNA
CHAIRMAN

davp 70/417



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Company Affairs

MYSORE PAPER

MR I. P. MALLAPPA, Chairman and Managing Director of the Mysore Paper Mills Ltd, told the shareholders at the recently held annual general meeting that total production of the company during the year ended March 31, 1970, increased by more than 10 per cent over the previous year and stood around 23,600 tonnes as against 21,300 tonnes a year before. Consequently, turnover increased by 15 per cent touching a figure of Rs 4.52 crores. He indicated that the company was able to clear the arrears of depreciation for the years 1967-68 and 1968-69 and could provide to a substantial extent for the year 1969-70. Mr Mallappa stated that the company had already repaid Rs 124 lakhs against the total borrowings of Rs 336 lakhs. With the payment of two more instalments falling due in November 1970 and May 1971, the first loan of Rs 104 lakhs from the Industrial Credit and Investment Corporation of India will have been fully cleared. Even the cash credits from the State Bank of Mysore and Canara Banking Corporation had been substantially reduced over the years. Along with the reduction of liabilities, the chairman stated efforts had been made to improve the operational efficiency of the company. The increased production of 10 per cent had been achieved at minimum operational expenses, he added. The only noticeable increase in expenditure was on power and fuel.

Mr Mallappa pointed out that demand for paper has been increasing in this country while production has not been catching up with it. Under the present circumstances considerable care has to be taken to ensure the equitable distribution of available stocks. He expressed satisfaction over the fact that the union government had recently set up a paper corporation to tackle the problem of production. The management of Mysore Paper also, he added, had been thinking of expansion and the fact that the most economic unit for the production of paper was with a capacity of 150 to 200 tonnes a day would be kept in consideration. He also talked about the position of raw materials which was not very satisfactory. The company has been largely dependent on bamboo the supply of which has been receding away from the factory site involving increasing transport expenses. It might be possible

he added, that the company might be forced to explore the possibility of alternative sources of raw material and this matter was to be considered before any expansion programme could be formulated.

DEPRO FOODS!

Depro Foods Ltd proposes to enter the capital market shortly with a public issue of Rs 12.25 lakhs comprising 72,500 equity shares of Rs 10 each and 5,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each. The entire public issue has been underwritten. The company has authorised capital of Rs 25 lakhs (Rs 19 lakhs in equity and Rs 6 lakhs in preference shares). Incorporated in July 1969 as private limited company and converted as public limited company in January 1970, the company proposes to set up near Sonapat (Haryana state) a vegetable dehydration plant with the technical collaboration of Technoexport of Bulgaria. The company has been granted the necessary import licence for the import of the plant. Construction of the factory building is already in progress and the plant is expected to commence commercial production by June 1971. The capital outlay on the project is estimated at Rs 36.88 lakhs, which will be met by share capital (Rs 19.50 lakhs), from Haryana Financial Corporation and deferred payment arrangement with Technoexport. According to Mr M.H.P. Byramji, chairman of the company, the plant should achieve a turnover of Rs 45 lakhs in the first year of operation to be raised to Rs 75 lakhs at the plant's full capacity. The company's products are to be supplied mainly to the defence department.

HINDUSTAN GARMENTS

Hindustan Garments Ltd, Delhi, will shortly enter the capital market with a public issue of Rs 15 lakhs in equity shares of Rs 10 each at par. Sponsored by the Narang group, the company has entered into a collaboration agreement with Van Heusen, the well-known garment manufacturers of Europe, for the manufacture of garments in this country. The capital outlay on the project is estimated at Rs 45 lakhs and the company will use over 50,000 metres of cloth a month. Giving this information at a news conference in Bombay recently, Mr Kuldip Raj Narang, Managing Director of the

Narang group, stated that the plant would go into production in March 1971. The plant and machinery for the project has already arrived and will be installed soon. The installed capacity is 3,000 shirts a day and on full production the turnover will be of the order of Rs 3.5 crores. The company hopes to attain the installed capacity within a year from the date of commissioning the plant. The company has an obligation to export 10 per cent of its production and will have to pay a royalty of 3.5 per cent on exports. Otherwise, no royalty is involved in domestic sales. The product mix of the factory will not only extend to the entire range of garments from shirts and suits to hosiery but also sophisticated footwear. The garment factory will be a part of an industrial complex covering an area of six acres near New Delhi.

GLAXO

The working of Glaxo Laboratories Ltd during the year ended June 30, 1970, has resulted in a gross profit of Rs 4.28 crores compared to Rs 5.13 crores in the previous year despite a rise in sales to Rs 26.91 crores from Rs 24.40 crores. After providing Rs 41.96 lakhs for depreciation, Rs 2.31 crores for taxation and Rs 5 lakhs for development rebate reserve, the net profit amounts to Rs 149.95 lakhs. Total equity dividend has been maintained at 14 per cent which will absorb Rs 94.50 lakhs.

SUNEETA VITAMINS

Suneeta Vitamins and Fine Chemicals Ltd will enter the capital market in about two months' time with a public issue of Rs 75 lakhs, comprising an equity capital of Rs 50 lakhs and preference capital of Rs 25 lakhs to finance its vitamin 'C' project which is being set up at Indore, Madhya Pradesh. The company's authorised capital would be Rs 1.25 crores. The plant will have a capacity of 125 tonnes a year. The company has made an application to the Controller of Capital Issues and is awaiting sanction. The Madhya Pradesh government is also expected to participate in the venture. The company has acquired 15 acres of land and the plant is expected to go into production in about 18 months. This will be the second plant in the private sector to produce vitamin 'C' from indigenous raw materials. Established in the year 1963, Suneeta laboratories has built up a capacity to produce 250 tonnes of a wide range of basic drugs. Its well equipped research and development centre inaugurated earlier this year is geared to develop many new processes of manufacture. It has also the unique distinction of being the first in the field to export

nicotinic acid and niacinamide. The value of the initial order is \$ 37,000 and will go up to \$ 225,000 provided the company is assured of the required quantity of raw materials.

JUBILEE MILLS

The directors of the Jubilee Mills Ltd have proposed to issue bonus shares in the ratio of one new share for every share held. They have also proposed to maintain the equity dividend at Rs 2 per share of Rs 10 each for the year ended June 30, 1970. The bonus issue will mean a capitalisation of Rs 20 lakhs from the general reserve. The company has reported improved working during the year, with a gross profit of Rs 28 lakhs compared to Rs 17.38 lakhs in the previous year. After providing Rs 8.81 lakhs for depreciation, Rs 2.25 lakhs for development rebate reserve and Rs 8.60 lakhs for taxation, the net profit works out to Rs 8.34 lakhs. After bringing in Rs 4,718 from the previous year, the amount available for disposal is around Rs 8.34 lakhs. The directors have proposed to transfer Rs 8.30 lakhs to the general reserve from which dividends will be paid.

HINDUSTAN DOWIDAT

Hindustan Dowidat Tools Ltd has recorded a setback with its working for the year ended March 31, 1970, resulting in a smaller gross profit of Rs 2.19 lakhs compared to Rs 6.27 lakhs for the previous year despite an increase in sales to Rs 77.53 lakhs from Rs 68.91 lakhs. The directors have proposed to skip equity dividend for the year. The report for the year states that the company's production rose during the year by about 32 per cent. They attribute the decline in profitability during the past four years to the increased cost of raw materials, but feel that the prospects for the current year are good. The company has already installed new machines to increase production and widen the range of its products.

CROMPTON GREAVES

Crompton Greaves Ltd has shown a gross profit of Rs 2.92 crores for the year ended June 30, 1970, against Rs 2.75 crores in the previous year. Sales however, increased from Rs 20.31 crores to Rs 26.71 crores. The directors have stated that there was a steep rise in costs especially of materials. Prices ruling during the year for plant products, particularly transformers were not satisfactory. After providing Rs 43 lakhs for depreciation, Rs 14.6 lakhs for development rebate reserve and Rs 3 lakhs for doubtful debts reserve, the entire net profit of Rs 2.32 crores has been transferred to general reserve which now stands at Rs 4.04 crores.

Tax estimated at Rs 93 lakhs will be paid out of general reserve when due. The directors have proposed an equity dividend of 10 per cent absorbing Rs 48 lakhs on the enlarged capital following the three for five bonus issue during the year. The equity dividend of 15 per cent in the previous year absorbed Rs 44.5 lakhs.

GOLDEN TOBACCO

Golden Tobacco Company Ltd would soon enter the capital market with its offer of equity shares to the public. The company's Managing Director, Mr Pratap Narsee, told the newsmen in Bombay that the company is setting up a new factory at Baroda, which is likely to go into production before the end of 1971. The company would require funds to finance the production and other activities connected with it. The details of the issue to the public are being worked out.

SCINDIA STEAM NAVIGATION

The motor ship 'Jalamayur' was delivered to the Scindia Steam Navigation Co. Ltd, Bombay, by the builders Messrs VEB Warnowwerft, Warnemunde, GDR on October 9, 1970. This is the second of the eight vessels ordered by Scindias for construction by the yard. The 'Jalamayur' is a sister ship to MV 'Jalamani' which was delivered by the yard on April, 24, 1970 and has since been employed in company's overseas trade. This ship, a 13,600 tonner, is a fast 18 knot cargo liner propelled by MAN supercharged diesel engine. It is intended for transportation of general cargo and industrial equipment and grain in bulk. Its special features include provision for carriage of ISO containers, vegetable oil in bulk and over 21,000 cu. ft of refrigerated cargo.

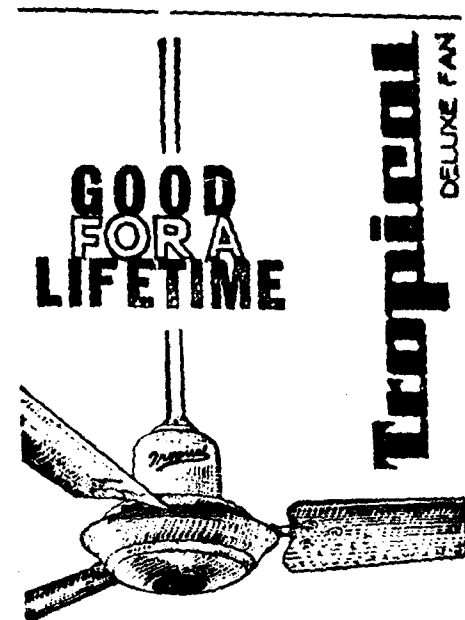
SHIPPING CORPORATION

With the delivery of MV "Barauni", the second giant bulk carrier of 85,000 DWT in Yugoslavia on October 10, 1970, the Shipping Corporation has crossed 1.25 million DWT. The SCI now owns a fleet of 76 vessels. The carrier MV "Barauni" is the second in the series of three bulk carriers ordered by the corporation with Uljanik Shipyard of Pula, Yugoslavia. MV "Barauni" built to the most modern specifications and with a GRT of 46,000 has a service speed of 16 knots. It has a capacity of 38,43,520 cu. ft. for carrying bulk cargoes. The vessel is fitted with MAN engine and has an entirely airconditioned accommodation for 77 persons. The vessel has all modern amenities for the crew such as showing of films, large swimming pool, recreation rooms etc. MV "Barauni" has been chartered to M/s Yamashita-Shinnihon

of Tokyo for a period of two years. During this period the vessel is expected to earn a foreign exchange amounting to over Rs 5 crores. MV "Bailadila", the third and the last in this series of giant bulk carriers, is expected to be delivered to SCI in February, 1971. In addition to this vessel the Corporation has on order 28 more vessels with various shipyards in this country and abroad which will enable the Shipping Corporation to cross two million DWT mark by 1975.

GAMMON INDIA

Gammon India Ltd has reported that during the year ended March 1970, the gross profit was around Rs 42.22 lakhs against Rs 26.62 lakhs in the previous year. Its turnover has gone up from Rs 5.85 crores to Rs 6.20 crores. The directors have however passed over the dividend for the fourth year in succession. After providing Rs 31.12 lakhs for depreciation, Rs 0.37 lakhs for development rebate and Rs 11 lakhs for taxation the net loss amounts to Rs 0.27 lakhs. Adding thereto the loss of Rs 4.31 lakhs brought in the total loss amounts to Rs 4.58 lakhs and is being carried forward to next account. At the close of the year the amount of work not brought into account totalled Rs 17.82 crores. Since then the company has secured further orders worth Rs 1.92 crores.



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INDIAN INDUSTRIES GUIDE

(5th enlarged and revised edition)

Foreword: Hon'ble D. Sanjivayya, Minister for Labour & Employment, Government of India.

Preface: Prof. A.R. Wadia, Padma Bhushan, B.A. (Cantab), D. Litt., Bar-at-law, ex M.P., President, Indian Council of Management Executives.

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- * H. M. Ghosh, M.A., Labour Commissioner, West Bengal.
- * H. N. Trivedi, J.P., Chairman, Standing Committee, Bombay Municipal Corporation.
- * Dr. Anand Prakash, M.A., LL.B., B.Sc., (Econ.) (Lond.), Ph. D. (Lond.), Bar-at-Law.
- * E. V. Ram Reddy, M.A., LL.M., I.A.S., former Central Provident Fund Commissioner, Government of India.
- * V. N. Rajan, B.A., (Hons.), (Cantab), I.C.S., (Retd.), former Director General Employees' State Insurance Corp., Government of India.
- * R.G. Gokhale, B. Com., J.P., Retd. Labour Officer, Mill Owners Association.
- * K.R. Wazkar, M.A., LL.B., Registrar, Industrial Court.
- * Pran Nath, M.A., LL.B. Advocate, Punjab High Court.
- * Dr. B. S. Bhargava, M.A., Ph. D., LL.B., Advocate, Supreme Court.
- * G.B. Pai, M.A., B.L., Advocate Supreme Court.
- * Dr. M.V. Moorthy, B.A. (Hons.), Ph. D., Head of Dept. of Sociology & Social Work, Andhra University.
- * Prof. M. N. Sharma, M.S.W., LL.B., former Lecturer, Udaipur School of Social Work.
- * Prof. K. Kumar, M.A., M.S.W., LL.B., Lecturer in Labour Welfare & Personnel Management, Delhi School of Social Work, Delhi University.
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Readers' Roundtable

CONFUSED IN KERALA

Sir,

I have read the editorial, "Confused in Kerala", in *Eastern Economist* of September 25.

My attempt is not to refute your argument in the article, but to place before you matters as an eye-witness.

Years ago, the National Congress was the only strong party in Kerala. Now it stands disintegrated.

Kerala has a very high density of population and the concomitant unemployment and poverty have been responsible for the problems of the state. The Congress, which came into power as a single major party in Kerala at first, was proud that it was the largest single party in the state and that it could never be defeated at the polls. In its pride, it miserably failed to solve the problems of the common man. Other political parties, more particularly the Communist Party, taking advantage of this situation, promised to the electorate equal opportunity, good living conditions, employment for all and liberation from the exploitation of the wealthy. Taken in by these false promises, the electorate voted the Communists to power. But the disillusionment soon set in and the Communists were thrown out. These happenings, however, failed to teach the Congress a lesson; it still lived in a land of pride and dreams. By that time, the Muslim League in Kerala had grown up, assuming a position that they are the deciding factor in many constituencies. The Congress refused to realise this fact. It rather tried to shut its eyes to facts and started calling the Muslim League "the dead horse". Communists were, again, shrewd enough to take advantage of the situation. They entered into an alliance with the Muslim League. Almost all other parties, opposing the Congress, arrived at an electoral understanding. The result was that the Congress was routed at the polls. A coalition government took shape in Kerala under Marxist leadership.

We now see that there are no stable

political parties any where in India and Kerala is the worst in this respect. All the major parties as also the smaller ones have split themselves. A number of new parties have also sprung up in Kerala. As a result, no single party is in a position of majority in the assembly.

The major prevailing 'thoughts'—I don't call them parties—we now find in Kerala are : (1) Socialistic "thoughts" and Marxist "thoughts". The parties align themselves at polls under these two "thoughts". But the primary aim of most parties is only to ascend to power, and their adherence to socialistic thoughts or Marxist thoughts is only skin deep. This is the basic reason for the failure of ministries after ministries in Kerala. If the electorate can successfully eliminate the 'power-mongers', Kerala can expect a stable ministry to come into existence. It is, however, patent that, as things stand, at least half a dozen parties should enter into an electoral alliance to win majority seats. Since I have divided the political "thoughts" in Kerala into two groups, it is easy to conclude which parties can align together in each group.

It is a naked fact that all religious groups in Kerala are communal, big and large. Some of them, however, are wholly communal. Needless to say that, such parties should be kept aloof at all costs. To my mind, Muslims in Kerala are not as communal, as Muslims in other states. One must understand that there is no "Muslim Pani" and "Hindu Pani" in Kerala. All of us move like brothers. I wish earnestly that other states must realise this difference, when they look at the Muslims League in Kerala. If the Congress is shy of taking the Muslim League into its fold, the other group will always be ready to welcome it. But it will be morally difficult for the Muslim League to go into the Marxist camp since Islam predominantly holds high the socialistic ideals and muslims believe in God.

It may be a fact that the ruling Congress has secured seats beyond the

expectation of everybody. But it is also a pertinent fact, that if the ruling Congress were to contest the elections all alone, without having alliances with the other parties like the Muslim League, the CPI, the RSP, and the PSP, it would not have secured a single seat in Kerala. Therefore, there is no room for the ruling Congress in Kerala to lift its nose and feel proud of its election success. If it forgets these facts and feels proud of its success and were to decide to contest alone in the next general elections, the ruling Congress in Kerala will be buried once for all, never to revive again.

From the substance of this letter one can understand, how parties for the next elections can align themselves and how decisive the position of the Muslim League will be in Kerala. Out of the two schools of thought, one can never discard the Muslim League, calling them as "dead horse" or a "communal party" as far as Kerala is concerned. I hope the all-India leadership will understand this.

I wish the people of India, and particularly of Kerala, will realise and face the facts as they are and rise to the occasion properly so that they can assure a bright "tomorrow" for Kerala.

Yours etc.,
CRYIL L. ISAAH

NEERVELI (KERALA).

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Notice is hereby given that The Board of Directors of this Company at a meeting held in Calcutta on 12th October, 1970, have declared payment of an Interim Dividend on the Company's Preference Stock for the year ending on 31st March, 1971, at the rate of £3% gross. Payment will be made on 9th December, 1970 after deduction of appropriate Indian Income Tax to those Stockholders whose names are registered in the Company's Stock Register on 4th November, 1970.

Applications for transfers received in this office before 12 o'clock noon on Wednesday, the 4th November, 1970, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend.

Victoria House
Calcutta, the 12th October, 1970.

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COMPANY MEETING



Dr. S. M. Patil

Gentlemen

It gives me great pleasure in presenting to you the Seventeenth Annual Report of the Board of Directors on the business and operations of our Company and the financial accounts for the year ended March 31, 1970.

HMT in the Indian Economy

As is well-known, the progress of the machine tool industry—the industry that makes machines which make other machines—has been very fast. Since 1951, the agricultural production has been expanding at the annual rate of 3 percent, industrial production at the annual rate of 6 percent and the production of engineering industries at the annual rate of 12 percent. Against these rates, the annual rate of increase of output of the machine tool industry has been still higher, at about 20 percent. Thus, the machine tool industry has been the spearhead of the Indian economic development.

Right from the beginning, our Company has been occupying the foremost position in the machine tool industry in the country. With its five units spread over in four States, our Company not only accounts for nearly half of the indigenous production of machine tools but has been all along playing the role of a pioneer, continually mastering new skills of the most sophisticated type and putting them into practice.

While assessing the past performance and the future prospects of our Company, it is well to emphasise that its prosperity is linked with the prosperity of the machine tool industry in its

entirety, which in turn is closely linked with that of the engineering industries.

In this context, please allow me to take this opportunity to share with you my thoughts about the recent trends and the future prospects of the machine tool industry in particular and the engineering industries in general.

Barring the few recent years, the HMT has all along been a star performer in the public sector and the economy as a whole. Hence, the setback which the Company suffered, due largely to factors beyond its control, has come as a shock to many within and without the Company. It is, therefore, necessary to look at the changing fortunes of the Company in a wider perspective.

Engineering Industries

Growth of the engineering industries till 1966 was very vigorous. As a result, the machine tool industry also experienced a truly tempestuous growth. Then in 1966 and 1967 came the years of recession which put a heavy pall of gloom over the entire engineering industry in general and the machine tool industry in particular. According to the composite index of production of engineering industries, the output of these industries declined drastically by one-fourth between March 1965 and October 1967. This was the worst period of nightmarish recession from which the engineering industries suffered. However, in the subsequent period, in tune with the general improvement in the Indian economy, the output of the engineering industries regained the pre-recession level by January 1969. This raised high hopes of a rapid forward march of the industry. But thereafter, the output of the engineering industries

HINDUSTAN MACHINE TOOLS LIMITED

Statement of the Chairman

Dr S. M. Patil

Following is the statement delivered by Dr S. M. Patil, Chairman and Managing Director, at the Seventeenth Annual General Meeting held in Bangalore, on the 25th September, 1970.

has not recorded any vigorous improvement. The average composite index of the engineering industries for the first eleven months of 1969-70 was only around five percent higher when compared with the corresponding period of 1968-69.

Machine Tool Industry

During this period of recession, following the general trends in the engineering industries, there was a drop in the demand for machine tools. The output had to be curtailed correspondingly. The idle capacity in the machine tool industry assumed a serious magnitude.

The index of production of machine tools (Base: 1960-61=100) which stood at 370.5 in 1966, recorded a sharp decline of 13 percent in 1967 and a further fall of 19 percent in 1968. However, from the level of 261.0 in 1968, the index of production of machine tools registered a nominal increase of one percent to 263.8. It is clear that even in 1969, the machine tool industry had still not recovered from the impact of recession.

In this context of the trends in the machine tool industry as a whole, the performance of our Company should be most encouraging. After the drop in the year 1967-68, our Company was able to regain its pre-recession production level in the subsequent years and the level of production of machine tools in 1969-70 stood at Rs. 13 crores.

The year under report was the first year of the Fourth Five Year Plan. In the Fourth Plan document, the Planning Commission has indicated that the production of machine tools in the organised sector should increase from

Rs. 24.7 crores in 1968-69 to Rs. 65.0 crores in 1973-74. The increase envisaged in the entire Fourth Plan period hence works out at 163 percent, which implies an average compound growth rate of 21 percent per annum. However, the growth rate realised by the Indian Machine Tool as a whole during 1969-70 appears to have been much below this target. As against this there was an increase of 16 percent in the production of machine tools by our Company during 1969-70 as compared to the previous year.

Import Substitution

The stagnation in production was due primarily to the stagnation in the demand for machine tools. Investment in the engineering industries has been going up but not at a tempo which can lift the demand for machine tools sharply. In the early fifties, India imported nine-tenths of the machine tool requirements of the economy; domestic production met only the remaining one-tenth of the needs. Today indigenous production meets about half of the domestic demand and the other half is imported. The imports are confined to highly sophisticated and automatic machine tools that cannot be produced economically within this country.

As mentioned earlier, under the Fourth Plan the production target for machine tools has been fixed at Rs. 65 crores. Even if this fairly high production target is reached, India would be able to meet only three-fourths of its requirements of machine tools and the remaining one-fourth would have to be imported. Nevertheless, part of expenditure of foreign exchange on such imports could be recovered by exports of machine tools.

Export Performance

The performance of the machine tool industry on the export front has improved considerably during 1969-70. The export of machine tools, small tools and accessories have more than doubled to Rs. 186 lakhs in 1968-69 from Rs. 67 lakhs in 1967-68. At Rs. 251 lakhs, the exports of machine tools during the first eleven months of 1969-70, marked a further sharp rise of 77 percent over the corresponding period last year.

An interesting feature of this export drive is that India has been able to penetrate into the machine tool markets of some of the advanced countries like Australia, Canada, U.S.A., U.K. and West Germany which have a strong tradition of advanced technology and

high precision. The acceptance of our machines by these countries, speaks volumes about the high quality of machines we in India are producing today.

In view of the high labour costs in the Western countries, manufacturers of machine tools over there are gradually withdrawing from the manufacture of certain types of machine tools. This has opened new possibilities of expanding exports of machine tools from India.

Commensurate with its position in the machine tool industry, our Company was able to command nearly a 40 percent share in India's exports of machine tools during 1969-70. Further, the rate of increase of the exports in respect of our Company was much higher than the export target for either the country as a whole or the engineering industries.

Prospects for 1970-71

An indicator of great significance for the engineering industry is the 'absorption of capital goods in the Indian economy' which is the sum of domestic production and imports of such goods. Absorption of capital goods in the Indian economy rose from Rs. 1,700 crores in 1966-67 to Rs. 1,800 crores in 1969-70. This rate of recovery of investment was admittedly too slow. But with a succession of good monsoon, green revolution in agriculture and the step-up in annual plan outlay, we are now poised for a further rise in the tempo of investment activity in the economy. All indicators of likely tempo of investment activity in the immediate future such as industrial licences issued, consents for capital issued and funds raised from the capital market, etc. are moving up very encouragingly. For example, as much as Rs. 46 crores were raised in the capital market during the first seven months of 1970 against Rs. 21 crores only during the corresponding period last year.

If the monsoon behaves well in coming months, we are likely to reap the fourth good harvest in succession in the agricultural year 1970-71. This will give a further impetus to the investment activity in the country.

The demand for consumer durables like sewing machines, household electrical gadgets, fans, cars, scooters, etc., is increasing fast. The demand for industrial machinery, trucks, electric motors, diesel oil engines, other electric equipments, tractors, earth-moving machinery and equipment,

etc. has been rising and is likely to continue to rise. Anticipating a continued and steady improvement in the inflow of orders at the same level, our Marketing Department has estimated that during the year 1970-71, our Company should be able to book orders for machine tools worth Rs. 18 crores including export orders worth Rs. 2 crores.

Prospects for the Fourth Plan

In line with the targets laid down in the Fourth Plan, the Company has drawn its own plans for expansion and diversifications during the Fourth Plan period. In the field of wrist watches, our Company is planning some new and pioneering ventures namely, setting up the II Unit in Bangalore to produce automatic wrist watches and establishing a III Unit in Kashmir.

Turning to machine tools, we are trying to raise the output level of the Company from Rs. 11 crores in 1968-69 to Rs. 25 crores in or about 1973-74. It should be noted that most of this increase of output would be in respect of highly sophisticated machine tools which would be produced for the first time in the country by our Company.

This expansion and diversification is so planned as to ensure increasing degree of utilisation of the idle capacity in various units of the Company.

Mastering New Technologies

As is well-known, producing a wrist watch or a machine tool is something qualitatively different from producing sugar or cement. In producing a wrist watch or a machine tool, the main input is not the raw material but technology and skills. It is not enough to install capital equipment; one has to make further heavy investment in terms of money, time and effort to train, from scratch, hundreds of skilled workers and technicians who can handle the sophisticated equipment and manufacture new sophisticated products with the highest internationally accepted standards of quality and precision. I would like to emphasise that it is in this respect that the HMT has made its greatest contribution to the nation.

From this it further follows that the real capital assets of our Company are not those showing in our balance sheets in terms of conventional accounting system. It is our dedicated and competent staff of skilled workers which constitute our real capital. If our Company our has some achievements of which it can be proud,

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the credit of these achievements belongs entirely to this technical and skilled labour force.

Employees

At this point I would like to say a couple of words to the employees of the HMT at all its units.

The recent increase in the wages and salaries of the employees has put considerable strain on the finances of the Company. I must also admit that this has been causing me some worry. But then taking a broad view, I say to myself, it is the employees who produce and it is they who should have the reward. But having said this, I would like to impress a basic fact of life on all the employees: whatever we spend has to be earned, if we are to continue as a viable unit. The Company has given the wage increases beyond the limits of its financial capacity; and hence the loss in this year. I earnestly hope that all our employees will understand that their fortunes and their prosperity are inextricably linked with the fortunes and prospects of the Company. I, therefore, appeal to all our employees to put in still harder work and raise their productivity so that the recent wage-and-salary increase becomes fully justified through re-emergence of profits in our accounts from 1970-71 onwards.

I take this opportunity to thank and appreciate the services rendered by the employees of our Company with the sense of dedication and service to our country.

I would like to conclude my statement with a word of praise for our customers, both in the home market and abroad, for their confidence in our products and their continued patronage, for our Collaborators and Agents both in the home market and abroad, for their whole-hearted co-operation, as also for officials of the Government of India and the State Governments for extending their continuous support and prompt help in the day-to-day operations of the Company.

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

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Breakthrough in World Commercial Relations

A HISTORIC step was taken in Geneva on October 12, 1970, when UNCTAD's Special Committee on Preferences adopted several agreed conclusions designed to lead to the establishment next year of a general system of preferences to be accorded by the developed nations to the products of the developing countries on a non-reciprocal basis. Following is the text of the report of the committee. This report has since been adopted by the Trade and Development Board of UNCTAD. It has now been forwarded to the UN General Assembly for adoption at its current session.

Special Committee on Preferences

(1) Recalls that in its resolution 21(II), the Conference at its second session recognized the unanimous agreement in favour of the early establishment of a mutually acceptable system of generalised non-reciprocal, non-discriminatory preferences which would be beneficial to the developing countries;

(2) Further recalls the agreement that the objectives of the generalised, non-reciprocal, non-discriminatory system of preferences in favour of the developing countries, including special measures in favour of the least developed among the developing countries, should be:

- (a) to increase their export earnings;
- (b) to promote their industrialisation;
- (c) to accelerate their rates of economic growth;

(3) Welcomes with appreciation the submissions by the developed market economy countries which should be read in conjunction with the submissions of November 1969. These submissions represent an important success in the efforts and endeavours in UNCTAD in order to put generalised preferences into operation and an important element in the fulfilment of the aims and objectives of resolution 21(II) mentioned above and in the international strategy for development in the 1970's.

(4) Welcomes with appreciation the joint Declaration of several socialist countries of eastern Europe, as supplemented and clarified in their individual statements, which constitute a useful and positive contribution in the light of the objectives of resolution 21(II)

(5) Notes the expectations of developing countries regarding the general

system of preferences as expressed in the relevant parts of the Charter of Algiers.

(6) Notes the observations, suggestions, and requests made by the developing countries on the submissions of the developed market economy countries during the consultations which have taken place in the Special Committee, and in particular those contained in the report on its fourth session; and notes also that some of the suggestions and requests have been taken into account in the revised submissions.

(7) Notes also the explanations given by the prospective preference-giving countries on their submissions and their statements that they will, as far as possible, take into account the observations, suggestions and requests of the developing countries, including those of the least developed among them.

(8) Considers that efforts for further improvements should be pursued in a dynamic context in the light of the objectives of resolution 21(II).

(9) Recognises that these preferential arrangements are mutually acceptable and represent a co-operative effort which has resulted from the detailed and intensive consultations between the developed and developing countries which have taken place in UNCTAD. This co-operation will continue to be reflected in the consultations which will take place in the future in connection with the periodic reviews of the system and its operation.

(10) Notes the determination of the prospective preference-giving countries to seek as rapidly as possible the necessary legislative or other sanction with the aim of implementing the preferential arrangements as early as possible in 1971.

(11) Recommends that the Trade and Development Board at its forthcoming special session adopts the Report of the Special Committee on its fourth session, takes note of these conclusions, approves the institutional arrangements proposed in section VIII and takes a decision on the appropriate UNCTAD body referred to in that section. The recommendation has been approved by the Trade and Development Board. It has

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been submitted to the UN General Assembly for adoption.

Reverse Preferences

The Special Committee notes that consistent with Conference resolution 21(II) there is agreement with the objective that in principle all developing countries should participate as beneficiaries from the outset. Notes that the attainment of this objective, in relation to the question of reverse preferences, which remains to be resolved, will require further consultations between the parties directly concerned. These consultations should be pursued as a matter of urgency with a view to finding solutions before the implementation of the schemes. The Secretary-General of UNCTAD will assist in these consultations with the agreement of the governments concerned.

Developing countries which will be sharing their existing tariff advantages in some developed countries as the result of the introduction of the generalised system of preferences will expect the new access in other developed countries to provide export opportunities to at least compensate them.

As a result of the periodic reviews in UNCTAD and of bilateral or multilateral consultations between the countries concerned, those countries granting tariff advantages will give careful consideration to the extent to which the developing countries enjoying tariff advantages have benefited overall from the system when reviewing the operation of the generalised system of preferences.

Safeguard Mechanisms

1. All proposed individual systems of preferences provide for certain safeguard mechanisms (for example, *a priori* limitation or escape clause type measures) so as to retain some degree of control by preference giving countries over the trade which might be generated by the new tariff advantages. The preference giving countries reserve the right to make changes in the detailed application as in the scope of their measures, and in particular to limit or withdraw entirely or partly some of the tariff advantages granted if deemed necessary. The preference giving countries, however, declare that such measures would remain exceptional and would be decided on only after taking due account in so far as their legal provisions permit of the aims of the generalised system of preferences and the general interests of the developing countries, and in particular the interests of the least developed among the developing countries.

2. Preference giving countries will offer opportunities for appropriate con-

October 23, 1970

sultations to beneficiary countries, in particular to those having a substantial trade interest in the product concerned, in connection with the use of safeguard measures; where prior consultations are not possible preference giving countries will undertake to inform through the Secretary-General of UNCTAD for the purpose above all beneficiary countries with a minimum of delay on the action taken. Safeguard measures taken should be reviewed from time to time by the preference giving country concerned with the aim of relaxing or eliminating them as quickly as possible.

3. Certain preference giving countries provide for a mechanism including an *a priori* limitation formula under which quantitative ceilings will be placed on preferential imports. Some of these countries might, nevertheless, have recourse also to escape type measures, for those products which are not covered by an *a priori* limitation formulae.

4. For those countries which do not envisage *a priori* limitations, escape type measures are the main safeguards at their disposal.

Beneficiaries

The Special Committee noted the individual submission of the preference giving countries on this subject and the joint position of the OECD countries as contained in paragraph 13 of TD/B/AC.5/24, namely:

"As for beneficiaries, donor countries would in general base themselves on the principle of self-election. With regard to this principle, reference should be made to the relevant paragraphs in document TD/56, i.e. Section A in Part I."

The spokesman on behalf of the developing countries members of the Group of 77 made a statement on the question of beneficiaries.

Other statements were also made on this subject by the representatives of Romania, China, Bulgaria, Cuba, Turkey, Israel, Greece, Bulgaria on behalf of the socialist countries of Eastern Europe, United Kingdom, New Zealand, Australia, Netherlands and New Zealand.

The spokesman on behalf of members of Group B made a statement on this subject also.

The Special Committee took note of these statements.

Special Measures

1. In implementing Conference resolution 21 (II), and as provided therein, the special need for improving the econo-

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mic situation of the least developed among the developing countries is recognised. It is important that these countries should benefit to the fullest extent possible from the generalised scheme of preferences. In this context, the provisions of Conference resolution 24 (II) should be borne in mind.

2. The preference-giving countries will consider, as far as possible, on a case-by-case basis, the inclusion in the generalised scheme of preferences of products of export interest mainly to the least developed among the developing countries, and as appropriate, greater tariff reductions on such products.

3. The preference-giving countries declare that escape clause measures would remain exceptional and would be decided on, only after due account has been taken, in so far as their legal provisions permit, of the interests of the least developed among the developing countries.

4. During the annual review of the operation of the generalised scheme of preferences, special attention should be given by the institutional machinery to the effects of the scheme on the volume of exports and export earnings of the least developed countries and in regard to other objectives of Conference resolution 21 (II). This machinery should further investigate and consult on the special measures in favour of those countries within the gene-

ral system as provided in Conference resolution 21 (II).

5. The Special Committee recommends to the Trade and Development Board that it suggest to each of the main committees of UNCTAD that, taking into account the imminent implementation of a generalised scheme of preferences, priority attention should be given to measures in the field of competence of these committees that would be related or complementary with the generalised scheme of preferences, especially measures which would enable the least developed among the developing countries to participate fully in that scheme.

6. Besides those mentioned above, other additional measures have been suggested with a view to enabling developing countries and specially the least developed among them to derive additional benefits from the generalised scheme of preferences. The international efforts in this field should be give priority to:

—the identification of products for which the generalised system of preferences opens up new or improved export possibilities for the least developed countries;

—market studies for such products;

—assistance to the improvement of export and export-promotion services or the establishment of such new services where appropriate.

7. The Special Committee invites the Trade and Development Board to

Eastern Economist 25 Years Ago

OCTOBER 26, 1945

The outlook for silver prices is at the moment a subject of great speculation. From a purely monetary point of view apart from coinage, the white metal has long ago been discredited and ceased to be of importance. In fact, what has kept silver in the forefront of attention is the well known and well understood partiality of the American Treasury towards the producers of silver in and near the United States. The Silver Purchase Act of 1934 is the visible embodiment and the practical instrument of this exalted patronage to a commodity whose status has been hovering precariously as a monetary medium and has by no means the inherent importance of an article of commerce. By virtue of its great financial power, the American administration has, nevertheless, succeeded in restoring some status to silver and has at,

any rate, always kept the world guessing as to what will be the next packet of surprise. And in view of the inflationary conditions seen during the war which still persist, speculative demand for the white metal continues to be considerable. The Indian silver market has been particularly active owing to its insulated character and to the sustained demand by the public flowing from idle funds seeking investment in the precious metal as a hedge against inflation on the one hand and as a medium of storage for illicit earnings hidden away from the taxing authority. It may, therefore, be of some interest to portray the background of recent developments in America and to draw attention to those trends which seem likely to project themselves into the future.

call the attention of other appropriate international organisations to the importance of taking measures related to the generalised system of preferences. Such measures might include, as appropriate, financial and technical assistance for the establishment and development of industries likely to further the exports of products included in the generalised scheme of preferences, as well as financial assistance for pre-investment studies for such industries.

Duration

The initial duration of the system of generalised preferences will be ten years. A comprehensive review will be held some time before the end of the ten-year period to determine in the light of the objectives of resolution 21 (II) whether the preferential system should be continued beyond that period.

Rules of Origin

1. It is agreed that the rules of origin should facilitate the achievement of the objectives of Conference resolution 21 (II) on the generalised system of preferences, in this connection, to ensure effectively for the beneficiary countries the advantages of preferential treatment for those exports which will qualify therefor; to help to ensure equivalence in conditions of access to the markets of the preference-giving countries, and to avoid distortion of trade.

2. Satisfactory functioning of the rules of origin will be greatly helped if it is possible to establish close and confident collaboration between the competent authorities of the donor and beneficiary countries, particularly concerning documentation and control. It is agreed that such co-operation should be assured bilaterally and as appropriate through the institutional arrangements as provided for in the relevant part of the present report.

3. It is recognised that it is desirable to have rules of origin as uniform as possible and as simple to administer as practicable. The Working Group on Rules of Origin had, at a technical level, formulated preliminary texts on a number of important aspects of the rules of origin. However, in regard to the basic element, for any rules of origin, namely the criterion for substantial transformation the Group did not arrive at this stage at common views.

4. In view of the importance which the Committee attaches to putting into force the system of generalised preferences as rapidly as possible, it might be necessary to apply, at the outset, origin rules which are different in certain aspects. This would not preclude further efforts to achieve, as far as

possible, more harmonisation at a later stage.

5. In view of the substantial progress made in drawing up common solutions on matters such as a standard form of origin certificate and agreed rules and undertaking as to verifications, sanctions, and mutual co-operation, the administrative difficulties from the use of different system of origin at the initial stage will be minimised.

6. The Group should conclude its examination as soon as possible of all technical aspects of the rules of origin for the system of generalised preferences, with a view to agreeing on as many common elements in the rules of origin as possible at this stage. Such technical aspects include harmonisation of the different elements used in the determination of substantial transformation among preference-giving countries applying the same criteria in this respect and the questions of cumulative treatment of beneficiary countries and treatment of developed country content. In this connection the Working Group should also examine possible solutions to specific problems of the least developed among the developing countries. To avoid any delays and to facilitate the implementation of the system of generalised preferences, the Group's conclusions including agreed texts on rules of origin should be remitted directly both to the prospective preference-giving countries and prospective beneficiaries to facilitate appropriate domestic action. The secretariat of UNCTAD should be invited to compile and distribute to member governments an integrated text on rules of origin that will be applied by the preference-giving countries for the purpose of the generalised system of preferences.

Institutional Arrangements

I. The Special Committee on Preferences agrees that there should be appropriate machinery within UNCTAD to deal with the questions relating to the implementation of resolution 21 (II) and bearing in mind resolution 24 (II). The (appropriate UNCTAD body) should have the following terms of reference:

(i) (a) review the effects of generalised preferences on exports and export earnings, industrialisation and the rates of economic growth of the beneficiary countries including the least developed among the developing countries and in so doing will consider *inter alia* questions related to product coverage, exception lists, depths of cut, working of safeguard mechanisms (including ceilings and escape clauses) and rules of origin;

(b) review the effects of the generalised scheme of preferences on the

process of industrialisation as well as on the volume of exports and export earnings of the least developed among the developing countries, and review and study the special measures in favour of those countries within the general system as provided for in resolution 21 (II);

(c) review especially the effects on the export earnings of developing countries from the sharing of their existing tariff advantages with the rest of the developing countries as a result of the generalised system of preferences, in particular in order to avoid that these countries might be adversely affected;

(d) review complementary efforts made by developing countries to utilise as fully as possible the benefits from the potential trade advantages created by the grant of special tariff treatment;

(e) review other problems related to the operation of the system;

(ii) review questions related to measures taken by the socialist countries of eastern Europe with a view to contributing to the attainment of the objectives of resolution 21 (II);

(iii) the above mentioned functions would appropriately be carried out by means of:

(a) an annual review and analysis of the functioning of the system;

(b) a triennial review to assess the

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benefits of the system for the beneficiary countries and the possibilities of improvement of the system and of its operation;

(c) a comprehensive review towards the end of the initial period of the system, to determine in the light of the objectives of resolution 21 (II) whether the preferential system should be continued beyond that period.

II. All these periodic reviews would also provide opportunity for multi-lateral or bilateral consultations between preference-giving countries and beneficiary countries on the system as initially applied, on the modalities of its application and on subsequent changes. These reviews will provide opportunity for consultations between developed market economy countries and developing countries with respect to possible improvements in the system and between the socialist countries of eastern Europe and the developing countries with a view to the early and effective implementation of measures by the former, as set forth in their joint declaration, aimed to contribute to the attainment of the objectives of resolution 21 (II).

III. The Special Committee on Preferences considers that there may also be a need for consultations of an *ad hoc* character on specific aspects of the system that require urgent consideration. Such consultations could be arranged in agreement with interested member governments and with the assistance

when desired of the Secretary-General of UNCTAD;

Legal Status

I. The Special Committee recognises that no country intends to invoke its rights to most-favoured-nation treatment with a view to obtaining, in whole or in part, the preferential treatment granted to developing countries in accordance with resolution 21 (II) and that the contracting parties to GATT intend to seek the required waiver as soon as possible.

II. The Special Committee takes note of the statement made by the preference-giving countries that the legal status of the tariff preferences to be accorded to the beneficiary countries by each preference-giving country individually will be governed by the following considerations;

(i) the tariff preferences are temporary in nature;

(ii) their grant does not constitute a binding commitment and, in particular, it does not in any way prevent;

(a) their subsequent withdrawal in whole or in part; or

(b) the subsequent reduction of tariffs on a most-favoured-nation basis, whether unilaterally or following international tariff negotiations;

(iii) their grant is conditional upon the necessary waiver or waivers in res-

pect of existing international obligations, in particular in the GATT.

As indicated in the table on page 754 Switzerland will be subjecting some items to revenue duties.

The Nordic countries have also threatened to make some items subject to revenue duties although initially they have not selected any item for this treatment.

Ireland will be subjecting to revenue duties the following items hydrocarbon oils; motor vehicles and trailers and parts; perfumed spirits; matches; and certain wines.

The United Kingdom desires to have revenue duties in respect of the following items: hydrocarbon oils; perfumed spirits; matches and portable lighters.

Agricultural products: Every country has specified a list of agriculture items which will be covered by preferences. Ireland has not however given any offer in this sector. (Ireland has, however, indicated that a wide range of products are admitted duty-free).

Primary products: Primary products have been included in general, but have been specified individually by each donor country.

The items excluded from the coverage of the proposed system of generalised preferences are given in the table on page 754.

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INDUSTRIAL PRODUCTS

Description	Countries which have excluded	Remarks
Textiles	USA, Ireland, Nordic countries, Austria	In the case of USA, the exclusions relate to textiles, other than jute and coir products and hand knotted carpets. Nordic countries have indicated that they may have to exclude some specified 'sensitive' items only in one or the other member country. Austria has excluded cotton textiles only.
	Japan	Japan has not excluded but has offered only 50 per cent reduction for "certain textiles sundries."
	UK	Excluded all textiles excluding carpets.
Shoes	USA	
Footwear	Ireland, Nordic countries.	Nordic countries have not excluded initially, but threatened to do so.
Hydrocarbons	Japan	Subject to fiscal duties
Petroleum and petroleum products.	USA	
Oils and other products of the distillation of high temperature coal tar. Petroleum oils and oils obtained from bituminous minerals and preparations thereof. Petroleum gases and other gaseous hydrocarbons. Hydrocarbons for use in engines.	Suisse*	Subject to fiscal duties.
Glass and glassware	Nordic countries	Not excluded initially but threatened to do so.
Cinematograph films	Suisse*	Subject to fiscal duties.
Certain chemical items	Austria	Subject to equalisation charges, and subject to Austrian Starch Law.
	Suisse*	Subject to fiscal duties.
	Ireland	Considers sensitive.
Rubber tyres and tubes	Ireland	-do-
Leather	Ireland	-do-
Certain engineering items: Spirals Sparkling plugs Elec. filament lamps. Vehicles and parts Brooms and brushes.		
Internal combustion piston engines for automobiles	Suisse*	Subject to fiscal duties.
Motor Vehicles.	"	"
Chassis and bodies for motor vehicles.	"	"
Parts and accessories for motor vehicles.	Suisse*	Subject to fiscal duties.

* Switzerland.



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a popular stylist

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his models are the cream ;
in gay



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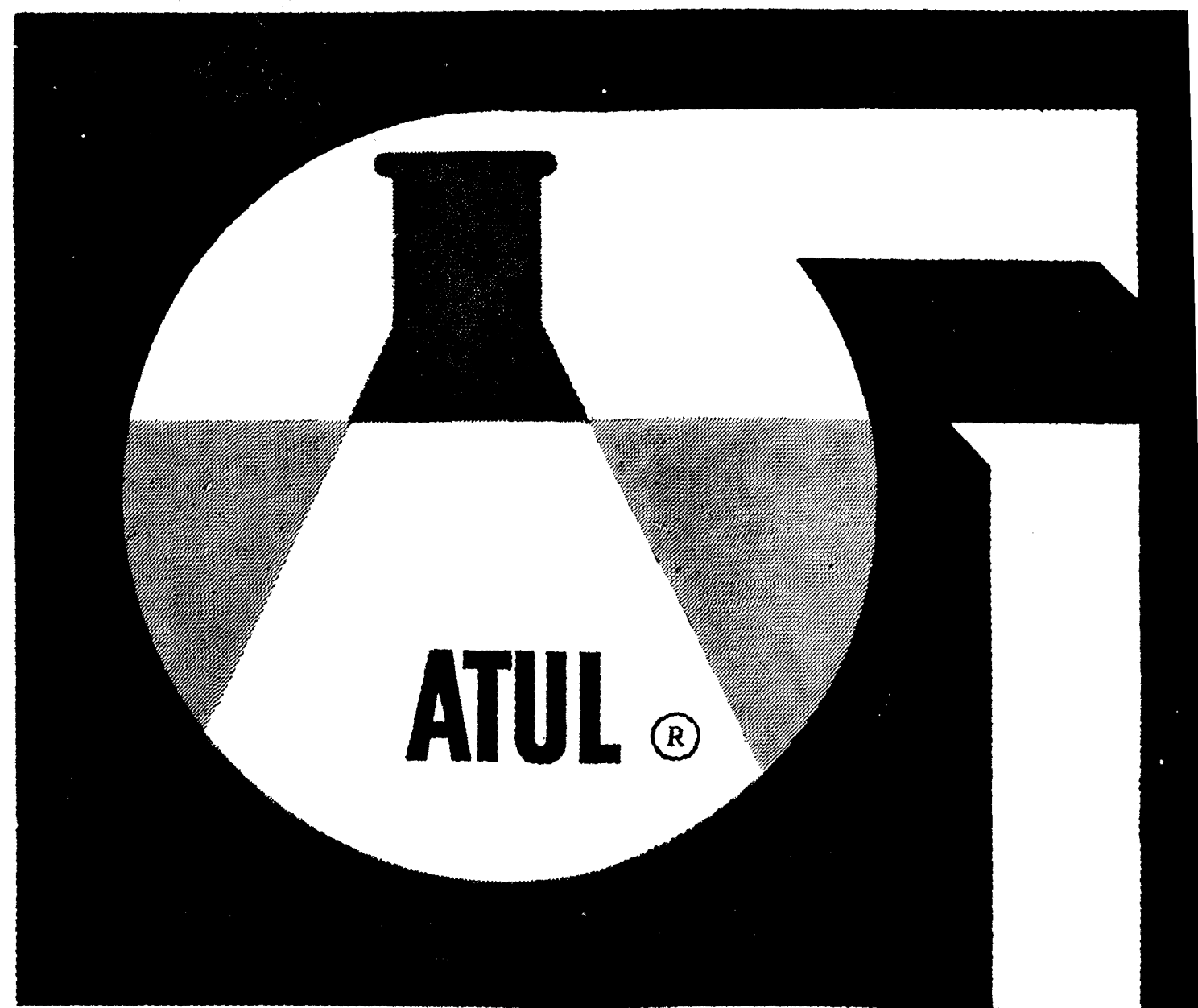
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The Cigarette Controversy
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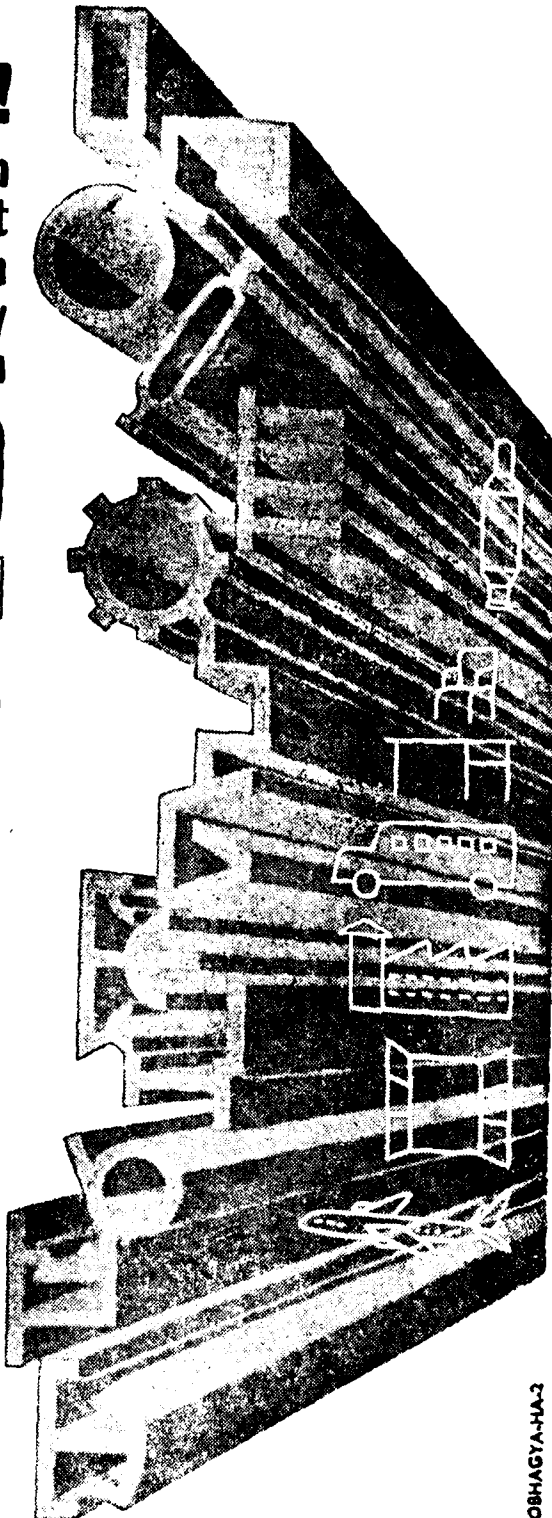
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EASTERN ECONOMIST

OCTOBER 30, 1970.

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When West Bengal Burns

TO THE playboy Prime Minister of Canada the moment of truth came with the frightful suddenness of lightning and made him man overnight. Faced with a terrorist threat to the soul and substance of the Canadian nation. Mr Pierre Trudeau countered with the full mobilisation of the sovereign and coercive power of the state and declared:

"There are a lot of bleeding hearts around who just don't like to see people with helmets and guns. All I can say is 'Go and bleed'... It is more important to keep law and order in society than to be worried about weak-kneed people... Society must take every means at its disposal to defend itself against the emergence of a parallel power which defies the elected power."

The assassins of the Quebec Liberation Front (FLQ) were of course rashly suicidal in their tactics. Giving up the prudence which had guided them in the earlier stages of their criminal career and persuaded them to confine their killings to individuals of relatively little consequence, the terrorists chose to sensationalise their campaign by selecting for their victims Quebec's Labour Minister and the British Trade Commissioner in Montreal.

The Naxalites in West Bengal, however, have been far more diplomatic. They are directing their murderous movement mainly towards knocking down policemen like ninpins and have resisted the temptation to do a 'Laporte' on political VIPs. This has enabled the Government of India to comfort its conscience by offering monetary compensation and other relief to families of murdered police officers and has made it possible for the Prime Minister of India to go to the UN by a chartered flight and preach high morality to the peoples of the world and their governments.

In Canada, the federal government has invoked the War Measures Act of 1914 to deal with those who "are seeking the destruction of the social order through clandestine and violent means." Here, in our country, the Prime Minister's delicate democratic conscience has so far prevented her from resorting to the special steps which are so obviously needed for dealing with an insurgency the clear purpose of which is to overcome the state's servants by armed force and violence.

It has been suggested in some quarters that the complacent, if not conspiratorial, attitude of the Governor of West Bengal has, in no small measure, been responsible for the central government's rejection so far of the widespread demand not only in West Bengal but the country as a whole that the machinery of preventive detention should be reactivated in that state. This may be true enough, but, at the moment of writing, Mr S.S. Dhavan is reported to have publicly conceded that recourse to preventive detention is becoming unavoidable as a means of protecting the life and property of law-abiding citizens in West Bengal. It is not known whether Mr Dhavan's admission will provoke the Naxalites to do a Laporte on him remains to be seen, but so far as the central government is concerned, it should certainly not wait for its VIPs to be victimised before it moves to fulfil its basic obligation to the country of suppressing those who would wage war against the state.

There is no room here surely for party politics of the kind in which the Prime Minister and her faction have been specialising. Some days ago, Mrs Gandhi and her advisers were holding discussions with Mr Ajoy Mukherjee on the possibility of popular government being restored in West Bengal. It is nothing short of gross indulgence in the politics of irresponsibility for this question to be taken up at all at this stage when the central government is still far from having successfully utilised the opportunities of President's rule to re-establish the rule of law in the state. Especially when it is considered that one of the purposes of the Prime Minister's tactical manoeuvres is the strengthening of her political following in West Bengal by isolating CP (M), it must be obvious that any experiment in the revival of a popular government in West Bengal at this stage will not only be extremely short-lived but would be attendant with grave risks of widespread civil disturbances. It is not surprising that, after the debacle in UP, the Prime Minister and her party should be greedy for some political success which would help revive their morale, but West Bengal is certainly not the state where adventurist politics could be played now except at grave peril to the nation. Mrs Gandhi has been taking big risks not only with her political future but also with the political stability of the country. Here is one gamble which she must not be permitted. The people of West Bengal should not be made the plaything of the politics of opportunism. On the contrary, they must be given a categorical assurance by the central government that President's rule will be maintained so long as normal conditions do not obtain in the public life or political activities in the state and that the central government will take immediately, even if belatedly, all the measures that may be needed to put down the murderous or lawless elements which are threatening political stability and social order in West Bengal and through West Bengal the entire country.

Streamlining Collective Bargaining

IF THERE was one point on which there was complete unanimity at the National Colloquium on Labour Management Co-operation organised recently by the All-India Manufacturers' Organization (AIMO), Bombay, it was collective bargaining. Speaker after speaker—whether an employer or a trade unionist, or a government official—stressed the need for and importance of collective bargaining, but, at the same time, no one seemed to be satisfied with the kind of collective bargaining that we have at present. Incidentally, one hears of complaints against collective bargaining as it obtains today in other countries also. For example, the President and Chief Operating Officer of General Motors Corporation, Mr. Edward N. Cole, in an article on "Management Priorities for the Seventies", which appeared in *Michigan Business Review*, spoke of the need to find ways of improving the process of collective bargaining to meet today's needs. He wrote: "Certainly, the development of a more co-operative, understanding and mutually beneficial relationship between the nation's union and management leaders must be a number one priority in the years ahead."

At the Bombay colloquium Mr. S. V. Utamsingh, Chief Personnel Adviser of the Associated Cement Companies, held that collective bargaining was the most effective method of bringing about industrial harmony, while Mr. S. R. Kulkarni, President of the All-India Port and Dock Workers' Federation, strongly advocated collective bargaining as a means of healthy industrial relations. "Collective bargaining is the sheet-anchor of harmonious industrial relations", he said. It is, therefore, necessary to know why collective bargaining has not made the grade, and that from those in the field itself.

According to Mr. Utamsingh, collective bargaining has yet to take deep roots in the industrial relations field in this country. Mr. Kulkarni seemed to attribute this to government or political interference. Trade union leaders are not alone in resenting government interference. Employers also do not like it. In fact, enlightened employers everywhere are vigorous opponents of government intervention in negotiations.

It is the opposition to government interference that prompted Mr. Naval H. Tata, a leading spokesman of employers, who is always heard with respect alike by the workers and the

government, to throw his whole weight in support of the National Labour Commission's (NLC) recommendation regarding the constitution of Industrial Relations Commission (IRC). One of the principal reasons for the NLC suggesting the constitution of IRCs, he told the colloquium, was "to eliminate the possibility of political influence disturbing or distorting the industrial relations system in the country". Although he hastened to add that the NLC did so not because state intervention had been proved to be always partial or motivated by considerations other than industrial peace, he also drew attention to the fact that there had been several complaints of undue interference from responsible quarters. The constitution of the IRCs is, therefore, to be welcomed. In the long run, it is bound materially to assist the process of persuading the parties to resolve all their disputes by negotiations and collective bargaining, as the following extract of the relevant recommendation of the NLC brings out:

"The evidence before us is strongly in support of reforming the industrial relations machinery so as to make it more effective and more acceptable. What is called for, therefore, is a formal arrangement which is independent in character, expeditious in its functioning and which is equipped to build up the necessary expertise. We consider that it would not be enough to secure some of these improvements through suitable modifications in the existing machinery. A more basic change is called for, and this can be ensured only through the replacement of the present *ad hoc* machinery by a permanent machinery which will be *entirely independent of the administration*" (ital. ours).

It is noteworthy that there was also a consensus on the need to do away with adjudication to ensure the growth of collective bargaining. Both Mr. R. G. Gokhale, Industrial Relations Consultant (formerly Labour Officer of the Millowners' Association, Bombay, and Labour Commissioner, Government of Bombay) and Mr. S. R. Mohandas, Director, Industrial Relations Institute of India, wanted the removal of adjudication in the organised sector in the interest of healthy trade unionism and better industrial relations. Mr. Gokhale wanted full scope to be given to mediation, which he regarded as "part and parcel of collective bargaining."

Another point concerning labour-

management co-operation that was highlighted at the colloquium was the scheme of joint management councils. This is important, inasmuch as it touches on the delicate question of the status of the workers. (By status, Mr. S. R. Vasavada, President, INTUC, said he meant the labour's right to disagree, and he wanted industrialists to give the labour the status it wanted. And this disagreeing, if we may add, is what labour seems to be doing all the time). In the considered opinion of Dr. K. K. Anand (Chief Personnel and Organisation Manager, Larsen and Toubro), a more vigorous pursuit of the scheme of joint management councils in its own right in the present circumstances would not help achieve the objective of raising the status of the worker. He also did not favour direct representation on the boards of either workers or outside labour leaders. According to him, this is not a good solution, because it may overlook the interests of the consumers whose choice may be limited in a non-competitive economy. He also feared the possibilities of delayed decisions owing to conflicts between the workers' representatives and the board and others causing managerial inefficiency. But he thought dispersal of shareholding among the working class including employees of specific enterprises, would probably make the managements of enterprises more responsive to urges and aspirations of the working class.

While on this question, we might as well refer to yet another angle from which the question has been viewed. Dr. Rajaram Jaipuria of Swadeshi Cotton Mills Co. Ltd. drew attention to this in an article on the "Role of Workers and Management in the Development of Social Economy." In this article, he raised the poser whether it was possible for a person or an organisation to play simultaneously two different roles in the same context, and graphically described it as "putting two drivers on the same wheel." Of course, he was not opposed to taking representatives of workers on the board of directors, but he wondered whether, once on the board, they should be answerable to the workers or unions and thus allowed to be torn between conflicting demands on their duties and thereby be rendered ineffective. His own approach to the problem, however, was to borrow something from the age-old panchayat system and evolve some new system of workers' participation in the management which would satisfactorily respond to the genius of our people.

The colloquium naturally also debated the relationship between higher wages and industrial peace. True, as Mr. H. M. Trivedi observed, higher

wages alone will not bring good harmonious industrial relations and it is the human relations and the attitude adopted by the employers that contribute to industrial peace. But how is it that, even where we have high wages and admittedly excellent human relations, industrial relations often tend to turn sour? It is not enough to argue that the management is wholly to blame if industrial relations are not congenial and dismiss the argument by saying that the concerned employers get the union they deserve. Some responsibility also devolves on the union and its leaders properly to guide

the workers. This, by the way, is what is sought to be emphasised by the "cumulative document" circulated recently by Britain's Secretary for Employment and Productivity, which says that the improvement of industrial relations can only be secured by collective effort on the part of all concerned, i.e. government, management and trade unions and workers, as also — and this is significant — the general public. More often than not, the public, until the shoe actually starts pinching it, seems to regard industrial relations as something that does not concern it. This public apathy must end.

Railway Finances In Doldrums

THE INK had hardly dried on the railway budget presented in February last when, as a result of the withdrawal, under political pressure, of several proposals of the Railway Minister, Mr. G. L. Nanda, the anticipated surplus of Rs 22.38 crores in this budget was converted into a nominal surplus of about nine crores of rupees. A mid-year review by the Railway Board had now revealed that even this nominal surplus will not only be wiped out but might also be converted into a huge deficit of nearly Rs 48 crores. The railways, thus, will have to borrow heavily again from the central exchequer for meeting their dividend liability to the general revenues. This indebtedness had aggregated to as much as Rs 55.95 crores by the end of 1969-70.

It is common knowledge that the railways have not been paying their way for nearly four years now — this is the primary reason for their borrowing heavily from the central exchequer after having exhausted the entire balance of nearly Rs 110 crores they had accumulated earlier in the revenue reserve fund. Even so the revelation made by the recent mid-year review is indeed startling. Including the loss of revenue on account of the concessions given by Mr. Nanda in his budget proposals (amounting to Rs 13 crores), the railways this year are expected to incur as heavy a loss as Rs 70 crores.

What has caused this anticipated additional loss of Rs 57 crores? A loss of as much as Rs 37 crores is expected to be on account of the recently granted interim relief to government employees in general. Another four crores of rupees loss is due to the increased night allowance to be provided to railway staff in terms of the Wanchoo Committee report and certain other concessions agreed to be given otherwise. Of the remaining nearly Rs 16 crores loss, unprecedented floods in certain parts of the country account of nearly four crores

of rupees and increased fuel costs (despite the economy drive started early this year) for about six crores of rupees. This leaves a balance loss of approximately seven crores of rupees. This is accounted for by lower earnings. The earnings from passenger traffic are expected to be approximately nine crores of rupees more than the budget estimate, but the freight earnings from goods traffic are anticipated to be lower by as much as Rs 16 crores. Compared to the corresponding period last year, the passenger traffic during the first five months of the current financial year has been 6.67 per cent more. It is 3.7 per cent more than this year's proportionate budget target also. The goods traffic, on the other hand, has shown a marked decline. Compared to the revenue-earning tonnage lifted by railways between April 1 and August 31 last year, this tonnage has been 2.41 million tonnes less during the five months to August 31 this year. The shortfall in goods traffic (April-August) from the proportionate budget target of this year is nearly 5.52 million tonnes. The freight earnings during September and October too, provisional figures reveal, have left much to be desired; there is feared a sizable shortfall in originating goods traffic during these two months also. Even if the railways are able to move goods traffic at as high a rate as 12 million tonnes per month during the rest of the current financial year, they are just likely to reach the last year's level. But this indeed will be a miracle.

The above should suggest that but for the huge interim relief that has to be paid to the railway staff, the loss in goods traffic and Mr. Nanda not yielding to political pressures in February last, the railway finances this year could have just about balanced. But would that have sufficed? The imperative need to rebuild the various reserves of the railways is an indication that just

balancing of the budget is not enough for several years to come.

What then is the primary cause of the unhealthy state of railway finances? Obviously, the railway finances have progressively deteriorated over a number of years due to the expenses far outstripping the revenue. One of the main causes of the revenue of railways falling short of their expenditure is that the growth in passenger fares as well as freight rates has been much less than the increase in costs. The following table, which gives the increase in passenger fares, freight rates and the major items of expenditure of railways during the last 20 years (base 1950-51=100), makes it abundantly clear.

	Increase since 1950-51 (per-centage)
1. Average fare charged per passenger per kilometre	69
2. Average freight charged per tonne kilometre	67
3. Per capita cost of staff	171
4. Coal	153
5. Diesel oil	94
6. Electricity	110
7. Iron and steel	199
8. Cement	136

The impact of the increase in the various cost elements on the finances of railways can better be appreciated if one takes note of the fact that staff accounts for nearly 60 per cent of the operating expenses of railways. Of the balance 40 per cent operating expenses, the overwhelming elements are fuel (coal, diesel oil and electricity) — approximately 20 per cent and iron and steel — nearly 18 per cent. To quite a substantial extent — nearly 35 per cent — the increase in the operating expenses has been absorbed by the various economies effected by railways through withholding of fresh recruitment for about five years, modernisation and increase in productivity. But the costs apparently have been going up at a much faster rate than the revenue.

The second main reason for the expenses outstripping earnings is that the growth in traffic during the last five years has left much to be desired. Initially it was due to the severe drought and recession. Now it is primarily due to the under-utilisation of capacity at the steel plants, as is evident from the table on page 762.

This second factor has made a good deal of the investment of railways in the steel-coal belt in the sixties infructuous.

The third reason for the revenues of railways trailing far behind their ex-

penses perhaps is the over indulgence in investment elsewhere in the country on one pretext or the other — primarily under pressure of local and state politicians who consider the spread of the railway network in their areas as their most tangible contribution to the welfare of their constituents.

The railways have also been obliged to take up on themselves several other activities such as providing of a large protection force, maintaining of an elaborate network of health and medical services, etc. The state governments also often ask the railways for additional funds as their contribution to the maintenance of their law and order police. To some extent these self-imposed functions of railways can be appreciated. But the large amount involved in them today — nearly Rs 32.50 crores — apparently is not warranted. The provision of medical facilities and the maintenance of law and order are essentially the functions of the state.

The last but not the least important reason for the unhealthy state of railway finances is the lack of correct appreciation of whether the railways are a commercial undertaking of the government or a public utility concern. At present, while they are required to pay dividend to the general revenues on the basis of their being styled as a commercial undertaking, the public utility aspect of their operations assumes the pride of place otherwise. This is one of the reasons why they are required to incur a heavy loss (nearly Rs 7.70 crores) on maintaining unremunerative branch lines and to give various concessions in freight rates and passenger fares. The loss on suburban traffic alone, due to particularly low rates which the railways are asked to charge on this traffic, is as much as Rs 10 crores. Another Rs 38 crores are lost on account of charging much less than what would be warranted on the basis of the cost incurred, from the lower classes of passenger traffic.

If the railways have to put their house in order through primarily raising of passenger fares and freight rates (this, of course, does not imply that they have not to effect operational economies which they can), the prospect will indeed be frightening. It will involve a straight upward revision of passenger fares and freight rates by at least 25 per cent. As transportation costs have now become an important cause for the expansion of the prices spiral, going whole hog this course will not be advisable. Moreover, a sharp increase in both passenger fares and freight rates may scare away traffic from the railways.

What then are the remedial measures that can be taken for restoring railway finances to health? One such measure

is the raising of production in the country, particularly that of iron and steel. Unnecessary restraints on production have to go. As regards steel, a handful of obstructionists to the proper functioning of steel plants will have to be dealt with with a heavy hand. It has got to be recognised that the protracted labour trouble in the steel plants, which has its genesis in the political chaos in east India, has been acting as a big drag on not only railway finances but also on the economy as a whole.

The second step which needs to be taken immediately is the reappraisal of the fourth Plan investment of the railways. Action in this connection is understood to have already been initiated. The current estimate reveals that the railways may have to cater by the end of the fourth Plan for an originating goods traffic of not more than 240 million tonnes, instead of 290/300 million tonnes estimated when the Plan was being drawn up and 265 million tonnes anticipated in the Plan document. In revising the fourth Plan investment of railways, such facts as augmenting of the capacity on the heavy traffic routes, of course, have to be given due recognition. But over-investment on developmental works which can be staggered in view of the halting pace of the implementation of several fourth Plan projects has to be avoided. So also the investment which is not strictly warranted by economic considerations. This means that political pressures have to be scrupulously insulated. To deter political pressures being

exercised, the railways might consider imposition of some commitment levy on state governments if the traffic on the new lines does not come up to the estimates which the state governments may be putting forth in support of their contentions for such lines in their areas.

If the results obtained through the measures taken two years ago to curb ticketless travel is any indication, the checking of pilferage of railway property and goods in transit through enhancement of the penalty for these offences should also go some way in improving the railway finances. The losses of railways on this count too have shown a marked uptrend in recent years.

Then, a decision ought to be taken at the highest level whether or not the development of the transport system within a certain radius of the trunk routes of railways should be strictly left to the road transport industry. Where road transport is well developed, there is no sense in maintaining unremunerative branch lines of railways or in introducing new ones.

Lastly, the railways have to vigorously pursue their policy of attracting high-rated goods traffic through the various schemes launched during the last few years. These include introduction of containers, express services for goods haulage, goods forwarding schemes, etc. The railway administration too has to be toned up at many levels.

REVENUE EARNING GOODS TRAFFIC ON RAILWAYS
April—August, 1970

Commodity	(Million tonnes)		
	Cumulatives from 1st April to 31st August, 1970	Approximate originating tonnage	Increase (+) or decrease (—) compared to last year
1. Coal			
(a) For steel plants	5.22	+0.13	—0.268
(b) For washeries	1.82	—0.76	—1.158
(c) For other public users	13.74	—0.51	—1.303
(d) Total	20.78	—1.14	—2.729
2. Raw materials for steel plants	6.30	—0.68	—1.247
3. Pig iron & finished steel from steel plants	2.49	—0.40	—0.644
4. Iron ore for export	3.83	+0.08	—0.234
5. Cement	4.32	+0.04	—0.157
6. Other goods	30.50	—0.31	—0.508
7. Total revenue earning traffic	68.22	—2.41	—5.519

The Cigarette Controversy

R. C. UMMAT

THE RECENT controversy between Golden Tobacco Company (GTC) and India Tobacco Company (ITC) has brought into sharp focus the state of affairs in the cigarette industry. The GTC has demanded that in the interest of reducing the drain on foreign exchange resources on account of dividend remittances by ITC and fuller utilisation of the existing capacity of the wholly Indian manufacturers of cigarettes (nearly 70 per cent of this capacity is said to be lying unutilised), the operations of ITC, whose 75 per cent equity is at present held by foreigners, should be curbed not only through denying it any further expansion but also through pegging its output to its "licensed capacity". The ITC, on the other hand, has contended that its operations all through its existence during the last nearly 50 years have been well within the parameters of the government's policy; even now its production does not exceed its "licensed capacity". So, it feels that the question of curbing its operations does not arise. It has strongly reacted to what it styles as the "vilification" campaign launched against it by GTC.

Main Question

The main question that arises from this controversy is how far it is legitimate to curtail the operations of a dominant undertaking in any line of manufacture in the interest of smaller producers, no matter whether the undertaking concerned is wholly or overwhelmingly foreign owned or is wholly or overwhelmingly Indian owned. The GTC desires curbs on ITC on the same lines as has been done in the case of safety matches, soap and petroleum industries. Strictly speaking, it is open to argument whether the cigarette industry is on a parallel footing with the safety matches, soap and petroleum industries. The primary consideration behind curtailing the production of safety matches and soap was to give fillip to the small-scale sector. The cigarette industry, as constituted at present, obviously does not belong to this sector. As regards petroleum, the operations of the foreign-owned refineries have been sought to be contained on such grounds as building up of public sector in this strategic industry, containing of the outgo of foreign exchange on imports of crude oil, avoiding of massive investment that

would be needed in the creation of facilities to transport products from the refinery sites to the consuming areas, etc. The parallel which has been sought to be drawn between the cigarette industry, on the one hand, and the safety matches, soap and petroleum industries, on the other, thus does not appear to be appropriate. Unlike the safety matches, soap and petroleum industries, the cigarette industry is nearly wholly dependent on indigenous raw material resources; the foreign exchange involved in the import of raw materials for it is negligible.

Arbitrary Restraint

In the circumstances, one can, to some extent, appreciate the plea for holding back further expansion to ITC (unless it is warranted on export considerations) for the benefit of smaller producers. But it is difficult to endorse the demand for pegging its production at an arbitrary level. As long as ITC confines its operations in the domestic market within the parameters of its "licensed capacity" and the government's industrial policy, it will be highly inappropriate to peg its production arbitrarily.

Now let us examine whether ITC has contained its production within the "licensed capacity". In 1964, ITC produced 21,320 million cigarettes. In the subsequent years, its production has gone up as follows :-

Year	Production (Million cigarettes)
1965	24,587
1966	27,897
1967	28,016
1968	30,256
1969	Around
1970	30,000 annually.

The licensed capacity of ITC on two-shift basis being 24,240 million cigarettes per annum, ostensibly it would appear that its production since 1965 has been in excess of the capacity. A closer examination of the issue however suggests that it is not so. Two pertinent facts that need to be recalled for this close examination are: (1) the circular No. 2 (17)/IA/IG/60 of the union government of January 4, 1961,

to industries associations; and (i) the union government's notification of October 8, 1966. Under the former circular, all industrial units were allowed to "increase their production within their foreign exchange allotment by producing more components and parts or raw material by themselves or by procuring a greater proportion of component parts or raw material indigenously even when their production thereby may exceed the licensed capacity." The excess capacity thus achieved was just to be reported to the Development Wing for regularisation and registration. Under the latter notification, industrial units were permitted to step up their output by another 25 per cent of their registered capacity, if this stepping of production did not involve any significant additional investment and also did not entail any increase in foreign exchange expenditure. The concession of 25 per cent additional production authorised in October, 1966, of course, has been modified slightly by a notification of the government issued on July 18, 1970. Under this notification, industrial units which belong to big industrial houses or are foreign owned dominant undertakings, can continue to avail of this concession on certain conditions specified in this notification.

Within Licensed Limits

Taking note of these facts, the present production of ITC cannot be construed as "exceeding the licensed capacity", for, if the foreign exchange outgo on account of import of spares, equipment and raw materials of an industrial undertaking did not go up, it could well increase its production by nearly 50 per cent by working three shifts instead of two and further by 25 per cent of the pre-1966 capacity in terms of the notification of October 8, 1966. The present production of ITC of about 30,000 million cigarettes per annum is well within its licensed capacity calculated on three-shift basis, not to speak of the concession of 25 per cent additional output in terms of the October, 1966, notification.

It is interesting to note that it is not only ITC which is producing cigarettes at present in excess of its licensed capacity on two-shift basis. The GTC, among some other cigarette manufacturers, is doing the same. The GTC and Godfrey Phillips are even probably taking advantage of the October, 1966, concession as well; at least they did so in 1968 when their respective production amounted to 8,134 million and 4,027 million cigarettes, as against their two-shift licensed capacity of

5,400 million and 2,400 million cigarettes a year.

The pegging of the production of ITC at 24,240 million cigarettes per annum (licensed capacity on two-shift basis) as demanded by GTC, it appears, would be highly improper if the government's pronouncements regarding equality of status for industrial units once a licence has been given to an undertaking, under the requisite government legislation, has to have any meaning. Any arbitrary, pegging of the production of ITC, it may be further stressed, can tarnish the country's image abroad, for ITC is a company in which foreign investment is still substantial, despite the last year's Indianisation of its equity to the extent of 25 per cent, as against 6.25 per cent previously.

The current dividend disbursements of ITC also not being extravagant by any standard, the pegging of its production at the two-shift licensed capacity is not desirable if it is to raise the Indian share in its equity to 40 per cent by the end of the fourth Plan and further to 51 per cent subsequently, as desired by the government. The Indian share in the equity of ITC can be raised either by increasing the equity itself through entirely Indian subscription or by reducing the foreign holding through repatriation of a part of foreign investment by means of sale to Indian investors. There can also be a third way — a via media between the above two ways. Currently the former course is being followed, presumably on the consideration that repatriation of foreign investment will be a costly proposition.

Helping Small Units

The above, however, does not imply that nothing can or should be done to help the smaller manufacturers of cigarettes who are working much below their licensed capacity on two-shift basis. By virtue of it being the leader in the industry, ITC will do well, in the present-day socio-political circumstances of the country, to impose on itself some curb in respect of competition with smaller manufacturers. It can do this in two ways. First, by making concerted efforts at exports. Secondly, by refraining for some time from introducing new brands in the medium and low categories of cigarettes which are the main lines of activity of smaller units. The efforts of ITC at export of cigarettes have received a setback with two important markets — Czechoslovakia and Nepal — having been lost.

The current exports of cigarettes by ITC do not aggregate to more than

a couple of lakhs rupees worth. These can well be increased despite the urge of nearly every country to have its own cigarette manufacturing units or protecting its cigarette industry against foreign competition. The recent introduction by ITC of some of its high quality brands, particularly India Kings, on sea-faring vessels and international airlines can pay handsome dividend if pursued vigorously. The ITC can as well prevail upon its foreign associates to get some portion of their output manufactured in India, especially when the labour and tobacco costs here compare very favourably with those obtaining in the United Kingdom.

Voluntary Rationalisation

An alternative way of helping the smaller cigarette manufacturers is all the major producers joining in a voluntary rationalisation and regulation of production on the whole industry basis as is frequently done by jute manufacturers. Incidentally, it is interesting to note that while, on the one hand, the smaller manufacturers of cigarettes are complaining of great underutilisation of their existing capacity, two of them thought it fit, on the other hand, to secure substantial expansions. These expansions were granted in April this year.

The ITC and its sister concern, Indian Leaf Tobacco Company (ILTD), of course, have done a commendable job of making the Indian cigarette industry self-reliant. The contribution of the former has been in encouraging the establishment of capacity indigenously for the manufacture of primary (tobacco processing) and secondary (marketing/packing) machinery and spare parts. That of the latter has been in the development of tobacco cultivation.

The ITC has helped many ancillary units in the engineering industry with finance, expertise, technical know-how, technical drawings/blueprints of its own patent, engineering advice in and outside the plant, technical literature, workshop machinery, tools and jigs, fixtures, etc., so as to enable them to produce some 20,000 items of spare parts and several types of machinery and equipment for the cigarette industry. It itself manufactures 6,000/8,000 varieties of spare parts in its own engineering workshops which are attached to its factories. It has also contributed a good deal to the establishment of Molins India which is the premier cigarette machinery making unit in the country. At the machine construction unit set up in its Bangalore factory, it has undertaken the production of wrapping machines: 24 such

machines have already been built at this unit. With the establishment of these facilities, the imports of spares and machinery for cigarette manufacture have gone down appreciably.

The country has also become self-reliant in all the processing and packaging materials required by the cigarette industry. In this too, the pioneering efforts have been those of ITC. The board for making cigarette packets has been available locally since 1945. The manufacture of cigarette paper came to be established in 1951. Aluminium foils became locally available since 1954. The production of transparent film for wrapping packets was established in 1957. The manufacture of corrugated cardboard boxes for transportation was taken up in 1962. The filter tips for cigarettes became locally available from 1963 onwards. The research laboratory of ITC at Kidderpore (Calcutta), which has contributed a good deal to the establishment of the above production facilities, has made even a modest beginning in the export field also. By undertaking testing of cigarettes on behalf of the manufacturers in Hong Kong, Singapore and Malaysia, it is already earning annually nearly £ 4,000. Efforts are



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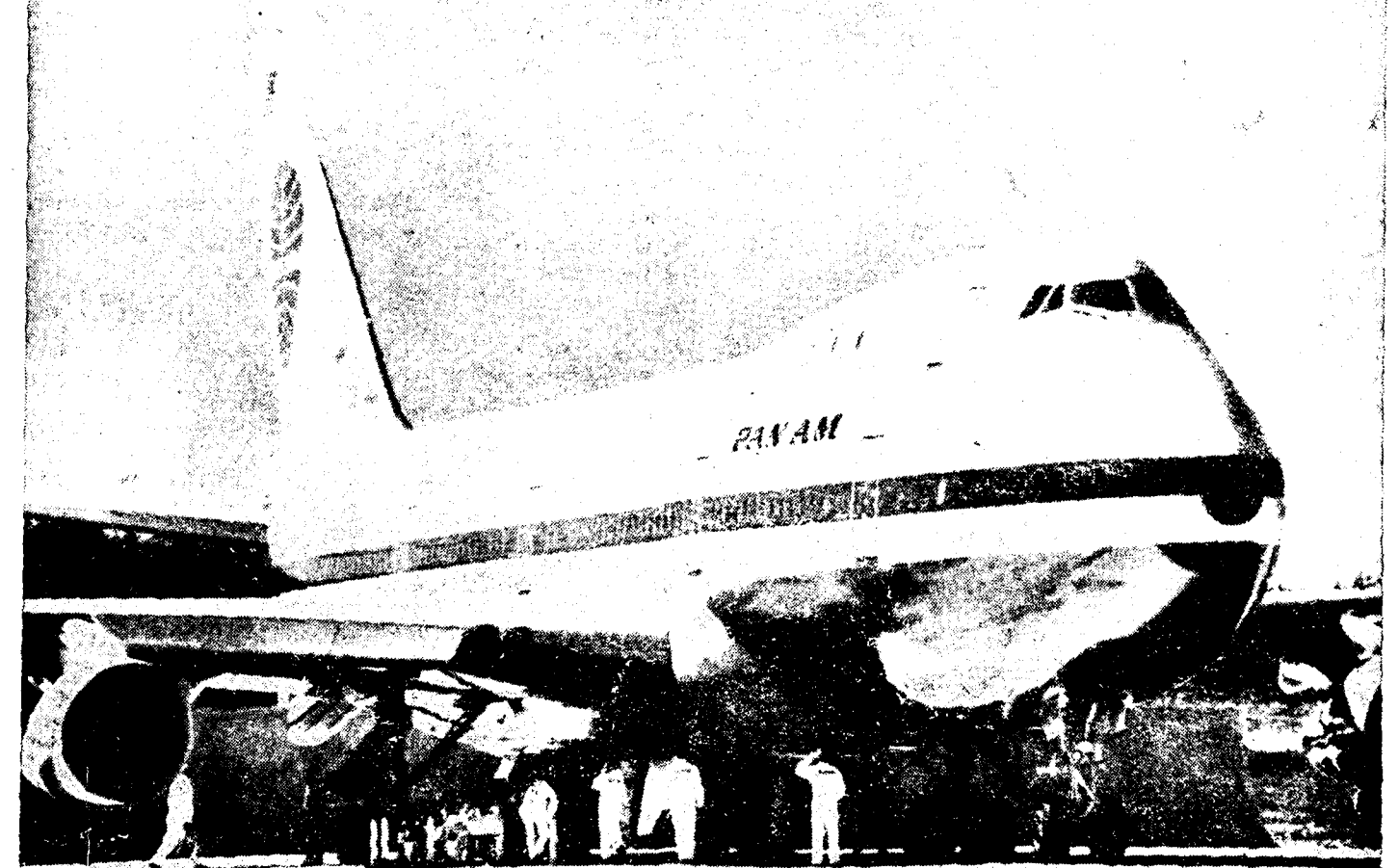
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being made to augment these export earnings.

The contribution of ILTD to the development of tobacco cultivation in the country has been equally pioneering. Virginia tobacco, the most commonly used tobacco in the manufacture of cigarettes all the world over, was introduced in this country by ILTD in 1920. This was followed by the introduction, by ILTD again, of the flue curing process for tobacco. Today, thanks to the pioneering efforts of ILTD, flue cured virginia constitutes 80 per cent of the tobacco exports from India and 90 per cent of the foreign exchange earnings from this commodity which are in the neighbourhood of Rs 35 crores annually. The ILTD's own exports aggregate to nearly Rs 10 crores a year.

Before the establishment by the government of the Central Tobacco Research Centre (CTRC) at Rajahmundry, in Andhra Pradesh, after Independence, the entire development work in tobacco cultivation was done by ILTD. Even today, ILTD is continuing vigorously its developmental efforts, of course supplementing the efforts of CTRC. For this it has a well-equipped research establishment at Rajahmundry.

Research in Farming

The research in tobacco cultivation is being done by ILTD in the light of the changing requirements of the Indian cigarette industry and those of the foreign importers of Indian tobacco. The developmental activities of ILTD include not only production of pure seed but also extension of credit to farmers on no-profit-no-loss basis for the purchase of such farm inputs as fertilisers, pesticides, etc. Currently, nearly Rs 40 lakhs are advanced annually to farmers, without the guarantee of surrendering their produce to ILTD, for this purpose. Technical advice is also being provided by ILTD to farmers in tobacco cultivation. For imparting practical training in development work, both to the company as well as government personnel, ILTD has established a training school at Hunsur in Mysore state.

In view of the growing requirements of the cigarette industry within the country and with a view to stepping up or at least maintaining exports of tobacco even in the face of shrinking acreage under the crop in the traditional growing areas, which trend may gather momentum as the water from the Nagarjunasagar makes possible the growing of paddy and other high-value crops instead of tobacco, ILTD is seeking to extend tobacco cultivation on the light soils of Andhra Pradesh,

Mysore, Uttar Pradesh and Gujarat. Hitherto tobacco has been grown primarily on rich black soil. The experiments in Andhra Pradesh and Mysore have been particularly successful.

The research laboratory of ILTD at Rajahmundry is engaged not only in evolving suitable varieties of tobacco to meet the changing preferences of consumers but also in efforts at raising unit-area yields. The target set by it for itself is the stepping up of the unit-area yield by at least 25 per cent over the next few years.

Two new varieties of tobacco seed have been recently developed by it.

Green Revolution or Wheat Revolution ?

A. N. SHARMA, V. K. SHARMA & C. D. SHARMA

TO DESCRIBE the recent breakthrough in the production of foodgrains in our country as "green revolution" is a misnomer. The gains in production, in fact, have so far been mostly restricted to wheat. In this article an attempt has been made, with the aid of modern techniques of economic analysis and interpretation, to prove this point.

The position could be analysed if we, first, take the average per hectare yield figures of five major cereal crops, i.e., paddy, bajra, jowar, maize and wheat, on all-India basis. Now let us try to work out linear regression lines

for these.

$$\text{Paddy: } Y = 9.31 + 0.17 ti$$

$$\text{Bajra: } Y = 3.99 - 0.10 ti$$

$$\text{Jowar: } Y = 4.89 + 0.07 ti$$

$$\text{Maize: } Y = 9.85 + 0.11 ti$$

$$\text{Wheat: } Y = 7.41 + 0.80 ti$$

Where Y = yield in quintal per hectare.
 ti = year of 1964-65 which is taken as base year.

i = number of years 1, 2, 3, ... n .
 tn = 1968-69.

The idea of the picture that emerges can be had from figure 1 and figure 2;

Figure - 1 : Indicating yield trend during 1964-65 to 1968-69

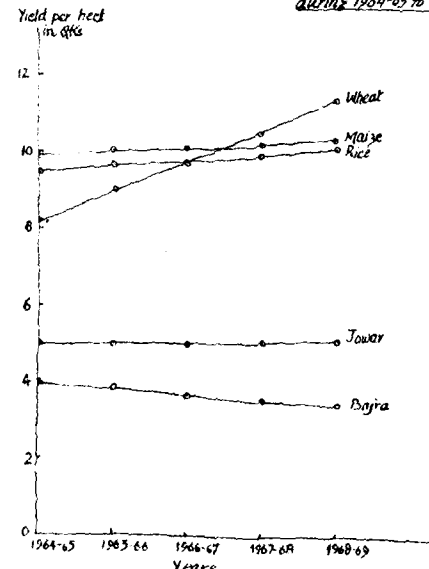
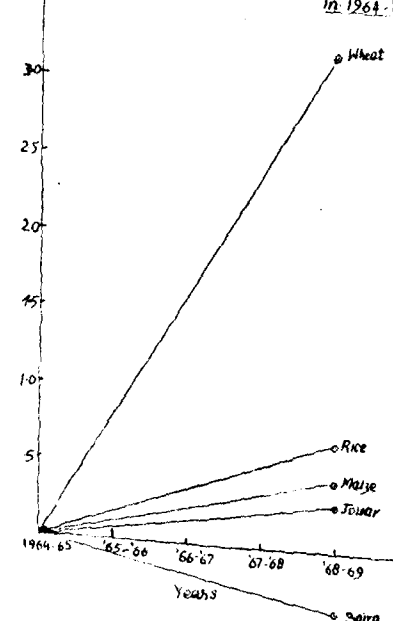
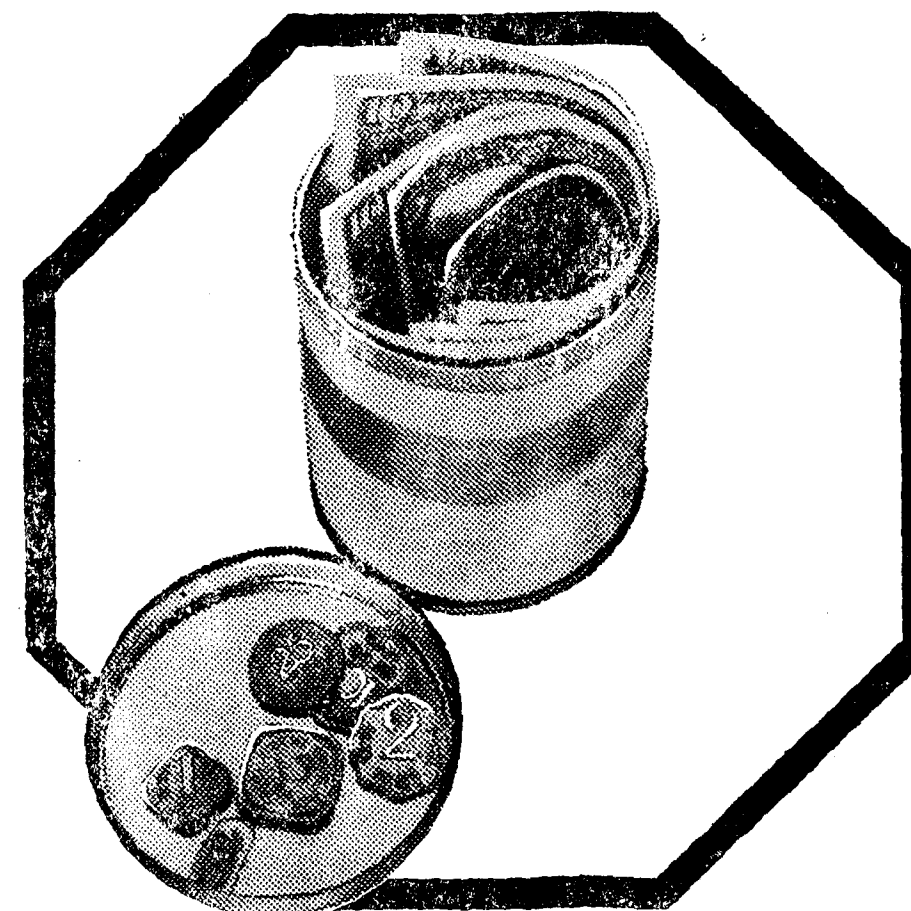


Figure - 2 : Indicating change in yield over that obtained in 1964-65



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Mr C.D. Sharma is Information and Publications Officer, UP Agricultural University, Pantnagar.



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the former indicates the yield trend for the above-mentioned crops during 1964-65 to 1968-69 whereas the later indicates change in yield over that obtained in 1964-65. We thus notice that the yields of all the crops, except bajra, have increased. However, excepting wheat the increases are rather marginal and of no significant value. Wheat alone has recorded not only noticeable but marked increase.

Besides yield per hectare, the total production of foodgrains is also a function of area allocated to these crops in total as well as area put under high-yielding varieties. In Table I, an attempt has been made to compare the total area with the area under high-yielding varieties of paddy, bajra, jowar, maize and wheat in the years 1966-67 and 1968-69. The year 1966-67 has been taken as the base, since it is considered to have marked the beginning of the green revolution.

Minimum Increase

As is obvious from Table I, wheat has recorded maximum increase both in respect of total area as well as area under high-yielding varieties. The increase in respect of other crops is rather minimal. In fact bajra has shown a fall in its total area in spite of the fact that these crops may be taken more than once in a year as against only one crop of wheat.

Now considering the targets and achievements of the High-Yielding Varieties Programme, we find no crop other than wheat has come up to the expectations. Table II indicates that the targets were not only fully realised in respect of wheat but exceeded appreciably.

The targets of the High-Yielding Varieties Programme in respect of paddy, maize, jowar and bajra were realised to the extent of 71, 61, 55 and 66 per cent respectively as against 109 per cent in the case of wheat. Wheat thus leaves all other crops far behind.

This observation is also confirmed by the index number of agricultural production and agricultural productivity for the years 1966-67, 1967-68 and 1968-69 (Table III). It is observed that the rise in respect of production as well as yield per unit area has been the highest in wheat being 90 and 38 per cent respectively.

It is thus established beyond doubt that the green revolution is essentially and mainly confined to wheat, whereas other foodgrain crops have recorded marginal gains. It would, therefore, be more appropriate to call it "wheat revolution". Nevertheless, the breakthrough in wheat culture has acted as a catalyst in agriculture in general. The green revolution in its broader sense is yet awaited.

TABLE I

COMPARISON OF AREA UNDER IMPORTANT FOODGRAINS IN THE YEARS 1966-67 AND 1968-69

(Thousand hectares)

Crops	Total area under crops			Area under high yielding varieties		
	1966-67	1968-69	Increase over 1966-67	1966-67	1967-68	increase over 1966-67
Paddy	35252	36967	1715	889	2634	1745
Bajra	12239	12052	-187	58	748	690
Jowar	18054	18731	677	190	691	501
Maize	5074	5716	642	208	388	180
Wheat	12838	15958	3120	541	4795	4254

Source: Fertilizer Statistics 1968-69, published by Fertilizer Association of India, New Delhi.

TABLE II

TARGETS AND ACHIEVEMENTS OF H.Y.V. PROGRAMME

(Thousand hectares)

Crops	1966-67		1967-68		1968-69	
	Target	Achievement	Target	Achievement	Target	Achievement
Paddy	1317	889	2546	1785	3692	2634
Maize	369	208	571	289	641	388
Jowar	375	190	973	599	1261	691
Bajra	152	58	539	420	1125	748
Wheat	645	541	2705	2943	4417	4795

Source: Fertilizer Statistics, 1968-69.

TABLE III

INDEX NUMBERS OF AGRICULTURAL PRODUCTION AND PRODUCTIVITY

Crops	Production			Productivity		
	1966-67	1968-69	Change over 1966-67	1966-67	1968-69	Change over 1966-67
Paddy	120.9	157.2	36.3	105.3	130.6	25.3
Jowar	132.6	141.0	8.4	114.3	117.1	2.8
Bajra	139.7	118.9	-20.8	105.5	91.5	-14.3
Maize	174.7	198.6	23.9	113.0	114.1	1.1
Wheat	168.7	258.7	90.0	128.2	158.2	30.0

Source: Fertilizer Statistics, 1968-69.

WINDOW ON THE WORLD

Tories Fasten Seat Belts

JOSSLEYN HENNESSY

I
REVOLUTION FROM THE RIGHT
LONDON:

"Bliss was it in that dawn to be alive
To be a Tory was very heaven!"

WILLIAM WORDSWORTH on the French Revolution, brought up to date by Josselyn Hennessy.

For too many years now it has been my ungrateful task to report to you the gradual bogging down of the UK economy under ever more squelching over-taxation, public subsidies of housing (which in 1968 absorbed no less than £ 999 millions, not to mention the losses made involuntarily by wretched private landlords subject to controls retaining rents at 1939 or earlier levels), taxes on oil to subsidise coal, prohibition of coal imports to prevent foreign competition, regional subsidies to obsolescent industries of £ 300 million a year (which raise wages in those regions making it unnecessarily more expensive for expanding industries to attract workers), punitive taxation of "unearned" incomes from savings invested in enterprise, over £1,000 million a year loaned at 5.5 per cent in long-term export credits, enabling foreign customers to set up plants in rivalry to British companies, which have the greatest difficulty in borrowing at any rate of interest, and last but far from least whole groups of councils: NBPI, the IRC, the CIM, CIR, the SIB.

What, you ask, do those esoteric hieroglyphics stand for? The answer is: Busybodies who rob industry of initiative by interference with those making "excessive" profits and by aid to weaklings. These councils and advisory boards, which restrain competition and enterprise, are corrupted by the lobbies that they are supposed to regulate; they are empires of Parkinsons, diverting attention from realities and distorting the use of resources.

Tory Take-off

But—Joy! O Joy!—from now on readers of this column, who have struggled each weekend with my pessimistic assessments, can throw away the wet bandages that they have become accustomed to apply to their puckered foreheads and, instead, can fasten their seat belts for the new Tory take-off.

As explained here in "Goodbye to

Welfarism" on August 21, Labour party spokesmen, judging from the kind of criticism they make of Edward Heath's policies, regard the result of the June 18 election as return to Conservative government. Indeed, some Tories themselves still talk of a Conservative resumption of control over a steering wheel which, by some aberration, had got into the wrong hands. But what we are seeing is *not* a return of the old faces with the old policies, but the emergence of *new* leaders seeking to transform Britain. Their message is that the years of Britain's eclipse are over.

The transformation cannot occur overnight. Before the melting snows of the Himalayas can be let thundering into a new dam, the dam must be built. Likewise to let in the cleansing flood of competition in the UK will occupy all five years of this Parliament.

It will be difficult. Not the white heat but the slow burn of revolution was what Edward Heath promised the Tory party conference at Blackpool. The 4,000 delegates present cheered their heads off at the prospect of mounting the barricades. They rang bells. Will they soon be wringing their hands? Because what Mr Heath was promising the businessmen, traders, and workers who voted Tory was to tear off the tariffs, subsidies and feather-bedding under which they have been cosily stagnating and expose them to the blasts of competition, which many have never known.

Strawberries and Cream

Edward Heath's policy reminds me of the Communist orator who said: "Come the revolution, comrades, you will all eat strawberries and cream". A voice from the crowd shouted: "But I don't like strawberries and cream". The orator retorted: "Come the revolution, comrade, you bloody well like strawberries and cream". So at Blackpool, Mr Heath said, in effect, "While in opposition, I told you that the slogan of the Tory revolution is 'Stand on your own feet'. Now you're going to stand on your own feet, like it or not." He addressed this slogan to individuals and to companies, qualified by the rider that if an individual genuinely can't stand on his own feet, for reasons of health, age, or training, he will be helped to do so, more than he is now; but a *company* that can't stand will not be propped

up: it will be allowed to go out of business. Mr Heath seeks to end the interventionist society as we have known it.

II

CIVIL SERVICES RESIST CHANGE

The task is titanic. Thousands of civil servants, for example, have vested interests in interventionism. The vanguard of resistance is the Ministry of Technology, whose officials heard their minister. Mr John Davies (until recently Director General of the Confederation of British Industries) ruggedly declare his intention to remove from under industry government-supported props. The old hands in the Tory party smiled knowingly; they thought Mr Davies was naively committing himself to what he would find largely impossible and was therefore depriving himself of room for compromise. Mr Davies, on the other hand, felt that it was politically wise to get his objectives on record before they could be eroded by the massive opposition of the Ministry of Technology, which has not disguised its total opposition to its minister! If Mr Davies wins, he will have established a remarkable "first": the first minister in any country to liquidate his own ministry. It is not, perhaps, surprising that his officials are preparing to die in the last technological ditch: they realise that it is either they or he.

What the knowing old Tory hands have not noticed is that of 39 ministers in the government only one—Sir Alec Douglas-Home—was playing a major role the last time that a Tory government launched new policies with such confidence—in 1961. Then, it was the generation whose minds were moulded in the 1930s and 1940s—Macmillan, Butler, Thorneycroft, Hailsham, etc. Today, the key posts are held by men with whose names you have yet to become familiar. Anthony Barber, Chancellor of the Exchequer; Lord Carrington at Defence; Sir Keith Joseph at Social Services; Mrs Margaret Thatcher at Education; Geoffrey Rippon in charge of the Common Market negotiations; James Prior at Agriculture, to name but a few.

The main battalions of resistance to Mr Heath are in the ministries where his policies will hurt most: Education, the Foreign Office, Treasury and Inland Revenue. Most Education Ministry's officials are committed to the hitherto prevailing fashion—strangle private education by rising taxes and costs and push all schools into a uniform mould of state control. It is, in parenthesis, striking that socialists always want to bring down, before all

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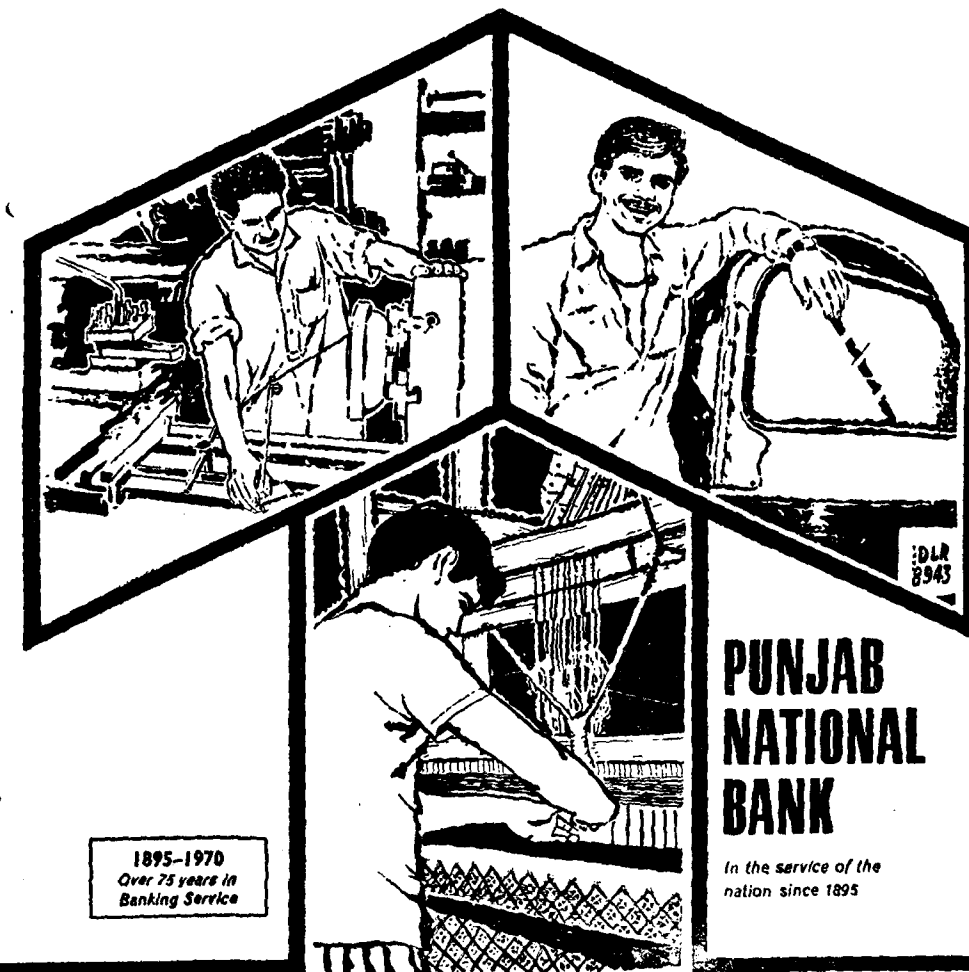
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else, any institution of outstanding excellence or efficiency. The standards maintained in the pre-Welfare British universities and private schools were admitted by foreign observers to be among the highest in the world: Oxford and Cambridge had no rivals. For the past twenty years they have been fighting a rearguard action. So also with the London Stock Exchange, once without peer for efficiency, renowned for the steadiness of its prices, today thanks to dividend restrictions, investment grants and the self-defeating capital gains tax, prices are apt to swirl up and down almost as unpredictably and as damagingly to investors as on the Paris Bourse. The capital gains tax is characteristic of socialist class vindictiveness: the amount realised is negligible and the harm done to the nation by inhibiting the market's efficiency in mobilising savings is incalculable.

Profile of Alec Douglas-Home

The Foreign Office adores Sir Alec Douglas-Home as a man but loathes his policies. They resist the Tory concept of a continued presence in the Persian Gulf and are sceptical about Rhodesia and the Far East, but they will get no change out of him, because not since Sir Alec was last in charge has the FO had to cope with so polite a minister who knows his own mind so firmly. He has Mr Heath's confidence and has the prestige of being one of the most popular men in the country. Harold Wilson tried to undermine his prestige by treating him as a joke, but Sir Alec had the last laugh. On a now famous occasion when the redoubtable TV inquisitor, Robin Day, said to him "Don't you think it is a great disadvantage to you to be the fourteenth Earl of Home?" Sir Alec replied with imperturbable good humour: "No greater than it is for Mr Wilson to be the fourteenth Mr Wilson". Incidentally, to open another parenthesis, TV interviewers dislike Mr Wilson as much as they like Sir Alec. Mr Wilson always tries to lay down in advance what questions he is to be asked and is notoriously touchy. Sir Alec turns up about one minute before he is due to go on the air, sits himself down comfortably, turns to the inquisitor with a beaming smile and says "fire away!" The result is that, for all Mr Wilson's carefully thought public relations gimmickry, Sir Alec, who makes no effort to be anything but his equable self, has the more popular public image.

The Treasury and the Inland Revenue are exercising their formidable skills (1) to resist changes in the social security system which would

impose charges on those who can afford them, and (2) to explain that all tax reforms are impossible. These, however, are subjects on which the Tories did five years' research while in opposition, and Anthony Barber has already impressed economic correspondents with his determination to put his mastery of the facts to good use.

III

MEANING OF 'LAISSER FAIRE'

From all this it would, however, be wrong to think that the Tories seek to pull the country kicking and screaming back into (what is misrepresented as) 19th century *laissez faire*. People forget that the classical economists from Adam Smith to John Stuart Mill envisaged intervention at many points to maintain competition, freedom of enterprise and initiative, and to prevent monopoly. What they meant by *laissez faire* was a market economy within a framework of law and institutions designed to maintain private property, decentralised economic initiative, independent of the state, with freedom of choice for all citizens of goods and services, employment and investment. The argument is not against government intervention as such, but against intervention that is wasteful or enfeebling in its effect on the individual or the community.

After all, it was not the Liberal Gladstone but the Tory Disraeli who proclaimed One Nation in contrast to Karl Marx's class warfare, and Tory speakers at Blackpool emphasised, when problems of industrial relations and trades unions came up, their determination to maintain this traditional Tory concept. It is far from a meaningless slogan: following the extension of the franchise in 1867, Disraeli saw the importance of retaining the confidence of the working classes, and the Tories have always avoided any policy which jeopardises One Nation. It is worth remembering—as Labour party members never tire of warning their supporters—that the Tories cannot win office without substantial support from the workers.

Ronald Butt, Political Editor of the *Sunday Times*, thus summed up the position of the Tories today: 'From housing to taxation, from industrial subsidies to Welfare services, the essential message is the same, and behind it the Tory party is now united in a way that almost outdates the old divisions between Left and Right... On central issues of home government the party

is solidly behind the Heath approach. If it succeeds, it will be a revolution'.

IV

UNIONS MAY "LET LOOSE ALL HELL!"

Outstanding in the Tory government's revolution are proposals to reform industrial relations, which have drawn from Mr Victor Feather, secretary General of the TUC, the retort that if enacted into law "all hell will be let loose."

Since the Tories are—wrongly because of the One Nation tradition explained above—supposed to be anti-union, I summarise the comments of the left-of-centre *Observer*, which supported the Labour government. The *Observer* said that the merit of the plan of Mr Robert Carr, Minister for Employment and Productivity, is that it is a long-term attempt to change the atmosphere of the U.K.'s industrial life. In the short run, it may make a bad situation worse. Given the hostility of the Trade Union Congress and the Labour party (despite the fact, the *Observer* ironically recalled, that Mr Wilson's government reluctantly abandoned similar but less sophisticated measures of its own), there may be an outburst of strikes against what the *Observer* said, is regarded as "union-bashing". It is important to stress, continues the *Observer*, that Mr Carr's proposals are plainly not "union bashing". They attempt to improve the framework in which industrial relations function. In a democratic society it is essential to regulate the use of power by any body of men representing a sectional interest, whether they are the directors of Imperial Chemicals or the leaders of the transport workers.

One of the most significant of Mr Carr's proposals (and one liable to be overlooked among the protests from the unions) is the pressure that they will put on inefficient managements. For example, if a management deliberately drags out pay negotiations or is slow in introducing better methods for dealing with complaints, the Commission for Industrial Relations can intervene and can refer the pay claim to an arbitration board or order the offending management to improve its methods.

This double theme of trying to improve the efficiency of industrial relations and of imposing obligations on both sides of industry runs through all Mr Carr's proposals. Thus the workers will be given the right to

demand a ballot to decide whether a particular workshop should have a hundred per cent union membership (though the close shop principle—i.e., the need to have a union card before being allowed to work in a particular job, as distinct from being obliged to join the union after taking employment—is rightly outlawed). On the other hand, there will be secret ballots to decide which unions should represent the men in a particular factory: a step towards ending the present situation where conflict between competing unions often causes shut-downs.

Industrial relations are not just a question of disputes. They are about people. There would be fewer disputes if more managements treated workers as individual human beings. One important aspect of Mr Carr's proposals is, therefore, the extent to which they strengthen the rights of individual workers. As against the unions, workers will be protected by the new Registrar for Trade Unions and Employers' Associations.

Protection Against Employer

Altogether, everyone stands to gain from Mr Carr's measures to reduce the jungle of industrial relations. The unions will lose some of their existing freedom; for instance, the right to come out on "sympathetic" strike: but they will gain protection against any employer who tries to have no unionised labour. In turn, the employers will have to justify decisions to sack men. But they will gain some protection against unofficial strikes.

Mr Carr, therefore, treads a political tightrope. On the one hand, he has to defend the body of his measures: for why, otherwise, should the government risk the wrath of the unions? On the other, he has to educate public opinion—to make it clear that he is trying to change the atmosphere, not to use the law in a foredoomed attempt to turn managers and workers into angels.

"Fortunately", concluded the *Observer*, "Mr Carr seems to have precisely the personal qualities of common sense, courage and transparent honesty required for this exceedingly difficult exercise. Meanwhile, the Labour party, if it conducts an all-out campaign against these Tory measures, will invite a justified charge of hypocrisy for attacking a policy which it tried hard to introduce itself. The more violent the unions are in their claims to immunity from the law, the stronger will become the public's awareness that there is an unanswerable case

for treating them like any other sectional interest."

Opposing Union Views

On the attitude of the unions, I summarise first the *Sunday Times*: There is a sad predictability about Mr Feather's response to the proposals for union reform. But if his case was not fragile, he would not need to misrepresent the government's plan as "a major attack on the rights of work-people". Such crude sloganeering overlooks important details. The measures provide compulsory recognition of unions by employers, stronger protection against unfair dismissal, larger disclosure of company information and an agency-shop system by which employees can be required to join unions. For a movement which, by its own efforts, has managed to negotiate agency shops in fewer than half the country's workplaces, Mr Feather is a singularly ungrateful spokesman.

No one can be sure that the Tory package is the right one. The problem is gigantic, and their approach certainly has disadvantages. But it is the fruit

of years of study by men with as much concern for society as the members of the TUC General Council. It is also certain to become law; this is a government which the unions will not terrorise into submission. Rather than dumb hostility therefore, the TUC and the union leaders should respond to Mr Carr's offer to talk. They cannot, the *Sunday Times* concluded, change the core of the bill, but it will be in everyone's interest if they suggest detailed improvements.

While the militant Mr Hugh Scanlon, leader of the AEF Union, proclaimed that the TUC must fight the whole Tory bill, not individual clauses, Mr Leslie Cannon, the equally militant but constructively minded leader of the Electrical Trades Union, argued the exact contrary: the TUC, he said, must offer amendments to improve the bill's clauses but not reject the bill itself.

Mr Cannon points out that the Conservative government made reform of industrial relations an election issue

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and therefore has a mandate from the electors. He scorns the TUC allegation that the bill undermines the power that the unions have built up over a century. Even if all the proposals became law, the trade unions would have sufficient power, exercised legally, to have a devastating effect on important sections of the economy.

What tactics, asks Mr Cannon, will the TUC employ during the five weeks of consultation offered by Mr Carr before the bill goes to Parliament?

Eighteen months ago the TUC won what can now be seen to be a pyrrhic victory against the Labour government's proposals. On that occasion the TUC was uncompromising throughout the negotiations. They made it clear that they would never accept penalties against workpeople or trade unions and would therefore accept neither the industrial courts, a legally enforceable cooling-off period, nor compulsory strike ballots. The withdrawal of these features of the White Paper was, and according to the TUC and Labour party conference decisions still is, the TUC's negotiating position.

The situation now, however, is in Mr Cannon's view, very different. Mr Carr, who does not fear a backbench revolt, welcomes constructive consultation about details but insists that there can be no going back on main principles. In these circumstances,

IMF Philosophy of Exchange Rates

H. R. VOHRA

WASHINGTON:

IN THE past, the International Monetary Fund reviewed the exchange rates provisions of the Bretton Woods articles in some of its annual reports. For the first time now, it has published a comprehensive review of the mechanism of exchange adjustment.

The study shows that in the opinion of the executive directors, the par value system retains its validity although its working will continue to be reviewed in the period ahead. They have no doubt that, at realistic levels, it remains the most appropriate general regime to govern exchange rates in a world of managed national economies. Departures would not be justified.

The system is conducive to the maintenance of stability in exchange rates which is essential for the orderly conduct and progress of international trade. In 1969, the IMF's annual report said:

"If exchange rates that are no longer appropriate are nevertheless maintain-

asks Mr Cannon, can there be a constructive dialogue? It is hardly likely. What seems to him inevitable is that the five weeks will go by during which the TUC will re-state its position of 18 months ago and at the end of which the government will not be moved one inch. This leads inexorably to confrontation between the TUC and the government and also raises constitutional issues of the highest importance.

Having been invited to consult and try to modify details of this programme, will, asks Mr Cannon, the TUC be right, if all its demands are not met, to decide to use its great power against a mandate which the party now in government sought and received from the electorate? Mr Cannon answers "No", and adds that millions of trade unionists, whose working lives will be affected by this legislation, have the right to expect that their leaders will go through the document with the government, submitting reasoned amendments. If the TUC stands in total opposition, Mr Cannon fears that the case of millions of workers on many unsatisfactory features of the document will go by default.

Postscript: Since writing the above, John Davies has shut down the Ministry of Technology and has himself been appointed President of the Board of Trade.

ed, they contribute to the persistence of payments disequilibria, the encouragement of speculation and crises in the exchange markets. Moreover, undue rigidity of exchange rates may lead to the very developments that the par value system is intended to avoid, including restrictions on current transactions, the imposition or intensification of capital controls, and the sluggish growth of development aid."

Changes in parities are permissible if they are intended to correct a situation of fundamental disequilibrium as one of the articles directs: "A member shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium" and "The Fund shall concur in a proposed change if it is satisfied that the change is necessary to correct a fundamental disequilibrium."

"Fundamental disequilibrium" has not been defined either in the articles or by the Fund. For the first time the directors have described what passes through their collective mind when they

face a proposal for change in the par value of a currency and this is both interesting and instructive. Although the focus is on a country's balance of payments, the Fund also takes into account its general economic condition. The underlying philosophy of the Bretton Woods system is stated to be that "while attainment of balance in international payments must be a focal point of concern for the international financial community, it is not to be regarded as an objective in isolation from other objectives of the international monetary system."

Balanced Growth

And these include "the expansion and balanced growth of international trade on the basis of a liberal and non-discriminatory regime of trade and payments to contribute to the promotion of high levels of employment and real income and to the development of productive resources of all the Fund's members as primary objective of economic policy." It follows that measures likely to hinder national or international prosperity clearly are unacceptable. They would not help create durable payments equilibrium.

The wide variety of considerations which determine a state of fundamental disequilibrium could include a deficit balance of payments position if there were no restrictions on trade and payments. It would still be a state of fundamental disequilibrium if a country showed a surplus in its balance of payments which would change into a deficit when its economic activity accelerated. This would also be true of a situation where a deficit balance of payments can change into surplus but for exports of capital at a rate the country does not wish to continue or for the country's inflation-promoting policies. These concepts play an important role in determining the presence and magnitude of fundamental disequilibria.

The Fund also defines two other principles governing changes in the par value system. First, a proposal for change in the par value of a member's currency may be made only by the member concerned. This provision has not lost its lustre although the Fund is free to express its views on a member country's economic situation.

Secondly, changes in parities are held to be matters of international concern which are governed by agreed international procedures. All changes in parities require the concurrence of the Fund except that the Fund may not object when "the proposed change together with all previous changes, does not exceed 10 per cent of the initial par value. Member countries

which have already made changes in par value which in total exceed 10 per cent of their initial par values, are no longer entitled to this exception.

Another interesting development is that the Fund totally rejects three proposals which seek to replace the existing stable regime. They are:

- fluctuating exchange rates;
- parities agreed with the Fund but allowing substantially wider margins, and;
- a regime under which parities would be adjusted at fixed intervals on the basis of some pre-determined formula which would be applied automatically.

Freely floating exchange rates or fluctuating exchange rates are denounced on the ground that the absence of par values and the existing international procedures for adjusting exchange rates would leave a vacuum in international co-ordination of exchange rate policies. A new set of safeguards would still be necessary and they could not be very different from the existing ones. This could quickly lead to a regime of par values involving international supervision and control of national exchange rate actions.

Proposals allowing substantially larger margins of fluctuation around parity to, say, five per cent compared with the present maximum of one per cent against an intervention currency would function about the same way as fluctuating rates.

Additional Risk

There would be additional risk that countries would find their competitive position "subjected to sudden and inappropriate changes as a result of temporary market developments or of administrative actions of other countries through official intervention of exchange markets."

Automatic adjustments at regular intervals also offer overriding disadvantages. The need for adjustment of the exchange rates cannot be judged from the position of balance of payments alone without reference to the condition of domestic economy. If parity is made to respond to market forces, "there would be continuous movement in parities in cases where stability might otherwise be achieved and is likely in some cases to involve movements in an inappropriate direction."

Secondly, removal of political and psychological constraints on adjustment of exchange rates would not be advantageous in cases where such constraints have strengthened the hands of the local government in securing acceptance of necessary domestic ad-

justments that would otherwise be resisted.

Thirdly, according to the Fund, the review implies willingness to change exchange rates where a change is appropriate to restore equilibrium at a time and in a manner most likely to enhance their effectiveness. Timing is important. In conditions of today, expectations that parities may be changed can lead to large and disruptive movements of funds.

Having discarded these three proposals, the Fund continues to assert the need for perpetual review to render the par value system as effective as possible to achieve its stated purposes. For the Fund, this means adjustment of its criteria, procedures and practices to ensure that they are suitable for this end. For the members, it would imply pursuit of policies which keep in balance the growth in demand with the development of available resources.

Adjustment of Parities

Prompt adjustment of parities in appropriate cases is one of the areas in which exchange rate policies of member countries have been studied in order to attain the most smooth and effective operation of the par value system. The Fund study does not recommend an adjustment of parity where the disequilibrium in the balance of payments is not fundamental and is the result of temporary, seasonal or short-term factors. This could disappear without a change in parity. Changes in domestic policies could correct the balance of payments position. International measures outside the exchange rate field could also help. Both types of measures are prescribed before resort to adjustment of the parity.

At the same time, the Fund recommends appreciation of a country's currency to protect its domestic price stability in a different set of circumstances. This would apply to a country whose domestic prices stay stable or whose prices move more slowly than its trading partners. Its stability would then be threatened by the maintenance of an unchanged parity.

Where a change is dictated by circumstances, the Fund suggests prompt action, whether it is upward or downward. It would not expect changes in par values that are too small to correct the fundamental disequilibrium or are so frequent that they undermine the maintenance of exchange stability. The circumstances of each case must determine the quantum of change and its frequency to be good for the country and the international community.

If the cumulative change is 10 per cent

of the initial par value or less, the Fund is not entitled to object.

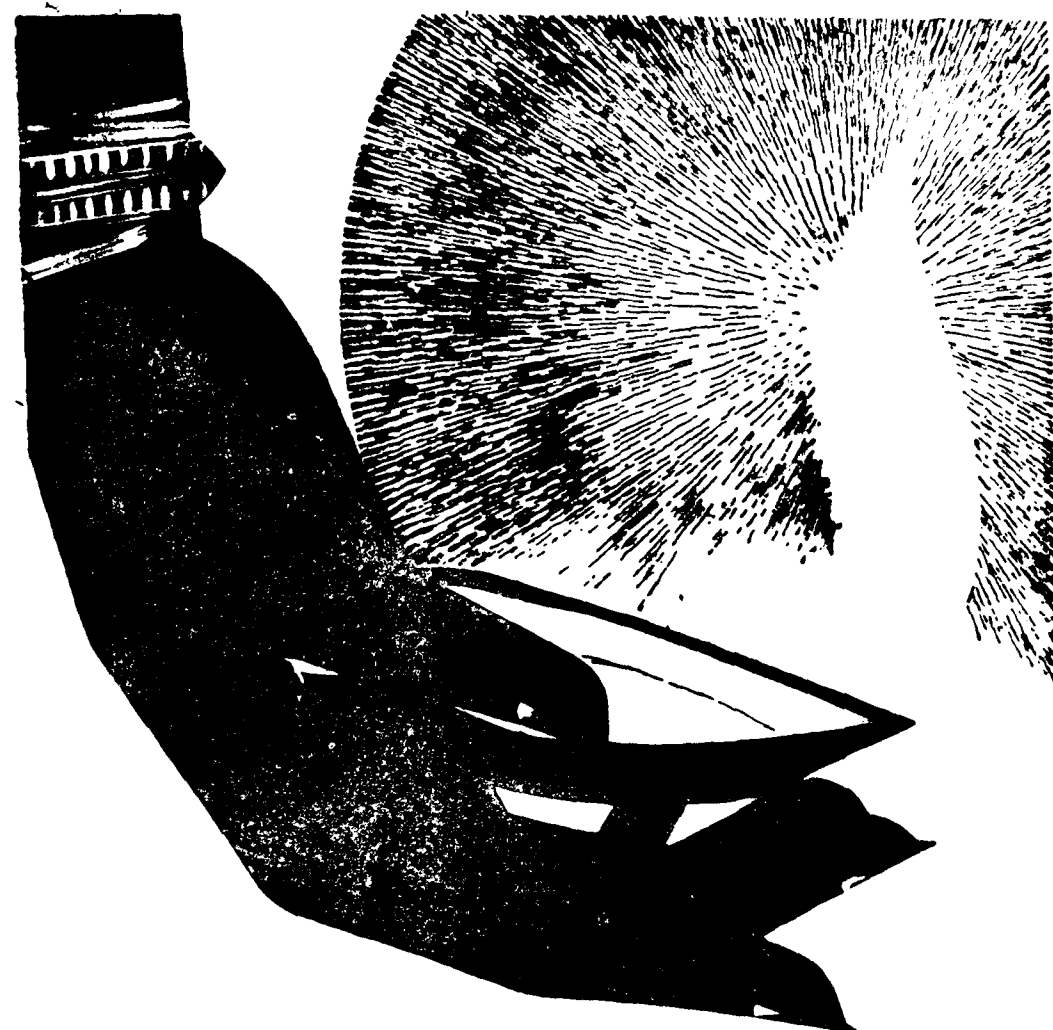
If the cumulative change is large, the Fund may concur or object. It has 72 hours to declare its attitude if the cumulative change does not exceed 20 per cent of the original par value but may take a longer, undefined, period, if the cumulative change is in excess of 20 per cent of the initial par value.

A suggestion has been made, and the Fund is studying it, that in order to facilitate small and gradual changes in parity as disequilibria develop, the Articles of Agreement might be amended to allow members to make changes in their parities without the concurrence of the Fund when changes do not exceed three per cent in any 12-month period or a cumulative amount of 10 per cent in any five-year period.

Question of Safeguards

The IMF has not yet taken a stand on the proposal to slightly widen the margin around parity. Under the present arrangement member countries are permitted margins of up to one per cent against their intervention currency and cumulated margins against other currencies of up to two per cent. They fall within the Fund's jurisdiction. This was confirmed in an executive board decision of 1959. The Fund, however, cannot approve a further widening of margins. The executive directors have considered whether it would be desirable to amend the margin provision. Further study would be needed to judge whether any such amendment if it were to be judged desirable, should take the form of new margins and whether the Fund should be authorised to establish appropriate margins for all currencies or in individual cases. The question of the safeguards which the Fund should impose has to be considered.

The question has also been raised whether it is desirable to amend the Articles of Agreement so that the Fund has the authority to permit temporary deviations from par value obligations. The danger is that such departures would begin to look less serious although they would constitute a breach in the basic regime. On the other hand, legal authority to approve departures could enable the Fund to make approval contingent on the observance of specific conditions. Members would then remain within the law and would be induced to return to par value as soon as possible. For the international community, there would need to be safeguards to take the place of safeguards of the par value system. The executive directors have not come to a final view on the issues raised by the proposal. They intend to give it further thought.



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The moving finger writes

QUITE A few of my colleagues profess to see the return of *the glint* to Mr Morarji Desai's eyes. I however doubt that recent developments in UP are an indication that there may yet be a prime ministership in his future. On the contrary, considering that Mr T.N. Singh was sprung on the Governor almost like a rabbit out of a magician's hat, it appears likely that the political rat-race in the country—to mix metaphors—may increasingly come to belong to the not-so-obvious rodents. The permutations and combinations of intra-party politics have clearly put a premium on facelessness as the main element of eligibility for the leadership of 'fronts'. The star of the 'compromise candidate', in other words, is on the ascendant, whatever their astrological advisers may have to say to the so-called senior politicians in our midst.

It is, of course, only too well-known that Pakistan and Ceylon are under pressure to devalue their currencies. Mr Pierre-Paul Schweitzer, Managing Director of the International Monetary Fund, who recently visited our country and Nepal, while praising the strength of the Nepalese currency and saying a good word about our agricultural and industrial progress, was silent about our rupee. This does not necessarily lend credence to the view held in some quarters that the Indian rupee will have to be devalued in — shall I say?—'due course'.

The Finance Minister and the Governor of the Reserve Bank have naturally put up their hands in holy horror at the very idea of another devaluation and while it is possible that they are thereby doing only what they are being paid to do, I am prepared to concede that the devaluation of the rupee cannot be said to be in sight at present. This is for the simple reason that, in these days of managed or mismanaged currencies, it is quite possible for even notional parities to be maintained more or less indefinitely. I believe that the Finance Minister and the Governor of the Reserve Bank should be content to leave it at that. To go further and claim, as they have done, that the improvement in the balance of payments is proof that the rupee is strong is to confirm, in the case of Mr Chavan, his general ignorance of economics and show up, in the case of Mr S. Jagannathan, the damage that 'commitment' does to the credibility of the public servant.

Especially after the Governor of the Reserve Bank had himself admitted that the so-called improvement in the balance of payments was incidental to the depression in the level of economic activity in the country, I wonder how he could argue that this improvement might be considered to be a sign of the strength of the rupee. There was much more sophisticated economic logic or even wisdom in Mr T.T. Krishnamachari's celebrated remark that the true backing for our country's currency was the steel plants. Unfortunately, these plants are not producing either fully or profitably and taking this as an indication of what has gone wrong with our economy, we should be able to arrive at a more realistic appraisal of the state or status of our currency than either Mr Chavan could figure out or Mr Jagannathan would dare to spell out.

While on the topic of Mr Chavan as Finance Minister, I am tempted to ask myself whether the Prime Minister is not relentlessly engaged in nibbling at his ministerial position and prestige. I have just seen a report in the press that Mr P.N. Dhar of the Institute of Economic Growth is being appointed as the Chief Economic Adviser to the Prime Minister. I would be the last to deny that Mrs Indira Gandhi needs all the economic advice that she can get and would certainly hasten to express my personal regard for Mr Dhar as a highly accomplished practitioner of his profession, but all this does not and should not come in the way of my protesting against the creation of this new post in the Prime Minister's Secretariat.

The Government of India already has a Chief Economic Adviser who is in the Finance Ministry. The Secretary of the Department of Economic Affairs in the Finance Ministry, again, is a professional economist of high calibre. There is nothing to prevent the Prime Minister from seeking counsel with these experts who are already in the government. She could obtain their advice either through the Finance Minister or directly — just as she prefers. Where, then, is the need for her to appoint a Chief Economic Adviser in the Prime Minister's Secretariat? Is she trying to create a parallel organisation which would restrict the scope and functioning of the Finance Ministry in the field of economic policy-processing or policy-making and thereby demote

further the office of the Finance Minister, which Mr Chavan happens to be holding at present?

The press report to which I referred earlier has suggested that one of the reasons for the Prime Minister providing herself with a Chief Economic Adviser in the Prime Minister's Secretariat is that industrial schemes which have to be cleared at the cabinet level are piling up and that she needs some additional assistance to be able to expedite their disposal. If this account is true, it makes matters even worse, for the new appointment would, then, cut not only into the functioning of the Finance Ministry but also encroach on the working of the Ministry of Industrial Development. But, then, Mrs Gandhi has already shown that she does not at present rate very highly either the Ministry of Industrial Development or its minister. In the UK, where the Prime Minister, Mr Heath, also has a problem of stimulating a stagnant economy, a new ministry has been created for the purpose under a prestigious new minister. Here, in our country, Mrs Gandhi has opted for a truncated Ministry of Industrial Development under a minister whom she has publicly humbled.

At a pleasant function at which local journalists were educated on the graces of Pan Am's super-jet fleet of Boeing 747, Mr Frank I. Gurney, the airline's Director for India, made what struck me as a very perceptive observation. He said that the fact that airports in this country might not be fully equipped or otherwise ready yet to receive these jumbo jets need not necessarily mean that this country would have to wait long to be served by aircraft of this class. He suggested that Boeing 747s would certainly be calling at Indian airports soon enough and that their presence would in itself force the pace of expansion or modernisation of airport facilities. Those of us in New Delhi who have been observing how Lutyen's city has been gamely widening or otherwise improving its roads in forced response to fast-growing traffic, would certainly share his optimism.

And now for a newspaper caption which I consider to be a collector's item: "Keating slept; no discourtesy to PM" — *The Hindustan Times* of October 23, 1970.

V.B.

Trade Winds

INTERIM BUDGET

SEVERAL IMPORTANT announcements were made by the union Finance Minister, Mr Y. B. Chavan, and his colleague, the Minister of State in the Finance Ministry, Mr V. C. Shukla, during the discussion which they had last week with the members of Parliament constituting the Consultative Committee for Finance. Mr Chavan ruled out the introduction of an interim budget during the ensuing session of Parliament to raise revenue for meeting the interim relief granted recently to government employees — this relief is estimated to cost the central exchequer this year nearly Rs 106 crores. He also revealed that the government was not contemplating any devaluation or revaluation of the rupee. Mr Shukla, ruled out any possibility of scaling down the personal taxation rates with a view to checking income-tax evasion.

There was a good deal of discussion in the committee on the recent rise in prices and the growing unemployment in the country. The Parliament members expressed grave concern over the developments on both the prices and the employment fronts. This concern was shared by Mr Chavan, although he pointed out that the rise in prices this year had not been more than five per cent over the last year. Various suggestions were put forth by MPs to tackle the two issues. As regards unemployment, it was suggested that an all-party meeting should be held to devise ways and means to provide additional employment opportunities. The Finance Minister agreed with this suggestion and appreciated the willingness of the various political parties to deal with the problem on a non-partisan basis. He himself favoured what he called "an area approach". He felt that areas should be chosen where the needs for providing employment were the greatest. Basically, he opined, the question was one of raising resources for investment. The most important outcome of the discussion on price rise was that Mr Chavan promised to consider the suggestion that high taxation was now one of the reasons for the expanding prices spiral.

I.F.C. BONDS

The Industrial Finance Corporation has decided to issue a new series of 12-year bonds, the issue price of which is Rs 100. Fully guaranteed by the government, the bonds will carry interest at

Rs 5.75 per cent per annum. The list will open on November 9 and close on November 12, or earlier, as soon as the issue is subscribed fully. Offices of the Reserve Bank of India in Bangalore, Bombay, Calcutta, Kanpur, Madras and New Delhi will receive applications for the bonds. The bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act. Accumulations of exempted and non-exempted provident funds and trusts could also be invested in these bonds. The Corporation hoped to raise Rs 4.5 crores by issuing the new series. The IFC has so far issued 12 series since 1952 for an aggregate Rs 69.49 crores of which the outstanding is Rs 52.74 crores.

EXPORT TO NEIGHBOURS

Exports from this country to 26 neighbouring countries can be more than doubled from around \$ 500 million in 1968-69 to \$ 1,130 million by 1974, according to a detailed study made by the National Council of Applied Economic Research. Releasing the study, the Director-General of NCAER, Mr S. Bhoothalingam, stated that the assessment was based on realistic assumptions about production in India and demand abroad. If things turned out better than normal, the export performance could be even better than that.

The study shows that the rate of growth of Indian exports to neighbouring countries in Africa, West Asia and the Far East (including Australia, New Zealand and Japan) can be as high as 18 per cent in the next four years. This will be a vast improvement on the export growth rate of 6.7 per cent to these countries in the 1960s. The NCAER study has examined the possibilities in each of the 26 selected countries. The biggest increase in exports is liable to be in iron ore. The potential in 1974 has been estimated at \$ 175 million against \$ 94.5 million in 1968-69. Iron and steel exports can rise from \$ 44.8 million to \$ 152 million, but this depends on the Bokaro project being successfully commissioned and operated. Textile exports can rise from \$ 37.7 million to \$ 92 million, and marine products from \$ 9.5 million to \$ 41 million. Of the countries covered by the study, Japan offers the greatest export potential which the NCAER has estimated at \$ 416 million in 1974 against \$ 211 million in 1968-69. Exports to Ceylon can rise from \$ 31 million to \$ 94 million, to

Kuwait from \$24 million to \$60 million, to Australia from \$ 34 million to \$ 90 million, and to Hong Kong from \$ 15 million to \$ 48 million.

VANASPATI PRICES

In view of the fall in the prices of groundnut oil during the recent weeks, the prices of vanaspati have been reduced by 20 paise per kg in north zone and by 30 paise per kg. in the remaining three zones from October 24, 1970.

CREDIT FOR FERTILIZERS

A suppliers' credit contract was signed recently between the Fertilizer Corporation of India and Messrs Montecatini Edison of Italy for the supply of imported equipment and machinery for the ammonia synthesis and urea sections of the two coal-based fertilizer plants to be set up at Talcher and Ramagundam. These are two of the three coal-based fertilizer projects approved by the government and taken up for execution by the Fertilizer Corporation. Dr R. Lunge and Dr L. Levati represented Messrs Montecatini Edison and Dr K.R. Chakravorty, Managing Director, signed on behalf of the Fertilizer Corporation of India. The ammonia synthesis and urea sections of these plants are based on Montecatini processes for which know-how has already been acquired by the FCI. The corporation has also obtained know-how for the Koppers Totzek process for gasification of coal and Rectisol process for gas purification from two West German firms. The plants are being completely designed and engineered by the Planning & Development Division of the corporation by its own engineers. Each of these plants will have the capacity to produce 900 tonnes of ammonia and 1500 tonnes of urea per day.

REPORT ON IRAQ RAILWAYS

At a ceremony held recently in New Delhi, Secretary to the Ministry of External Affairs presented to the Iraqi Ambassador a report on the feasibility-cum-cost study of a 400-kilometre railway line from Baghdad to Hsaibah conducted by a team of Indian Railway experts this year. The report discusses alternative alignments, standards and phasing of construction, traffic anticipation, choice of motive power and rolling stock and gives an evaluation of the cost of the project. According to the report the construction of this railway line is possible. The Indian Railway team headed by Mr M. Menezes, Director of Research in the Ministry of Railways, took up the study in April this year and completed it in a record time of four months in a desert area under the hot summer sun. The team

held discussions with officials of the Republic of Iraq before finalising the report. The study followed an agreement between the Iraq Republic Railways and the Railway Board signed in January this year.

WEST GERMAN ASSISTANCE

West German capital aid to this country during the current year is likely to be of the order of Rs 54 crores. This will be Rs 4 crores more than what Bonn offered India last year under the capital aid account. A team of Indian officials was recently in Bonn negotiating with West German counterparts project aid, ways of increasing West German private investment in India, promotion of Indian exports and future of technical assistance. The team was led by Mr Y.T. Shah, Joint Secretary, Economic Affairs in the Finance Ministry. It is learnt that a major part of the project aid will be utilised for petrochemical and fertiliser projects. As for promoting private investment, measures in this direction are to be further discussed with West German businessmen by another Indian mission, led by the President of the Federation of Indian Chambers of Commerce and Industry, Mr Kothari.

JAPANESE FUNDS FOR A.D.B.

Japan on October 20 signed documents to contribute \$ 30 million (Rs 225 million) to the Multipurpose Special Fund of the Asian Development Bank. The documents were signed between the Japanese Finance Minister in Tokyo and the Asian Development Bank President in Manila and confirmed by an exchange of telegrams.

FRENCH BANK RATE

France has recently cut its bank rate by one-half per cent in a move to stimulate economic expansion and domestic demand. The new rate of 7 per cent was announced shortly before the National Assembly started its debate on the budget for 1971 and brought France in line with the bank rates in Britain and West Germany.

BELGIAN BANK RATE

The Belgian bank rate was cut to 7 per cent from 7 1/2 per cent on October 21.

EXPORTS OF VACUUM FLASKS

JG Glass Industries Pvt Ltd, Poona, has secured an export order from the USSR for the supply of metal vacuum flasks and seamless refills. Last year, the company exported to the USSR metal vacuum flasks and seamless refills of the order of Rs 37.50 lakhs. It also sold to the UAR, Australia,

Philippines, Bangkok and Hong Kong penicillin vial for about Rs 13 lakhs. The company has also bagged a big order for supply of metal vacuum flasks and seamless refills from Bulgaria and Ceylon. Other overseas buyers are Germany and Australia. The company has fixed an export target of Rs one crore for 1971-72. The company's plants in Rishikesh (Uttar Pradesh) and in Kuala Lumpur (Malaysia) are fast progressing and are expected to go into production next year.

SEMINAR ON BAGASSE

An international seminar on pulping of bagasse and agricultural residues will be held in New Delhi on November 7 and 8. It is to be inaugurated by Mr B. Venkatappiah, Member Planning Commission. The conference will highlight discussions on convertibility of two million tonnes of available bagasse and vast quantities of other agricultural residues such as rice and wheat straw, cotton linters, etc., into pulp and paper. Delegates from foreign countries such as the US, Holland, Sweden, England, Burma and Taiwan will be participating in the seminar. The Indian Pulp and Paper Technical Association is organising this seminar.

EFFORTS FOR MORE OIL

The third one-million tonne unit at the Barauni refinery is expected to go on stream by early 1973. The calculations for processing imported crude at this unit have been completed and now necessary infrastructure is being got ready. This was indicated by Dr Triguana Sen, union Minister for Petroleum & Chemicals and Mines & Metals, at the meeting of the Consultative Committee of Members of Parliament for the Department of Petroleum & Chemicals recently. The minister also informed the committee that the ONGC experts, who were in the USA undergoing training in the use of the digital seismic recording units and the play-back

equipment, were expected back in the next two months. An intensive survey with the help of the two digital units, which had been bought, was now expected to begin in West Bengal in December this year, he added. As soon as the survey revealed any promising structure, drilling would immediately be undertaken. It was clarified that at present drilling could be carried out with one of the deep rigs already available with the ONGC and that there was no need for any special types of rigs to be bought for the purpose. About the search for oil in the Rann of Kutch, Mr D.R. Chavan, union Minister of State for Petroleum & Chemicals, stated that the Rann was a marshy area, and special types of vehicles requiring free foreign exchange were required to carry the instruments for geo-physical surveys. The ONGC was trying to get these. As for prospecting for oil in Maharashtra, he explained, the existence of sedimentary areas beneath the Deccan trap had to be established before any prospecting for possible oil structures could be undertaken. Geological study of the Deccan trap, it was learnt, might take time.

NEW BUSINESS BY L.I.C.

The total new business of the Life Insurance Corporation of India in September 1970 amounted to Rs 85.89 crores, involving 111,224 policies. The Western zone of the Corporation recorded the highest amount of new business totalling Rs 24.10 crores; it was followed by the Southern zone with Rs 21.21 crores, the Central zone with Rs 14.55 crores, the Eastern zone with Rs 12.85 crores and the Northern zone with Rs 12.40 crores. The total new business completed by the Corporation during April to September this year was of the order of Rs 351.38 crores involving 466,203 policies, as against total completed business of Rs 302.77 crores during the corresponding period last year.

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.**

Company Affairs

JAY ENGINEERING

MR. CHARATRAM, Chairman, the Jay Engineering Works Ltd, told the shareholders at the recently held annual general meeting that the year ended March 31, 1970, was marked by a decline in production in Calcutta factories and subsequent cessation of work there. This stoppage of nearly eight months had meant enormous strain on the workers as well as on the financial resources of the company. It might take a year or more of normal uninterrupted operations for restoring the financial health of the company, he added. Moreover, the country's export markets for sewing machines and fans were starved and considerable foreign exchange was lost.

Mr Charatram felt that organised militant movement by dedicated party workers paralysed economic and social life in the area to achieve their long-term political objectives and it involved much hardship to workers who were unemployed for such a long time.

The chairman pointed out that work had been recently resumed in the Calcutta factories. The management, he added, did not declare a closure or lockout but kept the factory gates open throughout for the workers to return to work on any day they wanted to. The agreement which has been signed consequently, has upheld the management's original position. The agreement which has now been signed settles for the company, he added, many long standing disputes and this agreement should be considered good.

Mr Charatram contradicted any misinformation regarding the company's contemplated progressive closure of Calcutta factories. Nothing could be far from truth and the company's policy in this regard, has been to expand its operations there. The company has made fairly detailed plans for augmenting the already high level of production achieved in some of the earlier years.

Nevertheless he reminded the workers that the financial situation of the sewing machine unit in Calcutta, which was already in a bad shape, had been made fairly precarious and any attempt to secure further gains for the workers in the unit could prove dis-

astrous because this process has already crossed the danger mark.

ESCORTS

Escorts Ltd has almost touched in its working during the nine months of 1970 the sales turnover achieved in the entire year 1969. The company's sales on September 30, 1970, were Rs 27.66 crores against Rs 20 crores during the corresponding period of 1969, and were Rs 28.74 crores in the year 1969. As many as 7,800 tractors were sold during this period (January 1 to September 30, 1970) as compared to 5,400 in the corresponding period of 1969, thus touching a peak. Motorcycles sold in this period were 12,400 against 7,400 during the same period in 1969. The long awaited Rajdoot scooter was launched in July and the mounting registration list is an indication of the popular demand of this machine. The company is gearing up its production to meet the increasing demand in the immediate future. Improvement has also been recorded in the sale of other products such as piston assemblies, automobile shock absorbers, X-ray equipment, railways shock absorbers, couplers and brake valves, etc. There has been a substantial increase in the export of the company's own as well as non-company products. The company's international division has received large orders during the year and it is hoped that the export turnover would reach a crore mark in 1970. The company's Ford tractor project has made considerable headway and the production is expected to commence in early 1971. The increase in sales has, however, not resulted in increase in profits because in spite of the best efforts of the company, over past 18 months, the government has not yet allowed increase in tractor prices so far.

TRAVANCORE-COCHIN

Mr N. Chandrabhanu, Chairman, the Travancore-Cochin Chemicals Ltd, revealed at the annual general meeting held recently that the company had been able to consolidate the fruits of its third stage expansion programme. The year ended March 31, 1970, therefore, marked the crossing of sales beyond Rs 4 crores showing an increase of nearly 33 per cent over the previous year. Mr Chandrabhanu added, however, that the unit was not without problems. The problems facing the caustic soda plants were the limitat-

ions for selling caustic soda in lye form and the disposal of chlorine. It was hoped that the problem could be solved by commissioning the new caustic fusion and salt recovery plants during the year under review, but mainly because of the delay in getting indigenous equipment this could not be achieved. The chairman expected that the fusion plant would now be commissioned without any further delay.

Mr Chandrabhanu pointed out that the additional levy of 33½ per cent surcharge had been made by the Kerala State Electricity Board and had recently revised the tariff perpetuating the additional levy of 33½ per cent. The company, he added, had taken necessary legal steps against the unilateral revision in the tariff made by the board in respect of the long-term agreement between the company and the board. In spite of these problems the company was able to make a reasonable return on the total capital employed because of the favourable market conditions for hydrosulphite of soda which existed during the year under review. The chairman added that the main projects included in the fourth stage expansion programme had been taken up for implementation and a separate project division had been constituted for prompt and effective execution. He believed that the fourth stage expansion would involve an outlay of over Rs 7 crores which indeed was an ambitious programme.

INDIAN HOTELS

The Indian Hotels Co Ltd which owns the Taj Mahal Hotel in Bombay, will enter the capital market on November 9, 1970, with a public issue of 650,000 equity shares of Rs 10 each at par and 55,000 redeemable cumulative preference shares of Rs 100 each. A sum of Rs 5 per equity share and that of Rs 50 per preference share is payable with application and the balance will be collected in one or more calls. The subscription list will close on November 9 or earlier but not before November 11. The company has an authorised capital of Rs 260 lakhs, of which equity shares worth Rs 65 lakhs have been already fully paid up. It is now issuing in all 1,150,000 equity shares and 55,000 preference shares of which 500,000 equity shares have been reserved for existing shareholders, directors, associate companies and employees and the balance is being offered to the public. The proceeds of the issue will finance partly the company's two major projects which are expected to involve a capital outlay of Rs 6.30 crores. Its major project aims to set up a new 22 storeyed luxury hotel adjacent to the Taj Mahal at a capital cost of Rs 4.40 crores. The work on the new hotel,

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which will have 306 guest rooms besides shops, restaurants and other modern amenities, has been in progress for nearly two years now and will be completed by March 1972. The other project is intended to expand the Taj Mahal hotel at a cost of Rs 1.90 crores by early 1972. The company has already entered into a collaboration agreement with Inter-Continental Hotels Corporation of the USA, a subsidiary of Pan American Airways for technical services and assistance.

SOUTHERN STEEL

Southern Steel Ltd is entering the capital market on November 10 with an issue of 66,300 equity shares of Rs 10 each and 37,500 (9.5 per cent) redeemable cumulative preference shares of Rs 10 each, both at par. The entire issue which is fully underwritten will be offered to the public. A letter of intent was obtained by Andhra Steel Corporation Limited for manufacture of 7,000 tons of cold rolled strips and 3,000 tons of box strappings in the existing unit at Vishakapatnam. But the union government in a subsequent letter has confirmed and approved the change in the name of the undertaking to Southern Steel Ltd and also the change of location of the undertaking from Vishakapatnam to Hyderabad. Barring unforeseen circumstances, the factory is to be commissioned by March 1971.

INDIAN ALUMINIUM

At a meeting held recently, the board of directors of Indian Aluminium Company Ltd, declared an interim dividend of Re 0.55 on each fully paid ordinary share of the company in respect of the year ending December 31, 1970; the partly-paid ordinary shares will also participate in the dividend proportionate to the amount actually paid up. Reporting on operations during the first half of 1970, the directors announced that sales totalled Rs 14.52 crores compared to Rs 12.77 crores for the first half of 1969. Whilst this increase reflects sales of Belgaum metal, production and sales were restricted by a strike at the Hirakud smelter which lasted three months. Production costs during the period were affected by increases in raw material and labour costs as well as the Hirakud strike and the initial high production costs at the Belgaum smelter. As a result, net profit for the period, after providing Rs 63 lakhs for development rebate, was Rs 1.07 crores compared with Rs 1.26 crores for the same period in 1969 after providing Rs 1.26 crores for development rebate. Hirakud productivity has now been restored and with production rising at Belgaum, where costs are expected to approach a more normal level during the last quarter, results for the se-

cond half of the year should show a significant improvement over the first six months' figures.

GOODYEAR

At a meeting held on October 3, 1970, the board of directors of Goodyear India Ltd declared an interim dividend at the rate of Rs 3.00 per equity share out of the general reserve payable, after deduction of income tax under the Income Tax Act, 1961 at the rates in force. It may be recalled that Goodyear India paid 17.5 per cent dividend to over 30,000 shareholders for the year ended December 31, 1969.

AMERICAN REFRIGERATOR

The difficulties of idle capacity in refrigeration industry and high excise duty on its products are reflected in the working of American Refrigerator Company Limited during the year ended April 1970. In fact, the situation was aggravated by the further increase in the excise duty on the finished products and components. Moreover, as the demand of the company's products is seasonal, production had to be co-ordinated very closely with the sales. The non-availability of essential raw materials such as steel, copper and stainless steel at the time of need also worsened the position as a result of which the accounts for the year, after providing for depreciation and development rebate reserve, reveal a loss of Rs 1.49 lakhs as against a net profit of Rs 2.48 lakhs for the previous year despite the fact that sales were around Rs 257.11 lakhs against Rs 214.97 lakhs. Depreciation is raised to Rs 2.26 lakhs from Rs 1.95 lakhs. Development rebate reserve is lowered to Rs 15,600 from Rs 30,300. In the preceding year, a sum of Rs 1.17 lakhs was provided for general reserve and Rs 1.31 lakhs for taxation. In view of the adverse working results, the directors have proposed to skip the dividends, both on the ordinary and preference shares. A dividend of ten per cent was

paid on the equity capital for the previous year.

PESTICIDES

Pesticides Ltd has plans for substantial diversification of its activities in the brewery line. The company is having negotiations for technical collaboration for the project with either a West German firm or a Danish firm. The company has already a letter of intent for the project. It is proposed to raise further finance for the project to the extent of Rs 90 lakhs divided into Rs 30 lakhs in equity, Rs 20 lakhs in preference capital and the balance of Rs 40 lakhs by debentures. The plant is expected to go into production within 18 months. Giving this information at an extraordinary general meeting of the company in Bombay recently, Mr M.R. Ruia, chairman of the company, stated that the plant will have a capacity to manufacture 22,000 bottles of beer per day. The company's current working is far better and is expected to result in improved profitability. The name of the company is being changed to Pesticides and Breweries Ltd as it intends to commence business in breweries. The resolution was duly adopted.

INCHEK TYRES

It has been announced by Incheek Tyres Ltd that the last date for exercise of rights and/or renunciation and for submission of applications for additional shares against the rights issue of 468,000 new equity shares has been extended from October 15 to November 2, 1970. Other items and conditions remain unaltered.

UNIVERSAL INDUSTRIES

Universal Industries and Cotton Mills Ltd has announced that the last date for the payment of final call on shares of this company has been extended to December 31, 1970. The shares will be forfeited if the unpaid call amount is not paid on or before the said date.

Eastern Economist 25 Years Ago

NOVEMBER 2, 1945

The year 1941 was the turning point in gold output. Owing to the need to divert manpower and equipment from gold mines to war requirements, the production of gold declined continuously during the three years ended 1944. The production statistics given below show the extent of the changes. It will be seen that the 1944 production was below the peak production of 1940 to the extent of 32 per cent. The largest production occurred in the United States itself, where the output was only a fifth of the output of 1940. The fall in the production of

other countries was proportionate to the part played by them in the war effort. It will also be seen that the British Empire contributes 64 per cent of the world output, of which nearly 44-6 per cent is contributed by South Africa. Yet, the United States Central Banks have nearly 4/5ths of the world's stock. Nothing in the long history of gold is so remarkable as the intended as well as unintended cornering of the world's gold by the United States in the past decade.

COMPANY MEETING

THE DELHI CLOTH & GENERAL MILLS COMPANY LIMITED

Bara Hindu Rao, DELHI

Speech delivered by Dr. Bharat Ram, Chairman, Board of Directors, at the 82nd Annual General Meeting of the Delhi Cloth & General Mills Co. Ltd., on October 22, 1970, at Delhi.

Ladies & Gentlemen,

I have great pleasure in welcoming you to this 82nd Annual General Meeting of your Company. The Directors' Report and Audited Statement of Accounts of the Company for the year ended 30th June, 1970 were sent to you some days ago. I am sure you will agree that the results have been very satisfactory. In spite of the various problems there has been a marginal recovery from recession in the textile units. The sugar factories have done well. The operations of the vanaspathi works were upset during the year due to unilateral change of price fortnightly by the Government. The Rayon Tyre Cord factory and the Chemical units have also had satisfactory operations. The Fertiliser factory at Kota, which went on stream last year, has had a full year's operations this year and has contributed its due share in the total profits of the Company.

The country is passing through a very crucial stage both politically and economically. The situation appears to be so confusing that often one has a feeling of frustration and great anxiety. No individual business is independent of environment in which it functions. There are wide ranges of environmental pressures, many of them emanating from Government policies and others from the body politic as a whole. In a situation where Government influences the course of economy, not only through monetary and fiscal policy but in a myriad ways, what Government does or does not, has profound impact on economic development. Apart from the confusing political situation, the most important aspect in my view is the problem of unemployment. Estimates about actual number of unemployed may vary, but there is no doubt that this problem is acquiring a fearful and explosive dimension. No

society, much less ours, which is becoming highly volatile, can ignore without peril to itself the question of providing more employment opportunities. The pity of it all is that there should be unemployment when jobs are awaiting to be done in the rural as well as urban areas. The urban unemployment situation has demonstrably deteriorated during the past few years, especially since 1966, reflecting the recession in the economy brought about by agricultural droughts in 1965 and 1966. Since then in many parts of India the major bottleneck, i.e., lack of food supply, has been happily surmounted, and the demand has picked up.

Our industrial base over the last two decades, which has got broadened and diversified, has acquired the requisite thrust for self-propelling development. In my view, the Indian economy has enough strength now to make a well concerted attack on poverty and unemployment. Employment can grow when units grow and new units are established. Large size enterprises provide greater opportunities for employment by increasing the possibility for the growth of ancillary units. Large scale production of intermediates, machine tools and metals, fosters small scale units which consume the products. The present time is certainly most favourable to move forward to bring forth more production and services, and yet economic activity is muted. As the latest Annual Report of the Reserve Bank of India observes, "The stagnation in public sector investment expenditure in industrial projects and the difficulty in making necessary arrangements for foreign exchange finance in the absence of a clear picture about the project assistance were mainly responsible for the lack of significant pick-up in



Dr. Bharat Ram

investment activity in the private corporate sector". This is not all. The energies of Government, I have to regretfully and bluntly say, without meaning any offence, are taken up with evolving regulations to block growth, rather than with the transmission of growth stimuli. Industrial licensing procedures, if anything, have been tightened. There are provisions in the Monopolies Act which tie the hands of the so-called big companies. Onerous conditions for extension of credit by nationalised Banks and other financial institutions have come into vogue. Not a day passes when there is a reference to "larger industrial house", "dominant undertaking" and the like. All these concepts have no relevance at all, in my opinion, after the abolition of the Managing Agency System. Even so, old phrases are still being used without justification to today's facts of life. If it is merely one of semantics, it does not matter; but if the semantics lead to inhibitions about the size of a producing unit, or reducing competition, then grievous results will follow. We will never be able to create an economic structure that is viable, that is self-sustaining and one that will generate conditions favourable for cheaper mass production, consumption and employment necessary for the well being of our growing population. We will never be in a position to solve our problem of dependence on foreign aid and assistance in the absence of competitive exports. What is considered a large size operation in our country is really tiny in comparison with other advanced countries.

Off and on a reference is made to the phenomenal industrial expansion that has taken place in Japan and the large area in which small scale industries operate. This seemingly gives the impression that the small scale industries by themselves have wrought the

Japanese miracle. In fact the "growth leaders" in Japan, as elsewhere, have been the large scale units. The industrial picture of Japan is increasingly taken up by capital and technology intensive projects. This is the logic of economic development, and despite all sentiments to the contrary, we cannot escape it either. I would, therefore, plead with the authorities not to hurt the people as a whole in the name of fighting the evil of 'concentration of economic power'. The stakes are high. It is no less than the well being of the people as a whole. In this sense, there should be no difference of opinion as between the democratic political parties and business; but it would be idle to ignore the lack of rapport at least in regard to regulatory activities of Government, activities which have tended to grow in complexity as well as in detail. While saying this, I should not be misunderstood to mean that in a developing economy like India, Government has no greater role to play than that of a passive agent. Indeed, I would suggest a very positive part for Government to stimulate economic growth.

Human beings whether engaged in politics or business, are all a bundle of diverse and even contradictory motives—good, bad and indifferent. No one has the privilege of excessive

virtues or is suffering from a double dose of "original sin". Profit apart, which can be taken care of by taxation, as has been, and even overdone, it must be appreciated that if human nature feels no incentive to take a chance, no satisfaction in constructing a factory, a mine or a farm, there will not be much investment as a result of cold calculation. Because of our high rates of taxation of various kinds and limitation on the salaries of Managing Directors, there is a virtual ceiling on incomes. In spite of this, if there are still entrepreneurs who want to go ahead with setting up new enterprises and other economic activities, it is only to feel a sense of achievement and fulfilment of their responsibility to society.

If we look around the world, we find a galaxy of models for economic growth. One common feature is that most of the countries have adopted the principles of mixed economy in some form or other, government and private sector business supplementing each other's activities. However, the measure of this mix and the degree of understanding between government and business makes all the difference between growth and stagnation, and harmony and discord. If we can only forget the old concept of socialism, if we can only trust each other, I am op-

timistic enough to feel confident that our nation will pass through the present malaise to an era of greater social justice and satisfaction for the millions. I have no doubt that we do not lack the skill or the ability to march ahead. Indian economy at the present moment is like a giant in chains. If these chains are loosened, our country can become one of the great economic powers in the world.

What about the future of our Company in the short and the long run? The lines of production in which our Company is engaged are such that the future is bright. The management, at all levels, is developing better tools in the various areas of management like Accountancy, Marketing, Investment Planning and Personnel Development. This process, I can confidently say, will continue and it should be possible to expand and diversify our production if we are permitted for the benefit of the shareholders and workers on the one hand, and the country's economy as a whole on the other.

In the end, I would like to congratulate all the workers and the staff because of whose devotion to duty it has been possible to achieve the excellent results in your 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

Employment Growth in the Organised Sector

THE PRESENT unemployment situation in the country is causing widespread concern. The following study on the growth of employment in the organised sector between 1961 and 1969, prepared by Mr S.R. Krishna Iyer in the Division of Planning and Special Studies of the Economic Department of the Reserve Bank of India, published in the August, 1970, issue of Reserve Bank of India Bulletin, it is hoped, will be read with interest. The study reveals how, after steady growth in the early sixties, employment opportunities shrank with the slackening tempo of development.

Reliable and timely data on employment are essential for analysis and public policy. Employment Market Information (EMI) programme of the Directorate General of Employment and Training, Ministry of Labour and Employment is a major source of information on urban employment. This programme was initiated during the second Plan. Under the provisions of the Employment Exchanges (compulsory notification of vacancies) Act, 1959, detailed information is collected on regular basis regarding quarterly changes in the level of employment, etc., from all establishments in the public sector and those private establishments in the non-agricultural sector employing 25 or more workers up to March 1966, and 10 or more workers thereafter. Employment in the following sectors is not covered by the EMI programme, viz., agriculture, self-employed, household establishments, establishments in the private sector employing less than 10 workers and defence forces. However, the EMI data have a fairly wide coverage of establishments offering wage and salaried employment in the urban sector.

The principal advantage of the EMI data lies in their being able to provide some 'quick estimates' of organised employment, state-wise as well as for the country as a whole. Their wide coverage of wage and salaried employment in the urban sector adds further significance to the trends revealed by them. The EMI data must therefore be regarded as an extremely useful and important barometer of changes in the employment situation in urban areas.

The object of this study is to examine the trends in employment in the organised sector during the period 1961-69 as revealed by the EMI data.

Employment in the organised sector during 1961-69 period increased from 120.9 lakhs to 166.3 lakhs. The average annual employment growth rate (compound) in the entire organised sector was of the order of 4.1 per cent as against a national income growth of 3.0 per cent (at 1960-61 prices). During the same period, the annual growth rates in the public and private sectors were 4.5 per cent and 3.4 per cent, respectively. During the first four years of the third Plan, employment grew at an average annual rate of 5.5 per cent. However, during the last year of the third Plan i.e. 1965-66, the tempo of growth slackened and the growth rate declined to 3.2 per cent. In the subsequent two years, that is, during 1966-67 and 1967-68, the overall level of employment stagnated. The three years of 1965-66 to 1967-68 were difficult years with two years of successive droughts, diversion of the country's resources for defence needs as a consequence of Indo-Pakistan hostilities that broke out in September 1965 and recession in the industrial sector in the last two years. During 1968-69, em-

ployment in the organised sector rose moderately by 1.8 per cent, indicating a gradual recovery of the economy from recession.

At the end of March 1961, the shares of public sector and private sector stood at 58.3 per cent and 41.7 per cent, respectively. During the third Plan, public sector recorded a higher growth rate in employment than the private sector. The recession in industry led to a decline in employment in the private sector during 1966-67 and 1967-68. Over these two years employment in this sector declined by about three lakhs. Employment in the private sector, however, increased by 1.2 per cent during 1968-69 as compared to the previous year. On the other hand, employment in public sector did not decline during this period but showed a steady upward trend.* In fact, it increased by 2.7 per cent in 1966-67 and 1.8 per cent in 1967-68. During 1968-69 employment in the public sector increased by 2.3 per cent. The decline in the private sector employment during 1966-67 and 1967-68 was neutralised by the increase in employment in the public sector. Each year under review except in 1964-65, the percentage increase in public sector employment has been larger than in the private sector employment. Consequently, at the end of March 1969 the share of public sector employment in the total employment increased to 60.3 per cent. The break-up of employment according to public and private sectors during 1961-69 is given in Table I.

An analysis of employment growth in the different branches of the public

TABLE I
EMPLOYMENT BY SECTORS: 1961-69

Year ending March of	Total	Public sector	Private sector†	(In lakhs)		
				Percentage change over the previous year		
				Total	Public sector	Private sector
1961	120.9	70.5	50.4	..	..	..
1962	125.8	74.2	51.6	4.1	5.2	2.4
1963	134.0	79.5	54.5	6.8	7.1	5.8
1964	140.4	84.5	55.9	4.8	6.3	2.6
1965	150.0	89.6	60.4	6.8	6.0	8.1
1966	161.9	93.8	68.1	3.2@	4.7	1.0@
1967	163.1	96.3	66.8	0.8	2.7	-1.9
1968	163.2	98.0	65.2	0.1	1.8	-2.4
1969	166.3	100.3	66.0	1.8	2.3	1.2

†Up to 1964-65, establishments employing 25 or more workers only are covered.
@Percentage based on comparable data.

* Although employment in the public sector continued to increase, its rate of growth has declined in recent years.

sector during the period under reference showed that the growth rate was highest in quasi-government establishments followed by local bodies, central government and state governments as would be seen from Table II.

The high rate of growth of employment in the quasi-government establishments was partly due to the expansion in banking, trading and commercial organisations like the State Trading Corporation, Life Insurance Corporation and the State Transport Corporation; opening of new establishments or expansion of older units in chemicals, fertilisers and oil and petroleum industries; additional recruitment in dock labour boards and ports, and in electricity distribution.

During 1961-69, in the public sector 'manufacturing sector' recorded highest growth rate (9.4 per cent) followed by 'trade and commerce' (8.6 per cent), transport and communications regis-

tered the lowest growth rate in the public sector (Statement I). In the private sector, significant increases in employment occurred only under 'manufacturing' and 'services' while employment in the 'construction' and 'mining and quarrying' industries registered declines (Statement II). During the two years of recession i.e., during 1966-67 and 1967-68, employment in the private sector declined in all industries except in 'services' and 'trade and commerce.'

As at the end of March 1969, more than half of the employment in the public sector was in the 'services' sector. Other important sector from the point of view of employment was 'transport and communication'. In the private sector, about 57 per cent of the employment was in 'manufacturing' industries; next in importance were the 'services', 'plantation' and 'mining.'

Between March 1961 and June 1969, Mysore recorded high employment

growth (above 60 per cent) followed by Maharashtra where it rose by more than 50 per cent while in West Bengal, UP and Kerala, the rise was of the order of 30-35 per cent. In all other states, the increase was less than the all-India average of about 30 per cent.

At the end of June 1969, Maharashtra state accounted for 14.7 per cent of the total employment in the organised sector, West Bengal for 13.7 per cent, Uttar Pradesh for 10.7 per cent, Tamil Nadu for 8.9 per cent and Bihar for 7.1 per cent. Maharashtra which occupied second position in 1961 replaced West Bengal. Seen against the proportions here of population in the above states, the proportion of employment exceeded that of population in Maharashtra, West Bengal and Tamil Nadu whereas it was less in Uttar Pradesh and Bihar as may be seen from Table 3. Data regarding employment growth in the public and private sectors in the

INDUSTRIAL FINANCE CORPORATION OF INDIA 5-3/4% BONDS 1982

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AMOUNT OF ISSUE : Rs. 4,50,00,000

Issue Price : Rs. 100.00 per cent

REDEEMABLE AT PAR ON 9TH NOVEMBER, 1982.

The Bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act, and are also eligible for grant of advances to Scheduled Banks by the Reserve Bank of India. They are on the approved list of securities of the State Bank of India. They are also eligible for investment of the accumulations of the Provident Funds, exempted as well as non-exempted.

Subscriptions will be received in cash or by cheque at the branches of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Kanpur, Madras and New Delhi from Monday, the 9th November, 1970 but the list will be closed without notice as soon as the total subscriptions amount to Rs. 4.50 crores, and in any case, not later than the close of business on Thursday, the 12th November, 1970. The Corporation reserves the right to retain subscriptions received upto 10% in excess of the sum of Rs. 4.50 crores.

The Bonds will have a currency of 12 years, and will be repaid at par on the 9th November, 1982. They will bear interest at the rate of 5-3/4% per annum from the 9th November, 1970. Interest will be payable half-yearly on the 9th May and 9th November, and will be subject to tax under the Income Tax Act, 1961.

Copies of the prospectus and application forms can be had from the Office of the Reserve Bank of India as also from the Head Office of the Corporation at Burmah-Shell House (Annexe II), Connaught Circus, New Delhi-1, its branches at Mehta Mahal, 5th Floor, 15-Mathew Road, Post Box No. 3928, Bombay-4, 4-Mangoe Lane, 2nd Floor, Post Box No. 2483, Calcutta-1 and Raji-Building, 3rd Floor, 147-Mount Road, Post Box No. 1080, Madras-6 and also from the Delhi Division at No. 5, Parliament Street (Jeevan Tara Building), New Delhi-1.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerage will be paid at the rate of six paise per Rs. 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds bearing their stamp.

NEW DELHI,
Dated 3rd Oct., 1970.

C.D. KHANNA
CHAIRMAN

davp 70/417

different states and union territories between March 1961 and June 1969 are shown in Statement III. From this, it will be seen that the total employment in Assam remained unchanged, on the whole, between 1961 and 1969. During this period, while public sector employment in Assam increased from 1.7 lakhs to 2.6 lakhs, private sector employment declined from 5.7 lakhs to 4.8 lakhs. This was mainly on account of the fact that employment in tea plantations, which accounts for the bulk of employment in the private sector in Assam, had declined. During the period March 1961 to June 1969 employment in the public sector increased in all the states. Employment in the private sector declined in Bihar, Madhya Pradesh and Orissa apart from Assam referred to above.

At the end of June 1969, public sector provided the major share of employment (70-80 per cent) in the states of Rajasthan, Orissa, Madhya Pradesh, Andhra Pradesh, Uttar Pradesh, Punjab & Haryana and Mysore. In Assam and Kerala, private sector had relatively larger share of employment. This was due to the large-scale employment in 'plantation' industry in these states. The proportion of organised sector employment to total population was relatively high in West Bengal (5.2 per cent) followed by Maharashtra (5.0 per cent) and Assam (4.8 per cent). Orissa had the lowest proportion of employed in the organised sector (1.8 per cent) among the states.

Women's employment

Of the total number of 16.5 million persons employed as at the end of June 1969, women constituted 1.82 million or 11 per cent of the total. The public sector employed 0.78 million women and the private sector the remaining 1.04 million. In agriculture and forestry sector, number of women employed as a proportion to the total employed came to 38.4 per cent (mostly in plantations) and to 13.1 per cent in services (largely in education and health services). The shares in mining and quarrying and manufacturing industries, were 9.1 per cent and 8.5 per cent, respectively. In the other sectors, the women's share was not significant as is evident from Table IV

State-wise Kerala leads in respect of number of women employed as well as in regard to the percentage of women working population to total working population. Kerala is followed by Assam. In both these states, plantations offer employment to large number of people and in plantations women workers predominate. In Kerala, large number of women are also employed in the education profession. In absolute terms, women employees are large in number in Maharashtra, Tamil Nadu

and West Bengal also but as a proportion of the total employed, they are much less when compared to Kerala and Assam (Statement IV)

From March 1962 to June 1969, the percentage share of women employed to total employed remained unchanged at about 11 per cent. Over this period, the number of women employed declined in the states of Andhra Pradesh, Assam, Bihar and Orissa.

The sizable increase in the employ-

ment of women recorded in Kerala and Tamil Nadu was partly due to the extension of coverage to plantations since 1966. In the case of union territories more women were employed in the public sector than in the private sector.

Employment in the organised sector during the period 1961-69 increased from 120.9 lakhs to 166.3 lakhs. The average annual employment growth rate (compound) in the entire organised sector was of the order of 4.1 per cent

TABLE II
EMPLOYMENT IN DIFFERENT BRANCHES OF THE PUBLIC SECTOR

	Employment at March-end		Average annual growth rate
	1961 (in lakhs)	1969	
Central government	20.90	27.26	3.4
State governments	30.14	39.01	3.3
Quasi-government	7.73	15.75	9.2
Local bodies	11.73	18.25	5.7

TABLE III
EMPLOYMENT AND POPULATION PROPORTIONS

State	Ratio (%) of all -India total of	
	Employment in the organised sector	Population
Andhra Pradesh	5.6	7.9
Assam	4.5	2.8
Bihar	7.1	10.6
Gujarat	5.5	4.8
Kerala	4.3	3.9
Madhya Pradesh	5.8	7.4
Maharashtra	14.3	9.1
Mysore	4.7	5.3
Orissa	2.3	3.9
Punjab & Haryana	2.4	4.5
Rajasthan	3.4	4.8
Tamil Nadu	8.9	7.2
Uttar Pradesh	10.7	16.6
West Bengal	13.7	8.2
Total (including others)	100.0	100.0

TABLE IV
EMPLOYMENT OF WOMEN IN INDIA : INDUSTRY-WISE : JUNE 1969
(In lakhs)

Industry	No. of women employed (1)	Total employed (2)	Ratio (%) of (1) to (2) (3)
1. Agriculture, forestry etc.	4.28	11.15	38.4
2. Mining and quarrying	0.54	5.95	9.1
3. Manufacturing	3.73	43.64	8.5
4. Construction	0.51	9.39	5.4
5. Electricity, gas and sanitary services	0.15	4.18	3.6
6. Trade and commerce	0.27	5.60	4.8
7. Transport, storage and communications	0.43	22.62	1.9
8. Services	8.26	62.86	13.1
Total	18.17	165.39	11.0

as against a national income growth of 3.0 per cent. During this period, public sector registered a higher growth rate (4.5 per cent) than the private sector (3.4 per cent). Although employment in the public sector continued to increase, its growth rate decelerated due to slackening of the public investment activity. The recession in industry led to a decline in employment in the private sector during 1966-67 and 1967-68.

The moderate improvement in employment growth in 1968-69 indicates a gradual recovery of the economy from recession.

In the public sector, branch-wise employment growth rate was highest in quasi-government establishments, followed by local governments. In the organised sector, public sector is the major employer accounting for about

60 per cent of the total employment. In the public sector more than half of the employment is under 'services' whereas in the private sector about 57 per cent of the employment is in the manufacturing sector at the end of March 1969.

Between March 1961 and June 1969, Mysore and Maharashtra recorded high employment growth among the

STATEMENT I—EMPLOYMENT IN THE PUBLIC SECTOR

At the end of										(In lakhs)
	March 1961	March 1962	March 1963	March 1964	March 1965	March 1966	March 1967	March 1968	March 1969	Average annual growth rate (March 1961 to March 1969)
A. By Branch of the Public Sector										
1. Central government	20.90	21.86	23.29	24.34	25.68	26.36	26.87	27.15	27.26	3.4
2. State governments ..	30.14	30.87	31.98	34.33	35.85	37.23	37.67	38.03	39.01	3.3
3. Quasi-government ..	7.73	8.79	9.95	10.97	12.06	13.18	14.02	14.84	15.75	9.2
4. Local bodies ..	11.73	12.65	14.31	14.90	15.98	17.01	17.78	18.00	18.25	5.7
TOTAL ..	70.50	74.17	79.83	84.54	89.57	93.78	96.34	98.02	100.27	4.5
B. By Industrial Classification										
1. Plantation, forestry etc.	1.80	1.74	1.82	2.03	2.09	2.26	2.32	2.46	2.61	4.7
2. Mining and quarrying	1.29	1.45	1.60	1.57	1.61	1.60	1.76	1.74	1.74	3.8
3. Manufacturing ..	3.69	4.21	5.09	5.81	6.35	6.70	6.95	7.31	7.57	9.4
4. Construction ..	6.03	6.41	6.62	7.15	7.40	7.66	7.63	7.55	7.88	3.4
5. Electricity, gas, water etc.	2.24	2.34	2.44	2.64	2.91	3.03	3.37	3.46	3.69	6.4
6. Trade and commerce ..	0.94	1.09	1.20	1.33	1.43	1.55	1.66	1.77	1.84	8.6
7. Transport and communication ..	17.24	17.97	18.86	19.37	20.44	20.94	21.15	21.37	21.59	2.8
8. Services ..	37.27	38.96	41.90	44.64	47.34	50.04	51.50	52.36	53.34	4.6
TOTAL ..	70.50	74.17	79.53	84.54	89.57	93.78	96.34	98.02	100.26	4.5

STATEMENT II—EMPLOYMENT IN THE PRIVATE SECTOR

										(In lakhs)
Industry	As at the end of									
	March 1961	March 1962	March 1963	March 1964	March 1965	March 1966	March 1967	March 1968	March 1969	
1. Plantation, forestry etc.	6.7	7.4	7.4	7.2	8.9	9.0	8.7	8.5	8.1	
2. Mining & quarrying	5.5	4.8	5.2	5.0	4.9	5.1	4.8	4.3	4.2	
3. Manufacturing	30.2	30.5	32.7	34.2	36.1	38.6	37.5	37.1	37.7	
4. Construction	2.4	1.8	1.8	1.7	1.9	2.5	2.3	1.5	1.5	
5. Electricity, gas, water, etc.	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.4	
6. Trade & commerce	1.6	1.9	1.9	2.0	2.2	3.3	3.5	3.5	3.7	
7. Transport and communications	0.8	1.2	1.4	1.1	1.1	1.2	1.2	1.0	1.1	
8. Services	2.8	3.6	3.7	4.3	4.8	8.0	8.5	8.8	9.2	
TOTAL	50.4	51.6	54.5	55.9	60.4	68.1	66.8	65.2	66.0	

Note :—From March 1961 to March 1965, the data relate to non-agricultural establishments in the private sector employing 25 or more workers. Since March 1966 the coverage has been extended so as to include establishments employing 10 to 24 workers also, on a voluntary basis.

Source : Economic Survey, 1969-70

States. At the end of June 1969, Maharashtra accounted for 15 per cent of the employment in the organised sector. During the period under reference, total employment in Assam remained unchanged. The increase in public sector employment had only neutralised the fall in private sector, due to the decline in employment in tea plantations in Rajasthan, Orissa, MP, Andhra Pradesh, UP, Punjab, Haryana and

Mysore. In Assam and Kerala private sector had relatively larger share of employment. Among the various states, employment as a proportion of population was the highest in West Bengal (5.2 per cent) and lowest in Orissa (1.8 per cent). Private sector employs more women than the public sector. Women are largely employed in 'services' (mostly in education and health services), agriculture, forestry, etc.

(mostly in tea plantations) and in 'manufacturing'. As a percentage of total employment, women had a share of 38 per cent under 'agriculture, forestry, etc.' and about 13 per cent under 'services'. State-wise Kerala leads in respect of number of women employed as also in regard to the percentage of women working population to total working population.

STATEMENT III—EMPLOYMENT IN THE ORGANISED SECTOR—STATE-WISE

(In lakhs)

State	March 1961			March 1966			June 1969			Ratio (%) Col. (10) to All-India	% to total of		Ratio (%) of employment to population (June 1969)
	Public Sector	Private Sector†	Total	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total		Public Sector	Private Sector	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Andhra Pradesh	5.2	1.9	7.1	6.8	3.0	9.8	6.7	2.5	9.2	5.6	72.6	27.4	2.2
Assam	1.7	5.7	7.4	2.3	5.3	7.6	2.6	4.8	7.4	4.5	35.3	64.7	4.8
Bihar	5.6	4.9	10.5	7.4	4.9	12.3	7.3	4.4	11.7	7.1	62.3	37.7	2.1
Gujarat	3.6	3.6	7.2	4.5	4.4	8.9	4.8	4.3	9.1	5.5	52.8	47.2	3.5
Kerala	2.0	1.9	3.9	2.5	4.6	7.1	2.8	4.3	7.1	4.3	39.6	60.4	3.5
Madhya Pradesh	5.2	2.7	7.9	7.0	2.5	9.5	7.4	2.2	9.6	5.8	77.5	22.5	2.4
Maharashtra	8.8	6.9	15.7	12.0	10.7	22.7	13.5	10.8	24.3	14.7	55.7	44.3	5.0
Mysore	3.5	0.9	4.4	4.8	2.1	6.9	5.3	2.5	7.8	4.7	68.0	32.0	2.7
Orissa	2.1	1.3	3.4	3.0	1.0	4.0	3.1	0.7	3.8	2.3	81.3	18.7	1.8
Punjab and Haryana	3.4	1.0	4.4	4.9	1.9	6.8	4.5	2.0	6.5	3.8	69.6	30.4	2.7
Rajasthan	3.4	0.9	4.3	4.2	1.1	5.3	4.5	1.0	5.5	3.4	81.3	18.7	2.2
Tamil Nadu	6.1	4.1	10.2	7.8	6.4	14.2	8.4	6.3	14.7	8.9	57.2	42.8	3.8
Uttar Pradesh	9.6	3.5	13.1	12.3	5.0	17.3	13.1	4.6	17.7	10.7	74.3	25.7	2.0
West Bengal	6.9	10.1	17.0	9.7	13.1	22.8	10.5	12.2	22.7	13.7	46.1	53.9	5.2
Union Territories*	3.4	1.0	4.4	4.6	2.1	6.7	6.3	2.1	8.4	5.0	..	..	..
TOTAL	70.5	50.4	120.9	93.8	68.1	161.9	100.8	64.6	165.4	100.0	60.9	39.1	3.1

*Excluding Goa, Diu and Daman and Andaman and Nicobar Islands.

†Relate to establishments employing 25 workers or more.

STATEMENT IV—EMPLOYMENT OF WOMEN IN THE ORGANISED SECTOR—STATE-WISE

(In lakhs)

State	March 1962			March 1966			June 1969			Col. (7) as %age of Col. (8)	% to total of		Col. (12) as %age of Col. (13)
	Public	Private*	Total Women employed	Public	Private	Total Women employed	Total Number Employed	Public	Private	Total Women Employed	Total Number Employed	Public	Total as %age of Col. (13)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Andhra Pradesh	0.39	0.79	1.18	0.48	0.56	1.04	9.8	10.6	0.52	0.60	1.12	9.20	12.2
Assam	0.08	2.53	2.61	0.11	2.28	2.39	7.6	31.5	0.13	2.11	2.24	7.36	30.4
Bihar	0.34	0.48	0.82	0.38	0.41	0.79	12.3	6.4	0.37	0.34	0.71	11.78	6.0
Gujarat	0.36	0.27	0.63	0.45	0.39	0.84	8.9	9.4	0.51	0.30	0.81	9.02	9.0
Haryana	..	..	..	..	..	..	..	..	0.12	0.05	0.17	2.37	7.2
Kerala	0.32	0.86	1.18	0.43	1.97	2.40	7.1	33.8	0.51	1.87	2.38	7.18	33.1
Madhya Pradesh	0.40	0.32	0.72	0.54	0.29	0.83	9.5	8.8	0.55	0.21	0.76	9.55	8.0
Maharashtra	0.67	0.82	1.49	1.01	1.03	2.04	22.7	9.0	1.20	0.94	2.14	24.31	8.8
Mysore	0.24	0.22	0.46	0.43	0.42	0.85	6.9	12.2	0.48	0.50	0.98	7.74	12.8
Orissa	0.10	0.26	0.36	0.15	0.21	0.36	3.9	9.2	0.13	0.13	0.26	3.86	6.7
Punjab	0.26	0.06	0.32	0.38	0.11	0.49	6.8	7.2	0.29	0.07	0.36	4.04	8.9
Rajasthan	0.15	0.12	0.27	0.23	0.17	0.40	5.2	7.7	0.24	0.15	0.39	5.55	7.0
Tamil Nadu	0.58	0.62	1.20	0.79	1.22	2.01	14.2	14.2	0.90	1.17	2.07	14.71	14.1
Uttar Pradesh	0.49	0.15	0.64	0.67	0.26	0.93	17.3	5.4	0.76	0.30	1.06	17.68	6.0
West Bengal	0.22	1.33	1.55	0.38	1.45	1.83	22.8	8.1	0.47	1.48	1.95	22.68	8.6
Union Territories	0.23	0.06	0.30	0.39	0.22	0.60	6.9	8.7	0.57	0.21	0.78	8.35	9.1
TOTAL	4.84	8.87	13.71	6.82	10.99	17.81	161.9	11.0	7.75	10.43	18.18	165.39	11.0

*Relate to establishments employing 25 workers or more.

Notes : (1) In the case of Kerala, Mysore and Tamil Nadu, coverage was extended to plantations since March 1966.

(2) Figures in respect of Mysore state are not strictly comparable.

Source : Employment Review, 1961-66, 1966-67 and June 1969.

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EASTERN 19 ECONOMIST

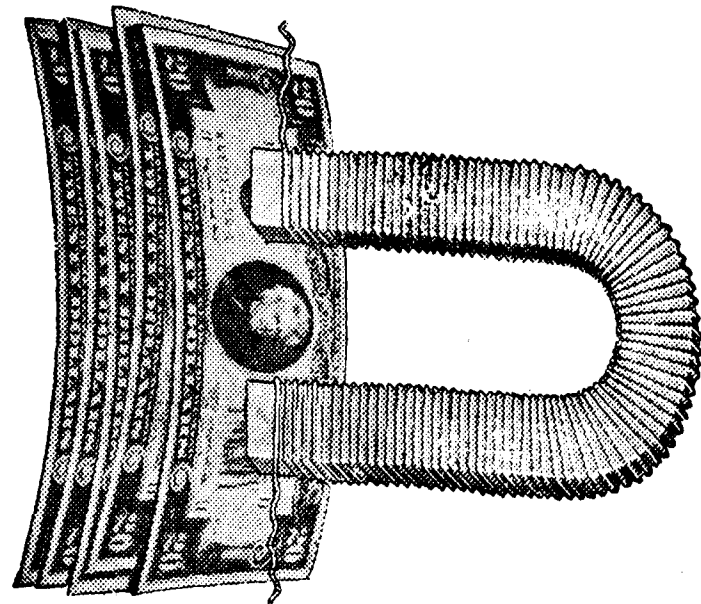
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**Wages, But No Profit
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WAGES, BUT NO PROFIT

ANY MAJOR wage settlement in an industry if it is to serve a national purpose in addition to meeting sectional needs and demands ought to fulfil two conditions. The first is that it should help in improving productivity and the second that it should assist in ensuring industrial peace. It is significant that none of those who were involved in the wage negotiations in the steel industry, which was concluded a few days ago, had come forward even to suggest that productivity might be expected to benefit, as a result of this agreement which would add about Rs 25 crores per year to the total wage bills of the steel plants.

On the contrary, Mr R.P. Billimoria, who represented Hindustan Steel Ltd, has said that there is no question of the higher labour costs being accommodated within the existing price structure for steel products. He has declared, in fact, that it would be difficult for Hindustan Steel to survive unless an increase in the selling prices of steel manufactures is allowed. It may be assumed that Mr Billimoria is speaking not only for the steel industry in public sector but also for the private sector in this respect.

Under these circumstances, it will only be reasonable to take a view that this steel wage settlement does not stand the test of contributing to improvement in productivity. It follows that its effect will be distinctly inflationary in a manner which will impinge on basic industrial costs over a whole range of manufactures including manufactures for export. Coming in the wake of similar decisions, which have boosted wages in the Life Insurance Corporation, the banking industry and central government services, the steel wage agreement raises the question whether economic stability could be maintained in the face of expanding income flows unless there is an immediate expansion in current production of the goods and services and an increase in investment in quick-maturing, productive projects.

Since the productivity argument is so obviously inapplicable to the steel wage settlement, the concerned minister, Mr B.R. Bhagat, has naturally chosen to talk hopefully about the industrial peace aspect. Thus, while commenting on the wage agreement, he has expressed the view that the higher wage bill which the steel industry now has to bear will be made supportable by this settlement assisting in the uninterrupted working of the steel plants. The fact that the wage agreement has been made unanimously through direct talks between representatives of the steel producers and those of the workers and that it would be in force for four years can normally be good enough for the minister to take this cheerful view, but then circumstances are not normal in the steel industry as Mr Bhagat knows better than most. Even as this wage settlement was being negotiated and concluded, the steel plant in Durgapur continued to be paralysed by labour trouble, with the result that Mr Bhagat was compelled to think in terms of the plant being closed if its workers continued to be intransigent. When this is the case, how can it be argued that the wage settlement will bring about industrial peace even if it does not contribute to productivity? The steel industry is now in the most important stage of its development since the phase of the quantitative expansion marked by the setting up of three plants in the public sector. It therefore faces many difficult problems of organization and management. To the solution of these problems, this wage settlement may contribute but little; it may, however, disorganise further the strained economy of the industry. While the workers have their higher wages, the nation's economy may profit little.

November 6, 1970

Bonus Troubles

WE SHOULD have thought that the bonus declared after mutual consultations between the accredited body of employers in a given industry and the representative union of workers in that industry on the basis of the formula laid down in the Bonus Act would be accepted by the workers. But the orgy of violence that broke out in a number of textile mills in Bombay, a few days ago, on the eve of the announcement of annual bonus to mill workers this year, seems to indicate that things can no longer be taken for granted in that way.

In so far as Bombay is concerned, the agitation of textile workers for a higher bonus has, no doubt, been a hardy annual for some years now. This time, however, the time for such agitation followed closely on the heels of a prestigious by-election for the Maharashtra state legislative assembly in which the communists suffered a defeat—a defeat which they had not bargained for. Possibly this was one of the factors contributing to the start of the agitation even before the quantum of bonus had been decided upon by the Millowners' Association and the recognised union of the industry (Rashtriya Mill Mazdoor Sangh) after mutual consultations as usual. This raises a number of posers relating to industrial relations generally. Thus, when and after a certain trade union has been duly recognised as the representative union of an industry, carries on negotiations with the concerned industry or association and arrives at certain conclusions, how are these conclusions to be enforced if a rival trade union or unions—and there is no dearth of them in any industry in our country, thanks to the fouling of the field by our politicians—were to refuse to accept them? In the present instance, some trade unions—the Centre of Indian Trade Unions (CITU) and the Bharatiya Girni Kamgar Samyukta Kriti Samiti (a joint action committee comprising the Bombay Textile Clerks' Union, the Suti Mazdoor Sangh, the Mumbai Girni Watch and Ward Committee, the Bombay Textile Engineering Kamgar Union and the Rashtriya Girni Kamgar Sangh, which recently broke away from the RMMS)—began their agitation even before the bonus parleys were concluded, presumably in an attempt by these communist-dominated unions to regain prestige for the communist party by posing themselves as greater champions of mill workers than even the recognised union (RMMS). True, under

the Industrial Relations Act, it is open to millowners to go to the industrial court and have the strike—should it continue—declared as illegal and take disciplinary action, including dismissal, against those on strike. But this may be far from feasible both because of the fairly large number of workers involved and of the psychological factors.

Another problem is that, if and when workers do not turn up and, even when they do they refuse to work, what must a mill do? The obvious answer is that the mill must close since it cannot operate. And it can do so too under the provisions of Bombay Industrial Relations Act, especially if workers indulged in rash and violent demonstrations. But the Rashtriya Girni Kamgar Sangh leader has threatened to go to the court against the ten mills in Bombay for having allegedly resorted to a "lock-out". (Currently only two mills are closed—the other eight have reopened.)

An agreement with regard to the payment of bonus to textile workers for the year was reached on October 21, 1970, after negotiations between the Millowners' Association (whose 39 companies operate 48 of Bombay's 59 mills) and the Rashtriya Mill Mazdoor Sangh. But, to judge from the demand of the CITU for a 12 per cent bonus and the Rashtriya Girni Kamgar Sangh's (RGKS) demand for a bonus of at least eight per cent, and the temper of the followers of these two organisations, the agitation does not bid fair to end, and no one can predict whether it is going to be peaceful, as the leader of the RGKS claims it would be, or not as is quite probable with the communists itching to fish in troubled waters.

Meanwhile, let us analyse the latest bonus agreement and see if it is reasonable and fair. According to a statement issued by Mr R.L.V. Vijayanagar, Secretary of the Millowners' Association, Bombay, the total gross profit of the 39 mill companies which are required to pay bonus for the year 1969 as per the agreement, after setting off the losses incurred by three of them, was Rs 21.35 crores (for the relevant period as per the Bonus Act). Deducting statutory depreciation for the year of Rs 10.32 crores and development rebate aggregating to Rs 2.65 crores, the balance left with the industry (i.e., the 39 companies as above) was Rs 8.38 crores.

It is out of this that the mills

in question are required to pay bonus, provide for tax payment, pay dividends and plough back. The bonus agreed upon works out to Rs 2.93 crores (as against Rs 2.51 crores for 1968) and tax liability amounts to Rs 3.0 crores, leaving only a balance of Rs 2.45 crores. Incidentally, this just recoups the development rebate of Rs 2.20 crores lost last year by the payment of bonus, as the profit of the 39 companies for that year (1968) was only Rs 12.51 crores, as against a total of Rs 12.49 crores required to meet depreciation and development rebate. In other words, the payment of bonus of Rs 2.51 crores last year was at the expense of development rebate and depreciation. So, if we take the two years 1968 and 1969 together, it will be seen that the industry has not secured any return on capital and reserves, although the Bonus Act provides for a return of 8.5 per cent on equity capital, return at the contractual rate on preference shares and return at the rate of six per cent on reserves.

At this stage, it is perhaps relevant to draw attention to what the industry has been able to get (or is it lose?) since the Bonus Act became law. For 1964, according to Mr Vijayanagar, the industry did not get about Rs 90 lakhs, being a part of the return on reserves, as it could get only Rs 144 lakhs against the Rs 234 lakhs it was entitled to. For 1965 also, the industry did not get any return on reserves or on preference capital, totalling Rs 277 lakhs (Rs 246 lakhs and Rs 31 lakhs, respectively), but secured only 2.32 per cent on equity capital, i.e. Rs 64 lakhs as against Rs 233 lakhs it was entitled to. In other words, it lost Rs 446 lakhs. In 1966, again, the industry failed to secure any return on reserves and preference capital (Rs 252 lakhs and Rs 33 lakhs, respectively), though it got a little more than in 1965 on equity capital, but still lower than entitled (5 per cent as against 8.5 per cent). In the result, the industry lost a further Rs 380 lakhs that year. In the following year (1967), the industry secured only a part of the development rebate but none at all by way of return on capital and reserves. The consequent total loss that accrued amounted to

Eastern Economist regrets to announce the death of Sri Krishna, the veteran journalist, in New Delhi on October 26. His "inside reporting" of the Economic Ministries was justly famous for its promptness and accuracy. Sri Krishna was a regular contributor to the columns of this journal for some time and is remembered here with affection as a wise observer of the political scene in the capital and a witty commentator.

—EDITOR

November 6, 1970

Rs 674 lakhs. Not a healthy picture by any means!

Even in respect of the bonus for 1969, the position is not very much better. Thus, out of the 39 companies, nine will be paying bonus at the expense of depreciation and/or development rebate, six at the cost of return on equity capital and reserves, and 14 at the cost of return on reserves. To put it differently, only 10 companies will be able to secure all the prior charges as per the formula indicated in the majority recommendations of the Bonus Commission (viz, statutory depreciation, seven per cent on equity capital and four per cent on reserves).

From the point of view of workers, there has been a distinct improvement, although it must be added here that the higher quantum of bonus for 1969 was inherent in the continuous increase in the industry's wage bill for that year, thanks to the rise in prices and the resulting increase in dearness allowances. A four per cent bonus on the basis of the increased dearness allowance meant

Gap Again Gaping

OUR TRADE gap has again started gaping. As against Rs 154 crores during the whole of 1969-70 — the smallest deficit in any year in the recent past — and Rs 72.65 crores during April-August, 1969, it amounted to as much as Rs 131.47 crores during the five months to August last. To the extent the increase in imports is responsible for this — imports aggregated to Rs 690.30 crores during April-August this year, as against Rs 653.55 crores during the corresponding period last year — there is nothing to worry about. Since the import bill now consists primarily of equipment, machinery and industrial raw materials, the increase in imports signifies revival of economic activity.

But the other major cause for the widening of the trade gap is fall in exports. During the first five months of the current financial year, exports (including re-exports) totalled Rs 558.85 crores, as against Rs 580.00 crores during the corresponding period last year. This means that instead of any net increase in exports, howsoever modest — not to speak of about five per cent growth envisaged in the beginning of the year — we are doing pretty badly on the export front this year. This is indeed an ugly portent for the current Plan which assumes an average increase of seven per cent per annum during the five years to 1973-74. The export performance in the first year of the Plan — 13.3 per cent increase — was, of course, encouraging, though nothing over which jubilation

an additional liability of Rs 5.5 lakhs though!

A noteworthy feature of the latest bonus payment is that, as against only six companies in respect of the previous year paying more than four per cent and up to 10 per cent, as many as 11 companies will be paying bonus equivalent to more than four per cent and up to 11.8 per cent of the total wages bill. Consequent to this improvement, there will be a fall in the number of companies paying only the minimum bonus of four per cent, from 36 to 28. Mr N.S. Deshpande, General Secretary of the RMMS was accordingly right when he said that the latest agreement has taken care of the workers' real wages, despite the decline in the fortunes of the cotton mill industry which are not all of its own making. He should also have stressed that, if workers expect to have even higher real wages, they must give of their best in return and, thereby, help to restore the industry to its once proud position as the country's leading industry.

could be expressed as in the preceding year, that height of recession had been witnessed. In the second year, the increase amounted to only about four per cent. If the current, third year of the Plan fails to throw up any sizable increase, the Plan assumption will obviously go awry.

It is true that the prolonged dock strike in Calcutta in June and July cost us dearly inasmuch as exports from this port this year have shown a decline of Rs 59 crores. But to construe from this, as appears to be being done in the official quarters, that all is well with our export effort is indeed unwarranted.

The two-day deliberations of the Advisory Council on Trade on October 24 and 25 provided enough evidence that we are up against many hurdles in pushing up exports. The most important among these is the lack of adequate exportable surpluses in many traditional items of export and the shortage of industrial raw materials in so far as non-traditional exports are concerned. Although government spokesmen are not tired of repeating that all assistance and encouragement is to be provided to exporting units — this includes establishment of additional capacity in the exporting industries — the government's obsession with the so-called monopolistic trends in industry, is thwarting the efforts of those who can undertake exports but unfortunately belong to the big industrial houses. The provisions of the Monopolies and Restrictive Trade Practices Act seems to hang as Damocles' sword on the ad-

ministration to quickly permit on a realistic basis the expansion of the existing units or the establishment of new undertakings by the so-called dominant establishments or larger companies.

There can be no objection to the smaller undertakings going in for large-scale export effort; they can be provided with all assistance and technical advice for undertaking the task of exporting to the maximum. But this should not be allowed to come in the way of the export effort of others. The urgency of stepping up exports to as high a level as possible cannot be exaggerated. It is essential for us to build up export industries which can withstand international competition. That this basic fact is not fully appreciated by our politicians is evident from the Trade Advisory Council's recent deliberation. Instead of trying to understand the point of view of industry and trade, it was disconcerting to note that the Congress (R) members of Parliament, who are on this Council, utilised the forum for advocating their political philosophy. This was hardly necessary for even the man in the street knows what the Congress (R) philosophy is.

It was also regrettable that contrary to the recent practice of the ministers of the various economic ministries being present at the Trade Advisory Council's confabulations to know at first hand the problems which industry and trade have with their charges, even the ministers for Industrial Development, Company Affairs and Steel were conspicuous by their absence.

The second main reason for our exports faltering this year, apparently, is the persisting inflationary trends in the economy. This factor can be expected to assume heightened significance as the effects of some of the steps taken by the government recently — the grant of interim relief to government employees, the raising of wages in the steel industry, etc. — start unfolding themselves. Along with the growing competition in the international markets, this makes it imperative that we should have a fresh look at the various export duties which are still levied, as well as on the export assistance schemes in respect of non-traditional goods. Notwithstanding the improvements effected recently in the procedures for the fixation of drawbacks of some taxes, verification of bank certificates regarding f.o.b. value of exports, processing of shipping bills, etc., many of these procedures are still cumbersome and need further streamlining.

Whereas augmenting of the potential to produce various industrial as well as agricultural raw materials of crucial importance is warranted from the long-term export point of view, immediately what is needed is the supplementing of the domestic supply of these raw mate-

rials through liberal imports. The current shortage of many of these raw materials is the third major reason for our unsatisfactory export performance this year. The difficult law and order situation, especially in east India, is responsible for the domestic production of several industrial raw materials going down appreciably. The provisions which have already been made for supplementing the domestic supplies by imports may not prove adequate. This is particularly the case with steel supplies, despite the fact that in addition to the

Rs 50 crores worth of steel imports sanctioned a couple of months ago, five crores rupees worth of steel has now been planned to be imported on barter basis against exports of pig iron. To reiterate this point, mention needs only be made to the recent statement of the Minister for Steel that the Durgapur steelworks may have to be closed down if labour trouble persists. The shortage of steel alone, as was stressed in the Trade Advisory Council's meet is acting as a drag on the economy, including emphatically the export sector.

Banking Under Strain

WITH THE completion of the borrowing programme of the central government for 1970-71, an assessment can be made of how the new techniques adopted by the monetary authorities for mobilising resources have been fruitful. There is no doubt that the central and state governments will be raising much larger amounts in the current year than in 1969-70, as the Life Insurance Corporation, the banking system, the provident funds and trusts have been adding to their assets on a much larger scale than in previous years. It is also the declared policy of the monetary authorities to appropriate for the public sector a larger proportion of funds of scheduled commercial banks than has been utilised so far for implementing Plan schemes. But it is difficult to assess precisely at this stage what exactly is the benefit accruing to the exchequer on account of the increase in the statutory liquidity ratio to 33 per cent in August from 30 per cent in February this year.

In the first phase of the borrowing programme of the central government, subscriptions were received to the extent of Rs 290 crores against the 5½ per cent long-dated loan. Allowing for repayment of the maturing four per cent 1970 loan, the net amount borrowed was Rs 112 crores. In July, the state governments came on the scene earlier than usual as many loans matured for payment on July 15. The central government had, therefore, to change its borrowing programme suitably. The state governments succeeded in mobilising a net amount of Rs 100 crores against Rs 83 crores in the previous year. In the second tranche, the two loans issued by the central government secured subscriptions for Rs 137.50 crores against the notified amount of Rs 125 crores. Since total subscriptions were not in excess of the latter amount by 10 per cent, all applicants got full allotment. As the maturing three per cent 1970-75 loan was outstanding for Rs 115.05 crores, the net amount borrowed was Rs 22.45 crores.

The central and state governments have thus succeeded in gathering over

Rs 234 crores against Rs 224 crores in 1969-70. While this amount constitutes a record in recent memory, the central government has yet to complete its target as the budget estimates have assumed a net borrowing of Rs 162 crores against Rs 141 crores for 1969-70. There is a shortfall of Rs 28 crores at the present moment and it may be asked how this deficiency will be overcome by the central government before the end of the financial year.

It can be safely expected that this amount and much more can be raised by the centre as the benefit arising out of the higher liquidity ratio will be derived only in the latter half of 1970-71. No substantial advantage accrued to the exchequer as a result of the juggling up of the liquidity ratio to 33 per cent up to the end of September as this move on the part of the monetary authorities was helpful only in preventing disinvestment on a large scale. In 1969 it was possible for the scheduled commercial banks to invest sizable amounts in government securities as there was no aggressive demand for funds and there was also no complication on account of a heavy accumulation of sugar stocks. Thus, on the eve of the 1969-70 busy season, the net liquidity ratio was much higher than the then prevailing statutory limit and it was possible for member banks to sell securities on a large scale in order to meet a big demand for funds from industry and trade and any new class of borrowers. It was at this stage that the Reserve Bank decided to raise the liquidity ratio in stages and the limit of 33 per cent was imposed in August this year. Except for a marginal increase in investments for complying with the new directives of the Reserve Bank, the additions to deposits in the past 12 months have been used for meeting an unprecedented increase in advances. Indeed, there is the unusual spectacle of advances of scheduled commercial banks being in excess of the fresh increase in deposits. It was possible for member banks to enlarge the investment portfolio only by taking advantage of the refinance facilities provided by the

Reserve Bank for discounting advances extended by banks for priority purposes.

As the adjustments in connection with the liquidity ratio have been largely completed, it will not be incorrect to presume that there will be compulsion on the part of banks to invest about 30 per cent of fresh additions to deposits in government securities even during the 1970-71 busy season when it is expected that a squeeze in the money market may develop even by January next year. Having regard to the recent faster growth of deposits, the scheduled commercial banks may be successful in mobilising about Rs 500 crores freshly in the six months to March, 1971.

Assuming that roughly Rs 120 crores will have to be earmarked for investment in the next few months, it is clear that there will have to be sizable open market sales by the central banking institution. As the central government has absorbed a net amount of Rs 22 crores in the second stage of its borrowing and the state electricity boards, Industrial Finance Corporation and the state financial corporations will be mobilising between themselves a net amount of Rs 40 crores, approximately Rs 58 crores will have to be invested in central and state government securities before the end of the current financial year.

As there are no open market operations in state government securities and the Life Insurance Corporation, provident funds and trusts also will be accumulating additional resources, it may well happen that the Reserve Bank will be supplying the needs of the Life Insurance Corporation and other institutions out of its holdings, while the central government may be helped to raise additionally Rs 50 crores or thereabout through the re-issues of existing loans. This would mean that the net borrowing by the central government will amount ultimately to Rs 184 crores against the target of Rs 162 crores and the central and state governments will be raising between themselves Rs 284 crores against only Rs 224 crores in 1969-70.

While this will indeed be a significant achievement and the resources for the fourth Plan can be raised without much difficulty, if there is rapid growth of deposits, it is being asked in money market circles whether or not undue strain has been placed on the banking system by a higher liquidity ratio, heavy expansion of credit for procurement operations and the grant of sizable loans to a new class of borrowers in the priority sectors. The developments in the 1970-71 busy season will indicate whether the new techniques can continue to be pursued by the monetary authorities without taking an overall view and without the provision of liberal refinance facilities.



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Economic Trends in Coal-Mining

D. N. BASU

IN SPITE of a long history of coal-mining activity in India dating back to 18th century, it was not until nineteen fifties that the coal-mining industry assumed a significant role in the economy of the country. The development of the coal industry was directly linked with the development of certain key industries such as steel, transport and power which use coal as one of the primary raw materials. The massive industrial programmes as envisaged in the first two five-year Plans necessitated a rapid growth of the key industries which, in their turn, lifted the demand for coal to a significant extent from its previous base. Under a controlled programme of stepping up coal production while conserving the metallurgical coal, the additional demand for coal during the two five-year Plans was fully met by the coal industry owned mostly by private enterprise. According to an estimate about 22 million tons of coal production was added during the two five-year Plans. This was achieved by a careful exploitation of the coal reserves not only in the fields where the mining activity started long back but also in new fields particularly in Madhya Pradesh and Andhra. Although West Bengal and Bihar fields continue to dominate in total coal mined in the country, yet the other fields also gained importance in course of time. Table I shows the trend in coal production in the different important coal-mining states of the country.

Significant Expansion

The high rate of growth of coal production during 1955-61 is explained by the significant expansion of the industrial sector particularly the key industries during the second five-year Plan period. During the second Plan period, the index of industrial production in the country rose by a little less than 40 per cent. Of the additional production of coal during this period the major part was consumed by railways followed closely by steel and power industries. Although the exact estimate of investment made in the coal industry during the period is not available, yet it may be easily inferred that enough capacities were created to maintain the level of production. In the public sector, however, a large part of investment was made towards the deve-

lopment of coking coal projects in Jharia (Bihar) fields.

It will be seen from the Table I that West Bengal and Bihar dominate in coal production accounting for 79.3 per cent of the total coal production as in 1961. Coking coal reserves are almost entirely concentrated in Bihar fields. Madhya Pradesh has registered steady rise in production during the Plan periods. Singareni fields in Andhra Pradesh are growing mostly in the public sector. Comparing West Bengal with Bihar it is revealed that the rate of growth of production in West Bengal estimated at about 7.6 per cent (simple) per annum over the period 1951-61 is significantly higher than that of Bihar (4.4 per cent).

The target for coal production during the third Plan was set at a significantly higher level compared to 1961 base in

view of the expected high rate of growth of coal consuming industries. According to the revised estimate of the working group on coal production and transport, the estimated total demand for coal was placed at 97.39 million tons, the biggest consuming sector being railways. But these expectations fell much short of realities, implying a drastic reduction in coal consumption. Although in the first two years of the third Plan period, the observed rate of growth of coal production was more or less maintained, but in the following years, coal industry was faced with a serious setback following the general depression of the entire economy. The revival of the coal industry was not observed until 1967-68. Table II reveals the trends in coal production prior to the fourth Plan.

It is revealed from Table II that except for Madhya Pradesh, there was only marginal increase in coal production in other states particularly West Bengal and Bihar—the two most important coal-mining states. The rising trend in production in Madhya Pradesh may perhaps be explained by regional factors and dominance of public sector projects in MP mines. During 1951-61, coal production for the country as a whole registered a rise of six

TABLE I
TRENDS IN PRODUCTION OF COAL: STATE-WISE

State	1951	1953	1955	1957	1959	1961	%growth of production	
							1951-55	1955-61
W. Bengal	9.800	10.889	11.520	13.893	15.198	17.256	17.5	49.8
Bihar	18.885	19.316	19.734	21.443	22.730	27.163	4.5	37.6
Andhra	1.226	1.293	1.495	1.951	2.266	2.771	21.9	85.3
Madhya Pradesh	3.650	4.219	4.594	5.132	5.639	6.286	25.9	36.8
India	34.982	36.883	38.838	44.200	47.812	56.102	11.0	44.5

TABLE II
TRENDS IN PRODUCTION OF COAL: STATE-WISE
(in the post-second Plan period)

State	1962	1963	1964	1965	1966	1967-68	1968	% growth over the period
W. Bengal	18.781	19.599	19.142	19.982	19.768	20.011	20.071	6.9
Bihar	29.835	32.141	29.581	31.008	31.393	30.369	31.796	6.6
Andhra	3.119	3.352	3.487	4.041	4.104	4.077	3.969	27.2
Madhya Pradesh	6.737	7.883	7.454	9.133	9.787	11.023	12.588	86.8
India	61.549	66.918	63.990	69.457	70.537	71.960	74.927	21.7

per cent per year on an average whereas during the following period (1962-68) the average annual rate of growth, was only three per cent. Even the absolute additional production was much less (about 13 million tonnes) in the period compared to the previous period. This alarming short-fall in the target of coal production was traceable to both coking and non-coking coal due to the fact that almost all categories of industries using coking or non-coking coal were confronted with the general depression in the economy. However, the largest cut in coal demand (coking) was perhaps in the iron and steel industry, which exhibited an actual coal consumption of 13.07 million tonnes against the anticipated demand of 23.47 million tonnes at the end of third Plan period.

Overall Increase

This explains why the coking coal production actually registered a decline in production during the third Plan period from 17.385 million tonnes in 1962 to 16.60 million tonnes in 1966. The next largest cut was perhaps in the railways which uses primarily non-coking coal. However, the overall production of non-coking coal registered an increase during the third Plan period, the major part of the rise in production being concentrated in coal-fields in Madhya Pradesh area. The unfortunate experience in coal demand during the third Plan period made a case for a firmer estimate of coal requirements during fourth Plan period with detailed breakdown of demand for the major coal consuming industries. However, in view of an envisaged growth rate of industrial sector of 8 to 10 per cent during the fourth Plan to support an overall rate growth of five to six per cent, steady rise in coal demand is expected to take place. Moreover, the recent statistics of coal production from the beginning of 1968 show signs of revival in the coal industry.

Comparing the statistics on monthly mining of coal for the year 1967 and 1968, it would appear that almost for every month, 1968 figure was equal or higher. This sign of revival is believed to have continued also in 1969. Coupled with this slight revival in the industry was the fact that large investment in the coal industry was made during the third Plan so as to create a capacity for nearly 100 million tonnes. This may act as a helpful factor in achieving the targeted coal production for the fourth Plan period with proportionately reduced investment.

Like all other organised industries, the rise in production in the coal industry occurred not merely by addition to the labour force engaged in the industry but also by rising trends in productivity. In wider connotation 'productivity' is synonymous with 'economic efficiency'

of the entire productive activity. Thus the true index of productivity should be measured by relating output to total input of resources used up in production of which labour is only an important item. Nevertheless the most immediate and tangible meaning of productivity runs in terms of 'productivity of labour' because labour is both a 'producer' and a 'consumer'. Thus for the purpose of present analysis, 'productivity' is taken to imply the average output per employed person. In absence of any precise figures for capital investment and technological advance in this industry in different periods, the analysis may be treated as 'gross' taking into account only crude estimate of labour productivity. In other words, the trends in productivity may be analysed by simultaneous examination of (i) trends in production (in physical terms) and (ii) trends in employment in the coal-mining sector. There are however different methods of quantifying employment such as (a) average daily employment and (b) total man-shift employed. In this sense, the two direct gross indicators of labour productivity are

- (i) $a_1 = \frac{\text{Total annual production}}{\text{Average daily employment}}$
= Output per man-year
- (ii) $a_2 = \frac{\begin{cases} \text{Total annual (or some specified period) production} \\ \text{Total number of man-shifts engaged} \end{cases}}{\text{Average output per man-shift.}}$
The relation between a_1 and a_2 is

$$a_1 = a_2 \times N, \text{ where } N \text{ is the total man-shifts worked per employed person on an average in a year.}$$

The above two indices of labour productivity are in physical terms and in that sense measure the productivity changes in real terms. There may be other refinements of the measurement of labour productivity such as average output per man-hour, but it needs to be emphasised that these indices reflect the most directly measurable characteristics of productive efficiency but not 'total productivity' nor 'net productivity of labour.'

Rising Labour Productivity

Table III shows the trend in labour productivity as measured by a_1 and a_2 . The state-wise figures are available only for a limited period.

Both Tables III and IV show nearly the same trend in labour-productivity which is explained by nearly constant value of N (as noted before) in coal mines. The overall rise in productivity during the three Plan periods (1951-66) is estimated at a little over 80 per cent compared to a little over 100 per cent rise in production during the same period. In this sense, the employment generating capacity of the coal-mining industry has been quite limited. This will be reflected from Table V which indicates the rate of growth of employment *vis-a-vis* production.

The percentage figures shown in col. 5 and col. 6 of Table V imply that about 70 per cent rise in production has been

TABLE III
TREND IN OUTPUT PER MAN-SHIFT (a_1)

State	(in metric tons)								
	1951	1956	1961	1963	1965	1966	1967	1968	1969 (Jan.)
India	0.35	0.40	0.48	0.51	0.55	0.57	0.59	0.64	0.68
W. Bengal								0.57*	0.62
Bihar								0.55*	0.63
Madhya Pradesh								0.79*	0.87

* Figures relate to the month of July, 1968.

