

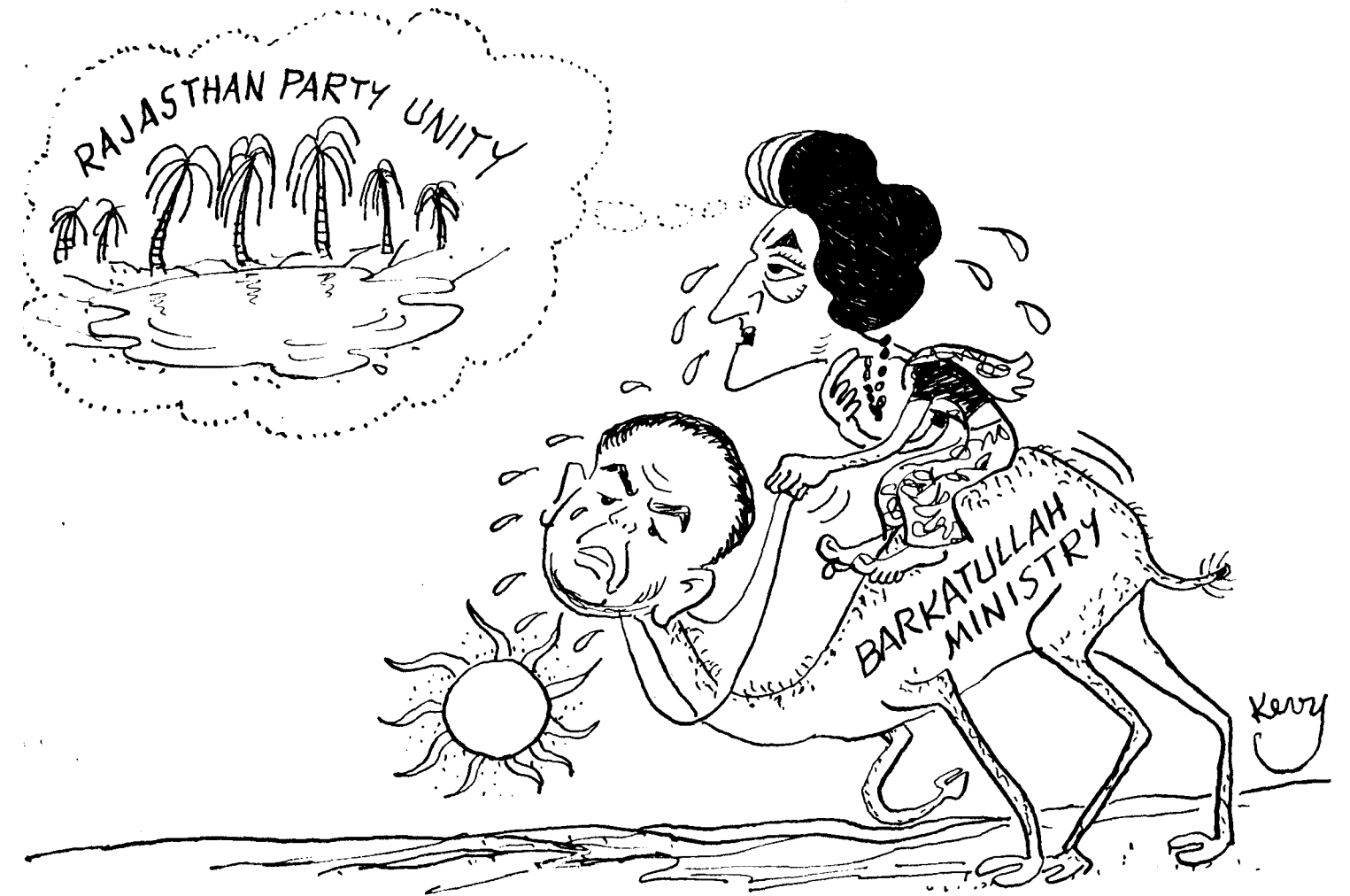
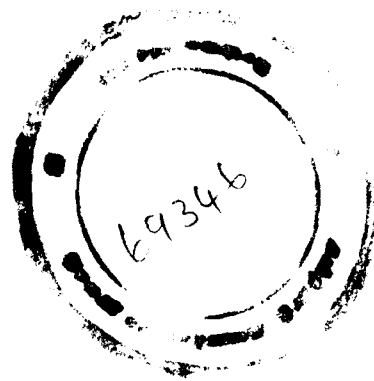
EASTERN ⁴ECONOMIS

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JULY 23, 1971

VOL. 57

Nixon Fixes It
Self-Sufficiency in Foodgrains : When?
Opportunities in South-East Asia
The Enigma of Eurodollars



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JULY 23, 1971

Nixon Fixes It	147
Self-Sufficiency in Foodgrains : When?	149
Wanted : Discipline of the Balance Sheet	150
Opportunities in South-East Asia ..	152
Hesitant Growth of UTI ..	154
Railway Finances—L. G. Bapat ..	155
Intensifying the Hunt—Sagittarius ..	157
FROM THE PRESS GALLERY ..	160
Industrialising Remote Areas	
BALANCE SHEET	166
Central Bank of India	
WINDOW ON THE WORLD ..	174
The Enigma of Eurodollars India and South Korea.	
TRADE WINDS	176
Trade with Yugoslavia; Pharmaceuti- cals Exports; Malaviya Commission; Poll on Banks' Popularity; Na- tionalised Banks' Deposits; 'Priya Darshini' Launched; Television Insti- tute; Names in the News.	
COMPANY AFFAIRS.. .. .	178
Central Bank of India; Bihar Alloy Steels; Texmaco; Bank of India; Great Eastern Shipping; Voltas; Nandurbar Oil; Kirloskar Electric; Cable Compa- nies to Merge; Licences and Letters of Intent.	
RECORDS AND STATISTICS ..	183
Deposits with Non-Banking Compa- nies: 1967-68.	
Performance of Central Government Undertakings for 1969-70.	

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NIXON FIXES IT

PRESIDENT NIXON's projected pilgrimage to Peking, taken at its face value, lays two ghosts and not one as is generally supposed. First, and rather obviously, it lays the ghost of the Dulles dream of containing China, if not casting it out of the comity of nations. Secondly, but not necessarily secondarily, it lays the ghost of the Nehru vision of Maoism made safe for Asia through the pious chanting of the mantra of *Panchsheel*.

Through long years of bluffing and puffing, bullying and blundering, the computerised games of politics played in or between the White House and the Pentagon in Washington have at last been forced to face their moment of truth, which is that American foreign policy has virtually exhausted its credibility by persisting in ignoring in its logic or arithmetic about as much as one-fourth of the human race organised in a totalitarian militaristic state which has at last successfully reached out to nuclear super-power status. Quite clearly this immediate compulsion acting on President Nixon and coercing him to give himself an opportunity to see how ping pong is played in the Great Hall of the People in the Chinese capital is a sad realisation on the part of the strategists of his administration, that the United States cannot hope to save face in Vietnam unless it has first succeeded in bargaining with Peking and striking a diplomatic deal across the Great Wall of political, economic and strategic conflicts of interests which have kept the United States and China apart throughout the middle decades of this century. The truth is there for all to see that it is for Mao Tse-tung more than for any other political panjandrum today to determine with what dignity the government of the United States may extricate itself from Saigon within the remaining period of President Nixon's current term of office.

This, however, is not the whole of Washington's stakes in President Nixon's plan for a dialogue with Peking. As the big-power talks on Strategic Arms Limitation keep getting more and more unreal in terms of what must in essence be an agreement among the United States, the Soviet Union and China to limit their respective nuclear stockpiles, and capabilities, both Washington and Moscow must naturally become increasingly anxious to establish contacts with that important Odd Man Out, to wit, the government of the largest country in the largest continent in the world — a government, moreover which has deliberately and determinedly gone nuclear for the sole purpose of ensuring that a Russo-American understanding by itself will not be able to safeguard world peace or even guarantee that this peace will not be continually threatened by the possibilities of nuclear conflagration.

On a less exciting but nevertheless intensely practical plane, the United States has been becoming painfully wise to the fact that its strategy of a political and economic boycott of the government in Peking has miserably failed to isolate China either politically or economically from the rest of the world excepting of course the United States alone. While Canada's establishment of diplomatic relations with China is perhaps the most dramatic breach in the United States' laborious exercise in isolating China from the non-communist world, the large and growing commerce between China on the one hand and Japan, the UK, West Germany, France, Italy and other west European countries on the other has forcefully brought out the fact that the United States has only been cutting its nose to spite its face.

Again, whereas the United States' embargo on strategic supplies to China by itself or its NATO or other allies has done little to prevent Peking from building up its war potential, Washington's policy of self-denial in the matter of trading with China has only denied the American industry, so expressly oriented towards global commerce, the opportunities of doing business with one of the largest markets in the world. With American business having grown too big for its domestic market as well as the markets of western Europe, it has ceased to make sense for American diplomacy to watch idly Japan and other aggressive trading nations forcing their way into the billion-people market of Chinese Asia. It follows that President Nixon must therefore be in dead earnest in his present exercise of trying to throw a bridge across the Pacific.

Viewed in terms of these developments in United States-Chinese affairs, India's foreign policy, such as it is, clearly needs to take a long, close and hard look at itself. It is natural that New Delhi should be somewhat chagrined at President Nixon's Adviser on National Security, Dr Henry Kissinger, having used

the Indian capital as a Men's Room in an airport lounge while on his way via Islamabad to his secret rendezvous with Mr Chou En-lai in Peking. It is not always bad however for a government to be humbled especially when that government may have lost its capacity for humility even when humility could be a virtue. It is apparent that the Indian government and its affairs are not of any great importance in the scheme of great power diplomacy. In this sense the Nehru legacy of non-alignment has perhaps been totally triumphant. Of what current value or help this famous victory could be to us, however, is a different question.

Right now we have to feed, clothe, house and otherwise care for about ten million men, women and children who are legally the citizens of a neighbouring country. Our Prime Minister has been asserting that these displaced persons will and shall go back. At the same time she has been saying that they can return to their country or our government may expect them to do so only if and when a political settlement is reached between the popular movement in East Bengal and the military regime in Islamabad making it possible for the people of East Bengal to be governed by a popular government of their own choice. Initially, i.e., in the earlier months of the Bangla Desh movement, our Prime Minister and the government of India apparently believed that sufficient international pressure would be generated soon enough to force Islamabad to wind up its reign of

terror in East Bengal and agree to a negotiated settlement of the political demands of the Awami League. These expectations have been gradually fading and given President Nixon's current intense involvement with his projected trip to Peking, it has become more than ever clear that there is going to be no effective international disciplining of the generals of Islamabad.

Following this the government of India has evidently started switching its bet. The gamble now is on increasingly effective guerilla operations by the *Mukti Fauj* against the Pakistani army of occupation. In terms of cold logic or hard military logistics the success of the *Mukti Fauj* would depend on the extent to which the government of India is prepared to engage itself in imparting systematic military training to the freedom forces and more important still, providing in the needed quality, kind, range and volume the military hardware needed to do battle with a highly mechanised, adequately equipped and systematically indoctrinated professional army, deployed with sufficient cover or support in the air. So far as is known the government of India does not have a programme for reinforcing on this scale the operations of the *Mukti Fauj* and is clearly in no mood to commit itself militarily to the Bangla Desh movement to a point where a larger armed confrontation between Pakistan and our country may come to be a natural risk.

This being the case, it is rather sur-

prising that our government should be inclined to reject out of hand any notion or possibility of a straight talk with the government of Islamabad at least on the specific issue of the immediate future of the East Bengal refugees in India. This is a matter which is primarily a bilateral issue between Pakistan and our country and since the world community by and large does not seem to be interested in playing an effective part in helping India to solve this problem, the only course open to us is to take up this issue firmly with Islamabad and demand satisfaction. A diplomatic confrontation of this kind is not only ultimately unavoidable but is also immediately desirable. It has not been said anywhere that one should never agree to sup with the devil. The relevant advice or warning is only that he who sups with the devil must thoughtfully provide himself with a long spoon. In our view, it is plainly irresponsible on the part of the government of India to refuse to talk to the Yahya regime about this matter of the refugees which is most definitely an Indo-Pakistan affair. It would be ridiculous on the part of our government to pretend that there could be ways of bringing about the return of the refugees to East Bengal without New Delhi treating with the effective government in Pakistan at some stage or the other. Our diplomacy has often been caught with its pants down. In these times of Women's Lib it may perhaps be not inappropriate for it to be found with its bra off, but the resultant spectacle may not be merely amusing.

Self-Sufficiency in Foodgrains : When?

THE WORLD Bank's latest assessment of our economy suggests that the expectations of the government of India that we would be able to dispense with concessional imports of foodgrains after the current calendar year might not materialise. Contained in this august body's annual report on our development plans, presented to the last month's Paris meeting of the Aid-India Consortium, the assessment reveals that even under favourable weather conditions, we shall have to continue to import some quantities of foodgrains during the two terminal years of the current Plan. Apparently the reference is to concessional imports since commercial imports (ranging around half a million tonnes) are predominantly of rice which is not available except on cash terms. The total imports this year may be around 1.7 million tonnes or slightly less if the 1970-71 crop turns out to be higher than 105/106 million tonnes.

It may also be pointed out that the World Bank's assessment does not take into consideration the pressure put on our food supplies by the influx of nearly seven million refugees from Bangla Desh following the military regime's crackdown there. It relates to normal conditions in the country; the refugee influx will only aggravate the situation.

The basis for the assessment of the World Bank is that the growth in fertilizer use during the fourth Plan may not be more than 20 per cent per annum, as against 30 per cent envisaged earlier. This will make the target of raising the output of foodgrains in 1973-74 at 129 million tonnes unattainable.

There is no denying the fact that the rate of growth of application of fertilizers to our farming has decelerated in the recent past. Correlating the 1973-74 agricultural output targets of 129 million tonnes foodgrains, 10.50 million tonnes oilseeds, 1.50 million tonnes sugarcane (in terms of gur), 8.00 million bales cotton, 7.40 million bales jute and a substantial increase in the production of other crops with consumption of fertilizers, the fourth Plan envisaged that there would have to be a threefold increase in the latter to 5.5 million tonnes in that year, consisting of 3.2 million tonnes nitrogen (N), 1.4 million tonnes phosphate (P_2O_5) and 0.9 million tonnes potash (K_2O) from the level of 1.76 million

tonnes in 1968-69—1.21 million tonnes N, 0.38 million tonnes P_2O_5 and 0.17 million tonnes K_2O . The total increase in the consumption of fertilizers in 1969-70 over the previous year is estimated to have been of the order of only 14 per cent. The consumption of nitrogen in that year went up to about 1.40 million tonnes, that of P_2O_5 to 0.45 million tonnes and of K_2O to 0.18 million tonnes. The actual consumption during the three years to 1969-70 was much below targets, as is evident from the following table.

CONSUMPTION OF FERTILIZERS IN INDIA 1967-68 TO 1969-70

(Million tonnes)

	N	P_2O_5	K_2O
1967-68 Target	1.350	0.500	0.450
Actual consumption	1.035	0.533	0.170
1968-69 Target	1.700	0.650	0.450
Actual consumption	1.208	0.381	0.170
1969-70 Target	1.700	0.600	0.300
Actual consumption	1.398	0.455	0.176

Opinions may differ, as they did at the Seminar on Co-ordinated Marketing and Use of Fertilizers and Other Inputs held in December last by the Fertilizer Association of India, on whether the increased prices of fertilizers, as a result of the imposition of excise duty two years ago and due to higher transportation charges, are inhibiting their application, as also on the contention of some that the demand for nitrogenous fertilizers has tended to slacken in the interest of balanced application of nutrients to soil. But there can be little dispute over the general feeling that efforts at popularising fertilizer use leave much to be desired. It is indeed regrettable that two important steps envisaged for this purpose nearly three years ago have yet to be implemented by the government. These are the establishing of

a fertilizer promotion council and a fertilizer credit guarantee corporation.

Even if these two bodies are set up in the near future, it will be a Herculean task to raise fertilizer consumption to 5.5 million tonnes by 1973-74, as envisaged in the fourth Plan. This is due to the fact that not only the two bodies will take time to get into stride but also availability of fertilizers, in all probability, will not match the requirements. Admittedly, the domestic production of both nitrogenous and phosphatic fertilizers has been trailing far behind targets; we do not produce potassic fertilizers as yet because of lack of economic sources of production. Currently, our output of nitrogen is around 0.83 million tonnes and that of P_2O_5 around 0.26 million tonnes. The balance requirements of these two plant nutrients and the entire needs of potash are being met through imports. The fourth Plan envisages raising of the production of nitrogen by 1973-74 to 2.5 million tonnes and that of P_2O_5 to 0.9 million tonnes. Will it be possible to attain these production targets?

At the present pace of the development of our fertilizer industry, the answer to this question obviously should be "no". A recent assessment of the government of India itself has revealed that against the target of 2.5 million tonnes production of nitrogen in 1973-74, we may be having actually an output of only about 2.185 million tonnes. According to the government's estimates, this will accrue as follows:

(Million tonnes)

1. Production from existing units (1.344 million tonnes capacity)	1.200
2. Production from units under implementation (1.668 million tonnes capacity)	0.895
3. Projects approved in principle (0.361 million tonnes capacity)	0.060
4. Projects under consideration and if approved expeditiously may contribute to production during IV Plan (1.104 million tonnes capacity)	0.030
	2.185

As regards P_2O_5 , the latest estimate of production in 1973-74 is around 0.671 million tonnes, against the target of 0.9 million tonnes. The esti-

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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mated production is expected to accrue as follows :

	(Million tonnes)
1. Production from existing units (0.421 million tonnes capacity)	0.377
2. Production from units under implementation (0.431 million tonnes capacity)	0.219
3. Projects approved in principle (0.725 million tonnes capacity)	0.075
	0.671

The possibility of shortfalls in the production of the two plant nutrients even from the above levels, of course, cannot be ruled out. The World Bank's estimate of the output of nitrogen in 1973-74, in fact, is reported to be 1.8 million tonnes. This apparently is due to the cognizance of many imponderables in the situation, the most important of them being the unduly protracted time taken for the setting up of fertilizer plants and their long gestation periods. Then, shortfalls in production owing to such factors as dearth of electricity too can well be expected. Self-sufficiency in fertilizers, and consequently in food, thus, may not be achieved till the latter half of the next Plan.

The above facts should suggest that

Wanted : Discipline of the Balance Sheet

IN JANUARY last year, the Prime Minister, Mrs Indira Gandhi, said in an interview to *Citizen*—a journal which had a fleeting life—that sometimes there was criticism of the public sector undertakings which was “levelled without knowledge of the full facts”. Keeping this observation in view it is worthwhile examining the statistical data compiled by the Ministry of Finance and released recently in such publications as “A Handbook of Information on Public Enterprises: 1970”, “Annual Report of the Working of Industrial and Commercial Undertakings of the Central Government: 1969-70”, Explanatory Memorandum of the Budget, 1971-72 and *Lok Udyog*, a monthly journal of the Bureau of Public Enterprises in order to analyse the performance of the public sector dispassionately. The facts collected by different wings of the central Ministry of Finance have been scrutinised here to draw some meaningful conclusions.

The commercial and industrial undertakings run departmentally by the central government, including the railways, recorded a net loss of Rs 8.54

crores in 1970-71 on an investment of Rs 3865.62 crores. The railways topped the list with a loss of Rs 23.69 crores on an investment of Rs 3321.61 crores. The forecast for the current year indicates a profit of Rs 11.06 crores on an investment of Rs 4055.62 crores. The return on capital employed in these undertakings works out at 0.25 per cent.

concerted efforts have to be made to speed up not only the fertilizer manufacturing programmes but also promotion of fertilizer use. At present our per hectare consumption of fertilizers is amongst the lowest in the world. There is great scope for extending their application not only to the entire irrigated or the assured rainfall areas but also to dry farming tracts, as various experiments in the latter areas in the recent past have proved a good success. Care, of course, has to be taken to encourage balanced fertilization of soil as recommended by the Seminar on Co-ordinated Marketing and Use of Fertilizers and Other Inputs. Unbalanced application of fertilizers may, instead of improving farm yields, have the contrary effect. It is indeed encouraging to note that an ambitious programme of soil testing has been drawn up.

The use of fertilizers in our agriculture can also gather momentum if the supplies of other farm inputs—improved seeds, pesticides, etc—are co-ordinated with those of fertilizers, for the package of scientific practices yields much better results than injudicious attempts at modernising the various components of farming operations individually. The Fertilizer Association of India has done well in highlighting this fact at its last December's annual seminar referred to above.

The picture is not materially different in the case of public sector undertakings which are not run directly by the central government. The investment in the share capital of these undertakings up to 1969-70 at Rs 2065.04 crores had yielded a net loss of the order of Rs 8.52 crores, according to the explanatory memorandum on the budget of the central government. The annual report of the working of central government undertakings in 1969-70 showed that these enterprises commanded an investment of Rs 4301 crores on March 31, 1970, out of which the equity capital was Rs 2107 crores and the long-term loans were Rs 2200 crores. Roughly, the equity capital and loans were

equally divided. This massive investment made during the past two decades (Table I) has remained a losing proposition for the country.

TABLE I
RISING INVESTMENT IN PUBLIC SECTOR UNDERTAKINGS

	Total investment (Rs crores)	Number of enterprises
At the commencement of the first five-year Plan	29	5
At the commencement of the second five-year Plan	81	21
At the commencement of the third five-year Plan	953	48
As on March 31, 1966	2415	74
As on March 31, 1967	2841	77
As on March 31, 1968	3333	83
As at the commencement of the fourth five-year Plan (March 31, 1969)	3902	85
As on March 31, 1970	4301	91

Source : Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government : 1969-70.

That capital invested in public sector undertakings is not yielding adequate profits is not disputed by the supporters of the public sector. The argument advanced in justification of the poor profitability of these undertakings is that an attempt is being made to build basic industries which had been ignored by the private sector. The moot question is : how long are basic industries to be allowed to continue incurring losses? What is not realised is that crushing burden is being imposed on the economy by these injudicious investments. If the public sector undertakings could be made as efficient as the private sector companies, the pace of growth of the economy would be much faster than it is at present. This is amply borne out by the analysis made by the Reserve Bank of India in its October 1970 Bulletin in relation to the working of 1501 private sector

companies. The average annual equity capital in private sector companies during the three-year period 1965-66—1967-68 at Rs 1147.06 crores yielded profit before tax of the order of Rs 310.83 crores, indicating a rate of return of more than 27 per cent. Even if reserves and surpluses were included (the average for the three years under reference being Rs 812.25 crores), the rate of return worked out to be about 16 per cent. Granted that some of the units in the public sector could not be money-spinners because of severe limitations, even a much lower rate of return of 10 per cent would throw up resources of the order of more than Rs 200 crores.

The additional capital invested in central undertakings in 1970-71 was about Rs 191 crores and it is expected to rise further by Rs 228 crores in the current year. These funds are being provided to these undertakings by taxing the corporate sector as well as individuals. If these undertakings were run even at half the efficiency of the private sector companies, the annual draft of the order of more than Rs 200 crores on the central exchequer would become unnecessary. In essence, it would mean reduced tax burden both on individuals and the corporate sector which, in turn, would provide resources for the expansion of the private sector.

The ills which plague the public sector undertakings are many and their pitiable financial performance is the cumulative impact of all of them. An obvious failure in this regard is the under-utilisation of capacity set up at great cost. The April 1971 issue of *Lok Udyog* has set out data regarding the percentage production of different plants to installed capacity in 1969-70 and 1970-71 (Table II) which shows that under-utilisation of capacity has been widespread. Among the steel plants, Durgapur was the worst culprit as in 1970-71 it utilised not more than 38 per cent of its capacity.

Among the units which used less than one-fourth of their capacities were Hindustan Cable Ltd (plastic wires and cables), Heavy Engineering Corporation Ltd (mechanical items, structurals and machine tools), Mining and Allied Machinery Corporation Ltd (coal mining and allied machinery), Hindustan Photo-films Manufacturing Co Ltd (medical X-ray, cine-film sound), IDPL (surgical instruments and family planning instruments, antibiotics), Neyveli Lignite Corporation Ltd (leco) and Hindustan Zinc Ltd (silver). There were many others which used between half and one-fourth of their capacities. The causes for this malady vary from

unit to unit but the fact remains that it is the people of this country who are made to bleed in order to feed these inefficient undertakings.

The reduced utilisation of capacity in some of the plants such as Durgapur was due to poor industrial relations. Incidentally the performance of Durgapur has given the lie to the propaganda of the public sector protagonists that employer-employee relations in public sector undertakings would be better than those in the private sector companies because of the more liberal policies pursued by the former in order to keep the workers satisfied. The cost of fringe benefits of the public sector undertakings has indeed been

very large, especially because of the huge investments made in the townships set up along with the plants. Even this special concern for the welfare of the workers has not kept in check their unreasonable demands which have jeopardised the working operations of the units.

Another reason for the inefficient working of some of the units is imperfect planning. The forecasts of demand made when the blueprints for some of the units were drawn have proved wide off the mark. Take the case of the surgical instruments plant of the IDPL. In 1969-70, only seven per cent of its capacity was used; in 1970-71, it rose to 16 per cent. It

TABLE II
INSTALLED CAPACITY AND UTILISATION

Name of unit	Percentage of production to installed capacity		Name of unit	Percentage of production to installed capacity	
	1969-70	1970-71		1969-70	1970-71
Hindustan Steel Ltd			Hindustan Photo-Films Mfg Co. Ltd		
Steel ingots			Cine positive & dia-positive	66	44
(a) Bhilai	75	77	Medical X-Ray	35	23
(b) Rourkela	61	56	Cine-film sound	17	9
(c) Durgapur	51	38	35 mm negative film	6	28
Hindustan Teleprinters Ltd			Roll film	Neg.	..
Teleprinters & ancillary equipments	63	51	Fertilizer Corporation of India Ltd		
Hindustan Cables Ltd			Double salt (28 per cent N)	35	34
Coaxial cables	38	30	I.D.P.L.		
Plastic wires & cables	33	17	(i) Surgical instruments plant		
Hindustan Machine Tools Ltd			Surgical instrument & family planning instruments	7	16
Machine tools	47	40	(ii) Antibiotics plant, Rishikesh		
Heavy Engineering Corporation Ltd			Antibiotics	20	29
Mechanical items	17	22	Neyveli Lignite Corpn Ltd		
Structurals	15	12.5	Leco	41	20
Castings & forgings	61	43	Hindustan Zinc Ltd		
Machine tools	18	18.5	Lead	46	42
Mining & Allied Machinery Corp. Ltd			Cadmium	41	27
Coal mining and allied machinery	17	20	Silver	30	20
Fertilizers & Chemicals Travancore Ltd					
Ammonium phosphate (16 N : 20 P ₂ O ₅)	44	42			
Ammonium chloride	40	39			

is a pity that no competent market research was undertaken before entering into the collaboration agreement with the foreign supplier of technical know-how. It has now been found that the productive capacity of this plant is far in excess of the domestic demand and it has no option but to look for markets abroad. Similarly, the National Coal Development Corporation (NCDC) is a victim of faulty planning. The various experts groups appointed by the Planning Commission to forecast the demand for coal tended to overestimate it with the result that the investments made by the NCDC for exploiting new collieries have remained partially productive. Similarly, the washeries were set up without competent assessment of the demand for washed coal.

Besides these specific factors, the management of the public sector under-

takings has usually been assigned to bureaucrats from the central ministries who are on deputation for the brief periods. Since they retain their lien in their ministerial posts, the degree of their involvement in the affairs of the undertakings they are associated with, is feeble. In sharp contrast to the weak-kneed involvement, the managers of the private sector units have high stakes in the management of their companies. In a vast majority of cases in the private sector, the manager is also the owner who is on duty round the clock. It is this sense of deep dedication and involvement that is missing in the management of the public sector undertakings. Unless the managers of the public sector undertakings are made answerable for their failures and the performance of the balance sheet becomes the indicator of efficiency, all talk of "social returns" on capital becomes meaningless.

Opportunities in South-East Asia

THE REPORT submitted by the delegation, sponsored by the All-India Manufacturers' Organisation (AIMO) in August-September last year to visit Japan and the countries of south-east Asia contains some constructive suggestions for promoting trade and economic co-operation between our country and this region. Led by Mr S. M. Dahanukar, President of the AIMO, the 11-member delegation covered seven countries in one month, in the course of which it held useful discussions with the representatives of the governments and leading business enterprises about the problems and prospects of developing our economic and commercial contacts with them. The delegation's report, released recently, provides a good deal of valuable and interesting information about foreign trade and other aspects of the economies of the region covered by it. Considering the time and the opportunities available to the delegation, it could have covered a wider field and made its recommendations less general and more specific.

The main objectives of the delegation were to study the latest developments in industry and technology and assess the extent to which our country could adapt them, to explore the prospects for promoting trade and joint ventures, to study the world trade centres in these countries and to foster increased goodwill. The delegation has found considerable scope for increasing and diversifying India's exports to these countries. But it has not given any indication about the extent to which Indian goods can penetrate into these markets. For example, the delegation could have given the statistics of the

imports of major items into all these countries in the last few years, showing India's share in them. Such information would have been of practical use to our businessmen who are keen to expand their exports to this region. A serious handicap is the lack of shipping facilities. The report says that transshipment leads to undue delay, higher freight and insurance costs, and risk of damage to goods. But can the Indian shipping companies whether in the public sector or the private sector afford to provide more services to this area when they are not at all certain about the availability of adequate cargo to make them eco-

nomie? The report does not examine this aspect.

The delegation seems to have been greatly impressed with the State Trading Corporation for Far East set up by India in Hong Kong in collaboration with the businessmen of that country. It has suggested that the STC should publicise the activities of this new institution. But is it not rather odd that the STC should set up a joint corporation, of all places, in Hong Kong which is firmly wedded to *laissez faire*? Hong Kong's astounding success in exports—in 1970 its total exports exceeded in value those of our country—was mainly due to the efforts of its vigorous private sector which is not just tolerated as in our country but is systematically encouraged to expand and excel in every field of activity. It seems doubtful therefore if Hong Kong's businessmen will be very enthusiastic in working with our STC which has shown its efficiency more in handling the import trade than in the sphere of exports. The report says that the STC's venture in Hong Kong will have a big show and display room for our products. But such showrooms by themselves are unlikely to contribute significantly to exports unless there is energetic and imaginative salesmanship.

The delegation has recommended that India should have a Commissioner General for Economic Affairs for South-East Asia to be posted in Singapore on the lines similar to the post in Brussels. It is stated that this appointment would give the necessary impetus to bring about more rapid economic co-operation with India among the

Eastern Economist 25 Years Ago

JULY 26, 1946

Agricultural economics was for long a by-product of the technical researches into the basic agricultural sciences. Many of the bulletins issued by the agricultural research stations, detailing the results of technical experiments, expressed authoritative opinion on the profitability or otherwise of the adoption of their suggestions. A chemist, for example, who found the sugar content of beets normal in a given locality, would at once proceed to draw the conclusion that sugar beets should and could profitably be grown in that part of the country. As the exchange economy developed, the illogicality of such inferences became apparent. Consequently the Depart-

ments of Agriculture specially in the United States, began organising inquiries into the quantities produced per acre, the cost of production and marketing, the relative profitability of alternative crops, tariffs, tenures and all such matters. It is only such total knowledge that can enable a scientist to draw a really valid conclusion. It is this realization that has compelled the United States Department of Agriculture to organize a regular Bureau of Agricultural Economics, which, short of the highest political level, has almost the final say in the determination of agricultural policy.

developing economies in this region and help in our export effort. But the delegation has not made out a convincing case for this proposal. Instead of appointing a commissioner-general the better course, surely, will be to strengthen our embassies in the countries of south-east Asia and make them take a lively and continuous interest in our foreign trade. For the last many years, the government of India has been urging its envoys to get themselves involved actively in our export promotion but few of them have shown much enthusiasm for this type of work. The delegation could have ascertained whether our embassies are well staffed and equipped to do justice to their commercial job.

The delegation has given details of the incentives available in the countries of this region for setting up joint ventures. It has also indicated the industries which offer scope for collaboration. The report reveals that in Malaysia many Indian firms have entered into collaboration for the manufacture of steel furniture, electric fans, sewing machines, electric motors, pumps, diesel engines, cotton mills, ACSR and PVC insulated conductors, precision tools and gauges, zinc oxide, confectionery, hair oil, talcum powder, scooters, and tableware jars for food. The sponsors of these enterprises include many well-known names such as Birla, Godrej, Kirloskar and Parrys. It would have been useful if the delegation had examined to what extent these joint ventures have succeeded and what difficulties, if any, they experience. Such information is necessary because many Indian firms which at first showed considerable interest in setting up joint ventures in the countries of south-east Asia and made some progress in the initial stages, abandoned them later for one reason or the other.

The delegation has made two suggestions to facilitate Indian participation in joint ventures. One is that when a certain item of capital equipment is not made in India and has to be purchased from abroad, our entrepreneurs should be free to buy them elsewhere so that they can supply the complete output as a working unit. The other suggestion is that the government should set up a separate financial corporation to provide money on a long-term and deferred payment basis to enable Indian businessmen to enter the field in a big way. The AIMO should elaborate these proposals in detail so that the government is able to consider them.

The papers submitted by some members of the delegation and included in this report provide much interesting information about the industrial pro-

gress of Japan. For example, Mr B. D. Somani points out that by 1975 Japan's paper output will be more than 18 million tonnes while India's will be a little over a million tonnes. Japan's per capita consumption of paper is 108.5 kg a year compared to 1.5 kg in India. There are 641 pulp and paper mills in Japan but only 86 in India. Mr Somani says: "Quite a few big mills in Japan today produce as much as 800 to 900 tonnes daily, or some 300,000 to 400,000 tonnes of paper a year, although the average daily output of the large-scale ones is some 500 tonnes each and that of the lesser ones, which constitute nearly 50 per

cent of the total, about 300 tonnes each per day. In sharp contrast in India, in spite of large reserves of forests and availability of abundant raw materials, we have only 57 units worth taking into consideration of which merely 12 or 15 are considered to be of economic size, the rest being small and by and large uneconomic, rendering chemical recovery impossible, for which a daily production of 100/150 tonnes or a minimum of about 30,000 tonnes a year is required; also, the small and uneconomic units do not permit the adoption of modern technology."

Similarly, in cement also Japan has

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made phenomenal progress. Cement production in 1969 was 51 million tons compared to only 6 million tons in the pre-war period. The average output per plant increased from 150,000 tons in 1950 to about 750,000 tons in 1968. At least 15 cement plants have individual capacities exceeding one million tons. Mr Somani has urged that the government of India should immediately remove the per day standard limitation of 300 to 600 tons per kiln and should replace it with a standard 1000 to 1500 tons per day

Hesitant Growth of UTI

It is a pity that the Unit Trust of India (UTI) was not able to cross the Rs 100-crore mark in respect of its total holdings by the end of June last, as had been anticipated in these columns last year. The total amount of units sold and outstanding as on June 30, 1971, was Rs 92.25 crores only or Rs 7.75 crores below the hoped-for amount. However, with the more substantial rise in the rate of distribution than last year (0.8 per cent as against only 0.1 per cent in 1969-70) which raises the dividend to eight per cent, the highest level so far declared by the UTI, and the further progress made in its re-investment plan (20,000 unit-holders joined the scheme in 1970-71, as against 12,000 in 1969-70), its total holdings should cross the Rs 100-crore mark during the current year. As the UTI chairman observed at a press conference, there are now such *plus* factors as the new exemption from wealth tax up to an income of Rs 1,50,000, the high level of net asset value of the units and the relatively higher repurchase price (the latest was Rs 10.70), apart from a net return of Rs 7.50 per cent to unit-holders on the basis of the sale price per unit of Rs 10.60 during the special offer period.

During the year 1970-71, the UTI received over 59,000 fresh applications against which it sold units worth Rs 17.99 crores. In 1969-70, there were about 61,000 applicants and the value of total units sold was Rs 22.45 crores. There was also a slight decline in the number of non-resident applications from foreign countries, from over 600

capacity. This is essential because "the smaller the size of the kiln, the more is the labour required; the heavier the maintenance; the larger the quantities of stores and spare parts needed; the higher the inventory and fuel consumption; and the more the additional material handling equipment required; and, above all, sophisticated control equipment cannot be installed and utilised without which highly uniform quality of clinker cannot be obtained". The government of India should examine this recommendation.

in 1969-70 to less than 500 (486 to be precise) in 1970-71, the amount of units sold being Rs 49.54 lakhs and Rs 43.17 lakhs, respectively. Despite the sharp decline in both the number of applications (2,000) and the amount of units sold (Rs 4.46 crores) it is noteworthy, these figures continued to be the second best for the past seven years. There was also an increase in the number of applications for repurchases (12,691 as against 9,480 in 1969-70) involving Rs 3.19 crores (Rs 2.04 crores in 1969-70).

The decline in the number of applications, as well as that in the amount of units sold, according to Mr R. S. Bhatt, the UTI chairman, who announced the dividend and reviewed the working of the trust during 1970-71 a few days ago, is a reflection, in the main, of interest yields having gone up, especially since the latest increase in the Bank rate. Also responsible, he added, has been the consolidation in the last budget of the tax exemption exclusively up to an income of Rs 1000 from UTI units into an exemption of an income of Rs 3000 from a number of investments (e.g. shares, bank deposits, national savings certificates and certain other specified investments) including UTI units.

A heartening feature of the UTI's working in 1970-71 was the substantial increase in the number of unit-holders that joined the trust's Re-investment Plan begun in 1966. As compared to 12,000 in 1969-70, more than 20,000 unit-holders availed themselves of the Reinvestment Plan, thereby enabling the UTI to increase the volume of its

investments. Another satisfactory feature was the growing popularity of the UTI's Children's Gift Plan introduced in 1970. During 1970-71, the first year of its working, over Rs 56 lakhs worth of units were sold to more than 2,300 applicants.

The gross income of the UTI in 1970-71 was Rs 8.41 crores, as against Rs 6.28 crores in 1969-70. This amount of Rs 8.41 crores includes the realisation from sale of securities and dividend from the 14 nationalised banks that had already been declared but not paid in 1969-70. (The compensation in respect of these banks' shares held by the UTI, it is now clear, will not be all in cash, but it is a matter of satisfaction that the shares in lieu of compensation in cash the UTI would receive are among the highly valued scrips in the market). The balance of income (after allocation of the total income between unit-holders and contributors of the initial capital and allowing for expenses chargeable to unit capital in accordance with the provisions of the relevant Act) allocated to unit-holders amounted to Rs 7.58 crores.

Taking all these factors into consideration the UTI trustees have further stepped up the sale price of units during the special offer period—from Rs 10.50 to Rs 10.60 per unit, even which Mr Bhatt maintains, includes an element of concession (last year, the sale price had been raised by 30 paise per unit).

Although the agency force of the UTI was further expanded during the year under review, both at rural and urban centres (total approved agents = 2,750 and total number of brokers on recognised stock exchanges = 320), it would not appear that the UTI has been successful in capturing the imagination of the rural investors. Like the Life Insurance Corporation of India (LIC), the UTI also should explore new avenues and introduce fresh schemes as would attract the rural investor. In the wake of the green revolution, there ought to be sizably more savings than before from our affluent agriculturists. It is this section that needs to be particularly wooed and won over.

Railway Finances

L. G. BAPAT

THE RAILWAY budget for 1971-72 shows a deficit of Rs 33.12 crores, which is an all-time high. Since 1966-67, the railways have been incurring losses every year.

In fact, the losses of the railways are larger than what they appear *prima facie*. This is because of the peculiar accounting system adopted by the railways while preparing their annual balance sheet. If balance sheet is prepared according to strict commercial principles, a different picture emerges.

The capital-at-charge of Indian Railways increased from Rs 938 crores in 1950-51 to Rs 3,472.7 crores in 1971-72 (budget estimates). This shows an increase of 414 per cent over a period of 22 years. During the same period, the net revenue increased from Rs 47.6 crores to Rs 166.9 crores, i.e. by 350 per cent. Thus, the increase in the net revenue has remained far behind that in investment. It is surprising that the advantages of large-scale operations and division of labour as a result of a triple increase in size, have not been reaped by the railways. The net revenue should have increased much faster than the increase in the investment.

The railway budget figures during the last three years have been found to be rather misleading. Apparently, there is a tendency to inflate the reve-

nue and deflate the expenses. As a result, the budgetary surplus vanishes and net loss appears at the end of the year. Hence, for comparison, it is better to rely on "actuals", which are available up to 1969-70 only. It will be seen that the capital-at-charge has increased by 369 per cent during 1950-51 to 1969-70, whereas the net revenue has increased by only 308 per cent over the same period. This is undesirable.

For a commercial undertaking such as the railways, the revenue should increase faster than the investment. Railways' expenses are also rising at a faster rate (304 per cent) than the total earnings (290 per cent). This too is undesirable. Income should increase faster than the expenses incurred to earn that income. Worse still, there is a tendency towards a continuous increase in these losses. In 1950-51, the rate of return on railways' investment was 1.8 per cent (see Table I). Though very nominal, the railways were making some profits.

By 1969-70, financial condition had deteriorated so much that instead of any profit, the railways suffered loss at 0.3 per cent on the huge investment of Rs 3,195 crores. This is in spite of the fact that the railways have obtained this huge investment at *subsidised* cost. This brings us to the term "dividend to general revenue" (item No. 5 of Table I). The term needs some explana-

tion. The entire capital of the railways is supplied by the union government. Before Independence, the government did not receive any dividend on this capital. The Railway Convention Committee, 1949, suggested that the railways should pay dividend to the government. So from 1950-51, the railways began to pay dividend to the government at the rate of four per cent per annum according to the conventions of 1949 and 1954. The rate was raised to 4.25 and 5.50 per cent from 1961-62 and 1966-67 according to the conventions of 1960 and 1965 respectively.

A part of the capital supplied by the union government to the railways is obtained by public borrowing and the remaining is paid from the surplus in the general budget. The government has to pay interest on that part of the capital which is raised by borrowing. This interest is paid from the dividend received by the government from the railways. What is left over, after paying interest, can only be properly called "dividend".

Further, the *entire* dividend paid by the railways to the government cannot be included in the profits, as is done by the railways at present. Only the residue left over, after paying interest, can be included in the profits of the railways. In order to differentiate, the residue may be called as "net dividend" and the entire amount paid by the railways to the government may be called as "gross dividend".

The calculation of this net dividend is full of difficulties. It is not known exactly how much capital was supplied by the government by borrowing. For the purpose of calculation, it is as-

TABLE I
RATE OF RETURN ON INVESTMENT AS CALCULATED BY INDIAN RAILWAYS

Item	(Rs crores)								
	1950-51	1955-56	1960-61	1966-67	1967-68	1968-69	1969-70	1970-71 (RE)	1971-72 (BE)
Capital-at-charge	838.0	976.0	1,520.9	2,841.6	2,978.0	3,101.3	3,195.5	3,321.5	3,427.7
Total earnings	263.3	316.3	460.4	768.8	818.1	898.8	951.3	1,004.0	1,070.3
Total working expenses	215.7	265.9	372.5	654.7	708.1	756.0	804.7	861.9	903.4
Net Revenue	47.6	50.4	87.9	114.1	110.0	142.9	146.6	142.1	166.9
Dividend to General Revenue	32.5	36.1	55.9	132.4	141.5	150.7	156.4	165.8	173.8
Payment to General Revenue in lieu of tax on railway passenger fares	Nil	Nil	Nil	*	*	*	*	*	*
Profit (+)/Loss (-)	+15.1	-14.3	+32.0	-18.3	-31.5	-7.8	-9.8	-23.7	-6.9
Rate of Return/Loss (-) (percent of 7 to 1)	1.8	1.5	2.1	-0.63	-1.1	-0.2	-0.3	-0.7	-0.2

Notes: *Items Nos. 5 and 6 are not being separately shown in railway budgets from 1966-67. Item No. 6 is included in item No. 5. There was no tax on railway passenger fares till 1960-61. Hence, this figure does not appear for years earlier to 1960-61.

2. Totals may not exactly agree with the published figures in the railway budgets owing to rounding off.

Source: Railway budgets for the respective years.

sumed that the entire amount was supplied by borrowing. It is at once conceded that this is not a realistic assumption. No commercial concern can afford to have all its capital borrowed for obvious reasons. The rate of interest at which the capital was borrowed by the government on behalf of the railways is also not known.

Obviously, all loans could not have been obtained at the same rate of interest. However, generally, the government raises its debt at the current Bank rate. It is assumed that this was the case here also. However, since 1951, there were six changes in the Bank rate. The exact dates on which loans were raised during those years when the Bank rate was changed, are necessary for an accurate calculation of the interest charges. This information, too, is not available in railway budgets.

In order to overcome this difficulty, it is further assumed that the loans were obtained in the proportion in which the two periods stand. To illustrate, the Bank rate was brought down from six per cent to five per cent on March 2, 1968. So, during the financial year 1967-68 (April 1, 1967, to March 31, 1968), the Bank rate was six per cent for 11 months and five per cent for one month. So the two periods which preceded and followed the change in the Bank rate stood at 11:1.

During 1967-68, capital supplied to the railways was Rs 136.46 crores. It is, therefore, assumed that out of this capital, Rs 125.09 crores were obtained at six per cent and Rs 11.37 crores at five per cent. Now, we are in a posi-

tion to reset the railways' balance sheet according to the strict commercial principles. This is done in Table II.

From the net revenue, the interest charges calculated as above have been deducted. It gives profit before tax. It must be remembered that even this profit before tax gives us a highly favourable picture about the working of the railways. No commercial concern would be so lucky as to get all its capital at the current Bank rate.

Railways as a government undertaking do not pay corporation tax, which is about 50 per cent of the profit before tax. What is left over after the payment of corporation tax is known as "net profit" in commercial jargon. It is seen from Table II, that railways' net profit in 1950-51 was no doubt low. Still, it brought a net return of 1.34 per cent. It began to decline slowly so that in 1969-70 (the last year for which "actuals" are available), the net rate of return was minus 1.5 per cent (loss).

Corporations in India are allowed to carry forward, their losses for eight years. So from 1966-67, railways' losses are carried forward. When there is loss, corporations in India are exempt from corporate taxation. So liability on account of this tax is "nil" from 1966-67. Still, the tax on passenger fare must be paid, as it is recovered by the railways on behalf of the state governments and paid to them later on. The railways act here only as an agency of the state governments for the collection of the tax.

It must not be forgotten that even

this poor performance has become possible by resorting to the following doubtful non-economic measures:

(1) Depreciation has been provided for, at only three per cent of the capital-at-charge, so that during the last 20 years (1950-1969), only 60 per cent of the original cost of railway equipment has been set aside. However, during this period, the market prices of railway equipments have gone up by at least 200 per cent. At the current rate of provision of depreciation, it may require another 80 years to accumulate sufficient funds to replace the present machinery and that too at the 1969-70 prices. By that time the market prices are bound to go up still further. This means that the railways will never have sufficient depreciation fund provided for, to cover the entire cost of replacement.

(2) Since 1966-67, appropriation to development fund has not been made.

(3) Appropriation to the reserve revenue fund has not been provided for since 1960-61. Not only that, during 1966-67 to 1969-70, amounts totalling to Rs 67.49 crores have been withdrawn from the said fund.

(4) Since 1965-66, every year the operating ratio is steadily increasing. However, in 1971-72 budget, it is assumed that it would decline by about three per cent. In view of the general price level showing an upward trend, this is quite an untenable

TABLE II

RATE OF RETURN ON RAILWAY INVESTMENT AS CALCULATED ON COMMERCIAL PRINCIPLES

Item	1950-51	1955-56	1960-61	1966-67	1967-68	1968-69	1969-70	(Rs Crores)	
								1970-71 (RE)	1971-72 (BE)
Capital-at-charge	838.0	976.0	1,520.0	2,841.6	2,978.0	3,103.3	3,195.5	3,321.5	3,472.7
Net Revenue	47.6	50.4	87.9	114.1	110.0	142.8	146.6	142.1	166.9
Interest	25.1	29.7	53.2	117.3	125.5	131.8	136.4	142.7	150.3
Previous years' losses carried forward (if any)	Nil	Nil	Nil	Nil	15.7	43.7	44.5	46.8	59.9
Profit before Tax/Loss (—)	22.5	20.7	34.7	—3.2	—31.2	—32.7	—34.3	—47.4	—43.4
Taxes :									
(i) Corporation tax at 50%	11.2	10.3	17.3	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Tax on passenger fare	Nil	Nil	Nil	12.5	12.5	12.5	12.5	12.5	12.5
Net Profit/Loss (—)	11.3	10.4	17.4	—15.7	—43.7	—44.5	—46.8	—59.9	—55.9
Rate of Return/Loss(—) (percent of 6 to 1)	1.34	1.06	1.10	—0.56	—1.5	—1.4	—1.5	—1.8	—1.6

Note : Totals may not exactly agree with the published figures in the railway budget owing to rounding off.

assumption. If all these items are properly provided for, the finances of the railways would reveal a still more desperate state of affairs.

It may be noted in this connection, that the nationalised railways in England earn a profit of four per cent on its capital when calculated according to strict commercial principles. In the USA the profit earned by the railways

is over five per cent. What would disturb the public mind more is the fact that even this poor-performance was possible only by raising the price of railway service. Not only passenger fares but railway freight rates also are being raised in every budget since 1956. To be precise, the present railway freight rates are about 56 per cent higher than those in 1956. More or less, the same is the case with the passenger fares.

Intensifying the Hunt

SAGITTARIUS

THE DEBATE in Parliament on the affairs of the Oil and Natural Gas Commission (ONGC) was rather heated as members were agitated over the nature of the deals concluded by ONGC for acquiring two tea estates in Assam, which had oil-bearing strata and for locating the eastern headquarters of the organisation. There was also complaint about the working of the Indian Oil Corporation and charges of corruption were levelled against the chairmen and officials of both the organisations. But the seriousness of the situation that would arise in regard to the availability of crude oil from internal sources, after some years, with a rising demand for petroleum products was not properly highlighted.

Except for an apparent slowing down in the growth in the consumption of petroleum products in 1970, when it was necessary to curtail the throughput of the coast-based refineries for a few months, internal consumption of all products is increasing rapidly and it would not be wrong to project our estimates relating to growth at 10 per cent. There has also been an awkward increase in the offtake of particular products, kerosene and high-speed diesel oil rising by nearly 12 per cent in the past two years. These two products alone account for over 38 per cent of total consumption while it can be expected that the demand for naphtha will increase substantially in the current year with the commissioning of the giant fertilisers units at Cochin and Madras.

Only recently, the Durgapur unit has gone into production while the expansion schemes of some of the existing plants are nearing completion. The situation has been managed so far with a growth in internal production and a cut-back in exports of naphtha. After 1972, however, when all the big fertiliser units will be in operation and some more will be coming on the scene, shortage of this product may emerge which can be overcome only if there is a suitable change in the pattern of production of the refineries with a maximisation

of top distillates. There may, of course, be shortages in kerosene or some other products in the process. It looks as if there will have to be marginal imports of selected items especially if there is also a fast growth in traffic of the international and internal airlines. The 'imbalances' in production and a pronounced growth in demand for some petroleum products will naturally necessitate proper planning of imports and exports and it should be so managed that imports of products in deficit are paid for with exports.

The main consumer of foreign exchange, however, is crude oil and from this point it may be necessary to feed the additional requirements of the existing and new refineries with corresponding increases in the quantities of imported crude oil. In 1970, the throughput of all refineries was 18.46 million tonnes against 17.50 million tonnes in 1969 while internal crude production rose only marginally to 6.81 million tonnes from 6.72 million tonnes. It was, therefore, obligatory to increase imports of crude oil to 11.67 million tonnes in the past year from 10.70 million tonnes in 1969, and the foreign exchange outlay was Rs 102.05 crores in 1970. If there is an increase in the throughput of the refineries by at least 10 per cent in the current year, it will be necessary to import additionally 1.85 million tonnes in the absence of an increase in internal production.

As crude oil prices have been raised sharply the value of imports will rise substantially by Rs 40 crores, if not more. The revised prices will be reflected in a bigger increase in the value of imports in 1972 as the latest adjustment was effected only on June 1, 1971. Even if there is no change in the growth rate of consumption in the coming years, the throughput will have to be raised to 27 million tonnes by 1974, on a conservative basis. If the demand for petroleum products rose by 12 per cent annually, in 1971-74, additionally two million tonnes of crude oil will be required over the above estimate. There

will be no serious bottleneck on account of the lack of requisite refining capacity as the Cochin and Koyali refineries are expanding their capacity while Barauni's third-million-tonne unit is idle due to the non-availability of indigenous crude. The Madras Refinery also has not been able to operate at or above capacity as a result of the difficulties involved in importing crude oil. These have arisen because of the delays in constructing the outer harbour at Madras port. The completion of Haldia also will be helpful, but there will have to be advance planning for creating additional refining capacity by locating new refineries as well as by expanding existing units.