TABLE IV
TREND IN OUTPUT PER MAN-YEAR (a_2)

State	(in metric tons)							
	1951	1956	1961	1963	1965	1966	1967	1968
India	103*	120*	136	148	164	165	178*	196*
W. Bengal			134	143	158	159	—	180*
Bihar			134	144	153	152	—	179*
Madhya Pradesh					190	204	—	257*

* Figures obtained from monthly averages and in that way, the degree of over-estimation may be between three to five per cent compared to annual figures.

due to the rise in labour productivity. This is indeed one of the phenomenal features in the history of growth of any industry. This growth in the mining industry may be compared with that of manufacturing industry. During 1951-61, the employment in manufacturing industry (including household industry) went up by 58 per cent compared to 94 per cent rise in production.

Referring to Table I and V it appears that during 1951-61, although coal production exhibited lesser growth (64 per cent) compared to the manufacturing industry, yet the gross productivity rise in the former was higher than that in the latter. Roughly, the ratio between employment growth and growth of production in physical terms in coal-mining industry was 1:4 compared to 3:5 in the manufacturing industry. The natural corollary for this difference in observed ratio in the two industries is that average output per employed person went up at a faster rate in the coal-mining sector relative to that of manufacturing industry. The analysis could have been further refined to indicate the overall 'economic efficiency' of the two sectors if the investment figures for the two groups of industries were available, but the fact remains that productivity rise was unique in the coal-mining industry. The factors contributing to this rise in labour productivity may be listed as follows: (i) Higher contribution of labour, (ii) mechanisation, and (iii) organisation.

Partial Mechanisation

Mechanisation in the coal industry has come mostly by way of more extensive use of coal cutting machines. In 1951, 374 coal cutting machines were in use and in 1966 the figure went up to 825. Presently, about one-third of the total coal is cut mechanically. The use of mechanical loaders and conveyors does not seem to have any significant impact on the productivity rise. Total quantity of coal conveyed mechanically forms even less than 10 per cent of total coal production. Mechanical loaders are even less important in the coal industry, with about 32 mechanical loaders in use in 1966. Thus it will be found that even mechanisation has been only partial in nature in this industry and that too limited to selected groups of coal-mines. This is because mechanisation involves huge capital expenditure which has not been forthcoming in the coal-mining industry due to comparatively low rate of return on capital and lack of organisation and competition in the past. In general, collieries in the public sector resort to mechanisation more intensively. Modern collieries in the private sector under big managements are also found to be using machines in coal cutting and loading. Amongst all the states, mechanisation has been

most intensively used in Madhya Pradesh. Of the total coal production, more than 50 per cent is cut mechanically in MP. Coking coal mines in Jharia fields in Bihar and some non-coking coal mines in Raniganj fields in West Bengal under big managements such as Bengal Coal Co. have been using different forms of mechanisation to a significant extent. But the overall impact of mechanisation, in West Bengal and Bihar fields has been partial, affecting about 36 per cent of total coal production. These statistics imply that whether for the country as a whole or for the more important coal-mining states like West Bengal and Bihar, mechanisation in the last 15 years cannot fully explain the most impressive rise in the labour productivity. Table VI shows the differential in productivity in mechanised, semi-mechanised and manually worked mines. It would also give an idea of the approximate impact of mechanisation on labour productivity.

TABLE VI
OUTPUT PER MAN-SHIFT FOR SOME SAMPLED UNITS

	(metric tons)		
	Mechanised collieries	Semi-mechanised collieries	Manually worked collieries
1966	0.64	0.53	0.52
1967	0.66	0.58	0.55
1968	0.67	0.59	0.56

In the light of above analysis, it should be emphasised that the rising

contribution of labour to the income-generation in the coal-mining industry either in physical or money terms during the three Plan periods has been an established fact independent of mechanisation. Although it is difficult to apportion the rise in contribution of labour between, (i) the part contributed by rise in intrinsic labour productivity, and (ii) the part contributed by organisation, it may be generally argued that the scope for raising the intrinsic contribution of labour within the limited span of a decade through skill-formation, incentive measures etc., while keeping the broad composition of labour unchanged is quite limited. Better 'organisation' is probably the more important factor in raising the average per capita contribution of labour to the process of output generation.

Perhaps it does not need any intricate analysis to prove how for two sets of industries with similar composition of labour and same capital structure, the labour productivity may be significantly different with better 'management' of labour-input. Coal mining is a striking example in this direction. While the composition of labour has not changed significantly in the last 15 years, better organisation of the industry has lifted the production and productivity to a pitch comparable with organised manufacturing industry. However, this might not have been possible to the observed degree without a simultaneous rise in capital investment and corresponding technological advance.

An attempt is now made here

TABLE V
PRODUCTION AND EMPLOYMENT TRENDS IN THE COAL-MINING INDUSTRIES

Year	Total production (In million tonnes)	Total employment (In lakhs)	Annual rate of increment of production per cent	Annual rate of employment growth (per cent)	Annual rate of productivity growth (output per man-year) per cent
	1	2	3	4	5
1951	34.982	3.392	6.8	1.7	4.0
1966	70.537	4.255			

TABLE VII
INDEX OF LABOUR-EARNINGS IN COAL MINES FOR DECEMBER (1951=100)

	1956	1961	1963	1965	1966
India	158.7	214.7	240.2	280.5	309.8
Bihar	159.9	215.2	237.0	273.2	296.8
W. Bengal	149.4	202.9	231.6	272.6	306.8

to throw light on how the labour earnings have gone up with the rise in labour productivity and how the average earnings of an employee in the coal-mining sector compare with those in other sectors. For a proper interpretation of the rise in labour earnings relative to productivity rise, labour earnings should also have been translated into real terms, but in the absence of such figures Table VII (p. 803) would indicate the trend in labour-earning in money terms, which, corrected for rise on consumer price index during the period, would give the rise in labour earnings in real terms.

The weekly cash earnings in the coal industry have recorded a rise from Rs 10.90 in 1951 to Rs 32.99 in 1966. This implies that money wage per worker has gone up by about 13.5 per cent per year on an average. This is indeed a phenomenal rise, compared to the rise in wages in other sectors of the economy. Even up to early 1950's coal-mining was regarded as an unorganised primary sector with average annual wage recorded as 'low' as Rs 570. But in less than 20 years' time, the labour-earnings in the coal-mining sector are comparable to those in the manufacturing sector. In 1966-67, the average annual earning per worker in the coal-mining sector was about Rs 1,700 compared to Rs 1,875 in the registered industrial sector in West Bengal. After the implementation of the new wage board recommendation wages in the coal industry have gone up still further. According to an estimate for the month of January 1969, the average weekly earnings have touched Rs 50.22. The implication of this is that in the absence of any proportional rise in the value added (income generated), the share

of wage in the aggregate value added in this industry has gone up significantly. Even in 1966-67 about 53 per cent of the total value added was distributed in the form of wages and salaries. With steadier rise in wage-income with the implementation of new wage-board recommendation without a matching instantaneous rise in value added, the proportion of wages and salaries to the value added may be over 60 per cent. This is even higher than that observed for the manufacturing sector where wage-share has varied around 55 per cent.

However such phenomenal rise in wage-share in the coal-mining sector in the last two or three years may prove to be elusive on long-term analysis. The price of coal will tend to rise in the long run at a significant pace with complete revival of the coal industry and decontrol of coal (non-coking) following the recent wage-rise which will imply that the value of coal in money terms will also increase. Hence wage share in the value added in money terms will tend to fall in absence of any further significant upward revision of wages. Already this price rise is noticeable. The average price of coal (in rupees) per ton at pitheads in January 1969 is recorded as Rs 33.6 compared to Rs 26.9 for January 1967. However, ignoring such long-term appraisal of the observed rise in wage-income, it may be concluded that the average earnings per employed person in the coal industry have exhibited a unique rising trend and are presently comparable with the average earning in the organised industry. However this statement does not take into account qualifying features such as labour-intensive nature of coal-mining industry or falling profitability margin.

Economic Integration in Developing Areas

J. R. CHAWLA

ABOUT TWO-THIRDS of world trade is now accounted for by the five major trading groups: European Economic Community, European Free Trade Area, Council for Mutual Economic Aid, Latin American Free Trade Association and Central American Common Market. The affluence of the ECM and EFTA is obvious and a flood of economic literature is available on the problems of the "Inner Six" and the "Outer Seven". What lacks in contemporary literature is a review of systematic and pragmatic analysis of the regional problems of the less developed countries of the socialist bloc, Latin America, Africa and Asia.

The USSR, Poland, Romania, East Germany, Czechoslovakia, Hungary,

Bulgaria and Mongolia constitute the COMECON. In principle, economic co-operation and industrial integration is easier in these socialist countries than among market or mixed economies. The COMECON pattern shows many examples of successful joint ventures, e.g., joint efforts by Czechoslovakia and Poland in the development of the Polish coal-mines, copper-mines and sulphur deposits; a joint approach to the development of potash fertilisers in the USSR and East Germany; joint exploitation of Romanian cellulose and manufacturing of paper, and extensive efforts for the harnessing and distribution of water power, oil, and natural gas resources. The long-distance transmission of oil and natural gas is of particular importance in relation to the develop-

ment, on a co-ordinated but widely dispersed basis of petrochemicals.

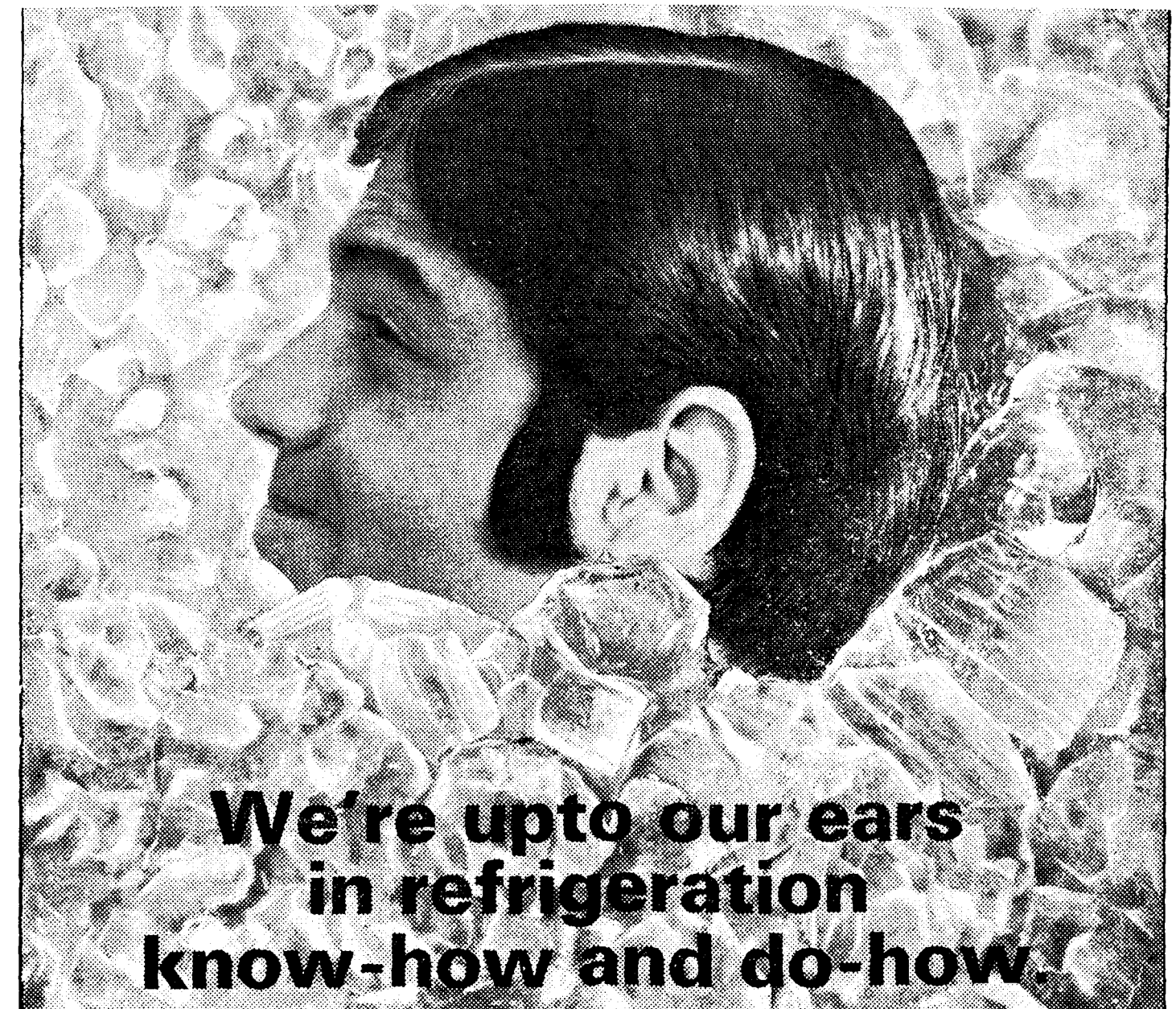
In the whole field of specialised production of equipment, as distinct from the general run of mechanical and electrical engineering, the east European experience has shown that there is much scope for international specialisation, e.g., oil extraction equipment in Romania and the USSR; oil refining equipment in Czechoslovakia, Romania and the USSR; small section rolling mills in East Germany and Poland; large section rolling mills in Czechoslovakia and the USSR; wire-drawing mills in East Germany and Hungary; cement equipment in East Germany, Poland and the USSR; paper manufacturing equipment in Czechoslovakia, East Germany and Poland; electric arc furnaces in Poland and the USSR; excavators in Czechoslovakia, East Germany and the USSR; electric cars and agricultural machinery in Bulgaria; and electrical equipment, buses, and food industry equipment in Hungary.

Latin American Experience

Brazil, Mexico, Argentina, Colombia, Peru, Venezuela, Chile, Ecuador, Bolivia and Uruguay constitute the Latin American Free Trade Association. These countries signed an agreement for a Latin American Free Trade Area (LAFTA) at Montevideo in 1960. The LAFTA treaty provided for freeing of trade covering 25 per cent of trade among the countries concerned during the first three years, trade which was mainly in primary products. Nevertheless, great difficulties were experienced in finding a common list of items, suggesting that to move on to further stages, as laid down in the treaty—50 per cent, 75 per cent, and 100 per cent—would be still harder. The reason for those difficulties, the fact that efforts towards liberalisation were based on existing patterns of trade, mainly in primary commodities, is hardly surprising in the light of the general considerations.

The easy stage of import substitution in Latin America has been largely attained and further growth depends either on breaking into world markets for manufactures or an integrated programme within Latin America of production of intermediate and capital goods.

Central America comprises five small countries: El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, with a total population of 13 million, with low incomes per head (although relatively high by African standards), and depending mainly on exports of agricultural commodities to world markets—coffee, cotton, cocoa, and bananas



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accounting for 90 per cent of their exports.

The efforts towards integration in Central America are of particular interest in view of the small size of the countries and their economic structure. A general Treaty on Central American Economic Integration was signed in Managua in December 1960. Under this treaty the signatory states agreed to grant to one another free-trade treatment with respect to all products originating in their respective territories, with limited exceptions. The intention was, apart from the exceptions, unrestricted free trade at the end of five years.

Pointer to Africa

Limited as may have been the progress so far in Central America, it is perhaps the best pointer yet to what may be done in Africa, and more positive than that of South America.

Attempts are being made to establish a system of economic co-operation on a wider, yet looser, basis in the whole eastern African sub-region, from Ethiopia in the north to Tanzania, the former members of the Federation of Rhodesia and Nyasaland in the south, and Rwanda and Burundi in the west. Following a conference on Economic Co-operation in East Africa held in Lusaka in October-November 1965, largely devoted to industrial questions, a meeting was held in Addis Ababa in May 1966 at ministerial level, at which a number of east African countries decided to establish an East African Economic Community, subject to the drawing up of a detailed treaty and later ratification. The machinery envisaged provides for a permanent ministerial council and standing technical bodies, together with a permanent secretariat. It will be some time before this community comes into operation. Furthermore, the real substance of negotiations about harmonisation of sectors of the east African economy, and in particular industry, remains for the future.

In practice, there would seem to be two focal points for possible future agreements of a more detailed character. One is the so-called *entente*, the loose grouping of French-speaking states, led by Ivory Coast, comprising also Niger, Upper Volta, Dahomey, and Togo. This arrangement consists of a customs union, and a mutual loan and guarantee fund, a device concerned to compensate for the fact that there is a marked difference in the degree of development of the Ivory Coast and the other countries. So far, the *entente* can hardly be regarded as a serious effort towards economic integration, mainly owing to the marked inequality between

the Ivory Coast and its small and impoverished partners.

In Central Africa there are six countries, the four former members of French Equatorial Africa, which, together with the Cameroon, are now party to the Treaty of UDEAC, and the Democratic Republic of the Congo. The Treaty of UDEAC came into force at the beginning of 1966. It provides for a customs union, a common external tariff, detailed harmonisation of fiscal policies and investment incentives, and standing machinery at both the ministerial and technical levels.

Next, there is West Africa, consisting of 14 countries of different sizes and degrees of development and divided between countries with different histories, institutions, cultures and languages. Efforts have been made, largely through the ECA, to provide a basis for a common industrial development programme, and these continue. A conference held in Niamey in October 1966 accepted the general principles of a West African Economic Community along the same lines as that agreed upon in Lusaka earlier for East Africa.

UN's Effort

Finally, there remain the four countries associated with the Senegal River Basin: Guinea, Mali, Mauritania, and Senegal. Largely under the impetus of projects heavily supported by the United Nations Development Programme to develop the Senegal River Basin for irrigation, energy, and navigation, a council of ministers has been established, together with standing technical bodies and a permanent secretariat. A study is in progress, going well beyond the development of the river basin, aiming at the co-ordinated economic development and eventual integration of these four countries.

The Asian problems are, however, not easily surmountable. To predict the future of their trade and economic co-operation would be more an exercise in political soothsaying rather than an economic or even political-economic analysis, because the actual process can be facilitated only by suitable institutional formulations to deal with the complex problems of linking the destinies of several nations. However, despite these bottlenecks—inherent or instilled—the Asian less developed countries have made some notable achievements in regional co-operation. Such gains have generally been of three types:

- (i) The super-regional organisations which include most of the Asian nations plus affluent countries from outside the region like ECAFE, Colombo Plan, Asian Development Bank;
- (ii) the exclusively Asian regional

and sub-regional organizations with non-regional members like Association of South-East Asia, Asian and Pacific Council, and Association of South-East Asian Nations; and

- (iii) the non-structured *ad hoc* associations and non-governmental organizations like Ministerial Conference on South Asian Development and the Confederation of Asian Chambers of Commerce and Industry.

Promotion of trade, sale of consultancy services and establishment of joint ventures constitute the fulcrum of India's strategy towards the economic welfare of the less developed countries. Since 1950 trade between India and the less developed nations has increased at an extraordinary pace. The phase has now shifted to consultancy services and joint ventures where India is in a position to cater to the needs of these countries in the following three specific areas:

- (a) Supply of technical know-how in respect of industries in which India has attained a fairly good standard of industrialisation such as sugar technology, cement plants, paper and paper products; and
- (b) supply of composite plants for such industries and/or their ancillaries or accessories and other maintenance tools, equipment and machinery; and
- (c) imparting training to technicians from the countries in this region in Indian enterprises.

As a member of the ECAFE region, India has actively participated in and contributed to the promotion of concepts of regional co-operation among the less developed countries in the Asian region. She is one of the largest contributors to the Asian Development Bank and shares with others concerned the hope that the Bank can significantly contribute to the acceleration of economic development in the region through expansion of trade, among other things. India has also participated in the work of the export groups appointed by ECAFE which have recommended a number of trade liberalisation and other measures in the region. Since the last session of the board, she has had the privilege of co-sponsoring a resolution adopted at the Tokyo session of ECAFE calling for a ministerial level conference for considering concrete schemes of regional economic and commercial co-operation. India is also taking part in the exploratory talks now being conducted under the auspices of GATT among developing countries for the expansion of trade.

Joint ventures approved to be set up

with Indian collaboration in Indonesia are rubber products. In Malaysia, they pertain to the manufacture of steel furniture, manufacture of zinc oxide, cotton textile mill, manufacture of glass bottles, ACSR/ACC and PVC insulated conductors, precision tools and gauge manufacturing units, electric fans and sewing machines, confectionery, hair oils, talcum powder, etc., manufacture of electric motors, pumps, diesel engines, and manufacture of drugs, pharmaceuticals and cosmetics. Joint ventures approved to be set up in Singapore are manufacture of fluorescent fixtures and electrical appliances, and welding electrodes. A steel mill, synthetic fibre spinning plant, and a newsprint mill have been approved to be set in Thailand.

Nineteen out of 94 joint ventures set up with the approval of governments in the UK, Canada, and African and Asian countries have begun production. Another 52 joint ventures are in various stages of construction in Africa, Asia, North and South Americas and West Indies.

The projects completed, or under construction include cotton and woolen mills, jute and sugar mills, tractor factories, light engineering units manu-

facturing bicycles, electric fans, sewing machines, razor blades, diesel engines, glass factories and radio and transistor assembly units. Of units that have gone into production, four are in Ethiopia, five in Kenya, two in Nigeria, two in Ceylon and one each in the UK, Canada, Malaysia, Iran, Mauritius and Libya.

An essential and very important aspect of India's approach is that all less developed countries would wish and would be willing to join on the basis of mutual benefit. It is hoped that India will provide a concrete instance of intercontinental co-operation in economic spheres. The measures contemplated by her include those designed to increase the trade exchanges by other means also, such as relaxation of tariff restrictions. In the field of technical and industrial co-operation it would be her endeavour to work out measures for augmenting industrial production in each country for effecting supplies to others, for readjustment in production programmes towards the same end, for establishing joint ventures, for working out common export promotion programmes and for exchanging technological know-how.

Software Industry in India

DR (MRS) J. MUKHERJEE

WE ARE living in a momentous age. The United States of America has created a new history by placing men on the moon—an achievement considered barely possible only a decade ago. This is only the beginning and more spectacular achievements are to follow. American and Soviet space technology is advancing at such a fast rate that we may, in our time, expect to use spacecraft as freely as we use aircraft at present.

Space technology has given a tremendous spurt to the computer industry. Spacecraft are entirely controlled by computers. While the advanced countries have been forging ahead in computer-based technology, we have been making slow progress. A few computer companies have sprung up in India quite recently. Computer machines have come to India and so also have arrived their software packages, that is, the library programmes. The software is like the interest while computer machine is like capital. Foreign companies are more concerned about the interest because it is repeated and therefore is the source of major income. We in India are draining our scanty foreign exchange resources and creating employment for foreigners while a vast army of educated people are marking time at home. It is not that

India does not have the technical manpower and resource needed for the development of software. Wherever competent Indian engineers have had the opportunity and the incentive, they have been able to achieve a great deal. The achievement of the Atomic Energy Commission in the nuclear field provides a good example of what Indian engineers are capable of doing.

In the field of computer industry by importing software, we are just creating in India clerks whose only job is to punch cards and feed them into machines. The real challenge lies in development of programmes and we are stunting the growth of talent in the younger generation.

Prof. G.R. Kulkarni of the Indian Institute of Management, Ahmedabad, a few weeks ago presented a paper on "Computers and Corporate Policies" at the sixth annual alumni conference of the institute in which he remarked that the use of computers by Indian firms had not resulted in any saving or increased profitability, nor had the firms derived any significant corporate benefits. These were the findings of a survey recently made by the Indian Institute of Management.

The reason for this is that the firms

do not have enough technical proficiency in computer-based applications. This could be remedied if the software industry in India is properly developed and encouraged. In order to do this, the following steps must be taken immediately:—

1. Computer time should be made available from government and educational institutions at their internal rates.
2. Separation of hardware, software, and teaching should be done with immediate effect. This will open up a local market to Indian software houses, which is denied to them at present.
3. Total embargo should be placed on the purchase of any computer software or programme packages which will be used in the territorial limits of India. Before any software is imported as part of a package or otherwise, Indian software houses should be asked to indicate if they can work on it and they should be given first preference.
4. Manufacturers of hardware should not be allowed to import any software.
5. Computer-oriented foreign companies having offices in India should be required to do part of their development in India, even if they have technical resources abroad.
6. Financial incentives should be given to software houses in the following manner:—
 - a) There should be no taxes arising out of computer programming or software manufacture.
 - b) Any development work to be done by a company's internal resources must be matched by reduction in income-tax and direct subsidy.
- 7) Any programme written will automatically be available to any user on a payment basis. The protection of an author should be limited to minimum charges.

It is a matter of great satisfaction to see that our government is putting a check on the import of technical know-how in various fields, and has also declared a total embargo on import of detailed engineering from abroad. This has created job opportunities for many engineers and scientists, and Indian consultancy firms are gaining a strong foothold. It is my strong conviction that the same kind of policy should be applied to the Indian software industry.

WINDOW ON THE WORLD

Tour of the West German Horizon

JOSSLEYN HENNESSY

I BOOM OR RECESSION?

LONDON:

CONTRARY TO expectation, the upward trend in West German prices accelerated in the six months following revaluation. The government now puts the likely rise for 1970 at nearly four per cent but other estimates suggest that five or six per cent would be more realistic. To date, anti-inflationary policies have been limited to the postponement of tax cuts promised at the time of revaluation, large cuts in public expenditure and the introduction of a severe liquidity squeeze including a rise in Bank Rate on March 9 to 7½ per cent, postwar record. The rate was reduced to seven per cent on July 16. There is increasing pressure on the government to introduce more stringent and direct measures such as a 10 per cent tax surcharge, compulsory prepayment of income tax or a 'stability loan' designed to soak up excess purchasing power. These suggestions have had the support of some members of the cabinet but others maintain that the boom is already slowing and that to introduce further deflationary measures would lead only to a recession later in the year.

Cause for Concern

The high level of capital costs is causing concern, especially to small and medium sized firms. The textile industry, for example, needs constant large injections of new capital to remain competitive in the international market; high interest rates could therefore have a considerable impact. The industry, whose exports have been steadily expanding, expects a slower rate of growth this year. The vehicle industry is enjoying a period of consistently high demand, with the domestic market taking a growing share of production, while the chemical industry, which plans to double its turnover to DM 100,000 million by 1980, is planning a rapid rate of investment, despite apprehension about the present situation on the capital market.

The labour situation remains tight. Only about one per cent of the working population is unemployed and there are five vacancies for every man out of work. The number of foreign workers in West Germany, rising at an annual rate of 40 per cent, reached 1.6 million at the end of 1969. After an outbreak of unofficial strikes, agreements were

made granting wage awards of up to 13 per cent. For the first time these agreements were open-ended and negotiations are already under way again in many industries, with unions demanding further increases of up to 15 per cent. Labour costs may rise as much as eight per cent this year, while, with most industries already working at full capacity, productivity is unlikely to rise by more than six per cent. A large proportion of this rise will therefore have to be passed on to consumers.

The government is setting up an institution on the lines of the British Monopolies Commission which will work in conjunction with the High Cartel Authority and give the government a say in the approval or rejection of proposed mergers. There have been moves in many industries to rationalise their structures; a notable example is the coal industry, where mergers should enable it to compete more effectively with natural gas and oil.

Substantial Surplus

Despite the slight slackening in export demand, the trade surplus remains substantial and is unlikely to diminish to any great extent in 1970. Although much of the increase has been absorbed by exporters, who would rather accept lower profits than lose their markets, export prices have risen and are expected to continue to do so this year, while high capital costs will restrain future expansion in the capital-intensive export industries. With West German order books lengthening and prices rising, British firms have profited both in third markets and in West Germany itself. Concern was expressed in the shipbuilding industry when, in December last, a £44 million order was lost to a UK shipyard. The shipbuilding industry has been one of the worst hit by the combined efforts of revaluation and rapidly rising costs, as 65 per cent of its production is sold abroad. To soften the impact a government programme of assistance has recently been provided; agriculture has already received help.

II

BUDGET AND THE ECONOMY

Is the German Federal Government's 1971 budget, with a 12 per cent rise in proposed spending, in tune with the economic situation? If not, what is the remedy?

These questions throw light on a

basic conflict of forces in the West German economic situation: (1) on the one side, a tendency towards slowdown, but (2) on the other side, a continuing upward price spiral.

Adding to the confusion, forecasters widely disagree on the longer-range picture: The trade unions' economic institute foresees a weakening of total demand, and a rise in the gross national product next year of only 1.3 per cent, with overall prices climbing only a moderate 2.4 per cent. Under such conditions, the heavier public spending proposed in the 1971 budget might indeed be needed to get the economy moving again.

In contrast, the German Institute for Economic Research forecasts a satisfactory 3 to 4.5 per cent growth of the gross national product in 1971, and only a slight let-up in price rises (to a new upward trend of from +5.5 to +7 per cent). If this prediction is near the mark, an expansive budgetary policy, as now planned, would be ill-timed, adding new pressures to the boom.

With the economic future admittedly so uncertain, many experts recommend Bonn's adoption of a "contingency budget." It could work out like this:

1. The essential spending could be concentrated in a minimum budget. All other items—including those generally recognised as desirable (highways, schools, etc.) but involving big spending—would be grouped in the second, "contingency budget."

2. The "contingency budget" would be resorted to at the first sign of (but not before) an economic slowdown. This would see to it that extra public spending, instead of overheating an inflationary economic situation, would revitalise a lagging economy.

The question would remain as to what adds up to an economic slowdown: a flattening of the price curve? Or only a definite fall-off in business activity? Recent developments, and not only in West Germany, have shown that those two phenomena—business slowdown, levelling-off of prices do not necessarily appear simultaneously.

III

THE MAIN COMPETITOR

Rare indeed is the West German industrial firm that can today finance a new investment simply by ploughing back earnings. Instead, such undertakings as retooling, expansion, rationalisation, etc., have to be paid for at least partly by borrowing in the money market. And there industry's biggest competitor for funds is the government.

Now diametrically opposed trends

are on an apparent "collision course": —From industry's side shrinking profits are forcing more entrepreneurs than ever to borrow more than ever in order to realise their plans.

—On the part of the federal, state and local governments, plans are afoot to get from the money market nearly double as much credit in 1971-74 as in 1967-70.

Basic Intention

The governmental fiscal planners are candid about their intention: It is to spend on the average nine per cent more per year in the three years 1971-74. But: (1) the gross national product is expected to grow only seven per cent annually in those years while (2) tax revenues—barring new taxes—may rise only an estimated 7.6 per cent per year. With this discrepancy between income and outgo, no wonder that the net credit requirements of various public

spending authorities in the coming three years is to reach about DM 50 billion.

Viewing this situation, the Bundesbank has just issued a warning "... Such an expansion of the public debt goes far beyond what could be financed, assuming inflation-less growth, from current (i.e., running) accumulation of monetary capital from which this credit would be derived." In other words, in this tight situation, something has got to give. If the value of the currency is to be maintained, the various public treasuries can only raise the credit: that they want by taking them from what would in former years have been industry's share of the money market.

Ostensibly, the governmental planners need their borrowed money for domestic reforms: improvements of the infrastructure ranging from the univer-

sities to highways. In fact, a breakdown of how the various public spenders plan to use their credit shows that actually much of the expenditure will further inflate an already record-high consumer demand.

To satisfy this demand, industry would need to expand—by borrowing money!—and that is where the story started.

IV

MYTH AND REALITY

Once upon a time the spectre of "technological unemployment" — men and women made jobless by robot-like machines—hung over the West German economy. According to the story, dire happenings were to be expected:

—Technological progress would relieve a yearly 6 per cent of the working

force, or 1.5 million persons, of their customary means of earning a livelihood.

—If, as expected, the economy grew by five per cent annually, the result would be—so went the story—a gradual build-up to mass unemployment.

—By 1972, West German industry would have to cut back to a 35 hour working week; not because of high productivity, but as a first-aid, share-the-jobs measure.

The facts are shaping up otherwise: Despite automation, in the foreseeable future West Germany will not have too many but too few job-takers. Why this discrepancy between fiction and fact?

It seems that back in 1963, IG Metall, the metal-workers' union, seized upon some old figures of the Ifo (industrial-research) institute in Munich to prove the probability of the once-upon-a-time tale told above, but long since, Ifo has revised its figures and the institute predicts scarce, not over-plentiful, man and woman-power. And the international trend towards shorter working weeks in industrially advanced economies also applies to West Germany, where, although the post-World War II years posed abnormal challenges in reconstruction, time spent in working has, between 1950 and 1968, fallen by 15 per cent.

This trend towards shorter hours, according to the prediction, will continue. Not because of technological unemployment and a need to share the jobs, but because (1) aggressive trade unions continue to demand shorter hours and (2) technological progress—the self-same phenomenon that was "supposed" to put people out of work—will pay for the extra leisure.

V

THE WHITE-COLLAR AGE

A change in the pattern of employment in West German industry shows a breakthrough into the white-collar age.

While in nearly all branches the proportion of blue-collar (largely manual) workers is receding, jobs available for trained clerical, administrative and managerial personnel are steadily on the increase. In the past two decades, the share of salaried employees (as differentiated from wage-earners) in the jobs offered rose from 15.1 to 24.4 per cent. This managerial revolution has not passed by the branches of industry which for ages have traditionally contained some of mankind's most arduous tasks, e.g., mining. No

other branch in West Germany reports so big a shift to white-collar jobs, from 7.5 per cent of the working force in 1950 to 16.2 per cent now.

In the raw materials branch, too, the white-collar age has dawned clear: 26.4 per cent of the staff now work at a desk, compared with 15.9 per cent only twenty years ago. In the food processing and beverages branch, which always depended heavily on clerical personnel, the change is from 19.8 per cent in white collars in 1950 to 29.2 per cent now. In the capital goods sector: from 18.3 to 26.5 per cent. In the goods branch: from 13.0 then to the current 18.7 per cent.

A pioneer in rationalisation, the che-

mical branch is also a pioneer in its ability to provide (1) white collar rather than blue-collar jobs and (2) managerial positions. Fully 35 per cent of the branch's staff are on salary (rather than hourly wages). And every fourth salaried person is in a managerial post or is an academically trained expert.

Sources and Acknowledgements: The foregoing draws on reports prepared by the Economic Intelligence Department of Barclay's Bank (54 Lombard St, London EC3.) and of the Institute of German Industry (5 Cologne 5, PO Box 67, West Germany) but neither the Bank nor the Institute are responsible for the emphasis of my summaries and interpretations based on a variety of sources.

Enlarging the Common Market

E. B. BROOK

VIENNA:

It is now almost eleven months since the members of the Common Market agreed in principle to enlarge the Community by the admission of new members. At the same time they agreed that the development of the Common Market could go ahead.

Two stages in these processes have now begun. Negotiations for entry to the Market of Britain, Ireland and the Scandinavian countries — most of them members of EFTA — have now begun in earnest and the Werner Committee has produced its proposals for a monetary union, with a common currency and a harmonisation of budgets with the Market by 1980.

Complementary Stages

The two stages are, to some extent, complementary, but both increase the difficulties for one another. For the would-be new entrants joining the Market is now no longer so much joining a formal institution as like trying to jump on to a moving train when it is accelerating and leaving the platform. For all of them it will be a difficult exercise and the present negotiations will almost certainly be the last chance for non-Market Europe to get into the Community.

The proposals drawn up by the Committee headed by Pierre Werner, Prime Minister of Luxemburg, have been sent to the Market's Council of Ministers, providing for transforming the Common Market into an even more centralised and concentrated economic

and political unit. They will certainly excite discussion and probably controversy. All principal economic policy decisions, according to the Werner plan, will be taken at Community level and the necessary power to carry out the decisions will be transferred to the Community. Through close economic union would evolve an equally close political union.

Werner Report

The Werner report provides a plan to have by 1980 a monetary union with freely convertible currencies and unalterably fixed parities among member countries' money, free capital movements and a central committee to administer monetary policy. The ultimate purpose, monetarily, is to abandon national currencies within the Market area and to adopt a Common Market currency for all members in order "to guarantee the irreversibility of the undertaking". There would be joint decision-making for budget policy, short and medium-term tax policies, a common tax system and interlinked policies regarding financial markets. National budgets would be discussed with the Market before being presented to the members' national parliaments.

Among the many implications arising from this scheme would be the abandonment of exchange controls; bond issues by any member would be permitted to be traded in any other members' markets; discrimination in stock exchange listing against issues from other members would be dropped; and there would have to be a common and closely integrated system regarding institutional investors, shareholders' protection, stock

INDUSTRIAL FINANCE CORPORATION OF INDIA

5-3/4% BONDS 1982

PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL GUARANTEED BY THE GOVERNMENT OF INDIA

AMOUNT OF ISSUE : Rs. 4,50,00,000

Issue Price : Rs. 100.00 per cent

REDEEMABLE AT PAR ON 9TH NOVEMBER, 1982.

The Bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act, and are also eligible for grant of advances to Scheduled Banks by the Reserve Bank of India. They are on the approved list of securities of the State Bank of India. They are also eligible for investment of the accumulations of the Provident Funds, exempted as well as non-exempted.

Subscriptions will be received in cash or by cheque at the branches of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Kanpur, Madras and New Delhi from Monday, the 9th November, 1970 but the list will be closed without notice as 12th November, 1970. The Corporation reserves the right to retain subscriptions received upto 10% in excess of the sum of Rs. 4.50 crores.

The Bonds will have a currency of 12 years, and will be repaid at par on the 9th November, 1982. They will bear interest at the rate of 5-3/4% per annum from the 9th November, 1970. Interest will be payable half-yearly on the 9th May and 9th November, and will be subject to tax under the Income Tax Act, 1961.

Copies of the prospectus and application forms can be had from the Office of the Reserve Bank of India as also from the Head Office of the Corporation at Burmah-Shell House (Annexe II), Connaught Circus, New Delhi-1, its branches at Mehta Mahal, 5th Floor, 15-Mathew Road, Post Box No. 3928, Bombay-4, 4-Mangoe Lane, 2nd Floor, Post Box No. 2483, Calcutta-1 and Raji-Building, 3rd Floor, 147-Mount Road, Post Box No. 1080, Madras-6 and also from the Delhi Division at No. 5, Parliament Street (Jeevan Tara Building), New Delhi-1.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerage will be paid at the rate of six paise per Rs. 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds bearing their stamp.

NEW DELHI,
Dated 3rd Oct., 1970.

C.D. KHANNA
CHAIRMAN

davp 70/417

exchange operations and savings inducements.

Any member wishing to make major changes in its economic policies would first have to consult with the Common Market Commission in Brussels and its Council of Ministers would meet three times a year to establish a Community-wide economic policy, particularly as affected by members' proposed budgets. It would also aim at harmonising indirect taxation and at aligning national policies to restrict the differences in the rate of inflation among members.

The first stage of the proposals, to operate for three years, beginning next January 1, seeks to narrow exchange rate variation in which process the two billion dollar Common Market pool for short-term loans will be available for the money market operations. By 1980 it is expected that the Market will have progressed to the point of creating a centre for economic policy decision-making and a Market central banking system for which it will take as its model the Federal Reserve system of the USA.

Needed Elected Parliament

An element of democratic control of the immense power that this plan would place in the hands of the Market's civil service is provided by making them responsible to an elected European parliament. The present European Parliament, which meets periodically in Strasbourg, is little better than a debating society and whose members are elected not directly by the people but indirectly by their parliaments in each member capital. The proposal is now to throw election of its members open to the national voting communities. But, even so, the degree of popular control appears, almost deliberately, to be the weakest link in an immensely powerful politico-economic chain.

These sweeping proposals, which are described in the Werner report as "an irrevocable process" are required to be accepted "with a firm will to achieve them and to accept all political as well as economic implications without equivocation."

Their clear implication is that all would-be new entrants, such as Britain, would have to accept the Treaty of Rome not as it stands today but considerably tightened-up in detail. These changes in the Treaty of Rome are likely to be made within three or four years and those now outside the Market but seeking to enter it may find themselves in a more rigidly defined and disciplined institution than they at present bargain for. The British and the Scandinavians

have already found themselves excluded from helping to formulate the Market's common fisheries policy which comes into effect on February 1 and which is likely to restrict the highly competitive

prices at which Norway, Denmark, Japan, Portugal and Yugoslavia are at present able to sell various types of fish and fish products in the Common Market area.

Nigeria on the Move

HARDEV SINGH

A RECENT report of a British sales mission from the building materials export group that visited Nigeria some time back reveals that there are 'enormous' development schemes planned by the Nigerian government which provide splendid opportunities for exporters of construction materials, particularly cement. Nigeria has taken up construction work in a big way following the conclusion of the civil war early this year. The report reveals that even when the local cement factories (which remained closed during the war period) are fully operational, the production will not meet Nigeria's requirements for a considerable time to come. Some British companies are, therefore, studying samples of clay deposits in Nigeria to assess the possibilities of investing in the manufacture of ceramic tiles. A large part of the new demand in Nigeria, it may be added, can be met by exports of materials and technology from this country.

Increased Activity

It may be pointed out that a marked increase in economic activity was witnessed recently in the indigenous manufacturing sector too. New units for the manufacture of textiles, carpets, furniture, cement, paper and building materials have been started in 1969 and 1970, while a number of established companies have been in the process of expanding existing units to meet increased demand. To some extent import restrictions in some commodities have helped this trend further.

The increased economic activity was reflected in the Budget for 1970-71, which revealed an increased estimated revenue figure of £ N 278 million against £ N 190 million a year before and estimated expenditure of £ N 268 million against £ N 178 million. The country has proposed to direct the surplus of £ N 10 million towards the Development Fund. Allocation to state governments also have been increased to the level of £ N 115 million compared with £ N 74 million last year. Similarly the Nigerian Railway Corporation proposed to spend £ N 2.25 million on reconstruction and rehabilitation of railway services in the East Central State. The Railway Corpo-

ration also proposes to purchase new diesel engines worth over £ N 2 million to replace existing engines and had a scheme to revitalise the whole system.

Nigeria's improved economic activity has received a boost from the inflated revenue from crude oil. The extent of the oil industry's recovery after the war could be gauged from the fact that average daily output of crude oil increased from 67,142 and 216,283 barrels a day in the first and second half of 1968 respectively to 539,998 barrels a day in the first six months of 1969. This was the peak reached before the civil war. From July 1969 onwards the output of crude oil declined abruptly due to the rebels attacking oil installations in the Mid-West State. Gradually, after the return of peace, oil production again looked up and reached one million barrels a day towards the beginning of April 1970. It had been thought earlier that this figure would not be reached until the middle of the year, although the average during the month of March 1970 was some 927,268 barrels a day. The £ N 2.5 million oil refinery at Elesha-Elene near Port Harcourt also started functioning soon after.

Agricultural Development

Nigeria's development activity has also embraced agriculture. A major recent development has been the opening of a new International Institute of Tropical Agriculture. Situated nearly five miles from Ibadan, in the Western State, the Institute has occupied 23,000 acres of previously untended bush, and proposes to set up three research laboratories and an auditorium and conference centre among 12 major building structures on the site, as well as a dam and 350 million gallon reservoir for supplementary irrigation. Research on soils, plant breeding, plant protection, crop production, agricultural engineering, biochemistry, agricultural economics, and agricultural communications would be the primary areas of activity, although the main immediate projects would involve increased productivity of maize and rice, and improved cropping system.

The moving finger writes

THE MOST discussed political question today, of course, is how the formation of an SVD ministry in UP would affect Mrs Gandhi's plans for the timing of the next general election. One view — perhaps the more obvious one — is that if Mrs Gandhi has been thinking of taking the country to the polls earlier than the due date, the recent developments in UP politics should compel her to do some rethinking. It could be readily conceded, no doubt, that the Prime Minister, if she has a choice, would naturally prefer to put her political fortunes to the test from a position of strength in her home state. Time, however, is no longer on Mrs Gandhi's side. With every day that passes she is obviously finding it increasingly difficult to hold together the ramshackle following that has attached itself to her in the wake of the heady days of August, 1969, when it might have seemed that all the wealth of Hindustan could be had for the mere shouting.

Apart from the fact that the improbable is becoming the possible in the form of an alliance against her which could include not only Congress (O), Jana Sangh and Swatantra, but also the SSP and various other miscellaneous political forces, stalwarts in her own camp are finding that their regional bases are being steadily eroded. Take, for instance, the change in the circumstances of Mr Y.B. Chavan. Not so long ago his writ ran in Maharashtra. Today, the Shiv Sena's success in the by-election to the state legislature from the Parel constituency in Bombay city has reduced this particular *chhatrapati* to the position of a post-Panipat *Peshwa*.

In Bihar, Mr Jagjivan Ram's prominence in state politics has been shaken, even if it has not yet become shaky and for this certain ambitious wire-pullers in the Prime Minister's own party are more to blame than politicians in the opposition. By and large, the Prime Minister's group has made few new gains in the states since the Congress organisation was split. On the contrary, it has had to suffer losses, some of them serious. The question is how long she can afford to let this process continue. A person of her temperament may well decide not to wait on time or

tide but gamble on an appeal to the ballot box early in 1971.

Prof. Gunnar Heckscher, Sweden's ambassador in New Delhi, who will be moving to Tokyo shortly to take charge of his country's mission in Japan's capital is a diplomat who is also an economist. It may be presumed that the considerable growth of Indo-Swedish trade or other forms of economic co-operation between the two countries during his tenure here has given him much personal satisfaction.

It is perhaps in the fitness of things that just before Prof. Heckscher is bidding farewell to New Delhi, the Swedish firm 'Sukab' and the State Trading Corporation of India have signed a contract providing for the export of \$3 million worth of non-traditional items from India to Sweden. Our country is even now having a favourable trade balance with Sweden and this transaction will strengthen this trend. Over a longer period, however, the continuing expansion of Indo-Swedish trade would naturally come to depend on the Indian offtake of Swedish goods also showing steady improvement.

Trade apart, Indo-Swedish economic co-operation is distinguished by the high quality of Swedish development aid to our country. Although necessarily limited in volume, this aid has been offered and provided in a way which has taken adequate care of our country's legitimate interests regarding the quality or prices of imports financed with the aid money. It is also worth noting that during Prof. Heckscher's tenure in New Delhi, Sweden's interest in India has extended to activities in the field of social welfare.

The Nobel Prize for Economics, which was awarded for the first time last year, has gone this year to Prof Paul A. Samuelson of the Massachusetts Institute of Technology, Cambridge, Massachusetts. On the earlier occasion, the prize was shared by Prof Ragnar Frisch of the University of Oslo and Prof Jan Tinbergen of the Netherlands School of Economics. It was then reported that Prof Samuelson had been a close runner for the honour and now, after 12 months, the distinction has been

his of being the first sole winner of this annual award.

In a generous tribute which Prof Samuelson had offered to the prize winners of 1969, he had applauded the Swedish Academy of Sciences' choice of "these two men of genius" and further stated that he was using the word "genius" in its eighteenth century sense — not to imply a transcendental scholar who is beyond human capability, but rather to designate men of the highest originality and versatility". To such of us as may be conversant in varying degrees with the quality of Prof Samuelson's contribution to the science of Economics as thinker or teacher, he too must seem as authentic a genius as any in terms of the concept of "genius" which he has outlined. It may be that there are other minds as incisive as his in the discipline of Economics, but it seems to me that his scholarship has a quality of compassion which is truly rare and which, for that added reason, must be all the more precious to the market-place of the contemporary world.

I believe that the following item from a recent issue of the US magazine, *Newsweek*, will give as much pleasure to my readers as it has given to me:

"An Indian Renault? Though India's government-owned Hindustan Machine Tools, Ltd, is only fourteen years old, it has already won recognition as one of the largest and most efficient machine-tool manufacturers in the world. Now HMT is preparing to invade international markets with a product line ranging from wrist watches to tractors. Distributorships for HMT have already been snapped up by Kolb Maschinenfabrik of Cologne, West Germany, and by Wyle Laboratories of El Segundo, Calif., one of whose officials predicts that HMT may emerge as 'an Indian Renault.' And early next month, 35 American businessmen will be flown to India by HMT to inspect its five ultramodern plants and its product lines. With Indian technological capacity now demonstrated and Indian labor costs ranking among the world's lowest, some observers believe that Western manufacturers will increasingly turn to India both as a source of components and of complete industrial products."

V.B.

Trade Winds

INDUSTRIAL LICENCES

CHAPTER III of the Monopolies and Restrictive Trade Practices Act, 1969, which came into force on June 1, 1970, contains provisions for regulating concentration of economic power which are applicable to:

(a) any undertaking having assets of the value of not less than Rs 20 crores either by itself or along with its inter-connected undertakings, if any;

(b) a dominant undertaking having assets of the value of not less than one crore rupees either by itself or along with its inter-connected undertakings.

Such undertakings have, *inter alia*, to seek the approval of the central government (Department of Company Affairs) under Section 21 of the Monopolies and Restrictive Trade Practices Act for their proposals for substantial expansion as defined in that section. Further, under Section 22 of the Act, no person or authority, other than government, can establish a new undertaking which, when established, would become an inter-connected undertaking of an undertaking to which clause (a) of Section 20 of the Act applies. A press note issued by the Department of Company Affairs has given this information and stated that in many of these cases it may also be necessary for the undertakings concerned to obtain a licence under the Industries (Development and Regulation) Act, 1951. In order to ensure that such matters are cleared by the government without avoidable delay it would be desirable in such cases for the undertakings concerned to make necessary applications under both the Acts simultaneously.

CAPACITY FOR CUTTING TOOLS

To meet the increasing demand during the fourth Plan period for broaches (cutting tools), the union Ministry of Industrial Development decided to create additional manufacturing capacity in the country. Applications have, therefore been invited from entrepreneurs for the manufacture of broaches. The applications are to contain detailed information regarding capacity proposed, capital equipment required (imported and indigenous), raw material requirements etc. Applications for the issue of industrial licences may be addressed in the prescribed manner to the Ministry of Industrial Development

& Internal Trade (CLP Section) by January 31, 1971.

REPLACEMENTS FOR INDUSTRY

The union government proposes to collect advance information on the replacement requirements of machine tools and other major items of plant and equipment installed with existing engineering units. For this purpose major manufacturing units having plant and equipment of the value of one crore rupees and above have been asked to make a detailed study of their immediate and future replacement requirements and submit an annual programme for replacement of such machinery items over the next five years. It has been proposed to collect such information once a year from these units, and to begin with, information for the years 1971 to 1975 is to be furnished in a proforma. It is expected that the information regarding replacement requirements for the first two years — 1971 and 1972 — would be firm while indications will be given regarding programme of replacement for the subsequent years. Such information would help engineering units to plan their replacement programme scientifically and would also help the indigenous manufacturers of such equipment in planning their production programme.

SMALL SAVINGS

Stressing the need for carrying the message of savings to the villages, the union Finance Minister, Mr Y.B. Chavan, called for a more vigorous drive by the centre and the states jointly to tap the savings potential of the people, especially in rural areas. The Finance Minister, who was inaugurating the first meeting of the National Savings Central Advisory Board here recently, stated that a machinery for assessing the savings potential and then evolving suitable agencies for mobilising them was necessary. Commending the work done by the states and the National Savings Organisation so far in this field, Mr Chavan felt that the state governments, with their intimate knowledge of the changes taking place in the local economy, are in a better position to assess the savings potential of the people. According to the requirements of the fourth Plan, the rate of domestic savings has to be raised from 8.8 per cent of national income in 1968-69 to 13.2 per cent in 1973-74 and further to 18 per cent in 1980-81. Mr Chavan

pointed out. The Plan also expects from small savings collections of Rs 769 crores or an average of Rs 154 crores.

ANCILLARY INDUSTRIES

The union Ministry of Industrial Development has asked the chief executives of all the public sector units under its administrative control to implement the recommendations made by the Seminar on Development of Ancillary Industries by Public Sector Undertakings to the maximum extent possible. Implementation of these recommendations will go a long way towards fostering the development of small scale ancillary industries. The seminar was held in Bangalore on April 3 and 4, 1970, and was attended by senior representatives of all the public sector undertakings as well as senior officials of the union ministries concerned. The seminar had, among other things, recommended that every public sector undertaking where ancillary development is possible, should set up an ancillary division or designate a senior officer who should be primarily responsible for the development of ancillaries.

REVENUE COLLECTIONS

The central government revenue collections in the first four months of the current financial year have shown an increase over the figures for the corres-



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ponding period in 1969-70. Between April-July this year, it was Rs 834.81 crores as against Rs 723.38 crores collected during April-July 1969-70 — an increase of over Rs 111 crores.

The details are as follows:

Revenue Heads	(Rs crores)	
	April to July 1969-70	1970-71
Customs	132.88	146.71
Union excise excluding cess on salt, rubber, coal & iron ore)	472.38	557.30
Corporation tax	49.70	58.11
Income tax	61.43	66.55
Wealth tax	3.43	2.23
Expenditure tax	..	..
Gift tax	0.40	0.66
Estate duty	1.37	1.27
Opium	1.79	1.98
Total	723.38	834.81

MINERAL PRODUCTION

According to the Indian Bureau of Mines, the value of mineral production in this country was Rs 32.4 crores in August, 1970, registering a fall of 6 per cent compared to July, 1970. This excludes the value of minor minerals and minerals declared as proscribed substances under the Atomic Energy Act, 1962. Mineral fuels accounted for 80 per cent of the total value of production, metallic minerals' share was 12 per cent and non-metallic minerals accounted for eight per cent. Iron ore and manganese ore are the most important constituents of the metallic group, accounting for seven per cent and 1.5 per cent respectively.

TRADE WITH RUMANIA

Mr L.N. Mishra, union Minister of Foreign Trade left on October 31, 1970, for Bucharest and Budapest with a view to signing long-term trade and payments agreements (1971-75) with Rumania and Hungary respectively. Mr Mishra was in Bucharest from November 1 to 3, and in Budapest from November 3 to 5, 1970. Indo-Rumanian trade has shown considerable increase from Rs 3.8 crores in 1960 to Rs 14.4 crores in 1969. In the first six months of 1970, trade has reached a level of Rs 13 crores and it is estimated that total

trade in 1970 would substantially increase over that in 1969. Rumania has emerged as a major buyer of Indian iron ore. Next only to Japan, Rumania is the biggest buyer of Indian iron ore. The Minerals and Metals Trading Corporation has already entered into a long-term arrangement for the supply of iron ore to Rumania. In addition to iron ore, Rumania has also shown interest in taking leather goods, machine tools, auto ancillaries, wire ropes and other engineering items, in addition to drugs, pharmaceuticals, chemicals, cotton yarn, cotton textiles, coir products and jute manufactures. Rumania has been supplying to India tractors, fertilisers, particularly calcium ammonium nitrate and urea, oil prospecting equipment and petroleum products. During the coming five years, Rumania would also be delivering 12 ships to India.

INDO-HUNGARIAN TRADE

Trade between this country and Hungary has steadily grown from Rs 4.9 crores in 1960 to Rs 27.3 crores in 1969 and it is expected to reach a level of about Rs 30 crores at the end of the current year. This country occupies first place in Hungary's trade with developing countries. Hungary has emerged as a big supplier of special steel and steel products, various types of chemicals, drugs and pharmaceuticals, railway equipment, printing machinery and a wide range of machinery and equipment covering potential growth fields such as telecommunication, microwave and television equipment. Hungary has been the first country in Europe to import Indian railway wagons. Five hundred railway wagons have already been delivered and a contract for another, 1000 wagons would be implemented in the course of 1970-71. There are bright possibilities of coming into long-term arrangements for export of iron ore to Hungary. Apart from engineering goods, such as sanitary fittings, wire ropes, auto ancillaries, textile machinery etc. Hungary has also started buying an increasing variety of other manufactured and consumer goods in particular cotton textiles, ready-made garments, cosmetics and toiletries and footwear. A team of industrial experts from Hungary was in this country recently in order to determine the fields in which bilateral industrial co-operation could be forged.

INDUSTRIAL PRODUCTION

The official index of industrial production reveals that industrial output increased at the rate of 5 to 5.5 per cent during the first five months of the current calendar year, as against the growth rate of 7.1 per cent in the corresponding period in 1969. The

main reason for the fall in the rate of growth has been the major setback to the steel industry. The sectoral analysis of output reveals that 'substantial' increase has been secured in the output of food industries, 'rapid' growth in chemical industries and 'moderate' growth in textiles. The index, however, does not include the growth in the small-scale sector which is said to have been quite rapid.

COMMITTEE ON STORAGE

The union government has recently constituted the Expert Committee on Storage to review the existing and proposed storage capacity to be created in the public and co-operative sectors for foodgrains, cotton, jute, fertilizers and other agricultural products, and inputs required in the fourth Plan. An important task before the committee is to draw up a framework of a master plan for development of storage facilities during the fourth Plan. The committee will also reassess future requirements of storage, including those of buffer stocks of foodgrains and of other commodities, and the locational pattern of such requirements in relation to production, marketed surpluses, pace and pattern of market arrivals, consumption requirements, imports, movements by road, rail and river, and connected considerations. The committee, the chairman of which is Mr S. Vohra, Adviser (Programme Administration), Planning Commission, includes representatives of the Planning Commission, Ministry of Food and Agriculture, Ministry of Finance, Food Corporation of India, Central Warehousing Corporation, National Co-operative Development Corporation and the Railway Board. It is expected to submit its report to the government by March 1971.

MISUSE OF ENDOWMENT PLAN

Mr T. A. Pai, Chairman of the LIC, has announced the decision of the board to stop the misuse made by people in the high income bracket who purchase policies under the Pure Endowment plans, obtain tax benefit for two years and then surrender them for cash to secure disproportionately high returns on their investment. As an example, he stated that for those who were in the income bracket of Rs 60,000 to Rs 80,000 per annum, the net return on the investment in the Pure Endowment policies was 32 per cent per annum. This was equivalent to a gross rate of interest subject to tax at that level of 139 per cent per annum. To stop this misuse, Mr Pai added, the LIC Board has decided that the high Special Surrender Value at 90 per cent of all premiums paid offered up to now under Pure Endowment policies, which was

responsible for the misuse, be discontinued for future policies. The LIC chairman further announced that in future policies under Pure Endowment, Deferred Annuity and Children's Deferred Assurance plans, even guaranteed surrender values will be less at 90 per cent (instead of 95 per cent as at present) of all premiums paid excluding the premiums for the first year; for Deferred Annuity policies with annual premiums, no cash option will be allowed when the deferment period is less than 10 years; issue of Single Premium Deferred Annuity policies will be discontinued; for Deferred Annuity, Pure Endowment and Children's Deferred Assurance policies, the death benefit during the first two years will be limited to the surrender value except in the case of death by accident.

FREIGHT INCREASES

The representatives of the All-India Shippers Council recently met the delegation of the following conferences at Federation House, New Delhi, under the chairmanship of Mr. G. V. Swaika, Deputy Chairman of the Council, to consider their proposal for increasing freight rates by 10 to 15 per cent with effect from January 1971. (1) West Coast of India and Pakistan/USA Conference. (2) Calcutta, East Coast of India and East Pakistan/

USA Conference. (3) India-Pakistan-Ceylon and Burma/USA Outward Freight Conference. During the course of discussions the representatives of the conferences mentioned that there had been an extraordinary increase in expenses in the United States as also the handling and port expenses in Calcutta. The cost of fuel had also gone up. They mentioned that as a result of these increases the conferences have been compelled to increase freight rates. The shippers however pointed out that freight rates from India to the USA were in many cases higher than the corresponding rates from other competing destinations, such as Japan/Hong Kong to USA, with the result that Indian exporters were placed in an unfavourable position.

VFW-FOKKER OFFER

The VFW-Fokker group, which specialises in the manufacture of smaller aircraft, has offered to the union government collaboration for the production of airframes in India (the work it does in its Holland factories). It has also offered to help in arranging collaboration with its suppliers of engines (Rolls Royce Spey 555) and other equipment, should the union government show interest. The production facilities in India are proposed to be set up in a phased manner. They will

be for the latest type of the group's aircraft—60-seater standard (80-seater stretched) F-28 which is a much improved version of F-27. F-28 can carry a maximum take-off weight of 63,000 lbs. over a distance of 1,000 nautical miles. Powered by two Rolls Royce Spey 555 engines, each having 10,000 lbs nominal static thrust, it requires a take-off field 4,600 ft long. Under Indian circumstances, its certified landing distance is only 3,200 ft. The cruising speed of F-28 is 530 m.p.h. The maximum flying altitude is 35,000 ft. The thrust-reversers have been compensated in F-28 by airbrakes at the tail end. Together with big lift-dumpers on either wing and an electronically controlled adaptive braking system on the wheels, they give the aircraft manoeuvrability and speed stability and makes very easy approach and landing procedure possible. Another exclusive feature of the aircraft is the low tyre pressure on the wheels—as low as 70 p.s.i. With this, F-28 can operate on unpaved strips, grass or gravel. Already nearly 38 F-28 have been sold out. The main advantage of producing the Fokker airframes in India, it is said, will be the lower cost of manufacture, for labour is much less expensive here than in Holland. Besides, a good deal of foreign exchange would be saved.

INDIAN RED CROSS SOCIETY

The Indian Red Cross Society was established by Act XV of 1920. Its headquarters are at 1, Red Cross Road, New Delhi, and its activities are decentralized and carried on through 21 State Branches and over 530 District Branches throughout India.

The funds of the Red Cross are utilized for help in war and peace to Services personnel and for its manifold other humanitarian activities. Its main peacetime activities are:

- *Relief work in times of flood, famine or epidemic.
- *Training of Health Visitors, Nurses, Dais and Public Health propaganda.
- *Co-operation with the St. John Ambulance Association in the training of men and women in first aid, home nursing etc.
- *The supply of hospital comforts and amenities to Military and Civil Hospitals.
- *Running a Red Cross Home at Bangalore for disabled ex-servicemen.
- *Red Cross Welfare Service in Military Hospitals.
- *Medical after-care of ex-service personnel.
- *Maternity and Child Welfare.
- *Junior Red Cross.

To join the Society and help in its humanitarian work you can be enrolled on application to your State Secretary or to the Red Cross Headquarters as a

Life Member with a subscription of
Life Associate Member
Annual Member
Annual Associate Member

Rs. 150
Rs. 50
Rs. 12 per annum
Rs. 1 to 11 per annum

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Company Affairs

DELHI CLOTH MILLS

DR CHARATRAM, Chairman, Delhi Cloth & General Mills Company Ltd, told the shareholders at the annual general meeting held recently that in spite of various problems there was a marginal recovery in the textile units of the company. He added that the fertilizer factory at Kota, which went on stream a year before, had a full year's operation during the year ended June 30, 1970, and contributed its share in the overall profits of the company. The sugar section of the company also revealed fairly good performance and similar was the case of rayon tyre cord factory and chemical units. The only section which did not show satisfactory results was vanaspati, where unilateral change of prices every fortnight by the union government had an adverse effect.

Dr Charatram made a pointed reference to the current industrial pattern in the country and stated that a fairly broad-based industry has developed in this country. He, however, stressed the fact that attack on unemployment can best be launched by the establishment of large enterprises which provide suitable work opportunities through the growth of ancillary units. The large-scale production of intermediates, machinery, tools and metals help the development of small-scale units which consume these products. He strongly condemned the attitude of the government which has been evolving various regulations to block the economic growth instead of stimulating it. Industrial licensing procedures have been tightened and hands of the big entrepreneurs have been tied through the Monopolies Act. Moreover, credit has become difficult to obtain from nationalised banks and other financial institutions, he added. In Japan he pointed out, increasing stress was being laid on capital intensive projects.

DEEPAK INSULATED CABLE

Mr N. W. Gurjar, Chairman, the Deepak Insulated Cable Corporation Ltd, told the shareholders at the annual general meeting held recently that the company has made an application to the union government for licensing additional capacity so as to improve the field of operations. This unit has already achieved full production within a year and has proposed a divi-

dend of 10 per cent for the year 1969-70. Sales during the year increased to Rs 2.15 crores as against Rs 2.02 crores and the net profit for the year was around 14.72 lakhs as against Rs 10.52 lakhs, after providing for depreciation and development rebate. The company paid bonus at the maximum rate of 20 per cent although it was exempted from it. Mr Anantrai P. Mehta, the managing director, indicated that several new projects were likely to be added apart from the doubling of production capacity of the present unit. It has proposed to set up a plant for the manufacture of aluminium foils in collaboration with the US firm of Reynolds International and a plant for the manufacture of aluminium collapsible tubes for the pharmaceutical industry. It might be added that the company has built up reserve of over Rs 26 lakhs besides setting aside an almost equal sum for depreciation against its paid-up capital of Rs 30 lakhs.

UNIT TRUST

Mr R. S. Bhatt, Chairman Unit Trust of India, in a statement issued recently indicated that marginally higher income distribution was announced for the year at the rate of 72 paise per unit as against 71 paise paid for 1968-69. He indicated that there was an increase in the income of the trust of Rs 6.28 crores from Rs 4.83 crores in the preceding year. The distribution will absorb Rs 5.58 crores leaving a balance of Rs 27.70 lakhs. Mr Bhatt indicated that sale of units at Rs 22.83 crores during 1969-70 established a record and this sale was nearly Rs 5.67 crores more than the preceding year's sale. Virtually the whole investment in units made in 1969-70 was by individuals, who accounted for Rs 22.66 crores. Of the aggregate applications numbering 74,471 received, applications from individuals were 74,382 the balance being those of institutions.

Mr Bhatt pointed out that the total investment of the trust as on June 30, 1970, was around Rs 88.3 crores out of which investment in ordinary shares was to the extent of 31.5 crores, as much as Rs 11.9 crores in preference shares, Rs 37.2 crores in debentures, Rs 3 crores in bonds of public corporations and government securities, Rs 3.1 crores in money at call with banks. Sums around Rs 90 lakhs, Rs 60 lakhs and Rs 10 lakhs respectively were invested in application money, advanced

deposits in respect of purchase of debentures and preference shares. The pattern of investment of the trust during the year remained practically unchanged and reflected the objective of safety of capital and regularly growing income. Mr Bhatt pointed out that there was a rise in the volume of the Trust's underwriting operations which continued to be in the nature of firm commitment to investment upon the amounts underwritten with respect to issues floated by old and established companies. He added that new issues activity continued to remain more or less sluggish for the major part of the year, though there was some improvement in the new issues during the last quarter which represented partly implementation of investment decisions taken earlier. There was also some improvement with the announcement of tax concessions in the budget for 1970-71. He added that there was a revival of stock market prices during the latter half of the year so that the market value of the trust's investment in relation to book value as on June 30, 1970, showed an appreciation of 9.6 per cent as against 8.9 per cent at the end of the previous year. The net value of the assets of the trust as on June 31, 1970, amounted to Rs 9.15 crores.

JAYANT PAPER

The directors of Jayant Paper Mills Ltd have proposed to issue bonus shares in the ratio of one new share for every five shares held. This will mean capitalising a sum of Rs 5 lakhs from the reserves. The company has already declared a higher equity dividend of 10 per cent for the year ended June 30, 1970, as compared to 9 per cent for the previous year.

BINNY

The working of Binny Ltd during the first half of 1970 has resulted in a trading profit of Rs 30.36 lakhs against a loss of Rs 9.16 lakhs in the same period of 1969, after providing Rs 65.06 lakhs for depreciation. Sales have amounted to Rs 18.57 crores. After making some adjustment and after providing for interest and guarantee commission, the loss for the half-year works out to Rs 20.75 lakhs compared with the loss of Rs 41.02 lakhs in the same period of 1969. In the interim report, the managing director points out that production was affected in the Madras unit during May to August by labour trouble. The loss from unexpected fall in output has been substantial. The Bangalore mills enjoyed improved wool supplies and the co-operation of labour during the half-year. Thus, the results of this unit have exceeded expectations. Normally, the trend of profitability of the textiles

division, which was crucial to the company's overall results, was towards a substantial improvement in the second half of the year. However, in the current year a steep rise in cotton prices, adding about a crore of rupees to the company's costs, was likely to affect the working of the mills. Though other divisions continue to operate satisfactorily, the overall results for the year would be disappointing, it was felt. The directors therefore, decided not to declare an interim equity dividend for the current year.

LARSEN AND TOUBRO

Larsen & Toubro Limited's sales during the half-year ended September 30, 1970, amounted to Rs 956 lakhs—an increase of 47 per cent compared with Rs 650 lakhs for the half-year ended September 30, 1969. The value of output from L & T's workshops at Powai, Bombay, is reported to be up by 47 per cent compared with the value of output for the same period last year. The backlog on September 30, 1970, is Rs 25 crores as compared to Rs 20 crores on the same date in the previous year.

BHARAT HEAVY ELECTRICALS

The government-owned Bharat Heavy Electricals Ltd. (BHEL) is shortly diversifying its production pattern. Disclosing this at a news conference here last week, the chairman of the company, Mr O. S. Murthy, stated that it had been decided to manufacture centrifugal compressors for the fertilizer industry at the company's Hyderabad unit. The collaboration for this manufacturing programme is being sought from an Italian firm. Besides making available technical know-how, the Italian firm will also provide some components in the initial stages. The Tiruchirapalli unit of the company will be taking up the manufacture of more sophisticated boilers with assistance from an American firm. These boilers will be "welded wall" type and shall be more efficient than the boilers which are at present being manufactured with Czech assistance. At Hardwar, it is proposed to undertake with Russian assistance, for the first time in the country, production of 200 MW turbo sets which would cost over Rs 7 crores a piece. The Hardwar unit will also be going in for the manufacture of traction motors (Bhopal Heavy Electricals, which is producing these equipment at present, has reached its full capacity) and also train lighting equipment.

The operations of the company have shown a steady improvement over the past four years. As against a net loss of Rs 57.91 million in 1966-67, Rs 55.58 million in 1967-68 and Rs

33.70 million in 1968-69, the company suffered a loss of only Rs 14.75 million in 1969-70. The company would have broken even last year as that year's loss is primarily accounted for by social overheads (Rs 12 million) and the increased wage bill (Rs 6 million). The value of the production of the company, including inter-unit transfers, has gone up from Rs 62.18 million in 1966-67, Rs 216.40 million in 1967-68 and Rs 361.95 million in 1968-69 to Rs 451.36 million in 1969-70.

Last year, the Tiruchirapalli unit not only successfully completed an export order of valves to West Germany and Poland but also secured an order for the supply of two 60 MW boilers and ancillary equipment for installation at Port Dickson in Malaysia. This order is for complete supply, erection and commissioning of boilers, the first of which is to be commissioned by November, 1971. The entire work has to be completed within 26 months. The value of the contract exceeds Rs 2.25 crores. The order was received on the basis of a global tender in competition with leading boiler manufacturers from the United Kingdom, West Germany, the USA, Australia and Japan. Several tenders are proposed to be submitted by the company to foreign buyers in the near future.

The indigenous component has been progressively increased in the company's products. For instance, 51 per cent of the cost of the turbo sets at Hyderabad was last year accounted for by indigenous materials. Seventy-five per cent of the machinery work was done indigenously. Two years earlier the indigenous content in turbo sets was no more than 22 per cent. The company's order position is fairly satisfactory. For thermal sets it has got orders for two years. For hydro sets it is fully booked. It, of course, can take some fresh orders for thermal sets. An important point that Mr Murthy stressed was that the state electricity boards will have to plan their future requirements well in advance so as to leave adequate time for the production of equipment by the indigenous manufacturers.

HINDUSTAN HOUSING

Hindustan Housing Factory, a public sector undertaking under the Department of Works, Housing & Urban Development, has achieved a record output of the value of Rs. 198 lakhs during the year 1969-70 as against Rs 193 lakhs in 1968-69, Rs 180 lakhs in 1967-68 and Rs 143 lakhs in 1966-67. During the year 1969-70, the Factory also made a record profit of Rs 26 lakhs as compared to Rs 20 lakhs in 1968-69. The factory has also declared bonus for the year 1969-70 at the rate of 7.36 per

cent on the salary in accordance with the provision of Bonus Act 1965. This is the first time that the bonus has been declared at a rate above the minimum of 4 per cent which the factory had been paying to its employees from the year 1964-65 onwards. The factory will be giving about Rs 2.33 lakhs as bonus to its 2,000 employees this year.

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 April 25, 1970. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting — and annual installed capacity.

For the Fortnight ended April 11, 1970

LICENCES ISSUED

Electrical Equipment

S.F. India Ltd, Jalkhura, 24 Parganas (West Bengal), 1. Fans & blowers — 3000 Nos. Rs 39,00,000; 2. Electrostatic precipitators. 10 Nos. Rs 10,00,000; 3. Air treatment equipment (excluding fans & blowers) Rs 4,50,000; 4. Air ventilation equipment (excluding fans & blowers)—Rs 3,00,000; 5. Dust collection & gas absorption equipment (excluding electrostatic precipitators, fans & blowers)—Rs 3,00,000; 6. Conveying equipment by means of air and gas (excluding fans and blowers)—Rs 2,00,000; 7. Drying equipment (excluding fans and blowers — Rs 4,00,000; 8. cooling equipment (excluding fans & blowers)—Rs 2,00,000; total value — Rs 67,50,000 (SE)

Agricultural Machinery

M/s International Tractors Co. of India Ltd, Bombay (Maharashtra)—Agricultural Tractors Diesel Wheeled; 35 HP, 3,500 Nos. p.a. (SE)—(7,000 Nos. p.a. after expansion.)

Earth Moving Machinery

Bharat Earth Movers Ltd, Bangalore (Mysore)—Wheeled Tractors (Front-end loaders) (145 HP)—50 Nos. p.a. (NA).

Mechanical and Engineering Industries

M/s Kanoria Haycock Sanderson Ltd, Kanoria House, Palm Road, Nagpur-1 (Maharashtra)—(1) Gauges of different types — 2,65,000 Nos. (2) Vernier Callipers — 10,000; (3) Height gauges — 1,000; (4) Depth — 1,000; (5) Gear Vernier — 1,000; (6) Micrometers

13,000; (7) Dial Gauges Micrometers — 1,000; (8) Dial gauges — 5,000; (9) Micrometer Depth gauges — 1,000; (10) Hardness Testing M/C — 500; (11) Portable Hardness Tester — 500; (12) Ground Threading (Screwing taps of all descriptions) — 4,00,000; (13) Form Tools (Tipped) — 1,00,000; (14) Mandrels of all descriptions — 25,000 (NU).

Dyestuffs

M/s Amar Dye Chemical Ltd, Rang Udyan, Sitaldevi Temple Road, Mahim, Bombay-16. (Maharashtra)—Dimethylaniline, 300 tonnes p.a. (NA) (for captive consumption only).

Drugs and Pharmaceuticals

M/s Cynamide India Ltd, 254-D2, Dr Annie Basant Road, PO Box 6577, Worli, Bombay-18 (W Bengal) — Aureomycin (Chlorotetracycline), Nutritional Formula in 125 gm. packing (veterinary product). — 5 (five) tonnes p.a. (NA). M/s Biological Evans Ltd, 18/1 & 3, Azamabad, Hyderabad-20. (AP)—PAS (Para Amino Salicylic Acid) and its salts. 24 tonnes p.a. (60 tonnes p.a. after expansion) (SE)

Textiles

M/s Modipon Ltd, Modinagar, UP—Nylon yarn (after expansion) 2,200 tonnes p.a. (SE). M/s Tona Jute Co. Ltd, 178. M.G. Road. Calcutta-7 (Haryana). — Woollen Carpet Yarn from indigenous wool. 324 spindles for the production of 9,00,000 lbs. p.a. (NU).

Sugar

M/s Challpalli Sugars Ltd, Indian Chamber Buildings, Esplanade, Madras-1 (AP)—Sugar — (Expansion by 1250 tonnes). (2,500 tonnes sugar-cane per day after expansion). (SE). M/s Shrigonda Sahakari Sakhar Karkhana Ltd, Shrigonda, Belvandi Factory, Shrigonda Dist., Ahmednagar (Maharashtra)—Sugar—crushing capacity of 250 tonnes of sugar cane per day. 1250 tonnes per day after expansion. (SE). M/s Ess-lem & Co., Managing Agents M/s Aruna Sugars Ltd, 11, Dhun Building, 175/1, Mount Road, Madras. (Tamil Nadu)—Sugar — 750 tonnes of sugar-cane crushing per day. (2000 tonnes of sugarcane per day after expansion) (SE).

Food Processing Industries

M/s Kaira Distt. Co-op. Milk Producers Union Ltd, Anand (Gujarat.) — Babyfood — 10,000 tonnes p.a. (SE).

Leather, Leather Goods & Pickers

M/s K.M. Adam, 526, Poonamallee High Road, Madras-7. (Tamil Nadu).—Tanned snake skins.—24 lakh Nos. p.a. (COB).

LETTERS OF INTENT

Metallurgical Industries

M/s Asiatic Wires Ltd; P-23/24, Radha Bazar Street, Calcutta-1. (West Bengal) (NU)—Steel Wires of 18 gauges & thinner—10,000 tonnes p.a.

M/s India Engg. & Construction Co. 64, Industrial Estate, Kanpur (UP) (SE)—Steel Tubular Poles — 39,000 tonnes after expansion. M/s Special Steel Ltd; Dattapara Road, Borivili East, Bombay-92. (Maharashtra) (SE)—Steel Wires — 32,000 tonnes after expansion.—(NA) Subject to the condition that you will produce a minimum of 50 per cent of your total production in wires thinner than 18 gauge & wires of special categories & special profiles. Aluminated steel wires—3,000 tonnes p.a.. M/s Bharat Steel Tubes Ltd; Allahabad Bank Bldg.: 17, Parliament Street, New Delhi, (Haryana) — Hot rolled steel strips, skelp starting from scrap based electric furnaces, c.c. strip rolling, etc. 120,000 tonnes p.a. (NU)

Fuels

Kanoria Chemicals & Industries Ltd; 9-Brabourne Road, Calcutta-1. (UP) — Chlorinated paraffin wax—1500 tonnes. per annum. (NA)

Chemicals

M/s Alembic Chemical Works Co. Ltd; Alembic Road, Baroda. (Gujarat)—Phosgene—1600 tonnes for captive consumption only. (NA).

Drugs & Pharmaceuticals

M/s Fertilizer Corpn. of India Ltd; Trombay Unit, Bombay-74. (AS) (Maharashtra) — Sodium Nitrite. — 1000 tonnes Sodium Nitrate. — 3000 tonnes. (NU). M/s The Standard Mills Co. Ltd; Chemical Division, Mafatlal House, Backbay Reclamation, Bombay-1. BR. (Maharashtra)—Carbon Tetra Chloride—2100 tonnes p.a. Chloroform — 900 tonnes p.a. (NA) Grindwell Abrasives Ltd; Army & Navy Building, Mahatma Gandhi Road, Bombay-1. (Mysore)—Silicon Carbide—2,500 tonnes p.a. (synthetic abrasive grains) (NA).

Vegetable Oil & Vanaspati

M/s Ashwin Industries, Samalaya, Baroda, (Gujarat)—cotton seed oil and cake — 30,000 tonnes p.a. in terms of cottonseed. (NA) M/s Jagdish Oil Industries Pvt. Ltd; Porbander. (Gujarat) — cotton seed oil — 15000 tonnes. p.a. in terms of cottonseed. (NA).

Textiles

Shri Dinesh Mills Ltd; P.O. Box No. 65, Padra Road, Baroda. (Gujarat) — endless woven felts — From 78 tonnes to 250 tonnes p.a. (SE). M/s Anglo-India Jute Mills Co. Ltd; Duncan House, 31, Netaji Subhas Rd; Calcutta-1. (West Bengal)—Carpet backing cloth — 120 broadlooms with a production capacity of 6096 tonnes p.a. (SE).

For the fortnight ended April 25, 1970

LICENCES ISSUED

Fuels

Shri Phul Chand Ram, At. & P.O.

Godda, Distt. Santal Parganas, Bihar. (Bihar).—Coal—1600 tonnes p.a. (on maximum utilisation of plant and machinery). (NU). M/s Behar Firebricks & Potteries Ltd; 22, Strand Road, P.B. No. 567, Calcutta. (Bihar) — Coal—24,000 tonnes p.a. (NU). Shri Hridaya Nand Bhagat, Owner—Chatkam Colliery, At. & P.O. Barhtal Parganas, Bihar. (Bihar)—Coal—6000 tonnes p.a. (after expansion) on maximum utilization of plant & machinery. (SE).

Electrical Equipment

M/s United Electrical Industries Ltd; P.B. No. 87, Pallimukku, Quilon (Kerala).—Switchgear, including circuit breakers oil—air for voltage and including 22 KV. The capacity will be determined one year after the factory has gone into production (NA). M/s Andrew Yule & Co. Ltd; Yule House, 8, Clive Row, Calcutta-1. (W. Bengal) 1. low tension 500/600 V iron clad switch fuses in all current rating upto and including 800 amps HRC type 1,800 Nos. (2) 11, 22, and 33 kV link switches current rating upto and including 800 Amps.—100 Nos. 3. 11 kV isolating switches current rating upto and including 400 amps. — 50 Nos. 4. Henley type outdoor fuses 150,300 and 500 amps.—3,000 Nos. 5. drop out fuses 11, 22 and 33 kV expulsion type and HRC cartridge type and also 6.6 KV Fuse switches—3,000 Nos. 6. outdoor type 'J' oil switches rated for 400 amps and service capacity 100 Nos; 250 MVA at 11 kV, 150 MVZ at 6.6 kV and 75 KVA at 3.3 kV. 100 Nos. 7. outdoor type 'T 15' oil fuse circuit breaker rated for 150 amps and service capacity is 150 MVA at 11 kV. 200 Nos. 8. cable joint boxes for voltage upto and including 11. 22 and 33 kV. 6,000 Nos. 9. flame proof air circuit breakers 500 volts, 200 amps ratings. 100 Nos. (SE).

Transportation

M/s K.T. Steel Industries (P) Ltd, K-T. Bldg., Broach Street, P.O. B. 5052, Bombay-9 (Maharashtra)—Railway wagons—2000 Nos. per annum after expansion on the basis of maximum utilization of plant and machinery. (SE).

Chemicals

M/s Excel Industries Ltd, 184-87, Swami Vivekanand Road, Jogeshwari, Bombay-60 (Maharashtra)—Chlorinated paraffin wax—1500 tonnes per annum after expansion. (SE).

Dyestuffs

M/s Amar Dye Chem. Ltd, Rang Udyan, Setladevi Temple Road, Mahim, Bombay-16 (Maharashtra). Metanilic Acid — 100 tonnes per annum. (NA). M/s Arlabs Ltd, 6, India House, Fort Street, Bombay-1.

(Maharashtra). — dye-intermediates — 270 tonnes p.a. (NA).

Drugs & Pharmaceuticals

M/s Merck Sharp and Dhome of India Ltd. Dugal House, Backbay Reclamation, Bombay-1. (Maharashtra)—vitamin B-12 (cyanocobalamin)—72 Kgs. per annum after expansion (SE) M/s. Sandoz (India) Ltd, Sandoz House, Dr. Annie Besant Road, Worli, Bombay-18 W.B. (Maharashtra).—calcium gluconate, calcibronate, calcium lactobronate, calcium lactate gluconate— present capacity (annual) 90.12 tonnes. ferrous gluconate 10.20 tonnes. galactose 430 Kgs., fructose 480 Kgs. (101.28 tonnes p.a.). Expansion envisaged 58.72 tonnes p.a.—total 160 tonnes p.a. after expansion. (SE)

Textiles

M/s Naffar Chandra Jute Mills Co. Ltd, 36, Strand Road, Calcutta-1 (W. Bengal)—jute carpet backing cloth. 50 looms to produce 2540 tonnes of carpet backing cloth. (SE).

Sugar

M/s H.R. Sugar Factory (P) Ltd, Nekur, Bareilly (UP)—sugar — 1,500 tonnes crushing capacity per day after expansion. (SE).

Food Processing Industries

M/s Ghaziabad Cold Storage & Ice Factory, D.M. Road, Ghaziabad (UP)—dehydrated vegetables and fruits. 900 tonnes p.a. (NU). The Managing Director-Cum-Milk Commissioner, Haryana Dairy Development Corporation Ltd, Chandigarh. (Haryana). baby food —1,500 tonnes p.a. Dried Milk (whole & Skim)—650 tonnes p.a. (NU). M/s Tata Oil Mills Co Ltd, Bombay House, Bruce Street, Bombay-1. (Maharashtra). 1. edible groundnut flour—3000 tonnes p.a. 2. protein isolate — 1,500 tonnes p.a. 3. multipurpose food & 'Bal-Ahar' type of product. —1,000 tonnes p.a. 4. weaning food 1,500 tonnes p.a. 5. high protein food with fruit pulp —1,000 tonnes. 6. high protein — 1000 tonnes flavoured beverages. 7. other high protein formulations—2,000 tonnes (NA).

Rubber Goods

M/s Ceat Tyres of India Ltd, Bhandup Bombay-78 (Maharashtra).—bicycle tyres and tubes 2,000,000 (two million) Nos. each p.a. (NA). M/s Cosmos India Rubber Works (P) Ltd; PB No. 107, 7, Hemji Street, Fort, Bombay-1. (Maharashtra) — bicycle tyres and tubes.—9,00,000 Nos. each p.a. (SE).

Glass

J.G. Glass Industries (P) Ltd; Co-operative Insurance Bldg., 2nd Floor, Sir P. Mehta Road, Bombay-1. (Maharashtra). pharmaceutical bottles and vials (USP type III) —72000

tonnes after expansion. BT Bottles, saline bottles, plasma bottles vials, tubing, ampules, tube vials, fluit and amber (USP type I). 3,600 tonnes after expansion. (SE).

LETTERS OF INTENT

Metallurgical Industries

M/s Andhra Steel Corpn. Ltd; P-38, India Exchange Place, Calcutta. (West Bengal)—cold rolled narrow strips—7000 tonnes p.a. box strap-pings—3,000 tonnes p.a. (NA).

Industrial Machinery

M/s Garden Reach Workshop Ltd; 43/46, Garden Reach Road, Calcutta-24. (West Bengal) — conventional belt conveyors of width normally upto 1200 mm & also to include extra high capacity (8000 tph) conveyers 1800 mm. with 1200/1600 kw drives. 1,200 Nos. p.a. (2) accessories for conveyors such as motor operated travelling tripper including specialised equipment such as crawler mounted tripper.—500 nos. p.a. (3) apron conveyors/feeders upto & including 1000 TPH capacity — 300 nos. per annum. (4) Electromagnetic vibratory screens & vibratory feeders-capacities varying upto 1000 TPH.— 600 nos. p.a. (NA). M/s Voltas Ltd., 19, Graham Road, Ballard Estate, Bombay-1. (Maharashtra)—electrostatic precipitators—4 Nos., p.a. (Rs 60 lakhs) mechanical dust collectors— 6 Nos. p.a. (Rs 30 lakhs) (NA)

Chemicals

M/s S.H. Kelkar & Co. Pvt. Ltd.; Lal Bahadur Shastri Marg, Mulund, Bombay-80. (Maharashtra) —1. paracresol (perfumery grade) —1.00; (2) jasmintol — 3.00; (3) phthalates (Methyl. ethyl, butyl) — 24.00; 4. cedryl acetate—2.00; 5. phenoxy acetate acid esters— 1.00 (methyl, ethyl & allyl); 6. Paratertiary Butyl cyclohexanyl acetate—5.00; 7. methyl acetophenone — 2.00; 8. brominated Vegetable Oils—6.00; 9. isobutyl cinnamate—0.60; 10. Isobutyl Propionated—0.60. tonnes p.a. (Total 45.2). M/s Suhrid Geigy Ltd; Wadi Baroda-7. (Gujarat)— butazolidin—from 10 tonnes to 30 tonnes. p.a. (SE). The Standard Mills Co. Ltd; Chemicals Division, Mafatlal House, Backbay Reclamation, P.B. No. 1038, Bombay-1. (BR) (Maharashtra) (i) caustic soda— 17,330 tonnes p.a. (ii) chlorine — 15,012 tonnes p.a. (iii) Hydrochloric acid — 5000 tonnes p.a. M/s. The Andhra Sugars Ltd; Venkatarayapltram, P.B. No. 2, Tonku kU (U.P.)— caustic soda — 20,100 tonnes p.a. chlorines — 14,500 tonnes p.a. Hydrochloric Acid — 2,500 tonnes p.a. (SE). M/s Glaxo Laboratories (India) Ltd; Dr Annie Besant Road, Worli, Bombay-18. (Maharashtra) — calcium senosides —

2000 Kgs. p.a. (SE). The Travancore Cochin Chemicals Ltd.; Udyogmandal, P.O. (via) Alwaye (Kerala) — caustic soda — 33,000 tonnes p.a. Chlorine— 29,040 tonnes p.a. (SE). The Madras State Ind. Dev. Corp. Ltd; L.L.A. Buildings, 150-A, Mount Road, Madras-2. (Tamil Nadu) Sodium Hydrosulphite—3,300 tonnes p.a. (N.U) M/s Devidayal Cable Industries Ltd; Gupta Mills Estate, Darukhana, Reay Road, Bombay-10. (Maharashtra)—Synthetic Resins — 100 tonnes p.a. (NA).

Drugs & Pharmaceuticals

M/s Rallis India Ltd; 21, Ravelin Street, Bombay-1. BR (Tamil Nadu) 1. vitamin—B complex liquidate; 2. neofertex; 3. khasinol 660,000 lits. p.a. after expansion. (one shift of 8 hours a day. 4. digeplex 5. ferilex 600,000 lits. 6. minolad; 7. prolypo 8. ferilex malt; 9. numerovits — 372,000 lits. 10. cal. pantothenale tablets. 11. riboflavin tablets. 12. V.B.C. Tablets 960 lakhs. 13. whole Liver extract P. 14. W.L. Ext. C.B.-complex. 15. W.L. Ext. C.B12. 16. L. Ext. Forte.P. 17. Y.I.B. Complex P. 18. cal. pantothenate — 84,000 lits. 19. livoderm ointment; 20. medicreme — 24,000 kgs. 21. provitex powder — 36,000 kg. M/s Merck Sharp & Dhome of India Ltd; Dugal House, Backbay Reclamation, Bombay-20. BR. (Maharashtra) —aldomet tablets— 10 million tablets. (SE).

Food Processing Industry

M/s Saras Pvt. Ltd; c/o Shri D.D. Desai, 24, Brelvi Sayed Abdulla Road, Bombay-1. (Gujarat) — processed fruits & vegetables — 9000 tonnes p.a. (NU).

Rubber Goods

M/s Metflow Corpn. Pvt. Ltd.; 65/1, Hindustan Park, Calcutta-29. (Delhi)— LST process footwear six lakh pairs p.a. (NU).

Miscellaneous Industries

M/s National Tobacco Co. of India Ltd; National Tobacco Bldg.; 1 & 2, Old Court House Corner, Calcutta-1. (Mysore).—Cigarettes — 4,500 million pcs. per annum. (NU). Shri K.L. Narayanasa, No. 10, 1st Main Road, Gandhinagar, Bangalore-9. (Mysore) —Cigarettes — 4,500 million pcs. p.a. (NU).

LICENCES REVOKED/SURRENDERED

(Information pertains to particular licences only.)

M/s Hindustan Antibiotics Ltd, Pimpri.—hamycin; M/s Dhemo Main Collieries & Industries Ltd, Calcutta —coal; M/s Hoechst Pharmaceuticals Ltd., Bombay—heperos dragees. M/s. South India Research Institute (P) Ltd. Vijayada.—DDT water dispersible oil bound paste.

BOOKS BRIEFLY

For Purposeful Planning

The Reorganised Planning Commission —A Study in the Implementation of Administrative Reforms: H.K. Paranjape; The Indian Institute of Public Administration, New Delhi; 1970; Pp. 58; Price Rs 5.

Centre-State Relations in Planning: H.K. Paranjape; The Indian Institute of Public Administration, New Delhi; 1970; Pp. 37; Price Rs 3.

Money in Britain 1959-1969: Edited by David R. Croome and Harry G. Johnson; Oxford University Press; 1970; Pp 304; Price 20s net.

Institutional Financing of Economic Development in India: T.V. Sethuraman; Vikas Publications, Delhi; 1970; Pp 166; Price Rs 20.

Introduction to International Economics : D.M. Mithani; Vora & Co. Publishers Pvt Ltd, Bombay; 1970; Pp 300; Price Rs 12.50.

Economic Planning in India: Asoka Mehta; Young India Publications, New Delhi; 1970; Pp 203; Price Rs 30.

Reviewed by 'ACADEMICUS'

When the Administrative Reforms Commission was appointed in 1965, it was decided that the reorganisation of the Planning Commission and revision of its procedures should be considered as part of the overall scheme of government reorganisation to be proposed by the ARC. It would be instructive to know what recommendations the ARC made in this regard and the changes, if any, that have been effected in the Planning Commission and its procedures. H. K. Paranjape in his book *The Reorganised Planning Commission—A Study in the Implementation of Administrative Reforms*, has attempted a critical review of these developments.

The ARC supported the maintenance of the non-statutory character of the Commission. It also emphasised its advisory capacity. This was to be achieved through an appropriate composition of the members of the Commission who were to be appointed essentially because of their expertise. The government decided that there need be no rigidity about the number of members and agreed that the Commission should be a compact body of full-time expert members. The number of whole-time members including the Deputy Chairman has now been kept at five. The author has opined that the new team certainly appears to be working with greater discipline.

The author is of the opinion that the National Development Council, as now constituted is a very large body. The ARC had recommended creation of expert advisory planning bodies in the states, more or less on the same pattern as the Planning Commission for the

purpose of the formulation and evaluation of state plans. This was necessary for the purpose of ensuring the availability of an independent, flexible and continuing planning agency whose expert advice would carry greater weight than that of the present departmental agencies. Except the governments of Kerala and Mysore who have taken some action on the recommendation, the idea of state planning boards does not seem to be acceptable to most state governments, possibly on grounds of paucity of expert personnel and financial resources.

Big Lacuna

This is certainly a big lacuna in the planning 'machinery' of the country. The author has rightly pointed out that the new Planning Commission envisages considerable planning tasks for the states, including the drawing up of a perspective. Also, since a number of centrally sponsored schemes have been substantially reduced and central direction in certain major spheres of state activity eliminated, such an approach can make for better and more effective planning, only if the states' own planning organisations are better staffed and equipped. It is strange that even after more than 20 years of planning, the state governments have not become aware of the importance of improving their planning organisation and expertise.

The ARC suggested for recruitment and talent hunting, a small committee consisting of the chairman of the UPSC, chairman of the UGC and the President of the Federation of Indian Chambers of Commerce and Industry. On the ground that not all the presi-

dents will be qualified for the role and 'from other points of view also', Mr Paranjape feels that 'it is difficult to see the logic behind this proviso', though he welcomes the suggestion of a special committee. Would not the presidents who are almost always eminent senior industrialists employing hundreds of persons of different categories to run their industries as efficiently as possible be able to suggest persons from the industrial and commercial fields for specialised jobs in the Commission? This is sheer prejudice on the part of the author. It is good that the Director of the Institute has made it clear that the views expressed by the author do not represent the views of the Institute, as otherwise serious doubts would have been cast on its objectivity in research.

Clear Alternatives

Has the planning process improved since the new Planning Commission was instituted? The importance of posing clear alternatives to the principal authorities like the NDC and the central cabinet, so that the plan formulation process would proceed consistently and rationally, was emphasised not only by the ARC but by the deputy chairman himself, who when not a member of the Commission, had laid stress on this as well as on the working out of a consistent policy framework for effective Plan formulation. According to the author, in the formulation of the fourth Plan, it does not appear that the Commission has done any such thing. Even the approach paper did not pose any significant alternatives! Thus, while emphasising the necessity to do without foreign aid at the earliest possible moment and to cut down the net foreign assistance by about half at the end of the fourth Plan, there has been no attempt to indicate what the cost of this will be in terms of its impact on the possible growth rate.

Similarly, whether we take the policies regarding foreign aid or industrial regulation and licensing or land reforms and agricultural development, in no case do we find the Commission posing alternative proposals with their implications, and trying to obtain a rational policy decision from the central and state political authorities. All that the Commission states is what it finds appropriate and feasible and it was on such a basis that consultations were held and public opinion ascertained.

Also, there was no attempt to associate the NDC through ministerial sub-committees or groups of state officials on a systematic and continuing basis in the process of Plan formulation. This was certainly the main reason of almost complete lack of commitment to the

fourth Plan shown by the state representatives at various stages of deliberations. This is an indication of the continued existence of communication gap between the Commission and the states.

Various critics, of whom Prof D.R. Gadgil was the prominent one, had pointed out that casual and unsystematic consultations with outside experts made it difficult for them to play any effective role in the process of national Plan formulation. There is not only no improvement in this regard but actually deterioration. When a group of industrialists suggested that a more detailed discussion on specific problems relating to industrial planning should be organised and that they were willing to co-operate, the Commission failed to do any such thing. One still recollects the speech of J.R.D. Tata in this connection. Economists who formerly used to constitute one of the major professional groups consulted by the Commission especially at the time of Plan formulation, were not at all consulted till the draft plan was published. The Commission has made hardly any attempt to associate outside experts with its work, though the suggestion of the ARC to that effect was accepted.

Crucial Support

The support of Parliament and state legislative assemblies was crucial, if the Commission's suggestions regarding greater mobilisation of resources and new policies for attaining important socio-economic objectives were to find acceptance among political leaders. This was all the more necessary after the general election of 1967 which has resulted in greater political instability. However, one does not see any evidence that the Planning Commission made any significant effort in this direction, so much so that when the draft of certain proposals such as taxation of agricultural incomes was presented before the NDC, there was almost unanimous opposition from the state governments.

At the state level, the only achievement of the Commission has so far been the formulation with the help of NDC of certain principles regarding central assistance which have been generally accepted by all the states.

The period between September 1967 when the new Planning Commission was constituted and May 1970, when the fourth Plan was presented by it to Parliament is not so short as not to permit the introduction of some of the reforms suggested by the ARC. The new Planning Commission composed of a small body of experts and beginning with a clean slate could have, as the author has pointed out, shown better results. But then criticising others

is very easy, achieving something positive is always difficult. The Deputy Chairman of the Planning Commission would do well to spare some time to read what he has written in his *Planning and Economic Policy in India* as the erstwhile critic of planning in India.

CENTRE-STATE RELATIONS

Development planning in India since 1950 has given rise to a number of controversies between the centre and the states. Mr Paranjape in his book *Centre-State Relations in Planning* feels that even though the recommendations of the ARC have been accepted by the Planning Commission, in actual formulation there is no indication of any substantial improvement in the processes of planning.

One of the major complaints of the states has been that of over-centralisation and central domination in many fields of governmental activity. For long, one of the principal points of criticism was the allocation of central Plan assistance. The centre was also dictating the manner in which the states should undertake development efforts. The result was alleged to be that the states, though responsible for some of the most crucial sectors of the national economy such as agriculture, education and health, were starved of financial resources, while these were more than adequate with the centre, even for less

essential developments. Through conditional grants, the centre was imposing its own policies and priorities, irrespective of their relevance to states. As a result, the federal system envisaged in the constitution was in effect attempted to be subverted. The consequence was that the state governments did not feel committed to some of the developmental projects and their implementation was affected. Even the balanced growth which should have resulted from such centralisation has not been achieved. Uneven distribution among states of central projects, ineffectiveness of industrial licensing for ensuring the location of industries in less developed regions and states, the concentration of financial assistance in favour of already developed states and inadequate assistance by the centre for less developed areas are mentioned as important factors contributing to the continuance of such an imbalance.

On the other hand the centre complains that the states had failed to develop machinery for effective planning, they lacked the essential discipline necessary, had inadequate political courage to mobilise potential resources and for all these failures the states made the centre a whipping boy. There was considerable truth in the criticism of both the sides.

As regards suggestions for reforms, as early as in 1964, the Planning Com-

mission itself realised that the plethora of patterns of assistance and centrally sponsored schemes were not serving the purpose for which they were initiated and that much more simplification and liberalisation in this regard was necessary. As a result of discussions on the centrally aided and centrally sponsored schemes and the patterns and procedures of central assistance, a number of changes therein have been brought about. The number of patterns was reduced and the remaining ones were made simpler. Later on the ARC suggested a clear delineation of the respective roles of the Planning Commission, the states and other agencies in the planning process. The suggestion was mainly governed by the need to reconcile the conflicting claims of centralisation which the logic of overall planning imposes with the necessity of allowing adequate autonomy and initiative to the constituent units of the union, to enable them better to carry out development in keeping with their own potentials and requirements.

These suggestions of the ARC regarding planning procedures having been mostly accepted, the states have been asked to exercise considerable initiative. They are not required to go in for standardised schemes and are free to choose their own schemes albeit within the national priorities. The Commission has also decided that block grants of central assistance should be made to states. To ensure that states fulfil their part of the responsibility, the actual payment of central assistance has been made dependent on states' fully meeting the target of approved outlays. Also, the number of centrally sponsored schemes has been reduced from 90 to 52.

No Financial Discipline

According to the author, the actual formulation of state plans still continues in the same old grooves and the states continue to ask for larger plan outlays, without being prepared to observe the financial discipline. He feels that it needs to be re-emphasised that without a much more radical improvement in the whole nature of planning and Plan discussions, the differences, between the centre and the states cannot be genuinely resolved. This means first, there must be a much better organised and continuous dialogue between the centre and the states, and secondly such a dialogue can be useful and effective only if the nature of planning machinery in the centre and states is improved. The author is aware that hereafter political impact on planning will be felt more than in earlier years and that planning will become more difficult.

Various attempts were made since 1964

and especially since 1967 to meet the challenging need of improving centre-state relations. The reorganised Planning Commission has taken some steps. But the experience of recent years suggests that what is done is not enough.

The author has very clearly explained the intricate problem of centre-state relationship which India has been facing at present. Yet he gives the impression that this is essentially a technical problem and in spite of the political difficulties to which he has referred, he feels that the problem can be solved with necessary expertise and evolution of satisfactory procedures. Probably, the author has underestimated the political aspect of the centre-state relationship. The problem can be solved satisfactorily provided there is consensus on planned economic development of the country along democratic and socialist lines. Lacking this consensus, India is likely to face this problem in future in a more and not less aggravated form. The author has looked at the problem in a rather narrow way and therefore the solutions which he has suggested may not prove adequate.

TRENDS IN MONETARY THEORY

Money in Britain 1957-1969 is the outcome of a conference of monetary economists held in England to mark the tenth anniversary of the publication of the Radcliffe Report (1959).

The conference had three major objectives before it. The first objective was to review the developments in the areas about which the Radcliffe Committee had been especially concerned and particularly changes in the country's financial structure and in the knowledge of how the system works in theory and practice. The second objective was to bring together economists from a variety of institutions concerned either practically or scholastically with the United Kingdom's monetary system, to pool their special knowledge of and insights into the system's working and problems. The third objective was to establish some common ground and a mutually understood frame of reference among economists customarily observing the monetary system from a particular institutional point of view.

In part I, Prof. E. V. Morgan has tried to show that the problems studied by the Radcliffe Committee "were not different in kind from those which faced the twenty other committees." The objective of monetary policy—the maintenance of the exchange value and the domestic purchasing power of the currency, the avoidance of trade depression and unemployment and the

creation of conditions favourable to growth of industry and commerce—have remained much the same as of old, though the language and the order of priorities have changed from time to time.

The Radcliffe Committee

The most fundamental break with tradition is the rejection by the Radcliffe Committee of the quantity theory of money. But the Committee was unable to substitute in its place any other coherent and general theory. The central theme of previous documents had been the relationship between money and prices. In the Radcliffe Report both fade into the background and the centre of the stage is held by 'total pressure of demand' and 'general liquidity' of the economy. The author rightly opines that looking at things from this view point, it is easy to see how the Radcliffe Committee took the view that in fact it did, on non-banking institutions, the bank rate and public debt. Whether these views can form the basis of a new theory or a sensible guide to policy, according to Prof Morgan, is a matter of controversy. This essay gives the readers a fine perspective of Britain's monetary history and current state of monetary theory.

In the discussion papers, Prof. L. S. Pressnell has made an attempt to show that historically there have been in England several monetary traditions and that Radcliffe Committee did not depart from them so radically as Prof. Morgan has suggested. Newlyn on the other hand has suggested that the Radcliffe Committee did not merely reject the quantity theory of money but rejected money itself in a significant sense.

Part II of the book contains the main article by Prof A. A. Walters who deals with the empirical evidence behind the Radcliffe Report. The author feels that Radcliffe had not even regarded the empirical testing of hypothesis as an appropriate methodology. Radcliffe's methodology, according to Prof Walters, was "one of institutional insight instead of testing on the empirical side, and of an uncritical acceptance of neo-Keynesianism as a theoretical basis for monetary policy." The committee based its findings on "opinions rather than analytical data." The main reason for this was that when Radcliffe published his report (1959), monetary studies were primarily the preserve of the pure theorists and institutionalists. Statistical studies of monetary effects had then reached only their infancy and had virtually no effect on the theorists and the institutionalists who gave evidence before the Radcliffe Committee. However, at present, intuition, experience and judgement have all been subjected to 10

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years' statistical analysis. What is the result?

According to Prof. Walters the central conclusion of the report that liquidity was the centrepiece of the monetary system, and that the quantity of money was not important except as a determinant of the levels of interest rates, has not stood the empirical test. The quantity of money has been rediscovered as 'not insignificant magnitude'. As regards another conclusion of Radcliffe that frustration of monetary policy was due to high substitutability of credit, the empirical studies, according to Prof. Walters, show that this fear was much exaggerated. Similarly, the reliance of Radcliffe on interest rates, and particularly the long-term rate, as the mechanism of control or as 'the instrumental variable of the system' has not been adequately tested. Very little of Radcliffe has thus survived the empirical testing of the last 10 years! Prof. Walters concludes that monetary economists must at some time or the other come to terms with the facts of life as they are, rather than as reported by reputable opinions.

In the discussion, L. Dicks-Mireaux has tried to point out that the committee did not reject a quantitative approach out of choice; if the quantity of empirical evidence was sparse, one cannot blame the committee for not taking serious note of it.

Part III contains a lengthy article by Harry G. Johnson on recent developments in monetary theory. He has in his usual crisp style, shown how the Radcliffe Committee initiated its investigations into the working of the British monetary system at a time when the intellectual environment could be characterised as the high tide of Keynesian scepticism about the importance of monetary policy and its relevance. But in the ensuing 10 years, the tide has set markedly in the opposite direction towards emphasis on monetary policy (as distinct from the theory of income and expenditure) for which Prof. Milton Friedman was responsible to a great extent. But Prof. Johnson has warned that much work remains to be done in developing a monetary economics appropriate to the analytical and policy problems of the British economy.

Part IV contains three articles by professional economists on the UK's financial institutions since Radcliffe. We notice, during the last ten years, trends such as (a) diversification of financial services, (b) decrease in specialisation between different groups of financial institutions, (c) the proliferation of overseas banks, of subsidiaries

of the clearing banks and joint ventures, (d) the growth of so-called parallel markets, (e) changed position of clearing banks and (f) mergers. These three articles give a fairly comprehensive picture of the new trends evolving in the British financial institutions.

The last part contains an article on the operation of monetary policy since Radcliffe. Broadly the approach to policy has been similar to that of Radcliffe Committee in that authorities have consistently believed that it is right to pay attention and try to understand the general financial position of all sectors of the economy and that it would be insufficient to concentrate exclusively on a single variable such as the quantity of money. The lesson drawn is perhaps not to expect too much for any one arm of economic policy.

This extremely valuable book contains a comprehensive summary of the discussions of the conference and includes in Part VI a 700-item classified bibliography which is as valuable as the original papers by experts from various fields. This book, as it gives the latest trends in monetary theory and practices in the post-Radcliffe era, will be found extremely valuable, not only to students of economics, but to also policy-framers who must not fail to take note of developments reviewed in this book, lest their policy lags behind theoretical advancement and proves ineffective.

INSTITUTIONAL FINANCE

In all countries, developed as well as developing, institutional financing of economic development is fairly rapidly growing. After Independence, India has also established a complex of financial institutions for the provision of term finance to industrial and agricultural projects. While the expectations are that with the nationalisation of commercial banks, a carefully planned, coordinated and speedy financial assistance would be forthcoming for economic growth, there is also the possibility that capital market will come to be dominated by a few relatively new institutions and that policies and operations would become stereotyped and inflexible. There is, therefore, considerable scope for research, both in regard to assessment of the work of the existing complex of financial institutions, as also the directions in which the system should be oriented to meet the challenges of economic development and social justice. In his book *Institutional Financing of Economic Development in India*, Prof. Sethuraman has made an attempt to analyse these problems and make some suggestions in the light of performance of these institutions.

In the past 25 years the governments of a number of less developed countries

have created, promoted or encouraged the organisation of institutions variously called 'development corporations', 'development banks', 'development finance corporations' etc. These show, according to the author, certain general characteristics such as autonomous basis, performance of a variety of functions like promotion, underwriting, mortgage, lending and subscribing to debentures and equity capital.

In chapter one the author has tried to review these developments. In this review the author has failed to give a clear and definite picture of the emerging situation of the last 25 years. The whole thing is disorganised, with quotations galore. Chapters on the managing agency system and finance corporations contain usual material and very little analysis or suggestions. The treatment of mixed banking, Life Insurance Corporation of India, and central banks contains absolutely nothing new, while the analytical part is not at all critical.

However, a few paragraphs on the Unit Trust of India are worth noting. The author has pointed out that the study of similar unit trusts in other countries points to certain lines of future improvements. An important factor that makes unit trusts increasingly popular in the USA and the UK is the feature of 'product differentiation'. Some unit trusts offer 'high income' units, others offer 'growth units' and still others specialise in various industries in order to cater to the varying needs of different investors. In addition, these unit trusts offer savings plans, gift plans, and saving-cum-insurance plans. All this has won considerable popularity for these unit trusts in those countries. It is high time the Unit Trust of India diversified its activities along these and other new lines.

The book contains just a matter-of-fact account of various financial institutions which have been built up and are functioning in India during the last 25 years. The book, therefore, will disappoint the critical readers and especially so when they learn in the preface that the book is prepared on the basis of the author's thesis for Ph.D. degree of Madras University.

INTERNATIONAL ECONOMICS

Many excellent books by foreign authors on the complex subject of international economics are already available to readers. *Introduction to International Economics* is however probably the first attempt to write in a fairly comprehensive way on this subject by an Indian author. There being hardly any scope for original work or comment, it may at once be admitted that

on account of his understanding and power of lucid exposition, Prof. D. M. Mithani has certainly succeeded in producing a fairly satisfactory text-book on the subject.

The first part of the book gives the theoretical background of international trade and gains from international trade. The classical theory as developed by Adam Smith, Ricardo and J. S. Mill and the modern theory in terms of 'factor-proportions analysis' of Bertil Ohlin have been analysed with clarity. In part two, the author has discussed the problems of international exchange, with a fairly comprehensive analysis of foreign exchange, balance of payments and international gold standard. The third part contains analysis of commercial policy pursued at different times by different countries. This part contains analysis of policies such as tariffs, import quotas, exchange controls and state trading in international trade.

When a country accepts economic planning as a means of economic development, regulation of foreign trade sector logically follows which means that state trading in foreign trade becomes inevitable. While thus admitting that STC in India has a significant and increasing role to play in the planned economic development of the country with its socialist goal, it needs to be emphasised that its attitude and functioning needs to be considerably improved.

New Approach by STC

This is because what we notice in respect of the STC of India is that it is always behind schedule, extremely slow in taking decisions, unable to solve fruitfully technical problems involved in foreign trade, is unbusinesslike and bureaucratic in attitude, is inefficient in all respects and as a consequence increases the import cost of raw materials by charging heavy commission. The author has painted both the sides of the picture with impartiality.

In part four the author has analysed institutions and ideals of international economic relations. He discusses topics such as the IMF and the World Bank as also GATT, ECM, EMA, Sterling Area and UNCTAD. The current problem of international liquidity has been very satisfactorily analysed with a fairly comprehensive review of practically all the suggested reforms such as revaluation of gold, Triffin Plan, the Bernstein proposals, the Stamp plan, the Maulding proposal and the Roosa plan. There is also an analysis of SDRs.

As the author says, the problem of international liquidity, though slightly less pressing now compared to what it

was a few years ago, is however likely to become serious in future. Readers would therefore do well to understand this problem which the author within a small compass has analysed lucidly. The book concludes with a fairly exhaustive selected bibliography which will be found very useful by those who aim at specialising in international economics.

There is no doubt that this book will serve as an excellent text-book for graduate students in Indian universities and good introductory reading for the post-graduate students. The general reader will find all that he needs to know about international economics in this book.

WORDS, WORDS, WORDS

As former Deputy Chairman of the Planning Commission and union Minister of Planning and Social Welfare, Asoka Mehta is naturally expected to know much about Indian planning and Indian economic problems. In his book *Economic Planning in India* he has tried to give the benefit of his knowledge to the public. He has attempted to throw light on practically every important aspect of Indian economy, namely India's five-year Plans, their outlay, priorities in the Plans, Plan evaluation, land reforms, foreign aid, private sector, controls and many other challenging problems which are defying satisfactory solution for long. The author not only attempts to analyse the above problems but also makes an attempt to suggest ways to wriggle out of these difficulties.

Part I contains four essays of general nature by way of background. Writing on 'Economic Revolution', the author feels that there is a worldwide economic revolution at present, expressing itself in an urge for a longer life, an urge for a more creative and cheerful life by many billions of people to whom such life has been denied for long. According to the author, if we notice any change in that direction or any dynamism today in India, it "has all been due to economic planning". To realise the above objectives, "not less and less planning but more and better planning is what we shall need in future". He is of the opinion that we in Asia have no time to lose and planning alone can shorten the time we might take for our development.

Granting that Mehta is speaking of Asian countries and not denying the urge of the people to move out of stagnation, two things can be said against what the author has said. More and more planning would mean greater and greater destruction of personal initiative and enterprise and ultimately end of democracy with its emphasis on human

personality. Secondly, the author needs to be reminded that even in Asia, the countries with less planning have been showing higher growth rates while a country like India with more and more planning is showing the lowest growth rate even among Asian countries!

In 'The Winds of Social Change' the author feels that four dynamic factors, namely a spirit of rebellion, reform, innovation and non-conformism are responsible for the social change that is in the wind, while conformity, ritualism and apathy are the real enemies of desirable social changes. We in India are required to break the psychological shell in which for thousands of years we have sought shelter. We in India who are on the brink of a precipice, can save ourselves only by 'the deliberate exercise of our minds'. All this is beautifully vague and can be said of any people at any time!

Part 2 is regarding 'The Strategy to Economic Planning in India' and contains as many as 17 articles and speeches on a variety of subjects such as agriculture, population, planning for defence and administration. Since, at no place the dates of the speeches or articles are given, the reader is in confusion as to which Plan the author is referring when he is discussing priorities or outlays. This is rank, bad editing! The author claims that "we are trying to pose before the world an alternative to the wasteful path of economic development through resort to the classical models of capitalism and communism". Can we honestly claim this or was it only a piece of demagoguery when Asoka Mehta was in charge of planning? This is both bad economic history and bad economic analysis!

Mobilisation of Rural Resources

Then we get the usual clichés that "The package programme areas hold out the promise of the best results and must prove to be path-finders in the mobilisation of rural resources", "It is the task of urban community to build bridges between one community and another", and so on and so forth, from page to page and para to para, until the whole thing becomes nauseous. The tragedy is that for more than 20 years Indian people have been fed, even by our few intelligent and scholarly political leaders, on this sort of slogan-mongering, with the consequence that peoples' analytical and critical powers have been blunted and disabled to distinguish between what is practicable and what is visionary.

Part 3 with a grandiose general title 'The Economic Revolution and the Plan' attempts to analyse topics which carry equally imposing titles such as

'Discipline and Development', 'Ethics of Austerity' and so on. As in other articles or speeches, the dates not having been specified, the reader starts with confusion not knowing what the occasion is and it is only at some later stage that he is vaguely made aware of the background. This is thoroughly exasperating and a reader unless compelled, like the reviewer, to read the book to the end, would give up reading in the middle.

Words! Words! Words! A flood of words that completely smothers the reader without enlightening him! Asoka Mehta's love for beautiful words and poetic phrases seems to be overbearing—"a free and equal society", "crossing the hump of partial development", "universalisation of people", "tattered garments of frustration", "ultimate proletariat", "antithesis of the thesis", "creative symphony", "transvaluation of values", "crossing the abyss of tomorrow", "dark valleys of poverty" and sunlit heights of plenty"—sweet and flowery phrases created with an ease and felicity of which even the professional phrase-makers of America would be envious. This is not and should not be the style of an economist. Scores of models can be quoted which combine excellent analysis with facile expressions. In the hands of unwary and immature readers the book is likely to do more harm than good to his powers of analysis and understanding.

Role of the Cheque

Cheques in Law and Practice: L. R. Suneja; Bankers Publishing Centre, 26, South Patel Nagar, New Delhi-8; Pp 824; Price Rs 25.

Banking without the cheque is unimaginable today. Indeed, in advanced countries the use of the cheque has relegated the currency to a secondary position. In India too, even though largely confined to urban areas, the use of the cheque has gained considerable popularity alongside the growth in banking. As the banking infrastructure widens, more and more people living in the far-flung areas of our country will acquire the banking habit. Cheques will naturally come to play a significant role in their lives. Correspondingly, the volume of work and responsibility of bankmen in handling cheques will increase.

That the cheque is not as simple as it looks can be visualised only when one happens to thumb through the tome which the veteran banker, Mr L. R. Suneja, has produced. *Cheques in Law and Practice* is the second enlarged edition of his earlier work, *Bankers' Objections on Unpaid Cheques*,

which was a pioneering attempt in India and a valuable addition to the scant literature available on the subject. The present volume, for its sheer comprehensiveness, can be reckoned as an authentic book of reference for bank employees and an unmatched fount of knowledge for the students of banking. Beginning his thesis with the origin and the various definitions of the cheque, Mr Suneja has gone on to discuss the more complicated and subtle aspects of the cheque. Apart from reflecting Mr Suneja's own long experience, both as a banker and as a teacher, the book is replete with profuse references drawn from legal decisions of Indian, British and US courts.

Books Received

Introduction to Behavioral Science for Business: (Wiley Eastern University Edition); Blair J. Kolasa; Wiley Eastern Private Ltd; Pp 654; Price Rs 9.

Man, Science and Society (Proceedings of a Seminar): Edited by Arabinda Poddar; Indian Institute of Advanced Study, Simla-5; Pp 404; Price Rs 50.

Modern Office Management (Fifth Edition): John J. W. Neuner and B. Lewis Keeling; D. B. Taraporevala Sons & Co. Private Ltd, 210, Dr Dadabhai Naoroji Road, Bombay-1; Pp. 775; Price Rs 12.

How Companies Plan: Stewart Thompson; D.B. Taraporevala Sons & Co Private Ltd; Pp. 215; Price Rs 7.50.

Optimum Use of Engineering Talent: Editor: Jerome W. Blood; D. B. Taraporevala Sons & Co Private Ltd., Pp. 416; Price Rs 7.20.

The Manufacturing Man and His Job: Edited by Robert E. Finley and Henry R. Ziobro; D. B. Taraporevala Sons & Co Private Ltd; Pp. 478; Price Rs 15.

Manufacturing Management: Franklin G. Moore; D. B. Taraporevala Sons & Co Private Ltd; Pp. 892; Rs 13.80.

The Field Sales Manager (A Manual of Practice): Edited by Albert Newgarden; D. B. Taraporevala Sons & Co Private Ltd; Pp 380; Price Rs 7.50.

Customer Oriented Planning: Robert W. Ferrell; D.B. Taraporevala Sons & Co Private Ltd; Pp. 253; Price Rs 9.

Tough-Minded Management: J. D. Batten; D. B. Taraporevala Sons & Co. Private Ltd; Pp 188; Price Rs 6.

The Corporate Planning Process: Melville C. Branch; D. B. Taraporevala Sons & Co Private Ltd; Pp 253; Price Rs 5.40.

Performance Objectives for Managers:

Raymond F. Valentine; D.B. Taraporevala Sons & Co Private Ltd; Pp 208; Rs 7.50.

Quality Control and Industrial Statistics: Acheson J. Duncan; D. B. Taraporevala Sons & Co Private Ltd; Pp 992; Price Rs 17.

Salesmanship: C. A. Kirkpatrick; D.B. Taraporevala Sons & Co Private Ltd; Pp. 580; Price Rs 12.40.

Rural Savings in India: P. G. K. Panikar; Somaiya Publications Pvt Ltd; Pp. 179; Price Rs 18.

Agricultural Statistics in India: P. C. Bansil; Dhanpat Rai & Sons; Pp 376; Price Rs 25.

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The Problem of Management Gap in Underdeveloped Countries: A.N. Agarwala; The Indian Management Development Association; Motilal Nehru Institute of Research and Business Administration, University of Allahabad; Pp 42; Price Rs 3.

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Studies in Green Revolution: Edited by G. S. Pohekar; United Asia Publications Pvt Ltd; Pp 68; Price Rs 5.

India, Irrigation and Power Projects (Five Year Plans): Published by the Ministry of Irrigation and Power; Pp 407; Price Rs 3.

The Economics of Socialism: J. Wilczynski; George Allen and Unwin; Pp 233; Price £ 2.75 in UK only.

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Development Assistance in the Seventies: Robert E. Asher; George Allen and Unwin; Pp. 248. Price 66s.

Foreign Aid: Edited by Jagdish Bhagwati and Richard S. Eckaus; Penguin Books Ltd; Pp 351; Price Canadian \$ 2.15.

The World's Money, How it Works: William M. Clarke and George Pulay; George Allen and Unwin; Pp 216; Price £ 2.25.

Builders of Modern India—Asutosh Mookerjee: Sasadhar Sinha; Publications Division; Ministry of Information and Broadcasting; Pp 88; Price Rs 3.

Elements of Vegetable Pests: J. P. Singh; Vora and Co Publishers Pvt Ltd; Pp 275; Price Rs 20.

Let My Country Awake (The Human Role in Development: Thoughts on the next ten years): Malcolm S. Adiseshiah; UNESCO; Pp 375; Price \$ 7.42.

RECORDS AND STATISTICS

Wholesale Prices

THE WHOLESALE prices as measured by the official index (with the year ended March 1962=100) worked out to 181.0 in July 1970, as against 180.9 for June 1970. The index for July 1970 was higher by 3.8 per cent when compared to July 1969. During the month under review 'food articles' advanced by 0.2 per cent to 206.0, 'machinery and transport equipment' by 0.4 per cent to 146.1 and 'manufactures' by 0.3 per cent to 152.0 while the index for 'liquor and tobacco' declined by 0.2 per cent to 184.7 and 'industrial raw materials' by 1.2 per cent to 198.7 during the month under review. However, the indices for 'fuel, power, light and lubricants' and 'chemicals' groups remained unchanged at their earlier month's levels of 159.8 and 185.1 respectively.

Food Articles

The sub-group index for 'cereals' receded by 0.2 per cent to 206.4 due to fall in the prices of all the cereals (except rice and ragi which showed a rise). 'Pulses' recorded a fall of 2.1 per cent to 239.5 owing to a decline in the prices of all the pulses, except mung which moved up. On the whole the index for 'foodgrains' moved down by 0.6 per cent to 212.4. This was lower by 0.4 per cent when compared to that of a year ago. Higher prices of potatoes and oranges raised the index for 'fruits and vegetables' by 2.0 per cent to 220.2. The prices of bananas, however, moved down. Owing to an increase in the prices of milk and butter the index for 'milk & milk products' sub-group rose by 0.9 per cent to 211.1. The prices of coconut oil, mustard oil and vanaspati were marked up; as a result the index for 'edible oils' sub-group moved up by 0.3 per cent to 237.6. However, the prices of groundnut oil and gingelly oil declined. Higher prices of eggs and fish pushed up the index for 'fish, eggs and meat' sub-group by 3.0 per cent to 218.9. The prices of meat however, receded. The index for 'sugar and allied products' sub-group recorded a rise of 2.0 per cent to 161.6 due to an increase in the prices of gur and khandsari. A fall of 1.9 per cent to 190.6 in the sub-group index for 'other food articles' was brought about by lower prices of chillies, turmeric, cummin, cardamoms, tea and betelnuts. The prices of black pepper and coffee however, advanced

Liquor and Tobacco

The index for this group exhibited a

fall of 0.2 per cent to 184.7 due to a slight fall in the prices of tobacco raw.

Fuel, Power, Light & Lubricants

The index for this group remained unchanged at its previous month's level of 159.8.

Industrial Raw Materials

Lower prices of jute raw, mesta and silk raw brought down the sub-group index for fibres by 1.1 per cent to 171.9. The prices of cotton raw, however, moved up. The index for 'oilseeds' sub-group declined by 1.5 per cent to 239.4 on account of a fall in the prices of groundnuts, gingellyseed, cottonseed and copra, although the prices of linseed and rapeseed advanced. The sub-group index for 'minerals' stood stationary at its previous month's level of 141.1. The sub-group index for other industrial raw materials declined by 0.4 per cent to 164.4 owing to a fall in the prices of hides raw, skins raw, tanning materials and rubber. However, the prices of lac went up during the month under review.

Chemicals

The index for this group remained unchanged at its previous month's level of 185.1.

Machinery and Transport equipment

The index for 'machinery and transport equipment' advanced by 0.4

per cent to 146.1 as against 145.5 for the earlier month due to a rise in the prices of both electrical and non-electrical machinery (tools and implements).

Intermediate Products

The index for 'intermediate products' exhibited a fall of 0.5 per cent to 174.5 due to lower prices of cotton yarn, zinc, copper, lead and linseed oil. The prices of coir yarn, however, went up.

Finished Products

Higher prices of cotton manufactures (+0.4 per cent to 140.3) and jute manufactures (+0.2 per cent to 165.0) raised the index for 'textiles' sub-group by 0.3 per cent to 145.0. The indices for silk and rayon manufactures, woollen manufactures and coir mats & matting remained unchanged. The index for 'metal products' moved up by 2.0 per cent to 164.8 due to a rise in the prices of iron & steel manufactures. Higher prices of cement and glass manufactures pushed up the index for 'non-metallic products' sub-group by 0.9 per cent to 139.7. The index for chemical products sub-group advanced by 0.5 per cent to 144.2, on account of an increase in the prices of drugs and medicines, paints and varnishes, soap, toilet requisites. The price of essential oils, however, recorded a fall. The sub-group index for oilcakes drifted lower by 1.1 per cent to 204.7.

The sub-group indices for leather products, rubber products, paper products and miscellaneous products remained unchanged at their previous month's levels of 92.1, 155.4, 121.3 and 120.4 respectively. On the whole the index for 'finished products' moved up by 0.5 per cent to 146.5 during the month under review as against 145.7 for the preceding month.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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**The Manager,
The Eastern Economist Ltd,
Post Box No. 34,
New Delhi-1.**

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS AND SUB-GROUPS OF COMMODITIES

(Base : 1961-62=100)

Group and sub-group	Monthly average			% increase (+) or decrease (—) in July 1970 as compared to	
	July 1970	June 1970	July 1969	June 1970	July 1969
Food Articles	206.0	205.5	203.0	+0.2	+1.5
Foodgrains	212.4	213.7	213.3	—0.6	—0.4
Cereals	206.4	206.8	206.7	—0.2	—0.1
Pulses	239.5	244.6	243.1	—2.1	—1.5
Fruits and vegetables	220.2	215.9	205.4	+2.0	+7.2
Milk & milk products	211.1	209.2	209.7	+0.9	+0.7
Edible oils	237.6	237.0	214.2	+0.3	+10.9
Fish, eggs and meat	218.9	212.5	200.6	+3.0	+9.1
Sugar and allied products	161.1	158.4	183.7	+2.0	—12.0
Others	190.6	194.2	172.0	—1.9	+10.8
Liquor and tobacco	184.7	185.0	200.1	—0.2	—7.7
Fuel, power, light & lubricants	159.8	159.8	154.5	—	+3.4
Industrial raw materials	198.7	201.2	188.5	—1.2	+5.4
Fibres	171.9	173.8	166.3	—1.1	+3.4
Oilseeds	239.4	243.1	218.9	—1.5	+9.4
Minerals	141.1	141.1	136.6	—	+3.3
Others	164.4	165.1	167.6	—0.4	—1.9
Chemicals	185.1	185.1	177.7	—	+4.2
Machinery & transport equipment	146.1	145.5	134.1	+0.4	+8.9
Electrical machinery	144.9	143.6	134.1	+0.9	—8.1
Non-electrical machinery	152.0	151.4	134.9	+0.4	+12.7
Transport equipment	136.5	136.5	132.5	Nil	+3.0
Manufactures	152.0	151.5	140.7	+0.3	+8.0
Intermediate products	174.5	175.3	155.3	—0.5	+12.4
Finished products	146.5	145.7	137.1	+0.5	+6.9
Textiles	145.0	144.5	134.2	+0.3	+8.0
Cotton manufactures	140.3	139.7	132.1	+0.4	+6.2
Jute manufactures	165.0	164.7	142.8	+0.2	+15.5
Silk & rayon manufactures	117.0	117.0	114.8	Nil	+1.9
Woollen manufactures	182.0	182.0	168.9	Nil	+7.8
Coir mats and matting	165.8	165.8	164.9	Nil	+0.5
Metal products	164.8	161.6	148.8	+2.8	+10.8
Non-metallic products	139.7	138.4	133.0	+0.9	+5.0
Chemical products	144.2	143.5	136.4	+0.5	+5.7
Leather products (shoes)	92.1	92.1	97.2	Nil	+5.2
Rubber products	155.4	155.4	156.5	Nil	—0.7
Paper products	121.3	121.3	120.4	Nil	+0.7
Oilcakes	204.7	207.0	190.8	—1.1	+7.3
Misc. products	120.4	120.4	120.0	Nil	+0.3
All commodities	181.0	180.9	174.3	+0.1	+3.8

Source : Economic Adviser to the Govt. of India.

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base : 1960=100)

	1969				1970			
	1969	Oct.	Nov.	Dec.	Jan.	Feb.	March	April
General Index								
Seasonally adjusted	172.5	179.1	172.8	177.6	181.5	178.8	174.5	181.2
Crude	172.5	172.4	172.4	187.6	186.6	175.3	182.0	176.3
Mining and quarrying	147.4	145.1	145.5	157.9	161.3	154.4	156.6	159.3
Manufacturing	167.2	166.5	165.6	182.0	180.2	169.2	176.9	169.8
Food manufacturing industries	137.0	133.6	134.9	158.1	164.1	155.7	163.5	158.9
Sugar (refined)	149.1	20.1	124.1	294.3	337.6	314.3	340.6	271.4
Vanaspati	142.7	124.6	149.2	177.9	141.4	157.8	123.4	156.4
Tea	108.1	188.3	124.7	46.9	26.1	22.9	37.4	70.5
Coffee curing	137.5	25.1	50.8	35.2	169.2	221.2	273.3	235.4
Cigarette manufacturing	161.4	153.6	158.8	168.5	182.5	166.8	154.9	164.9
Manufacture of textiles	109.5	113.9	104.1	118.0	116.4	106.9	110.4	113.7
Cotton textiles	111.7	118.2	104.7	118.6	118.5	108.5	112.3	116.4*
Cotton spinning	127.8	147.7	119.5	135.8	134.1	123.9	128.5	129.8*
Weaving of cotton textiles	91.5	81.2	86.1	97.1	98.9	89.3	92.1	99.7*
Woollen textiles	154.2	162.1	156.4	165.1	146.2	133.1	138.2	N.A.
Jute textiles	77.8	81.0	88.3	96.0	95.0	85.6	87.4	95.7
Paper and paper products	201.4	197.5	209.2	210.6	219.5	211.6	227.4	204.2
Manufacture of paper	200.2	196.1	208.3	207.4	219.2	218.9	235.9	212.0
Manufacture of paperboard	219.8	216.9	226.6	242.0	235.8	180.6	194.0*	176.6
Rubber products	215.5	177.2	211.4	220.5	206.3	203.0	213.4	216.8
Tyres and tubes	255.0	199.5	250.4	257.8	241.9	242.7	263.7	260.1
Chemical and chemical products	217.6	229.1	228.8	241.6	261.77	240.2	231.9	229.9
Basic industrial chemicals (including fertilisers)	297.0	313.2	325.0	353.2	334.8	338.9	325.0	311.3
Heavy organic chemicals	277.1	276.3	323.5	280.5	311.7	340.5	292.8	303.8
Heavy inorganic chemicals	308.0	315.1	326.6	354.0	361.9	318.3	332.0	323.3
Synthetic resins and plastics	174.8	159.7	177.8	188.9	118.8	140.4	182.0	177.5
Synthetic fibres	223.1	238.4	250.2	262.8	258.5	228.4	254.6	224.7
Dyestuffs and dyes	198.4	206.2	165.9	221.2	193.1	192.3	214.0	213.6
Fertilisers	548.2	596.7	670.0	706.1	636.4	763.0	607.7	571.6
Paints, varnishes and lacquers	111.3	112.8	111.1	110.5	108.6	107.8	104.3	120.9
Fine pharmaceutical chemicals	156.7	156.8	156.5	156.8	156.8	156.5	156.6	156.5
Petroleum refinery products	280.8	263.2	266.2	307.7	300.9	291.6	315.3	302.3
Non-metallic mineral products	175.2	187.0	187.6	200.4	183.8	181.5	192.8	185.4
Cement	173.7	187.1	186.4	196.3	173.4	166.3	191.8	171.0
Basic metal industries	209.7	211.8	207.7	223.4	209.4	199.8	224.2	194.8
Iron and steel basic industries	201.2	204.6	197.9	209.1	192.2	189.1	213.8	178.4
Non-ferrous basic metal industries	256.0	251.1	260.8	301.2	302.5	257.4	280.5	283.0
Aluminium manufacturing	424.0	414.0	435.4	509.7	516.5	421.5	461.1	463.2
Metal products	205.1	200.9	209.1	222.5	233.9	220.4	202.2	207.5
Machinery (except electrical)	349.1	323.5	340.9	387.0	339.5	295.3	363.4	283.3
Industrial machinery	130.6	125.9	106.3	118.8	127.9	91.1	N.A.	N.A.
Electrical machinery	322.4	328.4	322.5	391.2	351.7	347.1	330.9	354.2
Communication equipment	646.8	678.9	642.2	832.8	615.0	617.9	578.1	577.5
Motor vehicles	145.2	121.2	116.9	126.8	162.2	161.5	180.6	126.7
Motor cycle and scooters	498.0	247.3	525.4	531.3	667.8	622.4	642.9	633.5
Bicycles and tricycles	188.9	187.7	179.5	207.6	185.0	208.4	178.3	185.2
Electricity	301.1	216.5	310.5	329.6	335.1	309.6	N.A.	N.A.

*Estimated

Source : Central Statistical Organisation

RESERVE BANK OF INDIA

(In lakhs of rupees)

Friday	1969		1970			
	Oct. 17	Sept. 18	Sept. 25	Oct. 2	Oct. 9	Oct. 16
Issue Department						
Notes held in banking department	38.27	18.44	10.38	39.50	9.00	30.43
Notes in circulation	3,512.19	3,871.42	3,846.24	3,851.50	3,943.60	3,956.91
Total notes issued	3,550.46	3,889.86	3,856.62	3,891.00	3,952.60	3,987.34
Gold coin and bullion	182.53	182.53	182.53	182.53	182.53	182.53
Foreign securities	260.89	356.42	351.42	351.42	361.42	361.42
Rupee coin	74.27	63.58	65.34	64.73	61.33	61.05
Government of India rupee securities	3,032.77	3,287.33	3,257.33	3,292.32	3,347.32	3,382.33
Banking Department						
Deposits of central government	52.72	108.88	121.77	196.70	149.34	149.77
Deposits of state governments	4.76	5.47	7.75	4.78	4.58	4.43
Deposits of scheduled commercial banks	191.90	205.57	199.05	202.05	201.96	200.94
Deposits of scheduled state co-operative banks	7.22	7.74	8.69	8.54	8.73	7.90
Deposits of non-scheduled state co-operative banks	58	71	71	72	71	81
Deposits of other banks	20	28	36	34	33	27
Other deposits	230.93	100.16	102.69	121.15	111.09	130.70
Other liabilities*	488.29	516.94	531.02	539.01	518.09	526.83
Notes and coins	976.60	945.75	972.05	1,073.27	994.83	1,021.65
Balances held abroad	38.38	18.53	10.47	39.64	9.09	30.53
Loans and advances to—	153.40	105.44	110.45	114.59	106.71	114.55
Central government	—	—	—	—	—	—
State governments	123.91	139.32	146.85	174.64	190.95	213.62
Loans and advances to scheduled commercial banks	37.88	207.26	186.89	169.87	168.35	173.48
Loans and advances to state co-operative banks	280.05	279.72	280.65	283.46	286.17	290.12
Other loans and advances†	9.22	29.47	29.40	29.85	29.37	30.53
Bills purchased and discounted	201.50	29.43	37.45	123.89	59.07	39.70
Investments	100.00	106.41	139.16	103.59	113.22	97.52
Other assets	32.26	13.17	30.74	33.75	31.91	31.60

NOTE: The gold reserves of Issue Department are valued at Rs 53.58 per 10 grams up to January 31, 1969 and at Rs 84.39 per 10 grams thereafter.

*Including (i) paid-up capital of Rs 5 crores (ii) reserve fund of Rs 80 crores upto January 31, 1969 and of Rs 150 crores thereafter, the increase representing mainly the profit on revaluation of the Bank's gold stocks, effected from February 1, 1969, in terms of the amendment to Section 33 (4) of the Reserve Bank of India Act (iii) National Agricultural Credit (Long-term Operations) Fund of Rs 155 crores from July 4, 1969 and Rs 172 crores from July 3, 1970 (iv) National Agricultural Credit (Stabilisation) Fund of Rs 35 crores from July 4, 1969 and Rs 37 crores from July 3, 1970 and (v) National Industrial Credit (Long-term Operations) Fund of Rs 75 crores from July 4, 1969 and Rs 95 crores from July 3, 1970 †Includes loans and advances to Industrial Development Bank of India from the National Industrial Credit (Long-term Operations) Fund.

SCHEDULED COMMERCIAL BANKS

(In lakhs of rupees)

Friday	1969		1970			
	Oct. 17	Sept. 18	Sept. 25	Oct. 2	Oct. 9	Oct. 16
1. Demand Liabilities†						
(a) Demand deposits						
From banks	116.16	119.71	126.18	124.45	132.28	128.54
From others	2,074.84	2,376.20	2,405.46	2,421.64	2,421.11	2,438.11
(b) Borrowings from banks	33.58	48.15	51.92	50.97	45.74	32.68
(c) Others	122.59	157.39	193.19	196.30	179.43	170.81
2. Time liabilities†						
(e) Time deposits						
From banks	55.82	52.09	49.65	46.94	56.65	59.08
From others	2,683.70	3,047.22	3,053.71	3,055.58	3,071.86	3,073.36
(b) Borrowing from banks	9.03	11.03	11.14	11.32	10.89	22.30
(c) Others	26.45	31.90	34.42	34.87	36.40	36.11
3. Aggregate deposits (a) (ii)+(2) (a)(ii)	4,758.54	5,423.42	5,459.17	5,477.22	5,492.97	5,511.47
4. Borrowing from Reserve Bank	37.88	189.26	198.94	207.51	137.09	167.50
(a) Against usance bills and/or promissory notes	21.96	102.53	104.65	108.50	77.55	47.00
(b) Others	15.92	86.73	93.29	99.01	59.54	120.50
5. Borrowings from State Bank and/or a notified bank* and the state governments**	53.93	61.71	59.25	57.51	59.78	56.71
6. Cash	123.35	149.98	156.54	161.14	157.19	161.91
7. Balances with Reserve Bank	185.74	182.77	182.50	187.18	234.00	187.75
8. Cash and balances with Reserve Bank	309.09	332.75	339.04	348.32	391.19	349.66
9. (8) as % of (3)	6.50	6.14	6.21	6.35	7.12	6.34
10. Balances with other banks in current account	50.57	60.78	70.02	67.81	69.03	65.08
11. Money at call and short notice	56.59	78.61	76.34	79.01	66.14	64.92
12. Investments in government securities	1,258.39	1,303.20	1,303.10	1,304.17	1,301.95	1,302.33
13. 12 as % of (3)	26.44	24.03	23.87	23.81	23.70	23.63
14. Advances						
(a) Loans, cash credits and overdrafts	2,864.80	3,462.53	3,485	3,512.51	3,544.88	3,564.29
(b) Due from banks	33.02	37.89	43.02	40.36	37.16	36.92
15. Inland bills purchased and discounted	429.17	562.03	552.33	566.05	553.49	552.98
16. Foreign bills purchased and discounted	179.89	170.31	172.25	173.03	181.85	182.57
17. Total Bank Credit (14) (a)+15+16	3,473.86	4,194.87	4,209.95	4,251.59	4,280.22	4,229.84
18. (17) as % of (3)	73.00	77.35	77.12	77.62	77.92	78.02

NOTE:—The data on scheduled state co-operative banks are included from August 12, 1966. †Data do not include borrowings of any scheduled state co-operative bank from state government and any reserve fund deposit required to be maintained with such bank by any co-operative society within the area of operation of such bank. *Includes borrowings from the Industrial Development Bank of India from January 2, 1965 and borrowings from the Agricultural Refinance Corporation from April 1, 1966. **Borrowings from state governments relate to scheduled state co-operative banks only.

Source: Reserve Bank of India.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1961-62=100)

	1969		1970			
	Oct. 18	Sept. 19	Sept. 26	Oct. 3**	Oct. 10**	Oct. 17**
Government and Semi-Government Securities (All-India Total)	99.1	99.3	99.3	99.3	99.3	99.3
Government of India	98.9	99.0	99.0	99.0	99.0	99.0
State governments	100.1	100.5	100.5	100.5	100.5	100.5
Semi-government institutions	100.2	101.1	101.1	101.1	101.1	101.1
Debtures All-India Total	93.7	93.7	93.7	93.7	93.6	93.6
Preference Shares — All-India Total	87.5	88.5	88.5	88.4	88.4	88.2
Variable Dividend Industrial Securities—All India Total	95.4	109.9	109.6	110.1	108.7	107.8
Agricultural and allied activities: Total*	87.9	91.7	92.1	93.1	92.7	93.2
Tea plantations	70.3	70.8	71.8	72.0	72.0	72.6
Coffee plantations	134.1	134.0	134.0	133.3	133.0	133.5
Rubber plantations	148.4	156.4	156.1	156.3	154.6	155.6
Mining and Quarrying: Total	62.9	60.1	60.2	60.0	60.0	58.9
Coal	63.3	58.5	58.7	58.2	58.2	57.8
Other Mining	61.1	66.9	67.0	68.2	67.9	63.5
Processing and Manufacturing: Total	92.8	107.1	106.7	107.2	105.6	104.6
Processing and Mfg. (foodstuffs, textiles, etc.) Total*	81.0	90.9	90.3	90.4	89.3	88.6
Edible and vegetable oils	174.3	234.6	233.2	233.5	232.0	234.4
Sugar	99.0	84.7	84.4	84.4	83.9	83.1
Cotton textiles	67.1	77.8	77.5	77.5	76.0	75.3
Jute textiles	60.2	46.6	46.1	46.3	46.3	46.1
Silk, woollen and rayon textiles	111.9	131.1	130.6	130.2	128.3	128.1
Processing and Mfg.—(Metals, Chemicals, Etc.) Total*	99.7	114.4	114.1	114.8	112.8	111.2
Iron and steel	115.3	115.3	114.3	114.5	112.1	112.0
Non-ferrous metals — Basic	127.0	140.8	139.0	140.4	139.5	136.7
Transport equipment	84.8	87.3	86.8	87.0	84.6	83.7
Electrical machinery, appliances, etc., Machinery other than transport and electrical	101.7	136.8	139.4	141.9	141.7	139.2
Foundries and engineering workshops	90.4	88.7	88.6	88.2	87.5	86.1
Metal products	63.0	75.6	75.7	75.1	74.2	72.6
Basic industrial chemicals	68.1	87.9	88.3	89.8	89.3	88.1
Other chemical products	101.5	133.1	131.5	132.9	128.5	125.7
Processing and Mfg. (others) Total*	148.2	162.8	162.2	161.1	158.2	157.4
Cement	108.2	134.8	134.7	135.8	134.4	133.8
Paper and paper products	105.3	124.8	125.0	124.7	122.3	121.3
Rubber and rubber products	121.0	168.3	165.5	168.0	166.8	165.1
Other industries: Total*	138.9	169.7	172.1	174.7	173.6	174.6
Electricity generation and supply	127.6	143.4	142.9	143.4	141.5	140.3
Trading	125.2	129.0	129.0	131.5	131.7	131.4
Shipping and other transport	99.5	108.8	108.4	108.4	106.8	105.5
Financial: Total	280.4	354.9	351.2	351.3	341.7	338.0
Banks	99.8	123.5	123.6	124.1	125.4	124.5
Insurance	88.0	121.1	120.9	121.3	124.0	122.4
Investments	167.4	174.5	176.0	176.3	173.6	175.3
Variable Dividend Industrial Securities (regional)	96.4	100.2	100.0	100.9	100.2	100.0
Bombay	109.5	124.2	123.8	@	121.1	120.0
Calcutta	90.1	106.8	106.3	107.6	†	106.6
Madras	83.7	93.7	93.1	93.4	93.0	92.8
Ahmedabad	80.3	88.2	87.5	87.4	85.2	84.5
Delhi	109.3	127.5	126.4	127.1	126.5	125.4

*Including others. **Provisional @ No transactions. †Stock Exchange was closed.

Source: Reserve Bank of India.

CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS

Centre	1960- 61*	1965- 66	1966- 67	1967- 68	1968- 69	1969- 70	1969				1970						
							July	Nov.	Dec.	Jan.	Feb.	Mar.	April	May	June	July	
All-India†	124	169	191	213	212	215	(1949=100) 218	215	215	215	215	218	220	222	225	226	
							(1960=100)										
All-India	—	—	—	—	174**	177	179	177	177	177	177	179	181	183	185	186	
Ahmedabad	102	130	148	168	165	169	168	167	167	170	170	171	174	176	177	175	
Alwaye	102	145	158	183	198	197	210	193	191	187	192	193	196	197	206	201	
Asansol	97	140	145	168	176	178	177	180	178	177	176	180	183	184	186	188	
Bangalore	101	144	159	172	180	183	186	182	181	182	180	181	180	180	184	185	
Bhavnagar	101	132	152	173	176	178	174	178	178	182	183	184	185	185	184	185	
Bombay‡	100	130	147	162	167	175	177	174	174	175	175	176	179	180	182	183	
Calcutta	97	131	148	163	170	172	172	178	175	170	170	172	173	177	182	184	
Delhi	101	136	152	172	178	185	187	185	186	186	187	190	190	191	195	196	
Digboi	103	138	160	198	185	180	180	180	180	181	180	180	181	185	187	188	
Gwalior	103	139	160	191	179	184	190	182	184	186	188	189	188	189	193	194	
Howrah	98	137	154	178	181	176	173	179	179	175	173	177	178	180	184	186	
Hyderabad	102	140	158	167	173	185	189	184	182	185	182	184	183	185	188	188	
Jamshedpur	98	136	158	183	171	170	171	173	168	167	169	173	176	180	184	187	
Monghyr	103	151	187	215	185	188	188	188	188	188	194	201	206	211	211	209	
Mundakayam	101	138	152	173	186	191	199	189	188	191	191	190	193	199	204	201	
Nagpur‡	96	138	148	164	165	176	176	175	179	181	180	181	181	184	185	185	
Saharanpur	101	141	163	188	176	181	184	179	181	180	182	187	185	182	184	186	
Sholapur‡	99	128	150	165	167	176	177	178	179	181	180	180	180	182	189	183	

*Relates to the period January to March 1961 except for all-India (1949=100).

†Relates to interim series for working class discontinued from August 1968. The figures from August 1968 are, however, estimated on the basis that 100 of the series with base 1960=100 equals to 121.54 of the interim series.

‡For the period from January 1961 to September 1965 the indices in the old series have been shifted arithmetically to 1960 base by using appropriate conversion factors taking into account the corrections carried out by the Maharashtra government in the light of the recommendations of the Expert Committee. The figures for 1965-66 are averages worked out from estimated figures for April to September 1965 and figures on original base for October 1965 to March 1966.

**Average of 8 months from August 1968.

Source: Labour Bureau, Government of India.

CONSUMER PRICE INDEX NUMBERS FOR URBAN NON-MANUAL EMPLOYEES

(1960=100)

Centre	1960- 61*	1965- 66	1966- 67	1967- 68	1968- 69	1969- 70	1969				1970				
							May	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May
All-India	100	132	146	159	161	167	163	168	167	168	168	168	170	170	171
Bombay	99	132	142	153	156	162	160	165	162	162	160	162	164	166	167
Delhi-New Delhi	100	131	142	154	162	168	165	169	168	167	169	168	172	172	171
Calcutta	98	126	139	152	156	162	157	165	165	165	162	162	164	165	167
Madras	103	133	147	154	154	161	157	160	161	162	165	166	164	165	166
Hyderabad—Secunderabad	101	133	147	155	159	167	164	167	168	168	169	168	168	169	172
Bangalore	102	133	145	156	160	164	163	165	164	164	165	165	166	167	167
Lucknow	100	132	146	159	156	161	157	163	160	160	161	162	165	162	163
Ahmedabad	100	131	146	160	162	168	164	169	165	168	168	167	170	169	171
Jaipur	101	133	150	162	168	176	169	178	176	176	176	177	178	178	180
Patna	99	139	160	179	174	180	174	181	181	180	181	181	186	187	190
Srinagar	105	134	143	160	167	174	171	174	174	175	176	176	179	179	179
Trivandrum	103	131	146	165	168	172	167	172	172	173	174	173	172	173	174
Cuttack—Bhubaneswar	100	142	154	164	167	169	166	170	171	171	168	165	169	171	173
Bhopal	102	133	144	166	166	172	164	175	173	171	172	172	173	173	174
Chandigarh	101	129	143	155	164	171	166	172	171	171	172	173	174	177	175
Shillong	101	123	134	155	163	164	165	162	161	162	161	161	160	160	162

*Relates to the period January to March 1961.

Source: Central Statistical Organisation.

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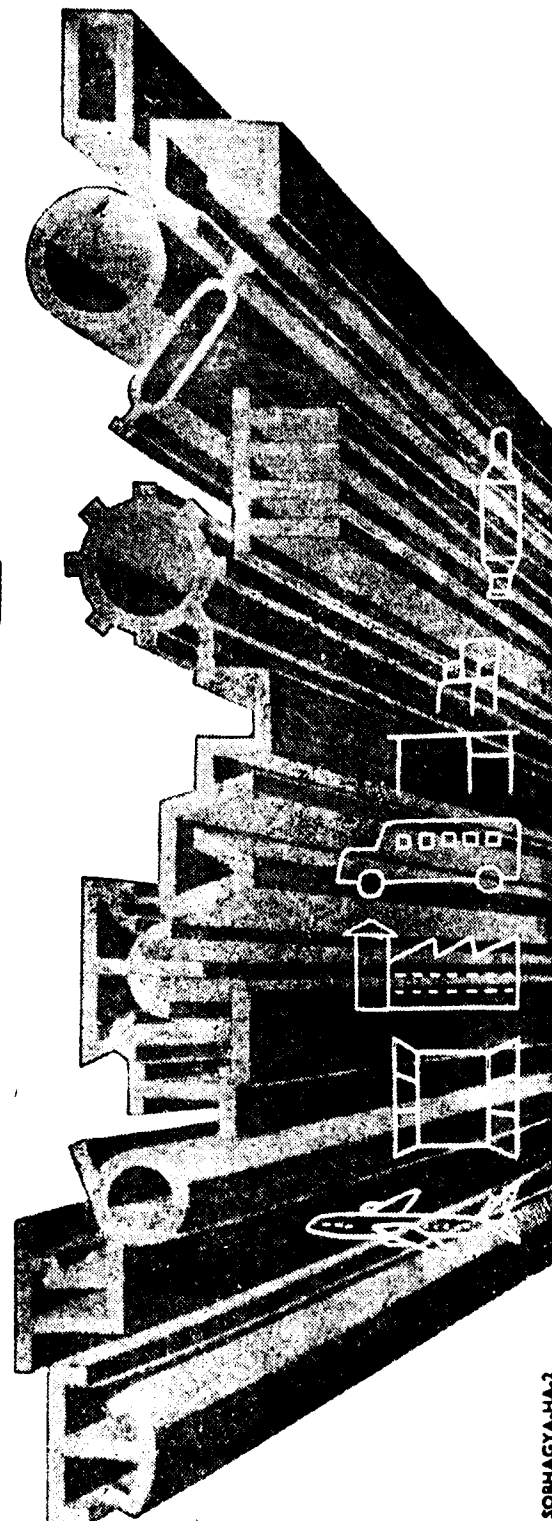
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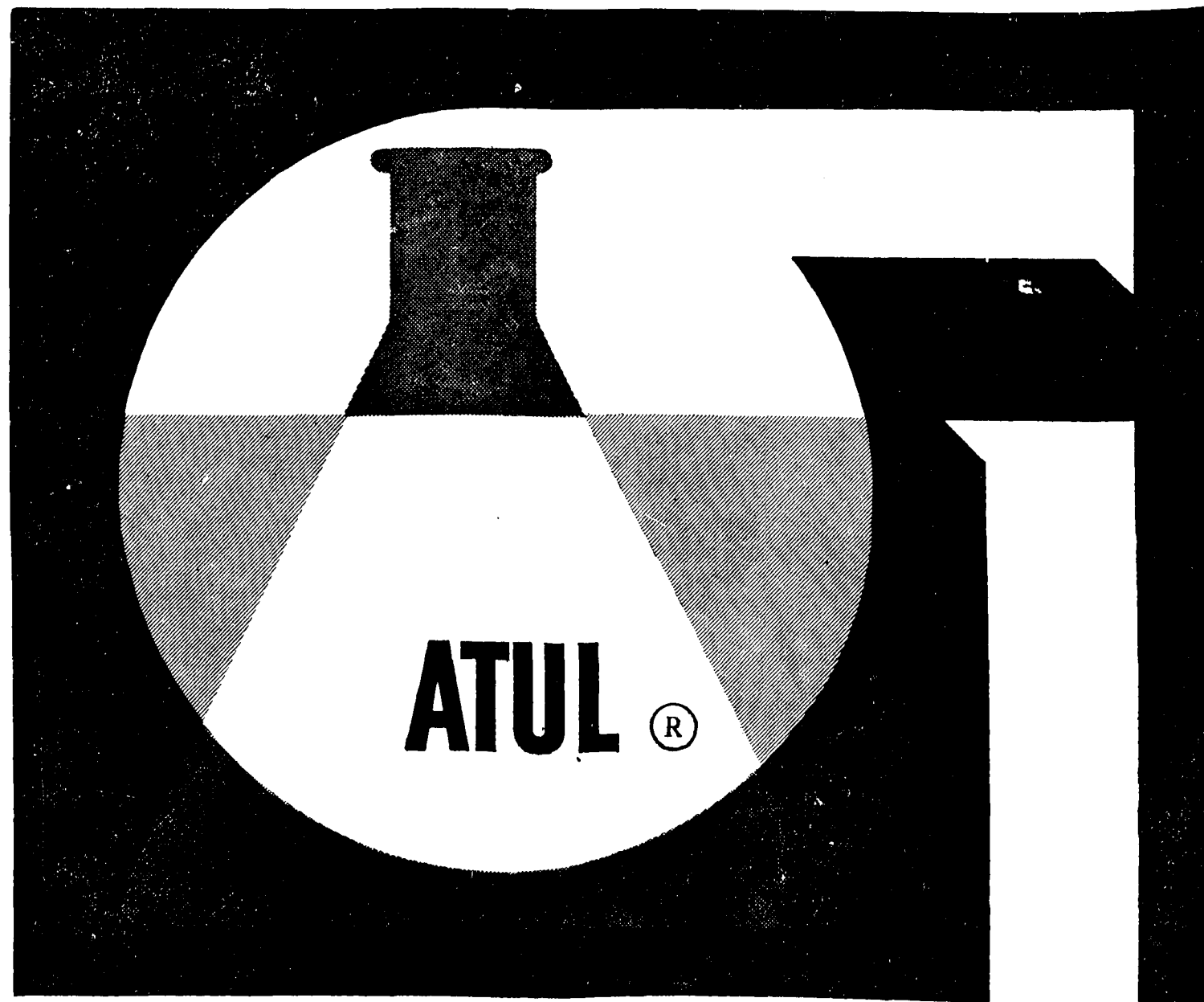
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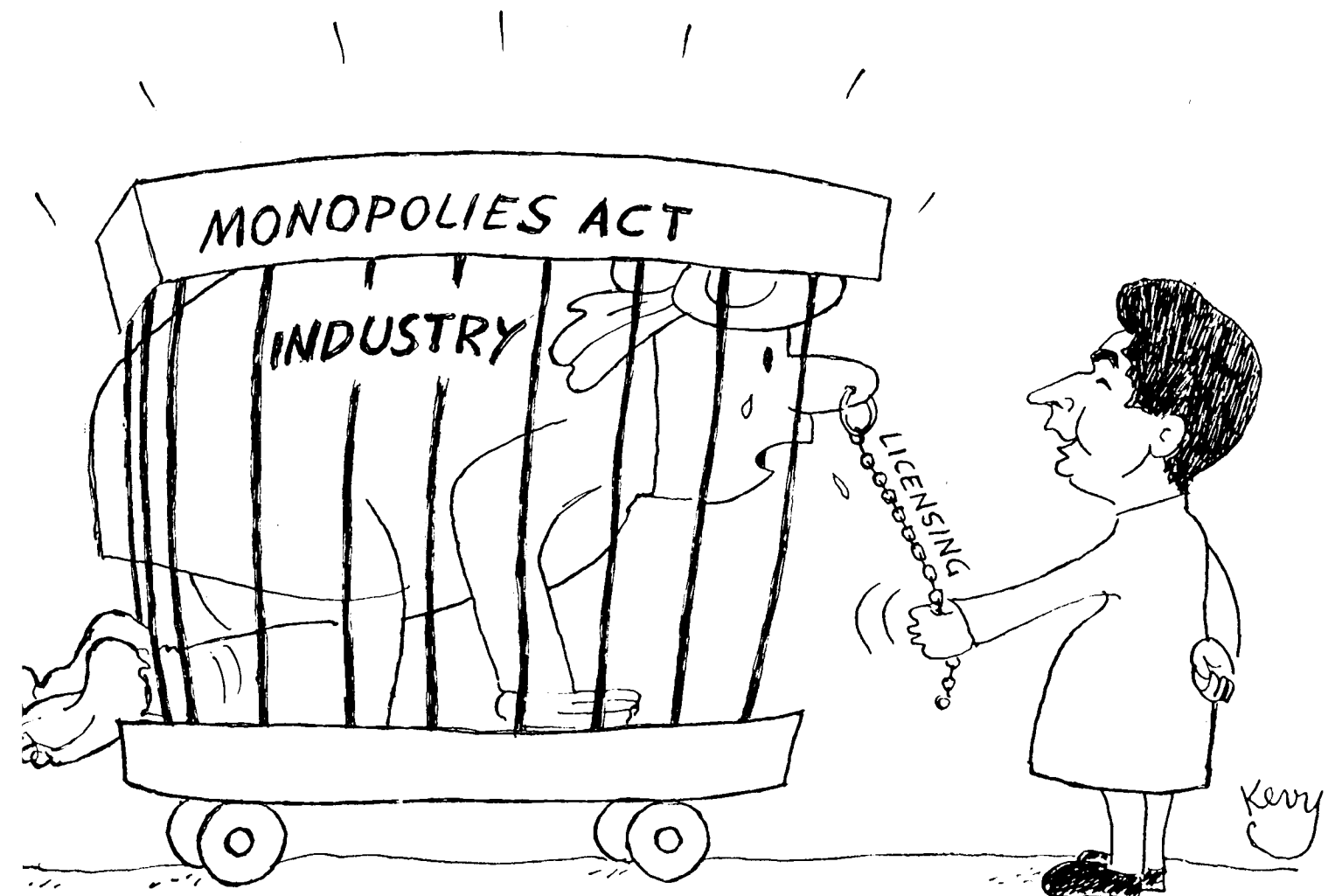
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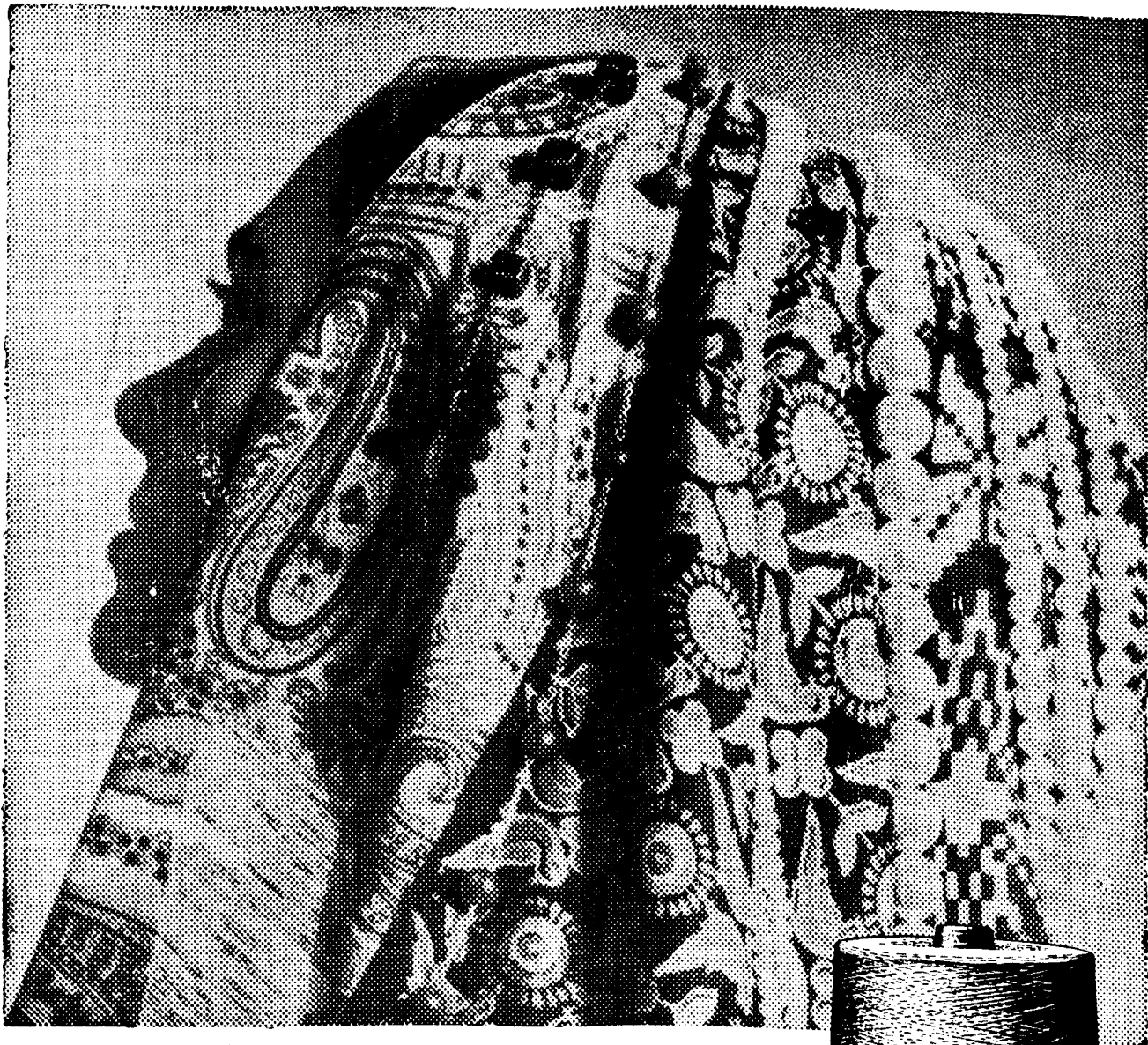
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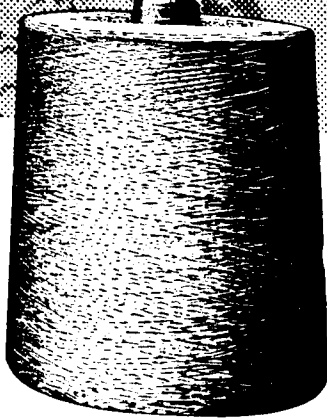
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GOVERNMENT AGAINST GROWTH

IN THE months since Mr Dinesh Singh took over the Ministry of Industrial Development from Mr Fakhruddin Ali Ahmed, this ministry has been earning modest credits on quite a few accounts. The process of accumulation of pending files, for instance, seems to have been arrested and some success achieved in disposing of applications for industrial licences.

Lately, Mr Dinesh Singh's ministry appears to be getting more accomplished in other ways as well. There was, for instance, its remarkable feat of instant public relations after the meeting of the Central Advisory Council of Industries on November 3. *The Times of India* of November 7 carried an article by Mr Dilip Mukerjee which valiantly marshalled government data for countering Mr J.R.D. Tata's lamentation at the meeting of the Council that "at the end of 50 years of service to the country I am told that I am not wanted any more". Granted that Mr Mukerjee is a very well-informed and hard-working economic journalist, it would still seem unlikely that he just happened to have all this material ready for the occasion so much so that he could very nearly succeed in reducing Mr Tata's *cri de coeur* to a wail of self-pity. It follows that in the course of the few days between the meeting of the Council and the publication of Mr Mukerjee's article, his research into licensing statistics had probably received some very special assistance from the Ministry of Industrial Development. In suggesting this, we are of course not complaining either against Mr Mukerjee or the ministry. On the contrary, we are only complimenting the one on his topical journalism and the other on its new-found consciousness and competence in public relations.

Public relations, no doubt, can achieve much, but not everything. Although Mr Dinesh Singh has been saying frequently that his ministry, or indeed the government as a whole, genuinely desires industrial growth, it is clear enough that, in actual practice, the government has committed itself to a policy of subordinating industrial expansion to certain quasi-political or even pure political objectives, such as curbing the further growth of the larger business houses or the extension of the frontiers of the public sector. Mr Tata, Mr K.K. Birla, Mr D.C. Kothari and Mr K.C. Mahindra among others, have been making fighting speeches challenging the government's claim that industrial growth is being given its due priority over extraneous considerations. Their public observations must necessarily be general in character, but such of us as are in touch with the detailed happenings in the area of government-industrial relations are only too well aware of the immense harm that the government's negative decisions are doing not only to industrial growth in the abstract but to the well-being of the men and women of our country.

There is the case, for instance, of a leading pharmaceutical company not receiving permission to expand its production of a certain narrow-spectrum antibiotic, increased supplies of which are urgently required in the country. The difficulty here is this industrial undertaking has the misfortune of being tarred with the brush of big business and the fact that it could increase its output of a precious drug even with its existing capital equipment and without any expenditure of foreign exchange has not been sufficient to influence government policy. In another case, the increase in the production of some other essential drug, more of which, besides being needed in the country itself, could also be sold abroad, is being obstructed by government policy because there exists capacity in a public sector unit for the manufacture of this product. Again, the fact that this capacity in the public sector is only notional in the sense that there is no programme for utilising it now or in the near future does not seem to have made any difference to the government's opposition to the proposal from the unit in the private sector. There are many such instances scattered over most of the industries in the country of government treating increased industrial production or industrial growth as a matter of secondary importance, particularly where this growth would seem to lie in the area of the larger business houses.

Then, there is the general economic climate which has its impact on industrial growth as such and not on the prospects of the larger business houses alone. Here arise three issues of the utmost seriousness. First, there is the breakdown or the near-breakdown of law and order in such industrially important area as West Bengal. Secondly, we have to reckon with the widespread and continuing industrial unrest which frequently assumes critical proportions, as in the Durgapur steel plant, or which, more generally, operates as a chronic, corrosive force destroying the

economic viability of industrial and commercial operations by pushing up costs irrespective of output or productivity. Recent wage settlements in central government services, banking, including Reserve Bank, life insurance and some major industries, including steel, are cases in point. Finally, there is the tax situation which, bad enough already, has been made worse by the Finance Minister's recent observations. Asked to address a two-day conference of tax executives, which was convened by the Federation of Indian Chambers of Commerce and Industry to discuss the re-orientation of the pattern of taxation so that it could serve the purpose of economic growth better, Mr Chavan promptly rendered the whole exercise irrelevant by declaring that the government was determined to continue with discredited fiscal attitudes, which had been depressing savings, investment and industrial efficiency all these years. It may be

Dimensions of Farm Technology

It is only fitting that the theme of this year's presidential address to the All-India Agricultural Economics Conference (AIAEC) was "New Farm Technology — Its Implications in Agricultural Economics", even as the venue chosen was, appropriately enough, UP Agricultural University, Pantnagar. If the new farm technology is slowly coming into its own, agricultural universities, in particular UP Agricultural University, have made notable contributions to the evolution of this technology.

Dean Kahlon of the Punjab Agricultural University began his address, with a brief reference to the development of high-yielding varieties of wheat and rice and hybrids of *bajra*, maize and *jowar*, which he described as "the greatest feats of biological engineering" by the geneticists and plant-breeders. After referring to the new semi-dwarf wheat (which can yield as much as 60 quintals per hectare, as against 30 quintals per hectare yielded by indigenous tall varieties) and its adoption over large areas, and very rapidly too (in the USA, it was noted, hybrid corn, which was considered as one of the greatest agricultural revolutions, took about nine years before it was adopted on a large scale), Mr Kahlon alluded to the break-through in the production of rice varieties [T (N) 1, IR-8, and Jaya] and the production of Pb. Hybrid *Bajra* No. 1 (also widely used in the country) and hybrid maize (not so popular with the farmer), and pointed out how the new farm technology was still mostly confined to the adoption of semi-dwarf wheat and hybrid *bajra*. Thus, out of an increase of 6.6 million tonnes in the

said to the credit of the Finance Minister, however, that he has at least made it plain that the present government at the centre cannot and does not think in terms of employing fiscal policy as an instrument of faster capital formation or greater economic growth. Judged in this context, the labours of the FICCI seminar on taxation, while being undoubtedly well-intentioned or erudite, are just a waste of time in terms of the politics of taxation to which the present government at the centre is committed. The sad truth then is that, whether it is the scope for the larger business houses in industrial expansion or the general climate for economic growth itself, the country cannot expect a fair deal from the party or politicians now in power at the centre. In other words, as a part of the high price that the people are paying for the government that they now have they must reckon with a continuing retreat on the industrial front.

production of foodgrains in 1967-68 over the preceding peak of 1964-65, he said, as much as 4.3 million tonnes had been on account of the increase in wheat output alone. His reasons for this trend are quite interesting.

According to him, the adoption rate of the new rice varieties is relatively lower than that of wheat, because these new rice varieties are more susceptible to bacterial diseases and more subject to risks and uncertainties in agriculture. Moreover, being a *kharif* crop in most parts of the country, it presents a serious water management problem. "Unless pests and diseases of this crop are better controlled and new plant types less subject to the vicissitudes of weather are evolved", Mr Kahlon thinks, "a real break-through in rice production is a remote possibility."

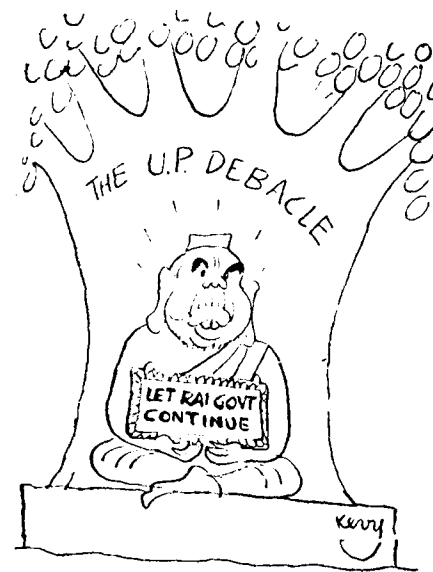
However, Dr M.S. Swaminathan, Director of the Indian Agricultural Research Institute, it may be added here, sounds quite optimistic on the advances already made in respect of rice. Indeed, he described the year 1970 as making "a major advance towards the rice revolution". Three major developments in evolving new high-yielding dwarf varieties of rice, he said, have made us "very optimistic". Speaking to newsmen at the Karnal District Seed Multiplication Farm in Haryana, a few days ago, he spelt out these three "major advances"—development of a number of high-yielding disease-resistant varieties, efficient water management technology, and techniques to minimise plant diseases through chemical treatment of seeds.

Some interesting figures regarding

use of water in rice cultivation were also given by Dr Swaminathan. India, he said, uses 1,800 gallons of water to produce one pound of rice, whereas Japan applies only 600 gallons to achieve the same yield. And he added significantly: "The IARI has evolved varieties that can give the same yield with only 500 gallons of water." He also noted that 20 per cent of the total cultivated land was under rice and that paddy accounted for 45 per cent of the total available water supply. As for per acre yield, Dr Swaminathan disclosed that India's record was very low compared to international standards. India's performance of 1.1 tonne of rice per hectare, he said, compared with Australia's six tonnes per hectare and Japan's five tonnes per hectare!

In the case of hybrid *bajra*, although the new variety has been widely adopted, we are told, the income elasticity of demand is likely to decline further with the rise in income of the population, because not only is the increase in yield over the indigenous varieties marginal, it also involves high fertiliser doses which increases the costs to the cultivator and thereby reduces, if not wipes out, his margin of profit.

Mr Kahlon, it may, therefore, be assumed, cannot be very happy with the outcome. Indeed, he is not; being rather ambitious he not only wants these shortcomings to be overcome, but demands a break-through in the production of other crops as well. "Unless technological break-through comes in," he feels "the production of such cash crops as sugarcane, long-staple cotton and oilseeds will not be able to compete with foodgrains production just by manipulating the price structure of the former". (This is all that the authorities



The Bodhi Tree

have done so far, by and large). And, as he has urged, unless this happens, "we shall not make much headway in the economic development of agricultural industry as a whole." Hence his plea for an intensification of research efforts.

Equally relevant is Mr Kahlon's point that, inasmuch as areas with assured water supply have benefited more than rain-fed areas which constitute about 78 per cent of the acreage in the country, "there is great need to develop varieties which give high yields under conditions of stress and remedy imbalances and disparities in the farm income." In this connection, he has rightly underlined the importance of water management in rain-fed areas. In these areas, as he has pointed out, crop and agronomic practices have to be adjusted to available water supplies and to moisture conserved in the soils. To secure better returns from natural rainfall in these areas, he has drawn attention to the techniques of moisture storage in the soil, conservation of stored moisture and utilisation of such stored moisture. In areas where, even if adequate, the rainfall may not provide enough soil-water storage for raising a crop, Mr Kahlon has suggested the trying of the field-water-harvesting technique, promising experiments in which have been conducted at the Punjab Agricultural University, it is claimed.

The learned professor attaches no less importance to the proper utilisation of the new germ-plasm in the cropping pattern to achieve the maximum benefit, as, for example, the relay cropping scheme recommended by the Indian Agricultural Research Institute. But this is more easily said than done. For the scheme presents several problems and these need to be tackled simultaneously, as it were, to ensure optimum results. And it is here that Mr Kahlon's key suggestion becomes meaningful. To quote him, "It is, therefore, absolutely necessary that various disciplines, such as agronomy, plant protection and plant ecology are allowed to play their part in utilising the new plant type and the agricultural economists are associated at different stages of planning crop rotations, so that the economic feasibility and profitability of an alternative cropping system could be evaluated before they are recommended to the farmers".

Similarly, Mr Kahlon has done well to drive home the point, which is so often missed, that it is not so much new plant varieties or fertilisers alone that help achieve dramatic results as "the interaction between the potentially high-yielding seeds, the remunerative product prices and the modern inputs and

particularly the adequate water supply, pesticides and additional power on the farm organisation literally as a package."

As important as these major ingredients of the new technology are its economic implications to the student of agricultural economics. For a full and correct appraisal, it is obvious, studies have also to be made of the interactions among the technical inputs. So, too, the pattern of farm mechanisation requires to be properly analysed. It cannot be assumed, for instance, that the pattern that may have suited the country where a particular equipment was manufactured would be equally suited to our conditions. Mr Kahlon has accordingly cautioned that, before such technological changes go too far, we should make a system-analysis approach for the economic selection of an alternative machinery system more suited to the conditions of Indian agriculture and, what is significant, also directed towards the combined objective of labour-intensive and high productivity agriculture. His own view in this behalf is; "An economic pattern of the mechanisation would involve the evolution of a complete machinery system which goes with the tractor and makes it possible to obtain a proper gradient of land, effective tillage, timely harvesting, threshing and transportation of farm produce. Similarly, it is necessary to purchase the entire versatile machine system for irrigation, shelling, crushing, threshing and chaffing with stationary

power units, such as diesel engines and electric motors".

It is perhaps easy to arrive at a suitable economic pattern of mechanisation for Indian agriculture, once the controversy over the extent of one's agricultural holding is settled, but we do not seem to be anywhere near it. In highly developed economies, such as the US and Japan, technology has brought about an increase in the average size of the farm, while in India, the trend is to the contrary. In the words of Mr Kahlon, technology is also associated with an increase in the proportion of owner and part-owner-operated farms and an erosion in the position of tenancy which is accentuated by an increase in productivity." According to *India 1960*, a Government of India publication, "out of every 100 Indians (including their dependents), 47 were mainly peasant proprietors, 9 mainly tenants, 13 landless labourers and one a landlord or rentier". In other words, technology would affect the fortunes of some nine per cent of the population and so Mr Kahlon wants the trend in this respect to be examined carefully for its effect on the structure and operation of the farm organisation.

One noticeable response of rural communities to the new technological changes, we are told, is the overwhelming orientation towards landholding and agricultural enterprise, and it is

Eastern Economist 25 Years Ago

NOVEMBER 16, 1945

Under the auspices of the Government, several hundred students are being sent abroad for advanced study in technical subjects. This no doubt is a welcome step, but those who think that these students on their return to India, can form the corpus of technical personnel which can initiate the process of industrialization, are sadly mistaken. In an article specially written for us by Mr Jos. D. Scaife, ex-President of the Institution of Production Engineers in Great Britain, who is now working for an Indian firm, it is pointed out that "the possession of an honours degree in engineering is worth at the outset about as much to industry in India as it is in the U.K. and that is nil. Although the academic qualification is an excellent basic equipment, an efficient engineer is made only in the hard and long school of practi-

cal experience in industry. Nowadays with mass production technique, it is not the craftsmen who directly make the goods, but comparatively unskilled labour. But to utilize the semi-skilled labour, it is necessary for pre-production work on the project to be carried out by a body of high skilled technicians with wide experience who besides doing the actual designing of the articles to be made, "productionize" it by deciding how best the various operations of each component can be split up until they individually become simple for semi-skilled operators, who can take up the work after the right patterns, jigs and fixtures and expensive tool set-ups have been provided. We hope to build up this solid core of highly trained and experienced production engineers.

significant that higher status is now being accorded not only to persons with higher education, but to land ownership and progressive farming and mechanical skill in place of the traditional "caste".

To sum up, in the words of Mr Kahlon himself, "the whole social matrix, viz., the community social structure, its organisational pattern, the inter-group relations, standards of social prestige, the mode of social stratification, community participation and leadership

Better Publicity for Jute

THE ANNUAL report of the Committee of the Indian Jute Mills Association for the year ended December 31, 1969, released recently, describes in detail the measures undertaken by the Association to publicise the industry's problems. The highlights of the publicity programme in 1969 were the press advertising campaign launched early in the year to draw attention to the shrinkage of the markets for our jute goods, release of over 30 hand-outs and articles, two press conferences, product advertising mainly in foreign newspapers, publication of a booklet on the jute industry as well as newsletters. The report also refers to the public relations undertaken by the IJMA's offices in North America, the United Kingdom, and continental Europe.

It is no reflection on the IJMA that in spite of its publicity campaign, the jute industry's major problems continue to receive inadequate attention from New Delhi and that the export of jute goods has not increased. In fact, the value of jute goods exported in 1969-70 fell sharply to Rs 206.65 crores from Rs 218.01 crores in the preceding year. The Government of India, however, continues to maintain the export duties at high levels and is also unwilling to oblige the industry by arranging for the timely import of raw jute.

Though publicity has not helped the industry's immediate objectives, there is need to step up the campaign in India and abroad. In doing so, the IJMA should be able to display more imagination and enthusiasm especially in handling major markets. Some of the observations made by the Administrative Staff College of Hyderabad, in its massive survey of our jute industry's problems undertaken on behalf of the USAID, are not complementary to the public relations department of the IJMA. Even in the USA, which is our biggest

structure, is experiencing the impact of the recent technological change." And, as he has rightly added, it is necessary to keep a close watch over these trends, if only to arrest those which are likely to cause social strains. These are bound not only to increase but also to become more complex with the increase in technological changes, wherefore we have to build up a strong programme in multi-disciplinary research. And that precisely is the plea of the President of the thirtieth All-India Agricultural Economics Conference.

market, the IJMA's publicity efforts have not been effective. The USAID survey says that the end-users in the USA are often unaware of the different constructions of material available and their specific advantages and price differentials. The Indian jute industry has "virtually no contact with end-users of burlap" while synthetics are maintaining close contacts with them.

It is also stated that so far as Indian exports are concerned, "a strong feeling of dissatisfaction and even distrust" prevails among importers and major users, mainly the bag manufacturers, over poor quality of supplies, short yardage, wet pack, bias weave specially in lighter materials, lack of concern and delays in settlement of claims, and in some other matters. The survey remarks that though some of the comments of the US trade were exaggerated, the fact remains that "a much more favourable climate is required for promoting the sale of Indian burlap in the USA."

Another field where the IJMA's publicity needs rethinking is in regard to our trade with east Europe. Recently, the IJMA sent a delegation to Russia to study the problems relating to the expansion of our exports to that country. But the report of the delegation is kept confidential. It may be that some findings of the delegation may have to be kept secret. But why should other parts of the report not be made available to the public?

Surely, we have a right to know what the delegation has to say about the prospects for the export of jute goods to Russia and to what extent our products have to face competition in that country from Pakistan and from other sources. The IJMA has been secretive about our trade with the other east European countries also. This is not a healthy practice in view of the allegations often made in

our Parliament about the re-export of our goods by some of these countries. Perhaps the decision not to disclose details of our jute trade with Russia and other countries of east Europe is not of the IJMA but of the Government of India. If so, the IJMA should impress on the government the fact that it is not in the best interests of the jute industry or the country to adopt a secretive policy in this regard.

Another point worthy of consideration by the IJMA is whether it is desirable to give continuous publicity to the shortage of raw jute in our country. In recent months the IJMA has been issuing press notes frequently, urging New Delhi to expedite the issue of licences for the import of Thai mesta. While the industry's concern over the government's indifference is understandable, we have also to remember that Bangkok notes such publicity and takes advantage of it to quote higher prices, a fact which has been confirmed by the USAID survey.

It is regrettable that financial difficulties have restricted the IJMA's participation in international exhibitions and fairs. In 1969, the IJMA took part in the *Daily Mail* Ideal Home Exhibition in London and the 42nd Brussels International Wall/Floor Coverings Fair. The participation in the Brussels fair, it is stated, generated "a lot of commercial interest".

But the IJMA could not take space at the Indian pavilions in other important trade fairs, although samples of jute products and promotional literature were sent to Expo '70, the 47th Milan International Trade Fair, and the Primary Products Exhibition organised by Jetto in Japan.

It is hoped that the government would release more money to the IJMA for taking part in fairs as well as for other activities for stimulating the sale of our jute goods in foreign countries. The Association has stated that it is getting only "very limited help" from the Market Development Fund — on average Rs 5 lakhs a year — and it has suggested that the government should be more liberal. This plea is fully justified in view of the industry's role in earning foreign exchange and the severe competition it has to face. At the same time, the IJMA also should utilise its money more effectively. Was it strictly necessary, for instance, for the IJMA to produce Christmas greeting cards and New Year gifts and send them to Members of Parliament, ministers and government officials as mentioned in the committee's report?

Proposal to Amend Bonus Act

A CORRESPONDENT

THE UNION Minister for Labour, Mr D. Sanjivayya, has on several occasions stated that the government would examine the question of raising the minimum bonus, which is at present four per cent of the emoluments of an employee in establishments to which the Payment of Bonus Act, 1965, applies. When a private member's Bill was introduced in the last session of the Rajya Sabha to raise the quantum of minimum bonus to 8½ per cent, delete the section providing for a maximum bonus of 20 per cent, and also delete the provision in the Act relating to set-off and set-on, the union Minister of Labour welcomed the proposal to circulate the Bill for public opinion.

Before the Act was passed, no bonus was payable by establishments making a loss. Further, no bonus was payable under awards of tribunals unless the profit was sufficient to provide an "available surplus" after meeting the prior charges of depreciation and return on capital and reserves.

In the Statement of Objects and Reasons appended to the Bill it is stated that many industries used to pay bonus at higher rates than those prescribed by the Act. But as a matter of fact in industries where a minimum bonus was agreed to in long-term agreements, e.g., in the cotton textile industry at Bombay, Ahmedabad and some other places, the minimum bonus provided was 15 days' basic wages and the maximum three months' basic wages.

Substantial Benefit

This was very much less than the bonus provided under the Act which provides for bonus on both the basic wages and dearness allowance. Further the bonus payable has been increased by an amendment of the Act, by which a substantial share of the saving of tax by payment of bonus is added to the available surplus for distribution of bonus for the next year. Concerns which paid no bonus before the Act, e.g., the coal industry and the mining industries, have to pay bonus under the Act. The Study Group on Incomes and Price Policy appointed by the Reserve Bank of India stated in its report: "All in all, the provisions of the Bonus Act are designed to confer substantial benefits on the worker. According to a calculation made by the Company Law Board on the basis of information

relating to a sample of companies, on the current showing, an additional amount of Rs 25 crores is likely to be distributed as bonus as a result of the Bonus Act." This amount must have greatly increased since the report was made in 1967, as the dearness allowance in the principal industries has been linked, under awards of wage boards and tribunals, to the consumer price index.

Burden on Industry

Since bonus is payable both on the basic wages and dearness allowance and the consumer index has been rising since the Act was passed, the burden to industries of the payment of bonus has been continuously increasing. Those workers who were getting a minimum bonus of 15 days' basic wages before the Act, e.g., the employees in the cotton textile industry in a number of centres, are in fact getting much more bonus. Four per cent minimum bonus, in many cases, amounts to nearly three months' basic wages in the period before the Act. A further increase in minimum bonus would affect seriously industries and establishments which are marginal units or have suffered losses. Even if an employer makes continuous losses the minimum bonus is payable.

There are certain other aspects of the matter which are of great importance and have been overlooked in the proposal to increase minimum bonus. The National Labour Commission has, after eliciting opinions on the question of bonus, reported:

"The Payment of Bonus Act, 1965, was enacted only recently. In all fairness it should be given a longer period of trial. Some workers' organisations and their leadership may not favour this suggestion, as they have been voicing their opposition to the functioning of the Act after the Supreme Court judgment. Their main objections are in respect of the coverage and quantum of available surplus. Bonus payments already cover a very large number of workers coming under the Industrial Disputes Act, 1947, who formerly did not have this benefit. Likewise, the available surplus for bonus payment has already been enlarged by the recent amendment to the Payment of Bonus Act, 1965. Certain calculations

made at the official level indicate that the additional amount disbursed as bonus on account of the implementation of the Payment of Bonus Act would be about Rs 16 crores and the tax loss about Rs 8 crores. We are of the view that the debate on this issue need not be reopened."

This weighty opinion of the high power commission should not be ignored. Further it has to be noted that the Bonus Commission, in its report, observed that the arrangement of minimum and maximum bonus would avoid the obvious disadvantage of widely fluctuating bonus, and that "if a reasonable minimum and maximum are fixed, linked with a system of set-off of deficit and set-on of excesses in the succeeding years it would be a satisfactory arrangement from the point of view of both employers and labour."

The Bonus Commission recommended a minimum of four per cent and even on this figure there was a minute of dissent in which the minority of the Commission recommended exemption of certain industries or in the alternative a lower minimum. A minimum bonus of eight per cent of the total emoluments cannot be considered a reasonable minimum and, as stated above, would seriously affect marginal and loss-making units in the industry. So far as the maximum of 20 per cent is concerned, it works out to very much more than the usual maximum of five months basic wages which used to be awarded by tribunals before the Act. Further increase of the minimum and abolition of the ceiling on bonus would, in addition to the adverse effects on industry referred to above, deprive the state of a considerable revenue by way of income-tax since bonus payments are exempt from income-tax, and the deficit would have to be made good by other taxation. But the limits of direct taxation have already been reached.

Unreasonable Demand

A bonus of eight or 8½ per cent as proposed in the Bill, whether a concern makes loss or continuous losses, cannot be considered reasonable. Employers have got reconciled to a minimum bonus of four per cent. The present level of minimum bonus is causing considerable difficulty to many units. Any further increase would harm industrial development and worsen the position of many weak units in industries, if not lead to closures and consequent unemployment. Moreover, an amendment increasing the minimum bonus to eight per cent, as suggested, is sure to be challenged, may be successfully, in legal proceedings as an unreasonable restriction on the right to carry on business. It is to be noted

THE RIGHT KIND OF CLOTH/

J.C. FABRICS

SPECIALITIES :

SUITINGS	ROLLER &
SHIRTINGS	SCREEN PRINTS
LENOS	TAPESTRIES
POPLINS	DHOTIES
TOWELS	SAREES
ETC. ETC.	



J.C. Cotton Mills, Ltd.
BIRLANAGAR (M.P.)

that the Supreme Court in the case referred to above (of Jalan Trading Co. Private Ltd. and others) did not go into the question whether the provision of a minimum bonus of four per cent of the total emoluments whether a concern makes profit or loss or continuous losses amounts to an unreasonable restriction on the right to carry on business, because at the time when the Act was attacked the emergency was in force. The Supreme Court in its judgment observed: "We need say nothing at this date about the plea that section 10 by imposing unreasonable restrictions infringes the fundamental freedom under Article 19(1)(g) of the Constitution, for by declaration of emergency by the President under Article 352, the protection of Article 19, against any legislative measure or executive order which is otherwise competent, stands suspended."

The emergency being over long ago it would certainly be feasible to challenge the vires of the proposed amendments as infringing Article 19(1)(g) of the Constitution. Further, a minimum bonus could only be justified on the ground that if there is a ceiling on bonus there should be a minimum, and it is necessary that, as stated by the Bonus Commission, the minimum must be reasonable. If the ceiling on bonus is abolished, all justification for a minimum bonus

disappears. for the conception of bonus, as accepted by the Bonus Commission and the Supreme Court is giving labour a share in the prosperity of the concern.

There can therefore be no question of giving labour a profit bonus when there is a loss still less when a concern makes continuous losses. But since a scheme of reasonable minimum and maximum bonus with a provision for set-off and set-on in the succeeding years evens out bonus, a reasonable minimum bonus can be justified on the basis of such set-off and set-on. The proposal to get rid of the ceiling of 20 per cent on bonus and the provisions in the Act relating to set-off and set-on would, therefore, upset the whole scheme of the recommendations of the Bonus Commission and of the Bonus Act. The proposal in the Bill to amend the Bonus Act so as to increase the minimum bonus and make the other suggested amendments is, therefore, open to serious objections. It is hoped that, when litigation on bonus, which was once rampant, has been very much reduced, if not set at rest by the formula of the Payment of Bonus Act, the floodgates of litigation will not be opened again by making the proposed amendments, which would once again upset the balance of the entire bonus formula, which the National Labour Commission has rightly recommended should not be reopened.

Rate of Return

SIDH NATH SRIVASTAVA

THE TARIFF Commission till 1955, and the Tariff Board earlier between 1924 and 1951, used to treat gross block and working capital separately for deciding the return to be allowed on them. The basis for this approach was the assumption that expenditure on the block and working capital was financed from separate sources and were subject to varying risks. It was only in 1955 that the Tariff Commission departed from its usual practice and adopted the present concept of capital employed in its Report on the Fair Prices of Rubber Tyres and Tubes. This was a major development in the evolution of the concept as may be seen from the following:

"In determining the fair rate of profit for this industry, account must be taken of the fact that in comparison with other industries of similar magnitude and importance, the gross block, which is the customary basis for calculating fair profits, is small in relation to the value of output and capital employed in this industry. Calculation of profits at the rate of 8 per cent on gross block and 4½ per cent on working capital

will not, therefore, yield a reasonable quantum of profits for this industry. Secondly, in the case of large and expanding industry of this kind, the basis of calculating profits should have same relation to the volume of business. In view of these considerations, we have decided to compute the fair profits due to this industry on the basis of capital employed. We consider that a gross profit (including interest on working capital) at the rate of 10 per cent on capital employed will be reasonable."

In the Cement Price Enquiry of 1958, the concept was further defined clearly giving the reasons for departing from the customary method of basing the return separately on the gross block and working capital.

"In considering a formula for a fair and equitable return on investment, we have to take into account the two principal elements which are employed in acquiring assets of an industrial establishment: (i) capital expenditure on construction and acquisition of fixed assets and (ii) working capital required for building up inventories, book debts

and cash resources for normal operations of the business."

During the 1961 enquiry on the revision of price payable to cement producers, the return at 14 per cent on capital employed was allowed to the low cost units.³

The Tariff Commission then defined capital employed as 'net assets comprising fixed and current assets used in business, less current liabilities and provisions.' In 1963, the Tariff Commission, while enquiring into fair selling prices of safety matches made another significant departure from its customary method of allowing return on capital employed. Here was a highly raw material and labour-intensive industry having higher capital-output ratio. The Tariff Commission remarked:

"By and large in the case of organised industries, the reasonable margin of profit is assessed as an integral part of the return to be allowed on capital employed in the industry, namely, depreciated value of block assets plus working capital. For manufacturing industries recently examined by us we have considered a return of 12 per cent to be generally adequate for the purpose, to cover taxation, bonus, managing agency commission and to leave margin for dividend. In the present case, however, the scope for applying the capital employed basis appears to be severely limited owing to certain special characteristics of the industry..." "After carefully examining the issues involved, we have decided that the method of providing return on the basis of a percentage on capital employed is not appropriate for this industry. Accordingly, we have found it necessary to devise a suitable alternative method for determining the return element for the industry."

Significant Change

Thus, the concept of capital employed has undergone significant change and the basis of calculation of return to be allowed has been linked with the nature of the industry concerned. Hence, for this purpose each industry should be considered separately.

In respect of fixing prices for the steel industry, the Tariff Commission has not adopted the 'capital employed' basis, although there are major units which pleaded for such a basis. The commission allowed a rate of return of eight per cent and 'standard' or 'representation block' of Rs 1,300 per tonne of saleable steel. But before adopting this basis, the commission had also considered the 'gross block' and the 'capital employed' basis and observed that the standard block would be a variable factor because of differences in the prices of assets purchased at

different times, differences in production patterns and other special circumstances. The commission was of the view that though the 'standard' block is to be modified for each period of price fixation, it has several advantages in the cost fixation of old unit, since in effect the depreciation element gets linked with the latest replacement cost of assets.

According to the Tariff Commission, the high capital intensity involved in industries must be suitably rewarded for inviting risk and uncertainties for their commissioning as compared to consumer goods industries. To quote again the report of the Tariff Commission: "We appreciate that in the case of a vital industry like steel, the return on capital should be adequate, which will maintain the stability to the industry as well as ensure future capital formation."⁵ Again "being an essentially consumer goods industry, an excessive liberalisation of return cannot also be contemplated."⁶

In fixing fair prices in respect of the consumer goods industry, the Tariff Commission opined that instead of applying the capital employed formula, "it would be more reasonable to remunerate them with a certain percentage of the cost of production" and allowed 7.5 per cent of the cost of production as a fair return to the hosiery industry.⁷

Commission's View

In fixing the rate of return on capital employed in the prices of alcohol, the Commission says: "We have carefully considered the effect of the provisions of the payment of the bonus ordinance, 1965, the increase in the bank rate and all other relevant factors. We are of the view that a return of 15 per cent on capital employed would provide on the average sufficient funds to meet the commitments of the industry."⁸

The deviation to the concept of capital employed is not a sudden one. The compelling forces underlying the process of economic development made it more incumbent. In the UK, the Monopolies Commission has not adhered to any single definition of capital employed. In its report on dental goods, capital employed is defined as 'net assets, comprising fixed and current assets used in the business (but not goodwill) less current liabilities and provisions! In the report on electric lamps, the Monopolies Commission gave the definition thus: "The capital employed has been computed at the terminal accounting dates in the relevant years and it is the amount of net assets less, in appropriate cases, wear and tear allowances (as allowed for income-tax but excluding the initial allowances) and current assets used in the business

less current liabilities and provisions."⁹ The amount of capital has been computed by taking the average of the net assets at the beginning and end of the period concerned.

In calculating the rate of return on capital employed, the labour tribunals have adopted the following approach:

(i) A certain percentage return on the paid-up capital; and (ii) a lower percentage return on the reserves used as working capital.

Small Risk

The reasoning here is that while the paid-up capital runs a double risk, viz. normal trade risks and risks incidental to trade cycles, in the case of reserves employed as working capital, the incidence of risk is rather small.¹⁰

The Bonus Commission¹¹, however, commented thus on this issue.

"It seems to us that to make a distinction in the return on the basis of whether the employment of reserves involves less risk than paid-up capital is a debatable proposition. Again, it is not always possible to identify what part of the reserves has been used in building up fixed assets and what part as working capital."¹²

From the income-tax point of view the capital employed is computed as under:¹³

- (i) The average cost of asset employed is to be taken based on the number of days the asset has been used.
- (ii) The written-down value of the assets after allowing depreciation at income-tax rates is to be computed.
- (iii) The current assets are to be taken on the basis of monthly average balance.
- (iv) The borrowed money and debits due by the company are to be deducted in arriving at the net capital employed for the purpose.

The Central Statistical Organisation includes fixed capital and working capital in capital employed for its annual survey of industries. Fixed capital comprises land, buildings including those under construction, improvements to and other constructions: plant, machinery and tools (including uninstalled); transport equipment, other fixed assets such as furniture, fixtures, etc. (taken at depreciated value).

Working capital includes (a) stock of materials, stores, fuels, semi-finished products and by-products, (b) cash in hand and at the bank and the algebraic sum of sundry creditors as represented

by (i) outstanding factory payments, e.g. rent, wages, interest and dividend, (ii) purchase of goods and services; (iii) short-term loans and advances, and sundry debtors, comprising amounts due to the factory on account of sale of goods and services and advances towards purchase and tax payments. Long-term loans and debentures including advances by proprietors and working partners are excluded.¹⁴ The Fiscal Commission contended that the entire subject of capital employed or the block and return on it, "should be subjected to detailed investigation by the Tariff Authority."¹⁵ The Taxation Enquiry Commission has compared the gross profits in relation to both sales and capital employed including borrowings. The gross profits was defined to include managing agency commission, interest charges and provision for taxation but excluded depreciation.¹⁶

The net profits (after) was compared with net worth (paid-up capital plus resources). The Reserve Bank of India, in its numerous studies on the finances of joint stock companies in India, has also examined the profitability of the companies in relation to total capital employed, i.e. total of net assets. The management is going to be more important as the country is slowly moving into an era of decontrol and with it price fixation would necessarily become a management function. While fixing prices it has to take into account market conditions, social responsibilities and other limitations which must apply when a product required by the large body of citizens has to be marked.

The Management Approach

The management approach to capital employed assumes that all assets, irrespective of the source of finance, must earn the same return. The concept has also been accepted by the Tariff Commission, which includes, in the capital employed, the assets financed out of borrowings. However, in arriving at the working capital, the Tariff Commission deducts the current liabilities from the current assets.

In the USA the practice of adopting gross asset (un-depreciated) in the assets base is prevalent, and the widely publicised use of the gross asset base by El du Pont de Nemours & Co. and Monsanto Chemical Co. have exerted considerable influence on this practice. In India it is felt that the need for having a uniform method of computing capital employed so as to facilitate comparison should induce business to adopt uniform method of valuing assets for balance sheet purposes. A business publishing its balance sheet does indicate to the world of shareholders, creditors and employees that the values as per balance sheet repre-



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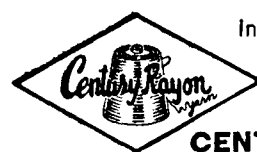
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sent, in their opinion, the value of capital employed in the business, and for management decisions, including the decision to fix prices, there would be sufficient justification for accepting such a valuation. For the purpose of price fixation, it is recommended that capital employed in the business be determined from the published and audited accounts as under:

(a) Total of the assets side of the balance sheet.

(b) Plus depreciation deducted from the gross block.

(c) Minus depreciation computed by the straight line method on the original cost of the block at rates applicable to individual assets prescribed under the Income-tax Act which were prevalent in 1937-38 (when depreciation was allowed on the straight line basis for tax purposes).

(d) Minus investments (other than trade investments).

(e) Minus intangible/fictitious assets, such as good-will (not paid for), preliminary expense, expenses on issue of debentures etc. (capital expenditure in progress, patents, trade marks, designs and development expenditure not to be deducted).

(f) Minus surplus cash/assets not required for the purposes of the business.¹⁷

The method suggested above in determining capital employed will place on a par all methods of financing capital/working assets. The company using the largest percentage of borrowing would earn more net profits which may be regarded as compensation for the risk taken in borrowing money in establishing and running such a business.

Undesirable Changes

Frequent changes in prices due to variations in capital employed are to be avoided irrespective of price fixation either by the management or the Tariff Commission or some other statutory authority. In order to avoid frequent changes in price, the estimate of capital employed may aim at arriving at the capital employed, say, in the next 12/36 months, depending on the circumstances. The measure of rate of return on capital employed is used for different purposes. The following purposes may be aimed for that:

(1) To compare company profits or dividends with the total proprietors' capital employed in the business rather than with nominal capital alone.

(2) To assess the future profitability of a company which is engaged in new investment.

(3) To draw up comparative figures of the profit rates earned by a number

of businesses in the same industry in order that each business should be able to compare its own position with others.

(4) To measure earnings in relation to capital employed in whole industries or sectors of an economy to see whether ex-post risk bearing has received positive reward.

(5) To estimate profit on capital for the purpose of government control or investigation of prices.¹⁸

Ensuring Growth

Though rate of return covers tax, bonus to employees, managing agents' remuneration, statutory reserves and gratuity, it is felt that it would be appropriate if the Tariff Commission or other statutory authorities as well as management charged with the function of price fixing, take into account all these expenses as distinct from the return to be earned. The return should only cover interest on borrowings and dividend to shareholders and plough back amounts into the business, so as to ensure the natural growth of industries.

In the case of Bluefield Water Works the Supreme Court in the USA laid down the following leading principles:

(1) What annual rate will constitute just compensation depends upon many circumstances and must be determined by the exercise of a fair and enlightened judgement, having regard to all relevant facts.

(2) A public utility is entitled to such rates as will permit it to earn a return of the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country as investments and in other business undertakings which are attended by corresponding risks and uncertainties.

(3) It has no constitutional rights to profits such as are realised or anticipated in highly profitable enterprises or speculative ventures.

(4) The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public duties.

(5) A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

The basic formula of return on ca-

pital employed is given thus.¹⁹

Return on capital employed =

$$\frac{\text{Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Capital employed}}$$

Thus a rate of return on capital employed depends on two factors, (i) ratio of profit to sales and (ii) ratio of sales to capital employed. While the former ratio measures profit margin, the latter shows the relation of sales to capital employed.

With regard to trends in profitability ratios, the studies carried out by the Reserve Bank of India on finances of joint companies of India provide the most important source. It presents a set of five ratios in its studies on finances of the corporate sector. They are as under:

(i) Gross profits as percentage of sales, which measures the profit margin on sales.

(ii) Gross profits as percentage of total capital employed (i.e., total net assets) which is an indicator of the gross return on capital employed in the business.

(iii) Profits after tax as percentage of net worth, which measures the return on shareholders' equity or the owned funds.

(iv) Dividends as percentage of total paid-up capital—rate of return on the original investment, and

(v) Dividends as percentage of net worth—a measure of the profits distributed in relation to shareholders' equity.

Minimum Return

In the immediate future earning of a return of 11 to 12 per cent as minimum rate must be ensured in respect of the undertakings in the private sector. The fourth five-year Plan even in respect of public sector enterprises hopes "to get a rate of return of not less than 11 to 12 per cent on capital employed."²⁰

It would be appropriate here to quote Mr C.R. Sitter:

"It would indeed be a great loss to humanity if a great country like India having so much need for investment of vast amounts of capital and managerial and technical resources (some of which must come from abroad, and much of which must be provided in foreign exchange) were to follow a course of action which could reasonably be predicted to constrict investment in a major industry and as a natural consequence thereof discourage new investors in other industries. A way must be found for each industry to have the opportunity to earn a truly reasonable return if the process of increas-

ing national income is to be accelerated and maintained as a continuing process. This task is greater than any that faces the Indian nation."

It is suggested that capital employed should be determined from the audited balance sheet after making the adjustments indicated earlier. On this capital employed a rate of return of 12 to 15 per cent must be earned to cover payment of interest, all taxes on income, dividend to shareholders and plough-back amounts for the natural growth of industry. The rate of return must include only interest on borrowing ploughing back of capital and dividends.

References

1. Report on the Fair Prices of Rubber Tyres and Tubes; 1955—Tariff Commission, pp. 90-91.
2. *Vide* Tariff Commission's Report, 1966 (memiograph).
3. It was allowed in the case of high cost units or new units which enjoyed some tax concessions. It was allowed to cover managing agents' remuneration, bonus to employees, interest on borrowings, statutory development rebate reserve, taxation and dividend. To cite the latest development the Tariff Commission has increased the rate of return to 16 per cent on capital employed in recommending a price structure for catguts.
4. Report of Fair Selling Prices of Safety Matches, Tariff Commission (Memiograph), 1963.
5. Tariff Commission Report on Retention of Prices of Steel—1962, p. 35.
6. Tariff Commission Report on Woollen Yarn Fabrics and Hosiery Manufacture, 1963.
7. *Vide* : Report on Fair Prices of Woollen Yarn, Fabrics and Hosiery Manufacture, 1963.
8. *See* : Report on the Revision of Ceiling Prices of Alcohol, 1965 (Memiograph).
9. In 1959, the Monopolies Commission on the supply of chemical fertilisers (UK) worked out on three methods of estimation of capital employed.
 - (1) If real capital is to be maintained intact, a rate of profit must be earned which is sufficient to provide funds for the replacement of plants as they wear and tear out and these provisions must be increased when the cost of replacement rises owing to inflation.
 - (2) Estimation of capital employed on replacement cost.
 - (3) Estimation of capital employed on historical cost the basis being the only one which according to the commission can afford any comparison with industry generally. In many enquiries the calculation has taken place on the following lines.

"Capital employed has been calculated by taking the total assets, other than outside investments and good-will items, and it is represented not only by share capital but all forms of borrowing (including debentures and bank overdrafts) and also capital and revenue reserves (including provision for future taxation)."

With regard to the inclusion of cash balances and tax reserve certificates in computation of capital employed the Monopolies Commission has partly conceded this approach and has excluded surplus cash in respect of some individual companies, the sole purpose of the commission being to arrive at a reasonable esti-

mate of the capital employed by the company in producing and selling the particular goods. (*Vide* : The Monopolies Commission report on the supply of cigarettes and tobacco machinery, July 4, 1961. UK.)

10. *See* : Labour Appellate Tribunal Mill-owners Association, Bombay V/s. The Rashtriya Mill Mazdoor Sangh, Bombay, 1960.—(The Full Bench Decision).

11. The rate of return on paid-up capital under the Payment of Bonus Act is 8.5 per cent and rate of return on reserves is six per cent.

12. *See* : Report of the Bonus Commission, 1964, p. 51 Govt. of India.

13. *See* : S. 84 Income Tax Act.

14. Annual Survey of Industries, 1962, Vol. I,

CSO, Government of India.

15. *See* : Report of the Fiscal Commission, 1949-50. Govt. of India, Vol. I, P. 177.

16. Report of the Taxation Enquiry Commission, Vol. I, Chapter VII.

17. For a detailed study, *see* : Price Fixation in Indian Industries. (A study prepared in collaboration with the Institute of Chartered Accountants of India). The Indian Merchants' Chamber Economic Research and Training Foundation, Bombay 1967.

18. Monopoly Investigation and the Rate of Return on Capital Employed: A. Silberston and Solomons, Economic Journal, December, 1952.

19. Source : Ibid.

20. Fourth Five-Year Plan : A Draft Outline: Govt. of India, Planning Commission; (p. 86).

Regional Imbalances in Population and Income

DR. J. P. SAXENA

AN ATTEMPT has been made in this article to analyse the growth rate of population and income in India by states, which can provide guidelines for the formulation of population policy.

Table I reveals that, with the exception of the decade 1911-21, when the decennial percentage variation was—0.31, India's population has continued to increase rapidly with the passage of each decade. The trend got rather more accentuated in the preceding 10 years, 1959-69.

During 1941-51, the growth rate was slightly lower than that in the preceding decade. The annual growth rate of population increased from .0.57 per cent during the decade 1901-11 to 2.1 per cent during the decade 1951-61.

Faster Growth

In fact whereas in the sixty years (1901 to 1961), India's population (excluding Jammu and Kashmir), has increased by more than 84 per cent, the first twenty years (1901 to 1921) saw a net growth of only 5.35 per cent, the next twenty years (1921 to 1941) of 26.8 per cent over 1921 and the next twenty years (1941 to 1961) of 37.67 per cent over 1941. The decade 1951-61 alone has witnessed an increase of 21.50 per cent over 1951 and according to the estimates by the expert committee in the office of Registrar General of India, the decade 1961-71 would witness an increase of 28.55 per cent over 1961. Thus the population during 1951-61 grew 62 per cent faster and during 1961-71 grew 115 per cent faster than the rate at which it grew during 1941-51.

After 1961, the population has continued to grow even faster than it did dur-

ing 1951-61 as would be evident from Table II.

The growth rate went up steadily from 2.3 per cent in 1961 to 2.4 per cent in 1963 and 2.5 per cent in 1965, at which rate, the population has been rising unabated since then. This has been despite the vigorous governmental efforts to contain the population growth.

Impact of Family Planning

Nevertheless, this growth rate would decline to 2.4 per cent in 1974, 2.3 per cent in 1976 and the real impact of the family planning programme would be felt by 1980, by which time the population would reach 687 million. These projections¹ have been arrived at by the census office on the basis of the contemplated decline in general fertility. The present trends of the poor success of the family planning programme cast grave doubts about the accuracy of the above estimates and it is feared that our population would cross seven hundred million mark by 1980.

The alarming position of India's population growth is evident from the following facts:

- (i) Agriculture forms the largest single occupation of the majority of the workers. As many as 70 per cent of the total workers are engaged in agriculture.
- (ii) Productivity in agriculture is too low. Agriculture contributes only 50 per cent towards the total national income. Productivity in agriculture has remained at a low ebb because of traditional methods of farming, high cost of inputs (if one takes to mechani-

sed farming), poor or inefficient use of fertilisers, insufficient irrigation, inadequate availability of improved seeds at reasonable prices, inadequate credit and marketing facilities, etc.

- (iii) The per capita income² in India is among the lowest³ in the world. While the national income is rising, the per capita income is going down, naturally as a result of a more rapid growth of population than the national income.

- (iv) Birth rate is still high, i.e., 39 per thousand, but death rate has come down to 14 per thousand, with the result that the growth rate is more than 2.5 per cent per annum. At the current rate of increase the present population may double itself in next 28 years.

Table III reveals wide inter-state variation in the rate of population growth.

Growth Rates

As is seen from Table III the growth rate has been the lowest in Tamil Nadu, being 11.9 per cent, during 1951-61 against the all-India average of 21.5 per cent. Among the union territories, Goa, Daman & Diu registered a —1.7 per cent population growth rate during 1951-61, the highest growth rate of population among the states has been that of Assam (34.5 per cent) followed by West Bengal (32.8 per cent); and among the union territories, that of Andaman & Nicobar Islands (105.2 per cent) followed by Tripura (78.7 per cent) and Delhi (52.4 per cent). With the exception of Goa, Daman & Diu, the population growth rate has been higher among the union territories than among the states. The states, which have registered a growth rate of population less than the all-India average in 1951-61 are Andhra Pradesh, Bihar, Orissa, and Uttar Pradesh. Exceptionally enough Tamil Nadu has the lowest percentage growth rate.

The states which experienced a rise in the growth rate of population from 1951-61 to 1961-71 are Andhra Pradesh, Bihar, Kerala, Madhya Pradesh, Maharashtra, Mysore, Orissa, Rajasthan and Uttar Pradesh. The rise has been more significant in the case of Uttar Pradesh, Andhra Pradesh and Bihar. Despite this significant rise, the growth rate in these three states is lower than the all-India average of 28.55 per cent during 1961-71. Other states, which have a growth rate less than the all-India average are Maharashtra (27.5 per cent), Mysore (25.0 per cent), Orissa (22.2 per

TABLE I

DECENNIAL PERCENTAGE VARIATION IN POPULATION OF INDIA 1901-61

1901-11	1911-21	1921-31	1931-41	1941-51	1951-61
+5.75	—0.31	+11.00	+14.22	+13.31	+21.15

Source: Census of India 1961, Vol. I, Part IIA (i), General Population Tables, Table A-II.