After the experience gained in constructing oil refineries, no serious problems may be encountered on this front. It is, however, hard to see how the growth in consumption of petroleum products can be slowed down even with greater emphasis on the use of coal and electricity. If there was an explosion in road traffic and there was also a higher level of industrial activity the level of consumption would be rising steadily over the years.

Impossible Task

It has, therefore, become imperative to examine how internal production of crude oil can be augmented with a view to meeting at least 50 per cent of the rising throughput of the refineries. This will mean there will have to be a near doubling of indigenous production in the next four years which may appear an impossible task. It has been pointed out of course that there can be a higher output of the Assam fields even with the existing crude reserves and all that is needed is an intelligent redesigning of the capacity of the oil pipeline feeding the Noonmati and Barauni refineries with technical adjustments and new arrangements for pumping more oil out of the existing wells. This may be helpful in raising production from the present level by 1 to 1.5 million tonnes. There will also have to be intensive exploration in the mainland in north-east India while offshore drilling would have to be carried out more expeditiously. It is still hoped that oil can be located in the Cauvery basin and other parts of the country. The oil experts cannot be blamed if they fail to locate new reserves after sincere efforts, but there is a feeling that a lot more oil can be found with a better use of existing drilling equipment, more intensive exploration and the adoption of new techniques. If the promised probe into the affairs of ONGC results in higher efficiency and it is possible to know how much oil can be got from indigenous sources, the fuel policy and foreign exchange budget can be refashioned accordingly.



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FROM THE PRESS GALLERY

Industrialising Remote Areas

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

THE BUDGETARY demands of four more ministries—the Ministry of Industrial Development, the Ministry of Education, Social Welfare and Culture, the Ministry of Tourism and Civil Aviation and the Ministry of Defence—were adopted by the Lok Sabha this week. Those of the Ministry of Agriculture were inconclusively debated.

During the debate on the demands for grants of the Ministry of Industrial Development, vociferous pleas were made by the leftist members for curbing the activities of "monopoly" industrial houses and foreign undertakings in the country. They alleged that, contrary to the government's assurances, the "monopoly houses" had been liberally sanctioned licences in the recent past. It was also suggested that in view of the abundance of indigenous talent within the country, the tendency to engage foreign technicians should be curbed. Some members criticised the prevalence of "too many controls". They thought that these controls were resulting in a flourishing black market in essential raw materials. The performance of public sector undertakings was severely criticised by many members. The slow rate of industrial growth last year too came in for a good deal of adverse criticism. The problems of various states, particularly West Bengal, figured prominently in this debate. There was a general clamour from members for the location of public sector undertakings in their states. Some members alleged that procedural delays in the grant of industrial licences still continued. Several members urged the fostering of small-scale industries with a view to containing the unemployment situation.

Important Announcements

Replying to the debate, the Minister for Industrial Development, Mr Moynul Haque Chaudhary, made two important announcements. The first was that the government had decided to raise the exemption limit in respect of import of capital goods for the industrial units in the decentralised sector so that those units which required imported capital goods up to Rs 5 lakhs or 10 per cent of the additional fixed assets (in cases of expansions and diversifications), whichever was higher, would not be required to obtain a licence under the Industries (Development and Regulation) Act. Similarly, it had been decided to modify the conditions re-

garding the import of components and raw materials for the purpose of exemption from the licensing provisions. Those undertakings in this sector which do not require more than 10 per cent by way of imported components after three years or which do not require imported raw materials of a value of more than five per cent of the ex-factory value of annual production, subject to a maximum of Rs 5 lakhs, would not be required to obtain an industrial licence. In reckoning the imports of raw materials, steel and aluminium would continue to be excluded. The quantum of component imports, if any, during the first three years would be regulated in accordance with the phased manufacturing programme, as approved by the Directorate General of Technical Development or other technical authorities as the case might be.

Proposed Subsidy

The second announcement concerned the development of selected remote areas. It envisages provision of 50 per cent subsidy on transport costs of both raw materials and finished products to all new industries or for the expansion or diversification of the existing industries under certain conditions in Jammu and Kashmir, Assam, Meghalaya, Nagaland, Manipur, Tripura and NEFA. In the case of Jammu and Kashmir, the subsidy would at present be payable on transport costs between the railhead at Pathankot and the site or location of the industrial unit in this state. In the case of Assam, Meghalaya, Nagaland, NEFA, Manipur and Tripura, it would be payable on the transport costs between Siliguri and the site of the industrial unit. The scheme would come into force with immediate effect and would remain in force for five years.

The slow rate of industrial growth last year, Mr Chaudhary pointed out, was mainly due to a sharp decline of 14 per cent in the production of cotton textiles (which had 21 per cent weightage in the overall index of industrial production) and four per cent decline in the finished steel output, which had affected several other industries using steel as raw material. The growth rate in the small sector, however, he stressed, was 11 per cent.

The Minister defended the government's position in regard to the issue of licences to larger industrial houses. These houses, he emphasised, had a

definite role to play in the economy. They were, therefore, being encouraged to invest in the heavy investment sector, in the middle sector for expansion and in the backward regions, as also in units which had more than 50 per cent export commitment. He pointed out that only 25 letters of intent had been given to large industrial houses during the past 15 months and only three of them were for the setting up of new units. The rest were for expansion or diversification of the existing units. He assured the House that there had been no watering down of the policy regarding these houses.

Mr Chaudhary also assured the House that there would be no import of repetitive technology and there would be no undue restrictions on the export of products manufactured with this technology. The import of technical know-how would be limited to the areas of sophisticated know-how where technological changes were very rapid. The import would generally be restricted to five years. Limits of tax-free salaries of foreign experts were proposed to be lowered, as also the period for which this exemption was available.

Referring to the public sector projects under the charge of his ministry, Mr Chaudhary revealed that Bharat Heavy Electricals would be making some profit for the first time this year; it had received an order worth Rs 10 crores from Malaysia. Hindustan Cables and Kota Instrumentation had also made profits. Hindustan Machine Tools and Heavy Electricals, Bhopal, however, were incurring losses. He hoped that the performance of these public sector units would be better next year with improvement in labour-management relations.

Reconstruction Corporation

Dealing with the demand for expeditious steps for reviving the industrial climate in West Bengal, Mr Chaudhary stressed that the setting up of an industrial reconstruction corporation and the development of Haldia as an industrial complex with a refinery, dockyard, a fertiliser unit and a soda ash plant, should go some way to improve conditions in that state.

The Ministry of Education, Social Welfare and Culture came in for scathing criticism during the debate on its budgetary demands. Most of the participants in this discussion, from the opposition as well as the treasury benches, strongly felt that education at present was in a chaotic state, there was no definite policy in regard to it, its content was outmoded, obsolete and unscientific, the alloca-



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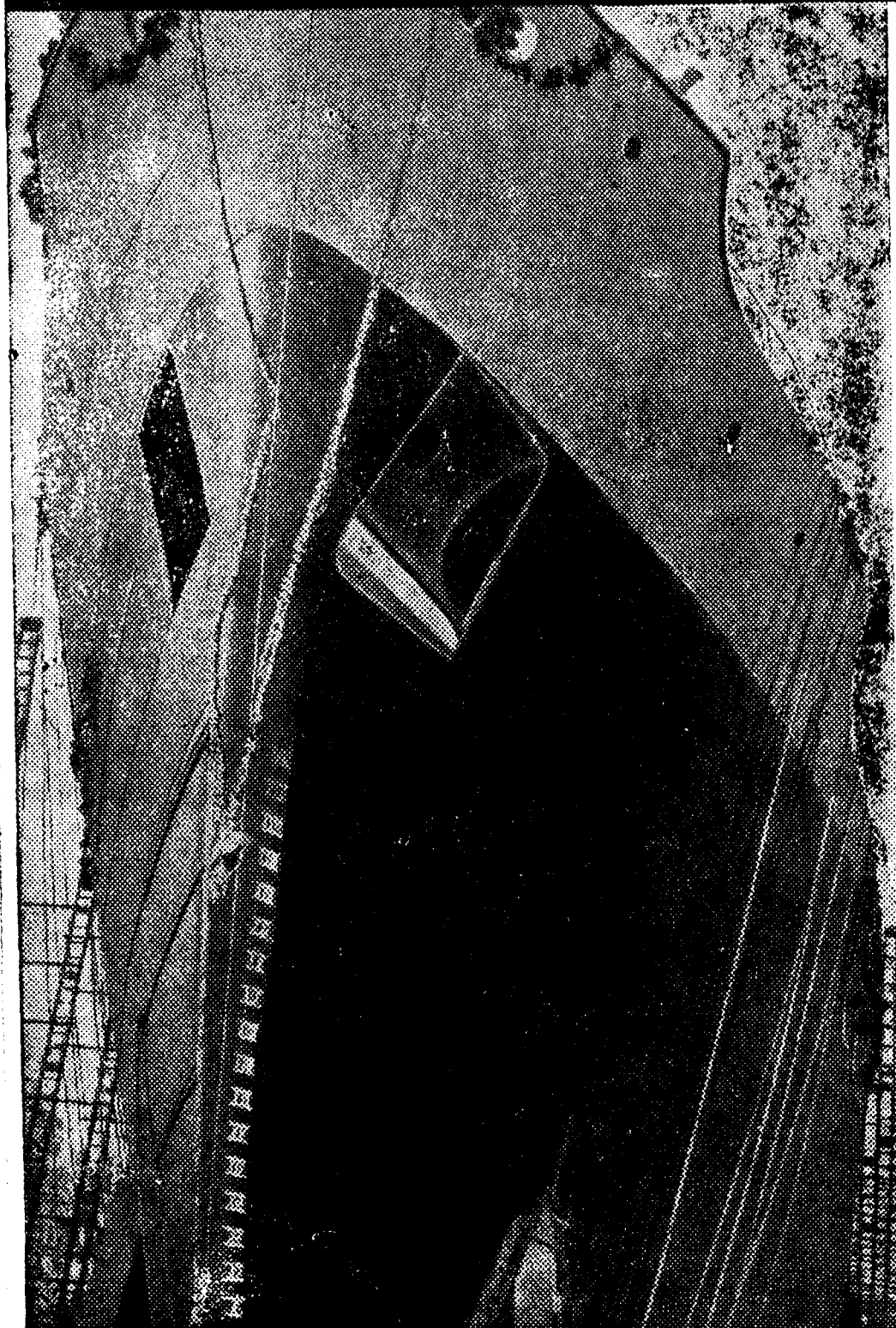
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tions were niggardly, the standards had fallen and indiscipline and malpractices were on the increase. They stressed the need for a complete overhaul of the education system, including the examination system. A strong plea was made for having a uniform pattern of education throughout the country. It was also suggested that the education system should be given a moral and spiritual bias. A good deal of criticism was voiced against the failure to make primary education universal and free in the country. With a view to checking the smuggling of antiques and art pieces to foreign countries the Swatantra member, Rajmata Gayatri Devi of Jaipur, suggested that they should be openly auctioned and the government should have a cut in their prices.

Paucity of Resources

The official spokesmen conceded most of the criticism but pleaded that the present state of affairs was the result of paucity of resources. The Deputy Minister, Mr D. P. Yadav, pointed out that the entire fourth Plan allocation would not even suffice for one of the these sectors of education—primary, secondary and university. His colleague, Mr K. S. Ramaswamy, dwelt at some length on the efforts the government was making for the uplift of Harijans. A bill, he disclosed, would be brought before the House soon to make punishment for untouchability more stringent.

In his reply to the debate, the Minister for Education, Social Welfare and Culture, Mr Siddhartha Shankar Ray, revealed that the government proposed to launch a long-term programme next year to reconstruct the country's education system. The programme would include preparation of a separate plan for each state to expand primary education to fulfil the constitutional directive of making primary education free and compulsory and for large-scale "vocationalisation" of secondary education. He further stated that five specific tasks had been selected for implementation during the current financial year. These were: (i) accelerating the expansion of primary education, particularly in the less advanced states; (ii) reservation under the scholarships scheme, 25 per cent of the seats in all public schools and good residential schools for the talented but economically handicapped students; (iii) providing of playgrounds for secondary schools in urban areas; (iv) undertaking of a study in depth of the education facilities available for the members of the scheduled castes and tribes at all stages from the primary to the university level; and (v) improving of the quality of education.

Explaining the programme for vo-

cationalising secondary education, Mr Ray said one of the greatest reforms needed in the education system was to make children learn the dignity of labour. "We propose to introduce a programme under which work experience can be introduced in primary and secondary schools. As it will need a good deal of equipment and trained teachers, it will not be possible to do so in all schools at the same time. We shall begin this programme in a few selected districts, one district in every state". Ninety per cent of the children enrolled in secondary schools at present, he pointed out, studied academic courses and only 10 per cent were in vocational courses. This proportion would have to be changed and more than 50 per cent of students at the secondary stage would have to be diverted into vocational courses of different types in agriculture, engineering, commerce, medicine and public health. Mr Ray further stated that a programme of vocational education would be developed at two levels. Some schools would accept students at the end of the primary stage and others at the end of matriculation. This, he hoped, would reduce the pressure for admission to university courses.

The Education Minister further disclosed that the government proposed to involve university students in programmes of national service. Every graduate would be expected to participate in national service programmes for a year or two. Such service would be taken into consideration while recruiting to government employment. The age restrictions would also be relaxed to the extent of the period spent in national service.

Identity of Views

The debate on the demands for grants of the Ministry of Tourism and Civil Aviation was even more marked for the identity of views of both the opposition and the ruling party members who participated in this discussion. While they together criticised the recurrent agitational approach of the employees of Air-India and Indian Airlines, they were unanimous in pleading for larger allocations for the development of tourism. It was argued that the tourist industry should be developed to become the biggest foreign exchange earner for the country. Many constructive suggestions were put forth for attracting tourists from abroad. As regards civil aviation, it was urged that action should be taken in time to avert strikes or lockouts.

The Minister incharge of this portfolio, Dr Karan Singh, himself admitted that he was not getting enough money for the development of tourism. He, however, pointed out that a firm foundation had been laid for a rapid

development of the tourist industry as well as for the modernisation of the two airlines. He assured the House that there was no rethinking, as alleged by some members during the debate, on the question of acquiring Jumbo jets for Air-India. Four such aircraft, he stressed, were the very minimum for a competitive air service; they shall, therefore, be acquired. Dr Karan Singh admitted that the proposed 20 per cent surcharge on air travel abroad would adversely affect Air-India which had an enviable record of profitability for the last 18 years of its existence. But he hastened to add that only the Finance Minister could take an overall view of the situation. The Minister disclosed that Air-India had decided to have a subsidiary charter company, as IATA fares were on the verge of collapse and charters were assuming a crucial role. Encouraged by the results of "Operation Europe" in attracting tourists, an "Operation America", he revealed, had been launched. The ministry was planning to host four lakh tourists in three years' time, he added.

Indian Airlines Turns Corner

Referring to Indian Airlines, Dr Karan Singh announced that jet services would be extended to many new places within the country, priority being given to the state capitals and places of tourists' interest. Trivandrum would get a jet service on October 15. The Calcutta-Gauhati circuit, Raipur, Jodhpur, Nasik and Muzaffarpur would also be on the jet service map soon. The Indian Airlines, he conceded, had had a very difficult year in 1970-71. It had lost three planes—one through skyjacking—and the labour-management relations were far from satisfactory. The corporation, he pointed out, had, however, now turned the corner and it could look forward to improved working this year.

Earlier, the Minister of State for Tourism, Dr Sarojini Mahishi, assured the House that the basic infrastructure for tourism, hotels and transport was being expeditiously developed. She regretted that the states were not adequately protecting wild life and poaching continued.

During the debate on the budgetary demands of the Ministry of Defence, as briefly reported last week, several opposition members called for a reappraisal of our nuclear policy. They argued that in view of the twin threat from Pakistan and China to our security, we should go in for the manufacture of atom bomb. It was also pleaded that an all-out effort should be made to make the country self-sufficient in defence requirements, as in difficult times we could not depend

on any help from big powers which tried to inject political considerations into defence assistance. Some members suggested imparting of compulsory military training to the youth. Some extremists among the leftist members, however, deplored that the army was being used for suppressing workers in the country.

While the Minister of State for Defence Production, Mr V. C. Shukla, gave details of the steps being taken for attaining self-sufficiency in defence equipment, the Defence Minister, Mr Jagjivan Ram, assured the House that the country was fully prepared to defeat any evil design of the adversaries. Vigilance, he pointed out, had been strengthened all along the western as well as the eastern borders.

Genocide in Bangla Desh

Referring particularly to the genocide in Bangla Desh, Mr Jagjivan Ram asserted that frantic acquisition of military equipment by Pakistan constituted a threat to our economy, our society and the basic principles we cherish. He, however, urged members not to press him to say more on the question of the recognition of Bangla Desh, as he had nothing more to add to what the Prime Minister had already stated in the House. Mr Jagjivan Ram's observations on our going nuclear were also similar.

The Defence Minister denied that the army had been used for suppressing workers in the country. He stressed that the army did not relish such assignments, but in an emergency it had to come to the aid of the civilian authority.

Another significant point made by the Defence Minister was that despite the slight increase in the allocation for defence this year over the last year's level of expenditure, the proportion of defence expenditure this year to the overall budgetary allocations was lower. He hoped that the third pay commission would make some meaningful recommendations for the defence forces. Earlier, in reply to a question, he indicated that this commission would visit some of the forward areas to acquaint itself with the conditions in which the armed personal lived and worked.

Mr V. C. Shukla assured the House that there was no idle capacity in ordinance factories except in the clothing factory. He indicated that steps would soon be taken to increase the capacities of ordinance units and to run more shifts in them. The allocation for research and development, he added, was being increased every year. There were 17,000 items which were earlier imported but were now produced indigenously.

Referring to the advanced strike aircraft, Mr Shukla said that it would be ready within the seventies; we want

to be completely self-sufficient in this vital equipment. The Minister defended the supply contracts being given to the private sector for certain items of defence requirements. These items, he pointed out, were non-critical and non-essential. The contracts were given to utilise the technical know-how and the personnel of his department to the maximum, leaving the manufacture of non-essentials to public or private sector units.

Mr Shukla admitted that there had been some delay in the commissioning of the Ambajari ordinance factory, but assured the House that all efforts were being made to go in for the manufacture of more and more sophisticated defence equipment. This trend, he hoped, would get further fillip when a special and alloy steels factory is set up at Kanpur. The Hindustan Aero-

navics and Bharat Electronics, Mr Shukla pointed out, had already started exporting some of their products worth several crores of rupees. This should be an indication of the high quality products being manufactured in the country.

During the inconclusive debate on the demands of the Ministry of Agriculture, the Minister of State, Mr Sher Singh, stated that the government's policy towards the nationalisation of the sugar industry would be determined in the light of the report of the committee which was currently going into the question. His colleague, Mr A. P. Shinde, described the production of rice in the country this year as a "break-through and a happy sign". Food-grains production this year, he observed, might touch the record level of 105/106 million tonnes.

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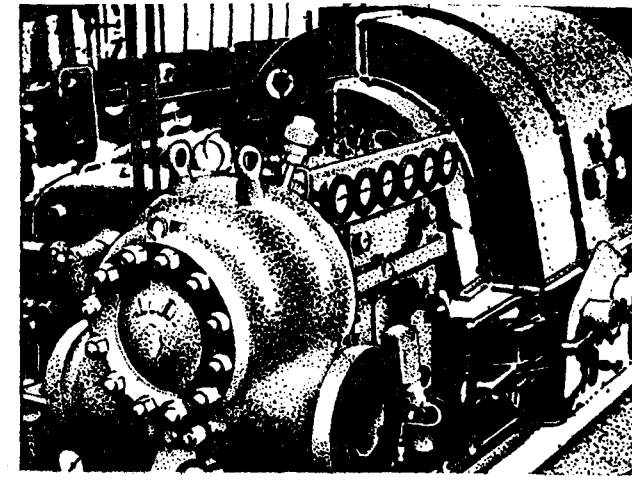
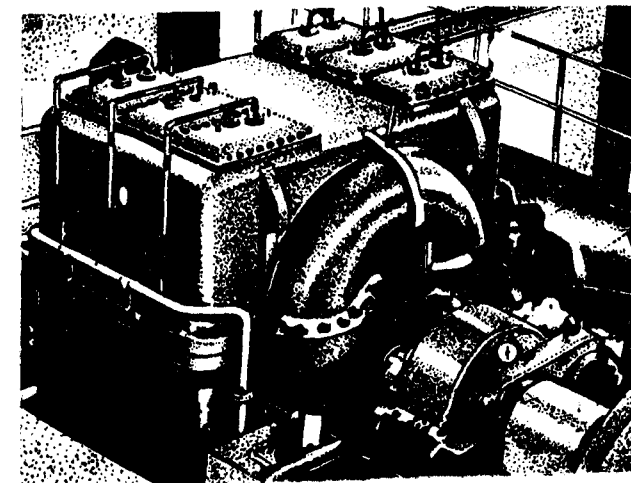
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CENTRAL BANK BALANCE SHEET AS

CAPITAL AND LIABILITIES					
Previous Year Rupees		Rs.	Ps.	Rs.	Ps.
	1. CAPITAL :				
4,75,14,600	Paid-up Capital (wholly owned by Central Government)			4,75,14,600.00	
	2. Reserve Fund and other Reserves :				
7,26,29,772	Reserve Fund	7,67,88,079.54			
50,00,000	Contingency Fund	50,00,000.00			
2,54,241	Special Reserve	2,54,240.96			
2,25,000	Development Rebate Reserve	2,25,000.00			
3,63,700	Capital Suspense	3,63,700.00			
3,61,519	Share Premium Suspense	3,61,519.25			
530	Shares Forfeited	530.00			
				8,29,93,069.75	
7,88,34,762					
	3. DEPOSITS AND OTHER ACCOUNTS :				
2,53,26,89,794	Fixed deposits and Cash Certificates	2,80,33,82,266.74			
1,27,66,41,670	Savings Bank Deposits	1,48,97,64,300.24			
1,19,81,62,999	Current Accounts, Call Deposits, Contingency Accounts, etc. (including Staff Gratuity Fund Rs. 1,41,50,000.00)	1,34,03,67,795.17			
5,00,74,94,463				5,63,35,14,362.15	
	4. BORROWINGS FROM OTHER BANKS, AGENTS, ETC. :				
		In India	Outside India		
	(1) Secured :	Rs.	Rs.		
3,96,25,000	(a) By part of investments and bills per contra	21,88,50,000.00	—		
	(b) In respect of borrow- ings (secured by part of advances per contra) from :—				
	(i) The Industrial Development Bank of India	3,86,21,224.00	—		
4,98,64,524	(ii) The Agricultural Refinance Corporation	10,46,240.00	—		
9,83,840	(2) Unsecured	42,04,235.51	10,62,604.35		
7,62,90,889					
16,67,64,253		26,27,21,699.51	10,62,604.35		
				26,37,84,303.86	
6,62,12,106	5. BILLS PAYABLE				
	6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA :				
34,16,32,932	(i) Payable in India	40,79,58,876.96			
3,36,34,125	(ii) Payable outside India	4,33,15,104.09			
37,52,67,057				45,12,73,981.05	
13,43,34,086	7. OTHER LIABILITIES :				
	Branch Adjustments	16,01,29,210.64			
1,33,66,303	Amount owing to Subsidiary Company (including on their Client's account)	1,48,60,878.13			
9,86,403	Unclaimed Dividends	9,08,506.80			
75,53,213	Rebate on Bills Discounted	53,68,582.27			
—	Amount payable to Central Government (Net surplus for the period from 19-7-1969 to 31-12-1969)	37,92,778.30			
15,62,40,005				18,50,59,956.14	
589,83,27,246					
	Carried over			6,74,49,48,357.14	

OF INDIA AT 31ST DECEMBER 1970

PROPERTY AND ASSETS					
Previous Year Rupees		Rs.	Ps.	Rs.	Ps.
	1. CASH :				
47,09,34,818	In hand and with Reserve Bank and State Bank (including foreign currency notes)			55,13,59,667.11	
1,34,99,162	2. BALANCES WITH OTHER BANKS : (On Current Accounts):—				
1,76,56,507	(i) In India	1,72,29,910.29			
	(ii) Outside India	1,03,01,807.34			
				2,75,31,717.63	
3,11,55,669	3. MONEY AT CALL AND SHORT NOTICE :				88,00,000.00
55,00,000	4. INVESTMENTS : (at below market value)				
1,29,37,30,709	(i) Securities of the Central and State Governments and other Trustee Securities	1,51,20,98,210.63			
	Treasury Bills of the Central and State Governments	—			
	(ii) Shares				
		Fully Paid	Partly Paid		
		Rs.	Rs.		
	(a) Preference	86,99,909.51	—		
	(b) Ordinary	2,75,34,307.53	78,87,478.30		
	(c) Other Classes	57,798.75	—		
		3,62,92,015.79	78,87,478.30	4,41,79,494.09	
4,47,69,334	(iii) Debentures or Bonds			2,81,77,162.83	
2,88,89,647	(iv) Other investments			9,39,908.00	
9,40,108	(v) Gold			—	
				1,58,53,94,775.55	
1,36,83,29,798	5. ADVANCES :				
	(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)				
	(I) Loans, Cash Credits, Overdrafts, etc. :				
2,82,57,15,565	(i) In India	3,04,25,09,912.68			
	(Includes an amount of Rs. 3,96,67,464.00 relating to medium-term advances in res- pect of which finance has been obtained from the Industrial Development Bank of India and the Agricultural Refinance Cor- poration as per contra)				
	(ii) Outside India	1,36,76,253.82		3,05,61,86,166.50	
1,08,04,456	(II) Bills Discounted and Purchased :				
2,83,65,20,021	(i) Payable in India	84,70,66,888.52			
60,06,20,752	(ii) Payable outside India	10,53,55,127.45		95,24,22,015.97	
10,29,80,634					
70,36,01,386				4,00,86,08,182.47	
3,54,01,21,407	Particulars of Advances :				
	(i) Debts considered good in respect of which the bank is fully secured			3,27,33,86,904.69	
3,02,89,08,489	(ii) Debts considered good for which the bank holds no other security than the debtors' personal security			18,50,94,317.94	
14,21,87,842	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors			55,01,26,959.84	
36,90,25,076	(iv) Debts considered doubtful or bad not provided for			—	
—				4,00,86,08,182.47	
3,54,01,21,407					
541,60,41,692	Carried over			6,18,16,94,342.76	

CENTRAL BANK BALANCE SHEET AS

CAPITAL AND LIABILITIES		Rs.	Ps.	Rs.	Ps.
589,83,27,246	Brought forward	...		6,74,49,48,357.14	
25,29,50,070	8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA			31,03,87,993.62	
36,841	9. PROFIT AND LOSS :				
1,09,06,994	Balance as per last Balance Sheet				
	Profit for the year	2,07,91,537.48			
1,09,43,835					
71,51,057	Less : Appropriations:				
	Transferred to Reserve Fund		41,58,307.48		
	Provision for Bonus to Staff		1,34,00,000.00		
		1,75,58,307.48			
37,92,778	Balance to be transferred to the Central Government			32,33,230.00	
	10. CONTINGENT LIABILITIES :				
	(i) Claims against the Bank not acknowledged as debts (including claims at London Branch—(See Note (5))	Rs.			
62,98,311			4,39,24,584.48		
94,31,192	(ii) On Investments in partly paid shares		93,31,192.50		
	(iii) On Letters of Guarantee on behalf of Constituents (including Rs. Nil on behalf of Officers)		67,85,94,642.39		
74,01,71,507	(iv) Liability on account of outstanding Forward Exchange Contracts		30,80,91,494.77		
32,82,84,258	(v) Liability on Bills of Exchange Re-discounted		10,99,11,812.33		
8,29,02,743					
6,15,50,70,094	Carried over			7,05,85,69,580.76	

OF INDIA AT 31ST DECEMBER 1970

PROPERTY AND ASSETS		Rs.	Ps.	Rs.	Ps.
541,60,41,692	Brought forward	...	...	6,18,16,94,342.76	
45,47,878	(v) Debts due by officers of the bank or any of them either severally or jointly with any other persons		64,83,940.60		
	(vi) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or in the case of private companies as members		—		
	(vii) Maximum total amount of advances, including temporary advances, made at any time during the year to directors or managers or officers of the bank or any of them either severally or jointly with any persons		64,83,940.60		
45,47,878	(viii) Maximum total amount of advances, including temporary advances, granted during the year 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		1,10,07,707.76		
99,67,715	(ix) Due from banks		—		
	6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA:				
34,16,32,932	(i) Payable in India		40,79,58,876.96		
3,36,34,125	(ii) Payable outside India		4,33,15,104.09		
37,52,67,057			45,12,73,981.05		
	7. CONSTITUENTS LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA:			31,03,87,993.62	
25,29,50,070	8. LANDS AND BUILDINGS :				
		Bank Premises	Investment in Properties	Non-Banking Assets acquired in satisfaction of claims	
	Cost as per last Balance Sheet	2,13,18,981.91	15,39,785.44	6,83,891.34	
	Less—Cost of Properties sold during the year	—	15,39,785.44	—	
		2,13,18,981.91	—	6,83,891.34	
	Add—Cost of Additions made during the year	11,24,901.93	—	—	
		2,24,43,883.84	—	6,83,891.34	
1,67,05,537*	Less—Depreciation written off	49,42,598.12	—	2,11,124.98	
22,808**		1,75,01,285.72*	—**	4,72,766.36**	
4,72,766†					1,79,74,052.08
1,72,01,111	9. FURNITURE AND FIXTURES :				
	As per last Balance Sheet			4,84,80,473.43	
3,84,52,652	Add—Additions less Sales made during the year			1,25,17,514.05	
1,00,27,822				6,09,97,987.48	
4,84,80,474	Less—Amount written off to date for Depreciation			2,51,88,088.04	
2,10,61,287					3,58,09,899.44
2,74,19,187					6,99,71,40,268.95
608,88,79,117	Carried over				

CENTRAL BANK BALANCE SHEET AS

Previous Year Rupees	CAPITAL AND LIABILITIES.	Rs.	Ps.	Rs.	Ps.
6,15,50,70,094	Brought forward	..		7,05,85,69,580.76	
6,15,50,70,094	Total Rupees			7,05,85,69,580.76	

Notes forming part of the Accounts:—

- (1) The actual amount of liability arising from future gratuities payable to staff has not been ascertained but is greater than the amount provided.
- (2) As returns in respect of Pakistan Branches have not been received for period after 30th June, 1965, unaudited returns as at that date only have been incorporated in the Bank's Balance Sheet as at 31st December, 1970. As no further information is available, the assets and liabilities in Pakistan have not been shown in the Balance Sheet under the individual heads but only the net book value thereof has been incorporated.
- (3) The figures for the previous year have been regrouped where necessary.
- (4) Certain old items in the Branch Reconciliations as on 31st December, 1970 remain to be cleared. The balancing of general ledger with subsidiary ledgers also remains to be completed at a few branches. Special steps are being taken in this regard.
- (5) Bills of Exchange amounting to DM. 10.5 million reported to have been discounted with some German/Swiss Banks are purported to have been endorsed/guaranteed by the Bank's London Branch and in respect of claims relating to some of these bills amounting to DM. 2.5 million, legal proceedings have been instituted against the Bank. The Bank has repudiated all alleged liabilities in respect of all such bills and claims/disputes arising therefrom.

In terms of our report of even date attached

HARIBHAKTI & CO.,
KHANNA & ANNADHANAM,
FORD, RHODES, PARKS & CO.
Chartered Accountants.

BOMBAY, 26th June, 1971.

OF INDIA
AT 31 DECEMBER 1970

PROPERTY AND ASSETS		Rs.	Ps.	Rs.	Ps.
6,08,88,79,117	Brought forward	...	..	6,99,71,40,268.95	
10. OTHER ASSETS :					
10,00,000	Shares (Partly paid) of the Central Bank Executor and Trustee Co. Ltd. (Subsidiary Company) at Cost		10,00,000.00		
1,87,97,128	Interest accrued on Investments		2,20,93,832.25		
2,30,49,434	Income-tax paid in advance		2,18,76,850.00		
1,42,28,500	Share Application Moneys		33,91,500.00		
	Stamps, Stationery, Stock of Home Savings Safes and Safe Deposit Boxes, etc.		1,30,67,129.56		
91,15,915					6,14,29,311.81
6,61,90,977					
6,15,50,70,094	Total Rupees			7,05,85,69,580.76	

B. N. ADARKAR

Custodian

P. KRISHNA AIYER,
Officer on Special Duty.

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

Directors

B. R. PATEL,
Chief Accountant.

BOMBAY, 26th June 1971.

CENTRAL BANK

Statement of Profit and Loss Account for

EXPENDITURE

Previous Year Rupees		Rs.	Ps.	Rs.	Ps.
17,42,92,748	1. Interest paid on Deposits, Borrowings, etc.			20,48,46,813.88	
12,08,78,588	2. Salaries and Allowances	15,96,06,425.72			
47,52,963	Contributions to Provident Fund	71,91,636.69			
1,15,50,000	Bonus to Staff	—		16,67,98,062.41	
13,71,81,551					
48,985	3. Director's Fees and Allowances	20,621.04			
2,727	Committee Members' Fees and Allowances	—		20,621.04	
51,712					
2,02,56,018	4. Rent, Taxes, Insurance, Lighting, etc.			2,66,07,971.55	
1,03,398	5. Law Charges			1,78,181.14	
36,41,106	6. Postage, Telegrams and Stamps			46,33,068.85	
7,53,600	7. Auditor's Fees :				
1,40,050	To Statutory Auditors (including Branch audit fees)	2,37,550.00			
	To Branch Auditors	1,10,500.00		3,48,050.00	
8,93,650					
3,40,827	8. Depreciation on Banking Company's Property	3,29,396.18			
3,00,489	Repairs to Banking Company's Property	5,88,783.50			
3,95,809	Other charges on Banking Company's Property	5,07,606.01			
30,74,762	Depreciation on Furniture and Fixtures	41,26,801.31		55,52,587.00	
41,11,887					
67,60,858	9. Stationery, Printing and Advertisements, etc.			78,73,061.82	
—	10. Loss from sale of or dealing with non-banking Assets			—	
2,16,684	11. Other Expenditure			1,78,881.42	
* 1,09,06,994	12. Balance of Profit subject to Bonus to Staff			2,07,91,537.48	
	* See Note (3)				
35,84,16,606		Total Rupees		43,78,28,836.59	

Notes :—(1) Particulars of remuneration paid to the Custodian:

Previous Year		Rs.	Ps.	Rs.	Ps.
Rs. Ps.	(i) Salary	72,000.00		60,000.00	
13,200.00	(ii) Allowances	6,000.00		6,600.00	
6,000.00	(iii) Contribution to Staff Provident Fund	2,032.26		4,999.98	
2,032.26	(iv) Bonus	—		—	
—	(v) Leave pay, allowances etc., to ex-Custodian	71,599.98		30,400.00	
93,232.26		1,01,999.98			

(Previous year's figures represent the total of remuneration to the then Chairman (1-1-69 to 18-7-69) and the then Custodian (19-7-69 to 31-12-69).

(2) The corresponding figures for 1969 represent the aggregate of the figures for the periods from 1-1-69 to 18-7-1969 (before nationalization) and from 19-7-1969 to 31-12-1969. The said figures have been regrouped where necessary.

(3) The balance of Profit for the year 1969 is after providing for Bonus to Staff.

In terms of our report of even date attached.

HARIBHAKTI & CO.
KHANNA & ANNADHANAM
FORD, RHODES, PARKS & CO
 Chartered Accountants.

BOMBAY, 26th June 1971.

OF INDIA

the year ended 31st December, 1970

INCOME

(less provision made during the year for bad and doubtful debts and other usual or necessary provisions).

Previous Year Rupees		Rs.	Ps.
29,84,25,726	1. Interest and Discount	37,29,34,499.53	
5,81,46,699	2. Commission, Exchange and Brokerage	6,29,32,731.39	
15,99,217	3. Rent on Bank's Premises (excluding Rent on Premises used by the Bank)	17,38,785.11	
—	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—	
—	5. Net Profit on Revaluation of Investments' Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—	
2,44,964	6. Income from non-Banking Assets and Profit from sale of or dealing with such Assets	2,22,820.56	

35,84,16,606

B. N. ADARKAR

V. M. BHIDE

BRIJRAJ NARAIN

V. M. DANDEKAR

A. H. ELIAS

M. NARASIMHAM

G. B. NEWALKAR

BOMBAY, 26th June 1971.

Custodian.

Directors.

Total Rupees 43,78,28,836.59

P. KRISHNA IYER
 Officer on Special Duty.

B. R. PATEL
 Chief Accountant.

AUDITORS' REPORT TO THE PRESIDENT OF INDIA

1. We have audited the attached Balance Sheet of Central Bank of India as at 31st December, 1970 and also the Profit & Loss Account of the Bank for the year ended on that date annexed thereto, in which are incorporated the returns of 185 Branches audited by us, 190 Branches Audited by other auditors, 5 Branches in Pakistan for which unaudited returns as at 30th June, 1965 have been incorporated and the unaudited returns in respect of 550 Branches not visited by us, for the exclusion of which Branches from audit, concurrence of the Reserve Bank of India was obtained.

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

(a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :—

(i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1970 and

(ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Account;

(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank;

(d) The returns except for Pakistan Branches—See Note (2) received from the branches of the Bank have been found adequate for the purpose of our audit.

HARIBHAKTI & CO.,
KHANNA & ANNADHANAM,
FORD, RHODES, PARKS & CO., } Chartered Accountants.

BOMBAY, 26th June 1971.

WINDOW ON THE WORLD

The Enigma of Eurodollars

E. B. BROOK

VIENNA.

WHILE WESTERN Europe waits to see if Britain through its Parliament is going to accept the terms for membership of the Common Market agreed at Luxemburg, it is concerning itself with a subject in some ways even more important and certainly more vital to its welfare—finding some means to control the constant flow and occasional floods of Eurodollars and “hot money” which threatens the value of all its currencies.

These Euromarket investments come very largely but not exclusively from the United States. The “hot money” sources are many with funds to spare or money available to speculate for quick profits—which could mean almost anywhere—which contribute to the flood which has at times threatened the value of the pound, the French franc, the German mark and the Dutch guilder. No currency is safe from its operations if investment in its coin provides a quick and profitable turnover. Austria felt it necessary to protect its schilling three months ago to discourage, by making purchase more expensive, unwanted foreign funds.

Complex Control

The control of these large but loose sums of money is highly complex, tied intimately with the flourishing Euro-dollar market and related to efforts within the Common Market to reach agreement on a common currency. The Eurodollar market is the most disturbing component of this complex because, so far, it is completely uncontrolled and because it has developed over some twelve years into a menace to European currencies. The recent financial crisis, which has led to that disturbing new element within the Common Market, West Germany's floating mark, was precipitated by the movement of dollars from the United States into the Eurodollar pool and from there into marks.

There are no reliable statistics in regard to the size of the Eurodollar pool nor accurate records of its growth but the most reliable estimates put the size of the Eurodollar deposits at some one billion dollars 12 years ago and at over 50 billion dollars today. This is a

phenomenal growth of active liquid foreign funds in Europe, a growth that provides a ready source for investment funds, for speculation and for international economic politics.

The huge value of the Eurodollar pool makes it not only a lurking menace to European currencies, it constitutes a valuable new money market in which large sums of international finance can be quickly and easily rounded up. It is a major asset to the City of London which has become the Eurodollar's financial centre, which has attracted nearly 40 American banks to set up offices near the Bank of England where they mobilize Eurodollars (US dollars on deposit outside the USA) to send home for re-lending to ease the United States credit squeeze. These banks' principal function, however, is to give American banking a share in Euro-dollar lending to American corporations abroad and to non-American corporations, governments and institutions all over the world.

Leverage with United States

The availability of Eurodollars in Europe is thus controlled by the availability and dearth or cheapness of money in the United States itself. When high-cost Eurodollars are no longer necessary to American banks at home they flow back into the international system through London and from there seek the country with the highest interest rate structure.

The massive and rapid fluidity of these dollar deposits is of concern to the US Federal Reserve Board as well as to west Europe's central banks. The Americans have joined the European group led by Mr Zijlstra, head of both the Dutch central bank and the European group, in seeking to create multi-lateral supervision. The most practical control measure to date has been the decision on June 14 by the Bank for International Settlements to stop for the time being supplying the Euro-currency market with funds and to withdraw its funds from that market as warranted so as to provide Euro-currencies with “guidance and supervision.”

Both the United States, the main

supplier of funds, and West Germany, their current main recipient, strongly want Eurodollar regulation; the British, through whose commercial banks or through American banks paying London huge rents most of the dealings are channelled are not so keen. The West German government is also worried because Eurocurrency controls would be more unpopular with German businessmen than an another upward revaluation of the mark. The Bank of International Settlements insists that to shun Eurocurrency controls is to ignore the fact that the purpose of central banks is precisely to control the flow of money and credit.

So far West German central bank has managed to ensure that the mark does not float higher than a revaluation rate equal to about 4.5 per cent. The mark will probably continue to be allowed to float, despite French arguments to the contrary, until the International Monetary Fund meets in September. Dr Schiller, the West German Economics and Finance Minister, has let it be known that the mark may float higher than its present level before that time and West Germany will probably ease its excess of foreign

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funds by selling dollars at the highest mark rates they permit.

The European weakness is that the British do very well out of acting host to Eurodollar banking and the Germans, by floating their mark ever higher have managed to reduce their central bank's foreign reserves by selling dollars at a satisfactorily high price. The central bank's foreign reserve level is now about 60,100 million marks, some 9,000 million marks below the record reserve figure at the time when the mark was first floated.

Against these practical advantages to two of west Europe's senior banking states the Bank of International Settlements and the IMF have a difficult task in finding a system relatively satis-

factory to all in controlling Eurodollar funds. They will probably find their most enthusiastic ally in US Federal Reserve Board who seem intent on evolving a control plan without British help if necessary. The US Treasury itself does not help its bank control funds since it insists in low bank interest rates at home in order to make lending cheaper for fighting domestic unemployment. But the low interest rates at home and the high rates—sometimes 8 per cent and more—obtainable in Europe consistently attract the American dollar first to London and then to Frankfurt or elsewhere in Europe. While these two basic interest factors remain, controls are going to be difficult to agree upon and probably even more difficult to operate.

India and South Korea

R. V. MURTHY

THE VISIT early this month of Mr C.P. Srivastava, Chairman, Shipping Corporation of India, to South Korea is significant for two reasons. First, it serves to highlight the still utterly inadequate shipbuilding capacity of our country. We are planning to raise shipbuilding tonnage by 4.5 to 6 million tonnes so as to be able to handle half the foreign trade by the fifth five-year Plan. At present, the facilities available permit construction of ships with a maximum capacity of only 16,000 dwt, although, with the modernisation now going on, the Vizag shipyard may soon be able to build ships up to 22,000 dwt. Of course, when the Cochin Shipyard is ready to take up shipbuilding, we may be able to go up to ships of 85,000 dwt or even 100,000 dwt, but this may not be before 1974.

Main Question

The question is whether we can afford to wait till then without impeding the growing volume of our foreign trade. And this, let it be noted, is certain to acquire greater tempo in the years to come. Secondly, it reminds us of the challenge that the Republic of Korea is confronting us with—to step up our exports to that country sharply. Even to meet South Korea's minimum demand for iron ore (Korea's Pohang Steel plant—1.03 million tonnes initial capacity with plans to raise it to 2.4 million tonnes by 1976—which is to go into operation by July, 1973) and manganese ore, Indian tonnage would require to be raised sizably. An idea of this was provided to pressmen in Bombay, the other day, by Mr Woonsung Choi, Consul General of the Republic of Korea, when he went

to Bombay formally to announce the appointment of the Resident Representative—Mr Taru J. Lalwani—of Korea Trade Promotion Corporation in Bombay. (This is a counterpart of the State Trading Corporation of India, although foreign trade is still largely, if not wholly, in the hands of private traders in Korea).

Korean Requirements

According to Mr Choi, Korea's iron ore requirements would rise from 573,000 tonnes in 1973 to 1,224 million tonnes in 1975 while its annual requirements of manganese ore would be of the order of 14,000 tonnes. Korea is also in the market for steel slabs for its ship plate mill at Pohang, and her requirements of these are expected to go up from 40,000 tonnes in 1972 to 110,000 tonnes in 1974. Between them, just two of these items—iron ore and steel slabs—could fetch some \$85 million over a mere 3-4 year period! The total volume of India-Korea trade in 1969 was no more than Rs 66.62 million and even the 1970 total, which is believed to be double that figure, was only of the order of Rs 133.25 million or around \$18 million. Here then is such an attractive proposition the great potentialities of which need to be fully explored and availed of. A greater volume of trade and closer contact with Korea incidentally should help this country know some of the secrets of Korea's fantastic economic growth in recent years. (some 40 per cent rise in exports and 10 per cent rise in GNP every year.)

Korea has been having close and cordial relations with this country not

only since her declaration of independence (the inspiration for which, according to Korea's own admission, came from Mahatma Gandhi) but as early as the fourth century AD. An Indian monk—Marananda is stated to have introduced Buddhism to Korea in 372 AD. There still exist in Korea the three temples he is believed to have built. A Korean monk who visited India in 727 AD is supposed to have been the author of a book entitled “Notes on the Five Regions of India”. Curiously enough, although there is a German translation of this book, there has been no English translation. But Mr Choi disclosed to newsmen that an English translation was under preparation.

Recently when our country was elected as chairman of the UN commission responsible for holding free general elections in Korea, it played an important role in the lives of Koreans, a role which is gratefully remembered to this day. Korea also recalls with gratitude India's help when the North Korean communists attacked the Republic of Korea in June 1950, a help that Korea remembered and reciprocated when China attacked us in 1962. It was in that year, by the way, that the Consulate General of the Republic of Korea was established in this country. Two years later, in 1964, a trade agreement was also signed with that country. Since then, there have been frequent mutual consultations between the two countries, the latest being the visit of a high-powered Korean press delegation to India.

Bridging the Gap

Against this background, it should not be difficult to improve and expand the trade between the two countries. Immediately Korea could help India by supplying some ships or at least undertake to build some so as to make them available in time to speed up our exports of iron ore and steel slabs to Korea. Unless Korea concentrates on supplying heavy capital equipment of this type, it will have to rest content with an unfavourable balance in its trade with this country, the ratio of Korea's exports (to India) to India's exports (to Korea) being 1:10. From even a casual glance at the items that enter into the trade between the two countries, one can make out the vast scope both for increasing exports of the existing items and for further addition and also diversification. Moreover, at a time when trade is tending to centre round regional groupings, India and Korea cannot afford to allow the opportunities that exist and are about to arise in future to go unutilised.

Trade Winds

TRADE WITH YUGOSLAVIA

A YUGOSLAV delegation visited New Delhi between July 12 to July 15, 1971, for a meeting of the Indo-Yugoslav Joint Committee on Trade and Economic Co-operation. As a result of these discussions, it was decided that the current trade and payments agreements be extended up to December 31, 1972, and thereafter all transactions in respect of trade between the two countries will be conducted in convertible currency. The agreement to extend the current Rupee Agreement up to the end of 1972 will enable this country to acquire a sufficient trade surplus during 1972 which will cover the net repayment liability of this country towards Yugoslavia. This, coupled with the contract for supply of 3600 railway wagons to Yugoslavia, means that in 1973 when multilateral system of trading is introduced between the two countries, all old liabilities of this country will have been discharged through the exports of Indian goods as originally contemplated. In 1972, India is expected to export over and above the traditional items a large variety of non-traditional goods, such as jeeps and commercial vehicles, castings and forgings, wire ropes, garage equipment, aluminium products, tyres and tubes, linoleum, transistor radios and other engineering items as well as consumer goods, apart from chemicals and plastic materials. So far as India's imports are concerned, there is persisting interest in fields such as agricultural and crawler tractors, high pressure gas cylinders, ship-building, automobile ancillary industries, viscose staple fibre, steel material, capital goods, non-ferrous metals, non-ferrous manufactures, fertilizers, mercury etc. The two delegations exchanged views on promoting industrial co-operation between the two countries and noted that possibilities exist in fields such as pharmaceutical industries, manufacture of electronic equipment, domestic sewing machines and knitting machines, food processing machinery, wagon buildings, crawler tractors, etc.

PHARMACEUTICALS EXPORTS

Fifteen manufacturers of dyes and pharmaceuticals have joined to float a company—Triochem Products Pvt Ltd—to undertake exports of their products. The company will not enter the domestic market. The aim is to obviate the difficulties in the way of an individual exporter, and to gain all the

benefits and economies of large-scale operations of export promotion. Membership of the company will be open for producers accepting the guidelines laid down by the company. Members will be free to market their products individually also, subject to the company's rules. The company will undertake market surveys, publicity and advertising abroad, sales promotion, quality control, setting up of branches and depots in foreign countries, advising members on pricing and packaging, participation in trade fairs and exhibitions, and finally promotion of joint ventures and export of Indian technology abroad.

MALAVIYA COMMISSION

It has been decided by the union government to appoint a committee to study certain features of the structure, organisation, financing and functioning of the Oil & Natural Gas Commission, and, make recommendations for changes and improvements which will strengthen and enable the commission to achieve the objective of rapid expansion of its programme of survey, exploration and production of gas and oil, both on-shore and off-shore, so that the potential oil and gas resources of the country are fully explored and exploited within a measurable period of time and the commission is able to extend its activities to promising on-shore and off-shore areas in neighbouring countries, if and when suitable opportunities arise, and thus the commission is able to make rapid and continuous additions to established reserves and to production to meet the growing needs of the country. The

composition of the expert team is as follows:— Mr K. D. Malaviya, M.P.—Chairman; Mr M. S. Pathak, Member, Planning Commission and Chairman, Engineers India Ltd; Dr. G. Ramaswamy, Chief of Exploration, Planning and Development, Ministry of Petroleum & Chemicals, Government of India; Mr N. Krishnan, Chief Cost Accounts Officer, Ministry of Finance, Government of India, and a senior and experienced geologist, whose name will be announced later, as members. Mr S. N. Ghosh, Chief of Publicity Division, Petroleum Information Service and Editor, *Oil Commentary*, will be secretary.

POLL ON BANKS' POPULARITY

The Ahmedabad Junior Chamber conducted a public opinion poll on nationalised banks and the report released recently contains some interesting results. This survey reveals that popular sentiment in favour of nationalisation has been declining so that only 37 per cent favoured nationalisation and 56 per cent favoured social control. On the question of the efficiency of the bank services this survey revealed that the standard of efficiency in terms of services rendered to the customers of banks had come down with the nationalisation. As many as 77 per cent of all the respondents stated that there was a fall in efficiency. The table below reveals the fact in some details. An interesting result of the survey was that the majority of bank employees also believed that the standard of efficiency in the banks had been deteriorating. In response to another question the majority opinion was in favour of the nationalised banks following the banking principles of "Creditworthiness" in advancing loans. Only 33 per cent were not agreeing with this view. It was also opined by 66 per cent of the respondents that banks should advance loans for purchasing

Occupations	No. of respondents.	Percentage			Total
		Fall in efficiency.	No fall	No opinion	
Industrialists	6	67	33	..	100
Small scale industrialists	36	89	11	..	100
Traders	96	96	4	..	100
Technicians	30	73	27	..	100
Professionals and executives	144	75	24	1	100
Other servicemen	214	78	21	1	100
Workers	24	33	50	17	100
Farmers	34	70	24	6	100
Miscellaneous	44	68	23	9	100
TOTAL	628	77	20	3	100

consumer durables such as motor cars, scooters, refrigerators and radios.

NATIONALISED BANKS' DEPOSITS

An official document released recently stated that on May 28, 1971, deposits of the 14 nationalised banks stood at Rs 3,407.9 crores as against Rs 2,625.8 crores at the time of nationalisation. The amounts outstanding in the borrowal accounts have also increased from Rs 760.8 crores in June 1970 to about Rs 897.3 crores in March 1971—more than twice the amount in June 1969. The aggregate advances of these banks under the heads agriculture, small-scale industry, road transport operators, retail trade and small business, professional and self-employed persons and employed persons and education constituted 22.8 per cent of their total advances in March 1971 as against 14.5 per cent in June 1969. The aggregate advances of these banks were of the order of Rs 3,934 crores in March 1971 as against Rs 3,017 crores in June 1969. The number of farmers' borrowal accounts with the public sector banks has gone up from 171,880 in June 1969 to 615,952 in June 1970 and 795,745 in March 1971. The amounts outstanding in these advances increased from Rs 38 crores in June 1969, to Rs 153.4 crores in June 1970 and about Rs 198.8 crores in March 1971. Between July 19, 1969, and April 30, 1971, 3,419 new offices were opened by the commercial banks out of which 2,934 were opened by the public sector banks, nearly 70 per cent of them in unbanked centres, mostly in rural areas.