TABLE II

POPULATION GROWTH RATE OF INDIA FOR DIFFERENT YEARS IN PERCENTAGE

1961	1963	1965	1967	1969	1971	1974	1976	1980
2.3	2.4	2.5	2.5	2.5	2.5	2.4	2.3	1.8

Source: Expert Committee Report on Population Projections

TABLE III

POPULATION GROWTH IN INDIA AND DIFFERENT STATES 1951-61 and 1961-71

	Percentage rate of growth of population	
	1951-61	1961-71
INDIA	21.5	28.5
States		
Andhra Pradesh	15.7	22.2
Assam	34.5	33.3
Bihar	19.8	28.3
Gujarat	26.9	28.5
Kerala	24.8	29.4
Madhya Pradesh	24.2	31.3
Tamil Nadu	11.9	8.1
Maharashtra	23.6	27.5
Mysore	21.6	25.0
Orissa	19.8	22.2
Punjab (including Haryana)	25.9	25.0
Rajasthan	26.2	35.0
Uttar Pradesh	16.7	25.7
West Bengal	32.8	31.4
Union Territories		
Andaman & Nicobar Island	105.2	51.5
Delhi	52.4	67.3
Himchal Pradesh	21.8	175.5
Manipur	35.0	49.3
Tripura	78.7	36.5
Goa, Daman & Diu	—1.7	10.8

Sources:

(1) Census of India, Paper No. I of 1962, 1961 Census.

(2) Report on the Population Projections worked out by Expert Committee, office of Registrar General India.



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cent), and Punjab, including Haryana, (25.0 per cent). Among the union territories, the remarkable rise in the growth rate of population from 1951-61 to 1961-71 has been witnessed by Himachal Pradesh, where the growth rate has reached the peak of 175.5 per cent in 1961-71 which is higher than in any of the states or union territories during this decade. Andaman and Nicobar Islands, which recorded the highest growth rate (105.2 per cent) during the decade 1951-61 registered a significant decline to 51.5 per cent during the decade 1961-71. The growth rate more than halved to 36.5 per cent in 1961-71 from 78.7 per cent in 1951-61 in the case of Tripura. Keeping in line with the all-India trend, Goa, Daman and Diu, registered a rise in growth rate from -1.7 per cent in 1951-61 to 10.8 per cent in 1961-71. On the whole with the exception of Tamil Nadu, Tripura and Andaman & Nicobar Islands, the population growth rate has increased from the decade 1951-61 to 1961-71 resulting in an increase in the all-India average from 21.5 per cent to 28.55 per cent. The growth rate has declined to as low as 8.1 per cent in Tamil Nadu, which is the lowest among all the states and union territories in 1961-71.

Process of Urbanisation

The process of urbanisation in India has neither been rapid nor uniform as is clear from Table IV.

In 1961, only 18.0 per cent of the total population was urban. The percentage of urban dwellers to the total population is highest in Delhi (88.7) followed by Maharashtra (28.2). The lowest degree of urbanisation is in Himachal Pradesh where according to 1961 census only 4.7 per cent of the total population is urban. Among the states, Assam, Bihar, Orissa, Uttar Pradesh, Kerala, Madhya Pradesh and Rajasthan have the urban population lower than the all-India percentage. Among the union territories, Manipur and Tripura are also backward in respect of urbanisation.

In Andhra Pradesh the growth in urban population during 1951-61 has been consistent with overall growth in population. The overall trend in India during the period 1951-61 has been a growth in urban population slightly in excess of the total population. During 1951-61 while the population increased by 21.5 per cent, the urban population increased by 26.7 per cent. The states which witnessed spectacular rise in urban population during 1951-61 are Assam (121.9 per cent), Orissa (86.4 per cent) and Bihar (49.2 per cent). Despite this spectacular rise in urban population, the proportion of urban population to total population in 1961

has been the lowest in these states. Among all the union territories the percentage rate of growth in urban population has been much above the all-India average. Manipur, however, recorded the highest growth rate, (2000 per cent). Delhi has been an exception, where the proportion of urban population to total population has been high in conformity to high growth rate of both the total population and the urban population. In other union territories, despite high growth rate in urban population, the proportion of urban population to total population has been lower. The states where the ur-

ban population has increased much faster than the total population are Assam, Bihar, Kerala, Madhya Pradesh and Orissa. In Tamil Nadu the growth rate of urban population is twice the growth rate of total population thereby raising the proportion of urban population to the total population to 26.7 per cent.

The per capita income in India is among the lowest in the world even after the implementation of three five-year Plans. It is a paradox that the national domestic product (NDP) is rising whereas per capita income is

TABLE IV
POPULATION GROWTH, URBAN POPULATION AND LITERACY IN INDIA AND DIFFERENT STATES IN 1951-61

	Percentage rate of growth of population (1951-61)	Percentage rate of growth in urban population (1951-61)	Proportion of urban population to total population in 1961 (Per cent)
1	2	3	4
INDIA	21.5	26.7	18.0
States			
Andhra Pradesh	15.7	15.7	17.4
Assam	34.5	121.9	7.7
Bihar	19.8	49.2	8.4
Gujarat	26.9	20.2	25.8
Kerala	24.8	39.6	15.1
Madhya Pradesh	24.2	47.6	14.3
Tamil Nadu	11.9	22.6	26.7
Maharashtra	23.6	21.1	28.2
Mysore	21.6	18.2	22.3
Orissa	19.8	86.4	6.3
Punjab (Including Haryana)	25.9	33.3	20.1
Rajasthan	26.2	10.3	16.3
Uttar Pradesh	16.7	10.2	12.9
West Bengal	32.8	35.9	24.5
Union Territories			
Andaman & Nicobar Islands	105.2	75.0	22.1
Delhi	52.4	62.9	88.7
Himachal Pradesh	21.8	44.4	4.7
Manipur	35.0	2000.0	8.7
Tripura	78.7	150.0	9.0
Goa, Daman Diu	-1.7	NA	NA

Source: Census of India, Paper No. 1 of 1962, 1961 Census, final population tables.

declining, naturally as a result of a more rapid growth of population than of NDP. According to a study⁴ conducted by the National Council of Applied Economic Research (NCAER), NDP at the all-India level in terms of 1960-61 prices has been estimated at Rs 10,658 crores in 1950-51, Rs 12,238 crores in 1955-56 and Rs 14,744 crores in 1960-61. Thus, according to this study, India's real national income has increased by 38.1 per cent during the decade 1950-51 to 1960-61. The per capita real national income increased from Rs 295 in 1950-51 to Rs 335 in 1960-61 thereby showing the average annual growth rate of 1.3 per cent.

Amongst the 14 states for which the NCAER estimated the NDP separately, Maharashtra achieved the maximum progress with a record increase of NDP by 58.7 per cent during 1950-51 to 1960-61, followed by Tamil Nadu (57.1 per cent) and Madhya Pradesh (54.5 per cent). Bihar was the only other state, whose NDP increased at a rate higher than the national average of 38.3 per cent. On the other extreme, Uttar Pradesh and Orissa increased their NDP by only 25.8 per cent and 27.5 per cent respectively during the same period.

Per Capita Income

As regards the per capita income, the study revealed that Tamil Nadu topped the list in increasing its real per capita income by 40.5 per cent during 1950-51 to 1960-61, obviously by keeping the population growth rate at a low level (11.8 per cent during 1951-61 which dropped further to 8.1 per cent during 1961-71), which is the lowest among all the states in India. Tamil Nadu is followed by Maharashtra which recorded 28.4 per cent increase in the per capita income during the same period. Madhya Pradesh and Bihar are the other two states where the rate of increase in the per capita income is higher than the all-India average, the respective figures being 24.4 per cent and 23.9 per cent. In West Bengal and Assam, population increased faster than the increase in NDP, therefore the per capita real income registered a negative rise, during 1951-61. In fact, Assam and West Bengal have the highest growth rate of population among all the states during the decade 1951-61 and it was this factor which was responsible for the negative growth rate of the per capita income. Tamil Nadu which had the lowest growth rate of population during 1951-61 witnessed the next highest (lower only to that of Maharashtra) growth rate of NDP and consequently the growth rate of per capita income has been the highest (40.5 per cent) in Tamil Nadu.

Although the growth rate of NDP has been the highest in Maharashtra (58.7 per cent) during 1951-61, yet the per capita growth rate has not been correspondingly high because of relatively high population growth rate (23.6 per cent). The growth rate of NDP has been the lowest in UP, yet the growth rate of per capita income has not been negative like that in Assam and West Bengal because the population growth rate

has not been too high in UP during the decade 1951-61.

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TABLE V

GROWTH OF POPULATION, NATIONAL DOMESTIC PRODUCT AND PER CAPITA INCOME BY STATES FOR 1951-61

	Percentage rate of growth of population (1951-61)	Percentage rate of growth of national domestic product (1950-51 to 1960-61)	Percentage rate of growth of per capita income (1950-51 to 1960-61)
1	2	3	4
INDIA	21.5	38.3	13.7
States			
Andhra Pradesh	15.7	29.8	12.3
Assam	34.5	32.0	-1.8
Bihar	19.8	47.3	22.9
Gujarat	26.9	34.1	5.7
Kerala	24.8	33.9	7.3
Madhya Pradesh	24.2	54.5	24.4
Tamil Nadu	11.9	57.1	40.5
Maharashtra	23.6	58.7	28.4
Mysore	21.6	32.8	9.2
Orissa	19.8	27.5	6.4
Punjab (including Haryana)	25.9	37.3	9.1
Rajasthan	26.2	33.9	6.1
Uttar Pradesh	16.7	25.8	7.8
West Bengal	32.8	30.1	-2.0
Union Territories			
Andaman & Nicobar Islands	105.2		
Delhi	52.4		
Himachal Pradesh	21.8	NA	NA
Manipur	35.0		
Tripura	78.7		
Goa, Daman & Diu	-1.7		

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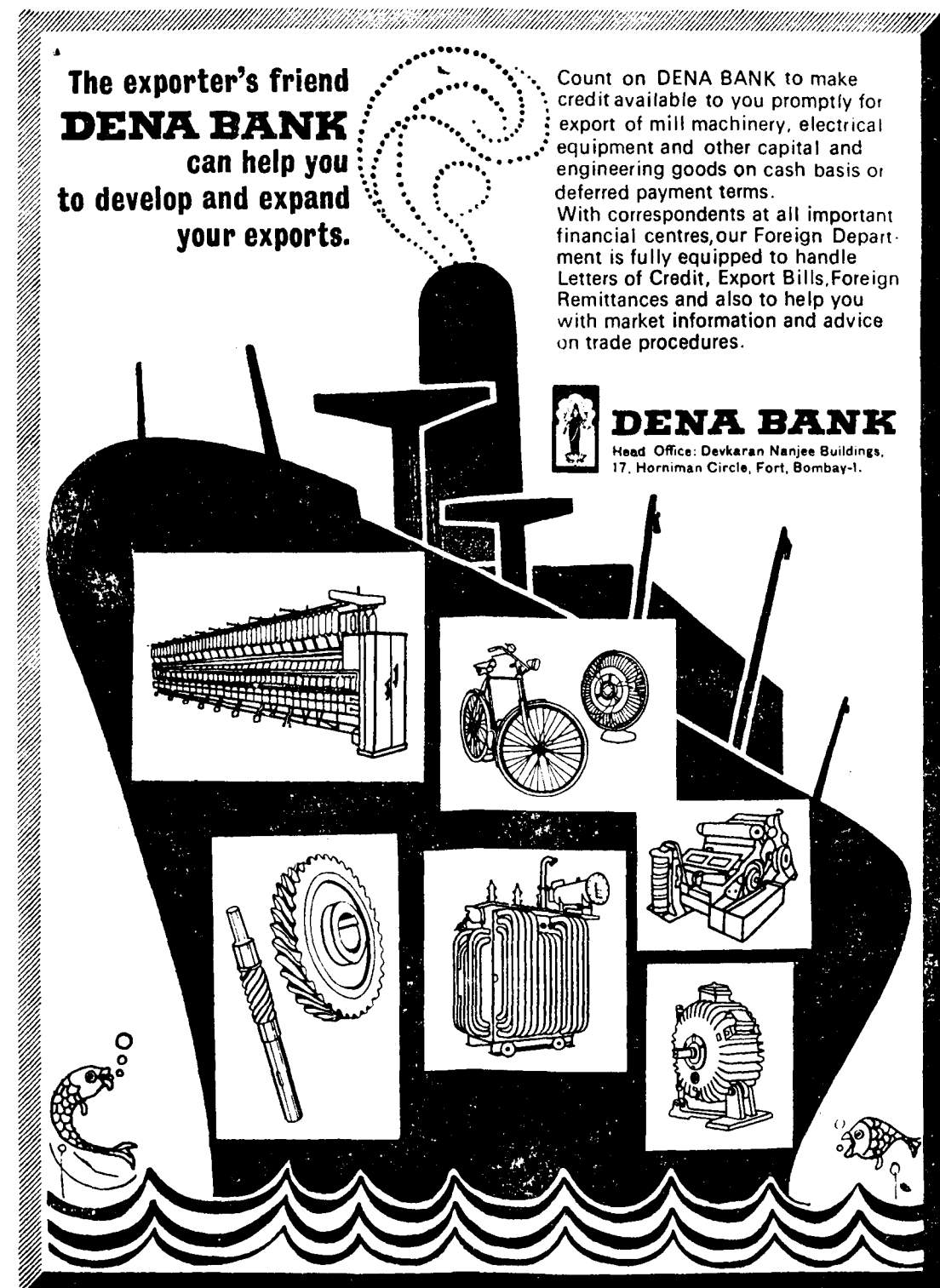
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WINDOW ON THE WORLD

Economic Trends in Europe

JOSSLEYN HENNESSY

I
INFLATIONARY STRAINS IN E.E.C.

LONDON:

ECONOMIC CONDITIONS in the EEC continue under considerable strains. Whilst it was expected that the pace of expansion would slow down in the course of the year, this has hardly been manifest so far. Admittedly, the growth of exports has in recent months declined; partly as a result, the Community's 1970 balance of trade will presumably produce a \$1,500 million deficit. On the other hand, internal expenditure, especially in fixed assets, has risen faster than was until recently assumed. Continued favourable sales prospects in the Common Market, a persistent shortage of labour and mounting costs have all contributed to a strong upward trend in investments. Higher costs have presumably brought only a limited pressure on profit margins because, in the current market situation, it has been easy to pass these on in prices. Similarly, credit restrictions have been insufficiently effective to investment spending. An enquiry for the current year indicates that businessmen generally have revised upward their investment plans as compared with the autumn of 1969. Owing to the steep rise in wages that has gone on since the end of 1969, private consumption has provided another strong stimulus. In this development, an important part is played by the tight situation on the labour market, in which ever more severe strains are now manifest. In West Germany and the Netherlands the ratio between vacancies and the number of unemployed has recently struck a new high.

New Estimates

These developments have prompted the European Commission to revise its earlier economic estimates. The new figures published in the latest Quarterly Review of Economic Conditions in the Community, indicate a six per cent rise in the volume of gross national product. Concern has been expressed, in particular, about the recent strong rise in prices. In the Commission's opinion, the measures taken by member countries to combat inflation have not produced satisfactory results so far; it is feared that consumer prices in virtually all member states will be up by between 4.5 and six per cent. Member states have again been urged that, within the framework of national budget

policies, they should give priority to measures to counteract inflation. If there is no early and adequate restraint on the expansion of internal spending and the strong upward trend in costs, the Commission fears that a cyclical downturn is inevitable in the longer term. Should it be possible, however, to restore the economic equilibrium in the individual countries, optimum use of productive capacity may again be assured in 1971, which could produce a 4.5 per cent increase in GNP at constant prices. The latest estimates concerning the trends of income and expenditure in the entire Community are reflected in the table given below.

West Germany

Whilst industrial output in West Germany has slowed, the volume of new orders received does not clearly indicate that the country's economy is cooling off. As compared with last year, consumer prices are up by about four per cent. This situation prompted the government in July to resort to fiscal measures, which included reduction of depreciation facilities and the introduction of a temporary 10 per cent surcharge in income and corporate taxes. However, West Germany's restrictive policy is more or less countered by an influx of foreign capital. In a period of a few months over \$2,000 million was added to the monetary reserves. After an earlier increase of the reserve ratios of the commercial banks, the central bank lowered the official discount rate by 0.5 per cent to seven per cent in the middle of July.

France

The bank rate in France was reduced for similar reasons; at the end of August, lowering of the central bank rates by 0.5 per cent resulted in an official discount rate of 7.5 per cent. Since devaluation, the foreign exchange position of France has improved appreciably; restored confidence and the high French

interest level led to an influx of foreign capital, which tended to increase the existing inflationary strains. Although consumer demand shows signs of weakening, the government does not yet wish to ease its restrictive policy. Consumer prices are now up by five per cent over a year ago, and industrial wages have on an average advanced by 10 per cent. On the other hand, increasing unemployment, caused by a strong rise in productivity, may force the government to ease its restrictive policy in the near future.

Italy

In Italy, the recently formed government has submitted a comprehensive programme which seeks to put the country's economy on a sound basis. Apart from tax increases aimed at restraining the inflationary effect of the strong upsurge in wages (in the middle of 1970, wages were up by about 17 per cent on the corresponding period last year) this programme provides incentives to stimulate production. The government has recently stated that it will not consider devaluation of the lira, because, in their view, that would only add to the disequilibrium of the economy.

Benelux Countries

In the Benelux countries, tight conditions in the labour market have accelerated the upward trend of wages, especially in the Netherlands, where under the impact of strikes, additional wage increases have been conceded in a number of industrial sectors; these developments will undoubtedly have an adverse effect on the country's balance of trade, which had already shown a worsening trend. In an effort to restrain overspending, the Netherlands government has recently announced new restrictive measures, including a temporary increase of income and corporate taxes, a levy on new investments in business premises, together with a wage pause, all of which should take effect as from January, 1971.

II

THE CRAWL TO FLEXIBILITY

It was inevitable that in the run-up to the International Monetary Fund

TRENDS IN INCOME AND EXPENDITURE
Per cent change over previous year

	1969		1970	
	Volume	Value	Volume	Value
Gross investment in fixed assets	9.5	16.0	8.5	17.5
Government spending	4.0	41.0	3.5	10.5
Private consumption	6.5	11.5	7.0	12.0
Gross national product	7.0	12.5	6.0	12.0

meeting at Copenhagen the debate should once again have turned to a reform of the world monetary system. It was equally inevitable that in the process a number of issues which might with advantage be looked at, one at a time should have been treated as one. Three separate questions were in fact brought under the general head of desirable change.

The first of these was whether Britain should float the pound. Secondly, there was the problem — particularly preoccupying the Americans — of how best to secure a slightly greater degree of flexibility than at present. Thirdly, the general proposition that the whole world might find its way out of existing difficulties by switching to a system of floating exchange rates was once again canvassed.

Predictable Result

The discussion — confused though it was at times — had one predictable result. For a short period in September sterling came under pressure. With no sign of a break in the upward pressure of British prices and wages, with the present external position hopelessly obscured by the aftermath of the dock strike, and with a new government seeking to break out of the constraints which have bedevilled British economic policy for years, there were bound to be some who were tempted to believe that there might be a fundamental change in the approach to the balance of payments problem. As it turned out, the belief was quickly dispelled.

The new Chancellor, let it be known, was firmly committed to the \$2.40 parity and was able to support this commitment by telling his Commonwealth colleagues that the latest available treasury forecast saw a current account surplus for the UK of £500 million in the twelve months to end-June 1971. The forecast, of course, is worth no more and no less than all such exercises, which means precious little but its effect on policy is none the less for that.

One can, of course, argue that the Chancellor's commitment is also of little value. After all no finance minister is ever willing to admit that he is prepared to envisage a parity change until the moment when that change is actually announced. But in this particular instance there is no reason to doubt that what Mr Anthony Barber has been saying does faithfully represent the government view. This does not mean that the government will, if it should ever find itself in that unenviable position, hang on for too long to an unrealistic parity, or that, should it find itself forced to abandon \$2.40, it would not float the

pound either as an interim measure or perhaps even for a longer term. What the government clearly does believe, no doubt fortified by the above-mentioned forecast, is that the present rate is viable. As long as it believes that, it is clearly not going to risk a venture into the unknown.

III

FLOATING RATES IMPRACTICAL

In theory the argument that the exchange rate should be set by the market is undoubtedly attractive. But for a whole variety of reasons the prewar period when the pound was on a "managed float" affords little guidance to what might happen if the experiments were repeated. For one thing, governments in those days were not regarded as obliged to maintain full employment nor widely considered capable of so doing. Secondly, the world was going through a great depression and a managed rate was only one of the means used to protect the domestic economy from the worst of the impact. In present circumstances it is difficult to imagine that other countries would stand idly by, while a major trading nation managed its exchange rate so as to achieve maximum benefits for itself.

Nor it is readily conceivable that, to prevent a world of manipulated rates, nations would simply abandon the control which they now exercise in foreign exchange markets and allow rates to float freely. The exchange rate after all is a key factor in determining the level of prices and thus of wages and output. The argument of the floaters is that the market would accurately reflect the level of relative costs and that the speculators would play their rightful role in ironing out excessive fluctuations.

In An Ideal World?

But experience is not on their side. "Speculators" are no more immune from emotion than other citizens. This year's behaviour of Wall Street has shown how rapidly sentiment can change, taking prices with it. At present, moreover, it is highly doubtful whether any government is to be trusted with a floating rate. The need to maintain a parity for political reasons helps to concentrate the mind wonderfully. Of course the application of an external discipline can be taken too far. The situation may have deteriorated beyond recovery, and failure to recognise this will cause great damage; but the fact that discipline may be abused is not a reason for having no discipline at all.

In an ideal world, governments would

not merely aim at, but succeed in, achieving the maximum rate of growth compatible with monetary stability (defined as the minimum rate of inflation needed to maintain expansion without endangering social and economic long-run objectives). It is now generally accepted that this can only be done if monetary and fiscal policies work in harness. In these circumstances, major changes in the exchange rate would occur only if for some reason, beyond the control of governments, the price structure of a country changed suddenly in relation to that of other trading nations (for example, through the exhaustion, or the discovery, of natural resources or some technological breakthrough). Smaller changes might prove necessary because it is improbable that even ideal policies would preserve relative cost levels stable indefinitely. But the present system, with some minor modifications, does allow for sensible adjustments if only the political will were there.

Some modifications are obviously desirable. The International Monetary Fund has itself recognised the need to impress on governments that a given exchange rate should not be identified with national prestige, and has suggested (in the most tactful way) that there might be occasions when the managing director of the IMF might take the initiative and raise the question of a parity with a given government.

But the IMF has been dragging its feet on the two proposals which have been put forward to give the IMF's rules greater flexibility than they have at present; a widening of margins to, say, two per cent either side of the parity and a provision for temporary floating.

IMF Represents a Consensus

The Fund is bound to represent a consensus and for this reason it has inevitably been influenced by the desire of some members of the Six not to allow any scope for generally greater flexibility until the Community has secured a significant advance towards monetary union. The IMF has had to take into account the opposition of the Japanese, who are afraid that any change may increase the pressure on them to revalue the yen. It is at least possible that the Canadian decision to float the dollar has hardened the opposition to temporary floating.

But if only because a widening of margins would let other currencies appreciate marginally against the dollar, and at all times give central banks a slightly greater measure of freedom when faced with speculative movements which should be controlled because they do not reflect underlying

economic forces, such minor reforms are worthwhile. Nor, as the experience of the D-Mark showed, is it possible to argue that the system cannot stand up to a temporary float. On the contrary, it might well be maintained that but for the float the D-Mark's new parity would have been set at a lower level.

Whether any advance is now possible in the absence of any major crisis is doubtful. The British government must share part of the blame for this because it has never succeeded in divorcing the considerations of what might be desirable in the long-run from short-term preoccupations with the movement of sterling in the foreign exchange market.

China's Foreign Trade

K.K.G. NAMBIAR

GONE ARE the days when countries in the west considered trading with communist China as an ideological sin. The trend today amongst them is to look upon China as a potential and enduring market for a variety of their products. Countries, such as Italy and West Germany, in recent years, have recognised China with a view to expanding trade and economic relations with her. Press, TV and other publicity media in the west have begun to speak charitably about China's industrial progress which boosts her image as a trade partner.

The USA, which during all these years hardly recognised China's existence, is also willing to establish trade relations with her. The recent announcement of President Nixon that American citizens will be allowed to travel freely to China and also to purchase small amount of Chinese goods is not without significance. The USA cannot afford to neglect one of the world's largest markets for an indefinite period, especially when American goods are facing keen competition in the international market.

Urge for Outlets

On her part, China is also anxious to forge closer trade relations with as many countries as possible. She wants to seek increasing outlets for her goods and also secure a wide variety of machinery and equipment from countries which have developed them to accelerate her industrialisation based on modern technology. With China's industrialisation becoming more and more sophisticated she can hardly afford to keep herself isolated from the realm of world trade. Besides needing massive quantities of foodstuffs (especially wheat) and fertilisers China today requires

But such fears, and the objections to any radical departures into uncharted territory, should not preclude a move towards improving what we have now got.

Acknowledgements and Sources

The foregoing is based on the latest report that has reached me from the Bank Mees and Hope NV (Amsterdam) and the latest European News Letter from the Ionian Bank Ltd. (64 Coleman Street, London, EC 2), but these banks are responsible neither for the emphasis of my summaries nor for my interpretative comments, based on a variety of sources.

chemicals, plastics, non-ferrous metals, artificial fibres, iron and steel products and machinery for producing machinery. These are China's principal imports today.

In 1968, China's foreign trade amounted to US \$3,620 million — imports \$1,762 million and exports \$1,858 million. Rice, basic chemicals, coal, textiles, soya bean, meat etc., are China's principal exports. A number of countries in the west, West Asia, and Africa continue to import more and more textiles from China. Chinese textiles are said to be cheaper compared to many textile exporting countries, including Japan and India. In recent years, China has also been exporting various types of machinery and equipment both to the communist and non-communist countries.

The Main Supplier

An analysis of China's trade with different regions indicates that west Europe is China's significant trade partner. She has extensive trade relations with almost all countries in this region. Her exports to West Germany in 1968 were to the tune of US \$86.5 million against US \$76.5 million in 1967. In 1968, China's imports from West Germany totalled US \$175.2 million against US \$206.5 million in 1967. France, Italy and the Netherlands are her other major trading partners in west Europe. In early last year, France held an industrial and trade exhibition in Peking which was considered to be an important event in Chinese-French trade relations. Organic chemical products constituted the largest item of Italy's exports to China while West Germany's supply mainly consisted of fertiliser and machinery. Wheat at a subsidised price is the major item exported by France to

China. Imports by these countries from China usually comprised raw silk, dried vegetables, oilseeds and meat.

The Commonwealth group of countries are also China's major trading partners. Because of their large sale of wheat, Canada and Australia continue to head the list of Commonwealth suppliers. In 1968, China's import from Canada totalled US \$151.2 million against \$84.5 million in 1967. Nevertheless, imports from Australia declined to US \$89.5 million in 1968 from \$191.2 million in 1967. China's exports to Canada and Australia in 1968 totalled \$21.7 million and \$30.6 million respectively. Britain is also an important trading partner of China and the latter's exports to the UK in 1968 were of the order of \$82.3 million. The UK's imports from China during the same year were valued at \$63.3 million — a decline of \$40 million from the year 1967. China's imports from Britain mainly consisted of capital equipment, scientific and controlling instruments, platinum, copper and lead. Britain is an important buyer of China's textile fibre.

Trade with East Europe

China's imports from east European countries consist mainly of machinery and equipment. In 1969, China signed trade agreement with a number of east European countries, such as Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania and Yugoslavia. These agreements aim at substantial increase in the trade volume. Normally trade transactions with communist countries are cleared by delivery of goods and occasionally by currency transactions.

Despite unfavourable political relations between China and Japan, there is a flourishing trade between these two countries. The total trade turnover between them in 1968 totalled US \$549 million—Japan's exports to China \$325 million and imports from China \$224 million. In 1969, the figure is estimated to be around US \$600 million of which the value of Japan's exports to China is said to be \$350 million.

Japan's major exports to China are steel, machinery and chemical fertilisers, while principal imports from China are soya bean, silk, rice, meat, marine products and industrial salts. Since China's demand for steel and fertilisers has been growing, the trade falls heavily in favour of Japan. Despite insistence by China for trade equilibrium, the imbalance continues which is partly due to some hesitancy on the part of Japan to buy what China wants to sell.

Last year, Japanese businessmen trading with China agreed in principle

to a Chinese proposal that the Japanese yen and the Chinese yuan should be used in quoting trade accounts in place of the British pound. China has promised protection from exchange risk in case of any change in the value of the Chinese yuan.

Other countries with which China is rapidly expanding her trade relations are Pakistan and Ceylon. The total trade turnover between Pakistan and China in 1969 was about \$30 million of which Pakistan's imports from China was of the order of \$15 million. Regular trade agreements between China and Pakistan are entered into under which Pakistan imports from China industrial raw materials such as coal, and such consumer goods as tea. Under the 1968-69 Sino-Pakistan trade agreement, Pakistan agreed to import 10 million lbs of tea from China.

Trade with Ceylon

In respect of Ceylon, China's principal import from the country is rubber while Ceylon places great reliance on China for her rice requirements. In 1968, Ceylon supplied China 78,000 tons of rubber and China in turn, supplied 200,000 tons of rice to Ceylon. In 1969, too, Ceylon agreed to buy 250,000 tons of Chinese rice in exchange of rubber.

Trade volume between China, Singapore and Malaysia is substantial while it is very significant in respect of countries such as Burma and Cambodia. Of all the countries, Hong Kong continues to be the major market for Chinese goods. China's export to Hong Kong in 1968 stood at US \$ 310.2 million against \$291.4 million in 1967.

Besides making serious efforts for trade expansion with countries in various regions, China also explores several avenues to build economic relations with developing countries by providing them technical and financial assistance for industrial projects and also to build infrastructure facilities. In east Africa, for instance, China is building the Tanzania-Zambia railway line which is reckoned as a very significant project ever aided by China. When completed, this 1,000-mile railway line will link Zambian copper belt with the sea-port of Dar-es-Salaam. A large textile mill, was built in Tanzania through Chinese aid. Pakistan has been the recipient of Chinese aid—both technical and financial—in the construction of Pakistan's heavy mechanical complex at Texila.

After the Chinese attack on India in 1962, trade relations between these two countries broke down. Even after eight years of this incidence, we have

not been able to explore the possibility of separating politics from trade. This is unfortunate. It reflects the failure of India's economic diplomacy. The world as a whole, including the USA, now appreciates the immense advantages of cultivating trade relations with the world's largest populated country. With the progress in the industrial develop-

ment in both the countries maintaining its tempo, there is scope for considerable expansion in trade between the two countries. Therefore, if they can persuade themselves to remove political hostility and tension which now act as a strong barrier against trade relations between the two countries, the mutual benefit will be substantial.

Inflation, Unemployment and the Election

GERARD A. DONOHUE

WASHINGTON:

IN A political campaign that produced some of the strongest political rhetoric in recent years the state of the nation's economy came under relatively minor attack.

Of course, Democratic candidates blamed the Republican Administration for "high unemployment" and "continuing inflation."

And, of course, the Republicans defended the Administration's record of "checking inflation" inherited from the last Democratic Administration."

Perhaps a member of the President's Council of Economic Advisers, Mr Herbert Stein, best summed up the differences between the two parties on economic policies when he said, "the performance has not been as good as we said it would, but much better than we say it would have been if the Democrats were in office. On the other hand, the performance has been better than the Democrats said we would do, but not as good as they said they would have done if they had been in office."

Blaming the Democrats

This is hardly the stuff of ringing slogans to inspire the minds and passions of voters. But it is true. There are no really fundamental irreconcilable differences between the Democrats and the Republicans. Both parties believe in the free market and both parties believe the government has a responsibility for promoting the economic well-being of the citizens through fiscal and monetary policies, as expressed in the Full Employment Act of 1946.

And certainly both Democrats and Republicans want to end the inflation that began in 1965 without causing unemployment to rise to unacceptable levels.

And, again in general, most econo-

mists, businessmen and the candidates themselves, if not the full membership of the parties, understand and agree on the broad strategy to cool off the economy, but there are disagreements on tactics. Many Democrats would prefer relaxing monetary and fiscal policies to reduce unemployment at the risk of increased inflation. Just before the election Mr Charles E. Walker, the Under Secretary of the Treasury, said, "This Administration will not be fully satisfied until any person who is able, willing and seeking to work, can find a useful employment opportunity."

No More Slogans

"But," said the Under Secretary of the Treasury, who is a professional economist, "to attempt to buy low unemployment at the price of a high rate of inflation — as our critics seem to suggest — would ultimately be self-defeating, with an ultimate severe reaction and return to the high unemployment levels of the early 1960's. Unfortunately, the science of Economics can be quite complicated at times, and the effects of decisions made in one year are often not felt until months or years later."

So it is with the inflation that the nation had between 1965 and 1968 and is just now ending. The decision to send large numbers of troops to Vietnam, and increase government spending for social purposes without increasing taxes, inevitably led to inflation in following years. And conversely, restoring price stability has taken longer than many had expected. But in the heat of campaign oratory, complex economic strategies and time lags are not easily explained by those in power, and often overlooked by their opponents. As Mr Stein also said, "the discussion of economic development has become exclusively political in the last few weeks." Now that the elections are over, perhaps economics can be discussed as "economics" and not "politics."

Trade Winds

L.I.C.-BANKS LINK-UP

THE LIFE Insurance Corporation has constituted a committee in association with nationalised banks to work out a scheme to link up deposits with insurance cover. Under the scheme, it is proposed that banks should pay in the event of the death of a depositor not only the amount deposited but also an additional insurance amount. Announcing this, the Chairman of the LIC, Mr T. A. Pai, told newsmen recently that two alternatives would be considered: (i) whether only accidents should be covered or (ii) whether ordinary death of a person should also be covered.

Mr Pai also disclosed that a bill to include flats in the mortgage schemes for financing housing construction had been prepared by the LIC on behalf of the government. This scheme had been submitted to the union Ministry of Housing as well as to state governments.

With a view to effecting a close liaison between the banking industry and LIC for the furtherance of service to the LIC policyholders, it has been proposed to the nationalised banks whether they can start insurance service counters in their organisations. To begin with, the Syndicate Bank has agreed to implement this proposal in two of its branches in Delhi. These counters would guide the public in respect of new business proposals of LIC, maturity and death claims, etc. Through this service, it is hoped that policyholders' claims on LIC would be settled much more expeditiously than is the case at present. The banks will also help policyholders with advances in emergency cases against their life policies.

TEXTILE EXPORTS TO FRANCE

A high level delegation of French textile interests, which was here recently told newsmen that there was very good scope for the export of Indian handloom fabrics to France, provided the manufacturers could supply big quantities of approved fabrics and also could maintain quality. The French manufacturers of ready-made garments, it was revealed, were interested in setting up collaboration ventures here with a view to exporting garments not only to France but also to other countries. The delegation further observed that besides handloom products, the French manufacturers were also interested in Indian brocades and laces.

There was, however, not much scope for exporting mill-made cloth from India to France. This was due to two reasons: (i) there were quota restrictions in France on the import of such fabrics (no quota restrictions are there on the import of handloom fabrics); and (ii) the Indian mill-made cloth has to compete with cotton fabrics from other countries. During its visit to Bombay, the members of the delegation, it was claimed, had already purchased some 20,000 metres of sample fabrics. Further large quantities of samples were proposed to be collected during the visit of the delegation to other centres, particularly Varanasi.

The delegation also expressed the view that there was good scope for India exporting to France such leather products as shoes, belts, bags and leather dresses. This line of exports, it was however stressed, would be looked into in greater detail by some other manufacturers who will be visiting India later this month as members of a trade delegation from France, which is being sponsored by the National Association of French Manufacturers. This delegation will also include representatives of engineering, metallurgical, chemical and other industries.

LOCKHEED TALKS

The President of the Lockheed Aircraft Corporation, Mr Carl Kotchian, had talks recently with the Ministry of Civil Aviation and the management of Air-India and Indian Airlines with a view to making them interested in his corporation's latest jet plane—L-1011 Tristar—which, it was claimed, had been designed to provide the capacity needs for the constantly growing volume of world airlines traffic in the 1970s and beyond. Mr Kotchian expressed the view that Indian Airlines would be needing in 1973 much bigger aircraft on its trunk routes than the Carvalles or Boeing 707s. The Tristar, which has a capacity to carry 250 to 345 passengers, he opined, could fully meet IA's requirement. Air-India, Mr Kotchian felt could use the Tristar on its flights to the neighbouring African, west Asian and south-east Asian countries.

Mr Kotchian claimed that the Tristar—a trijet—was more economical to operate and much more comfortable than any other comparable plane. On what is known as the "golden triangle", it can break even at nearly 35 per cent occupancy. The operating costs of the

Tristar, he said, were 30 per cent less than those of Boeing 707. The seating arrangement in the Tristar, he emphasised, had been so designed that there would be only two adjacent seats in a row. Costing nearly \$ 15 million a unit, it would cost nearly 50 per cent of what is spent at present on carrying a passenger. Another important point which Mr Kotchian made was that the Tristar could be operated in India without any modifications of the present airports. Powered by Rolls-Royce engines, it can cruise at over 600 mph at an altitude of 35,000 feet. Its operational range is 3,000 nautical miles.

Mr Kotchian revealed that the engineering test flight of the aircraft is scheduled in the middle of this month. Air-India is expected to send a delegation to witness this flight.

SECOND DEVELOPMENT DECADE

The Second United Nations Development Decade starting from January 1, 1971, was adopted by the Second Committee of the General Assembly of the United Nations recently. The strategy for the second United Nations Development Decade was under preparation in a number of forums of the United Nations for about two years. A number of eminent economists, statesmen and world renowned authorities on the problem of development had given the benefit of their thinking on the subject to the preparatory committee of the United Nations, which was mainly responsible for formulating the strategy. Dr Raul Prebisch, the ex-Secretary General of UNCTAD, was one of the first eminent personalities who advanced the idea of a global strategy for development. The idea was debated at UNCTAD I in Geneva and later elaborated in the Algiers Charter and UNCTAD II in New Delhi. Recently the declaration of the non-aligned powers meeting at Lusaka gave it a powerful stimulus. The reports of the Pearson Commission on development and of the committee of development planning under the chairmanship of Professor Jan Tinbergen, and consisting of eminent economists from both developed and developing countries, influenced the formulation of an organic thinking on the subject. The final drafting and agreement was on an inter-governmental level reflecting the positions of the governments of both developed and developing countries.

ASSISTANCE FROM F.A.O.

This country is to receive financial assistance of over 212,000 dollars from the FAO under an agreement signed in New Delhi on November 3, 1970. The FAO assistance, which will include technical advice, is for four specific projects towards which India's contri-

bution will be of the value of 618,287 dollars. These projects are Farmers' Training and Extension Service, the establishment of hatcheries in India, the development of rural youth clubs in Udaipur and Young Farmers' Training Centre at Rakhra, Punjab. The equipment and supplies for these projects, either foreign or bought locally, will be provided by the FAO. The execution will be the responsibility of the Ministry of Food and Agriculture with the help of FAO's technical expertise. An amount of 16,800 dollars as FAO's contribution with the equivalent of 25,000 dollars to be spent by the Government of India has been earmarked for the three-year project under the title head of Farmers' Training and Extension Service. It aims at bringing agricultural service and technology to the farmer's doorsteps and imparting knowledge through trained scientists and technologists.

A two-year project for the establishment of hatcheries has been allocated 103,500 dollars as international contribution and the equivalent of 492,200 dollars in rupees by the Government of India. Under the project, five hatcheries are to be set up, each with a capacity of 50,000 eggs, located at the central government's regional poultry farms at Bangalore and Bombay, the integrated poultry project at Chandigarh and at locations to be selected in West Bengal and the union territory of Delhi.

LOAN PRICE REVISION

The Reserve Bank of India, in its open market operations has resumed purchases of short-dated loans with changed prices. It has also made changes in the prices of several medium and long-dated loans in an effort to adjust to a definite yield pattern comparable to the yield offered on the recently issued 4.50 per cent 1977 loan. The spread between the yield on the central loans and state loans of comparable maturity has also been narrowed down. The Reserve Bank has resumed the purchases of the three short-dated loans, namely the 4.5 per cent, 1971, the 4.25 per cent 1972 and the 4.5 per cent 1972 loans but with changed prices. The bank has also started purchasing the 4 per cent 1972 loan at Rs 100.05 and the 4.75 per cent 1972 loan at Rs 101.25. The bank will now buy the 3 per cent Conversion Loan at Rs 60 in small lots. The purchase prices of other loans are as follows (with previous purchase prices in brackets) 4.5 per cent 1971 Rs 100.50 (Rs 100.60), 4 per cent 1972 Rs 100.05, 4.25 per cent 1972 Rs 100.50 (Rs 100.40), 4.5 per cent 1972 Rs 100.90 (Rs 100.95), 2.75 per cent 1976 Rs 91.50 (Rs 91.65) and 4.75 per cent 1972 Rs 101.45. The first four loans the

Reserve Bank will buy in switches only, while the last two occasionally. The bank will also buy occasionally in switches the seven per cent gold bonds 1977 at Rs 115 against the previous price of Rs 116 and the seven per cent gold bonds 1980 at Rs 118.40 against the previous price of Rs 117. The bank has been selling the new 4.5 per cent 1977 at Rs 100.20 in small lots. It has also started selling the four per cent 1981 loans at Rs 94.95. The prices of other loans have been changed as follows (with previous selling prices in brackets): 4.25 per cent 1973 Rs 100.45 (Rs 100.40), four per cent 1973 Rs 99.85 (Rs 99.90), 3.75 per cent 1974 Rs 98.45 (Rs 98.10), 4.25 per cent 1976 Rs 99.40 (Rs 100), four per cent 1980 Rs 99.55 (Rs 96.70), five per cent 1982 Rs 102.25 (Rs 102.10), 4.5 per cent 1985 Rs 95.85 (Rs 99), 4.5 per cent 1986 Rs 95.15 (Rs 98.75), and 4.75 per cent 1989 Rs 97 (Rs 98.90). The selling price of the 5.5 per cent 1990 has been kept unchanged at Rs 103.50, of 5.5 per cent 1992 at Rs 101.50, of 5.5 per cent 1995 at Rs 101, of 5.5 per cent 1999 at Rs 100.40 and of 5.5 per cent 2000 at Rs 100.05.

INDO-NEPAL TRADE

It has been agreed between India and Nepal that the current negotiations will be concluded during the course of the month and, in the meanwhile, the existing arrangements for mutual trade and transit will continue. One of the factors that caused delay in the signing of the agreement is said to include Nepal's demand for transit to East Pakistan via Radhikapur.

U.S. FERTILIZER TEAM

The chairman and members of the board of directors of Co-operative Fertilisers International (CFI) were on a week's visit to this country for finalisation of arrangements for setting up two fertiliser plants in the co-operative sector, located at Kalol and Kandla in Gujarat. Their organisation is collaborating with the Indian Farmers Fertiliser Co-operative Limited (IFFCO) for setting up the two plants. During their stay in Delhi, the team met the Minister for Food and Agriculture, Mr Fakhruddin Ali Ahmed, secretaries of the ministries of Food and Agriculture, Economic Affairs and Petroleum and Chemicals, other officials of the Government of India, the US Ambassador and other officials of the Agency for International Development. Earlier the team had visited co-operatives in Meerut. On conclusion of their visit here, the team will visit Ahmedabad, Anand and Bombay before their departure to the United States. The team includes Mr Kenneth F. Lundberg, the

President and the Chief Executive Officer of the CF Industries, Inc., Mr Owen Cooper, Vice Chairman of CFI and President of Mississippi Chemical Corporation and Coastal Chemical Corporation and Dr Allie C. Felder, Co-operative League of USA representative in India. Under the Project, the manufacturing facilities will be owned and operated by the Indian Farmers Fertiliser Co-operative (IFFCO), and will be located at two sites in Gujarat. IFFCO will market an annual production of 800,000 tons of high-analysis fertilisers to its members comprising about 40,000 co-operative societies. These member co-operatives serve farmers in ten states which include major agricultural belts. The IFFCO fertiliser complex will include a 910 metric-ton per day anhydrous ammonia plant, a 1200 metric-ton per day urea plant and a granulation plant with a capacity of 375,000 metric tons of high-analysis complex fertilisers a year. The granulation unit will be located at Kandla and the nitrogen facilities unit will be located about 300 kilometres inland near the natural gas fields of Kalol. Co-operative Fertilisers International is providing technical and managerial assistance to the Indian co-operatives in completion of this project. Areas of assistance include the project and operation management, agronomics and marketing.

EXPORT PROMOTION CELL

The union Ministry of Industrial Development and Internal Trade has decided to set up a special export promotion cell to explore possibilities of exporting products manufactured by small-scale industries in the country. The cell will undertake the following measures: (i) Identification of the export worthiness of the units in the small-scale sector; (ii) locating the foreign buyers; (iii) dissemination of the information regarding export for the benefit of the small industrialists; (iv) organising and conducting export promotion courses for the benefit of small industrialists; (v) rendering export promotion consultancy work; (vi) helping the small industrialists for working out the c.i.f. and f.o.b. prices and preparation of other export documents; (vii) assisting small industrialists in the procurement of raw materials, machinery and finance; and (viii) assisting small industrialists in preparation of literature, catalogue etc.

NAMES IN THE NEWS

Mr Dev Kanta Borooah, MLA, Assam, has been re-nominated as Chairman of the Board of Directors of Oil India Ltd for one more year from November 2, 1970.

Company Affairs

GLAXO ADDRESS

THE STATEMENT of Mr Iain MacKinnon, Chairman of Glaxo Laboratories (India) Limited, to the shareholders of the company, which relates to the year ended June 30, 1970, has a special interest and a large significance against the background of the central government's current attempt to regulate prices and profits in the pharmaceutical industry. This statement is published elsewhere in this issue and readers will, no doubt, welcome its note of restraint as well as its candour.

There has been an attempt at political or other levels to represent the government's latest decisions relating to the prices of drugs and pharmaceuticals as a simple and straight attempt at curbing excess profits made by the industry and thereby reducing the cost of essential medicines to the common man. Mr MacKinnon's statement makes it clear that such a view of the government's policy would amount to an oversimplification of its consequences. From the point of view of Glaxo, its chairman explains that the latest price control regulations will bear particularly heavily on companies such as his, which have been following a socially responsible pricing policy all along and aiming at improving profitability of operations essentially through reducing costs and increasing turnover, rather than seeking large profit margins on individual products. This is a point of view which certainly deserves careful study in the Ministry of Petroleum and Chemicals which is currently examining the implications of its price control decisions in consultation with the industry.

On more general grounds, Mr MacKinnon has discussed the adverse impact which an arbitrary and unrealistic price control policy is bound to have on developmental activities, such as, for instance, research or exports. Mr MacKinnon naturally refrains from taking a pessimistic view of his company's or the industry's prospects, but he emphasizes quite rightly the avoidable difficulties which would result from government ignoring the reasonable and legitimate need of the industry to maintain over its range of production a level of profitability which would attract new investment as well as make it possible for sufficient allocations being made out of current earnings to research and development. Incidentally, not the least of the merits of Mr MacKinnon's state-

ment is its value in placing in perspective some of the increases in the prices of drugs which manufacturers had sought to effect in the wake or in terms of the government's price control order.

KESORAM INDUSTRIES

The directors of Kesoram Industries and Cotton Mills Ltd have proposed a dividend of 10 per cent for the year ended March 1970 on an equity capital increased by the bonus issue as against 13.5 per cent paid previously on the old capital. The dividend both on the ordinary and preference shares are payable out of general reserve No. 2 and dividend reserve.

HYPINE CARBONS

Hypine Carbons Ltd entered the capital market on November 11, with a public issue of Rs 10 lakhs made up of 100,000 equity shares of Rs 10 each. The entire issue is underwritten. The list will close on November 19, or earlier at the discretion of the directors but not before November 14. The company proposes to manufacture activated carbons. No foreign exchange is required for the project. It is indigenously designed and locally fabricated. Know-how and technical assistance have been obtained from the Regional Research Laboratory, Hyderabad. The plant will produce activated carbon, refined pine tar and pine charcoal, valued roughly at Rs 50 lakhs at current prices. Plant and machinery for the first phase of manufacture of activated carbon from pine charcoal have already been installed and the company expects to go into production shortly.

DEPRO FOODS

Depro Foods Ltd, a new company registered in Haryana early this year, entered the capital market on November 11 with a public issue of 72,500 equity shares of Rs 10 each and 5,000—9.5 per cent redeemable cumulative preference shares of Rs 100 each. The company has an authorised capital of Rs 25 lakhs. The capital already issued and subscribed is Rs 7.25 lakhs. Construction work on the project for dehydrated and canned products has been started at Rai, near Sonapat. The factory is expected to be commissioned in the middle of 1971. The issue was proposed to be closed on November 23, or earlier at the discretion of the

directors but not before November 14, 1970.

HYDERABAD ALLWYN

Hyderabad Allwyn Metal Works Ltd, which suffered a further setback during the year ended April 30, 1970, is expected to show improvement in its working for the current year. The company's report for the current year states that its production and sales are improving and that it is expected to be very close to the breakeven level. The production of refrigerators is scheduled to rise to about 25,000 units this year from 18,000 units in 1969-70. The company has recently introduced a new product, bottle cooler, which is expected to add substantially to its production and sales this year. The position in respect of contract works and bus-building jobs as well as orders from LPG cylinders is much better this year compared to last year. This has enabled the company to utilise its resources better. The company's working for 1969-70 has resulted in a loss of Rs 90.68 lakhs against a loss of Rs 39.05 lakhs for the previous year. The loss has been arrived at after providing Rs 14.54 lakhs for depreciation. Its turnover had dropped from Rs 4.02 crores to Rs 3.67 crores because of the scarcity of raw materials.

CENTRAL INDIA

Mr N.H. Tata, Chairman of Central India Spg. Wvg. and Mfg. Co Ltd stated recently that the production pattern of the company has undergone a change and its cloth is now in demand. The management has been doing its best to improve the working further, he added. He felt that the company would be in a position to do something for its shareholders by 1973-74 which would mark the centenary of the house of Tatas. Meanwhile, he has urged the government to revise the prices of controlled varieties of cloth to compensate the textile industry for a sharp rise in its cost resulting from a continuous increase in the prices of cotton and stores and the upward trend in wages and other charges. The fact that the government was delaying its decision on the issue in spite of the industry's strong case and the legal provision for a periodical revision of cloth prices was considered disturbing by him. Similarly the private bill in Parliament seeking an increase in the minimum bonus to workers was fraught with serious consequences, he stated.

TELCO-CENTRAL BANK MERGER

A majority of the shareholders of both the Central Bank of India Ltd, and the Tata Engineering and Locomotive Company Ltd, including the Unit Trust and the Life Insurance

Corporation of India have supported the scheme for the merger of these two companies. At an extraordinary meeting of these two companies, a resolution to this effect was carried unanimously. The representatives of the LIC and the UTI said at the respective meetings in Bombay that their organizations were in favour of the proposal on the understanding that the management would secure the necessary approval of the Monopolies Commission. Shareholders of the Central Bank will receive Rs 5.73 per share as dividend against Rs 5 paid for the past many years. Even if the dividend on equity shares of Tata Loco is not taken into account, the yield will be higher at Rs 6.23. Shareholders of Telco have been told that the money to be received from the Central Bank will be utilised for financing the company's expansion and diversification plans, estimated to cost Rs 40 to 50 crores over the next five years.

EAST INDIA HOTELS

The US government has extended a Rs 4.4-crore loan to the East India Hotels Ltd which is constructing the 400-room Oberoi Sheraton Hotel at Nariman Point on Bombay's Marine Drive. The loan agreement was signed on November 3, by Mr L. Paul Oechsli, Deputy Director, United States Agency for International Development Mission in India, and Mr M.S. Oberoi, Chairman of East India Hotels Ltd. The 32-storey Oberoi Sheraton Hotel is expected to be completed early in 1972. The loan has been extended from the sale proceeds of agricultural commodities supplied to India under PL 480.

BOMBAY STATE MORTGAGE BANK

The Bombay State Co-operative Land Mortgage Bank Ltd proposes to issue shortly forty-seventh series of ordinary debentures for Rs 5 crores. The first set will be 5.75 per cent 10-year debentures for Rs 3.30 crores. The second set will be six per cent 15-year debentures for Rs 1.70 crores with an issue price of Rs 99.75 per cent. It is understood that the terms of these debentures have been approved by the Reserve Bank of India. The subscription list for these debentures will open after the state government's approval is received.

M. P. FINANCIAL CORPORATION

The subscription list of the Madhya Pradesh Financial Corporation bonds opened on November 9 to close on November 14. The issue is made up of six per cent 1982 bonds for Rs 75 lakhs with an issue price of Rs 99.75 per cent. These bonds will be repaid at par on December 1, 1982. They are guaranteed by the Government of Madhya Pradesh and will be approved

securities under the Insurance Act, 1938 and the Banking Regulation Act, 1949. The present paid-up capital of the corporation is Rs one crore. The corporation has also augmented its resources by issue of bonus for Rs 423.95 lakhs. The demand for its funds has been increasing year after year. The proceeds of the proposed bond issue will be utilised to augment the corporation's resources.

INDIAN ALUMINIUM

The President, Mr V.V. Giri, inaugurated the smelter and alumina plant complex at Belgaum of Indian Aluminium Company recently. The West Coast project of Indian Aluminium represents a capital investment of Rs 43 crores and adds a new dimension to the Indian aluminium industry. The smelter at Belgaum is now producing 30,000 tonnes of aluminium and it has been designed for ultimate expansion to 100,000 tonnes per year.

SOUTH INDIA SHIPPING

South India Shipping Corporation Ltd proposes to make a bid for the purchase of 212,000 equity shares of Rs 100 each of Jayanti Shipping Co. These shares which are registered in the name of Dr J. D. Teja, are to be sold through a public auction early next month. The company is seeking the shareholders' approval for investing funds up to Rs 5 crores in acquiring this block of shares of Jayanti Shipping.

FERTILISERS AND CHEMICALS

Fertilisers and Chemicals Travancore Limited (FACT), at Alwaye has entered the export market with the shipping of a consignment of 28.5 tonnes of ammonium chloride bars recently to east African countries. Dealers in east African countries, including Kenya, Uganda and Tanzania, have expressed their interest to import about 10,000 tonnes of ammonium chloride bars, a statement by the concern issued recently stated.

INDO-MALAYSIAN ENGINEERING

A joint venture, to be known as Indo-Malaysian Engineering Company, will be established soon in Kuala Lumpur by the Kirloskar Electric Company of Bangalore in collaboration with a Malaysian firm. Mr Ravi L. Kirloskar, Managing Director of the Kirloskar firm, who left for a two-week tour of Australia and other south-east Asian countries stated recently that the Rs 50 lakh venture would produce motors for pumpsets and other allied products. He added that the Kirloskar firm already had a joint venture in the Philippines for the manufacture of diesel

engines for pumpsets for agricultural purposes.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the five weeks ended May 30, 1970. The list contains the names and addresses of the licensees, articles of manufacture, types of licences — New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting — and annual installed capacity.

LICENCES ISSUED

Metallurgical Industries

M/s. Kamani Metals and Alloys, Ltd, Kamani Chambers, Nicol Road, Ballard Estate, Bombay. (Mysore): Cold Rolled Steel Strips 8,000 tonnes p.a. (NU)

Fuels

Shri Ajay Kumar Bhattacharya, and Munish Kumar Mukherjee, Apar Garden, Asansol, Burdwan (W. Bengal). (West Bengal) Coal 30,000 tonnes p.a. (COB).

Electrical Equipment

M/s Electric Lamp Mfg. (India) (P) Ltd, 7, Justice Chandra Madhab Road, Calcutta-20 (W Bengal) Caps for Fluorescent Lamps. 7.5 million Amp. per annum i.e. (17.5 million Nos. after expansion). (On Maximum Utilisation of plant and machinery) (SE).

Telecommunications

M/s Semiconductors Ltd, Radia House, 6, Rampart Row, Fort, Bombay-1. (Maharashtra). Transistors 10 Million Nos. per annum after expansion. Diodes 3 Million Nos. per annum after expansion. (SE).

Transportation

M/s. Escorts Ltd., 18/4, Mathura Road, Faridabad (Haryana). Vacuum Brake Control Equipment, 48,000 Nos. p.a. (NA).

Industrial Machinery

M/s Vulcan Laval Ltd; Mustafa Building, 7-A, Sir P.M. Road, Bombay-1. (BR) (Maharashtra). Falling-Film. Evaporation Plant, Spray Drying Plant, Flash Drying Plant. (Separate capacity will be fixed after watching the production for two years) (NA); M/s J.K. Synthetics Ltd; J.K. House, 3, Barakhamba Road, New Delhi. (U.P.) Aluminium Metallic Caps/Bobbins for Synthetic Fibre Industry and other Tex-

tile industries — 20 lakh pieces p.a. (NA); M/s American Refrigerator Co. Ltd.: 12-D, Park Street, Calcutta-16. (West Bengal); Water Coolers 2,400 nos. p.a. after expansion. (SE); M/s Braithwaite & Co. (India) Ltd; Hide Road, Calcutta-43, (West Bengal) Roll Formers — 250 nos. per annum. (NA);

Chemicals

M/s Bayer (India) Ltd; 82, Veer Nariman Road; Bombay-20. BP. (Maharashtra) Fenitrothion — 100 tonnes p.a. (NA); M/s Dharamsi Morarji Chemical Co. Ltd.; Prospect Chambers, 317-21, Dr. Dadabhoy Naorji Road, Bombay-1 (Maharashtra); Cholorosulphonic Acid—6,600 tonnes per annum on the basis of maximum utilisation of Plant & Machinery (SE); M/s Excel Industries Ltd; 184-87, S.V. Road, Jogeshwari, Bombay. (Maharashtra) Phosphorous Penta Sulphide — 1000 tonnes per annum. (SE)

Drugs & Pharmaceuticals

M/s Indian Drugs & Pharmaceuticals Ltd; N-12, South Extension Part-I, New Delhi-49. (Andhra Pradesh) Paracetamol—85 tonnes per annum. (NA); M/s Bengal Immunity Co. Ltd; 153, Dharamtalla Street, Calcutta-13. (UP) Tetanus Antitoxin — 7000 M.U. Diphtheria Antitoxin — 1,560 M.U. Gas Gangrene Antitoxin 300 M.U. (SE) M/s Pharmaceutical Capsules Laboratories, Mehta House, Apollo Street, Fort, Bombay-1. (Maharashtra) Empty Hard Gelatine Capsules — 450 million capsules after expansion (SE).

Textiles

M/s General Ind. Society Ltd.; 8, India Exchange Place, Calcutta-1. (West Bengal) Carpet Backing Cloth—114 broadlooms to produce 5791 tonnes of the cloth (200 broadlooms after expansion) (SE).

Sugar

M/s Cauvery Sugars & Chemicals Ltd; Dare House, Parry's Corner, P.B. No. 12, Madras. (Tamil Nadu) Sugar-Crushing Capacity. 1,500 tonnes of sugarcane per day after expansion (SE); M/s South India Steel & Sugars Ltd; 99, Armenian Street, Madras-1. (Tamil Nadu). Sugar Crushing Capacity —1,500 tonnes of sugarcane per day after expansion. (SE); M/s Amroli Sahakari Krishi Khand Udyog Ltd; Jubilee Dharamshala Bldgs; Amrali, Gujarat. (Gujarat) Sugar crushing capacity of 1,250 tonnes of sugarcane per day (NU); Thiru Arooran Sugars Ltd; P.B. No. 3751, 55-A/1, Peters Road, Cathedral; Madras-6. (Tamil Nadu) Sugar—Increase in crushing capacity by 800 tonnes of sugarcane per day. (Crushing capacity 2000 tonnes of

sugarcane per day after expansion) (SE); M/s Maize Products, P.O. Kathwada, Ahmedabad. (Gujarat) (Gujarat) Sorbitol — 2000 tonnes p.a. (NA).

Vegetable Oils & Vanaspati

M/s Indian Extractions (P) Ltd; 18, Bruce Street, Bombay. (Gujarat) Cottonseed Oil — 30,000 tonnes p.a. in terms of cottonseed (On maximum utilisation of Plant & Machinery). (NA).

LETTERS OF INTENT

Metallurgical Industries

M/s Hindustan Wires Ltd., 16/5, Chowringhee Road, Calcutta-13 (West Bengal). Aluminised Steel Wires. 8,000 tonnes p.a. (by diversification within the existing licensed capacity) (SE); M/s Tensile Steel Ltd., 198, Churchgate Reclamation, Jamshedji Tata Road, Bombay-1, (BR) (Gujarat) High Tensile Steel Galvanised & plain wires of 18 gauge or thinner, 3,000 tonnes p.a. (Diversification within the present licensed capacity) (NA).

Electrical Equipment

M/s Southern Electronics (Mfg) Ltd., 48-A, Luz Church Road, Madras-4 (Tamil Nadu) Reeds & Reed Relays. 3 million Nos. Reed contacts per annum (NU); M/s Telefunken India Ltd., G-4, N.D. South Ext. 1, New Delhi (Haryana). Record Changers and players 40,000 Nos. per annum. (NA)

Telecommunication

M/s John Prasad, 45, First Main Road, C.I.T. Nagar, Madras-35 (J&K) TV Sets. 10,000 Nos. per annum (NU).

Automobiles

M/s Cutler Hammer India Ltd, 20/4, Mathura Road, Ballabgarh (Haryana) Motor Starters 50,000 Nos. per annum. (SE); M/s Kerala State Ind. Development Corporation Ltd., Vellayambalam, Trivandrum (Kerala) Eddy current clutches 4,000 Nos. per annum. (NU).

Industrial Machinery

M/s National Machinery Mfg. Ltd P.B. No. 3, Thana (Maharashtra). Take up machines 10 Nos. p.a. Cold Setting Draw Twisters—15 Nos. p.a. Hot Setting Draw Twisters—15 Nos. p.a. Texturising Machine—300 Nos. p.a. (NA); M/s Kirloskar Pneumatic Co., Ltd, Hadapsar Industrial Estate, Poona-13 (Maharashtra). Rock Drill Rods with Carbide Tips Chisel and Moil Points 50,000 Nos. per annum. 4,00,000 Nos. p.a. (NA); M/s Advani Oerlikon (P) Ltd., Radio House 6, Rampart Row G.P.O. Box 1546, Bombay (Maharashtra) Tubular Welding — 400 M.T. (SE); M/s Larsen & Toubro Ltd, L&T House, Dougall Road, B.E. Bombay-1.

(Maharashtra). Garbage Milling Plants. 500 tonnes per day. (NA).

Industrial Instruments

Shri A.P. Jain, Jain Motor Car Co., S.P. Mukerji Marg, Delhi-6 (Haryana). Precision Measuring Tools. 122,000 Nos. per annum. (NU)

Chemicals

M/s Monsanto Chemicals of India (P) Ltd, P.B. No. 344-A, Bombay-1-BR. (Maharashtra). Propanil technical, C.D.A. technical, & Triallate technical (Weedicides) 4,400 tonnes per annum (NU); M/s Indofil Chemicals Ltd, Ticcicon House, Dr. E. Moses Rd., Bombay-11 (BC) (Maharashtra). Sophisticated Weedicides (Stam and Tok) 3000 tonnes per annum. (NA); M/s Allied Resins & Chemicals Ltd, Calcutta-17. (West Bengal). Paraformaldehyde — 12,000 tonnes p.a. (NA); M/s Delhi Cloth and General Mills Co. Ltd., Naaz Bldg., 1, Jhandewalan Estate, New Delhi-55 (Delhi). High Test Calcium Hypochlorite. 3000 tonnes p.a. (NU).

Drugs & Pharmaceuticals

M/s Harshadray Private Ltd, Jiji House, Raveline Street, Fort, Bombay-1. (Gujarat). Monosodium Methanearsonate (Herbicide). 1000 tonnes per annum (NU).

LICENCES REVOKED OR SURRENDERED

(Information pertains to particular licences only).

M/s Hoechst Pharmaceuticals Ltd, Dugal House, Backbay Reclamation, Bombay-1. Analgesic tablets. M/s India Explosives Ltd, Explosive Division 34, Chowringhee, P.O. Box No. 9084 Calcutta-16. Smoke Generators. M/s Machinery Mfs. Corp. Ltd., Ball & Handerson Building, Park Street, Calcutta-16. Machine tools viz. Drum Type Turret Lathes' Below 2 Bar capacity. M/s Canara Workshops Ltd, Post Box No. 712, Mangalore-3. Leaf Springs.

CHANGES IN NAMES OF OWNERS/UNDERTAKINGS

(Information pertains to particular licences only)

From Batala Engineering & Co. Ltd. to M/s Beco Engineering Co. Ltd; From The General Electric Company of India Private Ltd. to The General Electric Company of India Ltd.

From M/s The Jeypore Collieries Ltd. to M/s Jeypore Collieries Private Ltd. From M/s Westing House Saxby Farmer (Pvt.) Ltd. to M/s Westing House Saxby Farmer Ltd.

COMPANY MEETINGS

GLAXO LABORATORIES (INDIA) LIMITED

Chairman's Statement

The following is the statement of Mr. Iain MacKinnon, Chairman of Glaxo Laboratories (India) Limited, for the year ended 30th June, 1970, to the members:

Your Company's trading results during the year ended 30th June, 1970, were disappointing. They reflect the exceptionally difficult market conditions under which the Company was operating, particularly during the closing months of the year.

Total sales in 1969-70 were about 10% higher than in the previous year. The major part of this increase occurred in food products and in the products of the fast-growing Laboratory Chemicals and Animal Health Divisions. Although the two Pharmaceuticals Divisions recorded a small increase in sales, this largely reflects the continuation into the first half-year of the rising sales trends recorded in the previous year's results.

During the second half of 1969-70, the pharmaceutical market was severely disrupted, first by the publicity given to the intention of Government to introduce new (and more severe) legislation to control drug prices and, secondly, by the fresh uncertainties created by the legislation itself, after it had been introduced. The reduction of 18% in the Company's net profit before taxation primarily reflects not the effect of price reductions required under the new legislation (these went into effect only in August 1970), but the effect of earlier voluntary price reductions taken together with the general loss of sales caused by the prolonged uncertainty in the market.

This does not mean that the price reductions required under the new legislation are of little consequence. Far from it. The full effects of these reductions in pharmaceutical prices will appear in the Company's results for 1970-71 and I can only hope that they will be partly offset by continuing improvements in our performance in other areas.

The seriousness of the measures recently introduced by Government, however, goes far beyond any immediate reductions in prices and profits.

They are bound, unless they are modified, to affect adversely your Company's entire future pattern of growth and development. Because of their impact on the pharmaceutical industry generally, they must have grave consequences upon the national struggle against disease and ill-health and upon the equally vital struggle to control the growth of population. They will, in my opinion, lead to a deterioration in the hitherto high standards of Indian medicine. It seems appropriate, therefore, that my remarks this year should be devoted almost entirely to these consequences of the Government of India's latest attempts to control drug prices by legislation.

For seven years, now, your Company has operated within the framework of such legislation. It was in 1963 that the first steps were taken, under the Defence of India Rules to control the prices of drugs and pharmaceuticals. For roughly three years until 1966—a period of rapidly rising costs, when the prices of most commodities were soaring—no increase in the prices of drugs was allowed. Since 1966, although inflation has continued, drug prices generally have remained "frozen" and the very few increases that have taken place have been subject to the closest scrutiny before approval by Government.

As I indicated to you at this time last year your Company has long maintained a policy of charging reasonable prices for its products. Its profit margins on individual products have been moderate. Its overall profitability has been maintained by expanding its sales volume and by improving the efficiency of its manufacturing and distributing activities. These two factors alone enabled the Company to make progress during a period of seven years when its selling prices were fixed but its costs—material prices, wages and overheads—had doubled or even trebled.

Nor has your Company been content merely to maintain its margins of

profit on individual products. Despite the rigidities introduced by the prevailing system of price control, we have continued our policy of making voluntary price reductions wherever cost reduction or greater efficiency has made them possible. I referred a year ago to certain reductions that had been recently effected. In fact, in the twelve months before the introduction of the latest Price Control Order, no fewer than 20 price reductions had been brought into effect by your Company—a factor which itself played no small part in the reduction of profitability to which I have just referred.

It is obvious that a Company which has sought to pursue such policies over many years must be particularly harshly affected by any system of control that imposes a price "ceiling" at an arbitrary level or which requires that prices be reduced according to an arbitrary formula, unless that system also provides for prices that are already well below the prescribed maxima to be raised to offset rising costs. This was your Company's situation in May 1970, at the date of introduction of the Price Control Order.

That Order empowered Government to fix the price of certain bulk drugs according to various cost calculations made earlier by the Tariff Commission. In our case the bulk drug most directly affected was Vitamin A, the price of which was fixed on the basis of production costs ruling in 1967. These calculations made no allowance for the considerable increase since 1967 in the Company's exports of Vitamin A intermediates—exports on which the Company has incurred substantial losses. The price now fixed for sales in the home market no longer allows these export losses to be offset by profits at home despite the fact that new manufacturing licences are granted subject to the condition that such export must take place. The operation as a whole is now uneconomic. We are, therefore, placed in the following dilemma. If we discontinue exports, we

shall, at the newly fixed price, be able to cover our cost and thus justify our Vitamin A activities to our shareholders; but we shall lose a number of valuable export contracts and involve the country in an immediate loss of vital foreign exchange worth over Rs. 50 lakhs per year. If we continue our exports, as well as maintaining our supplies to the domestic market, we shall find ourselves in the position of continuing an activity that provides little or no return on our shareholders' investment. So far, we have failed to convince Government that appropriate action on their part affords the only possible solution to a dilemma of this kind.

The reductions enforced by the recent Order do not, however, apply uniformly to all basic drugs. For example, one important basic ingredient of CODOPYRIN was purchased by us as recently as 1966 at Rs. 12.35 per kilo. It is now manufactured indigenously by Indian Drugs and Pharmaceuticals Ltd. During the twelve months between May 1969 and April 1970 the price has risen from Rs. 27.00 per kilo to Rs. 43.00 per kilo, an increase of 60% over twelve months and 50% since 1966.

Equally disturbing is the effect on our raw material costs of Government's decision to canalise the import of bulk drugs through the State Trading Corporation and to operate a system of "pooled prices" for such materials. As a direct result of these decisions, some of our most important intermediates are today costing us four or five times what they cost a year ago. For example: Vitamin B1 which cost Rs. 110 per kilo a year ago is now priced at Rs. 382 per kilo. Folic acid has risen in price in the same period from Rs. 263 per kilo to Rs. 1312 per kilo. The price of Vitamin B2, formerly Rs. 194 per kilo, is now Rs. 682 per kilo.

It is against this background that your Company had to evaluate the impact of the second part of the recent Price Control Order, which established an arbitrary formula for calculating the maximum prices of pharmaceutical preparations.

At the time the Order was promulgated, your Company was marketing 270 pharmaceutical trade packs. Out of these, the prices of 92 had to be reduced to comply with the newly permitted maxima. All the rest were priced below the permitted levels, many of them being individually unprofitable, as a result of their prices being pegged since 1963. Taking into account the substantial rises in material costs of the kind I have just described and the continu-

ing increase in wage costs, the Company submitted to Government a Pricing Scheme, as required under the Order, which involved increases in the prices of 71 items the profitability of which had been most seriously eroded over the past seven years.

In common with other companies submitting similar schemes, your Company was heavily attacked for its proposals to raise certain of its prices. Accusations of "profiteering" were made that have no basis whatever in fact. One such accusation occurred in the case of CODOPYRIN, a product whose basic ingredients have risen very significantly in cost during the past four years. As far back as 6th February of this year we submitted an application for a CODOPYRIN price increase to Government. In May we were advised by the Government that our new price should be calculated in accordance with the Drugs Price Control Order, 1970, and incorporated in our pricing scheme. When our price list was published it was suggested by some of our critics that your Company had taken advantage of the new control order to make an increase that would otherwise not have taken place. This was far from the case: the price included in our new list was exactly the same as that submitted in our earlier application of 6th February, more than three months before the Price Control Order was published; it was only two-thirds of the maximum price allowed by the order.

Critics of our scheme could not perhaps have known of these sharp increases in materials prices that have taken place over the past one year—increases that alone have cost us over one crore of rupees. Our wages costs have risen by a similar amount. They conveniently ignored the voluntary price reductions we had made earlier in the year for some of our major products. Equally they ignored our losses on export sales. All these factors had to be taken into account by the Company, however, in formulating its Pricing Scheme. And, it is important that you, as shareholders, should know that, even if all the proposed increases had been implemented, the Company would have been operating on lower overall margins than in 1968-69.

As you know, we were not permitted to implement those increases and the position at the present time is once more full of uncertainties. Negotiations are continuing, however, and it is to be hoped they will be concluded in an atmosphere of mutual understanding, rather than on the distressing note of hostility and distrust which have characterised recent public utter-

ances. In the long run, I am convinced that better counsels must prevail for, if they do not, the damage being done to a vital and progressive industry will quickly become apparent. Companies like your own will be starved of funds to finance even normal growth and development. Shortages of essential products are bound to occur. Exports will suffer. And it will be impossible to contemplate the costly and difficult process of developing and marketing new drugs in India.

The recent enactment of the Patents Bill has delivered a further body blow to the pharmaceutical industry in India—or, at least, to those progressive members of it which, like your own Company, are seeking to participate in the international search for new and better drugs and which aim to bring the benefits of international research within reach of the Indian medical profession.

The main effects of this legislation will be to limit the "life" of a patent in the field of drugs and pharmaceuticals to five years from the sealing of the patent; to enable any person who desires to copy the invention to do so under an automatic "licence of right" on payment of a trivial royalty to the inventor; and to enable Government to make use of the patent in a wide variety of circumstances without paying compensation. Such measures, if continued over time, could lead only to one result. The incentive to devote money, time and other resources to research in India, leading to worthwhile new inventions in the field of drugs and pharmaceuticals, would disappear. And, by the same token, India would find herself cut off from the benefits of worthwhile inventions made abroad.

Outside the research laboratories of the pharmaceutical industry, very few people seem to be aware of the enormous resources required today to develop a single new drug. Because of the very success of previous discoveries, as well as because of the present emphasis on extremely high standards of safety, the development, out of many thousands of compounds tested, of a single new drug pharmacologically active and clinically acceptable, may employ dozens of scientists for eight or ten years and require a risk investment of several crores of rupees.

Costs being so high and the chances of success so low, no pharmaceutical company could hope to recover its research expenses from its sales in a single market. This is one of the main reasons why the research-based sector of the pharmaceutical industry is so highly international. Your own Company is no exception. As I explained

last year, one of the principal benefits we derive from our association with Glaxo Group is our right of access to the highly successful achievements of Glaxo Research Ltd.—the research company serving the entire Group on a world-wide basis.

Apart from those products of Glaxo Research that are already being made in India, we had hoped—as you know—to deepen our involvement in this international research activity and to improve our own capability of introducing worthwhile new products into India by constructing a new Research Centre at Thana. Our present R & D activities were to be consolidated and substantially expanded in these new surroundings.

The project is nearing completion and, despite the impact of the new pa-

tents legislation, we shall of course proceed with the consolidation phase. Your Directors, however, would not feel justified at the present time in committing substantial additional resources, either of a capital or revenue nature, to a stepping-up of our R & D effort. This important and, indeed, vital step must wait until the necessary legislative protection is again available to our inventions and until the financial return likely to accrue from the marketing of a new product is again raised to a level likely to permit full recovery of the costs of that product's development.

The past year, then, has been a troubled one and the immediate outlook is still clouded by uncertainties. Nevertheless, despite present disappointments, I have not lost any of my confidence in the future of your

Company. Your Directors are equally undaunted by the challenges that lie ahead. The Company's exceptional managerial, technical and financial strength will enable it to weather the present storms, even though others may fail. Our staff all over India have continued to serve us well in 1969-70 and I know they will show the same spirit of loyalty and hard work in the coming year. As you know, I have worked with them, as a Director and later Chief Executive of the Company, for nearly ten years. I can assure that the affairs of your Company are in excellent hands.

Sd/ IAIN MACKINNON
Chairman

21st October, 1970
Registered Office:
Dr. Annie Besant Road,
Worli, Bombay-18 WB.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

Chairman, Mr. I. A. Macpherson's Review

The Seventy-third Annual General Meeting of the Calcutta Electric Supply Corporation Limited was held on 2nd November in Calcutta, Mr. I. A. Macpherson, M.B.E., C.A., Chairman, presiding. The following is from his circulated Review for the year ended 31st March, 1970.

The hope I expressed last year that we might at last expect some measure of political stability in West Bengal has, I fear, not been fulfilled. The United Front Government which was returned to power with a substantial majority at the beginning of 1969 fell some months ago and, for a second time since the General Election of 1967, the State is now being administered by the Central Government under the Governor of West Bengal with a panel of advisers. The conditions in West Bengal in general and in Calcutta in particular during the last few years are well known. The lack of agreement on policy among the constituent elements of the United Front Government which finally led to its downfall had the inevitable consequence of impeding administration including law and order. It is hardly surprising that these conditions resulted in a steady increase in lawlessness and indiscipline among many sections of the community, including industrial labour, with a consequent very definite deceleration

in the rate of industrial growth in West Bengal during the last few years. As I write this, though there has hardly been time for direct rule from the Centre to produce any substantial improvement or to reverse the decline in confidence among the commercial and industrial community, it would appear that the law and order situation is being contained and we must now hope that indiscipline and disorder will cease and life in the State, and particularly in the city, return to normal.

Sales of Electricity

So far as your Company is concerned, the prevailing climate in the State to which I have just referred has inevitably had an unwelcome effect on our hitherto high standards of operation, maintenance and administration. What is, however, comforting is that despite the difficulties experienced we have, by and large, been able to maintain an uninterrupted service to the public. In the

circumstances, as can well be imagined, the task of our senior and middle management who are responsible for the efficient and economic operation of this important utility, has been a frustrating one and the figures now put before you reflect an increase in our costs and a downturn in that growth in sales which is the expectation of an electric utility the world over. The maximum demand on the Company's system and total sales have been practically static during the last two years or more. In normal times we would expect a steady growth of some 7% annually and on this basis our sales for the year to 31st March, 1970, should have been some 180 million units up on those of the previous year. In the event total sales increased by a mere 3 million units or 0.1%. Following a decline of 35 million units in sales in 1968-69 to the jute mills there has been a further decline in the year under review of 22 million units. Compared with the year 1967-68 our sales to this industry, our largest industrial

consumer, have, therefore, declined by over 10%. Sales in the engineering industry, our second largest group, declined by a further 20 million units or 7½%. In the case of both these industries, labour unrest has been a major factor in contributing to the downturn. There was some improvement in the offtake of the steel and chemical industries, but overall there was in the year 1969-70 a decline of 17 million units in our sales to industry which was offset by a mere 3% increase of 20 million units in our sales for domestic and commercial purposes.

NET REVENUE ACCOUNT

The provision for Debenture Interest at £201,302 is some £122,000 more than it was a year ago. This is because the Net Revenue Account is charged with nearly six months' interest on Rs. 7.5 crores (£4.2 million) new Debenture Stock plus interest on the balance of the old 5% Debenture Stock for nine months. The Debenture Sinking Fund appropriation of £62,500 is the proportionate charge to be provided in the year to 31st March, 1970, of the annual appropriation of Rs. 45 lakhs required by the Trust Deed securing the new Debenture Stock. At £276,969 the provision for Indian Taxes is some £292,000 less than in 1968-69. In making this provision for the assessment year 1970/71 the Company gets the benefit of the reduced rate of 50.6% applicable to a "domestic" electric utility company, following the transfer of its control and management to India from the 5th of January, 1970. The reduction in the provision for Indian Taxes is, of course, also due to the smaller taxable profit reflected in the £451,000 reduction in the balance carried down from the Revenue Account.

We have paid the Dividend on the 6% Preference Stock and an Interim Dividend of 6½% gross on the Ordinary Stock. A Final Dividend of a like amount is now recommended. After taking credit for £106,625 Transitional Relief, which now ceases, and transferring £150,000 to General Reserve, a balance of £100,928 on the Net Revenue Account is carried forward.

ELECTRICITY (SUPPLY) ACT AND TARIFF POLICY

The Clear Profit for the year as calculated under the above Act was £787,301 which was some £449,000 less than the Reasonable Return to which the Company was entitled. The reason for this shortfall, which was forecast in my Interim Statement to stockholders dated 7th January of this year, were two-fold: first on the expenditure side, because provision has had to be made for the additional costs

to which I have already referred; and secondly, on the revenue side, because it proved impossible to come to an agreement with Government as to the amount of additional gross revenue that would be required, and the consequent tariff increases that would be needed to produce it, if the Company was to be enabled to earn its Reasonable Return. It was not until the beginning of July of this year that we were able to implement our rate revision; and then it was on a reduced scale, the revision being limited, at Government's request, to an increase in our charges for high voltage current payable by industry. In the meantime the Company faces yet further increases in its costs, particularly of imported power and of wages. As regards the former, the charges of the Damodar Valley Corporation and the State Board have been increased by 17% and 7% respectively; and as regards our wages bill, the agreement with our Unions expired in August of this year and, as I write, we are in the process of negotiating a fresh one. Our workers are insulated from the worst effects of inflation by a Dearness Allowance tied to the cost of living and although, as the wages chart at the end of these Accounts clearly shows, average wages have in recent years risen at a rate substantially in excess of the rise in the cost of living, it would be quite unrealistic in present conditions to contemplate a new agreement which did not concede a further increase in emoluments. Our negotiations with the Unions, are, therefore, being conducted on this basis, but with the emphasis on increased productivity. Having regard to these increases and to the fact that we will obtain the benefit of our recent rate revision for only nine months, we must expect that our Clear Profit will again fall short of our Reasonable Return in the current year. If this shortfall is not to assume more serious proportions in the year 1971/72, yet a further revision of our rates is imperative and cannot be delayed much beyond the beginning of next year.

FINANCE

The loans referred to in the Directors' Report and the balances of the London and Calcutta issues of the 5% Debenture Stock, 1970, outstanding on the 1st of January, 1970, were repaid on that date from the proceeds of the Rs. 7.5 crores 7½% Debenture Stock, 1980, to which I have referred in my last Review and which was issued during the year realising Rs. 7.13 crores (£4.0 million) net, after the payment of all expenses including underwriting, commission and brokerage, stamp and registration fees, legal charges, etc.

I reported last year that our financial estimates were being based on our hav-

ing to spend something like Rs. 21 crores (£11.75 million) on capital development during the quinquennium 1969/70 to 1973-74. This included a provision of Rs. 331 lakhs (£1.8 million) for the year 1969/70. In the event we were able to limit Capital Expenditure to the figure of Rs. 275 lakhs (£1.5 million). This was because the recent downturn in the rate of growth of demand has enabled us to rephase certain of this expenditure so that our Budget for the quinquennium 1970/71 to 1974/75 is now estimated at Rs. 17 crores (£9.5 million). It will be appreciated that our room for manoeuvre in curtailing Capital Expenditure is limited even in times of stagnant growth such as the present. For example, in 1969/70 when the total demand was static, we were required to put in nearly 9,000 house service installations which, together with the necessary meters, low and medium voltage network extensions, etc., involved expenditure of over Rs. 1 crore (£556,000); and with regard to our Generating Stations it would be false economy to defer capital expenditure, the object of which was to preserve the base load capability of our own plant. At a time like this, however, when the demand from industry is virtually static, it is possible to rephase certain primary transmission projects such as receiving stations and certain distribution stations, and this mainly accounts for the reduction in our forward budget noted above. But it will not be possible wholly to finance even this restricted budget from the Company's Cash Flow (mainly depreciation plus undistributed "Clear Profit") and some external assistance may be required next year — and this will be the case even if the Company is successful in earning its Reasonable Return. Pending the issue of the Rs. 2½ crores second tranche of our 7½% Debenture Stock, 1980, to which I referred in my Review last year and also in the Prospectus of that issue, we would hope to be accommodated by our Bankers.

TRANSFER OF MANAGEMENT AND CONTROL TO INDIA

At the Extraordinary General Meeting held on 31st October, 1969, the resolution that, with effect from 5th January, 1970, the Company should be controlled and managed in India was carried by an overwhelming majority, stockholders representing £1,605,912 of stock voting for the resolution and £87,800 against. The Board's reasons for commending that resolution to all Preference and Ordinary stockholders were set out at length in my letter dated 9th October, 1969, the most urgent reason being the need to reduce the Company's rate of Indian Corporation Tax from 70% to the rate applicable to

a "domestic" company — namely 50.6%. Had we, in these Accounts, had to provide for Indian Corporation Tax at the former rate of 70% our tax bill would have increased by almost Rs. 20 lakhs (£110,000).

In sponsoring this resolution the Board fully realised that, while the change would be in the wider interests of the Company, its consumers and the general body of stockholders, it would not be in the immediate interests of its corporate stockholders resident in the U.K. because the dividends of these stockholders would, on the Company's change of residence, cease to be franked investment income. For this reason it was anticipated that some stockholders in this category would decide to dispose of or reduce their holdings. So it has proved and this, in your Board's opinion, accounts for part, at any rate, of the decline in the value of the Company's stock on the London market during the last year. So far as non-

corporate stockholders are concerned, one of the consequences of the transfer of the Company's tax residence to India is that Indian Withholding Tax has to be deducted from all dividends, even those paid to stockholders not resident in India, at a rate which, in the majority of cases, is in excess of that appropriate to individual stockholders' total Indian income. The Company's London Office is assisting its non-resident stockholders in the preparation and submission of their claims for the refund of tax thus over-deducted and of their applications under Rule 28 of the Indian Income Tax Rules for the deduction of tax from future dividends at the rate appropriate to the Indian income of the stockholders concerned. This has been quite a considerable task and so far some 1,750 such refund claims and applications have been submitted to the Authorities in India from whom I am happy to report, we have had the fullest co-operation. By the time these accounts are in stockholders' hands, many of these

claims should have been disposed of and the stockholders concerned received their refunds. With the grant of these applications under the above Rule, the need for the submission of further claims for the refund of tax over-deducted should cease. In this connection it may be noted that under the current rates of Indian Tax which will have effect from the tax year 1971/72, no tax is payable if the total Indian income does not exceed Rs. 5,000 per annum. This means that in the case of stockholders whose future Indian income is estimated to be less than Rs. 5,000 annually and who have applied for deduction of Withholding Tax at the appropriate rate, no Indian Withholding Tax will be deducted from future dividends, once the Company has been notified that their applications under Rule 28 have been accepted.

N.B. This statement is not a report of the proceedings of the Annual General Meeting referred to above.

BHARAT HEAVY ELECTRICALS LIMITED

Chairman's Statement

Speech by Shri O.S. Murthy, Chairman, at the Sixth Annual General Meeting of the Company on October 30, 1970 at New Delhi.



Shri O. S. Murthy

Ladies and Gentlemen,

On behalf of the Board of Directors, I have pleasure in welcoming you to the Sixth Annual General Meeting of your Company. The Audited Accounts for the financial year ended March 31, 1970, and the balance sheet as on that date, together with some statements containing statistical information on the activity of the Company, are already with you and I will take them as read.

Production

I am happy to report that during the year, the value of production of your Company increased from Rs. 35.26 crores during 1968-69 to Rs. 44.61 crores — an increase of nearly

26 per cent. The Tiruchirapalli Unit, with an output of Rs. 21.11 crores, made the most significant contribution. The production of boiler components and auxiliaries, during the year, at the Unit reached a new high of 18,800 tonnes. In the year under report, the Hyderabad Unit completed two 60MW sets and one 110 MW set, the work on which was commenced earlier, and the work on two other 60 MW sets and one 110 MW set made significant progress. At Hardwar Unit, the output of electric machines increased from 178 numbers during 1968-69 to 225 Nos. in 1969-70. The Unit supplied the first 100 MW set to Obra Thermal Power Station in U.P. and also successfully tested the first 100 MW Steam Turbine. This is the first

time when such a large capacity Turbine was tested in the manufacturers' works in the country.

The notable achievement of the year was the successful completion of erection and commissioning at Ennore Thermal Power Station in Tamil Nadu of the first 60 MW Turbo-set supplied by Hyderabad Unit and its matching boiler manufactured by the Tiruchirapalli Unit.

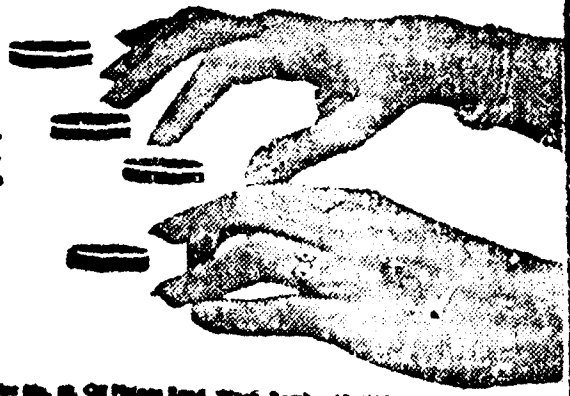
The Company continued to face difficulties in the procurement of important forgings and castings, particularly those requiring alloying material vanadium. The rejection of castings and forgings received from domestic suppliers was also quite high and considerable time was

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Inquiries regarding subscription and advertisements may be addressed to:

The Manager,
The Eastern Economist Ltd,
Post Box No. 34,
New Delhi-1.

lost in arranging the replacement or rectifying the defects at the Plants. The delay in receipt of certain components and raw materials including press tools and the difficulties experienced in the indigenous procurement of some categories of steel, adversely affected the production programme of your Company.

Financial and Operating Results

During the year, your Company earned Rs. 12.35 crores, as against Rs. 7.66 crores during 1968-69, before providing for depreciation, interest and provisions for contingencies. After providing for these, the Company incurred a loss of Rs. 1.49 crores during 1969-70, as against a loss of Rs. 3.37 crores during 1968-69 and Rs. 6.57 crores during 1967-68. The year's loss is after providing Rs. 3.80 crores on account of depreciation; Rs. 7.57 crores on account of interest; Rs. 2.48 crores for contingencies and Rs. 1.29 crores being the uncovered amount between the expenditure on maintenance of township and other social overheads and corresponding receipts by way of rent, electricity charges etc. Thus, there has been a steady reduction in the yearly losses in the operation of the Company, which is engaged in the manufacture of highly sophisticated equipment requiring a reasonable period for absorption of the necessary skills and technology.

The manufacturing profit of the Company, during the year, amounted to Rs. 10.38 crores as against last year's manufacturing profit of Rs. 6.54 crores.

Capital Related Charges

The incidence of capital related charges continued to be high. While at near rated capacity, this is estimated to be of the order of only 8.5 per cent of the value of production, the depreciation and interest on Government loans amounted to as much as 25 per cent of the value of production in 1969-70. In so far as depreciation is concerned, this is an inevitable phenomenon for heavy electrical equipment industry during the gestation period, as while the impact of depreciation is experienced simultaneously with the commissioning of the new machines, the resultant benefits of the utilisation of these machines reflected in the increased value of production, start appearing only after a time lag necessarily to be spent for mastering the sophisticated skills and absorption of know-how. The burden of interest is, however, heavy because the Company is required to pay inter-

est charges not only on loan capital but also on deferred revenue expenditure not written off and on the losses incurred during the gestation period. This burden is further aggravated by the continuously increasing share of Government debt in the funds invested in the Company. As the authorised equity capital of the Company had already been subscribed fully, the funds received from Government during the year were all in the form of 'loans', raising the debt equity ratio to 1.4 as on March 31, 1970 against 1.3 on March 31, 1969. Unless, therefore, your Company is allowed to increase the authorised capital so that half of the capital expenditure could be met from the equity capital, as is contemplated in the Bureau of Public Enterprises guidelines for financing the Public Sector Projects, the incidence of interest on Government loans will continue to inflate the production cost at the present stage of development. Your Company is, therefore, pursuing with the Government the immediate need for reviewing the existing capital structure.

Your Company continued to face difficulties in obtaining progress payments from the customers viz. State Electricity Boards. A sum of Rs. 12.75 crores was outstanding from them as on March 31, 1970. Out of this, Rs. 9.03 crores was outstanding for more than six months. As the Company has to pay a high rate of interest, viz 8%, on the borrowings from the commercial banks to meet the requirement of the working capital any delay in receiving payments from the State Electricity Boards unnecessarily impinges on the working results of the Company. One of the reasons generally given by the State Electricity Boards for delay in making progress payments, is the inadequacy of funds with them. As the availability of funds with them very largely depends on the Central assistance, I feel that some means of ensuring that the dues from the State Electricity Boards are promptly paid to us, should be found.

Order Position

The orders received by your Company during the year amounted to Rs. 70.16 crores. This included orders for the one 110 MW Turbo-set and one Boiler for Guru Nanak Thermal Power Station, Bhatinda, three Turbo-sets of 10.5 MW each and three Boilers for Haldia Refineries, two 120 MW Boilers for Ukai Power Station in Gujarat, two Industrial Boilers for Gujarat Aromatics, one Turbo-set each for Bal-

arpur Paper Mills and the Fertilizer Plant at Sindri, one 235 MW Turbo-generator for Madras Atomic Power Project, 14 Hydro-sets totalling 673 MW for Maneribhali, Yamuna Stage IV, Loktak, Baira Sieul and Salal Hydro-electric Schemes, over 100 Nos. Motors for different industrial establishments, 670 Nos. of Minimum Oil and 70 Nos. of Air Blast Circuit Breakers of different ratings and Valves valued at Rs. 60 lakhs. Further, as a result of vigorous canvassing with the State Electricity Boards, it has also been possible to secure orders of three 200 MW and five 110 MW sets. The resultant manufacturing programme will still leave some thermal capacity at Hyderabad and Hardwar Plants unutilised. The Hyderabad Unit can manufacture 5 more 110 MW sets and the Hardwar Unit 2 more 200 MW sets, provided orders for the critical long delivery raw material like castings and forgings are placed forthwith. Here, I would like to digress a little and deal with the urgent need for advance planning for the development of power in the country.

Need For Forward Planning For Power

As is known, power is an important pre-requisite for rapid economic growth. Although in the two decades after independence, the country has made remarkable progress in the field of power development by raising the total installed generating capacity of 1 million KW in 1947 to 13 million KW in 1968-69 and the per capita consumption from a meagre 12 KW/hr. in 1947 to 79 KW/hr. in 1968-69, this rate of growth is insignificant in the context of requirement of a continental country like ours. Compare this with per capita consumption of 2000 KW/hr. of the USSR or of 6400 KW/hr. of the USA.

The installed generating capacity in our country is expected to reach a modest 23 million KW at the end of the current Five-Year Plan. Based on the present rate of growth, which is more or less in keeping with the universally observed trend of the doubling of energy consumption in every five years, the generating capacity would have to rise to 40 million KW by 1978. This will require addition of about 25 million KW by 1978 to our existing installed capacity of about 15 million KW. This is a formidable task and a challenge both to the engineers and engineering industry of the country and calls for bold planning.

In determining the strategy of planning for putting through this

large programme there are a few important factors which need consideration. It is clear that a common feature of all types of generation schemes is the fairly long period required for projecting, investigating of hydrological and site conditions etc., manufacture of equipment, erection and commissioning. Our experience has shown that from the time of initial conception, hydro schemes require 8 to 10 years before they go into commercial operation, except in the case of 'run of river' schemes where a minimum period of 5 to 6 years is necessary. The corresponding period for thermal schemes is about 5 years and nuclear schemes about 7 years. It is, therefore, obvious that programming for power cannot be confined to the limited period of 5 years, but to be meaningful, has to be extended to a minimum of 10 years and preferably more.

From the manufacturer's point of view also, it is vital that sufficiently advance and long term planning of power schemes is undertaken. The heavy electrical industry in the country is still in its formative stage. The production cycle, particularly for hydro electrical equipment is long. Considerable time is required for design and development of the best suited equipment after making, if necessary, laboratory model tests. Unlike many other heavy industries, the output is not repetitive. The metallurgical base, especially for creep resisting alloys for steam turbines, is still being developed. Considerable time is required for planning, organising and co-ordinating production activities mainly because at the moment the industry depends largely upon the imports of raw material, like heavy castings and forgings, alloy steels and other critical items not available in the country.

There also seems to be some confusion in the public mind about the effective capacity of the Plant during its developmental stage. In this context it is important to note that the physical installation of all the machinery and equipment alone is not adequate. The effective capacity for manufacture also depends on the rate of acquisition of technology by men and build up of the labour force. This latter in turn, depends to a large extent, on the continuity of orders with the manufacturers and any discontinuity or interruption in the production programme due to lack of orders will result in a set-back in the development of skills and induction of men. Thus, adequate orders with the manufacturers to main-

tain an even flow of manufacture of equipment for the next 6 to 7 years is not only essential, but also crucial for the industry. Even in the highly industrialised countries like the U.S.A., order books are filled well in advance. The recent Report of the Edison Institute indicates that at the end of 1969, the power generating corporations in the U.S.A. had already placed orders for equipment well in advance, so that the orders on hand with the manufacturers were 6 to 7 times the annual production. In our country the need to have the order books filled is all the greater. For ensuring this, the plan for power development has to be on a basis longer than at present. Initiative in this direction has to be taken by the Central and the State Governments and the State Electricity Boards.

Compliance with Orders

There has been a general criticism of Public Sector Undertakings manufacturing heavy electrical equipment blaming them for delays in supply, resulting in short-fall in power generations. This is too generalised a criticism, and as far as your Company is concerned, we have kept up by and large our delivery schedules of supply of turbines and boilers notwithstanding the handicaps which an infant industry has to face. We also expect to keep up the delivery schedules for the equipment for which orders have been placed on us for delivery during the remaining period of the Fourth Plan. Of the 9.4 million KW of additional generating capacity envisaged for the Fourth Plan, 4.4 million KW will be by sets imported directly by the Electricity Boards, for the delays on which we are not responsible. Out of the remaining, our Company is to supply equipment for 2.3 million KW. Orders for 0.63 million KW were placed on us as late as the end of 1969. We have already supplied equipment for generating capacity totalling 0.4 million KW and the balance of the equipment will be supplied as per agreed schedules during the Plan. It is to be noted that mere placing of an order in the case of power equipment does not enable the workshop to proceed with the manufacture. There is a good deal of data to be collected and projecting work to be carried out before commencing the manufacture and this is dependent on the state of preparedness of the customer to supply the relevant data. It will be unfair to place all blame for delay reckoning merely from the date of the placing of the order,

solely on the manufacturer. It is, therefore, imperative that steps are taken to plan well in advance and place orders for the equipment so that the manufacturing Units are given reasonable time to organise the long cycle of production and to avoid strains on the power front.

Exports

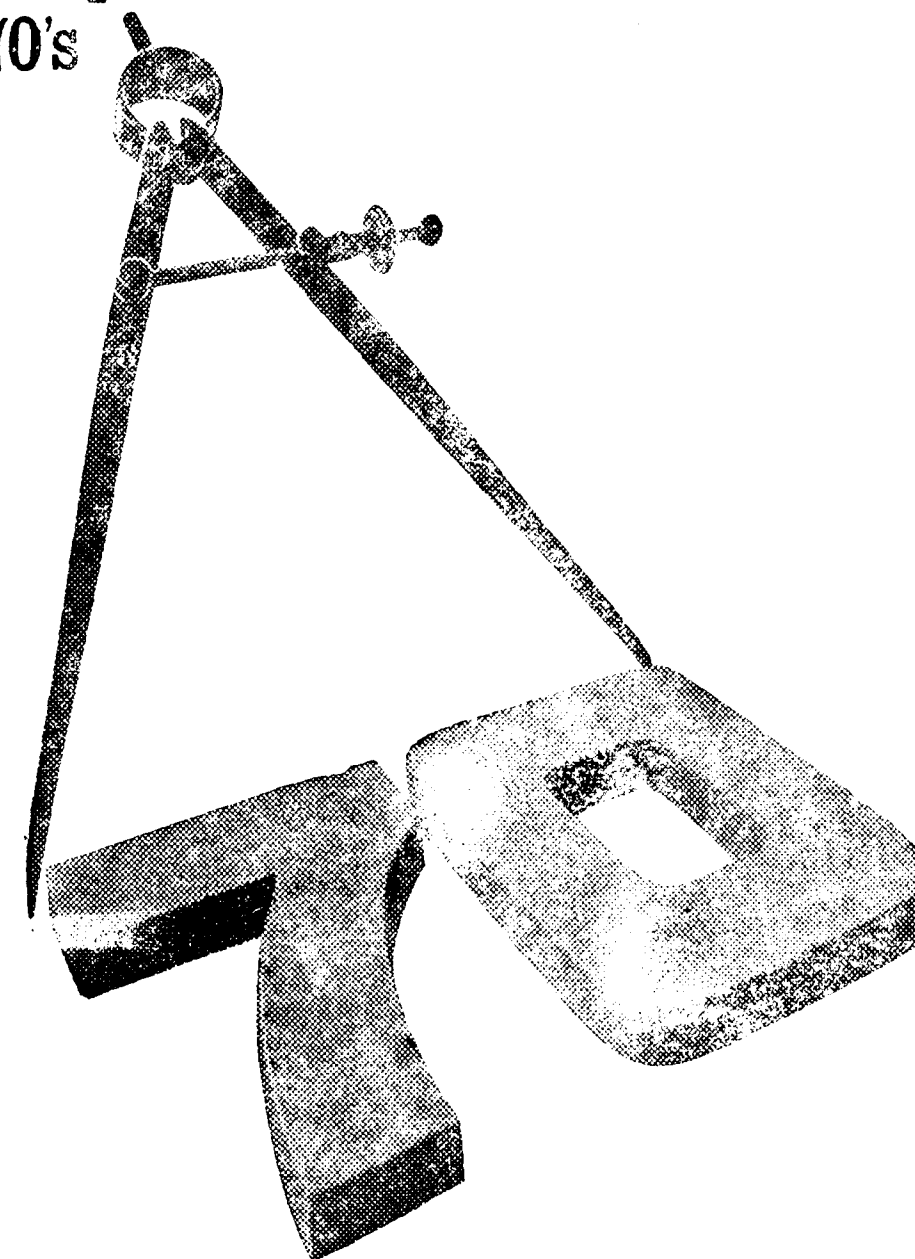
Before concluding, I will like to draw your attention to the achievement of the Company in the field of exports. During the year, the Tiruchirapalli Unit not only successfully completed the export order of valves to West Germany and Poland, but also secured order for two Nos. 550,000 lbs/hr. i.e. 60 MW each Boilers and ancillary plant for installation at Tunaku Ja'afar Power Station of National Electricity Board of States of Malaya at Port Dickson. The order is for complete supply, erection and commissioning of these Boilers, the first of which is to be commissioned by November 1971 and the entire work to be completed within 26 months. The value of the Contract exceeds Rs. 2.25 crores. The order was received on the basis of a global tender in competition with leading boiler manufacturers from the United Kingdom, West Germany, the U.S.A., Austria and Japan, who have all been in this line for a very much longer period.

Acknowledgment

On my behalf, and on behalf of your Board of Directors, I thank the large circle of customers in the Public and Private Sectors who extended their patronage. Thanks are also due to Collaborators of our various Units, the Comptroller and Auditor General of India, the various Ministries of Central and State Governments, Planning Commission, Central Water and Power Commission, M/s. S.R. Batliboi, M/s. Ray and Ray and M/s. S. Viswanathan, the auditors of the Company for their valuable co-operation and assistance. Your Directors also wish to place on record their sincere appreciation of the services of workmen and staff of the Company. Finally, I would like to take this opportunity of thanking my colleagues on the Board of Directors for the consideration they have shown and for their unfailing help in the discharge of my functions as Chairman of this major Public Sector Undertaking.

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

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RECORDS AND STATISTICS

Growth of Industrial Production

THE MINISTRY of Industrial Development and Internal Trade presented to the twenty-second meeting of the Central Advisory Council of Industries, held in New Delhi recently, a paper reviewing the growth of industrial production during the period 1967-70. The highlights of this paper are reproduced below:

Industrial production in the country had suffered a major recession during 1966 and 1967 when the index of industrial production showed a decline for the first time since the beginning of planned production and investment in April 1951. Industrial production declined by 0.8 per cent in 1966 and by a further 0.7 per cent in 1967. Industrial output, however, recovered during 1968 when the official index of industrial production showed an increase of 6.4 per cent over the level of production in 1967. The process of recovery of production has continued, and during 1969 the official index of industrial production showed a further increase of 7.1 per cent over the level of production in the previous year. Table I page 878 brings out the production of major items included in the index, during 1967, 1968 and 1969.

Resurgence of Output

The year 1969 witnessed a resurgence of output in most industries. Among consumer goods industries, food manufacturing industries, in general, fared extremely well, several of such industries showing marked improvement in output, as for instance, sugar (+77 per cent), flour milling (+32 per cent) and coffee curing (+24 per cent). Numerous other consumer goods industries also contributed to the recovery. Paper and paper board recorded an increase of more than nine per cent, razor blades by 13 per cent, hurricane lanterns 26 per cent, fluorescent tubes by 28 per cent, radio receivers by 27 per cent and room airconditioners 20 per cent. However, these increases were moderated by the fall in the production of mill-made cotton cloth which suffered a decline by as much as 4.5 per cent, as against an increase of 6.5 per cent in 1968. The output of jute manufactures suffered an even more drastic decline in 1969, by as much as 17.5 per cent. Woollen manufactures on the other hand, continued to maintain an upward trend although the extent of increase (0.6 per cent in woollen/worsted fabrics and 2.9 per cent in woollen/worsted yarn) was smaller than the average rate of growth

of industrial output as a whole. As against this, the more important of rubber products registered a sizeable increase, in which automobile tyres (+16 per cent), tractor tyres (+19.5 per cent) and tractor tubes (+7.5 per cent) contributed to growth, partially offset by a decline — in so far as large-scale industry — in the output of rubber footwear, bicycle tyres, automobile and bicycle tubes.

Gain in Intermediate Products

Major gains, however, were recorded in intermediate products. There was considerable improvement in the output of chemicals and chemical products. Most of the important constituent items such as sulphuric acid (+10.5 per cent), caustic soda (+13.7 per cent), soda ash (+6.6 per cent), liquid chlorine (+29.4 per cent), bleaching powder (+49.5 per cent), nitrogenous fertilizers (+18.7 per cent), petroleum refinery products (6.9 per cent) recorded increases in output in varying degrees. Many of these items had shown increases in output during 1968 which was sustained, and in many areas accelerated, through 1969. Non-metallic mineral products such as insulators (HT+1 per cent and LT+43 per cent), cement (+14.5 per cent), asbestos cement sheets (+15.5 per cent), grinding wheels (+23 per cent), coated abrasives (+6 per cent) also recorded an improvement in output; the only exception was refractories in which there was a decline of some five per cent. Among basic metal industries, except for lead which showed a decline of 15 per cent and steel castings of three per cent, the remaining items including finished steel (+13 per cent) aluminium (10 per cent) and copper (5 per cent) registered increases in output in varying degrees.

In regard to non-electrical machinery and equipment, the increase in output was again substantial. Many of the items in this group such as tractor (+31 per cent), diesel engines (stationary type+17 per cent and vehicular type +12.5 per cent), machine tools (+22 per cent), power driven pumps (+7 per cent), ball bearings (+10.5 per cent), sugar mill machinery (+10 per cent) and cement mill machinery (+20 per cent) recorded impressive increases in output. Similar was the case in regard to electrical machinery, important items such as electric motors (+19 per cent), dry batteries (+16 per cent)

and storage batteries (+33 per cent) registering significant increases in output, although power transformers showed an increase of only around one per cent. In regard to transport equipment, while there was a small decline (around 5 per cent) in automobiles and a sizable decline (by 19 per cent) in railway wagons, there were substantial increases in other items such as motor cycles (17 per cent), scooters (37 per cent) and three-wheelers (17.5 per cent).

Data for 1970 are as yet somewhat incomplete, and the preliminary index figures are available only up to May 1970. On the basis of these preliminary figures, the official index of industrial production during January—May, 1970 indicates an increase of industrial output by something like 5 to 5½ per cent over the level in January—May, 1969.

While the official index of industrial production is available only until May, 1970, data on production of most industries are available until June, 1970. Estimates of production in major industries during January-June, 1970, as compared to production during January-June, 1969 are given in Table II.

Substantial Increase

It will be seen from these figures that during 1970, there has been a substantial increase in the output of food manufacturing industries; only a very moderate growth of cotton textiles; a sharp recovery in the output of jute manufactures which had suffered in 1969 as a result of shortage of raw jute; a continued and rapid growth in regard to important chemical items such as nitrogenous fertilizers, caustic soda, soda ash and liquid chlorine, staple fibre and polyester fibre; petroleum refining and petroleum products including naphtha based industries; a generally satisfactory rate of growth among the major non-metallic mineral products; continued growth of aluminium production; a substantial growth of most items of industrial and electrical machinery, particularly in the output of electric motors, power transformers and non-copper cables and conductors, the demand for which has been increasing owing to the accelerated programme of rural electrification; a fairly significant increase in most items of transport equipment; and substantial rise in miscellaneous industries generally, excepting for a few isolated industries.

While impressive increases have been recorded in most major industries during the first half of 1970, as would appear from the figures given in Table II, the official index of industrial production up to May, 1970 indicates that

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there has been a slight deceleration in the rate of growth of industrial output in some sectors during the first half of this year as compared to 1969. In interpreting the official index of production, however, certain aspects have to be noted. First, quite apart from the fact that the monthly index numbers are based on some what limited sample, which are later corrected on an annual basis at a subsequent date, the official index of industrial production does not include any estimate of the growth of industrial production stemming from small-scale industries, nor from units not borne on the registers of the DGTD and the other sponsoring authorities for large-scale industry, like the Textile Commissioner, Jute Commissioner, and Iron and Steel Controller. The available official index of industrial production, therefore, does not take account of the rapid growth in recent years in the small-scale sector. Although detailed production figures for the various small-scale industries are not available, there is evidence of a more rapid growth of investment and production in this sector than in organised large-scale industry.

Unreliable Index

The second point to be noted is that the official index of industrial production, based as it is on a weighting diagram dating back to 1960, does not fully reflect the growth of production in the relatively new and more rapidly developing sectors of industry. The official index does not cover a large number of new products being manufactured in the country today which were not produced at all in 1960, while the weights assigned in the index even to older industries do not always accurately reflect the importance and significance of particular growing sectors in the economy. The textile industry, as a whole, enjoys a weight as high as 27.1 per cent in the overall index of industrial production, a factor which tends to depress the picture of growth of industrial production in general owing to the relatively sluggish growth of the mill sector of the textile industry. Conversely growing sectors such as heavy chemicals, synthetic products, metals, industrial manufactures, and the like, have a weight in the overall index which are not always consistent with the importance of these industries in the economy today, (industrial machinery, for instance, has a weightage of some one per cent only), which tends to underplay the actual growth of industrial production.

The third aspect which may be noted, while interpreting the figures given in Tables I and II, is that more recently, at any rate, during the first six months

of this year, the fall in production of steel, owing to certain special reasons, has been a major factor in pushing down the rate of growth even on the basis of the official index of industrial production during January-May, 1970 as compared to January-May, 1969. Not only does the decline in steel production, which has been substantial, affect the index of industrial production directly, the acute shortage of steel has inhibited the growth of a number of steel-based industries, some of which could be expected in the present context to have grown at a more rapid rate than has been possible during the current year.

Lagging Sectors

While there has been a satisfactory growth rate in a large number of industries the growth rate in certain sectors undoubtedly needs to be accelerated. Mention has already been made of steel, and, associated with steel, of pig iron. The performance of rubber products particularly of tyres and tubes, has been somewhat disappointing because of prolonged industrial unrest and strikes in a number of tyre factories. Industrial unrest in certain areas has also contributed to relatively poor output in various industries (including for instance, radio receivers, electric fans, sewing machines, etc.). Among certain engineering industries, such as stationary diesel engines and power driven-pumps there has been a decline in output owing to special factors including a substantial fall in demand and accumulation of large stocks. To an extent, the decline in the demand for stationary diesel engines has also been caused by the accelerated programme of rural electrification which has led to a rapid growth of electrical industries generally.

As a result of the increases in output achieved over the past two years, there is now appreciably greater utilisation of industrial capacity in various sectors. In a large number of industries, as for instance, cement, paper, automobile tyres, storage batteries, electric lamps, radio receivers, soda ash, artificial fibres, aluminium, etc., capacity utilisation has been quite satisfactory, and capacity constraints have already begun to impinge on the continued growth of output in these industries. Programmes of new investment are under way in these industries so as to sustain increase in output consistent with the growing demand. In certain other areas, particularly steel and fertilisers, production problems have been responsible for less than satisfactory utilisation of plant capacity and there is scope for considerable improvement in output. In certain areas, limitations

of demand, as also some degree of specificity in production capacity, as in machine tools and heavy electrical equipment, have been responsible for the existence of installed capacity considerably in excess of actual production. With increasing demand and with introduction of greater flexibility in production programmes and production capability, there are possibilities of significantly greater output from existing plant capacity (which may only need some balancing equipment or strengthening of design facilities). In sum, while there has been encouraging improvement in the utilisation of installed capacity in a number of areas, there also exists scope for achieving increased output without heavy additional investment in a number of directions.

As indicated earlier, Tables I and II do not include figures of production of small-scale industries, the available estimates of production pertaining only to large-scale units borne on the lists of the DGTD and technical authorities like the Textile Commissioner, Jute Commissioner, etc. It may be surmised from various indicators that this sector has been growing at a more rapid rate than the organised or large-scale sector.

Growing Numbers

A measure of the growth of the small-scale sector can be given by the number of units registered with the State Directors of Industries, as also by the number of units which have obtained import licences for raw materials, components, etc. The number of units registered with the Directors of Industries of states has grown from 1,36,273 by the end of December 1967 to 1,78,001 by the end of December 1969 — a growth of more than 30 per cent in two years. Likewise, the number of units in the small-scale sector, which obtained import licences has grown from 19,697 in 1968-69 to 35,450 in 1969-70 and as many as 13,564 during the five months April-August 1970, as compared to 9,640 in April-August,

1969. The total value of import licences (including release orders) issued in favour of small-scale industries has also grown from Rs 42.3 crores in 1968-69 to Rs 70.3 crores in 1969-70 and again, for the current year, to Rs 25.6 crores during April-August 1970 as compared to Rs 19.9 crores in April-August, 1969. These figures do not include imported raw materials, etc., distributed separately, and without release orders, to the small-scale sector by importing authorities directly, as for instance, a number of drugs and chemical items imported and distributed by the STC on the recommendations of

the sponsoring authorities without recourse to import licensing.

It is not possible to accurately estimate the precise rate of growth of output in the small-scale sector without detailed statistics as to actual production of such units. The reservation of an increasing number of sectors of production for future development exclusively by small-scale units, the encouragement given to the growth of ancillary units, and the improved credit facilities and other incentives being given for the setting up of small-scale units by professional and technical people, can be expected to accelerate the growth of the small-scale sector at a rate significantly faster than the growth of the organised sector in the recent past. This is reflected in the increased number of small-scale units registered with the State Directors of Industries and the number of units obtaining import licences for raw materials and the like.

The growth of industrial production during 1969 and also in 1970 so far, has been a reflection of the resurgence of demand in the economy leading both to increased requirements of consumer goods as well as both equipment and machinery as well as intermediate goods required by the industry. The substantial increase in machinery output reflects an accelerated investment demand, and apart from the increased production of equipment within the country, there has been a significant increase in the licensing of import of capital goods, etc., which may be expected to result in installation of increased capacity for the furtherance of industrial production in the future.

Import Licences

Licensing of capital goods imports during January-August, 1970 was as high as Rs 66 crores as compared to Rs 44 crores during January-August, 1969. The liberalised industrial licensing procedures both in regard to the setting up of new units and to the expansion of capacity by existing units (with capital investment of between Rs 1 and 5 crores) may also be expected to lead to increased production in the future, although there would inevitably be a

time-lag before new or expanded capacities are actually established. The increased requirements of production have correspondingly been reflected in increased licensing of imports of raw materials, components, etc., the total volume of import licensing during 1969-70 having gone up by some 27 per cent as compared to 1968-69, while during January-August, 1970, licensing is again higher by some 22 per cent as compared to import licensing during January-August, 1969. While part of the increased licensing is undoubtedly due to unexpected requirements of the economy by way of larger imports of steel, for the rest, increased licensing of imported raw materials may be expected to lead to a more rapid increase in industrial production during the coming year. Mention has already been made in this connection to the resurgence and growth of the small-scale sector as reflected in the larger volume of import licensing done as well as the multiplication of units in this sector of production.

Liberalised Licensing

With the liberalised licensing policy and procedures, and with the suspension of the 'banned' list in respect of industrial licensing, it is expected that the flow of resources into industrial sectors would substantially increase in the coming years. This is all the more likely with greatly-increased demand for various products, both in agriculture, industry and both within the country and by way exports. The raw material position is likely to be substantially eased following the recent public notice of September 11, 1970 permitting liberal imports of categories of steel in short supply in the country. Considerable increase in production is anticipated in non-ferrous metal-based industries, arising from an increase in demand for electrical and other products. In a number of industries, where capacity constraints have begun to appear, the liberal industrial licensing procedures adopted earlier this year are expected to substantially open up possibilities of further expansion of output in the near future. The special drive for export production in accordance with the Export Policy Resolution approved by the cabinet some time back, is also likely to further

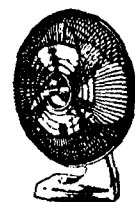
assist in the growth of industrial output.

As indicated earlier, the full picture regarding trends of industrial production during this year are not yet available. There has undoubtedly been relatively poor production in some industries during the current year, notably in steel, owing to special reasons, but with the liberal policy of imports now adopted in the matter of raw materials in short supply, an accelerated rate of industrial production is anticipated over the coming months. Both consumer demand and investment interest appear to be growing, and in a number of sectors, capacity constraints have already begun to appear which would necessitate increased production and output. It is anticipated, in this connection, that the liberal approach to the problem of industrial licensing over a very wide spectrum of industrial activity, coupled with freer use of import facilities, will help to accelerate the rate of growth of industrial production during the rest of the year, and more particularly, during 1971, when the full benefits of the present policies are likely to take effect.



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TABLE I
PRODUCTION OF SELECTED INDUSTRIES : 1967-69

Industry	Unit	1967	1968	1969	Percentage change	
					1968	1969
					1967	1968
Mining and Quarrying						
Coal	Th. Tonnes	71152	74940	77468	+5.3	+3.4
Iron ore	"	19068	20577	21200	+7.9	+3.0
Food Manufacturing Industries						
Flour milling	"	1441	1371	1804	-4.9	+31.6
Sugar (Figures for 1967 & 1968) are for the period (Nov.-Oct.)	"	2147	2185	3868	+1.8	+77.0
Vanaspati	"	393	474	482	+20.6	+1.7
Tea Processing	Mill Kgs.	385	402	395	+4.4	-1.7
Coffee curing	Th. Tonnes	75.6	56.9	70.4	-24.7	+23.7
Salt	"	4488	5044	5138	+12.4	+1.9
Tobacco Industries						
Cigarettes	Mill. Nos.	53700	60416	59703	+12.5	-1.2
Manufacture of Textiles						
Cotton yarn	Mill Kgs.	896	960	951	+7.1	-0.9
Cotton cloth	Mill Metres	4098	4366	4168	+6.5	-4.5
Mill sector	Mill. Metres	3199	3532	3538	+11.1	+0.2
Decentralised sector	"	881	992	894	+12.6	-9.9
Manmade fibre (fabrics produced on powerloom & handloom)	Th. Tonnes	35.5	36.3	35.3	+3.3	-1.4
Rayon : Viscose yarn	"	52.1	58.0	58.4	+11.3	+0.7
Staple fibre	"	1.8	2.0	2.0	+11.1	Nil
Acetate yarn	"	1157	1084	894	-6.3	-17.5
Jute manufactures	"	8923	11841	12627	+32.7	+6.6
Woollen manufactures	"	16656	18345	18870	+10.1	+2.9
Woollen worsted fabrics	Th. Kgs.	10532	9601	8967	-8.8	-6.6
Woollen/worsted yarn	"	7318	8558	7720	+16.9	-9.8
Footwear & Other Wearing Apparel						
Footwear & leather : Western type	Th. Pairs	10532	9601	8967	-8.8	-6.6
Indigenous type	"	7318	8558	7720	+16.9	-9.8
Manufacture of wood & cork						
Plywood : Tea chest	Th. Sq. Metres	10866	11585	5203	+6.6	-55.1
Commercial	"	14402	16836	16915	+16.9	+0.5
Paper and Paper Products						
Paper & paper board	Th. Tonnes	609	647	707	+6.2	+9.3
Newsprint	"	31.0	30.8	35.3	-0.6	+14.6
Leather Products						
Tanned hides	Th. hides	4076	3661	3142	-10.2	-14.2
Leather cloth	K. Metres	11014	12142	10971	+10.2	-9.6
Rubber Products						
Footwear (Rubber)	Mill Pairs	54.9	57.2	49.3	+4.2	-13.8
Tyres : Automobiles	Th. Nos.	2475	3126	3634	+26.3	+16.3
Bicycles	"	22337	24619	21471	+10.2	-12.8
Tractors	"	92	149	178	+62.0	+19.5
Tubes : Automobiles	"	2754	2988	2827	+8.5	-5.4
Bicycles	"	19399	18189	16760	-6.2	-7.9
Tractors	"	105	148	159	+41.0	+7.4
Chemical Products						
Sulphuric Acid	Th. Tonnes	841	996	1101	+18.4	+10.5
Cuastic soda	"	259	306	348	+18.1	+13.7
Soda Ash	"	359	396	422	+10.3	+6.6
Chlorine liquid	"	81.0	100.0	129.4	+23.5	+29.4
Bleaching powder	"	9.2	10.5	15.7	+14.1	+49.5
Bichromates	"	6.9	7.9	8.4	+14.5	+6.3
Nitrogenous fertiliser (N) content	"	335	507	602	+51.3	+18.7
Phosphatic fertilizers (P ₂ O ₅ content)	"	179.3	219.9	225.6	+22.6	+2.6
Alum (Ammonia)	"	0.9	0.5	0.7	-44.4	+40.0
Copper sulphate	"	2.7	1.8	2.1	-33.3	+16.7
Glycerine (refined)	"	8.7	10.0	8.8	+14.9	-12.0

(Contd.)

TABLE I
PRODUCTION OF SELECTED INDUSTRIES : 1967-69—(Contd.)

Industry	Unit	1967	1968	1969	Percentage change	
					1968	1969
					1967	1968
Glue	Th. Tonnes	2.4	1.9	2.2	-20.8	+15.8
Soap	"	192	216	225	+12.5	+4.2
Matches	(Bill sticks)	202	306	278	+51.5	-9.2
Paints	Th. Tonnes	70	64	62	-8.6	-3.1
Power alcohol	K. Litres	613	741	793	+20.9	+7.0
Industrial alcohol (rectified spirit)	Th. Litres	128	181	222	+41.4	+22.7
Welding cases : Oxygen gas	Mill. Cu. Mts.	32.5	34.4	34.6	+5.8	+9.3
Acetylene gas	"	5.4	5.6	5.6	+3.7	Nil
Calcium carbide	'000 Tonnes	35	59	66	+7.3	+11.9
Vat dyes	Tonnes	1026	1041	1324	+1.5	+27.1
Azo dyes	"	1456	1678	1413	+15.2	-15.8
Solubilised vats	"	109	107	124	-1.8	+15.9
Sulphur black	"	1586	1501	1688	-5.4	+12.5
Naphthols	"	895	893	887	-0.2	-0.7
E.P.F. moulding powder	"	3750	4619	2643	+23.2	-42.8
UF moulding powder	"	1342	1479	1541	+10.2	+4.2
Activated bleaching earth	"	3310	2224	2666	-32.8	+19.9
Petroleum refining products	Th. Tonnes	13462	14948	15975	+11.0	+6.9
Non-Metallic Mineral Products						
Refractories	Th. Tonnes	722	656	621	-9.1	-5.3
Insulators : H.T.	Tonnes	16026	13280	13445	-17.1	+1.2
L.T.	"	1080	1240	1777	+14.8	+43.3
Cement	Th. Tonnes	11302	14943	13674	+5.7	+14.5
Asbestos cement sheets	"	249	256	296	+2.8	+15.6
Grinding wheels	Tonnes	4833	3730	4577	-13.9	+22.7
Coated abrasives	Th. Reams	175	147	156	-16.0	+6.1
Glazed tiles	Tonnes	11988	14080	18572	+17.5	+31.9
Sheet glass	M. Sq. Metres	13.19	14.72	17.28	+11.6	+17.4
Basic Metal Industries						
Pig Iron	Th. Tonnes	6867	7151	7334	+4.1	+2.6
Finished steel	"	4111	4404	4974	+7.1	+12.9
Aluminium	Tonnes	96431	120136	132554	+24.6	+10.3
Copper	"	8904	9286	9751	+4.3	+5.0
Lead	"	2473	1647	1398	-33.4	-15.1
Steel castings	Tonnes	52288	47233	45902	-10.5	-2.8
Antimony	"	901	821	637	-8.9	-22.4
Zinc	"	2883	20475	23911	+610.2	+16.8
Steel pipes & tubes	'000 Tonnes	222	269	362	+21.2	+39.9
Manufacture of Metal Products						
Screws : Wood	Mill Nos.	1750	1363	1291	-22.1	-5.3
Machine	"	657	417	430	-36.5	+3.1
Razor blades	Mill Nos.	779	757	854	-2.2	+12.8
Hurricane lanterns	Th. Nos.	4230	3230	4060	-23.6	+25.7
Crown corks	Mill Nos.	1321	1141	1364	-13.6	+19.5
Thermos flasks	Th. Nos.	3102	2760	4260	-11.0	+54.3
Wire ropes	Tonnes	13326	13372	18190	+0.3	+36.0
Bright bars	"	28618	34784	40000	+21.5	+15.0
Manufacture of Machinery						
Tractors	Nos.	10826	13781	18093	+30.9	+31.3
Diesel Engines : Stationary type	Th. Nos.	117.5	116.4	136.2	-0.9	+17.0
Vehicular type	"	3.3	2.4	2.7	-27.3	+12.5
Power driven pumps	"	362	333	356	-8.0	+6.9
Machines tools (including portable tools & accessories)	Rs Lakhs	2189	2071	2532	-5.4	+22.3
Ball bearings	Mill. Nos.	10.07	12.09	13.36	+20.1	+10.5
Sewing machines	Th. Nos.	358	427	414	+19.3	-3.0
Typewriters	"	46.9	45.7	28.4	-2.6	-37.9
Twist drills	"	7448	8463	9835	+13.6	+16.2
Sugar mill machinery	Rs Lakhs	1058	1140	1253	+7.8	+9.9
Tea processing machinery	"	201	178	149	-11.4	-16.3
Cement mill machinery	"	660	818	980	+23.9	+19.8

(Contd.)

TABLE I
PRODUCTION OF SELECTED INDUSTRIES : 1967-69—(Contd.)

Industry	Unit	1967	1968	1969	Percentage change	
					1968	1969
					1967	1968
Manufacture of Electric Machinery						
Power transformers	Th. KVA	5238	4850	4888	-7.4	+0.8
Electric motors	Th. H.P.	2056	1906	2262	-7.3	+18.7
Dry batteries	Mill Nos.	314	408	473	+29.9	+15.9
Storage batteries	Th. Nos.	796	870	1156	+9.3	+32.9
Electric lamps : G.L.S. and others	Mill. Nos.	74	85	90	+14.9	+5.9
Flourescent tubes	Th. Nos.	5369	7690	9851	+43.2	+28.1
Electric fans	Th. Nos.	1376	1466	1570	+6.5	+7.1
Radio receivers	"	851	1368	1742	+60.8	+27.3
House service meters	Th. Nos.	923	1063	1576	+15.2	+48.3
Domestic refrigerators	Nos.	39478	49897	48587	+26.4	-2.7
Room air conditioners	Nos.	18072	12933	15474	-28.4	+19.6
Cables and wires : Bare copper conductors	Tonnes	851	1007	2069	+18.3	+105.5
A.C.S.R. & A.A.C.	Th. Tonnes	70.1	65.0	60.3	-7.3	-7.2
Winding wires	Tonnes	13130	12700	14346	-3.3	+13.0
VIR & PVC	Mill. Metres	365	370	381	+1.4	+3.0
Non-Electrical Machinery						
Lifts	Nos.	520	402	523	-22.7	+30.1
Cranes (other than mobiles)	Tonnes	7438	4885	5705	-34.3	+16.8
Weighing machinery	Rs lakhs	162	165	163	+1.9	-1.2
Transport Equipment						
Automobiles	Nos.	80362	79538	75685	+13.0	-4.8
Motorcycles	"	23338	29411	34477	+26.0	+17.2
Scooters	"	30302	35952	49270	+18.6	+37.0
Three-wheelers	"	3980	4317	5072	+8.5	+17.5
Bicycles (complete)	Th. Nos.	1694	1952	1981	+15.2	+1.5
Railway wagons	Nos. (in terms of 4-wheelers)	18348	15248	12317	-16.9	-19.2
Three and four-wheelers	Nos.	1665	1641	2577	-1.4	+57.0

TABLE II
OUTPUT OF SELECTED INDUSTRIES : JANUARY-JUNE 1970

Industry	Unit	January-June		Percentage change	Industry	Unit	January-June		Percentage change
		1969	1970				1969	1970	
Light Mechanical Engineering Industries									
Bicycles (complete)	Lakh Nos.	9.7	10.5	+8.2	Steel wire ropes	"	9040	9800	+8.4
Auto leaf springs	Tonnes	11748	12171	+3.6	Cranes	"	3150	3000	-4.8
Ball & roller bearings	Mill Nos.	6.62	8.24	+24.5	Structurals	"	51300	53000	+3.3
Hurricane lanterns	"	1.59	1.90	+19.5	Transmission towers	"	26300	27000	+2.7
Clocks	Th. Nos.	33.7	43.7	+28.8	Welding electrodes	Mill.R. Mtrs.	130	145	+11.5
Watches	Lakh Nos.	2.07	2.28	+10.1	Lifts	Nos.	260	190	-26.9
Crown corks	Mill Nos.	756	755	-0.1	Bright bars	Tonnes	22200	27000	+21.6
Expanded metal	Tonnes	73.8	113.9	+54.3	Basic Metal Industries				
Razor blades	Mill Nos.	448	460	+2.6	Aluminium	Th.Tonnes	66.1	73.0	+10.4
Bolts, nuts and rivets	Tonnes	12291	7820	-36.4	Copper	Tonnes	4548	4685	+2.2
Machine screws	Mill Nos.	206	185	-10.2	Steel castings	"	23363	27275	+6.7
Wood screws	"	652	725	+11.2	Copper & brass extruded sections	"	3696	3907	+5.7
Sewing machines	Th. Nos.	210	49	-66.7	Non-ferrous alloys & castings	"	17549	15500	-11.7
Typewriters	Nos.	16977	20081	+18.3	Steel forgings	"	34700	33600	+3.2
Duplicators	"	2439	1917	-21.4	Lead	"	1105	952	-13.8
Oil pressure lamps	"	25850	26275	+1.6	Aluminium foils	"	2177	2255	+3.6
Stoves: pressure type	Nos.	9324	7855	-15.8	Brass pipes and tubes	"	528	681	+29.0
Non-pressure type	Th. Nos.	254	286	+12.6	Copper pipes and tubes	"	216	327	+51.4
Zip fasteners	Km.	1884	2126	+12.8	C.I. Pipes including pressure pipes	"	55592	71982	+29.5
Heavy Mechanical Engineering Industries									
Railway wagons	Nos.	5100	6000	+17.6	Non-Electrical Machinery				
Steel pipes and tubes	Tonnes	149,600	140,000	-6.4	Sugar mill machinery	Rs lakhs	542	688	+26.9
(Contd.)									

(Contd.)

TABLE II

OUTPUT OF SELECTED INDUSTRIES : JANUARY-JUNE 1970—(Contd.)

Industry	Unit	January-June		Percentage change
		1969	1970	
Cement mill machinery	Rs lakhs	606	605	-0.2
Boilers & boiler mountings (ind. & power)	"	1129	1580	+39.9
Drilling equipment	"	77	84	+9.1
Conveyors and wagon trippers	"	272	398	+46.3
L I G cylinders	"	197	196	-0.5
Reduction gears	"	170	215	+26.5
Pulp & paper making m/c.	"	181	200	+10.5
Chemicals machinery (including pharmaceutical m/c)	"	675	800	+18.5
Coal mining machinery	"	94	90	-4.3
Building & road construction machinery	"	54	75	+37.0
Tea machinery	"	82	68	-11.1
Weighing machinery	"	75	102	+36.0
Dairy machinery	"	65	97	+49.2
Pesticide equipment	"	100	94	-6.0
Steel plant equipment incl. metallurgical m/c.	"	479	970	+102.5
Miscellaneous industrial machinery*	"	364	524	+44.0
Machine Tools Components and Accessories				
Grinding wheels	Rs lakhs	150.40	281.13	+86.8
Coated abrasives	"	93.74	149.65	+59.6
Steel files	"	155.80	156.01	+0.1
Twist drills	"	162.47	147.03	-11.5
Reamers	"	21.10	26.97	+27.8
Threading tools	"	60.22	80.92	+34.2
Milling cutters	"	60.02	82.82	+38.0
Bandsaw blades (wood)	"	16.91	19.43	+14.3
Bandsaw blades (metal)	"	14.17	16.96	+19.7
Hacksaw blades	"	51.28	57.36	+11.8
Tungsten carbide (tips)	"	141.17	221.80	+57.1
Lathe tools (tool bits)	"	26.38	28.58	+8.3
Diamond drill bits	"	48.78	59.59	+22.2
Tungsten carbide tipped tools	"	53.61	78.98	+47.3
Broaches	"	16.21	22.13	+36.6
Measuring tapes	"	57.90	68.56	+18.4
Ind. machine knives	"	40.09	55.92	+28.3
Forged hand tools	"	204.77	308.17	+62.7
Machine tools (total)	"	1234	1814	+48.3
Electrical Machinery				
Incandescent filament lamps	Mill Nos.	47.32	46.14	-2.5
Flourescent lamps	"	4.90	5.32	+8.6
Miniature lamps	"	17.92	19.63	+9.5
Electric fans	Th. Nos.	803	722	-10.1
Radio receivers	"	829	814	-1.8
Storage batteries	"	584	570	-2.4
Dry batteries	Mill Nos.	236.11	235.24	-0.4
House service meters	Th. Nos.	772	784	+1.6
Measuring instruments	"	90	99	+10.0
Transformers	Th. KVA	2591	3533	+36.4
Electric motors	Th. H.P.	963	1371	+42.4
Cable and Wires				
Aluminium conductors	Tonnes	30493	30735	+0.8
Winding wires	"	7088	8385	+18.3
Paper insulated power cables	Km.	1149	1155	+0.5
Bare copper conductors	Tonnes	595	500	-16.0
Transport Equipment				
Automobiles	Nos.	39930	40100	+0.4
Motorcycles	"	15095	22965	+52.1
Scooters	"	24844	29972	+20.6
Mopeds	"	4838	5976	+23.5
Three-wheelers	"	2818	1815	-35.6
Tempo three- & four-wheelers	"	950	1601	+22.1
Miscellaneous Industries				
Caustic soda	Th. Tonnes	164	185	+12.8
Liquid chlorine	"	58	70	+20.7
Soda ash	Th. Tonnes	211	223	+5.7
Bleaching powder	"	7306	5864	-19.7
Sulphuric acid	Th. Tonnes	563	572	+1.6
Calcium carbide	Tonnes	30322	34553	+14.0
Fertilizers				
(i) Nitrogenous (N content)	Th. Tonnes	274.5	339.4	+23.6
(i) Phosphatic (P ₂ O ₅ content)	"	82.5	78.4	-5.0
Cement	Th. Tonnes	6686	6813	+1.9
Asbestos cement products	"	109	180	+65.1
Cigarettes	Mill pcs.	28916	30063	+4.0
Tyres automobile	Th. Nos.	1794	1719	-4.2
Bicycle	"	11071	10350	-6.5
Tractor	"	84	91	+8.3
Tubes—automobile	"	1435	1544	+7.6
Bicycle	"	8280	8511	+2.8
Tractor	"	76	89	+17.1
Rubber footwear	"	25480	21568	-15.4

* Includes oil mill m/c., rice, dal flour mill m/c., leather machinery, tobacco m/c., rayon m/c. bread and biscuit making m/c. asbestos cement plant m/c., industrial screens, electroplating equipment etc.



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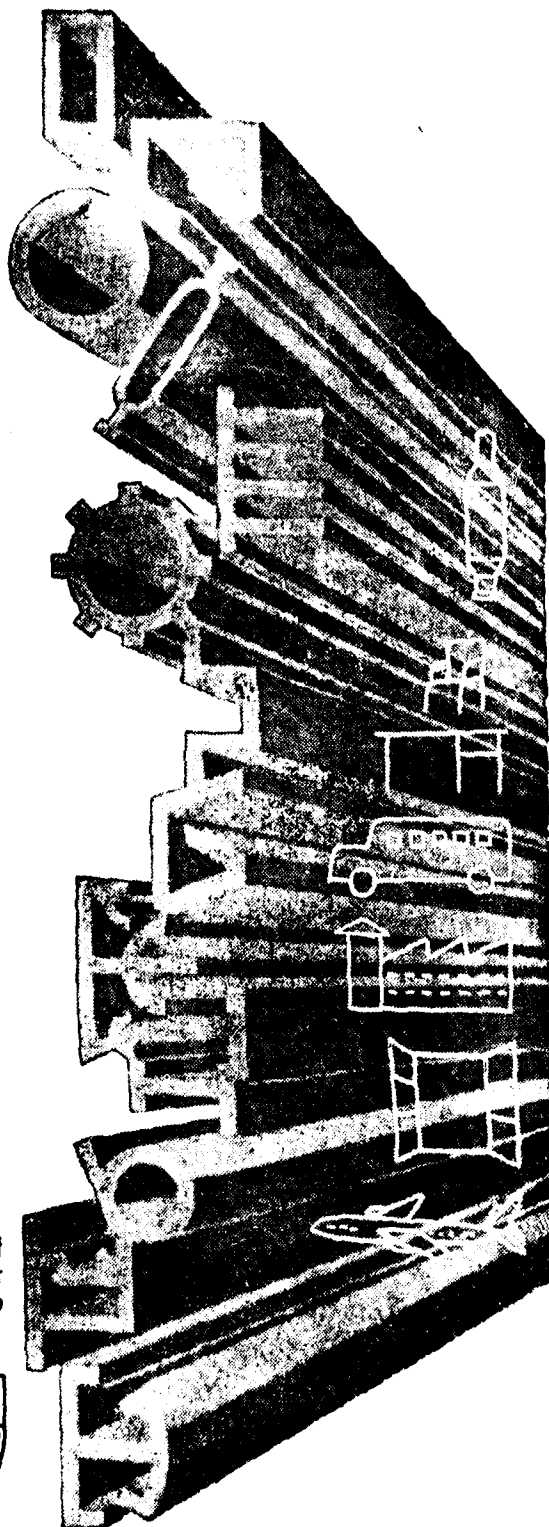
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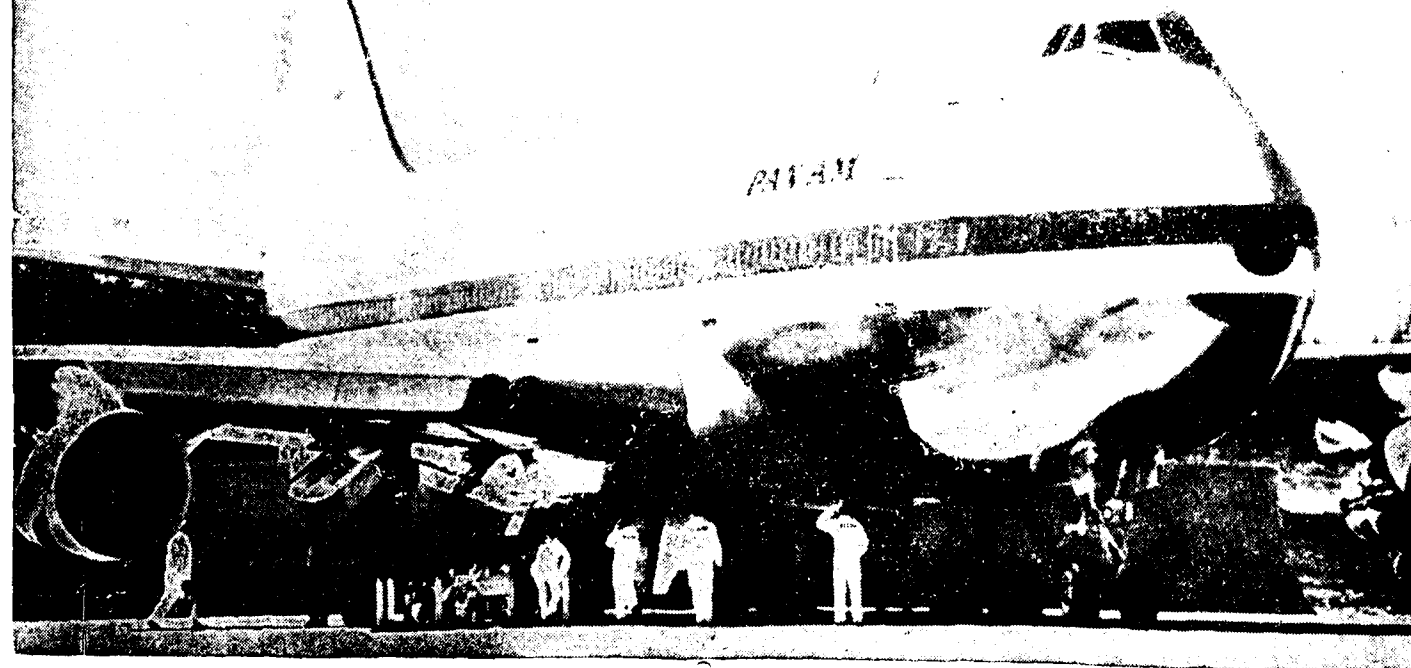
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EASTERN ECONOMIST

NOVEMBER 20, 1970

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Andhra Pradesh Looking Up (a special supplement on Andhra Pradesh is published along with this issue)

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Of Cabbages and Cows

THE CHAIRMAN of the National Commission on Agriculture, Mr C. Subramaniam, seems to nurse a grievance that the press is showing more interest in his pronouncements on party politics than in his mission of charting a new course for our country's agriculture and, indeed, its rural economy. As complaints of politicians against the press go, this protest is legitimate enough. But, then, the remedy is largely in his own hands. May we suggest that Mr C. Subramaniam temporarily withdraws from the politics of Tamil Nadu and also suspends his active participation in the war council of Mrs Indira Gandhi's party for the duration of his tenure as Chairman of the National Commission on Agriculture?

This is not to say that we have any mental reservations about Mr Subramaniam's complete dedication to the tasks of his Commission. Indeed, the Prime Minister could hardly have chosen a better man, whether in terms of knowledge or enthusiasm, for presiding over the labours of this body. Mr Subramaniam, indeed, may be relied upon to do more than preside over the deliberations of the Commission. Most of the leadership and much of the direction will surely come from him.

In a recent speech inaugurating the work of the Commission, Mr Subramaniam gave encouraging evidence of his determination to ensure that the green revolution becomes a permanent revolution not only in the techniques of the farming community but also in the minds of men and women in the countryside. Fortunately, the terms of the Commission are comprehensive enough for him to attempt this larger task through its investigations and, in due course, recommendations. At the same time, he must be on his guard against the temptation to spread the effort of the Commission too thinly over too vast an area of interest.

The public indeed has a right to expect a series of short interim reports from the Commission pin-pointing a programme of action in the immediate future for dealing with current problems which have already been sharply identified. Mr Subramaniam himself seems to be thinking in terms of dealing in this manner with questions relating to rice-farming. It has been stated often enough that the green revolution has been, in the main, a wheat revolution, particularly as regards the evolution and propagation of improved seeds. It is definitely in the national interest that the Commission should promptly proceed to study and publish ways and means of speeding up the green revolution in the rice-growing areas. Of almost equal urgency is the need to draw up blueprints for commercial crops, such as oil-seeds and raw cotton and pulses, in that order. It is to be hoped that, within the next six months, the country will receive some evidence of the productivity of the labours of the Commission in these areas of high priority.

There are indications that Mr Subramaniam attaches the greatest importance to rationalising and integrating agricultural research activity in the country. Some effort has already been made in this direction, but the Chairman of the National Commission on Agriculture seems to believe that a great deal still remains to be done, particularly in the matter of identifying the priorities or avoiding overlapping of effort in research activities. The age of technology has arrived with a bang in our country's agriculture and it is but right that earnest thought should be given to the task of intelligently harnessing scientific personnel, resources and organisation to goals of higher productivity in the priority areas of farming.

Mr Subramaniam, again, seems to be greatly interested in modernising national attitudes relating to animal husbandry. It has now been established beyond doubt that there can be no viable schemes of cattle breeding on a commercial scale unless the problem of the elimination of inferior cattle is faced and dealt with in a sensible and responsible manner. Unfortunately, the politician is on vulnerable ground when attempting to fight obscurantism, religious or other. If cows are sacred to some people, land ceiling seems to be no less sacred to many politicians. Mr Subramaniam, as a politician, belongs in the group to which ceiling, are a sacred cow. We therefore do not expect much rational thinking from the National Commission on Agriculture so far as this particular political animal is concerned. But on the subject of the cow itself, we may perhaps wait hopefully for such ideas as Mr Subramaniam (and his colleagues on the Commission) may offer in due course.

Andhra Looking Up

A SURVEY, mainly economic, of Andhra Pradesh is published as a supplement to this issue of *Eastern Economist*. This is the third in the series of economic reports on the states which this journal has programmed. One feature of the Andhra economy which is nationally known is that it is surplus in rice. It is also more or less common knowledge that Andhra benefits very considerably from highly remunerative cash crops, such as tobacco. Such of us as have observed economic activities in the state more closely are also aware of the good progress made in industries processing agricultural raw materials. Some time ago, the successful cultivation of grapes on a commercial scale in the neighbourhood of Hyderabad generated much interest in the country. Considerable public attention has also centred in the establishment and growth of a number of important public sector undertakings in the state.

In spite of all this, however, there will be common agreement that Andhra has allowed itself to be overtaken in the race for economic growth by certain other states in the country which are, by no means, its superiors in the matter

of natural or human resources. More particularly, this state has been rather slow in encouraging the promotion of newer industries which could diversify its economic structure while helping to improve its capacity for providing higher standards of living to its people. Fortunately, the present Chief Minister, Mr Brahmananda Reddy, preoccupied though he is with political problems, including problems of party politics, has lately shown some awareness of the need for a vigorous promotional effort, particularly in industry. While issuing an economic survey of Andhra Pradesh at this juncture we would like to believe that we are adding strength to his elbow by publicising the opportunities and challenges which Andhra's economic development offers, primarily to the people of Andhra, but ultimately to all of the Indian people. It will not be out of context to add here that any significant economic success that Andhra may hope or plan for will be realised only if peace, goodwill and co-operation are restored among the politicians of the state on a basis which is relevant to the legitimate aspirations of its different regions.

The Relentless Race

NOT VERY long ago, while discussing the Indicative World Plan for Agricultural Development (IWP), the Food and Agriculture Organization of the United Nations pointed out that the Zone 'C' countries (64 countries included in the IWP regional studies, excluding mainland China) had in 1965, a combined population of about 1,500 million people. Together with the 800 million of mainland China, the total came to 2,300 million and, by 1985, according to the United Nations medium assumption of a 2.6 per cent annual growth rate, this will cross 2,500 million mark. And it has been estimated that 85 out of every 100 persons will be born in the developing countries, many of whom, including India, it is known, cannot even now adequately provide for their existing populations. Hence the urgent need for a rapid reduction in rates of growth of population in these regions. Indeed, as Dr Carl M. Frisen, Director, Population Division, ECAFE, told the joint ECAFE-Government of India Training Course on Fertility and Family Planning Evaluation, the first of a series started by the ECAFF to pro-

vide training in a variety of fields directly relevant to the effectiveness of action programmes, held in Bombay early this month, lowering of the birth rates is "an essential ingredient of development".

Although, realising this, most people have already accepted family planning, according to Dr Frisen, while most countries have national programmes of family planning, there are others that are still considering the adoption of national policies of family planning and are about to initiate such programmes. It is necessary for these countries, he said, to have personnel skilled in the field of evaluation of these programmes, to see that the programmes are operated efficiently and achieve their goals. After he heard Mr K.K. Shah, Minister for Health and Family Planning, who inaugurated the course, Dr Frisen must have felt that this is as much the need of even countries like India which have had family planning programmes for several years now (according to Mr Shah himself, the programme was really put on the

ground since 1965). The minister, no doubt, claimed considerable success for the programme — 5.7 million men and women sterilised, 3.1 million women fitted with loops and another 3.5 million using conventional contraceptives. He was however satisfied — he could not afford to — neither with this achievement, nor, for that matter, with the evaluation of what has been achieved. One almost felt, while listening to him, that he did not rate highly the evaluation made so far. This is not to say he did not favour evaluation. For he himself started by saying: "Evaluation is necessary because we want to know where we were when we started, where are we headed, what happened to us on the way and where we are now". But he was not interested merely in the end product, viz, reduction in the birth rate. He wanted "a system of continuous evaluation which will not only tell how the programme is progressing but will also identify difficulties and barriers, so that necessary changes in the programme can be made."

For this purpose, it goes without saying, there is a great and also growing need for highly skilled and competent personnel, and it is with this objective in view that the ECAFE has been organising expert group meetings, seminars and training courses in family planning evaluation. The first of such meetings — a 10-day meet — was held in June, 1968 at Bangkok. It was an expert group meeting which, after discussing various methodological innovations in this area, recommended the necessity of conducting short-term training courses on these aspects (most of these being of recent origin) at two levels — regional and national. And the population division of the ECAFE followed it up by organising a three-week seminar on evaluation of family planning programmes at Bangkok on a regional basis in November-December, 1969. The current training course in India is the one organised on a national or sub-regional level and a similar course is to be held next year in Indonesia. To quote Dr Frisen, "this training course is a job-oriented training programme and has been designed on the basis of job functions expected of a statistician or demographer working in the family planning programme at the provincial level."

From what the ECAFE Population Division Director disclosed, the regional training course at Bangkok dwelt on the problems of assessment of contraceptive practices in the community, the impact they have on the fertility levels of the population, problems of target setting and births averted and the socio-economic benefits of family planning. (For details, readers are

referred to Numbers 4 and 5 of the *Asian Population Studies Series* published by the ECAFE). These are perhaps the same areas which Mr Shah was stressing the need for more light being thrown on. In fact, his inaugural address — unfortunately the union minister strayed much too much away from his prepared address — was full of questions. For once, as he said, a minister, instead of being called upon to answer questions, was posing questions himself. Inasmuch as answers to these questions are to determine the future of millions of people, it is necessary both to record them here and to express the hope that a free and frank discussion of them between the demographers from all over the region — Ceylon, Iran, Malaysia, Nepal and Thailand — and the Indian and foreign experts will lead to satisfactory answers being found for them.

Mr Shah, it is noteworthy, listed his questions under several significant heads. Thus, in regard to the gap between expressed attitudes and actual behaviour, he wanted to know why the acceptance rate happens to be lower in the rural areas. This gap made him doubt whether the methodology for collecting data for these attitude surveys itself was defective. So he asked the demographers assembled to indicate how these surveys should be conducted to get a true picture and what steps are needed to bridge the gap between expressed attitudes and actual behaviour.

In the context of the Government of India's massive mass communication programme for family planning and criticisms in the press about this approach, the Health Minister was anxious to know whether this programme was yielding results or not. More particularly, he asked: "Is there a saturation point after which negative results start flowing in, or is it only a question of readjusting the strategy adopted earlier?"

On the effectiveness or otherwise of the loop programme, Mr Shah was perplexed about success in some places and failure in others. "If the problems of pain and bleeding are inherent in the loop", he asked, "how does it continue to be popular in a country like Korea or in one of our states like Punjab?"

Similarly, while referring to the great deal of data available at the state level, the minister wanted to know whether any attempt was being made to test the reliability of the data. He went even so far as to want to make sure of the soundness of the premises of some of the sophisticated techniques evolved

by demographers. In doing so, he merely underscored his anxiety to ascertain the difficulties, if any, in the way, and to find out whether these difficulties could not be overcome. He went into even such details as the register of eligible couples maintained in each district and desired to know the value, if any, of such registers. If the data collected happen to be valuable, he wanted to know whether the data so collected were at all being utilised in programme implementation. These may appear to some as domestic issues which need not be raised at a national training course, but it is certainly worth comparing notes with demographers from other countries even on such so-called purely domestic issues which must surely be confronting those demographers too in their respective countries.

By far the most important problem for which an answer must be found without any delay is that of making people view the question of family planning with a sufficient degree of seriousness. And the questions that Mr Shah posed in this behalf are quite significant. What is it that induces people to take up this work? Why is it that the prestige attracted to all those who work in the field of health is not the lot of those who work in the field of family planning? Why is it (family planning) not always treated with the seriousness that it deserves?

Allied to this problem is that of

filling jobs created in family planning set-ups. Mr Shah complained that the requisite number of qualified personnel was not available, though job descriptions had been worked out and qualifications specified. His dilemma seems to be whether to wait until persons with prescribed qualifications become available or to make-do with persons having slightly lower qualifications to get on with the job. He was for precise answers based on scientific studies. It is a moot point whether even scientific studies by themselves can provide the right answers to such questions, but the collective wisdom of those engaged in the training course may help to provide an answer.

In enumerating all these questions at some length, our purpose is not only to underline the importance of finding answers to them urgently but more to highlight the importance of a training course which, like family planning itself, does not appear to have been taken seriously of. It may not be — nay, is not — realised by many that, if we are to survive the relentless race between growing population and the steadily shrinking size of available resources *per capita*, especially in the developing countries, a lot of work still remains to be done in this field. To conclude this piece with a telling quotation from Mr Shah, "Truly, it is a race for survival and each responsible person in the country has to contribute his utmost to make the programme a success."

Augmenting Aluminium Output

THE INAUGURATION of the new big smelter and alumina plant of Indian Aluminium Company Limited at Belgaum in Mysore state by the President of India, Mr V.V.Giri, recently constitutes a major landmark in the history of the aluminium industry. The mammoth Sharavathi project provided the inspiration for starting a huge integrated complex in the southern peninsula as the easier availability of power in Kerala did for establishing a medium-sized smelter at Alupuram in that state. In Tamil Nadu, too, an integrated plant of modest capacity has been established with the harnessing of the irrigation flows of the Mettur reservoir in an ingenious manner. What is noteworthy is the fact that out of the three smelters, two will be functioning on an integrated basis and there are expansion plans for the units at Belgaum and Mettur. The Alupuram unit of Indal, too, may be expanded over a period as the required quantities of alumina, which are presently being brought all the way from Muri in Bihar, can now be secured from

the Belgaum area. Here, an alumina plant, which will be capable of feeding a smelter with an aggregate capacity of one lakh tonnes, has been developed and the rich bauxite resources in the Kolhapur region in southern Maharashtra are being exploited for this purpose. Even now the new smelter is operating at its rated capacity of 30,000 tonnes annually and the three southern states will be capable of producing 60,000 tonnes annually. It has been indicated by the Chairman of Indian Aluminium Company, Mr H.V.R. Iengar, that the capacity of the Belgaum smelter is already being expanded by 10,000 tonnes while Madras Aluminium Company Limited has a programme for doubling its output in two stages and it is scheduled that the first stage, which will result in an increase in the capacity to 18,000 tonnes, will be completed early in 1972. It would then be possible to produce as much as 75,000 tonnes as there will be no problem of power availability and aluminium smelters usually work even in excess of rated capacity with regular

supply of alumina and a contented labour force.

As the Mysore government has been extending prompt help to the Canadian-owned aluminium company and adequate power supply has been earmarked, it is only reasonable to expect that, like the Hindustan Aluminium Corporation Limited, the Belgaum complex will be making steady progress in the coming years. An investment of Rs 28 crores has been already incurred in developing the mines and constructing the alumina plant and the smelter in Mysore state. Actually, with the availability of alumina from Indal's own sources in Bihar, the Belgaum smelter started functioning towards the end of last year and, after getting over its teething troubles, it is now turning out virgin metal at rated capacity.

The problem of finding resources is not difficult as the required foreign exchange has been provided by the Canadian collaborators in the form of participation in equity capital and loans from international lending institutions. But it has been emphasised by Mr Iengar and others that this capital-intensive industry should be provided the necessary incentives as the cost of installing new smelters and developing mines has increased sharply and it is feared that there may be a distinct reduction in profitability if there were no concessions in the shape of preferential development rebate or a lowering of excise duties. The Managing Director of Madras Aluminium Company Limited, Mr R. Venkataswamy Naidu, also complained sometime back that the institutional lenders were not adopting a helpful policy and there was unnecessary delay in the grant of loans because of an unseemly wrangle over the conversion of the new loan that might be granted into equity capital.

It has been pointed out that insistence on converting a sizable portion of these loans will discourage the inflow of foreign capital and bring about also a significant change in the pattern of equity shareholding which might have an upsetting effect on the calculations of the promoters. There will thus have to be a correct understanding of the needs of industrial units and the privileged position occupied by the statutory financial corporations should not

be unfairly exploited. Three major companies — Indian Aluminium, Hindustan Aluminium and Madras Aluminium — have sizable foreign participation, and it has been amply demonstrated by the happenings of the past few years that the co-operation extended by the foreign interests has been responsible for the rapid development of a major industry and the profitable exploitation of the sizable bauxite resources in different parts of the country. The easy availability of aluminium has been very useful in displacing imports and the output of the Belgaum smelter alone will result in an annual saving in foreign exchange to the extent of Rs 14 crores.

Elsewhere in the country the efforts to produce virgin metal on a large scale have yielded even more spectacular results and Hindustan Aluminium Corporation Limited is now the leader in this industry. Within a short period it has been successful in establishing a capacity of 60,000 tonnes and producing as much as 72,000 tonnes out of this facility. It is now engaged in raising its capacity to 80,000 tonnes and the government has permitted this unit to implement subsequent stages of the expansion scheme raising the total to 1.2 lakh tonnes. These schemes can be expected to be completed before the end of the current Plan period, though valuable time has been lost by the delay in giving clearance to the schemes of Hindalco. While it can be confidently expected that the target of 2.35 lakh tonnes for capacity by 1973-74 will be reached if there is no undue delay in providing the necessary facilities to the important producers in the private sector, the Planning Com-

mission is apprehensive that there may be a serious shortfall in production and the compulsion to import virgin metal may result in unnecessary expenditure in foreign exchange.

It will not be difficult, however, to create an aggregate capacity of over two lakh tonnes and even achieve an output of 2.2 lakh tonnes. But it is likely that the estimates relating to consumption will far exceed if there is a brisk implementation of rural electrification schemes and greater emphasis is laid on the creation of transmission and distribution facilities for supplying power to a much larger number of consumers. The execution of the public sector projects at Korba in Madhya Pradesh and Koyna in Maharashtra has, however, been tardy and it is unlikely that these units will be in a position to make any significant contribution to the pool of aluminium supplies in the current Plan period. It is, therefore, of the utmost importance that the schemes of the four existing units should be accorded the highest priority so that the output of virgin metal can be doubled every five years. The fourth unit in the private sector, Aluminium Corporation of India Limited, has a proposal for establishing a smelter with an initial capacity of 30,000 tonnes in Orissa, though this scheme is still in the blueprint stage. But what is important from the national angle is the steady growth of this basic industry and in the fifth Plan new capacity will come into being in a big way and the deficiency in non-ferrous metal resources can be overcome to a great extent by laying continued emphasis on the manufacture of aluminium on a large scale.

Eastern Economist 25 Years Ago

NOVEMBER 23, 1945

Whatever be the exact terms of the financial agreement shortly to be concluded between U.S.A. and Britain, it is clear that an International Trade Conference will be convened early in 1946 mainly to give effect to the principles laid down in the Atlantic Charter and the Mutual Aid Agreement and to draw up an international trade convention embodying the essential features of a non-discriminatory trade system on which America is so keen. Reports to hand indicate that the State Department at Washington has already prepared an international trade charter as a basis for dis-

cussion at this Conference and that the British delegation have accepted in principle the underlying assumptions of the Charter. India like other countries will be called upon to participate in this conference, and even though — perhaps because — her representatives may not be those of the people but only of the Government of India it is necessary that the country should have a clear idea of what types of commercial policy would suit her needs and requirements, and to what types she could not safely give her assent.



the long run

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Smoke Without Fire

THE EDITOR

CONSIDERING THAT smoking is a health hazard, my immediate reaction to the controversy which has sprung up in the public prints between two cigarette companies was to call for "a plague on both houses." The profession of economic journalism, however, has its obligations which may rule out such summary response to a debate which has been attempted to be staged on economic, or at least quasi-economic grounds.

It cannot be unfair to the protagonists in this controversy to suggest that their arguments and counter-arguments, their charges and counter-charges and their claims and counter-claims boil down to the one material issue whether Vazir Sultan Tobacco Company should be allowed to expand its installed capacity or not. The Indian Tobacco Company is vitally interested in this expansion, while the Golden Tobacco Company is equally keenly interested in opposing it. The gist of the latter's contention is that Vazir Sultan is a subsidiary of Indian Tobacco which is already a dominant firm in the manufacture of cigarettes and which should therefore not be allowed to increase its production further as that may help it to acquire an even larger share than it now has of the market.

Aggressive Campaign

Golden Tobacco, which has been particularly aggressive in carrying on a newspaper campaign in its cause, evidently, desires to generate public opinion in its favour. Now, there is certainly nothing wrong in a manufacturing or other commercial organisation attempting to put its views across to the public or even plead for its interests with the public and through the public the government. This indeed is a part of democratic process of influencing public opinion or the government. The application for the expansion of Vazir Sultan's installed capacity is now with the concerned central ministry and will, no doubt, be put through the mill in the usual way. At a strategic point of its processing the Department of Company Affairs and particularly its Minister, Mr Raghunatha Reddy, will, no doubt, forcefully project themselves into the picture. They may certainly be depended upon to scrutinize the Vazir Sultan proposal in the full light of all the rigours of the Monopolies and Restrictive Trade Practices Act. I am sure that Golden Tobac-

co is quite aware of this and this makes me wonder why at all it should be so anxious to work up public opinion when it can reasonably hope that its point of view will be very favourably considered in the normal course by the powers that be. In other words, Golden Tobacco seems to be over-investing in press publicity through the lavish advertising campaign it has engaged itself in.

Undesirable Turn

This apart, it cannot be denied that Golden Tobacco's campaign in the press has taken a rather undesirable direction. I am referring to its emphasis on the 'foreign' aspect of Indian Tobacco. So long as Indian Tobacco is registered under the corporate laws of our country, it is clearly entitled to exercise the rights as it must be expected to fulfil the obligations of a 'citizen' of our corporate sector. To bring into the discussion emotive phrases, such as imperialist domination or colonial exploitation, as Golden Tobacco has done, is to introduce objectionable extraneous matters into an argument, which claims to be an objective economic analysis of the problems of the cigarette industry in our country.

In fairness to Golden Tobacco, however, it must be said that Mr Pratap Narsee has not been the first industrialist to raise the bogey of the 'dominating foreigner'. It would be recalled that at one time similar arguments were directed against what is now Hindustan Lever by Messrs Tata and Messrs Godrej. It was, then, said that Indian capital and enterprise in the soap and vanaspati industries were being imperilled by its unrestricted growth of a foreign-controlled corporate giant which was already dominating those fields of manufacture. There was also the more or less successful campaign against the Singer Sewing Machine Company of the United States setting up production facilities in this country for the manufacture of sewing machines. On this occasion, it was principally the Shri Ram group which sent up a war cry against the threat of a foreign corporate giant dominating the sewing machine industry. More recently, Mr M.S. Oberoi had come out against "foreign" intrusion into the hotel industry. I hope, I am not uncharitable in pointing out that some of the leading industrialists of our country, who are generally and normally for free enter-

prise within the country as well as across countries and who are tremendous champions of the cause of mobility of capital across national frontiers, have, on various occasions, been exceedingly nationalistic in protecting what they consider to be their own interests, against aggressive foreign corporate giants. In this sense, Golden Tobacco is in respectable, even if not altogether good company.

This mental reservation on the part of many of our industrialists, who are otherwise great believers in the virtues of competition, to prospects of competing with business rivals who have a 'foreign' aspect is perhaps natural to some extent. In a way, it is part of the facts of life that different countries are at different stages of economic development and that this results in entrepreneurs in the less-developed countries being inhibited, to some extent, by a certain inferiority complex. Let me make my meaning clear. There may well be a sound case for a smaller firm feeling diffident in its competition with a large firm, but, then, is it at all desirable to place the emphasis on the "foreign" aspect in such cases?

Heavy Price Paid

It is possible that these periodic campaigns against the 'foreign' aspect of certain firms have not been without beneficial results of sorts. They may have helped, perhaps, in the progressive Indianisation of capital, control or management. To the extent that this development contributes to the industrialisation of our country and its economic maturity and progress, it is certainly to be welcomed. But quite often the country has had to pay a price for this and it is well that this should be noted. In my view, India's resources of vegetable fats might have been built up much more rapidly and efficiently, thereby avoiding the chronic shortage which we now face, had not dynamism in the soap and vegetable fats industries been unduly curbed at a crucial stage in the development of those industries. I would also venture the further suggestion that the development of India's export potential in many industries has been checked or otherwise prejudiced by swadeshi campaigns directed against the expansion of companies with a 'foreign' aspect to them.

So much for what has happened in the past. May I submit that it has become particularly unwise now, having regard to present realities, for Indian industrialists as a class, to carry on hostile campaigns against companies operating in our country on the ground that these companies are 'foreign'. Even as it is, our economy is finding it

difficult enough to appeal to foreign capital or enterprise, both of which could benefit our industrialisation very considerably. There is no sense in making the situation worse by spreading abroad an impression that not only our politicians but our industrialists as well are chauvinistic or at least aggressively nationalist in their attitude to elements of foreign corporate business in our country.

Then, there is the consideration that it is incumbent on our industrialists as on other citizens of our country to adopt a progressive and forward-looking attitude where the growth of the nation's export capacities are concerned. It is necessary that no narrow considerations of self-interest, either of individuals or of companies, should be allowed to influence a national judgment of what is good for exports. In fact, there is a particular obligation on industrialists who would press the nationalistic argument in their own cause to show a larger patriotism through their willingness to face even increased competition in the domestic market from firms with a 'foreign' aspect, if thereby the country's export capacities could be strengthened and further promoted.

Better Think Twice

Progressive and forward-looking industrialists, again, cannot be blind to the fact that many of our own businessmen have gone out to the wide world to set up manufacturing facilities abroad and produce for foreign consumers in their own countries. In these circumstances, our industrialists should think twice before they come forward to proclaim or publicise their prejudices against competitors in their domestic market to whom they may attribute a 'foreign' aspect. Indian businessmen, in other words, can afford to practise this kind of intolerance only if they are indifferent and hostile to our own entrepreneurs or corporate enterprise exploring possibilities of organising manufactures abroad and making good in this not only competitive, but also highly rewarding international business field.

May I, then, reiterate my suggestion that the 'foreigner' argument should be quietly dropped by Golden Tobacco and that no industrialist in our country should hereafter attempt to exploit this particular argument? It is quite possible that Golden Tobacco may have a case against the expansion scheme of Vazir Sultan on grounds provided by the relevant legislation or policies of the government. The issue here would be the precise nature of the relation between Vazir Sultan and Indian Tobacco. Golden Tobacco should therefore be content with pleading its case on

those terms in the proper quarters. It is not necessary at all for it to drag in the 'foreigner' argument the way it has done in its campaign in the press. As I had suggested earlier the prevailing political atmosphere and governmental attitudes are clearly unfavourable to any application for expansion of capacity by dominant companies or firms considered to be in any way connected with such firms. Golden Tobacco, therefore, has what may be

called a built-in advantage. Vazir Sultan, on the contrary, faces an uphill task. It has to prove that any expansion of its capacity will not result in the restriction of competition in the cigarette industry. It may also have to establish its case on more positive grounds, such as contribution to exports or other strategic benefits to the national economy. If there is to be any debate at all in this matter, it should obviously be at these levels alone.

The "Additional" Excise Duties

DR P. K. BHARGAVA

IN 1957, sales tax on mill-made textiles, sugar and tobacco (including manufactured tobacco) was replaced by additional excise duties to be collected by the union government together with the basic union excise duty on these commodities. The principles underlying the substitution of additional excise duties for sales tax may be summed up briefly in emphasising that it minimises leakage and evasion of sales tax, provides convenience to traders and business community in maintaining accounts and other related matters, enables the union government to control the incidence of commodity taxation and ensures uniformity in the incidence of inter-state taxation. Moreover, control over indirect taxation on items of mass consumption provides a healthy instrument of fiscal policy to the union government, particularly in a country like India where the net of direct taxes covers only a very small percentage of the total population.

Camouflaged Duties

Another important point which needs to be emphasised is that the tax element in the case of additional excise duties is camouflaged with the price whereas it is shown separately under sales tax. Hence, revenue collected through additional excise duties invites very little resistance from the public. This is a very important consideration in a backward country like India where the masses are not so literate as to understand the economics of taxation. Taking into account the cost of collection considerations alone, the states would also favour the substitution of additional excise duties for sales tax.

The Second Finance Commission was asked to make recommendations as to the principles which should govern the distribution of the net proceeds of this additional duty among the states and the amounts which should be assured to the states as the income now derived by them from the levy of sales tax on these commodities. "The com-

mission recommended that each state should first be assured the "present income" which accrued to it in the financial year 1956-57 from the levy of sales tax on the selected commodities and the remainder of the net proceeds, if any, should be distributed in the percentage ratios prescribed by the commission.

Consumption as Basis

For this purpose, the commission favoured consumption of these commodities as the basis but it concluded that "as there was a considerable margin of error in the figures of consumption thus arrived at, it would be wrong to distribute solely on the basis of these figures. We have, therefore, used population as a corrective in arriving at the basis of distribution recommended by us."

The commission, thus, decided to use population as a corrective for consumption as a basis of distribution of any revenue in excess of the guaranteed amount.

The Third Finance Commission recommended that "the amounts of guarantee prescribed by the Second Commission should be adopted with a small addition to take account of the yield from silk fabrics. As for the distribution of excess revenue (after meeting the guaranteed amounts) the commission altered the formula evolved by its predecessors and recommended that "it would be equitable to distribute the excess collections partly on the basis of the percentage increase in the collection of sales tax in each state since the year 1957-58, when the additional excise duties were imposed and partly on the basis of population." There is no indication regarding the relative weightage given to these factors.

The Fourth Finance Commission also recommended the guaranteed amounts based on the estimates of the Second Finance Commission but it adopted new principles regarding the distribution of the balance of the net proceeds over the total of guaranteed amounts.

It recommended that "the balance over the total of guaranteed amounts may be made on the basis of the proportion of sales tax revenue realised in each state to the total sales tax collection in all the states taken together. For the purpose of determining the proportion of each state, we have utilised the data relating to actual collections of sales taxes over the years 1961-62 to 1963-64."

The Fifth Finance Commission has expressed its opinion against the existing arrangements in regard to the levy of additional duties of excise on textiles, sugar and tobacco, unless the Government of India (after discussing the matter further with the states) arrives at an agreement with them for the continuance of the present scheme with suitable modifications. The Commission has also recommended that "there is no scope at present for extending such arrangements to other items or commodities." As for the years in which the existing arrangement continues, the commission has recommended the guaranteed amounts based on the estimates of the Second Finance Commission. Regarding the distribution of the balance of the net proceeds over the guaranteed amounts, the commission has recommended that "the excess of proceeds of additional excise duties over the guaranteed amounts should be distributed partly on the basis of sales tax collections (excluding inter-state sales tax) during the years 1965-66 to 1967-68, and partly on the basis of population."

State Governments' Concern

The state governments have expressed their concern on the revenue which they derive from the additional duties of excise. In 1956-57, the state governments received Rs 32.54 crores from the sales tax on these commodities and in 1966-67 they received Rs 50.16 crores as revenue from additional duties of excise. This represents an increase of 54 per cent during the decade 1956-57 to 1966-67, whereas during the same period the revenue from both state sales taxes and basic excise duties has increased by more than 200 per cent. The Fifth Finance Commission also observed that "between 1958-59 and 1967-68, the revenue from basic and special excise duties on these three commodities increased by more than 70 per cent, while that from additional excise duties increased only by 45 per cent."

The state governments have, thus, argued that they have been deprived of an elastic and expanding source of revenue over which they should have complete right and freedom to make necessary changes keeping in view their fiscal

requirements. Some state governments have interpreted it as an encroachment on their fiscal autonomy because they emphasise that sales tax is the only source of revenue available to them which is most productive and elastic in their tax structure. During the period 1950-51 to 1967-68, the revenue from state excise duties increased by 272 per cent, from land revenue by 211 per cent and from all state taxes by 505 per cent.

Increase in Sales Tax

During the same period, the revenue from sales tax increased by 910 per cent. These data amply demonstrate the key importance of sales tax in the tax structure of the states and also explain their reluctance for further substitution of additional duties of excise for sales tax. There is some justification in the argument of the states. The Fifth Finance Commission has also stated that "if the states had been free to exercise their power to levy sales tax on textiles, sugar and tobacco, many of them would have been able to realise more tax revenue from them. The producing states would also have derived the benefit of central sales tax on exports of these commodities to other states."

The states have also expressed their dissatisfaction with the scheme for the reason that sales tax rates are *ad valorem*: the additional duties of excise have been largely *specific*. Thus the states have been deprived of a price-elastic source of revenue. The Taxation Enquiry Commission felt that the sales tax is essential for providing an independent source of revenue to the states in a federal system. They also pointed out the difficulty in collecting excise revenue especially when there are large numbers of producers with small units of production. They rejected the suggestion of replacing sales tax by additional duties of excise by pointing out the advantages of sales tax which applies to the generality of goods, while excise duties are necessarily selective.

Some people have argued that the states are already heavily dependent on the centre and it would, therefore, not be wise to transfer any goods from the orbit of sales tax. The displeasure of the states with the scheme of additional excise duties is not for the reason that their dependence on the centre is increasing but it is for the revenue considerations. If the revenue elasticity is assured to the states their resistance can be con-

siderably reduced. If the additional duties of excise could be imposed on the *ad valorem* basis, the states would not lose revenue and they would rather save some amount which they incur in collecting sales tax, as the revenue from the additional duties of excise is collected by the union government together with the basic excise duty.

Reducing State Resistance

Then there is another remedy also. The resistance of the states would be considerably reduced if the rates of additional excise duties are increased with the increase in the rate of basic excise duties. If price rise effect on revenue from additional excise duties could be worked out, the objection of the states could further be minimised. Dr P.S. Lokanathan has rightly contended that "probably the states' objection could be overcome if an inter-state committee is constituted to review biennially the price rise effect on revenue from excise duties and adjust the shares of the states."

However, there remains the problem of proper criteria for allocating the proceeds from the additional excise duties among the states *inter se*. The Fifth Finance Commission emphasised that "theoretically, the best way of distributing the additional excise duties would be on the basis of consumption."

Since the relevant data for consumption are not adequately available, I think that, in the present circumstances, it would be desirable to give the states the guaranteed amount on the estimates of the Second Finance Commission and the balance, after the guaranteed amount, should be distributed among the states in proportion to the increase in their revenue from sales tax since

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1956-57. This would considerably reduce inter-state jealousies.

Finally, we may emphasize that each Finance Commission adopts new principles for allocating the balance of revenue from additional excise duties which inevitably results into the reluctance of the states for the scheme and its further extension because the changes in criteria by successive Finance Commissions may greatly change the percentage share of each state. Thus, while under the scheme of the Third Finance Commission, Maharashtra received 10.60 per cent and Uttar Pradesh received 15.50 per cent; under the scheme of the Fourth Finance Commission the respective percentage share of these states was 19.87 and 7.83. Hence, the changes in criteria for allocation of balances of revenue from additional excise duties can increase or decrease a state's share by as much as 100 per cent. There is, thus, need for a suitable criterion for the purpose. The scheme of additional duties of excise has its own merits and it should remain in the Indian tax system having regard for changes in the rates of basic excise duty as also for changes in the price of the commodities subject to the additional duties of excise. This arrangement should be acceptable to the states also as it will ensure revenue elasticity for them.

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SVD at Centre: Move Suffers Setback

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

ALTHOUGH THE vitriolic attack of the leader of the Opposition, Dr Ram Subhag Singh (Congress-O), on the Chairman of the Swatantra Party, Mr M.R. Masani, suggesting that the latter had brought about the ruination of his party, and the serious objection by some Congress-O members to their party formally joining hands with the Jana Sangh and the Swatantra groups have given a setback to the proposal for the formation of a democratic bloc at the parliamentary level in the form of a Samyukta Vidhayak Dal (SVD), the move has not been dropped as yet. Behind-the-scenes consultations are going on for the purpose. The Congress-O President, Mr S. Nijalingappa, has been authorised by his party to work out some sort of arrangement with the other opposition groups in Parliament so as to enable them to put up a united front to the government. How far these efforts will succeed, despite Mr Morarji Desai's hint that all fears about his being interested in heading the opposition were unwarranted, is yet a moot point. Probably, there might emerge some sort of loose understanding between the opposition parties to muster their strength on some particular issues with a view to bringing down Mrs Indira Gandhi's government.

No Danger to Government

If the move of the CPM this week to censure the union government however is any indication, there is no immediate danger to Mrs Gandhi's Prime Ministership. This move, seeking to castigate the government for the recent failure of West Bengal Governor's administration to give protection to a women worker of the CPM, received the blessings of Congress-O, the Swatantra group and the Jana Sangh. But at the time of voting after the debate, most of the members of the latter three parties either absented themselves or abstained from voting, with the result that the move was defeated by 191 to 39 votes (there were 18 abstentions). The dropping of the move by the Bharatiya Kranti Dal and the Jana Sangh earlier to censure the union government for its inept handling of the UP affair after the withdrawal by Congress-R, of its support to Charan Singh's Ministry is also an indication of the fact that the opposition parties are still not fully decided on toppling Mrs Gandhi's government. During the debate on the

CPM censure move, most of the members who participated in the debate, of course, assailed the government for not taking adequate steps to arrest the deteriorating law and order situation in West Bengal.

Among the economic issues which figured prominently in the deliberations of the two Houses this week were: (i) the demand for a second steel plant in Orissa; (ii) the recent shortage of steel and the persistent rise in steel prices over the past few years; and (iii) the advances of nationalised banks to industry. Two other important topics that cropped up for discussion were: (i) arms supplies by the Soviet Union and the United States to Pakistan; and (ii) the fate of the people of Indian origin in Ceylon.

Demand Turned Down

The demand for an immediate decision to set up a second steel plant in Orissa was turned down by the Minister for Steel, Mr B.R. Bhagat, in both, the Houses. But in the Rajya Sabha, the protagonists of this demand succeeded in compelling the minister to observe that purely from the technical and economic points of view, another steel plant in Orissa should perhaps have been thought of even before the three new such projects planned elsewhere — Visakhapatnam, Salem and Hospet areas. This indicates that in deciding the location of these three public sector steel plants, which are to be set up during the current decade, considerations other than purely economic have weighed with the government. Mr Bhagat attempted to justify the decision to set up the new steel plants in Visakhapatnam, Salem and Hospet areas on the grounds of dispersing and distributing heavy industry away from the present centres of concentration.

Widespread concern was expressed over the developing shortage of steel in the country as well as over the persistent rise in the steel prices during the past few years. The recent upward revision in the wages of steel workers, it was feared, would lead to a further sharp rise in these prices. The continuous labour trouble at Durgapur was scathingly criticised by many members. Mr Bhagat assured the agitated members that the government's policy was not to give any increase in steel prices "unless it absolutely necessary in the larger interests of production." He hoped that his advice to the manage-

ments and workers of the steel plants to absorb the additional burden arising out of the recent wage revision would be heeded.

The union Minister for Finance, Mr Y.B. Chavan, categorically denied that the credit requirements of large-scale industry and trade were being neglected by the nationalised banks. The government, he said, was keen on seeing that production increased all round. It was, therefore, not true that certain sectors like agriculture and small-scale industry were being given more bank credit at the expense of large industry and trade. The bank advances for speculative purposes, he however pointed out, were being curbed. Mr Chavan also announced that as a logical follow-up to bank nationalisation, the National Credit Council, the apex body of the Social Control Scheme, is to be wound up. In its place, there will be a new body to be called the Advisory Committee on Finance. This committee would be presided over by the Finance Minister and will comprise representatives of important sectors of the economy, public financial institutions, economists and non-officials.

Sharp Criticism

The Minister for External Affairs, Mr Swaran Singh, denied the charge that the government was following double standards in reacting to the supply of arms to Pakistan by the United States and the Soviet Union. He also expressed the view that there was apparently no connection between these arms supplies and the Government of India's stand on the Kashmir issue and the nuclear non-proliferation treaty. Neither the USA nor the USSR, had given the slightest indication that arms supplies to Pakistan were connected with the Kashmir issue or the nuclear non-proliferation treaty. The government's foreign policy inevitably came in for sharp criticism during this discussion. Mr Swaran Singh assured that the government was very much exercised over the growth of Pakistan's military strength as a result of the US and USSR arms supplies.

The Minister for External Affairs also denied that the people of Indian origin were being discriminated against by the Ceylon government. Such a suggestion had been made by the opposition members, particularly those belonging to the Swatantra and the PSP groups. They had alleged that the Ceylon government was systematically squeezing out Indians from that country. Mr Swaran Singh observed that it would not be correct to assume that the nationalisation of certain types of business by the Ceylon government was discriminatory against Indians. Ceylon, he added,

was implementing the 1964 agreement with the Government of India in regard to the people of Indian origin. He further pointed out that since we ourselves had indulged in nationalisation we could not really object when the Ceylon government did the same. The minister disclosed that 300,000 persons of Indian origin would be given citizenship rights in Ceylon, but another 500,000 would have to return to India. We have to think in terms of reducing the difficulties these people might have to face in getting resettled in this country.

Debate on Untouchability

The Rajya Sabha also deliberated this week on the report of the Committee on Untouchability and three reports of the Commissioner for Scheduled Castes and Scheduled Tribes. The main points that were made in this discussion were:

(1) a special housing scheme should be formulated for backward classes; (2) the state governments should be asked to effectively implement the scheme of reserving government jobs for scheduled castes and scheduled tribes; (3) a cell should be created at the centre to deal promptly with the atrocities committed on Harijans; (4) land reforms should be expedited and maximum benefit should be given to Harijans and tribal communities in implementing these reforms; (5) efforts should be made to streamline the administration of various welfare schemes

for the backward sections of society. The government was warned that if the lot of the scheduled castes and scheduled tribes was not improved expeditiously, untoward happenings might occur in parts of the country.

Stringent Punishment

Replying to this debate, the Minister for Law and Social Welfare, Mr K. Hanumanthaiya, revealed that more stringent punishment had been proposed for untouchability offences under a draft legislation prepared by the government. He also disclosed that regional conferences would be held to discuss specifically the progress made in the implementation of welfare schemes for Harijans. Mr Hanumanthaiya admitted that in the matter of filling of quotas in government services for scheduled castes and tribes, most departments had lagged behind. He, however, expressed the hope that with the personnel department now under the Prime Minister, faster progress towards filling these quotas would be made. The minister denied the accusations that nothing had been done for the welfare of the Harijans since independence. Quoting statistics of education and distribution of land, he stressed that considerable progress had already been made.

The government also announced this week that it had been decided in principle to accord statehood to Meghalaya. The Government of Assam will be assisted in building a new capital, for

Shillong will go to Meghalaya.

Among the Bills adopted by the Lok Sabha this week were: (1) Central Labour Laws Extension to Jammu & Kashmir Bill; (2) Coal Mines Conservation and Safety (Amendment) Bill; (3) Iron Ore Mines Labour Welfare Cess (Amendment) Bill; and (4) Agricultural Produce Cess (Amendment) Bill. The first bill sought to extend to Jammu and Kashmir the central labour welfare laws including the provisions of the Workmen's Compensation and the Minimum Wages and Payment of Bonus Acts.

Development of Coal Mines

The second bill sought to include "development of coal mines" also within the functions of the Coal Board. During the discussion of this bill, the Minister of State for Mines and Metals, Mr Nitiraj Singh, disclosed that a bill seeking to amalgamate or acquire coal mines in the interest of helping the development of the coal industry was likely to be introduced in the current session of Parliament. The Iron Ore Mines Labour Welfare Cess (Amendment) Bill provided for the levy of increased cess not exceeding 50 paise per tonne of iron ore, against 25 paise as at present. This cess is being utilised for the welfare of the labour force employed in the iron ore industry. The Agriculture Produce Cess (Amendment) Bill sought to raise larger funds for helping the Indian Council of Agricultural Research through checking of evasion under the parent act.

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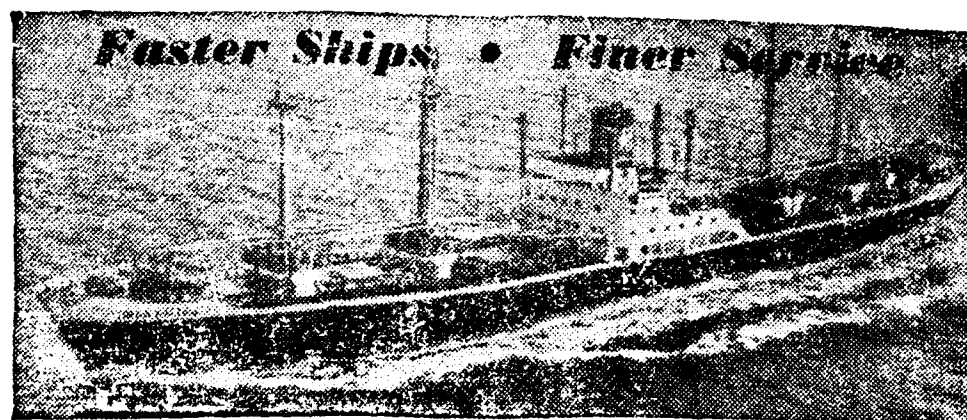
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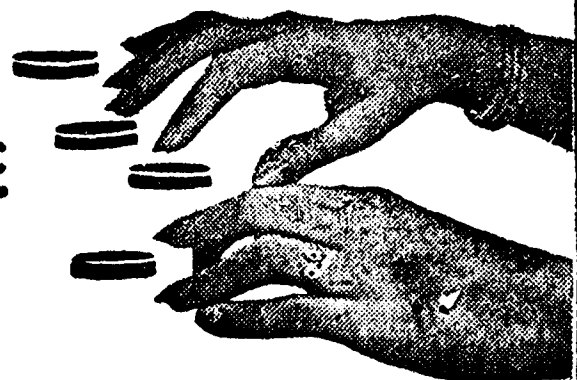
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WINDOW ON THE WORLD

Japan Booms Ahead

JOSSLEYN HENNESSY

I POLICIES REVISED

LONDON:

THE RADICAL strengthening of Japan's external position, which was noted in last year's OECD Survey, has been confirmed by recent developments set forth in this year's OECD Survey. Up to the early months of 1970, rapid economic expansion has been associated with a large and growing surplus of the current balance of payments. In the absence of the external constraints which, in earlier periods of business upswing, had required strong measures to cool off the economy, the present boom has lasted longer than any of its post-war predecessors—nearly four and a half years so far. However, the acceleration of price rises from the spring of 1969 onwards prompted some shift to policies of restraint last autumn—the first undertaken for purely domestic reasons since the war. The progressive tightening of domestic liquidity conditions may be expected to weaken the investment boom in coming months, but it is uncertain how soon price increases can be brought down to more moderate rates.

Basic Revisions

Important divergences between earlier official forecasts and actual developments in the last few years, together with Japan's greatly expanded role in international trade and payments, have led to basic revisions of previous projections and to a reconsideration of broad policy objectives. The 1967-71 Plan has been replaced by a new Plan for Social and Economic Development, approved in May, 1970, and covering the six fiscal years to March, 1976. The Plan postulates a slower though still impressive rate of growth (10½ per cent per annum in real terms) and foresees a steady increase of the current external surplus. On the domestic side, it lays particular emphasis on the improvement of social amenities, on welfare objectives and on reducing the unfavourable side-effects of rapid growth and urbanisation—thereby implying more active government policies concerning the allocation of resources. With respect to external economic relations, the Plan sets forth the aims of increased liberalisation of

current and capital transactions and of a higher volume of aid to less developed countries.

The strength of the expectations with which Japan enters the seventies is remarkable. At the beginning of the sixties, national income in real terms was officially forecast to double in 10 years and the trade deficit was hopefully not expected to increase. The new medium-term Plan for FY 1970-75 implies doubling of real national income within seven years, and seeks to avoid too rapid an increase in the external surplus. At the start of the sixties, Japan was concerned with rectifying the "dual" structure of the economy and promoting industrialisation and foreign trade. Today, Japan is the world's third largest industrial nation and ranks fourth in the list of trading countries. Japan's per capita income at current exchange rates, a third of that of the Federal Republic of Germany in 1960, reached 60 per cent in 1969 and, according to certain estimates, will be close to the West German level by FY 1975.

II

PROBLEMS OF PROSPERITY

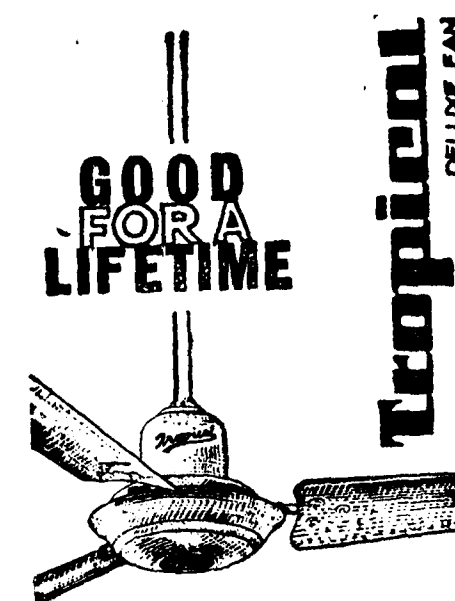
Policy objectives other than growth and the strengthening of the balance of payments have proved less easy to achieve. The problem of reconciling high rates of growth with acceptably low rates of price increases has not been solved. And the drop in the share of public investment in total fixed asset formation has led to a serious shortage of social capital. In addition, new problems and tasks associated with the rapid growth and the external surplus have emerged or become more pressing. The vast increase of production and the pattern of the expansion have produced highly undesirable side-effects, which seriously and increasingly affect the wellbeing of the people. And Japan's recent shift to a growing external surplus poses new problems for both domestic demand management and foreign trade and payments policies.

Ever since 1960, the price problem has proved difficult to manage. Throughout the sixties, consumer prices rose more or less consistently by five per cent a year. Industrial wholesale prices were, on average, kept stable up

to the recession year 1965, but have since climbed. The hard core of the Japanese price problem appears to have been linked with great discrepancies in absolute levels and relative changes of labour productivity as between sectors and size of firms. Prior to the 1959-1961 boom, before full employment levels were reached, these divergences had been reflected in corresponding wage differentials. During the sixties, however, the existing wage gap between high and low productivity sectors has been importantly reduced. The elimination of the dual wage structure has put heavy pressure on unit labour costs and prices in the services industries and smaller firms.

Prices and Wages

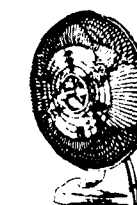
Although the price performance of Japan relative to the growth performance remained better than that of most other industrialised countries, trends in the last few years give grounds for some concern. Since 1969, nominal wages in manufacturing have clearly begun to move ahead of productivity increases. It is true that the more recent share price increases were partly due to temporary factors and to rising prices in world markets. But demand developments have also probably



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DE GAULLE was a nationalist who not only did not care who knew it, but was even insistent on every one knowing it. Unlike Gandhiji, to whom his country was its people, and rather like Nehru, to whom his country was essentially an extension of his ego, de Gaulle regarded France as a fulfilment of himself just as he regarded himself as a fulfilment of France. It is possible that de Gaulle's view of himself as France's man of destiny and his vision of France (risen phoenix-like from the ashes of a Europe burnt in the fire of war) as the leader of a third world keeping itself above the crude politics of a US-Soviet power game did as much to boost the morale of west European nations in the post-war years as the economic miracles of West German reconstruction or Italian development. If he had stayed a little too long in active French politics as President of the Republic, that too was perhaps for his own good and the good of his country, for this should have made de Gaulle realise in his last days that the history of his beloved France was greater even than his autobiography, while reassuring France itself that she is bigger than all the big names in her chronicles.

It is easy to be impatient with Dr Ram Subhag Singh or certain other leaders of greater or less importance in Congress (O), who have been resisting the formation of a grand alliance of that party with Swatantra and Jana Sangh as against Congress (R) and its communist or communal allies. But, however desirable it may be that a strong democratic political force should be organised in Parliament and state legislatures to counter the autocratic and opportunistic tendencies of Mrs Indira Gandhi's party, it has to be admitted that Ram Subhag Singh and those who think the way he does have reasons for being apprehensive of Congress (O) losing its identity or even its *raison d'être* as a consequence of its being made to associate itself in too formal a manner with the Swatantra or the Jana Sangh.

It is obvious that, immediately, Swatantra stands to benefit most from such a conglomeration. It has just suffered a grievous depletion of strength in Gujarat and is uncertain of its ground in Rajasthan. In fact, outside Orissa it has ceased to be a party of much consequence in regional politics. As a result, even its not inappreciable strength in Parliament has lost much of its effective-

ness, so much so that its significance as a national party is wearing away. Some leaders in Congress (O) may, therefore, wonder why their party should, in any way, be instrumental in saving Swatantra from dissolution. They could argue that it would be more to the advantage of their party were Swatantra allowed to wither away so that most of its following may gradually drift into the fold of Congress (O).

As for the Jana Sangh, it is quite possible that it may prove to be the greatest beneficiary of a grand alliance in the long-term, just as Swatantra may reap the most immediate advantage. This development is all the more probable in such important states as Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan. By the same reckoning, too close an association with the Jana Sangh might weaken the appeal of Congress (O) to people in the western or southern parts of the country. This might further strengthen the position of state-level parties or political organisations in these areas, such as the DMK and the Shiv Sena. There is also the further argument that, by aligning itself too formally with Swatantra and the Jana Sangh, Congress (O) would be ruling out any induction into its ranks of persons with a democratic conscience and a leftist complexion, who are now with the SSP or the PSP or even Mrs Indira Gandhi's party, but are becoming disillusioned because of the opportunism or adventurism of their leaders.

I am not suggesting that these or other like considerations which may be weighing with Dr Ram Subhag Singh or those in the Congress (O) who are with him in this opposition of the grand alliance are necessarily conclusive. But I do feel that Mr Nijalingappa, Mr Morarji Desai, Mr Kamaraj and other leaders of Congress (O) should now address themselves to the task of building up a consensus in their party on a closely reasoned basis. Meanwhile, all talk in the Congress (O) camp of moves for unity between their party and that of the Prime Minister had better cease for such speculation would only be exploited by Mrs Gandhi and her advisers for furthering their own factional advantages.

Mr M.C. Bhandari, who recently assumed office as President of the Institute of Chartered Accountants of India, is, I am happy to note, tirelessly labour-

ing to impart national dimensions to the profession of accountancy. In addition to being a doughty champion of the rights and interests of the Institute and its members, Mr Bhandari holds advanced views on the social accountability of accountancy and has written extensively on the subject. He is convinced that the development of the profession of accountancy on socially responsible lines is basic to an improvement not only in the standards of business management in our country, but also of morals and manners in our public life. I learn that the Institute proposes to hold a conference in New Delhi on December 5 to discuss the role of accountants in national affairs and I believe that we may depend on Mr Bhandari to work to make this a productive seminar.

* *

I had recently been to Bombay and Baroda on a programme of visits to pharmaceutical undertakings and discussions with their senior executives. This programme was arranged by the Organisation of Pharmaceutical Producers of India (OPPI) for a group of journalists and I am betraying no secret when I say that this was part of a campaign by OPPI to educate the public on its side of the debate that is now going on about profits and prices in the drug and pharmaceutical industry.

The industry has apparently learnt at last that it is not enough to be able to sell its products through the various promotional efforts, including commercial advertising, which it has always been carrying on extensively. For an industry of this kind, it is equally important that it should be able to sell also its point of view on its social responsibilities. The government's latest decision relating to the control of prices of drugs and pharmaceuticals and allied matters have provided the provocation for the industry to undertake this very necessary job of public relations. I propose to state and discuss the industry's case in a special article in the next issue. Meanwhile, I am glad to be told that there is no truth in the rumour that the industry has made a very considerable donation to the funds of a certain political party as part of an industry-government bargain on drug prices. This is not to suggest, however, that certain politicians are not exerting undesirable pressures in certain quarters.

V.B.

Trade Winds

MORE JOBS

WHILE DELIVERING the second Morarji J. Vaidya memorial lecture under the auspices of the Bombay Productivity Council, Mr G.D. Somani revealed that the problem of unemployment has continued to grow so that the number of unemployed increased from around 5.3 million at the end of the first Plan to the present figure of 15 million, of which more than 1.5 million are educated. He was speaking on the 'Unemployment Problem in India'. The number of unemployed by 1973-74 is placed even higher at 23 million and if the present trend is allowed to continue the figure would swell to 50 million by 1979, he added. If this problem is to be solved and the backlog of 15 million is to be cleared in five years this country will have to create three million new jobs every year in addition to providing work for four million fresh entrants to the labour market. Assuming the capital requirement of Rs 7000 per job, the total capital requirements would be Rs 4,900 crores, which is not beyond the capacity of this country, he stated.

Mr Somani outlined a few specific suggestions to solve the problem of unemployed engineers. He stated that the unemployed engineers might be appointed for a period of one year for training under a scheme already in operation in some of the industrial units. According to a rough estimate, he pointed out, if all industrial units with an annual turnover of Rs 25 lakhs and over were to participate in this scheme paying one quarter of one per cent of their turnover every year as stipends to new trainees, the aggregate sum available for spending on the absorption of such trainees would amount to Rs 15 crores a year. This would ensure that with a really small burden, the entire problem of the unemployed engineers would be solved to a great extent. There would also be a vast scope for ensuring gainful employment opportunities for commerce graduates and other educated persons in the distribution trades. It would be necessary to construct a chain of small marketing centres in a large number of rural areas where marketing facilities were still inadequate. If proper schemes for such a chain of markets were formulated under the supervision of some official machinery with necessary financial assistance from the financial institutions and banks, it would be possible to en-

sure immediate and fruitful results, he suggested.

FOCUS ON ELECTRONICS

At a press conference in the capital on November 10, Mr H.S. Bhatti, President of the All India Radio & Electronics Association (AIREA) stated that the electronics industry in the country was passing through a critical period. Even though the entertainment sector of this industry had increased its production significantly above the level set by the Bhabha Committee in 1966, yet a large number of small-sized units were wiped out due to competition from large, organised units which had been granted substantial expansion in capacity for the low-priced transistor sets.

During the current year no less than three million radio sets are likely to be produced and if the present trend continues, the volume of production might rise to seven million sets in 1974-75, said Mr Bhatti. It follows that radio ownership which is around 10 millions today would rise to about 21 millions in 1975. The increase in radio licenses during the next five years thus would be equal to the total attained in the past 30 years. What is encouraging is that the increasing production of radio sets has been accompanied by a steady decline in the import content which is negligible at present and could be completely wiped out in the next two years.

Close on the heels of the rapid expansion in radio industry would follow fast growth in television sets, tape recorders and other electronic instruments. But according to the spokesman of the

electronics industry, its progress is being hampered by the unimaginative policies currently being pursued both by the central and state governments. Some state governments had enhanced the sales tax on radio sets up to 15 per cent nullifying the concession given by the central government in excise on transistors.

Mr Bhatti was of the view that the electronics industry could be instrumental in earning sizable foreign exchange provided the government took sensible decisions in regard to the affairs of this industry.

PANNA MINES

Diamond mines at Panna, which are being exploited by National Mineral Development Corporation, have given a profit of Rs 1.2 lakhs in 1969-70. Two mines — Ramkhriya and Mahagan — are being worked out at present. The corporation has so far invested Rs 2.57 crores on these mines and for the first time they have given profits. The mines under the corporation produce only industrial diamonds.

NATIONAL INCOME

India's national income has been placed at Rs 28,583 crores in 1968-69 as against Rs 23,624 crores in 1966-67. This is revealed in the estimates recently released by the Central Statistical Organisation. The per capita income works out to Rs 532.3 in 1968-69 as against Rs 470.8 in 1966-67. The widespread impact of agriculture has been shown by the "restricted rise" of 2.2 per cent in the total national income in 1968-69, at 1960-61 prices, as against an increase of 9.7 per cent in 1967-68. This has been attributed mainly to a one per cent fall in the agricultural output in 1968-69.

The rate of growth of national income has been calculated at 5.5 per cent in 1969-70 the first year of the fourth

National Income

Year	At current prices	Total per capita	At 1960-61 prices	Total per capita	(in crores)	
					Percentage change over the previous year	National per capita income (1960-61 prices)
1960-61	13294	306.4	13294	306.4		
1961-62	14050	316.4	13763	310.0	3.5	1.2
1962-63	14873	326.4	14045	308.3	2.0	-0.5
1963-64	17094	366.4	14845	318.2	5.7	3.2
1964-65	20061	419.8	15917	333.1	7.2	4.7
1965-66	20621	421.2	15021	306.8	(-) 5.6	(-) 7.9
1966-67 (p)	23624	470.8	15123	301.4	0.7	(-) 1.8
1967-68 (p)	28356	551.4	16586	322.5	9.7	7.0
1968-69 (p)	28583	542.3	16943	321.4	2.2	(-) 0.3

five year Plan — Mrs Indira Gandhi revealed recently.

TRANSFORMERS FOR MALAWI

This country has won two contracts against international competition, one for the supply, erection and commissioning of 66 KV power transformers, and the other for the supply of complete equipment for a 66 KV sub-station, from the Electricity Supply Commission of Malawi in east Africa. The Indian Consortium for Power Projects, a public sector company, recently constituted under the Ministry of Industrial Development bagged these contracts, which were a part of the Tedzani Hydro Electric Scheme being financed by the International Development Association of the World Bank and the African Development Bank. The consortium has been participating in several international tenders for power generation and transformation projects and hopes to win many more contracts.

DELEGATION FOR ITALY

A 15-member Indian trade delegation, led by Mr G.L. Bansal, Secretary-General, Federation of Indian Chambers of Commerce and Industry left for Italy on a fortnight's visit at the invitation of the Government of Italy. The delegation consists of five exporters, four importers and four experts. The experts proposed to undertake intensive research of the Italian market for various non-traditional products like automobile parts, chemical products, etc. The delegation proposes to explore possibilities of strengthening Indo-Italian trade, commercial and economic co-operation. During their stay in Italy, the delegation proposes to have discussions with the officials of the Italian government. The delegation also proposed to hold discussions with the various trade organisations, Italian chambers of commerce and industry, Italian Institute of Foreign Trade, etc.

SBI : 2000th BRANCH

The State Bank of India reached an important landmark in its annals when it opened, on November 3, its 2000th branch office at Kanjhawala village, 25 miles from Delhi. The chairman of the bank, Mr R.K. Talwar disclosed at the inaugural ceremony of this branch that whereas it took the bank nearly seven years after its conversion into the public sector unit from the erstwhile Imperial Bank of India, to add 531 branches to the 469 offices it had in 1955 on the eve of the conversion, it took only eight years to open the second 1000 branches. The third 1000 branch offices are proposed to be started within the next three years.

An important announcement about the operations of the bank, however,

was made by Mr Talwar at a news conference two days earlier. It was that the SBI would in future be participating in the inter-bank call money market, both as a borrower and as a lender. The reason behind this decision he observed, was that since 14 other leading commercial banks had now been nationalised, there was no need for the SBI to operate as bankers' bank, which function it had been performing along with the Reserve Bank of India since 1955 by virtue of its being an overwhelmingly government-owned bank. In future, only the Reserve Bank would be operating as a bankers' bank. With the entry of the SBI into the call money market, all available resources of the banking industry would be utilised before the Reserve Bank is approached as a lender of the last resort. Mr Talwar felt that it would be possible to use as much as Rs 20 crores from the call money market and at cheaper rates than those charged by the Reserve Bank.

Inaugurating the Kanjhawala branch, the union Minister for Finance, Mr Y.B. Chavan, reiterated the need for banks reaching out for customers both for mopping up their savings as well as for helping them in their developmental effort.

COTTON IMPORT LICENCES

The Cotton Corporation of India has changed the procedure for the issue of cotton import licences. Bulk licences will be issued by the Joint Chief Controller of Imports and Exports, Bombay, and not by the Chief Controller of Imports, New Delhi, to avoid delay. Bulk licences will be issued in the name of the CCI on the Textile Commissioner's recommendation. The CCI will then ask the JCCI to issue subsidiary licences in its name for the mills. The JCCI will issue the letters of authority in favour of the importing agency nominated by the CCI. The CCI will nominate only authorised nominees of mills for such a letter of authority. The letters of authority will be taken over by the JCCI. The mills' nominations of importing agents will have to be approved and countersigned by the CCI.

GERMAN LOAN FOR I.C.I.C.I.

The Industrial Credit and Investment Corporation of India will receive DM 10 million as loan from Kreditanstalt für Wiederaufbau of West Germany.

EMERALD MINE

A 150-mile emerald belt has been located between Udaipur and Ajmer in Rajasthan and according to Soviet experts, it holds practically the same potential as the famous emerald belt in the Soviet Union. A team of Soviet

geologists had recently visited the area. Very limited attempts have so far been made by the private sector to mine emeralds in this area, but the state-owned National Mineral Development Corporation has now taken it up earnestly. The corporation has already demarcated the most promising area and will start prospecting soon "to bring to the surface the wealth that is lying dormant as in the case of diamonds in Panna and Andhra Pradesh." Emeralds from Rajasthan, particularly from the Kalinghuman mines, were internationally famous and were known for its quality, fetching even higher price than diamonds. Meanwhile, the government is now considering setting up a separate public sector company as a subsidiary to the National Mineral Development Corporation for exploring and exploiting precious stones as well as to handle import, export, cutting and polishing of diamonds and other gems.

EXPORTS TO U.S.A.

In the bilateral cotton textiles agreement signed between the union government and the Government of United States, special provisions have been made for the export of "India items" that are uniquely, historically and traditionally Indian products, cut, sewn, or otherwise fabricated by hand in cottages, units of the cottage industry. The products have been identified and can be ascertained from the offices of the (i) Textile Commissioner, (ii) All India Handicrafts Board, (iii) Handloom Export Promotion Council and (iv) Cotton Textiles Export Promotion Council. These items will, until further orders, be allowed export freely, on presentation of shipping and other necessary documents. Certificates for all "India items" will be granted by the offices of the All India Handicrafts Board and the Cotton Textiles Export Promotion Council (only in respect of apparel items included in India items). For items which have been made from handloom cloth, certificates can also be obtained from offices of the Handloom Export Promotion Council.

MISSION FROM BELGIUM

A high ranking economic mission from Belgium, led by Mr M.Th. De Dobbelaer, Director-General of Commerce, arrived recently at the invitation of the union government. The mission, consisting of high officials and representatives of trade, industry and banking sectors, proposed to explore the fields of further expanding Indo-Belgian trade and technical and economic co-operation. Besides discussions with representatives of the State Trading Corporation, Minerals and Metals Trading Corporation, National Minerals Development Corpora-

tion, the Mission visited some industrial units at Bombay, Bangalore and Madras. Since 1963-64, India's exports to Belgium have increased at an average rate of 16 per cent per annum. During 1969-70, India exported goods worth Rs 24.74 crores to Belgium as compared to Rs 9.50 crores in 1965-66. India imported goods worth Rs 8.09 crores from Belgium in 1969-70 as compared to Rs 11.50 crores in 1965-66. Trade in diamonds has been of mutual benefit to both the countries, as India exports cut diamonds, after importing rough diamonds from Belgium. Export of diamonds accounts for three-fifths of India's total exports to Belgium. Other items of exports to Belgium include jute fabrics, jute bags, crushed bones, iron ore, manganese ore, tobacco, spices, coir yarn and mats, coffee, tea, mica, wool and woollen carpets, copper artware and cotton yarn. Imports from Belgium to India include electrical and transport equipment, copper products, iron and steel, aluminium, fertilisers, non-ferrous metal manufactures and photographic and cinematographic supplies.

ITEMS FOR SMALL SECTOR

The question of reserving another 43 items for exclusive development in the small-scale sector had been under government's consideration. Even before the announcement of the liberalised industrial licensing policy, 47 items were reserved for production in the small-scale sector. Another eight items were added to the list after the new policy came into force in February 1970, making a total of 55 reserved items. Under the new policy, reservation for the small-scale sector will be statutory. New items understood to be included in the list are: 1. Pressure die casting upto 4 kg. 2. Drums and barrels (upto 50 litre capacity made out of 22 Gauge B.P. sheets). 3. Tin containers except OTS cans (upto 18 litres). 4. Flash light torch cases (plastic). 5. Truck body building (wooden structure). 6. Battery cell tester. 7. Pressure gauges ('C' type, capable of reading upto 50 lb per sq. inch). 8. Low tension insulators (porcelain). 9. AA & ACSR conductors (The sizes to be specified by the DGTD). 10. Transmission line hardware (items to be specified by the DGTD). 11. Grease nipples and grease guns. 12. Exhaust mufflers. 13. Zinc oxide. 14. Auto leaf-springs. 15. Umbrella ribs and fittings. 16. Oil stoves (wick stoves). 17. Chaff cutter blades. 18. PVC wires and cables (domestic types). 19. Snap fasteners (excluding 4-piece ones). 20. Safety pins, staple pins, paper pins, hair pins and similar items. 21. Metal fastenings for garments and leather goods (buckles, hooks and eyes, metallic clips, etc.). 22. Weights. 23. Locks (except security locks). 24. Sanitary fittings and fixtures

(metallic). 25. Sodium silicate. 26. Automobile ancillaries: (i) Fuel tank caps; (ii) Fuel lines (low pressure); (iii) Wiring harness; (iv) Tail lamp assembly; (v) Side lamp assembly; (vi) Stop lamp assembly; (vii) Spot light assembly; (viii) Horn buttons; (ix) Wind shield wipers (arms and blades only); (x) Electrical fuses; (xi) Electrical fuse boxes; (xii) Bulb horn; (xiii) Seats for bus and trucks; (xiv) Ornamental fittings; (xv) Rear view mirrors; (xvi) Sun shade; (xvii) Sun visor; (xviii) Luggage carrier; (xix) Ash trays; (xx) Hub caps; (xxi) Battery cables and fittings; (xxii) Spokes and nipples; (xxiii) Steering wheels; (xxiv) Tyre inflators (both hand and foot operated). 27. Domestic utensils. 28. Steel measuring taps. 29. Cashew shell oil. 30. Garage equipment: (i) Armature tester; (ii) Battery terminal lifters; (iii) Condenser and resistance testers; (iv) Fender spoons and hammers; (v) Feeler gauges; (vi) Flaring tools; (vii) Gear flushers; (viii) Pullers of all types; (ix) Ring expanders; (x) Ring compressors; (xi) Screw extractors; (xii) Spark plug tester and cleaners; (xiii) Stud removers (extractors); (xiv) Toe in gauges; (xv) Tyre valve pull out tools; (xvi) Tube cutters; (xvii) Flanging tools; (xviii) Valve lifters; (xix) Valve replacing and re-setting tools; (xx) Camber testing equipment. 31. Room coolers. 32. Gas mantles. 33. Measuring tapes (cotton). 34. Rubberised cloth. 35. GI buckets. 36. House-hold knitting machines. 37. Zip fasteners (both plastic and metal). 38. Clocks (pendulum type only). 39. Wax polishes. 40. Para dichlorobenzene balls. 41. Fountain pen ink. 42. Potassium silicate. 43. Calcium silicate.

REGISTRATION OF TRADE PACTS

Under the Monopolies and Restrictive Trade Practices Act, 1969, which was brought into force on June 1, 1970, the appointed day under Section 35 of the Act on and from which agreements relating to restrictive trade practices would become registrable with the Registrar of Restrictive Trade Agreements has to be notified. The central government has now issued a notification dated November 4, 1970, specifying December 1, 1970, as the appointed day on and from which every agreement falling within clauses (a) to (j) and (1) of subsection (1) of Section 33 of the Act would become registrable under the Act within 60 days from the appointed day, in the case of an agreement existing on that day, and in the case of an agreement made after the appointed day, within 60 days from the making thereof. The particulars mentioned in Section 35 of the Act will have to be furnished to the Registrar of Restrictive Trade Agreements in respect of every agreement falling within the above mentioned clauses of Section 33. Agreements

which are expressly authorised by or under any law for the time being in force or have the approval of the central government or to which the government is a party are exempted from the requirement of registration. The office of the Registrar of Restrictive Trade Agreements is situated at 16, Ring Road, New Delhi.

SCINDIA STEAM

A new vessel named m.v. 'Jalamangala' was launched on November 2, 1970, at the Wannemunde Yard of Messrs Veb Warnowwerft for Scindia Steam Navigation Co Ltd. The vessel is fourth in the series of eight vessels which have been ordered out by the company in GDR. The company which has considerable and long experience in liner trade has carefully planned the specifications of these ships, taking into consideration the present requirements of the trade. The m.v. 'Jalamangala' will be a fast, 18 knot cargo vessel propelled by a MAN supercharged diesel engine. Taking the advantage of latest technological developments, an automated engine room has been provided on the ship.

STATEHOOD FOR MEGHALAYA

The Prime Minister, Mrs Indira Gandhi, stated in Lok Sabha on November 10, that the decision to grant statehood to Manipur and Tripura, necessitated a fresh look at the status of Meghalaya. The Chief Minister of Meghalaya urged that in the changed situation Meghalaya should be made a separate state. Taking these factors into account the government has decided, she said, to accept in principle Meghalaya's demand for statehood. We shall consider with sympathy the request of the Assam government for assistance in building a new capital, she added.

TAX INSTITUTE

A tax institute is to be set up by the union government to provide a forum for exchange of views on taxation matters among the government, business and tax experts. The institute will be a completely independent body, whose opinions would influence the evolution of the taxation structure. Mr V. C. Shukla, Minister of State for Finance, stated this while addressing the conference of tax executives recently. Mr Shukla stated that the self removal procedure scheme for clearance of goods without physical verification for purposes of excise levy, which was introduced in 1968, was likely to be extended to more commodities when the new Central Excise Bill was passed by Parliament.

Company Affairs

U.P. HOTELS

UTTAR PRADESH Hotels and Restaurants Ltd has already a five-star hotel functioning at Agra. Two more units are under construction at Lucknow and Jaipur. The existing hotel has been operating on a profitable basis and its accommodation capacity has been increased considerably in recent years. In order to find the funds required for meeting capital expenditure, equity shares for Rs 32.50 lakhs and preference shares for Rs 10 lakhs are being issued. There is already a paid-up capital of Rs 27.50 lakhs—Rs 20 lakhs in preference shares. The new preference shares will carry interest at 9.5 per cent, taxable. The directors and others will be taking up equity shares of the value of Rs 16.50 lakhs. The balance of Rs 16 lakhs out of the equity issue and the whole of the preference issue of Rs 10 lakhs are being offered for public subscription. The company made a profit during the previous year and a dividend of seven per cent, taxable, was paid in respect of 1968-69.

LAMP CAPS

Lamp Caps and Filaments Ltd, a new company formed to undertake the manufacture of tungsten filament wires, will enter the capital market towards the end of this year. It will offer for public subscription equity shares worth Rs. 15 lakhs and (9.3 per cent) cumulative preference shares worth Rs 10 lakhs. Steps are being taken to get the entire public issue underwritten. The company has been licensed to manufacture annually 150 million metres of tungsten wires which are used chiefly for the manufacture of electric bulbs and fluorescent tubes. To implement this project, the company proposes to set up a plant at Nasik. The capital expenditure on the project will be about Rs 90 lakhs which will be met from term-loan of Rs 35 lakhs from financial institutions and bank borrowings of Rs 15 lakhs in addition to the total capital issue of Rs 40 lakhs. The company, which has an authorised capital of Rs one crore, has issued fully-paid equity shares of Rs 15 lakhs of which shares worth Rs 7.5 lakhs have been taken up by the promoters, and their associates and friends. The company's foreign collaborators have subscribed to equity shares worth Rs 7.5 lakhs. The company has entered into a technical and financial collaboration agreement with a Finnish firm, a leading manufacturer of tungsten filament wires, lamps and other products

there. It is expected to go into production in the beginning of 1972.

MORARJEE MILLS

The directors of Morarjee Goculdas Mills have proposed to issue bonus shares in the ratio of one share per every share held. They have also proposed to maintain the company's equity dividend for the year ended June 30, 1970, at 15 per cent. The company is stated to have recorded good results during the year. The proposed bonus issue will be made by capitalising a sum of Rs 74.75 lakhs out of the company's reserves.

INDIAN OIL CORPORATION

The Indian Oil Corporation presented a cheque for Rs 4.98 crores to the government as dividend for the year 1969-70. The cheque was handed over to the Minister for Petroleum and Chemicals, Dr Triguna Sen, by the Chairman of the Corporation, Mr N N Kashyap. The amount represents dividend at seven per cent on the paid-up capital of the corporation, the same as in the previous year. During the past four years the corporation has paid a total of Rs 18.89 crores as dividend. This works out to over 26 per cent of the paid-up capital.

LARSEN & TOUBRO

Gujarat State Fertilizers Co. Ltd has placed an order with Larsen & Toubro Limited for a sulphuric acid and oleum plant with a capacity equivalent to 220 tons per day of acid. The plant will be the first of its kind in India to work on the double absorption system. This system utilises the latest technique in reducing the content of sulphur dioxide in effluent gas. Larsen and Toubro will fabricate the sulphuric acid and oleum plant at its Powai Works to the design of Chemiebau GmbH, of West Germany. The plant is expected to be ready within 26 months. Larsen & Toubro has also been entrusted with the civil works, installation and the commissioning of the plant. The plant will produce 85 tons of sulphur dioxide and 85 tons of oleum. The latter two products will be utilised to produce caprolactum, a substance which at present is imported to meet the requirement of the nylon industry. Gujarat State Fertilizers Company's new caprolactum complex will have a capacity of 20,000 tons per year of caprolactum besides other by-products and, when in operation, will save the country foreign ex-

change worth Rs eight crores per annum.

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 June 27, 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 The Ahmedabad Advance Mills Ltd., Bombay House, Bruce Street, Fort, Bombay 1. (Navsari, Gujarat). (NA); 1. Stainless Steel Strips -3,000 tonnes per annum; 2. Low Alloy Steel Strips-800 tonnes per annum. 3. Special Electrical Alloys Strips-100 tonnes per annum. 4. Controlled Expansion Alloy Strips -50 tonnes per annum. 5. Silicon Steel Strips-1500 tonnes per annum.

Fuel

M/s Khas Kajora Coal Co. Ltd, 18, Netaji Subhas Road, Calcutta-1. (Khas Kajora Colliery West Bengal).—Coal. 5,00,000 tonnes per annum; (SE).

Industrial Machinery

M/s Larsen & Toubro Ltd, L & T House, Ballard Estate, Bombay-1. (Bombay, -1 Maharashtra). Evaporator and Crystalliser plants.—Capacity worth Rs. 1.5 Crores per annum. (NA); M/s Vinar Limited, 24, Theatre Road Calcutta-16. (Behala, W. Bengal). (NA) —(i) Overhead Chains Conveyors; (ii) Bucket Elevators; (iii) Roller Conveyors; (iv) Belt Conveyors and (v) Other conveying Equipment; Annual capacity worth Rs 10 lakhs; M/s L.G. Bala-krishnan and Bros Pvt. Ltd, Krishnarayapuram, Ganapathy P.O. Coimbatore-6. (Coimbatore, Tamil Nadu). (NA)—(a) Industrial Roller Chains above 5/8" pitch in simplex duplex and triples formation—160 tonnes per annum; (b) Industrial Conveyor Chains—40 tonnes per annum.

Fertilisers

The Managing Director, Indian Farmers Fertilizers Co-operative Ltd., F-1, South Extension, Part II, New Delhi. (Kandla & Kalol, Gujarat). (NU); (a) At Kalol, Distt. Mehsana (i) Ammonia-300,300 tonnes per annum; urea-396,000 tonnes per annum. (b) at Kandla, Kutch. (ii) Complex Fertilizers-75,200 tonnes per annum.

Chemicals

M/s Gwalior Rayon Silk Mft. (Wvg). Co. Ltd. (Staple Fibre Division) United Commercial Bank Bldg., Parliament Street, New Delhi-1. (Nagda, M.P.). (NA) —(a) Caustic Soda-33,000 tonnes per annum. (b) Dicalcium Phosphate-

33,000 tonnes per annum; M/s Travancore Chemical and Manufacturing Co. Ltd. Kalamassery, Alwaye-4. (Alwaye, Kerala). (SE) Potassium Chlorate-600 tonnes per annum; M/s Hindustan Transmission Products, Chandivali, Kurlavihar Road, Bombay-1. (Bombay Maharashtra (NA); (a) Polyvinyl Formal and Polyvinyl Butyryl resins-within their existing licensed capacity of 250 tons per annum for manufacture of synthetic Resins; (b) Resin Emulsions viz. Polyvinyl alcohol, Polyvinyl acetate emulsions and copolymers and butyl, methyl and diethyl from acrylonitrile-396 tonnes per annum.

Textiles

M/s S.S.M. Finishing Centre, Salem Main Road, Komarapalayam (via). Erode (S. Rly). (Tamil Nadu). (NU); 1. Cloth Bleaching-12,000,000 Kgs. 2. Cloth Mercerising-12,00,000 Kgs. per annum. 3. Cloth Finishing -12,00,000 Kgs. per annum 4. Cloth Dyeing-3,60,000 Kgs. p.a. 5. Cloth Printing-36,00,000 Metres per annum; M/s National Co. Ltd. 18A Brabourne Road, Calcutta-1. (West Bengal). (SE). Jute Carpet Backing Cloth 100 broadlooms to produce 5080 tonnes of carpet backing cloth; M/s Indian Organic Chemicals Ltd. 28, Apollo Street, Fort, Bombay-1. (Tamil Nadu). (NU). Polyester Staple Fibre- 6,100 tonnes per annum.

Sugar

M/s Shree Datta Sahakari Sakhar Karkhana Ltd. Shirol Taluk, Shirol Distt. Kolhapur, (Maharashtra). 1250 tonnes crushing capacity of sugar cane per day. (NU); M/s. The Deccan Sugar & Abkhari Co. Ltd. Managing Agents, M/s Perry & Co. Ltd, P.B. No. 12, Madras-1. (Sankot, AP) (SE). Crushing capacity of sugarcane has been increased by 500 tonnes per day and crushing capacity after expansion will be 1,500 tonnes per day; The Chief Promotor, M/s Shree Satpuda Tapi Parisar Sahakari Sakhar Karkhana Ltd. Shohada, Distt. Dhulia, Maharashtra State, (Lokheda, Distt. Dhulia, Maharashtra). (NU). Crushing capacity of Sugarcane — 1250 tonnes per day; Shree Chalthan Vibhag Khand Udyog Sahakari Mandli Ltd, Chalthan, Dist. Surat, Gujarat) (NU); Crushing capacity of sugarcane —1250 tonnes per day; M/s The Godavri Sugar Mills Ltd, Fazalbhoy Building, P.B. No. 122-A, Mahatma Gandhi Road, Fort Bombay-1. (Saidapur, Distt. Bijapur, Mysore). (NU); Crushing capacity of Sugarcane—2500 tonnes per day.

Fermentation Industries

M/s The Maharashtra Sugar Mills Ltd, Industrial Assurance Bldg., Churchgate, Bombay-1. (Maharashtra) (NA); (1) Malt Whisky—275,000 litres p.a. (2) Gin-60,000 litres p.a.

Leather

M/s Webta Private Ltd. 24-A, Bright

Street, Calcutta-17. W Bengal). (COB); Wet Blue Chrome tanned goat skins—8.64 lakh nos. per annum.

LETTERS OF INTENT

Electrical Equipment

Shri M.B. Kadadi, Ganga Niwas, Railway Lines, Sholapur. (Mysore). (NU). (a) Potentiometers—1.0 (b) Variable Gang Condensers—0.6 Capacity in million nos. p.a. M/s Asian Electronics Ltd; Handloom House, 3rd Floor, 221, Dr. D.N. Road, Bombay-1. (Thana-Maharashtra). (NA); 1.0 million nos. Potentiometers p.a.; M/s Phillips India Ltd; Shivsagar Estate Block-A, Dr. Annie Besant Road, Worli, Bombay. (Poona-Maharashtra) (SE); (Million Nos. p.a.) (1) Carbon Film Resistor, Existing capacity, 30.0 Capacity after expansion; 50.0; (2) Electrolytic Capacitors 7.0 12.0; (3) Polyester Capacitors 15.0 25.0 (4) Ceramic Capacitors. 25.0 50.0 (5) Variable Gang Condensers. 0.636, 0.636, 1.636 M/s Kerala State Industrial Development Corp. Ltd, Vellayambalam, Trivandrum. (Kerala). (NU); Thermistors/Varistors. — 1.0 million nos. p.a. M/s Asian Electronics Ltd; Handloom House, 3rd Floor, 221, Dr. D.N. Road, Bombay-4. (Thana-Maharashtra). (NA). Trimmers — 2 million Nos. p.a. M/s Bishan Electronics, 1, Sonawala Cross Lane, Goregaon East, Bombay-63, N.D. (Maharashtra). (SE). Plastic Insulated variable capacitors. Expansion of Existing capacity from 0.1 ml. nos. to 0.6 million nos. p.a. (b) Trimmers — 5.0 million nos. p.a.; Shri Ajai K. Lakhanpal, "Ashyana", 15th Road, Khar, Bombay-52. (Maharashtra/Gujarat). (NU). (a) Carbon Film Resistors. 20.0 million nos. p.a. (b) Plastic Film Capacitors. (Polyester/Poly styrene) million nos. p.a. (c) Ceramic Capacitors — 2.0 million nos. p.a.; Dr. Nirmal K. Chaudhury, 314, Jodhpur Park, Calcutta-31. (West Bengal). (NU); Potentiometers — 1.0 million nos. p.a.; Shri Shashi V. Mansata, 87-K, Park Street, Calcutta-16. (Mysore) (SE); Semiconductor devices—Expansion of capacity from 1.0 to 10.0 million nos. p.a.; M/s Bhartia Electric Steel Co. Ltd, 8, Swinhoe Street, Ballygunge, Calcutta-10. (Haryana) (NU)—Electrolytic Capacitors — 5.0 million nos. p.a.; M/s Kothari & Sons, 20, Nungambakam High Road, Madras-34. (Gujarat). (NU); (a) Electrolytic Capacitors- 5.0 million nos. p.a.; (b) Trimmers — 5.0 million nos. p.a.; M/s Simco Meters Ltd, Meter Factory Road, Tiruchirappalli-1. (Tamil Nadu). (NA); Gang Condensers — 0.6 million nos. p.a.; M/s Bhartia Electric Steel Co. Ltd, 8, Swinhoe Street, Ballygunge, Calcutta-19. (Haryana). (NU); Styroflex Capacitors— 10.0 million nos. p.a.; M/s Industrial Electronics, 9 Varsha, 69, Napean Sea

Road, Bombay-6. (Maharashtra) (NU); (i) Electrolytic Capacitors — 5.0 mill. nos. p.a.; (ii) Carbon Film Resistors- 20.0 million nos. p.a.; Shri R. Prasad, 6, Madan Street, P.B. No. 8885, Calcutta-13 (Hyaryana) (NU); (i) Disc Ceramic Capacitors — 20.0 mill. nos. p.a. (ii) Variable Gang Condensers— 0.6 million nos. p.a.; Shri Vinod Kumar Gupta, K-40, Connaught Circus, New Delhi-1. (UP) (NU); (i) Potentiometers 1.0 mill. nos. p.a.; (ii) Electrolytic Capacitors- 5.0 mill. nos. p.a.; Shri K.S. Narayanan, Electronic Products, 3, Cathedral Road, Madras-6. (Tamil Nadu) (NU) (i) Potentiometers — 1.0 million nos. p.a.; (ii) Electrolytic Capacitors- 5.0 million nos. p.a.; Shri V.B. Tolat, Shri Ram Nivas, 7, Khetwadi Lane, Bombay-4. (Madhya Pradesh) (NU); (i) Carbon Film Resistors- 20.0 mill. nos. p.a.; (ii) Electrolytic Capacitors- 5.0 million Nos. p.a.; M/s Mahindra & Mahindra Ltd, Gateway Building, Apollo Bunder, Bombay-1. Maharashtra) (NA); Potentiometers- 1.0 million nos. p.a.; Shri R.P. Kapoor, E-5, Defence Colony, New Delhi-3. (Haryana) (NU); Electrolytic Capacitors- 5.0 million nos. p.a.; M/s Kerala State Industrial Development Corporation Ltd, Vellayambalam, Trivandrum-1, (Kerala) (NU); (a) Variable Capacitors (PVC & Air type) — 0.6 million Nos. p.a.; (b) Trimmers — 5.0 million nos. p.a.; M/s Ravik Industrial Corporation, D-187, Defence Colony, New Delhi-3. (Haryana) (NU); Styroflex Capacitors — 9.25 million nos. p.a.; Mr. P.A. Panchakshari, 39, Girija, Shivaji Co-operative Housing Society, POONA-11. (Mysore) (NU); (a) Carbon Film Resistors- 20.0 mill. nos. p.a.; (b) Potentiometers- 1.0 mill. nos. p.a.; (c) Loudspeakers - 0.5 mill. nos. p.a.; (d) Band Change Switches- 0.6 mill. nos. p.a.; Shri Hamesh Patel, M/s Geometrical Tools Mfg. Co. (India), N.K. Industrial Estate, Goregaon East, Bombay. (Gujarat). (NU); (a) Electrolytic Capacitors- 5.0 mill. nos. p.a.; (b) Styroflex Capacitors- 10.0 nos. p.a.; M/s Harshadray Pvt. Ltd, A-3/15, Asaf Ali Road, New Delhi-1. (Mysore). (NU); (i) Electrolytic Capacitors. 5.0 mill. nos. p.a. (ii) Styroflex Capacitors- 10.0 mill. nos. p.a.; Shri R.L. Mulchandani, Sukhsagar, Hughes Road, Bombay-7. (Andhra Pradesh/Gujarat/Madhya Pradesh) (NU) Modular Switches—1.0 mill. nos. p.a.

M/s Mulchandani Electrical & Radio Industries Ltd, Sukhsagar, Hughes Rd; Bombay-7. (Mysore/AP/Gujarat/MP) (NU) Variable Gang Condensers -0.6 million nos. p.a.; Shri Shriram C. Chokhani, Maheshwari Mansion, 34, Napean Sea Road, Bombay-6. (Maharashtra) (NU) (a) Carbon Film Resistors. -20.0 mill. nos. p.a., (b) Thermistors/Varistors -2.0 mill. nos. p.a., (c) Electrolytic Capacitors -5.0 mill. nos. p.a.; Shri Bharat Patel, c/o Usha

Electrical Instruments, 9, K.R.D.N. Trust Estate, Goregaon, East, Bombay. (Maharashtra) (NU). (a) Potentiometers — 1.0 mill. nos. p.a., (b) Bandchange Switches—0.6 mill. nos. p.a.; M/s Punjab State Industrial Dev. Corp. Ltd, 3rd Floor, United Commercial Bank Bldg., Sector-17, Chandigarh. (Punjab). (NU) (a) Semiconductor Devices (Transistor/Diodes)—10 mill. nos. p.a. (b) Electrolytic Capacitors (Aluminium) — 5 million nos. p.a. (c) Plastic Film, Polyester and Styroflex Capacitors—10 mill. nos. p.a. (d) Ceramic Capacitors — 20 million nos. p.a. (e) Variable Gang Condensers (Air Die-Electric And PVC) — 0.6 million nos. p.a. (f) Loudspeakers — 0.5 million nos. p.a.; M/s Hind Industrial & Mercantile Corp. (P) Ltd; 205-A, Dr Annie Besant Road, Bombay-18. (Maharashtra/Delhi) (NU) (a) Electrolytic Capacitors—5.0 million nos. p.a. (b) Band Change Switches 0.6 million nos. p.a.; Shri Anil N. Kothary, 26, Prabhat, 76, Bhulabhai Desai Road, Bombay-26. (Gujarat) (NU) Metallised Plastic Film Capacitors—10 mill. nos. p.a. M/s United Electrical Industries Ltd, P.B. No. 87, Quilon, (Kerala) (NU) (a) Carbon Film Resistors—20 million nos. p.a. (b) Plastic Film Capacitors (Styroflex/Polyester) 10 million nos. p.a. (c) Ceramic Capacitors—20 million nos. p.a.; M/s Andhra Pradesh Industrial Development Corporation Ltd, Nizam Sugar Factory Bldgs; Hyderabad-4. (Andhra Pradesh) (NU) (a) Potentiometers—1.0 million nos. p.a. (b) Carbon Tracks— 5.0 million nos. p.a.; M/s Andhra Pradesh Industrial Development Corporation Ltd, Nizam Sugar Factory Bldgs; Hyderabad-4. (Andhra Pradesh) (NU) Semiconductor Devices—10.0 million nos. p.a.; Shri Mukandrai Keshavji Patel, Mukund Villa, Swaminarayana Street, Jamnagar, (Gujarat) (NU) (a) Carbon Film Resistors—20.0 million nos. p.a. (b) Potentiometers—1.0 mill. nos. p.a. (c) Bandchange Switches— 0.6 mill nos. p.a.; M/s Larsen & Toubro Ltd, Bombay. (Maharashtra) (NA) Telemetering & Tele control System.—3 nos. p.a.; Shri K. K. Khandelwal, Loha Bhavan, P.D. Mello Road, Bombay-9. (Gujarat/Maharashtra) (NU) Semiconductor Devices (Transistors/Diodes)—10.0 mill. nos. p.a.; M/s Continental Device India Ltd, 20-A, Aurangzeb Road, New Delhi. (Delhi) (SE) Semiconductor Devices (Transistors/Diodes), Expansion of capacity from 10 million nos. to 15 million nos. p.a.; M/s Asian Electronics Ltd, Handloom House, 3rd Floor, 221, Dr D. N. Road, Bombay-1. (Thana, Maharashtra) (NA) Ceramic Capacitors—20 million nos. p.a.; M/s Asian Electronics Ltd, Handloom House, 3rd Floor, 221, Dr D. N. Road, Bombay-1. (Thana, Maharashtra) (SE) Styroflex Capacitors etc. Expansion of capacity from 12.2 mill. nos. to 25.0 million nos. p.a.; M/s Usha

Electronics, B-27, Greater Kailash, New Delhi-48. (Haryana) (NU) (i) Styroflex capacitors—10 million nos. p.a. (ii) Carbon Potentiometers—1.0 million nos. p.a.; M/s Charat Singh, D-200, Defence Colony, New Delhi-3. (Mysore/Haryana) (NU) Ceramic Capacitors— 20.0 million nos. p.a.; M/s Asian Electronics Ltd; Handloom House, 3rd Floor, 221, Dr D. N. Road, Bombay-1. (Maharashtra) (SE) Carbon Film Resistors Expansion of capacity from 30 million Nos. to 80 million Nos. p.a.; M/s Mulchandani Electrical & Radio Industries Ltd; Sukh Sagar, Hughes Road, Bombay-7. (Andhra Pradesh) (NU) Variable Condensers—0.6 million nos. p.a.; M/s Delton Cable Industries Pvt Ltd, Delton House, Bharat Ram Road, 24, Daryaganj, Delhi-6. (Faridabad, Haryana) (NA) 1. Electrolytic Capacitors—5.0 million nos. p.a. 2. Styroflex Capacitors—10.0 million nos. p.a.; M/s Murphy India Ltd, Dr Shirodkar Road, Parel, Bombay-12. (Thana, Maharashtra). (SE) Loudspeakers & Cones for Loudspeakers. Expansion of capacity from 0.3 to 1.0 million nos. p.a.; M/s The Maharashtra Sugar Mills Ltd, Industrial Assurance Bldg., Churchgate, Bombay-20. (Ahmednagar, Maharashtra) (NA) (a) Polyester Capacitors—10.0 million nos. p.a. (b) Loudspeakers—0.5 million nos. p.a.; M/s The Indian Aluminium Cables Ltd, F-40, N.D.S.E., Part-1, New Delhi -49. (Ghaziabad, UP) (NA) Semiconductor Devices—10.0 million nos. p.a.; M/s Mulchandani Electrical & Radio Industries Ltd; Sukhsagar, Hughes Road, Bombay-7. (Gujarat/Mysore/Andhra Pradesh/Madhya Pradesh) (SE). Paper Cones for Loudspeakers—Expansion of capacity from 0.6 to 2.5 million nos. p.a.; M/s Telefunken India Ltd; G-4, N.D.S.E., Part-1, New Delhi-3. (Ballabgarh, Haryana) (SE) (a) Plastic Film Capacitors—Expansion of capacity from 5.0 million nos. to 10.0 million nos. p.a.; M/s Electro Chemical Condenser Co. Amalfi D/3, D/4, Napean Sea Road, Bombay-6. (Maharashtra) (NU) Styroflex Capacitors— 10.0 million nos. p.a.; M/s Zener Effect Smi-conductors, 153, Swami Vivekanand Road, Villa Parle, Bombay-56. (Maharashtra) (NU) (a) Carbon Film Resistors—20.0 million Nos. p.a. (b) Loudspeakers—0.5 million Nos. p.a. (c) Paper Cones for Loudspeakers— 1.0 million nos. p.a.; M/s Indian Capacitor Co., 160/64, Sant Tukaram Rd. Bombay-9. (Maharashtra) (NU) (a) Potentiometers—1.0 million nos. p.a. (b) Band change switches—0.6 million nos. p.a.; M/s Advani Oerlikon (P) Ltd; Radio House, 6, Rampat Row, Fort, Bombay-1. (Chinchwad, Poona, Maharashtra) (NA) Variable Gang Condensers—0.6 million Nos. p.a.; M/s Semiconductor Ltd, Radia House, 5th Floor, No. 6, Rampart Row, Fort, Bombay. (Maharashtra) (SE) (1) Semiconductor Devices (Transistors & Dio-

des) expansion of capacity from 13.0 to 18.0 million nos. p.a. (b) Thermistors/Varistors—Expansion from 2 to 4 million Nos. p.a.; M/s Murphy India Ltd, Dr Shirodkar Road, Parel, Bombay-1. (Thana, Maharashtra) (SE) Gang Condensers—Expansion of capacity from 1.0 million nos. to 2.0 million nos. p.a.; Shri Ajay Kumar Jain, 10, Shree Ram Building, Jawahar Nagar, Delhi-7. (Haryana) (NU) (a) Carbon Film Resistors—20 million Nos. p.a. (b) Styroflex Capacitors—10 mill. nos. p.a. (c) Disc Ceramic Capacitors— 20 mill. nos. p.a.; M/s Rajiv Investment (Pvt) Ltd, D-216, Defence Colony, New Delhi-3. (Haryana) (NU) (a) Styroflex Capacitors—10.0 mill. nos. p.a. (b) Gang Condensers—0.6 million nos. p.a.; Wg. Commander, H.C. Joshi (Rtd), 435, Mathura Road, New Delhi-14. (Haryana/U.P./Maharashtra) (NU) Precision Resistors—20.0 mill. nos. p.a.; M/s Man Radio & Electronics (P) Ltd, Station Road, Jaipur, (Jaipur, Rajasthan) (SE) Semi-conductor Devices (Transistor/Diodes)—Expansion of capacity from 2 to 10.00 million nos. p.a. M/s Mulchandani Electrical & Radio Industries Ltd, Sukh Sagar, Hughes Road, Bombay-7. (Mysore/Gujarat, AP, MP) (SE) Electrolytic Capacitors—Expansion of capacity from 7.5 to 12.0 million nos. p.a. M/s Hindustan Semi-Conductor Co, Amin Industrial Estate, Sonawala Cross Road, Goregaon East, Bombay-63. (Maharashtra) (SE) Semiconductor Devices. (Transistors Diodes)—Expansion of capacity from 0.4 million nos. to 10.0 million nos. p.a.; Shri Shashi V. Mansata, 87-K, Park Street, Calcutta-16. (Mysore) (NU) Carbon Composition Resistors—40 million nos. p.a.; Shri Jagdish Prasad Poddar, 46, Ballygunj, Circular Road, Calcutta-19. (Haryana/Mysore) (NU) (a) Loudspeakers of various sizes/yps—0.5 million nos. p.a. (b) Paper Cones for Loudspeakers. —1.0 million nos. p.a. (c) Band Change Switches—0.6 million nos. p.a.; M/s Andhra Pradesh Industrial Development Corporation Limited, Nizam Sugar Factory, Hyderabad. (AP) (NU) (a) Styroflex and Polyester Capacitors —10 million nos. p.a. (b) Electrolytic Capacitors—5.0 mill. nos. p.a. (c) Ceramic Trimmers—5.0 mill. nos. p.a.; M/s Andhra Pradesh Industrial Development Corp., Nizam Sugar Mills Bldg, Hyderabad (AP) (NU) Paper Cones and Spiders for Loudspeaker— 2.0 million nos. p.a.; Shri K. K. Khandelwal, Loha Bhavan, P. DeMello Road, Bombay-9. (Gujarat/Maharashtra) (NU) (a) Carbon Film Resistors— 20.0 mill. nos. p.a. (b) Electrolytic Capacitors—5.0 million nos. p.a.; Shri S. J. Patel, 11, Nirmal Niwas No. 1, Gowalia Tank, Bombay-26. (Gujarat) (a) Carbon Film Resistors—20.0 mill. nos. p.a. (b) Loudspeakers—0.5 million nos. p.a. (c) Paper Cones—1.0 mill. nos.; Shri Kamal Meattle, 26, Prithvi

Raj Road, New Delhi-11. (Haryana) (NU) (a) Loudspeakers including speakers for Auditorium and Stereophonic sets—0.5 million nos. p.a. (b) Paper Cones for Loudspeakers—1.0 million nos. p.a.; M/s Contemporary Commercial, 9, Varsha, 69-B, Napcan Sea Road, Bombay-6. (Maharashtra) (NU) (a) Potentiometers—1.0 mill. nos. p.a. (b) Loudspeakers—0.5 mill. nos. p.a. (c) Paper Cones—1.0 mill. nos. p.a.; M/s Asha Brothers (P) Ltd, 10/14, Shamset Street, Bombay-32. (Thana, Maharashtra) (NA) (a) Variable Gang Condensers (Air & PVC)—0.6 mill. nos. p.a. (b) Trimmers—2.0 mill. nos. p.a. (c) Loudspeakers—0.5 mill. nos. p.a.; M/s Mulchandani Electrical & Radio Industries Ltd, Sukhsagar, Sundhurst Bridge, Hughes Road, Bombay-7. (AP/MP) (NU) Volume Controls & Carbon Tracks—1. million nos. p.a.; M/s Ramkumar Gupta, 26-A, Nizamuddin West, New Delhi. (Balabgarh, Haryana) (NA) Carbon Film Resistors—20.0 million nos. p.a.

Industrial Machinery

M/s Westinghouse Saxby Farmer Ltd, 17, Convent Road, Calcutta-14. (Calcutta, West Bengal) (NA) Air Brake Equipment—5,000 sets p.a.; M/s Escorts Ltd, Mahajan House, N.D.S.E. II, New Delhi-24. (Faridabad, Haryana) (NA) Air Brake Equipment for Railway Rolling Stock—5,000 sets p.a.; M/s Tata Engg. & Locomotive Co Ltd, Bombay House, 24, Bruce Street, Fort, Bombay-1. (Poona Maharashtra) (SE) Jigs, Fixtures, Press Tools, etc. (Total capacity after expansion will be Rs 24 million in value); M/s C.K.P. Ltd, Ramkrishna Building, 38, Mount Road, Madras. (Madras, Tamil Nadu). (NA) Continuous Centrifugals—50 nos. p.a.; M/s Snail Spanners (India) and Tools Ltd, 87, Nagdevi Cross Lane, Bombay-3. (Bombay, Maharashtra) (NA) Industrial Knives—500 tonnes p.a.; M/s Christensen—Longyear (India) Ltd, L & T House, Dougle Road, Ballard Estate, P.B. No. 278, Bombay-1. (Bombay, Maharashtra) (NA) Oil Field Diamond Bits and Stabilizers/Reamers upto 10" diameter 100 nos. p.a. (On maximum utilisation of plant & machinery).

Machine Tools

Managing Director, Praga Tools Ltd, 6-6/8/32, Kavandiguda Road, Secunderabad-3. (Secunderabad, AP) (NA) Copying Lathes (George Fischer Model KDM/18)—60 nos. p.a. on the basis of maximum utilisation of plant & machinery.

Engineering Industries

M/s Sharpedge Ltd, 34, Okhla Industrial Estate, New Delhi-20. (Okhla, New Delhi). (SE) Razor Blades—200 million nos. p.a.

Office Equipment

The General Manager, Kerala Electrical & Allied Engg. Co. Ltd; Mamala,

P.O. Cochin. (Ernakulam, Kerala) (NA) Plate Freezers—25 nos. p.a.; M/s Visahka Refrigeration, T-9, Green Park, New Delhi-16. (Faridabad, Haryana) (NU) Domestic Refrigerators—15,000 nos. p.a.; M/s Godrej & Boyce Mfg. Co. (P) Ltd, Lalbough, Parel, Bombay-12. (Bombay, Maharashtra) (SE) Domestic Refrigerators and Compressors—(Expansion of capacity from 14,000 nos. to 30,000 nos. p.a.); M/s The Hyderabad Allwyn Metal Works Ltd, Sanatnagar, Hyderabad-18. (Hyderabad, AP) (SE) Domestic Refrigerators—Expansion of capacity from 10,000 nos. to 30,000 nos. p.a.; M/s Ch. Devinder Singh, c/o Industrial Cables (I) Ltd, National Ins. Bldg, Parliament Street, New Delhi-1. (Rajpura, Punjab) (NU) Domestic Refrigerators—15,000 nos. p.a.; Shri K.S. Rao, Olympus Refrigeration & Engg. Corpn., Industrial Estate, Yeyyadi, Managalore. (Managalore, Mysore). (NU) Domestic Refrigerators—15,000 nos. p.a.; M/s Kelvinator of India Ltd, 19-A, Alipore Rd, Delhi-6. (Faridabad, Haryana) (SE) Domestic Refrigerators—expansion of capacity from 6,000 nos. to 30,000 nos. p.a.; Shri C.L. Anand, 25, Indra Palace (2nd Floor), H-Block, Connaught Circus, New Delhi. (Faridabad, Haryana) (NU) Domestic Refrigerators—15,000 nos. p.a.

Medical & Surgical Appliances

M/s Siemens India Ltd, 134-A, Dr Annie Besant Road, Worli, Bombay. (Bombay, Maharashtra). (NA) Dental Units—100 units p.a.

Mathematical Instruments

M/s A.J. Mehta & Co. 142, Kapadia Bldg. Mody Street, Fort, Bombay. (Nasik, Maharashtra). (NU) 1. Micrometers—12,000. 2. Vernier Calipers—12,000. 3. Depth and Height Gauges—1,000. 4. Dial Gauges—8,000; Punjab State Industrial Development Corpn. Ltd; United Commercial Bank (3rd Floor), Sector-17-B, Chandigarh. (Punjab) (NU) 1. Plain Plug Gauges—12,000. 2. Thread Plug Gauges—1,200. 3. Plain Ring Gauges—1,200. 4. Thread Ring Gauges—1,200. 5. Snap Gauges—12,000. 6. Depth Gauges—1,200. 7. Sheet & Wire Gauges—1,200. 8. Feeler Gauges—2,400. 9. Radius Gauges—600. 10. Screw Pitch Gauges—600. 11. Height Gauges (Vernier)—600. 12. Depth Gauges (Vernier)—6,000. 13. Slip Gauges—300. 14. Bevel Protectors—600. 15. Combination Squares—600. 16. Vernier Calipers—3,000. 17. External Micrometers—1,800. 18. Micrometer Depth Gauges—600. 19. Length Bars—400. 20. Sine Bars—150.

Chemicals

The Andhra Sugars Ltd, P B No 2, Venkatarayapuram, Tanuku, West Godavari Dist; (Tanuku, Andhra Pradesh). (NA) Chlorosulphonic Acid—5,000 tonnes p.a.; Shri J. C. Moha-

patra, Brooke Hills, Sambalpur (Orissa) (Sambalpur, Orissa) (NU) Titanium Dioxide—7,000 tonnes p.a.; The Managing Director, M.P. Audyogic Vikas, Nigam Ltd, 'A' Block, Old Sectt, Bhopal (Korba, MP) (NU) BHC (Technical)—3,000 tonnes p.a.; M/s Indian Explosives Ltd, 3, Chowringhee, Calcutta-16. (Gomia, Bihar) (NA) Nitrocellulose (both blasting soluble and industrial grade)—1,000 tonnes p.a.

Dyestuffs

M/s Colour Chem Ltd, Fort House, 22, Dadabhoy Naoroji Road, P.B. No. 1640, Bombay-1. (Maharashtra) (NA). Vinyl Sulphic Reactive Dyestuffs—90 tonnes p.a.

Textiles

M/s Bally June Co Ltd; 15, India Exchange Place, Calcutta-1. (West Bengal) (SE) Carpet Backing Cloth—50 broadlooms for the manufacture of 2540 tonnes of carpet backing cloth.

Food Processing Industry

Shri S. N. Goenka, Partner : M/s Eastern Associates Co., 21-A Janpath (Windsor Place) New Delhi-1. (Assam) (NU) Tomato—2,112 tonnes p.a. Pineapple—3,360 tonnes p.a.

Glass

M/s Hindustan National Glass Mfg Co. Ltd; 2, Wellesley Place, Calcutta-1. (Rishra, West Bengal) (SE) Glass Bottles Tumblers and Pressed Ware—6,000 tonnes p.a.; M/s Punjab State Industrial Development Corpn. Ltd, United Commercial Bank Bldg, 3rd Floor, Sector-17/B, Chandigarh. (Hoshiarpur, Punjab) (NU) Glass Bottles—12,000 tonnes p.a.; M/s Haldyn Glass Works (P) Ltd, Off Western Express Highway, Goregaon (East), Bombay-63. (Bombay, Maharashtra) (SE) Glass Containers—12,000 tonnes p.a.

Misc. Industries

M/s Universal Tobacco Co. Ltd., 3-8-324, Yellareddi Guda, Hyderabad-38. (Hyderabad, AP) (NU) Cigarettes—1,800 million pieces p.a.

LICENCES REVOKED OR SURRENDERED

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M/s Pesticides Ltd, Bombay. Parathion (technical). M/s Shiv Prakash Janak Rai, Amritsar. (Name of Undertaking Seth Products Ltd) Whole Milk Powder. M/s North Western Engineers, Bombay. Industrial Flour Milling Machinery. M/s Atul Drug House, Bombay. Nicotinic Acid etc. M/s Alembic Chemical Works Co Ltd, Baroda. Nonorin tablets. M/s Sur Iron & Steel Co (P) Ltd, Calcutta. Centrifugal pumps. M/s General Industrial Society Ltd. Carpet backing cloth. M/s Bihar Cotton Mills Ltd. Cotton Cloth. M/s Radio & Electricals Manufacturing Co. Ltd. Induction Disc type protective Relays. M/s Texwell Private Ltd. Jute Shuttles.

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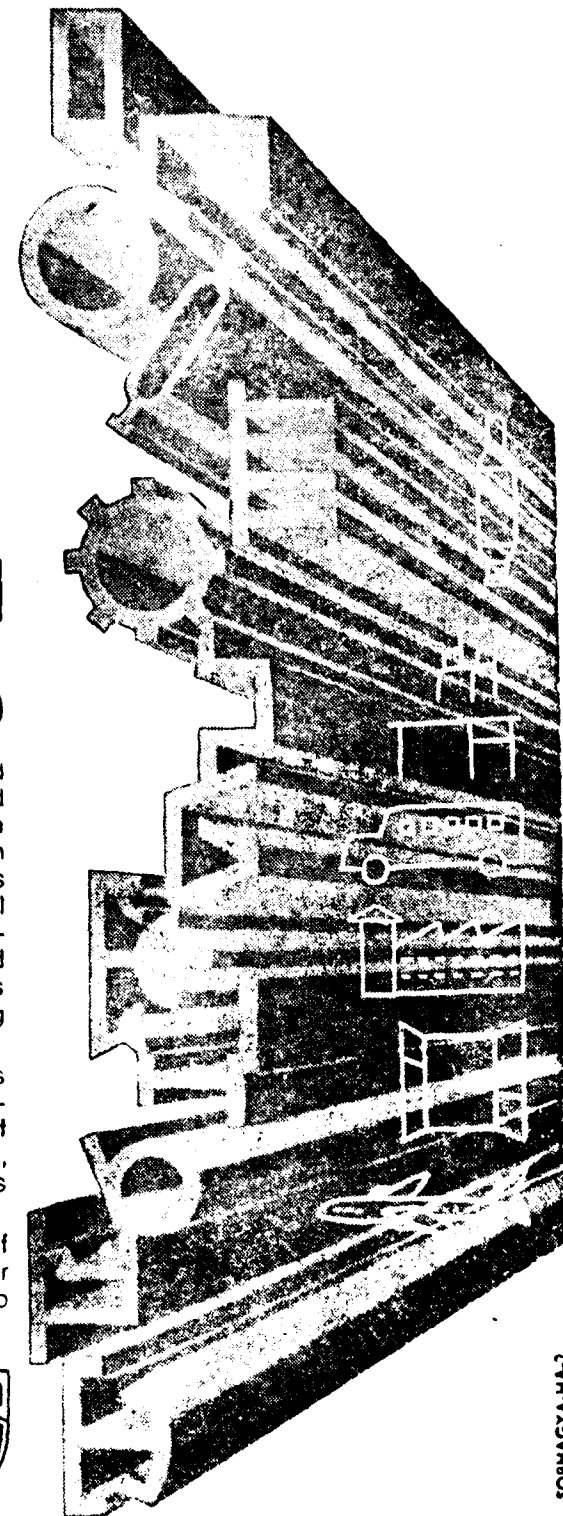
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COMPANY MEETING

THE JAIPUR UDYOG LIMITED

Statement of Shri Alok P. Jain, Chairman, the Jaipur Udyog Limited, at the Annual General Meeting of the Company held at Sawaimadhopur, on 14th November, 1970.



Shri Alok P. Jain

Gentlemen.

Since my appointment as Chairman of the Board of Directors, this is my first opportunity to extend you a cordial welcome to this 22nd Annual General Meeting.

Shri S. P. Jain, who had been Chairman since 1955, decided to lay down his office in May, 1970 and it was with great reluctance that your Directors persuaded themselves to relieve him. Your Company had the privilege of his advice, guidance and leadership for nearly 15 years and it is no exaggeration when I say that the present stature of your Company is in no small measure due to his indefatigable efforts, enthusiasm, business acumen, vision and pragmatic approach. I hope you will join me in expressing our deep sense of gratitude to him for the services rendered to the Company. Having succeeded to this office, it shall be my constant endeavour to promote the interests and progress of the Company to the best of my ability.

The Directors' Report and Audited Statement of Accounts for the year ended 31st March, 1970 have been in your hands for some time and with your permission I shall take them as read.

As you would have observed, a record production and despatch of cement was achieved during the year. Production was highest at 8,58,735 tonnes as also despatches at 8,52,521 tonnes. Sales increased by over 14% to Rs. 13.32 crores. The pre-tax profit, after providing depreciation of Rs. 53.4 lakhs, also rose to Rs. 51.15 lakhs. I hope you will consider the financial results of the working of your Company for the year 1969-70 generally satisfactory, particularly if viewed in the context of the ever increasing cost of production in items over which your Company has no control.

The nation is passing through a very crucial stage in its economic develop-

ment. There is a wide spread frustration and unemployment through-out the country. Estimates of actual number of unemployed may differ but there is no doubt that this problem is of a fearful and explosive nature. The responsibility of the Government and business houses is to provide more employment opportunities. But the recent Government policies, enactments and regulations are not encouraging. The leading industrial enterprises which have served the country for decades by giving leadership and entrepreneurship are being discouraged from undertaking expansions and establishing new industries.

In the context of Government's declared policy of growth with social justice it is but fair that all encouragement should be given for development of medium and small sized industries in the country. At the same time, it should be appreciated that regulations and restrictions which tend to create conditions unfavourable for the building of a viable economic structure for the country would have inhibitive influence on declared objective of growth. Those with entrepreneurship, expertise and technical know-how fostered over the decades, should be fruitfully utilised for the industrial growth of the country. With their expansion and setting up of new units there would be automatic encouragement to the establishment of ancillary, medium and small scale size industries. This would provide greater opportunities of employment and serve the interest of common man.

Cement, as you know, is one of the promoting industries. A progressive increase in cement production is essential for the development of Indian economy. It is, therefore, imperative that the cement industry should be enabled to grow fast, particularly in the deficit areas in the Northern and Eastern regions of the country.

For more than two decades cement

was a controlled commodity. The price of cement during this period has been pegged to an artificially low level. On account of the unrealistic price on the one hand and the rising costs of materials, production and distribution on the other, the profit margin has been squeezed and the capacity of the industry to generate internal resources needed for its growth has been adversely affected. The industry has necessarily to take recourse to external funds, which it is not able to attract due to low profitability. To sustain expansion then, recourse is taken to borrowings which on account of comparatively higher rates of interest, make deep inroads into the shrinking profits. The vicious cycle thus continues.

After detailed and prolonged examination of all aspects of the matter, the Minister for Industrial Development of the Central Government announced on 14th April, 1969 in Parliament Government's decision to decontrol cement and to abolish freight pooling arrangement from 1st January, 1970. It was reiterated by him from time to time. It was a well considered and sound economic decision in consultation with the Planning Commission and in keeping with the broad policy of the Government to decontrol wherever feasible. This policy would have certainly strengthened the industry and given the necessary encouragement to its growth in the existing deficit areas. It is regretted that as a result of various pulls and pressures, Government reversed their decision and continued control on cement and freight pooling beyond 31st December, 1969. This reversal of decision is unwarranted in as much as the continued control would inhibit the growth of the industry and create shortages in the coming years. This needs immediate reconsideration by the Government and we hope considering the economic advantages, decision to decontrol and abolish freight pooling arrangement

would be announced at an early date.

Since 16th April, 1969, the Government fixed up the uniform ex works retention price of Rs. 100 per tonne. The said price was inadequate as compared to the increase in cost of production of cement. Since then there has been a continuous increase in the cost under various heads, particularly in price of coal, freight rates, employer's contribution under Employees State Insurance Scheme and also increase in Variable Dearness Allowance. The industry has no control over all these items. It would be fair for the Government to allow increase in retention price immediately, at least to the extent of neutralising the increase in cost due to Governmental actions. In a commodity like cement where Government controls the cost of production at every stage there should be an automatic provision for escalation in price payable to the factories with every increase in such costs due to Governmental actions and/or circumstances beyond the control of the industry.

A few years back a scheme of Tax Credit Certificates was introduced under the Income-Tax Act with a view to encouraging savings, production and investment in specified industries such as cement. Under the Tax Credit Certificate (Excise Duty on Excess Clearance) Scheme, 1965, the industry was entitled to a refund of excise duty in the form of tax credit certificates at the rate of 25% of excise duty paid on the quantum of cement despatched during the relevant year, which exceeds the quantum of cement despatched in the base year (1964-65). This has lapsed from 1st April, 1970. Similarly, the development rebate available to the industry at 35% has now been reduced to 25% from the same date. It is rather unfortunate that at a time when a progressive increase in production and faster growth of cement industry is essential for the development of national economy, Government has thought it advisable not to continue these incentives.

As you are aware, cement industry has again been brought under the licensing provisions of the Industries (Development and Regulation) Act, 1951 with effect from 19-2-1970 after a lapse of about 4 years. As a result of these provisions all expansions/setting up of new units in the industry will now require approval and/or industrial licences from the Government of India. During the brief period of these 4 years of delicensing substantial expansion has been achieved in the production capacity of the industry despite other difficulties earlier enumerated. The installed capacity of the industry at the end of 1965-66

was 11.53 million tonnes and is presently rated at 16.41 million tonnes. It is rather sad that progress of many schemes of expansion and/or setting up of new units has almost come to a halt for want of approval and/or industrial licence from the Government of India even though more than 8 months have elapsed since the cement industry has been brought under the ambit of industrial licensing requirements. In view of the basic nature of the cement industry and its importance vis-a-vis the entire development programmes of the country, it will be necessary that the Government of India without any further delay clear all schemes of expansion and/or setting up of new units for which effective steps have already been taken prior to the reimposition of licensing procedures. So far as your Company is concerned, necessary applications have already been submitted to the Government long back and we can hope that the Government would issue the requisite licences at the earliest.

Progress about Beawar Project has been reported in the Directors' Report. Since then besides Industrial Development Bank of India, the two other Institutions have given their clearance for loans. Loan agreements are expected to be executed very soon. The Company is making all possible arrangements to expedite execution of the project.

The Company has started production at Kanpur Jute Udyog in March, 1970 and it has been working satisfactorily since then. Its entire production of sack-

ing bags is being used to pack cement manufactured at Sawaimadhopur.

The Jaipur Udyog (Nigeria) Limited incorporated on 24th January, 1970 in Nigeria has taken over the Management Agency of a Government owned cement factory at Upkilla in the Mid Western State of Nigeria. A team of experienced Indian personnel is already in Nigeria and would be commissioning the cement plant there very shortly. I am pleased to mention that this is a pioneering venture in Cement Industry to extend Indian technical and management know-how abroad.

I am glad to mention that serious efforts are being made to professionalise the management of the Company. Bright, energetic young people are being trained to take up senior management positions. Emphasis is being placed on their training programme and on the social responsibilities of such executives.

Industrial relations at the factory and quarries at Swaimadhopur have returned to normal since the last strike. I would like to acknowledge the contribution of your loyal and dedicated staff and workers and I have no doubt that with the co-operation of all our employees, the challenge of the future can be met successfully.

(In the absence of Shri Alok P. Jain, the statement was read by Shri M.R. Bhandari, Secretary of the Company.

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

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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The Manager,
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November 20, 1970

RECORDS AND STATISTICS

Guidelines on Personal Guarantees

THE Reserve Bank of India after reviewing the practices of commercial banks and other financial institutions taking personal guarantees from directors and other managerial personnel of borrowing concerns while sanctioning loans, felt that in the changed circumstances, there is no need for such guarantees in all cases. In order to help identify the circumstances under which a guarantee may or may not be considered necessary, the Bank in a circular, provided broad guidelines to the financing institutions.

The text of the circular is reproduced below:

The Reserve Bank of India has reviewed the practices of commercial banks and other financial institutions taking personal guarantees from directors and other managerial personnel of borrowing concerns while sanctioning loans. In some cases, such guarantees have been taken essentially to make up for the insufficiency of tangible security offered or the weak financial position of the borrowing concern. In some other cases, guarantees have been taken as a matter of routine even where the financing institutions have the security of the company's tangible assets. An important reason for taking guarantees so far has been the feeling that with the signing of the guarantees, the personal interest of the directors and other managerial personnel in the company is strengthened and hence, that the banks taking such guarantees can be reasonably confident of the continuity of good management.

Significant Changes

Circumstances which perhaps justified the obtaining of such guarantees in the past have undergone significant changes recently. With the gradual rise of an entrepreneurial class in the place of managing agency system and the professionalisation of managerial cadres, there is no need for such guarantees in all cases to ensure continuity of efficient management. Further, the ability of financially-sound units to offer adequate security for meeting their banking needs and the improvement in the techniques of financial and technical appraisal by the lending institutions provide scope for minimising the use of such guarantees.

A perusal of practices obtaining abroad also reveals that guarantees by directors are taken mostly in the case of

small private companies requiring funds for additional working capital (as in the United Kingdom) or in the case of closely held corporations or in the case of concerns whose financial standing does not warrant the extension of straight unsecured bank credit (as in the United States).

No hard and fast rules or firm guidelines can be laid down to indicate as to which of the cases would still require a guarantee and which would not. The decision can be arrived at only by a careful case by case examination of all loan proposals. In general, however, it should be borne in mind that guarantees should be obtained only in circumstances absolutely warranted after a careful examination of the circumstances of each case and not as a matter of course. A detailed credit analysis will have to be undertaken to determine the need for guarantees. Lending institutions will therefore have to improve the system of credit appraisal and obtain financial statements from the borrowings concerns at more frequent intervals than a present.

In order to help identify the circumstances under which a guarantee may or may not be considered necessary, the following broad considerations may be taken into account:

A. Where guarantees need not be considered necessary

Ordinarily in the case of public limited companies, when the lending institutions are satisfied about the management, its stake in the concern, economic viability of the proposal and the financial position and capacity for cash generation, no personal guarantee need be insisted upon. In fact, in the case of widely owned public limited companies, which may be rated as first class and satisfying the above conditions, guarantees may not be necessary even if the advances are unsecured. Also in the case of companies, whether private or public, which are under professional management, guarantees may not be insisted upon from persons who are connected with the management solely by virtue of their professional/technical qualifications and not consequent upon any significant share holding in the company concerned.

Where the lending institutions are not so convinced about the aspects of loan proposals mentioned above, they should seek to stipulate conditions to make

proposals acceptable without such guarantees. In some cases, more stringent forms of financial discipline like restrictions on distribution of dividends, further expansion, aggregate borrowings, creation of further charge on assets, and stipulation of maintenance of minimum net working capital may be necessary. Also, the parity between owned funds and capital investment and the overall debt-equity ratio may have to be taken into account.

Taking these factors into account a review should be made of the existing cases where guarantees have been obtained and where warranted, personal guarantees already obtained should be given up.

B. Where guarantee may be considered helpful

(i) Companies, whether private or public, where shares are held closely by a person or connected persons or a group (not being professionals or government) irrespective of other factors, such as financial condition, security available, etc. except where by court or statutory order the management of the company is vested in a person or persons, whether called directors or by any other name, who are not required to be elected by the shareholders. Where personal guarantee is considered necessary, the guarantee should preferably be that of the principal members of the group holding shares in the borrowing company rather than that of the director/managerial personnel functioning as director or in any managerial capacity.

(ii) Even if a company is not closely held there may be justification for a personal guarantee of directors to ensure continuity of management; for some time now, changes in control over companies have acquired some importance in the Indian corporate scene. Thus, a lending institution could make a loan to a company whose management is considered good. Subsequently, a different group could acquire control of the company, which could lead the lending institution to have well-founded fears that the management had changed for the worse and that the funds lent to the company were in jeopardy. One way by which lending institutions can protect themselves in such circumstances is to obtain guarantees of the directors and thus to ensure either the continuity of the management or that the changes in management take place with their knowledge. Even where personal guarantees are waived, it may be necessary to obtain an undertaking from the borrowing company that no change in the management could be made without the consent of the lending institution.

Similarly, during the formative stages of a company, it may be in the interests of the company as well as the lending institutions to obtain guarantees to ensure continuity of management.

(iii) Public limited companies other than those which may be rated as first class, where the advance is on an unsecured basis.

(iv) Public limited companies, whose financial position and/or capacity for cash generation is not satisfactory even though the relevant advances are secured.

(v) Cases where there is likely to be considerable delay in the creation of a charge on assets, guarantee may be taken, where deemed necessary, to cover the interim period between the disbursement of loan and the creation of the charge on assets.

(vi) The guarantee of parent companies in the case of subsidiaries whose own financial condition is not considered satisfactory.

(vii) Where the balance sheet of financial statement of a company discloses interlocking of funds between the company and other concerns owned or managed by a group.

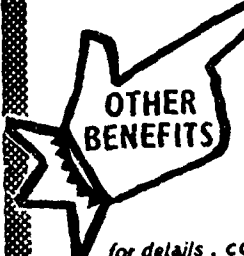
Where guarantees are warranted, they should bear reasonable proportion to the estimated worth of the person. Care should be taken to ensure that the system is not used by the directors and other managerial personnel as a source of remuneration from the company. Banks should obtain an undertaking from the borrowing company as well as the guarantors that no consideration, whether it be by way of commission, brokerage, fees, or any other form will be paid by the former or received by the latter, directly or indirectly. This requirement should be incorporated as one of the specific conditions for granting the facility in the set of terms and conditions, subject to which such facility is granted and the banks/institutions should also, during their periodic inspections, verify, on the basis of the company's books, whether this stipulation has been complied with. There may, however, be some exceptional cases where payment of remuneration has to be tolerated. For example, where assisted concerns are not doing well and the existing guarantors are no longer connected with the management but continuance of their guarantees is considered essential because the new management's guarantee is either not available or is found inadequate, the existing guarantees may be continued and payment of remuneration to guarantors by way of guarantee commission allowed.

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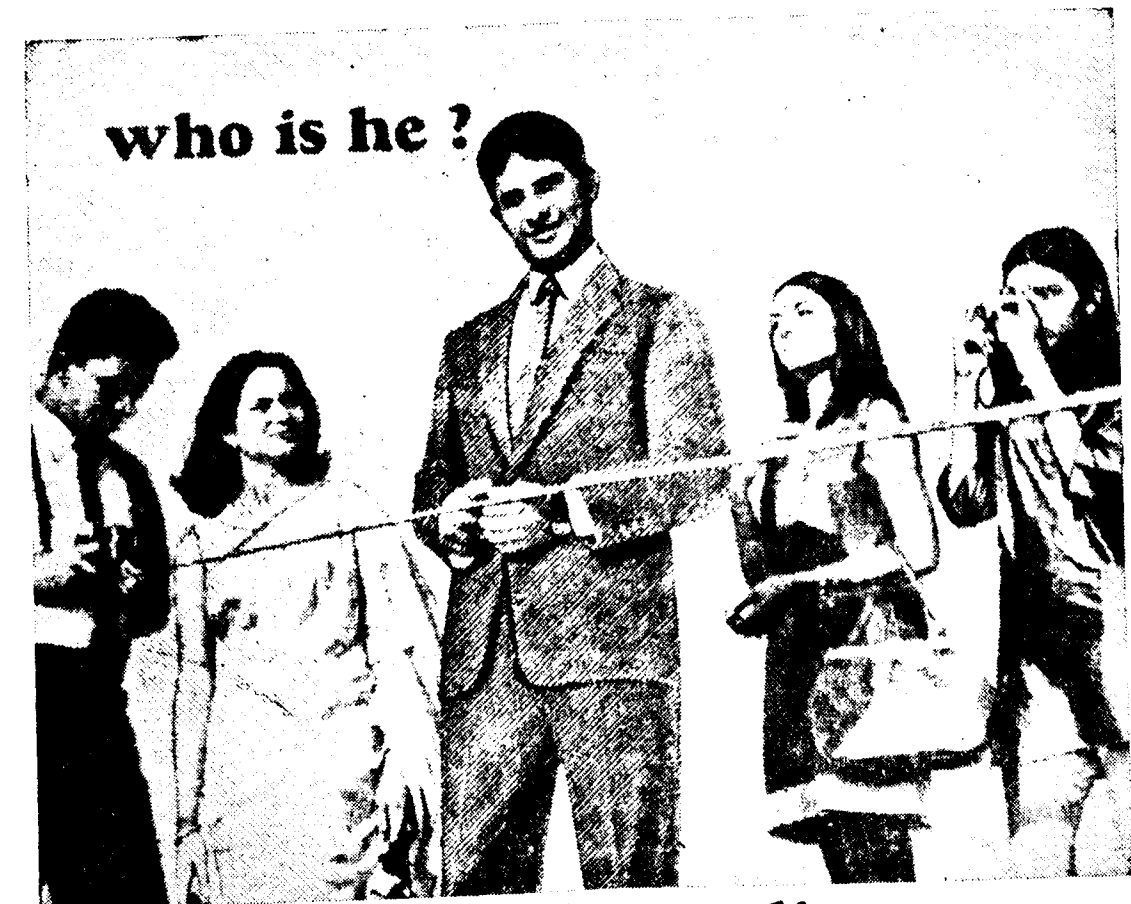


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for details, contact the State Bank of India.

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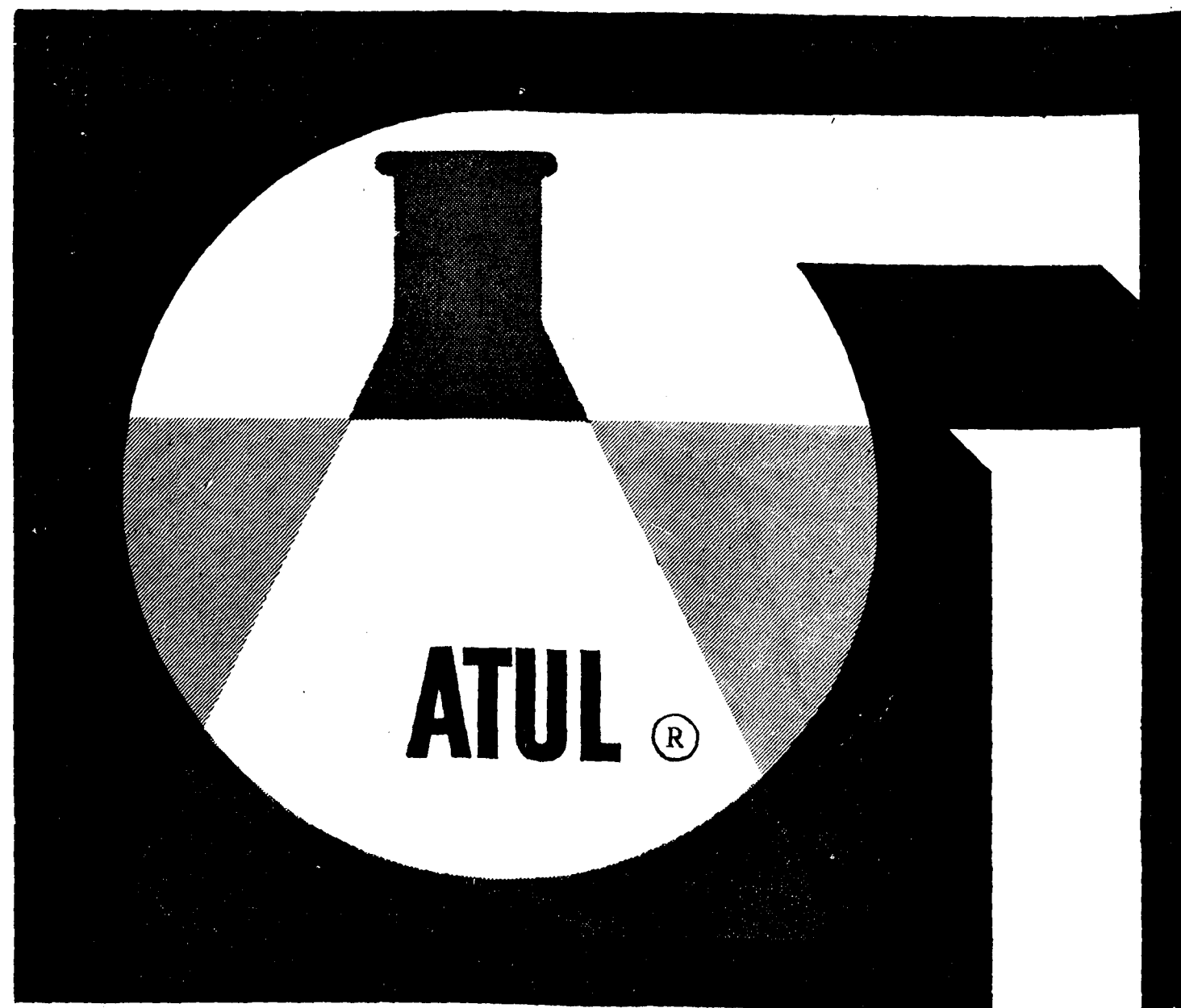
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November 20, 1970

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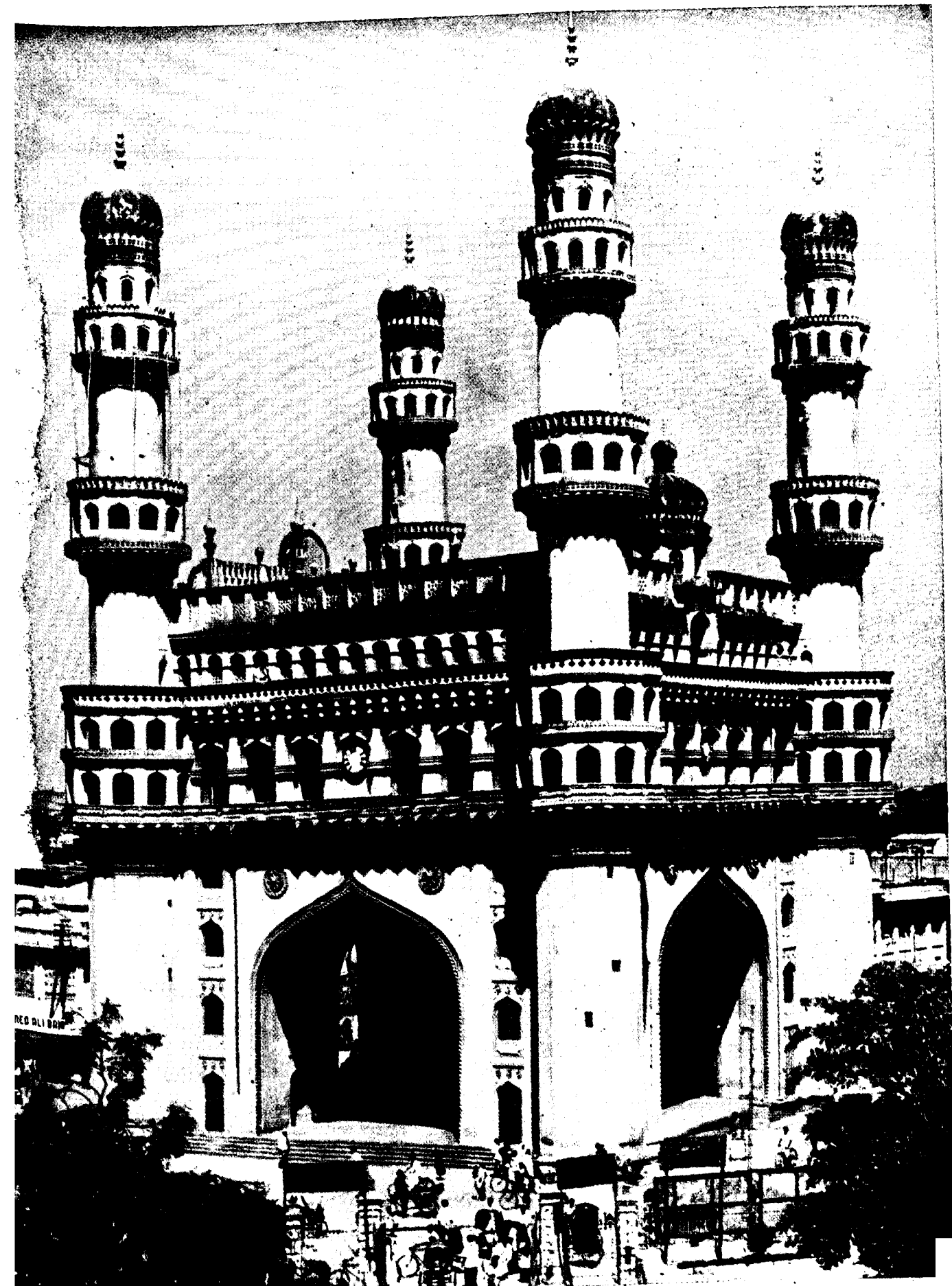
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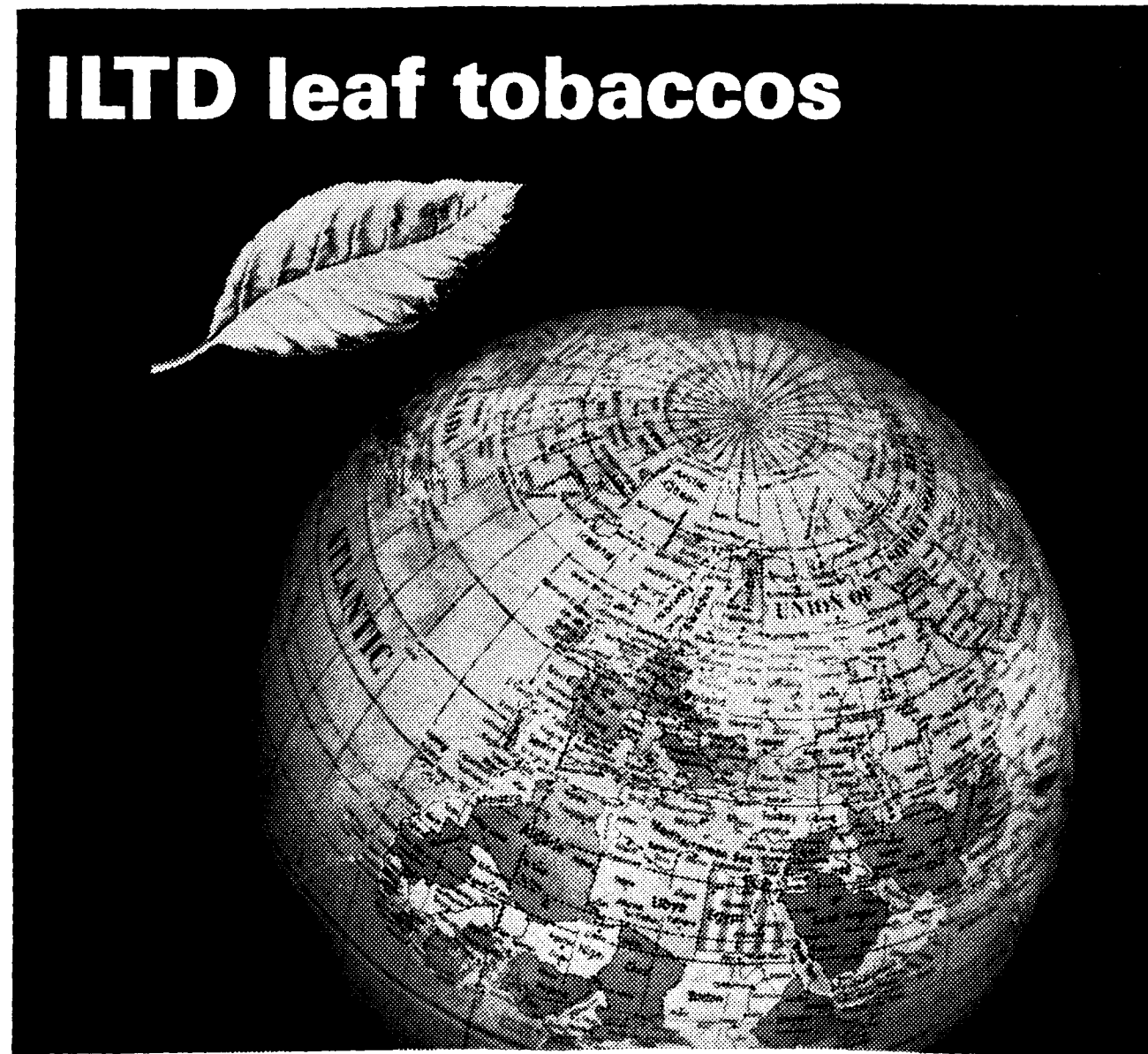


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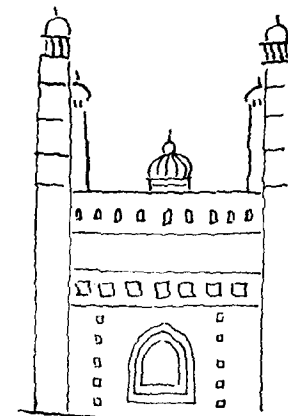
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ANDHRA PRADESH

EASTERN ECONOMIST

NOVEMBER 20, 1970

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Cover Picture
Courtesy : Press Information Bureau,
Government of India.

Looking Up

ANDHRA PRADESH, the fifth largest state in size and the fourth as regards population in the Indian union, has a variety and abundance of natural resources adequate to generate and sustain a big programme of vigorous industrialisation. Spread over the centre of the country, it is most advantageously located to reach the internal markets. Visakhapatnam, one of our few natural harbours, which is located in this state, is well-equipped for extensive overseas trade and commerce as well. The state's water resources are immense; the Godavari and the Krishna shower their bounty by watering their basins. The state has a diversified agricultural base. Surplus in food production and feeding its neighbouring states as well, it produces cereals, pulses and a rich variety of cash crops such as oilseeds, sugarcane and chillies, not to speak of the much wanted tobacco of which it is the largest producer in the union. Andhra has considerable coal reserves also which promise great possibilities not only for power development but also for the production of fertilisers.

The predominantly agricultural economy of Andhra Pradesh awaits systematic exploitation. Considerable progress has been made during the recent Plan periods, but the achievement has not been commensurate with the resources or the needs of the state. A massive infrastructure, both for agricultural and industrial development, is being established through the construction of the Nagarjunasagar, Pochampad and other big multipurpose and power projects. The long-gestation period of some of these schemes, particularly that of the Nagarjunasagar project, however, has thrown a tremendous strain on the meagre finances of the state with the result that the industrialisation programme has been impeded. The state government's plea for the re-scheduling of the debt it owes to the centre and the interest burden arising out of it seems to have a good deal of justification.

Yet another reason for the slow growth of Andhra's economy has been the need to distribute the available resources region-wise — among Telengana, Rayalaseema and the rest of the state. Local entrepreneurial talent is still scarce; the bulk of the commercial community continues to confine itself to its traditional avenues in spite of the glittering prospects in the industrial field.

Luckily for the state and the country, the Telengana agitation seems to have exhausted itself. The Chief Minister, Mr K. Brahmananda Reddy, is keenly aware of the great possibilities ahead. He has welcomed, with open hands, industrialists and entrepreneurs from all over the country to participate with pleasure and profit in the exciting adventure of the economic development of Andhra Pradesh. Surely, a new era in the state's progress has begun.

This supplement is an attempt to inform the people of the country of the economy of Andhra Pradesh and the opportunities it offers.

Andhra Pradesh Today

BRAHMANANDA REDDY
Chief Minister, Andhra Pradesh

THE FORMATION of Andhra Pradesh on linguistic basis, uniting four crores of Telugu-speaking people, was an epoch-making event in Indian history; it was intended to ensure homogeneous development of the state from every point of view. The Telugu people always remained more or less under one political dispensation except for a short period. The ushering in of an integrated state, therefore, was only restoring the *status quo ante*.

Andhra Pradesh has an important function to perform as a link between the north and the south, geographically and culturally. It is a matter of extreme gratification that in the midst of the changing scene, when there have been ups and downs in the destiny of many a ministry in this country, Andhra Pradesh has shown utmost stability and is determined to march ahead, despite small setbacks it has received as a result of floods, cyclones, famine or man-made difficulties.

Telengana's Life-line

Andhra Pradesh is poised for attaining a "take-off stage" in its economy, thanks to the commencement of returns from the huge irrigation and power projects, the most outstanding of them being the Nagarjunasagar Project. The release of waters from the Pochampad Project, which may be considered as a life-line for Telengana, for 40,000 acres, much ahead of schedule, constitutes an important landmark in the development of the region.

The amendment to the Regional Committee Order, which enlarges its scope of functioning and enables provision of separate budget figures for the region, gives a "new deal" for Telengana. If the location of a steel plant at Visakhapatnam is our crowning achievement, which is capable of making a big impact on the economy of the state, the sanctioning of Rs 75 crore coal-based fertiliser factory at Ramagundam in Telengana, where 10 to 12 thousand people would be employed, is not only a boon to that region but also to the entire state.

Similarly, the location of the electro-

nyics complex in Hyderabad and also the Hindustan Cables, where already, there has been an investment of Rs 100 crores in the public sector and Rs 70 crores in the private sector during the last few years, will certainly boost the economy of the state. Further, the completion of a zinc smelter, the Bharat Heavy Vessels and Plates Project and the Rs 35-crore outer harbour in Visakhapatnam will give a fillip to the state's development.

I am particularly happy that the work on the century-old Vamsadhara Project in the backward Srikakulam district has started. The laying of the foundation-stone of the new barrage on the Godavari, which is to be named after Sir Arthur Cotton, who lit the lamp of the delta districts, is an important event. The year 1970 will be remembered in Andhra Pradesh because of the impetus it has given to the agricultural and industrial development of the state. More than two million acres of government waste land have been distributed this year among the landless benefiting 800,000 families — a record figure for any state.

Land for the Landless

Similarly, to the end of 1969-1970, about Rs 2.5 crores were spent for providing house sites to scheduled castes, scheduled tribes and other backward classes. In addition, 24,000 acres in the possession of ineligible shivajimadars were distributed among the landless poor. The long-term credit to the farmers has gone up from Rs 19 crores last year to Rs 25 crores this year, while the short-term credit of Rs 25 crores would go up to Rs 42 crores by the end of this year.

Andhra Pradesh is making efforts to give a new orientation to its development. The Naxalite activity, which bedevilled certain areas in Srikakulam district, has been brought under complete control. Some of the leading lights of this activity have either been killed in encounters or arrested. A

new deal has been given to the tribals by taking special measures for their improvement, like the abolition of the muttadari system, ban on alienation of land from tribals to non-tribals and wholesale relief to indebtedness, starting of ashram-type schools and increasing the prices of the commodities sold by tribals.

The development of backward areas and improvement of the economically backward people are our special responsibility. The constitution of Rayalaseema Planning and Development Board and the allotment of four crores of rupees to that region are steps in that direction. The state government is doing its best with utmost sincerity to ensure that Telengana gets its due share in every way.

Common Destiny

Whatever the temporary misunderstandings in one region, resulting from historical factors, Andhra Pradesh is now 14 years old and the people of the three regions have been joined together with a common destiny. Andhra Pradesh has given a lead in respect of the formation of the linguistic states which are an important prerequisite for strengthening democracy as visualised by Gandhiji, Nehru and other leaders. Andhra Pradesh has a special responsibility inasmuch as on its future depends the future of other linguistic states in the country.

I firmly believe that if the states are strong, the centre will be strong, and it is necessary that the centre is strong in the interests of the nation. During the British regime, we had experience of having numerous states and how this weakened the country. Small states stand in danger of being dominated by capitalists and feudal forces, undermining the very development of the people. It is a happy augury that Andhra Pradesh has maintained peace and amity during the last one year which has brought back the good image of the state.

An Open Invitation to Industrial Entrepreneurs

WHY YOU SHOULD PREFER ANDHRA PRADESH?

BECAUSE YOU HAVE:

- (a) State Government's support for obtaining industrial licences;
- (b) Good plots on industrial development areas;
- (c) Water supply at concessional rates;
- (d) Concessional tariff to power-intensive industries;
- (e) No Octroi;
- (f) Generous financial assistance;
- (g) Joint venture schemes; and
- (h) Preferential treatment in Government purchase programmes.

Rich in mineral resources, liberal incentives and golden opportunities, Andhra Pradesh invites entrepreneurs to take time by the forelock and start rewarding industries.

Many are the incentives to new industries, viz.,

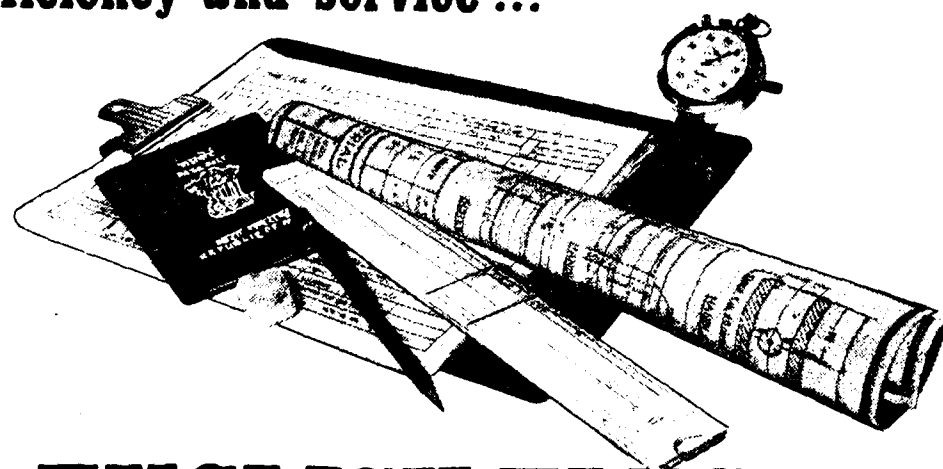
- (a) Sales tax relief;
- (b) Water royalties;
- (c) Non-agricultural assessment;
- (d) Subsidy on power consumed;
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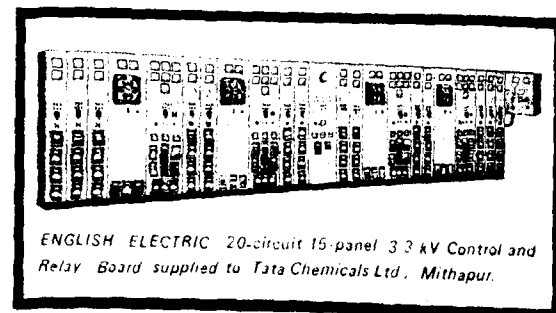
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Finances of Andhra Pradesh

C. V. H. RAO

It is now 14 years since Andhra Pradesh was constituted by the merger of 12 districts of the Andhra region of old Madras state with the eight Telangana districts. Over the years, there has been a progressive improvement in the state's income and finances. The state income (at 1960-61 prices) which was Rs 998 crores in 1960-61, increased to Rs 1,167 crores in 1967-68. The per capita income, which in 1964-65—a year of bumper harvest—was Rs 312, came down in 1965-66—a drought year—to Rs 278. In 1967-68, it improved to Rs 291. While the state's income on revenue account in 1960-61 was Rs 85.29 crores, it rose to Rs 254.79 crores in 1969-70. The expenditure on the same account, which was Rs 84.98 crores in 1960-61, rose to Rs 281.78 crores in 1969-70. An income on revenue account of Rs 265.76 crores is envisaged in the 1970-71 budget and expenditure is estimated at Rs 266.43 crores. The increase in revenue estimates in the current year over those of last year is accounted for by the abolition of prohibition in the state and increase in the state's share of central taxes. The state mobilised through additional taxation Rs 24.48 crores during the second Plan period and Rs 47.41 crores during the third Plan. During the three annual plan periods succeeding the third Plan, additional resources mobilised through taxation aggregated to Rs 33.65 crores.

Extensive Drought

Andhra Pradesh passed through an extensive drought in 1965-66 and also experienced severe loss and damage on account of floods and cyclones over the years, the worst being the cyclone that hit the coastal districts in 1969. Cumulatively, despite phenomenal increase in revenue receipts since its formation, continuous progress in the finances and economy of Andhra Pradesh has been retarded on account of these and other adverse factors as, for example, the need to strengthen the police force to counter the Naxalite depredations. During the last two years, the state's economy has also experienced the adverse effects of the Telangana agitation.

Inexorably, the difficult financial position arising out of the above factors

recently exerted its influence on the development of the state which, according to a Planning Commission study team, remains one of the six industrially backward states in the country. While immense potentialities exist for development, the outlays that could be made thereon have been necessarily limited and the growth rate was consequently slow. If the outlays on the second and third Plans of the state aggregated to Rs 188.60 crores and Rs 352.43 crores, respectively, and those on the annual plans for 1967-68 and 1968-69 were Rs 69.71 crores and Rs 73.20 crores, respectively, (an outlay of Rs 87.50 crores for 1969-70 was provided for), much of this was consumed by long-gestation projects which did not bring in commensurate returns to the state's exchequer but continue to absorb a considerable percentage of its income.

Non-Development Expenditure

A major factor affecting Andhra Pradesh's finances has been the need to make large allocations from plan to plan on projects pertaining to development of infrastructure for agricultural and industrial growth in the form of irrigation and power projects. As a sequel, the undertaking of new projects, which contribute to augment the state's income and per capita income, received secondary importance. On the other hand, there has been a disconcerting increase in non-development expenditure, inescapably implicit in progressive augmentation of administrative expenditure through periodical revisions of dearness allowances, pay scales and other perquisites of the state government employees and expenditure to be incurred on drought, for flood relief or development of social services. There is little choice to be made between accentuating and urgent demands for development and the acceleration of expenditure due to non-developmental pressures.

The much needed increase in the state and per capita incomes can be achieved only through the development of agriculture, industries and transport and communication facilities to their optimum level and better and planned exploitation of water, mineral and other natural resources. This, in turn, will be

possible only through larger savings and investments in productive ventures and systematic planned endeavour to develop the chronically drought affected areas identified as such by the Planning Commission itself. It is a vicious circle.

The Fourth Plan

In formulating the state's fourth Plan, the state government proposed an outlay of Rs 650 crores to achieve a growth rate of five to six per cent in agriculture and of eight to 10 per cent in industry. The Planning Commission has cut it down to Rs 420.50 crores, with central assistance amounting to Rs 240 crores. The state is certainly not happy about it, though it has the choice of increasing the outlay by mobilising larger resources on its own to finance programmes of economic and social development. The Fifth Finance Commission's recommendations would result in transfer to the state of Rs 339.28 crores from central revenues—Rs 274.27 crores as share of taxes and duties and Rs 65.01 crores over what was made available by the centre otherwise under the Fourth Finance Commission's report. This, however, falls short of the expectations of the state. "Our hope that the state's finances will be brought to a state of stability was not fulfilled", says the state's Finance Minister, Mr K. Vijayabhaskar Reddy, "as many of the inevitable commitments were not accepted by the Commission in full".

An excruciating constraint on the state making large development outlays has been the inconvenient legacy of long-gestation projects in irrigation and power started in the second and third Plan periods. The cost of which has been continuously escalating on account of the haphazard manner in which original estimates were prepared, the devalu-

Eastern Economist regrets the death of C.V.H. Rao following a heart attack on November 17. He was 65. A well-known journalist and columnist of Andhra Pradesh, he edited for some time the Indian Nation and the Indian Republic. Later on, he joined government service and held several responsible positions in the erstwhile Madras state and the Government of India's Information Department.

ation of the rupee in 1966 and the consequent higher prices to be paid for imported equipment and machinery. Those which have spilled over from the third Plan would themselves absorb Rs 350 crores of the approved outlay for the fourth Plan—Rs. 180 crores in the power sector and Rs 90 crores in the irrigation sector.

Long-Gestation Projects

The state's financial position and its economic and social development are inextricably bound up with a faster rate of agricultural and industrial growth. Implicit in this is also the imperative need, firstly, to eliminate to the extent possible, disparities in the development of the three constituent regions — coastal Andhra, Telangana and Rayalaseema—and, secondly, the encouragement and diversification as quickly as possible and in all possible ways of the state's industrial sector to increase the contribution of industries to the total income of the state. In effect, this means that industrial growth in the current Plan period should be even more than 10 per cent.

The first problem had in fact projected itself into special prominence two years ago with the outburst of the agitation about Telangana safeguards and

development in all its ugly fury, necessitating special and urgent measures being taken to speed up the region's development. In addition to the Telangana surpluses from 1956-57 to 1968-69, estimated at Rs 28 crores by the Bhargava Committee, an additional sum of Rs 17 crores will be spent on Telangana during the fourth Plan period, at the rate of nine crores of rupees per year. In respect of Rayalaseema, a development board has been set up and an allocation of four crores of rupees has been made for 1970-71 while in respect of coastal Andhra, a special allocation of two crores of rupees is proposed.

Additional Taxation

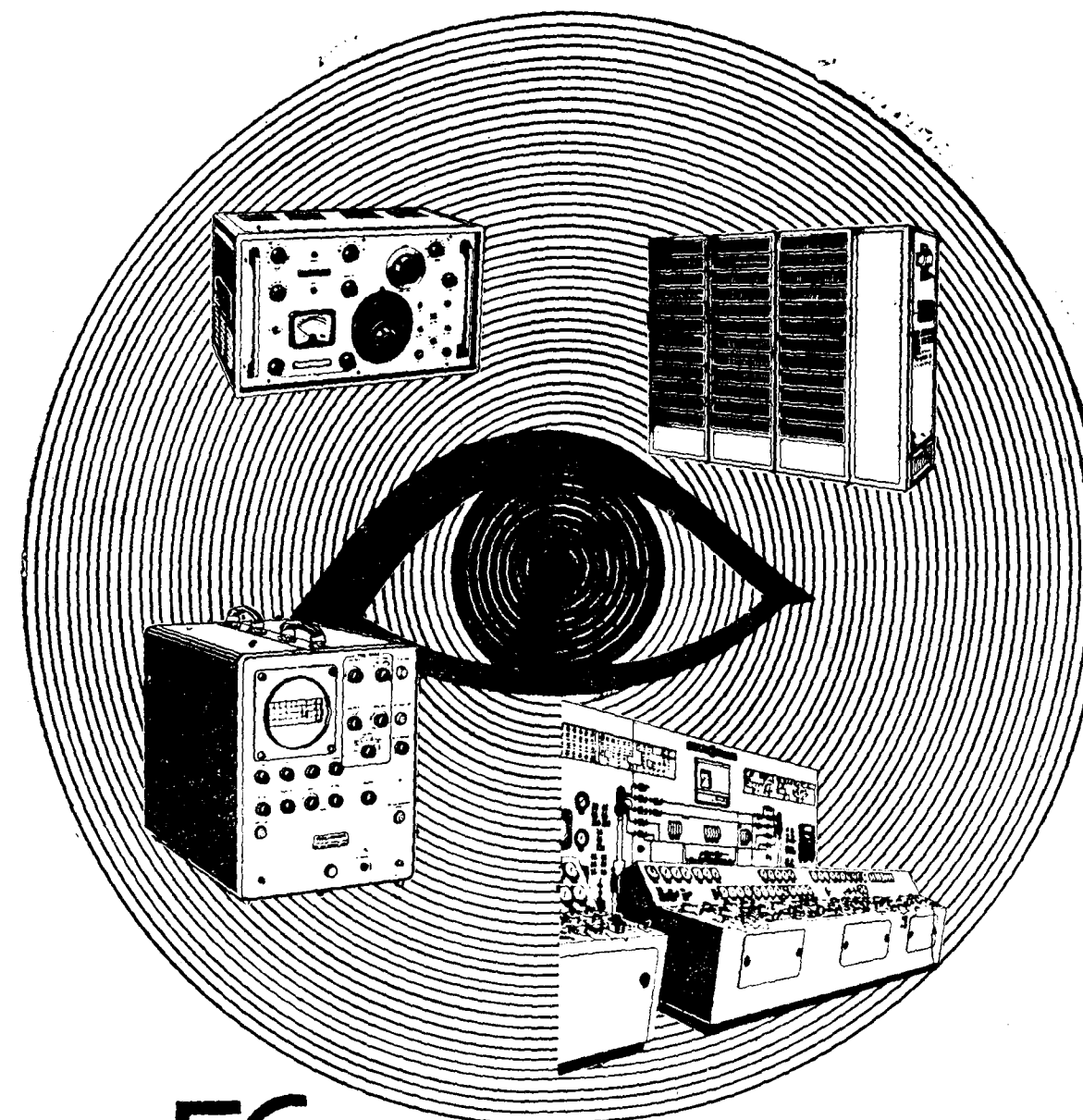
Naturally, when the issue of strengthening the financial base of the state comes up for discussion, attention is turned to prospects of new additional taxation. In this connection, an assessment made by the state government when the Fifth Finance Commission called for its views, indicates that there is hardly any new source that can be fruitfully tapped. For instance, the levy of an agricultural income-tax, commended by the Planning Commission, is not acceptable to the state government, because of its limited income-yielding potentialities, especially,

in view of the land ceilings legislation, and might prove in practice vexatious to the vast agricultural community composed mainly of medium and small farmers. The land tax has undergone considerable changes in the last few years, the latest amending Act of 1967 enhancing the standard dry assessment by 75 per cent all over the state, the assessment of wet land in Andhra by 75 per cent and of wet lands in Telangana by 30 per cent. Political opposition to this enhancement has been and continues to be wide-spread.

The contribution of the State Electricity Board to the general revenues or to Plan resources cannot be considerable, because it has the prior responsibility of completing the power projects already in hand and of laying transmission and distribution lines and to finance and implement a massive and urgently needed programme of rural electrification. The three public sector industrial corporations which have so far made but marginal contributions to the state revenues are, however, expected to be much better hereafter.

Limited Non-Tax Sources

Prospects for raising revenues from non-tax sources like forests, animal husbandry, fisheries, and mineral re-



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sources and from interest on loans granted by the state government are extremely limited, though increased receipts can be raised by regular investment on capital outlay on forests and other items. Interest on loans advanced by the state government depends on the capital invested in advances from funds borrowed by the state, on which the latter itself has to pay interest. In many cases, exemptions and concessions have to be made on such loans to farmers for crop failures due to drought, floods or other natural calamities. Heavy overdues of loans sanctioned by co-operatives illustrate the hazards implicit in considering this as a revenue resource.

The state government has proposed certain measures as essential to extricate it from financial stresses, reflected in part in its heavy overdrafts on the Reserve Bank, in its memorandum to the fifth Finance Commission and at the National Development Council meetings. First and foremost, as its development needs are ever increasing, there is need, on the one hand, for larger devolution of resources from the centre to the state to meet its expanding non-Plan obligations and, on the other, for an urgent rescheduling of the state's loan liabilities.

One important non-Plan obligation

pertains to the growing expenditure on administrative services stemming more or less directly from the centre's decisions periodically to enhance dearness allowances and revise the pay-scales of central government employees. Between 1957 and 1968, the additional extra cost incurred by the state on such enhancement of dearness allowances, merger of dearness allowances with pay, revision of pay-scales of its employees and removal of disparities between the pay-scales of Andhra and Telangana employees, amounted to Rs 50.02 crores. Subsequently another general revision of pay-scales, dearness allowance rates and retirement benefits etc., was made in pursuance of the recommendations of the Second Pay Commission in 1968-69. An important item of expenditure in this category is that incurred on strengthening and, if possible streamlining, the police force and another is that necessitated by the need to provide special opportunities for Telangana people in the state's subordinate services under the 1956 Telangana Agreement.

The Nagarjunasagar project which in one sense is Andhra Pradesh's pride has in another sense been a "white elephant", fed by the state government at great strain on its finances. The estimate of its cost soared from Rs

86.57 crores in 1966 to Rs 164.89 crores in 1968 and indications are that it might soar further before it is completed and yields returns. The project is financed mainly by loans from the central government; but paradoxically interest payments on the loans absorb a considerable proportion of the state's revenues. Though the work on the dam is more or less complete, the construction of the two canals has still to make headway.

Relief is urgently needed from the heavy and oppressive burden of loans not only through the rescheduling of loan repayments but also of interest charges on the loans. The centre should either agree to make loans interest-

STATE INCOME (at current prices) (Revised)

Year	State Income (Rs Crores)	Per Capita income (Rs)
1960-61	998.29	279.43
1961-62	1,101.78	302.91
1962-63	1,181.33	318.78
1963-64	1,366.70	361.984
1964-65	1,530.76	397.84
1965-66	1,543.03	392.85
1966-67	1,798.18	448.65

Source : Bureau of Economics and Statistics, Andhra Pradesh.

free, or defer collection of interest until the project is completed, or charge a low rate of interest — say 3/4 per cent in the context of the concessional interest for loans for major river valley projects allowed to the Government of India under the agreement for the utilisation of P.L. 480 funds. A more beneficial and legitimate course would be for the centre to take over the project as one of "national importance", which would ensure, firstly, its quicker completion and quicker augmentation of the irrigation potential, secondly, flow of larger funds for ayacut development, and thirdly, facilitate the process the state earning urgently needed income by the levy of water rates and land revenue on land irrigated under it.

The state government has been pressing for a reversal of the National Development Council's 1956 decision, by

which the state gave up the right to levy sales tax on textiles, sugar and tobacco. These commodities extensively in demand would, when brought under the state's sales-tax schedule, bring in substantial revenue to its exchequer. In 1956-57, sales-tax on these three commodities yielded a revenue of Rs 209 crores or 42 per cent of the total sales-tax income of the state, and at the present rates would yield an estimated 10 or 12 times larger yield. A strong case for re-transfer exists, unless the centre agrees to enhance substantially the state's share of the central excise duties.

Financial constraint is a serious obstruction to the state taking up new medium and minor irrigation schemes, which would contribute to the elimination of inter-regional disparities and development of chronically drought-

susceptible areas in the three regions of Andhra Pradesh. On the other hand, some other potentially high-yielding and essential projects like the Godavari barrage, the drainage project in West Godavari, an I.A.D.P. district, and the renovation of Nizamsagar project in Telangana are being undertaken with resources available from collection of advance betterment levy under the Andhra Pradesh Irrigation (Betterment Levy) Act of 1955.

Presently, the picture of Andhra Pradesh's finances does look gloomy; but there is confidence all round that the state is in the throes of a breakthrough into a more hopeful financial future. There may be pitfalls, but through determined efforts, such as those now being made, they can be avoided and the road to progress rendered smooth.

On Road to Industrialisation

J. V. SOMAYAJULU

ANDHRA PRADESH perhaps offers the greatest scope today, among southern states, for the development of industries. With a strong agricultural base and several big irrigation-cum-power projects nearing completion, the state administration is gearing itself to meet the challenge of sustained industrial growth.

The state government is not only taking a pragmatic view of the various agrarian, labour and other problems, but is also going all out to give financial assistance through its various corporations for setting up industrial units. There is no longer any fear of power shortage, nor of inadequacy of financial assistance. The infrastructure is being developed by augmenting all modes of communication facilities. With the setting up of separate regional boards to look after the needs of the backward and under-developed areas and the springing up of several large-scale and small-scale industries, both in the public and private sectors, the economy of the state is bound to get a fillip. The development of the major and minor ports all along the state's coastline would not only provide impetus to the internal as well as external trade, but will also create scope for a number of new industries based on marine products. This development will as well provide a vital strategic link in the defence of south-east Asia.

Andhra Pradesh is poised for industrial breakthrough for it has already developed well its infrastructure over the past several years.

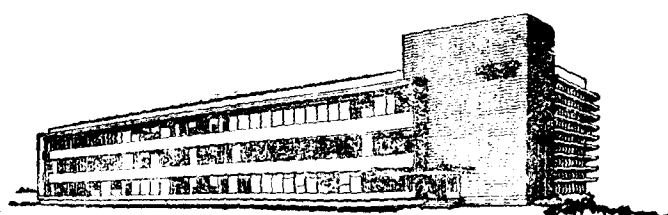
Though the efforts of the leaders in the government and industry were somewhat thwarted by the disturbances in Telangana, one can confidently say that Andhra Pradesh offers today a peaceful and propitious atmosphere for the growth of many industries. Hyderabad, which is the meeting point of the southern and the northern cultures, holds out nearly all the attractions for the industrialists coming from the north.

The Chief Minister of Andhra Pradesh, Mr K. Brahmananda Reddy, and other ministers are anxious that industries should be developed in the state at as rapid a pace as possible. In fact, the Chief Minister recently visualised the starting of one industry *per diem*. The state government has

set up a committee to scrutinise, screen and process all the requests for industrial licences and for taking appropriate follow-up action. The assurances given by the Chief Minister that new industrialists would not have any difficulty in meeting him and that it would be possible to obtain an industrial licence within a period of one week after all the formalities are completed bear testimony to the anxiety of the state administration to see that the state is industrialised at a rapid pace. Mr Reddy's recent visit to Japan and other south-east Asian countries, along with the officials of the Andhra Pradesh Industrial Development Corporation is another pointer to progress. The ability with which he has negotiated with industrialists in Japan for starting of nylon filament, tyres and tubes, pig

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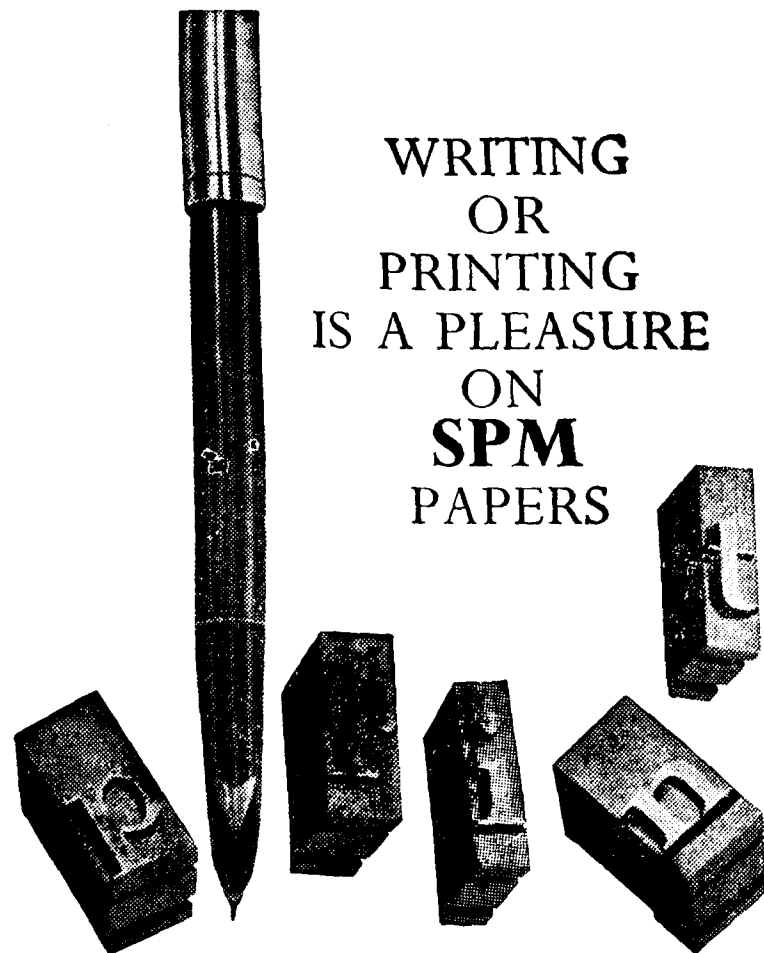
GROWTH OF ECONOMY

Item	Unit	1960-61	1965-66	1967-68
State income at 1960-61 prices	(Rs crores)	998	1,098	1,167†
Per capita income at 1960-61 prices	(Rs)	279	280	291†
Population (Mid-Year estimate)	(Crores)	3.6	4.0	4.2
Net area irrigated	(Lakh hectares)	29.1	29.8	30.9
Index number of agricultural production	(Base 1956-57 = 100)	99.2	100.2	121.9
Production of foodgrains	(Lakh tonnes)	64.2	61.0	71.9
Production of oilseeds*	(Lakh tonnes)	7.8	7.1	11.4

†Relates to 1966-67.

* Groundnut, castor and sesamum.

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iron and ball-bearings industries, among others, only substantiates the above statement.

Apart from the assistance extended by the official committee and the Chief Minister and his team of ministers, the Andhra Pradesh Industrial Development Corporation has been extending every assistance to entrepreneurs for starting new industries. It has also assisted the development of industries started by others by taking over the management if found necessary. It has taken over the management of Indo-Nippon Precision Tools Ltd. This project was commissioned recently. The Corporation has also taken up the promotion of Associated Glass Industries for the manufacture of crystal glass and hollowware by utilising quartz which is available in plenty in the state. So far, financial assistance has been sanctioned by the corporation for nearly 100 projects. The Corporation has proposed to set up with assistance from Japan several new industrial units to produce tyres and tubes, pig iron and electronic components. It also proposes to diversify and expand the production of the ball-bearings.

The Andhra Pradesh State Financial Corporation has sanctioned during the past 14 years of its existence over Rs 15 crores of loans to industrial concerns in the state. It is offering 100 per cent advances on the basis of collateral security with a view to encouraging industrialists of moderate means.

The Nizam Sugar Company, which is a state project, is setting up a new sugar factory at Zaheerabad with a crushing capacity of 1,250 tonnes of sugarcane per day. The government is also making all-out efforts to establish new sugar factories in the co-operative sector in the Rayalaseema and Telangana areas, taking advantage of the

irrigation potential created by the Nagarjunasagar and Pochampad projects and the Rajolibanda diversion and Kurnool-Cuddapah canal schemes.

The small-scale industries are also making headway in the state. A number of such industrial units are coming up in various important towns in the state. The fact that over 2,766 small industrial units are being assisted by the State Bank of India in Andhra Pradesh with advances exceeding Rs 25 crores is a positive proof of the high position enjoyed by the small industries in the state. With the nationalisation of the major banks, it should be possible for small industries to get more bank credit than was the case hitherto. It may be easy for many units to expand their production. Many new units should also come up.

The available power generating capacity in the state is about 580 mW. This is expected to increase to 1,063 mW by the end of the fourth Plan i.e. by 1973-74. The maximum demand for power so far has been for 425 mW. The state's power requirements are expected to go up to 1160 mW by 1973-74. All fears of development of power shortage in the state are unfounded. The Ramagundam unit will be commissioned by the end of the current year, and will generate 62.5 mW of power. Kothagudem III stage (2x110 mW) and Lower Sileru (2x100 mW) projects are expected to be completed in 1972-73 and 1973-74, respectively.

Not being content with the present development efforts, the state government is urging the centre to set up as many public sector units in Andhra Pradesh as possible. The proposed establishment of a coal-based fertiliser plant at Ramagundam and the setting up of a zinc smelter, a steel plant, a scooter project and a tele-communi-

cation plant at Visakhapatnam only testify the efforts the state government has been making to speed up industrial growth. The state government has commenced the exploitation of lead, zinc and copper deposits at Agnigundala in Guntur district. In the first phase of this scheme, the exploitation of the Banddanuttu deposits has been taken up. The government is very keen on the development of mineral and mineral-based industries in the state, particularly in the Rayalaseema and Telangana areas. We may look for large-scale exploitation in the near future of asbestos deposits in Cuddapah region and the diamond deposits of Vajrakarur and Ramallakota.

The state government has a proposal under consideration to collect sales tax on deferred basis, as is being done in Maharashtra. The scheme envisages exemption to an industrial unit from the payment of sales tax for the first three years of its operations and collection of the same after 18 years without interest. The accumulated sales tax for three years is to be allowed to be utilised by an industrial unit for starting another in the backward areas of the state. The concern which gets this facility (the accumulated sales tax can be converted by the company into its equity capital) will also be required to raise four times the amount towards equity capital.

In the case of any new industry, the sales tax for the first three years from the date of commencement would be retained by the entrepreneurs as loan and utilised towards their working capital. In both cases, the payment would start after 18 years and the same will have to be repaid in three equal annual instalments.

A plywood manufacturing unit has been set up recently in Nacharam in-

PRODUCTION OF SELECTED INDUSTRIES IN ANDHRA PRADESH: 1964 to 1968

Year	Cotton		Jute	Glass	Cement	Coal	Paper	Sugar	Cigarettes	Asbestos	Vegetable	Machine	Detonators
	Yarn	Pirce	(Tonnes)	(Tonnes)	(Tonnes)	('000 Tonnes)	(Tonnes)	(Tonnes)	(Millions)	Cement	Products	Tools	(Tonnes)
	('000 Kg.)	goods								(Tonnes)	Vanaspathi	('000 Rs)	(Tonnes)
		('000 Meters)											
1964	22,176	34,104	42,336	1,680	9,74,460	3,480	34,848	2,47,512	9,313.2	1,26,144	14,028	NA	NA
1965	24,672	36,264	44,760	4,656	12,13,320	4,080	35,544	3,16,560	10,345.2	1,28,280	19,392	81,732	3,972
1966	21,672	31,308	37,236	240	10,94,844	4,152	32,508	2,53,536	10,741.2	72,972	12,692	22,045	17,544
1967	24,240	32,664	46,920	2,568	9,32,784	4,200	51,096	1,63,860	10,215.6	54,168	18,660	24,528	21,804
1968	27,876	35,457	49,391	2,888	11,35,264	4,033	63,160	1,94,364	11,993.6	53,919	31,319	24,271	21,498

Source : Bureau of Economics and Statistics, Andhra Pradesh.

dustrial Estate. The Andhra Pradesh Small-scale Industrial Development Corporation has taken up an ambitious programme for the development of small industries through grant of liberal financial assistance or through actual participation in the ventures. The Corporation has helped 13 industries in the past two years in various fields. It is promoting several small industries under its tech-

nocrat scheme. These industries are to be set up by technocrats. The Corporation has a proposal to set up an electronic industries complex. Under this scheme, 10 to 15 industrial units are to be set up in collaboration with Japan or under Japanese guidance for manufacture of sophisticated electronic items.

Andhra Pradesh invites industrialists

Industrial Development Corporation A Decade of Service

ANAGANI RANGA RAO

ANDHRA PRADESH has a long way to go before it can occupy an important place on the industrial map of India. The Pande Panel of the Planning Commission declared Andhra Pradesh an industrially backward state.

The Andhra Pradesh Industrial Development Corporation was set up by the state government to encourage managerial talent from within and outside the state to set up industries here. The main functions of the corporation are direct promotion of selected industries, in public sector or in private sector, in collaboration with private entrepreneurs and to afford financial assistance to industries set up in the medium and large-scale sectors for manufacture, preservation and processing of goods.

Promoting Entrepreneurship

With a view to promoting entrepreneurship and managerial talent, the corporation has been taking up identification and investigation of selected industries for direct promotion both in the public and the private sectors. It itself does the necessary spade work such as securing of industrial licence and preliminary processing. After securing necessary licence/permission from the concerned authority, the corporation tries to arrange for technical collaboration wherever necessary and identify local competent entrepreneur to be associated with it for implementing the project.

The projects established by the corporation in public sector include:

(1) *Republic Forge Company Limited*: The capital outlay on this project is Rs 4.50 crores. It manufactures forgings to an annual capacity of 9,000 tons. The project has been set up in collaboration with Messrs Seri Renault Engineering Company, France. It went into commercial production in 1968.

(2) *Indo-Nippon Precision Bearings Limited*: An industrial licence was ob-

tained by the corporation for the manufacture of taper, ball and cylindrical roller bearings to the extent of 1.2 million numbers annually. Recognising the basic character of the industry which is likely to create a number of allied/ancillary engineering industries, the corporation decided to implement this project in the public sector. The total outlay on the project has been Rs 3.5 crores.

Technical Collaboration

The corporation has arranged technical collaboration with the leading manufacturers of ball bearings in Japan, viz., Messrs Koyo Seiko Company Limited, Osaka, and Messrs Marubeni Iida Company Limited who have also agreed to invest 12 per cent of the share capital of the company. The project is located at Maula Ali, adjacent to Republic Forge Company Limited. The project went into commercial production on June 1, 1970, and is expected to work to the optimum capacity by the middle of next year.

(3) *Acetic Acid Plant*: The corporation has taken up on lease for a period of 10 years the management of acetic acid plant of Messrs Hyderabad Construction Company Limited which was lying in a moribund condition for more than a decade after its installation. The capacity of the unit is 18,000 tons.

(4) *Associated Glass Industries Limited*: The corporation has also been successful in setting up another project for the manufacture of glass products with an annual capacity of 30,000 tons. The total capital outlay on the project is Rs 3.60 crores. The technical collaboration has been arranged from a well-known Hungarian organisation, Messrs Komplex of Hungary, Budapest. This project is expected to go into production by the end of 1971. It is expected to cater for the growing requirements of hollowware, glassware,

from all the corners of India as well as foreign collaborators to start industries in the state. The abundant supply of power, water and fine human material, an excellent climate for industrial development and enthusiasm on the part of the state government inspire hope that by the end of the fourth Plan, Andhra Pradesh will rank as a major industrial area in the country.

crystal glassware, etc., in the country. This project is set up in association with a private entrepreneur.

Besides, the corporation has taken up some projects in the medium-scale sector in association with private entrepreneurs on a joint venture basis. The pattern of these joint ventures is the private party and the corporation investing equal amounts of share capital. The project is managed by a board of directors with equal representation for the Industrial Development Corporation and the private entrepreneur, though the day-to-day administration is left to the private entrepreneur associated with the corporation. It is expected that the programme of joint ventures would encourage more people to enter industry as entrepreneurs.

Joint Ventures

So far, five joint ventures are in various stages of operation. Two more joint ventures have been decided upon, but these are yet to take shape. The five joint ventures which are in operation are:

(a) *Manufacture of electrical winding wires*: It has a capacity to produce annually 600 tonnes of wires. The capital outlay of this project is Rs 50 lakhs. It has been set up in technical collaboration with Messrs Sumitomo Industries of Japan.

(2) *Manufacture of H.T. switchgears, circuit breakers, insulators, etc.*: Messrs Gardy of Switzerland are collaborating in this venture. Its capital outlay is Rs 25 lakhs.

(3) *Manufacture of ferrites for electronic industry*: The capital outlay on this scheme is Rs 10 lakhs. It has been set up with complete indigenous talent and know-how.

ANDHRA PRADESH MARCHES AHEAD

Alphabetically first among the States of India, Andhra Pradesh has many "Firsts" to its credit.

It was the first State to be formed on a linguistic basis and the first to usher in Panchayati Raj.

Fifth largest State in India and fourth in population, having the mighty Godavari and Krishna rivers and rich mineral wealth, Andhra Pradesh is now 13 years old, confident of a bright future, stepping out from a predominantly agricultural State into industrial field, the industrial base in Hyderabad and its neighbourhood, in Visakhapatnam, Ramagundam and Kothagudem, attracting new industries to the State.

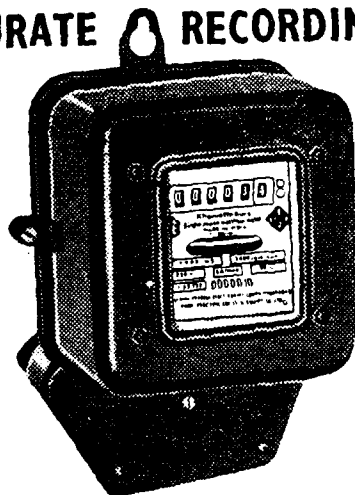
Even the worst critic cannot deny that Telangana, with Hyderabad as the Capital of the State, has progressed considerably in every field, as an integral part of Andhra Pradesh.

Common language, common aspirations and common destiny beckon to the 4 crores of Telugu-speaking people, whose unity was disrupted under foreign rule, to remain united in an integrated Andhra Pradesh, essential for the maximum utilisation of its resources, skilfully distributed over the State's different regions, with a rare balance and complementarity.

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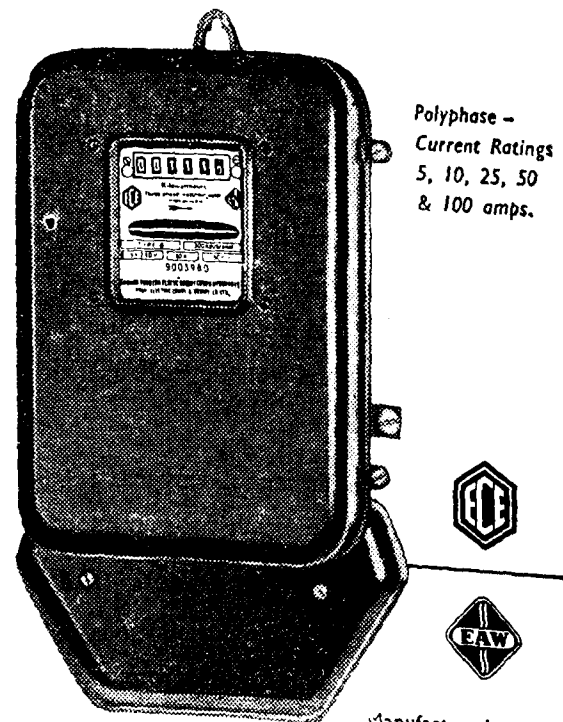


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nate and potassium bicarbonate : The capital outlay on this project is about Rs 25 lakhs.

(5) *Manufacture of metallic sodium* : It has been set up with indigenous know-how. It has been set up with a capital outlay Rs 25 lakhs.

A joint venture is being set up for the manufacture of connectors required by the electronic industry. The estimated cost of this project is about Rs 60 lakhs. It is expected to go into commercial production by the end of 1971.

The corporation has been pursuing proposals for the manufacture of a small car, automobile tyres and tubes, electrical insulation materials, petrochemicals and marine chemicals. It also proposes to set up a number of salt-

ANDHRA PRADESH SUPPLEMENT

based industries in the state. It is hoped that these proposals will materialise soon.

As part of its main functions, the Andhra Pradesh Industrial Development Corporation has sanctioned financial assistance to about 50 companies engaged in the manufacture of a wide range of products : engineering goods, fertilisers, textiles, chemicals, paper, cement, sugar, etc. So far the corporation had made a total investment of about eight crores of rupees by way of financial assistance in the shape of direct investment in the share capital or underwriting of new issues of share capital of companies. As a result, it has been able to generate industrial investment from the private sector to the extent of nearly Rs 80 crores.

The corporation is considered to be

one of the main sources in the state for employment of technical, supervisory, skilled, semi-skilled, unskilled and specialised personnel.

Thus, the role of the Industrial Development Corporation is significant in the industrial growth of Andhra Pradesh. It is working as an instrument of the government for securing a balanced and integrated development of industries in the state.

The working results of the corporation should be viewed not in terms of the profits earned and industries set up but in terms of the progress achieved by creating the necessary climate for industrial development and initiative and managerial talent in the entrepreneurial class.

Small Industries: APSSIDC's Bold New Schemes

OUR MADRAS BUREAU

ANDHRA PRADESH'S industrial development in the small-scale sector is not proportionate to the potential available in the form of agricultural, mineral and other raw materials resources. The reasons for this slow growth are, the general industrial backwardness of the state and the resultant lack of industrial climate and enterprise. The growth of small industries is left mainly to the enterprise and profit motive of the local entrepreneur, who, due to inertia is not able to make any significant contribution. The Small-Scale Industrial Development Corporation of Andhra Pradesh (APSSIDC), therefore, aims at helping the entrepreneurs in all possible ways.

In a backward state like Andhra Pradesh, the entrepreneur needs thorough guidance in the profitable lines of production and in assessing the relative prospects of different industries or of a particular industry at different locations.

Lack of Consultancy Facility

One of the reasons for the entrepreneur's timidity and disinterestedness in taking up sophisticated lines of production is the lack of technical consultancy and of facilities to get detailed feasibility reports prepared with care and knowledge. The feasibility report or a project profile is essential for all the medium and major industries. The Small-Scale Industrial Development Corporation has an ambitious programme of getting feasibility reports prepared by experts on the sophisticated industrial schemes which are either local raw material base or local market based.

These reports and project profiles cover the following : (1) plant location considerations; (2) raw materials and utilities; (3) process introduction; (4) overall targets; (5) economics of the project and profitability; (6) cost estimates; and (7) marketability of the products. The corporation has so far prepared a number of feasibility reports. They have already been taken up by entrepreneurs and several industries are being set up on the basis of these reports. A number of other reports are under preparation. These include the freeze-drying of prawns, manufacture of myrobalan extract, H.T. insulators and fish meal.

Capital Participation

While loans were available from various financing institutions for starting industries, there was till lately no institutional arrangement in Andhra Pradesh for providing risk capital. To remove this impediment, APSSIDC has devised a scheme to participate in the risk capital of limited companies. It provides capital base for small-scale industries by participating in their capital structure not only on minority basis but also on a joint venture basis. The joint venture schemes aim at participation in the capital structure by the corporation to an extent of 50 per cent. The corporation acts only as a friend, philosopher and guide; it does not interfere in the day-to-day administration of the company. The corporation has so far promoted 15 industries under the capital participation scheme. In addition to the assistance by way of capital participation, it has assisted 62 indus-

tries by way of loans to an extent of Rs 41.84 lakhs. As several financial institutions have now come into being for giving loans to industries in a big way, the corporation has stopped advancing loans.

Bank Credit

The commercial banks in Andhra Pradesh are very co-operative; they are coming forward in a big way to extend credit to small industrialists. The banks will be willing to extend credit facilities to industrialists if they are assured that the entrepreneur has a worthwhile project, that the manufacturing operations are technically feasible and the products are marketable. In many cases, a small industrialist may not be able to convince the banks about the worthwhileness of his scheme. It is in this context that the corporation has to play an important role. It has to inspire confidence in banks, on the one hand, and to offer assistance to the small-scale industrialist, on the other. The corporation receives his application, scrutinises his project report, suggests modifications, if necessary, and processes his application thoroughly before it is recommended to banks for sanctioning loan. The corporation guides industrialists in the collection and presentation of the data required by banks.

The problems of an industrialist do not end with the setting up of an industry. Marketing of the products is equally important. The corporation assists small-scale industrialists in marketing the products manufactured by them. It also offers to take up the sole selling

agencies in exceptional cases, if it is found expedient. The corporation has as well got an export promotion cell to handle export problems.

Technocrats' Scheme

A large number of unemployed technocrats do not possess financial resources. A number of these technocrats have worthwhile schemes to set up and operate small industries, but are unable to do so due to lack of sufficient resources to provide "owners' equity". With a view to providing self-employment to technocrats and with the object of encouraging entrepreneurial talent, various scheduled banks are operating schemes to help technocrats to set up industries. These have come to be known as "technocrats schemes". Under these schemes, banks are willing to grant assistance, without insisting on margins, for industrial units which are engaged in the manufacturing, processing and preservation of goods. The corporation for its part acts as a co-ordinator and an adjunct and endeavours to offer effective assistance to qualified technocrats by rendering a

number of services.

The technical advisers of the corporation render such assistance as is necessary for preparing feasibility reports. If the technocrat himself prepares the feasibility report, it will be scrutinised by the technical adviser of the corporation. The marketability of the products to be manufactured is studied by the corporation. It arranges to impart training to technocrats in the existing manufacturing units in the techniques of production and financial management. The corporation has already, with the help of Small Industries Extension Training Institute and Small Industries Service Institute, imparted training to a considerable number of technocrats.

The corporation also provides the necessary infrastructural facilities by constructing industrial estates, called Technocrats' Industrial Estates. Sheds are provided to technocrats in these states on hire-purchase. About 450 qualified technocrats have already registered their names with the corporation. In respect of about 110 technocrats, who could identify their line of manufacture, applications have been processed and recommended to various

banks. About 35 schemes have already been sanctioned in this way.

Apart from provision of opportunities for self-employment to technocrats the corporation has prepared a scheme for the provision of similar facilities to unemployed trained craftsmen and other skilled persons. Schemes would also be formulated to suit the needs of individual craftsman in consultation with the Director, Employment and Training, Small Industries Service Institute and Director of Industries. These schemes would be mostly for jobbing and servicing with the corporation, constructing 'U' type factory sheds and providing accommodation for 40 to 50 units under each roof. Such sheds would be constructed throughout the state with a start being made in Hyderabad and Secunderabad. At present, the corporation is constructing two such guilds in Hyderabad. Similar guilds will be constructed throughout the state, depending upon the demand for them.

The corporation has embarked on a very ambitious scheme for promoting small-scale industries and the creation of a proper climate for their success.

Industrial Giants of Andhra Pradesh

OUR MADRAS BUREAU

THE INDUSTRIALISATION of Andhra Pradesh has now entered a phase of rapid development. With the establishment of the Industrial Development Corporation, the Small-Scale Industrial Development Corporation and the Mining Corporation, together with the many attractive incentives offered by the state government, the flow of industrial finance has increased. The setting up of a number of central sector projects has ushered in a new era in the industrial progress of the state.

The Rs 34-crore Bharat Heavy Electricals is a prestige public sector venture. It consists of two units, namely the heavy power equipment plant (HPEP) and the switchgear unit. The industry is situated at Ramachandrapuram about 18 miles from Hyderabad, on the Hyderabad-Bombay national highway. The HPEP, set up with Czechoslovak collaboration, is equipped for an annual output of 900 kw, providing for the manufacture of unit sizes ranging from 12 to 110 kw.

The Synthetic Drugs Project—another major public sector venture in the state—is located at Kukatpalli, about seven miles from Hyderabad on the Secunderabad-Bombay road. It is claimed to be the biggest of its kind in Asia. Esti-

mated to cost about Rs 20 crores, the project has gone into partial production. Its production capacity ultimately will be 850 tons of modern synthetic drugs of sulphur group, anti-TB drugs, vitamin, etc., and about 4,560 tons of intermediates from which these drugs could be manufactured. For the location of the project, the state government has gifted a site of 570 acres. The Manjira water supply scheme of the state government provides the required quantity of water.

Coal-Mining Centre

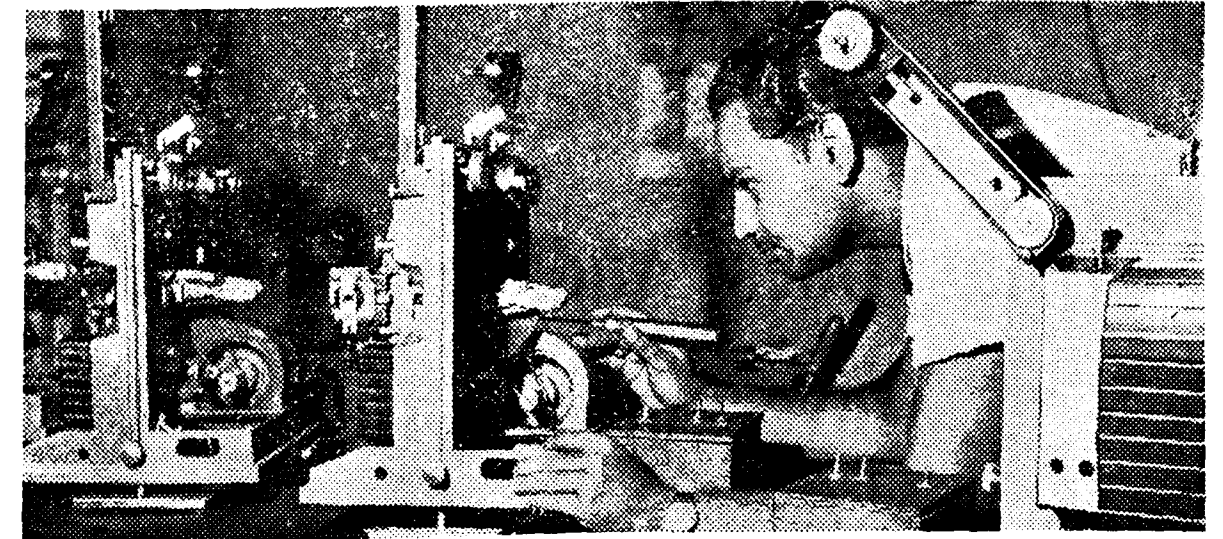
Singareni collieries is the only coal-mining centre in South India. In 1921, the Singareni Collieries Co. Limited came into being. Before and after the formation of Andhra Pradesh, the venture underwent rapid development. It now holds mining rights over a very extensive area of about 800 sq. miles, against a coal-bearing area of 3,000 sq. miles in the Godavari valley of Adilabad, Warangal, Khammam East Godavari and West Godavari districts. At present, Yellandu, Kothagudem, Tandur, Ramakrishnapur and Ramagundam areas are being exploited. The biggest and the most modern mine is located in the Kothagudem area. As a result of the expansion schemes of the

Singareni Collieries already implemented the production has registered an upward trend. At the end of the First Plan, it was 15.94 lakh tonnes. At the end of the second plan, it rose to 25.44 lakhs tonnes and at the end of the third plan, it stood at 40.51 lakh tonnes.

The fifth unit of Hindustan Machine Tools is located near Hyderabad. A public sector venture, this unit specialises in the manufacture of fine boring machines and special-purpose machines. The total investment on the unit is about Rs 7.75 crores. The target of production by 1969-70 is five crores of rupees worth equipment.

Praga Tools Limited, Hyderabad, was established in 1948 with an authorised capital of one crore of rupees. With a view to better utilising its capacity to manufacture defence requirements, the union Ministry of Defence took over this factory in 1964 from the Department of Heavy Engineering, Government of India. Praga Tools now manufactures machine tools, machine tool accessories, measuring and cutting tools auto and diesel spares, etc. In addition regular defence equipments are also being manufactured.

The importance of fertilizer industry



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What Does Andhra Pradesh Government Offer

To Film Industry? — A String of Incentives

- * Subsidy of Rs. 50,000 to every film produced in Andhra Pradesh.
- * Generous loans for Establishment and Improvement of Film Studios.
- * State awards for the first, second and third best films Produced in Andhra Pradesh.
- * Prizes to Producer and Director of each award winning film.
- * Allotment of sites for construction of Studios at Brahmananda Chitrapuri (Film Land).
- * Construction of Housing colonies for personnel connected with film Industry.

and

To crown all, Andhra Pradesh, with its beautiful blue lakes and magnificent monuments of sculptural and architectural prominence, is a paradise for film producers alike for its great scenic beauty; wild life sanctuaries, and projects for plenty. Hyderabad, with its grandeur, ancient and Moghul flavour, growing modernity, and composite culture, is an additional asset for making Hindi pictures.

ISSUED BY THE DEPT. OF INFORMATION, PUBLIC RELATIONS AND TOURISM, HYD.

November 20, 1970

ANDHRA PRADESH SUPPLEMENT

to an agricultural state like Andhra Pradesh needs no emphasis. The state's annual requirements of nitrogenous fertilizers are of the order of 30 lakhs tonnes in terms of ammonium sulphate. The Rs 50 crores Coromandel Fertilizer Plant set up at Visakhapatnam with US collaboration went into production in December, 1967. It has an installed capacity of 2.5 lakh tonnes per annum. Its urea manufacturing unit is the most up-to-date in India.

The Government of India has recently decided to set up a coal-based fertilizer factory at Ramagundam at a cost of Rs 71 crores. A letter of intent has also been issued to an American firm (Occidental Ore) to set up another fertiliser factory at Visakhapatnam.

The Bharat Heavy Plates and Vessels Limited has been set up for the establishment of a plant near Visakhapatnam for the manufacture of equipment required by the fertilizer, petroleum, petrochemical and other heavy chemical and allied industries. When in full production, this factory is expected to produce annually equipment valued at Rs. 10 crores.

A zinc smelter at Visakhapatnam is

to be set up during the current Plan period. The project will have an annual production capacity of 30,000 tonnes of zinc metal, 40,000 tonnes of sulphuric acid and 70-100 tonnes of cadmium metal. It will also include facilities for making special high grade zinc metal which is needed primarily for zinc die-casting alloys used extensively in industries.

The Government of India has decided to set up a steel plant in the coastal region of Visakhapatnam. The proposed plant will produce mild steel. It will be designed by Indian engineers and the equipment for it is to be manufactured within the country. It has also been decided to initiate the necessary preliminary work on the plant within the fourth Plan period.

The Rs 37-crore Visakhapatnam Outer Harbour Project is another ambitious venture of which Andhra Pradesh could justly be proud. The Outer Harbour will be formed as an enclosed basin protected by two break-waters. The harbour is to be designed to handle ore ships of the size of 100,000 DWT initially with in-built provision for future development to cater for 200,000 DWT vessels.

Again, the outer harbour will be in position to load 10 to 12 million tonnes of iron ore, as against six million tonnes which the present facilities at Visakhapatnam inner harbour can handle. The project, it may be added, is scheduled to be completed in 1974.

The Atomic Energy Department of the Government of India has set up an electronic complex at Hyderabad. The project is to be commissioned shortly. The same department has also begun work on a rocket launching station on the coast at Sriharikota island in Nellore district.

With a view to creating a climate more conducive to the growth of industries in the state, the Government of Andhra Pradesh constituted the Andhra Pradesh Industrial Development Corporation, Andhra Pradesh Small-Scale Industrial Development Corporation and Andhra Pradesh Mining Corporation in 1961. These autonomous corporations are playing a key role in the industrial development of the State. Thus, Andhra stands on the threshold of a new era of rapid industrialisation which will bring prosperity to the people of the state.

BHEL's Successive Triumphs

C. B. CARIAPPA

General Manager, Bharat Heavy Electricals, Hyderabad

In 1951, when the first five-year Plan was drawn up, the country's total installed power generation capacity was only 2.3 millions kW and barely 3,600 villages had been electrified. But, by December, 1969, the generating capacity had risen to about 15 million kW and over 70,000 villages had been provided with electric supply facilities. This is no mean achievement. It, however, represents only a fraction of the total task to be accomplished.

In furthering our declared socio-economic objectives, power development has come to play an increasingly important role. In this scheme of things, the Bharat Heavy Electricals complex (BHEL) with factories at Hyderabad, Tiruchy and Hardwar constitutes the dynamic core. The Hyderabad plant with a total outlay of 40 crores is engaged in the manufacture of steam turbines and turbo-generators and air blast and minimum oil circuit breakers and compressors for the fertiliser industry. Though our entry in the field of power generation was late, yet we can take heart in the fact that a sound founda-

tion of skills and experience has already been laid.

The year 1970 can be said to be a turning point in the history of the young Hyderabad plant. It has crossed the stage of importing components and skills and has registered two technical triumphs.

The manufacture in April, 1970, of the first 110,000 kW steam turbine, the largest of its kind to be made in India, was a hundred per cent indigenous effort. A turbine has thousands of parts which have to be accurately machined, assembled and tested. Complex technology is required to ensure that the blades withstand the high temperature and pressure to which they are subjected. The turbine is required to function for years on end, may be 35 or 40 years.

The performance of a turbine depends to a large extent on the quality of the blading and it is a matter of satisfaction that the complete manufacture of turbine blades has now been taken up in the plant itself. The know-how

and expertise required for the manufacture of blades, which is a complicated operation, has now been firmly established.

In July this year, a turbo-generator of 110,000 kW capacity, again the largest to be manufactured in the country so far, was successfully completed and this constitutes another important landmark. It is now ready for despatch to the customer. Complete stator and rotor coils were manufactured in the factory and the finally machined rotor was subjected to the overspeed test before the finished generator was put through the paces. In the welding shop, two condensers of 110,000 kW were manufactured.

These successive triumphs have acted as morale boosters to the workers and engineers and they have now acquired the confidence to tackle the most forbidding challenges.

In the field of power equipment manufacture, real success, it is said, comes only when the turbo-generators are installed, tested and commissioned.

The first of the sets to roll out of the Hyderabad plant was the 60,000 kW turbine and generator supplied to Ennore. This set has already started pulsing through the power grid of Tamil Nadu. The erection and commissioning of the set at Ennore was supervised by the engineers and technicians of the Hyderabad works.

The Hyderabad unit of BHEL is supplying turbosets to Tamil Nadu (2×60,000 kW), Uttar Pradesh (2×60,000 kW) Delhi 'C' (1×60,000 kW), Haryana (1×60,000 kW), Punjab (2×110,000 kW), Andhra Pradesh (2×110,000 kW) and Bihar (2×110,000 kW).

Recently, letters of intent have been received for four more sets of 110,000 kW capacity each.

In order to supplement the order

book for the main turbosets and with a view to putting to full use the shop and tooling facilities as well as the Technical know-how, the company has diversified its product line to include turbo-blowers and turbo-compressors for use in steel and chemical plants, small turbines for industrial use in sugar plants, paper and fertiliser complexes and also turbines for the drive of turbo-compressors.

The question of taking up manufacture of centrifugal compressors for the fertiliser industry with outside collaboration is also under active consideration.

The switchgear unit of BHEL manufactures air blast circuit breakers of 132, 220 and 400 kW and minimum oil circuit breakers of 33, 66 and 132 kV. The value of output at full rated capacity will be Rs 80 millions. These pro-

ducts incorporate the latest features in breaker and design and encouraging orders have been received from different electricity boards, the Railway Board and also from Bokaro Steel, Bhakra Management Board, Tarapore Atomic Project, Durgapur Project, Madras Fertilizers, Delhi Electric Supply Undertaking, Aluminium Industries, etc.

Efforts to quicken the pace of indigenisation have been very successful and, as a result of extensive market research, indigenous sources have been located for many items.

The indigenous content of the air blast circuit breaker is about 85 per cent and of the minimum oil circuit breaker about 90 per cent for this year's production.

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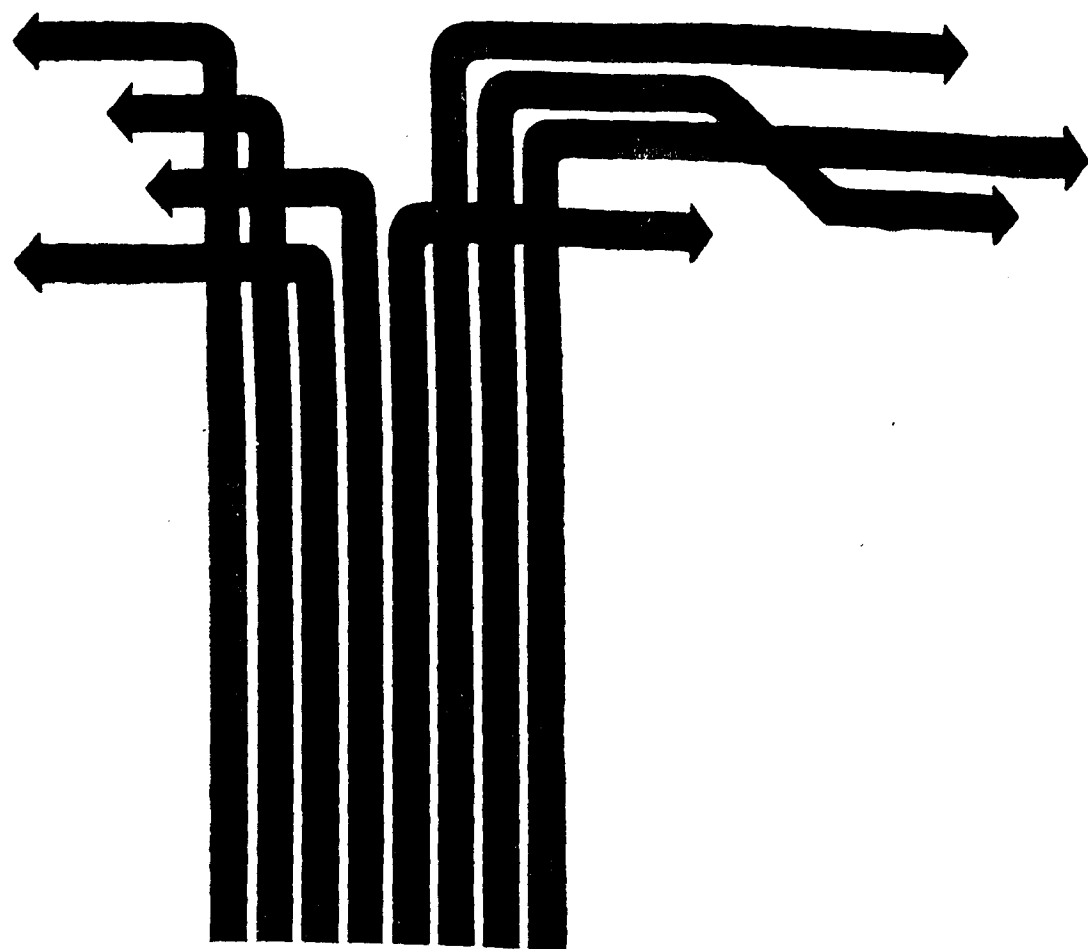
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How big is FCI? How much can it undertake at a time? Well, FCI's P and D Division can set up two fertilizer plants a year, handle no fewer than eight major projects at a time, and provide detailed soil test reports through its mobile soil testing unit.

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of the very few organisations in the world to develop and produce without any foreign assistance a complete range of catalysts so vital to the fertilizer industry.

Consultancy services. FCI's full fledged consultancy services can be drawn upon for the solution of any problem at any stage of production regarding the fertilizer and chemical industry.



FERTILIZER CORPORATION OF INDIA LIMITED NEW DELHI

099/FCI-ND-309

viable growth, the Hyderabad plant has embarked on programmes of product development, reduction of important content and standardisation. Training is an essential aspect of the activities of the plant and over 200 engineers and technicians have had training and experience in different skills and trades. At lower levels also employees go through a spell of training in the well-equipped

training school before induction.

To say that the value of production of the Heavy Power Equipment Plant has increased from Rs 6.42 million in 1967-68 to Rs 13.11 million in 1969-70 would sound like a mere exercise in dreary statistics. Or for that matter to say that the Hyderabad plant has manufactured four 60,000 kW turbosets and

two sets of 110,000 kW sets conveys little.

Each one of the sets manufactured and erected by BHEL releases enough energy to light millions of homes or energise pumpsets to irrigate thousands of acres of farmland or create job opportunities in light engineering industries for thousands of men.

Electronics Corporation of India Ltd

OUR MADRAS BUREAU

WITH ELECTRONICS pervading all fields of modern technology, the quickest way to advance lies in the development of this industry. In our country the leading pioneers are the Electronics Corporation of India in electronics manufacture. A young organisation, it has a creditable record of success in the development of sophisticated components and instruments, which has made it one of the fore-runners in the electronics industry in the country.

The Electronics Corporation was established in April, 1967, as a commercial venture under the Department of Atomic Energy, in order to cater for the critical needs in selected sectors of professional electronic equipment and components. The manufacturing activities of the corporation cover a number of product lines and are organized into production divisions based on product groups. The nuclear and allied instruments division is engaged in the manufacture of nuclear electronic equipment for application in education, research, medicine, industry and agriculture. The power reactor instrumentation division is responsible for the manufacture, testing and installation of control instruments and panels for nuclear power reactors and other plants. The computer division has just broken

ground and would be marketing this year its analog computer and digital computer. The resistors and capacitors division has many "firsts" to its credit. It produced the first India-made metal film resistors, tantalum capacitors and multi-turn wirewound potentiometers. This division has plans to take up the manufacture of wirewound resistors, miniature trim pots, metal oxide resistors and possibly wet tantalum capacitors. A tenable defence strategy envisages independence in its logistics and the manufacture of electronic components that have met rigid defence specifications has enabled the Electronics Corporation to achieve this objective in a large measure.

The zener diodes and Germanium power transistors produced in the semiconductor division are in great demand. This division will soon be marketing 20W germanium transistors and later on silicon power transistors. It is proposed to diversify into large-scale manufacture of audio-frequency and radio-frequency transistors.

Considering the rapid growth of microwave equipment in the country by the railways, posts and telegraphs, civil aviation, etc., the corporation has decided to enter the field of test instruments and components for microwaves. With the experience gained by some of

the constituent units of the Department of Atomic Energy, the corporation is now in a position to quote for systems engineering, procurement, supply and testing of complete satellite earth stations similar to the one being commissioned at Arvi near Poona.

Precision and reliability are the hallmarks of all Electronic Corporation's components, instruments and systems. The corporation has a well-equipped reliability and environmental laboratory where tests are carried out in accordance with the rigid MIL and DEF specifications. In addition, each production division has a well-equipped quality control department to ensure high standards of quality at every stage of manufacture. Backed by systematic market research and by a dynamic research and development effort, the company is diversifying its range of products to include new and progressive lines. The broad spectrum of the professional equipments and components in the corporation range includes several items which have been manufactured for the first time in the country. The Corporation is proud that this could be achieved by the efforts and know-how developed by Indian scientists and engineers, thus fulfilling the objective set out for the public sector as the kingpin of all our developmental effort.

Process Equipment from Visakhapatnam

K. S. SARMA

VISAKHAPATNAM, ON the east coast of India, is well known as a major natural harbour. This town also has the first major shipbuilding yard in the country. While this region could not boast of any other industry, the natural advantages derivable from its location and the proximity to a major natural harbour have been appreciated both by the public and the private sector organisations which have been establishing factories here during the last two decades.

Caltex India Limited set up its refin-

ery at Visakhapatnam within a short distance from the harbour which enables transfer of crude oil imported from various places directly to the refinery through pipelines. When this refinery had been in operation for some time, another industry based on one of its products—viz., naphtha—was set up adjacent to it. This is the Coromandel Fertiliser Factory, one of the major private sector fertiliser units in the country producing complex fertilisers.

The area around the Visakhapatnam

port has been considered at various times for the establishment of a number of other industries also. Among these, the one on which work has started is the Heavy Plate and Vessels Plant. This factory, controlled by the Bharat Heavy Plate & Vessels Ltd, a Government of India undertaking, is intended primarily to cater for the requirements of the process industry—important sectors of which would include the fertiliser, petroleum, petrochemical and other similar heavy chemical units. The factory is designed

to produce over 23,000 tonnes of equipment per annum when operating on a two-shift basis.

Many of the manufacturing units in this line which were established earlier aimed at catering for one or two specified industries and producing a few sizes of standard equipment. Considering the need to cater for a large number of processes and in view of the rapidly changing requirements of the process industry, this factory was planned to produce certain types of equipment grouped together on the basis of similarity of manufacturing processes and requiring similar equipment and technology. The planning, necessarily, provided for a considerable amount of flexibility and versatility while specifying the machinery, preparing the layout, etc.

Equipment Manufactured

The heavy plates and vessels factory, which started limited production while the construction of the plant was still progressing, has already had to handle a number of different materials such as ordinary structural quality steel, low alloy high strength steels and a variety of stainless steels. The equipment manufactured also has varied in type and size such as low pressure and medium pressure vessels in the above materials, dust separators and heat exchangers—some of them quite small and others fairly large. The manufacture of these required marking, cutting and fabricating intricate shapes, precision drilling of tube holes, radiographic quality welding done manually as well as automatically, precision torque controlled tube expansion and tube to tube plate welding and other similar operations depending on the specifications of the customers to suit the duty requirements. Detailed designs of equipment are also being developed from basic dimensions and operating conditions specified by customers.

Fabrication of complicated equipment intended for operation under critical temperature, pressure, corrosive and abrasive conditions etc., requires that a high quality is maintained at all stages. To ensure this, the company has the necessary inspection equipment, including high capacity X-ray units, radioactive cobalt gamma-ray units and a fully equipped physical, chemical and metallurgical testing laboratory. More important still, the quality conscious inspection personnel, including an independent representative of an international inspection organisation, are constantly conducting stage-to-stage inspection from the starting raw materials right up to the stage when the

equipment is finally tested and despatched.

The company is proposing to take up the manufacture of air and gas separation plants primarily for the supply of complete units for the production of oxygen for the coal and fuel oil based fertilizer plants, the new steel units, etc., and also for the supply of nitrogen and—where necessary—argon. Along with these, the company will take up the design and manufacture of liquid nitrogen wash plants for the final purification of synthesised gases and gas separation plants for separating the components from coke oven gas, natural gas, etc.

Another line of products proposed to

be taken up is the manufacture of high pressure vessels for ammonia, methanol, urea and other similar synthesis processes. Both the above additions to the range of products are being planned in such a way that this would not involve any substantial additional capital expenditure.

Due to the complexity of such products as are proposed to be manufactured and the high quality required to be built into the products, the cost of these equipment is comparatively high. The development of the manufacture of these products to international standards in India will cause a corresponding reduction in the need to import these and therefore the contribution that will be made by this factory, both in

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terms of savings in foreign exchange and removing—to some extent—difficulties in the way of establishing large processing units, will be appreciable.

With all these fields covered by the

Heavy Plate and Vessels Works at Visakhapatnam, which is the largest unit in the country specifically intended to cater for the requirements of a wide range of industries, Visakhapatnam can soon claim to be a very important cen-

tre for the supply of equipment to the process industries in India. The export of these equipment to other countries is also under consideration and it may not be too long before equipment from Visakhapatnam reaches other countries.

Coromandel Fertilisers Ltd

OUR MADRAS BUREAU

TOWERING over Visakhapatnam's sea-washed landscape stands a giant fertiliser complex, Coromandel Fertilisers Limited. Counted among the largest industrial investments in India, the Rs 50-crore Coromandel project is at once a striking example of Indo-American co-operation and the country's realisation that fertilisers form the fuel for the progress of the nation.

Three industrial giants, two in the United States and one in India, came together to form Coromandel Fertilisers Ltd. Coromandel's two American promoters, Chevron Chemical Company and International Minerals & Chemical Corporation, are in the forefront of the fertiliser and chemical industry in the United States. EID — Parry Ltd, the Indian collaborator, is among the country's largest fertiliser manufacturers and marketers. Parrys are also Coromandel's principal sales agent.

Financial Assistance

Coromandel is an unprecedented private investment in India's development, and the essential financial assistance for this project was obtained from the Export Import Bank of Washington, USAID and the Industrial Development Bank of India.

The Coromandel plant at Visakhapatnam is located on a 500-acre site adjacent to the Caltex Refinery some four kilometres inland from the main harbour. This project requires uninterrupted electric supply of 35 mW and is fed from two sources — the upper Sileru and Machkund power stations — through the Andhra Pradesh State Electricity Board. The plant requires about 13 to 16 lakh gallons of water per day and this is met through the Visakhapatnam municipality from the Tatipudi reservoir about 40 miles from Visakhapatnam.

This plant has a rated capacity of 80,000 tons of nitrogen (N) and 73,000 tons of phosphate (P₂O₅) per year in the form of complex fertiliser and urea. Principal production is a high analysis product GROMOR 28-28-0, and having started with a two product line in 1967-68, Coromandel has now already added

two more to the GROMOR range. Coromandel products now comprise of GROMOR 28-28-0, 20-20-0, 22-22-11 and urea 46-0-0. GROMOR N-P-K 22-22-11 is the most concentrated complete fertiliser available today.

Highlights of GROMOR products are that nitrogen in these fertilisers is wholly available to the plant in ammoniacal form and the phosphoric acid is completely soluble in water. This makes GROMOR fertilisers ideally suited for paddy, sugarcane, wheat, chillies, millets, tobacco and most other crops. Farmers using GROMOR products have invariably received a return of three to five rupees on every rupee invested.

Richest Farming Area

Coromandel has one of the richest farming areas in India as its primary market. Known as the rice-bowl of India, the coastal districts of Andhra Pradesh consume a major portion of GROMOR fertilisers produced by Coromandel and approximately 1000 tons of fertiliser is transported from this plant daily by rail and road to different destinations.

Farmers learnt of GROMOR's advantages by many means. To popularise improved agricultural practices and introduce the GROMOR range of products, Coromandel has made wide use of audio-visual vans. These vans, equipped with cinema projectors and films on agriculture, tour the interior villages. Through film shows, discussions and distribution of literature, Coromandel's sales promotion officers spread the message to help farmers obtain higher yields and bigger profits through the use of GROMOR products.

Over 1500 demonstration plots have been laid by Coromandel with the assistance of the sales agency organisation of EID — Parry Ltd to convince farmers of the benefits of GROMOR fertilisers and half the cost of fertilisers used is borne by Coromandel. Coromandel's team of agronomists is ever ready for any advice the farmers need and to keep them informed with

news of interest, an advisory newsletter, brought out every two months, is distributed free to farmers.

Coromandel has produced a 30-minute colour film of interest to farmers and three more colour films of shorter duration on chillies, millets & sugarcane crops. A film on wheat is also under production. Each year Coromandel awards scholarships, one each to the three agricultural colleges in Andhra Pradesh located at Rajendranagar, Bapatla and Tirupati. These are granted to students of proven first class record for a period of three years and the scholarships are renewed each year on confirmation that the recipient has maintained the performance.

Coromandel's plant at Visakhapatnam has facilities for soil testing, where soil samples are tested free of cost and, on the basis of these tests, the experienced and trained agronomic staff recommends the dosage of fertiliser as well as the corrective measures necessary to ensure good returns.

In Secunderabad, attached to the company's registered office at 126, Sarojini Devi Road, is the Coromandel Centre, where GROMOR products are sold in small packets ranging from ½ kg. to five kg. Also available to meet the needs of home gardeners are seeds, pesticides and insecticides, and the

UTILITY METAL WORKS

Utility Metals Works is a pioneer small-scale industry in the Industrial Estate, Sanathnagar. Established as far back as 1958, it manufactures office, household and hospital steel furniture and hospital equipment. A partnership firm, it has today grown into a top class steel furniture making venture under the able management of Mr B. Shankerlal Gupta. This small-scale industry, which has the unique pride of supplying steel furniture and equipment to all business establishments, residential quarters, government offices and big public undertakings throughout Andhra Pradesh and South India, is now hard hit by the introduction of excise duty.

company's horticulturist is available at the centre for advice.

In this new and highly technical industry, the quality of Coromandel's employees determines its success. There are approximately 900 people working for the company in Visakhapatnam, Delhi and the corporate headquarters in Secunderabad. Coromandel hired its staff with a view towards training them on the job by experienced American technicians. This training process, both in operation and maintenance, continued through the early stages of start-up to full production. As the necessary abilities were developed, more of the management and operation was taken over by Indian nationals

with corresponding reduction in the number of US personnel. By this process, excepting for two senior positions, all others are being handled by Indian nationals since April 1970. The largest number of Coromandel employees is from Visakhapatnam and the State of Andhra Pradesh.

The highlights of the Coromandel project are:

- * The use of its products will help increase crop yields and feed about eight million more people;

- * increased crop output will provide farmers using GROMOR with an additional income of over Rs 30 crores each year;

- * the Coromandel operation will reduce imports of fertiliser resulting in a saving of over Rs 16 crores annually in foreign exchange;

- * Coromandel offers free agricultural advice to farmers as a part of its marketing drive; and

- * provides farmers with a range of most advanced high analysis fertilisers in the form of GROMOR products.

Coromandel is synonymous with progress; it goes to the roots of the food problem to ensure that crops grow better and more abundantly, and assists government in the nation's transformation to prosperity.

Ramagundam Fertiliser Project

OUR MADRAS BUREAU

THE RAMAGUNDAM Fertiliser Project, the foundation stone of which was laid recently is a bold bid to attain self-sufficiency in fertilisers in Andhra Pradesh. The project is located on the banks of the Godavari in Telengana. Estimated to cost Rs 71 crores, it is expected that the project would help in saving foreign exchange by way of food-grain import to the tune of nearly Rs 120 crores each year. It is one of the major industrial projects in the Telengana region and together with the Pochampad project, it will help the economic development of the region in particular and of Andhra Pradesh in general.

Naphtha as Feed-Stock

The fertiliser plants in the country are mainly based on the use of naphtha as feed-stock. The present production of naphtha in the country is not adequate to meet the entire requirements of the fertiliser factories. To avoid dependence on imported naphtha and to ensure optimum utilisation of limited foreign exchange reserves, it was considered necessary to have coal-based fertiliser plants in the country. The Fertiliser Corporation of India, has carried out studies to set up fertiliser plants by using indigenous feed-stocks such as coal. The feasibility studies conducted by the Fertiliser Corporation have shown that the coal from Singareni coal-fields, central India coal-fields and Talcher coal-fields, can form a suitable feed-stock for the manufacture of fertilisers.

After examining the project report of the coal-based fertiliser plants from various coal-fields, the government has approved the proposal to set up a

coal-based fertiliser factory at Ramagundam, where coal, power and water are available in abundance.

Ramagundam is fast becoming one of the key industrial towns in Andhra Pradesh. This town came into existence with the construction of one of the biggest thermal power producing centres of the state. In addition to the coal mines, a cement factory has been established at Ramagundam and it has gone into production. The state government is setting up a co-operative spinning mill in this area, which is expected to commence production soon.

The coal based plant will be located in the Maredpaka village in Ramagundam area where the Godavari Khani group of mines have been developed by the Singareni Collieries. The coal from these mines will be delivered to the fertiliser factory by a system of belt conveyors. The river Godavari is about five miles from factory site which will supply the required water. Ramagundam area enjoys a healthy and dry climate. An area of 423 acres is earmarked for the project.

Ramagundam is situated in Karimnagar district and is 146 miles from Hyderabad. A well maintained asphalt road connects Hyderabad with Ramagundam.

The total capital cost of the plant is Rs 71.2 crores. The plant has a rated capacity of 297,000 tonnes of ammonia, 228,000 tonnes of nitrogen and 495,000 tonnes of urea per year. Thus the project will have an annual production of 10.2 lakh tonnes of chemical fertilisers. The estimated value of output, when in

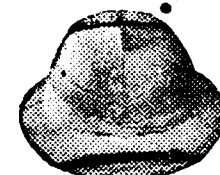
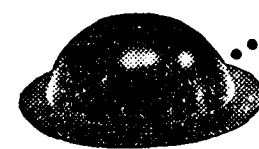
full production is Rs 28.7 crores, the employment potential of skilled persons being 1200. It would contribute an amount of Rs 1 crore per year to the state exchequer.

Assured Market

Andhra Pradesh, being an agricultural state, is one of the major fertiliser-consuming states in the country. The state is favoured with adequate rainfall in large areas and assured irrigation facilities necessitating large scale utilisation of fertilisers, offering dependable means of increased agricultural production. With the realisation by the farmers that fertilisers are a sure and quick means of production, the demand for fertilisers has been steadily increasing. With several irrigation projects under construction and additional areas coming under irrigation and intensive cultivation under these projects, the need for increased supply of fertilisers has become all the more great.

The requirements of nitrate and phosphate fertilisers for the state work out to about 30 lakh tonnes of ammonium sulphate and 20 lakh tonnes of superphosphate respectively. With the introduction of high-yielding varieties and the production programme based thereon, consumption levels are expected to increase upto 50 lakh tonnes of nitrate fertilisers in terms of ammonium sulphate and 20 lakh tonnes of potassium fertilisers in terms of super phosphate. Thus the fertilisers produced at Ramagundam will have a good market within the state. The project also would go a long way in furtherance of the "green revolution" in Andhra Pradesh.

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- ** Power development has played a dominant role in achieving a spectacular development. By 1972, all villages will be electrified — an ambitious plan indeed.
- ** House site pattas have been given to 1 lakh 15 thousand persons. 2 1/2 lakh acres of land have been distributed to landless agriculturists.

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VST's Role in Development of Andhra Pradesh

A CORRESPONDENT

IN A predominantly rural economy like that of Andhra Pradesh, the overall economic situation is closely linked with the fortunes of agricultural production. The importance of agriculture and allied sectors in this state can be measured from the fact that they provide sources of livelihood for nearly 70 per cent of the population.

However, overwhelming dependence on agriculture would prove disastrous for the state's future. It is for this reason that the need for agro-based industries in both the private and public sectors in Andhra Pradesh assumes importance as a prerequisite that guarantees a programme of industrial development.

The Andhra Pradesh government, fully aware of the necessity to broaden the industrial base of the state, has undertaken efforts in various directions to accelerate industrial growth. Over 20 medium industries, with a total investment of more than Rs 30 crores, have recently obtained licences or letters of intent. These licences will be used to produce sugar, cotton-tapes, PVC pressure pipes and sacks among other things, and, by doing so, they will pro-

vide employment opportunities to more than 10,000 persons. There will, however, be hardly any significant impact on absorbing surplus manpower available in the state. The growing menace of unemployment in Andhra can be gauged from the fact that at the end of October, 1969, there were 2.15 lakhs candidates on the live registers of the state employment exchanges against 1.77 lakhs at the end of December, 1968—a rise of 21.5 per cent.

It is in this context that the need for more agro-based industries and provision of more employment in Andhra Pradesh assumes immediate relevance.

Among the agricultural products of Andhra Pradesh tobacco occupies an important place. India with a production of about 350 million kgs from a farm area of about 400,000 hectares is the third largest producer of tobacco in the world. Andhra Pradesh alone produces about 168 million kgs of tobacco on a farm area of about 202,000 hectares.

In the development of the state's tobacco farming the Vazir Sultan Tobacco Company (VST) has played an

important role. In 1950 it introduced into Telengana the THOKA AKU variety of Natu tobacco—which goes to make the most popular cigarette of India — CHARMINAR — (every one cigarette in four sold in India is a Charminar!). Natu is grown by the poorest farmer in Andhra on land holdings that average 4 to 5 acres.

Besides buying tobacco from these farmers VST helps them from the initial stages of cultivation by supplying them free seeds, fertilizers on interest free credit as well as cash to meet cultivation expenses. This has rescued these poor farmers from the clutches of the village money-lenders whose victims they had been for generations.

Tobacco cultivation in Andhra Pradesh has also led to the development of an important agro-economic industry in Andhra Pradesh—the cigarette industry. The VST which started its factory in 1930 at Azamabad today directly employs a large number of skilled and unskilled workers and provides indirect employment to thousands more by encouraging the growth of a number of ancillary industries in the



VST Chairman, Mr A. M. Lal, receiving national award (March, 1970) from President V. V. Giri at the presentation of awards to employers of the handicapped.

state like spare parts corrugated fibre board containers, paper, etc.

In this industry, the relationship between the management and labour stands out in contrast with the rather bitter relations in other industries. The message of the Andhra Pradesh Minister for Labour, Mr G. Sanjeeva Reddy, on the occasion of the signing of the Memorandum of Settlement between the Vazir Sultan Tobacco Company and the Vazir Sultan Tobacco Company Workers Union in March, 1970, deserves notice in this connection. He said: "In the present era of rising expectation among the labour, I am happy to learn that the earnings of unskilled workers in VST will not be less than Rs 225 per mensem... Such an approach will herald the growth of peaceful and progressive industrial relations in our state and would also encourage entrepreneurs to establish several other industries in the state".

In fact, the Andhra Pradesh government has always taken a keen interest in the development of the tobacco industry. It is represented on the board of directors of VST which makes it the only cigarette company in the joint sector. The importance of VSTs' financial contribution to the national exchequer can be measured by the fact

that payment of excise duties alone exceeds Rs 8 lakhs per day—approximately 24 crores annually. Contributions under income-tax and sur-tax amount to over a crore of rupees per annum.

Although the bulk of consumers of VST's main product, Charminar, belong to the lower income groups, it is significant notwithstanding successive price increases (the result of higher duties and increasing material costs) the sales of this brand have shown a steady growth. It is an indication of the unique characteristics and the good value Charminar offers.

The history of Charminar's success can be taken as a microcosm of Andhra Pradesh's economic development. It was first manufactured in the early twenties from rented premises at Narayanguda—the heart of Hyderabad city. It was a time when modern industries of this type were less known in this part of the country. The distribution of the brand was confined in those days to the then Nizam's territory.

Gradually and particularly after the second world war, Charminar's popularity spread all over India. This led to increased production.

By the fifties, the VST factory at Azamabad, where Charminar was be-

ing manufactured, had become one of the most modern factories in the state employing a large labour force. The acreage of cultivation of tobacco had also increased to include areas which at one time were dry and fallow. Thus, both the state's agricultural and industrial economy registered significant progress.

The consumption of cigarettes in India is increasing steadily. It is estimated that by 1972-73, it will rise to 7,000 million cigarettes per month from today's average monthly sales of just over 5,000 million pieces. It is self-evident that Charminar, the common man's cigarette, will have to play an important role in meeting this growing demand.

Further increase in consumption and production will mean further extension of tobacco cultivation in Andhra Pradesh, with all the benefits that accrue from this—increased rural prosperity on the one hand and more opportunities for urban employment on the other. The increasing demand for and the manufacture of VST's products can indeed be one of the important centres around which Andhra Pradesh's agro-industrial economy can continue to grow and develop.



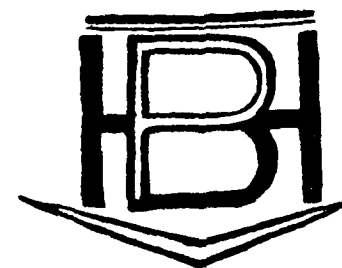
VST Union presenting cheques to the Prime Minister, Mrs Indira Gandhi, for the National Defence Fund and the Jawaharlal Nehru Memorial Fund. Mr K. Brahmananda Reddy, Chief Minister of Andhra Pradesh, was also present at the ceremony. He is on the left of the Prime Minister.

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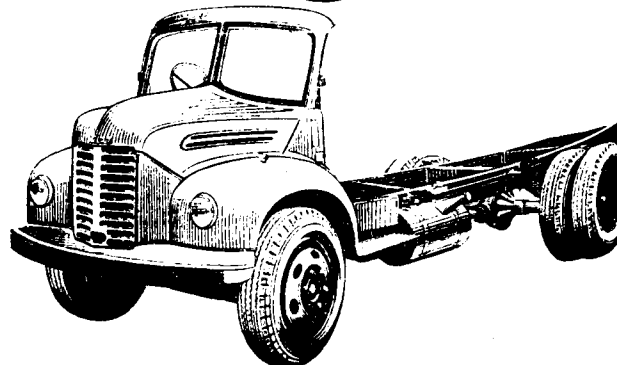
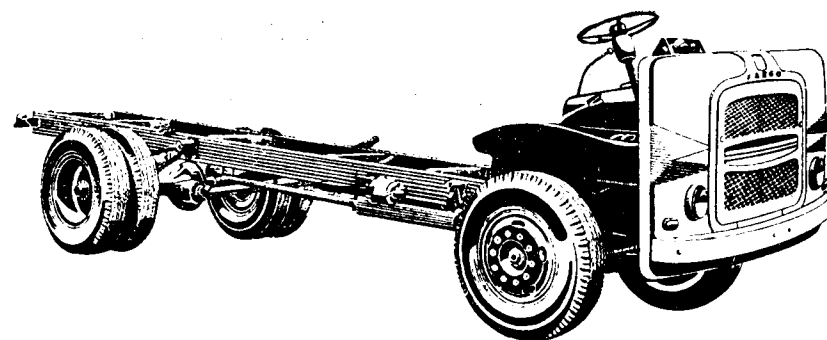


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Electric Construction and Equipment Company

A CORRESPONDENT

FROM A humble beginning, the Electric Construction and Equipment Company Ltd (ECE) has grown up during the past 25 years into one of the premier concerns in the country manufacturing a variety of electrical products. It was founded on June 13, 1945, by Messrs Lakhprosad Lokenath by taking over the lease of the old Hazra Works (Calcutta) of Siemens India Ltd.

The ECE had its due share of initial troubles. But since 1955, when it got associated with Messrs Birla Brothers Private Limited, it has grown from strength to strength. Today, it has several factories in various parts of the country. These include:

(1) Cossipore Unit: It produces with technical collaboration from Tokyo Shibaura Electric Co. Ltd, Japan, (Toshiba), power transformers (50 mVA-132 kV), overhead cranes (41-tonne capacity) and induction motors (upto 7.5 kW).

(2) Visakhapatnam Factory: It

manufactures transformers and low-tension air-circuit breakers with technical collaboration from EAW of the German Democratic Republic.

(3) Budge Budge Unit: It produces switchgears (132 kV) with Toshiba collaboration and high-speed dynator type gearless lifts with collaboration from the Swiss firm Schindler and Co. Ltd.

(4) Hyderabad Plant: Both single-phase and poly-phase household meters are produced here with EAW (GDR) collaboration.

(5) Barrackpore Unit: It manufactures slipring motors (upto 150 kW) with Toshiba technology.

(6) Sonapat Complex: A wide range of transformers are produced here.

The Cossipore factory possesses one of the best equipped test-beds for 50 mVA-132 kV transformers. At the

Sonapat factory is located a well equipped core lamination division.

The company has on hand at present a lamp project to be set up at Sonapat where fluorescent lamps of different varieties are proposed to be manufactured. It is also venturing to have its own glass plant. This project is expected to be completed towards the end of next year.

The ECE has been the first electrical manufacturer in the country to pioneer the use of grain oriented silicon steel in transformer laminations. The rapid expansion of the company has apparently been possible due to the great enterprising spirit and progressive outlook of its management.

The company's products are being exported to many countries of Africa, west Asia, east Asia and eastern Europe. Its various commercial and technical services are being utilised in many vital projects both within the country and abroad.

KCP Complex

OUR MADRAS BUREAU

ALONG WITH the patriots who fought for and won the country's freedom, there was a brilliant galaxy of pioneers who laid the foundations of our industrial growth. Late V. Ramakrishna belonged to this elite group.

Among the many industries he built up, the KCP complex stands foremost, not only in Andhra Pradesh, but also in the country as a whole. The rapid growth of this complex during the last few years in all fields of engineering is eloquent evidence of the energy and practical vision of Ramakrishna. From a tiny workshop, with about Rs 17 lakhs as capital, the KCP Complex has grown into an industrial giant, increasing its share capital ten-fold and sales from Rs 50 lakhs to Rs 1,335 lakhs.

The complex today is one of the

biggest and the best engineering workshops in the country with many foreign collaborations. It manufactures a wide variety of machinery, including sugar, cement, superphosphate and sulphuric acid plants for the country's industry. In addition, it makes steel castings, plate working machinery, pressure vessels, heavy steel gears and analogue computers. It has also barged into the manufacture of electronic instruments. The sugar plants manufactured by KCP are working in many centres all over the country—to mention a few, Amadalavalasa, Chodavaram, Nizamabad and Chagallu in Andhra Pradesh; Chittur in Kerala; and Madurai, Kallakurichi and Mohanur in Tamil Nadu. The KCP has also supplied a 1200-tonnes cement plant now working in Bargarh in Orissa. The complex

is now engaged in completing a big order for manufacturing crushers for the Bokaro project.

Late Ramakrishna was verily the father of sugar industry in Andhra Pradesh and Orissa. He was the first to realise that a commercial crop was indispensable to ensure the well-being of the Andhra ryot. It was in pursuance of this realisation that he planned the Vyyuru and Jeypore sugar factories.

The KCP complex occupies a prominent place in the engineering industry of the country, particularly in the southern region. Under the able management of late Ramakrishna's sons, Mr V.M. Rao and Mr V.L. Dutt, KCP is diversifying its activities to meet the requirements of industrial development throughout the country today.

Indian Shipbuilding Comes of Age

BALAKRISHNA SHETTY
Chairman, Hindustan Shipyard

MODERN SHIPBUILDING industry in India is closely identified with Hindustan Shipyard at Visakhapatnam. Toils and triumph have marked the growth of the Indian shipbuilding and ship-repairing industry. From a glorious maritime history in the distant past, India passed through a long spell of halting phase owing to the use in the shipping industry of steam power and steel in place of timber and subsequent technological innovations.

History is replete with evidence that India used to be amongst the foremost maritime countries of the world. Even in 1840, ships built by the famous Wadias in Bombay were used in the British Navy.

June 21, 1941, was a red-letter day in the annals of Indian shipbuilding. On this day late Dr Rajendra Prasad, the then President of the Indian National Congress, laid the foundation stone of Hindustan Shipyard at Visakhapatnam. Mr Walchand Hirachand, Chairman of the Scindia Steam Navigation Company, and his associates had conceived the idea of establishing this shipyard as early as 1919, but had encountered many hurdles. At long last, they succeeded in 1940 in their attempt.

Due to the second World War and the Japanese bombing of Vizag and the continued apathy of the then British government, civil engineering and ship construction jobs were suspended. Despite these numerous vicissitudes, however, two slipways, fitting out wharf and the necessary workshops were almost completed by the middle of 1946. Keels were laid for two 8,000 tonners on June 22 and August 8, 1946, respectively.

Favourable Situation

With the advent of Independence in August, 1947, the situation took a favourable turn. On March 14, 1948, the then Prime Minister, Jawaharlal Nehru, launched the first ship s.s. "JALASHA" from the Vizag Shipyard.

Eight months later followed the launching of s.s. "JALAPRABHA" (in November 1948) by wireless from Delhi by the then Deputy Prime Minister, Sardar Patel. While blessing this ship, Sardar Patel in his characteristic way said: "It is a triumph of persistence over adversity, of faith over scepticism and of hope over despair".

After building eight ships, the Scindia

Steam Navigation Company discovered that it was unable to finance either the construction of ships or further development of the shipyard without state assistance. Recognising the strategic and national importance of the industry, the shipyard was taken over by the Government of India in March, 1952. By that time, about 36,000 GRT of ships had been built in this shipyard.

The shipyard was neither set up nor fully equipped to undertake construction of large ocean going vessels when it was taken over by the government. After nationalisation, a development plan, costing about Rs 20 million, was drawn up with assistance from a French firm of consultants, Societe Anonyme des Ateliers et Chantiers de la Loire. This plan envisaged production of four ships of 8,000 DWT each per annum.

Highest Quality

It has been accepted all over the world that the ships built at Vizag are second to none. They carry the highest classification assigned by the Lloyd's Register of Shipping to ships in this series. So far, Hindustan Shipyard has built and delivered 52 vessels aggregating to 4,50,400 DWT, which is approximately equivalent to 3,23,800 GRT. The shipyard won the Presidential award of "Certificate of Honour" for satisfactory performance during 1961-62. The successful commissioning of the naval survey vessel INS. "Darshak" on December, 28, 1964, was an important landmark in the construction activities of Hindustan Shipyard.

"Darshak" is specifically designed for carrying out hydrographic surveys and is equipped with the most modern electronic equipment. She is also the first Indian naval vessel to be fitted with diesel electric propulsion.

Hindustan Shipyard is spread over an area of 72 acres. It has at present four building berths or slipways and an outfit jetty, 1,500 feet long, where three ships with a slight overhand can be accommodated at a time.

The steel fabrication shop, with two auxiliary bays, open gantries, and a steel yard, is laid out to ensure unidirectional flow of production from the steel yard to the berths. This shop is serviced by one 45-ton and two 5-ton EOT cranes, while the auxiliary bays and the open gantries are serviced by

one 10-ton and one 5-ton travelling cranes in each bay.

A 125-ton crane is operating at the fitting out wharf where the engines and other heavy auxiliaries are erected in the ship after launching.

Besides, there are a number of auxiliary workshops, viz., joiners and carpentry, plumbing, engineering, electrical, galvanizing plant, foundry, smithy, welding departments, etc., to feed continuously the mainstream of shipbuilding activity and ship repairs to a limited extent.

Production Facilities

Equipped with these facilities, the shipyard is capable of constructing on an average 2.4 ships of 12,500 DWT per annum each.

Hindustan Shipyard has launched several schemes to expand production and improve ship repair facilities. The annual production of the shipyard for the period 1962-63 to 1968-69 has averaged 2.5 ships of 12,500 DWT each. With the pattern of shipbuilding changing from simpler rivetted type of steamships of 8,000 DWT to the modern diesel-air-conditioned welded type cargo liners of 12,900 DWT to allow a larger carrying capacity and greater speed, the available plant and machinery at Hindustan Shipyard were found to be inadequate. In order to increase the production and improve the economic viability of the shipyard to the maximum extent feasible, an integrated development programme, estimated to cost Rs 7.66 crores, was sanctioned by the Government of India in October, 1969. This programme aims at increasing production to six ships (including one or two vessels of 14,500 DWT) per annum, thus envisaging an annual production target of 80,000 DWT as against the present capacity of 30,000 DWT. The programme contemplates:

- (i) provision of additional bays in the hull shop;
- (ii) extension of the prefabrication bay;
- (iii) strengthening of crane facilities at the fitting out wharf;
- (iv) modernisation of equipment in various shops, and;
- (v) augmenting of crane and material handling facilities in the yard.

The shipyard has plans to take up the

November 20, 1970

construction of a building dock and a wet basin (estimated to cost Rs 3.20 crores and Rs 3.00 crores, respectively) in the fourth Plan period to facilitate optimum output. The wet basin, which would be an adjunct to the dry dock, would provide increased facilities for above-water repairs to ships and fitting out work for the ships under construction in the yard. The present fitting out wharf can accommodate only two ships at a time.

The building dock would be able to handle construction of bigger vessels of container class. It will also reduce the construction period considerably, with corresponding reduction in costs, apart from obviating the limitation caused by the sea frontage for launching ships. Block construction will be possible in the building dock and ships will be constructed on level ground without any use of declivity boards, etc.

Besides, a graving dock is under construction as an adjunct to the shipyard at an estimated expenditure of Rs 4.80 crores. It is expected to be completed by the end of 1970. This will be the biggest dock in India, capable of accommodating ships upto 57,000 DWT for all under-water repair work, survey jobs, etc.

Complex Problems

The problems of shipbuilding are very complex in India. The absence of necessary basic infrastructure in the country and dearth of sub-contractors accentuate these difficulties. The dearth of foreign exchange has added a new and formidable problem.

Shipbuilding is essentially an assembly industry. Necessarily, therefore, its efficiency depends on uninterrupted flow of materials and the requisite handling facilities in the yard. The absence of ancillary industries within the country and the dependence on imports of materials on large scale pose severe constraints on the productivity of the shipyard and on the cost of construction of a ship.

Ships, like buildings, are built to the specific requirements of individual customers, while strictly conforming to the Lloyds and Mercantile Marine Department specifications. A ship represents a wide spectrum of activity from steel to heavy and light mechanical and electrical engineering, besides a considerable element of research and design. In all these fields, technology in consistently and rapidly advancing and a shipyard has to respond to the exacting needs of customers.

The impression that the ship-building costs of Hindustan Shipyard are rather

ANDHRA PRADESH SUPPLEMENT

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high is, strictly speaking, somewhat fallacious. This impression has arisen mainly from the fact that the ships built by this shipyard are sold to customers at international prices and the difference between the sale price so fixed and the cost of construction is paid by government as subsidy to the shipyard. The main cause of subsidy thus is the fact that the price of ships built at Vizag is pegged to the international level as a matter of state policy. The construction costs of Hindustan Shipyard in themselves are not high if the costs of all the materials which go into the making of ship and which represent "bought in" items are excluded. This means that although the subsidy is paid to the shipyard, the real beneficiaries of the subsidy are the Indian shipping companies which are supplied ships at the international price.

Two factors increase the cost of

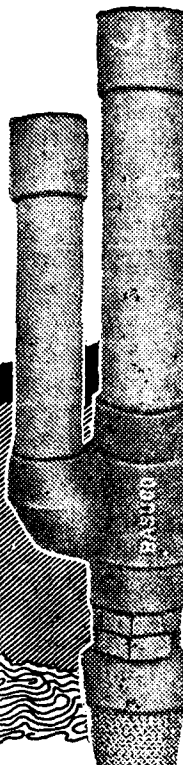
construction of ships in India. They are:

- (1) the indigenous materials used in shipbuilding cost much more than the prices paid by a foreign shipyard for such materials; and
- (2) the value of imported equipment, which is 65 to 75 per cent of the total cost of a ship is also inflated to an extent of 10 to 12 per cent because of freight and insurance charges, etc.

The absence of suitable sub-contractors to undertake works of small values also contributes to the high costs in India. The situation is expected to improve in the near future with the setting up of the marine diesel engine factory at Ranchi—which is expected to go into production and deliver engines to Hindustan Shipyard in a year or two—and

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the sprouting of auxiliary industries in and around Visakhapatnam.

Subsidy to shipbuilding, it may be further stressed, is not a strange or uncommon feature. Even in advanced maritime countries like the UK, the USA, Canada, Australia, France, Italy and Spain, the shipbuilding industry has received direct cash subsidies from the government ranging from nine per cent to 50 per cent of the cost of construction. In Japan, Germany and Yugoslavia, no direct cash subsidies as such are paid but the industry is provided with cheaper credit facilities, despite the fact that there is a strong industrial base in these countries.

Though the Japanese Finance Ministry is taking a hard line towards government subsidising industries as such, the recent plans of the Japanese Transport Ministry include the provision of low interest, long-term government loans for building of over 2.5 million GRT ships. A delegation of Japanese shipbuilders is also on a tour of western shipyards to examine facilities in the European and US yards, despite the

fact that Japan is a leader in shipbuilding in the world.

India has now 258 ships (81 coastal and 177 overseas) with a total tonnage of 2.32 million GRT in operation in the overseas and coastal trade. The fourth Plan envisages an increase to 3.5 million GRT, with another 5,00,000 GRT on order in 1973-74. The aim of the government is that the Indian shipping tonnage should be progressively augmented so that 50 per cent of the external trade is carried by the Indian vessels. At present about 18 per cent of overseas trade is carried by Indian ships (in 1955-56, this percentage was nearly 5.2). To achieve the above target, the government has allotted Rs 41 crores for shipbuilding and Rs 130 crores for shipping. Out of this, a sum of Rs 16 crores has been allotted to Hindustan Shipyard.

Our country had only 59 vessels with an aggregate of 1,92,000 GRT at the time Independence in 1947. We improved our position to 126 vessels totalling 4,79,800 GRT at the end of the first Plan in 1956. By the end of the second Plan, our shipping had 172 vessels with

a total GRT of 8,57,853. The gross registered tonnage rose to 15,40,476 at the end of the third Plan with 221 vessels.

Our country, with 1.06 per cent of the world tonnage (1969), now ranks seventeenth among the merchant fleet-owning nations. Countries like Japan, the UK, Norway, the USSR, Italy, Denmark, Spain and Canada are above us on the ladder. Countries like Poland, Yugoslavia, Brazil, China, Australia and Pakistan are below us.

A sense of belonging, good teamwork, co-ordination among various departments, both technical and administrative, and above all, a patriotic zeal and fervour in the employees will go a long way in further developing the shipbuilding industry in India. Due to the tenacious efforts of the management of Hindustan Shipyard to make a real breakthrough on the human relations front and with the recent revision in the wage structure, there is a marked improvement in the employer-employee relations at this shipyard. This is a healthy sign and augurs well for the future growth of the shipyard.

Andhra Pradesh : The Land and Its People

OUR MADRAS BUREAU

ANDHRA PRADESH with an area of 2,75,209 sq. kilometres is the fifth largest state in India. According to 1961 census, the population of the state stood at 35,983,447, ranking fourth among the states in respect of population. Its sea coast is about 600 miles in length. The state has twenty districts namely Srikakulam, Visakhapatnam, East Godavari, West Godavari, Krishna, Guntur, Nellore, Chittoor, Cuddapah, Anantapur, Kurnool, Mahboobnagar, Hyderabad, Medak, Nizamabad, Adilabad, Krimnagar, Warangal, Khammam and Nalgonda. The enlarged State of Andhra Pradesh, it will be recalled, came into being in 1956, in the wake of the states reorganisation, when the Telugu-speaking districts of the erstwhile Hyderabad state were merged with the former Andhra state comprising eleven districts.

Andhra Pradesh is rightly known to as a 'River State'. The major rivers running through the state are the Godavari, Krishna, Pennar, Vamsadara and Nagavalli. Almost all rivers flow from the plateau area of the west to east or sometimes from the northwest in a south-easterly direction. All these rivers together annually carry about 150 million acre ft. of water into the

Bay of Bengal. Only a sixth of this volume has been utilised so far.

The Godavari is the state's most important river. It is often referred to as "Dakshina Ganga". It rises at Triambak near Nasik in the western ghats in Maharashtra. Its important tributaries are Manjira, Pranahita, Indravathi and Sabari. The width of the river assumes magnificent proportions of about two miles at Rajamundry and nearly four miles at Dowleshwaram.

The Krishna, equally important, is one of the great rivers of India lauded in epics and puranas. The river rises at Mahabaleswar in Maharashtra. Its more important tributaries are Tungabhadra and Bhima. The Dindi, Musi, Palar and Munneru are the other tributaries having their origin within Andhra Pradesh that join the Krishna during its flow through the state. Pennar is another important river of Andhra Pradesh that flows across the southern region of the state. It rises in Nandimurg in Mysore state. Nagavalli and Vamsadhara are the two other rivers of significance both flowing through the extreme north-eastern part of the state. It is computed that major rivers such as the Krishna and the Godavari together

with the medium-sized rivers flowing through the state bring in about 150 million acre ft. of water and contribute nearly 15 per cent of the flow in all rivers in India excluding the Brahmaputra. Of this, only 26 million acre feet are now being utilised. Thus, the irrigation potential of the rivers of Andhra Pradesh is immense.

The state may be generally described as having a hot summer and a pleasant winter. The summer months March to June are fairly hot. The maximum and minimum temperatures for the state are about 41 and 14 degrees centigrade respectively. The winter is pleasant throughout the state. Andhra Pradesh receives its rainfall both from the south-west and the north-east monsoons. The former sets in from early June and lasts till the end of September, and the latter from October to December. The average annual rainfall ranges from about 75 cm in the south to about 120 cm in the north with considerable fluctuations.

The forest area in the state comprises 22.3 per cent of the total geographical area. This is higher than the all-India figure of 15.6 per cent. The natural vegetation of the area is either forest

or mixed jungle of trees, thorny bushes and grass depending upon the amount of precipitation and soil conditions. The principal forest areas are situated in Telengana, in the agency areas of Visakhapatnam and Godavari districts and in the Nallamalais of Kurnool and its extensions. These have a rich variety of flora among which the more useful species of timber are kosum, toon, rosewood, irul and teak.

The state's population, according to 1961 census, was 35,983,477. The average density of population per sq. mile as a whole is 339 persons, the urban being 4340 and rural 284. Taking the districts, the density is heaviest in Hyderabad district (688), closely followed by West Godavari (657), East Godavari (624), Krishna (617) and Srikakulam (602). There are 223 towns in the state with a total population of 6,27,508, while the number of inhabited villages stands at 27,084 with a total population of 29,708,939.

Andhra Pradesh ranks tenth in literacy among the states in India. The percentage of number of literates in the total population in the state is 21.2 as against the all-India figure of 34.0. Among the districts, Hyderabad records the highest percentage of literacy with 35.05 per cent.

Andhra Pradesh is predominantly an

agricultural state. It has a widely diversified agricultural base, with cereals, pulses and a variety of commercial crops. About 70 per cent of its total workers are engaged in agricultural operations either as cultivators or as agricultural labourers. Over 50 per cent of the state income is through agriculture. The cultivated area of the state is 31.5 million acres and of this 62.5 per cent is under cereals, 11 per cent under pulses, 10 per cent under oilseeds and the rest of 16.5 per cent is under other commercial and miscellaneous crops.

The state enjoys a monopoly in the production of Virginia tobacco, accounting for over 95 per cent of India's production of this important cash crop and earning considerable foreign exchange. In the production of castor, Andhra Pradesh accounts for 46.5 per cent of India's total production of about 99,000 tons and stands foremost among all the states in the Indian union.

The net area sown exceeds 42 per cent of the total geographical area of the state. The total area under forests is 22.3 per cent. The area under barren and uncultivable land is about 7.7 per cent.

Due to varying seasonal and soil conditions, agricultural patterns differ considerably in the three regions of Andhra

Pradesh, namely coastal Andhra, Rayalaseema and Telengana. Coastal Andhra region comprising the districts of Srikakulam, Visakhapatnam, East Godavari, West Godavari, Krishna, Guntur and Nellore forms one-third of the total area of the state and has the richest soils. Agriculturally this is the best developed region. Since the construction of the great anicuts across the rivers Krishna and Godavari by Sir Arthur Cotton in 1857, the delta regions have been enjoying the benefits of a good and assured canal irrigation system. The yield of paddy per acre in this tract is around 1740 to 2900 lbs which is about four times the all-India average.

The Rayalaseema area comprising the districts of Chittoor, Cuddapah, Anantapur and Kurnool accounts for 27.4 per cent of the total area of the state. The rainfall in this area is meagre and undependable. The land is mostly undulating and soil erosion is common. In all dry tracts, only one crop a year is grown. From the point of view of agricultural production, Telengana region represents, unfortunately, the most backward tract of the state. Though endowed with a fairly good rainfall averaging 35.2" annually, the poor soils and rugged country seem to present a handicap to intensive agricultural develop-

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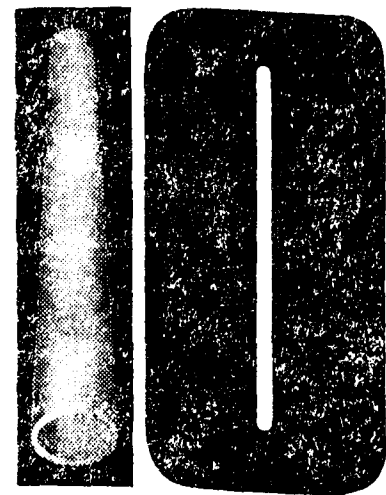
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ment. The cultivable land is mostly made up of brownish red chalk soils. Jawar, bajra, groundnut and pulses are the chief crops grown.

Andhra Pradesh is normally surplus in foodgrains production. A study of agricultural statistics relating to the pre-drought year of 1964-65 will provide a cue to the prominent place occupied by the state in the agrarian economy of the country. The state accounts for 9.6 per cent of the rice acreage of the Indian union and, among the rice-growing states it is ranked second in production. Rice is the principal crop of the state.

Among the cash crops tobacco occupies the pride of place. Andhra Pradesh stands foremost among the tobacco-producing states in India, accounting for about 42 per cent of the total production in the country. The state produces 98 per cent of the country's Virginia tobacco which constitutes the bulk of the country's exports, earning handsome foreign exchange. The countries that account for more than 90 per cent of exports are the UK, China, Indonesia, Japan, Aden, Netherlands,

Belgium, Hongkong, Egypt and France, the UK being the largest purchaser of our flue-cured tobacco, especially higher grades.

Livestock occupies a significant role in this predominantly agricultural state. According to the 1961 census, the state has a total livestock population of 324.4 lakhs. Of this, cattle and buffaloes account for 192.9 lakhs and sheep and goats 126.1 lakhs. Andhra Pradesh occupies the fourth place among the states in India in respect of livestock and ranks first in the number of poultry and also sheep. It stands second in respect of buffaloes, and sixth in regard to cattle. In 1961, the capital value of livestock and poultry was estimated at Rs 55.9 crores. The more important breeds of cattle are: Ongole, Helikar, Malve, Sindi and Murrah. The Ongole breed, as is well known, enjoys international reputation.

The outlay in the state sector in the first Plan of Andhra Pradesh was of the order of Rs 94.97 crores. In the second Plan, it was Rs 188.60 crores and in the third Plan, it stood at Rs 312.66 crores. The achievements under the

first Plan were substantial. The Plan visualised a 11 per cent increase in national income but the actual increase on the all-India level was 18.5 per cent. Andhra Pradesh recorded an increase of 18.4 per cent. The state's foodgrains production went up from 39.55 lakh tonnes to 55.33 lakh tonnes. The installed power capacity rose from 43,000 kW to 99,600 kW, while the overall industrial production rose by about 33 per cent.

In the second Plan, the state's foodgrains production went up from 55.33 lakh tonnes to 66.58 lakh tonnes and the installed power generation capacity from 99,600 kW to 2,13,000 kW. Industrial production increased by 16.4 per cent.

The third Plan started on an optimistic note, but the tempo of progress could not be sustained. The expected potential for food production was 85 lakh tonnes, but actually the potential created at the end of the third Plan was 82 lakh tonnes only. In the case of power generation, installed capacity that was expected to reach 411,000 kW could not go beyond 291,800 kW.

Natural Wealth of Andhra Pradesh

OUR MADRAS BUREAU

ANDHRA PRADESH is endowed with a vast variety of natural resources. It has 1,000 Kms. of coastline which can provide the base not only for developing marine fisheries but also many industries. Among others, the state has two of the largest rivers in the country—the Godavari and the Krishna—which make it the "granary of the south". About 20 per cent of the area in the state is under forests which sustains many industries. With its long coastline, extensive rivers, lakes, canals, forests, physical and mineral resources, Andhra Pradesh presents a bright prospect for the future. Surveys conducted by the National Council of Applied Economic Research have revealed that it can advance industrially by utilising its vast unexploited resources.

Among natural resources, minerals are of great importance. In minerals, Andhra Pradesh occupies a place next only to Bihar. The principal minerals of the state are coal, asbestos, barytes, mica, limestone, quartz, iron ore, copper, manganese, etc.

Coal : Coal accounts for nearly 80 per cent of the total value of mineral production in Andhra Pradesh. The coal reserves in the state are estimated at 1,000 million tonnes. They are

available in Khammam, Adilabad and Karimnagar districts. At present, a major portion of the coal available in the state is used for the generation of thermal power. A coal-based fertiliser project is being set up at Ramagundam in Karimnagar district.

Mica : Mica is a mineral of strategic

importance, used mainly in the manufacture of aeroplanes, radios, and electric and electronic appliances. India is the principal producer of mica in the world. Next to Bihar and Rajasthan, Andhra Pradesh occupies an important position in the production of mica. Nellore district has the monopoly of mica production in this state. Small

ANDHRA PRADESH : PRODUCTION OF PRINCIPAL MINERALS 1963-64 to 1967-68 (in tonnes)

Mineral	1963-64	1964-65	1965-66	1966-67	1967-68
Apatite	900	751	1,170	3,746	3,860
Asbestos	53	58	85	389	388
Barytes	32,304	38,928	27,441	35,012	42,352
Calcite	NA	4,705	5,600	3,713	3,542
China clay	1,298	605	692	127	4,015
Chromite	72	1,258	337	67	98
Fire clay	4,776	—	—	1,400	25,00
Graphite	733	729	772	857	484
Gypsum	200	200	—	—	—
Iron ore	2,55,963	1,69,715	1,67,845	4,11,751	78,614
Limestone	8,10,805	17,60,384	18,53,541	18,15,647	22,19,501
Manganese	61,273	79,545	1,06,151	1,00,703	1,30,961
Mica	11,212	6,592	16,093	8,015	4,430
Quartz	26,412	5,131	4,203	577	9,041
Slate	4,901	5,248	11,828	272	5,523
Steatite	6,414	11,552	9,393	11,793	13,431
Vermiculite	325	540	345	609	609
White clay	1,468	19,256	13,914	24,355	20,509
White shell	NA	14,712	9,382	15,133	24,307
Yellow ochre	97	5,146	4,423	3,412	5,762

Source : Director of Mines and Geology, Andhra Pradesh.

deposits of mica are found in West Godavari and Krishna districts also, but these have not been exploited so far.

Asbestos : Andhra Pradesh has a virtual monopoly of chrysotile asbestos in the country. This is found in Cuddapah district. The reserves are estimated at 2,50,000 tonnes. Asbestos yarn made from spinning grade fibre is manufactured into textiles for fire-proof clothing, aprons, gloves, etc. Asbestos is also used in the manufacture of asbestos cement products, boards, plastics, paints and gaskets. The higher grades are being exported to Japan and Belgium.

Iron : The total iron ore reserves in Andhra Pradesh are estimated to be of the order of 400 million tonnes. Out of this, ore containing about 60 per cent iron is estimated to be 60 million tonnes. High grade ore is found in Khammam, Warangal and Kurnool districts. Iron ore deposits are also located in Anantapur, Chittoor, Krishna, Cuddapah and Visakhapatnam districts. With a view to utilising these resources, a steel plant at Vizag and a pig iron plant at Kothagudem are to be set up.

Barytes : The country's entire production of barytes comes from Andhra Pradesh. Known as "Muggurayi" in the local language, it is used in paints, textiles, paper, rubber and printing ink industries. The chief barytes deposit in the state is the 160 sq. mile belt between Vempalli and Velpula villages in Cuddapah district. This mineral is also found in Kurnool, Anantapur and Khammam districts. The total reserves

are estimated to be of the order of 1.7 million tonnes.

Limestone : Limestone is used for the production of cement. The reserves of this mineral in Cuddapah and Kurnool districts alone are estimated to be 10,640 million tonnes. Limestone is also available in abundance in the districts of Guntur, Warangal, Karimnagar, Adilabad and Khammam. An economic survey conducted by the state government has revealed that several cement factories can be established to utilise the unexploited deposits.

Quartz : Next to Rajasthan and Bihar, Andhra Pradesh occupies an important place in the production of quartz and silica sands. These are used in the manufacture of glass. The deposits of quartz and silica are available on a large scale in and around Hyderabad and in Kurnool and Anantapur districts. The quartz available near Hyderabad is of high purity; it is considered to be the best available in this country. Andhra Pradesh, thus, is in an enviable position in the field of glass industry. But this industry is yet to develop, probably due to lack of enterprise.

Manganese : Andhra Pradesh ranks fifth in the production of manganese ore in the country. The manganese belt in Srikakulam and Visakhapatnam districts runs about 100 miles from Nallimerla and Garividi through Kodur to Ramabhadrapuram.

Copper : Copper and lead deposits

in Andhra Pradesh are located at Agnigundala in Guntur district. The reserves have been estimated at 6.5 million tonnes of copper ore and 10 million tonnes of lead ore of various grades. A project has been established at Agnigundala for the exploitation of these deposits.

Diamonds : Andhra Pradesh is also known for its diamonds. The famous "Kohinoor" diamond was found on the banks of the Krishna river. Diamonds occur in Anantapur, Cuddapah and Kurnool districts. About 190 diamonds of various sizes have so far been collected by the National Minerals Development Corporation in recent years in Kurnool and Anantapur districts.

Gold : Gold is also available in Chittoor and Anantapur districts. The Government of India has been requested to take up the exploitation of gold deposits in Anantapur district.

Apart from the minerals mentioned above, deposits are also found of other minerals like graphite, slate, steatite, apatite, gypsum, chromite, etc.

The natural resources of Andhra Pradesh have not been fully utilised and there is a vast scope for exploitation. With a view to stimulating the participation of private enterprise in mining industry and for undertaking more intensive exploitation of these resources, the state government has set up the Andhra Pradesh Mining Corporation. It is hoped that this corporation will go a long way in developing the mining industry in the state.

Agricultural Development in Telengana

OUR MADRAS BUREAU

AGRICULTURAL PRODUCTION in the Telengana region has made substantial strides as a result of the many schemes implemented during the last 15 years. The production of foodgrains has increased from 14.54 lakh tonnes in 1956-57 to 22.80 lakh tonnes in 1966-67 being an increase of 56.9 per cent, while during the same period the production in the entire state rose from 57.98 lakh tonnes to 68.22 lakh tonnes, an increase of only 17.7 per cent. In sugarcane, the production in the Telengana region increased by 36.3 per cent from 12.08 lakh tonnes in 1956-57 to 16.40 lakh tonnes in 1966-67, while during the same period, the increase for the entire state is only 26 per cent, from 61.94 lakh tonnes to 79.05 lakh tonnes.

A very substantial increase has been recorded in the production of tobacco

and cotton in the Telengana region. In tobacco, the increase in production is of the order of 155.6 per cent and in cotton the increase is 52.9 per cent. The corresponding figures for the entire state is 28 per cent in tobacco and 9.5 per cent in cotton. A large part of this increase is due to increase in per acre yield. Similar increases have been recorded in other commercial crops like cotton, sugarcane and castor.

The high yielding varieties programme was introduced, for the first time, during 1966-67. Though the programme was designed primarily for the intensive agricultural area programme districts, it was introduced in some other districts as well. To supply improved seeds to the farmers, the Department of Agriculture has established 35 seed farms in

the state covering an area of 6,316 acres. Of these, 14 seed farms covering 1889 acres are located in Telengana region.

The benefit of the use of fertilisers has been well realised by the farmers in the Telengana region where the consumption of fertilisers shot up by 22 times from 9950 tonnes in 1956-57 to 2,22,291 tonnes in 1967-68. In terms of value, the cost of fertilisers consumed in Telengana during 1967-68 was of the order of Rs 11 crores. Since the introduction of fertiliser loans in the Telengana region in 1960, a total amount of Rs 1,312 lakhs has been disbursed in the entire state of which Rs 557 lakhs was spent in the Telengana region alone. During 1967-68, out of 105 lakh acres covered by plant protection mea-

asures in Andhra Pradesh, 26 lakh acres were covered in the Telengana region. Since plant protection work was only in the formative stage in Telengana during 1956-57, the coverage of 26 lakh acres within a period of 10 years must be considered an achievement. Till the end of the third five-year Plan, an amount of Rs 60.22 lakhs had been spent towards subsidy on chemicals and plant protection equipment of which Rs 18.62 lakhs had been spent in the Telengana region. During the same period, about 30,000 units of plant protection equipment were purchased and distributed to the farmers in the state at subsidised rates. Of those, 12,000 units were in the Telengana region. To demonstrate the feasibility of achieving increased agricultural production in areas with assured irrigation and minimum natural hazards, intensive agricultural area programmes have been put

into operation in 10 districts of the state. Of these, four were selected from Telengana. In the district of Adilabad dry farming practices are being popularised.

Credit is one of the vital factors promoting agricultural production. Until September 1965, the Department of Agriculture was providing loans to farmers for purchase of oil engines and electric motor pumpsets, for deepening and sinking wells, for purchase of tractors, etc. Thereafter, these loans were routed through land mortgage banks. Since the first five-year Plan period, 19,726 oil engines and 10,735 electric motors have been supplied under taccavi loans both by the Department of Agriculture and the land mortgage banks in the entire state. Of these, 6,439 oil engines and 3,751 electric motors were supplied in the Telengana region.

Apart from the schemes for agricul-

tural production for the entire state, a number of special schemes have been implemented exclusively in the Telengana region to step up yields of crops.

Andhra Pradesh stands first both in area and production of castor in the country, of which more than 83 per cent of the area is situated in the Telengana region. A scheme for increasing castor production by introducing improved varieties and by adopting improved agricultural practices is under implementation. A special hybrid variety of castor NPH.1 has been recently introduced in this area. This variety has a duration of 140 days as against 280 days of the local variety and yields two to three times more. A seed multiplication programme has been taken up with this variety to cover about 40,000 acres during 1969-70. In the course of the next two or three years, it is proposed to replace all the

TABLE I
AGRICULTURAL PRODUCTION IN TELENGANA REGION AND ANDHRA PRADESH

Serial No.	Crop/Commodity	Unit	Telengana		Per cent increase (+) decrease (-)	Andhra Pradesh		Per cent increase (+) decrease (-)
			1956-57	1966-67		1956-57	1966-67	
1	2	3	4	5	6	7	8	9
1	Foodgrains	Lakh tonnes	14.54	22.80	+56.9	57.98	68.23	+17.7
2	Oilseeds	Lakh tonnes	3.69	1.97	-46.6@	11.46	—	@
3	Cotton	Lakh bales	0.34	0.52	+52.9	1.26	1.38	+9.5
4	Sugarcane (cane)	Lakh tonnes	12.08	16.47	+36.3	61.94	79.05	+27.6
5	Tobacco	Lakh tonnes	0.09	0.23	+155.6	1.32	1.69	+28.0

@Decrease in yield of oilseeds is mainly due to decrease in area under cultivation.

TABLE II
AVERAGE PER ACRE YIELD OF PRINCIPAL CROPS IN TELENGANA REGION AND ANDHRA PRADESH

(Figures in lbs)

Serial No.	Crop	Telengana		Per cent increase (+) decrease (-)	Andhra Pradesh		Per cent increase (+) decrease (-)
		1956-57	1966-67		1956-57	1966-67	
1	2	3	4	5	6	7	8
1	Rice	644	1168	+80.6	1038	1185	+14.2
2	Jowar	329	409	+24.3	394	424	+7.6
3	Bajra	201	250	+24.4	438	503	+14.8
4	Maize	408	689	+66.4	97	679	+36.6
5	Bengalgram	208	202	-2.9	55	218	+14.5
6	Redgram	227	339	+49.3	243	371	+52.7
7	Groundnut	581	350	-39.8	816	615	-24.6
8	Castor	107	228	+113.0	195	207	+6.2
9	Gingelly	166	76	-54.2	170	186	+9.4
10	Virginia tobacco	505	793	+57.0	652	729	+11.8
11	Cotton (lint)	46	93	+102.2	60	71	+18.3
12	Sugarcane (cane) (tonnes)	33	29.6	+28.7	27.20	31.60	+16.2

existing varieties with this new hybrid over the entire area.

Cotton is an important crop in Adilabad district under rainfed conditions with an area of 1.74 lakh acres. Taking advantage of the heavy rainfall in Adilabad, a special scheme for fertiliser application of rainfed cotton has been taken up. The scheme envisages introduction of suitable agricultural practices like placement of fertilisers under rainfed conditions and adoption of plant protection measures. By the implementation of this scheme, the per acre

yield of cotton in this area has gone up by 30 per cent.

No account of agricultural development in the Telengana region in recent years will be complete without a reference to the spectacular progress of grape cultivation in the area, particularly in and around Hyderabad. As a result of massive investment of capital by entrepreneurs from all parts of the country, a table variety of grapes known as "Anab-e-Shahi" is grown on an ever-increasing acreage. An investment of

Rs 20,000 is necessary for grape cultivation of one acre. It has been calculated that about six crore rupees have been invested in this project in addition to the annual recurring investment of Rs 1.8 crores.

Each acre employs in a season about 1,000 man-days of labour for its maintenance, harvest and packing. This would mean that the grape cultivation in and around Hyderabad is providing employment for 30 lakh man-days of labour paying about Rs 60 lakhs in the form of wages.

Nagarjunasagar: A Mammoth Multipurpose Project

OUR MADRAS BUREAU

THE MULTIPURPOSE Nagarjunasagar project, named after the famous Buddhist scholar Nagarjunacharya, who lived in the vicinity of this area in the second century AD, is located in the basin of river Krishna. It will provide irrigation facilities for about 1.4 million hectares. In addition, it will help development of potential hydro-power to the extent of 400 mW.

The foundation of the project was laid by late Jawaharlal Nehru on December 10, 1955.

In its entire scope, this multipurpose project incorporates many unique features. The construction of a rubble masonry dam 124.66 metres high and an earthen dam 25.91 metres high on the banks across the river Krishna resulted in the formation of a reservoir having a gross storage capacity of 11.6 thousand million cubic metres of water. This biggest masonry dam in the world is built by utilising maximum manpower. The total draw-off for irrigation of

1,019.45 cubic metres of water envisaged from the reservoir will be the largest in India. The construction of the right canal, 235 miles long, named 'Jawahar Canal', with a carrying capacity of 594.7 cubic metres of water per second at head is intended to irrigate 0.83 million hectares of land. The left canal 218 miles long named 'Lal Bahadur Canal', with a carrying capacity of 424.75 cubic metres of water per second at head is expected to irrigate 0.58 million hectares. There will also be a power house capable of generating 4,00,000 kW electricity.

Both the canals were inaugurated by Prime Minister Indira Gandhi three years ago.

The project is situated near Nandikonda village in the Miryalaguda taluk of Nalgonda district. It is about 90 miles from Hyderabad by road. A modern township of Vijayapuri has grown on either side of the river and the colonies on the right and left banks of the river are known as Vijayapuri

South and Vijayapuri North, respectively.

Some places of interest around Nagarjunasagar are: (i) Pylon—a beautifully engraved granite stone pillar with lotus as its base, Purna Kumbha as its apex and sculptures of Nagarjunacharya, the Dharma Chakra, the worker and the peasant with the inevitable pair of his bullocks, beautifully engraved on all its four sides, (ii) the right canal—the biggest irrigation canal in the world—which takes off from the right flank of the dam and cuts across the Pasuvemula range of hills through a set of twin tunnels of 27 feet internal diameter and 4,235 ft. in length; (iii) the left canal, which takes off from the foreshore of the reservoir and crosses the Alwal ridge by means of a single bore tunnel of 32 feet internal diameter and 7,500 feet in length—the longest irrigation tunnel in the world; and (iv) the Ettipothala waterfalls, 11 kms. down stream of the dam site, which is a great tourist attraction. The height of the waterfalls is 70 feet.

ANDHRA PRADESH: AREA UNDER FOOD AND NON-FOOD CROPS
1963-64 to 1967-68

Year	Food		Non-food		Total	
	Acres	Hectares	Acres	Hectares	Acres	Hectares
1963-64	2,50,63,624	1,01,42,898	64,46,738	26,08,905	3,15,10,362	1,27,51,803
1964-65	2,50,33,549	1,01,30,727	64,88,340	26,25,740	3,15,21,889	1,27,56,467
1965-66	2,34,17,225	94,76,623	64,59,536	26,14,084	2,98,76,761	1,20,90,707
1966-67	2,47,38,722	1,00,11,413	65,84,135	26,64,508	3,13,22,857	1,26,75,921
1967-68	2,45,60,767	99,39,405	70,54,374	28,54,808	3,16,15,141	1,27,94,213

Source : Bureau of Economics and Statistics, Andhra Pradesh.

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The Corporation has so far rendered financial assistance in different forms on 928 applications for Rs. 20,76,39,722 of which 681 loans are for small scale industries.

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7½%
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The Corporation will help the entrepreneurs to obtain developed plots in Industrial Areas in different parts of the State, and also arrange if necessary underwriting from other financial institutions.

Export Potentialities of Andhra Pradesh

V. P. RAMA RAO

EXPORT EFFORT in India till recently has been generally assumed to be the responsibility of the central government which is responsible for planning, directing, controlling, co-ordinating and implementing the export policy and programmes on an all-India basis. A stage has now come when the responsibility of this effort has to be shared and shouldered by the state governments as well. It is also the responsibility of the state governments to see that benefits of national policies, in relation to the exports from the country, percolate to the primary producers located in the hinterland away from the regional headquarters of the central government organisations, to create consciousness among the trade and industry within their jurisdiction, to impart an export-bias to all that is produced and to remove difficulties that are faced by exporting interests in the state.

With this object in view, the Government of Andhra Pradesh has set up a full-fledged directorate to deal with the subject of "Export Promotion". This department came into existence in 1966.

Agricultural Economy

The economy of Andhra Pradesh is primarily agriculture-oriented. Apart from foodgrains, which account for a bulk of agricultural production, there are a number of commercial crops which are grown in the state. Andhra Pradesh is a leading producer of tobacco, turmeric, castor seeds, groundnuts, chillies, mesta, coriander, etc., which figure in the country's export trade. The state accounts for 95 per cent of the total production of the country in flue-cured Virginia tobacco which is a traditional item of export from India.

Andhra Pradesh is also endowed with a wide range of commercially exploitable mineral resources, such as coal, iron ore, mica, manganese, limestone, asbestos, clay, graphite, mineral pigments, marble, steatite, chromite and granite. The state has an abundance of natural resources of black, grey and pink granite. The granite polishing industry is concentrated in this state which is the chief source for export of polished granite in the country. Ferromanganese is yet another important item with vast export potentialities.

The state has rich forest wealth also and produces several forest-based exportable items such as red sanders,

bidi leaves, myrabolans, nux-vomica, etc.

With a long coastline of about 950 kms., Andhra Pradesh has good potential for marine products. However, the fishing industry in the state is yet to be developed on modern lines in order to contribute substantially to the exports of marine products.

Leather Exports

Andhra Pradesh occupies a position of considerable importance in the export of leather and leather manufactures as well. Direct exports from the state are not much. However, indirect exports through established commission agents in Madras total up to a substantial amount. On the basis of the survey conducted by the Indian Institute of Foreign Trade, it has been estimated that indirect exports of leather and leather products from Andhra Pradesh were of the order of Rs 4.4 crores in 1965-66, which could be stepped up to the level of nine crores of rupees by 1970-71. Among animal products, animal casings, bone and bone-meal, horns and hooves, though small in nature, command a good export potential. Andhra Pradesh has been particularly favoured with a formidable variety of crafts. They range from metal-work and lacquer-ware to brocades and hand printed textiles. Quite often traditional skills flourish alongside the modern combining art and utility, sacrificing nothing of their characteristic native quality. Crochet lace, pile carpets, bidri ware, nirmal ware, Hyderabad coin products, himroo, kalamkari, studded-bangles, red sanders and lac dolls, Kondapalli toys, palmyra leaf baskets are some of the handicrafts of Andhra Pradesh which command good export potential.

The state with nearly six lakh looms, spread over almost all the districts, enjoys a good potential in respect of exports of handloom products. Pochampalli saris, Emmagannur bedspreads, Madras handkerchiefs and lungies are some of the handloom products worth mentioning for export trade. There are nearly 10,000 looms engaged in silk production in the state. Dharmavaram saris and piecegoods are noted for their quality.

The Indian Institute of Foreign Trade was commissioned by the state government for conducting a comprehensive survey of export potential of Andhra

Pradesh. One of the major objectives of the survey was to build up an estimate of the contribution of Andhra Pradesh to the total exports of the country and to assess the potential for raising exports in the years to come.

It has been estimated that the exports of Andhra Pradesh amounted to Rs 44.9 crores during 1965-66. These comprised mainly tobacco (Rs 17.5 crores), handloom products (Rs 5.7 crores), vegetable oils and oil cakes (Rs 5.0 crores), leather (Rs 4.5 crores), sugar (Rs 2.8 crores), mica and other mineral products (Rs 2.2 crores) and palm fibre (Rs 1.0 crore). The balance of Rs 6.2 crores was spread over a wide range of items including spices, rice bran, petroleum products, human hair, handicrafts and engineering products. The exports of tobacco, sugar and vegetable oils and oilcakes together amounted to Rs 25.3 crores.

The Institute came to the conclusion that the level of exports could be stepped up to Rs 90.64 crores by 1970-71, if the guidelines provided in the survey report were acted upon by the state government and necessary steps were taken to implement the various recommendations contained in it regarding the different products.

Due to the predominance of agriculture in the state's economy, the existing production base for engineering products is rather weak. Efforts, however, continue to be made by the industries department of the state to strengthen

MINERAL DRESSING AND PULVERISING COMPANY

The Mineral Dressing and Pulverising Company (MDP) was established a few years ago to deal in and to market raw materials available in Andhra Pradesh.

The distinction of being the pioneer in manufacturing a wide range of bleaching earths in India goes to this company. As a result of research and development, MDP has improved the technology and know-how for the manufacture of bleaching earths from indigenous minerals. The company is receiving repeat orders from leading solvent extraction plants, oil refineries and vegetable ghee (vanaspathi) plants.

the base and step up production of various items of engineering products. Since the dearth of technical personnel is a vital factor to reckon with in certain cases, every effort should be made to fill this gap. During 1965-66, according to the survey, exports of engineering goods were almost negligible and amounted to less than Rs 10 lakhs. Due to the improved conditions and the various steps adopted by the state government and also due to the untiring efforts of the entrepreneurs in the existing engineering units, exports in this sector have registered an appreciable increase. Some of the important items which registered a substantial increase in exports are: asbestos cement plant, machinery and engineering products Rs 89 lakhs, cycle parts Rs 11 lakhs, public address and inter-communication equipment Rs nine lakhs, refrigeration compressors Rs 10 lakhs, laminated sheets Rs 10 lakhs, and sewing machines Rs 3 lakhs. Several new items have also entered the export markets from the engineering sector. They possess unmistakable potentialities for the years to come. The prominent among these are electric

transformers, cables, detonators, wood screws, automobile parts, etc.

A major weakness of the economy of Andhra Pradesh is inadequate availability of entrepreneurship for trade and commerce. In regard to many commodities, the manufacturers have not shown interest even in looking beyond their districts or immediate neighbourhood for marketing their products, let alone other states. Despite the fact that the economy of Andhra Pradesh is heavily dependent on the agriculture sector, for major agricultural products like chillies, coriander, turmeric, trading entrepreneurship within Andhra Pradesh is limited to the role of commission agents, brokers and the like. The principal market functionaries are traditionally located in adjoining states or port towns.

With a view to generating consciousness in the trade and industry of the state for participating in the export effort and to create appropriate climate for exports and to initiate steps for promoting export entrepreneurship, the state government's department of commerce and export promotion has been

taking various measures such as supply of market information, organising participation in international fairs, sending delegations to foreign countries, imparting training on export marketing, etc.

With a view to providing institutionalised agency to take up direct exports the state government has constituted the Andhra Pradesh State Export-Import Corporation Limited which was registered in June, 1970. This corporation it is hoped, will greatly assist the small entrepreneurs in exporting their products and also to step up exports of the existing products besides introducing new items from the state in the international markets.

The export drive undertaken by the state government will measure up to the expectations if only an all-out effort is made by the trade and industry of the state to utilise the vast export potential of Andhra Pradesh. In particular, attention should be paid to such crucial factors as productive investment, streamlined administration, product innovation and utilisation of modern technical know-how on a large scale.

Andhra Bank on the March

K. GOPAL RAO

Chairman, Andhra Bank

ANDHRA BANK, now the largest banking institution in the country in the private sector, has made impressive progress in branch expansion, grant of advances to the priority sector, and deposit mobilisation during the year ended June 30, 1970.

During the last two years, the number of branches of the bank has almost doubled: from 118 branches on June 30, 1968, to 209 branches on July 1, 1970. Out of these 209 branches, 183 branches are in Andhra Pradesh itself. The figures given below set out the bank's spectacular growth in the matter of branch expansion:

Date	Number of branches		
	Rural and semi-urban	Urban	Total
June, 30, 1968	73	45	118
June 30, 1969	84	46	130
June 30, 1970	150	59	209

A new scheme introduced by the bank is the cluster branches or satellite branches scheme, covering 27 villages—populous and agriculturally promi-

nent. Three such clusters are now functioning based at Tenali, Tanuku and Rayavaram. Banking is carried to the doors of the rural folk under this scheme. They would otherwise have to wait for a long time to have a banking office in most of these villages.