"PRIYA DARSHINI" LAUNCHED

World's first reloading vessel, a Mobile Port, which was launched at Tokushima in Japan recently has been named "Priya Darshini" after the Indian Prime Minister. This vessel has been designed and built by Messrs. Mitsui Oceanic Development Engineering Corporation well-known firm of ship-builders in Japan for Messrs. V. S. Dempo & Co. of Goa, a prominent iron-ore export house. With the establishment of the reloading vessel one of the major inadequacies in regard to operational facilities in Indian ports will be met effectively. It is manoeuvrable in shallow as well as deeper waters. The reloader can approach and get alongside big carriers of up to 60,000 tonnes which cannot come to the harbour at Mormugao. At present carriers of up to a maximum of 25,000 tonnes can be loaded at the Mormugao harbour. The vessel will act as reloader—receiving ore from barges and then loading it on to ore carriers and will greatly speed up ore shipments to

Japan. Dempo's supply contract with Japan this year is 1.5 million tonnes and it is likely to be stepped up to 1.8 million tonnes by 1975. Built at a cost of Rs 2.50 crores, this mobile port has a storage capacity of 20,000 tonnes and handling capacity of 10,000 tonnes per day.

TELEVISION INSTITUTE

The United Nation Development Programme is to assist this country in launching a man-power training programme for expanding the use of television media for adult education, family planning and intensified agricultural production. Under the project, which is the first of its kind, a television training institute will be established at Poona. This will turn out qualified personnel of various categories to man new television centre which will become operational in Bombay and Srinagar in 1972 and in other state capitals in subsequent years.

Technical execution of the project will be the responsibility of UNESCO in association with the International Telecommunications Union, while the union government's co-operating agency will be the Ministry of Information and Broadcasting. The UNDP will provide television and other equipment for the institute and eight international experts at an estimated cost of nearly 1.2 million dollars in foreign exchange. Eighteen Indians will also be trained abroad, through UNDP fellowships, who will take over from the foreign experts at a later date. The union government will contribute Rs 1.17 crores, mostly in kind, by way of buildings and local facilities and counterpart staff.

NAMES IN THE NEWS

Mr K.T. Satarawala, General Manager of Indian Airlines has been appointed advisor to the government of Gujarat.



Indian Banks' Association

requires for its Personnel Department

ONE PERSONNEL OFFICER ONE PERSONNEL SUPERVISOR

for assisting our Personnel Adviser. They must be brilliant Graduates with Diploma in Personnel Management or other professional qualifications and have 5 to 7 years experience in handling personnel relations in banks, financial institutions or service industries.

Posts offer an opportunity to make a useful contribution to the handling of personnel relations in the banking industry. Compensation offered will be around Rs. 1,500/- p.m. for Personnel Officer and around Rs. 700/- p.m. for Personnel Supervisor.

Eligible persons may write in confidence within 10 days along with a self addressed 24 cm x 12 cm envelope stamped with 35 paise stamps, to the Secretary, Indian Banks' Association, Stadium House, 81-83, Veer Nariman Road, Bombay-20, for a copy of the prescribed Application Form, indicating the post for which they intend to apply.

Company Affairs

CENTRAL BANK OF INDIA

CENTRAL BANK of India had on December 31, 1970, deposits of the order of Rs 563.35 crores as against Rs 500.75 crores on December 31, 1969. The increase in deposits was uniform in all classes. Fixed deposits and cash certificates accounted for Rs 280.34 crores against Rs 253.27 crores last year. Similarly savings bank deposits amounted to Rs 148.98 crores as against Rs 127.66 crores last year. Current account and call deposits etc. accounted for Rs 134.04 crores as against Rs 119.82 crores on December 31, 1969. During the same period advances and bills discounted increased from Rs 354.01 crores to Rs 400.86 crores. Out of these advances debts in respect of which the bank has been fully secured amounted to Rs 327.34 crores, debts for which the bank held no security other than the debtor's personnel security were about Rs 18.51 crores and debts secured by the personnel liabilities of one or more parties in addition to the personal security of the debtors were about Rs 55.01 crores. The bank improved its performance considerably so that profit subject to bonus to staff was about Rs 2.08 crores as against Rs 1.09 crores during the previous year.

BIHAR ALLOY STEELS

The directors of Bihar Alloy Steels Limited have approved the allotment of equity shares at its board meeting in Bombay recently. According to the scheme of allotment seven out of 10 applicants for 50 shares will get 25 shares, six out of 10 applicants for 100 shares will get 50 shares; nine out of 10 applicants for 150 shares will get 50 shares and applicants for 200 shares will get 50 shares. Allotments in respect of applications for 250 shares and above will be on a graded basis ranging from 100 shares to 17,525 shares for applicants up to 350,000 shares.

TEXMACO

The directors of Texmaco propose to issue 10,000 new 9.3 per cent cumulative redeemable preference shares of Rs 10 each (Rs 10 lakhs) at par out of the unissued capital of Rs 110,000 shares. The new shares will be redeemed at par on December 31, 1980. These will be offered in the first instance to holders of existing equity shares by way of rights in the ratio of one new

preference share for every 150 equity shares held. The full amount of Rs 100 per share is payable on application. Whatever rights shares are not taken up by the existing equity shareholders will be allotted by directors later.

BANK OF INDIA

Bank of India made considerable progress in 1970. Its total income went up by Rs 4.58 crores — from Rs 29.12 crores in 1969 to Rs 33.70 crores in 1970, the main contributing item being the increase in interest and discount (Rs 3.98 crores). This increase in income was, however, substantially offset by an increase of Rs 4.20 crores in overheads, from Rs 27.51 crores in 1969 to Rs 31.71 crores in 1970. The increase in overheads was mainly spread over interest paid on deposits and borrowings (Rs 2.30 crores) and establishment charges (Rs 1.56 crores). The net profit for the year at Rs 1.99 crores was higher by Rs 0.38 crore compared to Rs 1.61 crores in the previous year. A sum of Rs 40 lakhs has been transferred to the reserve fund under section 17 of the Banking Regulation Act, 1949, while the allocations to bonus and staff welfare fund amounted to Rs 72.50 lakhs and Rs five lakhs respectively. A sum of Rs 81.26 lakhs was transferred to the central government which represents a return of 5.528% per annum on the compensation of Rs 14.70 crores paid by the government for acquiring ownership. During 1970 the bank opened 90 new branches, out of which 44 were in rural areas and 19 in semi-urban areas. The bank had 400 branches at the end of 1970 out of which 108 were in rural areas. The bank has the largest number of mobile branches.

GREAT EASTERN SHIPPING

The directors of the Great Eastern Shipping Co. Ltd. have proposed for the year ended March 31, 1971 an equity dividend of Rs 2.25 a share i.e. 22.5 per cent which is expected to be free of tax. The company had paid a dividend of 12 per cent i.e. Rs 1.20 a share for the nine month period ended March 31, 1970. The year's operations of the company are highlighted by a spurt in freight and other earnings to Rs 13.45 crores compared with Rs 8.58 crores for the previous nine month period. This has led to an increase in

gross profit to Rs 5.40 crores compared with Rs 2.78 crores for the previous period. Depreciation claims Rs 1.72 crores, taxation Rs 11 lakhs and development rebate reserve Rs 89.50 lakhs.

VOLTAS

The operations of Voltas Ltd for the period of nine months ended May 31, 1971 shows satisfactory progress. Total sales during the period amounted to Rs 74.11 crores as compared to Rs 60.43 crores for the corresponding period in the previous year. The value of unexecuted firm orders in hand at the end of May, 1971 was Rs 55 crores as against Rs 47 crores at the end of May, 1970.

NANDURBAR OIL

Nandurbar Oil and Vanaspati Industries Ltd., proposes to enter the capital market in October with a public issue of Rs 22 lakhs (Rs six lakhs in preference shares and Rs 16 lakhs in equity shares). The company is setting up a factory at Nandurbar in West Khandesh district (Maharashtra). The capacity of the plant will be 25 tons of vanaspati, 10 tons of refined oil and 5 tons of soap per day. The company's authorised capital is Rs 50 lakhs. The directors and their friends will take up shares worth Rs 10 lakhs. The cost of the project is estimated at Rs 80 lakhs, which will be met by share capital (Rs 32 lakhs), loan from SICOM (Rs 10 lakhs), loan from the Maharashtra State Financial Corporation (Rs 20 lakhs) and bank borrowings (Rs 18 lakhs). The turnover after achieving full rated capacity is estimated at Rs 4.50 crores. Raw materials are available locally. Land has been acquired for setting up the factory and orders for machinery have been placed. Construction of the factory is expected to start by October and the plant is expected to be commissioned by July, 1972.

KIRLOSKAR ELECTRIC

Kirloskar Electric Co. Ltd. and Kirloskar Brothers Ltd. have agreed to co-operate with an entrepreneur in Philippines for setting up a joint venture in Manila for the assembly and manufacture of electric motors, alternators and pumps. The entire promotion work and formation of the new company will be undertaken by the local entrepreneur in Philippines. The proposal envisages Kirloskar Electric offering technical collaboration to the new company on a royalty basis. The proposed new company will have an authorised capital of 10 million Pesos, and issued and subscribed capital of three million Pesos. The local entrepreneur in Manila and the public of

July 23, 1971

Philippines will take up 70 per cent and Kirloskar Electric and Kirloskar Brothers will invest 675,000 Pesos (Rs 7.89 lakhs), and 225,000 Pesos (Rs 2.60 lakhs) respectively. The investments by Kirloskar Electric and Kirloskar Brothers will be in the form of supply of plant and machinery.

CABLE COMPANIES TO MERGE

The Western Insulated Cables Ltd, formerly Henley Cables India Ltd, proposes to merge with the Indian Cable Co. Ltd according to the merger scheme. The shareholders will get 16 fully-paid 10 rupee equity shares of Indian Cable for every three fully paid 100 rupees equity shares of Western Insulated. The proposal which has already been considered by the Western Insulated board will be placed before the shareholders for their approval shortly. Steps to obtain the approval of the Indian Cable shareholders is also to be taken shortly. It is proposed to effect the amalgamation from November 1, 1971.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the three weeks ended February 20, 1971. The list contains 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); Shift ing—and annual installed capacity.

Metallurgical Industries

M/s Killick Slotted Angels Ltd, Dexion Tower, Kurla Powai Road, Bombay-72. (Bombay-Maharashtra)—1. Slotted Angles 2. Shelves and panels 3. Open Steel Planks—4500 tonnes per annum. (COB); M/s Union Carbide India Ltd., UCO Bank Building, Parliament Street, New Delhi. (Tamil Nadu)—Zinc strips, calots and plates—6000 tonnes per annum. (N.U.); M/s J.K. Industries Pvt. Ltd., 7, Council House Street, Calcutta—Rayagada. (Koraput, Dist Orissa)—Aluminium Ingots—30,000 tonnes p.a. (60% this shall be of the electrolytic grade). (N.U.).

Electrical Equipment

M/s Lamp Caps & Filament Ltd, 18, Khorshed Building Sir P.M. Road, Bombay-1. (Thanna-Maharashtra)—Tungsten Filaments from Rod Stage—150 Million meters per annum. (NU); M/s Philips India Ltd, Shivsagar Estate, Dr Annie Besant Road, Worli, Bombay-18. (Maharashtra)—Glass Tubings for electric lamps—3600 tonnes per annum. (COB).

Telecommunication

Shri G.D. Gopal, Gopal Bagh, Coimbatore-18. (Tamil Nadu)—Car-

EASTERN ECONOMIST

179

bon Potentiometer—1.2 million nos. (COB); M/s Golden Industries, 10, Jessore Road, Calcutta. (Mysore)—Band Change switches—0.5 million nos. (COB); M/s Baroda Electronics Industries (P) Ltd, 78, Chandni Road, Baroda-2. (Gujarat)—(1) Fixed Carbon Film Resistors—10 million Nos. p.a. (2) Electrolytic capacitors—4.8 million nos. p.a. (3) Plastic Film capacitors, Styro flex & Mylar—5.0 million nos. p.a. (COB); M/s Asian Electronics Ltd. Handloom House 3rd Floor, 221, Dr. D.N. Road, Bombay-1. (Maharashtra)—(1) Carbon Resistors Expansion from 30 million nos. to 37 million nos. p.a., (2) Sytroflex Capacitors—Expansion from 12.2 million nos. to 14.2 million nos. p.a. (SE).

Transportation

M/s Hind Cycles Ltd, 250, Worli, Bombay-25. (Maharashtra)—Bicycle 4,00,000 nos. p.a. (COB); M/s Marshall Industries of India Ltd, 9/52, Kirti Nagar, (New Delhi) (New Delhi)—1. Bicycle spokes and Nipples—3,11,040 (with washers) hundred sets p.a., 2. Bicycle chains—4,32,000 nos. p.a., 3. Bicycle Handle Bars—1,80,000 nos. p.a., 4. Bicycle chain wheel and Crank assembly—2,16,000 sets p.a. (COB); M/s Mopeds India Ltd, Central Office No. 1, V. Palaniswamy Naidu Street, Avanashi Road, Calcutta-18. (Tirupathi, Andhra Pradesh)—Mopeds—(50cc)—15,000 nos. p.a. after expansion (SE); M/s Escorts Ltd, 19/6 Mathura Road, Faridabad (Haryana). (Faridabad-Haryana)—Bicycle Rims—11.25 lakh nos. p.a.; M/s Hind Cycle Ltd, 250, Worli, Bombay—25DD. (Bombay-Maharashtra)—Complete Bicycles—3,82,000 nos. p.a. (COB); The Road Master Industries of India Pvt. Ltd., Industrial Area, Rajpura. (Rajpura-Punjab)—1. Bicycles—2,70,000 Nos., 2. Bicycle spokes & Nipple with washers—1,44,000 gross sets, 3. Bicycle Frames—60,000 sets, 4. Bicycle Forks—60,000 sets, 5. Chain wheel cranks—60,000 sets, 6. Handle Bars—60,000 Nos., 7. Mudguards—60,000 pairs, 8. Paddles—60,000 Nos., 9. Peddle—60,000 nos., (COB); Everest Cycle Ltd, Gopinath Nagar, Gauhati (Assam). (Gauhati-Assam)—1. Complete Bicycles—108,000 nos. p.a., 2. B.B. Axles—450,000 nos. p.a., 3. B.B. cups—180,000 Nos. p.a., 4. Spokes, Nipples and washers—77,760 hundred Nos., 5. Mudguards—135,000 pairs, 6. Chain wheel & cranks—64,000 sets p.a. (COB).

Industrial Machinery

M/s Ingersoll Rand (I) Pvt. Ltd, Khanna Construction House, 44, Maulana Abdul Ghaffar Road, Worli, Bombay-18. (Ahemdabad-Gujarat)—1.

Air & Gas compressors and Dry vacuum pumps—1,800 Nos. p.a., 2. High pressure model 15T2 air compressors (1,500 PSIG)—20 Nos. p.a., 3. High pressure Model 15T3 Air compressor 3000 (PSIG)—40 Nos. p.a., 4. Compressors Model ESH 7"x5" Non-Lubricated Cylinder—24 Nos. p.a., 5. Compressor Model ESH 9 1/2"x7" Non-Lubricated Cylinder—24 Nos. p.a., 6. Compressor Model 25B 6"x5"—36 Nos. p.a., 7. Compressor Model 50B 6"x6" and 5"x5" double—30 Nos. p.a. (COB); M/s Frick India Ltd., Jeevan Vihar, 3, Parliament Street, New Delhi. (Faridabad-Haryana)—Centrifugal packaged chillers—20 Nos. p.a.; M/s Vikhroli Metal Fabricators Ltd. Construction House Walchand Hirachand Marg Ballard Estate, Bombay-1. (Bombay-Maharashtra)—1. Cement carrier—12 Nos. p.a., 2. Agitator cars for concrete conveyance—12 Nos. p.a., 3. Pneumatically operated concrete plasticers—12 Nos. p.a., 4. Concrete Buckets—6 Nos. p.a., 5. Sand washing machines—4 Nos. p.a., 6. Transit concrete mixers—6 Nos. p.a., 7. Concrete vibrators—200 Nos. p.a., 8. Mining cars—Job works accessories. (COB); M/s Shivaji Works Ltd, Shivashahi Dist-Sholapur. (Maharashtra)—Self-priming Pumps—3,500 Nos. p.a. (COB).

Agricultural Machinery

M/s Harsha Tractors Ltd, 42, Janpath, New Delhi. (Loni-Uttar Pradesh)—Model DT—14B/T-25—Agricultural Wheeled Tractors (20 HP) and spare parts—10,000 Nos. per annum. (NU).

Earth Moving Machinery

The Managing Director, Bharat Earth Movers Ltd, Bangalore-17. (Kolar Gold Fields-Mysore)—1. Crawler Tractors including Angle Dozer. Bull Dozers Model, (i) D-1201-B—Above 120 H.P. D80 A-121—350 Nos. p.a., (ii) D-50-A-15—Below 120 H.P.—300 Nos. p.a., 2. Motor Graders Model—440—60 Nos. p.a. (NA).

Commercial Equipment

M/s Danfoss (India) Ltd, Bank of Baroda Building, Apollo Street, Bombay. (Ghaziabad-Uttar Pradesh)—Solenoid Valves and Shut off valves—40,000 Nos. per annum only. (COB).

Scientific Instruments

M/s British Physical Laboratories India Ltd, 28 K.H. Road, Bangalore-27. (Palghat-Kerala)—(1) Larger Instruments such as different types of Bridges, Break down Testers, Signal generators etc.—450 Nos. p.a., (2) Electro-cardiographs—400 Nos. p.a., (3) Ultrasonic Fish Detectors/Echo Sounders—100 Nos. p.a., (4) Power Line carrier Equipment and Accessories—50 Nos.

p.a., (5) Level Meters—2.5 lakh Nos. p.a. (COB); M/s Ravindra Herauns (P) Ltd., Shanti Nagar, Pipe Line, Vakola, Santacruz (East) Bombay-55 A.S. (Maharashtra)—Scientific Instruments viz. Platinum crucibles, Dishes, Wires, Spatulas, Spoons, Boats, Filtercones, Tipped Forceps/Tongs, Triangles, Wire Ganges, Foils, Electrodes, Platinum, Platinum/Rhodium Thermocouples Wires etc.—70 Kgs. per annum. (COB).

Chemicals

M/s Monsanto Chemicals of India Pvt. Ltd., Wakefield House, 11, Sprout Road, Ballard Estate, Bombay-1. (Maharashtra)—1. 3, 4-Dichloropropionanilide Emulsifiable concentrate (ROGUE), 2. 2-Chloro, 2,6-Diethyl-N-(Methoxymethyl) actanilide-Emulsifiable concentrates (LASSO), 3. 2, 3-trichloroallyl disopropylthio carbamate-emulsifiable concentrate (AVADEx DW)—80,000 Litres per month. (COB); [(A) and (B) denotes M. Tonnes, (C) and (D) denotes Literes] EID Parry Ltd., Dare House, P.B. No. 12, Madras-1. (Tade palli-Andhra Pradesh)—1. BHC 5%—1,000(A)—50 (B), 2. BHC 10%—5,000 (A)—500 (B), 3. BHC 50% W.P.—250 (A)—135 (B), 4. DDT 5%—500 (A)—25 (B), 5. DDT 10%—200 A—20 (B), 6. DDT 50% W.P.—100 (A)—125 (B), 7. Malathion Dust (5% or 2%)—250 (A)—12.5 (B), 8. Thiodan Dust (4% or 2%)—250 (A) 10 (B), 9. Parrycop 50% W.P.—50 (A)—44.25 (B), 10. Brassicol W.P.—50 (A)—37.5 (B), 11. Endrin 20% EC—50,000 (C) 10.3 (D) 12. Malathion 5% EC—20,000 (C) 11(D) 13. DE DE Tol 25% EC—12,000 (C) 3 (D) 14. Thiodan 35% EC—50,000 (C) 20.3 (D), 15. Lindalin 20% EC—2,000 (C) 0.42 (D) 16. Morocide 40% EC—1,000 (C)—0.4 (D). (COB); 8. M/s Indian Organic Chemicals Ltd., 28, Apollo Street, Fort, Bombay-1. (Maharashtra)—1. T.C.A. (Trichlovo Acetic Acid) salts and esters—50 Tonnes p.a., 2. M.C. TRA. (1) Methyl and Chlorophenoxy Acetic Acid and its salts & esters—100 Tonnes p.a., 3. M.C.P.B. (1 Methyl 4 Chlorophenoxy Butyric Acid 7 and its salts and esters—50 Tonnes p.a., 4. 2-2 DPA (2 Dichloro propionic Acid and its salts and esters, (Dalapon)—150 Tonnes p.a. (NA); M/s Assam Industrial Development Corporation Ltd., 26-A, Contonment, G.S. Road, Shillong. (Assam)—1. Methanol—7,000 tonnes per annum, 2. Formalin—12,000 tonnes per annum, 3. U.F. Glue—12,000 Tonnes p.a. 4. U.F. Moulding Powder—1,000 tons. p.a., 5. P.V.C. Processed Good—6,000 tonnes p.a., 6. Non concentrated Glue (50%)—12,000 tonnes p.a., 7. Concentrated Glue (75%)—12,000 tonnes p.a. (NU), M/s Poona Oxygen & Acetylene Co. (P) Ltd, 52,

Mira Society, 99, Shankarseth Road, Poona. (Poona-Maharashtra)—1. Oxygen Gas—3,60,000 cubic metres p.a., 2. Acetylene Gas—2,16,000 Cubic Metres p.a. (COB); M/s Cellulose Products of India Ltd, P.O.K.athwada Maize Products, Dist. Ahmedabad, Ahmedabad. (Gujarat)—Polyvinyl Alcohol—500 tonnes p.a.; M/s India Carbon Ltd, 6, Old Post Office Street, Calcutta. (Thana-Maharashtra)—Ethanolamines—3,000 tonnes per annum. (NU).

Drugs & Pharmaceuticals

M/s. Galikeps Pvt. Ltd, P.O. Alladra, Dist. Barod (Gujarat) (Gujarat)—Piece Hard Gelatine Capsules—Expansion from 150 million pieces to 350 million pieces p.a. (SE).

Textiles

M/s Vijay Tape Mfg. Co., Behind Alcock Pipe Factory, Gomtipur, Ahmedabad-21 (Gomtipur-Gujarat)—Cotton tapes—68 (COB); M/s Chemicals & Fibres of India Ltd., 34, Chowringhee, Calcutta-16. (Bombay-Maharashtra)—Polyester Staple Fibre — Expansion from 4,500 tonnes to 6,100 tones p.a. (SE.) Ms Yeshwant Co-operative Processors Ltd, 288 (1), Bungalow Road, Ichalkaran ji, Dist. Kolhapur. (Maharashtra)—Processing of Textiles—30 million Metres per annum.

Paper and Pulp

M/s The Bengal Paper Mills Co. Ltd, 14, Netaji Subhas Road, Calcutta-1. (Raniganj-West Bengal)—1. Pulp—50,000 tonnes p.a., 2. Paper (writing) printing and wrapping and pulp board—50,000 tonnes p.a. (COB); M/s Western India Match Co. Ltd., Indian Mercantile Chambers, Nicol Road, Ballard Estate, P.B. No. 254., Bombay-1 (Calcutta-West Bengal)—1. Semi-chemical pulp—1,500 tonnes p.a., 2. Blue Match paper—7,500 tonnes p.a. M/s; Sirpur Paper Mills Ltd, UCO Bank Building, Parliament Street, New Delhi-1. (Sirpur—Andhra Pradesh)—Pulp—40,000 tonnes p.a., Paper—40,000 tonnes p.a. (COB); M/s Andhra Pradesh Paper Mills Ltd, Shreeniwas House, Fort, Bombay. (Rajahmundry-Andhra Pradesh)—Pulp 45,000 tonnes p.a. (COB); M/s The West Coast Paper Mills Ltd, Shreeniwas House Fort, Bombay. (Dandeli. North Kanara-Mysore)—1. Paper—4,500 tonnes p.a., 2. Pulp—4,500 tonnes p.a. (COB); M/s The Arvind Boards & Paper Products Ltd, Antolia Billimora, Dist. Bulsar (Gujarat). (Antolia-Gujarat)—Straw Boards, Packing ~ Wrapping papers, Paper Board and Kraft paper—

16,000 (Sixteen thousand) Tonnes p.a. (COB).

Sugar

The Chikoci Raibag Sugar & Athani Taluk Rayats, Sahakari Sakkare Karhkhane, Niyamit, Raibag, P.O. Kudchi, Dist. Belganm (Mysore). (Budihal-Mysore)—Crushing capacity of 1,250 tonnes of sugarcane per day. (NU).

Food Processing Industries

M/s. Kaira Distt. Co-operative Milk Distributors Union Ltd., Anand, Dist. Kaira (Gujarat). (Anand-Gujarat)—High Protein and Weaning Foods—6,000 (Six thousand) tonnes per annum. (COB).

Vegetable Oils and Vanaspati

M/s The Jai Hind Oil Mills Co., 887-89, Narri Natha Street, Bombay-9. (Bhandup, Bombay-Maharashtra)—Vanaspati—60 (Sixty) tonnes per day. (COB).

Rubber Goods

Shri L.G. Varadarajulu, India House, Trichy Road, Coimbatore-18. (Ponneri-Tamil Nadu)—Reclaimed Rubber—2,500 Metric Tonnes per annum. (NU).

Leather, Leather Goods & Pickers

M/s Agra Tannery, P.O. Box No 75, Bichpuri Road, Agra (UP). (Uttar Pradesh)—Vegetable Tanned Sole Leather—50,000 (Fifty thousand) Nos. of Buffalo's hides p.a. (COB).

Cement

M/s Mysore Cements Ltd., United Commercial Bank Building, 4th Floor, Parliament Street, New Delhi-1. (Aditya—Patna-Mysore)—400,000 tonnes (Four lakh only) per annum (including 2.26 lakh tonnes already licensed) on the basis of maximum utilization of pronto machinery. (COB).

LETTERS OF INTENT

Metallurgical Industries

M/s. Ennore Foundries Ltd, Ennore, Madras-57 (Ennore, Madras-Tamil Nadu)—Ferrous and non-Ferrous Castings—12,000 tonnes p.a. (after expansion). (SE) M/s. Echjay Industries P. Ltd, Kanjar Village Road, Bhandup, Bombay-78. (Rajkot-Gujarat)—1. Forged steel flanges upto "24" in pressure railing of 150, 300, 400 and 600 lbs.—1,500 tonnes per annum, 2. Forged fittings like elbows, tees, couplings

reducers, etc. excluding valves (upto size of 6")—500 tonnes per annum, Forged rings & gaskets (suitable for flanges in sizes from 1 1/2" to 24")—100 tonnes p.a. (NA).

Non-Ferrous Metallurgical

Shri K.M. Kotak, Flat No. 3, Dariya Mahal 80, Napean Sea Road, Bombay-6. (Maharashtra)—Aluminium collapsible tubes—12 million Nos. p.a. (NU).

Electrical Equipment

M/s Serson Industries P. Ltd. Pimpri P.F., P.O. Poona-18. (Pimpri-Maharashtra)—1. Motor Starting Electrolytic capacitors—one lakh Nos. p.a. 2. Paper capacitors—Ten lakh Nos. p.a. (NA); M/s British Physical Laboratories (I) Pvt. Ltd., 28, K.H. Road, Bangalore (Palghat-Kerala)—1. Motor starting Electrolytic capacitors—one lakh Nos. p.a., 2. Paper capacitors—Twelve lakh Nos. p.a. M/s; Baroda Electronics Industries Pvt. Ltd, 78, Chhani Road, Baroda-2. (Baroda-Gujarat)—1. Carbon Film Resistors—Expansion from 10.0 to 50.0 million Nos. p.a., 2. Electrolytic capacitors — Expansion from 4.8 to 12.0 million Nos. p.a. 3. Plastic Film capacitors (Styroflex & Mylar) — Expansion from 5.0 million Nos. to 10.0 million Nos. p.a. (S.E.) M/s Radon House Pvt. Ltd. 89-A, Kalighat Road, Calcutta-26. (Calcutta-West Bengal)—X-Ray diagnostic and diffraction upto and inclusive of 200 m.p. — Rs 10 lakhs p.a., 2. Industrial X-Ray upto 150 KV—10 Nos. upto 220 KV-7 Nos. upto 300KV-3 Nos. Rs 8 lakhs p.a., 3. Dental X-Ray-50 Nos. value at Rs. 4.25 lakhs p.a., 4 (a) Superficial therapy machines-5Nos. valued at Rs 1.25 lakhs p.a., (b) Intermediate therapy machine upto 140 KV—5 Nos. valued at Rs 2.375 lakhs p.a. (c) Deep therapy X-Ray machine upto 250 KV-5 Nos. valued at Rs 4.00 lakhs p.a. (NA); The Managing Director, Punjab Industrial Development Corp. Ltd, United Commercial Bank Building (3rd Floor) Sector 17-B, P. Box No. 81, Chandigarh. (Punjab)—Dry Battery Cells—60 million Nos. p.a. (NU); M/s Gramophone Co. of India Ltd, 5 Old Court, House Street, Calcutta-1. (Calcutta-1.) Calcutta-West Bengal)—Record Playing Equipment —Expansion by 60,000 Nos. per annum —Capacity after expansion will 96,000 Nos. p.a. (SE)

Transportation

Shri R.N. Bose, 228 Jor Bagh, New Delhi-3. (Thana-Maharashtra)—Dash Board Instruments viz: (1) Speedometers (2) Fuel gauge (3) Oil gauge and Ammeter, (4) Temperature Gauge and (5) Warning light—65,000 Nos each p.a.

M/s K.S. Diesels Pvt. Ltd, 19-21, Hamam Street, Bombay-1. (Rajkot-Gujarat)—1. Pistons—5 lakh Nos. p.a. 2. Piston Rings—40 lakhs p.a., 3. Piston Pins—5 lakhs p.a. (NA); M/s Larson and Toubro Ltd, L & T House Ballard Estate, Bombay. (Tamil Nadu-Haryana) Maharashtra)—1. Bihe Bag—0-Matics, 2. Passenger Bag-o-Matics, 3. Post Cure Inflators 4. Truck Bag-o-Matics, 5. Large Truck Bag-o-Matics 6. Passenger Tube Presses, 7. Truck Tube Presses, 8. Large Truck Tube Presses, 9. Bladder Presses (900-36 x 30), 10. Bladder Presses (1,200-54x50), 11. Mills, Mixers, Tyre Machines related tyre machinery, 12. Spare parts—Rs 500 lakhs p.a. (NU) M/s. Usha Telehoist Ltd., 14, Princep Street, Calcutta. (Faridabad-Haryana)—Hydraulic Pumps for lubrication—50,000 Nos. p.a. (NA); Lynx Machinery Ltd., 2, Ring Road, Lajpat Nagar-IV, Part-I (New Delhi.) (Faridabad-Haryana)—Cylinder heads connecting rods, crankshaft and camshaft—6,000 Nos. each per annum. (NA), M/s Crescent Agencies Pvt. Ltd., 27/33, Medows Street, Bombay-1. (Maharashtra-Gujarat)—Assorted sizes of carburetors—60,000 Nos. per annum. (NU) M/s Abilities (I) P. Ltd, 48-Radio Colony Delhi-9. (Meerut-Uttar Pradesh)—1. Pistons—1.50 lakhs, 2. Piston Rings—15 lakh Nos. p.a. (NA); M/s Bipico Industries 58, Podar Chamber Parsi Bazar Street, Bombay-1 (BR). (Billimora-Gujarat)—1. Hand Tools and Engineers Tools—7,50,000 Nos. valued at Rs. 15 lakhs p.a., 2. Magnetic tools —50,000 Nos. valued at Rs. 10 lakhs p.a., 3. Tools & Equipment such as chucks—7,500 Nos. valued at Rs. 10 lakhs, 4. Garage & Automobile Tools—1,000 sets valued at Rs 3 lakhs per annum. (NU); M/s. Usha Telehoist Ltd, 14, Princep Street, Calcutta-13. (Faridabad-Haryana)—Electrical Contacts—15,00,000 nos. p.a. (SE); M/s Globe Auto Electrical Ltd, Agra Road, Mulund, Bombay-80. (Vapi-Gujarat)—(i) Voltage Regulator—47,500 nos. p.a., (ii) Distributor—30,000 nos. p.a., (iii) Ignition Coils—80,000 nos. p.a. (iv) Wiper Motors—1,00,000 nos. p.a., (v) Switches—50,000 nos. p.a.—after expansion. (SE); M/s Jaya Hind Industries Pvt. Ltd, Bombay-Poona Road, Chinchwad, Poona-19. (Poona-Maharashtra)—Pressure & Gravity Die Castings Auto parts — 800 tonnes after expansion. (SE), Shri Surendra Kumar Tapuriah, 14, Talkatora Road, New Delhi. (Balabgarh-Haryana)—propeller Shafts—40,000 nos. p.a. (NU); M/s Hydraulics Ltd; No. 29, Mount Road, Madras-2. (Madras - Tamil Nadu)—Shock Absorbers—Expansion from 2,00,000 nos. to 4,00,000 nos. p.a. (S.E.); M/s Bombay Forgings Pvt. Ltd, C/294, C.S.T. Road, Kalina, Bombay. (Maharashtra)—1. Propeller Shafts 40,000 nos. p.a., 2. Universal

Joint cross Assembly—40,000 nos. p.a., 3. Axle Shafts—20,000 nos. p.a. (NU); M/s Globe Auto Electricals Ltd, Agra Road, Mulund, Bombay-80. (Vapi-Gujarat)—Starter Drivers—expansion by 25,000 nos. p.a. (SE); M/s K.S. Diesels Pvt. Ltd, 19-21. Haman Street, Fort, Bombay-1. (Rajkot-Gujarat)—1. Test Benches—100 nos. p.a., 2. Nozzle Testers—10,000 nos. p.a. (NA); Shri R.K. Sondhi, Jullunder Motor Agency (Delhi) Pvt. Ltd: Kashmere Gate, Delhi-6. (Faridabad-Haryana)—1. Speedometers—40,000 nos. p.a., 2. Temp. Gauge—50,000 nos. p.a., 3. Oil Gauge—50,000 nos. p.a., 4. Ammeters—50,000 nos. p.a. (NU); Shri Ratanlal Morarka, 24, Carmichael Road, Bombay-1. (Ramgarh-Bihar)—Flywheel Ring Gears—1,00,000 nos. p.a. (NU); Shri Madan G. Sinhasane, Partner, National Metal Industries, 35, Shivajinagar, Poona-5. (Poona-Maharashtra)—Testing Machines & Monoflash—100 nos. p.a. (NU); Shri P. Chandriah, 28-A, Chamiers Road Madras-28 (Madras-Tamil Nadu)—1. Propeller Shafts — 25,000 nos. p.a., 2. Universal Joint Cross & Bearing—1,50,000 nos. p.a. (NU); M/s Atlas Automotive Components Ltd 221, D.N. Road, Bombay-1. (Haveli-Maharashtra) — Propeller Shafts—1,00,000nos. per annum. (NA); M/s. Surendra Export Ltd, 101-E Block, New Alipore, Calcutta-53. (Gurgaon-Haryana) — 1. Propeller Shafts—1,00,000 nos. p.a., 2. Universal Joint Kits—8,00,000 nos. p.a. (NU); M/s Kothari Auto Parts Manufacturers Pvt. Ltd, 431, Lamington Road, Bombay-4. (Thana-Maharashtra)—1. Propeller Shafts—60,000 nos. p.a. 2. Components for propeller 1,00,000 nos. p.a., 3-Stub Axles—60,000 nos. p.a., 4-Axle Shafts — 50,000 nos. p.a. (NA); M/s Gujarat Industrial Investment Corp. Ltd, Natraj Chambers, Ashram Road, Navrangpura, Ahmedabad. (Gujarat)—Fuel Pump Testing Machines—500 nos. p.a. (NU); M/s Dhawan Motor Co., Latonchi Road, Kanpur. (Kanpur-Uttar Pradesh)—Universal Joints—2,40,000 nos. p.a. (NU); M/s A.P. Madhavan, 89, Race Course, Coimbatore-18. (Coimbatore-Tamil Nadu)—1. Propeller Shafts—40,000 nos. p.a., 2. Universal Joint Cross 5 lakh nos. p.a. (NU); M/s Sanghi Motors (Bombay) Pvt. Ltd, 39-A, Hughes Road, Bombay-7. (Bombay-Maharashtra)—1. Clutch Driven Plates—30,000 nos. p.a., 2. Clutch Cover Assembly—10,000 nos. p.a. (NU); Shri Manmohan Singh, 11-C, Benrahm Hall Lane, Civganm, Bombay-4. (Bombay-Maharashtra)—1. Clutch Plates—60,000 nos. p.a. (NU); M/s National Steel & General Mills, Patel Marg, Ghaziabad. (Ghaziabad-Uttar Pradesh)—1. Substantial Expansion. (a) Crank Shaft—18,000 nos. p.a. (after ex-

pansion), (b) Connecting Rods—26,400 Nos p.a. (after expansion) II. *New Articles*, (a) Camshaft—20,000 nos. p.a. (NA/SE); M/s Super Seals (I) Pvt. Ltd, Mathura Road, P.O. Amarnagar, Faridabad. (Faridabad-Haryana) Oil Seals—(Expansion by 20 lakhs nos. p.a. (SE); M/s Globe Auto Electricals Limited, Agra Road Mulund, Bombay-80. (Vapi-Gujarat)—Starter & Generator Alternators—50,000 nos. each p.a. (after expansion). (SE); M/s British India Electric Construction Co. Ltd, 56, Jorbagh, New Delhi. (Ghaziabad-Uttar Pradesh)—1-Commutators—4,00,000 nos. p.a. 2. Slip Rings—1.5 lakh nos. p.a. (NA); M/s Sipra Engineers Pvt. Ltd, E-98, Greater Kailash, New Delhi-48. (Haryana)—Auto Die Cast parts—500 tonnes p.a. (NU); M/s Punjab State Industrial Development Corp. Ltd, United Commercial Bldg, (3rd Floor), Sector-17-B, P. Box No. 81, Chandigarh. (Ludhiana-Punjab)—Scooters—24,000 nos. p.a. (NU); M/s Mysore State Industrial Investment & Development Corporation Limited, Bangalore. (Bangalore-Mysore)—Scooters—24,000 nos. p.a. (NU).

Industrial Machinery

M/s Suessen Textile Bearings Ltd, Bombay-Ahemdabad National Highway No. 8 Pratapnagar, Baroda. (Gujarat)—Antifriction Centre spindle Inserts for Ring Frames for Doubling Frames, 6 lakh pieces p.a. (After Expansion). (SE.)

Medical & Surgical Appliances

Shri Dinesh Kevalchand, Managing Director, M/s Ferrodio Pvt Ltd, Roxy Chambers, New Queens Road, Bombay-4. (Maharashtra)—Instruments Lamination and stampings—3,000 tonnes per annum (NA) M/s Surgico-Medico Equipment Company, 15/4, Mathura Road, Faridabad — (Faridabad-Haryana)—I. Operation Tables (i) General Purposes Hydraulic (Major)—25 Nos (ii) General Purposes (Minor)—50 Nos (iii) Obster Trial—75 Nos (iv) Orthopedic — 75 Nos (v) Examination—75 Nos; II. Operation Theatre Lights. (i) Moving, Large type — 200 Nos, (ii) Moving, Small type — 200 Nos, (iii) Coil mounted — 200 Nos, III. ENT Chairs, Mental chairs, Gynecological chairs, — 500 Nos p.a. IV. Currets for Brain and Spinal—500 Nos, V. Catheters Needles, Catheters Scissors clip Screw (Punch Cork) Cups Feeding etc. — Rs 15 lakhs per annum. (N.U.)

Office Equipment

M/s Richardson & Cruddas Ltd, First Line Beach, Madras (Tamil Nadu)—

1. Open type reciprocating compressors and condensing units (1/6 HP) —500 Nos p.a. (NA)

Scientific Instruments

M/s Philips India Ltd, Shivsagar Estate, Block 'A'; Dr Annie Besant Road, Worli, Bombay (Maharashtra) Overhead Projectors and accessories —1000 Units p.a. (NA)

Chemicals

M/s Hindustan Organic Chemicals Ltd, P.O. Rasayani, Dist. Kolaba (Maharashtra)—Cetol -E — 1200 Tonnes p.a., (NA)

Paper

M/s Basti Sugar Mills Co Ltd, 3, Cavalry Lines, Delhi-7 (Orissa)—Pulp and Paper (Printing and Writing paper) —60,000 tonnes p.a. (NU); M/s Jamuna Enterprises Pvt Ltd, 3, Aurangzeb Road, New Delhi (Haryana)—Art & Chrome Papers — 1800 tonnes p.a. (NU); M/s Kant & Co (P) Ltd, 15, Clive Row, Calcutta-1 (Kairain Gujarat); Laminated Paper—5,600 tonnes p.a. (NU); M/s Amaravathi Sri Venkatesa Paper Mills Ltd, Midapadi, Madathukulam, P. O. Udumalpet Taluk, Coimbatore Distt. (Tamil Nadu) (Tamil Nadu); 1. Pulp—Expansion from 3000 tonnes to 6000 tonnes p.a. 2. Printing & writig Paper—Expansion from 3000 tonnes to 6000 tonnes p.a. (SE)

Sugar

Shri Ramamurthy Reddy, Chief Promoter, The Cuddapah Co-operative Sugar Factory Ltd, C/o Ramesh Talkier Cuddapah, Andhra Pradesh (Andhra Pradesh)—Sugar-cane crushing capacity of 1250 tonnes per day, (NU) Shri A. Raghava Reddy, Chief Promoter, Miryalguda Co-operative Sugars Ltd, Miryalguda, District Nalgonda—Andhra Pradesh (Andhra Pradesh)—Sugar-cane crushing capacity of 1250 tonnes per day (NU) M/s Mandava Bapayya Choudhary, Chief Promoter, The Nagaruna Co-operative Sugars Ltd, Furuala, Palond Taluk, Dist. Guntur, Andhra Pradesh—Sugar-crusing capacity of 1250 tonnes per day, (NU)

Food Processing Industries

M/s Mehsana District Co-operative Milk Producers' Union Ltd, Mehsana Gujarat (Gujarat)—Milk Powder—Expansion from 2400 tons to 7200 tons per annum, (SE); M/s Food Specialities Ltd, Link House, 3-Bahadurshah Zafar Marg, New Delhi-1, (Moga-Punjab), 1. Sweetened Condensed Milk

—8000 tonnes p. a. 2. Babyfood—3,500 tonnes p.a. 3. Milk Powder—1500 tonnes p.a. 4. Malted Milkfood —2200 Tonnes per annum after expansion. (New Article) (SE)

Rubber Goods

M/s Elecon Engineering Co Ltd, Vallabh Vidyannagar, Distt. Kaira-Gujarat (Gujarat)—Rubber Conveyor Beltings — 600 tonnes per annum (NA)

Leather and Leather Goods

M/s A. Abdul Shukoor & Co 35, Broadway, Madras (Vaniyambadi -Tamil Nadu). 1. Finished Leather—5.04 lakh sq. feet p.a., 2. E. I. Tanned Goat & Sheep skins—14.04 lakh Nos p.a. (after expansion) 3. Wet Blue chrome Tanned Goat and Sheep skins—5.04 lakh Nos p.a. (after expansion) (NA/SE)

Ceramics

Shri Chiman Lal P. Shah, 'Pranashish', 37, Versova Beach Road, Andheri, Bombay-58 (Gujarat)—Glazed Tiles—2,400 tonnes per annum (NU) M/s Parshuran Pottery Works Ltd, Morvi, Gujarat (Thanagadhi-Gujarat)—Porcelain Crockery—Expansion from 480 M. Tonnes to 1440 M. Tonnes per annum (SE); Lady Soonoo Jamsetjee Jejeebhoy, Seth Minar, 16-A, Peddar Road, Bombay-26 (Maharashtra)—Fine Porcelain Crockery & Electrical Porcelain and High Alumina Ceramics—1500 tonnes and 60 tonnes respectively per annum. (NU)

Changes in the Names of Owners/Undertakings.

(Information pertains to particular licences only)

From M/s The Deccan Flour Mills to M/s The Deccan Flour Mills Ltd (Maharashtra)

From Bharat Collieries Ltd, P.O. Dalmianagar, Bihar to Sahu Minerals & Properties Ltd, Calcutta.

Licences revoked or surrendered

(Information pertains to particular licences only)

M/s Gujarat Steel & Structural, Ahmedabad—Bright Bars & Shaftings; M/s Pesticides Ltd, Bombay,—BHC Technical.

RECORDS AND STATISTICS

Deposits with Non-Banking Companies : 1967-68

AN ARTICLE in the April 1971 issue of the Reserve Bank of India Bulletin traces the growth in deposits of non-banking companies from 1962 to 1968. The non-banking sector had mobilised deposits of the order of Rs 268.3 crores till March 1968. How far the directions of the Reserve Bank regarding unsecured borrowings of non-banking companies have affected the borrowings of these companies will be known after the returns for the year ended March 31, 1969, have been processed. Full text of this article follows:

As at the end of March 1968, there were 27,338 joint stock companies at work. According to the revised industrial classification of joint stock companies 2,564 of these 27,338 companies were classified as financial companies comprising 140 insurance companies, 378 loan companies, 548 investment companies and 1,498 miscellaneous financial companies including banking companies. The remaining 24,774 companies were trading or industrial companies engaged in non-financial activities.

Particulars of the number of joint stock companies which submitted returns as at the end of March 1968 are given in Table I (p. 184).

As at the end of March 1968 the non-banking companies submitting returns reported 530,000 accounts and the total deposits and exempted loans not counting as deposits received and held by these companies in these accounts amounted to Rs 477.89 crores. The data relating to the number of deposit accounts are given in Table II and the growth in the volume of deposits of reporting non-banking companies since 1962 in Table III (p. 184)

The reduction in the number of accounts by 20,000 appears to be mainly accounted for by the reduction in the number of companies submitting returns from 2591 to 2398.

Since the last survey as on March 31, 1967, there has been no change either in the scope or the form of the returns in which the data have been collected. The figure of deposits, as indicated in the present study, includes unsecured borrowings to the extent of Rs 79.60 crores (as against the estimated

there has been a sizeable increase in the total amount of exempted loans and deposits held by them as at the end of March 1968 to the extent of Rs 18.13 crores and Rs 52.76 crores respectively. In the case of private

TABLE II
NUMBER OF DEPOSIT ACCOUNTS
IN THE NON-BANKING CORPORATE
SECTOR—MARCH 1962 TO
MARCH 1968

End of March	No. of accounts (in thousands)
1962	178.0
1963	203.7
1964	249.0
1965	281.2
1966	367.3
1967	550.0*
1968	530.0*

*Inclusive of both 'deposits' and 'exempted loans or other receipts not counting as deposits.' The break-up of the figures for the year ended March 31, 1968 into these two categories is approximately 45.6% and 54.4% of the total number of accounts.

FORMALDEHYDE
For Pharmaceutical, moulding powders and Resins:
offered in Road Tankers for bulk despatches.

PRESCOL
Thermosetting Resin (Urea and Formaldehyde Glue)
for Plywood, Chipboard and Tea-Chest industries.
Packed in Polyethylene lined jute bags.

PRESRITE
Thermosetting Moulding Powders (Urea and Melamine with Formaldehyde and Cellulose fillers) for
Plastic moulding industries. Packed in Polyethylene
jute bags. Export to Bulgaria, U.A.R., Ceylon,
Burma and Hong Kong.



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54-INDUSTRIAL AREA, FARIDABAD, N.I.T.

limited companies, though there has been a reduction in the number of companies submitting returns by 115, the amount of exempted loans held by them has increased by Rs 4.91 crores while there has been a sharp fall in the total amount of deposits with them by Rs 28.75 crores.

The direction issued by the Bank appears to have had some effect on the unsecured borrowings of non-banking companies. While some of the larger

public limited companies with considerable owned funds have been able to increase their deposits substantially presumably within the permissible ceiling limit at 25 per cent of their paid-up capital and free reserves, as prescribed in the direction issued to them, some of the private limited companies having substantial deposits, disproportionately large to their owned funds, had to repay a fairly large sum or convert them into loans of exempted category so as to bring their deposits within the ceiling

limits before the expiry of the limit prescribed in the direction i.e. December 31, 1968.

A clearer picture regarding compliance by non-banking companies with the provision relating to the ceiling limit on deposits will emerge from the next study with reference to the position as on March 31, 1969, as the period granted for complying with this provision in respect of most of the companies expired in December 1968.

TABLE I
NUMBER OF JOINT STOCK COMPANIES AT WORK AND NUMBER OF JOINT STOCK COMPANIES SUBMITTING RETURNS TO THE RESERVE BANK OF INDIA

(As at March 31, 1968)

	Public limited companies			Private limited companies			Total number of companies		
	Total	Financial	Non-financial	Total	Financial	Non-financial	Total	Financial	Non-financial
1. Number of companies at work†	6278*	699*	5579	21060*	1865*	19195	27338*	2564*	24774
2. Number of companies submitting returns to the Reserve Bank of India**	1138\$	276	862\$	1260£	473	787£	2398	749	1649

*Includes insurance and banking companies. \$Includes 4 branches of foreign companies. £Includes 1 branch of a foreign company. †Figures are provisional. **Non-financial companies which hold 'deposits' as defined in paragraph 2 (1) of Notification No. DNBC. 2/ED(S)-66 dated October 29, 1966 and all financial companies, whether or not they hold deposits from the public, are required to submit the returns to the Reserve Bank of India.

TABLE III
GROWTH IN THE VOLUME OF DEPOSITS IN THE NON-BANKING CORPORATE SECTOR—1962 TO 1968
(Deposits with non-banking companies—including branches of foreign companies)

(Amount in crores of rupees)

Type of company	END OF MARCH							
	1962		1963		1964		1965	
	No. of companies accepting deposits	Total amount of the deposits	No. of companies accepting deposits	Total amount of the deposits	No. of companies accepting deposits	Total amount of the deposits	No. of companies accepting deposits	Total amount of the deposits
Hire-purchase finance	113 (100)	10.9 (7.1)	136 (122)	12.1 (8.5)	140 (126)	14.8 (11.1)	112 (99)	14.1 (9.8)
Other financial companies	221 (126)	27.1 (9.7)	232 (139)	29.8 (10.6)	254 (157)	35.5 (12.1)	228 (138)	34.8 (11.9)
Non-financial companies	1208 (570)	97.5 (31.3)	1309 (624)	112.0 (33.8)	1395 (664)	135.6 (37.6)	1569 (782)	160.2 (47.0)
TOTAL	1542 (796)	135.5 (48.1)	1677 (885)	153.9 (50.9)	1789 (947)	185.9 (60.8)	1909 (1019)	209.1 (68.7)

Continued

TABLE III—(Continued)

(Amount in crores of rupees)

Type of company	END OF MARCH									
	1966		1967		1968		1968		1968	
	No. of companies accepting deposits	Total amount of the deposits	No. of companies accepting deposits*	Total	Exempted loans or other receipts not counting as deposits	Deposits	No. of Companies accepting deposits**	Total ††	Exempted loans or other receipts not counting as deposits	Deposits
Hire-purchase finance companies	123 (108)	14.4 (8.7)	143 (124)	28.3 (25.3)	11.8 (11.5)	16.5†	135 (113)	28.6 (6.4)	13.8 (1.7)	14.8† (4.7)
Other financial companies	270 (155)	40.5 (12.6)	582 (328)	91.5 (28.1)	74.8 (17.4)	16.7 (10.7)	614 (360)	95.2 (29.3)	82.5 (20.2)	12.7 (9.1)
Non-financial companies	1964 (987)	228.5 (65.7)	1866 (922)	310.7 (63.5)	100.0£ (9.4)	210.7 (54.0)	1649 (787)	354.1† (57.3)	113.3 (21.3)	240.8 (36.0)
TOTAL	2357 (1250)†	283.4 (87.0)	2591 (1374)	430.5 (116.9)	186.6 (38.3)	243.5 (78.6)	2398 (1260)	477.9 (93.0)	209.6 (43.2)	268.3 (49.8)

Note: Figures of deposits upto 1966 also include certain loans and other receipts that have been exempted from the directives of the Reserve Bank of India issued from time to time. Figures within brackets indicate the number of private limited companies and their deposits or exempted loans or other receipts, not counting as deposits (included in the figures outside the brackets).

*Includes in the case of financial companies, 201 companies which have submitted returns but do not hold deposits/exempted loans or other receipts.

†In case of one company, a sum of about Rs 5 crores being a loan from USAID guaranteed by the managing agents has not been included under unsecured loans. **Includes in the case of financial companies, 219 companies which have submitted returns but do not hold deposits. ††Excludes about Rs 1.22 crores and Rs 2.67 crores on account of exempted loans and deposits respectively in respect of four companies on the basis of figures published in their balance sheets. ‡ Excludes about Rs 2.33 crores and Rs 2.15 crores representing deposits for 1967 and 1968 respectively, as published in its balance sheet in respect of one hire purchase finance company, which did not submit returns. ††Excludes an amount estimated at about Rs 2 crores received in the form of unsecured loans by three companies in one group which were not reported as on March 31, 1968.