Andhra Bank has opened branches in a number of pilgrim centres solely to assist devotees visiting these shrines, as there is little scope otherwise for banking business in these centres. The bank has an ambitious programme to increase its rural branches in Andhra Pradesh to the maximum extent possible. The aspiration is that no villager should have to travel more than five miles to reach a branch of the bank.

As regards the priority sector advances, particularly in advances to small farmers, the bank has made a good deal of progress. The number of accounts of agriculturists has increased from 2,668 as on June 30, 1968, to 37,902 as on June 30, 1970, the amount lent being Rs 6.96 crores as against Rs 1.39 crores on June 30, 1968, and Rs 2.97 crores on June 30, 1969. The direct advances of the bank to agriculturists amounted to Rs 4.89 crores spread

over to 37,140 agriculturists. The average advance per farmer works out to Rs 1,310, but the sums advanced are even as low as Rs 100 in many cases.

The bank has recently taken up financing of primary agricultural societies. Though this has been the function of the nationalised banks, Andhra Bank volunteered to participate in this lending programme. The bank has sanctioned credit limits to the tune of Rs 11.30 lakhs to 29 societies. The bank will also be participating in the Small Farmers' Development Agency Scheme recently introduced by the Government of India in the Srikakulam district which is incidentally its 'lead bank' district.

Under the 'lead bank' scheme, Andhra Bank has been allotted six districts. It is the "sole lead bank" in West Godavari, East Godavari and Srikakulam districts of Andhra Pradesh and Ganjam of Orissa. It is also the "joint lead bank" with Indian Bank in Krishna and Guntur districts.

The interest taken by Andhra Bank in the promotion of small industries has yielded tangible results. The number of small industries accounts which stood at

206 in 1968 with advances in terms of outstandings aggregating to Rs 2.46 crores, has risen to 819 with outstandings totalling Rs 6.28 crores as on June 30, 1970. This impressive progress has been achieved by the bank through the creation of a special cell for advising small-scale industrialists.

Under the Special Technocrat Sche-

me, the bank finances deserving technocrats to the extent of 100 per cent of their requirements for plant and machinery and also 100 per cent of the requirements of raw materials. As on June 30, 1970, the bank's advances to retail traders amounted to about a crore of rupees.

The Andhra Bank is fully aware that

its progress depends upon a successful mobilisation of deposits. The deposits of the bank increased by about Rs 9 crores during 1969-70. In terms of percentage, the increase was 22.26 per cent, compared to 16 per cent for the State Bank group and seven to 21 per cent range in the case of nationalised banks last year.

Attractions Galore for Tourists

OUR MADRAS BUREAU

ANDHRA PRADESH abounds in unlimited attractions for the tourist, whether he is an antiquarian, an archaeologist, a lover of wild life, a naturalist or just an artist on the look-out for picturesque spots. One of the few twin cities in the world, Hyderabad-Secunderabad, the capital of Andhra Pradesh—"the city of the music of cymbals and serenades" as Sarojini Naidu described it years ago—exercises a strange fascination over the tourist. Char Minar, a magnificent edifice of granite, is the towering landmark of the capital. The 400-year old Golkonda Fort, the Mecca Masjid and the Osmania University with its extensive campus are among the other major attractions. But, the most rewarding for the tourist is the Salar Jung Museum.

Tourist Boom

If there are no hill stations in Andhra Pradesh, this is made up by several picnic spots of great charm and beauty. The Kuntala Waterfalls in Abilabad district, Ettipothala waterfalls in Guntur district, Kailasnatha Kona and Talakona falls in Chittoor district are only a few such places for a quiet holiday.

For the lover of wild life, Andhra Pradesh provides a rich fare. In the sanctuaries of Pakhal and Eturnagaram in Warangal district, Pocharam in Medak district, Jaunaram in Adilabad district and Chintapalli in Visakhapatnam district, there are bears, tigers, panthers, sambhars and wild boars in addition to a rich variety of feathered game.

Andhra Pradesh is also the home of

many famous temples of India. The most important among these is the shrine of Lord Venkateswara on Tirumalai. To the Indian pilgrims, this is a place of special sanctity. It is the richest temple in the country and attracts worshippers from far and near, all round the year. Then there are the shrines of Mallikarjuna at Srisailem and Sri Rama's temple at Bhadrachalam on the wooded banks of the Godavari.

Nagarjunasagar

In addition to these temples of old, there are many modern temples dedicated to the welfare of common man which have sprung up in independent India. The most outstanding among them is the Nagarjuna Dam, the tallest masonry dam in the world across the Krishna, about 90 miles from Hyderabad. A visit to the dam as well as to the island museum in the heart of the reservoir, which houses the archaeological Buddhist relics, will be very rewarding. This is the prestige irrigation project of Andhra Pradesh. The adjoining Buddhist sites are of great historical importance; they throw light on one of the greatest religions of the world.

The Regional Tourist Information Bureau is now functioning at two places—Tirupati and Visakhapatnam. A luxury coach is run for sight-seeing trips to places of interest in and around Hyderabad and Secunderabad.

There is a new boom in tourism today. India together with many other

countries is accelerating its efforts to meet the challenge of the new boom. If we fail now to get our share of the world tourism and allow our country to be by-passed, it will be by-passed for years to come.

Unlimited Potential

India's potential for tourism is virtually unlimited and now is the time to convert this potential into actual terms by a two-pronged strategy of strengthening our infrastructure at home and improving our image among tourists abroad. Our success in attracting foreign tourists depends largely on the image of our country we are able to project abroad, in a market which is not only competitive but also highly discerning. It is, therefore, important that the image portrays a young dynamic nation which, while retaining its rich ancient heritage, is modern and progressive in outlook, a nation where the masterpieces of ancient culture exist side by side with gigantic industrial complexes, a country which abounds in natural beauty, in the exotic and the mysterious and at the same time offers the comforts and luxuries of modern communications, transport and hotels.

For a vast country like India, with its diverse and limitless possibilities of tourism development, the Rs 25 crores earmarked for this purpose in the fourth Plan is far too small. The government both at the centre and in the state are evolving a new strategy to develop tourism. If properly implemented, this should yield positive results.

Administrative Staff College : Aims and Objects

N. P. SEN

THE ADMINISTRATIVE Staff College of India was established in 1957 with the active support of the central and state governments as well as the major public and private sector enterprises.

The major aim of the college is to contribute to the better management of affairs in the country through high level research and management education programmes for senior executives from government and industry and through consultancy and applied research.

During the current academic year, the management development division of the college would have conducted as many as 29 programmes which would have been attended by over 700 executives, mostly from the senior echelons in government and industry, covering general management and the traditional functional fields of marketing, finance, production, industrial relations and

materials management. Besides, a series of short seminars and courses on investment planning, corporate strategy and long-term planning, management information systems, systems analysis and design would have been arranged. These courses project both the theory and practice of the latest techniques and styles in management, both in public administration as well as in industry, banking and other fields.

Diversified Activities

Since its inception, well over 3,000 executives from government and industry have attended various programmes at the college and many of them are now occupying top positions in public administration and industrial management. The college continues to remain in touch with this large body of policy-makers and administrators.

In the initial years, the college received strong financial support from the cen-

tral government which effectively helped its growth and diversification. The Ford Foundation has also been most supportive in helping in the development of many activities of the college. However, the college strives for its own economic viability and the degree of success obtained in this direction is perhaps unique in India. This enables the college to enjoy the maximum measure of autonomy and flexibility essential for the growth of the services expected from it. The college society comprises a large number of state governments and major organisations in both the public and private sectors.

While the past achievements give cause for satisfaction, the college is determined not to rest on its laurels but to continue to grow in the diversity of its activities and the expertise of its staff, so as to provide the widest possible service to the nation.

NEWS FOR NEW INDUSTRIES

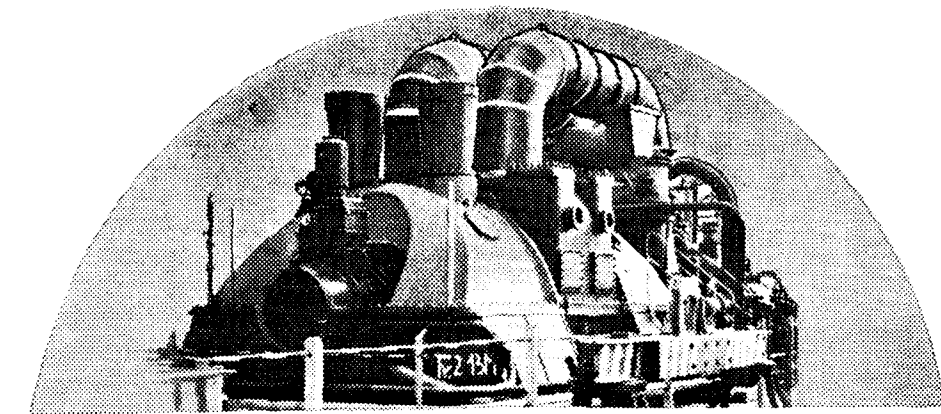
- A ranges for Collaboration.
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- I nvests in Share Capital, Debentures and Bonds as Financial Assistance.
- D irectly Promotes Selected Industries in Collaboration with Private Parties.
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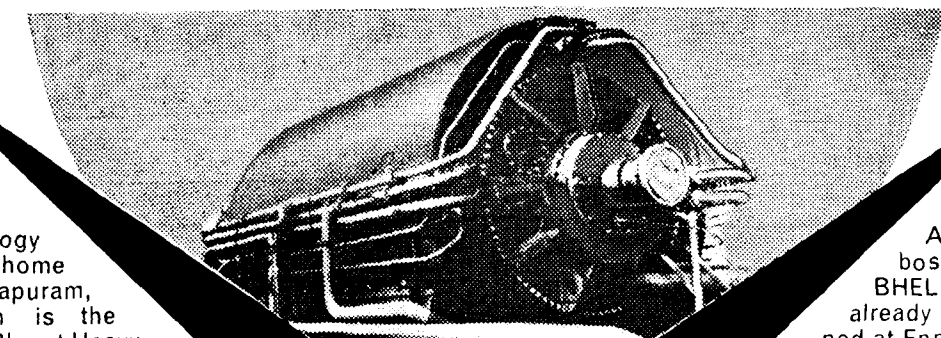
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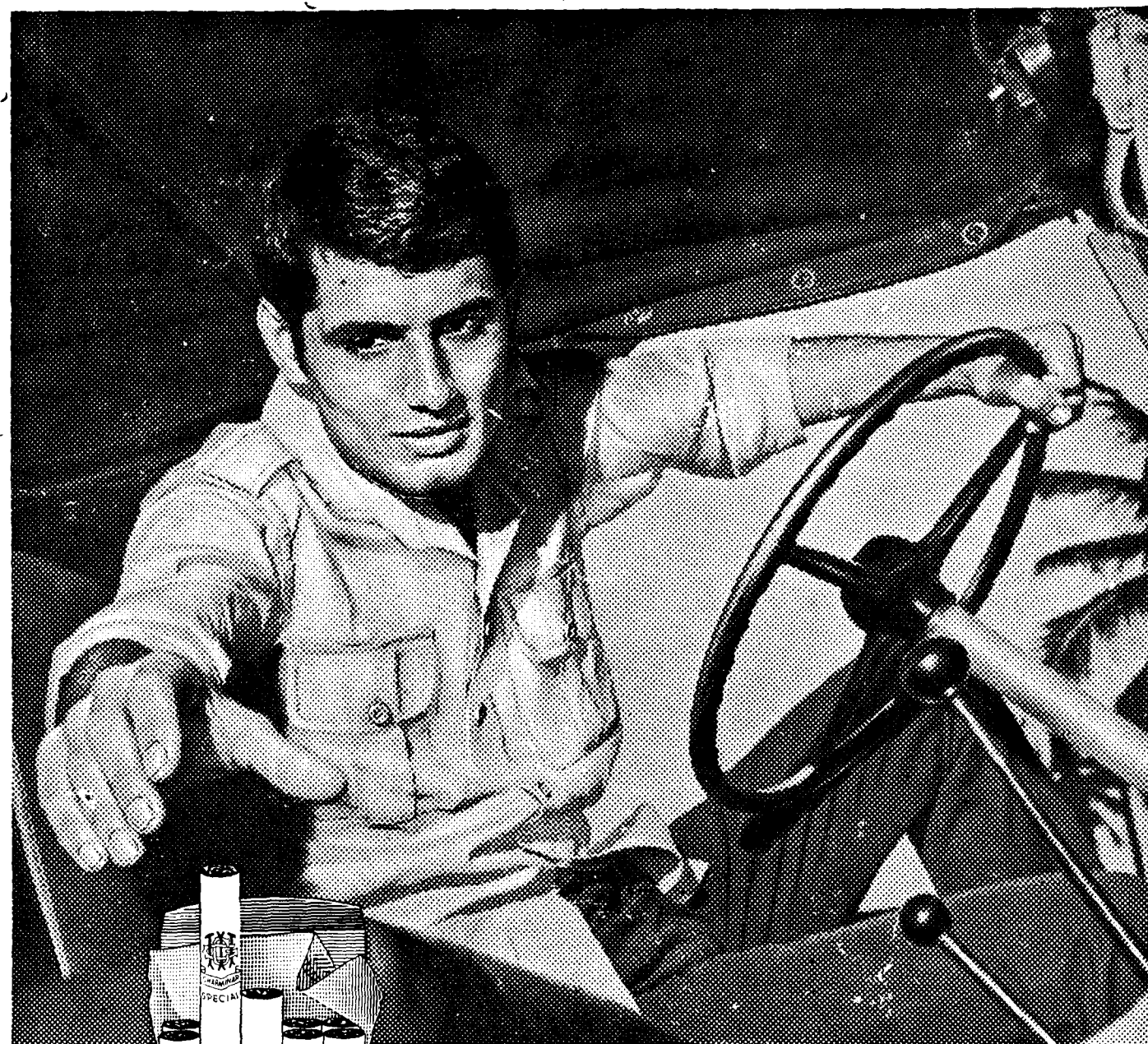
A 60,000 KW Turboset supplied by BHEL Hyderabad has already been commissioned at Ennore and has been connected to the Tamil Nadu Power Grid.

Other States which will have Thermal Stations powered by turbosets from the Hyderabad Plant are Andhra Pradesh, Bihar, Delhi 'C', Haryana, Punjab and Uttar Pradesh.

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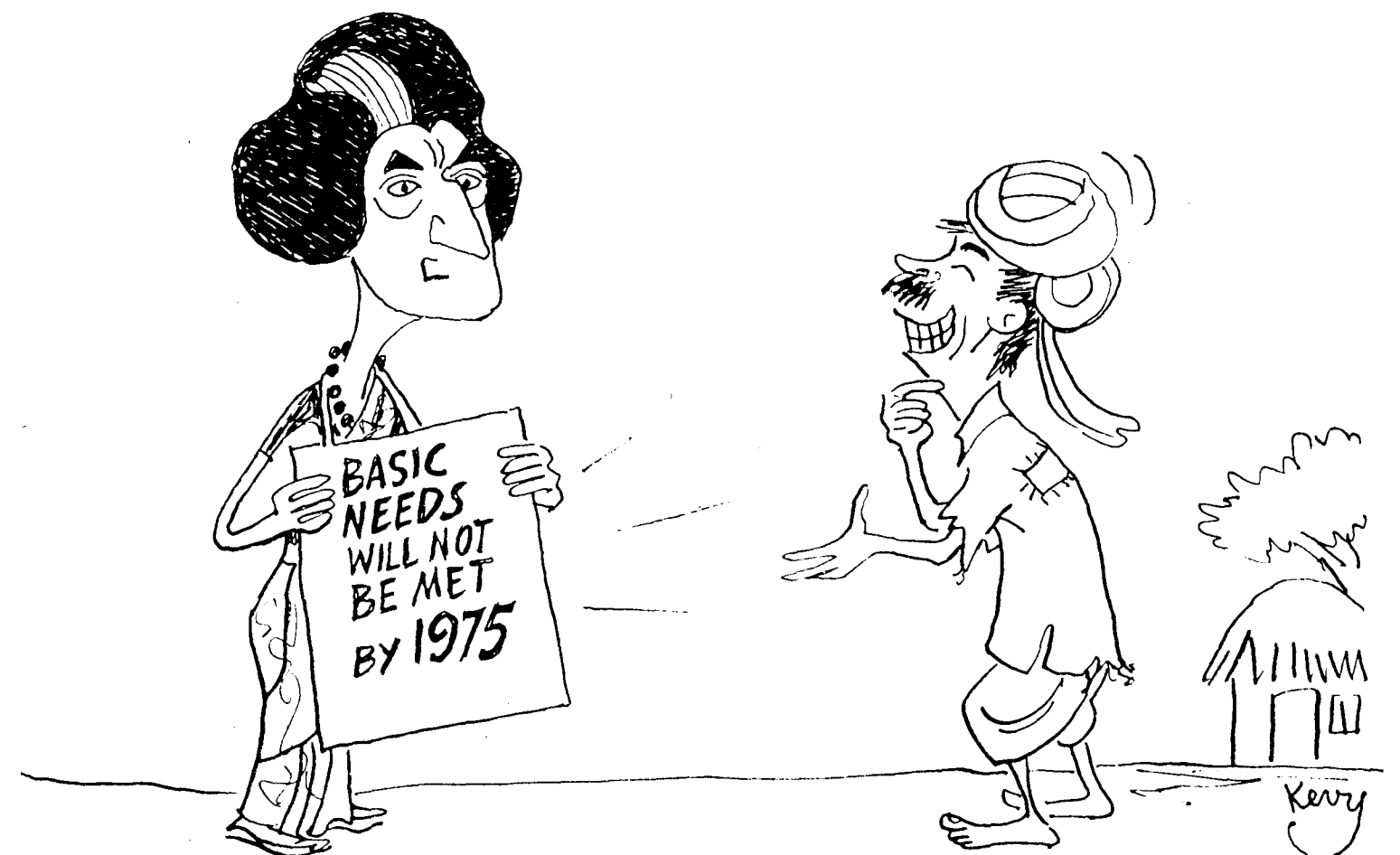
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".....this large number of 35 to 45 million young people (in the age group of 21 to 24), and if we take into account those in the age-group of 18 to 21, then some 85 to 95 million youngsters, have been born after Independence. They are not much concerned about what happened in the past during the long years of our political tutelage. They are not even impressed with the progress that has been made during the past 20 years when they see for themselves that not even minimal transport, health and other services are available. In their view, and rightly, there is no reason at all as to why most of them should remain poor and be denied of employment opportunities. What is more, with the educated unemployed segment growing, the young people today are getting more and more impatient. Ideology is a poor substitute for a decent life."

—L. N. BIRLA



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NOVEMBER 27, 1970

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POLITICS IS NO SUBSTITUTE

THE STATESMAN demanded recently that the Calcutta port be written off. There are others even more desperate, who clamour for the whole of West Bengal to be written off. Such declamations emphasise the prevailing mood of frustration in the nation as well as the people's loss of confidence in the central government's ability to govern. In these circumstances, every phrase of hope or act of faith in the future of our country needs to be noted and treasured.

Mr G.L. Mehta, for instance, believes that it is not too late to save even West Bengal. The rescue, he suggests, should be attempted primarily on the economic front by organizing an adequate flow of public or semi-public institutional funds into the establishment of new industries by local entrepreneurs and managements. His article, which was published some time ago in *The Statesman*, implies that the crisis in this state is essentially a consequence of a progressive breakdown in our economic planning. If West Bengal is sick and ailing today, it is not because its disease has been divinely ordained. Even old man Mao ought not to be blamed too much. The guilty men are perhaps to be found nearer home.

The question is whether they could be reformed. The Federation of Indian Chambers of Commerce and Industry apparently believes that there is still a chance. In any case it has been hopefully organizing seminars in the belief that they may not merely be exercises in preaching to the converted. The latest in the series, a seminar on "Industrial Development — Its Challenge and Potentiality", was held in the capital a few days ago. Some idea of the utility of such discussions may be gathered from the fact that it inspired the present Secretary in the Ministry of Industrial Development (who will shortly be assuming the office of Cabinet Secretary) to declare that, if there were to be a conflict between economic growth and social justice, the latter would have to triumph every time. Which comes first? The egg or the hen? Social justice or economic growth? It is after all incumbent on the more eminent among us to live up to our reputation as a philosophical nation.

Philosophy, they say, merges ultimately with mathematics or vice versa. Mr L.N. Birla's appeal to the challenge of numbers at this seminar was therefore not inappropriate. He pointed out that there were about 95 million young men and women in our country in the age group of 18-24. Born after India had become free, they have been left searching for a meaning to this freedom in terms of basic opportunities. Social justice demands that they should not seek or struggle in vain. How is this demand to be met except through economic growth at a fast enough pace?

Mr Birla suggests that ideology is a poor substitute for a decent life. Politics is an even poorer one. Should we be playing politics, then, with the problem of resources? Reviewing the performance of the Indian Investment Centre in its ten years, Mr G.L. Mehta wondered whether institutions like this one could fulfil themselves without an environment of encouragement by the state of foreign investments in our economy. Among the many question marks which have been confounding our economic situation is the one whether the government accepts the fact that foreign private capital is needed to supplement our domestic savings if our economy is to grow. Again, are such investible funds as we may have going to be employed more wisely in the future, or will a good part of them continue to be consumed in areas of low productivity through the imprudent extension of state capitalism to areas of industry or commerce? Worse still, as Dr Bharat Ram asked at the seminar, should government persevere in regulating the private sector in such a negative manner that further obstacles are placed in the path of the nation utilising its scarce resources in the best possible manner? Finally, is the last word in these matters to be left to the mere politician?

Taxation, Growth and Social Justice

WHILE INAUGURATING the All-India Conference of Tax Executives in the capital recently, Mr Y.B. Chavan, Minister for Finance, tried to justify the heavy incidence to taxation in this country by stressing the need for combining "economic growth with social justice". He conceded the point that all possible steps would have to be taken for accelerating the growth in national income which, in his words, would imply "giving adequate incentive to work, save and invest" to all classes of people and not only to the affluent, but he failed to see that the high level of taxation in our country, combined with rising prices, retarded the process of saving and investment and had defeated the very objective of speedy development. It is indeed a pity that both the Finance Minister and the officials in his ministry have got caught in nebulous reasoning in this regard with the result that the fiscal policies pursued so far have neither accelerated savings and investment nor given a push to growth. Consequently, there is not enough to distribute to the less privileged and the slogan of "growth with social justice" remains no more than a vote-catcher; it has little to deliver to the people whom the government ostensibly wishes to assist.

Mr D.C. Kothari, President of the Federation of Indian Chambers of Commerce and Industry, exploded the myth of "social justice through redistribution of incomes by sophisticated tax measures". He rightly said that economic growth is itself an instrument of social justice. The policy of redistributing incomes and wealth through tax measures not only stifles growth but also implies "redistribution of poverty". He illustrated this point in a telling manner when he said that "even if the whole of the income of persons earning more than Rs 25,000 a year were equally distributed among the rest of the population, their per capita income will increase only by 40 paise per month". Surely, such a measure would not bring about any substantial change in the standard of living of the poor but would shut off the traditional sources of savings and investment.

The same point was hammered in by Dr Bharat Ram, President of the International Chamber of Commerce, while inaugurating recently the seminar on "Economic Growth in Sixties and Projections for Seventies" which was organised by National Investment and Fi-

nance (NIF) an economic weekly. He said that savings formation in our country, at least in government circles, is confused with increased rates of taxation. This is no more than a myth, as additional taxation does not necessarily go towards savings formation and most of it is absorbed by increased current outlays. Citing figures Dr Bharat Ram argued that whereas the tax revenue of the centre and the states had increased from Rs 627 crores in 1950-51 to more than Rs 4,000 crores in 1969-70 raising its percentage to national income from 5 to 15, the savings of the government amounted to about one per cent of the national income. It is patent thus that taxation in this country has not only hindered savings formation but has also retarded investment and growth.

There is thus great merit in the assertion made by Mr D.C. Kothari that the "emphasis on social justice" in the government's policies has not been correctly spelt out. The growing problem of unemployment, for instance, could not be tackled if the present hesitant rate of growth of the economy continued. It is not enough that we plan for a rate of growth of five to six per cent per annum. We have to aim high and achieve a growth rate exceeding eight per cent, as has been the case with Iran, Israel, Japan and Puerto Rico. There is no dearth of "resources, enterprise, talents and skills" in this country; it is the absence of a constructive policy in the fields of taxation and industry which has not allowed our economy to race ahead at a faster pace.

Besides the discussion of the incidence of taxation on growth, the seminar took up three specific subjects, namely, taxation of wealth, tax treatment of perquisites and inter-corporate dividends in regard to all of which the participants threw up some valuable suggestions so as to cover the inadequacies in the income-tax law and also drew attention to certain areas which needed the active attention of the law makers. One of the objectives in imposing the wealth tax in this country was to increase the tax revenue. As Dr A.P. Gupta of National Engineering Industries Ltd. stated in his paper, this objective had hardly been achieved. While the yield from income tax was more than Rs 300 crores, that from wealth tax hovered around Rs 10 crores a year. Besides the fact that the

direct yield from this tax has been low, it has also made no contribution towards increasing income-tax revenue.

Mr S.H. Dua of Industrial Cables made a pointed reference to the valuation of foreign assets of a resident assessee in regard to which neither the Act nor the Rules have laid down any instructions. For valuation of assets in this country, the lists of valuers have been approved but no such step has been taken for foreign assets. It is not known how valuers in this country can be deemed to be competent to evaluate foreign assets. The number of such cases might be small but this lacuna certainly needs to be removed. This is also true of such intangible assets as "goodwill, licence and sharehold rights" for which neither the Act nor the rules have laid down any specific basis for valuation.

A number of valid questions were raised by Mr S.N. Gupta of Shree Services & Trading Co. regarding the valuation of unquoted equity shares of companies for purposes of estimating wealth tax. How far is it fair, asked Mr Gupta, to a citizen to tax him on the basis of the break-up value of shares when there is no possibility whatsoever of the shareholder ever getting the said amount? Again, even if the break-up value method is the only equitable way of computing the valuation of unquoted shares, it is unfair to discount it at the rate of 15 per cent (as allowed by the wealth tax rules) since the value of a share quoted in the stock exchange is usually lower than its break-up value and therefore the unquoted share is by comparison at a disadvantage. The discount of 15 per cent allowed in this case is not sufficient to put them on a comparable basis.

The method adopted for the valuation of the shares of investment companies is also faulty. In their case, besides considering the break-up value, the capitalised value of the shares on the basis of the past five years' average profit is also taken into account. This provision is unjust to those investment companies which were not investment companies for four years but, because of the abolition of the managing agency system, were put in that category in the fifth year. This is an anomaly which deserves to be removed.

As was expected, the participants in the seminar were agitated over some of the problems regarding valuation of assets for wealth tax purposes as in the event of a difference beyond the permissible limit between the value shown by the assessee and that allowed by the wealth-tax officer, the penalty imposed is extremely high which in some cases would amount to confiscation of

the assets itself. Mr R.N. Lakhotia, Mr S. Srinivasan and a few others dwelt on this subject and brought out some of the problems, legal and otherwise, which had caused anxiety to the assessees.

Regarding perquisites which have been pegged at one-fifth of the salary of an employee, it was the view of a number of participants in the seminar that this limitation was too low. It was rightly argued that the government should encourage rather than penalise "progressive employers" who were well-disposed to their employees. In the case of rent-free accommodation provided by employers to employees, the employee is called upon to pay tax by way of rent to the extent of 10 per cent of his salary and in a case where the rental value of the accommodation is equivalent to 30 per cent of the employee's salary, though the employee is expected to pay 10 per cent additional only, another 10 per cent (being the excess over 20 per cent of the salary) will attract tax in the employer's assessment. In such a case one perquisite alone covers the total allowance.

Again, the entertainment expenditure has been disallowed altogether since the passing of the current year's budget. Earlier the maximum expenditure for entertainment allowed to a company for this purpose was Rs 30,000 a year. It is essential that entertainment expenditure should once again be restored because entertainment is an essential part of business activities today. Many of our businessmen visit foreign countries for concluding business contracts and there they are entertained by their hosts. When foreign businessmen visit our country, it is normal practice for us to entertain them.

The restrictive measures in regard to guest houses, residential houses, canteens and welfare expenses came in for sharp criticism at the seminar. It was felt that the government had failed to realise the important role of the industry in creating wealth for the benefit of the people at large. The government itself has proclaimed its faith in the welfare of the people but is restricting the employer who wishes to take measures for improving the living conditions of the employees. The increasing governmental controls over industry make it obligatory for businessmen to visit New Delhi frequently and for this purpose the "guest house" in the capital is a necessity and not a luxury.

The consensus at the seminar regarding taxation on inter-corporate dividends was that it restricted flexibility in the use of corporate capital. This point was brought out clearly by Mr B.L. Kabra of Podar Organization

who said: "When a company wants to embark upon a new line of business or wants to expand its activities in the same line, it has the choice either of undertaking such activity as a part and parcel of itself or of undertaking such activity through a subsidiary. The taxing loss should not impose a heavier burden on one form as compared to the other. In this view of the matter, dividend received from a subsidiary which comes out of the taxed profit such subsidiary should not again be taxed in the hands of the holding company as this dividend (in the hands of the holding company) is nothing else but a business profit in commercial sense through the medium of a subsidiary which has already suffered full tax in the hands of the subsidiary".

Mr Kabra further explained that in order to be able to pay dividend on a nine per cent preference share of Rs 100 a closely-held company paying tax at 65 per cent needs a profit of Rs 25.7. If the yield of nine per cent in the subsidiary company is again taxed at 65 per cent, most of the earnings go to cover the demands of the exchequer. Precisely for this reason the inter-corporate dividends are altogether exempt from taxation in Australia, Canada, New Zealand, Ireland, Ceylon, Brazil, Norway, Finland, Iran, Malaysia and Venezuela. In the USA the exemption allowed is up to 85 per cent. It is thus obvious that the taxation of inter-corporate dividends requires a rethinking for the promotion of speedier growth of the corporate sector.

Less Jute Exports to Belgium

It is unfortunate that the Belgian economic mission, which visited India recently, did not include Calcutta in its programme. That would have provided an opportunity for the representatives of the jute industry to discuss with the mission the problems relating to the export of jute goods to Belgium. It is not known whether the mission consisted

of persons directly connected with the jute industry. Even if it did not, an exchange of views between the mission and the Indian Jute Mills Association would perhaps have been worthwhile.

India's exports of jute goods to Belgium have shrunk sharply in recent years, mainly because of the competi-

TABLE I
BELGIAN IMPORTS OF JUTE FABRICS
(In 1000 francs)

	1967	1968	1969
Netherlands	81,105	162,464	223,702
France	..	..	36,994
India	173,225	204,728	171,736
Germany	..	..	21,259
Pakistan	..	..	69,403
Total	279,748	417,820	519,411

TABLE II
BELGIAN IMPORTS OF JUTE BAGS
(In 1000 francs)

	1967	1968	1969
Netherlands	19,063	49,749	59,446
Pakistan	26,184	17,223	13,168
India	80,571	14,235	5,746
Total	135,864	98,456	90,353

TABLE III
BELGIAN IMPORTS OF JUTE YARN
(In 1000 francs)

	1967	1968	1969
Portugal	34	..	7,849
France	..	1,079	103,180
Netherlands	39,435	43,242	..
India	..	..	..
Total	43,769	46,457	113,485

tion from Pakistan and other countries. In jute fabrics, for example, Indian share in Belgian imports fell to 33 per cent in 1969 from over 50 per cent in 1968. The Netherlands, Pakistan, France, and West Germany accounted for 40 per cent, 16 per cent, six per cent and three per cent, respectively in 1969, which was a substantial improvement over the previous year. Table I (p. 926) shows the trend, according to statistics issued by the Belgian government.

It will be seen that France, Germany and Pakistan were not suppliers of significance until 1969.

India's share in Belgium's imports of jute bags has been given in Table II.

The figures reveal a substantial fall in Belgian imports of jute bags from India. It is true that Belgium's total imports of jute bags have also shown a steady decline. But it is significant that in 1969, the Netherlands had a share of about 86 per cent and Pakistan 29 per cent compared to India's 10 per cent.

As regards jute yarn, the trend in Belgian imports has been given in Table III.

It is seen that while Belgium's total imports increased steeply in the last three years, there were no imports from India. However, it is worth recalling that in 1964 and 1965, Belgium had imported from India jute yarn amounting to 1,128 tons and 168 tons valued at 23.9 million francs and 4.0 million francs respectively.

The fact that the countries of the European Economic Community have free access to Belgium besides low freight is, of course, a factor against India, which has to pay import duties at the rate of 9.2 per cent for second-hand jute bags, 15 per cent for heavy bags, 20 per cent for light bags, 8 per cent for jute yarn and 15 to 22 per cent for jute fabrics. Pakistan has the benefit of the bonus voucher scheme and other facilities. India, however, has none of these advantages but has the disability of export duties as well as the high cost of raw jute. Pakistan is understood to offer Belgium an inferior kind of cloth at prices which are cheaper by 6,000 francs per tonne than those of India. The Indian embassy in Brussels has expressed the view that there is not much possibility of improving India's share in Belgium's imports of jute sacks, though with competitive prices we may be able to compete with Pakistan to some extent.

Belgium's total imports of jute pro-

ducts have increased remarkably in the last five years. Thus her total imports of jute fabrics went up from 5,419 tons in 1964 to 17,493 tons in 1969 and jute yarn from 1,472 tons to 3,514 tons in the same period. Belgium's total imports of jute sacks however have shown a declining trend. From 6,115 tons in 1964, Belgium's total imports of jute sacks rose to 9,839 tons in 1965 but steadily declined to 7,426 tons in 1966, 7,219 tons in 1967, 5,183 tons in 1968 and 4,297 tons in 1969. Belgium's overall imports of jute goods are likely to increase in the coming years because of a faster rate of growth in her economy. But unless the capacity of our jute industry to compete effectively is improved by suitable changes in official policy and by energetic efforts by the industry

Problems of Over-Production

"I do not see the future clearly myself", said Mr H.V.R. Iengar, the E.I.D.—Parry chairman, inaugurating the thirty-first annual general meeting of the Deccan Sugar Factories' Association (DSFA) in Bombay, the other day, after a brief reference to the problems that the sugar industry in India has been facing today. If this is the reaction of a person of his perspicacity, there must be something really, and also radically, wrong with the Indian sugar industry.

To say this when there has been a sharp rise in sugar production, as we have had in 1969-70 and as we expect to have in 1970-71, also may appear incredible. However, as Mr Iengar observed, although from the point of view of production there has been a spectacular progress, there has not been any, judged in terms of profitability. In this connection, he referred to the tables relating to profitability of different industries published from time to time in the monthly bulletin of the Reserve Bank. But a more effective eye-opener than this was his disclosure that in Tamil Nadu, only one unit had made profit, while every other unit had incurred heavy losses, one with a paid-up capital of Rs 60 lakhs losing in just one year as much as Rs 45 lakhs! How has this come to pass?

Mr Iengar singled out the present highly centralised control of the sugar industry as the villain of the piece. It did not seem to him that, in a large country with different regional patterns of industry as we have in India, such a highly centralised control was either possible or practicable. The existence of different patterns in different regions makes a uniform policy throughout the country quite meaningless. Between

and trade, we are not likely to benefit from the growing demand for jute goods in Belgium. Udyog Bhavan should be alert in regard to visits by influential economic missions from abroad and utilise such opportunities for exploring possibilities to expand the exports of jute goods. Among our total exports to Belgium in 1969, jute fabrics were the third most important item (eight per cent), next only to diamonds and iron ore, which accounted for 59 per cent and nine per cent respectively. The share of jute bags in our total exports was only 0.4 per cent. The Government of India as well as the IJMA should examine how best our jute goods can obtain a better share in Belgium as well as in other markets of the world.

the units in Uttar Pradesh and Bihar at one end of the spectrum and the units in Maharashtra at the other, we have a whole range of the sugar industry extending from the least efficient to the most efficient. Accordingly, as he said, the fundamental question before the sugar industry in India today is: Is it really possible to exercise centralised control in respect of an industry with so many regional peculiarities?"

In the context of a rhetorical question such as this, would it be logical to ask the authorities to scrap all controls? Is the industry prepared to ask for it, now that there is no shortage of sugar, immediate or prospective? The presidential address, at the meeting, of Mr S.L. Limaye did not touch on this question at all. However, from the various suggestions he made to the Government of India in respect of the partial decontrol scheme in vogue now, if one may draw a reasonable inference, it is that the DSFA at any rate is not thinking of demanding that the control should go lock, stock and barrel. Opinion in other region, particularly the southern, on the other hand, seems to favour the scrapping of all controls. This makes the position anomalous, especially as, to quote Mr Iengar, "if the industry wants to make itself heard, it should speak in one voice."

But sceptics, both in the industry and outside, are bound to argue that, even where the whole industry speaks in one voice (as it has lately been doing on a number of issues), it has not been able, effectively, to register its demand. Take, for example, the minimum sugarcane price issue. Practically the entire industry has been urging that it should be linked to a basic recovery of 8.5 per cent instead of 9.4 per cent. It is

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common knowledge that recovery has been steadily deteriorating even in the best sugar belt in the country viz. the Deccan. As per the figures given by Mr Limaye, sugar recovery percentage has fallen from 11.97 in 1963-64 to 10.74 in 1969-70. In Tamil Nadu, according to Mr Iengar, the figure has never gone above eight per cent. And yet, notwithstanding the unanimous pleading of the industry, the latest reports are that, for the 1970-71 season, again, the Government of India has decided that the price should continue to be linked to a basic recovery of 9.4 per cent. It is "absolute nonsense" on the part of the government to call upon the industry to pay cane prices on this basis.

Take, again, the question of buffer stocks on which there are no two views not only in the industry — whether joint-stock sector or co-operative sector — but also among expert bodies. Mr Limaye recalled the specific recommendation for the creation of a buffer stock of 12 lakh tonnes made by the Sugar Inquiry Commission as long ago as in 1965 and its endorsement by the Tariff Commission as recently as in 1969. But as yet what one continues to hear is that the question is under the active consideration of the government, which, to use the mild expression of Mr Limaye, "is not a little disconcerting." Evidently the authorities are not sufficiently appreciative of the explosive situation that is sure to develop if they postpone taking a decision on this question and, at the same time, also plead helplessness to finance the mounting sugar stocks. The last sugar season, it may be recalled, ended with a carry-over stock of 21 lakh tonnes and, with production in 1970-71 estimated at about 40 lakh tonnes, the May 1971 stocks may be around 36 lakh tonnes, which means bank finance of the order of about Rs 450 crores at the rate of Rs 1,250 per tonne, as computed by Mr Limaye. As against this, the overall bank finance expected to be made available in the 1970-71 busy season is only Rs 600 crores! It is against this background that Mr Limaye's suggestions for building up buffer stocks, for stimulating internal consumption, and for exporting as much sugar as possible become particularly relevant.

Enough has already been said about buffer stocks. Regarding the need to stimulate internal consumption, it is needless to stress the point that there is good scope, what with India's per capita sugar consumption at only 18 kg as against Britain's 53.9 kg and Australia's 58 kg. The DSFA president mentioned a number of measures that are necessary for achieving the desired results, such as imposition of a uniform rate

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of excise duty on both levy and free sugar (instead of 25 per cent on levy sugar and 37 per cent, on free sugar as at present), fixation of tariff values of free sugar at realistic levels, dispensing with the licensing of dealers in free-sale sugar, opening of more fair price shops in rural areas, and so on.

Regarding exports, which, as Mr Limaye noted, are imperative to reduce the burden of excess production and of carrying heavy stocks, it is indeed gratifying that, in the current year, we are exporting the full quantity of 3.20 lakh tonnes to which India is "effectively" entitled under the International Sugar Agreement, as against only about a lakh of tonnes last year. But the DSFA president felt that the government could have done even better, had it sought additional quota from the Hardship Relief Fund, even as other sugar-exporting countries, such as Brazil, British Honduras, the Dominican Republic and Fiji, have done. Mr Limaye was not at all ambitious, therefore, when he wanted the Government of India to aim at an export target of five lakh tonnes of sugar. His basis for this figure is 3.5 lakh tonnes under the International Sugar Agreement plus 1.5 lakh tonnes made up of, (1) reallocations from shortfalls of certain defaulting countries (50,000 tonnes), (2) allocation from the Hardship Relief Fund (50,000 tonnes), and (3) products manufactured from sugar to be made available to

exporters at international prices, (50,000 tonnes).

In this connection, Mr Limaye took pride in pointing out that, since the past few years, it is only the sugar factories in Maharashtra and only one factory in Mysore that are accounting for all the exports of sugar from the country. This is understandable because Maharashtra sugar is the cheapest sugar in the country, which means so much less subsidy on sugar exports payable by the Government of India. Another disclosure of Mr Limaye was that, out of a total export of 3.20 lakh tonnes this year, 2.13 lakh tonnes are in the form of raw sugar (both high pol and low pol) which has been offered by Maharashtra at some Rs 2-3 per quintal below the levy price. Incidentally, Mr Limaye made it known that he did not share the opinion of some of his friends in the industry that other states also should be compelled to participate in exports.

All these are important issues that call for the promptest attention. Unfortunately, however, there seems to be no sense of urgency in the concerned quarters and such is partly because all government decisions today are completely dominated by political and not economic considerations and partly because there is not a straight economic dialogue between the government and businessmen, as Mr Iengar so rightly put it.

RECORDS AND STATISTICS

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DRUGS: PRICES, PROFITS—AND POLITICS

A Game of Loaded Dice

THE EDITOR

THE CENTRAL government's current exercise in controlling the prices of drugs and pharmaceuticals is being carried out in an atmosphere and in a manner which must make its motives suspect. Through a skilful adoption of the tactics of *suppressio veri* and *suggestio falsi*, the Ministry of Health and the Ministry of Petroleum and Chemicals seem to have succeeded in creating an impression in the public mind that the recent Drugs (Prices Control) Order was an absolute and urgent necessity for preventing the exploitation of the ailing millions in our country by an industry greedy for profit.

The facts, however, speak differently. It needs to be widely known that the industry has been operating under a system of government regulation of its prices and production for some years now. Subsequent to the Chinese aggression of 1962, the government promulgated in the following year an order controlling drug prices which was in the nature of an emergency measure for dealing with an apprehended dislocation in the supplies of essential drugs and a possible increase in their prices as a consequence.

False Fears

As it turned out, the fears entertained by the government proved to be false, but this did not prevent it from keeping this order in force for the next three years. Indeed, in 1966, when the government's emergency powers were terminated, it chose to place this *ad hoc* measure on a more permanent footing by issuing an order under the Essential Commodities Act stipulating that no new product or formulation or packing was to be marketed without the prior approval of the government in regard to prices.

Between 1963 and 1966 as well as subsequently the government had been using its powers primarily for vetoing or resisting increases in drug prices even where such increases were justified by changes in the costs of raw materials, packing materials, wages and other expenses of establishment and central and state taxes. It is worth noting that, to start with, there was not even any machinery to review applications for drug price revisions. In 1966, an attempt was made to organise administrative arrangements to enforce the rule that no new product or formulation or packing was to be marketed without its price being approved beforehand by

the government. But this machinery moved so slowly that government decisions took up anything between 12 and 18 months in their gestation.

Fortunately for the industry, these years happened to be years of growth when the positive factors making for its expansion or diversification were stronger than the restrictive effects of government policy. While it is legitimate to assume that the industry's progress might have been even more dynamic in this period had there been less governmental interference with its economy, it was still able to absorb much of the impact of the rigid or arbitrary price control, thanks to the economies of scale which were steadily accruing to it during this period of growth. There were, however, cases of some manufacturers finding it necessary to discontinue some of their uneconomic product lines.

Four-Fold Increase

It is worth noting that the aggregate capital invested in the industry, including both the public sector and the private sector, increased nearly four-fold between 1962 and 1969, from Rs 56 crores in the earlier year to Rs 190 crores (issued capital) at the end of the period. The value of production, which was about Rs 100 crores in 1962, had risen to Rs 235 crores in 1969. In the context of this steady and even rapid growth, the industry naturally engaged itself in a vast promotional effort for distributing its products and as a corollary, the element of competition among manufacturers was becoming an increasingly important factor. Following this, several firms, besides being able to offset to some extent increases in costs by economies of scale (as we had noted earlier), found it both necessary and desirable to effect reductions in the prices of a number of their products. Here, it is relevant to refer to the observations of the Chairman of Glaxo Laboratories (India) Limited, in his statement to shareholders for the year ended June 30, 1970. He said:

"Despite the rigidities introduced by the prevailing system of price control, we have continued our policy of making voluntary price reductions wherever cost reduction or greater efficiency has made them possible. I referred a year ago to certain reductions that had been recently effected. In fact, in the twelve months before the introduction of the latest Price Control Order, no fewer

than 20 price reductions had been brought into effect by your company..."

There is, indeed, sufficient evidence that there has been a considerable transfer by the industry in this manner of the benefits of growth to consumers of drugs and pharmaceuticals during these years. Indeed, it has been contended on behalf of the manufacturers that there might have been even greater progress in this direction had not the system of price control been coming in the way of the industry adjusting some of its prices to increases in costs of particular products and thereby improving its capacity to offer price reductions elsewhere in its range of manufactures.

Two important points emerge from this part of the discussion. First, even before the recent price control order, the industry was not free to fix its prices, but was operating under a system of control which even froze prices in the face of increases in costs. Consequently, thanks to the fact that the years in question also happened to be a period of growth, the industry was able to share, to some extent, with the consumers of its products, the benefits of reduced costs on increased production or sales. Additionally, the growing competition within the industry also lent support to this trend. It follows that any insinuation or implication that the government had to act sharply or suddenly earlier this year in order to end any kind of profiteering in this industry will be thoroughly unwarranted.

Position Upheld

This position has been amply upheld in the report of the Tariff Commission which inquired into the costs and prices in the industry during the years 1966-1968. One of the important conclusions reached by the Tariff Commission was that "by and large, the prices in the Indian market of formulations compare favourably with the prices of formulations in the domestic markets of other countries". The Commission, it is true, also found that the domestic prices of the selected drugs were generally very much lower in most cases in other countries. But it was quick to point out that many of the principal factors making for a higher level of costs in the case of basic drugs produced in our country were those which were not within the control of manufacturers. The higher domestic costs of basic drugs, in other words, were in part the price which the nation must pay for a period for its policies of import substitution. The Tariff Commission, it is worth emphasising again, found no evidence of profiteering in the drug and pharmaceutical industry. It found nothing which could support suspicions

that the industry was making excessive profits on its production or sale of essential drugs or medicines needed by the ailing and poor millions.

II

Viewed against this background, the government's *blitzkrieg* against prices and profits in the drug and pharmaceutical industry seems to need a lot of explaining. It is no doubt true that all over the world, governments and peoples have tended to be vigilant about the operations of this industry. This is as it should be, because the industry deals in a commodity which has a vital bearing on the health and well-being of men, women and children. It is significant however that very few governments have attempted to exercise direct or detailed control over the prices of drugs and pharmaceuticals. Even in the United Kingdom, where the government is a very large buyer of drugs and pharmaceuticals for its heavily subsidised public health service, the practice has been for the prices for these supplies to be settled by negotiation between the industry and the concerned departments in the government.

Public Interest

In the United States, which has the largest drug and pharmaceutical industry in the world and which also has the highest per capita consumption of medicines, a considerable degree of public interest is maintained in the operations of this industry through public hearings in Congress. Occasionally, as in the case of the recent proceedings of Senator Gaylord Nelson's subcommittee, grave charges of anti-social practices are made against the industry, but this gives an opportunity for informed and disinterested observers of the pharmaceutical scene to come forward with their reasoned judgments which help to frame the issues in perspective. The point I am trying to make here is that, given its special character, this industry must not only function necessarily in the full glare of publicity, but it should also be positively willing to subject itself to responsible scrutiny of its goals and operations.

It follows that in this country both government and public opinion are entitled to look into the affairs of the industry or even seek to impose on it a certain measure of social discipline. The inquiry by the Tariff Commission, to which I had referred earlier, was a legitimate exercise of this kind. The government's decision to refer to the Bureau of Industrial Costs and Prices, the cost and price structure of certain drugs not covered by the Tariff Commission's inquiry is also justified on

these grounds. At any given point of time as well as over a period, the government and the public are entitled to possess themselves with adequate information about the manufacturing or commercial practices in this industry.

The philosophy of this journal as well as my own personal philosophy in this matter was stated in the issue of *Eastern Economist* of May 8. I reproduce here the relevant passages for the convenience of the reader:

"Medicine, whether as a service or as product, is and must be more than a profession or a trade because of its obvious ethical overtones. Some measure of social control, over the pharmaceutical industry, however exercised, is therefore legitimate. This control may have two broad motivations. First, it must ensure that the prices of drugs and medicines are not only reasonable but are seen to be reasonable. This is for the reason that all over the world there prevails an impression, not always justified, that the pharmaceutical industry is a high-profit industry which is apt to be secretive about its costs or margins. Nothing has been easier for demagogues, whether in government or out of it, than to whip up popular prejudices or even passions against the pharmaceutical industry as a profiteering trade which exploits the ill-health or suffering of the people. It follows that, it is as much in the interest of the industry itself as it is to the advantage of the rest of the community that the former's costs, prices and profits should be looked into and supervised by some public authority.

"The second purpose of social control should be to enable and encourage the pharmaceutical industry to maintain high standards of quality and responsibility in its products and services and induce it to commit a sufficient part of its earnings to research, both basic and operational and the providing and promotion of new drugs and their formulations. It would be proper to hold that, while it is important that the community should be able to obtain its essential requirements of drugs and medicines at fair prices, it is even more important that these drugs and medicines should be of the highest quality so that they do, in fact, fulfil their intended functions of helping to relieve pain, cure diseases or even save life. The success with which the pharmaceutical industry is able to discharge this obligation which it owes to the community is determined effectively by its capacity to organise and devote resources to research in promotional activities over a period without undue preoccupation with immediate commer-

cial gains. In other words, a social purpose is inherent in the very nature of the pharmaceutical industry and it must therefore be the concern of any social control that may be exercised over it to see that this social purpose is strengthened and stimulated."

In the light of these views, it must be obvious that neither this journal, nor I, as its editor, can have any objection to the government seeking to impose external social discipline over the functioning of the drug and pharmaceutical industry in our country. The quarrel, if any, can therefore be only over the attitudes and procedures adopted by the government in the form of its recent price control and other regulatory schemes for the industry. Instead of following the path of consultation and negotiation with the industry, so that a sound pattern of dynamic guidance could be evolved for its production, pricing, marketing and research activities, the government has chosen to wield the big stick of authoritarianism and force the economy of the industry into the strait-jacket of a rigid and arbitrary price fixation.

Indefensible Approach

This approach is indefensible for two reasons. In the first place, the Tariff Commission's study and report had provided the government with a basis for the kind of constructive approach I have just indicated. Secondly, it is on record that the industry, whether in terms of its individual units or in terms of its representative associations, has been always willing to co-operate with the government in evolving flexible and realistic guidelines for its operations including its pricing policies, and that it has repeatedly offered to participate in discussions with the concerned ministries for this purpose.

Had the government been sincere in its desire to evolve a purposive policy for this essential and dynamic industry which would reconcile its requirements for rapid growth with real and identifiable advantages to the public as consumers of drugs and pharmaceuticals, it would not have followed the course which it is now pursuing. Instead, it would have first proceeded to negotiate with the industry the prices for bulk supplies of drugs and medicines for use in government hospitals or other public or semi-public medical institutions. In fact, late last year, the Minister for Health, Mr K. K. Shah, had initiated discussions with industry, the trade and the medical profession on ways and means of bringing down the prices of drugs bought for government hospitals. He had also sought their advice on procedures for preventing the sub-

stantial pilferage of medicines which was taking place in government hospitals. Even as these consultations were going on the Ministry of Petroleum and Chemicals rushed into the picture in February 1970 with its first moves for a blanket control on prices of all drugs and pharmaceuticals. In my view, the interest of the public could have been served more genuinely and effectively had the Health Ministry persisted in its original programme of negotiating with the industry for a preferential lower level of prices on supplies for government hospitals or even for other public or semi-public medical institutions.

Secondly, and simultaneously with that effort the government could have conducted another series of negotiation with the manufacturers and the trade on the basis of the Tariff Commission's recommendations relating to the 18 essential drugs which were covered in its inquiry. These talks could have been extended wherever necessary or appropriate to other important products of the industry so that it could have been persuaded to offer such reductions in prices as were justified by the economies applicable to the individual products concerned. Provided this strategy had been followed with goodwill and co-operative intentions on both sides, it was very likely indeed that substantial price advantages could have been secured to the people, both as taxpayers, who finance the public health services and medical institutions and as buyers of drugs and pharmaceuticals from the market. As had been noted earlier, price reductions in respect of individual products have always been a normal feature of the commercial operations of the industry. This is a policy which could have been strengthened and stimulated through the procedures of negotiation I have indicated here.

Lack of Proper Atmosphere

It is, of course, true that, as a part of these transactions, manufacturers would have asked for freedom to revise upward the prices of some of their products, whether in order to accommodate increases in costs, take care of quality differentials in terms of competing products or other similar legitimate market considerations or in order to ensure that the overall levels of profitability of the firms concerned are not unduly affected. Here, again, provided the entire exercise had been conducted in an atmosphere of understanding and reasonableness, it would not have been difficult for the government to ensure that the industry showed restraint and responsibility in voluntarily re-structuring its pricing patterns and policies.

In this manner, not only substantial short-term gains could have been se-

cured to the public through reductions in the prices of a number of essential or commonly used products but also a realistic and flexible pattern of rationalisation of prices could have been framed. The public's long-term interests would have been served thereby through the rapid progress of the industry in terms of its efficiency and expansion. The real complaint against the government therefore must be not that it has intervened in the functioning of the drug and pharmaceutical industry and sought to regulate its prices and profits but that it has interfered in a manner which may, on balance, harm the public interest rather than serve it.

III

The manner in which the Drugs (Prices Control) Order promulgated in May this year is sought to be enforced, even more than the contents of the Order itself, suggests that the government is resolved to play a game with the industry with loaded dice. Although the Order clearly envisages reductions in the prices of certain drugs and pharmaceuticals only as a part of a more general scheme of rationalisation of the price structure as a whole and the Minister for Petroleum and Chemicals, Dr Triguna Sen, did have the decency to admit in Parliament that it was permissible in terms of that Order for some manufacturers to increase the prices of some of their products while reducing the prices of others, the government proved to be lacking in the moral courage or the political stamina needed to tide over the public clamour that went up when the prices of some drugs or their formulations were raised by their producers in accordance with the criteria laid down in the Drugs (Prices Control) Order.

In a bid to avoid damage to the government's popularity, the Ministry of Petroleum and Chemicals arbitrarily declared that, while the reductions effected in terms of the price control order were to continue, the increases, also made in terms of that order, were to be cancelled by the industry. Not content with this, this Ministry subsequently began to put pressure on the various drug and pharmaceutical firms to offer reductions on the entire range of their production, including products on which reductions had already been made. These talks, which have been rather one-sided, have been proceeding over the last some months and it is understood that the Ministry has now taken decisions on the prices of individual items and that it hopes to be in position to notify these prices before the end of this year.

According to the Organisation of Pharmaceutical Producers of India

(OPPI) (which has 65 members, who among themselves account for the production of about 80 per cent of the total output of the industry and the marketing of 2,500 products) its constituents had reduced the prices of about 1,100 items, representing 44 per cent of the output, while increasing those of about 400 items, constituting 16 per cent of the output and leaving unchanged the prices of the remaining 1,000 items amounting to 40 per cent of the output, in the wake of the promulgation of the Drugs (Prices Control) Order. The increases effected however were nullified by the government subsequently. As a result, the consumer has had a net gain in the form of reduction in prices of a large number of items, including most of the essential drugs, the prices of which have been brought down by five per cent to anything up to 55 per cent. It has been estimated by the OPPI that these reductions would account for a fall of Rs 15 crores per annum in the expenditure of the public on drugs and pharmaceuticals.

It is likely that the financial gain to the public may even be larger when the government has completed its present examination of the entire range of prices of drugs and pharmaceuticals and notified its decisions by the end of this year. This is for the reason that the Ministry of Petroleum and Chemicals, while stoutly resisting increases in prices even where they are justified by increases in production costs, is simultaneously insisting on further reductions over a very wide range of products. Merely from the short-term point of view, there is no gainsaying the fact that the government has put a squeeze on the industry which is bringing a substantial financial benefit to the consuming public. What the long-term consequences would be for the public as well as for the industry is however a different story which will be discussed later in this article.

Odd Features

Here, it is important to note certain odd features of the government's current methods of examining or fixing the prices of drugs and pharmaceuticals. The Drugs (Prices Control) Order provides a 5 per cent mark-up on the ex-factory cost of formulations as calculated under that Order. It also gives the manufacturer an option to an overall 15 per cent pre-tax profit on his turnover, provided that in the case of essential drugs, the mark-up does not exceed 75 per cent and in the case of non-essential drugs 150 per cent, with the proviso that a higher percentage than 150 per cent might however be allowed in case the manufacturer could prove to the satisfaction of the government that a larger

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mark-up was justified. There is also a separate provision for mark-ups for new products.

Now, the point is that, in actual practice, the Ministry of Petroleum and Chemicals has been strangely reluctant to live up to the logic of these prescribed percentages. Taking advantage of the vagueness of the phraseology of the Order, it is disposed to treat these percentages only as permissible upper limits in its detailed negotiations with individual manufacturers over the prices of specific items. This approach has naturally introduced large and confusing elements of arbitrariness and uncertainty into these price negotiations. The government, in fact, seems to be saying to the industry: "Heads I win, tails you lose." The result is that, concepts such as a reasonable margin on turnover or even a fair return on capital invested have been thrown into the melting pot so far as this industry is concerned, while its individual members are being subjected to a process of "pull devil, pull baker".

Equally disquieting is the reluctance or even refusal of the Ministry of Petroleum and Chemicals to give due consideration to increases in costs of drugs attributable to the government's policy of canalising the import of certain drugs through the STC and pooling the landed costs and the domestic prices of some of these drugs for distribution through the Indian Pharmaceuticals Limited, which is in the public sector. The issues of canalisation and pooling will be examined shortly, but immediately I would like to point out that, where a pharmaceutical firm has hitherto been obtaining its supplies of any of the canalised or pooled drugs at certain prices and has been fixing the sale prices of the corresponding formulations at certain levels on the basis of what the basic drugs have been costing it, it is only fair that the Ministry of Petroleum and Chemicals should take note of the increases which are taking place in these basic costs while determining the revised prices of formulations under the Drugs (Prices Control) Order.

Considerable Pressure

Firms which have been adversely affected by the canalising or pooling arrangements now plead that they are being denied adequate compensation for the increased cost. It appears that in the case of some firms, the resultant pressure of the higher cost of government determined prices for basic drugs could be very considerable and one leading pharmaceutical manufacturer has, in fact, estimated that he would have to pay out an additional sum of Rs one crore per annum on cana-

lised or pooled drugs without prospects of corresponding readjustments in the prices of connected formulations.

Finally, the Ministry of Petroleum and Chemicals has been acting in a way which has tended to create a conflict of interest between the pharmaceutical industry and the retailers. The pattern of price regulation laid down in the government's Drugs (Prices Control) Order specifies for the retail trade discounts of 10 per cent for non-ethical drugs (i.e., products sold over the counter) and 12 per cent for ethical drugs (i.e., products dispensed on a doctor's prescription). It is obvious that prices which the industry is obliged to work out in terms of this Order must necessarily be based on these margins. The retail trade has been representing that these discounts are too low. Instead of dealing with this case on its merits, the Ministry of Petroleum and Chemicals has chosen to take the easy way out of putting the onus of responsibility on the industry for allowing larger discounts than those specified. For this purpose, the Ministry has claimed that the Drugs (Prices Control) Order has only prescribed the minimum trade margins and that it is open to manufacturers to allow larger discounts within the mark-ups notified by the government. It is clear that such an unprincipled attitude can only disturb the relations between the industry and the trade and dislocate the machinery of distribution to the disadvantage particularly of the consumer.

IV

Apart from the regulation of the prices of drugs and their formulations, the government has canalised the import of certain essential and non-essential drugs through the State Trading Corporation. In the case of 11 important bulk drugs, the imports of which have been thus canalised, it has been provided that all of them, except one, are to be distributed by the Indian Drugs and Pharmaceuticals Limited (IDPL), which is in the public sector, at a pool price which is a weighted average of landed cost and domestic production costs. The excepted item (chloramphenicol) is to be distributed directly by the STC. The rationale for this arrangement is said to be that IDPL happens to be a producer of the 10 drugs, for the pool distribution of which it has been made responsible.

It is argued on behalf of the Ministry of Petroleum and Chemicals that, although IDPL is now manufacturing only a part of the domestic requirements of these drugs, it has both the capacity and the plans to step up production in the coming years and that it

is therefore in the public interest that this unit in the public sector should be given an opportunity to handle the imported supplies as well as its own output so that it could build up, over a period, the necessary organisation for distribution and thereby prepare itself for marketing smoothly its production as it increases progressively to cope with the country's requirements.

Spurious Contention

While this contention may have a certain validity, it is not easy to accept it at its face value. The operations of the IDPL are in such a poor state that no trust can be placed in the possibilities of its output increasing steadily in the near future. Indeed, the suspicion has been voiced that the arrangement for the distribution of bulk drugs at pooled prices through the IDPL may only be a ruse on the part of the government to disguise the manufacturing losses of the IDPL by boosting its profit and loss account with the trading profits accruing to it under the pool price arrangement. Such insinuations are being denied by spokesmen of the Ministry of Petroleum and Chemicals who contend that the canalisation or pooling arrangements will not bring any unearned profits to the coffers of IDPL. At this stage, no final judgment is possible on this particular issue, but the public will certainly be entitled to watch with vigilance the nature and course of the trading operations of IDPL.

There is perhaps more substance in the industry's fears that the canalisation of imports may, in itself, prove to be a wasteful and insufficient arrangement. The situation here is complicated by the fact that the export prices of some of the bulk drugs which are being imported by the STC have been rising lately in world markets. Broadly speaking, even when such elements are allowed for, it may well turn out to be a case that imports through the STC may be found to be somewhat more expensive than imports if arranged through the leading pharmaceutical firms. The drug and pharmaceutical industry is essentially international in character and, this being so, it would be difficult to exaggerate the importance of trade connections or commercial working relations built over the years by the leading pharmaceutical firms in our country with their counterparts abroad. Apart from the price aspect, the problems of quality and prompt delivery schedules will also have to be considered. It is not by any means obvious that the STC has got either the contacts or the expertise needed to take sound decisions on quality or move expeditiously in the matter of ensuring sufficiently prompt deliveries. Any miscalculations on its part must prejudice the availability of

sufficient supplies of essential medicines to the public at reasonable prices.

It is worth noting here that the adverse impact of any rise in costs in the price of bulk drugs, as a result of the canalising and pooling arrangements, will be particularly severe on the economic viability of the small-scale sector in the industry. Indeed, the way in which the government has decided to regulate drug prices may do much damage to the functioning of the small-scale units. If these pressures result merely in weeding out inferior producers, there may be a lot to be said for them. But the more probable result is that they may merely encourage or provoke a further deterioration in the already low standards of operation of the small-scale sector, particularly in the all-important area of quality control. There is a very real danger that the government's policies would put a premium on the manufacture and distribution of spurious or non-standard medicines by the less scrupulous elements in the small-scale sector which are and which will continue to be insufficiently policed by the drug control administrations in the states.

V

There are no grounds, then, for believing that the feverish activity on the part of the government in recent months in attempting to regulate the drug and pharmaceutical industry will result in clear, basic and long-term benefits to the public. It is true that a certain immediate financial advantage has been obtained for the consumers. The value of this accomplishment need not be ignored or made light of. At the same time, it would be a short-sighted act on the part of the government or the public to over-look the price that may have to be paid in the long term for the undue squeezing of prices or profits for immediate consumer gain.

In the first place, we have to take account of the inherent defects in the machinery of government, especially in the area of commodity controls. Even the way in which the Drugs (Prices Control) Order was framed this year or has been sought to be enforced bears ample testimony to the fact that the bureaucracy is bound to bungle in such matters. This Order has already been riddled with amendments and clarifications to such an extent that it has been creating more and more confusion. Apart from all this sheer inefficiency, there is the even greater evil of arbitrariness and discrimination implicit in politicians in government being tempted with opportunities of earning cheap popula-

rity by tampering with the prices of essential commodities.

More positively, as I had pointed out earlier, other means are open to the government for securing genuine, substantial and enduring benefits to the public by negotiating with the industry for voluntary price regulation. By following such a course, the government should be able to bring down the prices of most of the essential or widely used drugs or their formulations without running the risk of damaging constructive trends in the development of the industry.

Question of Research

Here it would be pertinent to refer to the question of research. There is a certain amount of confusion in this matter. To this both the industry and its critics have contributed. While the latter have argued that since precious little basic research is being done by the pharmaceutical firms in our country, they are not entitled to plead the demands of research as a ground for claiming higher levels of profits or prices. The industry, for its part, has been raising a hue and cry that its activities in the field of research are threatened with near-extinction, if not extinction itself, by the assault that has been mounted on its profits.

The fact, however, is that so far as basic research is concerned, the activity, at present is extremely modest. Moreover, this is bound to continue to be the case for some time to come and, in fact, until the individual firms as well as the industry as a whole have grown to much larger dimensions than at present. The true facts are as have been stated in the chairman's speech of Pfizer Limited delivered by Mr John S. Baker (the company's managing director) at its annual general meeting in May this year. He said:

"Drug research is of necessity an activity which can be initiated and sustained on a viable scale in the private sector only by pharmaceutical firms which have the world for their market. A drug firm catering to a home market would find it difficult to mobilize resources of the magnitude required for research work of a significant nature. Even if a firm succeeded in financing such a venture either by ploughing back its entire profits into research or by attracting investors to support it, the size and structure of the home market for the products that may result from this research effort, would impose severe limitations on the payback period and the rate of return on investment.

"Here I should like to quote the example of our own company. On a worldwide basis Pfizer spends annually

about Rs 20 crores on research and this has been found as a necessary sum for research with a substantial content. The Company can afford to do this because it operates in a world market consisting of over hundred countries. The Indian operation alone which constitutes a mere 2 per cent of Pfizer's world-wide total sales, could never contemplate a similar research venture. It is uneconomical and impractical to conduct research in isolation as a distinct, separate effort in each country, particularly for an international operation."

Mr Baker's remarks apply to what is described as basic research, i.e., research primarily for the purpose of discovering new or substantially new drugs. They do not, of course, detract from the value of such efforts as have been made by the pharmaceutical industry in this country in this field. The CIBA Research Centre in Bombay or the Sarabhai Research Centre in Baroda, however, are only magnificent gestures whose importance lies primarily in their pioneering aspect and their promise. It has been estimated that the critical level of capital investment for a basic research unit is Rs 2 crores and that a sum of about Rs 50 lakhs would be required annually for its sustenance on an austerity basis. Even the CIBA centre, which is the largest of its kind in our country, falls short of these dimensions and it is relevant to note here that its capital equipment has been donated by the world-famous Swiss firm whose name it bears.

Valuable Work Done

Even under these limitations, such basic research units as are functioning now are certainly doing valuable work which may yield large practical benefits sooner than some of us may imagine. But it would certainly be fanciful on anybody's part to expect that basic research on a scale significant in the context of the international character of this industry can be carried out in India until the industry itself has vastly increased the size of its operations and its resources. This is a matter where the education of the public on the right lines should be undertaken primarily by the leaders of the industry itself.

There is however much essential research to be done and which is being done outside the basic field. This category of research activity may be described as operational research which concerns itself with such goals as the improvement of products or processes and the refinement of formulations, dosages, packing and presentation. The importance of this class of research in the circumstances of our country is difficult to exaggerate. In the first

place, the policy of import substitution depends for its success on the ability of the laboratories of the leading pharmaceutical firms being able to screen and exploit locally available raw materials. This work would involve both product and process research. Then, there is the necessity for drugs and formulation being constantly studied in terms of the public health situation in our country so that they could be suitably adapted, to our special circumstances, if any.

Clinical Trials

All this involves not only work in the laboratories but also clinical trials in public hospitals and through private medical practitioners. Activities of this kind, organised on a scale which is at all adequate for the needs of our country, cost a great deal of money and the leading pharmaceutical firms, anxious as they are to maintain their positions in this highly competitive industry, have certainly not been sparing effort or funds to fulfil their obligations in this regard. There is, for instance, the example of Hoechst Dyes and Chemicals Limited, who have been following a policy of not repatriating dividends to their principal shareholders in West Germany, but are retaining these funds in our country in order to be able to pump more rupee finance into developmental activities, including operational research.

Research activities of this kind have a vital bearing on quality control which is the very life and breath of the drug and pharmaceutical industry. In most of the cases what distinguishes a superior product from others which are inferior is simply the amount of care, expertise or effort that has been expended at each and every stage of the manufacturing and marketing process to ensure the purity of the ingredients and high standards in their processing as well as to enforce strict safeguards against contamination of all kinds. Most leading pharmaceutical firms have, among their range of products, some items which command great prestige largely because the medical profession has found that the greatest care has been taken in respect of these items to secure the most efficient control of quality, safety and specifications.

There are people who seem to think that the prices of a medicines could be brought down by prescribing that pharmaceutical products should be marketed under their generic names, instead of brand names. It is doubtful that such a step would really achieve any substantial economies for the benefit of the public. On the contrary, there is the risk that it may dilute the motivations for opera-

tional research and quality control for the simple reason that when a firm identifies itself formally with a product it has an effective incentive for putting its best into the manufacturing and marketing of that product.

Among the many social purposes served by operational research, there is the saving in the cost of production of drugs and pharmaceuticals. At the Sarabhai Research Centre, for instance, research done into possible economies in packaging has helped Sarabhai Chemicals Limited in continuing to market a highly popular multivitamin preparation which otherwise would have had to be abandoned as an uneconomic proposition.

An unduly restrictive attitude on the part of the government towards prices, and therefore profits, in the drug and pharmaceutical industry may therefore not only inhibit the accumulation of the necessary funds with the industry over a period for investment in basic research, but may diminish, here and now, the ability or the willingness of firms to provide money for operational research. If this happens, the loss will not be confined to the industry alone, but will be extended to the entire community.

VI

It is possible that there are firms in the industry which are making markedly high profits. This may be due to reasons some of which at least could be perfectly legitimate. In any case, the government, as the watchdog of the public interest, is entitled to undertake a selective examination of the books of such companies in order to collect authentic information about their earnings. Investigations of this kind would provide the raw material for responsible negotiations between the government and the companies concerned regarding the exercise of voluntary restraint by the latter, wherever such restraint is indicated in the light of the financial

or other statistics of the operations concerned.

What is objectionable is the disposition on the part of the government not indeed to function as a watchdog, but to prowl like a beast of prey, seeking to attack profits or prices all over the industry. In this manner, not only basic research in the long term or operational research in the short period will be adversely affected but also other nationally important activities of the industry, such as the pioneering or the expansion of exports of pharmaceutical products to markets where our firms often have to operate at a disadvantage in costs.

Protecting Consumers

In any case, there is clearly more serious work to do for the government in protecting the interests of the consumers of drugs and pharmaceuticals than mounting a sweeping attack on prices. In the first place, the government has a clear obligation to protect the danger to the health or even the lives of the people which the traffic in inferior, non-standard or adulterated medicines represents. Except perhaps in two states, the drug control administrations are sadly inadequate or ineffective. This means that a good part of the industry, which is functioning in the form of small units with very limited resources of money or trained manpower, is being allowed to operate without the necessary guidance or the even more necessary supervision.

If the government is genuinely interested in the welfare of the public, it should surely give the highest priority in its policies for the drug and pharmaceutical industry to the effective regulation of the standards of manufacturing and marketing in the small-scale sector. The next most important measure of service to the public would be for the government to address itself immediately to a raising of the efficiency and productivity of the IDPL, which is in the public sector. Unless this is done,

the industry in the private sector as well as the general public will be increasingly burdened with the financing, in one way or the other, of avoidable losses in the manufacture of drugs and pharmaceuticals in the public sector.

For the rest, every legitimate social purpose which the government may have in view has a fine chance of being served well enough through a growth of competition within the drug and pharmaceutical industry. If this industry has any virtue at all, it is that every dynamic unit in it is constantly striving to acquire for itself a larger share of the market. This character of the industry is the best guarantee that the public may have that its own true interest will be well-served over a period. Therefore, instead of being so ready as it seems to be to use every excuse it can think of for delaying or even denying permission for expansion, the government ought to encourage the various pharmaceutical firms to come forward with propositions for meeting the vast and as yet only partly satisfied need of our population for modern medicine.

As it is, one firm is being told that it cannot expand its output of a vital drug used in the treatment of TB, even though it could do this without additional capital investment or any expenditure of foreign exchange, simply because this firm happens to belong to one of the

larger business houses. In another case, an expansion scheme related to a product more of which is needed for home consumption as well as for meeting export demands, has run into difficulties because the government contends that the public sector unit, IDPL, has unutilised capacity for this product which it may be able to exploit some time. Such quasi-political or administrative decisions can only reinforce the restrictive impact of the government's attitudes towards profits or prices which are already prompting many pharmaceutical firms to reconsider investment decisions which had earlier seemed feasible or attractive.

This discussion has become rather lengthy, but the point it wants to make is both simple and straight. This country has known what has happened to some of its major industries, such as cotton textiles, jute, coal, paper, sugar, because of the policies of price or production control or other forms of intervention which the government has been practising with regard to them for many years. It cannot be an accident that all these regulated industries have become problem industries and have been sick or ailing frequently or are even chronically ill. There is the even more demonstrable failure of government policies with regard to the automobile industry. Here is an instance of a key industry being systematically demora-

lised and devitalised by unfriendly or even hostile governmental interference. In spite of this, an attempt is now being made to try similar experiments with the drug and pharmaceutical industry just at a time when this industry has shown that it could develop against odds and respond in a dynamic way to the needs of the public. This industry is one of our major growth industries. The government therefore has a heavy responsibility in dealing with it.

CORRECTION

In the article entitled "Model for Optimum Crop Combination" published in our issue of September 18, 1970 (page 498, second column) the equations

$$\sum_{j=1}^n X_j C_j \leq b_i, (i=1, 2, 3 \dots k)$$

$$\sum_{j=1}^n X_j C_j \geq b_i, (i=k+1, k+2 \dots m)$$

Should read as follows :

$$\sum_{j=1}^n a_{ij} X_j \leq b_i, (i=1, 2, 3 \dots k)$$

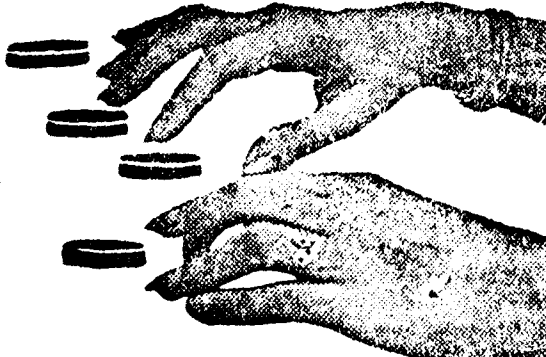
$$\sum_{j=1}^n a_{ij} X_j \geq b_i, (i=k+1, k+2 \dots m)$$

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FROM THE PRESS GALLERY

Another Storm Weathered

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

THE ATTEMPT of the opposition this week to censure the union government for its handling of the ministerial affair in Uttar Pradesh in September last has proved abortive. The Lok Sabha rejected the move yesterday by 208 to 98 votes. The voting alignment was on the familiar pattern. On the side of the government were the CPI and the DMK. Sponsored by the BKD, the motion was backed by all the other opposition parties.

The debate was indeed lively, despite the fact that it was just a post-mortem of the September crisis in UP. The opposition succeeded in turning it to good advantage and pressed home its point that the ruling party, particularly the Prime Minister, was utilising the office of the Governor for partisan aims.

The contribution of the PSP leader, Mr Nath Pai, to this debate was of an exceptionally high order. The UP crisis, he stressed, was a sinister portent at a time when we are going to enter an era of coalition politics. It, he added, had greatly disturbed the democratic conscience of the nation.

Dangerous Trend

Recalling the dismissals of the popular governments in Bihar, Haryana and West Bengal earlier, the PSP leader went on to say that the UP episode pointed towards a dangerous trend of the interpretation of the Constitution by governors in a manner to suit the ruling party at the centre.

The UP events in September, he further said, had lowered the prestige of three important offices in the country. The office of the President had lost some of its high dignity and lustre. The Attorney-General, who was the principal law officer of the Republic, was not expected to interpret the Constitution in a way "tailored to others' wishes". The office of the governor had also come in for ridicule.

The other members of the opposition who participated in this debate also scathingly criticised the UP Governor, Dr B. Gopala Reddi, for imposing

President's rule on the state without waiting for less than 100 hours during which the then Chief Minister, Mr Charan Singh, would have tested his majority in the legislature.

In his reply to the debate, the Minister of State for Home Affairs, Mr K.C. Pant, disclosed that the union government proposed to take up the question on issuing guidelines to state governors on how they should act in situations such as the one that developed in UP in September. This, he added, would be done after having consultations with the opposition parties.

Industrial Licensing

The Lok Sabha had a brief opportunity this week to have its say on the modifications effected in the industrial licensing policy in February last. Many opposition members stressed in the half-an-hour discussion on the subject, that the revised policy had led to the rate of growth in the industrial sector going down. The Deputy Minister for Industrial Development, Mr M.R. Krishna, however, did not agree with the gloomy assessments made for the current calendar year's industrial output. He pointed out that these assessments did not take fully into consideration the growth of the small and medium-scale industries and the speedy disposal of applications for licences. He thought that production had suffered to some extent for want of raw materials. But, he added, imports were being permitted in respect of some essential items like special steels. Steps, he further stated, were being taken to gear the public sector industrial units to work to their full capacity and also to diversify their production patterns.

The controversial Taxation Laws (Amendment) Bill was passed by the Lok Sabha this week after an acrimonious debate. The Bill sought to amend the Income-tax Act, the Gifts Tax Act, the Wealth Tax Act and the Sur-tax Act with a view to, among other things:

- (1) checking avoidance of income-tax through passing on of self-acquired property to Hindu undivided families;
- (2) providing an exemption limit of Rs 4,000 per month for income-tax in

the case of foreign technicians;

- (3) allowing tax concession for five years to those who build new houses for letting out; and

- (4) enabling joint stock companies to amortise preliminary expenditure to the extent of 2.5 per cent of their initial capital.

The change proposed in the provisions of the Income-tax Act relating to Hindu undivided families evoked sharp criticism from many members who alleged that it was an attempt to destroy the institution of Hindu undivided family. Some members, however, thought otherwise and stressed that the rationale behind the proposed change was quite defensible. In their view, the existing provisions did lead to avoidance of tax. The Minister of State for Finance, Mr V. C. Shukla, who piloted this bill, stoutly defended the proposed change. He did not think that it was irrational. The hitherto practice, he pointed out, was creating complications and had, therefore, to be discouraged.

As regards amortisation of initial expenditure by companies, some members wanted the percentage proposed in the Bill to be raised. It was also suggested that the expenditure incurred by a company on shifting its works not only within a state but from one state to another should also be entitled to tax concession. Mr Shukla, however, pointed out that the government wanted to watch and see whether the companies took advantage of the proposed provision for legitimate developmental work. It was only then, he said, that the case for allowing greater amortisation could be considered.

Income-Tax Exemption Issue

Opinions were also sharply divided on the exemption from income-tax the first Rs 4,000 of the monthly income of a foreign technician. Some members wanted this limit to be lowered to Rs 1,000 or 2,000 per annum. Some others, however, pleaded for raising it to Rs 8,000. These suggestions were not accepted by Mr Shukla, who argued that the proposed level was necessary to attract foreign technicians when foreign know-how had to be imported. The minister, of course, agreed to have a proposal of Mr N. Dandekar (Sw.) examined. This proposal was that foreign employees of Indian companies should be allowed tax concessions on expenditure incurred by them on holidays within India on the same basis as the expenditure incurred by them when they proceeded on "home leave".

The proposed concession for new houses was generally acclaimed. It was

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felt that it would go some way in relieving the housing shortage for low-income groups. This concession is that the annual rental value of a house built after March 31, 1969, would be reduced by an amount upto Rs 1,200 for five years from the date of completion of the house.

There was a good deal of controversy in the House about the plea of some members that the summary assessment cases should be allowed to be reopened, both at the instance of the assessee and tax officers. The plea, however, was not accepted by the minister.

Two bills were adopted by the Rajya Sabha this week. These were: (i) The Air Corporations (Amendment) Bill; and (ii) the Code of Civil Procedure (Amendment) Bill.

The former bill sought to raise the number of directors on the boards of management of the Indian Airlines Corporation and Air-India from nine to fifteen. During the discussion on this bill, the IAC services came in for severe criticism for their delays, the difficulties faced by customers in booking and making reservations, and the bureaucratic approach of employees. As regards Air-India, its entry into hoteliering was adversely commented upon by some members. It was also stressed that the labour relations in the two organisations left much to be desired. In this connection, it was suggested that if workers were represented on the boards of the two corporations, it would go some way in inculcating cordial relations between the management and the employees. Another point of criticism was that care should be taken to see that the charitable funds proposed to be created by the two corporations as a sequel to this bill would be used only to further their interests.

Use of Computers

Appreciating the criticism of members, the Minister for Civil Aviation, Dr Karan Singh, pointed out that the delays in the case of IAC flights occurred not only due to the occasional unhelpful attitude of employees, but also because of the fact that the Airlines had no alternative planes to put into operation if there was any dislocation in the scheduled flights. With a view to overcoming the difficulties of customers in booking and making reservations, he said, computers were being harnessed into use. The unsatisfactory labour relations in the two corporations, Dr Karan Singh thought, was primarily due to inter-union rivalries. The employees, he felt, had no cause for complaint about their emoluments. Dr Karan Singh appealed to the employees of the two corporations to realise their responsibility to give maximum satis-

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faction to the people. The minister promised to give representation to workers on the boards of the two corporations. But how soon it would be done, he hesitated to say. The matter, he disclosed, was being considered by the government. Dr Karan Singh defended stoutly the selection of Mr Mohan Kumaramangalam as the Chairman of IAC. He pointed out that Mr Kumaramangalam was an extremely eminent lawyer and the allegation made by some members that he was using this office to boost his law practice was unfair. The Minister accepted an unofficial amendment to the effect that the charitable funds sought to be created by the two corporations would be used only to further their interests.

Comprehensive Legislation

The Code of Civil Procedure (Amendment) Bill, sought to remove various defects in the Civil Procedure Code with a view to expediting disposal of the large number of cases pending in the Supreme Court and the high courts and for reducing the cost of litigation to some extent. The Minister of State for Law, Mr Jagannath Rao, disclosed during the debate on the bill that the government proposed to introduce later during the current session, a comprehensive legislation aimed at providing aid to the poor.

The Nexalite activities in West Bengal continued to exercise the minds of many parliamentarians this week also. Demands were made for restoring normalcy in the state at the earliest by enacting a preventive detention act. This demand, however, was not accepted by the government which appears to favour bringing forth, apparently under pressure from the CPI, a much diluted measure to arm the West Bengal administration with powers to deal with the situation.

The alleged partisan coverage of news by All India Radio again came in for sharp criticism in the Rajya Sabha. Demands were made for a full discussion on the subject, but the government did not show any willingness to concede it.

The scheme for appointing broad-based management boards for each of the 14 banks nationalised last year was presented to Parliament this week by the Finance Minister, Mr Y.B. Chavan. There is a provision in it for associating the governments of states and union territories in the development of banking by forming regional consultative committees.

The scheme, drawn up under Section

9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, envisages the constitution of 15-man nominated board of directors for each nationalised bank. Of these 15 two will be whole-time directors, including the managing director who is to be designated as chief executive officer of the bank. The office of the custodian will be replaced by the managing director.

Representation on Bank Boards

Representation has been given on the boards to bank employees (both workers and officers), depositors, persons representing the interests of farmers, workers and artisans, as statutorily required. Not more than five directors, having special knowledge and practical experience in one or more subjects, which are likely to be useful for the banks' operation, can be appointed by the government. The Reserve Bank and the central government are to have one official director each. Not more than two whole-time directors, of whom one is to be the managing director, are proposed to be appointed.

While bigger banks will have all the 15 directors, it will be open to the government to constitute a smaller board for a bank, depending on its size, resources and area of operation.

The tenure of a non-official director is proposed to be three years, so that it should be long enough to enable him to familiarise himself with the bank's working and participate effectively in the deliberations of the board. At the same time, care has been taken to see that it is not so long as to create vested interests, besides blocking the opportunity for inducting new non-officials. The official directors will hold office during the pleasure of the appointing authority. The boards are required to meet at least six times a year and at least once in each quarter.

There is flexibility in the provision relating to the appointment of one of the directors as chairman to preside over the board meetings. The government has the option to appoint, after consulting the Reserve Bank, one of the directors as part-time chairman or the same person to hold the offices of the chairman and the managing director. The need for this provision, it is said, has arisen from the fact that the requirements of different banks as well as of future may vary.

A management committee is proposed to be set up for each bank. It will exercise such powers as may be delegated to it by the board with the approval of the central government, such approval

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being given after consultation with the Reserve Bank. The committee will include the chairman, managing director, the two official directors from the Reserve Bank and the Central Government. It will also have not more than four non-official directors who are on the board to be nominated by the government after consulting the Reserve Bank. The non-officials shall not hold office (as members of the committee) for more than one year at a time. Other committees may also be set up by the boards' consisting of directors or other persons, for advising on particular matters or for performing sepecific duties assigned to them.

Regional consultative committees, in all five in number, are proposed to be appointed to advise the Reserve Bank and the Central Government on the subject of banking development in the concerned regions. These committees are designed to let the state and union territory governments have a sense of participation in the matter of banking development in the region. Each meeting will be presided over by the Finance Minister or a Minister or Deputy Minister in the union Ministry of Finance. Each regional consultative committee will consist of two representatives from each of the states, and one representative of the union territory included in the region and a representative each from the the major banks functioning in the region. The Reserve Bank may send a senior officer to be present at these meetings. The committee will make recommendations for the consideration of the Reserve Bank and the central government.

Relief to Auditors

In its report, submitted to Parliament this week, the Joint Committee of Parliament on the Bill to determine the conditions of service of the Comptroller and the Auditor-General has expressed the view that the Comptroller and Auditor-General might be relieved of the duty of auditing such receipts of government which, in the opinion of the President, need not be referred to him in the public interest. The original Bill empowered the Comptroller to audit all receipts which are payable into the consolidated funds of the centre, the states and the union territories. In the case of receipts payable into the consolidated fund of a state or of a union territory having a legislative assembly, the Joint Committee has suggested that such exemption should be made after consultations with the governor of the state or the administrator of the union territory concerned.

The audit report on the working of the state-owned Indian Telephone

Industries, which was also presented to Parliament this week, has made the startling revelation that incentives generally associated with higher efficiency and better performance have met with reverse results in this undertaking. Despite the various incentives provided to employees, the efficiency of ITI, the report says, has gone down from 105.98 per cent in 1965-66 to between 88.99 and 96.66 per cent in various departments during the period April to August, 1969. In four or five units, the efficiency has been consistently below 100 per cent.

Important Statements

Several important statements were made by government spokesmen during the question hour in the two Houses this week. These were: (1) The Minister for Steel, Mr B. R. Bhagat, observed in the Rajya Sabha on November 16 that there had been no departure from the Industrial Policy Resolution in allowing electric furnaces to convert scrap into steel and in giving a licence to a private firm of Goa for producing sponge iron. The manufacture of steel from scrap by electric furnaces, Mr Bhagat added, had been delicensed two years ago, but some months back it was decided that these furnaces should get licences. As regards sponge iron, Mr Bhagat clarified that this did not amount to making of billets. Only a licence for the manufacture of billets would come in conflict with the Industrial Policy Resolution.

(2) The Deputy Minister for Steel, Mr Mohammed Shafi Qureshi, stated in the Rajya Sabha on November 16 that the government did not come in the way of the private sector in meeting the requirements of certain categories of steel. Re-rollers were being given billets and they were also permitted to make imports to the extent of 50 per cent of their actual consumption of billets in 1969-70.

(3) The Deputy Minister for Railways, Mr R.L. Chaturvedi, told the Lok Sabha on November 17 that trials were being conducted to establish telephone communication between moving trains and control offices for operational purposes. If they succeed, the question of extending such communication for use by travelling public would be investigated.

(4) The Minister for Industrial Development and Internal Trade, Mr Dinesh Singh, told the Lok Sabha on November 17 that the government would not hesitate to bring forward a statute asking industrial units to make provisions for research work. At the present stage, however, the government was not going in for such a statute.

(5) The Minister for Finance, Mr

Y.B. Chavan, told the Rajya Sabha on November 17 that he was examining "in depth" the increase in the deposits of foreign banks since the nationalisation of the top 14 Indian commercial banks last year. He ruled out the nationalisation of foreign banks in the country or their closure.

(6) The Minister for Irrigation and Power, Dr K.L. Rao, told the Lok Sabha on November 18 that a national power grid would come into existence by the end of the sixth Plan period. He cautioned that the northern region would continue to face power shortage upto 1974. This was due to the depletion of water in the Bhakra reservoir as a result of siltage. A dam upstream Bhakra, he disclosed, was proposed to be constructed to protect the Bhakra Project.

(7) The Minister of State for Foreign Trade, Mr L.N. Mishra, disclosed in the Rajya Sabha on November 19 that the government was setting up a jute corporation in the public sector to undertake purchase of raw jute and look after growers' interests. This corporation, Mr Mishra added, would not take over uneconomic jute mills.

(8) The Minister of State for Home Affairs, Mr R.N. Mirdha, told the Rajya Sabha on November 19 that the government did not propose to reserve the manufacture of radios for the small-scale sector. It, however, would be meeting its requirements of radios from the small units.

(9) The Minister of State for Food and Agriculture, Mr A.P. Shinde, informed the Lok Sabha on November 19 that the government had approached the United States for "a fresh" PL 480 agreement. Under such an agreement signed in October last year, three million tonnes of wheat were to be imported this year. Partly because of the diversion of some funds to cotton, the quantity of wheat expected in 1970 would be about 2.52 million tonnes.

(10) Mr Shinde also disclosed in the Lok Sabha on November 19 that sugar exports would earn for the country Rs 25.5 crores this year, as against Rs 9.84 crores in 1969. We are now exporting the entire permissible quantity of 325,000 tonnes of sugar under the 1968 International Sugar Agreement, added Mr Shinde.

(11) Mr Shinde informed the Rajya Sabha on November 20, a Central Banana Development Corporation was proposed to be set up with a share capital of Rs 50 lakhs during the fourth Plan period. The central government would contribute Rs 40 lakhs to its share capital. The balance will be contributed by the banana-growing states.

November 27, 1970

EASTERN ECONOMIST

939

WINDOW ON THE WORLD

ABC to the EEC

JOSSLEYN HENNESSY

LONDON: eventual elimination of import duties between the two countries.

SOURCE: Statistical Office, European Communities.

II

EEC AGREEMENTS WITH OTHER STATES

An association agreement with some African states and Madagascar (the Yaounde Convention) was signed in 1963. The renewal of this agreement was signed in September 1969 and is to extend until the end of 1974. The following states are party to it: Madagascar, Ivory Coast, Congo-Kinshasa (ex-Belgian Congo), Senegal, Chad, Cameroon, Central African Republic, Mali, Burundi, Niger, Congo-Brazzaville, Mauritania, Somalia, Dahomey, Upper Volta, Rwanda, Gabon. (The total population of these countries is 64.3 million).

Association agreements with East Africa (Kenya, Uganda and Tanzania), were signed in September 1969.

The EEC has signed trade agreements with the following countries:

Iran (1963); Lebanon (1965); Tunisia (signed March 1969, entered into effect September 1, 1970); Morocco (signed March 1969, entered into effect September 1, 1970); Israel (first agreement, signed in 1964 ran until July 1967. A second agreement, signed in June, 1970, came into effect on October 1, 1970). Yugoslavia (an agreement was signed in March 1970 and entered into effect in May 1970).

An association agreement signed with Nigeria in 1966 did not enter into effect before its expiry in May 1969. The Community is currently engaged in trade talks with: Egypt, Algeria, Lebanon, Austria, Argentina, Uruguay, Japan and Malta.

III

ECONOMIC FACTS

(a) Annual Growth rate per head

Here is the average annual increase

of GNP per head at constant (1963) prices for 1958-67:

Country	Per cent
Italy	4.8
France	3.9
Belgium	3.8
W. Germany	3.7
Netherlands	3.7
(EEC Average)	4.0
United Kingdom	2.5

SOURCE: OECD National Account of OECD countries, 1958-67

(b) National Income

	1958	1968	Per cent increase
(US dollars)			
France	1182	2537	+115
Luxembourg	1402	2254	+62
W. Germany	1080	2201	+104
Belgium	1158	2154	+86
Netherlands	845	1982	+135
Italy	598	1390	+132
Common Market Average	955	2040	+114
United Kingdom	1248	1859	+49

SOURCE: European Communities Statistical Office.

(c) Prices

Increase in Consumer Prices 1958-68

	% Increase
France	45.0
Netherlands	38.0
Italy	38.6
United Kingdom	30.2
Belgium	26.7
W. Germany	25.3
Luxembourg	22.0

SOURCE: National Institute Economic Review

(d) Wages

Here are the percentage increases in real wages in manufacturing industries in the three largest EEC states and in UK between 1958 and 1968:

UK	19%
France	41%
Italy	42%
W. Germany	54%

SOURCE: OECD

(e) National Expenditure on Social Welfare and Security 1967

	Total (\$m)	Expenditure per head of population (\$)	Total as % of gross national product
Belgium	3,006	314	15.0
France	18,800	377	16.1
W. Germany	20,824	348	17.2
Italy	10,998	210	15.8
Luxembourg	126	373	19.0
Netherlands	3,880	308	18.5
UK* (1967-68)**	11,702**	214**	14.8

*Approximate figures only.

**Converted at end-year exchange rate.

SOURCE: European Communities Statistical Office.

The EEC states spend more per head on welfare than the UK because where as the necessary funds are raised in the UK by flat rate contribution per head (which discriminates against the less well off) subsidised by general taxation, in the EEC they are raised by contributions which are percentages of wages and salaries, so that the higher the earnings—total and individual—rise the greater the contribution to welfare, an economically sensible and socially just system.

(f) Investment

Here is the average annual percentage increase in gross investment in machinery and equipment at fixed prices:

	1958-64	1964-67	1958-67
UK	5.8	3.9	5.2
France	7.0	5.6	6.5
W. Germany	10.2	-0.8	6.4
Italy	7.7	2.4	5.9
Netherlands	9.2	4.0	7.4
Belgium	7.6	9.0	8.0
Luxembourg	NA	NA	NA
Japan	15.2	4.4	14.0*
USA	7.5	9.7	8.3

*Up to 1966 only.

NA—Not available

SOURCE: National Accounts of OECD Countries 1958-67.

(g) Industrial Efficiency and Income (in US dollars)

	Gross value added* per worker			Wage/salary bill† per worker		
	1962	1968	per cent change	1962	1968	per cent change
Belgium	2,800	4,400	+57	1,800	2,700	+50
France	3,800	6,100	+60	2,300	3,800	+65
W. Germany	3,100	4,800	+55	1,990	2,900	+53
Italy	1,900	3,200	+68	1,200	2,000	+67
Netherlands	2,900	5,300	+83	1,800	3,300	+83
EEC	2,900	4,700	+62	1,800	2,900	+61
UK	2,700	3,400	+26	1,900	2,400	+26

*At factor cost.

†All employees in industry, manual and non-manual; including fringe benefits paid by employers and before tax and other deductions.

(h) Trade Developments

External Trade of the United Kingdom

	1958		1968		Percentage increase 1958-68
	£ million	% of total	£ million	% of total	
Imports (1) Total	3,834	100	7,451	100	102
of which EEC	538	14	1,551	20	188
Continental EFTA (2)	436	11	1,161	15	166
Commonwealth	1,336	35	1,867	24	40
Rest of the world	1,524	40	3,166	41	108
Food, beverages and tobacco	1,490	39	1,900	25	28
Basic materials and fuels	1,345	35	2,109	27	57
Manufactured goods	977	26	3,627	47	371
Exports Total	3,250	100	6,183	100	90
of which EEC	448	14	1,196	19	167
Continental EFTA (2)	352	11	858	14	144
Commonwealth	1,239	38	1,408	23	14
Rest of world	1,211	37	2,721	44	125
Food, beverages and tobacco	194	6	398	6	105
Basic materials and fuels	242	7	346	6	48
Manufactured goods	2,714	84	5,285	85	95

(1) Excludes United States military aircraft.

(2) Including Finland.

SOURCE: Britain and the European Communities—An Economic Assessment.

The EEC stresses that the figures of industrial efficiency and incomes given here are only approximate guides. The gross value added per employee presents the value of work put into the manufacturing or processing of a product, while the wage bill per employee averages out the cost of providing direct and indirect incomes of workers at all levels in industry.

It is noteworthy that whereas UK exports to the Commonwealth countries increased by only 14 per cent between 1958 and 1968 UK exports to the EEC rose by 167 per cent. The trade between the EEC states themselves increased by more than 300 per cent during the same period — from \$6,800 million to over \$29,000 million. This Community trend did not mean any slackening in the development of EEC trade with non-member countries, which has more than doubled since 1958. Whereas between 1955 and 1958 the annual average increase in EEC states trade with non-Community countries was approximately 8 per cent, the equivalent for the period 1958 to 1968 following the entry into effect of the Rome Treaty was approximately 10 per cent.

(i) Taxes and the Economy

Taxes and social security contributions as a percentage of gross national product at factor cost in 1968 are given in table below.

When economists declare that UK taxes are too high and a burden on growth, socialists usually reply by citing these figures, which show that (Italy excepted) EEC total taxes do not differ greatly from those of the UK. The answer is that the way in which the taxes are collected may be

more or less burdensome. The high percentage taken in income-tax on the UK is a tax on initiative, enterprise and growth.

(j) Statistics on the "Standard of Living"

The British worker receives an hourly wage that compares well with that of workers in the Common Market countries. Here are the hourly earnings of manual workers (men and women) in manufacturing industries:

	S.	d
United Kingdom	9	3.1
Belgium	9	5.8
Luxembourg	12	8.5
Netherlands	9	5.8
Italy	6	7
France	8	1
W. Germany	10	8.3

It is in the area of indirect remuneration, including such items as paid holidays, extra cash payments, social security etc., that the average worker in the Common Market is markedly better off than his English counterpart.

The British worker gets an average of 6-21 days paid holiday per year (including public holidays). In comparison:

The Belgian worker	22-28 days
The German worker	25-37 days
The French worker	32 days (average)
The Italian worker	29-47 days
The Luxembourg worker	28-34 days
The Dutch worker	24-30 days

In the UK, paid holidays amounted

	Taxes on income		Taxes on expenditure	Social security contributions		Total
	Households	Corporations		Total	Of which paid by employers	
Belgium	9.2	2.3	15.1	10.8	6.8	37.4
France	5.4	2.1	18.3	16.7	11.9	42.5
W. Germany	9.5	2.6	15.7	2.1	6.2	39.8
Italy	5.7	1.9	14.1	12.4	n.a.	34.1
Netherlands	11.6	3.1	12.5	15.0	11.0	42.2
UK	12.4	2.9	18.9*	5.9	8.0	40.1

*Including local rates.

SOURCE: Economic Trends, August 1970, HMSO.

to 7.8 per cent of the basic wage of workers in manufacturing industry in 1968. In Belgium the proportion was 17.4 per cent, in France 13.3 per cent, in W. Germany 14.5 per cent, in Italy 16.2 per cent, in Luxembourg 10.5 per cent and in the Netherlands 10.6 per cent.

Payments on top of basic wages, such as efficiency and productivity bonuses, travel allowances etc., are not paid to workers in Britain on as large a scale as workers in EEC countries. The UK worker does not get paid the bonus known as "the 13th month" as do many workers on the Continent.

Cash benefits as a percentage of basic wages:

	Per cent
Belgium	5.1
France	8.2
W. Germany	4.3
Italy	17.3
Luxembourg	6.1
Netherlands	8.2
UK	2.4

SOURCE: Statistics Office of the EEC.

(k) Contribution of the EEC to Faster Growth

As to how far the EEC can be held responsible for the economic advances made since 1958, a report published by the Confederation of British Industry says:

"Little information can be gained from the evolution of growth rates in the EEC, since, although all member countries except Germany experienced an acceleration in growth in 1958-66 as against 1953-8, the same pattern is discernible in non-EEC countries. Nevertheless there are reasons which suggest that the acceleration of member countries' growth was due largely to the creation of the EEC. First in a study by the Economist Intelligence Unit in 1957 it was expected that growth in EEC countries after this date would slow down to the EFTA rates; that it did not may be considered to some extent due to the formation of the Common Market, moreover, the two smallest and slowest-growing countries before 1958 experienced the most acceleration over the two periods: Belgium: 2.4 per cent p.a. rose to 4.5 per cent; Netherlands: 4.0 per cent rose to 5.1 per cent. This seems to substantiate the theory that the small slow grower gains the most from economic integration and would augur well for the UK as a re-

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latively small part of a large unit". (*Britain in Europe—A Second Industrial Appraisal* CBI, 1970).

IV

CHRONOLOGY OF EVENTS 1950-70

May 9, 1950 : Schuman Declaration—the French Foreign Minister, M. Schuman, makes a proposal to place French and German coal and steel under a common authority.

April 18, 1951 : Treaty setting up the European Coal and Steel Community (ECSC) signed in Paris.

May 27, 1952 : Treaty setting up a European Defence Community (EDC) signed in Paris.

August 30, 1954 : EDC treaty rejected by the French Parliament.

June 1-3, 1955 : Messina Conference: The Foreign Ministers of France, West Germany, Italy, Belgium, Holland and Luxembourg propose further steps towards economic integration. Britain sends observer, but declines subsequent invitation to enter negotiations.

June 26, 1956 : Negotiations on Rome Treaties in Brussels.

March 25, 1957 : Signature of Rome Treaties.

January 1, 1958 : The Rome Treaties come into force setting up the European Economic Community (Common Market) and Euratom.

June 1, 1958 : Government of General de Gaulle returns to power.

November 20, 1959 : European Free Trade Association Convention (EFTA) signed between Austria, Denmark, Norway, Portugal, Sweden, Switzerland and United Kingdom.

May 3, 10-12 May, 1960 : EFTA Convention in force.

May 10-12, 1960 : EEC decides to speed up timetable for implementing the Common Market and the first steps towards a Common External Tariff are taken (a year early).

July 1, 1961 : Finland becomes an Associate of EFTA.

July 9, 1961 : Greece signs association agreement with EEC (entry into force November 1, 1962).

July 31, 1961 : Mr Macmillan announces the government's decision to apply for full membership of the EEC.

November 8, 1961 : Negotiations with Great Britain open in Brussels.

January 14, 1962 : EEC fixes basic features of common agricultural policy,

and issues regulations for grains, pigmeat, eggs and poultry, fruit and vegetables, and wine.

May 15, 1962 : Community decides second speeding-up of Common Market timetable.

January 4, 1963 : President de Gaulle declares that Britain is not ready for Community membership. Negotiations come to an end on January 29.

July 1, 1963 : Signature of Yaounde Convention, associating eighteen independent states in Africa and Madagascar with the Community for five years from June 1, 1964.

September 12, 1963 : Turkey signs association agreement with Community (entry into force December 1, 1964).

May 4, 1964 : Kennedy Round Tariff Negotiations open in Geneva.

June 30, 1965 : French delegates walk out of Council meeting because of opposition to majority voting. French boycott of all Community institutions begins and continues for next seven months.

January 1, 1966 : French return to EEC. Third and last stage of EEC transition period begins.

November 10, 1966 : Mr Wilson announces British government's decision to explore the possibilities of British entry into the EEC.

January 16, 1967 : Mr Wilson and Mr Brown begin tour of Community to sound out chances of second British application.

May 11, 1967 : Britain, Denmark, Norway and Ireland make second application to join EEC.

December 19, 1967 : Council deadlock on enlargement owing to de Gaulle veto — applications left on table.

July 1, 1968 : EEC customs union complete. Common agricultural price levels agreed. First stage of Kennedy Round (concluded in June 1967) comes into effect.

April 28, 1969 : Resignation of General de Gaulle from French Presidency.

June 22, 1969 : M. Pompidou elected President of France.

October 21, 1969 : West German elections — Herr Brandt becomes Chancellor.

December 1-2, 1969 : Summit meeting of the Six to discuss future development of EEC. Agreement to open negotiations with Britain in the near future.

December 22, 1969 : Agreement in principle reached on new financial

system for the EEC to come into effect in 1971.

December 31, 1969 : End of EEC's twelve year transition period.

V

E.E.C.'S NEGOTIATING POSITION

On June 30, 1970, the Belgian Foreign Minister, M. Harmel, as President of the EEC Council, said:

"(A) We assume in principle that your states accept the treaties and their political objectives, all the decisions of every type which have been taken since the treaties came into force and the choices made in the field of development. These decisions also include the agreement concluded by the Community with third countries.

(B) Under these conditions, the Community wishes at the opening of the negotiations, to state a certain number of principles which it intends to apply:

1. The rule which must necessarily govern the negotiations is that the solution of any problems of adjustment which may arise must be sought in establishment of transitional measures and not in changes in the existing rules.

2. The object of the transitional measures will be to allow for the adjustments which prove to be necessary as a consequence of the enlargement. Their duration must be restricted to that required to achieve this aim. as a general rule, they must incorporate detailed time-tables and must commence with an initial significant mutual tariff reduction on the entry into force of the accession treaties.

3. The transitional measures must be conceived in such a way as to ensure an overall balance of reciprocal advantages. With this in mind it will be necessary to ensure adequate synchronisation of the progress of freedom of movement of industrial goods with the achievement of the agricultural common market. This consideration must be taken into account in respect of the duration of the transitional period, which should be the same for all the applicants.

4. In other fields in which transitional measures prove necessary, the duration of such measures could, if possible and desirable, be varied according to their subject matter and the applicants involved. These questions will be examined during the negotiations.

5. The various accession treaties should come into force on the same date.

(C) It is the Community's opinion that the accession of new members will lead to the enlarged Community having new responsibilities towards developing countries, which it will have to meet

in appropriate ways. With this in view, the enlarged Community must be ready to continue its policy of association both as regards the existing associated African and Malagasy states and for

the benefit of the independent African countries of comparable structure and level of development which request association with a view to promoting their economic and social development.

Ominous Indicators

E. B. BROOK

VIENNA:

WHILE the Common Market prepares for its second generation developments by considering later this month the Werner report on monetary integration, there is a consultative pause in which to look again at one of Europe's and the Market's most vigorous constituents, West Germany.

It is now a little over a year since the Deutschmark was revalued and no recession, so vocally feared by German industrialists at that time, has come about. The forecasts had the support of the economic textbooks' rule that an upward revaluation makes exports dearer and imports less expensive, but Chancellor Brandt's increase of 9.3 per cent in the mark's parity has had no such effect, even though West Germany's economy is export-oriented.

Slow Recovery

On the contrary, West German economy is slowly recovering from the severe bout of overheating which it had suffered increasingly in the later sixties. Five leading German research institutes recently expressed a joint opinion that the country's economy was now undergoing transition "from super-heat to normalisation" and a slightly quieter domestic demand for capital goods indicated quieter days ahead. And although the German central bank contends that there are few changes in the general trend of the economy, it can scarcely be denied by the most conservative German economist that his country's economy is cooler and calmer than it was a year ago when foreign money was pouring in for quick profits, helping to produce artificial excitations.

Bankers are necessarily cautious people, slow to admit improvement and with a keen eye for threatening trends. In West Germany, they decline to admit that the situation has improved, emphasise that industry still has much more work than it can handle, deplore delivery delays that are much shorter than in many other countries, and shake their heads over the labour market tension that has produced a number of strikes. Like British bankers, they deplore steep rises in production costs, especially the high increases in wages

and salaries. To the German the word "inflation", after his catastrophic experience in the twenties and thirties as well as after the last war, is a near-paralysing bogey. The effect of this fear is seen in the fact that, though average earnings have risen by about 10 per cent in the last year, private savings are about three per cent less, indicating greater spending spurred by anxiety to buy before prices rise further. In the last month or so this private demand appears to have been falling off, but the tendency to excessive precautionary buying is always a nervous factor in the German economy.

No Revaluation

Two months ago, West Germany's chronic trade surplus still stood at 9.23 billion Deutschmarks, or some £1.3 billion. The reduction in one year was minimal; at the end of August 1970, the surplus was only £0.15 billion less than a year earlier. Partly as a result, the foreign currency reserves of the German central bank are again nearing the record level reached just before revaluation — at the end of September they were about £400 million less than on September 30, 1969. There is, however, no serious discussion of a further revaluation of the Deutschmark.

A factor that has helped the German economy to stabilise slowly from its feverish boom conditions in 1969 is the absorption, grudgingly undertaken, by any West German companies of the price increases for their products last year. Others, like Volkswagen, had as a precaution raised some of their foreign prices before revaluation and others, including some of the largest chemical concerns, stepped up their branch activities abroad to counter the effect of revaluation.

West German industry is convinced that another revaluation would price German products out of world markets. To avoid encouraging revaluation by restraining price increases, despite rising production costs and wages, several well-known German manufacturers may be making themselves susceptible to a takeover within a few years. The German car industry is particularly sensitive on this point, since several firms will shortly have to face the ma-

jor financial strain of re-tooling. This is a problem for the economy as a whole, since the car industry is a prestigious and important constituent and gives employment to over 600,000 workers.

Workers, in fact, are rather more a problem to West Germans than costs or inflation risks. The plain fact is that there are not nearly enough people in Germany to do the work required. There are now nearly two million foreign workers ("guest workers" is the German term) in the Federal Republic. The Yugoslavs lead with 21.8 per cent of the foreign work force with Italians second at 19.6 per cent and Turks third. The remainder are mainly Greek, Spanish and Portuguese — almost all, in fact, south Europeans.

Unsatisfactory Solution

It is in many ways an unsatisfactory solution of the German industrial production problem — it sets up severe social tensions, produces sad educational problems, costs foreign exchange, runs into huge expense for housing and raises innumerable personal problems. Unemployment in Germany is minimal — about 90,000 — but total vacancies are around 870,000. So that companies, spending money over housing, languages and technical education that are all heads extraneous to their usual budgets, are forced to employ foreigners, often unskilled workers, who have to be taught their factory work as well.

One result is that German industry like the Swedish, is beginning to take itself to workers rather than have the workers come to it. German firms are expanding fairly rapidly in Ireland where labour is available rather than develop their existing plants on the continent.

There seems to be no end to this situation: the Economics Ministry has estimated that within 10 years foreign workers in West Germany will rise from the present one million to 2.5 million and even more by 1980. The cost to German foreign exchange is already £344 million a year and the prospect appears to be that it may rise to nearly £1 billion if the present trend continues.

But if ever there were a recession — and the drag of foreign labour is a hindrance to German industrial expansion — the foreign workers would be the first to lose their jobs. The current hard line taken by German trade unions in wage negotiations, the decreasingly respectful attitude of the German worker towards its employer and his union leaders make an exodus of foreign workers from West Germany certain as soon as less prosperous days arrive.



who is he?

a popular stylist

his styles are the dream;
he lends the town a-hooting;
his models are the cream;
in gay



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

The moving finger writes

C.V. RAMAN was a great scientist. He was also a difficult individual. Though an institution in himself, he has not left any institution behind. This could be as much a criticism of Raman as it may be of the lesser men who strutted on the national stage in the years when he withdrew into his magnificent isolation. That he had little patience with those who had turned science into a political science was to his credit; that, though a rebel with a cause, he seemed to place his rebellion above his cause was his country's misfortune and perhaps his personal tragedy as well.

Although press reports say that the President, Mr V.V. Giri, plans to undergo a month's treatment at the Arya Vaidyasala at Kottakkal in Kerala, the Rashtrapati Bhavan here seems prepared for his being away for as long as two months. The President's secretariat, I learn, is, in fact, planning his engagements for the New Year on this basis. The famous *vaidyasala* to which Mr Giri has withdrawn himself is well-known for the courses of treatment it undertakes for such illnesses as rheumatic ailments, nervous disorders and mental afflictions. Quite often hopeful men in the autumn of life are also known to go there for cures which might help them to shed some of the burden of the years. A course of *kayakalpa* of sorts is said to be one of the attractions of this place.

It is reassuring to be told that Mr Giri has gone there only in quest of a renewal of youth rather than in search of a remedy for any serious illness. With characteristic exuberance the President has announced that he hopes to return to the capital "ten years younger and twenty years more active". The Vice-President should learn to be patient. Meanwhile the Comptroller and Auditor-General (or whoever it is that may be concerned) should look into the question whether expenditure on *kayakalpa* can be treated as legitimate medical expenses on the President to be met by the tax-payer.

Standard Motors is being done to death in Madras because the Minister for Industries in the state government is making a prestige issue of his demand that certain employees (who, by their disorderly or even violent behaviour,

had been largely responsible for the labour trouble which precipitated the closure of the plant) should be taken back into service as a condition of the reopening of the works. Premier Automobiles in Bombay is finding it increasingly difficult to make both ends meet in its day-to-day working, since every car it makes and sells involves it in a financial loss. Hindustan Motors in West Bengal has been compelled to pass the dividend on its ordinary shares. The Verghese inquiry, which examined the circumstances of Standard Motors at the instance of the Government of Tamil Nadu, had confirmed the familiar fact that the government's policy of fixing the prices of cars at levels which are uneconomic to the manufacturers has made it impossible for the industry to function in a viable manner.

New Delhi however has remained quite indifferent to the crisis in this important industry in which considerable money and skills have been invested. Simultaneously, it is playing with projects or proposals for a new plant or plants for manufacturing new model or models of cars, variously described as a small car, a cheap car or a people's car. Economic planning has never had much of a reputation in our country and these antics of the Ministry of Industrial Development (which seem to have the personal blessings of the Prime Minister) are certainly making it more than ever difficult for informed opinion in our country to take the government's pretensions of economic planning seriously.

When Caligula appointed his horse a consul he had at least the assurance that the quadruped knew its place. The Prime Minister seems to be less well-placed in relation to her favourites. When Secretaries to the Government entertain, officially, the expenses are not only tax-exempt, but are actually met by tax-payers. It follows that even if such functions do not always further the cause of the country, they should at least avoid harming its interests. The Foreign Secretary, Mr T.N. Kaul, gave a party the other day in honour of our Ambassador-designate to Bonn, Mr Kewal Singh, and the Counsellor-designate, Mr Saad Rashmi. To this was invited the East German Consul-General, Mr Herbert Fischer. Protesting

this, the West German Ambassador in New Delhi, Mr Guenter Diehl, went away without attending the party. It should not have been difficult for Mr Kaul to anticipate the West German Ambassador's reaction—and it cannot be easy even for him to explain away his peculiar sense of propriety. It is particularly regrettable that avoidable embarrassment was caused to the West German Ambassador in New Delhi by the Foreign Secretary's act of tactlessness and even gracelessness just a day after the two countries had signed an agreement under which credits totalling DM 270 million (Rs 55.35 crores) were provided for our development projects in the coming financial year.

Dr A. Appadorai, who was honoured at a public function in the capital some days ago by his friends and admirers (who presented him with a collection of essays on politics and international relations, specially written for the occasion by eminent scholars) is among the more retiring personalities in New Delhi's academic world. Indeed it is difficult to credit this gentle and self-effacing man with the aggressive endeavour that should have gone into the building up of the Indian Council of World Affairs and its offshoot, the Indian School of International Studies, to their present positions of service or excellence.

Dr Appadorai came to New Delhi in 1944 from Loyola College, Madras, where he was teaching Political Science. He met both his opportunity and his challenge when Pt. Hridaynath Kunzru chose him for organising into an institution Tej Bahadur Sapru's and also his (Kunzru's) own ideas of a public institution which would study international relations with reference to a free India's prospective role in Asian or world politics. This has been one of the most productive partnerships that there has been and it has had its triumphs in educating India about the world and the world about India. Dr Appadorai has been regularly writing in this journal on political issues or matters of public policy. His articles have been of current as well as scholarly interest. His association with *Eastern Economist* in this manner is a matter of particular satisfaction to me since I happen to be one of his old — and, occasionally, irreverent — students of the Loyola days.

V.B.

Trade Winds

ASSISTANCE FROM W. GERMANY

AN AGREEMENT for assistance totalling Rs 55.35 crores (DM 270 million), which the Government of the Federal Republic of Germany had pledged at the meeting of the Aid-India Consortium held at Paris in May, 1970, was signed in New Delhi on November 19, 1970. The Ambassador of the Federal Republic of Germany, H.E. Mr Guenter Diehl and Mr Y.T. Shah, Joint Secretary, union Ministry of Finance (Department of Economic Affairs), signed on behalf of their governments. The agreement is a sequel to the successful conclusion of the talks held last month in Bonn between the delegations of the two countries. It may be noted that the quantum of aid for 1970-71 has increased to DM 270 million as compared to DM 250 million for 1969-70. The talks in Bonn also covered other matters of common interest in the economic field and particularly the question of increased exports from India to Germany. The economic assistance of Rs 55.35 crores under this agreement will be utilised as follows:—(i) Rs 17.73 crores (DM 86.5 million) as commodity aid for purchase of goods and services. Of this Rs 3.8 crores (DM 16.5 million) would be by way of liquidity assistance for meeting India's import requirements from any source; (ii) Rs 12.3 crores (DM 60 million) for projects to be mutually selected; (iii) Rs 3.075 crores (DM 15 million) for loans to small and medium size enterprises by the Industrial Finance Corporation of India, the Industrial Credit and Investment Corporation of India and National Small Industries Corporation; (iv) Rs 3.075 crores (DM 15 million) for financing of projects approved by the Indian Inter-Ministerial Committee for Capital Goods; (v) Rs 15.64 crores (DM 76.3 million) towards deferment of certain instalments of repayment of principal in respect of earlier German credits, maturing between April 1, 1970 and March 31, 1971; and (vi) Rs 3.53 crores (DM 17.2 million) towards reduction of interest payments falling due between April 1, 1970 and March 31, 1971.

Terms of the assistance are : (a) Rs 36.18 crores (DM 176.5 million amounts mentioned at (i) to (iv) in the preceding paragraph, will be extended in the form of loans repayable in 30 years including a grace period of 8 years) carrying an interest rate of two and a half per cent per annum; (b) The defer-

ment of debt repayments totalling Rs 15.64 crores (DM 76.3 million) represents rescheduling over a period of 10 years of certain payments falling due in the current financing year; and (c) Rs 3.53 crores (DM 17.2 million) will be made available as grant-in-aid.

With the signing of this Agreement, German economic assistance to this country by way of credits (including grant-in-aid for the reduction of interest charges) for India's development programmes totals Rs 1,030.2 crores (DM 5,025.2 million). This country has been importing with German assistance, raw materials, components and other maintenance requirements for the economy, and equipment for various industries like automobile, chemicals, engineering, power, steel, etc. Among the important projects undertaken with German assistance are the Rourkela Steel Project, the Gujarat Aromatics Project, being implemented by the Indian Petro-Chemicals Corporation, Rourkela Fertilizer Plant, Neyveli mining scheme, Durgapur Power Station (5th unit), expansion of the Mysore Iron and Steel Works and its conversion into an alloy and special steel plant, new Government Electric Factory, Bangalore, expansion of the Kalinga Pig Iron Plant, the Kargali Coal Washery (extension), the Sawang Coal Washery and Telco Tool Room Factory. Amongst many projects set up with the German technical assistance are the agricultural project at Mandi, the Indian Institute of Technology, Madras and the Engineering Export Promotion Scheme.

TRADE WITH CZECHOSLOVAKIA

A trade protocol for 1971 envisaging the possibility of further increase in the two-way trade exchanges in the coming year going up to a level of Rs 100 crores was signed in New Delhi on November 18, 1970, between India and Czechoslovakia. The Protocol was signed by H.E. Mr J. Strba, Deputy Minister of Foreign Trade, Czechoslovak Socialist Republic on behalf of his government and Chowdhary Ram Sewak, Deputy Minister of Foreign Trade on behalf of the Government of India. The items of export from India to Czechoslovakia in 1971 would, among others, be building materials and sanitary fittings, textile machinery, machine tools and hand and small tools, equipment for hospitals, components and spare parts for tractors and other engineering

goods, ready-made garments and woollen hosiery, carpets, textiles, cotton yarn, iron ore, coir products, finished leather, gramophone records, linoleum, chemicals etc. The principal items of import from Czechoslovakia would be tractors, rolled steel products, tool alloy and special steel, organic and inorganic chemicals, pharmaceuticals, components and raw materials for Czech assisted projects in India, shunting locomotives for steel industry and other items of machinery and equipment under collaboration projects, etc. Next to USSR, Czechoslovakia is the second largest trading partner of India among the socialist countries. India's exports to Czechoslovakia have steadily risen from Rs 43 million in 1953 to Rs 308 million in 1969 and a further increase is expected at the end of this year. Czechoslovakia has been a very receptive market for a wide variety of Indian engineering goods the export of which to Czechoslovakia has increased from Rs 4 lakhs in 1964-65 to Rs 2.6 crores in 1968-69. During his stay in India, the Czechoslovak Deputy Minister of Foreign Trade proposed to visit Hyderabad, Mysore, Bangalore and Bombay.

INDO-AFGHAN TRADE

At the invitation of the Royal Afghan Government Mr K.B. Lall, Secretary, union Ministry of Foreign Trade, visited Kabul from November 13 to November 14, 1970 and held detailed talks with H.E. Dr Akbar Omar, Minister of Commerce. Since the current trade arrangement expires on July 31, 1971, it has been agreed that the trade exchange between the two countries will continue to be regulated till then by the procedures worked out under it in 1968. The improvement of the existing system has been deferred to the period commencing August, 1971. The two sides will engage themselves in meaningful discussions on intended improvement at a mutually convenient date as early as possible, and in any case not later than February 1971. Meanwhile, both sides will make every efforts to persuade the trading communities of the two countries to desist from abusing the existing system to the disadvantage of producers and consumers of Indian and Afghan products.

INDIAN EXHIBITION IN SUVA

The press preview of the Indian exhibition in Suva on November 12 was attended by over fifty representatives of the local and international press. The theme of the exhibition was "India and Fiji : partners in progress." The exhibits ranged from heavy and light engineering goods and agricultural implements to consumer goods, household ware, etc. Jewellery and textile sections

attracted the maximum attention. Deep impression was also made by the engineering items. Live fashion parade of modelling dresses of Indian handloom silks by French designer Pierre Cardin, were displayed together with sari and kurta fashions. This was the first ever comprehensive Indian exhibition being held in Fiji and has opened the eyes of the people of Fiji to the progress made by India since independence. An Indian techno-economic team visited Fiji last year and had identified areas where small scale industries can be established with benefit to both the countries. The exhibition has provided fresh stimulus in this direction. The exhibition has been open to public from November 15 to 28.

SPORTS GOODS IN NIGERIA

The Indian High Commissioner to Nigeria, Mr S.G. Ramachandran, presented 550 hockey sticks to the Chairman of Nigerian National Sports Council, on November 18 in Lagos. These sticks will be distributed by the Nigerian Hockey Association among various educational institutions for encouraging and developing the game of hockey throughout Nigeria. Referring to the request for Indian assistance in setting up small-scale industries for manufacturing sports goods in Nigeria, the High Commissioner commended the idea and said that if a request was made by the National Sports Council, it would be considered sympathetically and perhaps feasibility study on raw material and manpower requirements could also be arranged.

IMPORT OF TRACTORS

The position regarding the import of tractors by agriculturists as gift has been reviewed by the government and it has decided to extend the last date for submission of applications for customs clearance permits from October 31, 1970 to October 31, 1971. Applications received after October 31, 1971 will not be entertained. It has also been decided to issue Customs Clearance Permits in cases where the donor is the son-in-law, grandfather, brother-in-law (wife's or husband's brother) and the donee is father-in-law, grandson, grand-daughter, brother-in-law, (sister's husband), brother's wife and vice versa.

MAN-MADE TEXTILE DELEGATION

A delegation of various sectors of the man-made textile industry sponsored by the Council of Scientific and Industrial Research, left for Federal Republic of Germany on November 18, 1970 at the invitation of the German Academic Exchange Service. The delegation was led by Dr D.N. Shroff, President of the Silk & Art Silk Mills' Research Association,

and consisted of Mr Sitaram Singhania (J.K. Synthetics Ltd), Mr N.M. Patel (New Oriental Silk Mills Pvt. Ltd), Mr Atul K. Bhagwati (Associated Textile Engineers) and Mr J.G. Parikh (Director, Silk & Art Silk Mills' Research Association). The delegation proposed to visit various research institutes, man-made fibre plants, machinery manufacturing plants, etc. in West Germany and was likely to stay there for a period of three weeks and study the research and development efforts in German man-made textile industry.

SHRIMPS FOR JAPAN

Japan's import of shrimps is expected to reach 1,20,000 tonnes by 1980 from the present level of 50,000 tonnes, in view of dwindling domestic production and increasing demand in the home market. This was disclosed by Mr. S. Kirii, leader of a nine-member delegation of the Japan Marine Products Importers Association, during discussions with the Chairman and members of the Marine Products Export Promotion Council recently in Cochin. Japan imports shrimps from more than 50 countries in the world and India meets 10 per cent of the Japanese shrimp requirements. The Japanese delegation was reported to have expressed satisfaction at the improvement in the quality of shrimps exported from India, but suggested better packaging. The Chairman of the MPEPC told the delegation that it was the Council's intention to incorporate packaging within the framework of the quality control scheme.

A.R.C.

The Agricultural Refinance Corporation is issuing 5-3/4 per cent bonds 1982 (second series) for a total of Rs 7.75 crores. The issue is made at par. The subscription list opened on November 26. The Corporation reserves the right to retain subscriptions received up to 10 per cent in excess of the sum of Rs 7.75 crores.

The Corporation issued in January last 5-3/4 per cent bonds 1982 for Rs 10 crores. The issue opened for subscription on January 5 and was closed on the very first day of its opening, on being fully subscribed.

The response to the forthcoming bond issue by the Corporation is also expected to be encouraging. The Life Insurance Corporation and commercial banks are expected to lend good support to this issue. It is likely that the subscription list will be closed, as on the previous occasion, on the very first day of its opening.

The paid-up capital of the Corporation at present is Rs 5 crores. The Corporation has since its inception

in 1963 been providing financial assistance to land development banks, state co-operative banks and scheduled commercial banks as are its shareholders to enable them to finance the development of agriculture and allied activities. The facilities offered by the Corporation have been utilised in an increasing measure and it has become necessary for the Corporation to augment its resources further and hence the present issue of bonds. The bonds are guaranteed by the central government as to repayment of principal and payment of interest. The bonds will be trustee securities under the Indian Trusts Act, 1882, and approved securities for the purposes of Insurance Act, 1938, and the Banking Regulations Act, 1949. The bonds will be treated as on par with government securities for purpose of advance to scheduled banks and state co-operative banks under the Reserve Bank of India Act. The administrators of the provident funds can also invest their provident fund balances in these bonds.

POWER CUT IN NORTH INDIA

An all-round power cut will be imposed in the northern region from December 10. Announcing this recently, the Minister for Irrigation and Power, Dr K.L. Rao, stated that power shortage was expected to last at least for six months. The government's decision to impose power cut from the next month will adversely affect industrial production in the entire region comprising Punjab, Haryana, Delhi, Chandigarh, Himachal Pradesh, and some parts of Rajasthan. Dr Rao added that the water level in Bhakra reservoir reached a maximum of 1627.22 ft. this year against a normal full reservoir level of 1680 ft. With this the storage attained this year was about 35 per cent less than the normal full capacity of the reservoir. In all, the shortage in power generation and irrigation supplies was likely to be of the order of about 35 per cent throughout the depletion period ending June, 1971.

INDO-BELGIAN COLLABORATION

The Belgian Economic Mission, which visited this country a few days ago, has assured the Government of India that it would be willing to assist in marketing Indian products in Belgium and other countries provided India showed interest in such a collaboration. The leader of this mission, Mr Then de Dobbeler, told newsmen last week that there was a good prospect for Indo-Belgian joint ventures not only in this country but also in other developing countries. He, however, hesitated to identify the fields in which such collaboration arrangements could fructify.

A lot of preparatory work, he said, was needed for this purpose. The Indo-Belgian Joint Economic Commission, which is to meet in spring next year in Belgium, he added, would consider what specific measures could be taken to foster industrial as well as trade collaboration between the two countries. Being primarily an exporting country, Belgium, Mr Dobbeler observed, could make available technical know-how in many fields. These included engineering industries, glass manufacture, and production of communications equipment, electronics, cameras, photographic materials, etc. Mr Dobbeler further stated that his delegation appreciated India's difficulties in opening up its market for foreign goods. India's "very liberal" rules regarding repatriation of profits by foreign entrepreneurs and the gigantic internal market, he opined, could attract manufacturers from abroad. In trade, Mr Dobbeler felt, India had to go in for aggressive and persistent salesmanship abroad.

RELAXATION IN INCOME-TAX

A further relaxation has been made in the provision in the Income-Tax Rules requiring payments for business expenses exceeding Rs 2,500 to be made by crossed cheques or drafts. The relaxation covers payments in cash in excess of Rs 2,500 made with a view to avoid difficulty to the payee or where it was not practicable to pay in cheque or draft. The availability of this benefit depends upon the nature of transaction as well as the need for its expeditious settlement. The assessee making such payments is, however, required to satisfy the Income-tax Officer about the genuineness of the payment and the identity of the payee.

TRACTORS FROM RUSSIA

A contract was signed on November 21, between the State Trading Corporation of India (STC) and V/O "Tractoroexport", Moscow for delivery to this country from the USSR 3,000 T-25 wheel tractors, with 20 h.p. engine. T-25 tractor is a new Soviet model; Indian farmers are however familiar with the earlier model DT-14B tractor. At present more than 30,000 Soviet tractors are working in the fields in this country. In 1969 alone V/O "Tractoroexport" supplied to this country 6,000 DT-14 B tractors and 500 "Byelarus" tractors. In 1970 V/O "Tractoroexport" sold to India 2,500 additional "Byelarus" MTZ-5MS tractors.

According to the latest contract, the USSR will be supplying the new T-25 tractors for the first time to India. This new model is an up-to-date tractor which possesses a number of advantages as compared with tractors of similar type from the USSR. The new tractor is equipped with highly economical 20

h.p. engine. The design of the tractor assures for it excellent manoeuvring ability and versatility. It is able to perform all kinds of agricultural jobs. It can be coupled with implements of Soviet or Indian origin. It can also be used with the same implements and agricultural machines which were used with DT-14B tractor.

In order to provide uninterrupted use of the tractors, V/O "Tractoroexport" has undertaken to provide to Indian importers with additional sets of necessary spare parts. A team of qualified and well experienced Soviet specialists sent into India from the manufacturing plants is prepared to render any practical assistance in technical service and performance of the tractors. Courses for training Indian technicians and drivers are regularly organised for the purpose of improved service and maintenance of tractors.

HUNGARIAN EXHIBITION

Mr Satya Narayan Sinha, the Minister for Information, Broadcasting and Communications, inaugurated the Hungarian Telecommunication Exhibition in the capital on November 23. No less than eight Hungarian enterprisers, namely, Budavox, Elektromex, Elektromodul, Metrimex, Medocor, Elektromechanical, Mom and Tungsram, are participating in the exhibition. The equipment manufactured by the participants include wide band microwave mainroute equipment, microwave equipment for regional links for television and telephone transmission, etc.

The central purpose of the exhibition is to acquaint the scientists, engineers and importers in this country with the progress made by the Hungarian telecommunication and electronic industry. The exhibition will also provide an opportunity for the meeting of the representatives of science and in-

dustry of both countries so as to develop and strengthen relations between producers and consumers.

EAGLE VACUUM

Mr I.H. Padamsee, Director, Eagle Vacuum Bottle Manufacturing Co. Pvt. Ltd., Bombay, told newsmen here last week that his company would soon be going in for the manufacture of glass and plastic components which were used as raw materials for its primary product, vacuum flasks. Set up about 14 years ago, this company has made very rapid progress and today with an annual turnover of about Rs 1.5 crores, it is not only catering for nearly 60 per cent of the domestic market for vacuum flasks but is also exporting these flasks to several countries in eastern Europe, west Asia and east Asia. Last year its exports amounted to as much as Rs 14 lakhs. For the first time last year, the company exported its vacuum flasks to Japan as well from where it got its technical know-how. This year, exports to Japan are expected to be nearly Rs 45,000 worth of flask per month.

U.S. LOAN FOR JUMBO JET

The US Export-Import Bank has authorized a loan of \$12,352,000 (Rs 9.3 crores) to Air-India to help finance the purchase of a Boeing 747 "Jumbo jet" aircraft, support equipment, and related spare parts. The airliner is the fourth jumbo jet ordered by Air-India—all partially financed by US Export-Import Bank loans. The first two of these aircraft are expected to be delivered to the airline in April 1971 and go into service the following month. Air-India's present fleet of Boeing 707s was also acquired with Eximbank support. The Bank's loans to Air-India for all aircraft purchases total \$66.4 million (Rs 49.8 crores).

Eastern Economist 25 Years Ago

NOVEMBER 30, 1945

A sound agricultural policy must have two objectives: (1) To produce cereals and other supplementary and protective foods in quantities sufficient to feed the growing population and (2) to render agriculture a remunerative occupation for the growers. The realization of these objectives requires a revolutionary reorganization of the entire agricultural economy of the country. Uptill now, the attitude of the economists has been largely negative: industrialisation will solve all the problems of agriculture. This, of course, is true in its own way, but what is required is a positive approach to agricultural reorganization. Industrialization will greatly increase production. It will also greatly increase the local consumption of agricultural produce. But it will not greatly reduce the pressure on the land

especially in the face of growing population. It will not, of itself, improve the low yields characteristic of our agriculture. What it needs is an internal reorganization of its medieval social and economic structure. Landlordism may go, but peasant economy, is no alternative, for that is everywhere associated, except in highly organized mixed and diversified farming, with low standards of living on account of low standards of cultivation. What we require is that irrespective of what happens in the industrial sector—though rapid industrialization will greatly help—agriculture should be modernized both in its productive as well as in its commercial aspects. This means large-scale investment of capital in farming operations and in the disposal of produce.

Company Affairs

TATA CHEMICALS

Mr J.R.D. Tata, Chairman, Tata Chemicals Ltd., told the shareholders at the annual general meeting held recently that the fertilisers scheme and soda ash expansion project for which letters of intent had been received sometime ago, were still clouded by the weary procedural complications. The latest licensing policy which required, apart from other formalities, clearance from the Monopolies and Restrictive Trade Practices Act, has caused considerable delay. In the absence of clear guidelines the Department of Company Affairs, he added, found itself virtually unable to clear projects so that a very large number of applications for licensing including two projects for Tata Chemicals were now bogged down in the department. Under these conditions, Mr Tata stated, it was not possible to commit clearly the time when the company would be in a position to take up these projects. Mr Tata added that in the period of inflation and rising costs a company could survive only through expansion supported by modernisation and diversification. That is why the company is striving hard to see the two new projects through.

Mr Tata pointed out that the company entertained high hopes in respect of its recent bid to set up a soda ash plant in Argentina. The fate of the bid made in competition with proposals from France and Japan would be determined by the commission appointed by the Argentinian government to adjudicate the three proposals received by it, but the Tata bid seems to have the strongest chance of approval, he added. The commission's verdict was expected to be out before the end of the current year. The company's bid had aroused considerable interest in Argentina and other countries in that it had demonstrated this country's capacity to offer advanced technology and compete on equal terms with the rest of the world in a difficult sector of the chemical industry. In fact, it had induced the World Bank to sound the company on a similar project elsewhere, stated Mr Tata. If its bid succeeded, the company would not only supply the plant but would also set up an independent company in that country to own and operate the plant and provide finance and

management for it. The \$35 million project was proposed to be financed through its share capital of \$14 million and loans of \$21 million. The bulk of the company's investment would, however, be in the form of plant, equipment, management and technical know-how.

HINDUSTAN MOTORS

After taking into account Rs 15.25 lakhs being the balance brought forward from the previous year and a sum of Rs 66 lakhs written back from development rebate reserve being no longer required and after providing Rs 377 lakhs for depreciation and Rs 11.63 lakhs paid as interim dividend on the preference shares, the revenue account of Hindustan Motors Ltd shows a credit balance of Rs 47.24 lakhs for the year ended March 1970. The directors have decided to transfer Rs 45 lakhs to general reserve and Rs 2.24 lakhs to be carried forward to next year. It has been estimated that there will be no tax liability. It is decided to pay the dividend only on the preference shares for the half-year ended March 1970. In view of financial stringency faced by the company due to unremunerative price of cars despite continuous rising costs of production, while there has been no corresponding increase in the selling prices of cars manufactured by the company and also considering the terms of the loan agreements with the US for the International Development Fund, it has not been possible for the directors to recommend any dividend on ordinary shares at this stage. This has been proposed to be reviewed after the government's decision on car price increase was known.

SIRPUR PAPER

The directors of Sirpur Paper Mills Ltd have proposed a dividend of 30 paise per share for the year ended June, 1970. The company has earned a gross profit of Rs 105.63 lakhs for the year against Rs 50.95 lakhs in the previous year. To this is added a sum of Rs 0.99 lakh brought in from the previous year. The total amounts to Rs 106.77 lakhs. After providing 83.25 lakhs for depreciation, Rs 92 lakhs for development rebate reserve, Rs 60,000 for contingencies, Rs 68,891 for taxation and Rs 5.53 lakhs declared on preference shares for the year 1968-69, there is a

disposable surplus of Rs 14.77 lakhs. The proposed dividend on equity shares and the preference dividend for the year in all would claim Rs 13.72 lakhs. A sum of Rs 53,223 is taken to general reserve. The carryover is Rs 51,047 against Rs 99,566 brought in. On the basis of the company's working so far, it is expected that the dividend for the current year will be better.

SHIPPING CORPORATION

Mr C.P. Srivastava, Chairman, Shipping Corporation of India, provided an outline of the expansion programme of the Corporation recently. The Corporation was already one of the 15 biggest shipping companies in the world, and had 28 more ships on order in this country as well as abroad. With the eight ships added during 1969-70, the SCI tonnage crossed the one million mark. When all the new ships on order are commissioned, the figure would approach the 1.5 million tonne level. Mr Srivastava highlighted the paramount need to conserve resources in order to acquire sufficient tonnage to enable the country to achieve its shipping target set by the fourth Plan. It would be extremely difficult to achieve this target, unless the resources at the disposal of the Shipping Development Fund Committee were substantially stepped up, he added. In so far as the SCI's own contribution is concerned the self-generated component of the corporation as on March 31, 1970, was as much as Rs 53.52 crores out of a total capital outlay of Rs 135.19 crores. Mr Srivastava indicated that every effort would be made by the corporation to find and augment internal resources. The SCI's gross income during 1969-70 amounted to Rs 53.72 crores as against Rs 47.25 crores in the previous year. Profit before depreciation, interest and tax was Rs 13.25 crores as against Rs 10.79 crores, while the disposable figure of net profit, after providing for all these items, amounted to Rs 5.51 crores as against Rs 4.89 crores. The dividend declared at the annual general meeting will absorb more than Rs 1.17 crores, he pointed out.

JAIPUR UDYOG

Mr Alok P. Jain, Chairman, Jaipur Udyog Ltd, told the shareholders at the annual general meeting held recently that the company achieved a record production and despatches of cement during the year ended March 31, 1970. While production touched a figure of 858,735 tonnes, despatches were recorded at 852,521 tonnes, he added. The sale proceeds of the com-

pany also increased by 14 per cent over the previous year to Rs 13.32 crores. Mr Jain pointed out that in spite of the increasing cost of production the profit at Rs 51.15 lakhs could not be considered unsatisfactory.

Mr Jain indicated that cement industry needs to be expanded particularly in the deficit areas in the northern and eastern regions of the country. But unfortunately the industry did not have the capacity to generate internal resources needed for its growth because of unrealistic price of cement and rising cost of materials thereby leaving a thin margin of profit. Consequently the industry has been forced to utilise external funds and borrow at high rate of interest which in turn could lead to shrinking profits. The chairman stated that the government's decision to decontrol cement and to abolish freight pooling arrangement from January 1, 1970, was indeed a wise decision. But unfortunately the government continued control on cement and freight pooling beyond December 31, 1969.

Mr Jain pointed out that during the four-year period of decontrol, there was substantial expansion in installed capacity from 11.53 million tonnes at the end of 1965-66 to the present rate of 16.41 million tonnes. The decision of the government to bring cement industry under the licensing provisions with effect from February 19, 1970, has brought to a stop any further expansion in capacity.

He revealed that production at Kanpur Jute Udyog started in March 1970 and the entire output of bags was being used to pack cement manufactured at Sawaimadhopur. He also informed the shareholders that the Jaipur Udyog (Nigeria) Ltd, incorporated in January 1970 in Nigeria, had taken over the management agency of a government owned cement factory at Upkilla in Nigeria. A team of expert Indian personnel was already in Nigeria and would be commissioning the cement plant shortly.

CALCUTTA ELECTRIC SUPPLY

Mr I.A. Macpherson, Chairman, Calcutta Electric Supply Corporation Ltd, told the shareholders recently that increased lawlessness and indiscipline among several sections of the community including industrial labour has caused a stagnation in the rate of industrial growth in West Bengal during the last few years. He added that in spite of several difficulties the company had been able to maintain a continuous service to the public. The maximum demand on the company's system and total sales have been practically static

over the last two years, he added, while in normal years a steady annual growth of around seven per cent was expected. The sale of units to jute industry, the largest industrial consumer had declined by more than 10 per cent and sales to the engineering industry too had declined by nearly 7½ per cent. The factor that caused this decline in both the cases had been labour unrest, he added.

As a step towards Indianisation of the company a resolution was passed at an extra-ordinary general meeting that with effect from January 5, 1970, the company would be controlled and managed in this country. This resolution was carried by an overwhelming majority. An urgent reason for doing this was to reduce the company's rate of taxation from 70 per cent to the rate applicable to the domestic company, namely 50.6 per cent, he added. He pointed out that the company proposed to spend around Rs 21 crores on capital development during the years 1969-70 to 1973-74 including a provision of Rs 3.31 crores for the year 1969-70. In view of the recent decline in the rate of growth of the company's electric supply, the company had decided to rephase its expenditure so that a sum of Rs 17 crores was to be spent during the years 1970-71 to 1974-75 and capital expenditure during 1969-70 was around 2.75 crores. He added that the company had to incur capital expenditure to preserve the basic load capability of the plant apart from the required expansion.

CAPITAL AND BONUS ISSUES

Consent has been accorded to 11 companies to raise capital of over Rs 5.77 crores. Ten of them are to issue bonus shares totalling over Rs 5.41 crores. The consents are valid for 12 months. Following are the details:

Naran Lala Metal Works (P) Ltd, Navsari, has been accorded consent to capitalise Rs 1,87,500 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 four equity shares held.

Indabratore Ltd, Bombay, has been accorded consent to capitalise Rs 7,29,235 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 two equity shares held.

Shalimar Chemical Works (P) Ltd, Calcutta, has been accorded consent to capitalise Rs 9,00,000 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every one equity shares held.

Pennwalt India (P) Ltd, Bombay, has been accorded consent to capitalise Rs 4,80,000 out of its profit-and loss account and 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. The company was also granted consent for issue of 6,800 shares of Rs 100 each for cash at a premium of Rs 5 per share.

Bowresh Cotton Mills Company Ltd, Calcutta, has been accorded consent to capitalise Rs 20,31,780 out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus in the ratio of one bonus share for every two equity shares held.

Lallubhai Amichand (P) Ltd, Bombay, has been accorded consent to capitalise Rs 46,36,000 out of its free reserves and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for every two equity shares held.

MACO (P) Ltd, Delhi, has been accorded consent to capitalise Rs 54,000 out of its general reserves and issue 54 fully paid equity shares of Rs 1,000 each as bonus shares for every five equity shares held.

Automatic Electric (P) Ltd, Bombay, has been accorded consent to capitalise Rs 21,83,700 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every four equity shares held.

Union Carbide India Ltd, Bombay, has been accorded consent to capitalise Rs 4,09,50,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

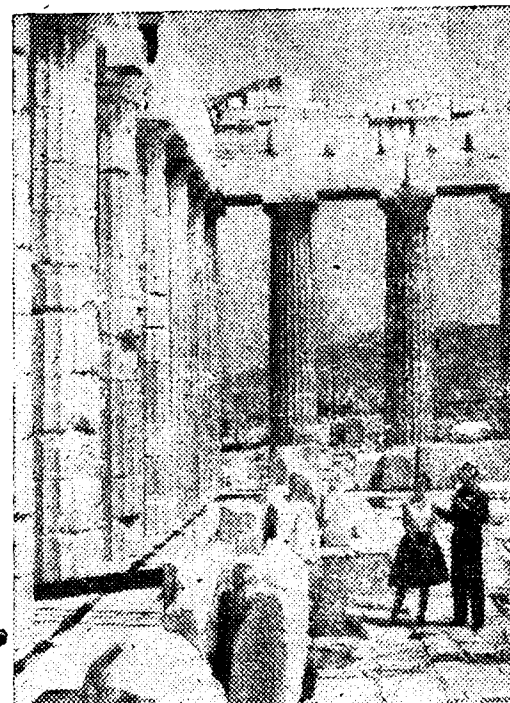
Karanpura Collieries Ltd, Calcutta, has been accorded consent to capitalise Rs 20,00,000 out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every three equity shares held.

W.S. Insulators of India Ltd, Madras, has been accorded consent to the issue of capital of Rs 29,50,000 (Rs 20,00,000 in preference shares of Rs 100 each and Rs 9,50,000 in equity shares of Rs 10 each).

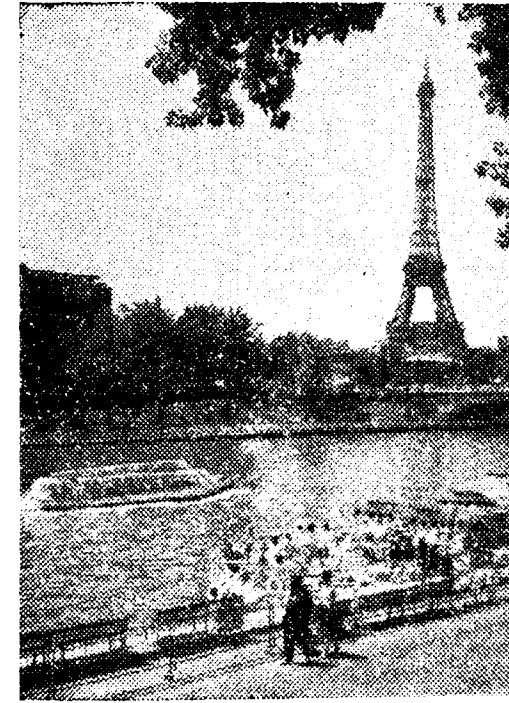
CORRECTION

In our review of the speech of Dr Bharat Ram, Chairman of Delhi Cloth & General Mills Company Limited, in the issue of November 6 (page 817) we had inadvertently referred to him as "Dr Charatram. The error is regretted.

—Editor



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COMPANY MEETING

TATA CHEMICALS LIMITED

Following is the speech delivered by the Chairman, Mr. J. R. D. Tata, at the Thirtyfirst Annual General Meeting of the Company held at Bombay on 19 November, 1970.

Ladies and Gentlemen,

I am sorry to inflict a speech on you for the second year running instead of reporting to you as I had been doing every year in the form of a Chairman's Statement. I had hoped that by doing so I would be able to include in my remarks heartening news about the three important projects which were on the Company's anvil at the time the Directors' Report was issued to you two months ago. I refer, of course to our Fertilizer Project which has been bouncing around the corridors of Delhi for three years, our Soda Ash Expansion Project and, finally, the exciting new Argentinian Soda Ash Project.

2. I am very sorry that I am unable, after all, to give you any conclusive report on any of the three Projects. This does not mean that no further progress or development has taken place in any of them during the last two months. There has, in fact, been considerable progress in the Argentinian Project about which I shall give you the latest news in a while.

3. Let me, however, begin with the two Indian Projects, one of which is now threatening to become a hardy annual. Both the Fertilizer Scheme and the Soda Ash Expansion Project for which letters of intent were duly received some time ago, are now leisurely wending their weary way through the procedural jungle so thoughtfully provided by Government under their latest licensing policies which require that, in addition to all the procedures and formalities to which the organised private sector was previously subjected, it must now overcome the fresh obstacles and delays imposed by the Monopolies and Restrictive Trade Practices Act.

4. The consequences of this ill-conceived and poorly drafted enactment have become even more serious since the managing agency system's abolition. For most companies like Tata Chemicals, the Managing Agents formed the only link between them and other companies forming part of what on the

basis of the Dutt Committee Report, Government and Parliament called the Larger Industrial Houses. With the disappearance of that link, what constitutes a "Larger House" has become a puzzle which Delhi is still in the process of unravelling. In the meantime, in the absence of clear guidelines, the Department of Company Affairs, no longer a part of the Ministry of Industrial Development responsible for the issue of licences, but given independent status under a Minister of its own, finds it virtually impossible to clear projects in terms of Government's licensing policies and the provisions of the MRTP Act. As a result, hundreds — according to the papers thousands — of applications for licences, including our two Projects, are now bogged down in the Department of Company Affairs.

5. Apart from this particular aspect of the problem, while, in the case of soda ash, your Company is clearly a dominant undertaking under the Act in view of its preponderant share of the soda ash market, it is obviously not so in the field of fertilizers which it has not yet entered. In the circumstances, we have been legally advised, and have taken the stand, that the MRTP Act is not applicable to our Fertilizer Project.

6. Apart from insisting on clearance of the Fertilizer Project under the Monopolies Act, Government have since the issue of a letter of intent on the 25th of July, 1970, imposed a further condition which may result in a significant modification of the Project itself. The matter is at this moment under discussion with Government.

7. In view of these unpredictable procedural and other complications and delays, it is impossible for me to tell you today when we may expect a final decision from Government in respect of these two Projects.

8. I have in the past referred to the heavy cost to the country of every day's delay, now already over a thousand days, in clearing our Fertilizer Project.

In regard to soda ash, India had in recent years achieved and maintained self-sufficiency in this important product. Early last year, however, the signs began to appear that with the end of the industrial recession the demand for soda ash would again rapidly outpace production in the country. Realising this, your Company which had played a significant part in achieving self-sufficiency for the country, took timely action and applied in May 1969 for the expansion of its capacity by 400 tonnes a day to 1,000 tonnes a day.

9. Eighteen months have since passed and we still await an industrial licence and clearance from the Department of Company Affairs under the MRTP Act. In the meantime, an acute shortage has developed, resulting in the need to import soda ash once again at heavy cost in foreign exchange and in the emergence of a flourishing black market to the detriment, particularly, of the poorer household consumers.

10. Had the control machinery of Government been a less cumbersome and quicker moving one and we had been allowed promptly to respond to the country's needs, we would to-day be within a few months of being in a position to meet the increased demand. Instead, we find the same Government that calls upon the industry for a crash programme of expansion of the country's soda ash producing capacity enforcing interminable delays on those most able and willing to respond to their call. Is it surprising that some of us feel like Alice did in Wonderland?

11. I am happy to say that, in refreshing contrast to our depressing experience in regard to our two Indian Projects, Government could not have been more helpful and more prompt in regard to our bid for the Argentinian Project which required their approval in connection with many aspects of the scheme, including subscription to the capital of the two Argentinian companies specially created for the purpose and

the export, of considerable value, of technical assistance, engineering services, plant and equipment. We are most grateful to both the Ministries of Foreign Trade and External Affairs and to IDBI for their almost instantaneous response to our requests for assistance, advice and clearance of certain aspects of our bid.

12. The Project itself and the action taken upto the middle of September has been briefly described in the Directors' Report. I had hoped, as hinted in the Report, that the results of the competitive bids submitted to the Argentinian Government would be known by the time we met today. Unfortunately, the announcement of the findings of the high power commission appointed by that Government to adjudicate between the three bids received by them has been delayed and is not yet known although it is expected any moment.

13. You will be glad to know, however, that from a study of our competitors' bids and the arguments presented by all the three bidders and by the Governments of the three States concerned with the location of the plant under each bid, the Tata bid seems to have the strongest chance of approval.

14. An unusual and most important feature of the Argentinian Government's call for bids is that the bidders are not merely expected to tender for the supply of a 200,000 tonne per year soda ash plant but also to create the company which will construct, own and operate the plant, and to provide the finance and management for it. For this purpose, as you will have noted from the Directors' Report, we had, in association with some Argentinian friends, to promote two companies: TASUD and ALCAR. We were fortunate in securing the co-operation from the start of a distinguished Argentinian economist, lawyer and industrialist, Dr. Jose Martinez de Hoz, who has extended to us invaluable help and advice and has agreed to serve, at least for the time being, as chairman of both companies. We are grateful to him for his assistance. I also wish to take this opportunity of recording our warm appreciation of the outstanding support we have received from the Government of the province of Cordoba in which the project is to be located if our bid is successful.

15. I hope the shareholders will approve of the Company's efforts to promote this large Project which, if it materialises, will equal or exceed in value all the projects, put together, established upto now by Indian companies in

foreign countries. It is clearly in the interests both of our Company and of India that the effort should be made. Such a major Project, if undertaken, will not only bring prestige to us and to Indian industry as a whole, but will lay the foundations for further opportunities for fruitful collaboration abroad.

16. Already our bid in Argentina has aroused considerable interest in that country and others, in the demonstration it provides of the capacity of Indian industry to offer advanced technology and to compete on equal terms with the rest of the world in an especially difficult sector of the Chemical Industry.

17. I am sure shareholders have a number of questions to ask on the subject of these three great Projects and I shall, therefore, not take any more of your time in discussing last year's results already adequately explained in the Directors' Report and Annual Accounts before you.

18. I must, however, point out the fact, of which I am sure most of you are already aware, that, in a period of inflation, rising costs can be absorbed and profits continue to grow only through expansion supported by modernisation and diversification. Your Company has provided a living demonstration of the truth of this axiom by its gratifying performance of the last several years in which each year's results surpassed those of the previous one. In the year under review also, our operating profits were higher by Rs. 15½ lakhs than in the previous year, despite increases in our costs of some Rs. 30 lakhs beyond our control, and the break down of our carbon dioxide compressors. This reflects great credit on the Management who have demonstrated year after year their ability to overcome difficulties and absorb rising costs through fresh improvements in efficiency. Their heroic efforts could not, however, cope with increases in taxes due to the termination of the tax credits, previously allowed to priority industries, which were responsible for the fall in our net disposable profits for the first time since 1962.

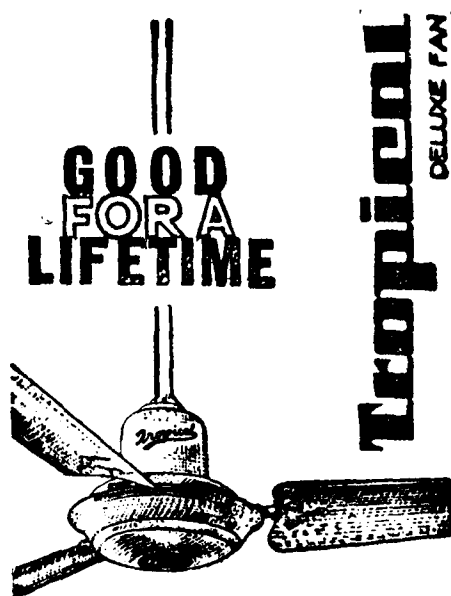
19. The fact remains, however, that the rising curve of our gross profits must inevitably flatten out if we cease to grow, modernise and diversify. Modernisation is a matter within our control and we shall certainly continue to modernise our plant, equipment and processes whenever it can result in improved efficiency and cost. Expansion and diversification, however,

are subject, as you know, to Government approval, about which I have said enough earlier in connection with our Fertilizer and Soda Ash Expansion Projects.

20. In the meantime, however, in the face of the spiralling increases in costs due to reasons totally beyond the control of the Company, your Directors are considering the need for some increase in the Company's prices which are today appreciably lower than those of our competitors.

21. I am aware that some shareholders hold the view, with which I have throughout disagreed, that Tata Chemicals should also take full advantage of the fact that the price of soda ash is no longer controlled. I have no doubt that, apart from the service we have rendered to our consumers, we have gained rather than lost from adopting and maintaining a socially responsible and patriotic policy of safeguarding the country's and the consumers' interests in addition to our own.

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



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RECORDS AND STATISTICS

Industrial Development: Challenge and Potentiality

AT THE Seminar on Industrial Development organised by the Federation of Indian Chambers of Commerce & Industry in the capital on November 21, a background paper was presented which highlighted the targets of industrial production in the fourth Plan and the policies and procedures which would help attain the desired rate of industrial growth. The paper also raised some basic issues which called for consideration. The text of the paper follows.

I

The fourth five-year Plan postulates an annual growth rate of about 8-10 per cent per year in industrial production. This is the minimum considered necessary consistent with the projected growth of about five per cent in agriculture and of 5.5 per cent in national income. The investment in the industrial sector including minerals is to be nearly Rs 5,300 crores, approximately Rs 3,050 crores or about 60 per cent in public sector and Rs 2,250 crores in the private and corporate sectors. The investment programme involves a considerable stepping up of investment, by about Rs 1,500 crores in the public sector and by about Rs 1,200 crores in the private sector.

Broad Objectives

The broad objectives of investment in industry during the fourth Plan are stated to be: (1) completing projects on which commitments have already been made; (2) increasing existing capacities to levels necessary for meeting the present or future requirements; (3) providing for more adequate internal supplies of essential goods for which demand is increasing or other items required for substituting imports; and (4) for promoting exports. Other important objectives mentioned are providing employment to the growing volume of skilled and unskilled manpower, development of indigenous techniques, and engineering designs, and development of backward areas.

One special feature of the fourth Plan is that targets for all industries have not been laid down. Definite targets for industries in the "core" sector have been proposed. In order to ensure the achievement of targets in core industries, it is stated that finance, supplies and other facilities would be made available to them on a priority

basis. For the remaining industries, estimates of requirements and production have been projected. But these latter projections do not represent targets or ceilings.

After a major industrial recession in 1966 and 1967, industrial output recovered in 1968, the index of industrial production increasing by 6.5 per cent over 1967; in 1969, the process of recovery continued, the index showing a further rise of 7.1 per cent over 1968. The trend of industrial production in 1970 has so far not been encouraging. The index of industrial production has been fluctuating — going up in January, declining in February and March, going up again in April, but declining by about six points in May, the latest month for which the index is available. The five monthly average of January-May, 1970, went up only by 5.2 per cent over the corresponding period of 1969 as against an increase of 7.8 per cent in January-May 1969 over the corresponding period in 1968. This rate is just about half of the projected rate of 8-10 per cent growth for industries as a whole.

The trends in production with regard to different industries are uneven. In the core sector, capacity utilisation was 80 per cent or more in some industries like aluminium, chemical machinery, ship building, paper and pulp machinery, rubber machinery and refinery products. However, there are a number of other core industries in which production has been much below installed capacity. These industries include important items like steel ingots, alloy steel, zinc, machine tools, fertilizers and newsprint.

Serious Consequences

The shortfall in production in core industries like steel has had serious consequences. Production in industries which depend on steel as raw material has been adversely affected. The iron ore export programme and exports of engineering products have fallen behind schedule. While existing capacities are not being utilised in industries such as steel and fertilisers, large scale imports have to be arranged to meet the current requirements.

Production in some of the important industries in the non-core sector is much below the existing capacity. These

industries include steel castings and forgings, machinery items like cement machinery, sugar machinery, coal and other mining machinery, metallurgical and other heavy equipment, seamless tubes, commercial vehicles, heavy electrical equipment, sulphuric acid, oxygen gas, dye-stuffs, glass, PVC, polystyrene, jute manufactures, woollen cloth, etc. Capacity utilisation in some industries like steel castings and forgings, metallurgical and other heavy equipment is between 30-45 per cent, in others like crane, coal and other mining machinery, it is hardly 17 per cent in commercial vehicles, it is about 62 per cent.

On the other hand in a segment of the non-core industry the position is not so bad. Production is about 80 per cent or more of capacity in industries like soap, sugar, nylon filament yarn, rayon staple fibre, radio receivers, electric fans, cement, paper, soda ash, caustic soda, automobile and bicycle tyres, artificial fibres, storage batteries, electric lamps, ball-bearings, power driven pumps, diesel engines, motorcycles, bicycles, dry batteries, etc.

Factors Responsible for Decline

A number of factors have combined to bring about the decline in the rate of growth of industrial production. These factors can be grouped under two heads: (1) Factors which have prevented full utilisation of capacity; and (2) factors which stand in the way of installing additional capacity.

Shortage of Raw Materials: The shortage of raw materials like steel, non-ferrous metals, basic chemicals, cotton, oilseeds, etc. has depressed production. In cases where raw materials have to be imported, there are delays caused by licensing, administrative bottlenecks, canalisation through the state trading agencies, etc. In the case of steel the gap between current supply and demand is estimated at 1.7 million tonnes.

Labour Unrest: Labour unrest has resulted in loss of production in many industries like steel, engineering goods, etc. The situation is acute in West Bengal and Bihar. The number of man-days lost increased from 6.5 million in 1965 to 17.24 million in 1968. According to estimates of NCAER, man-days lost in 1969 would be about 27 million. This would result in a loss of industrial production to the extent of Rs 135 crores.

Fall in Demand: In a large section of industry production has not picked up or has even fallen because of shortage of demand. This is particularly so in the case of industries which depend on demand from public sector organisa-

tions and government departments like the Railways, Irrigation and Power, etc. The total Plan expenditure of government remained almost stagnant during the period of the Plan holiday i.e. 1966-69. 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 subsequently reduced the demand for wagons and other rolling stocks. All this had a chain reaction on other related industries like castings, forgings, steel pipes, cables, etc. which suffered from lack of demand.

Cumbersome Procedures

Policies and Procedures: Procedures for licensing have been cumbersome, dilatory and time-consuming. There has been effort in the past to streamline these procedures. But, recently, the changes that have been introduced in licensing policies and procedures together with the new legislation, the Monopolies and Restrictive Trade Practices Act, have given rise to new problems of interpretation. This is discussed in greater detail in Section II.

Lack of Finance: The main sources of finance to industry are (a) retained earnings, (b) issue of shares and debentures, and (c) long-term borrowings. With the high incidence of corporate taxation the retained earnings of companies have significantly fallen. Reserves and surpluses of public limited companies declined from Rs 98 crores in 1964-65 to Rs 15.16 crores in 1966-67. In the case of private limited companies the drop in this period was from Rs 37.61 crores to Rs 0.03 crores. Unless corporate taxation is brought down so as to enable companies pay a rate of dividend commensurate with market expectations and also retain a part of profit for ploughing back, internal financing of investment will become almost impossible.

Companies are not also able to raise capital by issue of shares and debentures. The total capital raised by non-government companies by issue of shares and debentures in 1969 was only Rs 48 crores as compared to Rs 79 crores in 1965. Although the market for shares has somewhat revived since September 1970, new issues have been few, partly because of the virtual absence of nucleus capital. The market for shares and debentures has to be enlarged so as to include rural areas which have since 1968 become potential sources of savings. Possibly, the banking companies whose business has been taken over by government can be induced to form themselves into investment trusts and hire-purchase

companies to tap this source of funds. Another worthwhile approach would be for banks to undertake equipment leasing. Such a scheme would reduce the need for large finance on the part of industry.

Sluggishness in the market for shares and debentures made industry depend on financial institutions like IDBI, IFC, ICICI, SFCs, etc. in a larger measure. However, these institutions have now been given the option to convert loans into equities. If this option is exercised at a wrong time and in a wrong situation, it is likely to have an adverse impact on the rate of return on shares, share values, management, etc. This has been one reason why this source of finance has become less attractive. If at all this option is to be left with the financial institutions, government must lay down specific guidelines indicating the conditions in which the option will be exercised so as to avoid hardships and uncertainty.

Import of Capital

Import of Capital Goods and Technology: In spite of diversification in our industrial production, there are considerable gaps in technology and capital goods production. This makes industrial development dependent on import to a significant extent. While indigenous production, capacity and technical know-how have to be developed, industrial development cannot be held back until this advance is made. Therefore, in the immediate future it has become necessary to import capital goods in cases where indigenous capacity for production of these goods does not exist or indigenous capacity is not fully utilised. The import policy has to be streamlined from this point of view. Also, the Foreign Investment Board must review procedures and even the principles involved in foreign collaboration agreements.

Price Controls: Where price controls, formal or informal, obtain, these do not take into account the developmental aspects, and even while costs of production — wages, fuel, freight, raw materials — go on increasing, prices are not allowed to increase proportionately. A number of examples such as paper, cement, automobiles, drugs, etc. can be given where pegging of prices at uneconomic levels has placed break on fresh investment. In a basic industry like coal, purchases by the major consumers like steel industry and railways are made at prices which leave little margin for the industry for renovation and expansion. There are cases in which industries under control are not allowed a fair price even when reasonable increases are recommended

by an independent organisation like the Tariff Commission.

Export Targets: Exports recorded a striking increase of the order of 13.3 per cent during 1968-69. This spurt in export had been sufficiently encouraging. But with a rise of only four per cent in 1969-70 and lesser still in the more recent months, the trends in export have been much below expectations. According to present indications the current year's increase in exports may be between three to four per cent against the targeted annual increase of seven per cent during the fourth Plan period. Among reasons for this slow down in exports are the shortages of essential raw materials like steel to fulfil export orders on hand and the reduction in the exportable surpluses on account of the fall in overall production. Engineering exports suffered particularly as a result of steel shortage for which a target of 16.1 per cent per annum has been fixed in the fourth Plan. It is said that during the current year engineering goods worth Rs 140 crores are committed for export out of which orders yet to be fulfilled account for about Rs 90 crores. Apart from raw materials, there are many other impediments which the export industries face, such as the restraints on expansion and diversification, the procedural difficulties in rationalisation of capacity for export through balancing of equipment, modernisation of out-moded machinery, introduction of new technology and improved methods. The Export Policy Resolution issued on July 30, recognises the need for over-coming the various handicaps in increasing production for exports.

Basic Issues

Some Basic Issues: In the context of the analysis and discussion about the industrial trends and problems a number of basic issues arises for consideration of the Seminar.

(i) **Growth Target:** The fourth Plan envisages a growth rate of 8-10 per cent in industrial production. While under present conditions and policies even this rate of growth does not seem to be feasible, it is necessary in terms of our requirements that the targets have to be fixed higher if they have to make any dent in the economy at all. The country is saddled with unemployment exceeding 13 million. It is only through a programme of industrialisation that these wasting human resources could be utilised for the welfare of the country. In what way will it be possible to step up the targeted rate of growth?

(ii) **Core Industries:** The Planning Commission has indicated that the implementation of programme for core

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industries is essential and for this purpose government should provide assistance to ensure that the targets are fully achieved. However, such assistance has not been forthcoming. On the contrary, there have been policy impediments in implementing the targets. *What institutional framework or procedural arrangements are necessary to see that the development of core industries is accelerated?*

(iii) *Investment Climate:* Investment in the private sector has not picked up. This has been so not only because of delays in the processing of industrial licensing, but because of lack of finance, import restrictions, limitations on foreign collaboration, etc. *How can the general climate for investment even within the present policy framework be improved? How can the capital market be made more vigorous?*

(iv) *Industrialisation and Exports:* The achievement of seven per cent annual increase in exports envisaged by the Planning Commission hinges on the development of industries at the rate and in the manner outlined in the Plan. *Considering the present trends what should be done to make the export targets realisable?*

(v) *Industrialisation and Imports:* The progress of industrialisation depends to a considerable degree on import of necessary capital equipment and raw materials. The import policy has, therefore, to be geared towards this need, and, in particular, to eliminate administrative delays. Two considerations involved in this reformulation of policy are—

(i) *Should not import of scarce raw materials like special steel, be put on open general licence for a specified period so that internal production and exports are not hampered?*

(ii) *In what manner import of capital goods could be arranged so as to promote development of industry without discouraging indigenous production of capital goods?*

(iv) *Pricing Policy:* A major difficulty in the way of investment in industries which have come under price control — formal and informal — has been unremunerative prices. *What should be the guidelines for evolving a rational pricing policy, if at all price control is considered necessary for one reason or another?*

(vii) *Technical Know-how:* The country would have to be self-sufficient with

regard to technology in a reasonable period of time. While the engineering industry has reached an intermediate stage, there are still large gaps in technology which have to be made good. *In what way should the Foreign Investment Board which reviews all foreign collaboration agreements re-examine the procedures as well as the principles involved in collaboration agreement?*

(viii) *Labour Policy:* In recent years, labour unrest has assumed phenomenal dimensions and has possibly been the principal unsettling factor in industrial progress. *In what manner can our present labour policy be reformulated to promote industrial discipline consistent with the rights of labour?*

II

POLICIES AND PROCEDURES

The industrial policies and procedures, it is said, have been conceived to achieve broad-based industrial growth, encourage new entrepreneurship and bring about dispersal of industries in terms of location, ownership and control. The main policy elements through which these objectives are sought to be realised are: industrial and import licensing, regulation of foreign investment and restrictions on inter-corporate investment and monopolies. The industrial licensing policy has been revised towards this end since February, 1970. The Monopolies and Restrictive Trade Practices Act has come into force from June 1, 1970. Several changes — major and minor — have also taken place in the approach and procedures in respect of foreign collaboration and import licensing. These changes and their impact on industrial development should be considered in their totality.

New Licensing Policy. The working of the licensing system was gone into twice by the Swaminathan Committee, the DGTD Study Team, the Administrative Reforms Commission, the Planning Commission and the Dutt Committee. The revised policy is said to be the combined result of the suggestions made by the Planning Commission, the ARC and the Dutt Committee

The new policy reveals contrary concepts of liberalisation and restrictions. However, even the liberal aspects do not escape the restrictive trend. While investments or substantial expansions upto Rs one crore do not require industrial licences, a licence will be required if the foreign exchange for import of capital equipment is in excess of 10 per cent or Rs 10 lakhs whichever is less, and the imported raw material requirements

are in excess of three per cent of estimated value of annual production or Rs three lakhs whichever is less. Under the erstwhile policy giving exemption from industrial licensing upto Rs 25 lakhs, there were no stipulations in regard to foreign exchange. On the other hand, now even relatively small investment proposals would be subject to licensing. For example, a small sized unit with assets of Rs 20 lakhs but requiring, say foreign exchange amounting to Rs 2.2 lakhs will attract the licensing provisions. Another aspect of the exemption which reduces its utility is that "larger industrial houses" will not be permitted to avail of the exemption even if a project is entirely based upon indigenous machinery and raw materials.

Again, while the existing undertakings are allowed to diversify upto 25 per cent of the licensed capacity in order to bring about full utilisation of capacity, several conditions are attached which were not there under the earlier liberalisation. It is now stipulated that the new article to be produced should involve the same technological processes as the existing line or lines of production; the undertaking concerned should have production of more than 50 per cent of licensed capacity; and the diversification should not involve any foreign exchange outlay even if the requirements are marginal. Under earlier liberalisation the priority industries could diversify upto 25 per cent even if marginal foreign exchange was involved. Also the new measure for diversification precludes the "larger industrial houses" and also undertakings which have assets more than Rs five crores from the exemption even if these undertakings satisfy all other conditions.

Encouraging Middle Sector

Investment proposals within the range of Rs one crore and Rs five crores constitute the 'middle sector' in regard to which it is stated that licences will be issued liberally, and that there will not be any strict adherence to targets and clearance from capacity angle. The idea is to subject the development of the middle sector industries to the market mechanism and to encourage the new entrepreneurs to get licences quickly. But the policy does not indicate any measure for securing effective follow-up of licences and quick implementation. On the one hand, it is said that licences will be issued liberally and, on the other, careful scrutiny from the foreign exchange angle is stipulated. Applications from "larger industrial houses" and foreign concerns for setting up new undertakings in the middle sector will not be normally considered and expansion of undertakings might be per-

mitted only for the limited extent of developing capacity to minimum economic levels.

An exception, however, has been made in regard to the export sector. The "larger industrial houses" will be allowed to set up capacity for export on the basis of a firm export commitment of 60 per cent of the resultant production. This means that entrepreneurs who consider, say, 55 per cent as the most feasible level of exports that can be achieved, do not stand the chance of a favourable consideration under this concession.

Even as the policy is to liberalise licensing and exemptions in regard to investment proposals upto Rs 5 crores, the restrictions referred to in paragraphs 4 and 5 above apply to the erstwhile de-licensed industries numbering 41. In other words there are no de-licensed industries as such in the middle sector.

Joint Sector

The 'core' industries comprising nine industry groups of a basic, strategic and critical nature and in respect of which there are or will be detailed industry plans and targets, are subject to licensing. Industries not coming within the 'core' sector but envisaging new investments of over Rs five crores fall within the category of 'heavy' investment sector. In both 'heavy' investment and 'core' sectors, it is said that "larger industrial houses" and foreign concerns are expected, along with other applicants, to participate in and contribute to development. Undertakings numbering over 1000 belonging allegedly to the listed "larger industrial houses" can participate in development mostly on a joint basis with government or public financial institutions.

The policy thus accepts the concept of having a "joint" sector, although this has not been spelt out in any detail.

The 'larger industrial houses' which have thus been assigned a restricted role under the new licensing policy are categorised on the basis of the criteria developed by the Dutt Committee. An 'industrial house' comprises many undertakings and one becomes "larger" if the combined assets of all undertakings linked with it exceed Rs 35 crores. even though the participation of the houses in each of the individual undertakings may have been on a minority basis and in each of them the public and public financial institutions have large share holdings. An undertaking gest linked with a house under the presents criteria through a managing agency owned or controlled by it. Although this link has since disappeared after the abolition of the managing agency,



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the criteria still continues for the purpose of licensing.

With the enactment and coming into force of the Monopolies Act, industrial licensing policy has become entwined with the provisions of this Act. Establishment of new undertakings and substantial expansion by certain categories of undertakings coming under Chapter III Part A of the Act are required to be cleared from the monopolies angle irrespective of the clearance obtained by these under other laws or regulations in force. The following are the categories of undertakings governed by the Act:

- (a) an undertaking if the total value of its own assets is more than 20 crores of rupees, or its own assets together with the assets of its inter-connected undertakings is not less than 20 crores of rupees;
- (b) a dominant undertaking, if the total value of its own assets of the inter-connected units is not less than one crore of rupees.

Two undertakings become inter-connected if one controls or owns the other, where they are owned by firms, if they have common partners or where they are owned, or controlled by bodies corporate, if one managing the other or where one is a subsidiary of the other and if one exercises control over the other in any other manner etc. The definition is so vague that it is difficult to determine when two undertakings are inter-connected.

Dominant Undertaking Defined

A dominant undertaking has been defined as one which either by itself or along with inter-connected undertakings products, supplies, distributes or otherwise controls not less than one-third of the total goods of any description that are produced, supplied or distributed in India or any substantial part and provides or otherwise controls not less than one-third of any services that are rendered in India or any substantial part thereof. This definition applies to goods of any description which are the subject of different forms of production, supply, distribution or control. For determining whether an undertaking is dominant or not, however, there are no published figures of production which give the volume of production in all the sectors of industry. The CSO statistics is said to be the basis of these figures but these figures are only partial and do not cover production of small scale sector. Moreover goods have not been categorised. No rules prescribing the various types of goods or forms of production or groups have been issued.

The Monopolies Act provides for

registration of the above-mentioned undertakings within a specified period of time. All relevant information required for establishing whether an undertaking is an inter-connected undertaking or a dominant one, has to be provided by the applicants themselves. The new licensing procedure stipulates that applicants falling within the above categories are required to submit an additional application for separate scrutiny and clearance from the monopolies angle.

Import Licensing. After getting an industrial licence steps have to be taken by licencees to import capital goods wherever required which involve clearance from the indigenous angle. Before applying for import, indigenous availability has to be ascertained through advertisement in respect of imports above Rs 7.5 lakhs to make sure that items available from domestic sources are not imported. The import regulations apply even to cases in which only marginal foreign exchange for import of capital goods are involved and are exempt from industrial licensing.

Foreign Collaboration Procedure

Foreign Collaboration. In the matter of foreign collaboration and investment also separate approval of a project is required from the Foreign Investment Board. Under the present policy of foreign collaboration, the areas in which collaboration and investment would be permitted have been demarcated and the rates of royalty in each case separately prescribed. A list of 121 industrialies has been issued in which technological gaps exist and there is scope for collaboration. One of the conditions attached is that the know-how once imported should be made available to new units. This is done with a view to reducing the foreign exchange commitments. But it may preclude the inflow of improved know-how. In regard to investment, foreign participation will be considered only on a minority basis. However, the Export Policy Resolution, placed before Parliament on July 30, 1970 indicates that "in regard to exports the procedures relating to foreign investment, licensing or creation or expansion of industrial capacity, licensing of import of capital goods and raw materials or other imports will be suitably adapted."

Some Basic Issues Some basic issues flowing from the above analysis of the policy framework relating to industrial growth are raised below for consideration:

There are diverse objectives of policy and variegated and detailed procedure for controls at different points. Each stage in the procedure such as licensing and subsequent clearances regarding

collaboration, import, monopolies etc. wherever these are involved, are step-by-step processes, cumulatively in some cases amounting to a time lag of two to three years or more before an entrepreneur can proceed with the actual establishment of physical capacity. *Since time is the essence of planning, how is it possible to bring down the element of delay at various stages?*

Having accepted certain priority — core sector, export sector, heavy investment industries and industries to be located in backward areas — in accordance with the objectives of the fourth Plan, *to what extent is it possible to simplify or do away with the procedures and controls in these priority areas?*

The principle of liberalising industrial undertakings from licensing has been accepted in the case of investments upto Rs 1 crore. Even in cases in which only marginal foreign exchange is involved, the usual procedure of indigenous clearance has to be gone through which involves delay. *Is it possible in full or in part to exempt such cases from indigenous clearance?*

Middle Area: In the middle area it is stipulated that "larger industrial houses" may not be considered for setting up new units. *In what way can new entrepreneurs be positively attracted? In the event new entrepreneurs are not forthcoming how can development in this area be secured?*

Core Sector: Core sector is accepted as critical and strategic. *How quickly and effectively can the resources of the larger undertakings can be deployed? Is it not necessary to liberalise the restrictions on inter-corporate investments?*

Larger Industrial Houses: With the abolition of managing agency, the common link among the undertakings belonging to an Industrial House has disappeared. In such a context, when ownership is getting separated from both control and management, the latter becoming more professionalised, *is there any justification for fear of concentration? Can the restrictions on expansion and diversification of these undertakings continue without adversely affecting their viability?*

Joint Sector: The 'Joint' sector concept has been accepted, envisaging participation in management particularly in the case of projects involving substantial assistance from public financial institutions. *Is there a need to issue a set of guidelines in this behalf on such aspects as the conditions under which an enterprise will be brought in the joint sector, the manner in which participation will be envisaged taking in to consideration the need to maintain efficiency and flexibility? What would be the best form of organisation, in the event an undertaking is established in the joint sector?*

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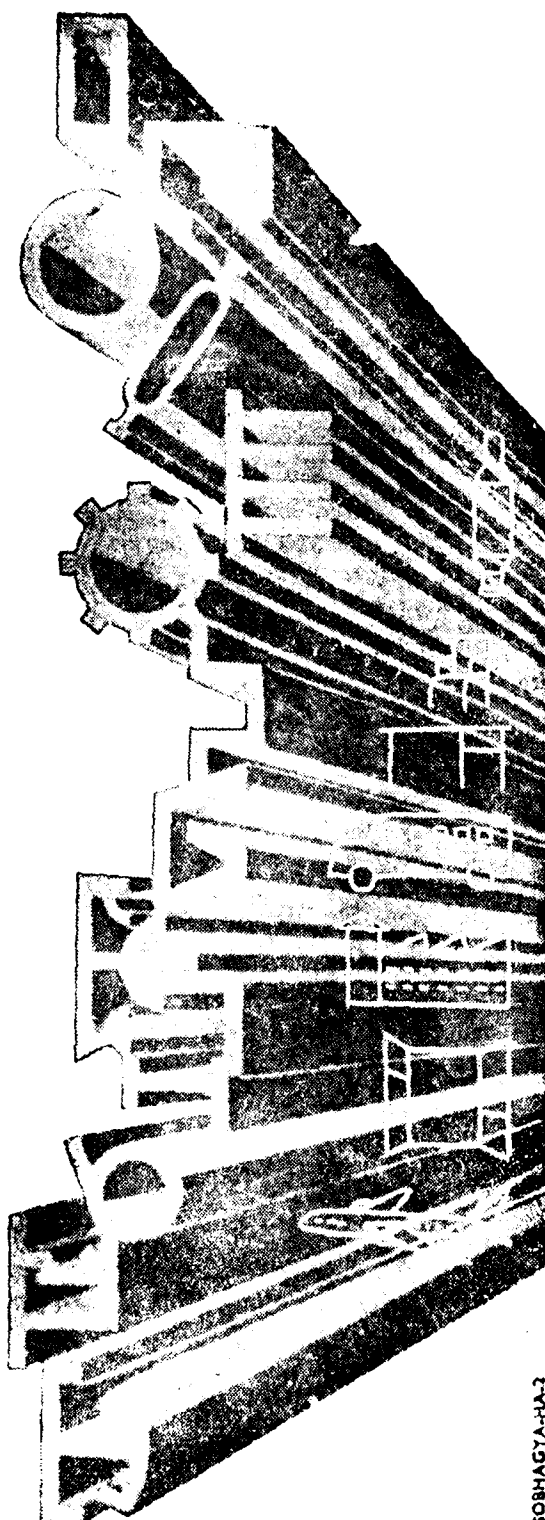
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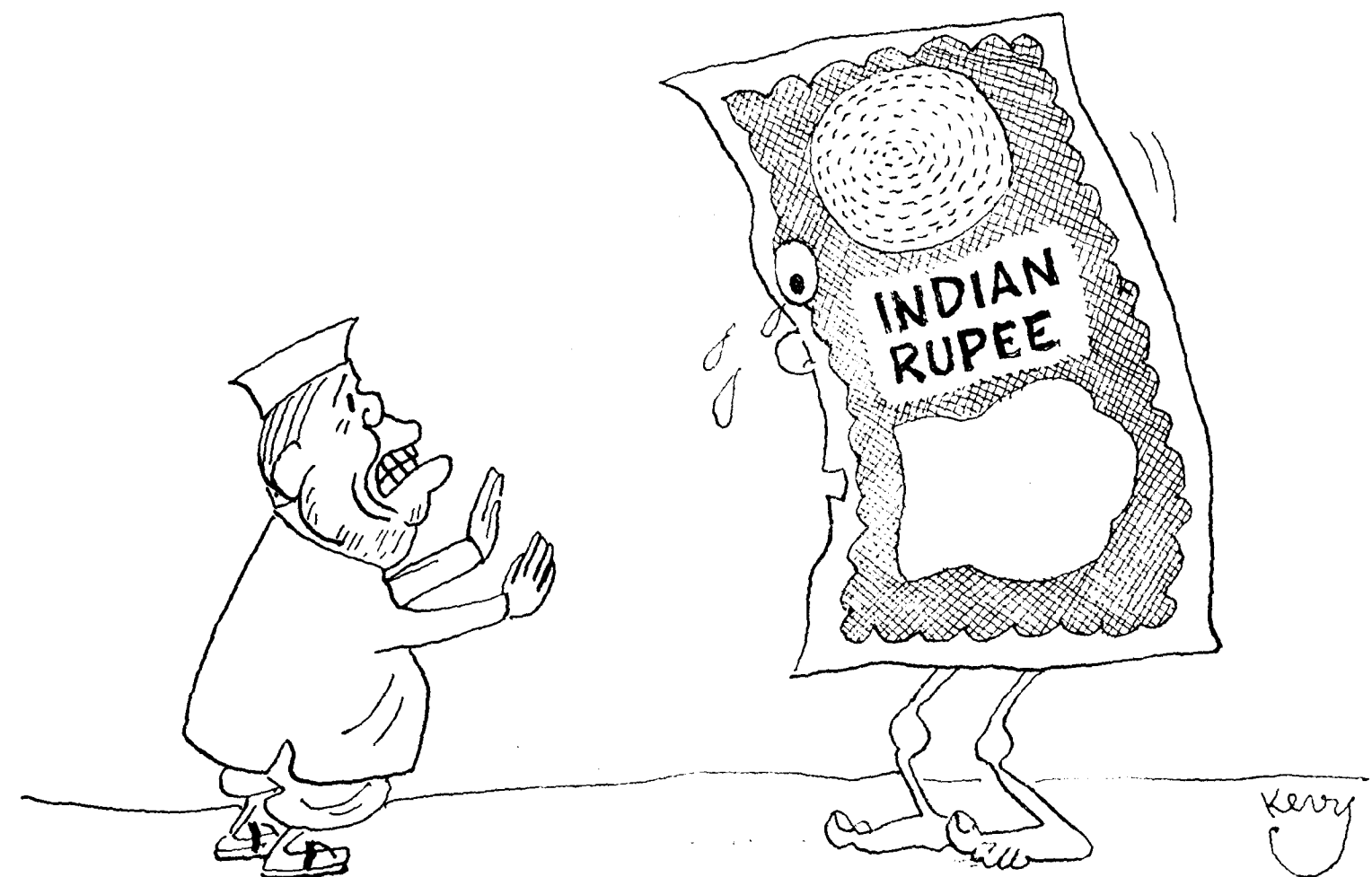
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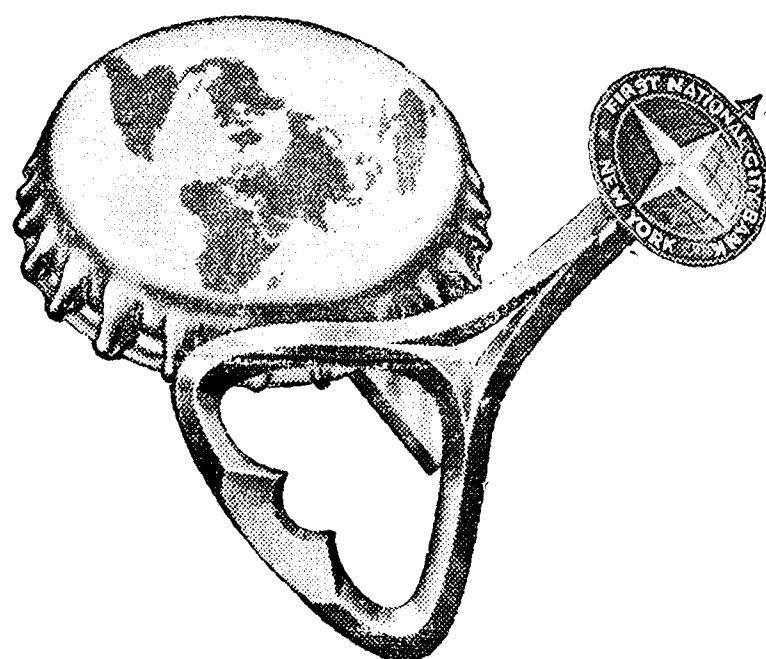


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COTTON AND CANUTE

ALTHOUGH Mr L.N. Mishra draws his salary from the public exchequer as a minister in charge of an important economic ministry of the central government, it has been suspected that his real work is partly that of a collector of political funds for the Prime Minister and partly that of advancing her interests in the muddled politics of Bihar. Proof that this feeling may not be unwarranted is available from a statement which he made some days ago in Parliament in response to the concern expressed in the House over the critical shortage of raw cotton. Mr Mishra declared in Canute-like fashion that the government simply would not allow mills to stop working.

It is surely not open to any minister, who takes his responsibilities seriously, to talk like this when it is becoming evident that only a programme of staggering the working of mills, supplemented by immediate imports of raw cotton in increased quantities and of staple fibre will be able to prevent a major dislocation in the functioning of the industry. The charitable may argue that Mr Mishra could not have meant to say that even his all-powerful government had the ability to make mills spin or weave cloth out of thin air and that what he might have had in mind therefore was that the government would do all in its power to see that more cotton was available to the mills so that they would not be forced to stop working. Unfortunately for these friendly souls, if any, the minister has not so far shown a sense of urgency in dealing with the crisis in the availability of raw cotton. On the contrary, the Indian Cotton Mills Federation has had to complain to him and his officials that its repeated pleas for remedial action have gone without response.

As a corollary to the shortage in supply, prices have increased in the range of from 23 per cent to 34 per cent for different qualities, thus threatening the economy of the industry, a part of the production of which has to be sold at controlled prices. The government's failure to act sufficiently promptly in the present crisis is only made worse by the fact that it had all along been simply refusing to anticipate and provide for a developing shortage of raw cotton. When will our ministers cease to be mere politicians?

Between God and Government

THE CYCLONE which struck East Pakistan has been rated as about the biggest natural catastrophe in the recorded history of Man. Its other claim to melancholy greatness would seem to be that it has also provided occasion for possibly the grossest failure by a modern government to cope with the aftermath of a national calamity. It would be easy to ignore the lapse of the rulers of Islamabad as being none of our concern, but men and women the world over have a right, cutting across national frontiers, to raise their voice in protest when people in authority betray their trust in any part of the earth. In afflicted East Pakistan itself, charges, more serious than those of mere incompetence, are being made against the Mughals who reign from West Pakistan and the cry is heard that here is yet another criminal instance of the people of the eastern region being treated as second-class citizens.

New Delhi has been commendably prompt in offering and providing aid and it is only too true that more could have been done by us to help our distressed neighbours had President Yahya Khan and his advisers been able to break through the constraints of the Indo-Pakistan conflict, at least to the extent of responding in a less inhibited manner to our government's proposals for airlifting relief supplies or otherwise enlarging the dimensions of our assistance. Politicians, however, have always been the most petty-minded.

Finally, a solemn thought. Except for a brief and uneasy spell of experimenting with a democratic form of government, Pakistan has been under authoritarian rule. It has often been claimed by the apologists of the Ayub or its successor regime that they have the saving grace that they have provided the country with a stable and competent administration. This argument has been falsified again and again in the recent history of Pakistan and it is tempting to imagine that the miserable record of the present administration in dealing with the consequences of the cyclone in East Pakistan has given the death-blow to the myth that authoritarianism as a principle of government could occasionally redeem itself by its efficiency. For the people of this country, currently bedevilled by the inadequacies of

their own government, this lesson from Pakistan is a stern and timely warning. If faults there be in our government

A Landmark Which Is Uchani

HARYANA has achieved the distinction of being the first state in the country to have brought electricity to all its villages. Its rural electrification programme, now completed, has electrified 6,669 villages, the last of which is the village of Uchani, near Karnal, where the Prime Minister symbolically pulled the switch on November 29. Considering that the all-India target is the electrification of 50 per cent of the rural areas by 1980, Haryana's achievement is outstanding and for this credit should go to the present government of the Chief Minister, Mr Bansi Lal, who has personally interested himself in putting through what has, in effect, been a crash programme. As late as in May 1960, only 1,262 villages in the state had electricity, but since then it has been extended to about four times that number. Especially in a slow-moving country such as ours, the spirit and speed of this achievement deserve to be held in the highest esteem.

Inevitably a programme carried out at such a forced pace should now stand in need of consolidation. The chairman of the State Electricity Board, Mr P.N. Sahni, has been fair and frank enough, to say this publicly. As he puts it:

Couicism as a Cure?

THE MINISTER for Industrial Development has been trying to relieve the gloom on the industrial front in two ways: procedural and psychological. Some progress has been achieved by his ministry in this direction in clearing files which his predecessor was allowing to accumulate. He has also shown himself to be open-minded in considering major procedural changes. The latest instance is the decision to allow for some kind of indicative planning in respect of industries outside the 'core' sector. This would mean that licensing in this area would be liberal and the targets mainly in the nature of guidelines. The Planning Commission has been arguing for some time in favour of this form in target-fixing or licensing, but it was not able to carry its point so long as Mr Fakhruddin Ali Ahmed was in the Ministry of Industrial Development. Mr Dinesh Singh, apparently, has proved more receptive to such ideas.

On the psychological front, the Minister for Industrial Development has been taking an optimistic view of the industrial outlook in his public speeches and statements. He has been enumerating the various factors in the economy

as, in fact, they are in plenty — it is the men (and women) who are to blame and not our political system.

"Rural electrification is over, but problems for the Board have begun. With the length of the lines and the haste with which electrification has been undertaken, problems of voltage fluctuation, tripping and failure of supply are likely to occur. Complaints are bound to increase."

The technical problem of establishing and efficiently operating the required grid sub-stations or otherwise stabilising the electricity system in the state after its rapid expansion in the countryside will, however, be only one of the responsibilities which the state government faces in realising to the full the social and economic benefits of the state's investment in electricity. It has also to see to it that agriculture and small industry are able to take full advantage of the availability of electric power in the rural areas. Fortunately, Haryana lies in the heart of the green revolution. Its government, moreover, has been dynamic and enlightened in promoting industrialisation. In the circumstances, it is possible to expect that Haryana will not sport its successful electrification programme merely as a prestige symbol but employ it intelligently and efficiently in powering its future progress.

which favour further investments in the expansion of existing industries or the starting of new ones. He has been

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arguing that there is no dearth of funds for investment and if only entrepreneurs would come forward with schemes and projects, they would not find the investing public unresponsive.

It may be conceded that, in speaking thus, Mr Dinesh Singh is performing a necessary task of moderating the excessive pessimism which seems to have gripped certain sections of the business community. In realistic, or perhaps cynical terms, the short-term prospects for industry are certainly not depressing. The price level has advanced and is continuing to advance. This means that every rupee of capital invested now in industrial expansion would gain in real terms as time passes. Again, many commodities and manufactures are already in short supply and the indications are that there will be continuing additions to this list in the coming months. Strictly in terms

of short-term profitability, industrialists should find both capital investment and current production quite profitable over the foreseeable future.

This, however, is not the end of the story and the business community has to take into its calculations many other factors which are far less favourable. It has been estimated, for instance, that industry lost about 27 million mandays last year due to labour unrest. As Mr Asoka Mehta has rightly pointed out, the burden of this labour trouble on the national economy is aggravated by the fact that it is seldom that an effort is made to recoup, after the work is resumed, the losses of production suffered during stoppages. On the contrary, the intervals between active labour trouble are periods of preparations for the next showdown. Simultaneously there is near-anarchy in the wage situation. Especially in those areas of industry or commerce, whether in the public sector or the private, where organised labour has built up positions of political vantage, wage settlements, involving substantial increases in labour costs, have had to be negotiated one after the other, generally under duress. Since the higher wages that are thus secured for certain sections of the working force are regarded by their beneficiaries as an inadequate compensation, grudgingly given, for increases in the cost of living, they bring no advantage to the community at large. Not only are they not linked to pledges of increased productivity, but are regarded by organised labour as an encouragement to another round of claims and demands. The violent political activities of some sections of labour in West Bengal have naturally attracted attention, but the economy has probably suffered greater and more basic damage as a result of the less sensational, but more pervasive, deterioration in normal industrial relations in the country as a whole.

More frightening even than this disintegration of industrial peace is the government's indifference to this gathering menace. It is strange indeed that the Labour Ministry is neither seen nor heard these days. Indeed, there has been no initiative at all at any level of government for even taking measure of the problem of industrial peace, let alone deal with it. A regrettable consequence of this mindless inactivity, particularly at the centre, is that state governments are being left to their own devices in dealing with labour trouble even in industrial undertakings of national significance.

A case in point is that of Standard Motors in Madras which has had to close down partly because of labour trouble. It now seems to be the case that this plant could be reopened provided no attempt is made to force the manage-

ment to take back into the service of the company certain workers whose violent attitudes and activities were largely responsible, in the first instance for fomenting and precipitating the crisis in the working of the factory. For reasons best known to himself, however, the Minister for Industries in the Government of Tamil Nadu seems to have decided to attempt to enforce on the management this act of submission to the disruptive elements among its employees. Despite this, Mr Dinesh Singh in New Delhi seems either unwilling or unable to do anything to fulfil his ministry's obligation of securing reasonable conditions of functioning to a major industrial undertaking in the country.

Mr Dinesh Singh says that there is no dearth of investible funds in the country and that it is up to industrialists to enter the capital market to take advantage of the situation. The minister is evidently influenced by the fact that public issues of equity shares, offered periodically, tend to be fully subscribed or even over-subscribed. But such offerings to the market have been few and far between. They have been neither sufficiently numerous, nor sufficiently frequent to serve as an index either of the level of personal savings in the community or the quantum of risk capital seeking investment. Indeed, as in the case of quotations in stock exchanges, public response to capital issues seems to reflect only the scarcity value of investment opportunities. The government having decided to restrict the availability of finance from public or semi-public financial institutions to new industrial projects, where such projects do not satisfy one or the other of a number of arbitrary considerations, often of a political nature, there is reluctance, naturally, on the part of entrepreneurs generally to go to the trouble and expense of testing the capital market with new projects or propositions.

This apart, there are the over-riding limitations imposed by the government's fiscal attitudes. It has now become more than ever uncertain what the government's fiscal policy would be from one central budget to the next. Indeed, if there is any element of certainty at all in this situation, it is that personal incomes will be increasingly squeezed and existing incentives to the corporate sector withdrawn under one pretext or the other. Fiscal policy has become the small change of politics and is losing balance and direction under the pressures of intra-party and inter-party warfare. The concept of a reasonable return on capital has come to mean simply a return which the government of the day happens to consider reasonable for the time being.

Finally, the government has started

going back on its policy of progressive decontrol. The controls on cotton textiles and sugar, for instance, are being continued without justification. State trading is relentlessly being extended, the latest victim being raw cotton. Government intervention in the trade in foodgrains is settling down as a permanent feature. A rigid pattern of price control is being imposed on the drug and pharmaceutical industry. Noises are being made about the possible return, in full strength, of price and distribution controls on steel. In some cases, the government does not even trouble to hide the fact that controls are

intended less for the benefit of the community than for sustaining its philosophy of the public sector. The Secretary of the Ministry of Industrial Development recently chided the Federation of Indian Chambers of Commerce and Industry for emphasizing the debit side of the economic situation while ignoring the credit side. The obligation to draw a proper balance-sheet extends also to the government. Mr Dinesh Singh may perhaps desire that the business community should practise couicism as a patriotic duty. Even if the latter is willing to oblige, government policies are not making it easy for it to do so.

Hanging in the Air

THE CREDIT policy for the 1970-71 busy season announced recently does not take note of the realities of the situation. The monetary authorities have approached the problems confronting industry and trade and borrowers in the priority sectors with an accountant's mind little realising that all the difficulties experienced in money market circles are of the creation of the former. Instead of making an attempt to find out what exactly are the components of the increase in credit that have their inflationary implications and which of those components have been responsible for the over-extended position of the banking system, the Reserve Bank has conceived the new policy on a basis which may create a frightening situation early next year if this policy is not properly administered. The whole difficulty has arisen from the fact that, for the first time in the history of Indian banking, the increases in advances for nearly a full year were in excess of the additions to deposits.

This feature is noteworthy because it has taken place at a time when deposits have been rising at a fast rate and new records are being established. It is true that this rise could have been more impressive as a large number of new branches have been opened and there has also been a big increase in the purchasing power of the rural population. The additions have been, nevertheless, impressive as aggregate deposits amounted to Rs 5,552 crores on October 30, 1970 against Rs 4,788 crores on October 31, 1969 or an increase of Rs 764 crores. During the same period, total bank credit has expanded to Rs 4,246 crores from Rs 3,493 crores or a rise of Rs 753 crores. But for the sharp reduction in advances in the last week of October, the growth under this head would have been well in excess of the growth in deposits. There has probably been sizeable lending to borrowers in the priority sectors as bank credit, excluding food procurement advances, were higher by

Rs 779 crores. This would indicate that, apart from the earlier advances for procurement purposes, the subsequent expansion of credit has been in respect of borrowers in the priority sectors. It would be interesting to know what the amount involved is on this account as it would then be possible to decide whether a policy of over-lending can be continued without accentuating inflationary pressures.

There has, of course, been a big increase in advances against sugar because of a heavy accumulation of stocks in spite of the complaint from the sugar mills that their limits had not been suitably revised. However, there may not be any substantial increase in other advances to industry and trade except for the difficulties experienced on account of higher prices. In so far as large amounts are immobilised in sugar stocks (these may be of the order of Rs 80 crores additionally), and there has been financing of heavier imports, the unsatisfied demand on the banking system cannot be considered unhealthy.

The outlook for the current busy season has become difficult because the government also has been keen to have its share of the resources of the banking system by raising the liquidity ratio and aggregate investments of scheduled commercial banks have risen to Rs 1,659 crores from Rs 1,523 crores. These adjustments have naturally been responsible for a high level of borrowings of member banks from the central banking institution, this being of the order of Rs 150.5 crores at the end of the

DRUG PRICES : A CORRECTION

In an article in 'Eastern Economist' of November 27 on the above subject, it was stated on page 930 that "The Drugs (Prices Control) Order provides a 5 per cent mark-up on the ex-factory cost of formulations as calculated under that Order." The mark-up in question is 75 per cent and not 5 per cent.

1970 slack season against only Rs 33.5 crores on October 31, 1969. Since a sum of Rs 100 crores has been absorbed against procurement advances and sugar stocks in the aggregate will be accounting for as much as Rs 200 crores, the Reserve Bank could have decided on a more liberal policy for the busy season that is now on.

The Reserve Bank has, no doubt, agreed to provide refinance facilities at the bank rate and concessional rates as hitherto; but the availability for banks will be restricted as refinance can be had on reasonable terms only in respect of the increase in advances for priority purposes over the amount for the base period. This period has now been moved forward by one year and the average of advances in corresponding calendar quarter, in the previous season will be taken into account. It has, therefore, been estimated by the Reserve Bank that additional borrowing will be of the order of Rs 250 crores, calculating that fresh advances in the current busy season will be Rs 600 crores. It is assumed that banks will be able to find roughly Rs 350 crores out of new deposits.

It is, however, likely that the expansion of credit will be much more than Rs 600 crores. These may be even in

excess of Rs 650 crores as sugar stocks will increase by another three or four lakh tonnes up to the end of May, while there will be larger crops of raw cotton and oilseeds. It will also be necessary to handle a larger volume of imports because of the liberal policy now being pursued. The situation may get complicated if there were larger arrivals of raw cotton under the PL-480 Agreement and against commercial purchases from the UAR and Sudan. The Reserve Bank will have to be prepared, at the same time, for financing procurement operations as the purchases now being made in Andhra Pradesh alone will require anything up to Rs 50 crores. There is besides the prospect of heavy marketable surpluses having to be absorbed out of the rabi crops and the borrowing of member banks by the end of June may increase to even Rs 600 crores if the government do not undertake deficit financing on its own account for creating buffer stocks.

There may not be any upset on account of the lack of adequate growth in deposits, as in the slack season that has just ended deposits rose by as much as Rs 445 crores against only Rs 348 crores in the 1969 slack season. It may not be unreasonable to expect that the increase in the busy season till the end of April will be about Rs 450 crores

against Rs 319 crores in the same period in 1969-70. But trouble will arise as a result of a bigger increase in advances. The strain on the banking system can, however, be reduced considerably if buffer stocks of sugar are created and the industry is not obliged to handle stocks in excess of one million tonnes. The stocks held by the Food Corporation of India also will have to be taken over by the government into the buffer pool as fresh purchases will have to be made on a large scale and it is unlikely that the quantities so acquired will move into consumption fully.

It may, however, be argued that the segregation of advances to the extent of Rs 200 crores will not be of any great advantage to the banking system unless it got paid and its liabilities to the central banking institution could be repaid. The central government can find only Rs 50 to 75 crores out of its own resources and the balance amount can be found only through the creation of currency. It will therefore, be helpful if, notionally, it is agreed that the Reserve Bank should lend to the member banks on a concessional basis about Rs 200 crores for financing food and sugar stocks and caution is exercised only when there is a further growth in advances in excess of deposits. If the recent trends are any guide and

if the new branches opened in several parts of the country prove to be useful in mobilising new incomes and savings, it may be possible to gather as much as Rs 1,000 crores by way of fresh deposits in 1971.

In the next slack season, the same difficulties experienced this year may not be repeated if the government acts in a realistic manner when it handles large marketable surpluses of foodgrains. The wise course would be to relax the restrictions on movement of rice within larger zones and abolish also statutory rationing in metropolitan cities such as Calcutta and Bombay. Whatever may be the decision taken early next year, after the chief ministers have had fresh discussions, the Reserve Bank should not create unnecessary difficulties for industry and trade in the next few months and there should be liberal refinance

Chemicals from Australia

A FIFTEEN-member trade mission from Australia went round some Asian countries during the month of November in an effort to sell chemicals. The mission's itinerary included visits to Djakarta, Singapore, Taipei, Seoul, Tokyo, Hong Kong, and Manila. Organised by Australia's Department of Trade and Industry with the support of the Australian Chemical Industry Council and the National Council of Chemical and Pharmaceutical Industries, the mission was made up of re-

presentatives of companies manufacturing and exporting a fairly wide range of industrial and other chemicals. This mission followed previous missions to Asian countries in 1965 and 1967.

There are now over 30 major plants producing a variety of products, such as alkalis, acids, heavy organic chemicals, petrochemicals, explosives, pharmaceuticals, cosmetics, polymers, fibres, paints, plastics and fertilisers. Exports of organic and inorganic chemicals are directed towards 48 overseas markets, including Britain, Fiji, France, Hong Kong, India, Italy, Kenya, New Zealand, Philippines, Africa, Spain, Sweden and the USA. At present nearly a quarter of Australia's exports of chemicals are directed towards the countries in Asia. In 1969-70, the chemical industry exported products worth more than \$A 136 million and proposed to increase overseas outlets during the 1970's.

More than \$A 70 million of the \$A 109 million worth of raw materials used last year by companies that were members of the Australian Chemical Industry Council were of indigenous origin. With the recent discoveries in Australia of oil and natural gas, which provide feedstock for the production of petrochemicals, the percentage of Australian raw materials used might increase to more than 75 per cent. This growing production has resulted in an inter-relationship between major Australian chemical producers such as the Altona petrochemical complex near Melbourne in Victoria and the Shell Chemical-ICI-ANZ ventures in New South Wales. Similarly ethane from

Bass Straits in southern Australia will be the feedstock for an extension to ethylene capacity by 100,000 tons a year at the Altona petrochemical complex.

Mr John Gorton, the Australian Prime Minister, in September this year opened a \$A 33 million oil and gas fractionation plant built by the Broken Hill Proprietary Co. Ltd. and Esso Exploration and Production Australia Inc., at Long Island Point, Westernport Bay, in the southern state of Victoria. The plant, about 45 miles from Melbourne, separates and stores natural gas liquids transported by a 118-mile 10-inch pipeline from its \$A 47 million treatment plant at Longford, in Gippsland. Adjacent to the new plant at Long Island Point are storage facilities for crude oil transported by a 28-inch pipeline from Gippsland. The Long Island Point plant is designed to produce initially a total of 17,000 barrels a day of propane and butane, as well as 6,000 barrels a day of ethane, with possibilities of further expansion.

Chemical plants, producing new products are being established every year. A large number of existing plants carried out expansion schemes which have enabled expanded production of a large number of chemicals. The Australian chemical industry spent nearly \$A 4.5 million on research and development in 1969, a 19 per cent increase on the previous year. The present size of the Australian chemical industry can be gauged by the capital investment which during the decade 1958 to 1968 grew from \$A 415.2 million to more than \$A 887.7 million. The industry's growth rate in terms of production over the past decade of 15.8 per cent a year was more than twice the rate of growth of economy in Australia.

RECORDS AND STATISTICS

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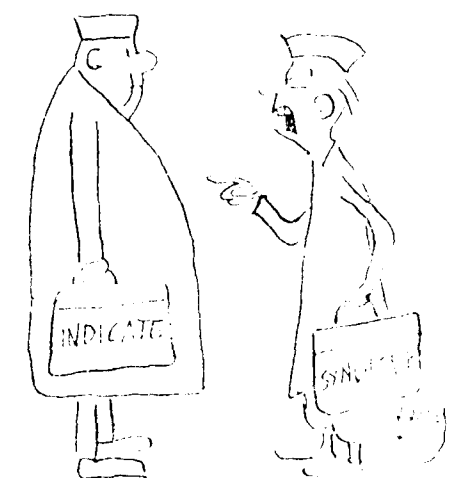
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AUSTRALIA'S EXPORTS OF CHEMICALS

	(\$A M)	
	1968/69	1969/70
Chemical elements and compounds	84.76	94.14
Mineral tar, crude chemicals from coal, petroleum, natural gas	0.27	0.26
Dyeing, tanning, colouring materials	8.41	8.47
Fertilisers manufactured	0.18	0.85
Explosives, pyrotechnic products	2.27	2.49
Plastic materials, regenerated cellulose, artificial resins	6.20	6.85
Other Chemical material and products	19.35	23.46
	121.43	136.46

SOURCE: Australian Chemical Industry Council.



"Don't you see, without unity we will never be able to fight each other as savagely as we did before?"

A Pedestrian Prognosis

KRISHNA CHAITANYA

THE URGE to shape the world nearer to the heart's desire is likely to stay with man as long as the human race endures. For, however good things are, the heart will reach out to fresh horizons and however bad they get, the urge will linger, since if it flickers and dies mankind will have lost its will to live.

In the long tradition of this human motivation which has moulded history, the sixties of the present century should be regarded as a landmark, for the world acted together in a multifaceted regenerative effort during the development decade. But the arousal-effects of internationalism and one-world consciousness have perhaps not been adequate. We all still need to wake up. This possibly is the reason for the choice of the title of the book by UNESCO's Deputy Director-General, Malcolm S. Adiseshiah: *Let My Country Awake* (UNESCO, 1970; Pp. 375; \$7). It is a line from the *Gitanjali* and country means the whole world.

Standing at a vantage time-point which marks the end of the first Development Decade and the beginning of the second, Adiseshiah can look back and ahead. But no pleasing scene meets the backward glance. While the target for the annual increase in agricultural output for the developing countries was 4 to 4.5 per cent, the achievement has only been three per cent and since the United Nations has characterised it as "disappointing", it would be a careless use of words to call it an achievement.

Position Reversed

Ironically, the developing countries, which had traditionally been exporters of food and agricultural materials for industry, have now reversed roles and become importers of both. During the decade, 40 out of some 90 developing countries became net importers of food and are now spending more than \$4,500 million on food imports. The ECAFE region, as a whole, has turned from a net exporter to a net importer of rice since 1964. The industrial scene offers no better picture.

Adiseshiah is nostalgic about the days when philosophy was the mother of all disciplines, the apical perspective for evaluating all systems. The problem of integrative and inter-disciplinary approach to the study of the predicament of man is becoming more and more insistent. Nevertheless, in a study of

the present type, there perhaps was no authentic need to go into academic issues like whether or not economics is normative science and whether or not it should be subordinate to the value-system of society. There was an epidemic outbreak of this kind of preoccupation in the early forties with the most virulent type of academism claiming that inter-personal comparisons of utility are impossible of empirical measurement. That is, the billionaire may get a keener satisfaction from the conspicuous consumption of his last million than the destitute from a second meal in a week; therefore, transfer of purchasing power, by taxation, from the billionaire to the destitute may not increase the total marginal utility and satisfaction. Since even God cannot extricate pundits from their self-created dilemmas, such issues need not have been exhumed. Hayek dismissed the controversy summarily in his *Road to Serfdom*. "Damn Economics! Let us build a decent world!"

No Original Prescriptions

The first decade obviously did not build a decent world and the task is now to be resumed in the second. The prescriptions Adiseshiah gives for doing things better are useful, but perhaps not original. For instance, he advocates higher prices for agricultural produce which will step up in turn the purchasing power of the rural population, the demand for consumer goods and ultimately the demand for the output of the heavy industries. More pointedly relevant is his clarification that though free trade is the ultimate guarantor of increasing world prosperity protectionist policies may be legitimate in the transitional phase for enabling backward economies to draw up to the level of the advanced. It is here that we reach the crux of the problem. For this analysis can be generalised to affirm

that in the interests of ultimate global progress, developed nations will have to tolerate some transitional autarchic practices on the part of the developing nations and, further, give them liberal initial help. But the caution uttered by Raul Prebisch and Gunnar Myrdal that the rich nations are becoming richer and the poor ones poorer has not been heeded; the suggestion that the former should set apart a very small proportion of their national income for aid has been ignored.

Probably the UNESCO too has become Establishment, which might explain the faint odour of academism that unhappily lingers in this work. For there is no probing diagnosis to the deeper sources of the malady, no revelation of new insights in therapy. To take up the latter point first, it is facile to stress the need for aid, difficult to clarify the form it should take.

Killing the Initiative

To realise that certain forms of aid can actually end up in killing the initiative of a community for self-recovery and regeneration, one had better read Schumacher. As for therapy in depth, while Adiseshiah can legitimately stress that investment in education is investment for production in the technological age, he should not have forgotten the far more fundamental role education can play in bringing about attitudinal changes which are moral in the last analysis, however much the sophisticated may dislike the word. If the world has to awake to a better tomorrow, radical attitudinal changes are necessary. For instance, Adiseshiah stresses that without land reform, increase in agriculture production will be halted. But here, as in the reluctance of rich nations to spend on aid a very small fraction of the money they spend on armament, the block is in the hearts of men. UNESCO has rescued the Abu Simbel temples from inundation by the Aswan dam and this is certainly a great thing. But let us hope it awakes to the more basic challenges. Time is running out. As Buckminster Fuller said, mankind has about fifteen years to choose between Utopia and oblivion.