TABLE IV
GROWTH OF DEPOSITS DURING 1967-68

(Amounts in lakhs of rupees)

Type of company	March 31, 1967			March 31, 1968			Increase (+) or decrease (—) during 1967-68			
	Number of companies reporting deposits*	Total of columns (3) and (4)	Amount of exempted loans or other receipts, not counting as deposits	Number of companies reporting deposits*	Total of columns (7) and (8)†	Amount of exempted loans or other receipts, not counting as deposits	Number of companies reporting deposits*	Amount of exempted loans or other receipts, not counting as deposits	Deposits	Total
1. Non Financial Companies	1,866 (72.0)	3,10.73 (72.2)	1,00.02 (53.6)	2,10.71 (86.4)	1,649 (68.8)	3,54.09† (74.1)	1,13.28 (54.0)	2,40.81 (89.8)	—217	+13,26 +30,10 +436
2. Financial Companies	725 (28.0)	1,19.78 (27.8)	86.58 (46.4)	33.20 (13.6)	749 (31.2)	1,23.80 (25.9)	96.31 (46.0)	27.49 (10.2)	+24	+973 —571 +402
(i) Hire Purchase companies	143 (5.5)	28.31 (6.6)	11.77 (6.3)	16.53‡ (6.8)	135 (5.6)	28.64 (6.0)	13.84 (6.6)	14.80‡ (5.5)	—8	+2,07 —1,73 +34
(ii) Loan companies	181 (7.0)	65.08 (15.1)	57.70 (30.9)	7.37 (3.0)	186 (7.8)	64.24 (13.4)	59.22 (28.3)	5.02 (1.9)	+5	+1,52 —2,35 —83
(iii) Investment companies	192 (7.4)	11.83 (2.8)	5.87 (3.2)	5.96 (2.4)	193 (8.0)	14.97 (3.1)	11.05 (5.3)	3.92 (1.5)	+1	+5,18 —2,04 +3,14
(iv) Housing finance companies	2 (0.1)	30 (0.1)	— (0.0)	30 (0.1)	2 (0.0)	32 (0.1)	6 (0.0)	26 (0.1)	(—)	+6 —4 +2
(v) Mutual benefit financial companies	59 (2.3)	10.11 (2.3)	10.11 (5.4)	— (0.0)	64 (2.7)	10.74 (2.3)	10.74 (5.1)	— (0.0)	+5	+63 — — +68
(vi) Chit fund companies	97 (3.7)	1.49 (0.3)	34 (0.2)	1.16 (0.5)	106 (4.4)	1.12 (0.2)	25 (0.1)	87 (0.3)	+9	+9 —29 —38
(vii) Miscellaneous financial companies	51 (2.0)	2.67 (0.6)	79 (0.4)	1.87 (0.8)	63 (2.7)	3.77 (0.8)	1.15 (0.6)	622 (1.0)	+12	+36 +75 +1,11
TOTAL	2,591	4,30.51	1,86.60	2,43.91	2,398	4,77.89	2,09.59	2,68.30	—193	+22,99 +2439 +47,38

Note: Figures in brackets indicate percentages to the corresponding totals. *Includes also financial companies which have submitted returns but do not hold deposits/exempted loans or other receipts. † Includes about Rs 1.22 crores and Rs 2.67 crores on account of exempted loans and deposits respectively in respect of four companies on the basis of figures published in their balance sheets. ‡ Excludes about Rs 2.33 crores and Rs 2.15 crores representing deposits for 1967 and 1968 respectively, as published in its balance sheet in respect of one hire purchase finance company which did not submit returns.

£ Excludes an amount estimated at about Rs 2 crores received in the form of unsecured loans by three companies in one group which were not reported as on March 31, 1968.

TABLE V

DEPOSITS ACCORDING TO STATUS OF COMPANIES

(Amounts in lakhs of rupees)

Status of companies	March 31, 1967				March 31, 1968			
	Number of companies reporting deposits*	Total of columns (3) and (4)	Amount of exempted loans or other receipts, not counting as deposits	Deposits	Number of companies reporting deposits*	Total of columns (7) and (8)†	Amount of exempted loans or other receipts, not counting as deposits	Deposits
	1	2	3	4	5	6	7	8
1. Public Limited Companies	1,212 (46.8)	3,13,12 (72.7)	1,48,04 (79.3)	1,65,08 (67.7)	1,134 (47.3)	3,84,01 (80.3)	1,66,17 (79.3)	2,17,842 (81.7)
(i) Non-financial companies	939 (36.3)	2,46,73 (57.3)	90,34 (48.4)	1,56,39 (64.1)	858 (35.8)	2,95,92** (61.9)	91,77 (43.8)	2,04,15 (76.1)
(ii) Financial companies	273 (10.5)	66,38 (15.4)	57,70 (30.9)	8,69 (3.6)	276 (11.5)	88,09 (18.4)	74,40 (35.5)	13,69 (5.1)
(a) Hire-purchase finance companies	19 (0.7)	3,04 (0.7)	27 (0.1)	2,77‡ (1.1)	22 (0.9)	22,21 (4.6)	12,15 (5.8)	1,006‡ (3.7)
(b) Loan companies	53 (2.0)	46,39 (10.8)	45,42 (24.3)	97 (0.4)	51 (2.1)	46,28 (9.7)	45,92 (21.9)	36 (0.1)
(c) Investment companies	106 (4.1)	5,55 (1.3)	1,88 (1.0)	3,67 (1.5)	98 (4.1)	6,88 (1.4)	5,63 (2.7)	1,25 (0.5)
(d) Housing finance companies	2 (0.1)	30 (0.1)	—	30 (0.1)	2 (0.1)	32 (0.1)	6 (0.0)	26 (0.1)
(e) Mutual benefit companies	54 (2.1)	9,59 (2.2)	9,59 (5.1)	—	59 (2.5)	10,19 (2.1)	10,19 (4.8)	—
(f) Chit fund companies	21 (0.8)	37 (0.1)	4 (0.0)	33 (0.1)	24 (1.0)	48 (0.1)	11 (0.1)	37 (0.1)
(h) Miscellaneous financial companies	18 (0.7)	1,15 (0.3)	49 (0.3)	65 (0.3)	20 (0.8)	1,73 (0.4)	34 (0.2)	1,39 (0.5)
2. Private Limited Companies	1,374 (53.0)	1,16,86 (27.1)	38,30 (20.5)	78,55 (32.2)	1,259 (52.5)	93,01 (19.5)	43,21 (20.6)	49,80 (18.6)
(i) Non-financial companies	922 (35.6)	63,47 (14.7)	9,42 (5.0)	54,04 (22.2)	786 (32.8)	57,30 (12.0)	21,30 (10.2)	36,00 (13.4)
(ii) Financial companies	452 (17.4)	53,40 (12.4)	28,88 (15.5)	24,51 (10.0)	473 (19.7)	35,71 (7.5)	21,91 (10.4)	13,80 (5.2)
(a) Hire purchase finance companies	124 (4.8)	25,27 (5.9)	11,50 (6.2)	13,77 (5.6)	1,13 (4.7)	6,43 (1.3)	1,69 (0.7)	4,74 (1.7)
(b) Loan companies	128 (4.9)	18,68 (4.3)	12,28 (6.6)	6,41 (2.6)	1,35 (5.6)	17,96 (3.8)	13,30 (6.3)	4,66 (1.7)
(c) Investment companies	86 (3.3)	6,28 (1.5)	3,99 (2.1)	2,29 (0.9)	95 (4.0)	8,09 (1.7)	5,42 (2.6)	2,67 (1.0)
(d) Housing finance companies	—	—	—	—	—	—	—	—
(e) Mutual benefit financial companies	5 (0.2)	51 (0.1)	51 (0.3)	—	5 (0.2)	55 (0.1)	55 (0.3)	—
(f) Chit fund companies	76 (2.9)	1,13 (0.3)	30 (0.2)	83 (0.3)	82 (3.4)	64 (0.1)	14 (0.1)	50 (0.2)
(g) Miscellaneous financial companies	33 (1.3)	1,52 (0.4)	30 (0.2)	1,22 (0.5)	43 (1.8)	2,04 (0.4)	81 (0.4)	1,23 (0.5)
3. Branches of Foreign Companies	5 (0.2)	53 (0.1)	26 (0.1)	28 (0.1)	5 (0.2)	87 (0.2)	21 (0.1)	66 (0.2)
(i) Non-financial companies	5 (0.2)	53 (0.1)	26 (0.1)	28 (0.1)	5 (0.2)	87 (0.2)	21 (0.1)	66 (0.2)
(ii) Financial companies	—	—	—	—	—	—	—	—
TOTAL	2,591	4,30,51	1,86,60	2,43,91	2,398	4,77,89	2,09,59	2,68,30

Note : Figures in brackets indicate percentages to the corresponding totals.

*Includes also financial companies which have submitted returns but do not hold deposits/exempted loans or other receipts.

**Includes about Rs 1.22 crores and Rs 2.67 crores on account of exempted loans and deposits respectively in respect of four companies on the basis of figures published in their balance sheets.

‡Excludes about Rs 2.33 crores and Rs 2.15 crores representing deposits for 1967 and 1968 respectively, as published in its balance sheet in respect of one hire purchase finance company, which did not submit returns.

†Excludes an amount estimated at about Rs 2 crores received in the form of unsecured loans by three companies in one group which were not reported as on March 31, 1968.

Performance of Central Government Undertakings for 1969-70

PUBLIC SECTOR undertakings directly under the management of the central government numbered 91 with a total investment of Rs 4,301 crores as on March 31, 1970.

Of the total investment of Rs 4,301 crores, the effective capital employed in production amounted to Rs 3,313 crores. The balance represents the capital employed on undertakings under construction or in expansion or capital work-in-progress. The profit made by the 81 undertakings amounted to Rs 139 crores only which gives an overall return of 4.2 per cent on the capital employed as against 2.8 per cent in the previous year. After taking into account interest charges amounting to Rs 124 crores and provision for taxation Rs 18 crores in respect of undertakings which made profit, the profit is turned into a net loss of Rs 3.40 crores.

Investment

During 1969-70 a further investment of Rs 399 crores was made in public enterprises bringing the total investment as at the end of March 31, 1970, to Rs 4,301 crores as shown below:—

	(Rs crores)	
	1969-70	Previous year
Central government	3867	3540
State governments	10	9
Private parties (Indian)	50	34
Private parties (Foreign)	374	319
TOTAL	4301	3901

Of the total investment of Rs 4,301 crores the equity capital accounted for Rs 2,101 crores and loans Rs 2,200 crores.

The pattern of investment was as under:—

	(Rs crores)	
	1969-70	Previous year
(i) Running concerns		
(a) Hindustan Steel Ltd	1063	
(b) 68 other concerns	2731	3794

(ii) Undertakings under construction

8 Nos. such as Bokaro Steel, Madras Fertilizers, Bharat Aluminium, etc.

440

(iii) Promotional and developmental undertakings

11 Nos. such as National Small Industries Corporation, Handicrafts and Handlooms Export Corporation Ltd, etc.

60

(iv) Financial institutions

Three undertakings including the Life Insurance Corporation

7

TOTAL

4301

Of the further investment of Rs 399 crores during 1969-70, investment by central government was Rs 327 crores. The bulk of the investment during 1969-70 by central government was made in the following enterprises:—

(Rs crores)

Bokaro Steel Ltd	150
Food Corporation of India	41
Fertilizer Corporation of India Ltd	19
Heavy Engineering Corporation Ltd	16
Oil & Natural Gas Commission	14
Heavy Electricals Ltd	11
Indian Drugs & Pharmaceuticals Ltd	9
Madras Fertilisers Ltd	9
Bharat Heavy Electricals	7
National Coal Devt. Corporation Ltd	7
Fertilisers & Chemicals (Trevancore) Ltd	7
TOTAL	290

Performance of Hindustan Steel

Hindustan Steel Ltd owns three steel plants having the following capacities:

	Steel Ingots (million tonnes)		Pig iron (million tonnes)	
	1967-68	1968-69	1969-70	1967-68
Rourkela	1.8	2.5	1.6	0.3
Bhilai	2.5	2.5	1.6	0.3
Durgapur	1.6	2.5	1.6	0.3

The production and despatches in all the plants showed an improvement over the previous year as shown below:—

	Production		Increase in production %
	1969-70	1968-69	
	(in million tonnes)		
Steel Ingots	3.78	3.72	1.6
Saleable Steel	2.78	2.62	6.5

The total steel despatches increased from 2.81 million tonnes in 1968-69 to 2.89 million tonnes in 1969-70. Pig iron and saleable steel despatches recorded an increase of 0.8 per cent and 3.0 per cent respectively over the previous year.

The output and despatches from alloy steel plant recorded an improvement over the previous year. The output increased from 23,640 tonnes to 41,137 tonnes and despatches from 16,400 tonnes in 1968-69 to 35,200 tonnes in 1969-70. The fertiliser plant at Rourkela also showed an improvement during 1969-70 the despatches of calcium ammonium nitrate however declined from 1,75,800 tonnes in 1968-69 to 1,36,500 tonnes in 1969-70 consequent on the fall in production. Despatches of tar products and ammonium sulphate rose marginally.

The annual turnover of Hindustan Steel Ltd increased from Rs 320.4 crores in 1968-69 to Rs 381.3 crores in 1969-70 resulting in an increase of 19 per cent over the last year. The increase in sales receipts was mainly due to an average increase of Rs 75 per tonne in the price of steel with effect from January 1, 1970, and, partly to higher production and higher export margin due to favourable conditions in international market.

The price increase of Rs 75 per tonne of steel effective from January 1, 1970, was mainly to neutralise the cost escalation in previous years not covered by previous price increases.

The operating results for the last three years are as follows:

	(Rs in crores)				
Years	Gross profit	Depreciation	Interest	Net loss	
(1)	(2)	(3)	(4)	(5)*	
1967-68	37.98	53.18	23.57	38.77	
1968-69	48.49	59.44	28.47	39.42	
1969-70	82.93	64.38	29.46	10.91	

*(5=2-3-4)

The operating results for 1969-70 showed an improvement over the previous year. The main reasons for the losses however were :

(a) The high capital block of Hindustan Steel and the price having been based on the capital block of private sector units;

(b) Shortfall from the attainable capacity and output target of saleable steel set by the company to the extent of 17 per cent and 3 per cent respectively;

(c) Expenditure on salaries and wages rose as a result of increase in the rates of wages as a result of negotiations. The provision made in the price increase towards future wage increase has already been absorbed by the interim wage increase of Rs 33 per month per worker.

(d) At Durgapur Steel Plant the industrial relations was considerably disturbed throughout the year and substantial production was lost. The ninth open hearth furnace of 1.6 million tonnes expansion stage could not be commissioned due to industrial dispute concerning manning and this resulted in limiting ingot production.

Other 68 Running Concerns

Of the 68 running undertakings, 46 are engaged in industrial and manufacturing activities such as production engineering and heavy capital equipment, machine tools, engineering products, chemicals, oils and lubricants, mining and minerals, etc. The remaining 22 are engaged in trading, aviation and shipping and hotels and other miscellaneous activities. Of these the Indian Consortium for Power Projects commenced functioning during 1969-70. The annual turnover of the 67 enterprises showed an increase of Rs 489 crores i.e. Rs 2,596 crores in 1969-70 as against Rs 2,107 crores in 1968-69. At the same time, the annual depreciation charges increased from Rs 81 crores to Rs 102 crores and the total interest charges from Rs 74 crores to Rs 93 crores.

The analysis of their performance shows that 39 undertakings made a net profit of Rs 71.20 crores (Table I p.189) and 28 undertakings incurred a net loss of Rs 63.99 crores (Table II p.190). The overall net profit after depreciation, interest and taxes amounted to Rs 7.21 crores as against Rs 12.27

crores in the previous year.

The break-up of the working results as between the industrial and manufacturing enterprises and trading and miscellaneous undertakings is set out below :

	(Rs crores)			
	1969-70		1968-69	
	Net Profit	Net loss	Net Profit	Net Loss
Industrial & manufacturing undertakings	53.13	60.64	52.85	49.35
	(26)	(20)	(24)	(18)
Trading and miscellaneous undertakings	18.07	3.35	12.36	3.78
	(13)	(8)	(10)	(8)
TOTAL	71.20	63.99	65.21	53.13
	(39)	(28)	(34)	(26)

(Figures in brackets indicate the number of undertakings)

During 1969-70 the overall performance of these 67 enterprises showed a decline in net profit as compared to previous year. While the industrial and manufacturing group incurred a net loss of Rs 7.51 crores as compared to a net profit of Rs 3.50 crores last year, the trading and miscellaneous undertakings earned a net profit of Rs 14.72 crores as compared to a net profit of Rs 8.58 crores last year.

During the year 1969-70, Indian Oil Corporation, Shipping Corporation, State Trading Corporation, Hindustan Aeronautics, Bharat Electronics, Air India, Bharat Earth Movers Ltd, substantially improved their profits. The Minerals and Metals Trading Corporation which sustained a loss of 70.2 lakhs last year earned profits during 1969-70. The Fertilisers and Chemicals Ltd and National Newsprint and Paper Mills which earned profits during 1968-69 sustained losses during the year.

The loss was mainly contributed by the four major engineering undertakings engaged in the manufacture

of technological equipment as stated below :

	(Rs crores)
1. Heavy Engineering Corporation	17.23
2. Mining & Allied Machinery Corporation	6.40
3. Heavy Electricals India Ltd	7.81
4. Bharat Heavy Electricals Ltd	1.5

All the four undertakings are in the initial years of their production and are engaged in the manufacture of technological equipment and generally it takes many years before the production of such plants is stabilised and they are able to breakeven. Besides these, the Indian Drugs & Pharmaceuticals incurred a net loss of Rs 9.20 crores and the Neyveli Lignite Corporation a net loss of Rs 4.40 crores.

Promotional Undertakings

As on March 31, 1970, there were 11 undertakings which were established with the objective of promoting and developing certain specific activities. These undertakings are classified as promotional and developmental undertakings, as it would not be appropriate to include them with the running concerns. Three of these undertakings—National Small Industries Corporation, Rehabilitation Industries Corporation and National Textile Corporation incurred a net loss of Rs 77 lakhs while the other eight, Central Warehousing Corporation, Rehabilitation Housing Corporation, National Research Development Corporation, National Seeds Corporation, India Tourism Development Corporation, Indian Motion Picture Export Corporation, Handicrafts & Handlooms Export Corporation and Rural Electrification Corporation earned a net profit of Rs 67 lakhs only resulting in an overall net loss of Rs 0.10 crore. The two financial institutions namely, Film Finance Corporation and Export Credit & Guarantee Corporation made a net profit at Rs 40 lakhs.

Overall Performance

Eight undertakings are under construction and have not gone into operation and one undertaking has just commenced functioning. Excluding these and the Life Insurance Corporation, the performance of the remaining 81 undertakings during 1969-70 shows an improvement. Of these undertakings, 49 made a profit of Rs

72.27 crores as against a profit of Rs 66.07 crores made by 41 undertakings in the previous year. Also during 1969-70, 32 undertakings made a net loss of Rs 75.67 crores as against a net loss of Rs 94.18 crores made by 32 undertakings. The overall position shows a reduction of Rs 24.71 crores in the net loss during 1969-70 in comparison to previous year as shown below :—

	1969-70		1968-69	
	Net profit	Net loss	Net profit	Net loss
(i) Running concerns				
(a) Hindustan Steel Ltd	10.91		39.42	
(b) 67 other running concerns	71.20	63.99	65.21	53.13
	(39)	(28)	(34)	(26)
(ii) Promotional (11) and financial (2) undertakings	1.07	0.77	0.86	1.65
	(10)	(3)	(7)	(5)
TOTAL	72.27	75.67	66.07	94.18
	(49)	(32)	(41)	(32)
		3.40		28.11
Net loss		(81)		(73)

(Figures in brackets indicate the number of undertakings).

N.B-1. Net profit after depreciation, write off of deferred revenue expenditure, interest and tax, but before prior period adjustments.

2. Net loss after depreciation, write off of deferred revenue expenditure and interest; but before prior period adjustments.

The net loss of Rs 3.40 crores has been arrived at after allowing Rs 175 crores for depreciation and amortisation, Rs 124 crores for interest payments and Rs 18 crores for taxation. The gross surplus however amounted to Rs 314 crores in 1969-70 as against Rs 244 crores in 1968-69.

In order to appreciate the performance of these undertakings in proper perspective it may be mentioned that these results have been arrived at after allowing the township administration and maintenance costs and other social overheads which amount to about Rs 29 crores. It may be recognised that the heavy capital outlay on infrastructure particularly on township and residential quarters and maintenance and

TABLE I
UNDERTAKINGS MAKING PROFITS
DURING 1969-70

Sl No.	Name of undertaking	Rs lakhs	
		Net profit or Net loss (1969-70)	(1968-69)
1	2	3	4
1.	Indian Oil Corporation Ltd	2,247.7	1,943.8
2.	Oil & Natural Gas Commission	1,193.8	1,367.8
3.	Shipping Corporation of India Ltd	597.4	499.7
4.	State Trading Corporation of India Ltd	491.0	248.4
5.	Hindustan Aeronautics Ltd	336.2	224.3
6.	Bharat Electronics Ltd	263.3	244.2
7.	Air India	261.3	215.8
8.	Cochin Refineries Ltd	247.6	354.4
9.	Fertiliser Corporation of India Ltd	227.5	405.6
10.	Bharat Earth Movers Ltd	199.9	125.5
11.	Indian Telephone Industries Ltd	148.0	151.1
12.	Indian Airlines	129.7	155.6
13.	Food Corporation of India (Provisional)	117.7	50.2
14.	National Coal Development Corporation Ltd	112.5	115.2
15.	Minerals & Metals Trading Corporation Ltd	96.6	(-70.2)
16.	Hindustan Teleprinters Ltd	69.8	64.6
17.	Hindustan Antibiotics Ltd	59.1	33.3

administration of township and other facilities have also affected the profitability of these undertakings.

Employment

The total number of employees in all the undertakings increased from 5.98 lakhs in 1968-69 to 6.13 lakhs in 1969-70. The overall increase in the number of employees is about 15,000 or 2.5 per cent over that of 1968-69. The total amount of salaries and wages including other benefits increased from Rs 255 crores in 1968-69 to Rs 290 crores in 1969-70, thus registering an increase of Rs 35 crores which works out to 14 per cent. The average annual pay per employee was Rs 4,730 in 1969-70 as against Rs 4,264 during 1968-69. The average pay per employee shows an increase of 11 per cent over the previous year's figure.

Foreign Exchange Earnings

The foreign exchange earned by exports during the year 1969-70 amounted to Rs 85 crores. In case of Hindustan Steel Ltd the total value of exports on FOB basis increased from Rs 41.55 crores in 1968-69 to Rs 45.56 crores in 1969-70. Exports of iron ore to Japan by the National Mineral Development Corporation amounted to Rs 29.34 crores. Other exports were petroleum products by the Indian Oil Corporation, telephone exchange equipments by Indian Telephone Industries Ltd, machine tools and wrist watches by Hindustan Machine Tools Ltd.

In addition, foreign exchange of the order of Rs 85 crores has also been earned by air and shipping corporations through services rendered. Of this amount the earnings by the two air corporations account for Rs 54.8 crores, shipping companies Rs 29 crores and ship repair units Rs 1.2 crores.

Besides these earnings, the production in the public sector undertakings also help foreign exchange savings as actual imports would have been larger in the absence of domestic production in these undertakings. These savings help the overall foreign exchange position and the balance of payments of the country, in the sense that in their absence the debt servicing capacity or the capacity to import for maintenance and development would be that much less.

Dividends

During 1969-70, 24 undertakings have declared dividends amounting to Rs 12.65 crores as against Rs 11.65 crores in the previous year. The rate of dividend varied between three and 21 per cent.

TABLE I (contd.)