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FROM THE PRESS GALLERY

Cotton Crisis Assailed

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

THE CRISIS in the textile industry following acute shortage of cotton figured prominently in the two Houses of Parliament this week. The government was assailed for its slow moves to meet the crisis.

Opinions on how to overcome the crisis, however, differed widely. While some Congress (R) members as well as a couple of members from the opposition felt that cotton shortage had been created artificially by some mills cornering stocks, several others argued that the shortage of the material was real and needed to be augmented through larger imports. Mr Babubhai Chinai, a Congress (O) member in the Rajya Sabha, scathingly criticised the Planning Commission for giving far too low a priority to cotton production. As against an annual allocation of Rs 90 lakhs during the fourth Plan for the development of cotton cultivation, he suggested that an outlay of Rs 10 crores per year during the next five years was the minimum required. Only a programme of this size, he opined, would lead the country towards self-sufficiency in cotton. This plea of Mr Chinai was supported by many others, both from the treasury as well as the opposition benches.

Mixed Reception

The move of some textile mills to have a 15-day block closure to tide over the current shortage also received a mixed reception. It was feared by many that such a block closure would adversely affect the employment situation and thus was not a judicious course to follow. The opposition to this contention, of course, was a mild one. A via media was suggested by Mr Chinai. He thought that it would be better if instead of a 15-day block closure, the 1964 solution of closing mills once a week for a month, then once a fortnight and then once a month was repeated. This, he argued, would gradually reduce the strain on cotton supplies and at the same time would prevent mass unemployment.

The Minister for Foreign Trade, Mr L.N. Mishra, assured members that the government was fully seized of the matter. He saw no reason for any closure of mills and announced that the government had decided to import this year 13.25 lakh bales of cotton, instead of 8.5 lakh bales envisaged

earlier. Mr Mishra agreed that there was a shortage of cotton in the country. He even conceded that some varieties of cotton were 100 per cent more expensive this year than during the last year. This, he opined, was due to the fact that the latest estimate put cotton production in the country at only 57 lakh bales, instead of 62 lakh bales estimated earlier.

With a view to tackling the problem on a long-term basis, Mr Mishra revealed that next year the Cotton Corporation of India would start operating a buffer stock. This would enable the government to control cotton prices and strike an equitable balance between the interests of cotton growers and consumers.

Raising Cloth Prices

Regarding the demand for an increase in the prices of the controlled varieties of cloth, Mr Mishra announced that even though the matter had been submitted to the Bureau of Industrial Costs and Prices, the government reserved the right to accept or reject the recommendations of the Bureau until all aspects of the matter, particularly the urgent need to maintain the price level, were fully examined by it.

A good deal of concern was also expressed in the two Houses over the delay in the announcement of the government's decisions on the Tariff Commission's reports on the artificial silk and rayon and polyester fibre industries. Both these reports have been with the government for several months now. Mr Mishra hinted that whereas the decision on the report on the rayon and polyester fibre industry would be made known "very soon", the decision on the report on the art silk industry would be finalised by the end of the year.

The Minister for Petroleum, Chemicals, Mines and Metals, Dr Triguna Sen, disclosed in the Lok Sabha this week that the government was studying the pros and cons of two proposals for the "Indianisation" of foreign oil companies operating in the country. The two proposals were: (i) the government should take over majority shares in these oil concerns; and (ii) these oil concerns should be nationalised. Dr Sen assured the House that the government would not take a decision that would go against the larger interests of the country. When some Communist members stressed the need for nationalisation of the foreign oil companies —

citing the example of Ceylon and Cuba — Dr Sen only replied that we need to benefit from the experience of these countries. If Cuba and Ceylon were facing any difficulties after nationalisation, we should try to obviate them, he stressed. Dr Sen reiterated that it was not the policy of the government to nationalise an industrial unit without paying compensation. Nationalisation of foreign oil companies without the payment of compensation had been urged by communist members.

The delay on the part of the union government to bring forward bills for the abolition of legislative councils in Uttar Pradesh and Bihar was severely criticised in the Lower House. Several opposition members accused the government of delaying action because of political and partisan considerations. The defence put forth by the Law Minister, Mr K. Hanumanthaiya, that the government would like to consult the opposition leaders on the issue, did not carry any conviction with the opposition members who stressed that once the state assemblies had passed resolutions for the abolition of the upper houses — the UP and Bihar assemblies have done so — the follow-up measures had to be taken by the central government automatically without waiting for any rethinking on the part of the states. The Speaker, Mr G.S. Dhillon, directed the Law Minister to clarify the constitutional provisions regarding the abolition of legislative councils in states.

The UP Affair

The Raja Sabha had its say this week on the last September's political crisis in Uttar Pradesh. The opposition's criticism of the central government on the affair was practically on the same lines as in the Lower House last week when this subject came up for discussion there. It was argued by the opposition members that the UP Governor had recommended the imposition of President's rule in the state at the bidding of the Prime Minister, without giving a chance to Mr Charan Singh to test his strength on the floor of the state legislature. This contention was stoutly opposed by the Minister of State for Home Affairs, Mr K.C. Pant, who argued that the Congress (R) members having withdrawn their support to Mr Charan Singh, he could not continue as Chief Minister. Mr Pant asserted that Governor's stand that Mr Charan Singh did not enjoy majority support in the legislature after the withdrawal of support by Congress (R) was later proved correct in view of the inability of the Samyukta Vidhayak Dal to elect Mr Charan Singh as its leader.

The Minister for Information and

Broadcasting. Mr Satya Narayan Sinha, rejected in the Rajya Sabha this week the demand of Mr Raj Narain (SSP) and several other opposition members for the setting up of the all-party committee to probe news broadcasts of All India Radio. It had been alleged by these opposition members that AIR broadcasts were perverted government versions of various matters and that AIR was indulging in false propaganda against parties opposed to the government. Countering the charge by quoting some statistics, Mr Sinha expressed the view that if at all AIR was partial, it was to the opposition.

Reorganising AIR

The Minister also rejected the demand for the conversion of AIR into a statutory corporation, as suggested by the Chanda Committee. There were "strong reasons" for not doing so, he said. Mr Sinha's main argument was that the government had to exercise a degree of control over AIR until there was greater political stability in the country. He also pointed out that the country must evolve its own pattern "according to its genius". Some reorganisation of AIR set-up, Mr Sinha added, however, had been initiated. Greater autonomy was being given to make AIR function better. The AIR administration was also being decentralised through establishment of zonal offices. It had further been decided to set up a civil engineering unit in AIR.

The Prime Minister, Mrs Indira Gandhi, ruled out in the Lok Sabha the possibility of an early mid-term poll in West Bengal. The government, she said, did not visualise any such thing until perfect normalcy was restored in the state.

The demand for full statehood for Delhi was turned down by the Minister of State for Home Affairs, Mr K.C. Pant, on the ground that it was not possible for the government to accept dual authority over the capital. The arguments put forth in defence of the demand did not carry any weight with the Minister. The more important among these were: (i) the deteriorating law and order situation in the union territory could not be effectively tackled unless full statehood was granted to Delhi; (ii) the union territory of Delhi was much more economically viable than Himachal Pradesh, Manipur or Tripura which had been promised statehood; and (iii) there were instances of some capitals elsewhere in the world not being administered by the federal governments.

The Lok Sabha this week passed a bill empowering the Directorate of Enforcement to have access for a full year to documents secured or sized under

the Foreign Exchange Regulation Act. It inconclusively debated another bill — the Scheduled Castes and Tribes Orders (Amendment) Bill. As two provisions in this bill—one introduced by the Joint Select Committee of Parliament to which this bill had been entrusted for detailed deliberations—proved to be very controversial, further consideration on it was suspended in consultation with opposition leaders.

Search for Consensus

The bill is likely to come up for discussion next week. The intervening period is proposed to be utilised for bringing about a consensus on the two controversial provisions which are: (i) the addition of 60 new castes and 120 new tribes to the list of scheduled castes and tribes; and (ii) those scheduled tribesmen who embrace Christianity or Islam should be exempted from enjoying statutory benefits under the act (this provision had been introduced by the Joint Select Committee). While some members argued that the grant of such an exemption would smack of discrimination on religious grounds, those opposed to this contention argued that since Christians enjoyed many other benefits, there was no justification for including the tribesmen who embrace Christianity amongst scheduled tribes. They also felt that conversion into other religions conferred a social status on the members of the scheduled castes and scheduled tribes which was denied to them in the Hindu religion. The additions proposed to the list of scheduled castes and tribes was objected to on the ground that this list was already very comprehensive.

Two bills were adopted by the Rajya Sabha this week. These were: (i) the Iron Ore Mines Labour Welfare Cess (Amendment) Bill; and (ii) the Agricultural Produce Cess (Amendment) Bill. The former bill provided for the levy on iron ore mines a cess not exceeding 50 paise per tonne of iron ore against 25 paise at present. The proceeds of this cess are to be utilised for the welfare of the labour force employed in the iron ore industry. The later bill sought to raise larger funds for helping the Indian Council of Agricultural Research through checking evasion under the parent Act.

The second instalment of supplementary demands for grants for the current year, totalling Rs 26.43 crores, was presented to the two Houses this week. The largest demand is for the payment of interim relief to the employees of the Posts and Telegraphs Department, amounting to Rs 11 crores. A sum of about Rs 4.5 crores has been asked for providing relief to new migrants from East Pakistan and Rs 2.64 crores for grants to the Delhi Corporation. Five

crores of rupees have been asked for advancing loans to the staff of Eastern and South-Eastern Railways whose properties had been damaged by floods in West Bengal. The expenditure to be incurred on providing interim relief to government employees other than those belonging to the Posts and Telegraphs Department, however, does not find any mention in this second instalment of supplementary demands for grants. Presumably, the government will go in for additional deficit financing to meet this expenditure and take legislative action during the next budget session.

Important Statements

The following other important statements were made by government spokesmen during the question hour in the two Houses this week:

(i) The Deputy Minister for Steel, Mr Mohammed Shafi Qureshi, informed the Rajya Sabha on November 23 that the first stage of the Bokaro steel plant with a production capacity of 1.7 million tonnes was expected to be completed by March, 1973, according to the latest schedule of construction. Because of the delay in the supply of indigenous equipment and refractories and labour unrest, the schedule had to be revised three times. The original date for the completion of this stage was 1972.

(ii) Mr Qureshi also informed the Rajya Sabha on November 23 that the government proposed to initiate location studies and also desired to take decisions during the fourth Plan period for the steel plant to be constructed during the fifth and the subsequent Plans. These studies would include suitable sites in Orissa and Goa.

(iii) The Deputy Minister for Industrial Development, Mr M. R. Krishna, told the Rajya Sabha on November 23 that a total of 2,227 applications had been received under the Industries (Development and Regulation) Act, 1951, during the current calendar year up to September 30. Of these, 444 were from firms belonging to or controlled by the large industrial houses. Only three licences, he added, had been granted during this period to companies in these groups. Letters of intent had been issued in another three cases. Fifty applications from large houses had been rejected. The remaining were under consideration.

(iv) The Minister for Steel, Mr B.R. Bhagat, told the Lok Sabha on November 24 that the government had no intention at present to allow a general increase in steel prices even though it had been estimated that the financial impact of the recent wage increase of steel workers in the main producing units would be about Rs 23 crores per annum.

WINDOW ON THE WORLD

The Gulf States Today

JOSSLEYN HENNESSY

LONDON:

OPPORTUNITIES FOR EXPORTERS

DOUBTLESS THE External Affairs Ministry of the independent Government of India keeps as anxious a watch on what goes on in the Persian Gulf as the old British Government of India felt compelled to do. If it does not, it ought to, because the Gulf States are daily moving ever more rapidly into the international trading world. In the reports that have come across my desk, which I summarise below, I find mention of British, American, Soviet, Japanese and other exporters but, alas, no Indian. And yet there are plenty of opportunities.

There are few local industries sufficiently large to cater for demand in any of the Gulf States, and most of the region is consequently a large and expanding market for imports of all types. There is a strong demand for plant and machinery, transport equipment and building materials as well as for services, particularly in the field of civil engineering. However, the supply of consumer goods in certain Gulf States has recently grown so rapidly that a glut of imports may persist, at least in the short term.

Britain's Position

Britain has long been in a favourable position owing to its political and economic connections with the region. However, in recent years competition has greatly intensified, particularly with increasing Japanese interest in the market. Thus, while demand for luxury consumer goods is high, the market is in most cases very price conscious. Over-optimistic delivery dates are a strong complaint by local merchants, and exporters should check thoroughly sailings from ports so that correct dates can be given. Air freight is likely to grow rapidly in importance.

In Muscat and Oman, Qatar and the Trucial States there is no provision for the registration of patents and trade marks, although the advertisement of Cautionary Notices provides some precaution. Patents and trade marks registered in Britain may, however, be registered in Bahrain.

It is essential to address all correspondence to the 'Arabian Gulf'. In no circumstances will a sale be made if the goods or services are, in any way,

connected with Israel. In Kuwait, the employment of foreign distributors is illegal, and it is advisable to appoint separate agents for each of the main commercial centres in the region.

Although the territories of the Gulf are relatively small in area and population, they are of economic and strategic importance because of their oil industries, which have transformed primitive shaikhdoms into booming economies, with the world's highest per capita incomes and an enviable range of public services. These facilities, now normally taken over by the state governments, were, it is worth noting, initially provided by international oil companies operating in the area.

Population Increase

As the wealth of the oil-producing states has increased, so has their population, with a large influx of migrants from Asia and from other parts of the Middle East adding to the natural growth of local peoples. The increasingly large, literate and demanding population has encouraged diversification of industry in the wealthier territories. Petrochemicals, engineering and building materials have been among the first developments, and banking and finance are expanding rapidly. There is, however, a risk of over-competition among the states for a limited number of viable projects, already apparent in the growth of competing 'international' airports and harbours.

The states have had close political links with the UK since the early 19th century, but the prospect that British forces will withdraw in 1971, has emphasised the need for co-operation. In the past year a little progress has been made towards a Federation of Arab Emirates comprising Bahrain, Qatar and the Trucial States. A site on the border of Abu Dhabi and Dubai has been selected for a future federal capital and a Bahraini proposal that all states should be equally represented on the Federal Council may have eased its establishment by alleviating fears of Bahrain's domination.

Progress towards union has been slow, however, and it is not yet clear whether the federation will ever be effective. The richer states—Bahrain, Qatar, Abu Dhabi and Dubai—may be sufficiently strong to survive independently,

but the risk of terrorism spreading from southern Yemen to overthrow separate regimes cannot be ruled out.

KUWAIT

Ruler: The Amir, H.H. Shaikh Sabah Al Salim Al Sabah

Exchange rate: 0.86 Kuwaiti Dinar = £1

Earlier boom conditions have moderated, and the economy appears to have grown at a slower rate in the latter part of 1969. In part, this was due to government restrictions on immigrants; the expatriate population, previously over half the total, was sharply reduced during the year, leading to a dramatic fall in local purchasing power and the accumulation of large stocks of unsold imports. These problems have been exacerbated by the state's shrinking role as an entrepot for the Upper Gulf area, as other countries of the region, notably Iraq and Saudi Arabia, have reduced taxation on direct imports from outside the Gulf zone and as delays have occurred in establishing a free port in Kuwait itself. During 1969 the local financial position also became somewhat tighter, with a decline in government development spending reported. It is also believed that Kuwait's heavy financial support for the Arab side in the Suez conflict contributed to the slight recession.

Kuwait remains the largest producer of crude oil in the Gulf area, which is, in total, responsible for approximately 10 per cent of the entire world output. Revenues from oil, currently running at over £300 million a year, have in the past been growing at an annual rate of between five and six per cent; growth of over six per cent, as achieved in 1969, is regarded by the Kuwait government as the rate to be maintained in the future. With marketing difficulties following from the closure of the Suez Canal, an agreement is proposed whereby the USSR will sell oil to Kuwait's customers in Scandinavia, while Kuwait sells to Soviet markets in Pakistan, India and Japan. A new refinery at Shuaiba was opened in November 1969, and there are plans to extend harbour facilities associated with this project at a cost of £7 million. The design contract has been awarded to a British firm.

Industrial diversification and development projects cover a wide range. A new ten-year development plan, involving expenditure estimated at some 1,200 million dinars, has been drawn up. Major water development and telecommunications projects are envisaged; it is planned to spend nearly \$300 million on water distribution and

research, to include construction of new distillation plant, a pipeline to bring water from Iraq and the establishment, with UN aid, of a centre for research in desalinisation and sources of underground water. Kuwait, like Bahrain, has recently opened a satellite ground-station within the 'intelsat' network, making possible great improvements in telephone and telex communications with the rest of the world. Air transport and shipping facilities are being improved with the purchase of new US aircraft for Kuwait Airways (which recorded its first profitable year in 1968-69) and the delivery of four dry-cargo vessels from the USSR, which has also supplied 20 seine-net boats to the growing fishing industry. Further diversification plans include a vocational and management training centre at Shuwaikh.

A cement factory, using limestone from the Kuwait/Saudi Arabian Neutral Zone, is to be built; cement, at present, accounts for 40 per cent of the volume of seaborne imports. Factories to manufacture detergents and car batteries are planned. Czech firms are tendering to develop ceramics and glass industries. New social welfare schemes likely to improve the balance of the economy are under consideration, including a project estimated to cost four million dinars for a programme to set up new small shop-keepers and to provide low-cost housing.

Although outflows of capital are said to have contributed to the decline in activity, gold and foreign exchange reserve figures do not suggest shortage of liquidity. In the year ended February 1970, reserves increased by \$40 million. In the year ended April 1969, the trade balance improved by £24 million, although it may have deteriorated later in the year.

BAHRAIN

Ruler: H.H. Shaik Isa Bin Sulman Al Khalifa, K.C.M.G.

Exchange rate: 1,142 Bahrain Dinars=£1.

Up to the beginning of 1970 economic and political conditions in Bahrain were overshadowed by the fear of Iranian action after British withdrawal from the Gulf in 1971. However, a report subsequently published by a UN representative, stating that the local people favour independence for Bahrain, has been accepted by the UK and Iran. Such a settlement may be a major step towards Bahrain's more active participation in the Federation of Arab Emirates.

Economically, Bahrain is less secure than some Gulf States: oil reserves

are not expected to last beyond 1990 although petroleum is the major source of industry. Oil revenues are about £6 million annually, and the greater proportion comes from refining oil piped from Saudi Arabia. The way in which this revenue has been spent has, however, gradually broadened the economy and built up impressive social services. The education budget absorbs over a quarter of government expenditure. However, the emergence of large numbers of relatively educated youngsters into a not very highly developed economy is producing familiar problems of white-collar unemployment and could lead to political instability. Many young educated Bahrainis at present find work in other Gulf States, but this outlet may narrow as these states develop their own economies and education.

Apart from its role as an entrepot and communications centre, Bahrain relies on two associated developments for a possible solution to its employment and growth problems: (1) a vast new aluminium smelter now under construction, and (2) exploitation of natural gas fields to supply its fuel. Despite Bahrain's lack of petroleum resources, reserves of natural gas seem to be considerable and the field is the only one so far discovered in the southern Gulf. Although gas exports, in liquefied form, to industrialised countries would not apparently be economic, the gas is an ideal cheap fuel for aluminium smelting.

Unusual Project

The smelter project is unusual in that, contrary to normal practice, it is a long way from prospective markets for the smelted aluminium; markets are likely to include the UK, Sweden and Australia, companies from which are the major shareholders along with the Bahrain government. The hope is that the plant, producing initially 90,000 tons rising perhaps to 120,000 tons per annum, will become a focal point for the growth of new industries attracted by the absence of taxation and exchange controls. The island is already a centre for ship repairing, manufacture of oil-field machinery and services associated with shipping and airways; the possibility of a dry dock for super tankers is being investigated by Japanese entrepreneurs.

Bahrain's airport is being expanded, with British aid, to be the first in the Gulf area to receive Jumbo jets and it may, with its superior radio and telephone satellite links, gain a head start over others. Approximately 35 per cent of goods imported are re-exported, the largest markets are Saudi Arabia

and Qatar. In 1969, the UK maintained its position as the main source of imports (about £12 million), followed by Japan, the USA and even China (which has been catching up as a supplier).

In the competitive atmosphere of the Gulf, Bahrain is probably in a satisfactory position, but industrial development, as well as that of air and sea ports, is essential in a country with relatively small oil reserves and a highly advanced population. Politically, the establishment of a new council of state, with commoners outnumbering the royal family for the first time, is a step towards greater participation in government; but it falls short of the representation which a more sophisticated population may come to demand.

THE TRUCIAL STATES

Abu Dhabi

Ruler: H.H. Shaikh Zaid Bin Sultan Bin Zaid

Exchange rate: 1,142 Bahrain Dinars=£1

The economy is firmly founded on oil revenue. Petroleum was first discovered offshore in 1962, and on land in late 1963. Production has risen rapidly: state revenue from oil is expected to pass the 100 million dinar level this year. Japanese interests are heavily involved in developing the reserves of Abu Dhabi. In the past months Japanese companies have made two major oil strikes offshore which are expected to come into commercial production in 1972, and an associated tanker terminal is planned. Agreement, in principle, to export liquefied natural gas to Japan has been reached. Other Japanese groups have secured new concessions on land. As wealth has increased, the local demand for oil products has also grown rapidly; and a feasibility study (from a Japanese firm) on the possibility of establishing a refinery is under way. Although as yet no national petroleum company seems envisaged, a scheme to buy crude oil from privately developed fields for refining and export by the government has been mooted. Abu Dhabi may join other Gulf states in the Organisation of Arab Exporting Countries.

Such rapid development of the state's immense wealth — Abu Dhabi claims to be the richest country in the world in terms of income per capita — has brought problems of financial management. Despite the high level of oil income, a budget deficit of some 15 million dinars was incurred in 1969. There were several contributory factors: oil

revenue rose more slowly than expected and rapid inflation upset plan targets. The expense of building up Abu Dhabi's own military forces to their present strength, in preparation for British withdrawal, is also likely to have contributed further to the deficit. The consequent shortage of funds led to some delays in payments during 1969, particularly on government contracts. In the current budget year, however, retrenchment is taking place. A new financial adviser to the Shaikh has been appointed, while large numbers of civil servants are reported to have been dismissed. Development expenditure planned for 1970 has been cut from 65 million dinars to 43 million dinars, of which only some 11 million dinars will be devoted to new projects. It is also expected that the retrenchment process will include a further slowing of work on the deep water port, urgently required owing to growing congestion and diversion of trade to more adequate harbours such as Dubai.

A further, and growing, claim on Abu Dhabi's financial resources, as revenues have increased, has been its commitment to the Trucial States Development Council, to which it is the major contributor. In 1969, Abu Dhabi gave 1.9 million dinars out of the fund's total expenditure of 2.9 million; its contribution for the current year is expected to be as much as 3.5 million dinars.

Given reasonable financial control Abu Dhabi's economy should continue to grow rapidly. The state has not yet reached the stage of needing to search for channels of diversification, as have Kuwait and Bahrain, and it has a leading role to play, as provisional capital, in the Gulf Federation.

Dubai

Ruler: H.H. Shaikh Rashid Bin Said Al-Maktum

Exchange rate: 11.45 Qatar Dubai Rials=£1.

In 1969, commercial production was started from the Fateh oilfield, 60 miles offshore; the first successful drilling was made in 1966. Currently, three major groups, comprising American, Japanese, and European interests are engaged in oil exploration. British Petroleum, which held rights equivalent to a quarter of existing capacity, recently sold out to French and Spanish companies.

The initial production level of the Fateh field was 65,000 barrels a day, to be increased to 100,000 barrels during

1970. The development includes significant innovations in oil storage techniques; two floating storage tanks with joint capacity of 645,000 barrels have been constructed from converted tanker hulls, and an underwater vessel with a capacity of a further 500,000 barrels, the first of its type in the world, has been anchored on the Gulf floor. These developments enable tankers to load directly from the production area, avoiding shallow coastal waters and also saving the cost of construction of submarine pipelines to the shore.

Even if Dubai's oil reserves do not prove comparable to those of Abu Dhabi, they will add substantially to the economic power of this already wealthy state. Dubai has a sound basis in commerce, founded on a free port and, originally, on trade in smuggled gold to India. The gold trade fell back after the introduction of the two-tier market, when an increasing free market purchase price reduced traders' profit margins and made the risks of outwitting the Indian customs authorities less worthwhile; but it is thought that trade increased once more with the fall in the gold price in the early part of the current year.

Increased Imports

Imports, apart from those of gold, have continued to increase rapidly, reaching some £80 million in 1969. Of the major source countries, Japan and the UK increased their shares of the total market, reflecting their heavy commitment in the oil and construction industries and their strongly competitive position in the Dubai market. This was despite the slower growth of imports in 1969 than in 1968, a result of a decline in new orders and a potential downturn in the economy.

The outlook is currently not as bright as developments in the oil sector might suggest. The general downturn in trade in the Gulf area has affected the market for re-exports from Dubai and stocks are high particularly in textiles. After a runaway boom in the early part of 1969, the market for land is stagnating and, despite continuing high activity in construction, including work on new deep water port, hotel expansion by the Hilton and other groups, and a new £6.5 million hospital project built by British firms with finance from the UK, the number of building plans is declining.

Even if oil revenues continue to grow, trading must continue to be the basis of the Dubai economy. The state is well placed to remain competitive within the Gulf area but is, as is shown

by the present slight recession, vulnerable to external pressures.

OTHER TRUCIAL STATE

Rulers

Sharjah: H.H. Shaikh Khalid Bin Mohammed Al Qasimi.

Fujairah: H.H. Shaikh Mohammed Bin Hamad Al Sharqi

Ajman: H.H. Shaikh Rashid Bin Hamad Al Na'im.

Ras al-Khamah: H.H. Shaikh Saqr Bin Mohammed Al Qasimi.

Umm al-Quwain: H.H. Shaikh Ahmad Bin Rashid Al Mu'alla M.B.E.

Exchange rate: 11.45 Qatar/Dubai Rials=£1.

The Trucial States other than Dubai and Abu Dhabi have relatively few economic resources, and until recently were virtually undeveloped, the economies being based on fishing and pearling. Oil has not yet been located in any of them, although a promising discovery has been made by two companies in an offshore area claimed by both Sharjah and Umm al-Quwain. Aid has been provided by the UK and by the Trucial States Development Council. In Sharjah probably the most advanced of the five states, the Council has aided a town road system, a 300-acre agricultural scheme, water and electricity supplies and the growth of fisheries; the Gulf waters are believed to be one of the most productive fishing areas remaining in the world. A new jetty at the port of Khor Fakkan has also been financed by the Council. Further aid has been provided by the Ruler of Abu Dhabi personally in the form of a gift of finance for 40 miles of road development. As markets the smaller states will, however, be of little importance until oil is discovered.

QATAR

Ruler: Shaikh Ahmad Bin Al Thani.

Exchange rate: 11.45 Qatar/Dubai Rials=£1.

Probably the most important event in Qatar in recent months was the announcement of a provisional constitution, envisaging a 33-member consultative assembly, with 20 elected members. Qatar is thus the second Gulf state recently to have moved towards greater delegations of authority, and the elected element may imply greater popular representation than in Bahrain. Qatar claims also that the existence of such a written constitution will make the state

better prepared to join the Gulf Federation, even though it might also be interpreted as a move to greater independence.

Production of crude oil rose by five per cent in 1969. Recently there have been expectations of new discoveries by the Japanese-owned Qatar Oil following seismic surveys in a region previously thought unproductive. It is likely that, as in other Gulf states, further discoveries would form the basis of more industrial developments by Japanese interests. An economic delegation from Japan visited Qatar in January of this year as part of a tour of several Gulf states, and a Qatari delegation is visiting Tokyo. Drilling is reported to be beginning this year in the offshore Vundug oilfield, owned jointly by Qatar and Abu Dhabi; any revenue from this field is to be shared equally between the two states. A further agreement has been signed with an American firm to prospect in a 3,500 square mile offshore area north-west of Qatar.

Petrochemical Project

In the diversification of industry away from complete reliance on oil production, one of the largest projects being planned is a petrochemical plant to produce over 200 varieties of products, mainly plastics, which may be built at Umm Said at a cost of £30 million. An aluminium factory reported to be under consideration, could come into direct conflict with the one under construction in Bahrain. It has been decided to double the production capacity of Qatar's national cement plant at Umm Bab to 600 tons per day and to build an associated factory to manufacture asbestos sheets and piping, representing a total of £6.5 million investment. Norwegian management is to run a fertiliser plant now being constructed at a cost of around \$50 million, whose output is aimed primarily at Middle Eastern and East African markets within easy shipping distance. To serve the factory a new deep water jetty is to be constructed at Umm Said by a UK firm.

In addition, Qatar's infrastructure is to be improved by extensions to water pumping and desalinisation systems, the establishment of a television service (a pilot channel to begin this year, and a full service in 1971) and improvements to Doha airport. Considerable scope would exist for overseas exporters. India, please note. Imports into Qatar have eased, and a congestion surcharge imposed on shipments into the port of Doha has been reduced as conditions have improved.

Qatar has recently made a contribution to the defence forces of the Gulf

Federation through the purchase of anti-aircraft missiles, armoured vehicles, patrol boats and aircraft from the UK. If an effective federation is not formed, Qatar could use these in its own defence.

MUSCAT AND OMAN

Ruler: H.H. Sultan Zayid Said bin Taimur, G.C.M.G., G.C.I.E.

Exchange rate: 1 Saidi Riyal=£1.

Before 1967, a subsidy from the UK of £1 million p.a. to support the armed forces and to aid development projects formed over half of total revenue. Since the first exports of oil in July, 1967, revenues have grown from £8 million to over £30 million in 1969. The closure of the Suez Canal in its early stages stimulated oil exports, because Muscat did not join in the Middle Eastern embargo of oil exports to Europe and America at the time, and because the Nigerian civil war stopped production there. With its mountains and poor communications, the state is one of the more difficult areas for oil exploration. Long distances have to be covered by pipelines and the geological structure makes the outcome of drilling even more uncertain than elsewhere.

To date, oil revenues have been devoted largely to infrastructural projects, e.g. harbours, roads and irrigation. A fresh water pipeline to the town of Muscat has been completed. Work on new roads covering about 300 miles is out for tender, while hospital developments have been agreed with UK contractors. It seems likely that a significant proportion of revenue is spent on

defence to counter guerrilla insurgents moving from bases in South Yemen.

In May, the currency unit was changed from the Gulf Rupee, valued at GR 13.3=£1 to the Saidi Riyal=£1. An independent currency authority, run by a British bank, is to administer the new system.

Import Regulations

Throughout the area, the import of arms, ammunition, dangerous drugs, alcohol and tobacco is banned or efficiently controlled. Importers in Kuwait must register with the authorities. Elsewhere, no import licences are needed except in Muscat and Oman for oil, firearms and narcotics. In Kuwait, all goods imported by the state and the oil companies are duty free as are basic materials and some food stuffs. Other imports are subject to four per cent of c.i.f. value. In Bahrain, rates vary from five per cent on necessities to 10 per cent on luxuries and 35 per cent on alcohol and tobacco. Qatar levies 10 and 50 per cent respectively on alcohol and tobacco on c.i.f. value, compared with 2.5 per cent on other imports. In Muscat and Oman, while the general tariff is 12.5 per cent of c.i.f. value, 75 per cent is levied on alcohol; there is also a municipal tax of one per cent of the duty paid value of all goods. Seaborne imports into Dubai pay 4.6 per cent of c.i.f. value but airborne and transit goods pay only 2 per cent. Abu Dhabi levies 2.5 per cent on all imports except livestock and vegetables, which are duty free.

There are no difficulties over payments for exports to the Gulf States, all of which are in the Sterling Area, but ex-

Eastern Economist 25 Years Ago

DECEMBER 7, 1945

Soviet Russia is busy concluding trade agreements with the Governments of eastern and south-eastern Europe. General trade agreements have been signed with Rumania and Hungary and an oil agreement with Austria. Bulgaria and countries to the north are on the list. Similar trade agreements with these countries are expected to be signed in the near future. The agreement with Rumania is typical. It provides for "the participation of Russian capital and technical assistance in the intensification of Rumanian economic activity." Joint Russian-Rumanian companies on a fifty-fifty basis are to be set up. What is worse from the Anglo-American standpoint is that these companies will have exclusive trading rights in their particular fields of activity. Exploitation of oilfields, river and maritime navigation, air

transport, civil aviation, electrification, timber, glass, mining and metallurgical industries—all these would be on a fifty-fifty capital and control basis. The President of the Board and the General Manager will be Rumanians and the deputy President a Russian. Russia will provide all the capital equipment for all this industrial development, electrification and modernization of Rumanian agriculture. Britain and America, it is said, have protested against this and similar agreements as aiming at the creation of an exclusive economic bloc for Soviet Russia. The Soviet Government, it is understood, has rejected the protest on the plea that these agreements do not affect the interests of the protesting parties. The British accuse the Russians of following pre-war German trade policy and fear the same political and economic consequences.

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porters to the Gulf States should read the daily newspapers diligently in order to keep abreast of possible awkward political changes, some of which may even have occurred since I airmailed this to you.

Sources and acknowledgements: The

foregoing summarises an exclusive report prepared by the Economic Intelligence Department of Barclays Bank Ltd (54 Lombard Street, London E.C. 3) but the bank is responsible neither for the emphasis of my summary nor for my comments, based on a variety of sources.

Cloud Over West Europe

E. B. BROOK

VIENNA:

A CLOUD hangs over prosperous western Europe that is beginning to produce the feeling there that much of what it gains in growing output and trading is lost in the falling value of the money it makes. It is no consolation — rather the opposite — to west Europe that the other wealthy and prosperous world areas, north America and Japan, are having just the same experience.

These are worries and losses that affect every person in these areas, not merely their governments or industries or farmers. So long as difficulties can be kept official or confined to one or more sections of the community they are not a threat to a way of life or to social stability, but when they affect every one they become such a threat. The wealthier and more prosperous a country, the more attractive is its stability, the more ominous and insupportable any threat to it. And from this arises the second cloud, as yet small, of sharpened class conflict and social unrest if the fall in the value of money, or inflation, continues.

This problem of increasing inflation has received the anxious attention of every government and has now produced a piece of advice from the Organization for Economic Co-operation and Development (OECD) that many of these governments find very difficult to accept. Going back on the purpose for which it was itself established — “to achieve the highest sustainable economic growth and employment” — the OECD has advised its member governments to reverse the goals at which they have aimed since the end of the war 25 years ago — maintaining high levels of employment and production — and to accept higher levels of unemployment as a method of halting inflation.

The Organization claims it is forced to this uncharacteristic conclusion because traditional methods of controlling inflation are no longer producing

results. To some extent, an excessive optimism, or more bluntly, a cheerful disinclination to accept unwelcome facts by many OECD member governments is no small contributory cause of the current mounting inflation. Growth in the volume of trade, rising industrial and farm output, more national income and an almost apocalyptic concept of an ever-increasingly unified and more prosperous west Europe have combined to produce an atmosphere in which contradictory facts have become almost psychologically unacceptable.

In some countries such as France, the government has been forced to relax restrictive policies in the hope of stimulating consumer demand, thereby improving employment and keeping demand equal to supply. But in others, such as Britain and the USA, special machinery to relate prices and income have been set aside and the road left free for capital enterprise, and individual self-help (recalling English domestic policy a century ago) and leaving the way wide open for bitter class and economic conflict.

But while the British government is apparently happy to let unemployment increase in order to keep prices from rising too sharply because too many people have money to spend, the OECD members have received the Organization's report with deep reserve and query what can be taken as an “acceptable level” of unemployment. In the United States, a fully employed work force is one in which there is only a four per cent rate of unemployment: in Britain, the unemployment percentage has not been higher than 2.7 per cent for 30 years. But 40 years ago, in the days of the Jarrow marchers, it went up to over five per cent with some very damaging social results.

The fact is that no political leader in any country has ever been able to maintain full employment and restrain inflation for any substantial period. The current success euphoria in west Europe and the requirements of an approaching

Presidential election campaign in the USA discourage candour among politicians on this point. The public everywhere has been encouraged to believe the dangerously comfortable myth that full employment and price stability can be maintained simultaneously; it is a myth that will undoubtedly die, but it is to be feared it will die painfully. In Europe, only in Finland is there a system which has the force of law, whereby government, labour, industry and all other interests combine to work out guidelines for wages, costs and prices. Elsewhere, controls have been successful only for short periods and in exceptional circumstances.

There are no longer any areas, even federal Germany, where prices are stable; in West Germany, also, the rate of increase in hourly wage rates in the last year has been steeper than it was in the UK for the same period. The average rate of inflation in the OECD's 22-member countries between 1960 and 1965 was only a little over 2.5 per cent per year but this year it will be 5.5 per cent (in the UK this year it is over seven per cent).

Spiralling Prices

There are, unfortunately, no reasons to expect a slackening in the now self-sustaining acceleration of prices and wage claims and even if, in places, trade union law is modified, there is no reason to think that, by itself, this step would moderate the rate of inflation. Employers and labour alike find that they work within an economic framework of almost constant high demand, low unemployment and consequent monetary inflation. If inflation is left to market forces in each country it is to be feared that the pace of inflation will increase steadily since industry, faced with ever higher wage demands to meet the cost of living, has got into the habit of ensuring its own profit margin by putting up its prices.

Since it is improbable that any modern democratic government would accept responsibility for — or take the risk of — deliberately maintaining deep prolonged periods of unemployment, the only way to improvement appears to lie in tackling the problem not head-on but from many sides. Two which suggest themselves in Europe at least is a strong legal move against the growing giant monopolies and a calculated and sustained effort to reduce the levels of subsidies paid by taxpayers to the producers of food. If, in such measures, there could be some degree of common purpose and of co-ordination on both sides of the Atlantic so much the better for their effectiveness.

The moving finger writes

It is but rarely that I get an opportunity of commending Mrs Gandhi's words or deeds. I therefore hasten to welcome her statement in the Lok Sabha on November 25 that there will not be any mid-term election in West Bengal unless and until normalcy is fully restored and there is a possibility of fair and free elections being held without fear of voters being terrorised. When some time ago it was reported in the press that the Prime Minister had discussed with Mr Ajoy Mukherjee the question of holding a mid-term election in the state, this journal thought it its duty to suggest that any such step would be an act of high irresponsibility. It is a pity that the Prime Minister's elaborate and expensive public relations establishment did not think it worth its while to put the record straight then and there. It may be flattering to the Prime Minister's vanity to assume that she is above the gossip of the market-place, but the disagreeable truth is that her government itself has largely become government by kite-flying, with the result that almost anything that is or can be said about her plans or schemes not only gains currency promptly, but also wins acceptance in the public mind.

While I am glad to have Mrs Gandhi's denial of the report that she had discussed prospects of a mid-term election in West Bengal with Mr Ajoy Mukherjee, I am rather sorry to learn from what Mr K.C. Pant said in the Lok Sabha on the same day (i.e., November 25) that the question of transferring the West Bengal Governor was never discussed with that dignitary when he was in the capital recently. If Mr Pant's statement means that the Government of India is not giving serious consideration to the desirability of Mr S.S. Dhavan being taken away from the West Bengal scene, I can only say that Mrs Gandhi and her colleagues are being grossly indifferent to the nation's interests.

It is possible, however, for an inference to be drawn from Mr Pant's statement that the Government of India felt that it could shift Mr Dhavan from Calcutta, if it wanted to, without discussing the matter with him. I hope that this is what is implied in Mr Pant's observation and that the Prime Minister

will not persist in allowing false considerations of prestige influence her decision in this matter. May I add that even Mr Dhavan's controversial political personality is not strictly relevant in this context? What must decide the issue is that he is an obviously inadequate administrator for West Bengal in its state of crisis. Mr Dhavan's governorship is costing the nation too much in blood and life as shaken West Bengal struggles with the merchants of violence.

Nothing can be more artificial or absurd than the demonstrations staged off and on against business leaders in Calcutta by Leftist crowds allegedly protesting against unemployment in the state. Whatever other charges may be made against big business, it cannot surely be said against them that they are enemies of employment. On the contrary, only too often the complaint against them is that they have been expanding their industries too much or floating too many new companies, despite the government's intentions of or attempts at preventing them from doing so. As Mr B.M. Birla suggested to a group of demonstrators the other day, the latter were surely barking up the wrong tree.

The business community is often described as ‘vested interests’. It could be said for them that their vested interests are in production and consumption, which, automatically, means also employment. It is true enough that higher short-term profits can be made and are being made on occasions of shortages and scarcities, but given the essentially individualistic and, therefore, competitive nature of private enterprise, its basic thrust is clearly in the direction of increasing production and consumption. It is only in the context of expanding opportunities for investment that big business can grow bigger without inviting hostile public notice or unwelcome political attention. Indeed, most of the current prejudice in the popular mind, which is being assiduously cultivated by unscrupulous politicians, is a reflection of a lack of sufficient growth in the national economy.

It follows that businessmen have a clear stake in dynamic economic ex-

pansion, while politicians may have a stake, equally clearly, in retarded economic development out of which arises popular frustration which it is politically profitable to exploit. It is no doubt appropriate to the lopsided times in which we live that those who claim to be protesting against unemployment should be directing their demonstrations against industrialists (who are being told by politicians that they cannot expand their business activities), instead of against ministers and bureaucrats who seem to be committed to preventing growth in some of the more enterprising and efficient sectors of our industry and commerce.

The road which Mr Triguna Sen took from Jadavpur to New Delhi might have been paved with good intentions, but this does not seem to have helped him to success as a minister. Having bitten off more than he can chew of the drug and pharmaceutical industry, he is now resolved to wallow in oil. This journal has supported, within reason, his ministry's attempts to relate prices and profits in the private sector of oil refining to changing circumstances here and abroad. But it has no patience with attitudes which would subordinate the growth of oil exploration or refining to considerations which seem to be essentially political. There is every chance of this country running into a crisis of imbalance between supply and needs if all available resources are not promptly and efficiently organised to step up both exploration and refining capacity. It cannot afford to allow Dr Sen and his ministry to treat the oil industry as a private swimming pool in which they might thrash about clumsily for their own diversion.

The minister has stated in the Lok Sabha that his ministry is still studying the pros and cons of proposals for the government collaborating with the foreign oil companies on the basis of their being converted into Indian companies or nationalising them outright. Neither of these proposals are exactly new. In fact, they have been turning up off and on like King Charles' head. How long is the Government of India going to play this game of politics with oil?

V.B.

Trade Winds

LIBERAL INDUSTRIAL LICENSING

THE GOVERNMENT'S policy during the seventies might be more and more directed towards creating surplus capacities in every sector of industry to avoid the type of shortages experienced in the economy during the sixties. The licensing policy would therefore, be further liberalised so that capacities would be freely licensed, irrespective of the targets which would afterwards be treated as only indicative and would not be a limiting factor. Explaining the new favourable trends, the Secretary of the Ministry of Foreign Trade, Mr K.B. Lall, said that despite some deficiencies there was an established infrastructure, entrepreneurial skills, technical personnel and a vast production machinery. Added to this there was unlimited demand generated from the break through achieved in agricultural production.

FAMILY PLANNING TARGETS

The Department of Family Planning in the union Ministry of Health, has constituted an expert committee under the chairmanship of Professor C. N. Vakil to review and examine the question of target setting. It will formulate realistic targets under the family planning programme, keeping in view the relevant factors and the overall objective of reducing the birth rate by seven points in each of the fourth and fifth five-year Plans. A Programme Analysis and Research Information Wing is also being added to the Department of Family Planning. It will be the agency for the effective utilisation of the research in the family planning programme and for identifying the areas where research is needed.

PUBLIC SECTOR PERFORMANCE

Hindustan Antibiotics Limited and Indian Telephone Industries Limited have been awarded the President's Shield for achieving the best performance among central government industrial undertakings in the years 1965-66 and 1966-67 respectively. In addition, they have also been awarded Certificates of Merit (Copper Plate) for outstanding performance in those two years. The awards were given away by the union Minister for Industrial Development, Mr Dinesh Singh, at a special function held at Vigyan Bhavan, New Delhi on November 24, 1970. Hindustan Antibiotics Limited also

received the Certificate of Merit for outstanding performance for the year 1966-67. Other public sector undertakings to receive Certificate of Merit were Hindustan Insecticides Limited and Hindustan Teleprinters Limited for 1965-66 and Manganese Ore (India) Limited for 1966-67. The system of annual awards by the President was introduced in April 1961 as an incentive to central government industrial undertakings for better production over and above the annual targets and all round outstanding performance. The scheme is applicable only to the production oriented industrial undertakings of the central government and not to commercial and financial institutions or workshops. The scheme does not apply also to some of the undertakings under the Ministry of Defence and the railways.

AERONAUTICS CONFERENCE

The General Conference of the Federation Aeronautique Internationale (FAI) at its meeting today elected Mr M. Fred Forrer of Switzerland as its president. Mr G. S. Bolina, President of the Aero Club of India was elected one of the vice-presidents. The past president, prof E. Wegelius, was elected honorary president in recognition of his services to the FAI. The next meeting of the General Council will be held at Zurich, Switzerland in late 1971. The conference discussed the International Astronautics Committee's memorandum asking the F.A.I. to consider the principle of recognition by it of operational, technological and scientific performances achieved during flights performed by non-manned space vehicles. The conference appointed a committee to go into the whole question and submit a report.

INDIAN INVESTMENT CENTRE

Mr G. L. Mehta, Chairman, Indian Investment Centre, revealed at the annual general meeting held recently that during the year 1969-70 the number of joint venture proposals assisted by the Centre, which secured approval of the government, came to 10 as compared to 16 in the previous year and 15 in 1967-68. Of the proposals approved during the year, six involved foreign financial participation and the remaining four proposals related to technical collaboration only. The total capital outlay covered by these projects amounted to Rs 7.3 crores as compared to Rs 4.16

crores in 1968-69 and Rs 7.5 crores in 1967-68. The foreign equity investment involved in these proposals amounted to Rs 98 lakhs as compared to Rs 1.8 crores in 1968-69 and Rs 3.62 crores in 1967-68. The foreign equity investment comprises Rs 70 lakhs from the USA, Rs 20 lakhs from Austria and Rs eight lakhs from Switzerland. As at the end of 1969-70, a total of 191 joint venture proposals assisted by the Centre had secured the approval of the union government. These proposals involved a total capital outlay of Rs 108.4 crores of which foreign equity investment was Rs 24.1 crores.

The Centre undertook a new line of activity to assist entrepreneurs from this country desirous of setting up joint venture projects in other countries. During the year, the Centre handled 17 enquiries regarding Indian joint ventures in foreign countries and necessary assistance was extended in such cases. The New York office of the Centre has been concerned with the establishment of Indian joint ventures in Canada and Latin America. The Centre also played some part in locating foreign collaborations for public sector undertakings such as the Heavy Engineering Corporation, Bharat Electronics, Bharat Heavy Vessels, Garden Reach Workshop and Tungabhadra Steel Products. State undertakings including the Gujarat Mineral Development Corporation and the State Industrial and Investment Corporation of Maharashtra also utilised the services of the Centre.

TRADE WITH NEPAL

The following joint *communiqué* was issued simultaneously in Kathmandu and New Delhi recently: "The Delegation of Nepal led by Dr P. N. Pant came to New Delhi on November 13 and had discussions with the Delegation of India led by Mr K. B. Lall, Foreign Trade Secretary from November 14 to 26, 1970. The discussions were held in a friendly and cordial atmosphere. In these discussions, substantial progress has been made in evolving agreed texts on matters relating to mutual trade and transit facilities. Solutions however have still to be found in regard to some of these matters. A further round of discussions has been arranged for December 10 and 11 to evolve agreed texts on them. It has been agreed that the existing arrangements in regard to mutual trade and transit facilities will be further extended till December 31."

IMPORT SUBSTITUTION

The production of 112 items selected for study of import substitution has registered an increase of 9.9 per cent in real terms in 1969 over that in 1968.

This has been revealed by an analysis undertaken by the Directorate General of Technical Development at the instance of the high-level committee on import substitution at its meeting in July last. The analysis was placed before the committee when it met recently under the chairmanship of Mr T. Swaminathan, Secretary for Industrial Development. The committee functions as a standing committee to take continuous stock in the field of import substitution and to give directions periodically on the manner in which action in this field is to be pursued. Among the items which have shown marked increase in production in 1969 over 1968 are : Modern rice mill machinery 388 per cent; malleable iron castings 200.4 per cent; paper makers' felts 200 per cent; filtration equipment including centrifuges 199.9 per cent; plasticizers 180.6 per cent; nickel anodes 162.6 per cent and metallurgical machinery 161.9 per cent.

TRADE TEAM FROM FRANCE

Measures to correct persistent adverse trade balance of this country with France are being discussed with the high-powered economic mission from France which arrived in this country on November 29. The French team is exploring the possibility for long-term contracts with Indian firms for purchasing items not only for the French market but also for third countries. Recent developments in French industries are said to offer excellent scope for increasing exports from this country of labour intensive parts and components, particularly for the automobile and bicycle industries. The visiting mission proposes to study opportunities for fresh French investments in India and for collaboration between French and Indian consulting engineering firms. The 14-member mission comprises high ranking French importers, exporters, manufacturers and bankers. During its 14-day stay, it proposes to visit Calcutta, Madras, Bangalore and Bombay and have discussions with a wide cross section of representatives of Indian trade and industry, the Reserve Bank of India and other credit and financial institutions.

INDO-G.D.R. COLLABORATION

An Indo-GDR agreement was signed recently for technical collaboration in the production of internal grinding machines by the Machine Tool Corporation of India, a public sector project located at Ajmer. The agreement was signed by the General Manager of Machine Tool Corporation of India and Mr H. Hansen, Export Director for Messrs. VEB Werkzeugmaschinen Kombinat "Zoktober" (Berlin). Under the agreement the collaborators will

provide technical documentation and know-how for the production of internal grinding machines of type ST-80. The agreement also enables the Machine Tool Corporation of India to extend this licence rights to other parties in India. Provision has also been made in the agreement for training of Indian technicians in GDR workshops.

STC's EXPORT EFFORT

Having already exported goods worth Rs 35.38 crores upto November 19 during the current financial year, as against Rs 23.96 crores worth during the corresponding period last year — an increase of 48 per cent — the State Trading Corporation (STC) is hopeful of achieving the target of Rs 75 crores worth of exports by March 31, 1971. Last year, the total exports of the corporation aggregated to Rs 55.15 crores.

The new items in the export list of STC this year have been gramophone records, (exported to Hungary), telex machines (Thailand), needle roller bearings (Poland), litchies (the United Kingdom and Continent), tyre cord (Australia), rayon fabrics (Yugoslavia), miniature bulbs (Sudan), departmental stores (Switzerland and Italy), and blank coins (Thailand and Greece). The STC had also exported jute goods worth Rs 40 lakhs to Argentina — the first such consignment to South American markets. Textile machinery, accessories and spare parts worth Rs 4.7 crores have as well been exported to the UAR. Several new contracts aggregating to Rs 9.72 crores have now been received from this country for the supply of textile machinery and accessories on turn-key basis. If the Renault's order for automobile accessories is also received, as is expected following a visit by Renault representatives — trial orders have been asked for by this company — another promising item will be added to STC's export list. A machine tools delegation from Britain is currently here. It is expected that STC may be able to export some machine tools to Britain following this delegation's visit.

The most promising field developed by STC in collaboration with Indian Railways is the export of railway wagons and other equipment such as coaching underframes, couplers, bogies, passenger coaches, etc. Orders worth Rs 59.61 crores are on hand from several countries, including Yugoslavia, Hungary, Poland, Iran, Sudan, Burma, East Africa, South Korea and Taiwan. A substantial order, it is expected, may also materialise from the German Democratic Republic, even though the recent talks in this connection were not successful. If the Russian deal for wagons also materialises, the exports

of railway equipment may get further fillip. The above figure of Rs 210 crores does not include any supply to the Soviet Union. In view of the growing demand for Indian engineering goods abroad, STC is setting up a subsidiary to be called Projects Equipment Corporation. With this, it will have four product subsidiaries (cashew, films and handlooms and handicrafts subsidiaries are already functioning.) It may have in the near future another territorial subsidiary also in addition to the one functioning in Canada at present.

The Industrial Raw Materials Assistance Centre (IRMAC), set up by STC in April this year, in pursuance of the government's policy to render assistance for the supply of raw materials particularly to small-scale industries, is making steady headway. Import orders have already been placed by this centre for tool, alloy and special steel; graphite electrodes; hot-rolled steel sheets; industrial felts and certain chemicals such as phthalic anhydride, N.C. cotton, cellulose, etc. Negotiations are said to be nearing finalisation for many other items. These include precision measuring instruments, ball bearings, copper tubes and other chemical raw materials.

NAMES IN THE NEWS

Mr W. B. Metre, noted petroleum scientist and till recently a Director, on the Board of Oil India Limited, died at the All India Institute of Medical Sciences, New Delhi, on November 21, 1970. He was 65. Joining the Burmah Oil Group of Companies in 1930, Mr W. B. Metre has had very close association with the petroleum industry in India. He rose to be the Chief Geologist in India of the BOC, and later Senior Technical Adviser to the Chief Representative of the Burmah Oil Group of Companies in New Delhi. He was appointed Member (part-time) of the Oil and Natural Gas Commission in November 1967, which position he held until recently. He was awarded the Padma Bhushan by the President of India in 1967 for his services to the oil industry.

Mr G. N. S. Robertson, a former Deputy Chief Representative in India of the Burmah Oil Group of Companies, and a Director on the Board of Oil India Limited from 1959 to 1968 has been appointed a Divisional Director of Burmah Oil Trading Limited, the trading subsidiary of the Burmah Oil Group. He assumes a primary functional responsibility for the Group's Pipelines and Gas Development operations, and a secondary responsibility for the Group's activities in South America, where the Burmah Group have considerable exploration, refining and marketing interests.

Company Affairs

KESORAM MILL

By a tripartite agreement concluded between the management and workers' union of Kesoram Cotton Mill before Mr H. M. Ghosh, Joint Labour Commissioner, on November 24, 1970, the mill, which was closed since October 2, 1970, will re-start from December 3, 1970. In terms of the settlement, the quantum and mode of payment of bonus for 1969-70 will be referred to a mutually agreed arbitrator, who will give his decision within a week's time. The case of the five Darwans, who were dismissed in September 1970 will be referred to the industrial tribunal for adjudication. The workmen will endeavour their best to increase per-head productivity, over-all production and ensure best quality and will try their best to reduce damage and shall maintain discipline. The management however, has agreed to continue to pay higher DA of Rs 10.54 which they are now paying than other textile mills in West Bengal. This issue will be referred to the decision of wage fixation committee. In the tripartite meeting the management was represented by Mr Surendra Kumar Birla, president and Mr V. B. Singh, factory manager, and the workmen were represented by Mr Arun Sen, general secretary of the union and others. Kesoram Cotton Mills has on its rolls about 10,500 workmen and employees.

INCHEK TYRES

The preliminary statement released by Inchek Tyres Limited reveals a loss of as much as Rs 38.05 lakhs for the year ended June 30, 1970, as against a net profit of Rs 56.50 lakhs for the previous year. Adding Rs 86,268 being the balance brought forward from the previous year, there is a net loss of Rs 37.18 lakhs as against a disposable sum of Rs 56.86 lakhs. In the preceding year, a sum of Rs 26 lakhs was provided for development rebate reserve and Rs 30 lakhs for general reserve. The directors have proposed to skip the dividend both on the equity and preference shares. For 1968-69 a dividend of six per cent was paid on the equity shares, apart from the usual dividend on the preference shares.

HINDUSTAN GARMENTS

The subscription list of Hindustan Garments Ltd will open on December 9, 1970. The company is issuing Rs 25 lakhs in equity shares of Rs 10 each at par of which shares worth Rs 10 lakhs

are being taken up by promoters, directors and offer to the public is Rs 15 lakhs. The entire public issue has been underwritten. The company's factory would be set up at Sonapat near Delhi in technical collaboration with the British Van Heusen Co Ltd, well-known garment manufacturers of Europe. Van Heusen will provide their latest creations as well as their marketing technical know-how to the company for the production of garments in India. They will also help promote the company's exports through their network of international distributors. The capital outlay on the project is estimated at Rs 42.50 lakhs and the factory is expected to go into production sometime in June, 1971. In full production the company will have a turnover of Rs three crores per annum. The First National City Bank of New York will provide the working capital of Rs 13 lakhs and also a term loan of Rs 4.50 lakhs.

PREMIER BREWERIES

Premier Breweries Limited is offering shortly for public subscription 20,500 equity shares of Rs 1,000 each and 5,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each. The company has an authorised capital of Rs 50 lakhs comprising Rs 40 lakhs in equity and Rs 10 lakhs in preference shares and a paid-up capital of Rs 45,450.

A.C.C. CEMENT

The directors of the Associated Cement Companies Limited have proposed to maintain the dividend at Rs 12 per share, for the year ended July 1970, on the capital as increased by a one-for-five rights issue.

TELCO

The output of Tata vehicles at Telco for the six-monthly period April-September 1970, was 12,123 and that during the corresponding period of last year was 11,368.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the five weeks ended August 1, 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 Indian Metals and Ferro Alloys Ltd, PO Therubali, Distt. Koraput, Orissa. (Therubali—Orissa) (SE) & (NA) *Substantial Expansion*: (i) Ferro Silicone—5,400 tonnes per annum (after expansion the capacity will be 12,600 tonnes) (ii) *New Article*: Silicon Metal of not less than 98% purity. 3,000 tonnes per annum (on maximum utilisation of plant and machinery); M/s Indian Oxygen Ltd, Oxygen House P-34, Taratala Road, Calcutta-53 (Ambattur—Tamilnadu) (NA) *Continuous Arc Electrodes*. (240 tonnes per annum), (On the basis of maximum utilisation of plant and machinery); M/s Lakshmi Precision Screws (Pvt.) Ltd, Industrial Area, Rohtak (Haryana) (Rohtak—Haryana) (NU) *Precision Machine Screws* 500 tonnes per annum on maximum utilisation of plant and machinery; M/s Jindal (India) Pvt. Ltd, 2/1, Ahmed Mauji Street, P.O. Liluah, Howrah. (Belur—W Bengal) (SE) *MS Pipes and Tubes*. 12,000 tonnes per annum, on maximum utilisation of the plant; M/s Hindustan Steel Ltd, Durgapur Steel Plant, P.O. Durgapur-3. (Durgapur—W. Bengal) (SE) *Annual capacity (after expansion)*

(In thousand tonnes)

1. Foundry Iron for sale	300
2. Steel ingots	1,600
3. Sections	200
4. Merchants	240
5. Sleepers	75
6. Fish plates	11
7. Forging blooms	28
9. Wheel and axles	93
10. Billets for sale	300
11. Skelp	250

M/s Hindustan Steel Ltd, Rourkela Steel Plant Rourkela (Orissa). (Rourkela—Orissa) (SE & NA) (i) *New Article*: (i) Galvanized Sheets—160,000 tonnes p.a. (ii) *Electrolytic tinplates*—150,000 tonnes p.a. (iii) *Electrical Steel Sheets*—50,000 tonnes p.a. (2) *Substantial Expansion*: (i) C.R. Sheets/Strips—Capacity increased from 170,000 to 300,000 tonnes per annum. (ii) *Plates*—Capacity increased from 200,000 to 280,000 tonnes p.a.

Non-Ferrous Metallurgical

M/s The Indian Aluminium Company, 1, Middleton Street, Calcutta (Belgaum—Mysore) (SE) *Aluminium Ingots*—10,000 tonnes p.a. (The capacity has been increased from 30,000 to 40,000 tonnes p.a.)

Fuels

M/s A. P. Singh & Others, Village Siantur, P.O. Karogram, Via

Karamartar Distt. Santhal Parganas (Bihar) (Distt. Santhal Parganas (Bihar) (NU) *Coal*—5000 tonnes p.a.; M/s Raghunandan Singh Ramanand Singh, P.O. Katrasagarh, Distt. Dhanbad, E. Rly. (Mouza Chandore, Distt. Dhanbad—Bihar) (COB) *Coal*—7000 tonnes p.a.; Shri Sadanand Darbey At & PO Lakshmipur, Via Palajore, Distt. Santhal Parganas (Mouza Fulle-ria, Distt. Santhal Parganas, Bihar) (SE) *Coal*—10,000 tonnes per annum.; National Coal Development Corpn. Ltd, Darbhanga House, Ranchi. (Silewara Colliery, Bihar) (SE) *Coal*—0.45 million tonnes p.a.; Shri Bhuramal P.O. Salampur, Distt. Burdwan. (Mouza Lohat, Distt. Burdwan—W. Bengal) (NU) *Coal*: 1st year—30,000 tonnes, 2nd year—40,000 tonnes, 3rd year—50,000 tonnes, 4th year onwards—60,000 tonnes per annum; Shri Sankar Sen, Basanta Building, G.T. Road, East Asansol, Distt. Burdwan (West Bengal) (P.O. Dudhkurki, Distt. Dhanbad, Bihar) (NU) *Coal*—30,000 tonnes per annum.; Keshavji Pitamber & Bros., Dobary Colliery, P.O. Jharia, Distt. Dhanbad (Bihar) (Dobary Colliery, Distt. Dhanbad, Bihar) *Coal*: 21,000 tonnes per annum.

Electrical Equipment

The English Electric Co. of India Ltd, Pallavaram, Madras-43. (Madras—Tamilnadu) (SE) (1) *Cartridge Fuses*—14,40,000 Nos. p.a. (2) *Ceramic Fuse Bodies*—(For own captive consumption); M/s Phillips India Ltd, 53, Jorbagh, New Delhi-3 (Maharashtra) (SE) *Sensitive Moving Coil Instruments for Electrical & Electronic Test Equipment*. 11,000 Nos. per annum (after expansion) On maximum utilisation.

Transportation

M/s Braithwaite & Co. (India) Ltd, 4, Clive Row, Calcutta-1 (Calcutta—W. Bengal) (SE) *Railway wagons* (4 wheelers) Capacity increased from 1680 to 3000 tonnes p.a.; Shri S. D. Pandya, M/s Spaco Carburet brs (India) Pvt. Ltd, C/o Mehta Trading Co., Dhun Mansion, Avantikabai Gokhle Street Bombay-4 (Chinchwada, Poona Maharashtra) (NU) *Carburetors for scooters, motor cycles, mopeds etc.*

Machine Tools

M/s Mysore Kirloskar Ltd, P.O. Yantrapur, Harihar (Mysore) (Harihar Mysore) (N.A.) *High Speed threading Machines*—12 Nos. (worth Rupees 13 lakhs) p.a.; M/s Indian Sugar & General Engineering Corpn. Yamanunagar, Distt. Ambala (Yamanunagar—Haryana) (NA) *Plate Bending Rolls* 20 Nos. valued at Rs 20 lakhs p.a.

Agricultural Machinery

M/s Kirloskar Tractors Ltd, 13, Elphinstone Road, Kirkee, Poona-3 (Village Deolali—Maharashtra) (NA)

1. 4 Models Deutz tractors (D-3006, and D-9006) with accessories 10,000 Nos. p.a. 2. *Engines* (Deutz FL 411/412 Series) 2, 3, 4 & 6 Cylinders 10,000 Nos. p.a.

Engineering Industries

M/s Swastik Rubber Products Limited, Behind Kirkee Rly. Station, Poona—(Poona—Maharashtra) (NA) *PVC Wellington Boots and overshoes*. 6 lakhs pairs p.a. (based on maximum utilisation of plant and machinery)

Chemical

M/s Excel Industries Ltd, 184-87, Swami Vivekanand Road, Jogeshwari, Bombay-60-NB (Bhavnagar-Gujarat) (NU) *Phosphorus*—5000 tonnes per annum; Shri Shyam Sunder Aggarwal, 587, Moti Ram Road, Shahdara, Delhi-32 (Baroda, Gujarat). (NU) (1) *Sodium Nitrite*—2700 tonnes p.a. (2) *Sodium Nitrate*—9000 tonnes p.a.; M/s East Anglia Plastics (India) Ltd, Box No. 2844, Calcutta-16 (Calcutta—West Bengal) (SE) *Phthalate plasticizer*—5000 tonnes per annum; The Delhi Cloth and General Mills Co. Ltd, Bara Hindu Rao, Post Box. No. 1039, Delhi (Daurala—UP) (NA) *Phenyl Acetic Acid etc.*—400 tonnes p.a.; M/s Glaxo Laboratories (India) Ltd, Dr Annie Besant Road, Worli, Bombay-18 (Maharashtra) (SE) *Laboratory chemicals and reagent*—Capacity increased from 120 tonnes to 360 tonnes p.a.; M/s Westwork Engineers Pvt Ltd, Commerce Centre, Tardeo Road, Bombay-34 (Bombay—Maharashtra) (NU) *Acid and Alkali Resisting Compounds and membranes*. 1500 tonnes p.a.; M/s Ahura Chemical Products Pvt. Ltd, 84, Sion Road, Sion (East), Bombay-22 (Sion East and Andheri), Bombay—Maharashtra) (COB) *Textile Auxiliaries*—5010 tonnes p.a.

Dyestuffs

M/s Aniline Dyestuffs and Pharmaceuticals Pvt. Ltd, Mahalaxmi Chambers, 2nd Floor, 22, Bhulabhai Desai Road, Bombay-26 (Maharashtra) (NA) *Reactive dyes*—125 tonnes p.a.

Drugs and Pharmaceuticals

M/s Alembic Chemical Works Ltd, Alembic Road, Baroda-3 (Baroda—Gujarat) (NA) *Empty hard gelatine capsules*—200 million capsules per annum; M/s Indian Drugs and Pharmaceuticals Ltd, N-12 South Extension, Part-1, New Delhi-49, (Hyderabad-A. Pradesh) (NA) *Sodium PAS*—150 tonnes per annum; M/s Merck Sharp and Dohme of India Ltd, Bombay (Maharashtra) (SE) *Indocid (Indomethacin) capsules* (capacity increased from 10 million Nos. to 18 million Nos. p.a.; M/s Merck Sharp & Dohme of India Ltd, Dugal House, Backbay Reclamation, Bombay-1, (Maharashtra) (NA.) 1. *Amprol*—5 tonnes p.a. 2.

Amprosol—1.2 tonnes per annum (on the basis of maximum utilisation of plant and machinery); M/s Dabur (Dr S. K. Burman) Pvt. Ltd, Dabur House, 142, Rashbehari Avenue, Calcutta (Faridabad—Haryana) (SE) 1. *Asavas and Arishta*—25 lakhs litres p.a. 2. *Patent/Pharmacopical (NS) Licuides*—3 lakh litres. p.a. 3. *Patent ointments*—20 tonnes p.a.; 4. *Patent tablets*—2 crores tablets p.a.; Glaxo Laboratories (I) Ltd, Dr Annie Basant Road, Worli, Bombay-18. (Maharashtra) (SE) 1. *Chlorphenesin BP*. Capacity increased from 50 Kg to 2000 Kgs per annum. 2. *Mephencsin IP*—Capacity increased from 100 Kgs to 2400 Kgs. per annum; M/s Ranbaxy Laboratories Ltd, Okhla, New Delhi-20 (Delhi) 1. *Diazepam*. 5 mg tablets 100 kgs (2 crore tablets) 2. *Ampicillin*, 250 mg capsules 250 kgs (10 lakh capsules) 3. *Ampicillin Suspension* each 5 ml contains Amp. 125 mg. 150 kgs (1 lac 60 Ml bottles) 4. *Sodium Ampicillin Injection*, 0.5 gm per vial 100 kgs (2 lac vials) 5. *Nalidixic Acid tablets*, 0.5 gm. each 250 kgs (5 lakh tablets) 6. *Oxytetracycline*, capsules 250 mg 500 kgs (20 lakh capsules) 7. *Oxytetracycline Injection*; 500 mg vials; 100 kgs (2 lac vials) 8. *Dextro Propoxyphene HCl* 65 mg capsules 130 kgs (20 lakh capsules) (The capacities shall be on the basis of maximum utilization of plant and machinery.); M/s Merck Sharp & Dohme of India Ltd, Dugal House, Backbay Reclamation, Bombay-20 (Maharashtra) (SE) *Elexires (liquid orals)* Capacity increased from 240,000 litres to 400,000 litres p.a.; M/s Raptakos, Brett and Co. Pvt. Ltd 47, Dr Annie Besant Road, Worli, Bombay-18 (Bombay—Maharashtra) (NA) 1. *Aerosol Antiseptic powder*.—120,000 tins of 100 gm. each per annum. 2. *Aerosol Inhaler*—300,000 vials (15 Ml. each) p.a.; M/s Unichem Laboratories Ltd, 4, 5, 6, Jogeshwari Estate, Jogeshwari (West) Bombay. (Bombay—Maharashtra) (NA) *Capacity per annum* (1) *Homatropine Methyl Bromide U.S.P.* and other salts. 1000 Kgs (Tablets (5mg)—10 lakh tablets. (2) *Iodothymol*, 2000 kgs. Tablets (0.5 gms) 5 lakhs tablets. Granules (2.5 gm) 7 lakh packets. (3) *Metranidazole tablets* (200 mg) 1.25,00,000 tablets; M/s Indian Drugs and Pharmaceuticals Ltd., N-12, South Extension, Part 1, New Delhi-49 (Rishikesh—UP) (NA) *Griseofulvin*—6 tonnes p.a.

Textiles

M/s Marathwada Development Corpn. Ltd, Adalat Road, Aurangabad (Marathwada Region—Maharashtra) (NU) *Cotton Cloth*—438.00 lakhs Metres p.a.; Vijayaswari Textiles Ltd Pulia-mpatti P.O. Via Pollachi, Coimbatore Distt. (Tamilnadu) (Tamil Nadu) (SE) 2836 Spindles for the manufacture

of Cotton yarn; M/s Anglo Indian Jute Mills Co. Ltd., Duncan House, 31, Netaji Subhas Road, Calcutta-1 (W. Bengal) (SE) Jute Carpet Backing cloth—120 broadlooms to produce 6096 tonnes of carpet backing cloth (Total capacity after expansion will be 280 broadlooms); M/s Rexor India Ltd, 33, Chittaranjan Avenue, Calcutta-12, (West Bengal) (SE) (1) Metallic Yarn—300 tonnes p.a. (2) Stamping foils, insulation materials and packaging materials as by-products 100 tonnes p.a.; M/s Samarth Velvet Manufacturing Co., Kanjur Village Road, Bhandup, Bombay-78 (Maharashtra) (COB) (1) Manufacture of Art Silk velvet cloth—26 powerlooms (2) Processing of Art Silk Velvet cloth—3 lakh metres p.a.

Paper and Pulp

M/s Paper and Pulp Conversions Ltd, 1183, Shivajinagar, Fergusson College Road, Poona-5 (Poona—Maharashtra) (COB) (1) Pulp (for captive use)—8500 tonnes p.a. (2) Paper/Paper Boards—8500 tonnes p.a.; M/s Rajendra Paper Mills 701, Akash Deep, Barakhamba Road, New Delhi (Faridabad—Haryana) (COB) (1) Pulp (Paper grade for conversion into paper—4000 tonnes p.a. (2) Paper/Board—4000 tonnes per annum; Shri B. N. Mathur, Shri Vindhya Paper Mills Ltd, 90, Sundar Nagar, New Delhi-11 (Panchak Village, Nasik—Maharashtra) (COB) Art Paper, Art Card and Plastic Dispersion coated paper and card and other speciality papers—900 tonnes per annum.

Sugar

M/s Shetkari Sahakari Sakhar Karkhana Ltd, Distt. Sangli. (Sangli—Maharashtra) (SE) Sugar—Crushing capacity of sugar cane increased from 2600 tonnes to 5,000 tonnes p.a.

Food Processing Industries

M/s Tata Oil Mills Co. Ltd, Bombay House, Bruce Street, Fort, Bombay-1 (Ghaziabad—UP) (NA) Synthetic Beverages etc.—6000 tonnes per annum; Ghaziabad Cold Storage & Ice Factory, Prop. Crown Timber & Foods Pvt. Ltd 4, Friends Colony (West) New Delhi (Ghaziabad—UP) (NA) (1) Sterile Preserves Turbid juices concentrates—4000 tonnes per annum. (2) Sterile Preserves of vegetables and fruits—1800 tonnes p.a.; M/s Glaxo Laboratories (India) Ltd Dr Annie Besant Road, Worli, Bombay-18-WB (Aligarh—UP) (SE) Milk Food for Infants—3200 tonnes per annum; M/s Glaxo Laboratories (India) Ltd, Dr. Annie Besant Road, Worli, Bombay-18 WB. (Aligarh—UP) (SE). Milk food for infants—4000 tonnes per annum. (after expansion); M/s Kumar Roller Flour Mills, 6/6, 7 Industrial Area, Kirtinagar, New Delhi-15. (Kirtinagar—Delhi) (COB)

Wheat Products—1750 tonnes per month in terms of wheat; Central Orissa Flour Mills, 2, Camace Street, Calcutta-16 (Cuttack—Orissa) (NU) Wheat Products—2700 tonnes p.a. in terms of Wheat; M/s Maharashtra Roller Flour Mills (P) Ltd, Dr E. Mases Road, Mahalaxmi, Bombay-11 (Miraj—Maharashtra) (COB) Wheat Product—1875 tonnes per month; M/s Maize Products, P.O. Kathwada, Ahmedabad, (Ahmedabad—Gujarat) SE (1) Liquid glucose—18,000 tonnes p.a. (2) Dextros—12600 tonnes p.a.; M/s Milak Brothers, Induchambers, 349/53, Samuel Street, Bombay-3, (Kandla Free Trade Zone—Gujarat) (NU) Roasted Vacuum Packed Peanut—3000 tonnes p.a.

Vegetable Oils

Shree Jagdish Oil Industries Pvt. Ltd, Porbandar Distt. Junagadh, Gujarat (Porband—Gujarat) (NA) Cottonseed oil—15,000 tonnes p.a.

Leather, Leather Goods

M/s F. K. Haseeb & Co., 40, Sydenhams Road, Madras-3 (Khativadi Road, Melvisharam—Tamilnadu) (COB) E.I. tanned hides and Calf skin—2.07 lakh pieces per annum; M/s C. Kalyanam and Co. 2, Muthugramany St., Periamet, Madras-3 (Tamilnadu) (COB) L. I. tanned buffalo calf and cow calf skins—2.75 lakh pieces per annum; M/s T. Abdul Wahid & Co., 19, Vepery High Road, Periamet, Madras-3 (Ambur—Tamilnadu) (COB) (1) E.I. Tanned Calf skin—10.37 lakh pieces p.a. (2) Wet blue chrome tanned skin—15.70 lakh pieces p.a.; M/s E. K. Hajee Mohammed Meera Sahib & Sons., Tannery, Peria Agraharam S.O., Erode-5 (Erode—Tamilnadu) (COB) (1) Tanned hide—2.15 lakh pieces p.a.; (2) Tanned skin—77,000 pieces p.a.; M/s Kapurthala Northern India Tanneries Ltd, Sultanpur Road, Kapurthala. (Kapurthala—Punjab) (COB) (1) Vegetable tanned sole leather—480 tonnes (96,000 pieces) p.a. (2) Industrial Leather—30 tonnes p.a. (3) Wet Blue Chrome Tanned goat and buffalo calf skins—75,000 Nos. p.a. (4) Shoes and Chappals—24,000 pairs p.a.

Cement & Gypsum Products

M/s Reinz Tabbros Pvt. Ltd, 21-A, Nizamuddin West, New Delhi. (Ghaziabad—UP) (COB) Compressed Asbestos Fibre Jointing Sheet—700 tonnes per annum.

LETTERS OF INTENT

Metallurgical Industries

M/s Electro Metallurgical Works Ltd, 20, P.M. Road, Bombay-1 (BR) (Dandeli, North Kanara Distt. Mysore State) (N.A.) Ferro-Silicon—6,000 tonnes per annum; M/s Electrosteel Castings Ltd, 4, Dalhousie Square East, Calcutta-1. (Ghaziabad, UP) (NA)

Steel Wire Rods—40,000 tonnes p.a.; The General Manager, The Mysore Iron & Steel Ltd, Bhadravati (Mysore) (Bhadravati, Mysore State) (SE) Ferro Silicon—15,000 tonnes p.a.; (35,000 tonnes p.a. after expansion) M/s Steel Complex Ltd, Wisco Manor Feroke, Kerala. (Calicut, Kerala) (NU) Mild, Medium Carbon and Spring Steel billets—50,000 tonnes p.a.

Electrical Equipment

M/s Bharat Electronics Ltd, Jalahalli, P.O. Bangalore-13 (Bangalore, Mysore) (NA) Integrated circuits—2.0 million Nos.; M/s EID Parry Ltd, Dare House, P.B. No. 12, Madras (Maharashtra) (NU) (a) Trimmers—10.00 million Nos. p.a. (b) Loudspeaker—0.5 million Nos. per annum; M/s Larsen & Toubro Ltd, Saki Vihar Road, PO Box 8901, Bombay-72 (AS) (Bombay, Maharashtra) (N.A.) 1. Microwave Antennas 150 NM per annum. 2. Feed Systems for the above—9150 meters p.a.; M/s Jairamdas Udyog Pvt. Ltd, 17 A/1, Asafali Road, New Delhi-1 (Haryana—UP) (N.U.) (a) Loudspeakers—0.5 million Nos. p.a. (b) Paper cones for Loudspeakers—1.0 million Nos. per annum. (c) Band Change Switches—0.6 million p.a.; M/s Electronics & Computers (India) Ltd, 100, Akash Deep, Barakhamba Road, Connaught Circus, New Delhi (Ghaziabad, UP) (NA) Integrated Circuit—2.0 million Nos per annum; M/s Eswaran & Sons Engineers Pvt. Ltd, 5-7, Second Line Beach, Madras-1 (Tamil Nadu) (SE) Electrical Stampings from 2,000 to 3,000 tons p.a.; Shri Mahendra R. Mehta, B/26, 13th Floor, Sterling Apartment, Central Wing (North), 38, Peddar Road, Bombay-26 (Ghaziabad, UP) (NU) Electrical Stamping—3,000 tonnes p.a.; Shri Vinod D Mehta, 13, Blue Gardenia, 6-A, Peddar Road, Bombay-26, (Faridabad, Rohtak/Gurgaon, Haryana) (NU) Electrical stampings—3,000 tonnes per annum; Shri John Prasad, 45, First Main Road, C.I.T. Nagar, Madras-35, (Mysore) (NU) Electrical Stampings—2,000 tonnes p.a.; M/s E.P.V. Industries 'Anbarangam' Kamraj Nadar Road, Coimbatore-18 (Coimbatore, Tamil Nadu) (NU) Electrical Stampings—1800 tonnes p.a.; M/s Sahney Kirkwood Commutators Pvt. Ltd, 27, Kirol, Near Vidyavihar Station, Bombay-77 (Kirol, Maharashtra) (NA) (1) Slip Ring—1,05,000 pieces per annum. (2) Carbon Brushes—5,00,000 sets p.a. 3. Micanite Products—240 tonnes p.a.; Shri K. B. Narasappa-Ex. MLA, 1-145, Fort, Kurnool (AP) (Hyderabad, AP) (NU) Electrical Stamping—3,000 tonnes p.a.; S. Bhupinder Singh Sahney, 561/64, 18th Floor Bombay-52. (Punjab/Maharashtra/Delhi) (NU) Electrical Stamping—2,400 tonnes p.a.; M/s Velcor India Ltd., 7, Hemji Street, Rahimtoola

House, Bombay-1 (Bhavnagar, Gujarat) (NU) Velcro Tape Fasteners. (Capacity not indicated); M/s John Barret SA. D/13/4 Model Town, Delhi (UP/Delhi) (NU) (a) Carbon Film Resistors—20.0 million p.a. (b) Potentiometers—1.0 million p.a.; M/s Metal Lamp Caps (India) Pvt. Ltd., 2, Murphy Road, Post Bag No. 2, Ulsoor, Bangalore-8 (Bangalore, Mysore) (NA.) (1) G.L.S. (300 to 1500 W) M.V. Lamps—1.5 million Nos. (2) Photoflash Lamps—1.5 million Nos. p.a.; M/s Bharat Electrical Industries Ltd, 19, Rajendra Nath Mookerjee Road, Calcutta-1. (Ambattur—Tamil Nadu) (SE) 1. GLS Lamps 15-250 W—4.5 millions Nos. 2. Lead in Wire (Lamp Electrodes)—200 M. Nos. 3. Glass Shells—60 tonnes. 4. Glass tubings—600 tonnes; M/s Power Cables Pvt. Ltd. 24, Brelvi Sayed Abdullah Rd., P.B. No. 1522, Bombay-1. (Nadiad, Gujarat) (SE) GLS (15-250 W)—4.5 million Nos on two shifts; M/s Toshiba Anand Lamps Ltd., XXIII, Mahatma Gandhi Rd., Ernakulam, Cochin-11 (Kerala) (Ernakulam, Kerala State) (SE) Electric Lamps (Capacity not indicated); M/s The Indian Aluminium Cable Ltd, P-40, N.D.S.E. (Part. I) New Delhi-49. (Ghaziabad, UP) (NA) Electrolytic Capacitors—5.0 million Nos. per annum; M/s K. C. P. Ltd, Macherla Guntur, Andhra. (Tamil Nadu) (SE) Electronic Calculating Machines—500 Nos. p.a.; M/s Radio & Electricals Mfg. Co. Ltd., Post Box. No. 6, Mysore Road, Bangalore-26 (Bangalore, Mysore) (NA) (1) Potentiometers—1.0 million Nos. per annum. (2) Variable Gang Condenser—0.5 million Nos. per annum. (3) Trimmers—0.5 million Nos. p.a.; Shri G. B. Mulchandani, S-255, Greater Kailash, New Delhi-48. (Himachal Pradesh) (NU) Semiconductor devices—8.0 million Nos. p.a.; Shri Deokinandan Ajitsaria, C/O Ajitsaria Industries. A.T. Road, Gauhati, Assam. (Assam) (NU) (a) Plastic Film Capacitors (Styroflex Capacitor) 10 Million Nos. p.a.; (b) Variasle Gang Condensers—0.6 million No. p.a. (c) Trimmers—5.0 million Nos. per annum; M/s Bijlee Products (I) Pvt. Ltd, 20, Hadapsar Industrial Estate, Poona-13 (Poona, Maharashtra) (SE) (1) Motor Car Head Light Side and Tail Lamps—3 million Nos. on double shift operation. (2) Photoflash Lamps—1.5 million Nos. on double shift operation; M/s Dhurva Woolen Mills (P) Ltd, Sun Mill Compound, Sun Mill Road, Lower Parel, Bombay-13 (Ghaziabad, UP) (NU) Electronics desk calculators—2000 p.a.; M/s Sahney Kirkwood, Commutators Pvt. Ltd, 27, Kirol, Near Vidyavihar Station, Bombay-77. (Maharashtra) (SE) Small commutators—3 lakhs Nos. p.a.; Commutator Section segments

and bars—300 tonnes p.a. (after expansion); M/s Siemens India Ltd., 134-A, Annie Besant Road, Worli, Bombay-18 (Maharashtra) (NU) Dental X-Ray Units—120 Nos. per annum.

Telecommunications

M/s Waco Radio Electronic Industries, Sukh Sagar, Hughes Road, Bombay-7, (Thana, Maharashtra) (SE) Loudspeakers—0.290 million Nos. per annum. (after expansion).

Transportation

M/s Motor Industries Company Limited, Hosur Road, Adugodi, Bangalore-30. Total Capacity after expansion per annum: 1. Spark Plugs—3,600,000 Nos. 2. Single Cylinder Pumps—540,000 Nos., 3. Multi-cylinder Pumps including distributor & multi—Fuel type—90,000 Nos., 4. Elements—3,600,000 Nos. 5. Delivery Valves—3,000,000 Nos. 6. Filters—96,000 Nos., 7. Filter Inserts—13,20,000 Nos., 8. Nozzles holders—960,000 Nos., 9. Nozzles—4,200,000 Nos; M/s Todi Industries Pvt. Ltd, Todi Estate, Sun Mill Road Lower Parel, Bombay-13, (Bombay, Maharashtra) (NA), Hydraulic Steering Gears for marine use—50 Nos. p.a.; Shri Ratanlal Morarka, 24, Carmichael Road, Bombay-1, (1) Spark plugs—15,00,000 Nos. p.a. (2) Flywheel Ring Gears—1,00,000 No. p.a.; Shri Chiranjil Chaudhury, 74, Marine Lines, Bombay-2. (Ahmedabad, Gujarat) (NU) 1. Single Cylinder Pumps—1,50,000 No. per annum. (2) Multi-Cylinder Pumps—40,000 Nos. per annum. 3. Elements—2000,000 Nos. per annum. 4. Delivery Valves—20,00,000 Nos. p.a. 5. Nozzle holders—5,00,000 Nos. p.a. 6. Nozzles—20,00,000 Nos. per annum; Shri Madan G. Sinhasane, LLB., Partner, National Metal Industries, 35, Shivajinagar, Poona-5 (Poona, Maharashtra) (NU) 1. Multicylinder pumps—40,000 Nos. p.a. 2. Filters—100,000 Nos. p.a. 3. Elements—2,00,000 Nos. p.a. 4. Nozzles—2,00,000 Nos. p.a. 5. Nozzle holders—2,00,000 Nos. p.a. 6. Governors—2,00,000 Nos. p.a. 7. Automatic advance devices—50,000 Nos. p.a. 8. Springs—700,000 Nos. p.a. 9. Priming pumps and Filter cartridges—1,00,000 each. 10. Testing Equipment. Test benches & Menoflash Units—100 units each; M/s K.S. Diessels Pvt. Ltd, 19-21, Hamam Street, Fort, Bombay-1 (Rajkot, Gujarat State) (SE), Total Capacity after expansion per annum. 1. Single Cylinder Pumps—1,90,080. 2. Elements—15,00,000. 3. Delivery Valves—15,00,080. 4. Nozzles Holders—2,58,000. 5. Nozzles—15,00,080. 6. Test Benches—100. 7. Nozzle testers—10,000; M/s Crescent Agencies Private Limited, 27/33, Meadows Street, Fort,

Bombay-1. (Poona, Maharashtra) (NU). Capacity Nos. per annum: 1. Single Cylinder Pumps—50,00 2. Multi-Cylinder Pumps—10,000. 3. Elements—5,00,000. 4. Delivery Valves—5,00,000. 5. Nozzles holders—80,000. 6. Nozzles—5,00,000; M/s Fuel Injections Limited, Chitarsar Manpada, G.B. Road, P.B. No. 60, Thana (Maharashtra) (Thana, Maharashtra) (SE), Total capacity after expansion per annum: 1. Single Cylinder Pumps—1,36,000. 2. Multi-cylinder pumps 3 and 4 cylinders—60,000. 3. Elements—10,96,000. 4. Delivery Valves—11,46,000. 5. Nozzles—13,20,000. 6. Nozzles holders—5,35,60,000; Shri S.K. Chakravarty, 60, Prem Court, Pedder Road, Bombay-20. (Ludhiana, Punjab) (NU). Capacity Nos. per annum 1. Single Cylinder Pumps—50,000. 2. Multi-cylinder Pumps—30,000. 3. Elements—5,00,000. 4. Delivery Valves—5,00,000. 5. Nozzles holders—250,000. 6. Nozzles—5,00,000; M/s Bagai Motors Ltd, 82-84, Janpath, New Delhi, (Delhi) (NU), Capacity per annum: 1. Single & Multi Cylinder Pumps—50,000 Nos. 2. Elements—175,000 Nos. 3. Delivery Valves—75,000 Nos. 4. Nozzles holders—1000,000 Nos. 5. Nozzles—350,000 Nos; M/s D' Engineering Pvt. Ltd, Gopal bagh, Avnashi Road, Coimbatore-18 (Coimbatore, Tamil Nadu). (SE), Total Capacity after expansion per annum. (in Nos): 1. Single Cylinder Pumps—48,000. 2. Multi-cylinder Pumps—15,000. 3. Elements—5,00,000. 4. Delivery Valves—3,00,000. 5. Nozzles holders—1,20,000. 6. Nozzles—5,00,000; The Managing Director, Gujarat State Industrial Investment Corp., Ltd, 4th Floor, Natraj Chamber, Ashram Road, Nav Rangpura, Ahmedabad-9. (Gujarat) (NU) Capacity Nos. per annum: 1. Single Cylinder Pumps—75,000. 2. Multi-cylinder pumps—45,000. 3. Elements—3,45,000. 4. Delivery Valves—3,45,000. 5. Nozzles holders—34,500. 6. Nozzles—3,45,000. 7. Fuel Pump Test machines—5,000; M/s Bhupinder Singh Sahney,* 561-64, 18th Road Khar, Bombay-52. (Maharashtra) Spark Plugs—10 lakhs Nos. p.a.

Industrial Machinery

M/s Buckau Wolf New India Engg. Works Ltd, Pimpri—Poona-18. (Pimpri, Maharashtra). (NA), Steam Tube Calciner (Drier Plants valued at Rs 80 lakhs per annum; M/s Precision Bearings India Ltd, 'Nirmal' 14th Floor, Nariman Point, Backbay Reclamation, Bombay-1. (Baroda, Gujarat). (SE), (1) Ball and Cylindrical Roller Bearings—28,82,000 Nos. p.a. (2) Spherical Roller Bearings—18,000 Nos. p.a. (Capacity after expansion on 2 shift basis); M/s Jessop & Co. Ltd, 63,

Netaji Subhas Road, Calcutta-1. (Calcutta-W. Bengal) (NA), Aerial Ropeways — Rs 5 crores p.a.; Shri Balram K. Mahendra (Mechanico), 15, Okhla Industrial Estate New Delhi-20. (Okhla, New Delhi). (NU), (1) Dispensers, Carbonated. Beverage Dispenser, Frozen Carbonated Beverage Dispensers of different models — 83.557 lakhs per annum. (2) Bottle Coolers — 19.50 lakhs p.a.; M/s Elecon Engineering Company Ltd, Vallabha Vidhyanagar, Gujarat state. (Gujarat). (NA), Automatic Bag Filling and Weighing Machine and Automatic Stitching units (Capacity not indicated);

Agricultural Machinery

The Chairman and Managing Director, Hindustan Machines Tools Ltd, P.O. HMT, Bangalore-31. (Pimpri, Haryana). (NA), Zetor — 2011/2511 (20 HP) — Agricultural tractors — 12000 Nos. p.a.; The Kerala Agro Industries Corp. Ltd, General Hospital Road, Trivandrum-1. (Alwaye, Kerala). (NU), (a) Kubota Power tillers Mode KMB 200 with engine ER 90 N (9-12HP) Diesel for a capacity of 1,000 Nos. per annum. (b) Kubota Diesel engine Model ER 40 (4-5 HP) for a capacity of 5000 Nos. per annum. (c) Kubota Diesel engine Model ER 65 (6.5 HP) for a capacity of 5000 Nos. per annum.

Engineering Industries

M/s Swastic Rubber Products Limited, Behind Kirkee Rly. Station, Kirkee, Poona-3. (Poona, Maharashtra). (SE), PVC Wellington Boots and Overshoes — 6 lakhs pairs p.a.; M/s Bright Brothers Pvt. Ltd, 156-A, Tardeo Road, Bombay-34. (Bombay, Maharashtra). (SE), Expand capacity in tonnes p.a.: 1. Injection Moulding — 19,517.57 gms. (56 machines). 2. Extruders — 676.30 mm (12 machines)

Office & Household Equipment

Shri S. Seshadri, C/O M/s Internal Machines Ltd, Lahurabir, Varanasi, UP (Varanasi, UP). (NU), 1. Standard typewriters — 10,000 p.a. 2. Portable typewriters — 5,000 p.a. 3. Electric typewriters — 600 p.a.

Fertilisers

Shri E. Abobala Rao, 7/15, Haddows Road, Madras-6. (BHC (Technical)-3,000 tonnes p.a.; M/s National Rayon Corp. Ltd, Ewart House, Bruce Street, Fort, Bombay-1 (BR). (Maharashtra). (NA), BHC (Technical) — 3,000 tonnes p.a.; The Managing Director, MP Audyogic Vikas Nigam Ltd, 'A' Block, Old Sectt., Bhopal, (MP). Kolba, MP (NU), BHC (technical) — 3,000 tonnes p.a. (NU); M/s Kamani Brothers Pvt. Ltd, Kamani Chambers, Nicol Road, Ballard Estate, Fort Bombay-1. (Maharashtra). (NU), Malathion technical — 500 tonnes p.a.; Shri M. Lall Garyala, C/O M/s Hili Beach, New Delhi, 4/5-B, Asaf Ali Road, New

Delhi. (Uttar Pradesh (NU), Malathion — 500 tonnes p.a.; Shri R.C. Tewari, 123 A, Southern Avenue, Calcutta-29. (Ghaziabad, UP). (NU), High Density Polyethylene Woven Sacks — 4 million bags p.a.; M/s South India Viscose. Race Course, Coimbatore-18. (Coimbatore, Tamil Nadu). (SE), Viscose Staple Fibre — 1800 tonnes per annum (after expansion); M/s Cyanamid India Ltd, 254-D2, Dr. Annie Besant Road, P.B. No. 6577, Worli, Bombay-18. (Atul, Gujarat). (SE), Malathion from 685 to 900 tonnes per annum; Shri C.P. Rangachar, C/O M/s Southern Explosives Company, 38/3, Mount Road, Madras-6. (Tamil Nadu). (NU), 1. Woven Sacks from H.D. Polyethylene Polypropylene and Co-polyperisates — 9 million Nos. p.a. 2. PVC Sheetings — 475 tonnes p.a. 3. PVC Leather Cloth — 200-250 kms p.a.; Shri P.N. Sikand, 7 Barakhamba Road, New Delhi. (Haryana). (NU), High Density Polyethylene woven bags with lamination — 7 million Nos. p.a.; M/s Y.N. Shah, C/o Navalchand T. Shah & Company, Union Bank Building, Dalal Street, Bombay-1. (Gujarat). (NU), Woven Sacks from Synthetic Rafia — 4 million sacks; Mr Harshad V. Patel, M/s River Valley Equipment Co., "Sangam", R.C. Dutta Road, Baroda-5. (Gujarat). (NU), Heavy Duty Sacks from Low Density Polyethylene — 14.0 million p.a.; M/s Indo Burma Trading Corporation, Post Box. No. 15, Tadepalligudem (AP). (Visakhapatnam, AP) (NU), High Density Polyethylene Woven Sacks — 4,714,000 Nos.; M/s Packaging & Industrial Agencies (P) Ltd, 7, Venkatesware Colony, Narayanguda, Hyderabad-29 AP (Andhra Pradesh). (NU); 1. H.D. Polyethylene bags — 4.4 million Nos. p.a. 2. H.D. Polyethylene ropes/twines — 270 tonnes p.a.; M/s Dow Chemicals N.V., 14, Golf Links, New Delhi-3. (Maharashtra). (NU), Dalapon, Dowpon and Dowpon-s — 1540 tonnes p.a.; M/s Travancore-Cochin Chemicals Ltd, P.O. Udyogmandal, Kerala State. (Ernakulam, Kerala). (SE); Sodium Hydrosulphide (Iron Free) from 600 tonnes p.a. to 1300 tonnes of 100% concentration or from 1000 tonnes p.a. to 2100 tonnes p.a. of 60/62% concentration.; M/s Bombay Oxygen Corp. Limited, 5, Convent Street, Colaba, Bombay-1. (Kurla, Bombay — Maharashtra). (NU), Industrial Oxygen — 4,86,000 cu. meters p.a.; M/s Jayshree Chemicals Ltd, 14, Netaji Subhas Road, Calcutta-1. (Ganjam, Orissa) (NA), Sodium Hydro-sulphite — 3,000 tonnes p.a.; M/s Bombay Oxygen Corp. Ltd, 5, Convent Street, Colaba, Bombay-1. (Kurla, Bombay — Maharashtra). (NU), Industrial Oxygen — 9,72,000 cu. meters p.a.

Drugs and Pharmaceuticals

M/s Hindustan Antibiotics Ltd, Pimpri (Poona-18). (Pimpri, Maharash-

tra). (SE), Streptomycin — 80-90 tonnes p.a. to 160-170 tonnes p.a.; M/s Warner Hindustan Ltd, Warangal Road, Uppal, Hyderabad-39. (Hyderabad, AP). (NA), Cyanopyridines — 100 tonnes p.a.; M/s Synbiotics Ltd., Wadi Wadi, Post Box. No. 129, Baroda. (Gujarat). (SE), Amphoteracin — from 300 kgs to 3000 kgs. p.a.; The Managing Director, Hindustan Antibiotics Ltd, Pimpri (Poona-18). (Poona, Maharashtra). (NA), Semi-Synthetic Penicillin (including Ampicillin) — 5000 kgs p.a.; M/s Suhrid Geigy Ltd, Post Box. No. 48, Wadi Wadi, Baroda. (Gujarat). (SE), Tenderil and its formulations from 3,000 kgs. p.a. to 6,000 kgs. p.a.; M/s Kanak Chemical Ltd, 22, Bra-bourne Road, Calcutta-1. (Bangalore, Mysore). (NU), Vitamin C — 150 tonnes p.a.

Textiles

M/s Madura Mills Co. Ltd, New Jail Road, Madurai (Tamil Nadu) (Aladiyoor Village, Ambasamudram Taluk (Tamil Nadu). (SE) Installation of 400 Automatic looms for the manufacture of Cotton Cloth; M/s Anglo French Textiles Ltd, Mudaliarpeth, Pondicherry. (Pondicherry). (SE), Installation of 57 automatic looms for the manufacture of cotton cloth.

Sugar

M/s The Thandava Co-operative Agricultural & Industrial Society Ltd, Tuni, Distt. East Godavari, Andhra Pradesh. (Visakhapatnam, AOP). (SE) Sugar Cane crushing capacity from 500 tons per day to 1250 tons per day.; Shri Rajaram Vithal Redix, Chief Promoter, Proposed Parashruam Sahakari Sakhar Karkhana Ltd, Distt. Ratnagiri, Maharashtra State. (Ratnagiri, Maharashtra). (NU), Sugar with cane crushing capacity of 1250 tonnes per day.; Shri J.A. Rane, M.L.A., Chairman, Sanjivani Bagayatdar Sahakari Sanstha Ltd, Dr. Atmaram Borkar Road, Communitate Building, Opp, Church, Panaji. (Goa). (Goa). (NU) Sugar with a cane crushing capacity of 1250 tonnes per day.

Food Processing Industries

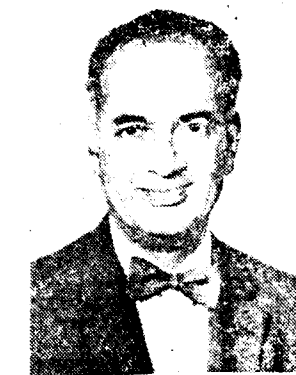
M/s Mohan Meakin Breweries Ltd, Mohan Nagar, Ghaziabad (UP). (NA), Juices, Fruits and Vegetables, canned products etc. — 9000 tonnes; Shri M.K. Jajodia, D-216, Defence Colony, New Delhi-3. (Hyderabad, AP). (NU), Malt Extract — 1,800 tonnes p.a.; M/s Lakshmi Janardan Food Products Pvt Ltd., 44-B, Kali Krishna Tagore Street, Calcutta-7. (West Bengal). (NU), Babyfood — 1750 tonnes p.a.; Shri M.K. Jajodia, 2, Ring Road, Lajpat Nagar IV, Part I, New Delhi-24. (Hyderabad, AP). (NU), Malt Whisky — 6,75,000 litres p.a.

COMPANY MEETING

KIRLOSKAR CONSULTANTS LIMITED

Chairman's Speech

Speech delivered by Mr. S. L. Kirloskar, Chairman, Kirloskar Consultants Limited at the 7th Annual General Meeting held on 26th November, 1970 at the Registered Office of the Company, Poona-4.



Mr S. L. Kirloskar

Ladies and Gentlemen,

I welcome you with pleasure to the 7th Annual General Meeting of your company this afternoon. The Directors' Report and the audited statement of accounts have both been in your hands for quite sometime now. May I take them as read—with your permission.

It is customary for board chairmen to conduct a solemn post-mortem on the financial year that has just come to an end. May I break the custom for a change, and deal rather with a set of facts which I think are more pertinent. I shall just hit the high spots.

The first, and quite the most obvious is the gratifying fact that your company has declared a dividend of 25 per cent this year. In making this possible, the co-operation of your company's clients, no less than of its staff, was the chief contributory factor. The services of your company are now being drawn upon by undertakings in all the sectors in the country—public, private, co-operative and small scale.

The small scale sector in particular has now been expanding as a result of the announcement of Government's new policy on development finance. It has opened up enormous possibilities for intending smaller entrepreneurs to get a material aid from Government's financing bodies. Until recently, finance was the most besetting handicap for smaller business in the country. Your company, I am happy to say, has helped scores of such persons by preparing their cases for various financing bodies in the country. In this connection, I would like to compliment SICOM, MSFC, and MSSIDC (Bombay), GSFC (Ahmedabad), RSIMDC (Jaipur), PIDC (Chandigarh) and J & KIDC (Srinagar); for their progressive and helping attitude to the emerging entrepreneurs.

I must, at this point, urge the financing bodies not to be deterred by the possibility of some of the entrepreneurs failing to 'make good' with the assistance given to them. This is an inevitable part of the financing game; and I think that the failure of a few should not be allowed to affect Government's attitude to many more who need

and deserve financial encouragement.

The new liberal policy on development finance has also indirectly helped your company. I find that many more queries and accounts than before have since been coming our way. Clearly a more liberal financial assistance has encouraged smaller entrepreneurs to jump from the fence, and enter their intended fields or expand their operations in the existing ones.

Just as gratifying as Government's considerate financing policy, is its recent announcement that it would hereafter prefer the growth of indigenous consultancy. This is indeed a fine gesture, indicating as it does, Government's growing confidence in local talent.

Then again, Government's Finance Act, 1969 has announced a sizeable tax concession to consultancy firms in the country. I must, however, plead with Government to streamline its procedure in this respect, and to define and locate clearly the authority which would clear the applications for tax grants. As it is, the procedure is confusing, and in consequence the benefits of the proposed concession are not yet in view.

Government's avowed preference to local consultancy should also be reflected in practice in a number of fields. One of the most vital fields is technical know-how. In areas where expertise is locally available, no problems arise. But certain kinds of know-how need to be imported. I am afraid Government's present attitude on the import of

know-how tends to be rigid. Doubtless all imports involve the use of foreign exchange. But the import of technical know-how is unavoidable in the process of the country's industrial acceleration. For in importing it, we are buying time with money. As it is, however, foreign money for such imports, has always been most wanting when most wanted.

Let me add that the import of know-how is not confined to less developed or emerging nations only. There has been a massive exchange of this kind even among the developed nations. Recently, three prominent business firms in Germany have together set up a new company to buy the know-how on gas turbines from the Rolls-Royce people of England. It is plainly a case of international division of labour—itsself an indispensable instrument of rapid industrial growth. There is therefore, no reason for India to shy away from it.

I have also noticed that during the last fifteen years of their career, our national laboratories have collected and built up a mass of very useful data and material which, I am afraid, is not equally usefully employed. Perhaps, this can be corrected if a closer, more direct and concrete liaison is forged between them and the consultancy firms in the country. The first enabling step in this direction must naturally be taken by the laboratories themselves.

And now the last point. The rapid rise in the demand for the services of consultants is apt temporarily to strain the liquidity of consultancy firms which find themselves having to lay out their cash resources on various projects in anticipation of their fees. I would therefore, urge all the consultants to plead (through their professional bodies) with monetary authorities to help them tide over such stringencies with a more liberal line of credit.

Before I close, I must on your behalf place on record our deep appreciation of the splendid work done by the Managing Director and his able staff, who made it possible for your company to offer you a return of 25 per cent on your investment this year.

Thank you.

BOOKS BRIEFLY

Conditions for Agricultural Growth

Conditions Necessary for Agricultural Growth: Dr A.N. Rajamani; Laxmi Narayan Agarwal Educational Publishers, Agra; 1970; Pp. 97; Price Rs 15.

Labour Problems And Industrial Development in India: D. Sanjivayya; Oxford & IBH Publishing Company; 1970; Pp. 283; Price Rs 32.

Productivity And Economic Planning: Development Centre, Organisation for Economic Co-operation And Development, Paris; 1970; Pp 323; Price not given.

The Antitrust Laws of the USA: A.D. Neale; Cambridge University Press; 1970; Pp 527; Price 28s.

The Company: Edited by Charles De Hoghton; George Allen and Unwin; 1970; Pp 394; Price 105s.

Studies in the Sociology of Development: Ralph Pieris; Rotterdam University Press; Pp 222; Price not given.

Reviewed By ACADEMICUS

We started our journey towards the goal of maximisation of our agricultural production nearly two decades ago and yet we are nowhere near the goal. In his book *Conditions Necessary for Agricultural Growth*, Dr Rajamani therefore rightly believes that our agricultural policies and programmes require re-examination.

The author has asserted that India's failure on the agricultural front is staggering. Most of the Plan efforts seem to have gone barren from beginning to end. Land reforms policy adopted to remove production impediments and foster climate of investment has disturbed the production psychology of the majority of peasantry. The co-operative approach to farming has only unleashed a wave of active protest. Institutional finance to agriculturists to enable them to adopt modern techniques of cultivation has been grossly inadequate and often misdirected. Improved practices, such as supplies of better seeds, implements, artificial fertilisers, pesticides and weedicides, bunding, advanced techniques of cultivation, etc., have either not been fully implemented or have fallen through, for one reason or another.

The revival of the panchayat institution for planning from below and assisting implementation of plan programmes has served neither of them; on the other hand, it has served to kindle refractory elements in the countryside. The community project programme, considered to be the king-pin in arousing the consciousness of the rural masses and inculcating in them an awareness of and interest in men and matters around them, has signally failed to realise its aims. The impact of new leadership on reforming

the attitudinal behaviour of villagers is negligible, not only because there is no properly shaped decentralised leadership in these days of democratic decentralisation, but also because the central leadership, governmental and party, is not properly identifying with the village masses. The younger generation from villages, in whose behalf so much is being done, is exhibiting a very strong tendency to move away from villages and not to utilise their knowledge and understanding for the betterment of the village economy. And the few people of consequence who command money and materials necessary for investment in agriculture, are moving away from land in search of new investment avenues in urban-industrial enterprises.

Reason for Failure

According to the author, attempts to remove these defects have generally failed. The main reason for this failure is that the governing philosophy of development has been fundamentally negative in character. Thus, instead of substituting a better and more acceptable policy in the place of existing one for augmenting the level of income of all persons, the policy widely adopted is to reduce all to the same lower material level and thereby achieve equality in income distribution. The second reason, according to the author, is the adoption of foreign techniques of planning. No other proof is needed to substantiate the evil effects of this policy than the existing state of our economy after 20 years. This therefore necessitates rethinking of our policies in all respects, including agriculture. It is impossible to refute the arguments of the author, facts being what they are.

Dr Rajamani has rightly emphasised that the compelling need at the present,

before proceeding any further, is to consolidate the ground covered, to fully implement schemes undertaken and to declare a period of 'no disturbance', so that the farming community gets time to understand the existing situation with all its complexities and adjust itself to it. If this is done, it will help stabilise agricultural sector which is the first requirement of any further progress in that sector.

State of Agriculture

The author has given the analysis of the state of Indian agriculture and its development under the three Plans. Discussing the problem of agricultural inputs, he has succinctly explained how the problems of irrigation have been highlighted in the last few years by many reports which have stressed that substantial dry lands have not been turned into wet lands, that double-cropping area has not increased substantially, that irrigation facilities have not been spread equitably in different states, that irrigation use has not been accompanied by proper fertilizer distribution, that irrigation potential created has not been fully utilised due to factors, such as special tax levies, increased cost of construction, lack of materials, want of co-ordinated policy, and that the irrigation policy in regard to needs and pattern of use for a given rotation of crops always becomes a matter of controversy between officials and ryots.

While analysing the contribution of agriculture to capital formation, the author's opinion is that 'what all the finance ministers in India do is to collect from agriculture almost twice over the amount of taxes they collect from non-agriculture'. He also feels that for improving the standard of living of agriculturists as also for raising the level of their investment in land, there should be rethinking on this problem. Since the commonly accepted view is that Indian agriculture does not pay to the treasury even as much as it receives by way of public investment, the author should have analysed his case more fully. More important point however is not whether agriculture contributes more or less than non-agricultural sectors, but whether, in view of the rising gains which it is enjoying since 1939, it could contribute more for development, as agriculture did in Japan and Russia.

While discussing conditions necessary for agricultural development, the author has referred to a number of variables such as terms of trade, development of infrastructure, proper agricultural incomes policy, use of idle capacity and necessity of research. In this connection, the author has made one valuable suggestion. To stabilise agricul-

tural incomes, he recommends adoption of a crop insurance programme. This will bring about dispersal of risk element. Extensive co-operative farming can perhaps obviate the need for crop insurance. But, since family farms dominate the agricultural scene in India, there is need of a comprehensive insurance scheme without delay. Such a scheme will encourage greater investment in land, even in places which are visited by periodic drought. There appears to be validity in this argument of the author and some such unconventional step appears necessary to ensure at least minimum incomes to agriculturists. As suggested in these columns some time back, a beginning may be made in selected areas and in respect of selected crops such as cash crops and then extend the scheme gradually to other areas and crops.

The author has brought fresh approach to some of the agricultural problems. But often the analysis is not properly co-ordinated and integrated with the consequence that the reader, while knowing the broad argument of the author, is however unable to follow the details. Also the exposition is not felicitous and often makes rather unpleasant reading.

LABOUR PROBLEMS

Labour Problems and Industrial Development in India is a collection of Mr D. Sanjivayya's selected speeches and articles delivered or written during 1964-67, when he was union Minister in charge of Labour and Employment and then Industry. The author covers, in this book, conceivably every aspect connected with Indian labour movement. Since the attitude of Indian labour would be a vital factor in the country's industrial development and economic progress, this comprehensive book is worth careful reading.

Section I, entitled 'The Perspective', deals with some general problems. Attention can be drawn only to some salient features or remarks. One raises one's eyebrows cynically when we are told in page 3 that 'It (planning) operates as a democratic base. The people, the representatives of industry and labour in particular, participate in the planning process in full measure'. While we agree with the suggestion that the ILO should play a more vital role directly in assisting in the development of skills, the author should have given some thought to whether or not the standard setting work of the ILO has been obstructing the industrial development of backward countries. Should there not be different standards for countries at different levels of development? Has not the common standard proved unduly burdensome to developing count-

ries, pushing up their cost-structure and adversely affecting their exports? It is good that the author has shown awareness of criticism voiced about the state of labour relations and the observance of labour standards in the public sector undertakings. Writing about 'Jawaharlal Nehru's Faith in Economic Development' it is good that he has drawn attention to Nehru's view that 'the resources that we had had a far better use in starting new basic industries or new big schemes rather than in mere transferring the ownership of some industries from private hands to state control'.

The New Class

While writing about 'Industrialisation : Media of Integration', the author has rightly emphasised that a new class of entrepreneurs has emerged which lives with a purpose and has submerged the regional differences. But it is difficult to share his view that "politics in its turn is yielding its place to 'Economic Endeavour' in ensuring, once again, the country's unity amidst diversity". Deadlock over sharing of river water and scramble for public sector enterprises by different states tell a different story.

Section II is entitled 'Labour Problems' and covers such topics as agricultural labour, plantation and mine labour, women workers, workers' participation in management, human relations in industry and industrial relations in a developing economy. The author regrets that agricultural labourer is 'the forgotten man' and in spite of government initiative, so little is done for them as they are mostly unorganised. The speech on "Workers' Participation in Management" is excellent in that it gives comprehensive information on the subject to the readers. Mr Sanjivayya has rightly emphasised that both labour and management have to adjust themselves psychologically and in other ways to the concept of co-operation in the field of industry. He has made it plain that workers' participation does not mean sharing by workers of the executive power of the management. Joint management councils are only meant 'to remove day-to-day irritants in the sphere of industrial relations'. Even the employers will find it difficult to quarrel with this concept of workers' participation in management.

Section III, dealing with 'Trade Unions', has emphasised the necessity of democratic freedom in trade unions and the importance of training of members and leaders of the trade union movement in developing countries. The article on 'Leadership In Trade Unions' is a model of writing, emphasising

ing the importance of the development of proper leadership among trade unions in India, if the movement is not to be marred by barren militancy.

Writing on 'Labour Welfare' in Part IV, the author has drawn attention to what the government has done so far for labour, viz., various measures of social security, scheme for workers' education at different levels, industrial safety and so on.

Section V, entitled 'Productivity', analyses a variety of problems such as incentives in public enterprises, import substitution, devaluation and Indian industries, and manpower planning. He has emphasised the necessity of increasing productivity in the decentralised sector where, according to the author, nearly 20 million persons in India have work for only an hour per day and another 72 million people only between one hour and four hours per day. This is appalling wastage of resources, especially in view of equally appalling poverty in the country. Regarding incentives in the public sector, the author feels that the emergence of a class of efficient and competent professional managers who would have no predilection to benefit investors at the cost of workers will favour the development of the public sector. He has rightly emphasised that good personnel management will bring about a decline in work stoppages, in labour turnover and rate of absenteeism — evils which affect many of our industrial units at present.

Excellent Analyses

Section VI contains an excellent analysis of industrial estates (of which about 458 have been established by the end of 1966), the role of small-scale industries in Indian economy and the part which co-operatives can play in this field.

The last section deals with some specific problems of a few particular industries.

As the book is made up of speeches delivered on inaugural or valedictory occasions or of articles written for special numbers of some journals, there is something formal about these speeches and articles. It also means that these speeches and articles claim too much for governmental policies. The inevitable defect of such compendium, viz., repetitiousness, also characterises this book. There are far too frequent references to Directive Principles of the Constitution, Joint management councils and works committees. This is possibly inevitable; but that does not make this repetition less tire-

some. The book is comprehensive but without technical details and professional jargon. And as regards the penmanship, it is uniformly so fine from the first page to the last that it would do credit even to a senior civil servant!

PRODUCTIVITY AND PLANNING

The national productivity councils came into existence after World War II mainly as a result of Europe becoming aware of considerable differences between the efficiency of its own production and that of the United States. The subject matter contained in *Productivity and Economic Planning* is mainly drawn from the original papers prepared for the symposium which was organised by the Development Centre of the Organisation for Economic Co-operation and Development.

In the discussion there was unanimous affirmation of the close relationship between productivity centres and planning bodies at different levels. It was felt that productivity centres should be assigned their programme of work by

the planning bodies and secondly that there should be close administrative links between the two bodies.

As regards the first, it was felt that attempt should be made to define industries which should be given priority in the national plan. Through their relationships with the planning bodies, the productivity centres have a part to play both in planning the work and in analysing the results.

The second function of productivity centres is mainly training and circulation of information. It was felt that half the difference in productivity in the United States and that in Europe arises from ignorance of existing techniques and slowness in bringing them into general use. From this it follows that one of the main functions of the productivity centres should be to popularise available and useful information. It has rightly been stated that this function involves informing the public by translating into plain language a whole range of facts which would otherwise be beyond the reach of the general public

whose close and willing co-operation based on full knowledge is absolutely essential if productivity is to rise and development planning is to succeed.

As regards the relationship between productivity and planning, it is stressed that there will be no increase in productivity if decisions are taken by a few experts and imposed on people who fail to understand them. Participation by all concerned in making decisions on productivity and planning will lead to willing co-operation by all in executing the decisions which they themselves have made.

Speaking about Asian countries, Dr Rau states that the Asian productivity centres have not made much of a contribution to development planning. He feels that until recently they were only interested in industries, large and small. These bodies have been helping export promotion by disseminating information on marketing methods best suited to conditions prevailing in the areas. But there is now realisation that there is need to establish close contacts

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between productivity centres and agriculture. Steps are thus being taken to link agriculture with other concerned institutions. The productivity bodies have definitely been trying to create a heightened awareness of the importance of productivity. That is why these Asian countries have decided to make 1970 a 'Productivity Year'.

While stressing the popularisation of the concept and need to collect and spread information about productivity and its link with development planning, the majority of the papers and much of the analysis and discussions in this book are highly technical so that it can be comprehended only by experts. The professional jargon and vagueness of the type that is found in the book will make the spread of the concept of productivity and its importance for economic planning extremely difficult in Asian countries where persons concerned whether in fields or factories lack not only knowledge of Economics but often even literacy.

ANTITRUST LAWS

The first edition of *The Antitrust Laws of the USA* was published as long ago as 1960. But the antitrust law in the USA is being made all the time in the courts, each year bringing a new crop of important decisions. The author has therefore taken the opportunity in this second edition to revise the old text.

The antitrust laws of the USA are unique in scope of content and rigour of enforcement and there is nothing comparable to this body of law in any other country. The substantive provisions of the antitrust laws are actually few and brief. They are contained in seven sections from three statutes—the Sherman Act of 1890, the Clayton Act and the Federal Trade Commission Act of 1914.

The Sherman Act of 1890 contains two main prohibitions. Section 1 states: "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states or with foreign nations, is hereby declared to be illegal...". Section 2 declares: "Every person who shall monopolize or attempt to monopolize, or combine or conspire with any other person or persons to monopolize any part of the trade or commerce among the several States or with foreign nations shall be deemed guilty of a misdemeanor..."

The Clayton Act of 1914 declares illegal four specified types of restrictive or monopolistic practices. They are : (a) Price discrimination (section 2), (b) exclusive dealing and tying contracts

(section 3), (c) acquisitions of competing companies (section 7) and (d) interlocking directorates (section 8).

The Federal Trade Commission Act of 1914 is largely concerned with the setting up of the Commission and the mechanics of its operations.

A Police Function

The prohibitions of the Sherman Act create criminal offences punishable by fine and even imprisonment. Their enforcement, like that of any other crime, is a police function and is directed by the United States Department of Justice. The Sherman Act also charges the Department of Justice with the duty of instituting proceedings in equity to prevent and restrain violations of the act. The significance of this is that a federal court may translate the general terms of the Sherman Act into a set of detailed injunctions regulating the future conduct of business found to be in violation of the law, and may even order the dissolution of such business.

The Department of Justice may also institute civil proceedings under the Clayton Act; but this is a shared responsibility, because section II of the Act vests in the Federal Trade Commission, the authority to enforce compliance with its provisions. The Federal Trade Commission is also charged with securing compliance with the general ban on 'unfair methods of competition'. This Act, like the Clayton Act does not create criminal offences.

The enforcement of the antitrust acts does not depend exclusively upon the Department of Justice and the Federal Trade Commission. The Sherman and Clayton Acts permit any private person who suffers damage as a result of violations to sue offenders and recover 'threefold the damages by him sustained'. No action for damages is however available under the Federal Trade Commission Act.

The author explained the sectors of the USA economy which enjoy legislative exemptions (partly or wholly) from the antitrust laws. They are: labour, public utilities, agriculture, and financial and professional services. Similarly resale price maintenance, export agreements and wholly intra-state activities enjoy exemptions from certain types of restrictive practices clauses in the above Acts.

Part II of the book deals with the various problems of assessment. Has the body of antitrust law succeeded in removing private barriers to competition? And secondly, is antitrust the right answer to restraint of trade? How

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far can other countries facing similar problems regard antitrust laws on similar lines with hopes and despair? These are all complex issues with two sides to the problem and the author has drawn attention to all the aspects with a rare perspective and clarity.

Antitrust law in the USA is a remarkable compound of law, economic philosophy, cultural commitment and social religion. Like the popular music, it is therefore generally beyond the full understanding of the foreigners. As Abe Fortas has indicated in his brief foreword, antitrust in the United States is not, in the conventional sense, a set of laws by which men may guide their conduct. It is rather 'a general, sometimes conflicting, statement of articles of faith and economic philosophy, which takes specific form as the courts and governmental agencies apply its generalities to the facts of individual cases in the economic and ideological setting of the time'. It is for this reason that knowledge of the past decisions rather than reading of mere legal provisions becomes necessary. A.D. Neale has analysed all this admirably mastering the strange language of this peculiar American institution and has penetrated to the heart of its meaning. Mr. Neale's book will serve as a useful guide to lawyers, economists and policy framers concerned with the complex problem of monopoly. Indian policy-framers dealing with monopoly and licensing would do immense good to the country, if they carefully read and digest this book.

THE COMPANY

In 1967, PEP (Political and Economic Planning) organised a seminar on 'The Future of the Enterprise and the Reform of Company Law' which was attended by businessmen and academicians from 11 countries. Their contributions which were fully revised and brought up-to-date later forms the substance of this book.

The Company, divided into four parts and with a number of appendices, deals with the problems such as distinctions between different legal forms of company and between public and private enterprises, objectives of the company, company organisation and control, the powers and accountability of chief executives, the purposes and extent of disclosure, the role and rights of shareholders, employees and consumers, and the degree to which private firms are subject to public control. The first three parts of the book deal with the above aspects of company with reference to eight countries, viz., Belgium, Britain, France, West Germany, Italy, Holland, Sweden and the USA. Part IV of the

book deals with problems of companies in Japan, India and Yugoslavia which are set apart because of their special circumstances.

It would be instructive to note the developments which are taking place in this field in the above countries and the significance of those developments.

In almost all the countries, a debate is going on, on the reform of the company law. This reform movement is based on a conviction that much of the legislation at present in force is out of keeping with contemporary conditions.

Under the French 'Plan', a new co-operative relationship has developed. French firms, whether companies or not, which employ over a hundred workers, are now required under a decree of August 1967, to distribute to their employees, in the form of their own shares or obligations or of investment trust certificates, part of their profit after providing a minimum return to shareholders.

In West Germany, the labour laws provide for employees' representatives a third to half of the seats on the supervisory board which appoints a company's executive board. West German opinion has generally welcomed such provisions as going some way towards meeting a demand for wider distribution of property. But there is some disappointment that the new Law of 1965 has not done anything to widen the concept or practice of co-partnership. If West Germany and France are leading examples among continental European countries of those that have put some at least of their aspirations into effect, three others — Belgium, Holland and Italy — appear to be on the way to enacting new legislation, the former two countries moving towards the West German pattern.

Britain's Slow Steps

Britain, till recently, was rather slow to take part in this reconsideration of corporate enterprise. The Cohen Committee on Company Law was set up during war and the Jenkins Committee was appointed in 1960.

As is well-known, British industrial relations have a long history and many of their historic features have proved irrelevant to the world of fuller employment, higher educational standards and new patterns of management which emerged after 1945. Innovations made during and after World War II such as development of joint production committee and the provision on consultation and employee welfare, written into the post-war nationalisation acts

have on the whole proved to be disappointing. A Royal Commission on Trade and Employers' Organisations was appointed in 1964 and it has reported in 1968. The whole question of unions' role and responsibilities is now in the forefront of the British debate.

In the USA leading corporations are increasingly considering 'public affairs' to be an important responsibility of management. "Public affairs" include such activities as relations with legislators, political and economic education, community relations and corporate philanthropy. Some of the other urgent questions which are engaging the attention of the companies in the USA are labour relations and civil rights.

In Japan, many major companies grew up under a combination of state direction and protection and tight family control. The companies in Japan are now coming out of this fold into a world of freer competition, widely dispersed shareholders, greater labour mobility and effective trade unions.

Startling Previsers

In India the Companies Act of 1956 contained new and to western mind startling provisions for public control over the appointment and remuneration of managing directors and agents. In 1967, a Working Group on Company Law Administration was appointed by the Administrative Reforms Commission. This group has made far-reaching suggestions to improve the working of companies and relate it more specifically to economic policy of the country being pursued since the enactment of the basic legislation of 1956. No action has as yet been taken on these recommendations. But it appears that when future action is taken, it will be based mainly on these recommendations.

In Yugoslavia a new pattern is evolving where the manager has to meet the competition of a relatively free market and to balance the interests of employees and local authorities who have the power and freedom to make their influence felt.

Thus the debate is on in the West and East giving rise to much controversy. The debate is naturally coloured by ideology and history. Special pleading by particular interest groups is as common in this field as in any other. As the editor has pointed out, it would be extremely comforting if this debate leads to 'rational and human convergence of capitalism and socialism, a best of all possible business worlds'.

This excellently got up book is thus multinational, both in its origin and

aims. There is no doubt that this comparative study of how different countries tackle similar problems will be fruitful to all.

SOCIOLOGY OF DEVELOPMENT

During the last decade or so, literature on the sociology of development has become quite extensive and Ralph Pieris in *Studies in the Sociology of Development* has made an attempt to codify existing research on this subject. What is more significant, Dr Pieris has also made an attempt to clarify certain sociological concepts and to contribute to the methodology of comparative research, which is gaining greater importance in analysing any social phenomenon.

The modern concept of economic development has assumed primary importance during the last two decades and the concept involves such objectives as increased productivity, higher rate of capital formation and higher levels of living as measured by income per head.

After twenty years of our experience in this field, it has now been realised that the economic problem of our time, i.e., the problem of development, is not fully explicable in purely economic terms. In fact, it is a combination of social, cultural, political and economic changes which generate economic growth. This implies that economist, as a pure economist, has no special insight enabling him to reduce these different historical experiences into straightforward casual relationship between economic magnitudes. This means that whether our concern is with strategies to propel economic growth in less developed areas or with designs for living in the most advanced countries, the analysis of non-economic factors becomes crucial. As a fact in less developed countries the non-economic factors demand more attention of the planners because the indivisibility of social life in these countries makes the autonomy of economic life less real than in advanced countries in which economic transactions are analysable to a greater extent in isolation from the totality of social action, without serious distortion of reality. This fact also explains why the professional economic advice given by most of the foreign economists did not produce the expected results in India as they did not take into account the socio-cultural environment in which the Indian masses are living and acting.

Having said all this and having appreciated the importance of non-economic factors in economic development of the country, it must be admitted that the

sociology of development can hardly be expected to advance beyond the descriptive case studies, unless non-economic dimensions are clearly identified and differentiated and greater attention paid to modes and degrees of linkage between economic and non-economic dimensions. And since these linkages between economic and non-economic variables are not uniform for all people, our abstractions must repeatedly be referred back to concrete reality and validated by empirical evidence.

Unfortunately, the book has become mostly descriptive, dealing with case studies of different peoples in different countries. No such measureable linkages between economic and non-economic factors are attempted to be established. Any way the reading of this book will abundantly convince us of the limitations of purely economic measures to bring about the economic development of a country like India, where human actions have a preponderance of non-economic overtones. This should also compel us to review our policies and programmes. This also implies that our Planning Commission, instead of being composed of only professional economists, will have also to engage sociologists, psychologists, anthropologists and other social scientists and will have to evolve an appropriate system of stimuli which will evoke necessary and adequate response from the Indian masses who are being unjustly accused of withholding participation in government's efforts to bring about their economic development. Failure to do this so far has been the greatest failure of Indian planning and planners.

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With Two Presidents. The Inside Story: Major C. L. Datta; Vikas Publications; Pp. 150; Price Rs 15.

International Business Negotiations (A Study in India): Ashok Kapoor; New York University Press, Washington Square, New York, New York 10003; Pp. 361; Price \$12.50.

Labour Welfare in India: K.N. Vaid; Shri Ram Centre for Industrial Relations; Pp. 392; Price Rs 45.

Essentials of Materials Management: P. K. Gokarn; Somaiya Publications Pvt. Ltd; Pp. 160; Price Rs 20.

The Economics of Development and Planning: A. C. Fernando and M. S. Kambli; New Literature Publishing Co, 65, Mahatma Gandhi Road,

Fort, Bombay-1; Pp. 228; Price Rs 9.25.

International Commodity Market Arrangements (A Study of the Effects of Post-War Commodity Agreements and Compensatory Finance Schemes): Marian Radetzki; C. Hurst & Co, 40a Royal Hill, Greenwich, London S.E. 10; Pp. 131; Price £3-5s.

Paths of Progress: Selected Addresses, by Takeshi Watanabe, President Asian Development Bank; Issued by the Information Office of Asian Development Bank, Commercial Center, P.O. Box 126, Makati, Rizal, D-708, Philippines; Pp. 100.

An Empirical Test on Interregional Planning (A Linear Programming Model for Mexico): Ricardo Carrillo-Arronte; Rotterdam University Press, P.O. Box 1474, Rotterdam-2, Netherlands; Pp. 213; Price D.Fl 28.60.

Axiomatic Choice Models (and Duality): H.N. Weddepohl; Rotterdam University Press; Pp. 172; Price D. Fl. 33.65.

J. R. McCulloch: A Study in Classical Economics: D.P.O'Brien; George Allen and Unwin; Pp. 452; Price 105s.

Muhammd Quli Qutb Shah (Founder of Haidarabad): H. K. Sherwani; Asia Publishing House; Pp. 150; Price Rs 16.

Changing Horizon (A Study of Future Prospects for Engineering Goods Export): R. K. Singh; Sindhu Publications Pvt Ltd; Pp. 100; Rs 20.

Government in Rural India: Iltija H. Khan; Asia Publishing House; Pp. 185; Price Rs 24.

Studies in International Investment: John H. Dunning; George Allen & Unwin; Pp. 400; Price £4.25.

Agricultural Development and Economic Growth: Japan's Experience: Edited by Kazushi Ohkawa, Bruce F. Johnston, and Hiromitsu Kaneda; Co-published by Princeton University Press and University of Tokyo Press; Pp. 433; Price \$ 12.50.

Agricultural Development and Small Farmers (A Study of Andhra Pradesh): Gogula Parthasarathy; Vikas Publications; Pp. 123; Price Rs 16.50.

Wealth Tax in India: Its Burden and Impact: M. H. Gopal; Economic and Scientific Research Foundation, Federation House, New Delhi; Pp. 172; Price Rs 35.

RECORDS AND STATISTICS

Development of Backward Districts

IN AN answer to Mr D.N. Patodia's question in the Lok Sabha on November 25, Mrs Indira Gandhi stated that all states, except Rajasthan, had already identified backward areas for accelerating their rate of development. The backward districts along with backward talukas (or blocks) are listed in Table I below. Table II sets out the criteria suggested by the Planning Commission for the identification of these areas. The Prime Minister further stated that the taking up of programmes for the development of backward areas was essentially the responsibility of the state governments. The allocation of the state Plan resources to different programmes and areas is expected to be made in the light of local conditions, potentials, problems and priorities. The central government has, however, initiated a number of pilot projects in connection with the development of certain under-privileged classes and areas.

TABLE I

BACKWARD AREAS AS IDENTIFIED BY STATE GOVERNMENTS

Andhra Pradesh (107 CD blocks in 14 districts)	
Guntur	1. Tadikonda 2. Rajupalem 3. Phirangipuram 4. Tyallur 5. Korisapadu 6. Narsaraopet 7. Nadendla 8. Gurazala 9. Maoheria 10. Piduguralla 11. Vinukonda 12. Ipur
Bellare	13. Vinjamur 14. Rapur 15. Kanigiri 16. Velligandla 17. Tarlapadu 18. Tallur
Chittoor	19. Thambalapally
Cuddapah	20. Lakkireddipalli 21. Jammalamadugu
Ananthapur	22. Singanamala 23. Tadipatri 24. Gooty 25. Uravakonda 26. Chennakothapally
Kalyandurg	27. Kalyandurg 28. Kambadur 29. Raydurg 30. Kankal 31. Kadiri West
Kurnool	32. Adoni 33. Yemmiganur 34. Alur 35. Pathikonda 36. Dhone 37. Nandikotkur 38. Markapur 39. Banaganapalli
Mahaboobnagar	40. Mahaboobnagar 41. Jadcherla 42. Shadnagar 43. Kalwakurthy 44. Amangal 45. Bijnapally 46. Nagarkurnool 47. Kolhapur 48. Gadwal 49. Alampur 50. Makhal 51. Atmakur 52. Kodangal 53. Kosgi
Hyderabad	54. Ibrahimpatnam 55. Chevella 56. Tandur 57. Vicarabad
Medak	58. Jogipet 59. Patancheru 60. Zahirabad 61. Narayankhed 62. Siddipet
Nizamabad	63. Bheemgal 64. Madnoor 65. Kamreddy 66. Domkonda
Adilabad	67. Adilabad 68. Boath 69. Nirmal 70. Khanapur 71. Mudhol 72. Luxettipet 73. Asifabad 74. Chinnur 75. Sirpur
Karimnagar	76. Gangadhara 77. Bheemadeverapalli 78. Peddapalli 79. Sultanabad 80. Manthani

81. Mahadevpur
82. Metpalli
83. Jagtial
84. Vemulawada
85. Sircilla

- Warangal
86. Ghanapur
 87. Wardhanpet
 88. Jangaon
 89. Kodakondla
 90. Cheriya
 91. Chityal
 92. Marripeda
 93. Gudur
 94. Eturnagaram

- Nalgonda
95. Mungode
 96. Suryapat
 97. Nagaram
 98. Ramannapat
 99. Mothkur
 100. Miryalaguda
 101. Peddavoor
 102. Deverkonda
 103. Chintapalli
 104. Huzurnagar
 105. Kodad
 106. Kothagudam
 107. Yellandu

- Assam
(Four hill districts)

- Garol
United Khasi & Jaintia
United Mikir & North Cachar
Mizo

Besides there are backward areas in plain districts which are predominantly inhabited by the tribal population, Scheduled Castes and other backward classes.

- Bihar
(Four districts)

- Saharsa
Darbhanga
Champaran
Muzaffarpur

- Gujarat
(56 talukas in 14 districts)

- Amreli
1. Khambha
2. Lilia
Kutch
3. Khadir
4. Khavda

- Kaira
5. Balasinor
Jamnagar
6. Kalyanpur
Junagadh
7. Bhesan

December 4, 1970

- Dangs
8. Dangs

- Pachmahals
9. Jambughoda
10. Jhalod
11. Dohad
12. Devgad Barja
13. Limkhoda
14. Lunawada
15. Sheher
16. Santrampur
17. Halol

- Banaskantha
18. Kankrej
19. Tharad
20. Danta
21. Deodar
22. Dhanera
23. Vav
24. Santalpur

- Broach
25. Jhagadia
26. Dediapada
27. Nanded
28. Vagran
29. Valia
30. Saghabara
31. Hanset

- Mehsana
32. Sami

- Baroda
33. Chhota Udepur
34. Jambugam
35. Tilakwada
36. Naswadi
37. Vaghodia

- Bulsar
38. Umbargaon
39. Chikhli
40. Dharampur
41. Bansda

- Sabarkantha
42. Khedbrahma
43. Bayad
44. Bhiloda
45. Malpur
46. Meghraj
47. Vijaynagar

- Surat
48. Olpad
49. Uchhal
50. Nizar
51. Mahuva
52. Mangrol
53. Mandvi
54. Vyara
55. Valod
56. Songadh

Haryana

All the districts are under-developed except Mohindergarh and Jind districts which are regarded as undeveloped areas.

EASTERN ECONOMIST

1001

Jammu & Kashmir

District of Ladakh and blocks situated on the ceasefire line.

Kerala
(19 talukas in 8 districts)

- Cannanore
1. Kasargode
2. Hosdur
3. Taliparamba
4. North Wyand

- Kozhikode
5. Erned
6. Tirur
7. South Hynad
8. Quilandy

- Alleppey
9. Shertallai
10. Kuttanad
11. Karthigappally

- Trivandrum
12. Nedumangad
13. Chirayinkil

- Kottayam
14. Devicolam
15. Udumbanchola

- Palghat
16. Ponnani
17. Perinthalmanna

- Quilon
18. Karunnagappally

- Trichur
19. Chowghat

Madhya Pradesh
(22 districts)

1. Bastar
2. Raigarh
3. Surguja
4. Mandla
5. Jhabua
6. Khar
7. Kargone
8. Bilaspur
9. Sidhi
10. Shahdol
11. Betul
12. Chhindwara
13. Panna
14. Shivpuri
15. Tikamgarh
16. Raisen
17. Rewa
18. Rajgarh
19. Seoni
20. Guna
21. Chhatarpur
22. Shajapur

Maharashtra
(6 districts)

1. Chanda
2. Yeotmal
3. Parbhani

4. Bhir
5. Nanded
6. Osmanabad

Mysore
(One district)

1. Bidar

Nagaland

No area has been identified as backward as the entire State is regarded as backward.

Orissa
(Three districts)

1. Kalahandi
2. Bolangir
3. Phulbani

Punjab

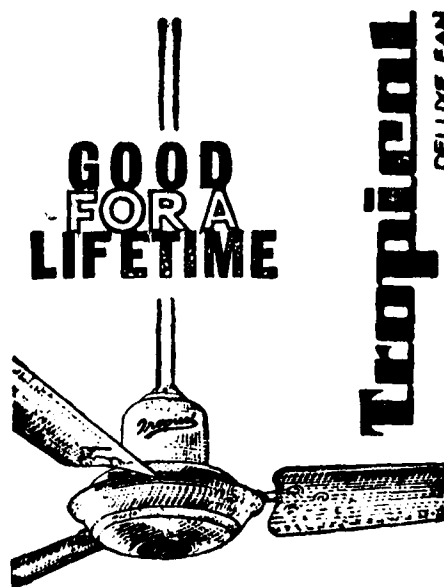
(Entire district of Hoshiarpur and a few selected areas in 10 districts)

Amritsar

1. Bet areas of the Sutlej.
2. Area falling between saqqi nullah and river Ravi in Ajnala tehsil.
3. 154 flood affected villages in Patti, Tarantaran and Ajnala tehsils.

Jullundur

4. Bet areas of the Sutlaj



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Ferozepur

5. Bet areas of the Sutlej
6. Nathana Sub-tehsil

Ludhiana

7. Bet areas of the Sutlej
8. Hoshiarpur

Ropar

9. Sub-mountain areas.
10. Bet area of Chankaur Sahib
11. Sub-mountain areas in Kharar tehsil.
12. Naraingarh tehsil.

Gurdaspur

13. Bet areas within the jurisdiction of police station Kaunan
14. Pathankot tehsil excluding areas included in municipalities of Pathankot, Sujampur
15. Areas between Kiran Nallah and Ravi river.
16. 38 flood affected villages in Gurdaspur and Batala tehsils.

Bhatinda

17. Mansa Tehsil

Kapurthala

18. Bet areas i.e. the entire area of Bholath circle and the whole area of Kapurthala district towards the west of Kartarpur, Kapurthala, Dadwindi old road and Dadwindi Dall New Ferozepur Road

Sangrur

19. Sunam sub tehsil

Patiala

20. Sub Tehsil of Samana.
21. Areas covered by Police Stations Lal and Dera Bassi of Rajpura tehsil.

Rajasthan

No area has yet been identified by the state as backward.

Tamil Nadu

(31 talukhas in 8 districts)

North Arcot

1. Tirupathar

Dharmapuri

2. Hosur
3. Krishnagair
4. Harur
5. Dharmapuri

Salem

6. Sankari
7. Tiruchengode
8. Namakkal

Coimbatore

9. Dharapuram
10. Palladam
11. Avanashi

Tiruchirapalli

12. Perambalur
13. Udayarpalayam
14. Karur
15. Kolathur
16. Alangudi
17. Tiramayam

Madurai

18. Dindigul
19. Palani
20. Tirumangalam

Ramanathapuram

21. Tiruvadanai
22. Paramakuli
23. Ramanathapuram
24. Mudukulathur
25. Aruppukottai
26. Sattur

Tirunelveli

27. Sankarankoil

28. Kolipatti
29. Nanguneri
30. Tiruchendur
31. Srivaikuntam

Uttar Pradesh

(27 districts)

Eastern Districts

1. Allahabad
2. Mirzapur
3. Varanasi
4. Jaunpur
5. Pratapgarh

District

6. Sultanpur
7. Faizabad
8. Ghazipur
9. Ballia
10. Azamgarh
11. Deoria
12. Gorakhpur
13. Gonda
14. Basti
15. Bahraich

Bundelkhand Region

16. Jalaum
17. Jhansi
18. Hamirpur
19. Banda

Hill Districts

20. Naini Tal
21. Almora
22. Tehri Garhwal
23. Garhwal
24. Uttarkashi
25. Pithoragarh
26. Dhera Dun
27. Chamoli

West Bengal

(4 districts)

1. Purlia
2. Darjeeling (excluding Siliguri Sub-Division)
3. Sunderbans (24 Parganas)
4. Bankura.

TABLE II

INDICATORS OF DEVELOPMENT

(i) Total population and density of population.

(ii) Number of workers engaged in agriculture including agricultural labourers as percentage of total workers.

(iii) Cultivable area* per agricultural worker.

(iv) Net area sown per agricultural worker.

(v) Percentage of gross irrigated area to net sown areas.

*Includes net area sown, current fallows, fallow land other than current fallows, culturable waste and miscellaneous tree crops and groves not included in net area sown.

(vi) Percentage of area sown more than once to net sown area.

(vii) Per capita (rural population) gross value of agricultural output.

(viii) Establishments (manufacturing and repair) using electricity

(a) Total

(b) Household

(c) Non-household

(ix) Number of worker per lakh of population employed in registered factories.

(x) Mileage of surfaced roads—

(a) per 1000 sq. miles.

(b) per lakh of population.

(xi) Number of commercial vehicles

registered in a district.

(xii) Percentage of literate population—

(a) Men

(b) Women

(xiii) Percentage of school-going children—

(a) Boys

(b) Girls

In age-group of (a) 6-11 years, and (b) 11-14 years.

(xiv) Number of seats per million population for technical training —

(a) Craftsmen

(b) Diploma level

(xv) Hospital beds per lakh of population

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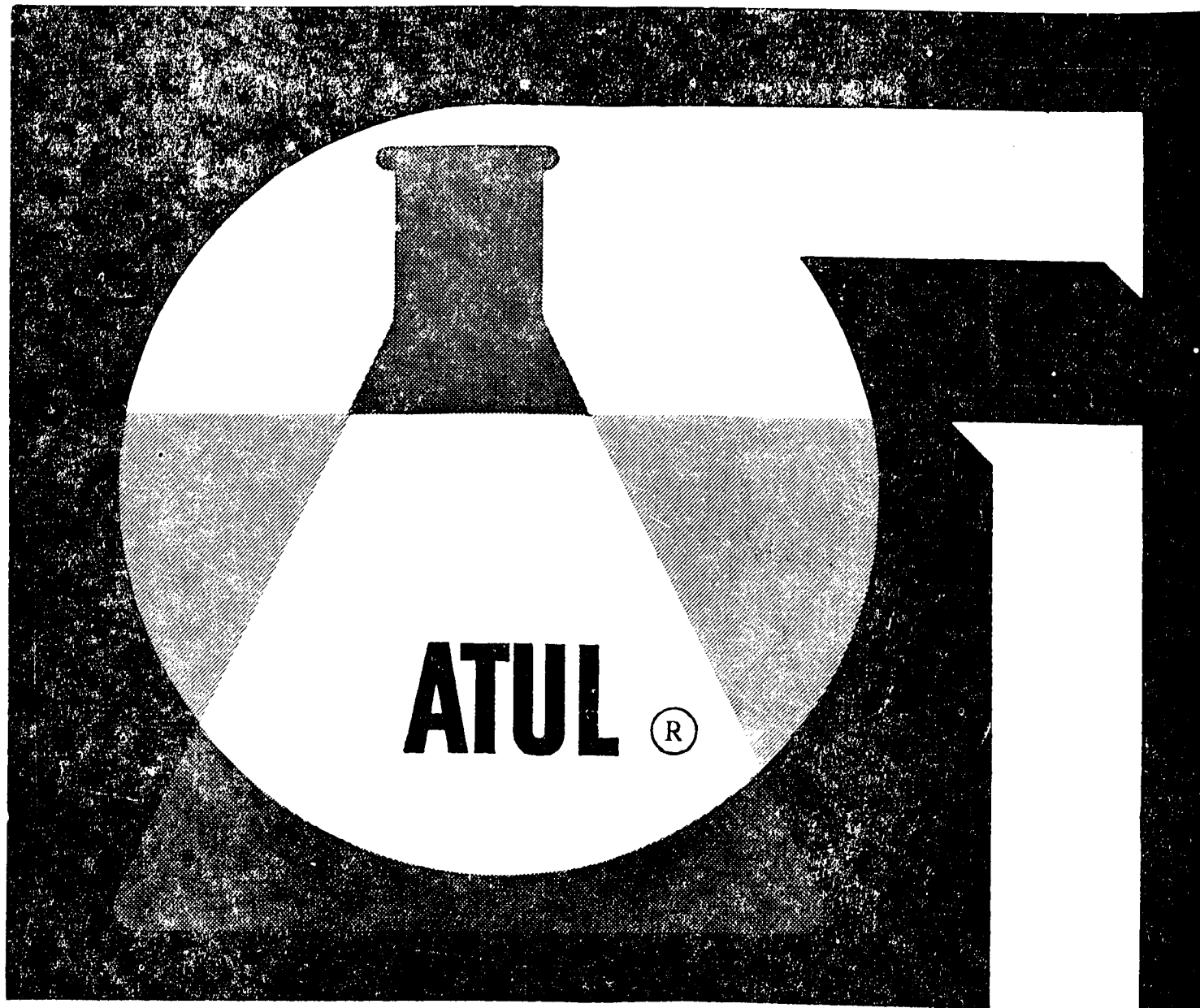


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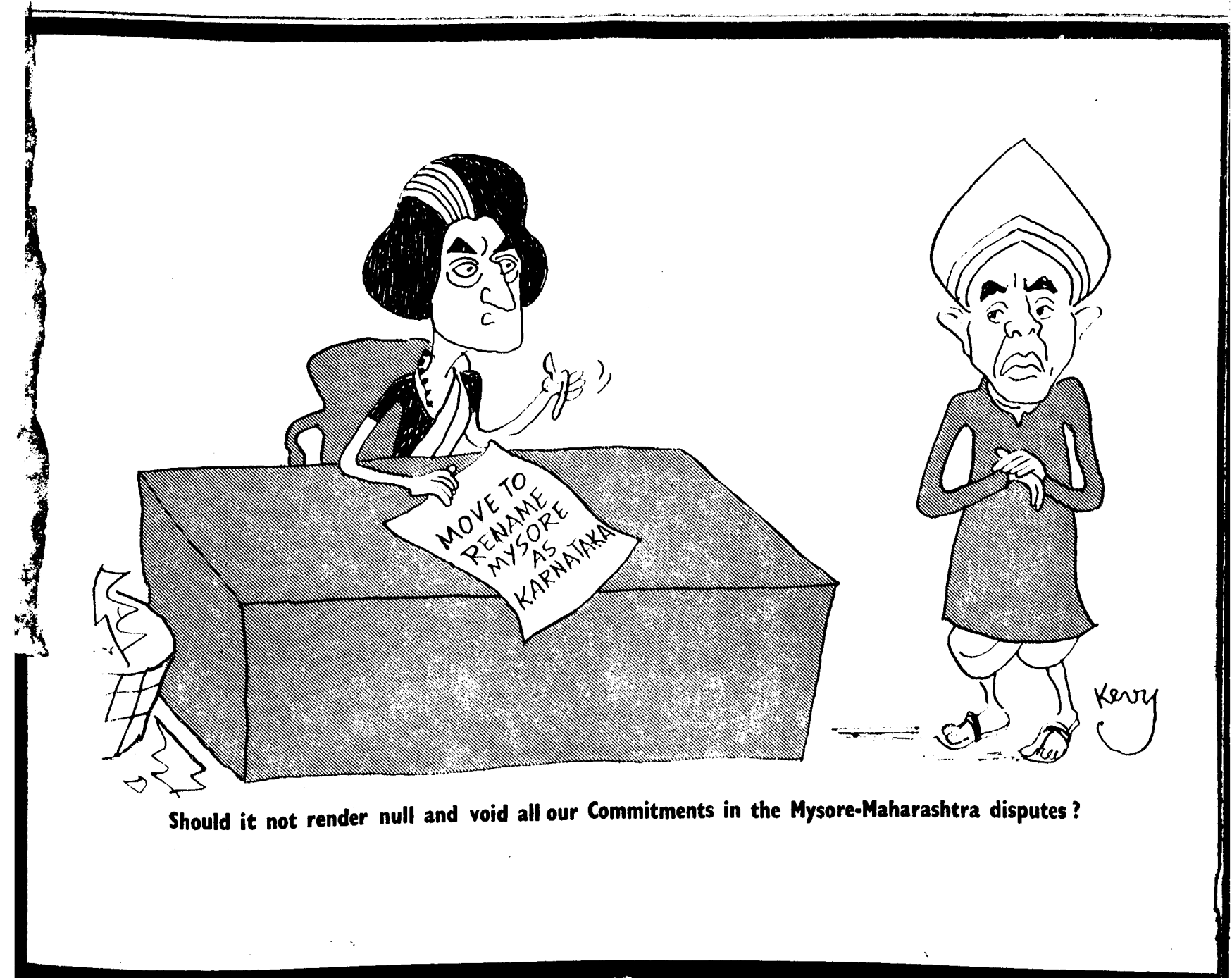
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RUPEES 1.50 DECEMBER 11, 1970 VOL. 55

Politics is not directly our business; our business is to create wealth for the country. But we do have an appropriate concern for social justice. Since our commitment does not call for humoring the electorate, we are not required to talk about it as often.

—Mr Keshub Mahindra
at the annual general meeting of Associated
Chambers of Commerce and Industry.

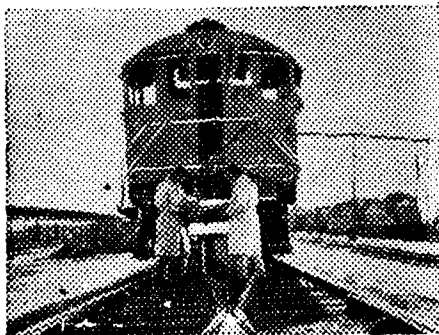


Should it not render null and void all our Commitments in the Mysore-Maharashtra disputes?

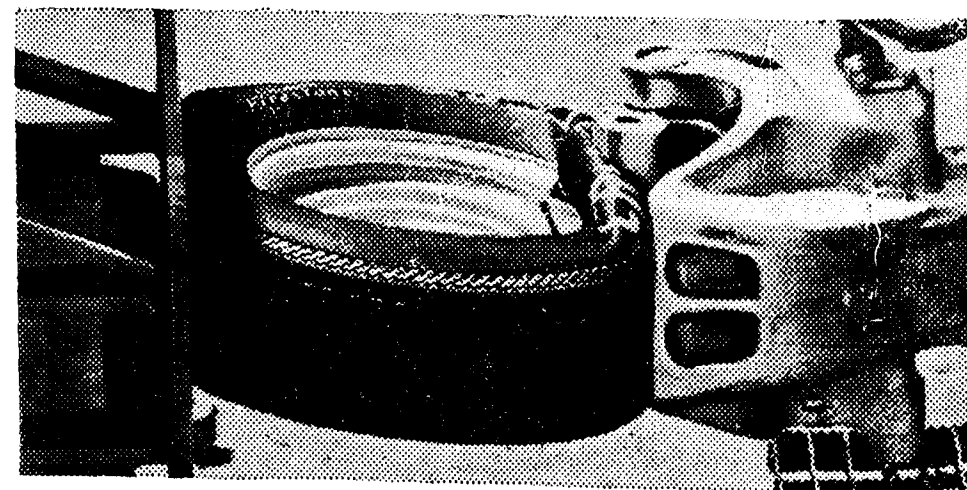
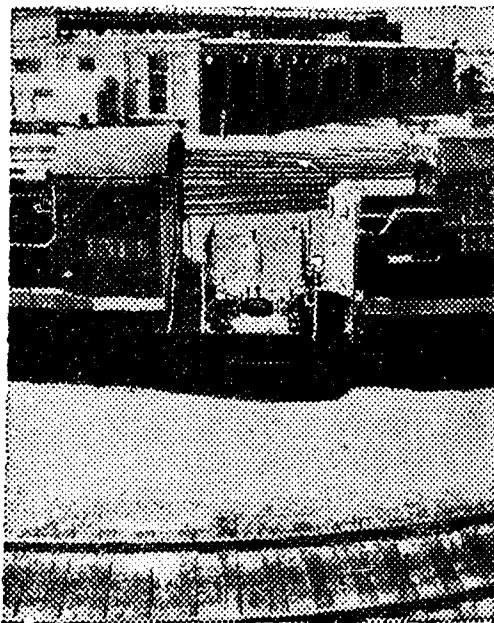
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HOW DO YOU PROVE
HOW STRONG A FIRESTONE TYRE CAN BE?
YOU CRUNCH IT BETWEEN TWO ENGINES
WEIGHING 130 TONNES APIECE—THEN RUN IT!

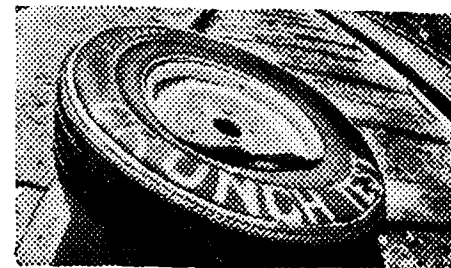
What makes Firestone tyres so strong?
Exclusive Triple-Strength Construction!
Frankly, we weren't sure what would
happen when we pitted a new Firestone
against the overwhelming force of two diesel
engines, travelling at normal switchyard
speeds towards each other.



The tyre was mounted on a new rim;
it had no other protection of any kind.
The two engines met with the kind of
crunching metal, the tyre trapped between
their awesome bulk. Immediate inspection
showed the heavy steel wheel crunched
into a shapeless heap of metal.

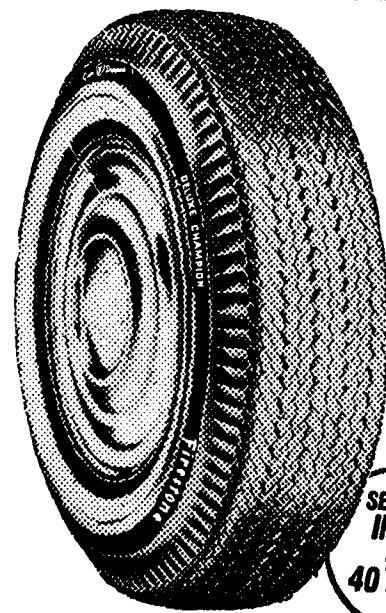


The Firestone crew removed the tyre
from the broken rim. An undertone of
unbelieving approval was heard from the
crowd of curious gathered as the tyre, freed
from the rim, sprang back into perfect
shape—without a scratch, tear, gouge, rip,
or apparent abrasion of any kind.
Immediately the tyre was put on a new
wheel, re-inflated and placed on a test car
which drove away.



TRIPLE-STRENGTH CONSTRUCTION

What makes Firestone tyres so strong?
Firestone's exclusive Triple-Strength
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the tread to the tyre, the way we reinforce
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When you're looking for the strong tyre—
remember Triple-Strength Construction
and look at Firestone first.



Firestone

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See your Firestone Dealer today.

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ON DEAF EARS

ON THE eve of the annual general meeting of the Associated Chambers of Commerce and Industry, which was held in New Delhi on December 5, Mr Keshub Mahindra, its President, addressed local journalists on the economic crisis in West Bengal and recommended that institutional finance of the order of Rs 500 crores should be ploughed into the state so that existing industries could expand or new industries come up. Mr G.L. Mehta, too, made a similar proposal some time ago, and, in between, Mr B.M. Birla has spoken of the supreme need for the central government enabling the private sector to function vigorously and arrest the dangerous deterioration in the employment situation, particularly in West Bengal.

It is permissible perhaps to feel that Mr Mahindra would have done well to have addressed himself to this issue of economic crisis in West Bengal in his speech at the annual general meeting. A further thought could be that the meeting itself could have been held more appropriately in Calcutta so as to underline the nation's stake in the rescue effort that must be mounted without any further delay to save West Bengal's economy.

Quite possibly, 'Assocham' chose to meet in New Delhi instead of Calcutta in order to suit the convenience of the Prime Minister who had done it the signal honour of agreeing to inaugurate the session. It has been usual for the Finance Minister to address Assocham at its annual meeting and for the Prime Minister to perform the same function in respect of the Federation of Indian Chambers of Commerce and Industry. That there has been a departure from this practice may be partly due to the fact that the present Finance Minister is playing an obviously subordinate role in national, including economic affairs, and partly to the good relations which Mr Mahindra personally has with the Prime Minister because of his political sympathies.

It is all the more a pity that this excellent personal equation did not make the dialogue between the two on the platform of Assocham more productive. For this Mr Mahindra was not at all to blame. It was easy to see that he had taken infinite care to avoid raising issues which were even remotely controversial, such as the wisdom of the government's fiscal policies or the quality of its performance in the public sector. More important still, Mr Mahindra tried most valiantly indeed to present a positive hypothesis to the effect that a partnership of government and industry was most needed for the country achieving a rate of economic growth sufficient for its basic needs. It is true that he spoke firmly against certain attitudes which go by the name of socialism, but he did make it very clear that the welfare of the people through industrial expansion and economic progress could be the only possible national goal, whether from the point of view of the government or that of the business community. Mr Mahindra's effort, in short, was to try to win the Prime Minister's sympathy for the initiation of a process which would arrest the increasing estrangement between the government and large sections of industry and commerce.

The Prime Minister's response, it must be said, was petty and petulant. Indeed, it seemed as if she had come to the meeting merely to unburden herself of some visceral grievances against so-called big business. Mrs Gandhi, in fact, delivered a set political speech which had no relevance whatsoever to what Mr Mahindra was trying to discuss. So unreasonable was she that she did not hesitate to blame the larger business houses for not showing more initiative and enterprise in starting industries in the core sector where the government, she claimed, had invited their co-operation. This is a preposterous charge, indeed, for the Prime Minister to make in the context of the known fact that several core projects, such as the Tata fertilizer scheme, are being held up by the government itself. Again, can the Prime Minister be so ignorant that she does not realise that she has only to act under the provisions of the Monopolies and Restrictive Trade Practices Act itself to exempt, by executive order, proposals for industries in the core sector from the Monopolies Commission if she sincerely desires to see substantial activity in this vital area of the economy?

For months now a debate has been going on even within the government, between the Planning Commission on the one side and certain central ministries on the other, on the political and administrative hurdles which are nullifying the government's verbal invitation to larger business houses to interest themselves in the core

December 11, 1970

industries. We challenge the Prime Minister to seek the honest opinion of the Planning Commission on who is to blame. In any case, at a time when investment has slackened, production is halting, prices are rising and unemployment is growing, does it befit the Prime Minister's high office that its present occupant should reject in the sterile phrases of polemical politics, pleas for partnership between government and industry such as the one which Mr Mahindra made?

Could it be that we have now reached a stage where there are no prospects of the economy of the country being managed on sane and sound lines unless an effective, democratic political opposition is organised in Parliament well ahead of the next general election? Mrs Gandhi's conduct on the platform of Assocham is proof enough that she

will take notice of nothing but a direct political confrontation. The non-political processes of economic logic or argument do not seem to make any impression on her at all. This being the case, there must be great relief in the nation that the leadership of the Congress(O), at the meeting of its AICC in Lucknow, has at last resolved to run the risk of working for an alliance with other democratic parties, although certain sections within its own ranks have strongly objected to this course. Granted that the basic issues facing the nation in the economic and other fields could be gainfully dealt with only in terms of an effective democratic opposition to the ruling party at the centre, the developments at Lucknow should dispel some of the gloom cast by Mrs Gandhi's unsweet unreasonableness in her speech to the Associated Chambers of Commerce and Industry.

Rake's Progress

WHEN DR Karan Singh was included in her cabinet by Mrs Indira Gandhi in March, 1967, his appointment was widely welcomed as a bright idea of the Prime Minister. This was because he was young and educated and it was thought that he would therefore also be a purposive and forward-looking minister. That he is handsome was perhaps an additional qualification in the eyes of some. Over three years have passed since he became a member of the central government and all that now remains for us to say of him seems to be that his good looks are still there, although, as was complained in Parliament recently, these looks have lately been not good enough to attract young and pretty women as hostesses of the airline over which he presides as Minister of Civil Aviation. It is indeed his misfortune as well as the nation's that, over the period he has been the minister responsible for the higher policy direction of the country's nationalised airline monopoly, this essential service should be becoming increasingly inadequate, both in terms of the demands made on it and the opportunities open to it.

Here we are not thinking so much of the financial fortunes of this airline which have been fluctuating and for the 'downs' which they have suffered, there

might be explanations, more or less reasonable, but of the ugly reputation it has been accumulating as a service chronically careless of standards. Perhaps the factor most responsible for this rake's progress is the poor employee-management relations which have become a second nature to this airline. Indeed, it could be said of its operations that they have been one long go-slow, over-punctuated with too many strikes, official or otherwise.

Against this background, the recent conduct of its pilots in paralysing its functioning must be viewed as only one more outrage perpetrated on a long-suffering community. It is futile to talk of the pilots being unreasonable in their demands, for this they have been almost always, and on almost every one of these occasions, their intransigence had been rewarded by abject surrender on the part of the "authorities" — if that is the word — of Indian Airlines. It remains to be seen whether the latest settlement will turn out to be really qualitatively different.

It is true, of course, that Indian Airlines is, by no means, alone in its labour troubles where the public sector is concerned. But it is probably true that it has had less real industrial peace

than any other industrial or commercial establishment in the country. It is worth noting that the various categories of its employees seem to have been taking turns at disrupting the working of the service as if it were all part of perverse planning by some destructive genius. Could it be that Airlines House is possessed of devils of which it is not even conscious?

It may be pleaded on behalf of the minister concerned or the central government, that, like the pianist, they are doing their best. One of their recent brain-waves was to appoint a well-known barrister, who is even better known for his communist sympathies, if not affiliations, as chairman of Indian Airlines. What motives the government could have had in doing this was not very clearly known, although there had been rich and varied speculation. If it was Dr Karan Singh's, or rather Mrs Indira Gandhi's expectation that Mr Mohan Kumaramangalam, because of his "proletarian" ideology, would be able to win staff loyalty for the organisation of which he was made chairman, we have now, before us one more instance of the Prime Minister's calculations going awry.

It is true that the pilots, after days of gross misconduct, have graciously agreed to call off their agitation, but this

EASTERN ECONOMIST ANNUAL NUMBER 1971

The current issue of this journal is the last regular issue for this calendar year. The next issue, bearing the date December 25, will be the 'Eastern Economist Annual Number 1971'. The theme of this special number is "Whither India?". Although the title is trite enough, it has an obvious urgency in terms of the current political and economic scene. An attempt will be made in this Annual Number to analyse the twin-crises of political progress and economic development which confront our country. A special feature of this Annual Number will be a section on the problems facing the country on the export front.

Illustrated with charts and graphs and carrying an interpretative section of statistics, this special issue will be priced at Rs 10 per copy for casual sales. Regular subscribers will receive it without extra charge. Copies will be available from leading booksellers as well as from:

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roves nothing for it will be only a question of time before trouble brews gain. The less hopeful among us may well ask whether things will at all improve under the present government, but before we give ourselves up to

despair, we may perhaps demand that the Prime Minister ought to think of a new Minister for Civil Aviation and a new Chairman for Indian Airlines with a fierce directive to clean up the mess.

Sugar in the South

THE GOVERNMENT'S policy towards the sugar industry is evasive and the delay in fixing prices for levy sugar and creating buffer stocks is causing unprecedented hardship to sugar mills particularly in Tamil Nadu. So far only an announcement about the minimum price for sugar-cane has been made and it has been decided to keep it unchanged at Rs 73.70 per tonne with a basic recovery of 9.4 per cent in spite of the strong representations to the government that the minimum price should be based on a recovery of 8.4 per cent. The sugar mills in Tamil Nadu and elsewhere which were able to secure only a recovery well below 9.4 per cent were not worried so much about the level of the minimum price for cane as its cost which was inflated because of the absence of scope for any adjustment if the actual recovery was well below 9.4 per cent.

In the 1969-70 season, the experience of almost all mills in Tamil Nadu has been very uncomfortable as with the loss sustained on levy sugar as well as on sales of sugar in the open market, the results of five companies published so far covering the working of the last season, though the accounting periods are slightly different, show that even depreciation charges have not been fully recovered. Except two companies which have avoided a cash loss, the remaining four companies have been obliged to carry forward a heavy debit balance. It has been explained that the differential excise duty on sugar for free sale, rising interest charges and a low recovery have been responsible for the sad experience of even those units which are known for their high operating efficiency. Because of the high levy prices for sugar sold by Tamil Nadu mills for controlled distribution, it has also happened that even the allotted quotas have not been lifted by the neighbouring state governments and

the producers were obliged to carry into the next season as much as 65 per cent of the output for 1969-70.

The new season does not also hold out promise of any improvement in operating results as there is no automatic formula for utilising unlifted stocks of levy sugar and there has also been no reduction in the excise duty on sugar for free-sale. It is no doubt expected that there will be an increase in recovery in the current season by about 1/2 per cent as compared to 1969-70 and arrangements are also being made to avoid crushing in the summer months so that the loss sustained on account of the driage can be prevented. But there is a disappointment that the representations made to the government by the South Indian Sugar Mills Association regarding a change in the cane price formula have not been heeded and the disability due to costlier cane has not been eliminated. It has been suggested that the minimum price could remain even unchanged. Only the basic recovery should be 8.4 per cent with suitable adjustments in prices for increases in sucrose content. If this procedure had been adopted there would have been a further increase in the cost of cane and the levy prices would have to be raised accordingly. The best course would have been to readjust the minimum price on the basis of 8.4 per cent so that only those growers in areas which had a low recovery would be affected and cane producers in Uttar Pradesh, Maharashtra and elsewhere, where the recovery was around or above 9.4 per cent, would not in any way be affected.

The government, however, has not given any thought to this important aspect of the question and indeed a definitely unhelpful statement has been made by the union Minister of State for Food and Agriculture, Mr A.P. Shinde, that the authorities were more concerned about compelling sugar produ-

cers to pay the arrears against cane purchases which are estimated at about Rs 21 crores, and that the recommendation of the Tariff Commission regarding the creation of buffer stocks of 12 lakh tonnes was still under consideration. It has been overlooked that the arrears of payment to cane growers and even of cess to the state governments are due to the heavy accumulation of stocks, which has affected the ways and means position of nearly all the units. The carry-over into the 1970-71 season is 20.83 lakh tonnes and has a value of roughly Rs 250 crores. The normal carry-over is usually around 5 lakh tonnes, which means that mills are paying additional interest charges on 15 lakh tonnes, which works out to nearly Rs 20 crores annually or a little less than five rupees per tonne of production or nearly six rupees per tonne of offtake for internal consumption and export. Apart from the losses incurred in this manner, many mills have been hit by higher costs and the differential excise duty.

The position is so serious that many units would be obliged to close down if remedial measures were not adopted in time. Some are even thinking of challenging or have challenged the decisions of the government in the court, as was done by a few cement companies some time back, on the score that the government's actions are compelling them to incur losses and work under unreasonable restrictions. It is felt that even with availability of cane, it may not be possible to continue crushing operations unless there is a change in the cane price policy, buffer stocks are created and the excise duty is not charged at a higher rate on levy sugar. If the accumulated stocks are utilised because of a serious shortfall in production, due to the closure of sugar mills, and a satisfactory level of output is not maintained in the subsequent seasons, there may be a repetition of the happenings of 1966-67 when consumers had to pay even Rs 5 per kg of sugar. The opportunity afforded for evolving a constructive long-term policy and helping sugar mills to function on a reasonably profitable basis should be utilised and the government should not give the impression that it is unmindful of the health of a major industry.

Ebbing Foreign Capital

R. V. MURTHY

THE NUMBER of foreign collaboration proposals approved by the government or joint venture proposals assisted by the Indian Investment Centre (IIC) in 1969-70 was the lowest in three years. The former numbered 129, as compared to 158 in 1968-69 and 140 in 1967-68. (Since its inception, the Foreign Investments Board and its sub-committee had received 672 proposals for foreign collaboration, of which 371 proposals had been finally disposed of). The number of joint venture proposals assisted by the IIC in 1969-70 was only 10 (six involving capital participation and four relating to technical collaboration) as against 16 in 1968-69 and 15 in 1967-68. (At the end of 1969-70, the total number of joint venture proposals assisted by the IIC and approved by the government was 191 involving a total capital outlay of Rs 1084.2 million, including the foreign equity component of Rs 241.29 million).

Although the lowest in number, the total capital covered by the proposals in 1969-70 was appreciably higher (Rs 73 million) than in 1968-69 (Rs 41.60 million) and only slightly below that in 1967-68 (Rs 75.11 million), but the foreign equity investment involved in the proposals at Rs 9.80 million was, again, the lowest, comparing as this did with Rs 18.87 million in the previous year and Rs 36.19 million in 1967-68. And the foreign equity investment via the IIC during 1969-70 came only from three countries—the USA (Rs 2 million), Austria (Rs 7 million) and Switzerland (Rs 0.80 million). Surprisingly, despite the visit to India during 1969-70 of the high-powered delegation headed by Dr Herman Abs from West Germany and its appreciation of the economic strides made by India, there were no proposals from West Germany.

Important Issues

It is perhaps not correct to draw the inference that this was the result of the report, made by the West German delegation after its return, striking "a note of cautious and restrained optimism about the prospects of German investment in India". But it is worth pondering whether the failure on the part of the authorities to study carefully the important issues raised in the said report and, even more, their delay in

considering two concrete measures suggested by the Abs delegation (namely, the carrying out of a technical survey, jointly by Indian and German manufacturers, of facilities for manufacture of components, ancillaries and spare parts of engineering units and the setting up of an Indo-German group of industrialists and bankers to exchange information and views about investment conditions in India) have not had something to do with this. Time is the essence of business transactions to a foreign collaborator.

Authorities Must Wake Up

Complaints of official delay when made by private business interests are liable to be brushed aside by the government as being quite natural, but when these are made by the chairman of the IIC, an institution created by the government itself and especially by one of personal standing of Mr G.L. Mehta, the authorities must wake up and bestir themselves. How exasperating must it be to the IIC offices abroad, after they have exerted all their efforts to interest foreign investors, to find that the processing and approval by the ministries concerned of various joint venture projects submitted by them are destined to "still take considerable time and, consequently, their implementation becomes uncertain", as Mr Mehta said at the last annual general meeting of the IIC? No wonder that he himself felt like adding: "The obstacle race for the Indian entrepreneur and his foreign partner has become more formidable with the passage of time". And this is really unfortunate, because, as he observed, "in the present climate of investment, there is considerable scope for the further diversification of the industrial structure, especially in the middle sector of Rs 10 million to Rs 50 million, which could be speedily brought about if the necessary technical, know-how, wherever required, is made available quickly" and "there is also scope for foreign collaboration, both financial and technical, in what is called the core sector".

Surely, foreign collaboration, whether financial or technical, cannot be had for the mere wishing or asking of it. Nor must we delude ourselves that we are the only developing country that offers scope and seeks foreign investment. Neither will it be forthcoming even if,

for our part, we feel that the time is opportune for attracting investment. The necessary climate for it must be created, as the IIC has been sedulously doing all these years past, but this is a slow and exacting business in all conscience. Even after such is done, though, we cannot take foreign participation for granted, the necessary climate, economic as well as psychological, must be fostered. And, more than everything, there must be speedy decisions. Critics may ask whether it is not rather late in the day to raise these questions now, especially after the IIC itself has completed 10 years of admittedly active and useful existence. But, situated as we are even today, we are bound to say it is not. On the other hand, we feel, this is precisely the time when these questions have to be raised unhesitatingly and answered realistically. That precisely is what the IIC chairman has done in his address this year and we strongly commend the address to all our decision-makers and, even more, to our decision-takers.

Today it is not just the delay in licensing and other approvals that an entrepreneur is confronted with. In the name of socialism we have tied ourselves into so many knots from which, it seems, we are either not prepared, or do not know how to extricate ourselves. For instance, as Mr Mehta put it, "we are seeking to have too many social objectives in industrial policy many of which are not compatible with one another, with the result that both social justice and economic growth are likely to be impeded. We should have priorities in our objectives as well as in projects".

No Time to Lose

Not only this, we cannot afford to lose any more time in the process of deliberation in the context of the growingly explosive unemployment situation in the country. Let us not forget that there are several other developing countries besides in the same plight as we find ourselves in, and that, in today's highly competitive world, no one is going to oblige us by postponing decision-taking in respect of their own economic needs. It is against this background that what Mr Mehta said becomes particularly relevant. And with the experience of a decade's functioning of the IIC, he must certainly be regarded as competent to make these observations. Let us, therefore, briefly review them now.

His first observation was that our country has to stand in competition with other developing countries in this region as well as in other parts of the world in attracting foreign capital and

technical know-how for joint venture enterprises. That means we are not in a position to dictate our terms.

Secondly, according to him, we have to make up our minds as to whether we wish to have foreign capital or and technology. For his part, he had no doubt that that "even now we stand in need of foreign exchange as well as foreign technology, if we wish to develop more sophisticated industries like petrochemicals, fertilisers, electronics, steels and complex machinery and machine tools". He did not hesitate, therefore, to denounce those who talk of self-sufficiency in technology. "It is complete ignorance of current technological development and puerile chauvinism", he said, "which make people ask for self-sufficiency in technology".

Moreover, he added, by reason of its vast and growing domestic market, there are "considerable possibilities of co-operation between Indian and non-Indian industrialists, investors and technologists in several fields". In this connection, Mr Mehta did well in wanting to know from those who may be, or are, opposed to foreign investment on purely ideological grounds as to how they could reconcile themselves to communist countries like Yugoslavia and Soviet Russia actively canvassing for and welcoming foreign investment and technical co-operation. Even China, as everyone knows, is not averse to borrowing technology from the west.

Costs and Benefits

Next, the IIC chief wanted foreign investment to be looked at not in terms of "costs or benefits" but rather as a question of "costs and benefits". "Our aim should be", we quote him, "to maximise the advantages and benefits, although we should, at the same time, recognise that such maximisation can be relative not merely to our own objectives but also to the minimum expectations of foreign investors and, finally, to the alternatives and options that are available to us". True, we may have certain domestic resources, but, if they happen to be more costly and more time-consuming in application, we need not cling thereto. Of course, we should not seek foreign investment merely because "foreign" is, or may seem, fascinating, but only "to fill specific 'Indian' need at our own stage of development". The appropriate observation from Mr Lester Pearson which he quoted was: "The correct way to look at the balance of payments effects of foreign investment is to ask what the balance of payments would have been like in its absence".

While Mr Mehta took cognisance of the remarkable degree of our industrial

progress and diversification, as also of the coming into existence of a sizable pool of entrepreneurial talent and skilled manpower, especially since independence, he reminded his hearers: "our savings still remain low and the need for augmenting capital and developing technology faster has become even more urgent". Hence his conclusion: "Our primary objective must be to get such capital and technology at the least cost from wherever we can and use it most profitably to meet specific needs".

Relevant Point

Finally, he made the relevant point that, however broadminded and farsighted, a foreign investor is not likely to invest in an industrial enterprise in another country unless he has some positive gains to make, and what he wants may not always be consistent with what the government or the planners in the recipient country may desire. And a sovereign country naturally wants to set its own criteria and priorities. Mr Mehta did not object to this, but he only wanted such criteria and priorities to be determined "primarily on economic considerations and on the basis of national interest rather than on mere sentiment, clichés or bias."

And he made another notable point too, which does not seem to have received adequate notice as yet, presumably because, even after achieving freedom, we still continue to nurture some old complexes. When as alien power ruled over us, it was all right for us to

say: foreign firms are allowed to follow policies injurious to this country's interest. But, today, to quote Mr Mehta, "we should have enough self-confidence that a sovereign government would be able to restrain any foreign firm from following policies detrimental to national interest."

Selective Approach

No one can accuse Mr Mehta of being an adorer of nineteenth century *laissez faire* or of everything foreign regardless of the consequences to national interests and, for this reason, we must presume the powers-that-be will agree with him that our approach "should be selective but, at the same time positive" and that our policy "is more restrictive and negative than need be". After all, as he has reminded us, if our primary objective is to achieve industrial growth in the shortest possible time and with a minimum cost (as our government dins in our ears constantly), we must not fail to recognise that our enterprise and initiative are by no means abundant, and that, if only because of this, "enterprise and initiative should not be stifled by a mass of complicated procedures and onerous regulations. The objective of industrial policy is to promote industrial development, not to hamper it. Foreign investment is not a magic cure, nor is it a monster. Foreign investment and technology are strictly, a means to an end and have to be used as tools for our economic development".

Industrialisation in Tamil Nadu

V. KARTHIKEYAN

TAMIL NADU had a very slender industrial base at the commencement of the era of economic planning in our country. A long period of economic stagnation coupled with an increasing pressure of population had weakened the state's economic foundations, and the people of Tamil Nadu were suffering under the weight of the traditional agrarian structure.

Our plans were drawn up with the realistic objective of securing, with the utmost speed possible, a high rate of economic growth. Rapid industrialisation, together with increased productivity in agriculture was found to be the only means to achieve this end. With the active co-operation between the state, the centre and the private sector, a process of industrialisation was sparked off in Tamil Nadu in the first Plan and this gathered considerable momentum during the second Plan. Now at the beginning of the fourth Plan, the state is proud of the fact that it has secured

an important place on the industrial map of India.

Towards the industrial development of Tamil Nadu, the role played by the public sector undertakings is by far the greatest. The central investment in the various public sector projects in the state has helped, in a large measure, its rapid industrialisation. The Government of Tamil Nadu has played a significant role in establishing production units, either directly or in the form of co-operatives, in respect of certain essential commodities, such as yarn, sugar, cement and bricks, and through the development corporations of the respective industries.

Even during the third Plan period, the state government showed an awareness of the need for stepping up the contribution of the industrial sector to

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the state income. The state government started playing a significant part in establishing production units on its own to carry out this strategy regarded as very essential for the further industrial development of the state. The Tamil Nadu Industrial Development Corporation (TNIDC) a wholly government-owned institution, was created and was given the task of setting up and running of public sector ventures owned by the state government. The first three projects taken up by the corporation are the continuous steel casting plant, based on scrap-iron, at Arkonam, a cement factory at Alangulam and a pilot cement plant near Dalmiapuram.

In addition to the role being played by the TNIDC in setting up and administering government-owned plants, a new responsibility has been entrusted to it in the last three years. The corporation has now become a larger instrument of investment and development. It will participate with private capital in joint ventures, provide finance also as a financial institution for worthwhile projects and also draw additional resources from central financing agencies, as well as through public issues. The TNIDC has thus become an agency for attracting, introducing and promoting participation by entrepreneurs in new industries and for securing necessary capital from traditional capital markets.

Remarkable Progress

The state has made remarkable progress in small-scale industries sector also. The development of small-scale industries on a large scale has been realised by the state government as the most effective method of accelerating the pace of rural industrialisation and dispersal of industries. A co-ordinated development in the various sectors of small industries will achieve the socialistic objective of a better distribution of productive capital and will also bring about balanced growth. With this in view, the government has taken all efforts to encourage the growth of small industries in the state.

With a view to running 65 departmental units on a commercial basis and to infuse higher productivity and flexibility in administration, a separate corporation, called the Tamil Nadu Small Industries Corporation Ltd, was set up by the state in 1965. The corporation has helped the spread of small-scale industries throughout the state and has a turnover of over seven crore rupees per year.

The state government set up yet another corporation, the Tamil Nadu Small Industries Development Corpora-

tion, in May 1970. The corporation will extend assistance to small-scale units in their requirements of raw materials, in the bulking of their imports, in offering assistance to their exports, in marketing their products, helping them in the preparation of technical feasibility reports for setting up small-scale units, in providing hire-purchase facility for indigenous machinery, in extending loans to small-scale industries and also in helping them in the matter of bank guarantee.

Main Programmes

It is against this background that in the fourth Plan, the Tamil Nadu government has proposed a programme of industrial development that would take the state farther on the road to prosperity. The main lines of further progress will be the development of industrial complexes around Mettur where such development has already proceeded apace, around Neyveli where the exploitation of the lignite resources has already opened up a vast potential for further development of basic industries, engineering as well as chemical, around Madras city where the commissioning of the oil refinery helps new petrochemical industries, and around Tuticorin where new salt-based industries will ensure the economic character of the expansion of the port and even take the state nearer to the fruition of the Sethusamudram project. The long awaited Salem Steel Plant will perhaps be the most important of the projects to be implemented in the public sector in the state in the fourth Plan and, when established, it will also open out vistas of development for a variety of engineering industries in the state.

The huge fertiliser project at Manali will mark the beginning of the emergence of one of the biggest petrochemical complexes in the country. The project for erecting a plant for producing transformer oil and special oils is well under way and a large unit, the first of its kind in the country, will come up in the private sector in the refinery area soon. The Manali petrochemical complex will also have the privilege of having the first big pharmaceutical unit under the influential auspices of Imperial Chemical Industries of the UK. The ICI will be sponsoring the scheme through its Indian subsidiary, Alkali and Chemical Corporation of India Ltd, and some new life-saving drugs will be produced for the first time of the country. The project for undertaking the manufacture of polyester fibre by In-Organic Chemicals of Bombay is in advanced stage and will come into being in the petrochemical complex in the next two or three years. There are

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also schemes for undertaking the manufacture of carbon black and nylon tyre cord, the required licences having been already granted by the central government.

There is immense scope for starting many other new units in the state. The state government is aware of the opportunities opened by the refinery and has already taken steps to assess the possibilities of starting a number of industries, both in the private and public sectors, based on petroleum by-products and salt-based industries. The Engineers India Limited were commissioned by the state government to conduct two feasibility surveys for new industries in Tamil Nadu. Their reports have been received and are under examination. Around the site of the Madras Refineries, the state government has already acquired about 1,700 acres for the setting up of a petrochemical complex. With the anxiety of the state government to tap the potential to the maximum extent in a short period, the Manali petrochemical complex, promises to be the largest industrial complex in the state and one of the biggest in the country.

Ambitious Plans

The state government has an ambitious plan for the development of salt-based chemical industries in and around the Tuticorin industrial complex that is being built around the harbour project there and has already commissioned a detailed survey to establish these possibilities. The establishment of a large sized salt farm near the new harbour in collaboration with private sector salt producers with a view to exporting industrial salt to Japan, is also under active consideration. It is also proposed to put up salt pans along the coastline of Tamil Nadu with a view to paving the way for the setting up of chemical based industries particularly in the underdeveloped districts of the state. The Tamil Nadu government has decided to constitute a non-statutory advisory board for developing and modernising salt production and industries based on salt chemicals.

To carry out both extensive and intensive exploration of ferrous and non-ferrous metals and to locate exploitable deposits and for training personnel of the government in modern techniques of mineral deposit evaluation, the government has set up a mineral development project with the assistance of the United Nations Development Project of United Nations Special Fund, which has just completed its first phase.

The importance of import substitution and boosting up of exports has been

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fully realised and there is great enthusiasm in finding out ways and means for promotion of exports. The Indian Institute of Foreign Trade has recently completed a detailed survey of the possibilities of export promotion in Tamil Nadu and their report is under study. Recently, a new wing has been added to the Directorate of Industries and Commerce to be in charge of export promotion and it is expected to play an important promotional role.

The state government attaches utmost importance to the development of industries and offers all assistance to the industrialists in the establishment of new ventures. The state government is offering facilities by way of land, water and power to entrepreneurs wherever necessary. It has been suggesting to them suitable locations for their industries and has gone to their assistance by acquiring the necessary lands under the Land Acquisition Act. Certain power concessions have also been announced and some concessions in regard to sales tax are also under consideration. In view of the delay in the normal land acquisition work and also in view of the necessity for proper town-planning, the government has established industrial areas by providing roads, street lighting, drainage, water supply and other common facilities. This scheme of developed plot estates will assist the entrepreneurs to secure suitable industrial sites with all facilities without any loss of time and enable them to be free from the vagaries of the title of the land. It will also enable them to enjoy the common facilities which no industrial unit will be able to provide for itself otherwise.

Functional Estates

Separate functional estates for fruit processing, electrical goods, electronics and instruments are also being established in the state.

Broadly speaking, Tamil Nadu is ahead of many others in the building up of necessary infrastructure for industrial growth. The state has a steadily increasing pool of skilled and semi-skilled workers who are adaptable to changing needs of economic progress. The state's agricultural base is fairly sound. Even now it produces enough foodgrains for its population. The green revolution has done the trick in regard to rice and all food controls have been removed. The level of production of certain important agricultural raw materials — cotton, sugarcane and groundnut has been steadily improving. The state has an exportable surplus of a few plantation crops — tea, coffee and cashew and livestock products. Tamil Nadu is India's leading exporter of

hides and skins. The state is surplus in sugar, cement and textile yarn. A number of units for the manufacture of sugar and textile yarn have been established in the co-operative sector with substantial assistance by the state government. Their multifarious problems have been well taken care of by two new directorates of sugar and handlooms and textiles.

A progressive entrepreneurial class has also emerged during the last three Plan periods and this class has played an

important part in diversification of the state's economy. The comparatively poor endowment in respect of natural resources has thus been compensated by other factors essential for the rapid industrial development. The government, the people and the entrepreneurs of this state have every reason to be proud of their achievements in the industrial field and there is no doubt that further efforts will continue with even more dedicated vigour to sustain the tempo and to intensify it in the years ahead.

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LIC in Profile

G. C. JAISWAL

THE BUSINESS of the life insurance companies was nationalised on January 1, 1956, with the following broad objectives:

(1) to make security of life insurance available to all possible sections of the population throughout the country;

(2) to present a financially strong and unified organisation;

(3) to improve the standards of work and service to the policy holders; and

(4) to mobilise the savings of the people for the economic and social development of the country in the private and public sector.

Section 6 of the Life Insurance Act, 1956, laid down that "the Corporation shall so exercise its powers under this Act as to secure that life insurance business is developed to the best advantage of the community. In the discharge of its functions the Corporation shall act on business principles". The "manner in which the fund of the Corporation shall be maintained" was left to the approval of the central government.

To fulfil the task of mobilising the resources, the Corporation was called upon to increase its business. This has

The Prime Minister inaugurated in New Delhi on December 5 the centenary celebrations of the Life Insurance industry in this country.

been facilitated by reorganisation, elimination of competition, lowering of premium rates and by holding out hopes of a bonus.

At the end of 1957, the accumulated savings of the policy-holders were of the order of Rs 29.80 crores. The same increased by 4½ times over a period of 11 years and stood at Rs 136.16 crores during 1968. The fastest rate of growth took place in the year 1967 when accumulated saving of Rs 75.96 crores of the year 1966 increased to Rs 146.34 crores. The savings of 1964 and 1966, however, presented a depressing picture of negative increase in the saving elements of the policy-holders.

After nationalisation of life insurance companies, the sale of various kinds of policies, viz., life insurance, endowment, children, joint life and miscellaneous, have steadily increased. At present the Life Insurance Corporation does not sell joint life policies. The policy-wise quantum of sum assured during the period 1957-58 has been given in Table I which indicates a strong preference

TABLE I
POLICY QUANTAM OF SUM ASSURED: 1957-68

(In Rs crores)

Year	Whole life assurance	Endowment assurance	Children assurance	Miscellaneous	Joint life	Total
1957	30.68	245.24	13.02	22.93	16.21	328.08
1960	43.55	321.60	38.06	50.93	31.81	486.02
1965	59.9	469.1	30.5	114.2	Nil	673.7
1968	64.5	536.3	36.1	176.0	Nil	812.90

for endowment policies in the total business.

The Table I shows that the total sum assured during the period 1957-68 increased by nearly 2½ times. Of this increase 3/5 was accounted for by the growth in endowment policies. These policies rose from 245.24 crores in 1957 to 536.3 crores at the end of 1968.

Before nationalisation, except for a few big companies, the others did very little to develop life insurance uniformly all over the country and the rural areas were generally neglected. Most of them were largely urban-oriented and did not consider it worth while to go into the rural areas, where the business was not really profitable. It is estimated that at the end of December 1957, about 15 per cent of the policies and 10 per cent of the assured sum were from the rural areas. On March 31, 1969 about 30 per cent of the policies and 27 per cent of the assured sum were rural.

As a result of the strenuous efforts made during the last 14 years, there is now one unified organisation with a central office and five zonal and 36 divisional offices with 422 branches, 115 sub-offices and 142 development centres in 403 places.

The Base Broadened

After its nationalisation, the life insurance business has started to accept sub-standard lives with suitable loadings, non-medical schemes have been initiated and considerable progress has been made in respect of salary savings, group insurance and group superannuation schemes.

An improvement of Rs 8 crores in business has been recorded by the Life Insurance Corporation of India during the first quarter of the current financial year, i.e., up to June 30, 1970. The western zone of the Corporation registered an increase of over Rs 6 crores in its completed business and contributed to the major part of the increase. This zone also continued to lead other zones in respect of the sum assured and business worth Rs 36.27 crores was transacted under 40,931 policies compared to its last year's performance amounting to Rs 29.96 crores under 37,269 policies. The other zones which performed well and excelled their previous year's record are the southern zone and the eastern zone. The two together transacted business for Rs 51 crores under 83,456 policies.

During the corresponding period of the previous year, they had completed business for an assured sum of Rs 48.19 crores under 87,719 policies.

The quantum of foreign business completed by the Corporation was of the order of Rs 1.44 crores under 619 policies. This shows an improvement of seven lakh rupees over last year's performance of Rs 1.37 crores under 680 policies.

Although the cases of policy lapses for all the periods since nationalisation are not available, yet the data for the last five years showing percentage of lapses less revivals to the mean life assurance business in force during each year are given in Table II.

TABLE II
LAPSE PERCENTAGE
1964-65 TO 1968-69

Years	Lapse percentage
1964-65	7.5
1965-66	7.2
1966-67	7.4
1967-68	7.0
1968-69	6.3

Table II also reveals the confidence of the people over the functioning of the Life Insurance Corporation which has considerably grown year after year.

An idea of the claim settlement operations of the Corporation can be had from Table III:

TABLE III
CLAIMS SETTLED
1964-65 TO 1968-69
(Rs crores)

Years	Claims intimated during the years	Claims settled during the years
1964-65	52.82	50.26
1965-66	58.57	57.72
1966-67	63.39	60.94
1967-68	62.93	60.52
1968-69	69.62	66.26

During the period from 1964-65 to 1968-69, an increase in the new claims from Rs 52.82 crores to Rs 69.62 crores was accompanied by an increase in the claims settled from Rs 50.26 crores to Rs 66.26 crores. The increase over the period was 31.8 per cent in each case. A steady increase in the volume of claims without the corresponding increase in the speed of settlement would lead to an increase in the volume of claims outstanding. The percentage of outstanding claims at the end of a financial year to the claims intimated during the year serves as a

broad index of the speed of settlement.

At present, about 1,000 claims are settled per day. Efforts are afoot to reduce to the minimum the biggest irritant against LIC, viz., settling claims and build-up the "Public Sector Image" of LIC. A proposal is under consideration of the Corporation to make the agents responsible for not only insuring a person but also settling claims. The idea was to settle claims within 12 days of the death of the insured person.

The Life Insurance Corporation is a major investor in the fast growing public sector of India. This can be gauged from the fact that out of the total investment of the Corporation of Rs 1,258.02 crores by the end of March 1969, Rs 919.52 crores or 73.1 per cent has gone to this sector alone. The co-operative sector, another important segment of the economy, has also grown considerably and the Corporation has invested Rs 107.98 crores to meet the needs of its growth and development. In terms of percentage, the investments in the corporate sector through the co-operatives has grown tremendously during the last 12 years, i.e., from 1.2 per cent in 1957 to 8.6 per cent in 1969.

Funds for Private Sector

Funds to the extent of Rs 223.98 crores, or about 17.8 per cent of the total investment, were pumped into the private sector whereas the joint sector, which is of recent origin, received Rs 6.54 crores or 0.5 per cent of the total investments.

Table IV (p. 1017) presents a picture of the distribution of investment in different sectors of LIC funds between 1957 and 1969.

The co-operative and the land mortgage banks have also received substantial funds for their operation from the Corporation. On March 31, 1969, the contribution of the Corporation to these banks amounted to Rs 107.98 crores. The book value of the land mortgage bank debts have risen by 14 times since 1956 and was of the order of Rs 58.09 crores in March, 1969 compared to Rs 3.57 crores in 1956.

In fact, the Corporation has continued to play a dynamic role in the social and economic development of the country and with this end in view, it has made considerable investment in housing, water works and drainage, co-operative sugar factories, industrial estates, state electricity board, etc. Total investments of the Corporation at the end of March 1969 in the national economy amounted to Rs 1,359 crores.

The investments of the erstwhile insurance companies were largely concen-

trated in the states in which their headquarters were located. As a result, there was a great regional disparity in their investments. Now the Corporation has started investing larger amounts in backward areas with a view to helping their economic and social development and reducing regional disparities. Unfortunately, the administrations of many states, which have backward areas, are weak and do not take up various schemes on an adequate scale for which funds are available. Consequently, these areas are not able to avail themselves of benefits of these funds in an adequate measure. In spite of this, the Corporation has succeeded in reducing regional disparities to some extent. The states of Orissa, Kerala, Assam, Rajasthan and Andhra Pradesh have benefited greatly in this respect.

The Working Group on Life Insurance Administration, constituted by the Administrative Reforms Commission, has suggested in its report that the rates of premium of the Life Insurance Corporation can safely be reduced by 25 per cent. The policy-holders of the Corporation are also making a similar demand for over last five years.

Mortality Experience

From the point of view of the policy-holders, the premium charged to them is the cost of insurance. The premium rates are based on the mortality experience. With every improvement in the mortality ratio, therefore, a case exists for the reduction of the premium rates.

In India, in recent years, the mortality ratio has shown vast improvement. But this improvement is not reflected in the premium rates of the Corporation, which are broadly based on 1925-35 mortality experience with a slight modification.

As compared to 1925-35, medical facilities available now to the common man are certainly better. This has raised the average expectancy of life by 98 per cent. The death rate has also declined by 61 per cent in 1961. It has further shown a decline during the last nine years. In spite of these favourable factors, the Corporation continues to use the same old rates which need revision in view of the changed mortality situation in India today.

Not convinced by this evidence, the Life Insurance Corporation decided to conduct its own surveys. It has conducted two surveys and has come to same conclusion regarding the improvement in mortality ratio. The break-up of claims due to the policy-holders supplied in the Corporation's annual reports also strengthen the findings of

the two surveys conducted by it. Out of the total claims due to the policy holders, 27 per cent were on account of deaths in 1956-57. They declined to 23 per cent by 1967. Thus, in a decade, claims on account of deaths declined by 15 per cent.

In view of this, the policy holders are demanding substantial reduction in the premium rates. The Corporation has so far resisted this demand on the ground that downward changes in premium rates are not desirable.

Reduction in Premium

More recently, the Chairman of the Life Insurance Corporation, Mr T.A. Pai, said that the Corporation could afford to reduce the rates of premium, if it were to effectively contribute to the economic development of the country. At present, LIC is playing an effective role to mobilise resources by collecting larger savings of the people. According to him, a 10 per cent reduction in the premium of a policy of Rs 1,000 would mean a reduction from Rs 40 to Rs 36. But for the Corporation and the country, this would cost Rs 25 crores annually. To make up this amount, the Corporation would have to undertake an additional business of Rs 500 crores a year. It would be irrelevant to engage in economic service, if the savings of the people could not be mobilised.

The Life Insurance Corporation further avers that the benefits of improved mortality would pass on to the policyholder through higher bonuses. But this too is not being done. In 1964-67, the LIC paid by way of bonus Rs 20 per thousand on whole life policy and Rs 16 per endowment policy. Even these rates are negligible if a comparison is made with the rates prevailing before nationalisation. For example, Western India used to pay Rs 26 and Rs 20.80 as bonus respectively on these two types of policies.

In this way, the strategy of the Corporation seems to be to deprive the

policy-holders of their due share through the higher premium and lower bonus.

One more point deserves to be mentioned here. The advantages of bonus or a rise therein accrues only to policy-holders having, with profit policies. There are many policy-holders who have not taken such with profit policies and consequently they are at a loss to receive any benefit of bonuses issued by the Corporation. Hence, in the interest of all the policy-holders the only way to pass on the benefits of improvements in the mortality ratio would be through a substantial reduction in the premium. In view of this consideration, therefore, sliding down the premium rates appears to be a better policy.

The following points may be mentioned for the further improvement of Life Insurance Corporation.

Countering Inflation

In a recent statement the Chairman of the Life Insurance Corporation rejected the demand for reduction in the rate of premium. In these days of inflation what the economy needs is larger savings. Economic development also demands a higher level of savings. By cutting down the premium rates not only the income of Life Insurance Corporation will fall but there will also be reduction in the total savings in the economy. Most of the policy-holders are middle-class people. If more money is left with them through cutting down the premium rates, it would mostly be spent boosting up further the existing inflationary trends in the country. Hence, it seems wise on the part of the Life Insurance Corporation to raise the value of each policy by 25 per cent or by whatever percentage it is considered proper for given cut the premium rates. This will remove any possibilities of adverse effects on savings, while, at the same time, satisfy the policy-holders. It will protect the Corporation's income and make the insurance policy a

TABLE IV
DISTRIBUTION OF INVESTMENT IN DEFERENT SECTORS

Sector	As on 31-12-1957		As on 31-3-1969	
	Rs in crores	Percentage	Rs in crores	Percentage
1. Public sector	225.12	77.37	919.52	73.1
2. Cooperative sector	3.96	1.20	107.98	8.6
3. Joint sector	Nil	Nil	6.54	0.5
4. Private sector	70.66	21.43	223.98	17.8

much more attractive source of investment.

The resources which are made available through the Life Insurance Corporation should be mainly used by extending insurance facilities in the rural areas through the village panchayats and co-operative societies. In the process of establishing a socialistic pattern of society, there is a danger of excessive centralisation and over-bureaucratisation. It is necessary to avoid these dangers in India, because our socialistic pattern should be along the principles laid down at the historic Avadi Resolution of the All-India Congress Committee. Even according to the Constitution, the state should establish village panchayats as basic units of administration. The state should also provide fuller employment to the people through decentralised industries. From this point of view, it is necessary to pay greater attention to the development of rural institutions which make for decentralisation of social and economic power. As education and technology go ahead, the management of the Corporation must pay special attention to insurance facilities in rural areas through village panchayats and co-operative societies.

Covering Low-Income Groups

The Life Insurance Corporation has so far failed to realise the importance of covering low-income people living in the rural areas by making them insurance-minded. It should make efforts to lay emphasis not only on the total business, but larger and larger number of lives being covered. According to an estimate, a 12 paise saving a day could get a person, on maturity, a policy of Rs 1,000 and 25 paise a day Rs 2,000.

Since nationalisation of the banks, repeated statements have been made both in Parliament and at public platforms regarding the desirability of canalising investment in the sectors which hitherto remained starved of financial resources. The sectors often referred to are agriculture and small-scale industries. There is a general agreement in the country that these are important sectors and have to be developed if a balanced growth of the economy is to be aimed at. Hence, there could not be any objection to the Corporation paying increasing attention to investment in these sectors.

While considering investment in agriculture and small-scale industries, the Corporation will have to make up its mind regarding the returns to be expected. This is not true. At the moment, they have to depend upon loans from the sources that charge very high rates

of interest and other undesirable conditions in loan contract. It is quite true that the LIC cannot indulge in usury. But that does not mean that it should not subsidise production in these sectors. What the Corporation should do is to charge the cost-plus interest in these sectors so that funds of the Corporation earn enough interest and, at the same time, these sectors are assured of reasonable rate and conditions for loans secured by them. This would assure those engaged in these sectors cheaper credit. It will help them in buying inputs that are necessary for larger production. This is the best way of ensuring the development of these sectors.

Problem of Unemployment

Today, the problem of employment has become extremely acute in the country. Broadcasting to the nation on the eve of Independence day, the President, Mr V.V. Giri, rightly drew pointed attention of the government towards this problem which is a "threatening menace" to our democracy. On the next morning, the Prime Minister expressed the inability of the government to provide job to everybody. The LIC could intervene by promoting entrepreneurship in the country whereby new avenues of employment could be opened up. The Life Insurance Corporation today is financing local bodies and certain social purposes.

The Morarka Committee and the Administrative Reforms Commission have made specific recommendations regarding this aspect of the Corporation's investment.

It is the need of the time that if full advantage is to be taken of the present favourable investment climate, the formulation of an integrated policy should not be delayed either by the government or the Corporation.

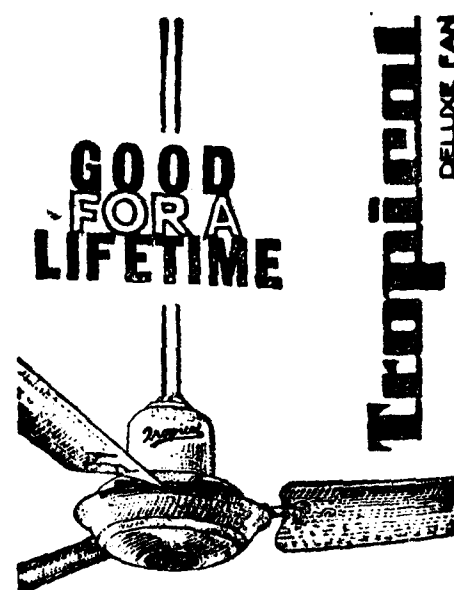
It seems that the crux of the problem is the desirability of assisting new entrepreneurs who have the needed skills for production and management of industrial concerns but have no finances to start these undertakings. Inadequacy or non-availability of requisite finances compels them to seek employment elsewhere where full use of their talents cannot be made. In the backlog of unemployment created during the three Plans, as many as 56,700 engineers consisting of 10,000 graduates and 46,700 diploma-holders were jobless. This figure will go up to 100,000 by the end of the 1973-74 according to a study conducted by the Institute of Applied Manpower Research.

While the technical hands have no

job to do, this involves wastage. This is the reason why a public undertaking, such as the Life Insurance Corporation, could help these entrepreneurs to own and run their own industrial units.

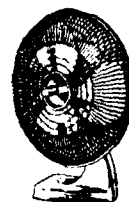
The chief ingredient of this policy would be to help those entrepreneurs who would be able to contribute to the production of goods required for the growth of the economy and for meeting the needs of the consumer. For example, liberal schemes could be evolved to help not only housing societies and housing boards, but also for the housing of individuals. Partnerships, joint families and the self-employed could be helped to own resources for starting small business. The LIC would encourage growth with social justice, if its terms of loans are liberal in the sense that the criterion applied is not that of creditworthiness as is normally understood but of capacity to produce.

The nationalised Life Insurance Corporation, hereafter, has become an important milestone on the road the country has chosen to reach its goal of a socialistic pattern of society. In the implementation of the fourth Plan and the subsequent five-year Plans, it is bound to give material assistance. Besides this, the nationalisation of the life



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insurance business as infrastructure of the economy will help fulfilment of the Plan which will improve the social service sector and increase agricultural production potential. It will provide avenues and opportunities for further employment and will ensure a minimum level of living to every family, and will narrow the economic and social disparities, and thus accelerate the progress towards a socialist society. Further, to millions of lives in the rural

areas it will introduce a new sense of awareness of building for the future in the spirit of calm confidence which insurance alone can give. It is turning out to be a popular measure conceived in a genuine spirit of service of the people. In spite of all these, the government and the Corporation should benefit from the study of the schemes evolved in USA, UK, Japan, and other industrialised countries for the achievement of similar objectives.

The Cotton Crisis

A CORRESPONDENT

THERE IS nothing like a cent per cent correct diagnosis and a complete cure of a human disease in medical science, notwithstanding claims to the contrary, but at least few in the field fight about what symptoms indicate a particular disease and what symptoms go to negate it. However, in regard to some of our economic ills, there would seem to be differences of opinion as to causes, cures, symptoms and almost everything.

Take, for example, the present cotton situation. It is possible to exaggerate the shortage of the crop or the extent of rise in prices or even the pace of arrivals, but surely there cannot but be a consensus on the facts of a shortage and a rise in prices as such. But, curiously enough, we hear responsible people, e.g. our eminent co-operators and veteran trade union leaders, arguing that there is no shortage and that it is all artificial and so on. Similarly, even after a central minister has stated on the floor of Parliament that the prevailing cotton prices are almost double the support prices recommended by the Agricultural Prices Commission, there are those whose heart goes out to the poor growers that continue to argue that the cotton grower is still not getting an adequate price. As for damage to crops and rate of arrivals, there is discrepancy between what the chief minister of a state says and what one of his own cabinet ministers has to say. And the confusion is worse confounded by the statistics that are bandied about by everybody. Cotton estimates are compiled by the trade, the industry and the government, but no two of them agree, so that it is difficult to repudiate the charge that the devil quotes its own scripture. This is really a sad state of affairs.

Now, let us proceed on the basis of official statistics and examine what the present cotton position is like. According to what Mr L.N. Mishra, Minister of Foreign Trade, told the Rajya Sabha on November 26, the current estimate is of the order of 57.0 lakh

bales and it is difficult to forecast at this stage, what would be the size of the crop ultimately. This caution is understandable, because, as Mr Radhakrishna Ruia, Chairman of the Indian Cotton Mills' Federation (ICMF), had told pressmen a day earlier, much will depend on weather in Gujarat, Maharashtra, Mysore and Tamil Nadu till the crop actually reaches the markets. However, as he also added, the chances of any increase in the size of the crop in the coming months are slender. Mr Mishra, it must be added, also recalled the earlier estimate, namely 62.0 lakh bales, as against 56.50 lakh bales last year.

Referring to arrivals of cotton, Mr Mishra stated: "The arrivals of crop into the market are also reported to be smaller than in the preceding years. The result is that there has been pressure on the available supplies of cotton." Mr Y.J. Mohite, Minister for Co-operation, Maharashtra, however, asserted that not only would cotton production be higher this year by at least one lakh bales more than last year, arrivals into the market also were better compared to last year. Actual arrivals in the third and fourth weeks of October during the current season, he said, were 15,741 quintals and 18,471 quintals, against 599 quintals and 4,012 quintals, respectively, during the corresponding period last year. Similarly, he went on to add, arrivals in the first and second

weeks of November this year were 31,441 quintals and 50,271 quintals, against 24,359 quintals and 25,923 quintals, respectively, in the corresponding weeks of 1969. But this is not only contrary to the impression given by Mr V.P. Naik, Maharashtra's Chief Minister, but also to the view expressed by the ICMF. Mr Ruia attributed the steep rise in cotton prices primarily to "the poor arrivals of the new crop cotton into the market due to damage suffered by the crop in parts of Maharashtra" and also the "delay in the movement of the crop by a few weeks due to heavy rains."

Without going into the accuracy or otherwise of any figures, whether official or trade, it is possible for anyone who is reasonably impartial to accept the following features of the prevailing cotton situation:

First, there has been a sharp reduction in the total crop estimate from 61-62 lakh bales to 55-57 lakh bales.

Delay in Arrivals

Secondly, there has been some delay in arrivals of both indigenous cotton and foreign cotton. According to the ICMF, so far (i.e. from September 1 to October 31) imports of foreign cotton have been only 36,204 bales, as against 1,84,654 bales for the same period in 1969, and, therefore there has been an unprecedented pressure on the available supplies of cotton.

Thirdly, mill consumption of cotton in this season has increased over the last season's level to judge from the rise of 3.5 per cent in the production of cotton yarn for the first nine months of 1970 over the figure for the corresponding period of 1969. (The ICMF puts the current cotton consumption rate by the mills at an average monthly figure of 5,37,000 bales, as against 5,13,000 bales a month in 1969).

Finally, there has been a spectacular rise in cotton prices. In the last 12 months, the price of L-147, for example, has shot up from Rs 1,710 per candy to

COTTON PRICE (RS PER CANDY EX-BOMBAY)

Cotton variety	November 1968	November 1969	26-7-'70 (Last week of Sept.)	Latest available 24-11-1970
Kalyan 197/3	1250	1410	1730	2120—
Khandesh	1350	1565	1865	2320
Digvijay	1660	1815	2040	2540
L-147 (CP)	1620	1710	2025	2720
Nagar Co 2	2190	2310	2225	2750
Bengal deshi	1280	1395	1115	1410

Rs 2,720. Similar is the case with other varieties, as shown in table on page 1019.

If, as shown in the table, there has been a sizable fall in total available supplies and a sharp rise in prices, any shrewd cotton mill would naturally want to make sure of its supplies, especially as a hedge against orders already booked, whether domestic or foreign. This is common prudence expected of any mill management which cares for its commitments to customers, both Indian and foreign, and obligations to shareholders. This explains the statement of Mr Mishra that "some of the mills have made 'rush' purchases" and the allegation against even the National Textile Corporation denied, though, by its chairman, Mr S.K. Vasavada, of heavy cotton purchases for the government-run mills and co-operative mills. But it is forgotten that mills, in whatever sector they may be, have to have cotton supplies enough to keep going for at least a couple of months and, more than this, have to go on replenishing stocks of those qualities which they may have run short of at whatever the ruling price may be. If mills must not close but, at the same time, nothing is done to ensure supplies of raw material to them, they can only answer the description of the industry in Mr Laxman's cartoon in the *Times of India* of November 29, namely that it is "working but not producing anything".

This apart, there must be a fair correlation between the prices of cotton and other inputs and the final ex-mill prices, not to speak of the prices ultimately payable by the consumer. Whenever cotton mills say they are short of the raw material — cotton — or complain of high prices of cotton, the tendency in certain quarters would appear to be always to react more or less in the same way.

Puerile Arguments

Thus, it is argued that mills threaten to close because, thereby, they would be able to accumulate cotton and bide their time till cotton prices go down to exploit the grower (exactly the reverse is imputed when prices go up — and mills are blamed for having "rushed" to purchase). Another argument is that, although cotton is the principal raw material, its impact on price of cloth is really not as much as one may presume. A third argument (of growers' interests, not shared, of course by workers' interests and government too, for obvious reasons), is that the real burden is not so much on account of cotton prices as of the exorbitant labour cost and high incidence of taxation.

These reactions, however, lead one

nowhere. What is necessary is prompt action along lines that have become too familiar, if not stale, by frequent repetition in the press, on the floor of Parliament and at news conferences convened by the concerned interests. Had the mills not threatened to close down, as they were perforce driven to, we are not sure that the authorities would have decided to raise cotton imports from 8.25 lakh bales to 13 lakh bales and expedited the pace of imports, which have been woefully lagging behind schedule. In this context, the following assurance of Mr Mishra is to be welcomed:

"The cotton situation needs to be corrected and government is giving careful consideration to the formulation of measures necessary to assure adequate supplies of cotton at reasonable prices to all mills so that the objectives of maintaining export, adequate supplies of yarn and cloth to the consumer and maintaining employment are achieved."

Of course, as is always the case with government, the minister did not spell out the measures, except to assure supplies to mills and to safeguard the interest of the cotton grower. But it is noteworthy that he took note of the action being considered by the cotton mill industry. There was no need for him, though, to tell the mills that a certain amount of discipline in cotton

purchases by the mills would go a long way to relieve the present situation. For, the industry has ere now called for a voluntary cut by each mill in the consumption of cotton and fibres. He must, however, disabuse co-operative fadists such as Mr Mohite and Mr L.B. Bhokre of the Vidarbha Co-operative Marketing Society Ltd, Amravati, that whenever mills exercise such restraint, they do not do so only to bring down the prices of cotton.

While we are glad to hear from Mr. Mishra that "government is deeply concerned about the current cotton situation", we fail to appreciate the stand he is reported to have taken in regard to the question of revision of cloth prices. We are aware government is in a position to rule out any rise in prices of the controlled varieties of cloth, although these have remained unchanged since April 1967 (save for the *ad hoc* increase of two per cent allowed in May, 1968), but to say in advance, after having referred the demand for a rise in cloth prices to the Bureau of Industrial Costs and Prices, that government is not bound by its findings and will not allow any rise in cloth prices even if such be recommended, is an uncalled for insult to the Bureau, however laudable it may be, or perhaps was intended to be, as an anti-inflationary stance.

Frenzied Thoughts Under Mushroom Cloud

KRISHNA CHAITANYA

THE EARTH had been rendered unlivable by a biological, chemical and nuclear war, started inadvertently by the push of a button during a momentary panic.

Therefore, those who had been responsible for the uncritical acceptance of button-pushing solutions had to be hauled up before Olympian judges presiding in some celestial region by Socrates who concluded his prosecution thus. "In short, immortal judges, would you, or would you not, declare that quite a few psychologists — with no terminology at all to represent better than average personalities — added what influence they had to the general trend of denigration which reduced man's image of himself to the point of no revival, stripping it of genuine potentiality for creative change, the only ground there was for hope that people could do anything but what they did actually do?"

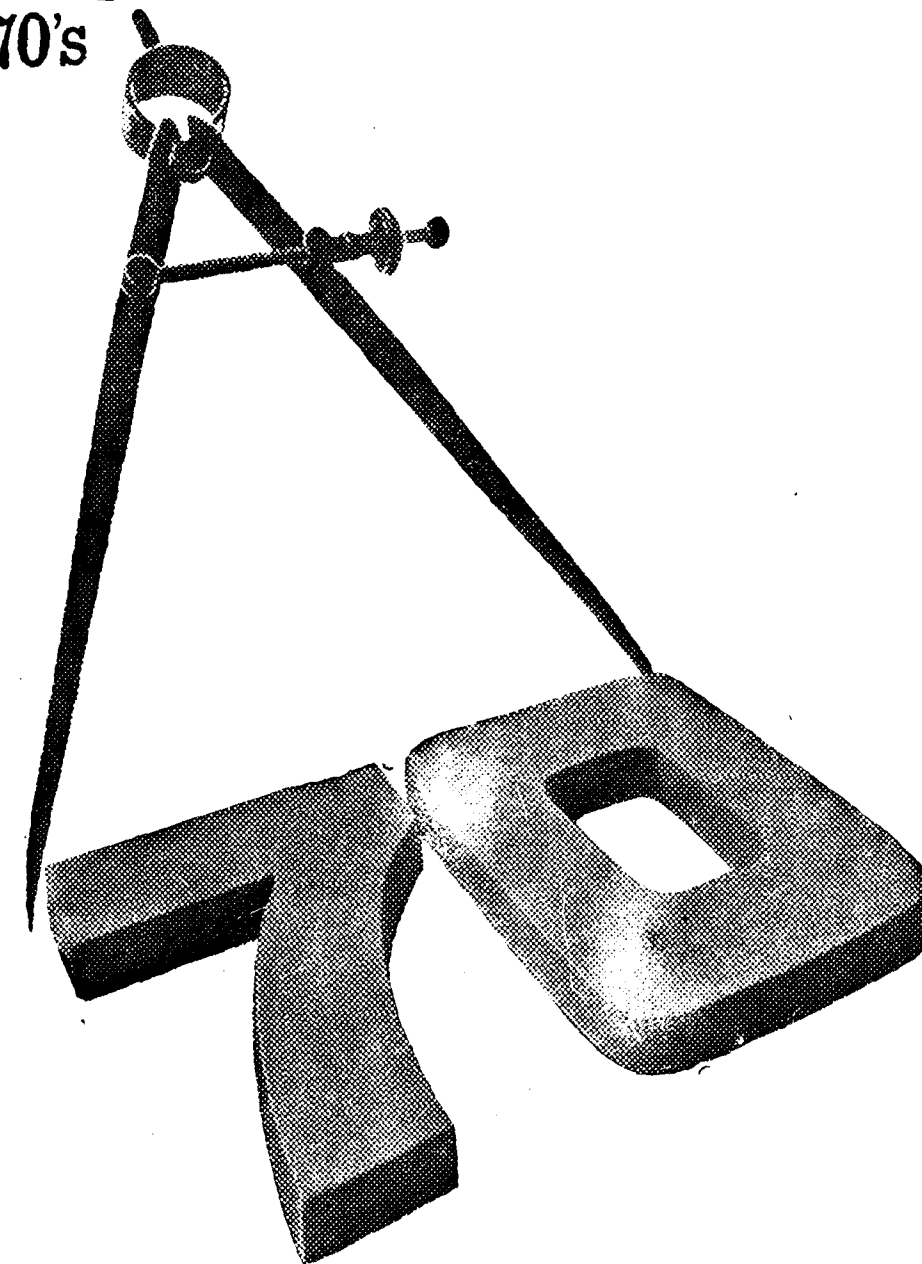
The man who reported the trial was Henry A. Murray, a scientist who has managed simultaneously to be a great humanist too and he reported it in his

address before the International Congress of Applied Psychology in Copenhagen in 1961.

One could wish that at least some of the over three dozen participants in the Simla Institute of Advanced Study Seminar (1968) the proceedings of which have now been published in a handsome volume entitled *Man, Science and Society* edited by Arabinda Poddar (Simla, 1970; Pp. 404; Rs 50) had noticed this profoundly meaningful fantasy by Murray. For it brilliantly summarises the predicament of man in the scientific age facing annihilation in a nuclear holocaust, traces the predicament to the erosion by science of the dignity of man and hints that if psychology is the spearhead of the attack on the concept of an integrated self, back of it is the entire corpus of physical sciences. The denigration of man as a machine emerged after the capture of the physical sciences by the mechanistic world view and the extension of the conquest to psychology.

Several participants have dwelt, and rightly, on the loss of an integral pers-

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GOOD FOR WEAR ROUND THE YEAR

pective due to the proliferating specialisation in science; and liberally quoted men like Oppenheimer and Ortega y Gasset on the subject. And it is, presumably, to contribute to the elucidation of possible remedies that the Seminar was organised. The caution extended by Hans Kayser, among the foremost of contemporary thinkers who have tried to heal the "two cultures" dichotomy resignedly accepted by C.P. Snow, and to forge a synthesis of the quantitative analysis of science and the qualitative analysis of the humanities, would have been very useful in planning the Seminar, if somebody had noticed it. When the University of Geneva introduced "General Courses" as an antidote against the extreme specialisations (which have their compulsions too), Kayser wrote, "If one removes the cream from all departments, pours it into the churn of such 'general courses' and makes a kind of university butter out of it, it may amount to an interesting and welcome attempt at providing spiritual nourishment. Towards real healing of the evils of excessive specialisation, however, little is gained. This must come not from without but from within, through discovery and investigation of those forms and prototypes which are common to all sciences, through a sensible relation of these forms with the soul, that is, with the ethical realm of man, and through a humanitarian realization of the knowledge won thereby."

Breakdown Inevitable

If the reference to the soul is repugnant to the scientifically sophisticated, we can substitute it by the self and follow the lead given by Bronowski. In an important paper, he starts with Godel's Theorem (1931) as a foundation, shows that breakdown is inevitable for all closed systems of knowledge. The only remedy, in such breakdowns, is for the user of the system to go back into himself and discover a new principle to add to the system, in order to restore it to working condition. Only this act of *self-reference*, as Bronowski names it, can salvage science from its periodic decay into scientism.

In the introduction to the Seminar volume, General Editor Dr Nihar-ranjan Ray says, "A directionless cultivation of science and technology in India is not to be desired." Since the future of India was thus a prime concern in organising the Seminar, the past of India could have been searched for possible clues for guidance. Science is a creation of the mind of man; therefore, as Ortega categorically stated, "no one can sensibly let physics exercise retro-active effects on the definition of that reality which is beyond doubt." India had intuitively or consciously adopted this as a kind of selection rule for choos-

ing between alternative theories in her exploration of reality. The quest of the Upanishadic thinkers in India began with this query, "What is that by knowing which everything in this universe is known?" If the final answer was in terms of the immaterial self, the Upanishads did integrate material evolution in their answer. The Brihad Aranyaka like Thales of Ionia, regards water as the primordial element; the Chhandogya, like Anaximenes, opts for air; the Katha, like Heraclitus, selects fire.

Anticipating the geometro-dynamism of Schrodinger, the Chhandogya in another place regards space as the primordium of the material world. What is important is the recognition that matter has evolutionary capacity. The Kausitaki progressively identifies Prana, originally air, a form of matter, with life from the biological, consciousness from the psychological and the self from the ontological points of view. But to Galileo, the particle of matter, the brick of the universe, was a mass whose motions were determined by external force, not a potential being whose behaviour was self-determined.

There are many papers on ancillary themes in the volume which would have fallen into pattern if the fundamental approach had been clarified on the above lines. For the authenticity of all values — art, religion, ethics, social justice in the scientific exploitation of

nature — depends on the authenticity of the self; it will collapse utterly if the self is a machine in disguise, if thought is the meaningless squeak of the world machine.

The Institute is nevertheless to be congratulated on focussing attention on the fundamental problem of our times. This first effort has to be followed up. And here, perhaps, close association with organisations like the Center for Integrative Education, New York, would greatly help. The Center, rather unusually unaffluent for American foundations, has been working on these problems for over quarter of a century, and is headed by men like Margenau and F.L. Kunz. Kunz, who believes that the Nyaya-Vaisesika system of Indian philosophy has perceptions which will be profoundly valuable for the reconstruction of a sane scientific attitude, has evolved educational aids and curricular material that can be introduced at school and college levels. His last visit to India, in 1968, was not as fruitful as it should have been, because the institutions he contacted failed in follow-up programmes. But, indefatigable at eighty, he intends to try again and has an invitation from the University Grants Commission to visit India this winter. We should use the occasion for initiating a traffic in light which will be more valuable over the long-term than traffic in PL-480 merchandise.

RECORDS AND STATISTICS

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FROM THE PRESS GALLERY

Focus on Steel

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

THE CURRENT acute shortage of steel came under sharp focus in the Rajya Sabha this week. During a short discussion, some leftist members assailed the government for decontrolling this commodity and expressed the view that decontrol had benefited only the unscrupulous among traders. Several others, including Mr Babubhai Chinai (Congress-O), however, felt that what was needed was encouragement to production, if necessary through liberalisation of the industrial policy resolution. They vehemently criticised the performance of the public sector steel plants.

Intervening in the discussion, the Deputy Minister for Steel and Heavy Engineering, Mr Mohammed Shafi Qureshi, opined that the current shortage of steel was primarily due to the fast emergence of the economy from the recent recession. He, however, conceded that production also left much to be desired. The main causes for the steel plants not working to full capacity, Mr Qureshi thought, were some technological difficulties and labour trouble. The major problem at Bhilai, he stressed, was the non-availability in adequate quantities of refractories of suitable quality. At Rourkela, production to the rated capacity could not be achieved because of such problems as the conversion from dolomite to lime-burning kilns. At TISCO, there was need to replace the old coke-oven batteries. Labour trouble was the main cause of setback to production both at Durgapur and IISCO works. At Durgapur, there were also technical hurdles. He, however, assured the House that remedial measures were underway to ensure that all the steel plants reached their rated capacities expeditiously.

Rapid Expansion

In view of the rapidly growing requirements, Mr Qureshi pointed out, it had been decided by the government that steel production should be expanded by two million tonnes every alternate year.

With a view to rationalising distribution at the present juncture, the Deputy Minister announced that the scarce categories of steel would be made available to all, including the government, defence services, export industries, engineering units and small consumers, from stockyards of mills on a quota

basis. The requirements of house-builders too would be met from the stockyards. The distribution of steel, Mr Qureshi revealed, had now been made more consumer-oriented than hitherto. Although the normal channels of trade would not be closed altogether, traders in future would be given only small quantities so that nobody would be able to take advantages of shortages. The steel mills' stockyards, now numbering 30, the Deputy Minister disclosed, would be increased to cover all states. As regards meeting the requirements of re-rolling works, Mr Qureshi stated that in future the discrimination between the small and the big re-rollers would be eliminated.

The crisis in the textile industry again figured very prominently in the Lok Sabha this week. There were heated exchanges between the leader of the CPI, Mr S.A. Dange, and the Congress-O member, Mr K. Bajaj. Mr Dange held out the threat that if cotton mills resorted to any block closure as contemplated by them, or even to staggering of production as suggested by some, the eight lakh textile workers would start a "virulent agitation" to take possession of textile mills. Mr Bajaj, on the other hand, pointed out that nearly three lakh people would become unemployed if the government monopolised cotton trade. An independent member, Mr R.K. Birla, wondered with what magic the Minister for Foreign Trade, Mr L.N. Mishra, would make the mills work when cotton was not available.

"Rush" Purchases

Mr Mishra expressed the view that there was no justification for any block closure of mills as the government was taking measures to ensure adequate supply of cotton. He felt that although there had been some setback to production due to damage to crop in Maharashtra, Madhya Pradesh and certain other areas, with the result that the current estimate of the crop was around 57 lakhs bales, as against the earlier estimate of 62 lakhs bales, the "rush" purchases by some mills had been to a great extent responsible for the scarcity of cotton. He hinted that the government was contemplating asking mills not to retain cotton for more than a certain period. He, however, did not disclose the period which the government had in view.

The Minister for Finance, Mr Y.B. Chavan, this week gave a glimpse of

the government's strategy with regard to fixation of ceiling on incomes. During a discussion raised on the subject in the Lok Sabha by Mr S.C. Jha (SSP), Mr Chavan observed that the government had accepted in principle that ceiling should be imposed on incomes. The strategy which would have to be followed, he said, included the levelling up of those with low incomes and a "very effective restraint on incomes of the upper classes". Mr Chavan further stated that through its taxation policy, the government had already initiated certain measures to check abnormal growth of income in a few hands.

Ceiling on Land Holding

In regard to ceiling on land possession, Mr Chavan said that the government had accepted that the family would have to be the unit instead of an individual. Giving any retrospective effect to this decision, he however felt, would not be administratively possible.

Mr Chavan also stressed that government's policy was to restrict ostentatious expenditure by people. This, he stressed, was one of the tenets of the taxation policy being followed at present.

About the causes of inequalities of incomes, Mr Chavan felt that the genesis lay in the ownership of property. The government, he emphasised, had therefore to take cognizance of this fact while drawing up the strategy of subjecting incomes to a ceiling.

With a view to putting a ceiling on urban incomes, Mr Chavan said, a draft bill prepared by the union government had been circulated to the states, as constitutionally the matter was within the exclusive sphere of the state governments. Some state governments had made known to the centre their reactions to this draft bill. Others were expected to do so in course of time.

The Minister for Industrial Development and Internal Trade, Mr Dinesh Singh, hinted in the Rajya Sabha that the government would allow greater autonomy to public sector units. A cell, he said, was being set up in his ministry to examine how decentralisation could be brought about in the working of the public sector units under the charge of his ministry so that they could function more efficiently. This cell would assist managements locally. Mr Dinesh Singh conceded that industrial output, as reflected by the index number for industrial production, had shown an increase of only 5.8 per cent during the first six months of the current calendar year, as against 6.4 per cent during 1968 and 7.1 per cent in 1969. He, however, emphasised that the small-scale

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sector had registered a rapid and sizable growth in the recent years; the Reserve Bank, in a recent review, he pointed out, had assessed the growth in the small-scale sector during 1969-70 at 11.2 per cent as compared to the previous year. Another point that needed to be properly appreciated while assessing industrial growth, the minister stressed, was that the index was based on the production pattern in 1960. The production pattern, he expressed the view, had changed materially during the past decade.

In a statement made in the Rajya Sabha, the Deputy Minister for Industrial Development, Mr M.R. Krishna, revealed that there had been a "moderate improvement" in the growth of employment during 1968-69 and in the subsequent year. In fact, in 1969-70 the employment growth rate in the organised sector, Mr Krishna said, "was the highest since 1965". In 1966-67 growth of employment, the Deputy Minister observed, was 0.8 per cent. It fell to 0.1 per cent in 1967-68. In 1968-69 it rose to 1.9 per cent. During the last financial year, it was estimated around 2.4 per cent. While the growth in employment in the public sector in 1969-70 continued to be at about the previous year's percentage of 2.3, the growth in the private sector showed an improvement to 2.6 per cent from 1.2 per cent in 1968-69.

Favourable Climate

Mr Krishna further stated that the government believed that a "favourable climate existed at present for new investment and growth". The domestic demand, he said, was increasing rapidly. Infrastructure facilities had been augmented and licensing of new industrial units as well as the availability of credit had been liberalised.

All these facts and figures, however, failed to impress many members of the House who emphasised that the rate of growth fell far short of expectations. These critics drew pointed attention to the difficult position of foreign exchange and technical know-how and argued that these two factors were holding up industrial expansion.

The Minister for Petroleum, Chemicals, Mines and Metals, Dr Triguna Sen, confirmed in the Rajya Sabha that two private oil companies — Burmah-Shell and Caltex — and the suppliers of crude oil to one public sector company — Cochin refinery — had asked for increase in the price of crude following a raise from 50 to 55 per cent in the taxation on oil in Iran. While the private companies, he said, had asked for an increase of seven cents per barrel — from \$ 1.28 to \$ 1.35 a barrel —

with effect from December 1, he did not disclose the rise in prices asked by the suppliers to the Cochin refinery. In the case of the Cochin refinery, the minister further stated, there was a specific clause in the crude oil supply contract between the Indian Oil Corporation and the CFP of France for an escalation in the crude price if taxation was stepped up. Since the stepping up of taxation by Iran was a confirmed fact, the union government, Dr Sen said, was examining the position from "every angle" to ascertain the extent to which an increase in the crude prices would be necessitated following the decision of the Iranian government. No final decision, however, had been taken on the issue.

Refining Capacity

The Minister of State for Petroleum and Chemicals, Mr D.R. Chavan, denied in the Rajya Sabha the charge of some leftist members that the private oil companies had surreptitiously increased their refining capacity. These companies, he said, had done this with government's approval when the country was in dire need of petroleum products after the Chinese aggression in 1962 and the state-owned refineries had still to go into production.

Two important bills were adopted by the Lok Sabha this week. These were: (i) the Architects Bill which sought to regulate the profession of architect; and (ii) the Salaries and Allowances of Officers of Parliament (Amendment) Bill which aimed at extending the period for which an officer of Parliament (i.e. the Chairman or the Deputy Chairman of the Rajya Sabha or the Speaker or the Deputy Speaker of the Lok Sabha) or his family could use the official residence without payment of rent to one month, as against 15 days at present.

In the case of the death of an officer, the family of the deceased, however, would be allowed to retain the premises for two months — for one month on rent-free basis and for the second month on rent at prescribed rates.

The Rajya Sabha gave its approval to a bill seeking to extend certain central labour laws — the Workmen's Compensation Act, the Payment of Wages Act, the Payment of Bonus Act, the Employees State Insurance Act, Factories Act, etc. — to Jammu and Kashmir.

Supplementary Demands

Nine supplementary demands for grants for railways totalling Rs 36,15,48,000, were presented to Parliament this week. These comprised Rs 36,15,40,000 for payment of interim relief to the staff sanctioned with effect from March 1, 1970, on the basis of the recommendations of the third Pay Commission and Rs 8,000 as "token amount for new surveys and works. The total impact of interim relief aggregates to Rs 41.28 crores. It is expected that it would be possible to find the balance of Rs 5.13 crores from the grants already sanctioned by Parliament. The new surveys and works proposed to be taken up are intended to provide among other things railway facilities, including marshalling and exchange yards, for steel plants at Salem, Hospet and Visakhapatnam; final location survey for Diva-Bassein Road, new line between central and western railways; doubling of 41 kilometres on Agra Jhansi section and 52 kilometres on Jhansi-Bina section of the Grand Trunk route of the central railway; and doubling of the track between Mustabada-Vatlur and Denduluru-Tadepalligudem on Vijayawada-Nidadavolu section of the South Central Railway.

Eastern Economist 25 Years Ago

DECEMBER 14, 1945

The criticism has often been made that our system of education is too academic and divorced from the real needs of the country. The view has now been endorsed by a Committee set up by Government of India to suggest the lines on which the reorganization of agricultural education in India should proceed. The Committee, which was headed by Sir V.T. Krishnamachari, and included among its members men of the eminence of Dr. Sargent, Sir Pheroze Khareghat and Dr Sam Higginbottom, has complained of the inadequate provision made for agricultural education in the country especially the niggardly provision for research, and an even greater neglect of the needs of prac-

tical farmers. Besides the inadequacy the Committee has also expressed its dissatisfaction with the quality of training imparted at the institutions which would make it essential, in their judgment, for an agricultural graduate placed on a farm to unlearn quite a lot of what he has been taught at his college. The Committee has urged for a thorough overhaul of the present system and suggested that post-war agricultural education in India should be organized on a pyramid-like form at the base of which would be senior basic middle schools and at the apex would stand research institutions like the present Imperial Agricultural Research Institute etc.

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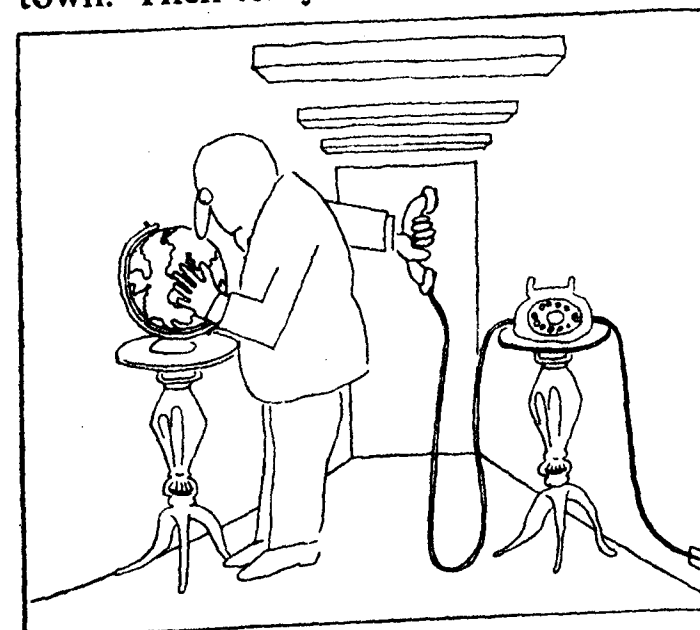
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WINDOW ON THE WORLD

Inflation : A World Scourge

JOSSLEYN HENNESSY

LONDON :

I
OECD's IMPORTANT NEW REPORT

THE OECD has just published a report, *(The Present Problem of Inflation)*. OECD, 2 rue Andre Pascal, Paris 16) which is both magisterial and readably written, on the dangers of inflation, which should be studied carefully by every government ministry concerned with finance, planning, public spending and other economic activities, by every employer and by every trades union leader in all countries.

I therefore propose this week to summarise the OECD's diagnosis and its recommendations next week.

But before doing so, I offer two general considerations on the OECD's favourable view of an incomes policy, which does not seem to me to be justified by experience.

II

ENEMY TO SOCIAL JUSTICE

European experience suggests that an attempt to replace free bargaining in the determination of incomes by some arbitrary concept of social justice stumbles against two obstacles.

The first is the psychological. When a man's earnings are settled by the objective tests of the combination of custom and circumstance, the impersonal laws of supply and demand, and his personal efforts and skill, he feels that in so far as they are superior to others, the difference is due to his own skills, while in so far as they are lower it is not his fault, but 'just the way things are'; his dissatisfactions are tolerable. If, on the other hand, a man's earnings are to be 'socially just', the test becomes man-made, subjective, open to group pressures, and he feels that, with his union to push and his constituency MP to shove, he too ought to be able to secure any higher pay 'justly' accorded to his neighbour. Failure to obtain it becomes an injustice.

The second obstacle is economic. Where full employment is pushed into over-full employment, i.e. a situation in which the government — fearful of maintaining that margin (say 2½ per cent) of capacity essential to an economy if it is to be able resiliently to

exploit new techniques and new markets as they occur — creates the credit necessary to pay every wage increase demanded regardless of what is produced in return and of the effects on costs and export prices, then inflation is inevitable. Some authorities assert that "moderate" inflation is harmless. Between 1952 and 1962, the UK, Sweden, and Denmark were inflating at about three per cent a year; Holland at 2.4 per cent. Three per cent doubles the price level every 23½ years and nearly quadruples it over a man's working life. Inflation keeps obsolescent industries or inefficient firms alive by enabling them to make inflated profits, and by allowing them to pay unjustifiably high wages it impedes the transfer of workers to expanding industries, which could justifiably pay higher wages, and slows the changes necessary for rising prosperity.

Inflation, not free wage bargaining, is the true enemy of social justice. The injustice of inflation is not, as is popularly supposed, confined to people on fixed incomes: it strikes the whole population. How can employees feel justly treated when, for reasons mostly beyond their comprehension, prices are creeping up all the time? To agitate for higher pay seems logical and just. Refusal seems illogical and unjust. So timid politicians bully timid governments into creating the further credit required. Incomes, divorced from real results, rise still higher and buy still less. Social injustice is maximised.

It is true that the maintenance of currency stability requires a margin of slack in the economy. This margin can, however, be minimised by encouraging labour mobility by generous redundancy and rehabilitation schemes. It is precisely this margin which ensures that a stable currency provides a measuring rod of real values, which, in turn, promotes the realistic allocation of capital and labour, which speeds the change and growth that keeps employment full, and enables incomes to rise in accordance with the results obtained or the demand for the services offered. Social justice is maximised.

III

NEW CAUSES OF INFLATION

The general price level will have risen this year by at least five per cent in most OECD countries; this is more than double the average in the early 1960s.

And, for the first time in a decade, prices in world trade have been rising as fast as the general domestic price level.

The generalised nature of price increases in the recent past resulted from a combination of factors. There has been an unusual coincidence of exceptionally strong booms in Japan, West Germany and many smaller countries with, until recently, an accelerating price rise in North America and the UK, despite easing demand pressures. In addition, labour unrest culminated in explosive wage increases in France in 1968 and in Italy in 1969, although in both countries there was some margin of slack at the time. Other influences can be traced to the price raising and asymmetrical impact of parity changes and the steep rise of world commodity prices. Perhaps the most interesting feature of the last two or three years — and also the most worrying — is that there has been noticeably more synchronisation in price movements than in demand conditions.

Signs of Slowdown

Some signs of a slowdown in price rises are now emerging and some improvement is expected over the next 12 months. But there are also disquieting signs that the problem of inflation may have got worse in the sense that, where traditional restrictive policies have been applied, the effect on prices has been less rapid and less lasting than in the past. Several European countries have experienced a "wage explosion"; and in the US and elsewhere it is an open question whether, when a normal growth rate is resumed after the cooling off, price rises may not accelerate again more quickly than expected.

Looking further ahead, there are additional reasons for believing that the problem of maintaining reasonable price stability in the OECD area may become more difficult. During the early 1960s, the excellent price performance of the USA had a wide dampening effect on inflationary expectations throughout the area. It may not be easy for the USA to achieve in the 1970s the degree of price stability which, in the past, was associated with an undesirable high level of unemployment. If so, other countries will have to be prepared to shoulder a larger share of the responsibility for price stability.

Secondly, the recent behaviour of world trade prices may, to some extent, be evidence of a secular change. From now on, there may be somewhat less stabilising influence from the sharp price competition associated with the opening up of new markets and the

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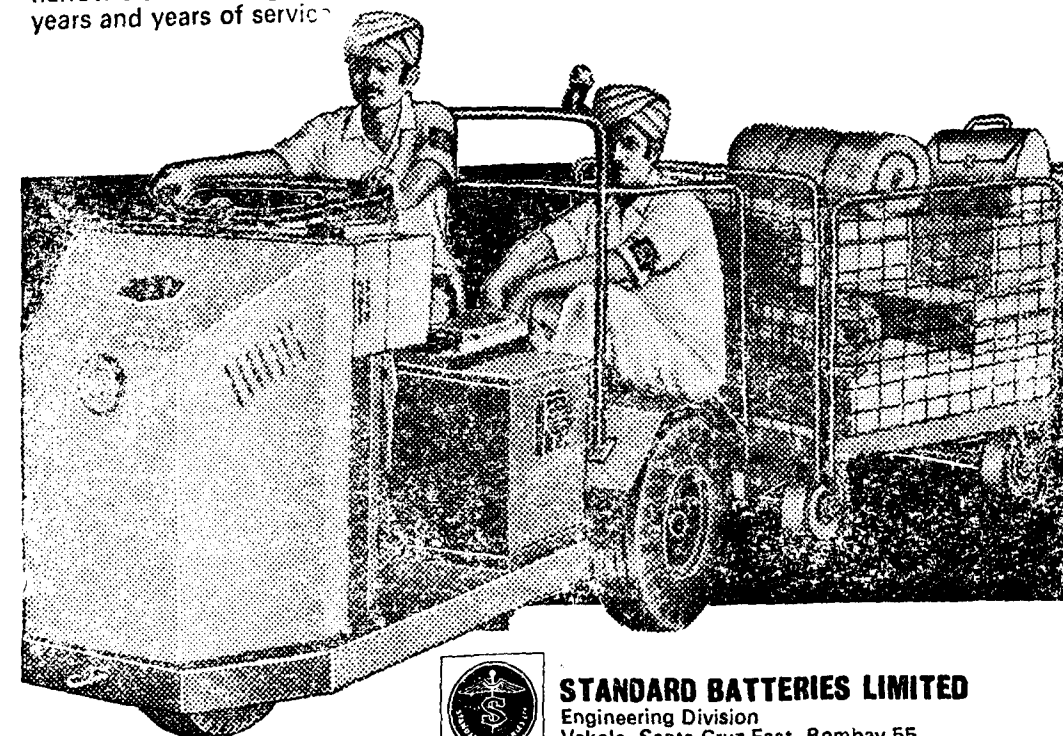
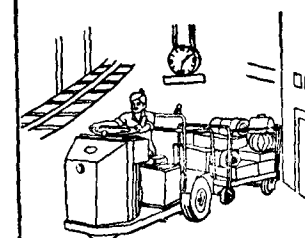
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THE FERTILIZER CORPORATION OF INDIA LIMITED

internationalisation of OECD economies over the last two decades. Finally, it is now clear that the existence of "islands of stability" outside the USA has been a valuable restraint on price increases elsewhere.

There may well be a qualitative, as well as a quantitative, difference between the pace of inflation recently experienced, and the one to two per cent rise in GNP deflators, sometimes regarded as an inevitable and acceptable price to pay for high employment and rapid growth. When the general price level is rising by five per cent or more, prices go up even in industries and enterprises where productivity gains are well above the average. Under these conditions, everyone is likely to become much more conscious of inflation. There is a general feeling of insecurity, and everyone tries to "get in first" with their wage claims. This increase in inflationary expectations is clear in the acceleration in the collective bargaining cycle, the swelling demands for wage and other kinds of indexation, and the persistence of historically high interest rates. Inflation feeds on itself and unless and until people become convinced that over the longer run prices are going to be significantly more stable than in the recent past, the danger is that the process will gradually accelerate.

Genesis of Inflation

The problem of inflation today arises in part from the successes of post-war economic policies in other directions — notably in achieving high levels of employment. Paradoxically, as one country after another has demonstrated its ability to avoid a serious recession, the task of controlling overall demand has become increasingly more difficult. As fears of recession have receded, the response to restrictive monetary and fiscal policies has become less rapid and less marked. Consumers have become both more able and more ready to let their savings rate drop temporarily; businessmen less inclined to cut back investment plans. As a result, there has been a consistent tendency to under-estimate the buoyancy and resilience of private demand on the part of national authorities and outside observers.

These developments are neither new nor unforeseen. Recognition that attempts to steer overall demand in the narrow band of "full employment" might not — even if successful — be enough to ensure reasonable price stability, lies behind the efforts that most countries have made over the last decade to elaborate a price-incomes policy. It is not surprising that the results have been disappointing. An effective price-incomes policy implies

that consideration of the common interest has been injected into individual wage and price decisions; i.e. that employers and unions are taking different decisions than they would have done if left to themselves. The OECD seems to me here to be saying in more guarded words what I said bluntly in my introductory remarks.

Does Inflation Matter?

The desire to enjoy rapid economic growth, coupled with the difficulty of reconciling it with price stability, raises the question: How much does inflation matter? The traditional arguments against inflation are that it will inevitably lead to recession, and is a major source of economic inefficiency and social injustice. These arguments, the OECD thinks, may be in need of some revision. A major recession would no longer be a *deus ex machina*, but could only result from miscalculation or a deliberate act of government. Indeed, the problem of inflation today arises precisely because, when faced with a choice, governments hesitate to give a high priority to price stability.

Some also argue that postwar experience shows that an economy can learn to live with moderate inflation. Contractual arrangements between borrowers and lenders, and in other economic transactions, can be modified to mitigate the adverse economic effects, and many individuals and groups can find ways of protecting themselves against rising prices. This argument overlooks the dynamics of inflation. These institutional arrangements, which effectively pass the burden of price increases to others, make inflation increasingly more difficult to control. At the same time, it takes a long time before interest rates, contractual arrangements, pension schemes, etc., catch up with a given rate of inflation. The lags are as long as 5, 10, or even 20 years, and thus there will always be distortions and injustices, the more so if the rates of interest generally lag behind the price rise, thus stimulating excessive indebtedness and inefficient allocation of resources. Further with high rates of inflation there must be much uncertainty as to what exactly the price rise is likely to be over a number of years, and this uncertainty will distort and inhibit long-run lending and investment decisions.

It would therefore be wrong to conclude that because the economic costs of inflation in the past have not been readily apparent, they could not quickly become considerable if the gradual but inexorable rise in inflationary expectations were to continue.

The social and political consequences of continuing inflation must also cause grave concern. They are not easy to

pin down because the impact of inflation on individuals and groups is haphazard. Also, under inflation income gains and the accumulation of wealth often appear to result not from work or sacrifice, but from ingenuity and the exercise of economic and political power and influence. Resentment against inflation is incoherent and diffused through the community. It therefore tends to strengthen other forces making for disenchantment with government and existing political parties.

Further, the adverse consequences of inflation in the OECD area for the developing countries cannot be ignored. The impact of inflation and high interest rates on the net foreign exchange earnings of the developing countries, and on the value of aid and the cost of borrowing in real terms, is difficult to assess. But it is clear that successive periods of over-expansion, followed by contraction; in the industrialised countries, complicate the task of economic planning in developing countries. And it is evident that the volume and quality of development aid has suffered, because donors have so often been pre-occupied by domestic inflation, and consequent balance of payments and budgetary difficulties.

To sum up, the essence of the problem today is that the cumulative economic, social and political consequences of inflation, which up to now some may have regarded as tolerable, could begin to build up quickly. Further, the relation between inflation as the cause, and its effects — growing distortion, friction and discontent — may not be either clearly or immediately apparent to large sections of public opinion. This is why such a heavy responsibility lies on informed opinion to explain and publicise the dangers in the present situation, and the urgent need to ensure price stability.

IV

WHAT CAN BE DONE?

For these reasons, the OECD considers that determined efforts should be made to develop a new approach to inflation. There are two general points of importance:—

I. In present circumstances, a concerted attack on the problem is required. A characteristic feature of the last 18 months has been the way inflation has been transmitted from country to country via foreign trade, capital movements and the spread of inflationary expectations. Successful action in any country — particularly if it is a major country — will contribute to the efforts being made elsewhere.

II. There is no single or simple panacea. What is needed is a global approach in each country, covering

not only firm demand management, price-incomes policies, active manpower policies and competitive policy, but also intensified efforts to identify and eliminate inefficiency and waste throughout the private sector and, above all, the public sector.

The best balance between the different elements of an anti-inflationary programme no doubt varies to some extent between countries and depends on circumstances, institutions and political attitudes. But the need for a global approach implies that countries giving primary emphasis to restrictive fiscal and monetary policies would probably be ill-advised to ignore or rule out the possible need for some direct approach to prices and incomes, if demand management policies prove less effective than expected. Similarly, countries more prepared to take a tough line on prices and incomes should be fully aware of the difficulties involved; and that the avoidance of excess demand is certainly one of the fundamental prerequisites for success. All countries should continue, and intensify, their manpower and other structural adaptation policies aimed at evening out demand pressures and easing supply bottlenecks. And all countries could emphasise

positive price policy through the whole range of government activities along the lines to be discussed in the next article.

Giving higher priority to price stability means giving a lower priority to something else. Over the longer run this need not necessarily be a lower priority to economic growth and employment — although in some countries this may temporarily have to be so. What is often overlooked is how, today, when the primary problem is inflation, so many institutions and attitudes have been carried over from the past when conditions were different. Too many governments and trade unions still think in terms of protecting production and employment regardless of costs and prices. Too many still regard imports as unwelcome; and there is tendency to yield to requests from special groups whose existence is no longer justified under conditions of full employment and rapid growth. It is particularly in these areas that political courage is required, and where it should be possible to give a higher priority to price stability.

In the next article (in the January 1, 1971 issue) I shall summarise the OECD's recommendations for action.

Dollars, Gold and Special Drawing Rights

WASHINGTON:

JUST A few years ago, concern was being expressed in a number of places over the possibility of a "loss of confidence" in the US dollar. A "loss of confidence," many people feared, might lead to a sudden rush to exchange dollars for gold, causing great confusion and disruption in money market and trade. Today, most experts are convinced that there is no longer any reason to fear such a sequence of events.

For one thing, the "confidence" problem that may have been arose only because some people thought the United States might be persuaded to raise the dollar price of gold by a substantial amount. If the price of gold were going to go up, holders of dollars could profit by using them to buy gold just before the price changed — just as speculators in any other commodity can make profits by buying at the right time.

However, a number of reforms have been made in the international monetary system in recent years, and these reforms greatly reduce the possibility of any rise in gold prices in the near future.

Special Drawing Rights — a new kind of asset created by agreement among members of the International Monetary Fund — are now taking their place alongside gold, dollars, and some other currencies as components of the inter-

national reserves maintained by national monetary authorities. The availability of Special Drawing Rights (SDRs) reduces the competition among nations for other types of reserve assets.

Before the creation of the SDR System, a small minority of experts had argued that the best solution to the shortage of international reserves would be to double the price of gold. This act would immediately double the value of gold reserves and would be particularly favourable to the few countries that hold a large fraction of their international reserves in the form of gold rather than foreign currency.

The SDR System has effectively countered this argument, since SDRs can be created by agreement among International Monetary Fund members in quantities sufficient to maintain a desirable level of total international reserves. SDRs do not depend on the amount of new gold mined or its price on world markets.

In addition to the SDR innovation, monetary authorities have also agreed to maintain the price of gold at 35 dollars an ounce for official monetary transactions among themselves, while the gold price is allowed to fluctuate in response to industrial and speculative demands on a separate private market.

Creation of this "two-tier" market

for gold and subsequent agreements concerning sales of newly mined South African gold have further lessened the pressures for an increase in the official monetary price for gold.

A few non-government experts continue to advocate a change in the dollar price of gold in conjunction with a general realignment of exchange rates between the dollar and other currencies.

Government and central bank officials in the United States have consistently rejected the idea. In the first place, a unilateral move by the United States to change the dollar price of gold would not necessarily result in any change at all in the relationship between the dollar and other currencies, they point out — not unless all other nations were willing to see their currencies devalued in relation to the dollar, which most experts doubt.

If a general realignment of exchange values were considered desirable and other countries were willing, it could be achieved just as well without any change in the dollar price of gold.

Lack of Enthusiasm

However, most experts are convinced that only a few countries have such large international reserves and such persistent, large and secure surpluses in their international trade and payments accounts that it would be clearly desirable for them to increase the par value of their currencies relative to the dollar. None have shown any great enthusiasm for doing so.

In this situation, most American experts argue, it would make more sense for a few countries to change their exchange rates rather than for the United States to try to accomplish the same thing by changing the price at which the United States is willing to buy and sell gold.

As long as a substantial change in the price of gold is not a realistic possibility, a wholesale conversion of dollars into gold would not make sense economically for other official government agencies or individuals.

Dollars earn interest. Gold does not. Only a large change in the price of gold would make up for the interest that would be lost by gold held for any length of time.

If the prospect of a substantial increase in the dollar price of gold is ruled out, then the value of the dollar as a reserve asset will be determined by the future buying power of the dollar relative to other countries.

On this basis, both historic evidence and present trends support the view of most authorities that the dollar will remain a sound investment for use as an international reserve currency.

Saving precious foreign exchange by planned import substitution ...



THAT'S ENGLISH ELECTRIC PLAYING A LEAD ROLE IN INDIA'S POWER DEVELOPMENT

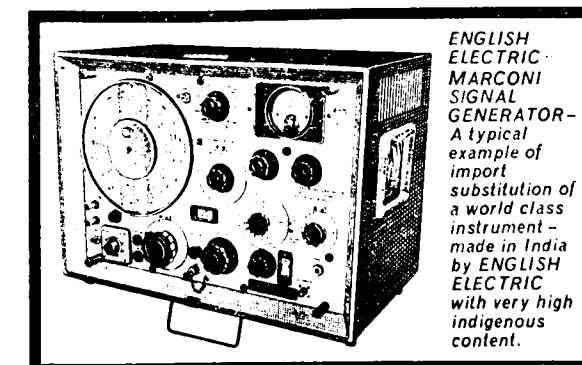
To conserve the country's foreign exchange ENGLISH ELECTRIC have been continually developing designs of Control and Protection equipment based on the maximum use of indigenous raw materials and components.

THE PROOF? A major indigenisation programme was completed in 1966, when the production of Steatite bodies for H.R.C. Fuses was started at Madras Works. The imported content in the present range of fusegear production is negligible. And, after extensive research, ENGLISH ELECTRIC pioneered the introduction of Aluminium Busbars to reduce the demand on imported copper.

MOVING TOWARDS GREATER SELF-SUFFICIENCY: Air Circuit Breakers and a variety of Control and Protection equipment, previously imported, are now being manufactured in India by ENGLISH ELECTRIC. The imported content of all this equipment is being

progressively reduced with a view to achieving self-sufficiency in the near future. In electronics the Signal Generators, now in the second phase of expansion, have a high indigenous content while maintaining the highest international standards of quality and performance.

ENGLISH ELECTRIC's reputation for quality and reliability is backed by unrivalled research facilities and experience gained under diverse operating conditions throughout the world.



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The moving finger writes

It is to be hoped that the announcement that Mr J.C. Shah will succeed Mr M. Hidayatullah as the Chief Justice of India when the latter retires on December 17 will put beyond doubt the durability of the healthy convention that the appointment of the Chief Justice is to be decided on the basis of seniority among the serving judges of the Supreme Court. This arrangement has several obvious virtues. The most valuable of them, in the light of the prevailing political situation, is that it effectively restricts the exercise of discretion by the executive. The Supreme Court has come to be regarded as the most precious asset our young and vulnerable democracy has in its struggle for survival and a wholesome evolution. There was genuine and widespread concern in the nation when it was being suspected recently that the Prime Minister might seek to foist a political choice of her own on the Supreme Court when the present Chief Justice's time came to retire. No wonder, then, the announcement about Mr Justice J.C. Shah has been received with great relief, not least by the members of the legal profession. It is true that Mr Shah himself is due to retire on January 22 next year, which means that he will function as Chief Justice only for a short period. Even so, the fact that he, and not some nominee of the Prime Minister, will be the next Chief Justice is very important because, as I had said before, a vital convention would thereby acquire further strength.

The tax problems of some central ministers are again making news. Mr V.C. Shukla, Minister of State in the Ministry of Finance, evidently believes that he has discharged his duty by suggesting that the mere fact that some central ministers are being proceeded against for delays in the filing of their wealth tax returns shows that ministers are being treated by the Income Tax Department in the same way as other tax-payers. The question however is whether ministers do not have an obligation to set for themselves higher standards of conduct in tax matters than ordinary citizens. If we are serious about cleaning public life, it is not enough if ministers are not shown special privileges by the tax collector. What is both logical and desirable is that the lapses of ministers should be treated much more strictly than the lapses of ordinary tax-payers. I may be blamed, no doubt, for asking for the moon, and

while I agree that it will be a great thing indeed even if only the practice of letting erring ministers get away with it is stopped, I believe that the government (or its spokesman such as Mr V.C. Shukla) should not be allowed to assume that the public should be grateful that ministers are being treated as ordinary citizens in tax matters.

Everyone is entitled to have his own vision of the future, near or remote. The Chief Minister of Tamil Nadu however seems to have some very peculiar tastes. Mr Karunanidhi has declared that the day is not far off when a law would be passed denying government employment to residents of the state who have not received their education through the Tamil medium. The Chief Minister, in fact, seems to be prepared to go even further and pass a law compelling all residents of the state to receive their education only through Tamil as the medium of instruction. I wonder whether Mr Karunanidhi is aware of the fact that his wild statements amount automatically to an abject confession by him of the ignominious failure of his party's Language policy. It is because the people of Tamil Nadu have rejected with contempt his government's attempted exercise in chauvinism in the field of education that Mr Karunanidhi now finds himself at a point of despair where he feels it may become necessary to have recourse to the state's ultimate powers of coercion.

One elderly politician now living in retirement in Madras is reported to have recently said in his disillusionment that it was a mistake to have expected Mrs Indira Gandhi, who had not run a kitchen in her life, to run the government properly. Another venerable politician, very much active on the Madras scene, is said to have expressed his disappointment with the DMK by remarking that making films is one thing and governing well is another. The trouble with Mr Karunanidhi is that he seems to have taken Shakespeare's dictum that the world is a stage in a literal sense instead of the philosophic. Only persons living in a make-believe world could imagine, as Mr Karunanidhi does, that it would be easy for governments to herd people like sheep with the help of coercive laws. All over the world, including even areas where various types of authoritarian rule prevail, men and women are struggling with increasing success to

gain newer freedoms. Mr Karunanidhi who claims to be a champion of Tamil culture, must have a very low opinion of it indeed if he believes that the Tamil people will consent to even their existing freedoms being taken away from them. Whatever view the Chief Minister of Tamil Nadu may have of the future, it is a fair guess that it will spring surprises which may not be agreeable to him.

Inaugurating a conference in celebration of the golden jubilee of the Employers' Federation of Southern India in Madras some days ago, Mr H.V.R. Iengar suggested that if the seventies were to be a period of rapid industrial growth the quality of our politicians would have to improve and recommended that "they (the politicians) should set high ethical standards for themselves and pursue more pragmatic policies". Mr Iengar's concern over the debasement of standards in political life is, of course, widely shared in the nation. But are not politicians only partners of businessmen in an inglorious conspiracy of mutual degradation? Even if it is true that controls, by which politicians prosper, are the villain of the piece, can it be denied that businessmen's opposition to controls has tended to be highly selective? It is the greed and cowardice that are to be found in the business community which sustain and stimulate the venality of politicians. So long as there are industrialists in our midst who are prepared to sell their souls for Letters of Intent or who would tremble when a Deputy Secretary frowns, politicians (and bureaucrats) will be more than human if they desist from self-aggrandisement.

The late M. Thirumala Rao was undoubtedly a very popular Member of Parliament and was also influential in his own party. The tributes paid to him by the Prime Minister and others in the Lok Sabha, when he passed away a few days ago, were therefore to be expected. Rather odd, however, was the conspiracy of silence maintained in the obituaries about his association with Jayanti Shipping, particularly as Dr Dharma Teja is back in the news these days. I must add perhaps that it was mentioned by some newspapers, however, that a son of the late Thirumala Rao is a Deputy Manager of the Shipping Corporation of India.

V.B.

Trade Winds

INSURANCE CENTENARY

THE LIFE Insurance Corporation celebrated on December 5 the centenary of the Indian life insurance business. On the eve of the celebrations, the Managing Director of LIC, Mr N.V. Nayadu, told newsmen at a press conference here that the corporation would soon be building a township on a 63-acre area at Borivili, in Bombay, to be sold to policy-holders on hire-purchase basis. The township would contain 40,000 tenements. If the experiment is successful, similar townships would be built by the corporation near the other metropolitan towns in the country.

Mr Nayadu further disclosed that in view of the slowness and administrative difficulties of approaching individuals for new life policies, LIC was now thinking of ways to promote group insurance which could result not only in lowering of premium rates but also in bringing down promotional and servicing costs. Three group insurance schemes are being considered at present. One of these envisages providing the depositors of nationalised banks an insurance cover to the extent of their average annual deposits. The premium on this insurance will be paid by banks; the incidence will be passed on to depositors by lowering the interest payable on deposits. The advantage that the depositors will derive will be that in the case of their death, their successors will not only get their deposits with the bank but also an additional sum under the insurance cover. The second scheme being considered is to insure individual borrowers of banking companies. Under this scheme, each borrower will be asked to take out a life policy in favour of the bank concerned of the same value as the loan. The third scheme is aimed at extending life insurance to the rural areas.

Another disclosure made by Mr Nayadu was that no guidelines had yet been issued by the government for the conversion of their loans into the equities of the loanee companies. Hence LIC, Mr Nayadu said, was not at present insisting on the insertion of a convertibility clause into its loan contracts with borrowing companies. Mr Nayadu did not think that LIC had at present sufficient managerial resources to take over the management of the companies in which it had a substantial stake. He pointed out that such a cadre would have to be built up in course of time.

Surveying the expansion of life in-

surance business in the last 100 years, Mr Nayadu observed that although it had made good progress, especially during the last two decades, only about two per cent of the total population of the country and perhaps 10 per cent of the working population had yet been covered. He, therefore, expressed the view that there was tremendous scope for the expansion of this business. The total business in force at the end of 1969-70, Mr Nayadu disclosed, was Rs 6,303 crores. The new business written during this year was of the order of Rs 1,026 crores.

FOREIGN CREDITS FOR I.F.C.

The Industrial Finance Corporation has been allocated a further line of credit of DM 10 million (Rs 2.04 crores) by the Kreditanstalt-fur-Wiederaufbau (KfW) of West Germany. With this ninth line of credit, the total assistance approved for the Corporation by the KfW will total DM 112.50 million (Rs 22.92 crores). The Industrial Finance Corporation is also receiving a further Loan of £ 1 million (Rs 1.80 crores) from the UK government. This will raise the availability of sterling resources with the Corporation to £2 million (Rs 3.62 crores).

WHOLLY INDIGENOUS SCOOTER

Enterprising unemployed engineers, diploma-holders and technicians of Kerala, who recently formed an industrial co-operative society, have succeeded in their first venture — the manufacture of an indigenously developed scooter. Costing about Rs 500 less than the Lambretta scooter, Atalanta-120 — the product of these engineers and technicians — is not only designed by themselves but is also dependent on imported components to the extent of just about Rs 150. Only two components are being imported at present — the carburettor and the magneto fly-wheel. Next year, when Escorts at Faridabad and another concern at Bombay develop the manufacturing capacity for these two parts, the Atalanta-120 will be produced from wholly Indian materials and components. This year about 600 scooters are being produced. In the next few years the production is expected to be raised to 6,000 numbers per annum. The engineers hope to diversify production in such a way that the 1,200 odd components of their scooter will be produced by the co-operative's family units spread over the

entire countryside of Kerala. They will also be shortly going in for the manufacture of boats, automobile components and foundry equipment. They have as well plans to set up a unit of civil engineering construction. In all, 10 ventures are proposed to be established by them in the next few years. The membership of the co-operative society of these engineers is open to all the unemployed technicians in Kerala. Any technician to be employed by this co-operative has to become its member and a shareholder. There are at present 500 shareholders in the co-operative.

TRADING IN COTTON

The union government ordered on December 3, 1970, the suspension of future trading in kapas and reduction from six months to three months of the period for non-transferable specific delivery contract in cotton with immediate effect. The government decision follows the serious situation created by the abnormal rise in cotton prices. A press note issued by the Ministry of Foreign Trade stated that to bring about steadiness in cotton prices and to augment the availability of raw cotton, Cotton Corporation of India had been instructed to arrange for stable imports as early as possible. The imported cotton would be made available to weaker mills as well as to other mills to enable them to fulfil outstanding prospective export contracts. Arrangements were also being made to reach an agreement with the United States on procurement of cotton under PL-480. The government felt that there was a need to tighten the arrangements for the marketing of cotton. To this end it has been decided that future trading of kapas be suspended forthwith and the period for non-transferable specific delivery contracts in cotton be reduced. Steps are also being taken to secure the registration of all non-transferable specific delivery contracts for the sale or purchase of cotton in excess of 1,000 bales entered into under the auspices of the East India Cotton Association, the note added.

SUGAR OUTLOOK

Despite a cut of about 20 per cent in UP and 10 per cent in Bihar, sugar production during the current crushing season—October 1, 1970 to September 30, 1971 — may amount to nearly 4 lakhs tonnes, as against 42.6 lakh tonnes during the 1969-70 crushing season. With a carry-over of 20.88 lakh tonnes from last season's output the total availability of sugar this season thus will be 60.88 lakh tonnes, as against 55.64 lakh tonnes during the last season. Even if the off-take of sugar during the current crushing season, both for inter

nal consumption and exports shows some improvement over that of last season's around 35 lakh tonnes, we might be left with nearly 23 lakh tonnes stock at the beginning of the next crushing season. Disclosing this to newsmen here recently, the President of Indian Sugar Mills Association, Mr S.K. Somaiya, stressed the need for not only stimulating exports but also internal consumption to the maximum so that the travails of the sugar industry can be contained. He also stressed the need for stepping up secondary exports of sugar in the form of confectionery, etc.

In view of the heavy accumulation of stocks Mr Somaiya said, the industry's urgent requirement was the liberalisation of bank credit and the creation of a buffer stock of about 12 lakh tonnes, as suggested by the Sen Committee and the Tariff Commission. Until and unless steps in this direction as well as for stimulating internal consumption and exports are taken, the sugar industry, he felt, would not be able to meet its commitment of making prompt payments for cane supplies. The sugar industry's total requirements of bank credit during the current crushing season, Mr Somaiya stated, were estimated around Rs 500 crores.

With a view to saving the industry from getting irreparably damaged, Mr Somaiya also urged an upward revision in the prices of levy sugar. With the free sale price of sugar having already gone below the levy sugar price — which he stressed was uneconomic — Mr Somaiya felt that most of the sugar mills would be incurring heavy losses this year. He regretted undue delay in the announcement of the sugar policy this year.

AUDIT FOR PARTNERSHIPS

The Institute of Chartered Accountants of India has suggested that partnership firms should also get their accounts audited. This has been considered necessary because people are increasingly doing business in the form of partnerships rather than in the form of limited companies, because of the incidence of high tax in the latter form. In order to have authenticity of facts and details about the economic activities of the partnership firms as also to ensure better assessment of working results for taxation and other purposes, it would be desirable to make the audit of accounts of the partnership firms compulsory. Representations were made recently by the Institute in this regard to the Mr K. Hunumanthaiya, Minister for Law and Social Welfare, and Mr V. C. Shukla, Minister in the Ministry of Finance, who assured them that the matter would be processed at an early date. It may be added that the Administrative Reforms Commission

Sometimes join the crowd
isn't the best advice.

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harbour may look impressive,
but a JAL jet speeding your freight to
its destination in a matter of hours
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when its results are on your
profit sheet. Think of this way: Packing
charges, interest, insurance, storage,
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And we'll prove it for you.
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had recommended compulsory audit of the accounts of all non-corporate assessee having income above Rs 50,000. A similar recommendation had also been made by the Direct Taxes Administration Enquiry Committee as well as by the Income-tax Investigation Commission.

PROCESSING VEGETABLE SEEDS

The National Seeds Corporation will collaborate with UNICEF in setting up vegetable seed processing plants in each state for the production of quality vegetable seeds to meet the growing demand under its Applied Nutrition Programme. Under this collaboration arrangement special plants will be located in all potential areas in various states for production, processing, cleaning and grading of vegetable seeds, so that increased production and supply of vegetable seeds on scientific lines in adequate quantities are assured locally. At present, vegetable seeds required for the Applied Nutrition Programme of UNICEF are made available by the National Seeds Corporation only at its central stores and supply division located at Pusa Institute, New Delhi where arrangements for their cleaning, processing, packing and distribution also exist.

It may be mentioned that the National Seeds Corporation has set up more than 120 processing plants in the country for processing and cleaning of quality seeds. As these processing plants are heavily occupied with the processing of seeds of high yielding varieties, only limited quantities of vegetable seeds were directly processed by the National Seeds Corporation at these centres. Now with considerable increase in the indigenous production and availability of seed processing equipment, (again with the co-operation of the National Seeds Corporation) it is hoped that the processing plants of vegetable seeds will be quickly set up. As a first step in the direction the National Seeds Corporation has already established a seed industry service centre, which provides specifications for equipment to be manufactured in India, prescribes standards for testing, and issues certificates.

FOREIGN TRADE IN SEPTEMBER

Type of trade	September		Cumulative totals for April—September	
	1970	1969	1970	1969
Exports (including re-exports)	119.19	119.35	678.02	700.25
Imports	130.76	154.76	821.06	808.31
Balance of trade	-11.57	-35.41	-143.04	-108.06

NEW POSTINGS

The following appointments and transfers of secretaries in the union government were approved recently to take effect from December 1, 1970: Ministry of Industrial Development and Internal Trade—Mr B.D. Pande, Ministry of Steel & Heavy Engineering—Mr H.C. Sarin, Ministry of Foreign Trade—Mr H. Lal, Ministry of Defence—Mr K.B. Lall, Ministry of Irrigation & Power—Mr B.P. Patel, Department of Health and Family Planning—Mr K.K. Dass, Ministry of Information & Broadcasting—Mr R.C. Dutt, Ministry of Education & Youth Services—Mr T.P. Singh (Junior) and Department of Personnel—Mr B.B. Lall. The posting of Mr Govind Narein as Secretary, Ministry of Home Affairs, has also been approved and will take effect from January 1, 1971.

TRACTION GEARS

The union government proposes to encourage creation of capacity for traction gears for railways. The broad specifications of traction gears are: High alloy steel (En27, En 33, etc.); tolerances as per tables 5 & 6 of BSS 235 — 1951 'gears for traction'; ground finish as per tables 3 & 4 of BSS 235 — 1951. Gears are required to be oil-hardened and tempered in some cases before rough machining and annealed before final machining. Finished gears should have Brinell Hardness figure of 250 and tensile strength of 10 tonnes/sq.cm.

Diameter: (i) Gears—around 10 cm upto 120 cm for some gear rims, (ii) Pinions—20 to 30 cms. Thickness of gears & pinions—15 to 25 cm. Module—11, 10, 5, 3, 3.75. Proposals have been invited from prospective entrepreneurs for establishment of manufacturing capacity for traction gears. Proposals in this regard are to be self-contained and complete in all respects and should, besides, indicate details of (i) phased manufacturing programme, (ii) indigenous capital equipment and raw materials; (iii) foreign collaboration, if any. Application are to be addressed to the

Secretary, Ministry of Industrial Development and Internal Trade (Deptt. of Industrial Development) C.L.P. Section, New Delhi, before December 31, 1970.

VANCOUVER FAIR

The union government has decided to participate in the fifth British Columbia International Trade Fair to be held at Vancouver (Canada) from June 2 to 12, 1971. It is proposed to project the image of India's developing economy and to give extensive commercial publicity to Indian manufactures in the trade fair. Exporters and manufacturers, who intend to participate in the fair, have been advised to send their list of exhibits to the Director of Exhibitions of the Ministry of Foreign Trade through export promotion councils or commodity boards.

PULSES AND OILSEEDS

The situation regarding production of pulses and oilseeds figured prominently in the discussions of the Consultative Committee of Parliament for the Department of Agriculture at its meeting held recently under the chairmanship of Mr Fakhruddin Ali Ahmed, Minister for Food, Agriculture, Community Development and Co-operation. It was admitted that the extension of food crop production was cutting into the acreage under pulses and oilseeds. The practice of rotating one cereal crop with a pulse crop, which incidentally helps in maintaining soil fertility, was also being adversely affected by the tendency to grow cereals in succession. An account of the steps in this field was given at the meeting. Short-duration and high-yielding varieties of pulses and groundnut have already been evolved. The new varieties of groundnut have been introduced in about 400,000 hectares in Andhra Pradesh, Tamil Nadu, Mysore and Orissa as a second crop. Two new varieties of castor seeds, one evolved in Hyderabad and other in Gujarat, have been grown over 18,000 hectares and the target is to cover 100,000 hectares by the end of the fourth Plan.

U.S.S.R. CHEMICALS EXHIBIT

An exhibition of some important chemical reagents from the Soviet Union has been organised in the capital for five days. It was inaugurated by Dr Triguna Sen, union Minister for Petroleum, Chemicals, Metals and Mines, at YMCA Tourist Centre on December 7, 1970.

The exhibition is of highly technological importance. Chemical reagents of purity ranging from 0.00001 to 0.0000000001 and a wide range of raw materials and other exhibits of great scientific value are on

December 11, 1970

view. This exhibition is the result of collaboration between the Trade Representation of USSR in India, Soviet Foreign Trade Organisation v/o "SOJUZCHIMEXPORT", (Moscow) and Chemicals de Universe Private Limited. A delegation of Russian scientists is also visiting India. Lectures of these scientists are being organised in important Indian organisations dealing with chemicals.

An added attraction of this exhibition is screening of short films on live experiments and a special film on the chemical technology.

FOUNDRY MISSION FOR JAPAN

A five-man foundry study mission headed by Mr S.K. Dam of Mukand Iron and Steel Works Ltd., Bombay left for Japan recently. The mission, organised by the Asian Productivity Organisation and sponsored by National Productivity Council will visit various foundries in Japan, and make an observational study of steel, iron and malleable foundry practices. The mission will be in Japan for about a fortnight. After the study, it is expected to submit its report to the National Productivity Council within three months.

IMPORT OF CHLORAMPHENICOL

The Ministry of Petroleum & Chemicals and Mines & Metals has advised such of the parties as are in a position to procure supplies of Chloramphenicol from abroad to get in touch immediately with the State Trading Corporation. The imports to be made by individual parties would be added to the pool operated by the STC. Augmentation of the pool in this manner, it is felt, would be in the interest of the industry, as a whole. The import of the essential drugs, including Chloramphenicol, has been canalised through the STC. At present there is world-wide shortage of Chloramphenicol as some plants manufacturing this drug shut down for some time to carry out modifications following serious explosion of one of them. The STC, however, have made every effort to locate supplies from whatever sources that may be available.

NAMES IN THE NEWS

Mr S. V. Pillai has been appointed Managing Director for Pfizer Limited in India in place of Mr John S. Baker, who is leaving to take up another Pfizer appointment in Africa. The appointment of Mr Pillai as the chief executive for all Pfizer operations in this country completes the Indianisation programme of the company so that all the operations including manufacturing, research, quality control, marketing and other areas will now be in the hands of Indians.

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Company Affairs

KIRLOSKAR CONSULTANTS

Mr S.L. Kirloskar, Chairman, Kirloskar Consultants Ltd., at the recently held general meeting told the shareholders that services of the company were increasingly being utilised by intending entrepreneurs who got their cases prepared to secure financial assistance. He added that government's new policy on development finance had opened up enormous possibilities for entrepreneurs of modest means and in this context he complimented the financial institutions such as SICOM, MSFC and MSSIDC (Bombay), GSFC (Ahmedabad), RSIMDC (Jaipur), PIDC (Chandigarh) and J & KIDC (Srinagar) for their progressive and helping attitude to the emerging entrepreneurs. He urged that any shortcoming on the part of few investors should not discourage the government and the attitude of helpfulness should be maintained in respect of those who deserve financial encouragement. Mr Kirloskar added that government's policy of encouraging indigenous consultancy service revealed government's increasing confidence in indigenous talent.

Mr Kirloskar stated that the government should adopt a comparatively less rigid attitude in respect of import of know-how which did not exist within the country. The import of know-how, he added was not limited to developing countries alone. Even in advanced countries, know-how has been imported. For instance, recently three prominent business firms in Germany gathered together to set up a new company to buy know-how on gas turbines from the Rolls Royce of England. Mr Kirloskar also suggested that a close and direct liaison should be developed between the national laboratories and the consultancy firms in the country so that a mass of useful data and material which was collected could be used properly. He also suggested that financial institutions should help consultancy firms which invest considerable cash resources on various projects in anticipation of their fees.

BHARAT STEEL

Mr Raunaq Singh, Managing Director of Bharat Steel Tubes Ltd., and Chairman of Raunaq & Company Private Ltd., revealed recently that his company is promoting a major special steel manufacturing project. As the project will involve a capital outlay of less than rupees one crore, no industrial licence will be required.

The entire equipment will be procured from indigenous sources. In fact an arc furnace and some other essential equipment is already under installation. The project will be set up in Haryana. The company proposes to issue capital to the tune of Rs 75 lakhs divided into equity shares of Rs 60 lakhs and 9.5 per cent cumulative redeemable preference shares of Rs 15 lakhs. The promoters and friends have already subscribed to the extent of Rs 20 lakhs in equity shares and further shares worth Rs 10 lakhs have been agreed to be taken by promoters, their friends and associates. The company, will shortly issue by prospectus equity shares of Rs 30 lakhs and preference shares of Rs 15 lakhs. It will also be finalising loan arrangements for Rs 20 lakhs from a financial institution. In view of the present steel shortage and considerable demand for special steel in the country, Mr Raunaq Singh was confident that the company would not only be able to break even but declare dividend after the very first year of working.

INDIA TOBACCO

The directors of India Tobacco Co. Ltd have proposed an interim dividend of 6½ per cent (subject to tax) for the current financial year. They hope to declare a final dividend, at the annual general meeting to be held in August 1971, of not more than seven per cent making a total of 13½ per cent for the year. The minimum dividend for the year will be same as was paid for the last year. The company issued 3,790,000 ordinary shares in early 1970 to Indian shareholders and to the general public, the overseas shareholders having surrendered in the company's equity capital over 25 per cent with 4,790,000 ordinary shares of Rs 10 each. The Indian participation in the company's equity capital is expected to be further increased in future.

MODERN HOME

The Modern Home Ltd, proprietors of Band Box, the well-known dry-cleaning and dyeing firm, will enter the capital market on December 14, 1970, with a public issue of Rs 7.95 lakhs to finance its expansion programme. The list will close on December 24 or earlier but not before December 16. The company was originally incorporated as a private limited company and was converted into a public limited company on November 12, 1970. It has an

authorised capital of Rs 25 lakhs comprising 200,000 equity shares of Rs 10 each and 50,000 unclassified shares of Rs 10 each. It has a paid-up capital of Rs 9.05 lakhs. The entire public issue has been underwritten. The company has its own building at Worli, Bombay. With the changing techniques in the field of dry-cleaning and dyeing, the company has been equipped with modern machinery costing Rs 17 lakhs and is catering to the growing demands of well known hotels and airlines. It has recently extended its activities to dealing in fabrics and processing textiles into quilted fabrics which is the latest conversion process in textiles and is used in decoration and furnishing. With the onset of jumbo jets the company is poised to meet the demands of the airlines for a light-weight quilted fabric which has properties of heat insulation.

DUNLOP

The directors of Dunlop India Ltd have proposed to make an application to the government for consent to the issue of 1,500,000 ordinary shares of Rs 10 each, at a premium of Rs four per share, in the proportion of three new ordinary shares for every 20 ordinary shares held.

BANK OF INDIA

Bank of India has introduced a monthly income plan, the highlights of which are: interest on deposit is payable to the depositor or his nominee every month, minimum period of deposit is two years, amount of deposit could be multiples of Rs 1,000 with a minimum of Rs 5,000. The scheme is formulated to meet specific needs of diverse customer groups.

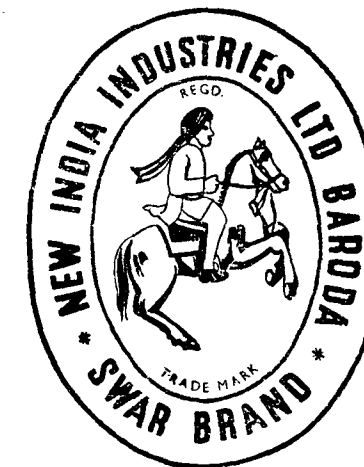
CHEMICALS AND FIBRES

The directors of Chemicals and Fibres of India Ltd have proposed a final dividend of Rs 1.65 per share or 16.5 per cent for the year ended September, 1970, making a total of Rs 2.75 per share or 27.5 per cent for the year as a whole on the increased capital arising from a bonus issue of two shares for every five shares held.

LARSEN AND TOUBRO

Steam Generators: The first steam generators to be made in India for atomic power plant have been despatched from the Powai Works of Larsen & Toubro Ltd, on their way to Kandla for installation at the second unit of the Rajasthan Atomic Power Project. The first unit had utilised equipment imported from Canada. Highly sophisticated and made to exacting standards, each of the two steam generators contains a steam drum, heavy water and feed water headers and ten heat ex-

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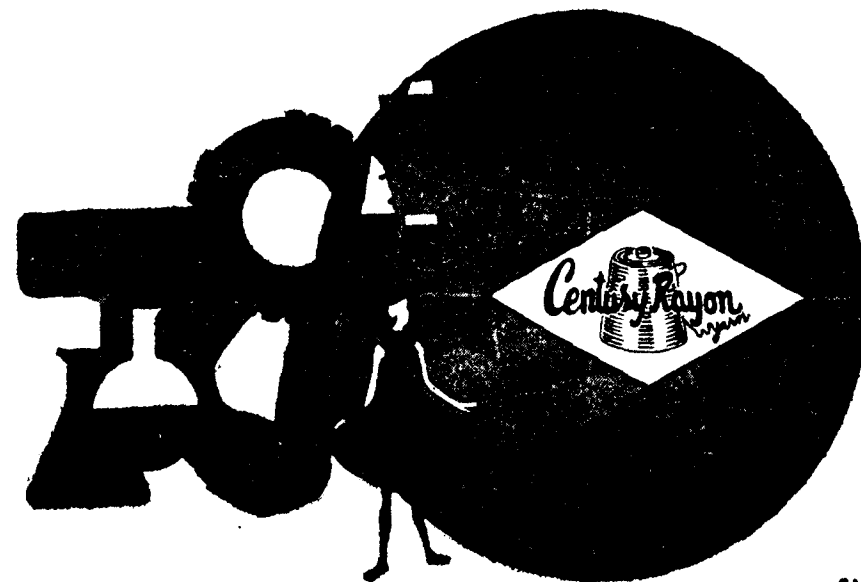
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changers. They were fabricated by Larsen & Toubro Ltd at its Powai works.

Harvester Demonstration: The John Deere Combine, which harvests the crop in one continuous operation, was demonstrated to farmers at Raipur, in the presence of Mr Madhavlal Dube, Minister of State for Agriculture and Public Works, Government of Madhya Pradesh. The demonstration was carried out at the Government Agriculture Farm, Labandhi, by Larsen & Toubro Ltd. The demonstration showed how the revolutionary John Deere Combine harvests the crop, threshes it and grades and cleans the grain in one continuous operation. The combine can also discharge the grain into a trailer. John Deere Combines are manufactured by Deere & Co., of USA, the world's leading manufacturer of agricultural equipment, with plants in the USA, and West Germany. The company offers the most complete range of agricultural equipment including tractors and implements. Larsen & Toubro Ltd and its subsidiary company, Willcox Buckwell India Ltd hold the franchise for John Deere products in north, central, west and south India.

FIRST NATIONAL CITY BANK

The First National City Bank has set up its first Management Consultation Division (MCD) in New Delhi. It has plans to set up similar divisions in other major cities also. MCD offers prompt and confidential assistance in solving the small units' problems, regardless of their product or industry. In a team effort, with technical experts if necessary, MCD offers a complete package of specialised services in various functional areas that would result in substantial improvements in management competence, profits and efficiency.

GLAXO

Mr Iain Mackinnon, Chairman Glaxo Laboratories (India) Ltd, has told the shareholders at the company's annual general meeting in Bombay recently that due to many pre-occupations with the work of Glaxo International around the world, he had decided to resign his chairmanship of the company and the board had decided to appoint Mr James S. Raj, a non-executive director, in his place. Referring to the company's operations in the context of the recent measures of price control affecting drugs and pharmaceutical preparations, he pointed out that it would be difficult to forecast what would be the overall effect on the company's sales and profits in 1970-71. The negotiations with the government concerning the company's pricing scheme were only recently completed and the results were not yet known. The board, he stated, would try to minimise the inevitable ad-

verse effects on the profitability of its pharmaceutical operations by increasing emphasis on the other areas of the company's business, notably, family products whose sales had shown good progress in the first four months of the current year. Mr Mackinnon assured the shareholders that it would be the company's endeavour to maintain the company's business in the highest state of efficiency so as to weather the storm.

Glaxo Laboratories has received a contract from the Soviet Union for export of beta-ionone valued at Rs 50 lakhs. The supplies are to be made during the first 10 months of 1971.

HINDUSTAN TRACTORS

Hindustan Tractors Ltd has reported that during the year ended March 1970, there was a fall in sales by Rs 10 lakhs to Rs 4.16 crores. After providing for depreciation of Rs 10.26 lakhs a loss of Rs 32.27 lakhs was recorded against a loss of Rs 4.35 lakhs in the previous year. The loss has been adjusted by withdrawing a sum of Rs 28.17 lakhs from the general reserve. The directors have stated that the price fixed by the government for the tractors has been unrealistic and uneconomical. The company has made fresh application to the government for an upward revision of the prices in view of the all-round rise in costs. Since June, 1968, prices were frozen by the government at a low level. Though the company has enough orders on hand, production has been affected due to shortage of certain raw materials.

BAKELITE HYLAM

Mr K.D. Rutter, Managing Director, and Mr P.W.J. Simcox, Controller Overseas Companies, Bakelite Xylonite Ltd, UK, recently visited this country to observe the progress of Bakelite Hylam Ltd, India, and particularly the Rs 1.5-crore expansion programme due to materialise in 1971-72. Bakelite Hylam Ltd is a pioneer in the manufacture of thermosetting plastics in this country. A joint sector enterprise, in which Bakelite Xylonite Ltd and the Andhra Pradesh government have a share, Bakelite Hylam manufactures a wide range of thermosetting plastics including Hylam industrial laminates, Decolam decorating laminates and Hylak polyester resins, phenolic resins and phenolic moulding materials, products that match the highest international standards and find applications in numerous industries.

HINDUSTAN THOMPSON

The main offices of Hindustan Thompson Associates (HTA) has moved to new premises recently in 'Express Towers', Nariman Point, at the southern tip of Bombay's Marine Drive. HTA will, however, continue to maintain offices at Lakshmi Building, where its

registered office is situated. In a life span of 41 years, the company has charted a substantial growth. Figures from 1970 records show more than 100 clients and billings that total nearly Rs 7.5 crores. To this, the Bombay office contributes 35 clients, and a billing of about Rs 2.5 crores.

MADRAS INDUSTRIAL LININGS

A major job of rubber-lining for the three large phosphoric acid storage tanks of Madras Fertilizers Ltd, a public sector undertaking, has been completed by Madras Industrial Linings Ltd. Two of these tanks are installed in the harbour area and the third one at Manali which is the site of the fertiliser complex. This is considered to be the largest single job of its kind executed in the country so far.

BANK OF TOKYO

During the six months ended March 31, 1970, the Bank of Tokyo Ltd recorded a gross income of 69,466 million yen. Profit before tax for the period was around 4,322 million yen. The Bank paid a dividend at the rate of 2.25 yen per share (9 per cent per annum) which absorbed 900 million yen. On March 31, 1970, deposits of the bank were around 802,708 million yen. The bank has offices in most of the countries, apart from 30 offices in Japan. In India the bank has branches in New Delhi, Bombay and Calcutta.

UNITS PRICE RAISED

The sale and repurchase prices of units of the Unit Trust of India were raised by five paise each with effect from December 2, 1970, and the prices have been fixed respectively at Rs 10.85 and Rs 10.45 per unit.

COMPANY REGISTRATIONS

A total of 147 companies were registered under the Companies Act, 1956 in the different states and union territories during the month of August, 1970. Among the new floatations four companies were limited by guarantee, while the remaining 143 were limited by shares, comprising 10 public limited companies and 133 private limited companies having aggregate authorised capital of Rs 7.90 crores and Rs 10.68 crores respectively. One of the companies registered during the month was government company namely, The Cashew Corporation of India Ltd, Delhi with an authorised capital of Rs 2 crores. Of the 143 companies limited by shares, 79 would be engaged in "processing and manufacture", 37 in "commerce" (trade & finance) and the remaining 27 in other miscellaneous activities. Eleven of the companies limited by shares may be classified as large-sized ones having authorised capital of Rs 50 lakhs and above.

COMPANY MEETING

CONSOLIDATED COFFEE LIMITED

Speech of Mr. M.A. Sreenivasan, Chairman, Consolidated Coffee Limited, at the 27th Annual General Meeting of the Company, on the 30th November, 1970.

The crop harvested during the year was, unfortunately, much below expectation and indeed the lowest harvested during the decade, considering the additional acreage acquired from Messrs. Volkart Brothers. It serves as a painful reminder of the vulnerability of plantations, as of all agriculture, to adverse seasonal conditions, and brings into sharp focus the need for unremitting effort to cope with the vagaries of the monsoon by exploration and exploitation of water resources. It points to the need for improving productivity and for constant vigilance. It also emphasises the importance of diversification.

Your Directors have kept these matters prominently in mind and hope that, with the new clearings coming into bearing and improved productivity in the area in bearing it may not be long before we attain higher levels of production.

In my address to you last year, I spoke at some length about the anomaly and the iniquity of taxation of agricultural income above 1 lakh of rupees at 60% in our State, and expressed the hope that a measure of relief may soon be extended. That hope still remains deferred.

On the bright side is the acquisition, mentioned in the Directors' report, of a modern sawing peeling and veneering plant in association with the well-known Messrs. Western India Plywoods Ltd. This is expected to improve your Company's timber realisations and export earnings.

Other plans for diversification of your Company's activities and resources, such as the cultivation of cocoa, are

being actively pursued, though progress has been slow, owing to delays beyond the Company's control.

With a view to enable the Company further to diversify and expand in this and other directions, a proposal for a Special Resolution is included in the agenda for your approval.

Taking into consideration the inherent strength and resources of your Company and the future prospects, your Directors have recommended the payment of a dividend of 15% on the enlarged capital which, as you will note, is equivalent to 20% on the capital before the last bonus issue, compared with 18½% last year.

My old and valued friend Mr. J. Anderegg, who was with us at our last Annual General Meeting, relinquished his Directorship of the Company in April this year. His co-operation and counsel were of great help in bringing about the merger of the Tellicherry Branch of Messrs. Volkart Brothers and in the conduct of the affairs of your Company thereafter. I know that every one of you will join my colleagues and me in wishing him and Mrs. Anderegg

good health and happiness in their homeland.

The Board is fortunate in having Mr. Balthasar Reinhart, as one of its members. His wide knowledge and experience of commerce and industry and the international status and contacts of the House of Volkarts, of which he is a Partner, are sure to be of great value to your Company.

In Mr. Malegam, the other nominee of Messrs. Volkart Brothers, the Directors have a colleague whose experience and acumen in matters of Company finance and law have been of great help.

Staff and labour relations have continued to be excellent. Our thanks are due to the Managing Director Mr. K.B. Somana, the Field Manager Mr. K.M. Apaiah and the Officers of the Company for another year's good work.

To my colleagues on the Board I am deeply indebted for valued advice and help.

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

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RECORDS AND STATISTICS

Increasing Exports of Cotton Textiles

CONSEQUENT UPON the devaluation of the rupee in June, 1966, all export incentive schemes were withdrawn. In the case of exports of cotton textiles, the value of incentives available under the pre-devaluation export incentive scheme amounted, in certain cases, to over 90 per cent of the f.o.b. value, whereas the rupee benefit of devaluation came to 57½ per cent only. This position made exports of cotton textiles difficult and a decline set in. The decline was marked after exports against the orders booked before devaluation had been completed by March, 1967.

In August, 1966, an import replenishment scheme for the import of permissible dyes and chemicals up to five per cent (now increased to 6½ per cent) of the f.o.b. value of the exports of cotton textiles (other than grey) was announced. Later on, an import replenishment scheme for the import of embellishments, machinery items etc. up to 7½ per cent (now increased up to nine per cent) of the f.o.b. value of exports of ready-made garments was also announced. In addition the following steps have been taken to increase exports of cotton textiles:—

(i) Reduction in customs duties on cotton textiles has been secured from the USA, EEC, Japan, Australia and Nordic countries. Those reductions range between seven per cent and 30 per cent of the existing tariffs.

(ii) In terms of the bilateral arrangements entered into with the UK and the USA, higher export quotas for cotton textiles have been secured.

(iii) Securing quotas from countries like EEC.

(iv) Preference in the matter of allocation of foreign cotton which had been surrendered by other allotted mills.

(v) Earmarking of a specific quantity of global cotton for allocation to mills manufacturing and exporting fine and super-fine categories of cloth.

(vi) Payments of royalties in respect of use of the trade mark 'Sanforized' being linked up with export of Sanforized cloth. Registered users of the trade mark 'Sanforized' have been allowed to process and mark the cloth from other mills for purpose of export.

As a result of these measures, considerable improvement took place in exports of cotton textiles. Export of various items of cotton textiles during 1968-69 has shown an improvement.

Exports during the first half of 1970 have been the highest since 1966 month-wise as well as quarter-wise. Exports during January-June, 1970 at Rs 58.33 crores were higher than exports during January-June, 1969 by 16 per cent. Exports during April 1969/March 1970 at about Rs 112 crores were higher than exports of about Rs 97 crores during April 1968-March 1969 by about 15 per cent. A development of significance has been that Indian textiles have made an entry into west European markets which had hitherto remained rather unpenetrable. Another development of significance has been that exports of cotton yarn during 1968 and 1969 are the highest during the last several years. This has to be viewed against the background that world export trade in cotton textiles have remained static around 800,000 tons for the last 60 years and the fact that all countries are endeavouring to set up their own textile industries. India's share in the world cotton piece goods alone, which constitutes the bulk of the exports, has been of the order of:

1964	8.6 per cent
1965	10.3 "
1966	8.0 "
1967	7.9 "
1968	8.8 "

The varieties of cloth that constitute the bulk of the export are sheeting, voils, mulls, domestics, drills, long-cloth and shirting in that order. Grey fabrics constitute the bulk of the export of piece-goods and next to this category come fabrics, in categories (i) white; (ii) piece-dyed; (iii) printed; and (iv) yarn dyed. Efforts are being made to diversify exports by exporting increased quantities of apparel and other manufactures. India has improved also its unit price realisation as would be seen from the following figures:

	Unit price realisation (in Rs)
March 1967	1.47
March 1968	1.33
March 1969	1.52
March 1970	1.52

The quantum of trade in cotton yarn reached a record level at 38.64 million kgs. valued at Rs 2911.6 lakhs in 1968-70. As compared to the exports of 19.51 million kgs. valued at Rs 1285.9

lakhs, exports in 1969-70 registered more than 100 per cent increase. The average price realised per kilogram in 1969-70 was more by Re 0.95 at Rs 7.54 per kg. as compared to that in 1968-69. During the period April-July 1970, a total quantity of 11.58 million kgs. valued at Rs 1040.3 lakh was exported as compared to the exports of 12.54 million kgs. valued at Rs 864.7 lakhs in April-July 1969. The quantum (though there was a decline in terms of value), of exports increased by 20 per cent in April-July, 1970.

Burma has emerged as the leading market for this item, accounting for about Rs 12 crores in 1969-70, which works out to 40 per cent of the total exports. The UK, Yugoslavia, Ceylon, the UAR and Czechoslovakia each accounting for Rs 374.2 lakhs, Rs 349.9 lakhs, Rs 234.0 lakhs, Rs 235.5 lakhs and Rs 227.2 lakhs respectively, which together accounted for 49 per cent of the total exports in 1969-70. Exports to Indonesia dropped in 1969-70, as the commercial credit extended by India had been utilised fully in the previous year. The introduction of specific licensing in Nigeria affected shipments to this market but in 1969-70 exports again looked upwards. Exports to Belgium and West Germany in the EEC were comparatively better. On the whole, trade in cotton yarn is considered healthy. This trend is likely to continue in 1970-71.

Apparel Export

Exports of apparel from Rs 268.1 lakhs in 1967-68 increased to Rs 330.2 lakhs in 1968-69 and increased further to Rs 548.8 lakhs in 1969-70. In 1970-71 (April-July), exports amounted to Rs 167.2 lakhs. The USSR continued to be the leading market. In 1969-70, she improved her offtake to Rs 280.7 lakhs which works out to nearly 50 per cent of the total exports. Dress shirts is the major item exported to this market. Exports to the USA increased more than two-folds at Rs 76.3 lakhs in 1969-70. The UK too shared the general buoyancy in exports and purchased to the tune of Rs 74.2 lakhs. Lately, demand from Sudan has improved. There is wide scope for further improvement in exports.

Exports of cotton hosiery expanded steadily from Rs 12.8 lakhs in 1967-68 to Rs 22.5 lakhs in 1968-69 and further to Rs 28.4 lakhs in 1969-70. Czechoslovakia is the leading market for this item, accounting for Rs 13.2 lakhs in 1969-70, which is 46 per cent of the total exports. Nepal is the second largest market. Exports of hosiery have not developed much due to high prices of local yarn,

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which is the major raw material, and also due to lower productivity.

The exports of other cotton manufactures comprising towels, handkerchiefs, bedsheets, pillow-cases, blankets, sewing thread, ropes and twines, chaddars, embroidered cloth, etc. amounted to Rs 1353.4 lakhs in 1969-70 as against Rs 1504.6 lakhs in 1968-69 and Rs 1222.2 lakhs in 1967-68. During the period April-July 1970, exports of these items amounted to Rs 477.3 lakhs. The UK, the USSR, the USA, Kenya, Sudan, and the Persian Gulf ports are some of the major markets for these items. There is scope for improvement in exports, as these items particularly bedsheets, towels, sewing thread, etc. are widely accepted in the overseas markets.

The exports of cotton handloom fabrics of standard type for the current half year have shown a slight increase over those of the corresponding period during the previous year. The exports of non-fabric items is more or less steady. As far as the exports of silk handloom fabrics are concerned, exports during the period January-June 1970 have almost doubled that of the exports for the corresponding period during 1969. The total exports of handloom fabrics, on the basis of provisional figures, indicate an increase of about 80 per cent over that of last year. As far as the direction of exports is concerned, among traditional markets, our exports to Singapore are on the increase followed closely by Malaysia, Nepal, Sudan, Sierra Leone, Kuwait, and, Kenya. Due to the unsettled poli-

tical conditions in Aden, our exports of lungies to that country have suffered very badly. Among the non-traditional markets, the place of USA was taken over by West Germany in that our exports to West Germany during the first three months of 1970, on the basis of all-India figures, were of the order of Rs 1.72 crores as against Rs 0.27 crores for the same period to that country in the previous year. Exports to the USA have shown a marked improvement, namely, from Rs 0.49 crores for the first three months in 1969 to Rs 0.53 crores for the corresponding period in 1970. The other important countries in the non-traditional markets for our handloom fabrics are: France, Netherlands, Belgium in EEC, Japan, Sweden, the UK, Denmark and Switzerland among others. Our exports to all the non-traditional markets generally are on the increase.

In order to make available the essential dyes and chemicals required by the handloom export trade, the Textile Commissioner, at the request of the Handloom Export Promotion Council, convened a meeting with leading exporters of handloom fabrics, representatives of the dyestuff units and technical representative of the DGT in April 1970. As per the recommendations made at the above meeting, suitable proposals were made to the government for allowing essential dyes and chemicals needed by the handloom export trade which are at present included in the banned list.

The Council has also started negotiations with the South India Mill Owners' Association for making required quality

of yarn needed by the handloom export trade at a steady price so that the exporters could enter into firm contracts for supply of handloom fabrics with foreign buyers.

As per instructions from the government, the Council has constituted a Development Panel for evolving new designs of new fabrics for the purpose of exports. Leading exporters, officials from Technical Institutions like South India Mill Owners' Association, Weavers' Service Centres and the Institute of Handloom Technology are members of this Development Panel. At its first meeting held in January 1970, among other things, the Development Panel recommended the formation of four sub-panels to deal with matters relating to exports to such regions as (a) Europe, including the UK, (b) Middle East and African countries, (c) United States of America, Canada and (d) South East Asia, Australia, New Zealand, Hong Kong, Thailand and Japan. The sub-panel for (a) above met at Delhi on May 16, 1970, and individual export targets were fixed among the leading exporters to Europe to be fulfilled during 1970. Individual export targets were fixed for member-exporters to the Middle East and African countries also. At this meeting, it was recommended to sponsor two delegations, one to Middle East and east African countries and the other to west African countries. Action is being taken to send delegations as suggested above in consultation with the chairman of the Council.

Although handloom fabrics were allowed to be imported without any



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quota restriction, recently there was some difficulty in the exports of the handloom made-up items to the USA. In order to overcome this difficulty, the Textile Commissioner, in consultation with the Council, has brought in a scheme of certificate of origin so as to identify the handloom made-up items from that of mill textile items. A high power delegation is conducting negotiations with the US Textile authorities so as to exempt handloom items from the purview of Long-Term Textile Agreement between India and the United States of America.

In response to a suggestion from the Indian Embassy in Spain about the market possibilities for Indian handloom silk, the Council had sent a one-man delegation to study the market possibilities for exports of handloom silks and cottons. The one-man delegation to Spain has since completed this study and submitted a report to the Council on his findings. Action is being taken on the recommendations made by him.

In order to fully utilise the duty-free concession extended by the EEC countries and also to study the market possibilities for increasing exports of cotton handloom items to these countries, the Council during the current year propose to send three one-man delegations to study the market conditions for increasing exports of silk handloom items to EEC countries in general with particular reference to Netherlands, Belgium-Luxembourg and

Italy. The other two one-man delegations representing the cotton handloom export trade would be visiting the EEC countries in August/September 1970.

Although the Nordic countries have announced duty-free quota for exports of cotton handloom fabrics, our exports during 1969 to these countries were not appreciable. In order to study the consumer preference and for increasing the exports of cotton handloom items during the coming years, the Council proposed to send a two-man study team during the current year. The government have since approved of this proposal and the two-man study team would commence the visit to these countries in August, 1970.

Sample Fair

The Council had participated in the International Samples Fair held at Barcelona (Spain) during the first fortnight of June, 1970 through the Directorate of Exhibitions, New Delhi. From the report of the Exhibition Directorate, it is understood that keen interest was shown by the visiting public to the handloom fabrics displayed at the Exhibition. The Council had sent handloom exhibits worth about Rs 1,161-00 and it is understood that all these exhibits were sold at the conclusion of the above fair.

The Council had participated in Expo '70, Osaka, Japan. A representative of the Council was present there so as to educate the visiting public about

the innumerable designs and varieties of handloom fabrics available for export from India. The Council had also prepared Trade Albums containing swatches of the different varieties of silk/cotton handloom fabrics and furnishings.

The Council had participated in the Indian Industrial Exhibition held at Kuala Lumpur in July, 1970 and would also be participating in the Indian Industrial Exhibition to be held at Singapore.

Prize Award

Following closely the Prize Award given to the best exports by the Government of India, the Handloom Export Promotion Council has also instituted a Prize Award Scheme for the best export of handloom cotton fabrics, silk handloom fabrics and cotton ready-made garments during the year 1968. The Prize Award function for the best handloom exports was held on 4th April, 1970 at Madras. The function was presided over by His Excellency the Governor of Tamil Nadu and the awards were distributed to the winners by Hon'ble B. R. Bhagat, the then Minister for Foreign Trade, Government of India. The Industries Minister for Tamil Nadu, Shri S. Madhavan, released the trade albums meant for Expo '70. Special supplements were issued in this connection by two leading English Newspapers in the city. The All India Radio, Madras, also gave coverage.—Source: Ministry of Foreign Trade.

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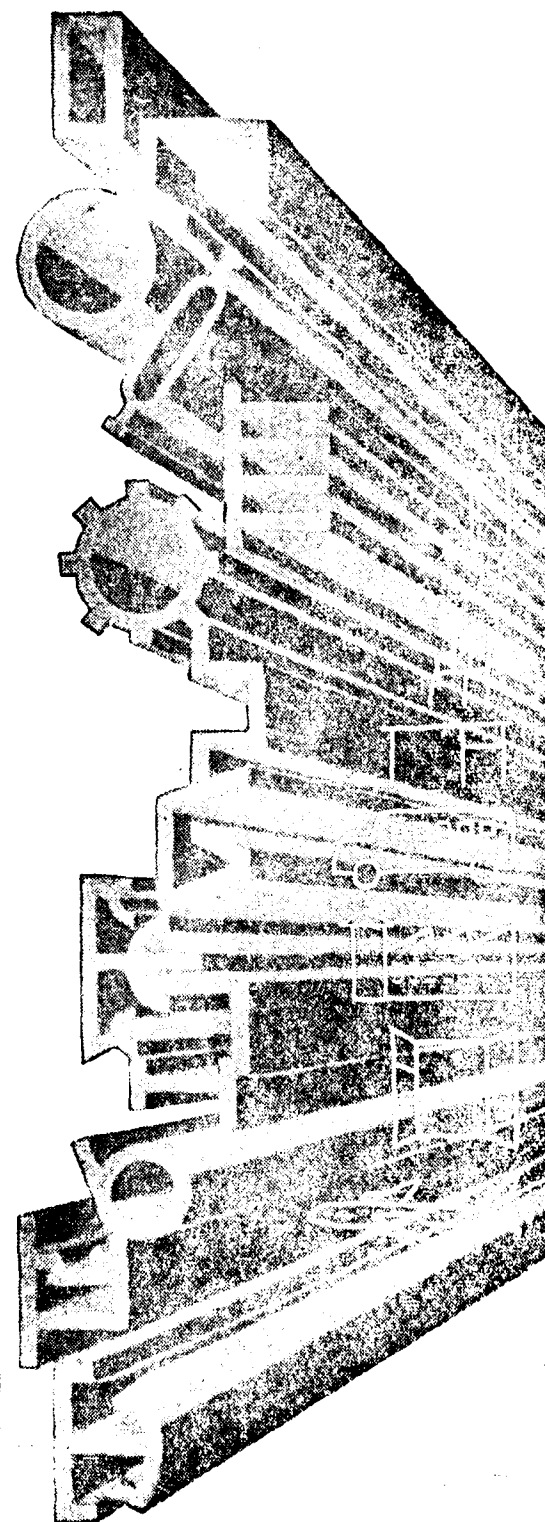
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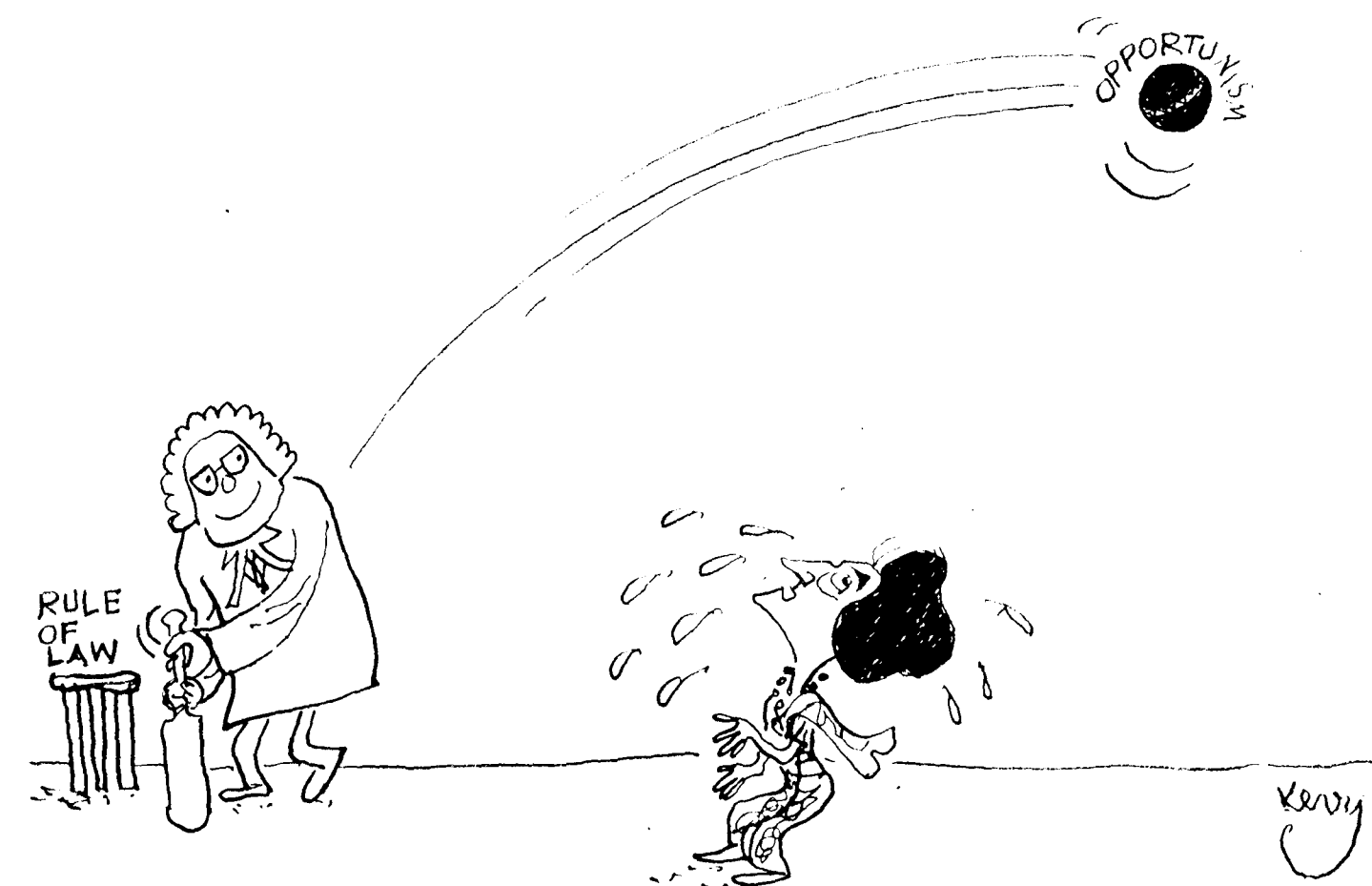
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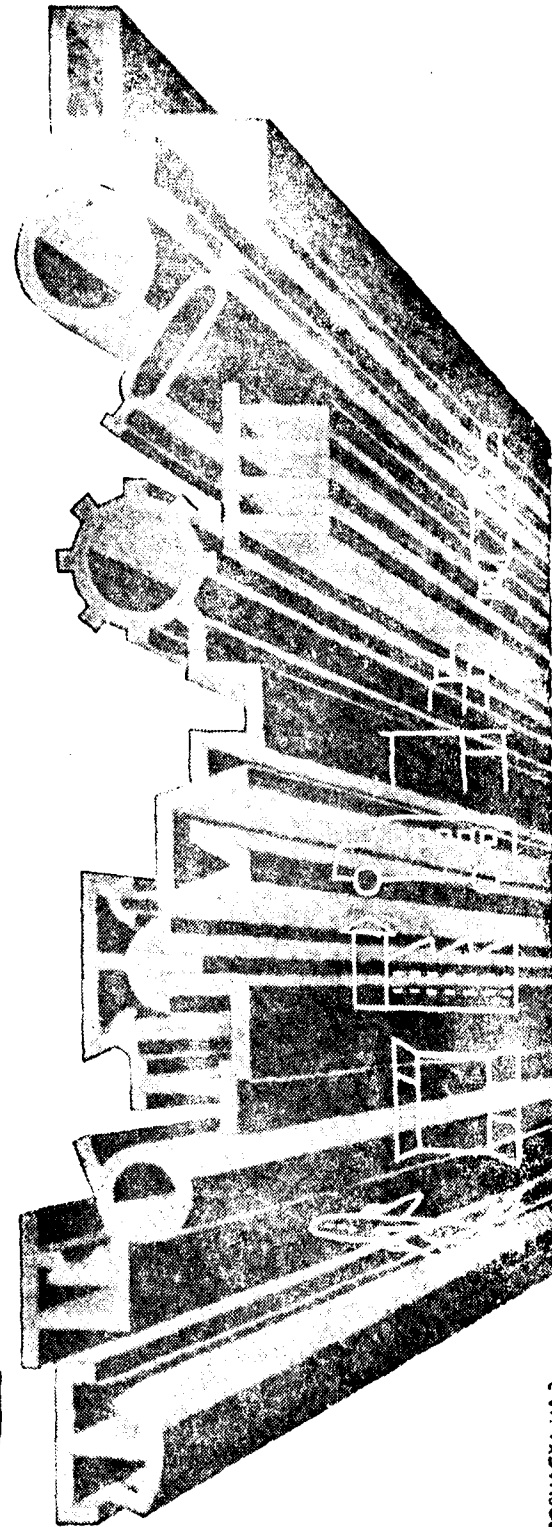
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EASTERN ECONOMIST

DECEMBER 30, 1970

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THE GOOD OLD 'SEVENTY

THE YEAR, which we are now leaving behind us, is entitled to our gratitude, for it could have been worse. In these 12 months our country's developing democracy has been exposed to grave dangers, but it has survived them. Not all of these dangers have come from the acknowledged forces of subversion. Indeed, for the more serious of them, the blame lies with persons or institutions whom the country has a right to expect to remain faithful to the letter and spirit of our Constitution.

There had been during this year occasions when it almost seemed as if political opportunism of the grossest kind would triumph, destroying, in the process, the hopes of our people for a continuous strengthening of the democratic fabric of their community. Fortunately, these onslaughts and depredations on our democratic ideals and institutions have so far been frustrated by the instruments of our Constitution. The rule of law, as interpreted and enforced by a free and fearless judiciary, has succeeded in asserting itself. If eternal vigilance is the price of liberty, we may rejoice in the thought that our people are now well endowed in this respect. Every attempt that has been made to abridge the liberty of our people has only resulted in arousing their vigilance to enable it to entrench itself as a powerful factor in our public life.

Seen against this gain in our democratic values and the inner strength of our people to defend those values, the political terrorism now ravaging some parts of our country would appear to be a disturbing but not yet a disastrous trend. It is still within the power of any normally effective government at the centre to deal with the Naxalite violence in West Bengal or elsewhere. If effective measures are not now being taken to this end, it is only because the present government at the centre is both inappropriate and inadequate for the needs of our country. It is of course within the authority and capacity of the people to mend this situation and, luckily for them, they do not have to wait long for an opportunity to intervene. It is possible, of course, that the verdict of the general election that will be held within the next few months may usher in a period of coalition governments at the centre. It is probable, again, that these coalition governments may spell a phase of unstable or weak administrations. This prospect need not necessarily cause us despair. On the contrary, the nation may well benefit from a decline in dogmatism in government or the arrogance of power in politicians. Much of the harm done to this country in the past has been done by politicians over-sure of themselves. In the next phase of India's democracy it may well be to the country's advantage that its government should be able to function only by the sufferance of the people.

Quite possibly such a situation might facilitate our economic development rather than hamper it. It has been our experience of the last 20 years that governmental intervention in economic affairs has obstructed progress rather than promoted it. There is little evidence that the direction of the course of the national economy by the government has made any significant contribution towards releasing the energies of the people or increasing the material resources of the community. If, as a result of the political situation after the next general election, it so happens that the government's preoccupation with managing the economy is reduced, the consequence may well be that the arrested forces of economic dynamism may at last get a chance to go to work. We may well take leave of the receding year in this mood of hopefulness.

The Explosive Unemployment Problem

FOR TOO long have we been hearing demands, such as inclusion of the right to work in the Fundamental Rights under our Constitution and effecting of radical changes in our economic system, as sovereign solutions to the growing unemployment problem in the country, but more employment opportunities simply don't flow out of such demands as pigeons emerge from a magician's hat. Nor do they follow in the wake of such cavalier suggestions as imposition of a ceiling on gold holdings or urban property, or taking over of plantations and industries without paying compensation. More pragmatic and practicable measures are needed to meet the grave situation and the few that could be regarded as such or nearing such put forward by some members included (i) acceleration of the pace of industrial expansion, (ii) intensive programme to improve communications, (iii) taking up of such projects as sinking of wells, construction of rural roads and housing, and (iv) starting of agro-industries and cottage and small-scale industries, all regarded as being capable of generating greater employment potential generally. In the light of this approach, the normal reaction of any one would be to ask whether there is as yet sufficient appreciation in the country of this "most explosive problem" and the need for a serious attempt to tackle it on a mass scale as urged by some members when the problem came up before the last Parliament.

But that is not the impression one got when one heard the studied speech on "creating the climate for employment opportunities" of Mr Naval H. Tata, President of the Employers' Federation of India, at the Golden Jubilee Conference of the Employers' Federation of South India, at Madras, the other day. The latter body thoughtfully chose to hold a seminar to consider the problem of unemployment and the need for creating an appropriate climate for greater job opportunities as part of these celebrations and to invite Mr Tata to give the keynote address. Mr Tata's was a business-like approach, as is only to be expected of a seasoned businessman like him. He first sized up the enormity of the problem and then indicated the right approach, while, at the same time, pointing to the mistakes in the present official policies. Of course, he also told his audience, consisting, in the main, of employers from different parts of the country, as to what they should do by way of their own contribution towards a solution of the acute problem.

This is how he sized up the problem. "The staggering fact of the Seventies in India", he said, "is that, due to the population explosion between 1955 and 1965, the 15-year olds will number 170 million of which 90 million will enter the labour force in this decade. The present labour force already numbers 210 million, 70 per cent of whom depend upon agriculture and of them 40 million are mere farm labourers". According to him, although the unemployment problem is world-wide, it appears to be in an aggravated form in our country, because "India has to sustain 14 per cent of the population with only 1.5 per cent of the world's income and 2.4 cent of the world's land." The problem in India tends to get worsened as, to its already heavy population of over 550 million, we go on adding at an annual rate of growth of 2.5 per cent. No wonder, as he said, that "the number of unemployed has continuously risen from 3.3 million in 1951 to 5.3 million in 1956, 7.1 million in 1961, 9.6 million in 1966 and 12.6 million in 1969. A widely accepted estimate puts the present volume of unemployment as high as 20 million".

Explaining this phenomenon, Mr Tata listed four causes. First, he said "the rate of industrial expansion has not been fast enough to absorb all the additions to the labour force. Secondly, the capital-intensive technology of the basic industries, established in the last few years, does not create as much new employment as would have been possible under a different pattern of development. Thirdly, for every one job offered by industry, the rural sector throws up several aspirants from its limitless ranks of the under-employed. And, lastly, while there is a general surplus of manpower, many of the skills needed by modern industries are often in short supply, the availability of skilled jobs providing no relief to the unemployed."

Let us turn to the possible solutions offered by Mr Tata. The first point to be clarified in this connection is the relative availability of rural and urban employment opportunities. In a predominantly agricultural economy such as ours, a large numbers of the new entrants to the labour force must continue to find employment in agricultural and related occupations. Is this feasible? The fact is, to quote Mr Naval Tata, that, "out of the 42.5 million jobs created between 1950-51 and 1968-69, as many as 11 million were in the agricultural sector". And, further, as the National Labour Commission (NLC) has pointed out, "under-employment

in agriculture has diminished considerably since 1961, especially in areas where the farmers have taken advantage of new inputs and methods of cultivation. It has been estimated that each acre under high-yielding varieties of crops provides 30 man-days of additional work in a year and that an acre under intensive multi-crop farming gives 26 more man-days of work. Add to this the potentialities of rural labour camps and agro-industries for processing agricultural products, and you have an idea of the vast scope there is.

Industry is, and will always be, complementary to agriculture in providing job opportunities. "Without rapid industrial growth, it is difficult for any nation to solve the employment problem, despite efforts to offer more rural employment through agriculture", said Mr Tata rightly. In fact, as spare land becomes scarce, greater reliance has necessarily to be placed on industrial growth. A distinction has to be drawn here between traditional labour-intensive industries and modern capital intensive industries. Mr Tata felt a study to be necessary to find out how far the former have been utilised through intensive operation. Evidently he is of the view that there is some latent employment potential here, which explains his asking the government to examine the possibility of the cotton textile industry working three shifts round the clock, including Sundays. In this way, Mr Tata estimated, some 2½ lakh additional hands could be employed, but this presupposes, as he took care to add, increased supply of raw cotton. Similarly, according to him, fuller use of the unutilised capacity of several other labour-intensive industries could create substantial additional employment opportunities.

Mr Tata also dwelt on certain factors, including the emotional, if not unimaginative, trade union opposition to automation, that have been inhibiting the growth of our industries and thereby avoidably eroding fresh employment opportunities. For instance, he referred to the unsettled political climate which has had a pernicious effect on industrial relations and also alluded to the high levels of taxation imposed upon industry, indiscriminate wage in-

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A HAPPY
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creases extended to only one section of the working population (organised industrial labour), an aggressive phobia about concentration of economic power, an irrational fear of "bigness" in industry, opposition to automation and, more than everything, imposing of political solutions on wholly economic problems. Such policies, as he added, are a travesty of true socialism. "If, in the name of socialism", to quote him, "the highest priority is accorded only to fighting the imaginary fear of concentration of power, whilst the need for maximising production and fighting inflation is relegated to the background, then our socialistic-minded government is merely assuming the role of a play-back singer, to create an illusion of a voice which is not genuine and is merely intended to deceive the public. A suicidal ideology indeed!"

The EFI President also effectively countered the allegation that the so-called monopolists also are stifling the progress of the smaller entrepreneurs by citing what Telco, Voltas, Kirloskars and Nocil, among others, have been doing to help ancillaries. "A realistic and unbiased study of the inherent link between large and small-scale industries", he maintained, "would prove, be-

yond doubt, that far from stifling the growth of the smaller units, the larger units actually generate the smaller ones, and contribute mightily to their growth."

In regard to the role of employers in the matter of improving the climate for employment, Mr Tata referred to training of apprentices, providing reasonable job security for workers and expanding operations as best as possible under the prevailing conditions (which he had no hesitation in describing as tending to cause a severe setback to the development process). However, he added: "There is no instant remedy for these deficiencies in the economic and political fields, but one must hope that our leaders will show timely and sufficient wisdom to arrest and, in fact, reverse the present trends by adopting the correct policies that would permit more rapid industrial development and thus mass employment". "Timely and sufficient wisdom", indeed, is what the desperate situation in which the country finds itself today warrants. But it implies the shaking off of false dogmas or prejudices on the part of the powers-that-be. The sixty-dollar question is: will they, that too when the opposition challenge to them is mounting in the way it has been for some time now?

Collaboration in Chemicals

THE JAPAN Chemical Goods Industrial Co-operation Mission during its three-week tour of our country in November this year seems to have discovered many fields suitable for collaboration with Indian entrepreneurs. Headed by Mr Y. Nakagawa, President of Toyo Plastic Co. Ltd, the seven-member mission was organised by the Osaka Chamber of Commerce & Industry and sponsored by the government of Japan. Its object was to meet leaders of industry and representatives of government in order to study the investment climate in India and explore the possibility of joint ventures and technical co-operation in chemical products. The mission's members represented plastic wall cabinets, birth control goods, water colours, plastic flexible hoses, and chemicals for rubber. The mission visited Delhi, Ahmedabad, Bombay, Bangalore, Cochin, Madras and Calcutta and held detailed discussions with the representatives of the chemical trade and industry.

To what extent the mission's visit will produce concrete results in the form of collaboration agreements will be known only after some time. Its members would like to discuss with their colleagues in Japan the implications of the schemes in which Indian businessmen have shown interest. Some of these schemes relate to synthetic fibres,

shell-fishing operations, plastic containers for transfusion of fluid, plastic pipes for irrigation, rubber chemicals, barium compounds and detergent soaps.

Collaboration with Japan will considerably accelerate the development of our chemical industry. Japan's chemical industry has progressed rapidly and vigorously especially in petrochemicals, dyestuffs, organic synthetic products, plastics, fertilisers, paint and pharmaceuticals. In 1969 Japan's export of chemical products was valued at about \$1,104,055 million — while her imports of these items amounted to \$836,492 million. Japan's development of the chemical industry has been facilitated by the import of technology from foreign countries and her own technical progress.

India's chemical industry has also made great progress under the three five-year Plans. The various sectors like fertilisers, synthetic fibres, synthetic resins, plastics, heavy chemicals — organic and inorganic — dyestuffs, drugs and pharmaceuticals and miscellaneous chemicals have been able to increase and diversify their production substantially in recent years. In 1968-69 we produced 1,038,000 tonnes of sulphuric acid, 304,000 tonnes of caustic soda, 405,000 tonnes of soda ash and

15.4 million tonnes of refinery products. In exports too our chemicals and allied items have made impressive progress.

However, there still remain many gaps in our chemical technology. In the list of items identified by the Government of India where foreign collaboration is to be encouraged, about 12 chemical industries have been mentioned, including fertilisers (other than super-phosphate), selected pesticides, selected petrochemicals, thermo-plastics, synthetic rubber, detergent alkylates, rubber chemicals, and so on.

The fourth five-year Plan has provided for a large expansion of the chemical industry especially in fertilisers and petrochemicals. Japan has vast experience in this field and will be in a position to collaborate with Indian parties in many projects. There is now a scheme to develop a petrochemical complex in Haldia. On completion this will give scope for setting up new industries with Japanese know-how.

But the prospects of foreign collaboration in chemicals cannot become bright unless the official machinery in New Delhi functions with speed. Although the Prime Minister and her colleagues repeatedly proclaim their intention to expedite the issue of industrial licences, entrepreneurs continue to complain of dilatory tactics by the government. In his speech at the annual meeting of Tata Chemicals held on November 17, 1970, Mr J.R.D. Tata regretted that hundreds of applications for licences, including two of their own projects, were bogged down in the Department of Company Affairs. In May 1969 Tata Chemicals had applied for the expansion of its capacity by 400 tonnes a day to 1000 tonnes a day but even after 18 months, the sanction had not come.

Meanwhile, the country was confronted with a severe shortage of soda ash necessitating imports. Mr Tata said, "Had the control machinery of government been a less cumbersome and quicker moving one, and we had been allowed promptly to respond to the country's needs, we would today be within a few months of being in a position to meet the increased demand. Instead, we find the same government that calls upon the industry for a crash programme of expansion of the country's soda ash producing capacity enforcing interminable delays on those most able and willing to respond to their will." Statements of this type coming from top industrialists are not likely to enthrone businessmen from Japan or from other countries. It may be recalled that a delegation sponsored by the Engineering Export-Promotion Council to Japan in February this year referred in its report to "harrowing experiences of frustra-

tion on the part of some Japanese businessmen to set up collaboration units in India while others criticised the Indian investment regulations, the taxation policy, and the limitations on the repatriation of profits.

It is gratifying however to find that Indian technology in chemicals has become so advanced as to be able to offer its know-how in foreign countries. The 200,000-tonne per year plant for the production of soda ash sponsored by Tata Chemicals in Argentina is perhaps the most ambitious and prestigious project ever undertaken by an Indian firm in a foreign country. This should be able to inspire confidence among the Japanese industrialists about the ability of their Indian counterparts to export their know-how and to set up joint ventures in various parts of the world.

Besides seeking collaboration, our chemical industry should also explore the prospects of direct exports of chemi-

cal and allied products to Japan. We should study Japan's import statistics and find out the type of chemicals they are importing from other countries. The delegation sponsored by the Engineering Export Promotion Council to Japan suggested that business worth Rs 50 lakhs could be secured during 1970-71 and worth five crore rupees by the end of the fourth five-year Plan. Many of these engineering goods require components made of chemicals, plastics and related products. This is so especially in the case of television, radio, tape recorder and so on. Japan has been described as the biggest consumer of electronic components in the world. Our chemical industry therefore should examine to what extent there is scope for fitting its products into the engineering goods exported to Japan. The visit of the Japanese mission has opened up interesting possibilities of co-operation and it is up to our government and businessmen to follow up the discussions and achieve substantial results.

Self-Sufficiency in Cotton

WITH EVERYBODY shooting off his own cotton statistics — and each seems to have his special source — which conflicts with everyone else's, it has become well-nigh impossible to say where exactly the country stands in the matter of actual cotton supplies today.

In the circumstances, we ought to be thankful to Providence that there are no two opinions on the available supplies being far short of actual requirements and that the situation could be remedied only by additional imports, as Mr Madanmohan Ruia, President of the Cotton Buyers' Association, Bombay, stated at the last annual general meeting of the association held a few days ago.

Now that the Government of India has decided to import 13.15 lakh bales in all during the current cotton season, the total supplies that would be available during 1970-71 would be of the order of 86.21 lakh bales made up as follows:

	Indian	Foreign
	(in lakh bales)	
Carry-over from 1969-70 season	13.50	3.56
Estimated production	56.00	..
Estimated imports	..	13.15
Total estimated supplies (86.21 lakh bales)	69.50	16.71

If it is conceded that available supplies fall short of actual requirements,

it must be presumed, the statement applies to the situation prevailing today. At any given time, actual availability depends on arrivals from cotton-growing areas within the country, as well as from abroad. There are conflicting views about the rate of arrivals depending upon who makes the statement. But *vis-a-vis* the actual demand today (which is higher than last year), the rate of arrivals has been lagging behind, notwithstanding what the Minister of Co-operation, Maharashtra, contends. This is borne out by the stocks of *kapas* with co-operatives having reportedly risen phenomenally. With the unlimited credit facilities available to them and the active exhortation by co-operative officials to buy and stock cotton but wait till prices rise further to dispose of it, this is quite conceivable.

As regards foreign cotton, the authorities should not be content with mere pronouncements of import quotas but see that steps are taken for supplies of this cotton to reach the country as speedily as possible, as Mr Madanmohan Ruia appealed to the government.

Knowing the vagaries of weather, on the one hand, and the uncertainties of adequate availability of foreign exchange, on the other, Mr Ruia rightly reverted to his oft-repeated theme of self-sufficiency in cotton. "Despite our efforts to increase the domestic production", he said, "our Plan targets continue to remain mere illusions". He was frank enough to admit "the efforts made by the Indian Cotton De-

velopment Council in the sphere of improving the per-acre yield of cotton, as also in the evolution of better strains and the measures taken by the industry also in this behalf have only touched the fringe of the problem". So, he went on to ascertain why this has been so.

According to him, there are two reasons for this, namely (i) the funds allocated for the purpose are inadequate, and (ii) isolated efforts, however sincere, cannot go very far. "The funds allocated every year by the government are so inadequate", he said, "that the efforts made by these organisations could not make any headway from the experimental stages". Accordingly, he availed himself of the occasion to request the government to make adequate funds available for the important task of increasing the per-acre yield and thereby augment cotton production. We are at a loss to make out why, when the government is actually spending nearly around Rs 100 crores on imports of cotton and staple fibre a year, it is so parsimonious as not to earmark more than Rs 16 crores (including the extra of Rs 8.4 crores announced a few months ago) for cotton development in the whole of the fourth five-year Plan period. In this connection, the lead given by the Indian Cotton Mills' Federation, which has sanctioned Rs 25 lakhs and has offered to spend more, if need be, for cotton development needs to be emulated by the powers-that-be.

Secondly, in place of the isolated efforts by the Indian Cotton Development Council and the Indian Cotton Mills' Federation, Mr Ruia wanted the government to set up a corporation in which the government, the trade, the industry and the growers should be entrusted with the work of achieving self-sufficiency in cotton as speedily as possible, and he also added significantly that "all assistance needed for such work should be readily sanctioned". If this is done, he felt "it should not be difficult for the country to march ahead and attain its goal in achieving the cotton targets fixed by the government from year to year".

The nine-point programme recommended by the Cotton Textile Consultative Board recently and accepted by the authorities since may be all right to meet the present emergency. When it is over, as it bids fair to be thanks to the extremely co-operative attitude of the millowners and the tactful handling of the crisis by the Chief Minister of Maharashtra, the authorities should not relapse into their erstwhile apathy but apply their minds in right earnest to evolve a practicable policy aimed at achieving self-sufficiency in cotton as speedily as possible.

Rule of Law in Industrial Relations

K. SANTHANAM

INDIAN ECONOMY is suffering from two major ills — the prevalence of the law of the jungle in the relations between the employer and the employed and the existence of a large number of unemployed youths and adults seeking employment, and unless satisfactory solutions can be found for both, Indian economy will continue to be in the doldrums. Of these two, the establishment of the rule of law in the relations between the employer and the employed in the factories and the offices deserve priority, for it is through the surpluses created by the efficient working of the employed labour and avoiding the losses incurred through strikes, go-slow methods, absenteeism and other labour troubles that the central and state governments can find the resources to tackle the unemployment problem in an adequate manner.

Foundation of Democracy

It is admitted that the rule of law is the basis for any civilised society and that it is the indispensable foundation of a democracy. Unfortunately, a narrow interpretation of the rule of law has prevailed which has been applicable only to disputes between individuals and those arising from the laws of property and contract. In the beginning of the industrial revolution, it was thought that the law of contract would suffice for regulating relations between the employer and the employee but the immense power which modern science and inventions gave to the owners of industrial concerns using power machinery led to gross exploitation and oppression of labour. This gave rise to the trade union movement and parliaments elected by adult suffrage had to make laws providing for health, sanitation and safety of workers and for collective bargaining, conciliation and in some cases adjudication of labour disputes. In the case of government servants, it was considered sufficient to regulate the conditions of service by rules and effect changes through periodical enquiry commissions.

While these steps have mitigated the worst abuse, they have not altered the fact of the final settlement of disputes by strikes and lockouts. Though it is generally considered that government servants employed in adminis-

trative services have not the right to strike, such strikes have been restricted in this country and not ignored as in other countries. There is no doubt that these methods of settlement of the disputes between the employer and the employee are analogous to the duels by which personal insults were settled in the middle ages. Only the duels between the management and labour affect the normal life of the people even more than the participants themselves.

While the worker is certainly entitled to reasonable wages and fair conditions of work, the claim that he can withhold labour at will and stop production of goods and services which are essential to the community cannot be conceded by any civilised society. As in the case of aggrieved individuals, they should have the right to approach some impartial tribunal whose verdict should be binding in the same manner as that of a law court. Some attempt has been made in our labour laws to regulate strikes and lock-outs and prohibit them when disputes are referred to arbitration or adjudication particularly in the case of essential utility services but, unfortunately, these have not been effective as penalties are not automatic and it is not possible to inflict arbitrary punishment on a large number of workers who believe that it is their inherent right to enforce their demands through a strike.

Bright Prospect

If the central and state governments in India can make up their minds to abolish the right to strike and substitute for it the right to approach a proper judicial tribunal in all cases where negotiations and conciliation proceedings have failed, the prospect of Indian economy can become very bright.

In this connection, the present government of the UK has set an example which deserves careful consideration. The Industrial Relations Bill which has been introduced in the British Parliament goes a long way to enforce the rule of law. It has not banned the right to strike and lock-out altogether but if the bill becomes law, they will be made so difficult as to become practically impossible. According to the Bill,

the Secretary of State for Employment is to publish a code of industrial relations within a year of passing of the Bill. A new system of industrial courts is to be established providing for suits by injured parties against employers, unions or individuals for adopting 'unfair industrial practice' which should include dismissal and retrenchment other than for prescribed reasons and the observance of proper procedures. Collective agreements are to be legally enforceable. Trade unions and employers' associations will have to accept the minimum standards in relations to their rights and the methods of enforcing them.

The most important point is that both employers and employees will be entitled to claim civil damages for the losses suffered by improper action. Also action can be brought against unions and strike leaders and not merely against the individual participating in a strike, or declaring a lock-out. The labour courts to be set up will be empowered to award compensation up to a maximum in the case of individuals or unions related to their capacity and also award costs. Preventive orders can also be issued by such courts against threatened strikes and lock-outs.

While the provisions of this bill are commendable, it is necessary to make a

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The Directors are pleased to report that the profits of the Group show a satisfactory upward trend, despite the limiting effect of credit restrictions in some areas and problems arising from the acquisition by certain Overseas Governments of interests in our local business.

simpler and more direct approach to the problem in the country. A complete prohibition of strikes, lock-outs and every other kind of direct action coupled with mandatory provisions for quick negotiations and adjudication, if necessary, should provide a climate of industrial peace which will give a sudden momentum to our economy.

It may be conceded that any such step will be stoutly resisted by the labour unions and even more fiercely by their leaders whose power and influence today is in their capacity to threaten strikes and dislocations. I shall not be surprised if many employers too dislike the idea of automatic and compulsory adjudication but, in this matter, it is not the likes and dislikes of employers or workers that should be de-

cisive. Modern industries and administrative services are essentially public utility activities in which the public interests should prevail. It is impossible to contemplate any strike or lock-out which does not in some way or other affect public interests adversely.

In this connection, it should also be remembered that strikes and lock-outs are practically banned in all the communist countries. I have no doubt that in those countries any body of workers who resort to strikes, and their leaders will be liquidated in one way or another. It is absurd to think that only dictatorship and totalitarianism can enforce the rule of law and orderly settlement of disputes in this field. Democracy should be able to do it in a more reasonable and humane manner.

Indo-French Economic Co-operation

K. K. G. NAMBIAR

THE VISIT of the French economic mission to India led by Mr Stephane Thouvenot and the many-sided discussions it had with the Indian government and industrialists should lead to more purposeful, extensive and cordial economic and trade relations between India and France. Already, the "practical outlook" of the French mission has pleased everyone in India, leading to new hopes and optimism about strengthening the economic relations between the two countries.

In a way, the visit of the French delegation is the upshot of the meeting of the Indo-French Economic Commission held in Paris a few months ago at which several measures aimed at strengthening the Indo-French economic relations were discussed. It may be recalled that the 1959 trade agreement between the two countries expressed common desire to expand and diversify trade relations between the two countries. Since then, the volume of trade between the two countries have grown.

Important Partner

France is an important trading partner of India in the European Economic Community and rank-wise tenth trading partner and absorbs 1.4 per cent of Indian exports. Imports into India from France account for 1.9 per cent of our total imports. A characteristic of the trade between the two countries has been that never has there been a trade balance in favour of India. For instance, India's imports from France during the period 1951-56 totalled Rs 13.4 crores (annual average) against her exports of Rs 6.9 crores. During 1956-61, the value of India's import

from France was Rs 21.4 crores, (annual average) which was Rs 13.2 crores more than her exports. Further, against India's exports of Rs 20.0 crores in 1968-69 to France, the value of imports from that country was Rs 36.4 crores. However, during the nine months of 1969 (April-December) the gap has been somewhat narrowed down, the import being Rs 18.2 crores against the export of Rs 16.4 crores.

Principal Exports

Primary products like leather, precious and semi-precious stones, coir yarn, claws, cotton raw, gums, sandalwood oil, cashew kernels, jute and silk products are the principal exports from India. Heavy plant and machinery, fertiliser and various industrial raw materials, chemicals and pharmaceuticals are the major items in India's list of imports from France. Capital goods account for about 70 per cent of India's imports from France. The important issue concerning the Indo-French trade is how to increase India's exports of non-traditional goods to France. France

being an industrially developed nation and her market being both competitive and sophisticated, it will not be too easy for India to increase the export of her manufactured products.

Besides these, there are other significant handicaps. France being a member of the EEC, no duty is leviable on goods originating from the member-countries of the EEC. Since those countries are industrially far advanced, it is less easy for India to gain a good market for her non-traditional and manufactured goods. Even some of the traditional items being exported by India are faced with a threat and challenge since some of the EEC countries have set up units to produce jute goods, textiles, coir goods, etc. Further since the primary goods being imported into France from the African countries enjoy duty-free imports, our traditional exports are faced with additional threat. Also, many Indian goods such as jute cloth bag, woollen hosiery, shoes, synthetic fibres, articles made of coir fibres and onions are subject to quota restrictions. It is true that as a result of the efforts made by the Indo-French Economic Commission, some restrictions have been removed. However, many items continue to be subject to restrictions and import tariffs.

The French economic mission during its recent visit has, however, identified areas where close economic co-operation can be fostered between the two countries. It has suggested, among other things, Indo-French manufacturing firms utilising designs developed by the French technologists. Joint exports to third countries (mainly industrial machinery) in which labour intensive components could be produced in India to French design and sophisticated components in France and the assembly of the complete plant in the third countries and export of French know-how to India has also been suggested.

According to Mr R.P. Goenka, President of the Indian Chamber of Commerce, industrial machinery manu-

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India Tobacco Company Ltd.

facturers in India — especially those who produce sugar and cement plants — are asked to indicate to the French side the type of components that could be supplied to them so that when the French side quote for turn-key jobs in the third countries, they could keep the items that India can supply very much in mind.

All this certainly promises to give a boost to India's export of non-traditional goods. India should, therefore, strive hard to explore ways and means to realise these objectives by giving practical shape to the suggestions and discussions carried out during the French economic mission's visit. Here, it is necessary to remind both the Government of India and the industry about the complaints voiced by the French delegation that manufacturers in the EEC countries do not know what India could export by way of plant and machinery and processed products.

Important Point

According to the French mission, many in western Europe are ignorant about India's ability to export machinery and equipment. The leader of the French economic mission also referred to the existence of intermediaries who tended to inhibit wider trade contacts between India and France directly. This is an important point which should engage India's attention. While increase in the tempo of industrial activity in India would lead to higher imports from France, we should make a concerted effort to export several non-traditional goods to France. Such items as bicycles, automobile ancillaries, electrodes, dry batteries, forgings, castings, electric lamps etc. have a good market in France and we should tap it.

Since the French mission has referred to the ignorance in many parts of the western Europe about India's ability to supply machinery and equipment, efforts should be made to project India as an industrially advancing nation with ability to supply a variety of industrial goods and raw materials and in certain cases technical know-how also. In fact, projecting such an image should form part of India's overall export strategy and publicity.

The French team also complained about India's "stringent payment terms." France, for instance, buys technology from the USA and pays, in several cases, a royalty of even 10 per cent tax-free. But people in India do not want to pay more than five per cent and half of the payment goes in taxes. This is discouraging many French firms to sell know-how to India. It is necessary that as a part of vigorous efforts to

foster close and intensive economic relations with France, India displays a flexible attitude on these issues. The French mission has stated that a few link-ups between Indian and French industrialists would not suffice in the creation of enduring economic ties. The mission called for trade and industrial pacts with clauses protecting long-term interests of both countries.

On its part, France can relax restrictions on the import of Indian goods and also simplify French import licensing system which is said to be very cumbersome and complex. At a time when both the countries are sincerely and anxiously searching for new areas to intensify and diversify their trade and economic relations, a flexible and conciliatory attitude on both sides will help to realise the objectives better.

France's interest in India's economic transformation has been very generous. Between 1961 and 1969, aid by France which joined Aid India Consortium in March 1961 totalled Rs 131 crores of which Rs 73 crores has been utilised. Public sector projects which have installed machinery purchased out of the French credits include Khetri Copper Project in Rajasthan, the Sharvathi Hydro-Electric Project in Mysore, Parambikulam Aliyar Hydro-Electric Scheme in Tamil Nadu, Hindustan Ma-

chine Tools factories and Hindustan Zinc for the Zawar mines in Rajasthan. Thermal power in Nasik (Maharashtra), the Oil and Natural Gas Commission, Indian Railways and IAC also received French assistance. In India's private sector, between 1957 and 1969 as many as 138 joint ventures with entrepreneurs from France have been set up. Of these, 129 involved only technical collaboration and the remaining financial collaboration. These industrial enterprises produce a variety of items like machine tools, electrical equipments, transport equipments, chemicals, pharmaceuticals, metal and metal products, etc. The French are also helping India to put up a fast breeder reactor at Kalpakkam, and coking coal mines for the NCDC and TISCO. The French also has expressed their readiness to associate with India's small car project and plans have already been submitted.

Thus, in India's economic transformation, France has been playing a notable part which has helped this country to accelerate her programme for industrialisation in many directions. The visit of the economic mission and the fruitful discussions it has had with the Indian government and the industrialists should lead to purposeful economic and trade relations between the two countries.

TIT: A Glorious Record

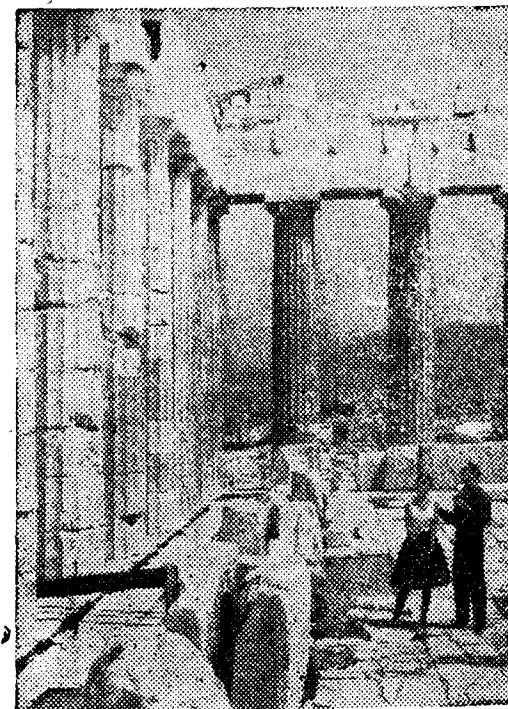
A CORRESPONDENT

THE SILVER Jubilee celebration recently of the Technological Institute of Textiles (TIT) at Bhiwani highlighted the significant contribution made by this institution over the years. For instance, the institute has established a distinctive record of training versatile pupils who hold as many as 25 per cent of all the important positions in various institutions and technical bodies related to textile technology and trade. Besides being managers, consultants, superintendents, spinning masters, weaving masters, sales executives, purchasers in the textile mills, the graduates of this institution hold vital positions in research organisations such as ATIRA, BTRA, SITRA, SASMIRA and government offices such as the Textile Commissioner's Office, directorates of industries, controllers of export and import, finance corporations, small-scale industries institutes and corporations and export promotion councils. They have also occupied positions on various committees constituted to advise the government and the industry.

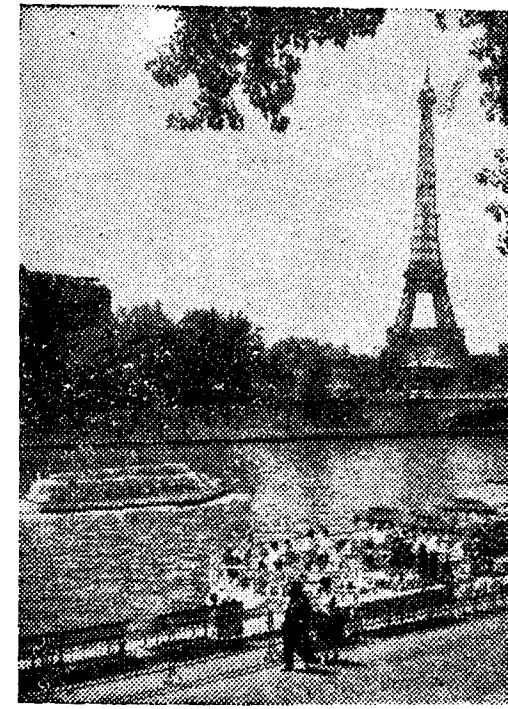
The institute was founded by Mr G.D.

Birla, who felt the need for personnel trained in textile technology to man the textile industry in this country. This institute was, consequently, established at Bhiwani in 1943 under the auspices of Birla Education Trust. The founder of the institute also realised that even best theoretical training divorced from proper industrial atmosphere would be incomplete. A full-fledged textile mill was, therefore, attached to the institute where practical training was imparted along with the courses of study. In this manner the pupils got proper feel of the practical problems involved in the textile industry. In this context Mr M.D. Dlamia, Chairman, Managing Committee of the Institute, rightly stressed that students acquire confidence after having worked in a mill during their period of theoretical training.

Students from all the classes are attached to specific sections of the mill where they work during regular hours along with their professors. Thereby they acquire working knowledge of a fully competent spinning and weaving master. Starting from the job of an



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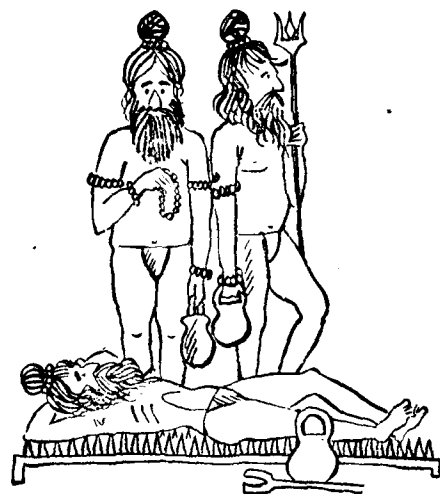
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India's cotton production has remained stagnant for the past 5 years, but not the population. This year's crop is expected to be only about 55-57 lakh bales. The requirement is 70 lakh bales (at a

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.

ordinary worker, they go through various stages of textile manufacture such as spinning, weaving, dyeing, bleaching, printing and finishing. While in the mill they develop faculties of controlling and maintaining proper working conditions with complete understanding of human psychology. They also acquire proper insight into the complicated processes of organisation, production planning, quality control, cost control, wage incentives and merit ratings.

The institute has continuously exhibited splendid dynamism and has expanded its areas of activity. Presently it is proposing to introduce post-graduate classes in Textile Technology, M.Sc (Textiles), which has already been approved by the Punjab University. The managing committee of the institute has also decided to introduce a specialised course in Textile Chemistry, because there is appreciable demand for such chemists in the industry. In order to keep the students informed of latest developments and research taking place in the field of textiles, the institute has also continued to help keep the laboratories and the mills up to date with the latest technology. The textile mill has 33,124 spindles and 644 looms and is equipped with metallic cards, high speed draw frames, simplex, combers, ring frames

with modern high-draft systems, Scholoforht pirn winders, Barber-Colman spooler and warper, automatic looms, calenders, jiggers, cheese and beam dyeing plant, mercerization plant, singeing, raising and roller printing machines screen printing section and hot-air stenters with beat-setting arrangements.

The institute has also been furnished with a workshop of modern design built in 1962 to provide advanced specialised training for the students. Latest machinery for spinning, weaving, dyeing, bleaching and printing incorporating recent developments in machine design and automatic controls, have been installed there at a cost of over Rs 12 lakhs. Among other equipments, the workshop contains a complete Truetzschler blow room line with automatic doffing, combing plant, different drafting systems on ring frame, weaving preparatory machines and automatic looms. The workshop has been provided with two humidification units so as to maintain the desired atmospheric conditions for carrying out experiments in spinning, weaving and other departments.

The institute has also earned the gratitude of the textile industry by carrying out research on problems faced by the industry in this country. Broad subjects on which research has been con-

ducted at the institute include assessing the length of the fibre, its strength, weight per inch, trash contents, maturity count, ginning, neppiness, micrograms per inch, testing of laps for irregularity, determination of card or drawing hanks slivers, hand rovings, and counts of yarn and its strength, evenness and twist, determination of ballistic rupture and bursting strength and the strength of the cloth in warp and weft way, study of characteristics of different textile fabrics analysis of mixtures, qualitative and quantitative, examination of cloth threads per inch, causes of various defects in the manufacturing of fabrics, investigation of various problems arising out of working of the textile mills, time and motion study, testing the quality of different types of cotton in order to produce the most economical mixings, study of all problems — mechanical, chemical or otherwise — relating to machine and labour efficiency and material economy, different types of blends, different types of novelty yarn, different types of weaves and patterns, and different types of shades.

It is hoped that the institute with its glorious record of over a quarter of a century will pursue its path of progress and will soon become a model for many more similar institutions in other manufacturing trades.

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WINDOW ON THE WORLD

Alarm Over US Trade Bill

E. B. BROOK

VIENNA: negotiations with our major trading partners."

It is more probable that the international squabble over protectionist policies is causing less of a flurry in the United States, which has attracted to itself — not a little unjustifiably — the role of principal offender, than in Europe. Compared to the degrees of indirect but very effective protection introduced by the Common Market in its agricultural support policies and the exclusive tariff-free trading in the EFTA group, the US proposal to give the President power to restrict imports of textiles is relatively straightforward.

The position in the United States over the Trade Bill is quite clear. President Nixon sent a bill to Congress proposing that it empower him to impose import quotas on textiles. The busy industrial lobbies in Congress managed to persuade the House to add other items, including footwear, to provide potential relief against imports for other domestic industries and tax relief for US exporters which the Administration not only never contemplated but regards as unacceptable. The bill is now being prepared in amended form for the Senate but is unlikely to be ready for debate and speculation is increasing that there will not be enough time before the end of this congressional session to complete the legislation. The Trade Bill will not, however, be allowed to die but several months are likely to pass in Senate-House conferences before an agreed text can be voted on and sent for presidential signature.

Unwise Legislation

This pause gives time for the crescendo of protest from Europe and Japan to mount and, in the United States, an important Republican-Democrat group of senators has stressed what they regard as the unwisdom of legislation in quotas and tariffs by Congress this year. They fear the reality of a world trade war arising from retaliation to the proposed American measures and have expressed their "sincere belief that a trade barrier bill would cause grave harm to the farmer, would jeopardize employment in many of our most important and significant industries, would impose higher prices on the American consumer and would do irreparable harm to US foreign policy and to the future of trade

The Senate group is much more alarmed than is Mr David Kennedy, the US Treasury Secretary now visiting Europe, who told me recently that he had personally met no threats of retaliation in Europe though, of course, no one liked another's tariffs, and though all states, despite the Kennedy Round and GATT, were obliged permanently to maintain some measure of protection in one form or another. To a question whether any form of protection was not a violation of the GATT policy of favoured nation treatment, Mr Kennedy said he would not like to get involved in an argument on GATT policies which he regarded as open to many interpretations.

The deepest alarm and annoyance over the US Trade Bill as amended by Congress has been expressed in Europe. Industrialists from every west European

Mr. Josselyn Hennessy's second article on "Inflation: A World Scourge" will appear in the "Eastern Economist" issue dated January 8, 1971.

country have officially informed the United States that if access to the US market should be blocked for an increasingly wide range of European products, balance-of-payments considerations would, among others, eventually compel west Europe's governments to react to restrictive US policies. The industrialists recommended using established institutions for consultations and conciliation rather than unilateral action in curbing trade and appealed for a continuation of the 25 years' work of trade liberalization in which the USA and west Europe have taken an outstanding share. They pointed out that the west European market was worth over 10 billion dollars to the USA last year, that its dividends earned in investments there totalled 850 million dollars and that the USA had a favourable trade balance with the area of some 50 million dollars. The implication is that these earnings are worth protecting as well as US industries.

The Common Market has gone further in the matter by setting up a group

of senior officials from the agricultural, industrial, finance and economics departments of its Commission to consider how the Market should react to the protectionist trend of legislation in the USA. While this group will pay particular attention to textiles and footwear, all types of possible reaction, from conciliation to retaliation, are being explored. Retaliation could evidently occur in areas other than direct trading. But the Market, like the industrialists, is more concerned to utilize all means of conciliation rather than even make any threats. If, as seems possible, an agreement can be reached between Japan and the United States on limiting imports of Japanese textiles to the USA it should be possible to find means of avoiding direct or even indirect retaliatory measures in the area of US-European trade. The Common Market may help to ease the US-Japanese problem by absorbing some of the Japanese textiles unable to enter the United States; this prospect is already causing concern among textile manufacturers in western Europe.

Ultimate Danger

The threat of trade conflict is not, however, confined to the prospects of differences over the US Trade Bill, which the new US Congress will be unwilling to leave in peace. If the Common Market is expanded in this decade to include Britain and other applicants it would be a much more powerful body to impose restraints on the USA than it is now and Britain might be in a minority in advocating more liberal trade policies. The ultimate danger is that an enlarged Common Market would be regarded not only by the socialist group of states in east Europe as an economically hostile body but that the United States, Canada, Japan and others might feel it necessary to form their own trading bloc or to impose tariffs and quantitative restrictions.

The present mood is uncomfortably to exchange accusations over protectionist tendencies threatening world trade, the more cautionary advice to use conciliation being an indication of nervousness over a possible trade war as much as a desire to be reasonable. As the later stages in implementing the Kennedy Round decisions are put into force by its signatories the trend is beginning to run strongly the other way and GATT regarded as a vague counsel of perfection. There is a real risk of economic regionalism increasing in Europe and elsewhere, a risk that would be best checked not by integration but by an increased concentration on, global free trade that seems, at the moment, to be regrettably far from most government's thoughts.

The moving finger writes

WRITING THESE lines on the penultimate day of the session of Parliament which ended last week, I was struck by two kinds of intense activity, one physical and the other verbal, among the Members of Parliament. The former consisted mainly of last-minute purchases of such bargains as the ghee and other dairy products retailed by the Delhi Milk Scheme in Parliament House for the convenience of our legislators and subsidised packets of superior qualities of tea also similarly made available for these privileged buyers. The second, or verbal kind of activity to which I have alluded was, of course, talking about a mid-term election. With this Lok Sabha having already existed for nearly four years, the phrase mid-term election is obviously becoming less and less appropriate as the days pass. But our legislators are not known for being particular about precision of language and it is therefore next to impossible to stop them from talking about a "mid-term" election.

It may be assumed perhaps that the Prime Minister has the prerogative of choosing the date for the dissolution of Parliament for an appeal to the electorate. Mrs Gandhi may be expected to fix a date which, in her view, would serve her and her party's interests best. Granted this, it seems to me that it is not going to help her very much if a general election is to be held sooner rather than later. The country is in a sorry mess. West Bengal is battling with Naxalite (or perhaps a larger political) terrorism. In Kerala, similar violence, although less continuous, is still terrifying enough when it erupts. Industrial peace is being regularly violated all over the country. Prices are rising without the justification even of intensified investment in development. Unemployment is becoming more and more acute.

In the normal course, all these circumstances and strains to which the public is being subjected must tend to work against the party in power. It would no doubt make a difference to this if the people have reason to believe that, given a clear mandate, this party would be able to do better. As it is, there is no ground for such hope. In spite of the untutored enthusiasm which large sections of the public did have for the nationalisation of banks, more and more men and women in our country are coming to feel that Mrs Gandhi's party has no realistic or effective programme

for restoring economic health to nation. Even greater scepticism is coming to be entertained about this party's ability to cope with the forces of political disorder and instability.

In the circumstances, the Prime Minister and her party may hardly benefit from courting a general election earlier than when it is normally due and cannot therefore be postponed further. That shrewd politician, Mr Jagjivan Ram, seems to appreciate all this only too well and his influence may be expected to be thrown in favour of the evil day of a general election being postponed for as long as possible. It must of course be clearly understood that I do not believe that Mrs Gandhi's party will be better placed to fight a general election for the Lok Sabha in February 1972 than in, say, March 1971. All that I am saying is that a date in March 1971 or in any other month between then and February 1972 is not going to be particularly useful to her, which suggests that without any disadvantage to herself and her party, the Prime Minister could well allow the present members of the Lok Sabha to enjoy their membership and its attendant benefits for the full term.

From the point of view of the Opposition parties, again, a general election for the Lok Sabha earlier than its due time may not have much positive advantage. The official Congress party, for instance, clearly needs time to get a grip on itself. To the extent that it has boldly decided to participate in the formation of a grand alliance of all democratic parties in the country against a possible coalition of the Prime Minister's party with some of the leftist forces, it has certainly taken a great step forward towards clarifying its thinking and consolidating its strategy. But, at the same time, and for this very reason it has had to face desertions from its ranks. As a result, there is some risk of its being considerably weakened in Gujarat, which is one of its major power bases. It seems to me that its leaders will need time to tide over this internal crisis and rally their ranks especially for fighting a general election of the Lok Sabha.

As for other Opposition parties, the SSP and the PSP are in a state of schizophrenia. It is doubtful that they will long continue as distinct political entities of significance. Perhaps the Jana Sangh and the Swatantra Party may

derive some marginal advantage from a general election coming sooner rather than later, this is because they stand to benefit most from the public's disillusionment with Mrs Gandhi's politics. As for the CPI, the balance of advantage may be substantially in its favour if an election is held sooner rather than later. This is on the assumption that it has a certain bargaining power where Mrs Gandhi's party is concerned. As for that other party on the left, viz., the CPM, it should make little difference when exactly the next general election is held. I expect its strength to undergo a very considerable diminution in a new Parliament in all circumstances.

Finally, there are the state level parties. The DMK has every reason not to want a general election for the Lok Sabha before its time. This is for the simple reason that while it cannot win more seats than it already has in the present Lok Sabha, it may well lose quite a few. As for the Bangla Congress, it, like other political parties in West Bengal, must realise that it will not be able to electioneer freely in the prevailing circumstances in the state. In Uttar Pradesh, the BKD may perhaps welcome an early opportunity of testing its strength in an election to Parliament as a reassurance to itself after its recent traumatic experiences.

From the point of view of the nation, a general election for the Lok Sabha is certainly not of the highest priority. There are other and more urgent tasks demanding attention. The restoration of law and order in West Bengal and discipline in industry in different parts of the country, and the formulation of measures for stimulating the economy through increased investment and production so that prices may be better regulated and employment opportunities increased are and must be matters of more immediate concern for the country and its government. It is idle to believe in the present political circumstances that a general election for the Lok Sabha will help to give the country a chance of being governed more purposefully than is the case at present. On the contrary, the chances are that the next general election may usher in a period of even greater disequilibrium at the centre. It follows that the country need not go out of its way to hold this election a day sooner than it has to be held.

V. B.

Trade Winds

GUIDELINES FOR BANKS

THE RESERVE Bank has formulated a set of guidelines for commercial banks for financing agricultural development. These have been prepared on the basis of a study of the methodology of operations, policy and procedure adopted by some of the nationalised and other commercial banks involved in agricultural financing made by the Reserve Bank's credit planning cell. Dr R.K. Hazari, Deputy Governor of the Reserve Bank, in a letter to the public sector banks forwarding the guidelines, has emphasised that while meeting the requirements, the efforts of the banks should always be (a) to improve the quality of loaning; (b) to move into the agriculturally less developed areas, moving away from security oriented lending to purposive, productive and incremental income-oriented lending and financing small and potentially viable farmers; (c) to help borrowers to move on to a higher technological plane, and (d) to funnel back into the banking system surpluses, accruing to the borrowers or from others residing in the area.

STEEL IMPORTS

Arrangements are being made for bulk import of steel billets for supply to re-rollers in order to step up the production of bars and rods required mostly for house-building. These supplies will be in addition to bulk import of other categories of steel by Hindustan Steel Limited, already under way. This was stated by Mr B. R. Bhagat, Minister of Steel and Heavy Engineering, at the meeting of the Consultative Committee of Members of Parliament for the ministry, held recently. He said that the present steel supply situation was "tight" and the government proposed to meet it by pursuing a rational and equitable distribution system with emphasis on direct supply to the actual users.

Replying to points made by Mr Shiv Chandrika Prasad (Cong) and Mr K.P. Mallikarjunudu (Cong-O) who called for all-round improvement in the distribution machinery and quicker disposal of indents, Mr Bhagat said that government proposed to establish regional offices under the Controller of Iron and Steel to exercise effective check over the stock-yards as well as consumers in the various zones to put an end to unauthorised transactions. It was intended to have a system of comprehensive checks and deterrent action.

For speedier disposal of indents, the work at the Joint Plant Committee was being computerised.

About imports, Mr Bhagat and the Deputy Minister, Mr Mohd. Shafi Qureshi, assured the committee that large quantities of scarce items like plates, sheets and tin-plates were being imported through HSL for distribution to priority consumers, export-oriented industries and the small-scale sector. In addition, considerable quantities of sheets, plates, coils etc. were being imported against export of pig iron worth over Rs 5 crores to Japan.

I.D.A. LOAN

The international Development Association (IDA) has announced a \$24.4 million loan to help farmers of Andhra Pradesh. The loan, part of the IDA's continuing programme to assist this country in expanding credit facilities to farmers, will provide for agriculture credit programme, minor irrigation and levelling and farm mechanisation efforts. The loan is for a period of 50 years including a ten-year grace period. It will be interest-free but will carry a service charge of 0.75 per cent.

EXPORT OF EXCAVATOR

Tata Engineering and Locomotive Co. has shipped an excavator to West Germany, the first earth-moving machine from Telco's Jamshedpur works. This export order was secured against stiff international competition. The company has already exported goods worth one crore rupees to Ceylon, Yugoslavia, Rumania and Holland. It is trying to build up a market for Tata products in Asian, European and South American countries.

SUGAR EXPORTS

This country is exporting about 329,000 tonnes of sugar in 1970 against 94,000 tonnes in 1969. Out of this, about 95,000 tonnes (representing the US and other quotas) are being exported to the preferential markets of the US and the UK respectively, under the provisions of the Sugar Export Promotion Act 1959 and the loss thereon will be met by the sugar industry. Another 50,000 tonnes are being exported to Canada by the State Trading Corporation, which will meet the loss by the import of certain scarce items. The balance quantity is being exported to Ceylon, Malaysia, Singapore, Saigon,

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Indonesia and some Persian Gulf countries on government account and the loss thereon will be met from central revenues. The industry has, however, agreed to bear the handling expenses on this quantity. The shipment of over 280,000 tonnes has been completed and the balance is likely to be completed by the end of December 1970. This information was given by Mr A.P. Shinde, Minister of State for Food and Agriculture, recently.

HINDUSTAN STEEL

During the year ended March 31, 1970 no contribution was made by the government towards the share capital of the Hindustan Steel Ltd which remained at Rs 557 crores. No loans were also advanced. On the other hand, the company started repayment of its long-term borrowings. An amount of Rs 32.35 crores was repaid to the government bringing down the loan amount from Rs 534.5 crores at the beginning of the year to Rs 502.2 crores as at the end of the year. No government funds were proposed to be released during the year 1970-71 and the entire capital expenditure during this year would be met by the company out of its internal resources. The company has further repaid an amount of Rs 25.5 crores during 1970-71 against its capital borrowings till November, 1970.

The gross surplus secured by the company after meeting all expenditure, but exclusive of the provision for depreciation and interest, amounted to Rs 82.8 crores as against Rs 47 crores in 1968-69. However, after making provision of Rs 29.5 crores for interest and Rs 64.7 crores for depreciation and taking into account adjustments for earlier periods, the company sustained a net loss of Rs 10.47 crores as against a loss of Rs 39.91 crores in the preceding year. The working results of the various units during 1968-69 and 1969-70 were as under:

	(Rs lakhs)	
	1968-69	1969-70
Rourkela Steel Plant	(-)397	(-)783
Bhilai Steel Plant	(-)1135	(+)364
Durgapur Steel Plant	(-)1737	(-)1550
Fertilizer Plant, Rourkela	(-)111	(-)168
Alloy Steels Plant	(-)682	(-)577
Coal Washeries	(-)60	(-)37
Adjustments	(-)11	(+)63
Total	(-)3391	(-)1047

Cumulative loss of the company from its inception up to March 31, 1970, came to Rs 172.83 crores.

There was improvement in production

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during the year under review. The output of hot metal was 4.493 million tonnes, of steel ingot 3.781 million tonnes, of saleable pig iron 1.138 million tonnes and of saleable steel 2.785 tonnes. Production at the Alloy Steels Plant was 65,600 tonnes in terms of ingot and 41,100 tonnes of forged and rolled saleable steel. The production of calcium ammonium nitrate (25%N) at Rourkela Fertilizer Plant, however, fell from 1,93,400 tonnes in 1968-69 to 1,19,800 tonnes during the year under review. This was mainly due to the explosion in the Naphtha Reforming Plant in May, 1969. Despatches from the three main plants during 1969-70 were also higher by 3.0 per cent in the case of saleable steel and by 0.8 per cent in the case of pig iron. Despatches of finished steel from Alloy Steels Plant rose to 35,700 tonnes during the year as compared to 16,400 tonnes in the previous year, representing an increase of 115 per cent.

INDIAN STANDARDS INSTITUTION

A new division of the Indian Standards Institution dealing with the work of standardization in marine engineering, cargo movement and packaging, namely, 'Marine, Cargo Movement and Packaging Division' was inaugurated recently by Mr K. Raghu Ramaiah, union Minister for Parliamentary Affairs, Shipping & Transport. This is the ninth division which the Institution is forming based on the necessity of growing shipping and shipbuilding industry as well as to cater for the new transport technology.

CASHEW EXPORTS

This country has earned over Rs 52 crores through the export of cashew kernels and cashew-nut shell liquid during January to November, 1970. Exports of cashew kernels during this period amounted to 50,210 tonnes valued at Rs 51.6 crores. The USA and the USSR who were the main buyers, together accounted for nearly 80 per cent of the total cashew exports. Exports during the same period of last year amounted to 58,920 tonnes valued at Rs 54.97 crores.

INDIAN AIRLINES

Indian Airlines recorded a net profit of Rs 2.28 crores in 1969-70, according to the annual report. This has been achieved on account of improved load factors, which averaged 77 per cent in 1969-70, the highest achieved during the last decade as well as better and rational utilisation of all resources of the corporation. The increase in fares, which came into effect from November 1969 also contributed to this rise in revenue by one crore rupees. The report shows that the airline carried 2.25 million passengers in 1969-70 as against

EASTERN ECONOMIST

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1.96 million in 1968-69, an increase of 14.8 per cent. The foreign exchange earnings of the airlines during the year under review amounted to Rs 8.50 crores as against Rs 7.61 crores in 1968-69. The outgo of foreign exchange on revenue account was Rs 4.15 crores in 1969-70 as against Rs 3.99 crores in 1968-69, giving a net foreign exchange earning of Rs 4.35 crores in 1969-70 compared to Rs 3.62 crores in 1968-69. The revenue maintained a steady rising trend during the year 1969-70, the total revenue amounting to Rs 47.12 crores as against Rs 40.40 crores in 1968-69, while the expenditure for the year increased from Rs 38.74 crores in 1968-69 to Rs 44.84 crores in 1969-70, an increase of 16 per cent. This increase is due to rise in expenditure under 'Pay and Allowances, Fuel & Oil and Depreciation.'

The report states that the operating revenue per available tonne kilometre (ATKm) has shown an increase from Rs 1.93 in 1968-69 to Rs 2.06 per ATKm during 1969-70 and the operating expenses per ATKm also rose from Rs 1.76 per ATKm in 1968-69 to Rs 1.90 per ATKm in 1969-70. Indian Airlines had placed an order with HAL for 10 more HS-748 aircraft, five are expected to be delivered during 1971-72 and the rest in 1972-73. During the year 1969-70, the airlines faced two major strikes by the pilots and by the employees belonging to the Airlines Corporations Employees' Union (ACEU). The total number of man-days lost during the year due to work stoppage was 15,302 as against 52 during 1968-69.

PROFESSIONALS IN TOURISM

The need for building a cadre of professionals in Tourism was stressed recently by Dr Karan Singh, Minister for Tourism and Civil Aviation. "Tourism was a highly sophisticated and complex consumer oriented industry requiring careful handling, he said.

The minister announced that a tourist training institute would set up soon by the Ministry of Tourism and Civil Aviation to train young people in the various aspects of tourist industry. Dr Karan Singh was inaugurating a two-day seminar on Tourism Management, ment, organised by the All India Management Association, for working out an integrated plan to manage tourism in the context of its new role in the country's economy. The growing affluence in various parts of the world and the revolution in aviation technology, Dr Karan Singh said, would bring about an unprecedented and massive growth of international tourism in the 70's. "We must see that the country

takes maximum advantage of this growth by attracting more tourists", he said.

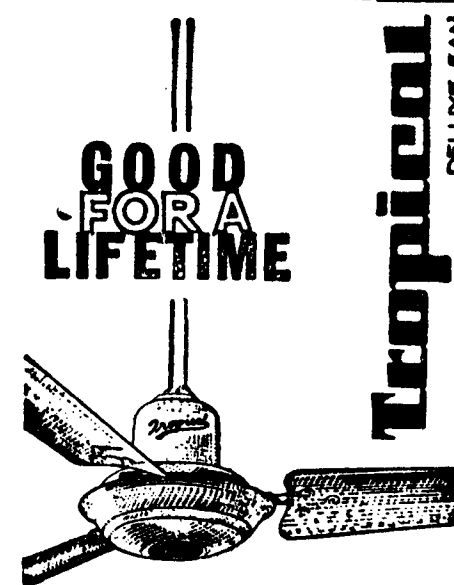
Dr. Karan Singh also underlined the need for proper analysis of feedback from the industry's consumers, the tourist, about their reactions and preferences. This required an efficient statistics service. A beginning, he said, had already been made in the ministry by setting up a cell.

He also suggested that we should gain from the experience of other countries which had promoted tourism. However, we must keep in mind to give an Indian orientation in presenting tourist attractions.

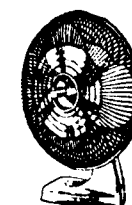
The allocations for tourism during the fourth Plan of Rs 34 crores (Rs 25 crores for the central sector and Rs 9 crores for the states), he said was not sufficient considering the awareness that had been created in the country recently about the economic benefits of this new industry.

NAMES IN THE NEWS

Mr R. O. Jackson, Chief Executive of Burmah-Shell Oil Storage & Distribution Co of India Ltd has been elected President of the Bombay Chamber of Commerce & Industry for the year 1971-72. He will take office after the Chamber's annual general meeting in February 1971.



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Company Affairs

SCINDIA STEAM

MR KRISHNARAJ M.D. Thakersey, Chairman, the Scindia Steam Navigation Company Ltd. told the shareholders at the annual general meeting held recently that ship operating costs had registered continuous rise. He pointed out that two items, namely fuel and and port charges, had shown substantial increase. He added that the price of fuel oil had increased by as much as 54 per cent on Indian coast, nearly 100 per cent on the coast of west Africa and by nearly 80 per cent in other areas since the beginning of 1970. Talking about the port charges, he said, ports all over the world had been repeatedly facing increasing demands from water front labour, while the average productivity had been falling in some of the major ports. In this respect, strikes had paralysed various ports for a considerable period leading to changes in ship schedules.

Mr Thakersey pointed out that the company had been trying to maintain an efficient fleet and, therefore, had placed an order for eight fast cargo motor ships of 13,500 DWT each with GDR ship builders. Out of these, three ships had already been delivered and one ship was proposed to be delivered shortly. The deliveries of the remaining ships were scheduled to be completed by July 1972. He also hoped that two cargo motor vessels of 16,200 DWT from West Germany would also be delivered during 1972.

Mr Thakersey quoted instances where delayed response from the government caused considerable hardships to the company. It was on account of the delay in getting government's approval for financial arrangements that the company failed to clinch a deal for the purchase of a secondhand bulk carrier of 57,000 DWT negotiated for \$ 6.25 million sometime back. In the meantime, prices of ships had risen and the shipowner was not prepared to sell the ship even at a price of \$ 9 million. In another case, the company placed an order for a bulk carrier of 54,000 DWT with Rheinstahl shipyard but the government's approval was delayed. In the meantime, the yard withdrew the offer and was asking for a higher price and offering delivery about a year later. These instances reveal that the government should take up such proposals from shipping companies a little

more seriously and take decisions expeditiously.

INCHEK TYRES

As a result of deteriorating law and order situation in West Bengal, Inchek Tyres Limited has suffered a fall in production during the year ended June 30, 1970. The company's sales have dropped from Rs 12.82 crores to Rs 9.97 crores. The accounts reveal a loss of Rs 38.06 lakhs as against a net profit of Rs 56.53 lakhs for the preceding year. The directors are, therefore, compelled to skip dividends, both on the equity and preference shares for the year. In 1968-69, a dividend of six per cent was paid on the equity shares. Taking into account the balance brought forward from the preceding year, there is a net deficit of Rs 37.18 lakhs, which is carried forward to the next year. In regard to the expansion programme, the directors have stated that import licences for capital goods have been received but the provision thereof relating to export obligations is awaiting the final settlement with the government. Financial arrangements by way of loans and deferred payment guarantees from financial institutions are progressing. It is also stated that the allotment of additional shares against the right issue of Rs 46.80 lakhs new equity shares has been made in consultation with the Calcutta Stock Exchange. Arrangements have also been made for the redemption of the first series of 30,000 (9 per cent) redeemable cumulative shares of Rs 100 each on the respective due dates.

PREMIER AUTOMOBILES

Premier Automobiles Ltd has achieved a turnover of Rs 14.86 crores during the first five months of this year against Rs 12.08 crores in the corresponding period of last year. Its sales during the year ended June 30, 1970 amounted to Rs 32.27 crores against Rs 30.32 crores in the previous year. Sales of trucks in the first five months of the current year are higher at 2,012 against 1,292 vehicles in the corresponding period of last year. Sales of cars have also increased from 5,129 to 5,179 while production of trucks has gone up from 1,305 in the first five months of 1969-70 to 2,094 in the corresponding period this year, that of cars has gone down slightly from 5,171 to 5,143. The company has introduced a new model "PST-260-165" vehicle, regular

production of which began in March 1970. It has sold 506 units till October 1970. Increased production of this vehicle is limited by the inadequate availability of the P6-354 engines. The chairman hoped that the government will take a helpful and prompt decision on the recommendations of the commission on car prices which are expected to be announced by the end of this year. He has attributed the unsatisfactory working of the company for 1969-70 to the unremunerative selling prices of cars and difficulties in raising the production.

ASHOK LEYLAND

Ashok Leyland Ltd. has reported a rise in sales from Rs 29.11 crores to Rs 33.38 crores. The gross profit has risen by Rs 22.43 lakhs to Rs 2.88 crores. The directors propose to increase the equity dividend from nine per cent to 9.5 per cent. The improvement in the working results is a sequel to a record production and sale of 5,103 Comet passenger and goods vehicles during the year. The provision for depreciation has been raised from Rs 63.48 lakhs to Rs 69.39 lakhs and that for taxation from Rs 88 lakhs to Rs 106 lakhs. The allocation to development rebate reserve is only Rs 3.36 lakhs against Rs 17.21 lakhs. The net profit has gone up from Rs 96.63 lakhs to Rs 1.09 crores. The directors have allocated Rs 17 lakhs to the debenture redemption reserve. After providing Rs 73.99 lakhs for the proposed dividend a sum of Rs 18.48 lakhs has been transferred to general reserve. The company has made full preparations for the expansion of Comet production to increase its sales to 7,000 vehicles per annum. It is looking forward to the government's early approval to its expansion licence application.

PAPER PRODUCTS

Paper Products Ltd has decided to revive the proposal to issue bonus shares in the ratio of one for every five shares held. The company has made a higher gross profit of Rs 23.77 lakhs during the year ended July 31, 1970 against Rs 15.20 lakhs in the previous year. The directors have declared an ordinary dividend of 12 per cent. Allocations include: depreciation Rs 13.26 lakhs, taxation Rs 3.30 lakhs, development rebate Rs 89,505 and general reserve Rs 7.16 lakhs. Sales have increased from Rs 3.48 crores to Rs 4.37 crores. The flexible packaging division of the company has recorded increased sales at Rs 3.37 crores against Rs 2.58 crores. The growth is being maintained in the current year also with sales increasing by 17 per cent to Rs one crore in the first four months. The company has acquired a conversion plant at Nagpur which is in operation

since October last. Sales of the paper unit as Roha have been higher at Rs one crore but its working has been affected in the current year due to a major breakdown of the paper machine. The directors hope that after the replacement of the damaged parts and modification of the machine, production will improve during the remaining part of the year. The company's subsidiary, Premier Paper Mills Ltd. has also recorded a net profit of Rs 5.43 lakhs. With the transfer of a new machine from the parent company, which has already gone into production, sales are likely to increase substantially. Printpak Machinery Ltd, another subsidiary, revealed a net profit of Rs 59,754 for the year. Sanction of the government to a technical collaboration agreement with a Japanese firm for the manufacture of packaging machines is awaited.

UTTAR PRADESH HOTELS

Uttar Pradesh Hotels and Restaurants Ltd, which owns hotel Clarks Shiraz in Agra, entered the capital market on December 21, with a public issue of Rs 26.0 lakhs — Rs 16.0 lakhs in equity shares of Rs 10 each and Rs 10 lakhs in 9.5 per cent preference share of Rs 100 each at par. The proceeds of the public issue will be utilised to meet a part of the finance required for setting up two fully air-conditioned five star hotels — one each at Lucknow and Jaipur — at an estimated cost of Rs two crores. Both the new luxury hotels will have rooms and suites along with a large shopping arcade, restaurants and bars, swimming pool and auditorium. Hotel Clarks Avadh in Lucknow is expected to be ready by the end of 1971, while the Hotel Clarks Amer at Jaipur will be ready by early 1972. The company has an authorised capital of Rs 1.20 crores. It is making a capital issue of Rs 42.5 lakhs — Rs 32.5 lakhs in equity shares and Rs 10 lakhs in preference shares. Of this, equity shares for Rs 16.5 lakhs have been reserved for directors, existing shareholders, and employees of the company. The balance of the issue will be offered for the public subscription. The entire public issue has been underwritten. The project cost of Rs two crores will be met from the capital issue of Rs 42.5 lakhs, a loan of Rs 1.20 crores from Hotel Development Loan Board and Rs 37.5 lakhs from short-term borrowing and internal resources. After the two new hotels start functioning, the company's sales will increase considerably. It is estimated that its turnover will increase from Rs 41 lakhs in 1968-69 to Rs 1.45 crores in 1971-72. Its pre-tax profit for 1971-72 is estimated at Rs 26.4 lakhs against Rs 7.84 lakhs for 1968-69. The company's sales in the first 10 months of the current year have amounted to Rs

44.60 lakhs and pre-tax profit about Rs 11.70 lakhs.

KCP

The directors of the KCP limited, Madras, have proposed to maintain the dividend at 10 per cent for the year ended June 30, 1970. The company has earned a gross profit of Rs 184.92 lakhs against Rs 178.96 lakhs in the previous year. After providing for depreciation and managing agents' remuneration, the net profit amounts to Rs 86.92 lakhs against Rs 93.46 lakhs in the previous year. Adding thereto a sum of Rs 4.74 lakhs being transferred from development rebate reserve and Rs 1.39 lakhs being income not related to the year, there is a distributable surplus of Rs 93.59 lakhs. From this a sum of Rs 1.31 lakhs is provided for expenses not relating to this year, Rs 10 lakhs for development rebate reserve, Rs 43 lakhs for taxation, Rs 15,000 for gratuity reserve and Rs 25.41 lakhs to dividend reserve. General reserve gets Rs 10 lakhs.

Sales of the company during the year were around Rs 14.63 crores as against Rs 13.66 crores during the previous year. The sugar factory crushed sugarcane for 153 days and produced 39,921 tonnes at a recovery of 9.15 per cent as against 46,578 tonnes at a recovery of 8.97 per cent in the previous year. The directors pointed out that expansion of the factory has been completed. To improve the quality of confectionery, the factory was air-conditioned and an increased turnover was expected. The production at the cement plant during the year was 191,000 tonnes as against 174,000 tonnes in the previous year. The central workshop at Tiruvottiyur received several orders. The contracts that were entered into earlier for sugar factories and cement factories were either completed or nearing completion. The expansion of the workshop had also been completed.

GARWARE NYLONS

Garware Nylons Ltd proposes to enter the capital market with a public issue of Rs 1.06 crores in equity shares of Rs 10 each. The proceeds of the proposed issue will be utilised for financing partly the expansion programme of the company. The company has an authorised capital of Rs 3 crores comprising 2,700,000 equity shares of Rs 10 each and 30,000 (9.3 per cent) cumulative redeemable preference shares of Rs 100 each. The issued, subscribed and fully paid-up capital is Rs 1.10 crores in equity shares. Originally known as Plastics Packing Pvt. Ltd, the name was changed to Garware Synthetics Bristles Pvt. Ltd in September 1969 and to Garware Nylons Pvt. Ltd in November 1969. It was

converted into a public limited company in September 1970. A plant was set up in 1961 at Pimpri (Poona) for the manufacture of nylon filament of 500 kg per day. The plant went into production in the beginning of 1962. The company was initially manufacturing nylon filament yarn for technical deniers required for fishing nets, parachute cords and other industrial applications. The nylon yarn manufacturing capacity was increased to 756 tonnes per annum in 1968. The company has been recently granted permission to increase its capacity to 2,000 tonnes per annum. It has been permitted to manufacture nylon chips suitable for plastic industry with an annual capacity of about 330 tonnes. It has also plans to install certain equipment for the manufacture of textured yarn.

TATA-MERLIN

Mr Mansour Rouhani, Minister for Water and Power, Imperial Government of Iran visited the Thana Works of Tata-Merlin and Gerin Limited recently. He was accompanied by Mr S.H. Madani and Mr K. Maghool, Managing Director and General Director, respectively, of SATKAB Co., Ministry of Water & Power, Imperial Government of Iran. Tata-Merlin and Gerin Limited manufactures a wide range of electrical switchgear comprising isolating switches, current and potential transformers, railway interruptors, airbreak circuit breakers, air blast circuit breakers, switchboards, control panels and their variations in the low to extra high tension range.

RATHI ALLOYS

Rathi Alloys & Steel Ltd will enter the capital market shortly with a public issue of 132,300 equity shares of Rs 10 and 9,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each. The company has an authorised capital of Rs one crore and issued capital of Rs 36 lakhs of which shares worth Rs 13.77 lakhs have already been subscribed by promoters and their friends. The entire issue is fully underwritten. The total outlay for the project is estimated at Rs 85.50 lakhs which will be met by fresh capital of Rs 22.23 lakhs, subscribed capital Rs 13.77 lakhs, loan from the Industrial Finance Corporation Rs 39.50 and short-term borrowing Rs 10 lakhs. The company plans to put up a 10-ton electric arc furnace and a steel rolling mill to manufacture mild steel/alloy, steel ingots/billets and rerolled sections viz., torsteel, free cutting steel, spring steel and other sophisticated items. The construction work of the factory at Ghaziabad has already commenced.

PUNJAB NATIONAL Balance Sheet as at

CAPITAL & LIABILITIES		Rs.	P.	Rs.	P.
1. PAID-UP CAPITAL:					
(wholly owned by Central Government)				2,00,00,000.00	
2. RESERVE FUND AND OTHER RESERVES:					
(i) Reserve Fund		3,98,40,655.94			
(ii) Development Rebate Reserve		5,00,000.00			
(iii) Other Reserves		1,23,78,000.00		5,27,18,655.94	
3. DEPOSITS AND OTHER ACCOUNTS:					
Fixed Deposits		1,71,01,35,701.57			
Savings Bank Deposits		1,38,13,12,200.85			
Current Accounts, Contingency Accounts etc. (including Staff Housing Fund)		81,36,67,828.75			
Employees' Security Deposits held by the Bank itself		57,57,155.88		3,91,08,72,887.05	
4. BORROWINGS FROM OTHER BANKS:					
(i) In India		12,67,582.69			
(ii) Outside India		Nil		12,67,582.69	
PARTICULARS:					
(i) Secured:					
(a) By part of Govt. Securities lodged		8,50,000.00			
(b) Under Re-finance Scheme		Nil			
(ii) Unsecured		4,17,582.69			
5. BILLS PAYABLE.					
				6,08,65,634.81	
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA:					
(i) Payable in India		26,77,53,211.85			
(ii) Payable outside India		1,34,68,694.30		28,12,21,906.15	
7. OTHER LIABILITIES:					
(i) Branch Adjustments		13,62,54,920.32			
(ii) Dividend and Interest on Advance Calls Unclaimed		4,36,084.42			
(iii) Rebate on Bills Discounted..		16,72,216.30		13,83,63,221.04	
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA					
				58,35,03,787.58	
9. PROFIT AND LOSS ACCOUNT:					
Balance of profit of The Punjab National Bank Ltd. as on 31-12-1968		75,708.41			
Net profit of the above Bank for the period 1st January, 1969 to 18th July, 1969 (Vide Schedule 'B' attached)		72,92,947.53			
Less : Bonus to Staff		73,68,655.94			
		46,00,000.00			
Balance transferred to Reserve Fund		27,68,655.94			
		27,68,655.94			
Carried over		Nil		5,04,88,13,675.26	

BANK 31st December, 1969

PROPERTY & ASSETS		Rs.	P.	Rs.	P.
1. CASH:					
In hand and with Reserve Bank and State Bank of India including Foreign Currency Notes				33,17,85,858.36	
2. BALANCES WITH OTHER BANKS:					
(i) In India		Current Account	Deposit Account		
(ii) Outside India		91,08,936.11	1,50,00,000.00		
		1,17,28,768.60	—	3,58,37,704.71	
3. MONEY AT CALL AND SHORT NOTICE					
				12,60,00,000.00	
4. INVESTMENTS AT OR BELOW COST:					
(i) (a) Securities of the Central and State Governments including Treasury Bills of the Central and State Governments				1,19,01,08,714.20	
(b) Other Trustee Securities				13,24,15,315.00	
				1,32,25,24,029.20	
(ii) Shares :		Fully Paid up	Partly Paid up		
Preference		3,27,000.00	Nil		
Ordinary		70,55,162.40	61,25,000.00	1,35,07,162.40	
(iii) Debentures of Indian Joint Stock Companies				38,20,076.00	
(iv) Other Investments :					
Contribution to initial Capital of Unit Trust of India				4,50,000.00	
(v) Gold				Nil	1,34,03,01,267.60
5. ADVANCES:					
Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors :					
1. Loans, Cash Credits, Overdrafts etc. :					
(i) In India		1,87,34,64,890.05			
(ii) Outside India		Nil		1,87,34,64,890.05	
2. Bills discounted and purchased (excluding Treasury Bills of the Central & State Governments)					
(i) Payable in India		37,06,97,196.45			
(ii) Payable outside India		2,11,50,390.03		39,18,47,586.48	2,26,53,12,476.53
(Particulars of advances—as per Schedule 'A' attached)					
6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA:					
(i) Payable in India				26,77,53,211.85	
(ii) Payable outside India				1,34,68,694.30	28,12,21,906.15
7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA					
					58,35,03,787.58
8. PREMISES LESS DEPRECIATION:					
(a) Premises :					
Cost as on 31-12-1968				1,53,23,090.44	
Additions during the period 1-1-1969 to 18-7-1969				1,38,941.79	
				1,54,62,032.23	
Less : Depreciation written off up to 18-7-1969				26,46,223.84	
				1,28,15,808.39	
Additions during the period 19-7-1969 to 31-12-1969				3,22,980.20	
				1,31,38,788.59	
Less : Deductions during the period 19-7-1969 to 31-12-1969				45,541.68	
				1,30,93,246.91	
Less : Depreciation written off for the period 19-7-1969 to 31-12-1969				1,25,694.73	
Carried over				1,29,67,552.18	4,96,39,63,000.93

PUNJAB NATIONAL

Balance Sheet as at

CAPITAL & LIABILITIES	Rs.	P.	Rs.	P.
Brought forward			5,04,88,13,675.26	
Net profit for the period 19th July, 1969 to 31st December, 1969 brought from the Profit & Loss Account	85,77,734.10			
Less :				
(i) Bonus to staff	38,00,000.00			
(ii) Transfer to Reserve Fund in terms of Sec. 3(6) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970	18,00,000.00	56,00,000.00		
		29,77,734.10		
(iii) Balance being amount to be transferred to Government in terms of Section 10(7) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970			29,77,734.10	
10. CONTINGENT LIABILITIES:				
(i) Claims against the Bank not acknowledged as debts (See Note 1)	64,56,463.37			
(ii) Guarantees given on behalf of officers	11,818.14			
(iii) Guarantees given on behalf of others	34,87,65,454.72			
(iv) Bills of Exchange rediscounted	Nil			
(v) Outstanding Forward Exchange Contracts	18,84,31,754.28			
(vi) Liability for calls on partly paid shares	63,75,000.00			
(vii) In respect of guarantees given by the National Bank of Pakistan to Pakistan Tax Authorities on behalf of the Bank in the year 1963	10,00,000.00			
			5,05,17,91,409.36	

Notes : 1. A writ petition has been filed in the High Court of Delhi by The Punjab National Bank Ltd. and its three shareholders in November, 1970, claiming payment of ad-interim dividend of Rs. 24 lacs sanctioned by their Board of Directors on 16-7-1969; the said claim has not been acknowledged as debt and has not been included in the amount of Contingent Liabilities.

2. The affairs of Lahore and Karachi Branches of the Bank have been in charge of the Custodian, Enemy Property, Pakistan. No Returns having been received from these branches, it has not been possible to compute the Profit and Loss Account and the unaudited Balance Sheets as at 30-6-1965 have been incorporated in the preparation of the accounts as on 31st December, 1969.

Annexure to our report of date.

New Delhi
Dated : DECEMBER 26, 1970.

V. SANKAR AIYAR & Co.
S. VAIDYANATH AIYAR & Co.
Chartered Accountants

D.C. GUPTA
Chief Accountant

BANK

31st December, 1969

PROPERTY & ASSETS	Rs.	P.	Rs.	P.
Brought forward	1,29,67,552.18		4,96,39,63,000.93	
(b) Buildings under construction	1,91,217.43			
(c) Premises in respect of which execution of title deed is pending less depreciation	7,78,326.12		1,39,37,095.73	
9. FURNITURE & FIXTURES LESS DEPRECIATION:				
Cost as on 31-12-1968	2,46,48,415.12			
Additions during the period 1-1-1969 to 18-7-1969	17,65,018.18			
	2,64,13,433.30			
Less : Deductions during the period 1-1-1969 to 18-7-1969	3,32,330.36			
	2,60,81,102.94			
Less : Depreciation written off up to 18-7-1969	1,52,82,265.33			
	1,07,98,837.61			
Additions during the period 19-7-1969 to 31-12-1969	20,76,050.64			
	1,28,74,888.25			
Less : Deductions during the period 19-7-1969 to 31-12-1969	87,326.26			
	1,27,87,561.99			
Less : Depreciation written off during the period 19-7-1969 to 31-12-1969	7,56,764.97		1,20,30,797.02	
10. OTHER ASSETS:				
(a) Interest accrued and outstanding	1,96,40,256.67			
(b) Prepaid expenses, advance payments and amounts recoverable	38,21,936.98			
(c) Property not used as Bank premises less depreciation	5,56,580.09			
(d) Library, Motor Cars, Cycles & Other Vehicles less depreciation	6,08,800.05			
(e) Stationery & Stamps	29,71,104.93			
(f) Amount paid for purchase of Trustee Securities	1,07,80,950.00			
(g) Advance payment of tax and tax deducted at source	2,34,63,886.96		6,18,43,515.68	
11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS (at or below cost)			17,000.00	
			5,05,17,91,409.36	

S. C. TRIKHA
Custodian
A. S. KAHLON
A. T. BAMBAWALE
MOHAMAD ABDULLA
T. S. PAPOLA
V. M. JAKHADE
बि. ना. काक
Directors }

B.K. VORA
Deputy General Manager

SITA RAM
General Manager

PUNJAB NATIONAL
Profit and Loss Account for the period

EXPENDITURE		
	Rs	P
1. Interest paid on deposits, borrowings etc.	6,29,94,951.	73
2. Salaries, Allowances and Provident Fund (including Rs. 15,90,409.90 being contribution to Employees' Gratuity Fund Trust and Rs. 1,04,213.48 to Superannuation Fund Trust)	4,20,68,587.	84
3. Directors' and Local Committee Members' Fees and Allowances		Nil
4. Rent, Taxes, Insurance, Lighting etc.	43,54,466.	08
5. Law Charges	1,12,217.	07
6. Postage, Telegrams and Stamps	16,03,527.	44
7. Auditors' Fees	2,79,750.	00
8. Depreciation on and repairs to the Bank's Property	12,41,489.	03
9. Stationery, Printing, Advertisement etc.	26,41,190.	01
10. Loss from sale of or dealing with non-banking assets		Nil
11. Other Expenditure	10,98,631.	11
12. Balance of profit (after providing for taxation but before provision of bonus).	85,77,734.	10
TOTAL	12,49,72,544.	41

Note :

1. Particulars of remuneration to Chief Executive of the Bank :

(i) Salary Rs. 32,516.12

(ii) Contribution to Provident Fund Rs. 3,048.40.

(iii) Contribution to Superannuation Fund Trust Rs. 4,877.42.

(iv) Monetary value of the benefit of the use of a house (taken @ 12½% of the salary as the Municipal valuation is in dispute) and use of car calculated according to the Income Tax Rules Rs. 5,419.36.

(v) Medical Aid including Insurance under Hospitalisation Scheme Rs. 1,319.64—Total Rs. 47,180.94*

* In addition, diem allowance and travelling expenses incurred on behalf of Chief Executive amount to Rs. 11,519.00

Annexure to our Report of Date

New Delhi
Dated : DECEMBER 26, 1970.

V. SANKAR AIYAR & Co.
S. VAIDYANATH AIYAR & Co.
Chartered Accountants

D. C. GUPTA
Chief Accountant

BANK
19th July, 1969 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		10,63,09,648.	58
2. Commission, Exchange and Brokerage		1,74,23,960.	22
3. Rents		9,46,254.	01
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)		2,92,681.	60
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)			Nil
6. Income from non-banking assets and profit from sale of or dealing with such assets			Nil
7. Transfer Fees			Nil
TOTAL		12,49,72,544.	41

B. K. VORA
Deputy General Manager

SITA RAM
General Manager

S. C. TRIKHA
Custodian
A. S. KAHLON
A. T. BAMBAWALE
MOHAMAD ABDULLA
T. S. PAPOLA
V. M. JAKHADE
वि. ना. काक
Directors

PUNJAB NATIONAL BANK

Schedule of Particulars

Required by the Banking Regulation Act, 1949 (Act X of 1949)
attached to and forming part of the Balance Sheet as at 31st December, 1969.

PARTICULARS OF ADVANCES	Rs.	P.
(i) Debts considered good in respect of which the Bank is fully secured	1,90,93,24,923.25	
(ii) Debts considered good for which the Bank holds no other security than the debtor's personal security	19,78,35,550.23	
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	15,81,52,003.05	
(iv) Debts considered doubtful or bad not provided for	Nil	
	2,26,53,12,476.53	
(v) Debts due by Directors or Officers of the Bank or any of them either severally or jointly with any other persons :— Directors Officers	Not applicable	
(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	22,30,261.17	
(vii) Maximum total amount of advances including temporary advances made at any time during the period 19-7-1969 to 31-12-1969 to Managers or Officers of the Bank or any of them either severally or jointly with any other persons	Not applicable	
(viii) Maximum total amount of advances including temporary advances granted during the period 19-7-1969 to 31-12-1969 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.	22,48,578.04	
(ix) Due from Banking Companies	Not applicable	
	66,50,236.01	

S. C. TRIKHA
Custodian

A. S. KAHLON
A. T. BAMBAWALE
MOHAMAD ABDULLA
T. S. PAPOIA
V. M. JAKHADE

SITA RAM
General Manager

New Delhi
Dated : DECEMBER 26, 1970

V. SANKAR AIYAR & Co.
S. VAIDYANATH AIYAR & Co.
Chartered Accountants

D. C. GUPTA

Chief Accountant

B. K. VORA

Deputy General Manager

Directors

AUDITORS' REPORT

The President of India:

We have audited the foregoing Balance Sheet of Punjab National Bank as on 31st December, 1969 and also the foregoing Profit & Loss Account of the Bank for the period 19th July, 1969 to the 31st December, 1969, in which are incorporated the returns of 7 branches audited by us, 297 branches audited by other auditors, and the unaudited returns in respect of 327 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 Profit & 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—

(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;

(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 received from the offices and branches of the Bank have been found adequate for the purpose of our audit.

DECEMBER 26, 1970.
New Delhi.

V. SANKAR AIYAR & Co.
S. VAIDYANATH AIYAR & Co.
Chartered Accountants

SCHEDULE 'B'

Profit and Loss Account of The Punjab National Bank Limited for the period from 1st January, 1969 to 18th July, 1969 taken over by the Punjab National 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		11,91,39,327.47	
2. Commission, Exchange and Brokerage		2,14,27,628.32	
3. Rents		11,39,904.71	
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)		19,67,225.64	
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)		Nil	
6. Income from non-banking assets and profit from sale of or dealing with such assets		Nil	
7. Transfer Fees		Nil	
	TOTAL	14,36,74,086.14	

EXPENDITURE		Rs.	P.
1. Interest paid on Deposits Borrowings etc.		7,27,88,494.63	
2. Salaries, Allowances and Provident Fund (including Rs. 18,32,262.47 being contribution to Employees' Gratuity Fund Trust and Rs. 2,42,687.69 to Superannuation Fund Trust)		5,02,30,591.58	
3. Directors and Local Committee Members' Fees and Allowances		1,13,534.05	
4. Rent, Taxes, Insurance, Lighting etc.		47,11,309.67	
5. Law Charges		1,21,658.81	
6. Postage, Telegrams and Stamps		20,47,356.12	
7. Auditors' Fees		2,200.00	
8. Depreciation on and repairs to the banking company's property		13,88,975.65	
9. Stationery, Printing, Advertisement, etc.		34,39,959.92	
10. Loss from sale of or dealing with non-banking assets		Nil	
11. Other Expenditure		15,37,058.18	
12. Balance of profit (after providing for contingent tax liability but before provision of bonus)		72,92,947.53	
	TOTAL	14,36,74,086.14	

Notes :

1. Particulars of remuneration to Chief Executive of the Bank :

(i) Salary Rs. 39,483.88 (ii) Contribution to Provident Fund Rs. 3,701.60 (iii) Contribution to Superannuation Fund Trust Rs. 11,322.58 (iv) Monetary value of the benefit of the use of a house (taken @ 12½% of the salary as the Municipal valuation is in dispute), and use of car calculated according to the Income Tax Rules Rs. 6,580.64 (v) Medical Aid including Insurance under Hospitalisation Scheme Rs. 1,241.11—Total Rs. 62,329.81*.

*In addition, diem allowance and travelling expenses incurred on behalf of Chief Executive amount to Rs. 15,744.50.

2. Other expenditure includes contribution to Political Parties during the period :

West Bengal Pradesh Congress Committee	Rs. 1,00,000
Uttar Pradesh Congress Committee	Rs. 50,000
Swatantra Party	Rs. 25,000
	Rs. 1,75,000

SITA RAM
General Manager

New Delhi

Dated : DECEMBER 26, 1970.

V. SANKAR AIYAR & Co.
S. VAIDYANATH AIYAR & Co.
Chartered Accountants

D. C. GUPTA
Chief Accountant

B. K. VORA
Deputy General Manager

S. C. TRIKHA
Custodian

Foreign Monopoly In

An Exposé

By Golden Tobacco Company Private Limited



Shri Pratap Narsee

Extracts from the Statement by Shri PRATAP NARSEE, Managing Director, Golden Tobacco Company Private Limited at a Press Conference in New Delhi on September 14, 1970.

GENTLEMEN,

I extend to you all a hearty welcome on my own behalf and on behalf of Golden Tobacco Company Private Ltd.

As you might know, the purpose of this Press Conference is to call the attention of the public and the Government to certain aspects of the Indian Cigarette Industry involving vital National issues.

Our Prime Minister, Mrs. Indira Gandhi, said in Lusaka two days ago that colonialism is far from a dead issue. She called for a relentless fight against colonialism in all its aspects.

What I am trying to do amounts to what Prime Minister has called for. We are fighting against a relic of the colonial era, a relic that threatens to engulf us from all sides.

Twenty-three years after independence we find the Indian cigarette industry dominated overwhelmingly and totally by a foreign Monopoly which like Kali Nag of our mythology has many heads but one body.

All I am seeking to do is to present the facts — and all the facts — and leave the final judgment to the wisdom of the Press, the people and the Government.

IMPLEMENT POLICIES

At a Press Conference held on last August 3rd, I had, as Chairman of the Indian Cigarette Manufacturers' Association, called attention to the plight of indigenous cigarette manufacturers and pleaded for implementation of declared Government policies listed below:

1. The expected increase in demand for cigarettes will be met by 100% Indian-owned companies. The Minister of Industrial Development, Internal Trade and Company Affairs — Shri Fakhruddin Ali Ahmed — stated in Lok Sabha on 13th May 1969, "Government's policy is to encourage the production of cigarettes by Indian-owned firms to take care of the increased demand. Government is also encouraging the establishment of companies which are 100% Indian-owned. One such company has been given a letter of intent for setting up a factory in Gujarat State."
2. Under the provisions of the Monopolies and Restrictive

Trade Practices Act no further expansion will be permitted to any one group which is already a dominant/monopolistic undertaking.

3. The relaxation which had been sanctioned for over-production/diversification to the extent of 25% of installed capacity has been withdrawn in the case of big houses/foreign-owned firms by a notification, published in the Gazette of India Extraordinary, Part II, Section 3, subsection (ii), dated the 18th July, 1970.
4. The foreign-owned monopoly has been producing far in excess of their installed capacity. This is in direct contravention of the Industries Development & Regulation Act and works to the great detriment of the indigenous sector which has 70% idle capacity. (ANNEXURE I).

PEG PRODUCTION—PLUG LOOPHOLES

As you know there are loopholes in every policy, in letter as well as in spirit. This is evidenced by the increasing production of the foreign monopoly beyond its licensed capacity. To close such loopholes, I had pleaded for the pegging of the production of the foreign monopoly in the cigarette industry as was successfully done by the Government in the case of Match and Soap industries which resulted in the reduction of foreign monopoly's share of the match and soap market from 100% to 48% and 90% to 40% respectively in 17 years.

A similar measure in the case of cigarette industry will reduce the control of the foreign sector from 80% to 25% in 20 years. Present annual consumption is 60,000 million cigarettes. Share of Indian sector is only 12,000 million. With 5/7% increase every year the total production in 1990 will reach the figure of 1,92,000 million cigarettes. If production of foreign monopoly is pegged, their share will be 25% and remaining 75% will go to the wholly Indian-owned companies.

I had also pointed out that such a peg on the production of the foreign monopoly will also result in checking the increasing drain of foreign exchange — which goes up by 300% in every 10 years — as detailed in the ANNEXURE II.

These are simple and clear-cut demands for the implement-

Cigarette Industry In India

tation of the avowed policies of the Government. But if the Government in its wisdom were to decide to change the policies so as to enable the foreign monopoly to continue its preponderance in the Indian market I would forthwith withdraw the demands and abide by the changed policy.

My temerity in making the demands, however, has brought on me the wrath of the Patriarch of the foreign monopoly. As you know my pleadings were all made on behalf of the indigenous cigarette manufacturers who are fighting with their back to the wall.

MONOPOLIST'S CHANGE OF HEART?

Mr. A.N. Haksar's agitation as Chairman, India Tobacco Co. Ltd. (formerly Imperial Tobacco) is the result of a bolt from the blue, the formation of the ICMA. He is panicky that the natives are getting restless and his citadel in India is under attack. After 60 years of merciless exploitation the ITC is discovering in itself an overflowing solicitude for the small entrepreneur who is being offered all manner of assistance. I welcome this change. But I still insist on pegging of the monopolist's production to ensure that the change of heart does not change again.

Yet Mr. Haksar, Chairman of India Tobacco Co., has chosen to pour venom on Golden Tobacco. I am therefore constrained to answer on behalf of Golden Tobacco as its Managing Director. I would like to counter some of the major points made by Mr. Haksar in his attack on us. A rebuttal of his charges will be released to the Press shortly.

ITC IS A MONOPOLY

The Monopolies and Restrictive Trade Practices Act defines the monopoly as an undertaking which alone or together with another undertaking controls not less than 50% of the market. As per the 1970 Balance Sheet ITC had a total sale of Rs. 145 crores, which is 60% of the All-India sales of Rs. 250 crores. Over and above this, there is the inter-connected Vazir Sultan Tobacco Co.

VAZIR SULTAN IS INTER-CONNECTED WITH ITC

There is considerable evidence that ITC and Vazir Sultan are inter-connected companies. They have common links with the British-American Tobacco Co. Ltd. of London, apart from inter-changeable management, common sales and purchase arrangements and foreign shareholdings by sister companies as detailed herein.

The question of inter-connection cannot be settled by obtaining opinion of jurists, however eminent, who are provided with only a partial picture, as Mr. Haksar has attempted to do.

A large portion of cigarette industry is controlled by American Tobacco Company in U.S.A. and Imperial Tobacco Company in U.K. These two giants have formed yet another powerful combine British American Tobacco Co. Ltd. which controls cigarette industry through their 150 factories spread in 55 countries in the world, except where the industry is nationalised.

The foreign shareholding in ITC & VST and its composition was given by the Minister for Industrial Develop-

ment in Lok Sabha on 13th May 1969 as under:

	(Rs. in lakhs)
1. Imperial Tobacco Co. of India Ltd.	
Amount of equity capital	1,516.00
Non-resident shareholding is:	
Tobacco Manufacturers (India) Ltd., U.K.	1,032.19
Tobacco Investments Ltd., U.K.	330.11
Carreras Ltd., U.K.	53.70
other non-resident shareholders	1.75
	1,417.75
Percentage of foreign holding	94% (approx.)
2. Vazir Sultan Tobacco Co. Ltd.	
Amount of equity capital as at 30-9-1965	100.00
Non-resident shareholding is:	
Raleigh Investment Co. Ltd., U.K.	44.19
Tobacco Manufacturers (India) Ltd., U.K.	15.61
Tobacco Investments Ltd., U.K.	4.99
Carreras Ltd., U.K.	0.81
Other non-resident shareholders	2.12
	67.72
Percentage of foreign holding	67.72%

The above two companies had common chairmen/directors at one time or other all these years which included Mr. P.A. Collett, Mr. B.K. Nehru, Mr. C.A. Bone, Mr. A.N. Haksar and Mr. S.D. Gupta. The services of their executives have also been interchangeable between the two companies.

The charge of inter-connection is supported overwhelmingly by opinions of some of the world's leading authorities on tobacco, apart from opinions of other jurists. One such opinion expressed by World Tobacco (the international magazine for tobacco industry) London, is:

"There certainly is a connection between Vazir Sultan and BAT as BAT's own latest Annual Report dated September 30, 1969, indicates. It is there shown that 47% of Vazir Sultan's shares are effectively owned by BAT. I say 'effectively' because the link is indirect that part of the Vazir Sultan shares owned outside India being held by one or more holding companies in which BAT has a financial interest, though does not apparently control 100%."

Likewise—and also indirectly through a holding company or holding companies in which, I would assume, there are this time no non-BAT shareholders—ITC is connected with BAT. But there is not, so far as we can trace, any share-holding of ITC in Vazir Sultan, or vice versa. So, although ITC and Vazir Sultan are, so to speak, cousins having link with BAT

Mammoth, Multiple Threats of

they do not seem to be financially inter-connected and I have never heard it suggested that they were. There has in the past been co-operation between the two companies in technical matters; I do not know whether this persists."

DRAIN ON FOREIGN EXCHANGE

The much publicised nett earnings of foreign exchange is a myth. Of Rs. 10 crores it has claimed as its annual foreign exchange earning only Rs. 2 lakhs was earned against cigarette exports whereas Rs. 9.98 crores was brought in by export of leaf tobacco by Indian Leaf Tobacco Development Co. Ltd., a branch of a 100% Sterling Company not even registered in India. In the light of this fact, it can never be denied that the ITC causes a drain of foreign exchange and this drain is increasing year by year.

ITC SELLS BRANDS CLAIMING FOREIGN OWNERSHIP

Several of the brands manufactured by ITC are international. They have won Gold Medals and can be exported, provided the parent companies in U.K. and U.S.A. are willing and co-operative. This will enable the company to earn Rs. 25/30 crores a year in foreign exchange by diverting excess production to export.

ITC sells brands claiming foreign ownership such as Capstan Navy Cut, Scissors, Wills 99, Wills Navy Cut, Wills Filter King, Wills Gold Flake, Embassy, Passing Show, Gold Leaf, Bristol, Three Castles, Berkeley, Bears' Special, Windsor, Lex, Woodbine, etc.

INDIGENOUS FACTORIES WIPED OUT

The ITC, citing a myth of viability, has stated that the Indian market could not have accommodated more than ten or so manufacturing units, taking 50 million cigarettes a month as the smallest economic operation. This patently absurd thesis has been trotted out in support of ITC's stand that it is just not true that 200 factories have closed down. An extensive list of the factories that were forced to wind up is given in ANNEXURE III. A separate list is also given of the companies that have been merged, amalgamated or bought over by the foreign monopoly.

The two oldest cigarette companies in India, older than ITC itself—D. Macropolo started in 1863 and Crown Tobacco started in 1900—each produces 6 to 12 million cigarettes per month. They are not only surviving but one of them, according to Mr. Haksar himself, "is doing extremely well". Consistency as a virtue is apparently not listed in Mr. Haksar's book.

IDLE CAPACITY OF INDIGENOUS UNITS

Mr. Haksar has given a company-wise analysis of 7 Indian companies. The sum total of their performance, as depicted by Mr. Haksar himself, confirms that there is idle capacity in the indigenous sector to the extent of 10,000 to 12,000 million cigarettes. This is in contrast with the excess production of 8000 million cigarettes by the foreign monopoly.

FOREIGN CAPITAL CONTROLS 80% OF INDIAN CIGARETTE MARKET

Mr. Haksar resorts to a jugglery of figures to disprove the contention that 80% of the Indian cigarette market is con-

rolled by substantially foreign-owned/controlled companies. But this is borne out by the statement made in the Lok Sabha on 11th August 1970 as reproduced in ANNEXURE IV.

FOREIGN MONOPOLY OBSTRUCTS GROWTH OF INDIAN COMPANIES

Mr. Haksar remains silent about the hundreds of companies that have been rubbed out of existence and refers to the one per cent that has survived. He has failed to mention that these companies have survived and prospered in spite of the foreign monopoly and not because of it.

My appeals to the Government to create a favourable climate for the growth of the indigenous industry were largely made with the limping indigenous units in mind and to attract new entrepreneurs. It certainly was not for the benefit of Golden Tobacco.

ITC OPENS PANDORA'S BOX

Mr. Haksar has boasted of ITC's contribution to the development and industrialisation of the country. This is a claim which not only belittles the Government but is also tantamount to an admission of the stranglehold ITC has acquired on the industry by vertical monopoly. The inter-connected or associate companies of ITC are as follows:

1. Indian Leaf Tobacco Development Co. Ltd., — tobacco buying and selling.
2. Molins India Ltd. — cigarette machinery manufacture.
3. Tribeni Tissues Ltd. — cigarette paper manufacture.

All these companies enjoy monopolistic hold in their respective fields and on the cigarette industry. Many of the activities of ILTD are harmful to the economy of the country. A case in point is the complaint lodged by Suvarna Tobacco Co., Guntur, to the Indian Tobacco Association on the exploitation by foreign monopoly of buying and selling of tobacco, as a result of which 725 merchant firms out of a total of 800 have been forced to close down in the last six years.

ROYALTIES CAMOUFLAGED

Mr. Haksar has claimed that his company pays no royalty on trade marks or brands, or know-how charges either in rupees or foreign exchange. This is manifestly a falsehood as revealed by the ITC balance sheet. An amount of Rs. 4,90,34,487 has been capitalised for goodwill and trade marks on which the present annual drain of foreign exchange by way of dividend is Rs. 65 lakhs at the rate of 13%. This is over and above an equal amount which remains in reserve, rightly claimable by the goodwill holders.

SHAREHOLDING—ITC v/s GTC

Much has been made of the fact that GTC has only 14 shareholders for the capital of Rs. 2.80 crores — or Rs. 20 lakhs each. This is like the pot calling the kettle black. The ITC's Rs. 14.16 crores is held by 3 major foreign shareholders, the largest holding being Rs. 10.32 crores.

PROFIT AND SOCIAL RESPONSIBILITIES

The GTC has shown for the last 10 years a profit of 9.5% on turnover as against ITC's 6.4%. This works out to 50%²

the Foreign Monopoly

more than ITC. Considering the monopolistic hold of the company this figure is unbelievable. GTC of course does not have the blessings of willing and co-operative foreign shareholders/associates/sister companies to help it reduce the burden of taxes on profits by techniques such as buying tobacco at competitive prices.

From the standpoint of giving value to consumer, it is a proven fact that the consumer gets 5% more value for his money in GTC's brand than in the brands of ITC. Moreover, ITC's production has increased in the last two years — 1967 to 1969 — by less than 7% whereas their profits have shot up by 70%. Some consumer service and some social responsibility!

Similarly, the production of VST — ITC's Interconnected concern — went down in 1969 whereas profits went up by 50% and yet Mr. Haksar talks about social responsibility! GTC is averse to blowing its own trumpet. But in the circumstances I am to reveal that Rs. 50 lakhs worth of shares are in possession of a public charitable trust named after the founder of the Company. This 17% share-holding in GTC given *ex gratia* to the public compares favourably with 25% of the shares in ITC given to the Indian public at a premium of 30% and that too without any representation on the Board.

SUBTLE METHOD OF VILIFICATION

It is distressing to note Mr. Haksar hedging many of his comments on vital aspects of the Cigarette Industry with the proviso, "To the best of my knowledge." I do not know whether this a general confession of ignorance or a subtle method of vilification.

I have endeavoured to deal as briefly as possible with the major points on which Mr. Haksar based his onslaught against us. Further details and comparisons are presented in the annexure on capital, production, profits, tax, management (ANNEXURE V) and the comparative contributions of the two companies given IN NUT SHELL. These details and comparisons are on public records.

I hope I have conveyed a true idea of the mammoth, multiple threats forced by the foreign monopoly to the indigenous cigarette manufacturers, tobacco growers, the trade and the consumers.

I would request you to satisfy yourself further as to the validity of the charges by making personal enquiries with people directly and indirectly engaged in the cigarette business.

Mr. Haksar has also stated that GTC's contribution to the national economy is insignificant. I do not wish to enter into polemics with him on this point. But GTC has in the cards one achievement of which I am sure Mr. Haksar will sit up and take note. That will be when I succeed — and succeed, I will — in putting an end to the era of continuous and unrestricted exploitation of the Indian market by the foreign monopoly. With your co-operation I am certain that this achievement will not be long in coming.

In the concluding part of his statement Mr. Haksar has avowed his intention to discharge his social responsibilities with devotion and duty. This is a declaration that gives us heart. If he really means it he could do a great service to

the country by exporting the excess cigarette production of the ITC and bringing in foreign exchange to the country.

I would also urge him to stop denying interconnection between ITC and VST and bring the operations of both the companies within the spirit and letter of the Monopolies Act. Knowing Mr. Haksar as I do, I feel that if ITC is to adapt itself to changing conditions it will have to be done during his Chairmanship. I wish him well.

HIGH LEVEL PROBE URGED

I close the statement with fervent and urgent plea to the Government. Indigenous cigarette units are unable to hold their own against the gigantic foreign monopoly whose tentacles reach all over the Industry and its ancillaries. The methods and the manoeuvres of the monopoly are not always discernible. The Government should immediately institute a high level probe into the affairs of the cigarette industry, particularly the working of the foreign monopoly. Only then will it be able to initiate the corrective policies that are so desperately required.

IN NUTSHELL

ITC has summarised contributions of ITC and GTC to the National economy under several heads of activities. I must, therefore, correct ITC on all these points and place before you my views about the facts as they are. In fact such a summary of contributions should have been prepared by an impartial authority. I hope now we will demand a detailed investigation by a body of jurists, the Monopolies Commission, so that the truth will be placed before the public and the Government can take action unhesitatingly to implement their policies.

Activities and Contributions	Golden Tobacco	India Tobacco
1 Percentage of Indian shareholdings in Equity	100	25.3
2 Percentage of foreign shareholdings in Equity	Nil	74.7
3 Total foreign shareholding	Nil	Rs. 14,16,00,000
4 Total Indian shareholding	Rs. 2,80,00,000	Rs. 4,79,00,000
5 Number of Indian shareholders	13/14	21430
6 Number of foreign shareholders	Nil	3
7 Amount of Shareholding per Foreign Shareholder	Nil	Rs. 4,72,00,000
per Indian Shareholder	Rs. 20,00,000	Rs. 2,235
8 Dividend declared as percentage of profit	30%	75%

Activities and Contributions	Golden Tobacco	India Tobacco	Activities and Contributions	Golden Tobacco	India Tobacco
9 Dividends remittance to foreign Shareholders	Nil	75%	32 Perquisites allowed to Directors	Few	Many
10 Profit retained in business	70%	25%	33 Horizontal Monopoly control	Nil	40%
11 Representation of Indian shareholders on Board of Directors	100%	25%	34 Vertical monopoly in Cigarette machinery	Nil	100%
12 Representation of foreign shareholders on the nominated Board of Directors (Professional Managers)	Nil	133%	35 Vertical monopoly in Cigarette paper manufacturing	Nil	100%
13 Foreign Managers expatriates	Nil	17%	36 Competition in Trade	Fair	Unfair
14 Managers from Unionised cadre	99%	33%	37 Monopolistic production	Does not arise	Very high
15 Wages per employee	Rs. 6,100	Rs. 6,350	38 Control	Bombay	London
16 Remunerations of Directors	Rs. 1,80,000	Rs. 14,72,000	39 Attitude to Industry	Socialistic	Imperialisti
17 Remuneration per Director	Rs. 60,000	Rs. 2,10,000			
18 Loss of foreign exchange (excluding tobacco but including dividends remittance)	Lakhs	Crores			
19 Capitalized goodwill and Trade marks	Nil	Rs. 4,90,34,487			
20 Drainage on foreign exchange on capitalized goodwill by way of dividends a year	Nil	Rs. 65,00,000			
21 Imports (including tobacco)	Low	High			
22 Contribution to Import substitution	High	High			
23 Contribution to Research and Development	..	..			
24 Help to small-scale industries	57 Industries	43 Industries			
25 Value to consumer per rupee spent	64 Paise	60 Paise			
26 Employment rating to production	Efficient	Inefficient			
27 Industrial relation system	Excellent	Poor			
28 Revenue to Govt. incometax to turnover%	6.3	3.5			
29 Assistance to agricultural economy	Encouragement to growers	Exploitation of growers			
30 Management	Closely held Company	Closely controlled Company			
31 Gross profit to turnover ratio	Normal	Below normal			



GOOD TOBACCOS MAKE A GOOD CIGARETTE

PANAMA

IS A GOOD CIGARETTE

An expert blend of choice Virginia tobaccos with all the flavour and freshness. It is your PANAMA. So good to enjoy, so good to offer!

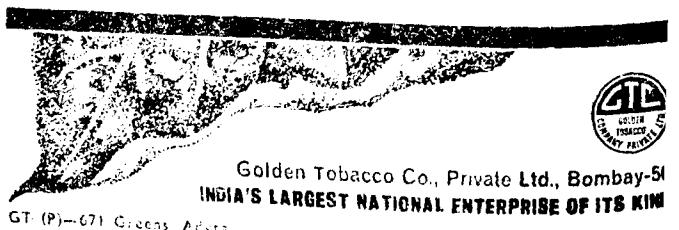


Golden Tobacco Co., Private Ltd., Bombay-51
INDIA'S LARGEST NATIONAL ENTERPRISE OF ITS KIND

GT (P)-671 CIGARETTE ADVERT



An expert blend of choice Virginia tobaccos with all the flavour and freshness. It is your PANAMA. So good to enjoy, so good to offer!



Activities and Contributions	Golden Tobacco	India Tobacco	units have a large idle capacity which will be obvious from the following:	Combined registered installed capacity	Actual production in 1967
40 Increase in production without licensed expansion	Nil	High			
41 Margin to Trade	Generous	Inadequate	FOREIGN MONOPOLY EXCESS PRODUCTION:		
42 Margin to tobacco growers	Adequate	Price pegging	India Tobacco Co. Ltd., Calcutta	24,240	
43 Contribution to Family Planning	Small	Largest	Vazir Sultan Tobacco Co. Ltd., Hyderabad	8,880	
44 Planning for prosperity of country and freedom from foreign monopoly's domination in Cigarette Industry	Largest	Nil	SIX INDIAN CIGARETTE FACTORIES WITH 70% IDLE CAPACITY:		
			National Tobacco Co. of India Ltd., Calcutta	14,400	
			D. Macropolo & Co. Ltd., Bombay	108	
			Masters Tobacco Co. India, Bombay	400	
			Crown Tobacco Co., Bombay	180	
			Hyderabad Deccan Cigarette Factory, Hyderabad	1,080	
			International Tobacco Co. Ltd., Ghaziabad	600	
				33120	38211
				16768	4963

(million cgs.)

ANNEXURE I

India Tobacco Co. Ltd. (formerly Imperial Tobacco) and Vazir Sultan Tobacco Co. Ltd., both inter-connected undertakings, have produced cigarettes far in excess of their combined approved installed capacity whereas the other six

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India Tobacco Co., Ltd. (formerly Imperial Tobacco) and Vazir Sultan Tobacco Co. Ltd., both inter-connected undertakings, have produced cigarettes far in excess of their combined approved installed capacity whereas the other six

ANNEXURE II

THE IMPERIAL TOBACCO CO. OF INDIA LTD. (Now INDIA TOBACCO CO. LTD.)

	Year	Paid-up capital including bonus issues	Good-will	Sales and Income	Profit before Tax	Nett profit after Tax	Foreign share-holding percentage	Total drainage of foreign exchange by way of part remittance in form of dividends and remaining a deferred liability for future repatriation
				Rs. in Lakhs				
	1959	1516	490	3460	287	115	93.4	Rs. 107 lakhs
	1969	1516	490	12646	707	359	93.4	Rs. 335 lakhs
Increase Percentage				383%	246%	312%		
Projection to				48419	1739	1120	76.0	Rs. 851 lakhs
	1980							

Between the years 1969 and 1980 the drainage of foreign exchange will jump as mentioned above from Rs. 335 lakhs to Rs. 851 lakhs which averages to Rs. 593 lakhs per year i.e. in 11 years during the period 1969 to 1980 there will be a total estimated foreign exchange drainage of Rs. 6523 lakhs.

THE VAZIR SULTAN TOBACCO CO. LTD.

	1959	129.54	5.81	602	69	29	67.0	Rs. 19 lakhs
	1969	229.54	5.81	3309	204	82	67.0	Rs. 55 lakhs
Increase percentage				550%	296%	283%		
Projection to	1980			18200	604	232	67.0	Rs. 155 lakhs

Between the years 1969 and 1980 the drainage of foreign exchange will jump as mentioned above from Rs. 55 lakhs to Rs. 155 lakhs which averages to Rs.105 lakhs per year i.e. in 11 years during the period 1969 to 1980 there will be a total estimated foreign exchange drainage of Rs. 1155 lakhs.

ANNEXURE III

SOME OF THE MANY INDIGENOUS CIGARETTE FACTORIES WHICH HAVE BEEN WIPED OUT

1. Eastern Tobacco Co. Ltd., P.O. Naini	Allahabad	55. Ahmed Tobacco Co., Delhi & Hyderabad-Sind	Delhi
2. Tobacco Manufacturing Ltd.	Amritsar	56. Gwalior Tobacco Co.	Gwalior
3. British India Cigarette Co.	Bombay	57. Pradhan Tobacco Co.	Gwalior
4. James Hilton & Co.	Bombay	58. Central India Tobacco Co.	Gwalior
5. Vapidas & Co.	Bombay	59. International Tobacco Co. of India Ltd.	Howrah
6. Gold Star Tobacco Co., Borivilli	Bombay	60. Western Tobacco Co.	Howrah
7. Freedom Tobacco Co., Vakola	Bombay	61. Upper Sind Tobacco Co.	Hyderabad-Sind
8. Maganlal Permanand Bhuta	Bombay	62. Star Tobacco & Cigarette Co.	Hyderabad
9. The Prabhat Tobacco Co.	Bombay	63. Jubilee Cigarette Factory	Hyderabad
10. National Cigarette Manufacturing Co.	Bombay	64. A.S. Krishna & Co., Ltd.	Hyderabad
11. The Navayuga Tobacco Co. Andheri	Bombay	65. Tunuguntla Venkatrao Mercantile Tobacco Co.	Hyderabad
12. Navjivan Tobacco Co. Andheri	Bombay	66. Nizam Sagar Cigarette Co.	Hyderabad
13. Jai Hind Tobacco Co.	Bombay	67. Vazir Sultan Tobacco Co.	Hyderabad
14. Bharat Tobacco Co. Andheri	Bombay	68. Haq Brothers	Hyderabad
15. Pioneer Industrial Tobacco Works	Bombay	69. Hind Tobacco Co.	Hyderabad
16. Tobacco Manufacturers (India) Ltd.	Bombay	70. Standard Cigarette Manufacturing Co.	Jullundur
17. Zenith Tobacco Co. Ltd.	Bombay	71. Sukhar Sindh Tobacco Co.	Karachi
18. All Gold Tobacco Co.	Bombay	72. Union Tobacco Co.	Lahore
19. C. John Provesis, Chakala	Bombay	73. Aziz Tobacco Co.	Lahore
20. D.N. Master & Co.	Bombay	74. Diamond Jubilee Co.	Lahore
21. A.J. Green (E). Parel	Bombay	75. G.D. Gears	Lahore
22. Diamond Tobacco Co.	Bombay	76. Suri Tobacco Co.	Lahore
23. Sun Tobacco Co.	Bombay	77. Central India Tobacco Co.	Lahore
24. Pradhan Tobacco Co.	Bombay	78. Indo Virginia Tobacco Co.	Lahore
25. American Tobacco Corporation	Bombay	79. Bhaskar Cigarette Factory	Lahore
26. Khedivial Tobacco, Borivilli	Bombay	80. Indian Cigarette Tobacco Works	Lahore
27. P. Bellarini, Santacruz	Bombay	81. Deccan Tobacco Works	Lahore
28. Hanuman Tobacco Co. Santacruz	Bombay	82. P.R. Choudry	Lahore
29. Taibume Tobacco, Santacruz	Bombay	83. Rajputana Tobacco Works, Shreepura	Lahore
30. Star Tobacco Co.	Bombay	84. U.P. Tobacco Co.	Lahore
31. S. Mars & Co., Santacruz	Bombay	85. Silver Tobacco Co.	Lahore
32. Federal Tobacco Co.	Bombay	86. Sandur Tobacco Co. Ltd.,	Lahore
33. Phoenix Cigarette Manufacturing Co.	Bombay	87. Universal Tobacco Co.	Lahore
34. Osmania Tobacco Co.	Bombay	88. L. Deccan & Co.	Lahore
35. Arkita Tobacco Co., Parel	Bombay	89. Shankaranpillai	Lahore
36. Fire Hand Tobacco Co.	Bombay	90. Prabhat Beedi & Cigarette Mfg. Co.	Lahore
37. Gujarat Tobacco Co.	Baroda	91. Falaknuma Cigarette Factory	Lahore
38. Bharat Tobacco Co.	Baroda	92. Cooch-Bihar Cigarette Factory	Lahore
39. M. J. Tobacco Co.	Bijnor	93. Abdul Haq Cigarette Factory	Lahore
40. Tobacco Manufacturers (India) Ltd.	Bangalore	94. Bezwada Cigarette Factory	Lahore
41. American Tobacco Syndicate	Calcutta	95. J.B. Sons	Lahore
42. Union Tobacco Co. Ltd., Entally	Calcutta	96. Thirumal Rao & Co., Bowring place	Lahore
43. International Tobacco Co. (India) Ltd.	Calcutta		Lahore
44. Suxena Brothers	Calcutta		Lahore
45. Maple Tobacco Co. (India) Ltd.	Calcutta		Lahore
46. Hindustan Tobacco Co.	Calcutta		Lahore
47. James Canterbury Ltd.	Calcutta		Lahore
48. Hatzpolo & Co.	Calcutta		Lahore
49. Tobacco Manufacturers (India)	Calcutta		Lahore
50. Virginia Cigarette Co.	Calcutta		Lahore
51. Great Eastern Tobacco Co.	Calcutta		Lahore
52. Delhi Tobacco Co.	Delhi		Lahore
53. Hindustan Cigarette Co.	Delhi		Lahore
54. Narhari & Chowdhary Cigarette Manufacturers	Delhi		Lahore

CIGARETTE FACTORIES BOUGHT OVER MERGED/AMALGAMATED BY FOREIGN MONOPOLY

1. Vazir Sultan Tobacco Co.	Hyderabad
2. A.J. Green	Bombay
3. Tobacco Manufacturers (India) Ltd.	Bombay
4. Hind Tobacco Co. Ltd.	Calcutta & Bangalore
5. Peninsular Tobacco Co. Ltd.	Hyderabad

ANNEXURE IV

Statement referred to in reply to parts (a) to (d) of Unstarred question No. 2301 for answer in the Lok Sabha on the 11th August 1970.

Year	Names of Cigarette Companies in India	Total production (million pcs.)	Names of foreign-owned and foreign-controlled cigarette companies	Production of foreign owned and foreign-controlled cigarette cos. (million pcs.)
1960	1. Imperial Tobacco Co., Calcutta 2. Vazir Sultan Tobacco Mfg. Co., Hyderabad 3. Godfrey Philips, Bombay 4. Golden Tobacco Co., Bombay 5. National Tobacco Co., Calcutta 6. D. Macropolo, Bombay 7. Masters Tobacco Co., Bombay 8. Crown Tobacco Co., Bombay 9. Hyderabad Deccan Cigarette Factory, Hyderabad 10. Hind Tobacco Co., Hyderabad 11. Union Tobacco Co., Calcutta	36,971	(i) Imperial Tobacco Co., Calcutta (ii) Vazir Sultan Tobacco Co., Hyderabad (iii) Godfrey Philips, Bombay.	28,150 76%
1965	Companies mentioned at S. Nos. 1 to 9 above	54,133	—do—	37,467 68%
1969	Companies mentioned at S. Nos. 1-9 shown against the year 1960 and International Tobacco Co., Ghaziabad.	59,714	—do—	46,131 80%

ANNEXURE V
THE FOREIGN MONOPOLY

Its Performance in Brief				2. AND NOW WE PRESENT THE TRUE FACTS:			
1. Total assets of ITC have gone up as under: (Rs. lakhs)				Equity Capital	Rs. Crores	%	No. of shareholders
1955	1960	1965	1970	Foreign shareholders	14.16	74.7	3
2264	2466	2668	4463	Indian shareholders	4.79	25.3	21430
It is noteworthy that though ITC has not applied for or obtained an Industrial Licence for expansion its total assets have steadily soared. Apparently it has been increasing its production without necessary sanctions. This is a violation of the Industries (Development & Regulation) Act.				Out of foreign shareholding of Rs. 14.16 crores, one single foreign shareholder holds shares worth Rs. 10.32 crores i.e. 70%.			
ITC's registered installed capacity stands at 18,360 million cigarettes a year. Yet their actual production—which has now touched over 30,000 million cigarettes a year—is far in excess of their registered Capacity. The Government would be well advised to investigate the matter and to compel the monopoly to earmark the production in excess of the licensed 18,360 million capacity for exports.				Average amount of shareholding per shareholder works out as under:—			
I do not see why IDR Act should not be enforced to bring down the monopoly of ITC. Similar monopolies in other fields were successfully brought under control even before the Monopolies and Restrictive Trade Practices Act, which came into effect only recently. Metal Box, Hindustan Lever, Western India Match Company, Associated Cement Companies are cases in point. The hold of those one-time monopolies has been brought down from 90/100% to 20/50%.				Foreign shareholder—Rs. 14,16,00,000 ÷ 3 = Rs. 4,72,00,000			
				Indian shareholders—Rs. 4,79,00,000 ÷ 21430 = Rs. 2,235			
				This is the pattern of equity holding in the India Tobacco Company—a pattern which the company describes as "wide public participation"—and about which it pats itself on the back.			
				The break-up of the British shareholding was given by the Minister for Industrial Development, Internal Trade and Company Law Affairs on 13th May, 1969, on the floor of the Lok Sabha as follows:			
				Tobacco Manufacturers (India) Ltd., U.K. Rs. 10,32,19,000			
				Tobacco Investments Ltd., U.K. 3,30,11,000			
				Carreras Ltd., U.K. 53,70,000			

The 21430 Indian shareholders have no representation on the Board which is made up wholly of nominees of the Group—three British shareholders.

The Golden Tobacco is constrained to bring these facts to the attention of the public... for recently its status as a private limited company with only 14 shareholders was ridiculed by the India Tobacco Company... in the course of which it of course overlooked some salient facts.

Taxes paid by Golden Tobacco have been 80% higher than what was paid by India Tobacco, when computed as a percentage of turnover... 6.3% as against 3.5% to be precise... Also 17% of Golden Tobacco's shares are held by a public charitable trust created by shareholders in the name of the founder of the company.

PRODUCTION & PROFITS

Years	All India Production	Production of foreign sector	Percentage of foreign sector	ITC's profit (Rs. lakhs)
	(million pieces)			
a. 1959	32166	24450	76%	287
1964	46196	23790	70%	289
1969	59710	46131	80%	707

India Tobacco Company

Year	Production (million pieces)	Profits (Rs. lakhs)
b. 1964	23610	287
1969	29993	707

Production has increased by 28% whereas the profit shot up by 148%.

c. 1968	30384	593
1969	29993	707

The production went down but profits went up by Rs. 114 lakhs.

d. 1967	28106	409
1969	29993	707

The increase in production was 7% whereas the profits went up by 73%.

e. 1969	29993	707
1970	32184	783

Production rise was negligible but profits went up by Rs. 76 lakhs.

PRODUCTION (million pieces)

Year	Foreign Sector	Indian Sector
1965	37467	16666
1969	45801	13913

During the four years 1965 to 1969 alone, share of Indian Sector went down by 16% whereas that of Foreign Sector went up by 22%.

Note:—From the above it will be seen that when the share of foreign sector in the market went down during the years 1959 to 1964, the profit of the monopoly did not increase or go down comparatively but when foreign sector's share of the market went up in the years 1964 to 1969, the profit shot up by 144% (as against production increase of 28%) only. Even in the years 1967 to 1969 and 1969 to 1970, though the production was more or less the same, the profit went up. It clearly shows the advantage of checking the foreign monopoly and reducing their share of the market which will result in saving in drain on foreign exchange.

3. COMPARATIVE PERFORMANCE FIGURES—1960 to 1969 (10 years)

	G.T.C. (Rs. lakhs)	I.T.C. (Rs. lakhs)
Sales	17579	67388
Excise Duty	9156	32950
Nett Sales	8423	34438

	G.T.C. (Rs. lakhs)	I.T.C. (Rs. lakhs)
Cost of Raw Materials	5357	20736
Wages	362	5127
Profit before Tax	1653	4343
Income Tax	1103	2389
Profit after Tax	550	1954
Dividends	169	1415
Foreign Exchange payment for dividends	Nil.	1330

(94% foreign shareholding)

NOTE:—

- The percentage of raw material value to the nett sale value of cigarettes is — GTC 64% and ITC 60%, which shows that the consumer of GTC brands gets 5% more value for the money.
- Percentage of profit to sales turnover is — GTC 9.5% and ITC 6.4%. It would be interesting to find out why this big monopoly has shown less profitability whereas GTC—a small company in spite of heavy odds and cut-throat competition from the monopoly—has fared 50% better in profitability.
- The percentage of income tax paid to the sales turnover is: GTC 6.3% and ITC 3.5%. If ITC was 100% Indian-owned company, it would have worked as efficiently as GTC and only in the last 10 years, the Government of India would have earned additional revenue of Rs. 1887 lakhs by way of Income Tax on ITC's turnover. On the other hand, supposing GTC had not survived the onslaught of the monopolistic competition, their turnover would have gone to ITC and the Government of India would have got Income Tax revenue less to the extent of Rs. 491 lakhs than what they have got from GTC in the last 10 years. It is enough to justify that foreign monopoly is harmful to the economy of the country.
- The percentage of dividends declared to the profit after tax is — GTC 30% and ITC 72%; thus GTC has not frittered away its resources for paying the shareholders like ITC but has ploughed back major portion of its earnings to develop business to fight and get share from the market which would otherwise have been in the foreign sector.
- Dividends remitted to foreign shareholders of ITC amount to Rs. 1330 lakhs as against nil in case of GTC. If ITC was 100% Indian-owned Company, this drain on foreign exchange would have been saved. On the other hand, if GTC had not existed, ITC would have been enjoying that share of business and would have remitted additional foreign exchange of Rs. 15 crores in 10 years.
- In 1970, GTC paid Rs. 83 lakhs as wages to 1350 workers which amount to Rs. 6150 per head per year. ITC paid Rs. 762 lakhs to 1200 workers which comes to Rs. 6350 per head per year. Compared with the size of operations, GTC pays far better than the competitor.

VAZIR SULTAN TOBACCO COMPANY

B.A.T. — London Invested less than Rs. 7 lakhs when it bought over VST and by capitalization of profits its equity today stands at Rs. 2 crores — over and above an almost equal amount in reserves and surpluses. Foreign shareholding in VST today is 67% and its assets are worth Rs. 6 crores!

Its profit before tax last year was Rs. 203 lakhs. VST's registered capacity is 8800 million cigarettes a year, yet in violation of the Industries (Development & Regulation) Act, they have been producing far in excess of this capacity. On the top of all this, they now want further expansion of 250%!

Advertiser's announcement

COMPANY MEETING

THE SCINDIA STEAM NAVIGATION COMPANY LTD

Summary of speech of Shri Krishnaraj M.D. Thackersey, Chairman, the Scindia Steam Navigation Company Limited, made at the 51st Annual General Meeting of the Shareholders on Wednesday, the 16th December, 1970 at Patkar Hall, Bombay-1.



Shri Krishnaraj M. D. Thackersey

I regret to inform you that the financial results of the Company have suffered a little setback. The net profits before taxation have gone down by Rs 40 lacs as compared to last year, although during the year the total earnings have gone up by Rs. 2.86 crores.

Ship operating costs are registering continuous rise. I shall name only two heads — fuel and port charges. (1) The price of fuel oil has gone up on the average as much as by about 54 per cent on Indian Coast and about 100 per cent on the Coast of West Africa and by 80 per cent in other areas since the beginning of 1970. (2) Port Charges, including cargo handling charges, at Indian and foreign ports have also registered a steep increase. As a matter of fact, ports all over the world have been repeatedly facing increasing demands from water-front labour, the burden of which port administrations invariably pass on to cargo owners and ship owners. Moreover, the average productivity as reflected in the turn round of vessels has been falling in some of the major ports frequented by your Company's vessels. In this respect, the glaring instances are Calcutta and U.K. Ports. You are aware, how official and unofficial strike actions semi-paralysed Calcutta for a considerable period leading to last minute changes in ship schedules and piling up of unshipped cargoes in the port, resulting in uneconomic voyage of ships. In U.K., major ports like London, Liverpool and to some extent Avonmouth are experiencing acute labour shortage involving undue delay to our ships.

Maintenance of an efficient fleet with modern methods of cargo handling to serve various trades with greater productivity and output has always been the prime concern of your Company. Accordingly, and taking advantage of Rupee payment arrangements, the Company had placed an order for 8 fast cargo motor ships of 13,500 DWT each with Messrs. VEB Warnowwerft Warnemunde, G.D.R.. I would like to mention that out of these, 3 ships named 'Jalamani', 'Jalamam' and 'Jalamatsya' have already been delivered and the 'Jalamangala' will be delivered to us next month. The deliveries of remaining ships are scheduled to be completed by July 1972. Two cargo motor vessels of 16,200 DWT each, ordered from Messrs. Rheinstahl Nordseewerke, GmbH, Emden, West Germany will also be delivered during 1972. Whilst on the one hand new and fast units are being added

to the Company's fleet, on the other hand, some old and uneconomic units have been disposed of. This will achieve modernisation of the Company's fleet.

I had referred last year to a second-hand bulk carrier of 57,000 DWT negotiated by us for \$6.25 million but because of the delay in getting Government approval for our financial arrangements, this ship could not be purchased. In the meantime prices of ships have risen sharply and for your information I may say that when the same bulk carrier was again available in April this year, we had indicated a price of \$9 million, but the shipowner was not prepared to sell the ship at this price. In July we placed an order for a bulk carrier of 54,000 DWT with Rheinstahl Shipyard and we immediately applied to the Government for approval. Unfortunately the approval was only received recently. In the meantime, the Yard withdrew the agreed price and is now asking for a higher price and offering delivery about a year later, that is by January 1974 instead of January 1973. There is also a price escalation.

Efforts were also made by us for a credit from Japan, but as the Japanese Government agreed to give deferred payment arrangements for one ship only, the Government have decided to give that credit to the Shipping Corporation.

Moreover the shipyards and the Governments concerned are not interested to offer extended credits of eight years with 10% and 20% down payment. The shipowners of developed countries being in a position to purchase ships on cash basis steal a march on the developing countries in obtaining ships. Only recently our Government has agreed to release 20% down payment in foreign exchange and tax free interest rate of 7% on foreign loans.

The percentage of dividend exempt under Section 80K has been determined by the Income-tax Officer at 70.56%. The certificate issued by the Income-tax Officer is provisional as the final percentage can only be determined on the finalisation of the Company's income-tax assessment. The Company, however, estimates that the percentage of exempt dividend would be about 80%. The percentage as finally determined on the completion of the Company's assessment will be intimated to the shareholders. Under the circumstances, the shareholders are advised to claim the deduction at 80% of

the dividend in their Income-tax Return, and, if necessary, to keep their claim alive by preferring an appeal.

As I mentioned in my last report, your Company was listed as a large industrial undertaking by the Industrial Licensing Policy Inquiry Committee. As required by the Monopolies and Restrictive Trade Practices Act which came into force from 1st June 1970, your Company together with its subsidiaries have been registered under this Act. While the wordings of some of the provisions of this Act are not clear, the extent and scope of the Act's applicability are also not well defined. Regarding shipping companies, there are no guidelines to guide Government officials as to in what light they should regard acquisition of tonnage for replacement and expansion of liner and bulk trade services. This uncertainty adds to the factors which delay Governmental approval for acquiring tonnage. I, therefore, trust the Government frames without delay guidelines under the Act which should spell out whether a shipping company registered under the Act but engaged in providing vital transportation services in a trade which is international, must obtain prior clearance under the Act, to acquire tonnage for carrying out its day-to-day business. As Indian shipping carries only 18 per cent of India's foreign trade, acquiring tonnage by Indian shipping companies to maintain this percentage and to

increase it in the country's foreign trade should not need any clearance under the Act at all.

As Shareholders may be aware, shares belonging to Dr. Dharma Teja in the Jayanti Shipping Company are being auctioned by the Sheriff of Bombay and to that effect a notification has appeared in the papers. The shareholders are also aware that due to the restriction on the foreign exchange and the Government's policy, it is very difficult to obtain new ships, especially bulk carriers, from foreign markets. Hence, your Directors feel that if your Company is able to acquire the shares in the Jayanti Shipping Company, which has a fleet of 16 ships consisting of bulk carriers, tankers, ore-cum-oil carriers and cargo ships, your Company will ultimately benefit.

May I take this opportunity to thank the Minister for Shipping and Transport Shri Raghuramaiah and Deputy Minister Shri Iqbal Singh, the Secretary and Joint Secretary and other officials in the Ministries of Finance and Transport, the Director General of Shipping and his officials as well as the officials of Transchart who have offered their full co-operation to us. I also thank our patrons, shippers and other well-wishers of the Company. I thank the Management, Officers and staff both ashore and afloat and the agents at various ports for their devotion to duty.

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RECORDS AND STATISTICS

Newspapers in India

ACCORDING to the 14th annual report of the Registrar of Newspapers in this country, the number of newspapers at the end of 1969 was 10,281 as against 10,109 in 1968. While the increase in the number of newspapers in the year under report was a modest 2.6 per cent, the rise in the five-year period 1964-69 was as much as 26 per cent. The number of newspapers in 1964 was 8,161. If other publications such as market reports, racing guides, school magazines etc. are also taken into account, the total number of newspapers in 1969 was 12,826 as against 12,453 in 1968 and 10,256 in 1964.

The rate of numerical expansion in the case of dailies during the year was 25.3 per cent in relation to 1964, and 2.2 per cent over the figure for 1968. The weeklies increased by 28.6 per cent since 1964 and by 2.8 per cent over 1968.

Maharashtra with 1,596 newspapers leads the States, followed by Uttar Pradesh: 1,460; Delhi: 1,153 and West Bengal: 1,129.

Regional Pattern

Language-wise, the highest increase was recorded in the case of Hindi newspapers: 127, followed by those in Marathi: 50 and English: 49. Increases were recorded during the year under report in the States of Gujarat, Tamil Nadu, Punjab, West Bengal and the Union Territories of Delhi and Goa. Maharashtra recorded the highest increase 80 papers; 5.3 per cent; followed by Rajasthan 72 papers; 16 per cent; Madhya Pradesh 60; 17.5 per cent and Uttar Pradesh 27; 1.9 per cent.

The press in Hindi continued to be the largest having 2,508 publications, 24.4 per cent of the total number of newspapers in the country. Newspapers in English (2,123) were next with a share of 20.7 per cent. Whereas the Press in Hindi was evenly spread over the bigger and smaller cities and mofussil areas, the English Press was based largely in metropolitan towns. Newspapers in Malayalam, however, were centred in smaller towns and only 66 out of 394 papers were published from Trivandrum, the capital of Kerala.

There were three additions to the number of languages in which newspapers in the country were so far brought out bringing the total number of languages to 52 in 1969 as against 49 in 1968. These languages are Chhatisgarhi, Nagpuria and

Guman. Out of 52 languages in which newspapers exist now, 41 were Indian (including 15 officially recognised languages) and 11 foreign. The remaining were all dialects.

According to the data available, more than two-thirds of the newspapers (67.8 per cent) were started during the post-independence period. The newspapers today include 14 centenarians. As many as 201 periodicals were in the age-group of 50 to 100 years.

With the total circulation of 269.64 lakh copies in 1969, the Indian newspapers gained an additional 1.6 per cent as compared to 1968, 11.4 per cent during the quinquennium 1964-69 and 60 per cent over the last decade.

Circulation of dailies was 78 lakhs copies during the year under report showing an improvement of nearly 3.8 lakh copies which was 5.1 per cent over the year 1968. Weeklies recorded a circulation of 77.33 lakh copies in 1969 indicating a gain of over 7.6 lakh copies or 10.9 per cent on that of last year.

Newspapers published in Hindi, English and Tamil languages counted for more than half (54.9 per cent) of the total circulation of the Indian newspapers. The English dailies gained 67 thousand in circulation during the year under report, English weeklies gained 1.95 lakh while journals of other 'periodicities' lost in circulation to the extent of 4.77 lakh copies. Hindi and Tamil consolidated their circulation by increase of 2.12 lakh and 1.90 lakh respectively. The largest gain of 2.12 lakh (4.2 per cent) among the languages, during the year, was recorded by newspapers in Hindi.

State-wise, Kerala topped the country in circulation increase during 1969, gaining 2.10 lakh copies. Noticeable improvements were also recorded by the Press in Rajasthan (34.5 per cent) and Gujarat (5.7 per cent).

Common Ownership Units

The report which undertakes every year a study of chain newspapers and their ownership pattern stated that there were 65 common ownership units during 1969 owning 222 news-interest newspapers (including 170 dailies) as against 64 in 1968 owning 217 newspapers (including 165 dailies).

News-interest newspapers of common

ownership units commanded a circulation of 62.72 lakh copies in 1969 which was 23.3 per cent of the total circulation of the entire Press. This increase compared to 1964, was of 20.7 per cent and to 1968 of 7.6 per cent.

Dailies belonging to common ownership units claimed a circulation of 54.99 lakh copies during the year which was 10.2 per cent higher than the preceding year. At the same time, the circulation of news-interest weeklies belonging to such units was of the order of 7.73 lakhs registering a decrease of 8.2 per cent as compared to 1968. Besides, there were 53 non-news-interest papers which belonged to the common ownership units. The combined circulation of all newspapers owned by these units was 82.09 lakh, 30.4 per cent of the total circulation of the Indian Press.

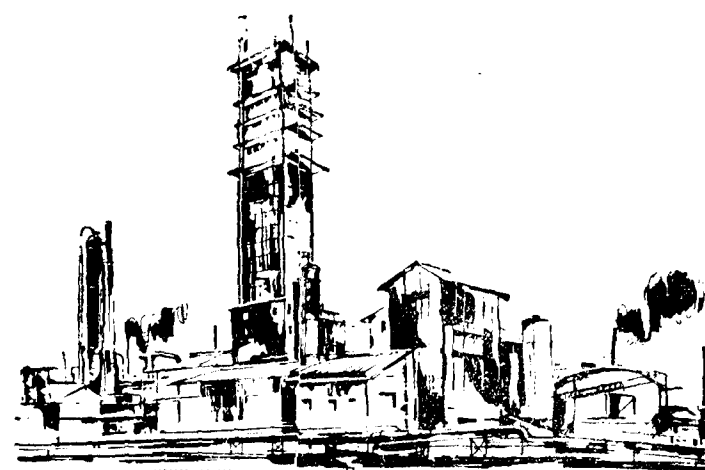
According to the report, the largest number of newspapers 6,119 (59.5 per cent) was owned by individuals during the year under report as compared to 5,945 or 59.4 per cent during 1968. Societies and associations owned 19.5 per cent of the papers compared to 19.9 per cent in 1968. The percentage of proportion of newspapers belonging to the joint stock companies remained unchanged at 4.8 during both the years.

Newspapers and Political Parties

During the year under report, 19 political parties owned 84 newspapers including 10 dailies and 42 weeklies. Most of such papers were published in Hindi 18, English 12, Bengali 11 and Marathi 8. The total circulation of newspapers owned by political parties was 1.37 lakh, during the year of which papers owned by both communist parties had a circulation of 93,000 copies and those belonging to the Congress of 28,000 copies. The largest number of newspapers 28 was published by the communist parties, followed by Congress, both-ruling and opposition 27, followed by the Praja Socialist Party 5 and others 24.

The report revealed that India was the second largest publisher of daily newspapers totalling to 650 during the year 1969. As compared to 1964, there was an increase of 136 dailies or 20.9 per cent. The gain made over the preceding year was of 14 dailies or 2.2 per cent.

The report further revealed that the number of Hindi dailies 186 was the largest, followed by Urdu 98 and English, which occupied the third position, had 69 dailies during the same year. However, so far as circulation was con-



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cerned. English dailies were on the top as in preceding years. The total gain in circulation made by the dailies during the year under report in comparison to 1968 amounted to 3.66 lakh copies or 5.0 per cent.

According to the report, the number of correspondents in service with daily newspapers was 3,153 in 180 dailies in 1969 as compared to 2,953 in 178 dailies in 1968. As many as 106 correspondents were stationed abroad. The number of editorial staff improved from 2,562 (including 16 women) in 278 papers in 1968 to 2,809 (including 29 women) in 294 papers in 1969.

The *Statesman* of Calcutta which had 1,308 such employees, was the largest employer for production of a single paper. The *Hindu* of Madras continued to employ the largest number of working journalists with 193 individuals functioning on reporting and editing sides.

Advertisement And Printing

It was revealed that out of 289 newspapers which furnished the relevant data, 130 earned 25 to 50 per cent of their total income through advertisements. None of the big dailies obtained more than 75 per cent or less than 25 per cent of revenue through advertisement. As regards 'medium' dailies, 49 reported 25 to 75 per cent income from advertisement, while 13, up to 25 per cent. 159 'small' dailies obtained 25 to 75 per cent income from advertisement, while 15 such dailies derived more than 75 per cent of their total revenue from advertisement.

The analysis of data intimated by 320 dailies showed that all 'big' dailies were

produced on rotary machines while 154 'small', 53 'medium' and 24 'big' dailies had printing presses of their own. However, a large number of dailies 164 (143 'small', 19 'medium' and 2 'big') out of 311 was composed manually, while 57 (15 'big', 22 'medium' and 20 'small') were composed on machine.

One important development during year under report, was that the *Hindu*, Madras introduced facsimile method of printing by which they started an edition from Coimbatore simultaneously with that of Madras.* This is the first paper which has adopted such a sophisticated equipment in the country.

Periodical Press

The number as well as circulation of the periodical press in India steadily improved during the quinquennium ended 1969. The total number of periodicals reached 9,579, better by 1,978 (20.6 per cent) compared to 1964 and 247 (2.5 per cent) than 1968. The total circulation (available for 5,807 periodicals) were 191.74 lakh copies in 1969, an improvement of 11.31 lakhs (6.3 per cent) during the quinquennium and of 0.54 lakh copies (0.3 per cent) in relation to 1968.

The number of periodicals published by central and state governments improved from 390 in 1968 to 398 at the end of 1969. The central government published 224 periodicals (including 100 monthlies) while 174 publications, including 89 monthlies, belonged to state governments. More than half (140) of central government publica-

*Another Similar edition has been started from Bangalore from this year (1970).

tions were published from Delhi, while among the states, the government of Uttar Pradesh brought out the largest number (24), followed by Maharashtra and West Bengal (13 each).

Foreign Mission Publications

The total number of publications brought out by foreign missions in India, according to the report, stood at 111 in 1969 as against 103 in 1968, recording an overall increase of 7.8 per cent over the corresponding number of 1968 and of 50.0 per cent compared to 1964. The total reported circulation was 14,18,730 copies in 1969, higher by 11.4 per cent than that during the preceding year and by 41.3 per cent compared to 1964. The USSR Embassy brought out 46 papers having a circulation of 6,56,047 copies (of 44 publications) and the US Embassy (17 papers,) 16 having a circulation of 6,32,393 copies. The next largest publisher among foreign missions was the German Democratic Republic Trade Mission whose 6 (out of total of 7) periodicals had a circulation of 38,660 copies.

The language in which most of the foreign mission journals (42) were published was English; the share of journals in English in the total circulation of foreign mission publications was 44.3 per cent in 1969. Hindi was the next most utilised medium with 12 papers and 14.7 per cent share in circulation.

The report stated that the policy for allocation of newsprint for 1969-70 announced on May 12, 1969, was based on the total anticipated availability of

PERCENTAGE OF INCREASE/DECREASE IN CIRCULATION IN VARIOUS LANGUAGES AND PERIODICALS

PERCENTAGE OF INCREASE/DECREASE												Increase/ decrease in percentage	
Language	Dailies			Weeklies			Others			Total			
			increase/ decrease			increase/ decrease			increase/ decrease	Circulation (000)			
	1969	1968		1969	1968		1969	1968		1969	1968		
English	19.53	18.86	+0.67	12.11	10.16	+1.95	33.15	37.92	-4.777	64.79	66.94	-2.15	-3.2
Hindi	11.91	10.94	+0.97	17.25	15.38	+1.87	23.74	24.46	-0.72	52.90	50.75	+2.12	+4.2
Assamese	0.29	0.26	+0.03	0.64	0.60	+0.04	0.14	0.27	-0.13	1.07	1.13	-0.06	-5.3
Bengali	5.17	5.06	+0.11	3.39	3.71	-0.34	5.52	6.64	-0.52	14.08	14.81	-0.73	-4.9
Gujarati	6.23	5.76	+0.47	4.14	4.73	-0.59	7.14	6.69	+0.45	17.51	17.18	+0.33	+1.9
Kannada	2.55	2.61	-0.06	2.24	2.13	+0.11	2.30	2.31	-0.01	7.09	7.05	+0.04	+0.6
Malayalam	8.32	7.85	+0.47	6.80	4.34	+1.96	6.49	6.89	-0.40	21.61	19.58	+2.03	+0.4
Marathi	7.37	7.12	+0.25	3.77	3.72	+0.05	5.88	6.19	-0.31	17.02	17.03	+0.01	-0.1
Oriya	1.13	0.86	+0.27	0.24	0.29	-0.05	0.89	0.77	+0.12	2.26	1.19	+0.34	+17.7
Punjabi	0.58	0.62	-0.04	1.56	1.79	-0.23	1.57	1.56	+0.01	3.71	3.97	-0.26	-6.5
Sanskrit	0.19	0.19	..	0.68	0.56	+0.12	0.33	0.12	-0.01	0.11	0.13	-0.02	-15.4
Sindhi	0.19	0.19	..	0.68	0.56	+0.12	0.33	0.42	-0.09	1.20	1.17	+0.03	+2.6
Tamil	8.22	7.91	+0.31	12.77	11.17	+1.60	9.36	9.37	-0.01	30.35	28.45	+1.90	+6.7
Telugu	2.13	1.81	+0.32	4.09	3.30	+0.79	4.63	4.95	-0.32	10.85	10.06	+0.79	+7.9
Urdu	3.92	3.87	+0.05	4.87	4.66	+0.21	5.87	5.92	-0.05	14.66	14.45	+0.21	+1.5
Bilingual	0.30	0.29	+0.01	2.09	1.94	-0.15	5.30	5.65	-0.35	7.69	7.88	-0.19	-2.4
Multilingual	0.01	0.01	-0.01	0.42	0.47	-0.03	1.34	1.33	+0.01	1.76	1.80	-0.05	-2.8
Other languages	0.06	0.12	-0.06	0.27	0.24	+0.03	0.65	0.64	+0.01	0.98	1.00	-0.02	-2.0
Total	77.90	74.14	+3.76	77.33	69.70	+7.63	114.41	121.50	-7.09	2,69.64	2,65.34	+4.30	+1.6

about two lakhs metric tonnes of newsprint. The bulk of imports continued to be made during the year from rupee payment and free foreign exchange areas.

During the year, dailies were allocated 1,81,681.36 metric tonnes (7.3 per cent) while allocation to periodicals to-

talled to 26,464.38 metric tonnes (12.7 per cent).

Verification of Circulation Claims

Circulation claims of 645 newspapers were verified during the year under report as compared to 428 in 1968. The centres visited by the circulation teams

of the Registrar included places in Gujarat, Haryana, Jammu & Kashmir, Maharashtra, Mysore, Punjab, Uttar Pradesh, Delhi, Goa, Manipur and Tripura. Circulation checks resulted in the detection of exaggeration of 4,75,982 copies per publishing day affecting a national saving of Rs 15.10 lakhs, in foreign exchange.

INDIAN PRESS AT A GLANCE (1969)

Number	1968	1969	Number	1968	1969	Number	1968	1969
Dailies	636	650	Common Ownership			Classification of Periodicals		
Tri-weeklies and bi-weeklies	51	52	Number of units	64	65	Category	Number	Circulation ('000)
Weeklies	2,892	2,973	Number of dailies under common ownership	165	170	News and Current Affairs	3,259	53.16
Fortnightlies, monthlies, bi-monthlies, quarterlies, half-yearlies, annuals etc.	6,440	6,606	Circulation of dailies under common ownership (lakhs)	49.88	54.99	Literacy and Cultural	1,552	50.29
Total	10,019	10,281	Number of languages in which newspapers were published	49	52	Religion and Philosophy	1,098	19.56
School and college magazines, market reports, house journals etc.	2,434	2,545	Number of languages in which dailies were published		20	Commerce and Industry	444	4.31
Total on record	12,453	12,826	Language with the largest number of papers			Medicine and Health	344	7.48
Circulation ('000)	1968	1969	Hindi		2,508	Social Welfare	294	3.55
(Revised)			City with the largest number of papers			Films	286	14.52
Dailies	73.21	76.87	Delhi		1,153	Law and Public Administration	206	2.59
Tri-weeklies and bi-weeklies	93	1.03	Language-wise breakup (daily papers) 1969			Labour	204	2.26
Weeklies	69.70	77.33	Language	Number	Circulation ('000)	Education	199	2.07
Fortnightlies, monthlies, bi-monthlies, quarterlies, half-yearlies, annuals etc.	1,21.50	1,14.41	English	69	19.45	Engineering and Technology	184	1.76
Total	2 65.34	2,69.64	Hindi	186	11.75	Agriculture and Animal Husbandary	167	3.47
Percentage increase in circulation of common papers	1968	1969	Malayalam	49	8.32	Children	128	9.25
Dailies	3.2	5.7	Tamil	34	8.22	Science	106	1.61
All papers	1.9	5.5	Marathi	60	7.29	Transport and Communications	99	1.87
Ownership pattern in percentages			Gujarati	42	5.98	Insurance, Banking and Co-operation	96	1.24
Individuals	59.4	59.5	Bengali	11	4.90	Finance and Economics	76	96
Societies	19.9	19.5	Urdu	98	3.89	Women	68	3.83
Firms and partnerships	6.5	6.3	Kannada	36	2.52	Art	41	32
Joint Stock companies	4.8	4.8	Telugu	14	2.13	Sports	39	57
Government (central & state)	3.9	3.9	Oriya	5	1.13	Radio and Music	38	1.59
Trusts, co-operation etc.	5.5	6.0	Punjabi	14	58			
			Assamese	2	20			
			Sindhi	4	19			
			Other languages (including bi-lingual and multi-linguals)	26	32			
			Total	650	76.87			

Longevity of Newspapers at the end of 1969

	(i) Over 100 years	(ii) Between 50 and 100 years
Dailies	7	21
Periodicals	7	180

Oldest existing Newspaper

Daily: 'Bombay Samachar, Gujarati daily, Bombay, established originally as a 'weekly' in 1822 (converted into a daily in 1855).

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Company Notices

New India Sugar Mills Limited

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

NOTICE

Notice is hereby given that the Thirty-sixth Annual General Meeting of New India Sugar Mills Ltd., will be held on Wednesday, the 20th 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 T. D. Kanoria and Shri R. N. Khaitan who retire by rotation and being eligible offer themselves 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 M. L. Jaithalia 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 M. L. Jaithalia be and is hereby appointed a Director of the Company".

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

Dated the 10th 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 addresses as registered with the Company.
3. The Register 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 mandatees on or after the 25th February, 1971.

Explanatory Statement has been sent to the Shareholders.

Gobind Sugar Mills Limited

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

NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of Gobind Sugar Mills Ltd., will be held on Wednesday, the 20th January, 1971 at 3.45 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 S. G. Nevalia and Shri K. Khaitan who retire by rotation and being eligible offer themselves 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 G. P. Dhurka 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 G. P. Dhurka be and is hereby appointed a Director of the Company".

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

Dated the 15th 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 addresses as registered with the Company.
3. The Register 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 mandatees on or after the 25th February, 1971.

Explanatory Statement has been sent to the Shareholders.



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JUNE

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The Finance Minister's views on incentives happen to be the same as the Prime Minister's. This, of course, need not surprise us and if such excellent similarity of thinking promotes a 'happy family atmosphere' in the government the country will no doubt benefit in one way or the other. All the same it may be a matter of concern to some of us that the economic future of this country should be so much at the mercy of certain politicians who do not seem to have either the inclination or the mental equipment to think seriously about the realities of economic growth.

—from **MEETING THE MINISTERS**

Sugar Decontrol : A Welcome Measure

The Crossword of Cotton Textiles

Progression in Haryana's Land Tax

Japan's Impact on Developing Countries



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EASTERN ECONOMIST

JUNE 25, 1971

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MEETING THE MINISTERS

FOR THE last few years the Press Information Bureau of the Government of India has been inviting economic journalists from New Delhi and other parts of the country to a series of discussions with central ministers and their officials in the capital. Held within a few weeks of the presentation of the central budget, these discussions are primarily intended to provide background information on the government's policies or trends of thinking among its policy-makers. But they also serve simultaneously as an occasion for the exchange of ideas and views among the participants. This year this conference had the added merit of enabling some of the new members of the Council of Ministers to go through their paces before a critical but not unsympathetic assembly.

Unfortunately it was not possible for me to attend all of these discussions. In fact I had to miss quite a few of them and I am therefore all the more pleased with the opportunity I had of watching the new Minister for Industrial Development, Mr Moinul Haque Choudhury, perform with a reassuring formality and with a certain freshness which was almost boyish. Mr Choudhury, it is true, does not at present know all that a Minister of Industrial Development may know about the problems and processes of industrialisation of this country, but I personally am willing to wait for him to grow up in his job.

Mr Choudhury, undoubtedly is naive in many ways. He ventured, for instance, into an avoidable elaboration of the cause of the public sector which was noteworthy only for its betrayal of his over-simplified thinking on the subject. This, however, was not very important and, as I had suggested earlier, Mr Choudhury has time to mature. What is important at this stage is the genuine enthusiasm of the man for the industrial growth of this country. His notions of how this growth may or could be promoted may not be mine, but my recollections of another minister who had earlier held the portfolio of Industrial Development being what they are, I cannot but feel happy that Mr Choudhury at least does not think that industrial expansion is an expendable luxury for our country. On the contrary he declared categorically that, so far as his ministry was concerned, he would attempt to ensure that the government's industrial licensing policy did not come in the way of the expansion of existing industries or the birth of new ones through which alone the problem of unemployment could be dealt with. He practically committed himself to the position that anybody who wanted an industrial licence could have one for the asking provided of course this 'anybody' was not somebody having to do with the large or larger business houses.

Our hour-long conversation with a relaxed and readily forthcoming Prime Minister was chiefly concerned with the tragedy of East Bengal and its repercussions on the security and economy of India. She was forthright in affirming her conviction that they would return to their own homeland, the implication being that she was fully persuaded that, sooner or later, there would be a political settlement in East Bengal of a kind which would make this possible. The Prime Minister mentioned the strain on the financial resources of the government and she readily agreed when it was suggested that the pressure on material resources such as transport also posed grave problems. Currently there is a shortage of medicines and here there is clearly need for international assistance to be supplemented by increased production in the domestic pharmaceutical industry. A quick move on the part of the concerned ministry to assist manufacturers in stepping up the output of needed drugs and medicines therefore seems imperative.

When the discussion touched more purely economic issues, it brought out the disturbing fact that the Prime Minister does not believe any longer in the concept of incentives for investment or business enterprise. She seems to have convinced herself that incentives merely mean businessmen profiting at the expense of the government and the community alike. As the leader of a party and a government opposed to the rich getting richer, the Prime Minister is therefore unable to see any merit in criticisms levelled against some of the direct tax proposals in the latest central budget.

The Finance Minister's views on incentives happen to be the same as the Prime Minister's. This, of course, need not surprise us and if such excellent similarity of thinking promotes a 'happy family atmosphere' in the government, the country will no doubt benefit in one way or the other. All the same it may be a

matter of concern to some of us that the economic future of this country should be so much at the mercy of certain politicians who do not seem to have either the inclination or the mental equipment to think seriously about the realities of economic growth. There may be a case for associating the stick with the carrot—there often is—but to throw away the carrot altogether would clearly be a foolish act.

In the economic sphere as much as in the political sphere, the exercise of authoritarianism is bound to prove counter-productive. The delicate dynamics of any free society demands that human nature should be respected and not attempted to be thwarted. The Finance Minister seems to take pride in saying that he has no faith in the proposition that the lowering of the rates of taxation would help to bring more revenues to the government both by discouraging

evasion and encouraging economic activity in the community. Mr Chavan confesses to a holy fear of becoming a two-time loser—losing revenue through lower taxation without gaining revenue through reduced evasion. According to him, it would be imprudent for a Finance Minister to have any dealings with arguments based on human psychology. In Mr Chavan's cynical world there will always be tax evasion, whether the premium on evasion is high or low, while whatever the pecuniary attractions of lower rates of taxation may be, no man would save more or work harder than he might anyhow. Such is the emotional or intellectual stuff out of which our rulers would weave their platform rhetoric about the happier days which, thanks to their vaunted dedication to the cause of the poor, allegedly lie ahead of the common man.

—EDITOR

Labour Trouble and Rubber Industry

RUBBER is in glut and it would be surprising to be told that buffer stock operations have had to be carried out by the State Trading Corporation (STC) for firming up prices of natural rubber to the minimum level fixed by the government. In spite of the fact that under normal conditions it would have been still necessary to import stipulated quantities of natural and synthetic rubber for meeting a marginal deficit, the government's fiat on rubber prices has proved ineffective and the STC has found itself unequal to the task of enforcing the minimum price.

Who exactly benefits by the difference between market prices which are nearly Rs 80 per quintal below the minimum price and the latter is anybody's guess. For, the main consumers are prevented from acquiring stocks below the minimum prices and what all can be done is to effect purchases in a way that better grades of rubber are secured by them for the same price. The rubber estate owners are naturally worried about the accumulation of stocks and it was even suggested by the union Deputy Minister for Foreign Trade, Mr A.C. George, sometime back that there should be export of rubber for earning foreign exchange and relieving the distress of the plantation industry. It is rather unfortunate that matters should have come to such a pass. No serious attention was paid until recently to the problems which were responsible for inflating the cost of production as it was felt that there would be no surplus of either synthetic or natural rubber in the foreseeable future, and high cost rubber could be thrust on the main consumers. This

kind of thinking encouraged the periodical adjustments in wages of workers and the lack of any sense of urgency in implementing the programme of replantation of existing acreage and bringing also new area under rubber.

However the liberal deal given to the rubber industry in the past few years has been reflected in an impressive rise in the output of rubber and the replantation of acreage at least by the bigger estates. The output for 1970-71 is expected to constitute a record at 90,000 tonnes and there may be an increase by more than 10 per cent annually in the coming years as replanted areas are getting ready for tapping. But the business of rubber cultivation is not now proving to be profitable in spite of various incentives and the working results of many rubber companies published recently show that the average prices realised in 1970 were less than the minimum and quite a number of estates have been obliged to report losses. The view is even put forward that many estates will not be able to operate on a reasonably profitable basis without realising the minimum prices and the break-even point is fairly high at five rupees per kg. With such a high level of cost it cannot be expected that Indian rubber can compete actively in the international market. There will have to be heavy subsidisation of exports for over Rs 1,500 per tonne of natural rubber, which would mean that even on exports of 15,000 tonnes the subsidy would amount to Rs 2.25 crores, for earning foreign exchange of about five crores of rupees. It would serve no useful purpose to attempt to establish an export trade in rubber

through heavy subsidies as a long-term view cannot be taken. It would be far more advantageous to export tyres and rubber goods after they were manufactured with payment of suitable subsidies. But herein lies the rub.

The present impasse has come about because of the troubled situation in the tyre industry. In the past three years it has not been possible for this major industry to increase its output in spite of the fact that many units have been executing ambitious expansion schemes by incurring heavy capital expenditure. Apart from the disastrous strike for a prolonged period in a big unit which seriously affected production in 1969, there has been interruption to working of the other units in 1970. Even now one factory in West Bengal is unable to overcome its labour problems while another major unit in Madras has suffered due to labour trouble for over two months. There was a drop in output in the Delhi region due to power cut and go-slow tactics of labour with the result it is apprehended that there would be no net increase in the output of tyres in 1971 for the third year in succession. There can of course be a distinct improvement in availability if all the factories can operate smoothly in the latter half of the year.

Many expansion schemes are expected to yield results in the coming months and it would be possible to raise output by 10 per cent in the aggregate if there were no new problems. As a result of a big shortfall in output and an increase in the demand for heavy duty tyres, it is reported that there is even a heavy premium over the list prices in some areas and tyre companies have been obliged to change their pattern of production and concentrate attention on the manufacture of certain types which are in short supply. As the tyre industry accounts for over 60 per cent of total consumption of rubber there can be easily an increase in the offtake of natural rubber by about 10,000 tonnes if only there is a improvement in the labour situation in the next six months as stated above. There are also some other factors which have been responsible for the difficulties experienced in marketing a larger output of natural rubber.

The availability of synthetic rubber too has distinctly improved in the past year. The only large-sized unit in the country functioning in UP has overcome its technical problems and with the easier availability of alcohol, the output in 1970 exceeded the rated capacity of 30,000 tonnes. The unit actually claimed that even a higher level of production would have been achieved but for the lack of demand and an accumulation of stocks. Even this recovery in

production of synthetic rubber would not have had a depressing effect on rubber prices if the manufacturers of rubber goods continued to be busy. However, the intransigence of labour has prevented the full use of available quantities of synthetic rubber. The largest manufacturer of footwear has been compelled to suspend working due to labour trouble while another factory in West Bengal engaged in the production of rubber hoses, tubing and belting has remained closed for several months for the same reason.

There is also another significant development of far-reaching consequence. The use of rubber in footwear and other rubber goods is now being dispensed with wherever possible as its substitution by plastic compounds is considered more profitable. In fact, a large-sized factory for the manufacture of PVC shoes has come up in Maharashtra while many existing units are already using polyvinyl chloride for complete chappals, and for other purposes where rubber was being used before. Foam products too are now based on plastic compounds and they are becoming increasingly popular.

The government has even thought it worthwhile to levy a higher excise duty on this range of products in the latest budget. This is certainly a desirable development from the point of view of the balance of payments position as otherwise it would have been necessary to permit imports, albeit in restricted quantities, involving expenditure in foreign exchange. The use of polyvinyl chloride and other plastic materials will probably become more extensive in the coming years and it may be necessary to revise our estimates of consumption of synthetic and natural rubber in the immediate future.

A gloomy view should not however be taken of the prospects for the rubber industry. The present situation has been brought about entirely by labour trouble. Under normal conditions it can be safely estimated that there will be demand for synthetic and natural rubber to the extent of 150,000 tonnes annually. Even if there is an increase in the yield of natural rubber to 100,000 tonnes in 1971-72 and if the synthetic rubber plant can step up its output to 36,000 tonnes, which is not an impossibility, there will be no glut even after taking into account the availability of 10,000 tonnes of reclaimed rubber. There will of course be no need for imports of rubber, except for small quantities of special grades of the synthetic product for some time. Indeed if there can be a steady increase in the production of natural rubber by over 10 per cent annually, and the capacity

of the synthetic rubber plant can be expanded by 25 per cent with the installation of balancing equipment, imports of rubber can be successfully avoided. New plans for increasing rubber production in the desired varieties will of course have to be formulated in the light of the new developments.

Only, it should be remembered that the present phenomenon of glut when there should be a marginal deficit in rubber availability is due to an unfortunate bunching of labour strikes in several establishments and once these abnormalities disappear, there will be a revival in demand for rubber.

Sugar Decontrol: A Welcome Measure

THE RECENT decontrol of sugar has been welcomed both by the consumers and the industry. According to Mr S.K. Somaiya, President of the Indian Sugar Mills Association (ISMA), the industry has "abiding faith in the market mechanism and cannot but think in terms of freedom from controls." While controls over price and distribution of sugar have been withdrawn, the releases of sugar from stocks would, however, be regulated by the government so as to minimise the fluctuations in prices. During the first four weeks of sugar decontrol, sugar prices have moved narrowly thanks to the comfortable stock position and adequate releases.

The sugar industry, was, however, administered a warning on June 9 by Mr Fakhruddin Ali Ahmed, the central Minister of Food and Agriculture, in his address to the ISMA: he said that the government would not hesitate to regulate again both price and distribution of sugar if it was found that the industry and trade were not playing fair. The sword of Damocles, therefore, continues to hang over the sugar industry and if the sugar prices tend to

get out of control for whatever reasons, the government would not hesitate to re-clamp price and distribution control.

It follows that the government has initiated decontrol of sugar as an ad hoc measure and not because it has faith in the policy of decontrol. That is why Mr Somaiya made a specific plea in his recent presidential address that decontrol should not be a short-term expediency. He cited the following excerpt from the Sen Commission Report which criticised ad hocism in unmistakable terms: "Short-term palliatives have postponed long-term remedies. Ad hoc measures to deal with specific problems have only too frequently militated against comprehensive solutions. In fact, 'ad hocism' has been one of the worst man-made causes of instability faced by the industry".

In view of the threat held out by Mr Fakhruddin Ali Ahmed regarding reimposition of distribution and price control and the demand for nationalisation of sugar industry by some members of Parliament belonging to both

Eastern Economist 25 Years Ago

JUNE 28, 1946

It has for quite a long time been supposed that India's staple exports are so generally in demand all the world over that there is no cause for undue apprehension on that account. It is necessary to examine how far this supposition is correct to-day in the vastly altered character of foreign trade in the last 15 years and more particularly during the present war and the requirements of the internal economy. In the first place during the war the composition of our export trade has vastly altered. In 1938 Manufactured Articles comprised only 30.5% of exports and Raw Materials and Food 44.3% and 23.5% respectively. In 1944 Manufactured Articles were 51.5% and Raw Materials and Food 24.7% and 22.5% respectively.

It is difficult at this stage to predict whether this re-orientation is permanent. To some extent the greatly increased importance of cotton manufactures accounts for this, not to mention the inevitable war time dislocations and scarcities which gave Indian manufactures foreign markets. Retaining markets in manufactured articles is, however, a much more difficult affair than retaining markets in agricultural commodities. In the former, competition from advanced industrial countries which kept aloof during the war but which will make soon their re-entry would be a serious adverse factor to reckon with and signs are not lacking of this scramble for markets although the scarcities of the immediate post-war years might mitigate it.

the ruling party and the opposition, it is feared that the decontrol of sugar would be short-lived. The chances of decontrol being ended would, however, depend upon the trend in sugar output which in the current year is likely to register a slight decline over the preceding year.

The production of sugar in 1969-70 (sugar season ending in September 1970) reached an all-time peak at 4.26 million tonnes as against 2.16 million tonnes in 1966-67, 2.25 million tonnes in 1967-68, and 3.36 million tonnes in 1968-69. The rising trend in the production of sugar was accompanied by increasing opening stocks from 438,000 tonnes in 1968-69 to 2.09 million tonnes in 1970-71. It is this easy position in regard to the supply of sugar which emboldened the government to try decontrol but once the tide turns and both production and stocks decline, the prices of sugar would tend to harden again, giving the government a chance to clamp controls. Already there are indications that the total production of sugar in the current season at 3.80 million tonnes would be lower than the corresponding production of last season by nearly half a million tonnes.

Keeping this in view, Mr Somaiya had suggested in his presidential address that adequate follow-up measures were necessary to make the policy of decontrol a real success. He had rightly stressed the need for increased production of sugar in the next season which would be possible only if the government initiated some vital measures, the most important being a scheme of price support in the case of gur. Whenever gur prices ruled below the economic level there was a sharp fall in cane acreage in gur areas with the result that in the following season, gur prices tended to rise thus improving realisations on cane and causing large-scale diversion of sugarcane from factory areas to gur areas. This tendency can be checked only by maintaining gur prices at an economic level.

In the larger interests of the sugar industry, it is necessary to eliminate wide fluctuations in sugar prices and the government can play an important part in this regard by judicious regulation of its monthly releases. Mr So-

maiya assured the government that the industry was not in favour of wide variations in prices because it did not benefit it. On the other hand, he also pleaded with the government that minor variations in prices should not induce it to hasten the reimposition of controls.

It is a known fact that sugar industry is a seasonal one. What it produces in five months is consumed in 12 to 16 months and, as in the current year, some extra stocks have to be carried forward. The carry-forward of heavy stocks which in the current year is equivalent to half the total production in a good year, is not possible unless adequate bank finance is made available to factories. Mr Fakhruddin Ali Ahmed gave the industry an assurance that the government would consider the industry's suggestion for a reduction in margins on advances against sugar. If bank credit to the industry is liberalised, it will also help the factories in meeting their obligations regarding sugarcane payments in time to growers.

The credit made available by banks to the sugar industry has so far fallen far short of its demand. The huge stocks carried by the industry involved

financial commitments of the value of about Rs 450 crores, the bank advances in the peak period were no more than Rs 260 crores which kept the resources gap at about Rs 190 crores. This financial strain, in the words of Mr Somaiya, "completely incapacitated" the sugar factories with the result that they found it impossible to meet their obligations in time.

The long-term solution to the problems currently being faced by the sugar industry lies in taking all possible steps to accelerate the cane development activities particularly in the northern region. The areas which have low productivity can improve their performance if they are given assistance by the factories. In other words, close co-operation between the cane-growers and sugar factories is absolutely necessary for raising the productivity of sugarcane in the low productivity areas. Factories, therefore, should be given opportunities to develop cane in their reserve areas. Improved yield of cane in these areas would no doubt be beneficial to the factories because they would be assured of regular cane supplies but this would also assist the cane-growers through increased incomes consequent upon improved yields from their lands.

EASTERN ECONOMIST

BUDGET NUMBER 1971

In the issue dated June 11, 1971, which is a Special Number devoted to the central budget, Eastern Economist presents a study of the budget proposals in their larger context as well as their details. This Special Number includes the relevant budget documents and statistical tables. This volume of 156 pages is priced at Rs. 5 per copy (postage extra) but is available without extra payment to regular subscribers. Individual copies are on sale with leading booksellers and at the office of The Eastern Economist Ltd, UCO Bank Building, Parliament Street, New Delhi-1.

Manager

The Crossword of Cotton Textiles

R.V. MURTHY

THE MAIN sources of worry and the major imperatives for survival of the industry formed the ringing theme of the chairman, Mr Ramakrishan Ruia's address at the thirteenth annual general meeting of the Indian Cotton Mills' Federation (ICMF), held in Bombay a few days ago. There may be a few armchair critics who cavalierly contend that if an industry like the cotton mill industry that is more than a century-old still cringes for reliefs and rehabilitation doles, it has no right to exist, but serious students of the history of the cotton mill industry in this country will really wonder at the remarkable resilience of this industry which has seen it emerge from one struggle for survival after another. Despite all that has been and is being said to deprecate this industry, it must not be forgotten that it still provides direct employment to over 750,000 textile workers and indirect employment to nearly as many, not to speak of its contribution to the foreign exchange till of the country.

Redeeming Feature

Prudence demands, especially when we are faced with such a massive unemployment problem as has fallen to our lot, to see that everything is done to keep this industry not only going but going forward. After all, that is not at all a Herculean task. To ensure adequate supplies of raw cotton at fairly reasonable prices, to make available ample and cheap credit to enable the industry to modernise itself and to free it from some irksome controls are certainly not beyond the competence of our government. And "a redeeming feature", as Mr Ruia remarked, is that today there would appear to be "a better appreciation of the industry's problems by the government, and solutions for tackling them are on the drawing boards of the ministries concerned". Here, indeed, is hope that the industry may after all turn the corner soon.

A long spell of stagnation in production of its main raw material could upset the fortunes of any industry. If, then, cotton production in India has had to face six successive years of stagnation, it is not surprising that it has turned out to be the bane of the industry. It is unfortunate that cotton should also be among the cash crops

that "has not only been by-passed by the green revolution, but has also been experiencing unfavourable weather in some form or other (in one cotton tract or another), for four years in succession".

Widening Gap

This explains the latest lowest crop estimate in six years—5.2-5.3 million bales for 1971-72, which compares with the fourth Plan target of 8.0 million bales. The irony is that after the gap between this target and the actual production had narrowed down to 2.3 million bales in 1970-71, it should again threaten to widen to 2.7 million bales. During the past three seasons in particular, the cotton crop has progressively fallen from 5.98 million bales to 5.650 million bales. And, between the years 1964-65 and 1970-71, the crop has averaged about 5.56 million bales only (excluding the notional extra-factory consumption figure of 270,000 bales). Over the same period, as though deliberately to drive home the fact of cotton shortage, the installed spindleage in the country recorded a rise of 3.20 million or 22 per cent.

These statistics carry a moral, namely that no more time should be lost in stepping up our cotton production. It is just as well that both official and non-official opinions are not only agreed on this but also on how to do it—through higher yields per acre—as well as on its practicability. Thanks to the persistent efforts of the ICMF, the experts in the central Ministry of Agriculture too seem to be convinced today about the magnitude of the efforts required for making an impact on the cotton problem, as witness their recommendation for an outlay of Rs 15.14 crores during the remaining three years of the fourth Plan period. In fact, this should have been twice that figure, if the amount suggested by the ICMF had been accepted. Even so, this provision or, for that matter, the sum of Rs 7.22 crores expected to be spent in the coming crop year marks a definite and distinct improvement over the paltry outlays of Rs 88.18 lakhs, Rs 89.85 lakhs and Rs 209 lakhs that had been earlier proposed to be spent in 1969-70, 1970-71 and 1971-72, respectively. The relatively larger outlays that have

been proposed now, as well as the adoption of techniques similar to those that have proved a tremendous success in respect of wheat and rice should result in a sizable rise in output (an increase of at least 500,000 bales is the estimate).

While on cotton production plans, we must also refer to one pertinent suggestion that Mr Ruia made. It is that research for new varieties of cotton should not be restricted to long-staple varieties only, but extended to include medium and short-staple varieties as well. True, the stress on long-staple varieties is dictated by the imperative of import substitution. But, in our enthusiasm for import substitution, let us not minimise or forget the important role played by medium and short staple varieties. These too help us in import substitution and, what is more, India's exports of cotton textiles are mainly produced out of these staples. Again, it is out of these staples that the greater bulk of the goods consumed within the country is produced. That should provide some idea of the enormous gain that would accrue both to the country's export trade and to the domestic consumer as a result of the research on these varieties of cotton.

Dereliction of Duty

We would not be condemning the authorities too strongly, we feel, if we charged them with dereliction of duty in the matter of creating a reliable crop forecasting agency. It is incredible to be told in the Year of Grace 1971 that there is still no dependable agency for this purpose and that everybody, including the government, has to depend on the widely varying forecasts of a few well-known cotton firms. It is high time that the authorities set up an official agency to furnish this vital information to both the cotton grower and the cotton consumer. No wonder that, in the absence of a reliable crop forecast, the authorities themselves continue to commit the blunder, year after year, of overestimating the crop on the eve of every cotton season and underestimating the import requirements of cotton first and revising it upwards later, when the price of foreign cotton is at its peak, thereby making the country lose valuable foreign exchange avoidably. Even for this year, Mr Ruia has already hinted, it would appear necessary to arrange for additional imports of cotton to tide over the lean months—September to December.

We must do everything to hold the price line, assert the authorities always, but they seem to be utterly oblivious of the impact of their own policies

as above which cannot but lead to higher prices. Take also the sharp increase in import duty as per the latest budget from 25 per cent to 100 per cent on staple fibre which we must import to make up for the cotton shortage and the abolition of the excise rebate of 50 paise on yarn spun from a mixture of cotton and staple fibre. All these must necessarily lead to increased cloth prices which hit the poor consumer ultimately.

There may be an official justification for the credit squeeze but few will dispute that it has gone too far and has had the most unsettling effect on the cotton mill industry in particular. "No avenue has been left for the industry to get any relief from credit restraints", was the pathetic plea of Mr Ruia, and he could not help making it because, as he said, "it is hurting production and adding to costs". How would it benefit anybody if, as a result, mills are not able to lift Indian and imported cotton already bought by them? Who gains if stocks of cotton lie uncleared from railway yards and ports? How can the price-line be held if production goes on falling? For the first four months of this year we are told, yarn and cloth production has fallen by 11.3 per cent and 6.6 per cent respectively, as compared with the corresponding period of 1970.

We have been talking of modernising our cotton mills for years now. Whereas other competing countries have com-

Inflationary Budget

S. NARAYANASWAMY

THE MULTI-FACETED resource-garnering effort which Mr Chavan's budget is, has puzzled those quarters which think in the same way as the party in power and has caused painful surprise among all other sections, not excluding that section for whose benefit every tax is claimed to be levied and many an existing concession is being abolished. The affluent feel that they have the middle income groups for companions in distress; the poor whose latter-day consumption articles are being called luxuries and brought within the excise net, and which articles are thus, however, unwittingly placed beyond the reach of marginal consumers, feel they have distinguished companions among middle income and higher income groups, because of the larger taxes on income and wealth they are called upon to pay, through wealth tax exemptions abolished and new taxes on income levied.

The middle class man who has been riding the tiger of inflation for many

pleted their modernisation programmes, we have yet to decide on the programme. Evidently, being a practical businessman, Mr Ruia put it to the government to take a quick decision at least on the unanimous recommendation made by a special sub-committee in November, 1970, for the modernisation of the exporting mills' hoping that, at least in its anxiety to make a success of its crash export drive, it would seize the suggestion. He also banked, perhaps, on the fact that this does not call for any great sacrifice on its part except to earmark a given amount of foreign exchange for importing sophisticated textile machinery not made in this country and not objected to by textile machinery makers in this country.

But expedition and bureaucracy however seldom go together. Not even the imminent imposition (from January 1, 1972) of the 15 per cent import duties on our cotton textiles exported to the UK and not even the exclusion of textile products by the UK and the USA from their offers to UNCTAD under the General Scheme of Preferences for Developing Countries have stirred them to the supreme sense of urgency of the moment. Instead, like Don Quixote, we still seem to indulge in going at imaginary windmills as, for instance, our threat to quit the Commonwealth. Have those who have made this suggestion ever paused to examine the effects of such a step on our own export trade?

years and whose salary or wage-packet has become less and less meaningful in terms of what it would buy for him of essential goods and services, has begun to speculate how soon he would find himself inside the tiger's stomach; and whether he would not be better off there than to continue in a state of nervous prostration on the back of an animal of acknowledged ferocity. He has wailed and whined in past years about the debts into which he is driven by this annual erosion of the content of the rupee through inflationary spending and no less inflationary long-term investments by the government which tend in many cases to make negative returns but his has been a voice in the wilderness. "The weaker section of society" to which so much election-time homage has been paid, to whom "commitments" have been made, can be trusted not to know the basic causes of price increases and to blame the wily and rapacious merchants, the wholesalers and retailers, for the excise duties that cause the

escalations. Unlike sales taxes, the merchant is unable to set out the excise duties separately in cash bill to consumers. Indeed the oil companies got into the bad books of the government years ago when they showed the break-up of gasoline prices, indicating how much of what was paid was taken away by the exchequer.

Masonic Secret

In any case, excise duties will remain among the masonic secrets as components of end-prices so far as the consumer is concerned and, in comparatively poorly educated communities, you can take an insurance policy against the man in the street acquiring knowledge of it, because he is unlikely to show any curiosity on the subject in his benumbed condition as a helpless consumer of high cost goods. Little wonder, Mr Benjamin Fairless, one-time chairman of US Steel Corporation, with mordant humour, declared that the quantum of excise duty on each article sold and collected by industries and turned over to the US Treasury, was a well-kept secret—a secret kept with considerably more success than the secret of the atom bomb. In the result, Mr Chavan's budget has more or less succeeded in convincing the people of this country that the rich would pay the overwhelming quantum of taxes; and since being rich is among the original sins of mankind, the wages of sin are expropriatory taxes and they are being levied with planned remorselessness.

The central budget of 1971 can be compared to a giant octopus that extends its tentacles once every year and each tentacle gets a grip on available classes of sea-food. The octopus gets a grip on consumers, income-earners, wealth-owners, exporters, importers and corporate units to derive nourishment. This year, the octopus, having done a multiple operation of getting hold of second and third schools of fish, in the form of consumers and tax-payers, finds itself with an unsatisfied appetite because there is an unfilled net gap of Rs 220 crores due to capital programmes proposed to be executed this year.

When the budget was presented on a hot evening on May 28 and a whole string of new or enhanced excise duties was being announced over the radio and the teleprinter, it occurred to many wide-awake budget-watchers that the duty on maida which became a duty on bread, was added on, like the hay-pack on the camel's back, to be thrown away within sight of the camel at the appropriate time, to make the poor animal move along its caravan track. The only psychological



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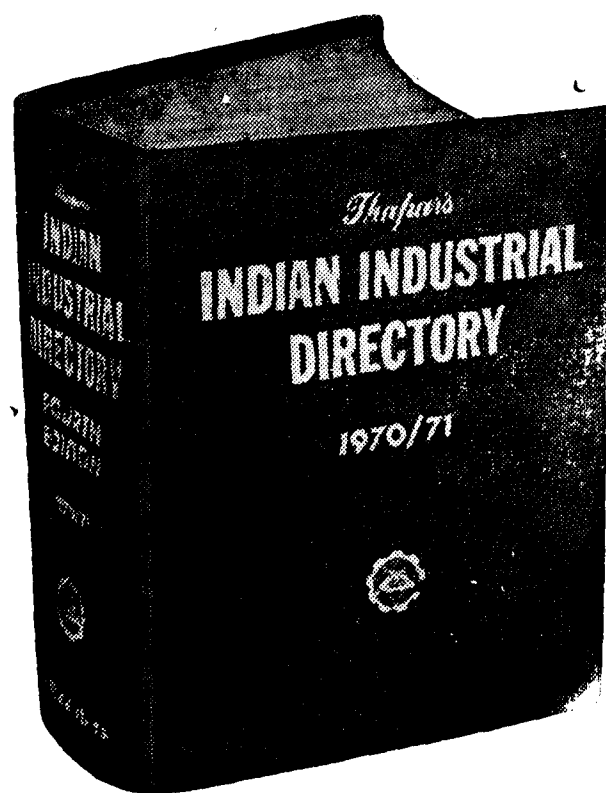
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mistake made was to describe bread as the richman's food which brick-dropping could have been avoided, had the secretaries merely obtained statistics of bread sales from even government-owned Modern Bakeries. Anyway, Mr Chavan has, in solemnly removing the maida and coarse cloth levies, ostensibly in response to Parliament's forcefully expressed concern for the poor, adopted the simple stratagem of the Arab camel-drivers to make the dromedary move on—and it is amazing how many identified the two levies as the ones which would not survive Parliament's tear-shedding process.

The Finance Secretary's description of the repercussions of the wide range of excise levies as likely to be "marginal" does not accord with Mr Chavan's own admission "There is a wide range of fiscal proposals and, in some directions, the impact of the new levies cannot but be considerable". The budget proposals relating to both direct and indirect taxes cannot but be inflationary in their impact on India's economy. It is foolhardy and futile to take the new or enhanced excises or direct imposts by themselves but as coming on top of an already massive pyramid of levies, and comparing the impact of the aggregation of the pile of such levies on the people. What is marginal in India is consumption capacity notwithstanding the pompous cant about the green revolution which has increased rural purchasing power and liquidity only marginally. There is much complacent talk about the rural rich which is not borne out by the statistics relating to the rural scene.

Anti-Investment Budget

The budget is definitely an anti investment budget in so far as it removes: (a) the wealth tax exemption on money invested in new issues for a five-year period, (b) abates the tax concession for priority industries, (c) removes some important industries from the priority list, (d) reduces exemption limits for capital gains levies, (e) increases surtax on small capital company profits and (f) gives notice of development rebate abolition after 1974. It is an anti-savings budget in so far as it: (a) accentuates inflation and will make savings more difficult, (b) taxes on income exceeding Rs 15,000 will suffer higher taxation, and (c) basic wealth-tax exemption of Rs one lakh for those who have wealth exceeding that value, will reduce the quantum of retained incomes. To the quantum of retained incomes and entrepreneur effort in such an atmosphere seems wholly unrealistic. The man who invests money in new capital issues, is already going without an income

on his investment for at least five years (in India, dividends generally start in about 7th year, particularly in heavy-capital companies) while an alternative of a 10 per cent return is available on good class preference shares and on corporate fixed deposits.

Apart from this cycle of incomelessness, the investor in new issues suffers depreciation in the capital value of his investment which is sometimes 50 per cent. He cannot pledge the shares with a bank to raise funds because it is not on the dividend-paying list and, therefore, not an approved security. In a period of inflationary living costs such as we are passing through, the investor seeks unabashedly to supplement his earned income by maximising investment income; and, therefore, has a powerful motivation in obtaining for currently income-bearing investments in preference to non-yielding stores of value like new companies' shares. The inflationary cycle in an economy is not conducive to capital formation and it has been proved in India contrary to the notions of classical text-books on economics.

Removal of Incentives

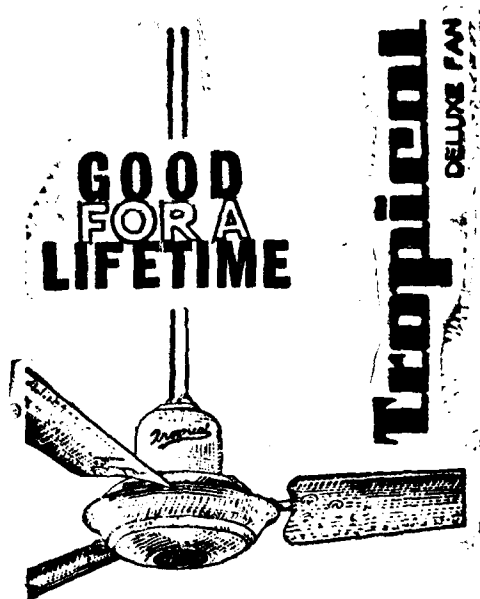
Mr Chavan should have thought twice before removing the available incentives through the tax exemptions hitherto available and to which Mrs Indira Gandhi very thoughtfully added two important exemptions last year. It is a small mercy that these two exemptions are being continued.

Mr Chavan has levied a whole array of new customs duties and, for this purpose, he says he has obtained release for India from its GATT commitments. Our country has for years been pressing the developed countries to lift import duties to enable the newly-developed economies to find an export market for their goods and at the Delhi session, the Prime Minister's speech stressed this and so did the Indian delegation. India seeking release from GATT commitments now after three Plan periods, during which a commendable degree of import substitution has been achieved, must puzzle many GATT countries, particularly when capital is in short supply in India; capital goods are already high-costing all over the world and India is on the brink of implementing a re-shaped fourth Plan which cannot dispense with capital goods or some process material imports. There is a strong element of unilateralism in India's getting this release from GATT arrangements, after all the lecturing she has done at successive GATT conferences. Whether the revenue from custom duties newly levied or enhanced

will make this worthwhile is what we have to ponder over.

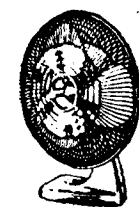
The object of all Plan efforts is to improve the living standards of the people. This means making people's life more comfortable by making them consume better food, build improved living space, give them more clothing, provide speedy and comfortable transportation, and release them from drudgeries and make life interesting for them. You do not achieve this objective by classifying more and more goods as luxuries and levying excise duties on them, because you need revenue for further development. In other words, placing more and more goods, after organising their manufacture in the country, beyond the reach of more and more people, is neither socialism nor securing robust living standards. It is a self-defeating fiscal exercise in a planned economy. A more positive attitude towards better living conditions for the people will give to the budget a more robust sense of direction.

Revenue-garnering is not an end in itself any more than planning is. Both are weapons in our fiscal and economic armoury capable of being used for securing the overall objectives of a well-



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fare state with fewer transitional hardships. It is possible that there would be that deeper economic awareness among our policy-makers, which would make them realise that other developing countries are stealing the thunder

of economic development because they are less obsessed with negative programmes and more absorbed in securing increase in national incomes over the sharing of which they know they have plenty of time to hold seminars.

Progression in Haryana's Land Tax

DR P.C. JAIN

USING RELEVANT data from secondary sources as well as those derived from a survey¹ undertaken to measure the impact of agricultural taxation according to size-holdings in the three regions of Haryana, this article puts forward a proposal aimed at introducing progression as between different size-holdings, reducing inter-regional disparities in the impact of taxation and increasing the state revenue.

The survey referred to above, which was conducted during May-July, 1966, made available data, relating to the year 1965-66, according to four size-groups of holdings, viz., A. 0-4.9, B 5-14.9, C 15-29.9 and D. 30 acres and above (to be referred to hereafter as small, medium, big and large respectively) for the three regions of Haryana (to be referred to hereafter as 'Ambka', which comprises the districts of Ambala and Karnal; 'Guroh', which comprises Gurgaon and Rohtak; and 'Himaji',² which comprises Hissar, Mahendragarh and Jind). The

main results of the survey, relevant to the analysis, are summarised in Tables I and II.

Table I shows that the impact of land revenue, defined as the ratio of land revenue to net output, is the highest on small holdings in all the regions while it is the lowest on medium holding in the state as a whole, Guroh and Himaji and on large holdings in Ambka.

Table II shows that, when surcharge and special charges³ are taken into account together with land revenue proper, the impact is the highest on small holdings in the state as a whole and Himaji, on big holdings in Ambka, and on large holdings in Guroh while it is the lowest on medium holdings in the state as a whole, Guroh and Himaji and on large holdings in Ambka.

Tables III and IV which are derived from Tables I and II respectively, put the relativity of inter-size impact in the three regions in sharper focus by mea-

suring the degree of progression or regression as between sizes and show that:

1. Regression in impact is all-pervasive between small and medium holdings.
2. Progression is all-pervasive beyond medium holdings except in Ambka which, ignoring the progression between medium and big holdings, when surcharge and special charges are taken into account, exhibits regression throughout. (It is necessary to point out that the paradoxical increase in regression between big and large holdings in Table IV is due to a sampling "accident": no surcharge and special charges were reported to have been levied on the sample holdings in the large size-group which, when related to the progression between medium and big holdings, accentuates the degree of regression between big and large holdings).
3. The degree of regression (and progression), which is consistently the highest in Guroh, exhibits wide inter-size variations as between the three regions.
4. The degree of progression, ignoring the minor exception in Himaji, is consistently the

highest between medium and big holdings.

Clearly, the impact of land revenue, with or without surcharge and special charges, is inequitous as between sizes and as between regions. In what follows an attempt will be made to devise a simple tax scheme and examine its economic implications.

If it were a question only of somehow introducing progression, the problem would be one of simple arithmetic, although one would then be faced with almost innumerable solutions. Also, there is the question of determining the base: should one, for instance, accept the existing impact on small holdings as the base and then introduce progression in the bigger sizes?

Of course, the problem is an economic, not an arithmetic one, despite the fact that even an economic angle does not by itself ensure a unique determination, since one could think of several alternate economic criteria to which to relate a progressive tax scheme. In the last analysis, one can hardly escape being arbitrary. We shall, therefore, make bold and, without examining the possible alternate economic criteria, suggest that inter-size net output for the state as a whole is good enough criterion for the purpose in hand.

Table V, which is also derived from the survey referred to above, read with the last columns of Tables III and IV, brings out the alarming fact that the degree of regression in impact is the highest exactly where (between small and medium holdings) the diffe-

TABLE III

INTER-SIZE PROGRESSION (+) OR REGRESSION (—) OF LAND REVENUE IMPACT

Holding-sizes (acres)	Ambka per cent	Guroh per cent	Himaji per cent	State per cent
Between A & B	—4.29	—67.66	—62.59	—51.08
Between B & C	—2.99	+97.37	+50.00	+49.45
Between C & D	—55.90	+52.00	+34.62	+4.41

TABLE IV

INTER-SIZE PROGRESSION (+) OR REGRESSION (—) OF LAND REVENUE *IMPACT

Holding-sizes (acres)	Ambka per cent	Guroh per cent	Himaji per cent	State per cent
Between A & B	—4.52	—65.96	—62.59	—49.74
Between B & C	+14.69	+98.75	+50.00	+61.05
Between C & D	—64.46	+76.10	+51.28	+7.84

*Land revenue here includes surcharge & special charges as well.

TABLE I

IMPACT OF LAND REVENUE, 1965-66 (EXCLUDING SURCHARGE AND SPECIAL CHARGES)

(Average of each size-group)

Holding-size (acres)	Ambka			Guroh			Himaji			State		
	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%
A. 0-4.9	203.37	4.27	2.10	165.55	3.89	2.35	294.72	4.11	1.39	220.69	4.10	1.86
B. 5-14.9	825.22	16.56	2.01	2485.84	18.88	0.76	1360.73	7.13	0.52	1557.26	14.19	0.91
C. 15-29.9	2278.67	44.41	1.95	2137.00	32.15	1.50	2842.18	22.12	0.78	2419.28	32.90	1.36
D. 30 & above	6301.89	54.25	0.86	3922.79	89.57	2.28	3603.71	37.98	1.05	4327.39	61.66	1.42
All holdings	1548.73	20.65	1.33	1923.84	31.65	1.65	1690.75	15.22	0.90	1725.02	22.55	1.31

TABLE II

IMPACT OF LAND REVENUE : 1965-66 (INCLUDING SURCHARGE AND SPECIAL CHARGES)

(Average of each size-group)

Holding-size (acres)	Ambka			Guroh			Himaji			State		
	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%
A. 0-4.9	203.37	4.50	2.21	165.55	3.89	2.35	294.72	4.11	1.39	220.69	4.18	1.89
B. 5-14.9	825.22	17.43	2.11	2485.84	19.92	0.80	1360.73	7.13	0.52	1557.26	14.83	0.95
C. 15-29.9	2278.67	55.04	2.42	2137.00	33.88	1.59	2842.18	22.12	0.78	2419.28	37.02	1.53
D. 30 & above	6301.89	54.25	0.36	3922.79	109.83	2.80	3608.71	42.49	1.18	4327.39	71.29	1.65
All holdings	1548.73	22.52	1.45	1923.84	36.88	1.92	1690.75	16.27	0.96	1725.02	25.29	1.47

rence in net output is the greatest while the degree of progression is the highest exactly where (between medium and big holdings) the difference in net output is the smallest. The degree of progression between big and large holdings is again far too small relative to the corresponding difference in net output. (Incidentally, more or less the same picture emerges when we relate the inter-size degree of regression and progression with the inter-size gross output which according to the data derived from the survey referred to above, is Rs 385.93, Rs 2,628.41, Rs 4,099.54 and Rs 8,493.99 for small, medium, big and large holdings respectively). Economic common-sense would demand that inter-size tax on land should have some correspondence with the inter-size net output. But the question which then immediately arises is: What should be the appropriate base of the tax with which to start effecting such correspondence?

Perhaps the simplest way out is to examine the existing tax on small holdings. There are four possibilities: to accept the existing tax on small holdings as the base; to reduce this tax; to enhance this tax; or to eliminate this tax altogether, in which (the last) case we should have to go over to examining the tax on medium holdings for the purposes of determining the appropriate base. The second and third alternatives are best ignored if only because the problem, with almost innumerable possible solutions, will then get out of hand. Whether or not the existing tax on small holdings is to be accepted as the base will largely depend on whether the tax has reasonable corres-

pondence with the net output of this size-group. Table V does leave the impression that small holdings are relatively overtaxed. The obvious conclusion, therefore, is to eliminate the tax on small holdings⁴ altogether.

In examining the existing tax on medium holdings, the possible alternatives of enhancing and reducing the tax are again best ignored. Tables III and IV show a very high degree of regression between small and medium holdings and there would normally have been a case for enhancing the tax on medium holdings; but the plurality of possible solutions would appear to rule out this alternative as well. There is no case for eliminating the tax on this size-group. We are thus left with the only alternative available, viz., to accept the existing tax on medium holdings as the appropriate base for introducing progression. The required progression is

introduced by effecting a fresh correspondence between tax and net output for the remaining two size-groups, big and large: by changing the rate of tax on these size-groups in the same ratio as the degree of progression in their respective net output.

Tables VI and VII incorporate the changes in tax rates and the consequent impact if the proposed tax scheme were given effect to, and compare these with the existing position. The resultant progression and, significantly, the narrowing down of inter-regional disparities in impact are too obvious to call for further comment.

Using data on cultivating households from secondary sources (ignoring unspecified cultivating house-holds) and assuming that the average size of holdings for the small size-group is two acres, for the medium size-group nine

TABLE V

NET OUTPUT FOR THE STATE: 1965-66

(Average of each size-group)

Holding-size	Net output (Rs)	Rate of progression	
		Over previous group	Over B
A. 0-4.9	220.69	—	—
B. 5-14.9	1,557.26	605.63	—
C. 15-29.9	2,419.28	55.35	55.35
D. 30 and above	4,327.39	78.87	177.88

TABLE VI

EXISTING & NEW IMPACT OF LAND REVENUE (EXCLUDING SURCHARGE & SPECIAL CHARGES)

(In Rupees)

Holding-size (acres)	(in Rs.)															
	Ambka				Guroh				Himaji				State			
	I.R. per acre		Impact		L.R. per acre		Impact		L.R. per acre		Impact		L.R. per acre		Impact	
	Exist- ing	New	Exist- ing	New	Exist- ing	New	Exist- ing	New	Exist- ing	New	Exist- ing	New	Exist- ing	New	Exist- ing	New
A. 0-4.9	1.98	0	2.10	0	1.78	0	2.35	0	1.95	0	1.39	0	1.91	0	1.86	0
B. 5-14.9	1.69	1.69	2.01	2.01	1.76	1.76	0.76	0.76	0.69	0.69	0.52	0.52	1.38	1.38	0.91	0.91
C. 15-29.9	2.04	2.14	1.95	2.05	1.82	2.14	1.50	1.76	1.24	2.14	0.78	1.35	1.73	2.14	1.36	1.68
D. 30 & above	1.06	3.83	0.86	3.11	1.98	3.83	2.28	4.41	0.66	3.83	1.05	6.09	1.20	3.83	1.42	4.53

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acres, for the big size-group 21 acres and for the large size-group 42 acres, the approximate gain in revenue accruing to the state exchequer is indicated in Table VIII.

Table VIII shows a net additional revenue of Rs 62,33,061.70, amounting to 74.29 per cent of the existing total land revenue of Rs 83,89,856.45 for the state as a whole, when over 16 per cent of land holdings are freed from the tax altogether and there is no enhancement in the tax for another over 48 per cent of land holdings in the state, i.e., only 36 per cent holdings, falling in the categories of big and large, have to bear an enhanced land revenue. The enhancement is not altogether arbitrary and, in fact, is in the circumstances, most scientific and justified because the rate of land revenue has been related to

the degree of progression in the respective net output of these holdings.

References

1. For a detailed analysis of this survey, see Kurukshetra University, Department of Economics, Discussion Paper No. 6 (cyclostyled):—Impact of Agricultural Taxation in Haryana by P.C. Jain.

2. All the three names are meaningful. 'Amba' means mother goddess, indicating the district of Ambala, and 'Ambka' is the region of the mother or father; 'Guroh' conveys the sense of Guru Dronacharya with whose name the district of Gurgaon or Gurugram is connected; and 'Himaji' is the region of 'Hima', i.e., fresh butter, for which the district of Hissar & Mohindergarh are known.

3. No 'additional surcharge' was levied in Haryana during 1965-66.

4. Little, I.M.D., in 'Tax Policy and the Third Plan' (Institute of Economic Growth, 1959, mimeographed), suggests that the lowest

land bracket, up to five acres, be exempted from land revenue. Khusró, A.M., in 'Taxation of Agricultural Land—A Proposal' (The Economic Weekly, Annual Number, 1963) while concluding that it is unnecessary to exempt "all holders of land below five acres" on the ground that "an old tax, according to the old maxim of public finance, is no tax and can be easily sustained. . . .", recognises some very weighty considerations for the opposite view. He says, "Holdings below 5 acres. . . . do not fulfil the norms of efficiency and surplus generation." "As for inter-sectoral equity, there can be objection to charging land revenue at all to farmers of very small incomes whose counterparts in the non-agricultural sector are exempted from income tax." and "The minimum acreage required for the full absorption of a single pair of bullocks appears on the average to be more than 5 acres (in all probability, around 7 and a half acres), while the minimum acreage for the full absorption of family manpower of an average family, as also the acreage required for a norm income of, say, Rs 1,200 per annum (a family holding) works out to be well above 5 and in many cases above 10 acres."

TABLE VII

EXISTING & NEW IMPACT OF LAND REVENUE (INCLUDING SURCHARGE AND SPECIAL CHARGES)

Holding size (acres)	Ambka				Guroh				Himaji				State			
	L.R. per acre		Impact		L.R. per acre		Impact		L.R. per acre		Impact		L.R. per acre		Impact	
	Exist.	New	Exist.	New	Exist.	New	Exist.	New	Exist.	New	Exist.	New	Exist.	New	Exist.	New
A. 0-4.9	2.09	0	2.21	0	1.78	0	2.35	0	1.95	0	1.39	0	1.94	0	1.89	0
B. 5-14.9	1.77	1.77	2.11	2.11	1.86	1.86	0.80	0.80	0.69	0.69	0.52	0.52	1.44	1.44	0.95	0.95
C. 15-29.9	2.53	2.24	2.42	2.14	1.92	2.24	1.59	1.86	1.24	2.24	0.78	1.41	1.95	2.24	1.53	1.76
D. 30 & above	1.06	4.00	0.86	3.25	2.43	4.00	2.80	4.61	0.74	4.00	1.18	6.38	1.39	4.00	1.65	4.75

TABLE VIII

CULTIVATING HOUSEHOLDS, AREA UNDER CULTIVATION AND LAND REVENUE ASSESSMENT IN HARYANA

Holding-size (acres)	Cultivating Households*		Area under Cultivation†		Land Revenue Assessment (Rs)		
	(Nos.)	%	acres	%	Existing‡	New	Additional
A. 0-4.9	106055	16.14	212110	2.25	188777.90	0.00	-188777.90
B. 5-14.9	315945	48.08	2843505	30.16	2530719.45	2530719.45	0.00
C. 15-29.9	160020	24.35	3360420	35.65	2990773.80	4646167.10	+1655393.30
D. 30 and above	71685	10.91	3010770	31.94	2679585.30	7446031.60	+4766446.30
Unspecified	3420	0.52	Ignored	..	..	..	..
Total	657125	100.00	9426805	100.00	8389856.45	14622918.15	+6233061.70

* Census of India, 1961, part-III, Volume-XIII. While the census data on households engaged in cultivation are based on 20 per cent sample and those for Ambala and Jind are provisional we have here adjusted these on 100 per cent basis.

† Our total here approximates to the figure for area under cultivation in Haryana in 1960-61 (i.e. 94,12,381.81 acres): Statistical Abstract of Haryana, 1967, p. 35.

‡ The total land revenue in Haryana for 1965-66 was Rs 84,46,590 (Statistical Abstract of Haryana, 1968-69, pp. 80-81), which calculates to about Re 0.89 per acre. Calculations here have been made on the assumptions that land revenue collections did not undergo much change between 1960-61 and 1965-66 and that the average land revenue of Re 0.89 per acre holds good for all size-groups of holdings.

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FROM THE PRESS GALLERY

Hanumanthaiya Has His Way

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Monday.

THE MEMBERS OF Parliament this week set their seal of approval on the railway budget. Among the other important issues which came up for discussion in the two Houses were the large influx of refugees from Bangla Desh, maintenance of internal security, fostering of economic growth in backward areas and further upward revision in the dearness allowance of central government employees.

In a discursive debate on the demands for grants of the Ministry of Railways, which marked the final stage of consideration of the railway budget, no new pertinent point emerged. The criticism centred around the points already made by members during the general debate on this budget. These included: (i) need for drastic reorganisation of the railway administration; (ii) extension of several existing railway lines to the constituencies of certain members; (iii) construction of new lines in areas of potential economic growth; (iv) improving of the catering service on railways; (v) abolition of contract labour; and (vi) avoidance of late running of trains. Some members pleaded for the restoration of the Rs 250 crores cut in the fourth Plan of the railways.

Expansion of Network

Winding up the discussion on his budget and the demands of his ministry, the Minister for Railways, Mr K. Hanumanthaiya, expressed the view that the present was an opportune time for the expansion of the railway network as this would considerably help in solving the unemployment problem. He disclosed that he had already approached the Prime Minister and the Minister of Planning for the restoration of the Rs 250 crores cut effected recently in the fourth Plan of his ministry.

In regard to the construction of new railway lines, Mr Hanumanthaiya, however, asserted that he would not consider any such construction so long the state government concerned did not give an undertaking that it would not start a roadways service running parallel to the railway line. He urged members to persuade their respective state governments to allocate funds for the construction of over-bridges and under-bridges

on railway lines, with a view to helping generate quick employment. The state governments, he suggested, could draw upon their safety funds for this purpose.

Referring to the general criticism against the Railway Board and the demand by some members for the abrogation of this Board, Mr Hanumanthaiya stressed that he himself felt that some pruning in administration was necessary. He assured the House that in a month or two a decision on the streamlining of the railway administration would be taken in the light of the report of the Administrative Reforms Commission and also the views of the Kunzru Committee.

New Services

Mr Hanumanthaiya conceded the demands of some members for augmenting train services in their regions and announced that he would soon start several new services. There would be an additional Janta Express once a week between Bombay and Nagpur and an additional Janta Express on the Bombay-Poona route. He indicated that the Paschim Delux Express would soon be dieselised and a delux service would be run via Patna twice a week.

With a view to containing the compensation claims on account of pilferage of consignments as well as for protecting the railway properties, Mr Hanumanthaiya disclosed that he would soon examine the structure of the railway protection force and decide upon measures to check malpractices. He further stated that steps were being taken to ensure punctuality of trains.

The Bangla Desh issue continued to exercise the minds of all parliamentarians this week too. The Rajya Sabha had a special debate on this subject. The large influx of refugees from Bangla Desh, it was feared, would dislocate the Indian economy. Because of this, besides the humanitarian considerations, this country, therefore, was vitally concerned about the happenings in Bangla Desh. Persistent demands were made by many, both belonging to the opposition and the treasury benches, for the expeditious recognition of Bangla Desh. The international community was urged to prevail upon the military regime in West Pakistan to

create conditions for the return of refugees.

Intervening in the debate, the Prime Minister, Mrs Indira Gandhi, declared that while India would do its best to tackle the problem of refugees from Bangla Desh, "the international community will not be allowed to get away with its responsibility." If it failed to act, she cautioned, it would have to suffer the "consequences of what is happening in this part of the world". The Prime Minister emphatically denied that the ministers or non-officials who had been sent abroad in connection with Bangla Desh were on a begging mission. She deplored the attempts to create such an impression and asserted that these ministers had gone to make the international community realise its responsibility. "We must put the problem in perspective to them (other nations)", she said.

The Prime Minister hoped that a political settlement would still be reached in Bangla Desh. The only person with whom such a political settlement could be reached by the West Pakistan authorities was Mr Mujibur Rahman. She made it clear that the refugees ultimately would have to go back; they could not be settled here permanently. She, however, pointed out that these refugees would not be sent back merely to be butchered.

Pitiful Response

Mrs Gandhi regretted that the assistance received from abroad to alleviate the distress of the Bangla Desh refugees was only pitiable—one-tenth of what was required. She pleaded with members that they should not be unduly pessimistic about the ultimate outcome of the happenings across our eastern border. The problem, though intricate, had to be tackled boldly.

The Maintenance of Internal Security Bill, which seeks to replace an ordinance issued by the President in May, re-introducing the preventive detention measures in a new but much milder form, came in for scathing criticism from the opposition members in the Lok Sabha. It could be passed only after a tough fight by the opposition, culminating in a walk-out. The opposition members feared that the proposed Act would be made use of by the government to suppress them. The only opposition group which gave reluctant and qualified support to the Bill was the Congress(O). The leader of this group, Mr S. N. Mishra, considered it a "necessary evil".

The Bill, however, was stoutly defend-

ed by the Minister of State for Home Affairs, Mr K. C. Pant, who piloted it. Mr Pant asserted that the government had to empower itself to take preventive action against those who pose a threat to the security and integrity of the nation. He made valiant efforts to assure the critics that the measure would be used with utmost care; it was not at all intended to be deployed by the ruling party to stifle political opposition.

Mr Pant pointed out to the critics that the 1968-69 statistics relating to the then Preventive Detention Act showed that no one had been detained merely because of political affiliation. He emphasised that the same approach would be continued. The government's approach, he further stated, was not to detain anyone who could be prosecuted for substantive offences under the law.

The union Minister for Finance, Mr Y. B. Chavan, admitted in the Rajya Sabha that he was not satisfied with the assistance and concessions given for setting up industries in backward areas. These concessions, he stated, had been initiated as an experimental measure. After watching the progress for some time, it would be considered whether some other concessions were necessary for attracting entrepreneurs to backward areas.

Mr Chavan disclosed that during 1970-71, the Industrial Financial Corporation and the Industrial Development Bank had sanctioned Rs 7.96 crores for industrial units to be set up in districts which have been identified by the Planning Commission as backward. About Rs 5.24 crores were actually disbursed during the year. The concessions allowed, Mr Chavan said, included: (i) lower interest at the rate of 7 per cent per annum instead of the usual 8.5 per cent; (ii) repayment period extending up to 15 to 20 years, instead of the normal 10 to 15 years.

Mr Chavan vehemently denied that the public financial institution showed any partiality towards any particular state. He assured the House that he would take personal interest in seeing that these institutions disbursed loans properly.

Referring to the steps being taken in regard to West Bengal, Mr Chavan revealed that the newly-established Industrial Reconstruction Corporation, which was meant for the entire country, would first concentrate its activities in Calcutta and the nearby areas. The developmental effort in the public sector too, he said, was being accelerated in West Bengal.

The Minister for Revenue and Ex-

penditure, K. R. Ganesh, rejected this week the demand for allowing further increase in the dearness allowance of central government employees. The demand has been made through a calling attention notice by the Lok Sabha member Mr S. M. Banerjee (CPI), who had argued that according to the report of the Pay Commission, it was obligatory on the part of the government to grant an increase in dearness allowance to its employees when the 12-month average of the cost of living index worked out to 225. The Minister, on the other hand, asserted that the government would not consider any upward revision of dearness allowance until the 12-month average reached 228. The interim relief granted with effect from March 1, 1970, he pointed out, had covered the cost of living index up to the average figure of 218. The average cost of living index for the 12 months to April 1, 1972, worked out to only 225.83—much less than the 10 points rise necessary for a further revision in the dearness allowance in terms of the recommendations of the Pay Commission.

Question Hour

Sick Mills: The Minister for Foreign Trade, Mr L. N. Mishra, informed the Rajya Sabha on June 17 that the government did not favour merger of weak textile mills with stronger ones, as such a step would encourage the growth of monopolies. The sick mills as far as possible would be taken over by the National Textile Corporation, he said.

Relief for Tea: The Minister for Foreign Trade, Mr L. N. Mishra, turned down a suggestion in the Lok Sabha on June 16 for a reduction in the excise duty on tea or tax relief in any other form. His deputy, Mr A. C. George, earlier stated that there was no proposal under the consideration of the government for the nationalisation of the tea industry.

Atomic Power Stations: The Prime Minister, Mrs Indira Gandhi, told the Lok Sabha on June 16 that the government was examining the possibility of setting up atomic power stations in the northern, western and southern electricity regions. A committee had

been appointed to select suitable sites for the purpose.

Plan Reappraisal: The Minister of State for Planning, Mr Mohan Dharia, informed the Lok Sabha on June 16 that the emerging social and economic situation due to the influx of evacuees from Bangla Desh and the refugee problem itself would be taken into consideration when the reappraisal of the fourth Plan was undertaken.

Marine Engines: The first marine engine of medium power being manufactured at Ranchi is expected to be completed by the end of next month. This was disclosed in the Rajya Sabha on June 16 by the Defence Minister, Mr Jagjivan Ram. About 10 medium power engines, the Minister further stated, were expected to be produced during the current financial year. The rated capacity of the Ranchi Plant for the various types of engines, he said, was six high power, 60 medium power and 10 low power engines. The imported component in the initial stages would be 50 per cent in the case of medium and low power engines and 55 per cent in the case of high power engines. The import content would go down progressively and by 1973-74 it would be only nominal.

Licensing Policy: The Deputy Minister for Industrial Development, Mr Sidheshwar Prasad, told the Lok Sabha on June 15 that the government did not propose to decentralise industrial licensing. (Such a suggestion has been made by the Rajamannar Committee appointed by the Tamil Nadu government last year.)

IA Losses: The Minister of State for Civil Aviation, Dr Sarojini Mahishi, informed the Rajya Sabha on June 15 that Indian Airlines was anticipating a loss of Rs 4.65 crores according to the revised estimates for 1970-71. The main reasons for the loss were: (i) frequent disruption of services; (ii) increase in wages; (iii) increase in excise duty on aviation fuel; (iv) loss of three F-27 aircraft; (v) re-routing of certain services to avoid overflying Pakistan; and (vi) increase in insurance for hijacking risks. A committee, she disclosed, had been set up to examine the organisational and administrative structure of the airlines and the relationship between the management and the employees.

WINDOW ON THE WORLD

Japan's Impact on Developing Countries

JOSSLEYN HENNESSY

LONDON.

I SPEEDING UP GROWTH

THE POSSIBILITIES for speeding up growth in newly developing countries are examined on the basis of the experience of Japan and her immediate Asian neighbours in a thought-provoking essay by Mr Saburo Okita (President of the Japan Economic Research Centre, and a member of the UN Committee on Development Planning) contributed to an important symposium entitled *Essays in Honour of Thorvald Kristensen*, recently published by OECD. I looked at the first part of Mr Okita's essay, dealing particularly with Japan's experience, here last week. Today we look at the impact of Japan on some newly developing countries.

The question whether or not the process of accelerated growth by means of the virtuous circle can be repeated in some of the newly developing countries has considerable significance for the future of the world, since the acceleration of growth in these countries is vital. Looking at the recent record of GNP growth and export expansion Mr Okita observes that exceedingly high rates of growth, comparable to those of Japan, are taking place in at least three countries in east Asia, namely South Korea, Taiwan and Hongkong (Tables I and II). These countries have features in common: (1) their manufacturing industry is growing rapidly; (2) exports of manufactured items are expanding fast; (3) they have an abundant supply of relatively well-trained and well-educated labour; (4) they are close to Japan and are strongly influenced by the Japanese economy.

In the case of South Korea, the annual rate of GNP growth in real terms was 13.4, 8.9 and 13.1 per cent respectively, in 1966, 1967 and 1968. For Taiwan the corresponding figures were 9.3, 9.9 and 10.3 per cent. (For Japan they were 12.3, 12.9 and 14.3). For Hongkong the corresponding GNP figures are not available, but its export trade expanded by 15.8, 15.3 and 14.2 per cent in the same three years. It is true that Vietnamese war expenditures have created an additional demand for countries close to Vietnam and that these expenditures have been

figures are \$164, 450 and 802 million. The exports of local products from Hongkong have also doubled in the last three years.

Major export items, in recent years, from these three countries are predominantly labour intensive manufactured goods from light industry. The growth of export-oriented manufacturing industries has been the dominant factor in the rapid expansion of economic output in these countries.

All three countries are close to Japan. Until about 1960, Japan was suffering from chronic over-population. This abundant labour supply enabled Japan to expand exports of labour-intensive products. Later, the situation began to change from labour surplus to labour shortage because of the continuing high rate of economic growth. The start of a rapid expansion of export-oriented, labour-intensive industries in South Korea, Taiwan and Hongkong roughly coincided with the beginning of the labour shortages in Japan. In recent

TABLE I
GROWTH RATES OF REAL G.N.P. IN SOME EAST AND SOUTH-EAST ASIAN COUNTRIES

	(Annual percentage changes)				
	1956-60	1961-65	1966	1967	1968
South Korea	4.7	6.5	13.4	8.9	13.1
China (Taiwan)	6.6	10.1	9.3	9.9	10.3
Philippines	4.5	5.9	6.0	6.6	6.3
Thailand	10.7 (57-60)*	6.9*	8.6	8.9	6.0
Malaysia	3.1*	6.4*	5.7	5.9	8.4
Indonesia	0.9 (58-60)*	1.6*	1.7	0.8	n.a.
Burma	5.7*	2.7*	-2.9	-1.4	n.a.

* GDP.

Sources: ECAFE Survey for 1966, 1967 and 1968 and UN Yearbook of National Accounts Statistics for 1955-65.

TABLE II
GROWTH RATES OF EXPORTS IN SOME EAST AND SOUTH-EAST ASIAN COUNTRIES

	(Annual percentage changes)				
	1956-60	1961-65	1966	1967	1968
South Korea	12.9	39.5	42.9	28.0	42.2
China (Taiwan)	5.9	47.5	19.1	19.6	25.1
Hongkong	9.2	19.6	15.8	15.3	14.2
Philippines	6.9	6.5	7.8	-0.8	3.3
Thailand	4.0	8.8	9.0	1.0	-3.6
Malaysia	4.3	5.3	1.6	-3.1	10.4
Singapore	0.6	-2.8	12.3	3.4	11.5
Indonesia	-2.3	-3.4	-4.0	-3.1	4.7
Burma	0.0	0.0	-13.4	-36.6	-9.8

Source: IMF International Financial Statistics.

years, Japan has been losing its international competitive strength in many of the traditional export items to other newly industrialised countries. One example is raw silk. Japan was known as the major exporter of raw silk for several decades in the past, but since 1966 it has become a net importer. In 1968, imports of raw silk amounted to \$23.7 million while exports of raw silk were only \$8.7 million. The major sources of raw silk for Japan are now mainland China and South Korea. The imports from S. Korea expanded five-fold, from \$1.7 million to \$8.1 million, in the last three years. While Japan's raw silk production and exports are dwindling because of labour shortages and high wage costs, Korean villages are booming with sericulture. Imports of silk fabrics into Japan are also increasing rapidly, from \$4.2 million in 1966 to \$25.9 million in 1968. About two-thirds of the imports came from South Korea and their value has expanded six-fold in the last three years.

Cotton yarn is another item that is turning from an export into an import item. Its major suppliers are Pakistan and Taiwan. Cotton fabrics are still an important item from Japan. While in 1960 exports amounted to \$351 million and accounted for nine per cent of Japan's total exports, they declined in 1968 to \$238 million, or only 1.4 per cent of exports. Meanwhile, imports of cotton fabrics are increasing steadily and the major suppliers of low-grade cotton fabrics are South Korea and Taiwan.

Import of Textiles

Total imports of textile goods into Japan expanded from \$68 million in 1966 to \$161 million in 1968 and those imported from east and south-east Asian countries increased from \$8 million to \$58 million. In addition to textile products, items such as toys, artificial flowers, footwear and electric appliances are increasingly being imported from other Asian countries; there are also beginning to be signs of increasing imports of parts and semi-manufactured items for the automobile, electronics and other machinery industries.

Thus, labour shortage and high wage costs in Japan are stimulating the growth of production and exports of manufacturing industries elsewhere in Asia. So far, this impact has been limited to relatively few items and, mainly, to countries near Japan; however, there is the possibility that this impact will spread over other commodities and a wider geographical area. One example is the growing interest in Indian government circles in the possibility of expanding complementary trade in

manufactured items, including engineering goods, between India and Japan.

Apart from the increasing exports of labour-intensive manufactured items from Asian countries to Japan, there

are possibilities of expanding exports of similar products to other high-income markets such as the United States, Canada, Australia, New Zealand and Europe. Exports of those items to the United States and other high-income

TABLE III
MARKET SHARES IN U.S. IMPORTS OF COTTON TEXTILES AND CLOTHING
(Per cent)

	Cotton textiles		Clothing	
	1962	1967	1962	1967
South Korea	1.4	2.2	0.2	4.4
Taiwan	5.0	3.7	2.2	4.0
Hongkong	14.8	20.8	17.1	22.6
Total	21.2	26.7	19.5	30.0
Japan	34.8	26.5	29.4	24.7

Source: Annual Survey on Foreign Trade, 1969, Ministry of International Trade and Industry. UN Commodity Trade Statistics.

TABLE IV
CHANGES IN EXPORT SHARES IN U.S. MARKET, JAPAN AND DEVELOPING COUNTRIES
(Percentage shares)

	1960		1967	
	Japan	Developing countries	Japan	Developing countries
Plywood	50.4	18.8	33.4	54.1
Silk fabrics	73.6	2.5	41.4	5.9
Toys and dolls	76.0	8.2	45.5	27.3
Umbrellas	87.9	2.8	61.5	33.9
Utensils	80.7	0.6	71.9	11.1
Transistor radios	97.6	0.5	77.7	19.7
Decoration lights	99.1	0.7	84.4	14.9
Tools	39.9	0.1	32.5	6.5
Sewing machines	65.1	0.1	57.5	0.3

Sources: Economic Planning Agency, Government of Japan, Annual Economic Survey, 1968.

TABLE V
MONTHLY WAGES IN THE TEXTILE INDUSTRY—JAPAN AND OTHER ASIAN COUNTRIES
(US dollars)

	1964	1965	1966	1967
Japan	62.8	69.6	76.8	85.2
South Korea	13.5	15.4	17.7	22.6
Pakistan	26.5	23.5	25.7*	..
India	30.4	34.3*	22.4*	..
Taiwan: Daily wage, { male	1.03	1.07	1.15	..
female	0.68	0.70	0.73	..

* Tentative estimates.

Source: Foreign Trade Survey, 1969, Ministry of International Trade and Industry (Original source: ILO Year Book of Labour Statistics).

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markets have been expanding rapidly in recent years. Table III shows the relative change of market shares in United States' imports of cotton textiles and clothing between Japan, South Korea, Taiwan and Hongkong. The shares going to South Korea, Taiwan and Hongkong are increasing at Japan's expense. Table IV shows more evidence of a declining share of Japanese products in the United States and a corresponding rise in the share of the developing countries. Even the relatively new export items from Japan, such as transistor radios and sewing machines, are losing to newly developing countries.

The basic factor underlying this development is the growing wage gap between Japan and other Asian countries. As we saw here last week, wages in Japan are rising fast and the impact of this on the international division of labour will become increasingly apparent. As shown in Table V wage differentials between Japan and other Asian countries have been widening.

Basic Question

One of the basic questions is whether or not the accelerated growth which is taking place in Japan and in some neighbouring countries is likely to affect other Asian countries, or even other parts of the developing world, so that the economic growth of the developing countries as a whole can be raised. According to the recent growth record in east and south-east Asia, a few countries such as Thailand, the Philippines, Malaysia and Singapore seem to have attained relatively high rates of growth, although they have been heavily influenced by the Vietnamese war expenditures and the fluctuations in the terms of trade of their primary export commodities. In Europe, less developed countries such as Greece, Yugoslavia and Spain, have attained a rapid growth of over six per cent a year in 1960-1967. Some of the Latin American countries, such as Mexico and Peru, have attained similar growth rates.

Although the rates of growth of these countries are not comparable to the very high rates of South Korea and Taiwan, there seems to be a general possibility that higher growth rates will be attained in the years to come. One thing that appears to be common to countries attaining high rates of growth is that they are in an intermediate stage of development. This transitional stage was cited recently as one of the reasons for rapid economic growth of Japan.

Experience in Japan and nearby countries suggests that among the several factors conducive to a high rate of growth are: (a) rapid growth of manufacturing industries, (b) export-oriented

economic growth, (c) cost consciousness of the business enterprises about their products, (d) widespread small and medium-sized industries developed mainly by private initiative, (e) relatively efficient and productive agriculture, (f) relatively high standard of education and public administration, (g) paucity of indigenous natural resources which necessitates exports of manufactured goods, (h) aggressive import of foreign know-how and its adaption to local conditions, and (i) frequent cases of the separation of imported know-how from imported capital or management participation.

Thus, it seems necessary to develop

Partners, Not Friends

E.B. BROOK

VIENNA.

THE CURRENTLY most significant development in western Europe and among leading industrial countries generally is the increasing economic tension between the United States and its partners. This development has been brought into sharp relief this month at the International Banking Conference in Munich, at the 10th meeting of the ministerial council of the OECD (the Organization for Economic Co-operation and Development) in Paris, in the US Congress and in a speech by the French President at the end of an official visit to Belgium.

The tension is so deeply established, so long developed and now so potent that expression of it has been remarkably frank. Western Europe, Japan and the United States have come to a sharp clash of interests which can no longer be disguised by references to "partners and friends". The facts reveal that these three areas have become competitors in the sharper sense of that word with economic interests and policies vitally at variance.

The American plain speaking was led by the US Treasury Secretary, Mr. Connally, who complained that, while the USA had supported the growth of west Europe's Common Market, had led repeated efforts to cut tariffs multilaterally and accepted pleas for considerable tariff protection from the others, it found little or no co-operation in attempting to reduce tariffs and a complete failure by western Europe to share the heavy cost of its nuclear defence.

At the OECD's ministerial meeting Secretary of State, Mr W.D. Rogers,

export-oriented manufacturing industries in order to attain rapid economic growth. One exception would be countries with rich endowments of exportable natural resources such as oil and minerals. Mr Okita thinks it astonishing that India's total exports should be about the same as those of Hongkong. It is true that the larger countries can depend more on domestic markets than smaller countries. But it may also be true that if a country, large or small, finds the balance of payments bottleneck a major constraint on growth, it should seek to break the bottleneck by every possible means. To do this, India might look carefully at the example of accelerated growth in east Asia.

was, if less blunt in expression, equally insistent that trading and tariffs must be co-operative affairs and not competitive. By an enlarged Common Market the USA would expect its interests to be taken more fully into account. The USA is particularly irritated at the lack of appreciation by its political associates of the fact that the costs of its huge contribution to western defence relate to economic conditions. The deficit in the US balance of payments helps to ensure security for the non-communist world and for west Europe in particular and the 5,000-million-dollar balance of payments costs for military expenditure overseas have consistently exceeded the size of US basic payments deficits. This is the fact which the USA insists that the OECD takes more fully into account when assessing the American position.

US Objections

More to the point, the USA is beginning to be insistently critical of the Common Market's exclusiveness, its high tariffs and generally self-protecting attitude. It voices increasingly strong objection to the inroads made into American exports by the extension of preferential trading areas by the Common Market in developing countries. It sees in western Europe's careful restriction on imports from Japan the cause of the intense concentration by Japanese industry on importing into the US markets. The operation of the common agricultural policy of the Common Market, also, seriously hinders the development of American agricultural exports to Europe. A threatened new artificial curb to US industrial exports to Europe arises from the possibility of further preferential arrangements between the

Common Market and some non-member industrialised countries in Europe.

This is a long tally of complaints from a major trading country which claims to have inflation rates below those of its major European partners, and which seeks by trading to reduce its balance of payments deficit. The official US view on its containment of inflation in America is not, however, shared on Wall Street where the success is regarded as no more than modest. In the last three months the quantity of money in the US economy has surged at a rate faster than in any three-month period since 1950. Unless checked, this could lead to a new bout of inflation and the First City National Bank has warned the Federal Reserve that it is in imminent danger of "putting the US economy back on the roller coaster."

European Counterweight

The Europeans are also not at all impressed by the US charges nor by the display of disappointed indignation at Europe's ungrateful lack of co-operation and its studied policy of self-interest. The French President claims that the US dollar is now so weak that it cannot be used much longer as an international monetary standard. He claims that the dollar constantly loses value because of American internal policy and considers that Europe should create a counterweight to the dollar through a monetary unit that should not be "purely and simply dependent on the dollar." The French insist that Europe must distinguish itself from America because, if it does not, the close ties between the two areas would result in the Europeans becoming American "and we do not want to be American; we want to be European with a European way of life" distinct from the current crisis in civilization that has "resulted from an industrial development specifically American."

While the French and the Europeans generally insist on the maintenance of the Bretton Woods Agreement and that the USA must not try to pass its balance of payments problems on to others and continue to buy up European

companies with "overvalued dollars", the Chairman of the US Congress Joint Economic Subcommittee finds that under the present monetary system the US "unnecessarily cripples itself by its inability, under the Bretton Woods system, to alter its exchange rate with other countries." His solution is formally to end the US commitment to sell gold to foreign banks at 35 dollars an ounce and eventually to have the Federal Reserve System support the exchange value of the dollar by operations in foreign exchange markets.

One basic cause of these international recriminations appears to be that these otherwise friendly states are all using systems that have become partly outdated. The Bretton Woods system has been in use for 23 years and, like the OECD itself, was created at a time of

urgent post-war recovery when national considerations were overriding, a condition characteristic rather of the 19th than the 20th century. Now national interests have been replaced very largely by groups—the Common Market, EFTA, Comecon among others—which have established new forms of industrial, farming and social co-operation and of international trading. There is reason for study of the proposal that a new multinational body be set up to discuss problems arising from the novel techniques in international finance and trade. Neither the OECD nor GATT are remarkably elastic and all institutions tend to conservatism in method. The danger is that, without some new methods, today's "partners and friends" will continue to wrangle until some really serious differences arise between them.

ARE YOU CONCERNED ABOUT UNEMPLOYMENT?

Then your views and suggestions are valuable.

The Expert Committee on Unemployment invites views and comments that will help the Committee in the task assigned to it. The Committee is interested in the following aspects:—

- 1) Directions in which programmes in the Fourth Five Year Plan could be more employment-oriented.
- 2) Strategy for generating employment, both short term and long term including technical, financial and fiscal measures.
- 3) Specific programmes to promote productive employment among the educated unemployed in general and the technical personnel in particular and to suggest measures to rectify the imbalance between the out-turn of educated and technical persons on the one hand and the available employment opportunities on the other.

Views and comments are welcome from individuals as well as associations. Please send your communications before July 15, 1971.

N. S. Pandey
Member-Secretary
Expert Committee on
Unemployment

Vigyan Bhavan Annexe
Maulana Azad Road
New Delhi-1.

davp 591(15)/71

The moving finger writes

THE SINS of Jawaharlal Nehru are being visited not so much on the head of his daughter as on the heads of the people of this country who now happen to be her subjects. A sharp-witted and rather sharp-tongued friend of mine (who more or less belongs to the profession to which I do) remarked recently that India would have been saved a great deal of trouble if only on that fateful day of August 15, 1947, there had been somebody man enough in Indian politics to compel Nehru to take up the vice-chancellorship of some university—any university—for the rest of his (i.e. Nehru's) natural life. Unfortunately, what actually happened was that Nehru was allowed to function as the Prime Minister of India for some 17 years and during this period he had managed to impose on the Government of India a foreign policy and worse still a set of foreign policy attitudes which, in crisis after crisis, whether in his own lifetime or after, miserably failed to serve the interests of this country.

At no time, however, was this failure more dangerous to our national security than it is now when India finds itself perilously alone in coping with the repercussions of the Bangla Desh movement on its national economy and social fabric as well as on its political relations with an aggressive and chronically hostile neighbour. Although the Government of India has been crying hoarse that Pindi's effort to suppress the people's movement in East Bengal with the use of massive military violence constitutes a threat to peace in these parts of the world, the big powers have decided apparently to treat the matter primarily and mostly as a humanitarian question of assisting in the relief and rehabilitation of the ravaged people of East Bengal, whether in their own country or on Indian soil where millions of them have sought refuge.

It must be a matter of concern for our people and shame for our government that the latter has so far been signally unsuccessful in lobbying for the East Bengal situation to be raised in the Security Council as a political issue threatening world peace. So very futile has been our diplomacy in this respect that the Prime Minister has been reduced to complaining that the United States is being influenced in its judgment of the situation in East Bengal by the British Foreign Office to such an extent that it is inclined to treat the issue of Bangla

Desh as merely yet another Indo-Pakistan dispute. Mrs Gandhi may be justified in arguing that had the world powers put sufficient pressure on Pindi at the very beginning, the latter might have been forced to seek a political compromise rather than a military decision as a means of settling the Awami League's demand for radical changes in the political dispensation in Pakistan. But she is surely being naive when she insists on the proposition that the world powers should have no difficulty in agreeing with India that it was—and is—in their own interests to exercise pressure on Pindi to seek accommodation with a political movement in East Bengal which is aiming at ending the hegemony exercised by the government in Pindi.

This takes me to my earlier point about the basic weaknesses in our foreign policy as Jawaharlal Nehru chose to fashion it or foist it on the Government of India. Perhaps the most deplorable of those weaknesses is the facile assumption on the part of successive administrations in New Delhi that other countries could not but come round to taking the same view on Pakistan as this country or its government does. It has been a perilous premise of our diplomacy that sooner or later we would be able to persuade the big powers to share our own assessment of Pakistan in its impact on the chances of peace or progress on the sub-continent.

The Prime Minister has ruefully confessed that the prospects of the big powers of the world community exerting their influence on Pindi to negotiate a political settlement with accredited leaders of East Bengal are becoming more remote, but this dose of realism has not been enough to make her see the hollowness of her declaration that the Government of India is determined to ensure the return to East Bengal of every man, woman or child which has crossed over into this country. At the time of writing, the number of these refugees is as near to six millions as makes no difference. It is a safe prediction that the Government of India would be as helpless in removing this vast number back into East Bengal as it was in preventing their influx into our country in the first instance.

The issue here is not whether we should have used force along our borders to check the arrival of these

unfortunate people who were fleeing into India for their very life but whether any effective sanctions are open to New Delhi to force these people to go back to a country where they have still so much to fear. If the implication to Mrs Gandhi's declaration that the refugees would have to go back is that she is confident of a liberal political settlement being reached in East Bengal sufficiently soon, I for one am tempted to say that her middle name must be Micawber. Whatever Mrs Gandhi may choose to believe or say for public consumption, the greater part of the current flow of refugees from East Bengal will simply soak into or stagnate on the more or less hospitable earth of India.

The *Hindustan Times* reported the other day that a large sum of money was spent on remodelling and decorating what was the office room of a mere secretary to the government so that it could become a habitation fit for an honourable Member of the Central Cabinet. A prompt denial of the press report was issued on his behalf, the official or semi-official version being that the expenditure incurred had been grossly exaggerated. This may be so, but the more relevant fact is that the VIP concerned, Mr Uma Shankar Dikshit, has become a minister in New Delhi for the first time at the ripe old age of 69 going on to 70. *The Hindustan Times*, I am sure, will, on second thoughts, agree that Mr Dikshit's years entitle him to special consideration. Had he been fortunate enough to become a minister while he was much younger, he would no doubt have been content to take his fill of ministerial privileges, perquisites and prerogatives unhurriedly over a period. As it is, he is an old man in a hurry who must make up for lost time. In any case, *The Hindustan Times* should not have cavilled at the pains taken by the Ministry of Works and Housing of which, incidentally, Mr Dikshit is the presiding minister, to provide him with an attached bathroom by adapting an office room to that purpose. It is a well-known fact that ancient gentlemen do need to be assured of ready and easy access to toilet facilities.

V.B.

ANNOUNCEMENT REGARDING THE ISSUE OF EQUITY SHARES THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

Persons interested in full details may obtain copies of the Prospectus and Application Forms from the brokers and bankers mentioned below.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY, JULY 5, 1971 AND CLOSE AT THE CLOSE OF BANKING HOURS ON SATURDAY, JULY 17, 1971 OR EARLIER AT THE DISCRETION OF THE DIRECTORS, BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON WEDNESDAY, JULY 7, 1971.

CHEMICALS AND FIBRES OF INDIA LIMITED

(Incorporated under the Companies Act, 1956)

Registered Office: "Crescent House", 19, Walchand Hirachand Marg, Ballard Estate, Bombay-1.

EXISTING AND PROPOSED ACTIVITIES:

The Company was incorporated on March 29, 1961. Imperial Chemical Industries Limited, U.K. presently holds 60% of the Equity Share Capital of the Company.

The Company manufactures polyester staple fibre which it markets under the trade mark 'Terene'. The fibre is mixed by customers with other natural and man-made fibres in an optimum blend, spun into yarn and ultimately woven, dyed and finished into fabric. The fabrics made from 'Terene' polyester fibre such as suitings, shirtings, saris, dress/kameez materials and furnishings are extremely popular for their excellent performance characteristics such as crease-resistance, pleat retention and high durability owing to their high resistance to abrasion. Such suiting, shirting, saris and dress materials are also colloquially known as "Wash-N-Wear" garments owing to the dimensional stability of 'Terene' polyester fibre.

The Company manufactures its 'Terene' polyester fibre under a Technical Collaboration Agreement with Imperial Chemical Industries Limited which had developed its own polyester fibre sold throughout the world under its well-known trade mark 'Terylene'. The Government of India has approved the terms of this collaboration. The Agreement is for a period of ten years from the commencement of production on a commercial scale which commenced on April 1, 1965. Under the Agreement ICI provided all technical information and know-how covering design and procurement of equipment, construction, start-up and operation of the Company's plant. Under the Agreement ICI also provides training of personnel in the operation of the plant and makes available continuing development and research information as well as licences under all relevant patents in the manufacturing and user fields. Assistance is also being given in the development of end-uses of the product. For the continuing know-how made available, the Company pays ICI a royalty.

The Company's initial licenced capacity was for 2041 tonnes of polyester fibre per annum. By licence No. L/23/5/8/67.Ch. 1 dated May 27, 1967 the Government of India approved the increase in the Company's capacity to 4,500 tonnes per annum and the increased capacity became fully operational in 1968. Pursuant to the application in this behalf, the Government of India issued a Letter of Intent dated November 29, 1968 for further substantial expansion of the existing plant from 4,500 tonnes per annum to 6,100 tonnes per annum of polyester fibre. One of the conditions of the Letter of Intent was that the Company would undertake an increase in the association of Indian capital by reduction in the foreign equity. The present issue is being made to meet this condition. The Govern-

ment of India has since converted the Letter of Intent into a Licence bearing No. L/23/5/18/71/Ch.1/SE dated February 3, 1971.

LOCATION OF THE COMPANY'S PLANT:

The Company's plant is situated in the Trans-Thana Creek Industrial Area of Maharashtra.

SHARE CAPITAL:

AUTHORISED:

1,00,00,000 Equity Shares of Rs. 10/- each Rs. 10,00,00,000

ISSUED, SUBSCRIBED AND FULLY PAID-UP:

49,00,000 Equity Shares of Rs. 10/- each of which 24,00,000 Equity Shares of Rs. 10/- each were issued as Bonus Shares Rs. 4,90,00,000

PRESENT ISSUE:

4,45,455 Equity Shares of Rs. 10/- each at a premium of Rs. 15/- per share Rs. 44,54,550

OUT OF THE PRESENT ISSUE:

1,78,182 Equity Shares of Rs. 10/- each at a premium of Rs. 15/- per share have been offered for subscription by those Members resident in India whose names were on the Register of Members of the Company at the close of business on Friday, May 7, 1971 in the proportion of 10 new Equity Shares for every 109 existing Equity Shares held on that date on condition that the Equity Shares not taken up by them will also be available for meeting applications from the public Rs. 17,81,820

NOW OFFERED FOR PUBLIC SUBSCRIPTION:

2,67,273 Equity Shares of Rs. 10/- each at a premium of Rs. 15/- per share Rs. 26,72,730
Rs. 44,54,550

BOARD OF DIRECTORS:

Alan William Hamer, (Chairman and Managing Director), 22 A, Aurangzeb Road, New Delhi.

Brian William Ritchie, (Managing Director), No. 5, Malabar Court, Ridge Road, Malabar Hill, Bombay-6.

Neville Ness Wadia, (Director), "Casa Fieole", CH. 6922, Morcote, (Ticino), Switzerland.

Gordon James Fairbairn Mackay, (Director), 47, Cottesmore Court, London, W.8.

Akbar Hydari, (Director), "Neptune Court", Napean Sea Road, Malabar Hill, Bombay-6.

Dr. Norton James Hugh Wallis, (Director)

'Barisca', Naburn Lane, Fulford, York.

Daya Bhushan Mohindra, (Director), 3, Malcha House, 23, Sardar Patel Road, New Delhi-21.

SECRETARY:

Joseph Elijah Jhirad, 28, Hill Park, Powai Road, Bombay-6.

BANKERS TO THE ISSUE:

National and Grindlays Bank Ltd., Lloyds Branch, Dr. Dadabhoy Naoroji Road, Bombay-1, or their main Offices at Bangalore, Calcutta, Cochin, Delhi, Hyderabad, Kanpur, Madras and New Delhi.

Punjab National Bank, Ilaco House Branch, Sir Phirozeshah Mehta Road, Bombay-1, or their main Offices at Ahmedabad, Bangalore, Calcutta, Delhi, Hyderabad, Indore, Kanpur, Madras, New Delhi, Poona and Surat.

First National City Bank, 293, Dr. Dadabhoy Naoroji Road, Bombay-1, or their main Offices at Calcutta, Madras and New Delhi.

SOLICITORS:

Crawford Bayley & Co., State Bank Annexe Building, Bank Street, Bombay-1.

AUDITORS:

Lovelock & Lewes, Elphinstone Building, (2nd floor), Vir Nariman Road, Bombay-1.

REGISTRARS:

The Investment Corporation of India Limited, Ewart House, Bruce Street, Fort, Bombay-1.

MANAGING BROKERS:

Place, Siddons & Gough (Private) Limited, 6, Lyons Range, Calcutta-1.

Lewis & Jones, Bank of Baroda Building, Apollo Street, Fort, Bombay-1.

BROKERS:

BOMBAY

Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay-1.

Batlivala & Karani, Union Bank Building, Dalal Street, Bombay-1.

Dhirajlal Maganlal Purshotamdas, Stock Exchange Building, Apollo Street, Bombay-1.

Champaklal Devidas, Bhupen Chambers, Dalal Street, Bombay-1.

Harkisondass Lukhmidass, Stock Exchange Building, 5th Floor, Apollo St., Bombay-1.

Merwanjee Bomanjee Dalal, Allahabad Bank Buildings, Apollo Street, Bombay-1.

P.R. Subramanyam & Sons, 70-A, Stock Exchange Building, Apollo Street, Bombay-1.

Valji Bhimji, Old Stock Exchange Building, Dalal Street, Bombay-1.

Jamnadas Morarjee & Co., 8-10, Dalal Street, Bombay-1.

Chimanlal J. Dalal & Co., 107, Stock Exchange New Building, Dalal Street, Bombay-1.

CALCUTTA

Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta-1.

G.M. Pyne, Allahabad Bank Buildings, 14, India Exchange Place, Calcutta-1.

Chenilal T. Mehta, 8, Lyons Range, Calcutta-1.

MADRAS

Paterson & Co., Vanguard House, 3rd Floor, 11/12, Second Line Beach, Madras-1.

Chitra & Co., 322/323, Linghi Chetty Street, Madras-1.

Kothari & Sons, Kothari Buildings, Nungambakkam High Road, Madras-24.

NEW DELHI

Harbans Singh Mehta & Co., 33, Regal Buildings, Parliament Street, New Delhi-1.

Raja Ram Bhasin & Co., Jewan Mansion, 8/4 D.B. Gupta Road, New Delhi.

H.P. Mehta & Co., Akash Deep, Barakhamba Road, New Delhi-1.

Behari Lal & Co., 15, Stock Exchange Building, Asaf Ali Road, New Delhi-1.

AHMEDABAD

Chinubhai Chimanlal Dalal, Fatebhai's Haveli, Ratanpole, Ahmedabad-1.

Ratilal Mansukhlal Parikh, Opp. Stock Exchange, 2221/3, Manek Chowk, Ahmedabad-1.

BANGALORE

M. Nanjappaiah Jahgirdar, 205, Cavalry Road, Bangalore-42.

HYDERABAD

P.B. Afzulpurkar, Sultan Bazar, Hyderabad (Andhra Pradesh).

DAZZAL

Trade Winds

CENTRAL LOANS FLOATED

THE GOVERNMENT of India has announced the floatation of three new loans of 7, 15 and 30 years' maturity, aggregating Rs 375 crores. The loans are: (i) 4.75 per cent Loan 1978 to be issued at Rs 100.00 per cent and repayable at par on July 1, 1978; (ii) 5.25 per cent Loan 1986 to be issued at Rs 100.00 per cent and repayable at par on July 1, 1986; and (iii) 5.75 per cent Loan 2001 to be issued at Rs 100.00 per cent and repayable at par on July 1, 2001. Subscriptions to the above loans will be received in the form of cash, cheque or securities of 4.50 per cent Loan 1971.

Subscriptions will be received from July 1, 1971 to July 3, 1971, but the subscription lists may be closed earlier without notice as soon as the total subscription amounts to Rs 375 crores. The government reserves the right to retain subscriptions up to 10 per cent in excess of the notified amounts. If the total subscriptions received for the new loans exceed the notified figure plus the amount of 10 per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible.

The securities of the 4.5 per cent Loan 1971 will be accepted for conversion at par. Interest at the rate of 4.5 per cent per annum on the securities of 4.5 per cent Loan 1971 tendered for conversion will be paid upto and inclusive of June 30, 1971, at the time of issue of the new securities.

The new loans will bear interest from July 1, 1971. Interest on the loans will be paid half-yearly on January 1 and July 1. Interest payable on the securities of all the three loans will be liable to tax under the Income-Tax Act, 1961. Interest on government securities along with income in the form of interest or dividends on other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum, and subject to other provisions of Section 80 L of the Income Tax Act, 1961.

REPAYMENT OF LAON 1971

The outstanding balance of the 4.50 per cent Loan 1971 is repayable at par on July 1, 1971 and no interest will accrue thereon from that date. The holders, if they desire, may tender their

securities for conversion into any of the new loans being floated viz. 4.75 per cent Loan 1978, 5.25 per cent Loan 1986 and 5.75 per cent Loan 2001. Those who do not desire to convert their securities may, to facilitate repayment on the due date, tender their securities at the public debt office, treasury or the branch of the State Bank of India or its subsidiary banks (at which they are encased/registered for payment of interest), on or after June 21, 1971. Full details of the procedure for conversion of the securities or obtaining their discharge value can be obtained from any of the aforesaid offices.

AID FOR FERTILISERS

Britain and the United States today committed aid loans totalling Rs 28 crores for a giant fertiliser complex to be built in Gujarat by the Indian Farmers Fertilizer Co-operative Ltd (IFFCO). This is the first time Britain and the United States have collaborated on a single development project in India. Their combined loans will meet almost all the foreign exchange costs of building and equipping the complex, which will be the biggest of its kind in India. The complex will be completed in 1974 and is expected to produce fertilisers sufficient to increase India's food production by more than 2.2 million metric tons. The agreements for the British credit of £ 7 million (Rs 12.6 crores) and the US credit of \$ 21 million (Rs 15.75 crores) were signed in New Delhi recently.

The project has been undertaken with the co-operation of Co-operative Fertilisers International (CFI), a nonprofit organisation owned by 13 US co-operative organisations. The CFI is donating one million dollars (Rs 75 lakhs) to IFFCO. The most sophisticated equipment manufactured in India, America and Britain will be used to produce a wide range of fertilisers suitable for the soils of 10 Indian states: Andhra Pradesh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Mysore, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh. Distribution of the fertilisers will be handled by societies belonging to the groups of more than 30,000 co-operative societies which have joined together to form IFFCO.

The first stage of the fertiliser production process will be at Kalol, where a giant factory will convert gas from the area's natural gas fields into ammonia. US-financed equipment will

primarily be installed here. Most of the ammonia produced will be converted in an adjacent plant into urea, a nitrogen-rich fertiliser. Equipment purchased with British aid funds will constitute the core of this urea plant. British equipment will also be used to a large extent in the plant for the manufacture of compound fertilisers to be erected at Kandla port, some 250 miles from Kalol.

U.K. GRANTS FOOD AID

An agreement was signed recently formalising an offer made some time ago whereby the UK is giving India a grant of £5,00,000 (Rs 90 lakhs) for the purchase of wheat, grain or flour during the harvest year 1970-71. This is the third year in which such grants have been made by the British government to India. This gift fulfils part of the obligation which the United Kingdom accepted under the terms of the Food Aid Convention which came into effect in 1968. Under this Convention the United Kingdom agreed to provide 225,000 tonnes of grain or the cash equivalent each year for three years as assistance to developing countries. This grant is additional to the financial aid and technical assistance which the United Kingdom makes available to India each year.

'LEAST-DEVELOPED' NATIONS

Afghanistan, Bhutan, Nepal, Sikkim, Laos, Yemen, Maldives and Western Samoa are among the world's 25 "least-developed" countries, according to a United Nations report. The report, prepared by the Committee for Development Planning—an advisory body of 18 experts—points out that India and Indonesia, although not qualifying as least-developed, have a very large number of poor people. The 25 countries classified as least developed have been selected as they meet three main criteria—per capita income of less than \$100 (Rs 750) a year, manufacturing accounting for less than 10 per cent of the Gross Domestic Product and a literacy rate of less than 20 per cent for 15-year olds and above. Among the 25 least developed nations, 16 are in Africa, including Uganda, Sudan, Somalia, and Ethiopia, and only Haiti in Latin America.

AIRLINES' CO-OPERATION

Broader operational and technical co-operation among most of Europe's major airlines will result from a recent resolution to enlarge the "Montaparnasse Committee" established four years ago by 10 European carriers. To reflect the enlargement of its scope and membership, the Committee also decided at its recent plenary session

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in London to change its name to "European Airlines Montaparnasse Committee".

Called after the Montaparnasse, Paris, head office of Air France, at whose initiative it was founded in June 1967, the Montaparnasse Committee had as its original objective the co-operation among its 10 member airlines for the most efficient and economic operation of the new large-capacity sub-sonic jetliners and of the coming super-sonic transport aircraft. Charter members of the Committee were Aer Lingus, Air France, Alitalia, BOAC, Iberia, KLM, Lufthansa, Sabena, SAS, and Swissair. Meanwhile, the Committee has admitted nine additional carriers, bringing its total membership to 19 airlines, all of which are members of the International Air Transport Association.

All of the 19 European airlines have undertaken to pool their individual experiences for the common interest of the European airlines community, enabling them to co-ordinate their activities in as many technical and operational fields as possible. Co-operation of the Committee member airlines has already resulted in standard design of ground installations and ordering of initial stores of aircraft parts, fixtures, and spares.

WORLD NICKEL OUTLOOK

Mr Henry S. Wingate, Chairman of the International Nickel Company of Canada Ltd, devoted a good deal of his annual address to the shareholders of the company in making an incisive analysis of the pattern of actual world consumption of nickel during the decade 1960 to 1970 and in forecasting of the likely trend in consumption of the metal in the ten-year period 1970-1980. Over the past ten years there was a basic upward direction in the demand for nickel and the years 1971 and 1972, according to the chairman, are likely to be periods in which production capacity will outdistance nickel demand. For the balance of the decade the expected balance of the decade the expected demand and industry's capacity to meet it will remain in very close balance. The nickel consumption which was estimated at a little under one billion pounds in 1970 is expected to be doubled by 1980.

The chairman also gave a broad picture of as to how the consumption has moved ahead in some significant and insignificant nickel consuming countries of the world. Italy, for instance, consumed in 1960 only 14 million pounds and France 43 million lbs. Ten years later consumption had tripled in Italy and risen by 85 per cent in France. In 1980 the combined consumption in the two countries will be double what it was in 1970. The entire

EASTERN ECONOMIST

European Economic Community's consumption of primary nickel in 1980 is projected at 450 million pounds, which is twice as much as for 1970. The record for Japan is dramatic. There was a fivefold increase in the consumption of primary nickel by the Japanese industry during 1960-70. It rose from 40 million pounds in 1960 to about 200 million lbs by the end of last year and the demand is expected to grow up to 450 million lbs by the end of 1980, the same as projected for the EEC. Nickel consumption in 1960 amounted in Canada to 12 million pounds and in the USA to 220 million pounds. By 1970 it had increased three times in Canada and 50 per cent in the USA.

CAFI

Chemicals and Fibres of India Ltd—popularly known as CAFI—has set up a landmark in the field of exports. From 'mini' proportions it had made 'jumbo' strides in exports within a short span of time. A modest start in exports was made in 1966. Since then it had made phenomenal progress and its exports have already crossed the Rs 3 crore-mark and a further leap forward is expected in the current year. This is truly an astounding performance for a company which is essentially concerned with the manufacture of 'Terene' fibre.

CAFI's fabulous export products are developed exclusively by the CAFI technical service laboratory and they are then converted into export merchandise at over 25 mills and garment factories under the closest scrutiny and supervision of CAFI's highly equipped quality control department. With accent on quality and emphasis given to the retention of traditional Indian designs, CAFI's products enjoy a reputation in overseas markets for their excellence, exclusiveness, quality and durability. A wide range of fabrics and ready-to-wears both in 100 per cent 'Terene' and in 'Terene' blended with silk, cotton, jute, viscose and camel hair are being increasingly marketed and are being sold in over 35 international markets, stretching from Australia, Africa, the Far East, the Middle East, to Europe and the USA. To make the products more and more popular the company takes an active part in all major international trade fairs and exhibitions. It is worth mentioning here that Imkemex India Ltd, the export house recognised by the Government of India and the winners of an outstanding export award, is handling CAFI's exports.

HEAVY DUTY FUSE-SWITCHES

Larsen & Toubro has put on the market, for the first time in India, indigenously developed low tension heavy

duty fuse-switch units. The units in the newly introduced range are rated at 250 A, 400 A, and 630 A. They can make and break currents up to 300 per cent of the rated current at 0.3 power factor at 110 per cent of the rated voltage. Thus these units comply with heavy duty fuse-switch standards. These type FB fuse-switches are extremely compact—a welcome feature for switch-board manufacturers—and incorporate a number of safety features. The switching is double break; fuses are completely isolated when the switch is 'off'. The operation is quick-make and quick-break, manually independent and has a positive break feature. The fuse-switches are of a totally enclosed, dust and vermin proof design and can be had in elegant sheet steel enclosures or cast iron enclosures. The indigenous development of the fuse-switches was backed by L&T's extensive design and testing facilities. Special attempts have been made to ensure maximum utilisation of indigenously available raw materials without sacrificing high performance and safety standards.

NEW KEROSENE PRICES

The union government has issued an order amending the Kerosene (Fixation of Ceiling Prices) Order, 1970. The order, issued under the Essential Commodities Act, 1955, has fixed the basic ceiling of selling prices of kerosene in bulk per kilolitre ex-storage points as follows: (In rupees)

Port/Refinery	Superior kerosene	Inferior kerosene	Aviation turbine fuel
Kandla	504.46	309.03	474.34
Okha	505.67	310.25	479.37
Bombay/ Koyali	501.30	305.87	476.74
Goa	503.10	307.70	476.70
Cochin	503.80	308.40	—
Madras	511.72	316.39	496.10
Vizag	509.10	313.75	—
Calcutta/ Digboi/ Gauhati/ Barauni	515.88	320.69	494.93

NAMES IN THE NEWS

Mr Tej Kumar Sethi, Managing Director of Binod Mills Co. Ltd, Ujjain, was elected as the Chairman of the Indian Cotton Mills' Federation for the year 1971 at a meeting of the committee of the Federation held on June 10, 1971. Mr K. Sundaram, MP, Director, Lakshmi Group of Mills and Mr Balkrishna Harivalabhdas, Managing Director of Shri Ambica Mills Ltd, Ahmedabad, were elected as Deputy Chairman and Vice-Chairman, respectively.

Company Affairs

TISCO

THE DIRECTORS of Tata Iron and Steel Co. Ltd have maintained the equity dividend at Rs 8.60 per share for the year ended March 31, 1971, thus maintaining the rate of distribution for the fourth year in succession. Dalal Street greeted the announcement and the scrip gained by 50 paise to Rs 105. The scrip after opening slightly higher at Rs 105 in Bombay on June 16, moved up to Rs 105.25 and closed at Rs 105 as against the previous closing of Rs 104.50.

Sales exceeded the Rs 150 crores-mark and stood at Rs 150.75 crores as compared to Rs 144.37 crores in 1969-70. Gross profit scaled to a new peak and stood higher at Rs 30.27 crores as against Rs 24.52 crores in the preceding year. The sharp rise in the profit in the face of sustained escalation in costs is a welcome feature of the company's operations during the year. The provision for depreciation was stepped up from Rs 13.19 crores to Rs 16.10 crores. The increase is partly due to larger additions to plant and machinery during the year and partly due to the revision in the rates of depreciation and re-classification of assets as per the amendment to the income-tax rules with effect from April 1, 1970. The appropriation to taxation reserve was raised from Rs 5.20 crores to Rs 6.70 crores and for development rebate reserve from Rs 2.25 crores to Rs 3.10 crores. The net profit, after these allocations, amounted to Rs 4.37 crores as compared to Rs 3.88 crores in 1969-70. The entire amount was transferred to general reserve. Preference dividends will claim Rs 0.84 crore, the same as in the preceding year, and equity dividends will absorb Rs 4.42 crores, the same as in the earlier year, and it will be paid out of the general reserve.

MUSCO

Mahindra Ugine Steel Company Ltd has finalised the financial plan for balancing equipment and it is in the process of releasing the orders for plant and equipment required to produce 24,000 tonnes of finished steel on an integrated and sustained basis. Although the company produced more than 25,000 tonnes in 1970 which was made possible by re-rolling about 1,500 tonnes of blooms into finished products, it has not lulled the company from forging ahead with the balancing

scheme. In furtherance of its plans to expand the capacity of the plant and to achieve maximum economies of scale the company has submitted to the government a comprehensive plan for expanding the productive capacity up to 60,000 tonnes of finished tool, alloy and special steels per annum. In the context of the widening gap between demand and production of alloy and special steels in the country, the company expects a favourable decision from the government shortly. This was revealed in the annual statement of the Chairman, Mr Harish Mahindra, to the shareholders of the company.

The chairman urged the Government of Maharashtra to re-structure the power tariff in the state in a way which would give certain tangible benefits to power-intensive industries. As electric power is one of the basic inputs for producing steel in electric furnaces, the chairman argued, that it was therefore necessary to revise the power tariff applicable to metallurgical industries in particular with a view to giving a competitive edge to steel produced within the state. As other states such as Haryana, Kerala, Madhya Pradesh, Mysore, Punjab and Rajasthan are offering different kinds of concessions or rebates to electro-chemical and electro-metallurgical industries, the chairman hoped that the committee appointed by the Government of Maharashtra to inquire into this question would keep these facts in mind inasmuch as power costs would largely determine the growth prospects of metallurgical industry in Maharashtra. The state, according to the chairman, should aspire to have at least 25 per cent of the liquid metal capacity and this can only be achieved, in the opinion of the chairman, if the disincentive in the form of a high power tariff was removed.

The chairman welcomed the setting up of mini steel plants. He, however, cautioned the government to go thoroughly into the production cost aspects so that they can meet effectively the competition from the integrated steel plants.

JAY SHREE TEA

Jay Shree Tea and Industries Ltd has reported striking improvements in its working results during the year ended December 31, 1970. New records were set up by the company in many fields of its operations during the

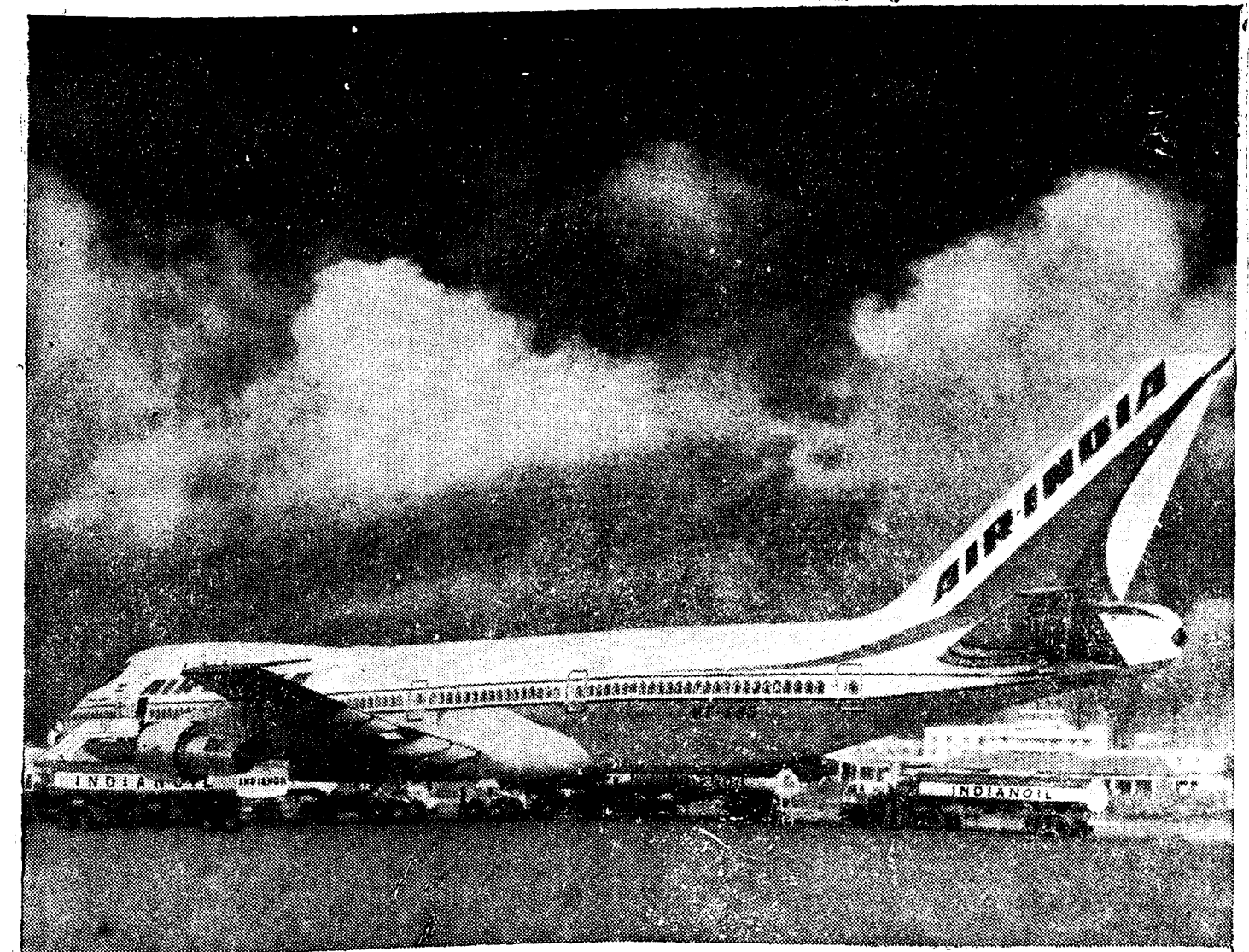
year. Sales soared to Rs 9.99 crores from Rs 8.81 crores while gross profit recorded a smart rise to Rs 165.02 lakhs from Rs 102.26 lakhs in 1969. Against the background of all-round rise in costs of production the working results should be considered very satisfactory.

Out of the gross profit, the directors have set a sum of Rs 41.04 lakhs to depreciation reserve as compared to Rs 42.71 lakhs in 1969 while the appropriation to the development rebate reserve was stepped up by Rs 1.68 lakhs to Rs 4.68 lakhs. Taxation absorbed Rs 58.50 lakhs as against Rs 22.50 lakhs in the preceding year while the allotment to development allowance reserve was reduced by Rs 1.25 lakhs to Rs 2.75 lakhs. This leaves a higher surplus of Rs 58.04 lakhs as compared to Rs 30.06 lakhs in 1969. Out of this, an amount of Rs 53.04 lakhs was appropriated to general reserve as against Rs 25.05 lakhs a year ago. Encouraged by the working results, the directors have enhanced the equity dividend to Rs 1.10 per share as against Re 1 per share paid previously.

The directors visualise a bright future for the company considering that all its units are working efficiently. The quantity of tea harvested, for instance, rose from 8.42 million kgs to 10.16 million kgs. The directors feel that with modern techniques of cultivation, perennial plucking and better control and supervision, there is considerable scope for further increase in production followed by sizable rise in profits.

ANDHRA BANK

A branch of Andhra Bank Ltd, the largest banking institution in the private sector, was inaugurated in New Delhi last week by Mr V. V. Giri, the President of India. This will be the second branch of the bank in the capital. The bank has made remarkable progress in branch expansion, deposit mobilisation, advances to priority sectors and other fields particularly since 1968. The number of branches for instance, shot up from 121 in 1968 to 220 in 1970 while deposits swelled from Rs 40.90 crores to Rs 65.05 crores. The number of depositors multiplied from 275,000 to 418,000 during the same period while advances almost doubled from Rs 25.48 crores to Rs 46.27 crores. It is interesting to observe that the Andhra Bank is the only 'lead bank' in west Godavari, east Godavari and Srikakulam districts in Andhra Pradesh and Ganjam district in Orissa. Under the special 'technical scheme' the bank has financed a number of deserving technocrats to the extent of 100 per cent of the requirement of plant and machinery and also cent per cent of the requirement of working capital. As



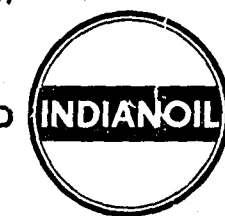
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INDIAN OIL CORPORATION LIMITED



-a national trust for economic prosperity

Weavers Of Time

Maharashtra
gave birth
to a great
statesman
. Lokmanya
Bal Gangadhar Tilak
who weaved
his thoughts
in one sentence :
"Swaraj is my
birthright"
to free
mother-land
from
foreign yoke

Gwalior Rayon
after thorough
research weaved
the great
suing
which
India is
proud of

GWALIOR SUITING



GOOD FOR WEAR
ROUND THE YEAR

June 25, 1971

on December 31, 1970, the bank's outstanding advances to agricultural sector touched Rs 9.85 crores, the limits sanctioned being Rs 13.38 crores. At the end of last year the bank had financed about 950 small-scale units with sanctioned limits of Rs 14.50 crores and outstandings to the tune of Rs 7.01 crores. It also financed exports to a considerable extent. In brief, as on December 31, 1970, out of the total advances of the bank amounting to Rs 46.27 crores, advances to the priority sectors aggregated Rs 18.64 crores accounting for 40 per cent of the total advances. All in all, 1970 was a year of all round growth and expansion for the bank and it is well poised for reaching new heights in all spheres of its activities in the years to come.

ZUARI AGRO CHEMICALS

Mr K. K. Birla, Chairman of Zuari Agro Chemicals Ltd, has struck an optimistic note about the future prospects of the company. The construction work at the project site at Goa has maintained its progress so far. The design and engineering work is substantially complete, all major items of imported and indigenous machinery have been ordered and the civil works connected with the various buildings have also made satisfactory progress. The product costs remain so far within the original budgeted amount of Rs 56.55 crores despite an increase in capital costs as a result of the new budget levies. Barring unforeseen circumstances, the plant is expected to go on stream by the second half of 1972. In all, it will be producing 430,000 tonnes of fertilizers, consisting of 150,000 tonnes of 'uramphos' 28 : 28 : 0, a highly concentrated complex fertilizer and 280,000 tonnes of urea. The company is now directing its efforts in setting up a well-knit sales organisation to deal with the large tonnage of fertilizers that will be rolled out of the mills by the later half of next year.

LIMCA

A welcome addition to the cold drinks available in Delhi this summer is "Limca" — a delicious mixture of lime and lemon fortified by isotonic salts and vitamin C. Produced to the specifications of its Italian counterpart by Biseri India Private Ltd, Limca was introduced here a few days ago by Delhi Bottling Company who are the authorised bottlers of the product in the northern region. The northern region is the third one where Limca is currently available, the other two being the western and the southern regions. Shortly it is proposed to be introduced in east India where Alokudyog are expected to be the autho-

rised bottlers. The concentrate for the entire country is produced in Bombay.

NEW ISSUES

Chemicals and Fibres of India Ltd is offering for public subscription 267,273 equity shares of Rs 10 each at a premium of Rs 15 per share. The subscription list opens on July 5, and will close on July 17 or earlier but not before July 7, 1971. The company has an authorised capital of Rs 10 crores and an issued, subscribed and fully paid-up capital of Rs 4.90 crores. The present issue is for 445,455 equity shares of Rs 10 each at a premium of Rs 15 per share. Out of the present issue, 178,182 equity shares of Rs 10 each at a premium of Rs 15 per share have been offered for subscription by those members resident in India whose names were on the Register of Members of the Company as on May 7, 1971 in the proportion of 10 new equity shares for every 109 existing equity shares held on that date on condition that the equity shares not taken by them will also be available to the public for subscription. The remaining 267,273 equity shares of Rs 10 each are thrown for public subscription at a premium of Rs 15 per share.

The company is engaged in the manufacture of polyester staple fibre, which it markets under the trade mark 'Terenc', in technical collaboration with Imperial Chemical Industries Ltd. It started with an initial capacity of 2041 tonnes of polyester fibre per year. The capacity was subsequently raised to 4500 tonnes per annum and the increased capacity became fully operative in 1968. Meanwhile the company received a letter of intent for expanding the annual capacity further to 6,100 tonnes from the existing capacity of 4,500 tonnes. The letter of intent was issued to the company on condition that the company would undertake an increase in the association of Indian capital by reduction in the foreign equity capital. The present issue is being made to fulfil this condition. The Imperial Chemical Industries Ltd, UK, presently holds 60 per cent of the equity capital of the company.

Straw Products Ltd entered the capital market on June 25 with a public issue of Rs 20 lakhs divided into 20,000 cumulative redeemable preference shares of Rs 100 each carrying an interest of 9.3 per cent per annum. The amount of Rs 100 per share is payable in full on application. The application must be for a minimum of five shares or multiples of five. The subscription list will close on July 6 or earlier at the discretion of the directors but not before June 28, 1971. The entire public issue is underwritten by LIC, ICICI and National Insurance Company Ltd. The company manufactures different varieties of boards in its factory at Bhopal

and high grade printing and writing paper in its paper mills of Jaykaypur in Orissa, the existing annual capacities of the factories being 13,000 tonnes and 19,000 tonnes respectively. The paper unit at Jaykaypur is being expanded for manufacture of 9,500 tonnes annually of top grade light weight papers such as tissues, manifold, air mail, bank bond and other speciality papers, M.G. papers and coated papers and boards. The capital cost of the expansion scheme is placed at Rs 8.52 crores. The proposed issue of preference shares for Rs 20 lakhs will meet a part of the finance required for expansion.

Gujarat Polyamides Ltd, in which Baroda Rayon Corporation Ltd has substantial interests is entering the capital market on June 28 with a public issue of Rs 238.63 lakhs consisting of 12,86,300 equity shares of Rs 10 each and 110,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each. The subscription list will close on July 8. The directors may close it earlier if the issue is heavily oversubscribed but the closing of the list will not be earlier than July 1, 1971. Out of the public issue, equity shares worth Rs 42.81 lakhs and the entire issue of preference shares have been underwritten by IDBI, LIC, ICICI, IFC, UTI, and Indian Guarantee and General Insurance Company Ltd. The remaining equity capital of Rs 85.82 lakhs will be taken up by Baroda Rayon Corporation in case the issue is not fully subscribed by the public.

The company is establishing a plant to manufacture nylon-6 yarn with a capacity of five tonnes per day at Udhna, Surat. This will be the first nylon plant in Gujarat. It has entered into a collaboration agreement with the well-known Italian firm, Messrs Italtiscosa Eastern Trading S.p.A, who are the associates of Messrs Snia Viscosa S.p.A. one of the biggest manufacturers of man-made fibres and plants in Europe. The capital cost of the project is estimated at Rs 11 crores and it will be financed by raising equity capital of Rs 3.30 crores, preference capital of Rs 1.10 crores, foreign exchange loan from ICICI and IFC of Rs 3.12 crores, Italian credit of Rs 0.70 crore and rupee loans and debentures worth Rs 2.77 crores from IDBI, IFC, UTI and LIC.

The plant will be on stream by the second half of 1973. The directors are of the opinion that in the absence of unforeseen circumstances the company will be in a position to declare its maiden dividend much earlier than other nylon manufacturing companies. As the company's shares are commanding substantial premium in unofficial deals, the market circles feel that the public issue of the company will be oversubscribed.

COMPANY MEETING

The Chartered Bank Organisation

Chairman, Mr. W.G. Pullen's Statement

The following are extracts from the Statement and Overseas Survey by the Chairman, Mr. William George Pullen, to be presented at the Annual General Meeting of the Chartered Bank on 30th June 1971, at 38 Bishopsgate, London, E.C. 2.

Our merger with our friends The Standard Bank Limited was effective from 1st January 1970 and in the ensuing year most satisfying progress has been made towards our final goal of the closest possible collaboration compatible with the interests of the respective banks and thereby those of the share-holders in our joint fortunes. In particular, plans are well advanced for a joint international division which in size and diversity will have greater scope for handling the large and widespread demands of international companies and yet will still give that personal service which our customers, no matter how small or in what part of the world, have come to expect.

Although, as usual, the year did not pass without one or two political setbacks, the most important of which was the nationalisation of our business in Libya, 1970 was a successful year in which we were able to take full advantage of steady conditions in most of our territories and of increasing world trade. Once again too the relative stability of all the major currencies enabled us to give exchange cover to our large trading customers without undue risk to ourselves, and in this connection it is reassuring that H.M. Government has agreed to renew the guarantees against the effects of devaluation for those countries of the sterling area maintaining the greater portion of their overseas balances in London. Furthermore, in spite of some underlying weakness in the United States dollar, and a reluctance of some of the more powerful countries to regard Special Drawing Rights as desirable alternatives to gold and currency holdings, there has been an obvious concerted effort by central bankers to play down, and eradicate if possible, any disparities arising from pressures in the foreign exchange market. Whilst

changes in the parties of any of the world's leading currencies might therefore appear unlikely in the near term future we cannot overlook the extraordinary power generated in free Euro currency markets which could exert sufficient pressures from the flow of hot money to over-ride the monetary policies and interests of individual countries. The United States dollar will, however, continue to suffer all the stresses, which we know so well, of being a reserve currency. There is too, in spite of more inclination to write and talk of a world central bank, very little likelihood of a fundamental change in the present system for a long time to come.

Mention has been made of the nationalisation of the Commercial Bank S.A.L. in Libya, the first joint Libyan bank founded and in which we held forty-nine per cent of the capital. It is not easy to understand either the political or economic reasons for this action but Libya, a rich country, has promised to pay full compensation. Last year I referred to our expectation that India would reimburse us in full for the nationalisation of the Allahabad Bank Limited, and I am pleased to say that we have received the first of the three compensation instalments. Only Burma still shows no intention of honouring its promises and obligations and so assumedly can still have no plans for enlisting overseas aid to underpin its ailing economy.

This Year's Accounts

The consolidated balance sheet figures have again increased and this year total £1,010 millions, an increase of £75 millions over the figure for 1969. Current, Deposit and Other Accounts have increased by £60 millions and Advances to Customers and Other Accounts by £50 millions. In The Char-

tered Bank's own accounts £4,400,000 has been transferred from inner reserves to the Reserve Fund which now stands at £22 millions. In the Group accounts, capital and consolidated published reserves together with the balance on profit and loss account now total £34,210,908, an increase of £5,046,998 over the corresponding figure for 1969.

Dividends are now payable in their entirety to our parent, Standard and Chartered Banking Group Limited, whose first accounts to 31st March 1971 cover a period of 15 months. In consequence the dividends, paid and proposed, totalling £2,950,000, which appear in the profit and loss account exceed by £590,000 the amount which would be required on a twelve months' basis. To accommodate the excess payment The Chartered Bank's own transfer to Reserve Funds from published profits has been reduced from a figure of £1,000,000 in 1969 to £600,000 and there is a reduction in the carried forward balance on profit and loss account from £1,045,622 to £948,790.

Introduction to Overseas Survey

In order to adjust more nearly to the yearly report of our friends The Standard Bank Limited this survey covers a period of fifteen months to the end of March 1971, which is perhaps useful for the last three months of the period saw some unusual and unexpected political twists and changes affecting some of the countries in which we operate.

Generally speaking the Vietnam war has been going on so long that as such it no longer commands over-riding interest and it is significant that newspapers both in the United States and in this country think that the only events worth stressing are so called reserves for the United States and South Viet-

nam forces. Full credit is seldom given for the steady progress achieved, particularly in restoring large areas of South Vietnam to near normal conditions and to the building up of that country's armed forces to a strength that will prevent the country falling into communist hands as United States forces are withdrawn. There is still some concern in neighbouring countries that political pressure in the United States is dangerously accelerating the running down of both personnel and effort but President Nixon and his Chiefs of Staff are hardly likely to countenance any precipitate moves in negation of the principles involved in the intervention: nor could they for one moment allow it to be thought that all the effort and loss of life had been in vain.

Reference is often made to the problem of the developing countries with particular emphasis on the extent to which their agricultural produce, and hence often their economies, are at the mercy of world prices but for many years now in even the more developed as well as the underdeveloped countries of Asia another problem has been increasing and now coming on top of the population explosion bids to outweigh all others. This is the ever growing trek of the country people to the large cities in the area and many governments are at their wits end to find solutions for the traffic congestion, pollution and squalid living conditions that arise from the overcrowding in the vast conurbations of the countries' capitals. Plans to assist agriculture and stop the denuding of the country-side are seldom effective and even with increased budget allocations for welfare few countries have sufficient resources to arrest let alone eradicate these social evils. Perhaps this should now be the main area for international assistance, be it soft loans or technical aid.

India

At the opening of the year the situation in India was, to say the least, confused as there was complete indecision at the centre and a total lack of leadership while in many States, especially in West Bengal, the outlook was indeed cheerless. The Congress Party had been torn asunder and Mrs Gandhi found herself the head of a minority govern-

ment whose sole objective was to remain in power with a view to strengthening its position until fresh elections could be held which her party could hope to win. To accomplish this Mrs Gandhi sought the support of minority parties and, as was inevitable, insecurity led to indecision so that the major problems which faced this great sub-continent remained unresolved and the country, to an extent, was allowed to drift without guidance or leadership.

Although the general elections were not due to be held until 1972 it is a measure of the political acumen of the Prime Minister that she accurately assessed the mood of the country by calling an early election in 1971 almost a year before it was due and her judgement was vindicated by her Party obtaining an overwhelming majority in the lower house. By discarding many of the stalwarts in the old Congress Party she portrayed a new image, which was reflected in her own approach to the public and helped the swing in her favour. The second largest party, which hardly constitutes opposition, is the divided communist party and it is interesting to note that of the twenty-five members of the C.P.M., no fewer than twenty were elected from West Bengal. This suggests that the communist party, despite all the vicissitudes through which the country has passed, has not gained in stature since the last election.

With the necessary two-thirds majority the Prime Minister will now have full powers to promote her policies and will have a continuing degree of stability in the administration. However, there will not now be the excuse of a divided government for failing to honour election pledges and the voters will now expect Mrs Gandhi not only to implement her policies but also to show that they are beneficial to the country in order to prove she is worthy of support. The destiny of a vast population estimated to be 570 million persons, depends on democracy in India under her leadership moving forward peacefully and above all with stability. The greatest test is likely to come in the effectiveness of the steps which must be taken to restore law and order. Whatever the basic causes of unrest, political, economic or straightforward discontent at living conditions, no country

can hope to make progress until a modicum of discipline is installed into its labour force. For too long the authorities have been sitting on the fence and allowing employers to bear the brunt of violent and other labour disruptions, which threaten the whole structure of the economy. Over the past year or so there has been a divergence of opinion in the thinking of the government in power and that of the country's industrialists on future development as there has been an apparent preference for government to give scope and assistance to a new group of entrepreneurs to the detriment of expansion by the already existing internationally-known business houses. Whether this policy will, in the course of time, bear fruit is a matter for conjecture but at this crucial period in the country's fortunes it may have been wiser for established entrepreneurs to be given more scope to utilise advantageously their expertise and resources. In many ways 1970 was a year of disappointments and while there have been gains in certain sectors there were serious setbacks in others. The most rewarding achievement was in agriculture, where for the fourth year in succession there was an excellent harvest, and it was possibly because of this good fortune and the sufficiency in foodgrains that Mrs Gandhi's party decided to hold the elections at a time when conditions otherwise were far from propitious. At last the government's rather belated official recognition of the importance of agriculture is reaping its reward. Unfortunately any increase in the output of food grains is to some extent nullified by the continued substantial rise in the population figures, and this seems an insoluble problem.

The satisfaction which may have been engendered by the welcome increase in foodgrains must be, to an extent, tempered by a lack of progress by industry, which is still hampered by an inadequate utilisation of capacity. Consumer goods industries probably suffered least from the recession but the position of the manufacturers of intermediate and capital goods, particularly the latter, remains most unsatisfactory and until the resources of these two sectors are better utilised there is little chance of improving the country's overall rate

of growth or of attracting substantial overseas investment.

The nationalisation of the fourteen largest commercial banks caused no undue local concern for, as far as can be ascertained, this move has enabled the government to fulfil its aspirations and policies of diverting funds to the farmers and to small scale industries. What is more in doubt is whether the tenets of prudent banking are being applied in the provision of such finance and there could well be a build up of large, uncovered debts, with considerable embarrassment in the future. It is to be hoped that any cumulative effect will not be too serious for the reputation of any particular bank even though government will assuredly have to bale out any institutions in trouble.

The expansion of credit over the year was larger than expected and it became necessary for the Reserve Bank of India to caution banks on the need for greater credit restraint. Lending restrictions were placed on the banking system through an increase in statutory liquidity requirements and by an increase in the bank rate from five to six per cent, the first increase since 1968.

From the foregoing it would seem that India's problems are entirely internal ones, but externally too

India encounters all the difficulties of avowed neutralists without becoming seriously involved, except recently with Pakistan. Feelings ran high after the hi-jacking of an Indian plane but in aligning herself with the plight, if not with the aspirations, of the East Pakistanis in their troubles with the Pakistan government, the Indian government seems to have taken a line, rightly or not, that must delay the return of the peaceful relations so necessary for the prosperity and progress of both countries.

Conclusion to Overseas Survey

Once again in studying the relative progress of countries of South East Asia and the Indian sub-continent over a year, or in this case fifteen months, there is confirmation that irrespective of the type of constitution those countries with the liberal policies are the most successful. Even adverse movements in world commodity prices seem to have less undermining effect than the narrow often nationalistic orientated restrictions which eliminate competition and stultify growth and perhaps the most regrettable sign of this at the moment is the increasing popularity of state trading organisations. This type of trading concern formed by the state taking away profitable business from private hands is the socialists' dream and the

civil servants' delight and once started, as in India where it was designed to handle the barter trade with communist countries, it spreads with the ambitions of the socialists and bureaucrats in all directions where profit is envied and control is desired for controls' sake. The final outcome is nearly always the same, efficiency decreases, performance becomes erratic and prices rise. In this context it is noteworthy that in those countries with liberal minded statesmen, politically mature and at home on the international scene, there is a realisation that trading is best left to the life-long experts and that the state reaps its rewards in the more efficient running of its country and from the taxes levied on the profits earned from economic and competitive trading.

Banks are no exception to this general rule and again those experienced Finance Ministers and Governors of central banks who realise the very full part that large and secure banks can play in competition in promoting saving and encouraging industrial expansion and agricultural efficiency are not disappointed, we are sure, at the wholehearted manner in which The Chartered Bank and others, traditionally associated with the area, ally themselves with the aspirations of the countries in which they are operating.

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BOOKS BRIEFLY

Industrial Relations in India

An Introduction to Industrial Employment, Discipline and Disputes in India: R.C. Goyal; Sultan Chand & Sons; Pp 170; Price Rs 18.

Tough-Minded Management: J.D. Batten; D.B. Taraporevala Sons & Co. Private Ltd; Bombay; Pp 188; Price Rs 6.

Worker Participation in Management: The Employers' Federation of India, Bombay; 1971; Pp 56; Price Rs 4.

State Finances in India—A Case Study: L.S. Porwal; Sultan Chand & Sons, Delhi; 1971; Pp 237; Price Rs 25.

Monetary Equilibrium and Economic Development: V. Krishna Murty; Popular Prakashan, Bombay; 1971; Pp 224; Price Rs 28.

Economics of Cultivation and Marketing of Cotton in Vidarbha: S.V. Khandewale; Suvichar Prakashan Mandal, Nagpur; 1971; Pp 188; Price Rs 10.

Reviewed by **ACADEMICUS**

In India the individual and collective relationships in industrial employment are largely governed by two principal laws, namely, the Industrial Employment Act of 1946 and the Industrial Disputes Act of 1947. These two laws broadly regulate the field of employer-employee relationships in India.

Since 1947 a huge body of industrial jurisprudence has grown up consisting of a large number of decisions of industrial tribunals, high courts and the Supreme Court. These are scattered in a large number of journals and it is difficult for practising managers to go through this vast literature. In his book *An Introduction to Industrial Employment, Discipline and Disputes in India*, Prof Goyal has made an attempt to explain some of the important provisions of the two principal acts affecting industrial relations, together with citations of case-law mostly pertaining to the decisions of the Supreme Court on important points.

It is a well-known fact that the working of the industrial relations machinery in India has not been very satisfactory. As a fact within a decade of the passage of the Industrial Disputes Act, a lot of rethinking was done by the government and others. The result has been a shift from "Coms to Codes", from compulsory reference of industrial disputes to courts to voluntary settlement and arbitration. This came to be embodied in the Code of Discipline adopted by the Indian Labour Conference in 1957. Since that year statutory laws as well as voluntary codes designed to ensure industrial peace in the country have been allowed to operate simultaneously.

It has been the experience of the last two decades that none of the parties to

industrial disputes has been happy with the legal framework or with the working of the voluntary codes of discipline. As a result of demands made by the major trade union federations and employers' associations, the Government of India appointed the National Commission on Labour in 1965 to go into the entire question of industrial relations machinery. The Commission appointed a number of study groups to go into various aspects of industrial relations and it is instructive to know some of the conclusions at which these study groups have arrived.

The system of industrial relations developed after independence has two main objectives: (a) Avoidance of industrial disputes and work-stoppages and the creation of machinery for amicable and expeditious settlement of disputes and (b) development of formal relations through the adoption of industrial framework for joint consultation, redress of grievances, collective bargaining, etc., and procedural and institutional framework, both statutory and voluntary. The study group has come to the conclusion that the legal framework in India has not been satisfactory. It has also been acknowledged that the works committees have generally failed and that the majority of them exist only in name. As regards conciliation, recent trends indicate the unfortunate progressive decline in the number of settlements arrived at through the conciliation machinery. There is a growing use of legal and technical experts to prepare and argue cases which means that the parties are clearly becoming more and more litigation-minded. The system of adjudication has had perhaps the greatest impact on the regulation of wage-rates, allowances, bonus, working conditions, leave and social security.

This system has however been very severely criticised for its unfavourable effects on trade union movement, development of attitudes and dependence on compulsory adjudication by both the parties and long delays involved in the final settlement of industrial disputes.

The Royal Commission on Labour in India was appointed in 1930 and its report was published in 1931. It is after a lapse of more than three decades that another commission on labour has been appointed. The report of this National Labour Commission was published in September 1969 and the author has done well to give in an appendix the sum. mary of its main recommendations. The author however rightly refrained from commenting on these findings and recommendations as it is to be seen whether and to what extent the government accepts these recommendations.

Though the author has not come out with any positive proposals, Prof Goyal's analysis of the various problems and aspects of industrial relations in India is very instructive and there is no doubt that this compilation will be found useful by all those who are concerned with the handling of the problems of employer-employee relationship.

TOUGH-MINDED MANAGER

If we scan the industrial world of recent years, what we notice according to J.D. Batten is that "...there are far more big jobs than there are big men." To meet this challenge the author asserts that today's manager must be tough-minded. The executive with flabby mental and physical equipment simply cannot meet the national and international challenges of the business world of today and tomorrow.

But who is a tough-minded manager? What are his qualifications, requirements and equipment? The author of *Tough-Minded Management* has given these details under various headings.

As an individual the tough-minded manager must know himself and be happy with what he is, while at the same time building a healthy, calculated dissatisfaction with the status quo. The man must take a periodic inventory of himself in terms of what he stands for, what he believes, what he can accomplish, what his strengths and weaknesses are and what he puts into life. The tough-minded manager must practise self-discipline in terms of legal and ethical rules of conduct. He must maintain maximum physical fitness. He enjoys life, for the dour, scowling formidable executive accomplishes little by his behaviour. His interests and ac-

tivities generally range widely. He has a personal faith: but he is at the same time tolerant of the view of others. He is never negative in his approach. As an individual, the tough-minded manager, according to Batten, "is satisfied with nothing less than full success as a whole man."

What about the tough-minded manager as a member of society? According to the author, such a person "lives integrity instead of relying on preachments." His emphasis is on results. He practises candour and reflects a true warmth of feeling towards his associates. He has guts to say what ought to be said. He above all believes that "management by integrity can be rallying point for true social, political, and economic progress."

And what about the tough-minded manager as a manager? According to the author such a manager takes steps to insure that the company's philosophy and objectives are researched, developed and clearly stated. He ensures that all employees know the what, where, when, who, how and above all why of their jobs. He knows that people are more efficient and happy when they understand clearly what results are expected of them. He believes and lives the concept that "the development of people, as a whole and in depth, pays real dividend to both the business and the individual." He makes certain that the statement "Management is the development of people, not the direction of things" is put into operation and just not paid lip-service. He realises that pressures in the environment and within the person are caused almost completely by negativism, pessimism and ungrounded fears. Accordingly he makes sure that his own beliefs, energy and positiveness flow out steadily in all directions in the business. And above all the tough-minded manager, according to the author, is not deterred by small men. He knows what he wants and what the company needs, secures maximum participation from his key-men and moves ahead relentlessly towards the actual practice of management by integrity.

Practical Aspects

This book which deals not so much with the theoretical aspects of management as practical, makes interesting reading. But the Indian readers will have to bear in mind that the environment which the author has in view is the American environment where attempts are always being made by all to give maximum opportunities for personal initiative and private enterprise. In India with government's unhelpful if not positively hostile attitude and with continual shifts in policy and

changes in laws and procedures, it will not be surprising if even the tough-minded manager of Mr Batten gives up the fight even before it has begun.

Any way even the Indian operating executives will find here (though within limits) a challenging and workable management philosophy as also realistic guidelines to such specific problems of management as communication, motivation, personal appraisal, work-planning and self-development.

WHY PARTICIPATION?

The problem of inducing among workers a sense of belonging to the establishment where they work is common to all modern industrial countries. This problem is tackled in different ways in different countries according to the socio-economic context of the country and the institutional arrangements that could be devised for the purpose. In India an attempt was made by a statutory provision in the Industrial Disputes Act of 1947 to set up works committees in industrial establishments employing 100 or more workers. *Worker Participation In Management* is an excellent monograph which makes an attempt to present some of the facts regarding worker participation in management and the forms it has taken in India and abroad and indicates the prerequisites for its successful working.

Reviewing the situation in the field of worker participation in some of the foreign countries, the monograph notes that formal schemes of worker participation were evolved in West Germany and France as a reaction to the pressures built up during the Second World War. Ideological considerations were predominant in the introduction of participation schemes in Yugoslavia and Israel. In the UK and USA, formal schemes have not made headway and collective bargaining is becoming increasingly important as the chief means to promote worker participation in management. It is generally admitted that the works committees have not been very successful in the UK while in the USA, formal joint bodies of workers and management representatives have never been popular.

As regards different forms of worker participation in management, the schemes in West Germany, France, the UK, and Poland may be described as conforming to the "joint consultation model" of participation in which the management takes the final decision but allows workers' representatives to express their views. On the other hand joint management plan in Israel approximates to the "joint decision-making model" in which workers' and management representatives sit together

and take decisions jointly though the workers' representatives may be in a minority. Yugoslavia provides the only example of the "workers' control model" and the USA the only example of the "collective bargaining model".

It is however worth noting that in none of the seven countries reviewed in this monograph worker participation schemes appear to have achieved the objectives originally aimed at. It is also worth noting that while the experience of the formal schemes of participation has thus been tinged with disappointment, participation through collective bargaining schemes appear to have been somewhat more successful.

The study has rightly emphasised the need for conceptual clarity in this field of worker participation in management. For example, who is a worker? As for participation in decision-making it is conceivable that workers might be able to share with management in some agreed manner the authority to make decisions. Once such participation is accepted, it is necessary to clarify whether it should extend to all decisions concerning the undertaking or be confined to only those decisions which have a direct bearing on the working and living conditions of workers. Further, at what level of decision-making are the workers to participate? The shop-floor or departmental level or the highest management level? Clarity in this regard is necessary because the level of participation will influence the manner of participation. This further highlights the need to examine and specify clearly the relationship between the existing institutions and the new ones that may be created under any scheme of worker participation. The new bodies like joint committees and works committees must naturally bear an integral and specific relation to the already operating trade unions and collective bargaining machinery.

Basic Question

The monograph points out that the basic question "Why participation?" must be answered satisfactorily. This is because the answer would determine the compatibility of the objectives and the means adopted for achieving them. If, for instance, the intention is that participation should remove workers' sense of subordination and helplessness, promote among them a feeling of partnership and encourage them to identify themselves with the goals of their undertaking, it is obvious that most of this can be achieved only by associating workers with the decisions which are of immediate concern to them. On the other hand, formal representation on the managing board may become necessary, if the objective is

political, such as redefining property rights, etc.

After reading this monograph one feels convinced that worker participation in management can never be a reality unless all these related matters are clearly defined and understood and an agreed course of action is formulated. In the absence of such clear conception, the schemes of worker participation in management would remain something that is incapable of effective implementation. There is no doubt that this brief factual and analytical summary of the issues involved in worker participation will lead to a more detailed and systematic discussion of the subject among the parties concerned.

STATE FINANCES

No study of the finances of the state of Rajasthan has been made so far since its formation nearly two decades ago. Prof. Porwal has made an attempt in this study to analyse the finances of that state. Since the state budget can be an effective tool in promoting the ends of economic growth and social justice, the study of state finances and the knowledge about the direction in which they are moving and should in fact move becomes significant and necessary.

We notice from *State Finances in India—A Case Study* that on the whole the conditions in Rajasthan could be regarded as rather primitive and backward on the eve of independence. As a result of the merger of the princely states in 1949 and the Federal Financial Integration Agreement, a stage was set for removing the regional imbalances in the constituent units. Further, the state was also put on a par with other states in matters of financial assistance from the centre.

We notice from this study that as in most other states, in Rajasthan also deficit on revenue account has become a chronic feature during the last decade. Also the system of taxation has tended to become regressive in recent years. The state has come to depend increasingly on financial assistance from the centre for implementing its socio-economic developmental programmes envisaged in the five-year plans.

Though land revenue no longer holds the dominant position, it definitely has great potential for increasing revenue. The position in regard to arrears of land revenue and sales tax is very unsatisfactory and the administrative efficiency of the departments is at a low ebb. It is found that the traditional methods, procedures and organisation of the government departments is unsuited to the needs of a developing state. According to the author, the most marked deficiency is the shortage

of men of integrity devoted to the cause of the people.

The analysis of the non-tax revenue shows that the state enterprises and other commercial and quasi-commercial undertakings have nothing else but to tell a tale of irregularities and lapses involving the state in huge losses, let alone making profits. This means that the state has substantial potentialities of increasing its resources, provided it has a clean and efficient administration.

The increase in revenue expenditure has been almost in geometrical progression during the Plan period with accent on development expenditure. But the author feels that agriculture and animal husbandry have not been given the pride of place which they deserve. Also, co-operation and community development appear to have progressed more on paper than in real terms. The state expenditure on industries is not even one per cent of its total yearly revenue expenditure. The irrigation and power projects lack realism. Roads are not built to the extent necessary. On the other hand non-development expenditure, especially on police, is continually on the increase. The study of cases brought out by the audit unfold innumerable instances of wasteful expenditure, losses, misappropriation, neglect of duty, breach of trust, nepotism, favouritism and a variety of other failures.

The study of capital outlay, four-fifths of which have been on developmental schemes, also reveals lack of intelligent planning and half-hearted execution of projects, resulting in considerable idle investment of government funds.

Dependence on Centre

In the sphere of public borrowings, Rajasthan has increasingly depended on loans from the centre and the increasing burden of debt-servicing has become a cause for concern. The borrowed money is sunk in projects which are at present not in a position to pay off even interest charges. The state government seems to be living beyond its means as is evident from its increasing resort to overdrafts on the Reserve Bank of India.

A critical examination of the financial administration and legislative control over state finances shows many gaps and the general impression one gets is that financial discipline has greatly deteriorated during recent years.

The author has made a number of constructive suggestions which merit consideration. He wants that the emphasis be shifted from indirect to direct taxes to the extent possible. He has ar-

gued that the system of land revenue needs complete overhauling to make it progressive. His suggestion is that the state should impose betterment levy and there is scope for enhancing water rates for irrigation. There is also the suggestion that the state should launch a special campaign to realise arrears of land revenue, water rates and other dues and that interest at 9 per cent be imposed on arrears outstanding beyond due dates. There is a suggestion that the state's share in the divisible pool of taxes and duties be increased and the state's share be fixed on consideration of the regional imbalances.

The author has also made a few suggestions for ensuring the optimal use of the scarce resources collected from the people and improving the tone and quality of the financial administration of the state of Rajasthan.

In a sense there is nothing new in this analysis of the finances of the state of Rajasthan and the same features characterise the finances of all the other states in India, to a lesser or greater extent. And yet such micro-studies are of great significance as only such detailed study can enable the administration to note the important loopholes and deficiencies and evolve and execute proper policies for improving the finances of the state, provided the administration is honest enough to pursue the goals that will lead to the increasing welfare of the people of the state.

MONETARY EQUILIBRIUM

In *Monetary Equilibrium And Economic Development*, V. Krishna Murty has made an attempt to find an answer to the question whether in the present century liberal economic programme can be adequate to meet the needs of the developing countries. In view of the fierce preference shown by most of the developing countries for socialism and planned economic development which implies increasing state intervention and regulation, this study should attract the attention of the people concerned.

Explaining the implications of liberal economic programme, the author has emphasised that there is no 'the' liberal programme. As a fact there are several variants of it and the common ground on which all of them meet is the opposition to the state intervention. But among the liberals extreme stand is taken by only a few and majority of them have reconciled themselves to a certain amount of state intervention and as a matter of fact some of the liberals actually seek it in certain cases.

The standard by which these liberals judge whether a particular act of the government is desirable or not is whether that act helps or hinders the working of the price mechanism. If

such an act of the government helps its smooth functioning, they support it; otherwise they oppose it. For example, liberals in the USA support trustbusting as monopolies hinder smooth working of the market-economy. Also, they argue against private credit creation as they think that it hinders monetary stability. According to the author, contrary to the general opinion, liberals are not against equality of income and wealth. Henry Simons, the foremost among the liberals in the 20th century, has argued for the use of progressive income taxation to reduce inequalities. Liberals feel that this measure would create favourable atmosphere for the working of the private economy. According to the majority of modern liberals there is no controversy between the public and private sectors as investment in the public sector would provide suitable climate for the working of the private sector. In underdeveloped countries there are many barriers to economic development and it is only the state that can remove them. This position is accepted by the majority of liberals. Also it is not the physical investment which is the most important part of the problem. Economic development is largely due to non-economic factors—social, political and cultural. It is these factors which determine the attitude of the people which is a crucial factor in economic development. According to the modern liberals the government should, at least in the initial stage, take measures for the formation of favourable social attitudes.

Promoting Technology

According to Krishna Murty technological progress requires a certain price rise, as otherwise investment in new fields will not be undertaken. Stagnation may be the result of price stability. The author feels that the government can manipulate this gradual price rise to promote technological progress and economic advancement. Also, so long as inflation is within manageable limits, one should not bother much about it. To keep the forces of inflation within bounds, the government will have to act on a broad front through monetary and fiscal measures. In this field, it is not possible to work according to 'rule' (the stand taken in the monetary field by the old liberals) but some 'discretion' will have to be allowed to the government. There is no guarantee that if Milton Friedman's stable budget plan is adopted, there will be monetary equilibrium. Even his later version of the monetary rule that money supply should increase steadily year after year may not be adequate.

Thus the whole tenor of the author's

argument leads to the conclusion that the state should play an important role in bringing economic development in underdeveloped countries. The liberal doctrine, in so far as it restricts the role of the state, will harm the cause of economic development. But the liberals need not go all the way to wholesale nationalisation. There is the middle way which the Keynesian teachings highlight and the author rightly feels that the modern liberal shall have to find anchorage in the Keynesian teaching, if liberalism is to survive as a faith in the modern world.

Economic development will be possible only if we are prepared for the state of disequilibrium. The argument from the side of monetary equilibrium is that this disequilibrium must be rendered tolerable. It is for rendering this disequilibrium situation tolerable that the state assumes importance and the modern liberal has to reconcile himself with this position.

V. Krishna Murty has argued this case well and succinctly and one is convinced that liberalism of the 18th century will have to alter its content and attitude, if it is to survive as a living faith and play a constructive role, especially in developing countries. The book is extremely readable and thought provoking.

COTTON CULTIVATION

The importance of cotton in a predominantly agricultural economy of Vidarbha is quite obvious. This region has about 57 per cent of the total acreage under cotton in Maharashtra and produces about 50 per cent of the total output of cotton in the whole state. And yet detailed studies of the cotton industry involving the inter-related processes of cultivation, marketing, ginning and pressing have been undertaken only by a few. A detailed and critical study of this important subject was long overdue and Dr S. V. Khandewale is to be congratulated on undertaking it.

Economics of Cultivation and Marketing of Cotton in Vidarbha has revealed some very interesting facts. In the cultivation of cotton, the analysis of the cost of production shows that in the total cost, human and animal labour accounted for about 66 per cent of the cost, while seeds, manure and insecticides, etc., formed only about 11 per cent of the total costs. Other expenses claimed a share of 23 per cent. The average gross income per acre was about Rs 129.20 and the average cost was about Rs 114.32, leaving a net return of only about Rs 14.88 per acre.

So long as cotton was exported to for-

eign countries, the marketing of cotton from Vidarbha was done through the central channel of the Bombay market. During the Plan period the exports were stopped and therefore the internal channels of marketing have become decentralised. Changes in transport facilities, differences in marketing policies and change in varieties of cotton grown during the last few decades have led to the shrinkage of some old markets, development of some new ones, while some markets have tended to remain at the same old level.

Dependence on Middlemen

The study reveals that in respect of marketing of raw cotton, 80 per cent of the farmers sold their produce in assembling markets. Lack of facilities for transport and storage and lack of knowledge of the product and of its markets compelled them to sell the produce without any delay. This means they were highly dependent on middlemen for sale of their product. The different methods of rate-fixing in Vidarbha were more favourable to buyers of cotton than to the producers. The author is of the opinion that co-operative marketing societies have not played any significant role and therefore the dominance of the middlemen in this sphere goes unabated to this day.

The marketing of processed cotton (bales) was dominated for long by the up-country and terminal market traders. Recently however the farmers' co-operatives have entered the field. The mill-buyers are trying to establish their own monopoly organisations and the central government is also establishing its agency for trading in cotton to stabilise cotton prices. The author is of the opinion that the haphazard manner of control of cloth prices and many other restrictions have resulted in benefits of cotton prices going to traders rather than to the producers of cotton.

As regards processing of cotton, the study reveals that at present Vidarbha claims about 19 per cent of the total number of processing factories in the country. But the machinery and other equipment used in these factories is about 70 to 100 years old and modernisation has been completely neglected all these years. The industry is highly labour-intensive and its seasonal nature creates the problem of unemployment of machinery and labour in the off-season.

The study of ginning and pressing costs has shown that in ginning, labour and fuel and in pressing, labour and packing materials claim the largest shares in total costs.

On the basis of his survey the author has made some constructive suggestions

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for improving the situation which has remained extremely unsatisfactory for long.

As regards the process of cultivation of cotton, the author is of the opinion that a certain amount of mechanisation will have to be introduced if the net return per acre is to go up. He also pleads for intensive studies of soil in Vidarbha so that its potentialities can be known before one thinks of fully exploiting it. Only on the basis of such detailed soil studies can agricultural planning be meaningful. The author pleads therefore for the establishment of a special research laboratory in Vidarbha for the purpose of conducting experiments on various aspects of cotton cultivation, as also in the industrial uses of cotton plants and its various by-products. Similarly utilisation of the

potentialities of minor irrigation works deserves special care.

The author has also made some useful suggestions regarding the organisation of marketing societies to improve their efficiency. As regards ginning and pressing, he feels that there is great scope for the reduction of costs by introducing various mechanical processes.

Dr Khandewale has taken great pains to compile the material and critically analyse the collected data. If crop-planning and agricultural reorganisation in the country is really to succeed, such crop and regional studies are absolutely essential. Without the firm foundation of the type provided by Dr Khandewale in this book, agricultural planning on the national or even regional level will just be a leap in the dark.

Banking Concepts in Perspective

Theory and Practice of Banking: H. L. Bedi, G.S. Ayyar, A. P. Shenoy, H. P. Shenoy and N.V. Subramanian; published by the authors at Shri Sadan Narayan Dabholkar Road, Bombay-6; Pp. 351; Price Rs 15.

Reviewed by B. GANAPATHY SARMA

The banking industry at present is passing through a period of sweeping changes and rapid developments. The old concepts, aims and objectives of banking are undergoing sea change and the banks are now being called upon to play a distinctive and significant role in the socio-economic transformation of the country. Moving with times the banks are evolving new strategies for financing credit-starved and credit-hungry segments of the economy and the community. The banks are also going ahead full steam in widening and deepening their network of branches especially in semi-urban and rural areas and in unbanked and underbanked regions. The current rate of branch expansion of public sector banks, for instance, is running nearly at 160 new offices per month as against a mere monthly average of 38 offices during the three pre-nationalisation years ended December 1968—a record which is altogether without parallel in the banking history of the country. More ambitious branch expansion programmes are being drawn up and are in the process of implementation. But the current over-rapid branch expansion can be maintained and sustained without risk to the banking system if and only if adequate arrangements are made for training of banking personnel. Further, mere setting up of targets cannot bring forth desired results as targets are means for pulling a system out of a rut and giving it a push but thereafter performance will be judged by providing basic training to the vast multitude of banking personnel so that they may be able to handle efficiently the service to customers.

The book *Theory and Practice of*

Banking in this context is a welcome addition to the current literature on banking. Although there are quite a number of books on the subject, there is hardly any comprehensive book written by a team of professionals which will suit the requirements of the banking personnel, especially at the junior level. Keeping this in view the authors of the above book, who have long, rich and varied experience in the field of banking, have dealt with all banking topics, including the latest concepts on banking, in a language which is completely free from technical jargon. The narrative is unique—concise, precise and simple. Perhaps one of the outstanding merits of this valuable publication is its unusual simplicity of style so much so that even complex and complicated subjects could be understood and easily mastered by intelligent persons.

The treatise has been broadly divided into five parts on the basis of functions performed by banks. They are deposits, advances, foreign exchange, bills and remittances and miscellaneous services. As banks, particularly after the post-nationalisation period, are pumping more and more money into priority sectors and other neglected areas of the economy, adequate emphasis and elaborate coverage have been given to topics such as 'Farm Finance', 'Finance of Small Scale Industries' and 'Small Borrowers'. As 'Foreign Exchange' has gained special importance, this subject has also been dealt with separately in the book. On the whole, there is hardly a banking topic or concept which has not been touched or discussed in this tidy publication.

In brief this handy compendium

giving comprehensive and up-to-date information on all aspects of banking will doubtless prove as a guide and invaluable book of reference to banking personnel in particular and aspiring banking students in general.

Books Received

Consumer Preference Survey for Textiles in Uttar Pradesh: Published by the Market Research Division, Textiles Committee (Ministry of Foreign Trade, Government of India), 79, Dr Annie Besant Road, Worli, Bombay-18; Pp 238; Price Rs 10.

Regional Planning: Jos G.M. Hilhorst; Rotterdam University Press, P.O. Box 1474, Rotterdam-2, Netherlands; Pp 151.

The Soviet Quest for Economic Rationality (The Conflict of Economic and Political Aims in the Soviet Economy 1953-68): Willem Keizer; Rotterdam University Press; Pp 267.

Small Industry Exports (A Study into Promotional Techniques): O.P. Jain; S. Chand & Co. (Pvt) Ltd, Ram Nagar, New Delhi-55; Pp 342; Price Rs 35.

Indian Political Thinking in the Twentieth Century from Naoroji to Nehru: A. Appadorai; Oxford University Press; Pp 189; Price Rs 10.

Some Aspects of Co-operative Housing Societies in Ahmedabad City: Mahesh Bhatt and V.K. Chawda; Gujarat University; Pp 68; Price Rs 2.50.

Some Aspects of the Finances of the Gujarat Government: Mahesh Bhatt and C.H. Thaker; Gujarat University; Pp 17; Price Rs 0.75.

From Istanbul to Vienna: Speeches and Addresses delivered in India and abroad by Bharat Ram; Indian National Committee of the International Chamber of Commerce, Federation House, New Delhi-1; Pp 246; Price Rs 25.

Marketing of Cash Crops Efficiency of Futures Trading: M. G. Pavaskar; Published by *Economic and Political Weekly*, Skylark, 284 Frere Road, Bombay-1; Pp 137; Price Rs 15.

The Art of the Possible (Diplomatic Alternatives in the Middle East): Michael Reisman; Princeton University Press, Princeton, New Jersey, USA; Pp 161; Price \$ 1.95.

(i) *The Philippines (Industrialisation and Trade Policies):* John H. Power and Gerardo P. Sicat; Pp 1-134. (ii) *Taiwan (Industrialisation and Trade Policies):* Mo-Huan Hsing; Pp 135-324; Published for the Development Centre of the OECD by Oxford University Press; Price £ 2.25 (45s.) net in UK.

Monetary Equilibrium and Economic Development: V. Krishna Murthy; Popular Prakashan; Pp 224; Price Rs 28.

RECORDS AND STATISTICS

Trade Policy for Self-reliant Economy

At a recent meeting with economic editors of the country, Mr L.N. Mishra, Minister of Foreign Trade, stated that the export performance of this country was expected to be better in the current year because of the changed situation in the international markets. It was conceded that India's exports to the United Kingdom would be reduced if and when that country entered the Common Market but the export possibilities of non-traditional goods had improved because of a number of factors including the changes recently introduced in the trade policy of the country. A review of India's exports in 1970-71 was distributed at this meeting which is reprinted in full below:

There is now a general agreement in the country that a sustained increase in our exports must form an integral part of our national development effort. Without a progressive increase in exports, the country's dream of self-sustained growth, dispensing with inflows of external capital on concessional terms as early as possible, can never become a living reality. Even otherwise, given the very considerable uncertainty surrounding the future inflows of foreign aid, an increasing level of exports can help to sustain a high level of economic activity in face of inadequate aid flows. A systematic exploitation of export markets can be an important means of making a fuller use of the many economies of large scale which characterise modern industry. At the same time, the growth of labour intensive export products can make a significant productive contribution to the mitigation of the very serious unemployment problem now facing the country. Thus a rapidly increasing level of exports enhances the degree of manoeuvrability available to the economy in reconciling its various social and economic objectives.

The fourth five year Plan envisages the growth of exports at an average annual rate of seven per cent per annum. In order to achieve this target, we have to defend and improve upon our existing share of traditional exports. However, there is no denying the fact that the outlook for exports will be greatly influenced by our ability to step up exports of non-traditional items, consisting largely of products of our growing industrial sector. The exports of non-traditional products have to increase at an average annual rate of 15 to 20 per cent if the Plan target for

overall growth of exports is to be realized.

Review of Exports in 1970-71

India's exports increased by 4.1 per cent in 1969-70 which happened to be the first year of the fourth five-year Plan. During 1970-71, exports increased by 8.3 per cent. As a result of highly successful export effort in 1970-71, the country's trade deficit declined from Rs 169.5 crores in 1969-70 to Rs 97.6 crores in 1970-71, which happens to be the lowest level for the past 15 years (see Table I).

The details of commodity-composition of India's exports during 1970-71 are still not available. However, data for the period April-December, 1970, indicate that export earnings of a large number of commodities increased. These commodities included: iron ore, tea, engineering goods, oil cakes, iron and steel, chemicals and allied products (see Table II). Rapid growth of overall exports in 1970-71 was possible despite none too favourable performance of some of our major traditional exports such as jute manufactures and leather and leather manufactures. The highly commendable performance of our non-traditional exports in recent years is a testimony to our growing ability to expand our exports in a fierce competitive international environment. No doubt, our exports in 1970-71 were helped by some favourable international developments which led to an increase in value of exports of commodities like iron and steel despite a fall in quantity exported. However, it can hardly be denied that the growth of exports was greatly facilitated by a large number of pro-

motional measures that have been adopted by the Government of India in the last few years. At one time it was widely believed that the growth of India's exports of engineering products after the devaluation of 1966, was a temporary phenomenon which would cease to operate once the idle capacity which had appeared in the course of industrial recession of 1967-68 was fully utilised. It is true that the existence of idle capacity increased the business firms' interest in seeking export markets but it is also a fact that this interest has been sustained even after the revival of domestic demand since 1968-69. Many exporters have realised the importance of exports as an alternative outlet for production, developed at considerable initial costs and efforts which they cannot afford to lose. Government policies in recent years have helped to sustain our producers' interest in the export markets. Indeed, but for the unexpected shortages of some critical inputs such as iron and steel, the progress would have been still more rapid.

Export Target for 1971-72

The extremely satisfactory export performance in 1970-71 has encouraged us to set a more ambitious targets for growth of exports in 1971-72. We expect that exports in 1971-72 will increase by 9.1 per cent — from Rs 1530.6 crores in 1970-71 to Rs 1670 crores in 1971-72. There is no doubt some uncertainty regarding exports of our traditional products. For example, the decision of the United Kingdom to levy an import duty of 15 per cent on textiles imported into that country from Commonwealth developing countries will no doubt adversely affect our exports of cotton textiles to United Kingdom. The continued shortage of some critical inputs like iron and steel is also a source of some anxiety. Yet there is every reason to hope that notwithstanding these uncertainties, the

TABLE I

INDIA'S BALANCE OF TRADE ON MERCHANDISE ACCOUNT

Years	(Value in Rs crores)		
	Imports	Exports incl. re-exports	Balance of trade
1966-67			
1967-68	2078.4	1156.6	-921.8
1968-69	2007.6	1198.7	-808.9
1969-70	1908.6	1357.9	-550.7
1970-71	1582.7	1413.2	-169.5
1971-72 (target)	1628.1	1530.6	-97.6
	—	1670.0	

Source: DGCI&S, Calcutta for actual figures upto 1970-71 and Min. of Foreign Trade for export target for 1971-72.

TABLE II

INDIA'S EXPORTS OF PRINCIPAL COMMODITIES

Items	April-December		Rs crores Rise (+) or fall (—) in April-Dec. 1970 over April-Dec. 1969
	1970	1969	
Increased Items			
Iron Ore	86.14	62.03	+24.11
Tea	120.15	97.51	+22.64
Engineering goods	82.17	63.31	+18.86
(i) Machinery	32.49	26.71	+5.78
(ii) Transport equipment	21.73	11.59	+10.14
(iii) Metal manufactures	26.10	23.48	+2.62
Oil cakes	40.80	28.50	+12.30
Iron and steel	62.11	51.95	+10.16
Sugar	17.70	8.58	+9.12
Chemical and allied products	21.52	15.54	+5.98
Spices	24.56	19.93	+4.63
Coffee	21.62	17.99	+3.63
Mineral fuels and lubricants and related materials	10.94	7.83	+3.11
Cotton piecegood (mill-made)	48.67	46.04	+2.63
Manganese ore	10.54	8.09	+2.45
Other cotton manufactures	12.27	9.98	+2.29
Cotton apparel	5.97	3.72	+2.25
Rubber manufacture	5.41	3.46	+1.95
Ferro-manganese & ferro alloy	8.65	6.77	+1.88
Meat & meat preparations	2.64	0.83	+1.81
Raw jute	2.76	1.26	+1.50
Vegetable oils (non-essential)	4.35	3.16	+1.19
Fabrics of art silk and synthetic fibre,			
Spunglass	3.68	2.61	+1.07
Gums, resins and lac	7.27	6.21	+1.06
Mica	12.27	11.41	+0.86
Paper and paper board	4.35	3.93	+0.42
Coir yarn & manufactures	10.26	9.94	+0.32
Cotton raw	10.59	10.42	+0.17
Fish	23.85	23.79	+0.06
Decreased Items			
Jute manufactures	136.10	158.38	—22.28
Leather and leather manufactures	60.70	68.38	—7.68
Hides and skins raw	3.55	6.88	—3.33
Pearls, precious & semi-precious stones	31.34	33.94	—2.60
Cotton yarn	18.00	20.24	—2.24
Groundnuts	2.66	4.83	—2.17
Cashew kernels	42.31	43.91	—1.60
Tobacco manufactures	26.14	27.26	—1.12

Source: D.G.C.I. & S., Calcutta.

export target for 1971-72 can be met. It is expected that a large number of items, both traditional and non-traditional, will contribute to the growth of exports in 1971-72. Government shall continue to adopt active measures to encourage the growth of export production and to enhance the quality and competitiveness of our exports in international markets. The broad outline of the type of policies the government intends to pursue in support of the country's export effort is given in the Export Policy Resolution laid before Parliament in July, 1970. Some of the important policies of the government are described in the following paragraphs.

Export-oriented Industrial Licensing Policy

In respect of export-oriented units, applications for industrial licences and other clearances will be accorded the highest priority by the government. In considering and dealing with applications for industrial licences regard will be had to the creation of capacities in such manner that adequate export supplies are generated. Export potential of undertakings belonging to the small and middle sector entrepreneurs will be developed to the maximum possible extent. Special attention will be paid to the development of export production of small-scale sector units in respect of items specifically reserved for them.

Under the licensing policy for export-oriented industries, undertakings belonging to or controlled by the larger industrial houses and foreign concerns which are expected, according to the new licensing policy, to participate mainly to the core and heavy investment sectors, would be able to establish undertakings or expand production in areas other than these sectors provided they undertake specific export commitments. The minimum export obligation in such cases will be 60 per cent or more of the new or additional production. Even in the fields reserved for the small-scale sector, in the interest of stepping up exports, units other than small-scale units can be considered for expansion or creation of new capacities if they undertake an export obligation of a minimum of 75 per cent of the new or additional production. It will, however, be ensured that the production allowed for indigenous sales is not so large as to swamp the small-scale units.

Role of Public Sector Agencies in Promoting Exports

Public sector agencies will be enabled to play an expanding role in developing exports and building up the export capabilities of manufacturers and ex-

porters. Exports of certain commodities will be canalised only through public sector agencies so as to maximise our export receipts from them. STC and MMTC will play an expanding developmental role in supplementing the export effort by acting as a path finder and a catalyst. They will, in particular, render support to small exporters by affording them a combined selling strength on the one hand and a service on the other, both in India and abroad. These agencies will also provide assistance by way of finance, marketing and quality control. The Projects and Equipment Corporation will in co-operation with manufacturers of heavy equipment and machinery, organise for international tenders, long-term strategies entailing planning of raw material requirements, finance and marketing services. Its emphasis will be on projects which are either new or slow moving.

Priority Treatment of Export-oriented Units

Industrial units engaged in priority industries are accorded preferential treatment if they export 10 per cent or more of their production. Such preferential treatment includes facilities for further expansion of the export production and improvement of installed capacity and for the import of raw materials and components from the preferred sources of supply. The extent of the preferential treatment will vary with the export performance of the industrial units. Industrial units exporting 25 per cent or more of their production will be eligible to import a higher quantum of their requirements against free foreign exchange. In the case of industries other than those in the priority list, units exporting 10 per cent or more of their production will be treated as if they belong to the list of priority industries.

Facilities for becoming Export-oriented Units

The present export effort in industrial field is confined to a few of many organised units. The government is desirous of assisting all competent concerns to expand and become more efficient in exporting over a period of time. A scheme, has therefore been evolved to assist industrial units desiring to enter the export field and build up their export potential with a view to becoming eligible for the special treatment accorded to export oriented units. Such units will be encouraged to put forward phased programmes of export of their products as to achieve within a short period of time a level of exports equal to those of existing export-oriented units. Such phased programmes if approved by government will

qualify applicants for any or all of the facilities granted to export-oriented units.

Liberal Import Policy for Exports

Import policy is designed to facilitate the growth of export production and to enhance the quality and competitiveness of our exports. Exporters can obtain imported raw materials and equipment required for export production under the Import Policy for Registered Exporters. Import replenishments accruing against exports under this policy can also be used by manufacturers for the import of machinery required for replacement, balancing or modernisation or research and development, for an amount not exceeding 50 per cent of the value of licence or Rs 2 lakhs, whichever is less, provided that this facility is not availed of more than twice in any financial year. The facilities of advance licences, 'imprest' import licences and 'on account' licences have been introduced so as to ensure continuous supply of raw materials and components for export production. Applicants for import of capital goods, equipment, dies, jigs and tools required by exporting units for expansion, modernisation, diversification of production facilities as well as for research and development with a view to developing their export potential will be accorded high priority. A special allocation of foreign exchange in the foreign exchange budget has been made to that end. It has been decided that exports made in discharge of export obligations (against import of capital goods) will be eligible for the grant of import replenishment licences.

In order to accord greater stability necessary for the growth of exports, a scheme has been introduced for the registration of export contracts involving deliveries over a period of not less than six months. In respect of exports made in the execution of such registered contracts, the exporters will be eligible for the same levels of support in respect of import replenishment and other benefits under the import policy for registered exporters as were permissible on the date of such contracts with overseas buyers. A higher import replenishment may be allowed to an exporter to accommodate essential raw materials or components required to be imported on the ground that the quality or quantum of the indigenous substitute is not adequate, or its price is too high to maintain the competitive strength of the export product.

Foreign Collaboration in Export-oriented Production

Foreign collaboration will be more freely permitted in the case of primarily

export-oriented units. The existing collaboration agreements providing for restraints on exports will be suitably revised when due for renewal. The policy of not allowing foreign collaboration in trading activities may also be relaxed provided such collaboration is intended exclusively for exports. Foreign collaboration may also be considered in low priority sectors if the collaboration agreement provides for the greater part of production to be exported.

Priority in Supply of Indigenous Materials

Exporting units will be granted priority in the matter of supply of indigenous raw materials for export production. There is also a scheme for the supply of certain plastic raw materials and other materials at international prices by indigenous producers, for export production.

Compulsory Export Obligations for Certain Units in Priority Sector

Industrial units engaged in priority industries which fail to export at least 5 per cent of their production are liable to cuts in their import requirements apart from being ineligible to the preferred sources of supply.

Compensatory Support

Compensatory support is allowed to exports of selected products to develop marketing competence and to neutralise the disadvantages inherent in the present stage of development of the economy and the various state and local taxes and levies not refunded. Rates of compensatory assistance are expressed as percentage of f.o.b. value of exports and generally vary from 5 to 30 per cent. Engineering goods, chemicals and allied products are eligible for compensatory support.

Trade Development Authority

The function of TDA is to promote selective and intensive export development of products with growth potential by technically competent and commercially viable units, to the developed and developing countries, through provisions of package of services in the field of export production and marketing. The products and the markets to which TDA's programme is directed are new and highly sensitive to performance of contracts according to scheduled deliveries. The products chosen by TDA include parts, components and accessories which go into the production assembly and any delay or default in shipment would hold up production lines abroad, resulting ultimately in loss of business. The government has approved a package plan for servicing the requirements of TDA's

clientele. According to this, simplified procedures have been evolved for processing applications duly recommended by the TDA for advance licences. The TDA has also been recognised as a sponsoring authority for recommending applications for import of capital equipment and new toolings in balancing/modernisation/expansion/creation of capacity.

Generalised Scheme of Tariff Preferences

The agreement on introduction of the GSP by the developed market economy countries, concluded in October, 1970 under the auspices of the UNCTAD Special Committee on Preferences holds out a challenge and an opportunity to a country like India which is struggling hard to expand and diversify its exports. EEC and Japan have decided to introduce GSP by July, 1971. Other developed countries may introduce GSP by July, 1972.

India's exports can increase by about \$200 million (Rs 150 crores) as a result of GSP provided we are sufficiently alert to seize the new opportunities. Although India's exports to the Commonwealth developed countries may suffer as a result of our having to share our existing preferences with non-Commonwealth developing countries, the overall benefits to India on account of preferences in the EEC, Japan and USA are likely to exceed any possible loss in Commonwealth countries.

India's Trade Relations

The decision of the United Kingdom to impose an import duty of 15 per cent on Indian textiles from next year has aroused justified resentment in this country. This issue, as well as the wider problem of the likely effects on our exports, of UK's entry into the European Economic Community, is engaging our close attention. It is our intention to persuade the Community that the pursuit of liberal trading policies is in our mutual interest. Our economic relations with the socialist countries of eastern Europe have continued to develop satisfactorily to our mutual interest and it is our intention to further strengthen these relations.

India has strongly supported increasing economic co-operation among developing countries. We fully subscribe to the Declaration on Non-Alignment and Economic Progress adopted by the heads of states/governments of non-aligned countries in Lusaka, in September, 1970, pledging for a programme to foster mutual co-operation among developing countries to impart strength to their national endeavours and to contribute to each other's economic and social progress by an effective utilization of the complementarities

between their respective resources and requirements

We have strongly supported efforts being made by the ECAFE countries to promote regional economic co-operation. Significant progress was made at the meeting of the Council of Ministers for Asian Economic Co-operation held in Kabul from December 16 to 19, 1970 towards the establishment of an Asian Clearing Union and launching of a trade expansion programme as speedily as possible. India's close and cordial economic relations with the neighbouring countries will be further developed.

Expanding Role of the Public Sector in Imports

It is the declared policy of the government to expand the role of the public sector in the country's import trade. Government are convinced that state trading can be of great help in taking advantage of economies of scale arising out of bulk contracting, bulk procurement and bulk shipments and thereby securing favourable c.i.f. prices of imports. State trading can also help to deal more effectively with the evil practice of over-invoicing of imports, mop up a part of windfall profits accruing to private importers and also in pursuing orderly pricing and distribution policies. Consistent with these objectives, under the new import policy for 1971-72, 51 additional items have been added to the list of imports canalised through public sector agencies. With the addition of these items, the list of canalised imports will cover 112 items. On this basis, the public sector agencies will handle about 70 per cent of total imports by March, 1972.

Public sector agencies engaged in

state trading are taking active measures to ensure an effective planning of import requirements, efficient procurement, distribution and stocking of imported goods. Sale prices for distribution of goods to actual users will be determined by the public sector agencies concerned subject to the guidance and general control of the Ministry of Foreign Trade. The working of public sector agencies in regard to procurement, pricing, distribution of imported materials and other procedures will be reviewed every quarter by a committee in the Ministry of Foreign Trade.

Summing Up

In the last fifteen years, India's industrial structure has been greatly diversified. It is now possible to sustain a large scale export effort in which both traditional and non-traditional items must play an important role. Our managerial and technological skills, including our knowledge of technique of international marketing have considerably increased in the last two decades. Institutional arrangements for the promotion of exports have been greatly strengthened. The adoption by the developed countries of a generalised system of tariff preferences in favour of developing countries constitutes another major favourable development for our exports. Government policies will continue to promote sustained growth of export production and to strengthen the quality and competitiveness of our exports. In this connection, public sector agencies will play an increasing promotional role. On the basis of all these developments, it is possible, now as never before, to achieve a significant breakthrough in exports, which are so vital for securing expanding levels of income and employment.

RECORDS AND STATISTICS

Editor : R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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NATIONAL PRODUCT AT FACTOR COST*

Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67†	1967-68†	1968-69†	1969-70†
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Net National Product (Rs crores††)										
At current prices	13294	14050	14873	17094	20061	20621	23903	28374	28678	31174
At 1960-61 prices	13294	13763	14045	14845	15917	15021	15243	16660	17057	17955
Per capita net national product (Rs)										
At current prices	306.3	316.4	327.6	368.4	423.2	425.1	482.9	560.8	554.7	589.3
At 1960-61 prices	306.3	310.0	309.4	319.9	335.8	310.4	307.9	329.2	329.9	339.4
Index number of net national product.										
At current prices	100.0	105.7	111.9	128.6	150.9	155.1	179.8	213.4	215.7	234.5
At 1960-61 prices	100.0	103.5	105.6	111.7	119.7	113.0	114.7	125.3	128.3	135.1
Index number of per capita net national product										
At current prices	100.0	103.3	107.0	120.3	138.2	139.1	157.7	183.1	181.1	192.4
At 1960-61 prices	100.0	101.2	101.0	104.4	109.6	101.3	100.5	107.5	107.7	110.8
Gross national product (Rs crores††)										
At current prices	14029	14860	15803	18088	21176	21839	25285	29889	30329	33019
At 1960-61 prices	14029	14547	14930	15758	16900	16023	16307	17777	18225	19173
Index number of gross national product										
At current prices	100.0	105.9	112.6	128.9	150.9	155.7	180.2	213.1	216.2	235.4
At 1960-61 prices	100.0	103.7	106.4	112.3	120.5	114.2	116.2	126.7	129.9	136.7
Estimated population (million)										
	434	444	454	464	474	484	495	506	517	529

*This table had appeared on page 1187 of our issue dated June 18 with some errors. Here is the correct table.
†provisional ††crore=10 million

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