1	2	3	4
18. Mazagon Docks Ltd	56.7	52.5	
19. Mogul Lines Ltd	34.4	27.2	
20. Garden Reach Workshops Ltd	26.2	21.4	
21. State Farms Corporation Ltd (provisional)	23.3	—	
22. Engineers India Ltd.	22.3	5.4	
23. Lubrizol India Ltd	18.6	11.1	
24. National Industrial Development Corporation Ltd	18.1	8.7	
25. Indian Rare Earths Ltd	17.8	12.8	
26. Hindustan Cables Ltd	16.7	53.9	
27. Hindustan Shipyard Ltd	16.2	6.2	
28. Instrumentation Ltd	13.0	(—)67.6	
29. Uranium Corporation of India Ltd	11.7	(—)70.5	
30. Hindustan Steel Works Construction Ltd	10.5	13.0	
31. Hindustan Housing Factory Ltd	9.5	4.8	
32. Goa Shipyard Ltd	7.1	11.8	
33. Janpath Hotels Ltd	4.8	(—)11.8	
34. Hindustan Insecticides Ltd	4.7	9.4	
35. Tungabhadra Steel Products Ltd	3.7	6.9	
36. Sambhar Salts Ltd	2.3	3.9	
37. Hindustan Latex Ltd	2.7	—	
38. Hindustan Organic Chemicals Ltd	0.3	—	
39. Ashoka Hotels Ltd	0.1	11.5	
	7,119.8		

TABLE II

UNDERTAKINGS MAKING LOSSES DURING 1969-70

		(Rs lakhs)	
Sl No.	Name of the undertaking	Net loss	
		1969-70	1968-69
1	2	3	4
1.	Heavy Engineering Corporation Ltd	1,723.5	1,411.5
2.	Indian Drugs & Pharmaceuticals Ltd	920.1	906.6
3.	Heavy Electricals Ltd	780.7	586.7
4.	Mining & Allied Machinery Corporation	640.2	638.6
5.	Neyveli Lignite Corporation Ltd	440.1	238.6
6.	Madras Refineries Ltd	367.3	U.C.
7.	Hindustan Photofilms Mfg Co. Ltd	205.0	207.6
8.	Fertilisers & Chemicals Travancore Ltd	198.5	(+)14.8
9.	Bharat Heavy Electricals Ltd	149.5	336.1
10.	Central Inland Water Transport Corp. Ltd (provisional)	124.9	119.2
11.	National Instruments Ltd	124.8	83.2
12.	Hindustan Zinc Ltd (provisional)	115.8	30.2
13.	Hindustan Machine Tools Ltd	86.6	76.8
14.	National Projects Constn Corp Ltd	102.0	121.6
15.	National Newsprint & Paper Mills Ltd	88.5	(+)24.2
16.	Triveni Structurals Ltd	62.5	16.2
17.	Praga Tools Ltd	53.9	20.5
18.	Tannery & Footwear Corp Ltd	48.2	—
19.	Pyrites, Phosphates & Chemicals Ltd	31.0	13.8
20.	National Mineral Devt. Corp Ltd	27.5	182.2
21.	Bharat Heavy Plates & Vessels Ltd	27.0	U.C.
22.	Central Road Transport Corporation Ltd	21.4	24.8
23.	National Buildings Construction Corporation Ltd	19.6	15.4
24.	Electronics Corporation of India Ltd	14.7	32.8
25.	Central Fisheries Corporation Ltd (provisional)	9.9	12.5
26.	Modern Bakeries (India) Ltd	8.6	2.3
27.	Hindustan Salts Ltd	6.5	14.6
28.	Water & Power Development Consultancy Service (I) Ltd	0.5	—
		6,398.8	

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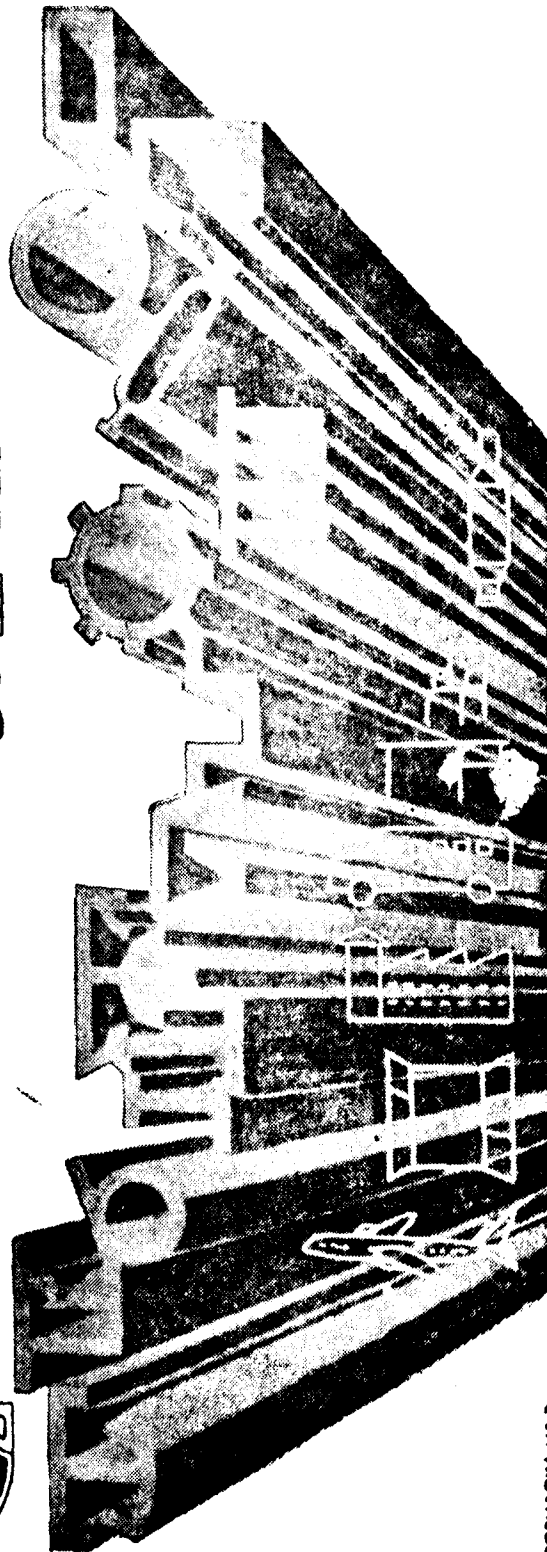
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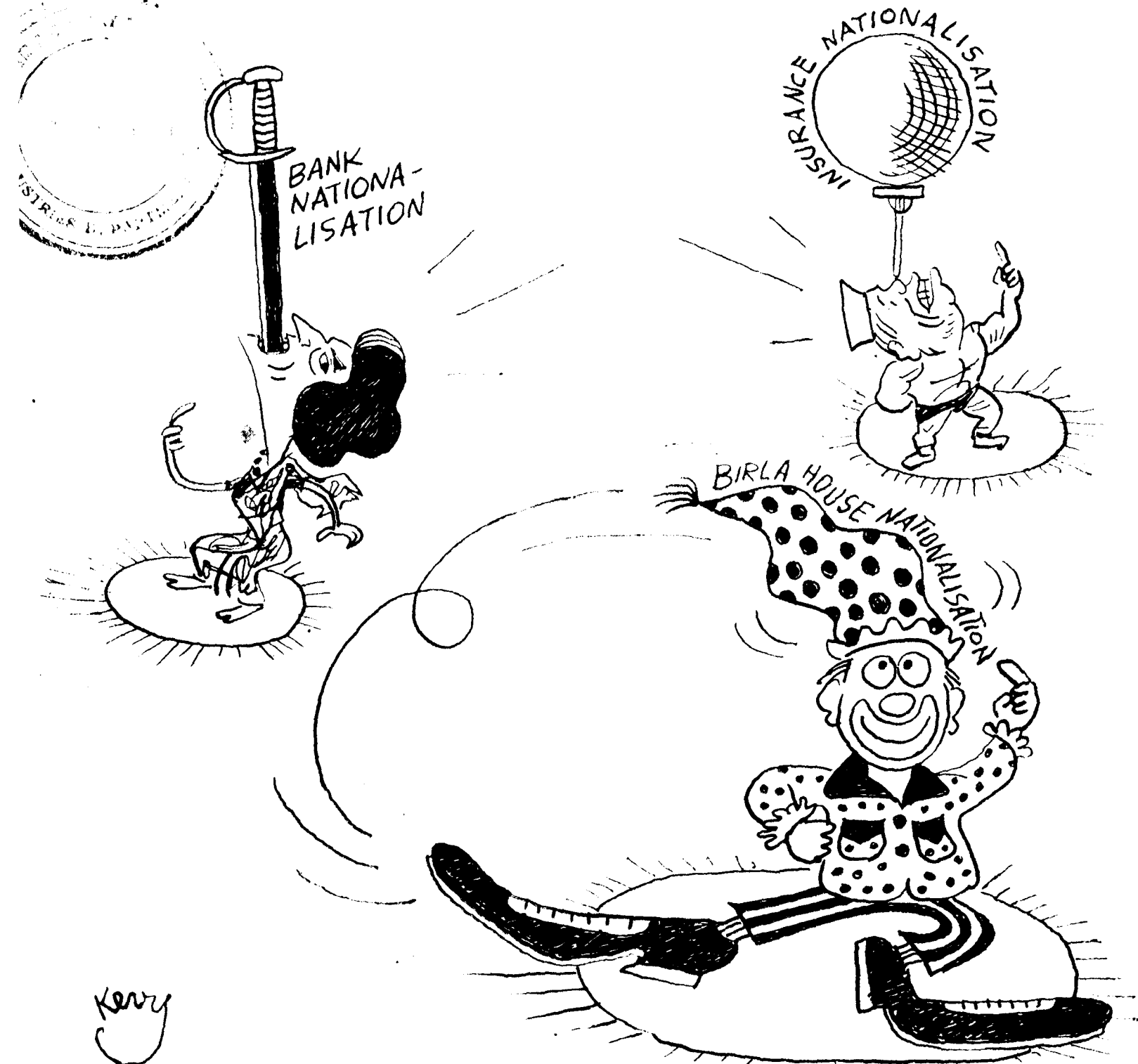
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All this Venality Must Stop ..	195
Financing Food Reserves ..	196
States in Export Promotion ..	197
West Bengal Cries Out for Help ..	198
NITIE Gives a Lead ..	199
—R. V. Murthy ..	
Seeds to Sustain Green Revolution ..	200
—J. Radhakrishnan ..	
Evolution of Wage Policy in India ..	203
—V. P. Kapur ..	
FROM THE PRESS GALLERY ..	207
Rs 15 Crores Worth Concessions ..	
WINDOW ON THE WORLD ..	209
China, the USSR and the USA. ..	
Dollar Against Franc. ..	
THE MOVING FINGER WRITES ..	213
TRADE WINDS ..	214
Canadian Loan; Kandla Free Trade ..	
Zone; Progress in Shipping; Foreign ..	
Trade; Steel Production; ICMF Wel- ..	
comes New Schemes; Exports by Small ..	
Units; Tractors as Gift; World Bank ..	
Shipping Team; Cargo Liners; ..	
National Income: 1971-72; US Aid: ..	
1970-71; OPPI's Demands; Farmer ..	
Protection Deposits; Check on ..	
Textile Machinery; Names in the ..	
News; US Grant for Refugees. ..	
COMPANY AFFAIRS ..	217
Birla Jute; Indian Copper; Oil India; ..	
Telco; National Rayon Corporation; ..	
Universal Steel; Orient Beverages; ..	
Swadeshi Polytex; Mysore Brew- ..	
eries; Tube Investments. ..	
READERS' ROUNDTABLE ..	219
Deposit Linked Life Insurance. ..	
COMPANY MEETINGS ..	221
Tata Engineering and Locomotive ..	
Co. Ltd. ..	
Indian Copper Corporation Ltd. ..	
RECORDS AND STATISTICS ..	225
Spread of Investment Habit. ..	
Foreign Collaborations. ..	

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ALL THIS VENALITY MUST STOP

It is a pity that, in his presidential address delivered at the seminar on Planning organised by the Bharat Yuvak Samaj in Chandigarh a few days ago, the Minister for Planning, Mr C. Subramaniam, chose to send up spiralling columns of verbal smog. In a statement attributed to him in a report of his speech in *The Hindustan Times*, he had said that "in spite of 20 years of Planning and 25 years of Freedom, the country had not been able to provide to its people a square meal a day". If he had at all expressed this opinion in any sincerity, this should necessarily have prompted in him a sense of humility. This, however, does not appear to have been the case.

According to the same report in *The Hindustan Times*, Mr C. Subramaniam promptly proceeded to claim that the 'new' Planning which he was stewarding would give equality of opportunity to all citizens by starting to take care "of a child right from the womb". Apart from the fact that this observation does not seem to tally with the government's alleged commitment to population control, including family planning through the legalisation of abortion, Mr Subramaniam should at least have been aware of the fact that even a country much better placed than India to nurse such ambitions, has found it rather difficult to match performance to professions. We are referring here to the famous Beveridge Plan for Britain which, however, in its relative modesty tried to concern itself with the fortunes of the British public only from the cradle to the grave and not from the stage of the foetus itself as our redoubtable Minister for Planning has in mind for our people.

It is not irrelevant here to point out that, during those 20 or 25 years with the record of which Mr Subramaniam has expressed such profound disappointment, he himself had not always been living in political exile. On the contrary, for various periods of time during this spell of our history he had been functioning in positions of authority, first in the government of his own state, and later at the centre. If the knowledge has now dawned on him that the 'old' Planning of those years, in which he had also been participating, had not proved good enough to provide a square meal a day for the people, should not the wisdom also have come to him simultaneously that politicians of his way of thinking may not perhaps be the best human instruments for striking out more effective paths to progress?

Mr Subramaniam is talking of 'new' Planning. What this new planning is or is going to be remains one of the better kept secrets of the government. The minister says that planning hereafter will be more and more employment-oriented. What precisely is 'new' in this concept? So far as employment-oriented economic development is concerned, Mahatma Gandhi has endowed the nation with an embarrassing wealth of ideas. Even that much-maligned ex-prima donna of Planning, Prof Mahalanobis, had far more radical notions on this subject than is probably dreamt of in all of Mr Subramaniam's philosophy. Fortunately, in whatever other respects this country's economic experiences might have been disappointing in the last 20 years, there has at least been a very considerable national gain in realism in our thinking on so-called employment-oriented development. Except for politicians for ever preoccupied with the tactics of vote-catching, no well-informed citizen seriously believes these days that the complex processes of economic development could be squeezed into the strait-jacket of political slogan-mongering. National economies with low capital per capita must necessarily make extensive use of their manpower for creating resources for development. This is not a political option but an economic compulsion. At the same time, any national economy with low capital per capita must obviously utilise this scarce resource in the most productive manner possible. This being the case, it is clearly unworthy of people in positions of responsibility for guiding the economic growth of the country to make it their principal public occupation to indulge in the phraseology of political opportunism. The nation needs more employment. It also needs more production. It must raise incomes and purchasing power throughout the community. For this purpose, it must learn to use its natural resources, manpower, capital and technology in the best possible manner. Only if it aims at this collective excellence can it clearly hope to show results in any special area of national needs or priorities. It is still not too late for the Minister for Planning to acquire such a rounded view of his obligation for advising the Prime Minister or guiding the government in following sound policies of economic progress and social welfare.

We would conclude with a final appeal to Mr C. Subramaniam. In a cabinet composed mostly either of mediocrities or new entrants who have still to prove themselves, or even find their bearings, he has the advantage of being in many ways a superior individual. Again, a series of political accidents, reinforced by elements of personal equation, have enabled him to be close to the

Prime Minister and enjoy her trust to some extent. He could serve the country truly only if he would use these privileges well and wisely. The latest central budget has shown to what extent the basic fiscal or other economic policies of the government have got perverted through the enthusiasm of "committed" officials or their self-seeking political masters. In such a situation such men of good will and good sense as are in a position to ad-

Financing Food Reserves

SOME MAJOR questions have arisen in regard to the marketing of food crops and a continuance of procurement operations on the present scale as a result of the difficulties experienced in the current season. The union Minister of State for Agriculture, Mr A.P. Shinde, has even hinted at the possibility of total production of foodgrains in 1970-71 being in excess of 105 million tonnes as market arrivals, particularly of wheat, have been heavy even after unprecedented procurement operations by the Food Corporation of India and other agencies. It is now estimated that the yield of the wheat crop may be even 23 million tonnes against the earlier figure of 21 million tonnes and the final estimate of 20.1 million tonnes for 1969-70. The output of rice is expected to be higher by two million tonnes at 42.5 million tonnes and of coarse cereals and pulses by 2.5 million tonnes at 41.5 million tonnes. The actual production may thus be 107 million tonnes in the aggregate against 99.2 million tonnes in 1969-70 and 94 million tonnes in 1968-69. This is truly a spectacular achievement and Mr Shinde is justifiably optimistic that self-sufficiency in food is in sight and it would be possible to dispense with imports altogether after the end of this year.

The output in Punjab, Haryana and Uttar Pradesh must have far exceeded earlier estimates as even with reports about widespread damage to the standing crop and the exposure of large stocks to untimely rains, arrivals are still heavy and weekly purchases since the beginning of May have been as high as 4.7 lakh tonnes. The net additions to buffer stocks have been on a phenomenal scale in spite of the fact that sizable quantities have had to be used for feeding evacuees from East Bengal.

It has been officially disclosed that buffer stocks are now as much as 8.7 million tonnes against only 5.4 million tonnes at the end of March this year and that the target of stocks of 5 million tonnes to be achieved by 1973-74 has been comfortably exceeded even by the beginning of the third year of the current Plan period.

The large-scale procurement opera-

tions have been mainly in the nature of support operations and for the first time in recent years the targets fixed by the Agricultural Prices Commission have been surpassed comfortably. There is even the prospect of procurement operations having to be continued for some time as there would appear to be considerable dehoarding of stocks held by farmers against earlier crops. It is noteworthy that traders have not been adding to their stocks of wheat even though there are no restrictions on the movement of this cereal to any part of the country except the statutorily rationed Calcutta areas.

It is not clear what exactly is the significance of these developments. There has been an increase in the marketable surplus of wheat by more than the increase in the size of the 1970-71 crop which suggests that there is great preference for rice. Even with an increase in output of rice by over two million tonnes, prices for this cereal have tended to rise latterly. This is not, however, considered unusual. Coarse cereals are still being preferred on account of their relative cheapness, while consumption of pulses has increased spectacularly.

However, if there was a further rise in food production to 110 million tonnes in 1971-72, there may be problems regarding absorption of a rising level of production and the government may have to consider relaxation of restrictions pertaining to rice zones and allow freer movement over larger areas as was done in the case of wheat in stages. It is expected confidently that, barring unforeseen circumstances, there will be a sustained growth in output of foodgrains in the current season as larger areas are being brought under high-yielding varieties and a breakthrough on the rice front is also expected to be established.

The suspension of food imports will be helpful in bringing about orderly marketing of a larger volume of production. But it has to be decided whether there should be procurement operations and whether it would be necessary to introduce crop planning for boosting

the output of commercial crops like cotton and oilseeds which are now in short supply and for overcoming the deficit for which imports have to be secured in large quantities. The decisions in this regard involve major questions of policy and the government will have to find correct solutions in the light of new developments.

The financing of procurement operation of the Food Corporation and other state agencies may, however, give rise to serious complications if they have to be continued on the present scale. The net additions to buffer stocks by 3.3 million tonnes since the end of March this year have been financed mainly by the expansion of credit by the scheduled commercial banks. The central government probably has provided budgetary resources to some extent, but there is no doubt that additionally about Rs 150 crores have been found since the beginning of May as procurement purchases are reported to have been in excess of the operations in the corresponding period in 1970 by two million tonnes. This would have involved an extra outlay of over Rs 150 crores. Since the end of April this year, however, advances of scheduled commercial banks have recorded a net increase of only Rs 195 crores against Rs 203 crores in the corresponding period last year. This is perhaps due to the fact that during the same period there has been a decrease in stocks of sugar and other items besides brisker marketing of current production of other manufactured goods. It is not known, however, why there has been no contra-seasonal increase in advances to borrowers in the priority sectors as happened in the last slack season.

The increase in advances by Rs 195 crores has not presented any difficulties for banks as there was a faster growth of deposits by Rs 262 crores in the same period against Rs 209 crores in an identical period in 1970. Borrowings of scheduled commercial banks from the Reserve Bank have also risen by Rs 50 crores because of higher cash balances and fresh investments in new central loans.

As a result of the latest developments, borrowings during the week ended July 9 were only slightly below the level of the corresponding week last year. As fresh accretions to deposits have to be earmarked for being invested in the state loans and for lending support to the second stage of the borrowing programme of the central government and for bonds of public bodies, a reduction in borrowings can take place mainly with a drop in sugar stocks. The position will get complicated if there is an increase in loans to small borrowers. On present indica-

tions, there may not be a decline in borrowings to below Rs 150 crores by the end of October. The banking system may, therefore, be in an over-extended position at the beginning of

States in Export Promotion

PRESIDING OVER the sixth meeting of the state Board for Export Promotion held in Bombay recently, Mr V. P. Naik, the Chief Minister of Maharashtra, disclosed that the state governments were handicapped in contributing effectively to export promotion in the absence of a clear definition of their role by the central government. He suggested that the centre should clarify this aspect and that it should also associate the state governments in the formulation of export policies and procedures.

Mr Naik however did not indicate in what ways he wants the role of the states to be clarified. The government of India has already formulated the export policy resolution. This explains how the central government, the state governments, and the other agencies can play their part in export promotion. Though Maharashtra has been making commendable efforts to step up exports in various ways, most of the other state governments have not been energetic in this regard. Many of them not only remain indifferent to export promotion but even adopt policies which hinder it.

The Import and Export Policy Committee, set up by the government of India in 1962, in its report, made the following comments on the role of the state governments: "The state governments do not always seem to be alive to the primacy of export promotion; and some of their policies, particularly in the fiscal field, have hindered the even flow of exports. We have not the space to expatiate on this theme; but several instances have come to our notice where the state governments have resisted remission of fiscal levies and prevented inter-state movement of raw materials entering into products destined for export markets, purely from their provincial stand-point, unmindful—or at least unconscious—of the effect of their policies on the export drive". These observations seem as valid today as they were about 10 years ago.

Mr Naik's plea to associate the state governments actively with the formulation of export policies and procedures is, of course, reasonable. But are not the state governments even now able to shape the export policy in many ways? Many states are well represented in the union cabinet and their

the next busy season unless it is decided to provide budgetary resources for the maintenance of buffer stocks. It remains to be seen how the Reserve Bank will tackle the ticklish situation.

representatives can be expected to take adequate care to put forth their points of view when export policies come up for discussion. In Parliament also, members can effectively express their views on export promotion from the angle of the states they represent. Moreover, the government of India has set up regional committees to advise it on problems of export and import. In these and in other ways, the states can make their influence felt on the country's export policy. There is however still room, as Mr Naik has suggested, to consider how they can be given a greater voice in this important field.

Meanwhile, the state governments can do a great deal to step up exports by providing adequate raw materials, electricity and technical aid to the industries in their areas, by affording relief in respect of sales tax and other local levies, by creating warehousing facilities, by assisting small units to take part in international fairs and exhibitions, and by widely circulating information about the scope and opportunities for exports.

Above all, the states can do much to develop exports by giving greater attention to agriculture. The products of our agriculture are becoming increasingly important in our export trade. These include tobacco, oilseeds, meat and meat preparations, dairy products, fish and fish preparations, cereals, fruits and vegetables, sugar, coffee, tea, cocoa and spices, feeding stuffs for animals, and textile fibres. It should be possible for the state governments to increase the production and productivity of agricultural crops so that sufficient surplus becomes available for export after meeting the country's increasing requirements.

The yield per hectare of many of our agricultural products has either declined or remained stationary in the last few years. For example, the yield of groundnut fell from 814 kgs per hectare in 1964-65 to 631 kgs in 1968-69, jute from 1,292 kgs to 1,039 kgs, mesta from 782 kgs to 590 kgs, black-pepper from 236 kgs to 212 kgs, chillies (dry) from 663 kgs to 620 kgs and tobacco from 876 kgs to 842 kgs. The yield per hectare of cotton (lint) has remained practically unchanged—it was 122 kgs in 1964-65, 123 kgs in 1967-68 and 123 kgs also in 1968-69.

If the state governments can play their proper role in improving agriculture, they can do much to increase the country's earnings of foreign exchange.

Many state governments do not have any idea of their export potential though some of them have already got it comprehensively analysed by competent organisations. The Indian Institute of Foreign Trade has estimated that Maharashtra's exports can be significantly stepped up as follows:

Groups	(Value in Rs lakhs)	
	1968-69	1973-74 (Estimated)
Agricultural products	380.9	1414.0
Textile manufactures	914.0	2130.0
Leather and leather manufactures	72.0	150.0
Basic chemicals, etc	284.0	1262.0
Chemicals and allied products	394.0	688.0
Plastics	365.0	1145.0
Engineering items	984.0	1975.0
Miscellaneous:		
(i) Cinematographic films	271.0	375.0
(ii) Gems and jewellery	3740.0	6500.0
(iii) Others	37.0	..
TOTAL	7541.9	15,639.0

Many other states have also enormous scope for exports by exploiting which they cannot only contribute to the country's earnings of foreign exchange but can also create large opportunities for employment.

Apart from helping to maximise production in the field and the factory and developing the infrastructure, the state governments can contribute to export promotion by maintaining law and order and harmony in industrial relations. It is not realised to what a great extent our industrial production and export earnings suffer as a result of the inability of the state governments to maintain law and order. This is particularly true of West Bengal which substantially contributes to the country's industrial production, especially in jute, tea, coal, iron and steel, railway wagons, sewing machines, electric fans, paper and paper board, and sulphuric acid. In 1969-70, India lost 166,78,714 man-days out of which West Bengal's share was 58.71 per cent compared to 43.30 per cent in 1968-69 and 39.60 per cent in the previous year. So, even without waiting for clarification from the centre, the state governments should be able to contribute significantly to the increase and

diversification in the country's exports. But with the chronic ministerial instability in many states, one wonders

how far they will be able to play their part in the vital field of export promotion.

West Bengal Cries Out for Help

THE INFUX of more than seven million refugees from East Pakistan, the deteriorating law and order situation, the declining employment opportunities, the reduced profitability of traditional industries, the continuing outflow of capital and widespread hesitation on the part of industrialists to set up new units or expand the existing ones are some of the factors which have hurt the economy of West Bengal. Not long ago West Bengal was the most industrialised state in the country. People who have played a dynamic part in its industrialisation are naturally pained to see the present state of affairs in this state. A deputation of such persons led by Mr Sanjoy Sen, President, Indian Chamber of Commerce, and Mr R.B. Shah, senior Vice-President, saw the Prime Minister, Mrs Indira Gandhi, last week and put forward some constructive suggestions for the revival of the stooping economy of West Bengal.

The problem of refugees from East Pakistan is no doubt a colossal one. It has strained the resources of all our states which surround East Pakistan though the heaviest load has fallen on West Bengal. Therefore, the plea of West Bengal that the refugees should be dispersed to other states at quicker pace is understandable though it will make the problem of their return to East Bengal rather difficult if and when normal conditions prevail in that country. Let us not forget that our government is committed to their return to East Bengal, sooner or later. Their dispersal to other states is likely to result in their absorption in the economies of those states making the problem of their repatriation somewhat complex. New Delhi does not seem at present to be reconciled to letting the refugees get absorbed in this vast country but if the present stalemate continues, we may have no other option in this regard. What is necessary is that the registration of refugees should be strict so that their identification becomes easy and in case a political solution is found (possibilities for which seem remote at present) their repatriation may not pose a problem for us.

West Bengal has acquired notoriety in regard to industrial indiscipline and absence of law and order. The quick ministerial changes in the state have, it seems, demoralised the police force which has ceased to be the guardian of law and order. The centre's primary task today

is to eliminate the feeling of insecurity which haunts the police force. Unless the guardians of law and order regain confidence, they would never be inclined to take firm action against the trouble-mongers.

The declining profitability of the traditional industries of West Bengal, which is the cumulative effect of governmental pricing policies, the mounting industrial unrest, insecurity experienced by the managerial staff, inter-union rivalry and reduced productivity have caused the outflow of capital from the state as well as retardation of new investment. Because of not very happy working results of industrial units, the banks and the financial institutions too are reluctant to provide them with working capital. At a time when the needs of industries in the state for capital are increasing, the financial institutions are exhibiting reluctance to commit additional funds. New investment activity thus is at a low ebb which, in turn, has reduced the number of employment opportunities. This situation cannot be set right unless the centre goes out of its way to encourage investment activity.

It would be sheer naivety to think that the centre is not fully seized of the economic and political situation in West Bengal. The fact is that there is obvious lack of courage in tackling the problems of this state because of certain inhibitions. This was evident from the discussions which the Forum of Financial Writers had last week with Mr Moinul Haque Chaudhuri, the central Minister for Industrial Development. Asked if the government would agree to keep in abeyance the restricting legislation regarding industrial licensing and monopolies in so far as West Bengal was concerned, Mr Chaudhuri said that "We are bound under an Act passed by Parliament". The process of industrialisation perhaps cannot be hastened in West Bengal even if the Monopolies and Restrictive Trade Practices (MRTP) Act is made non-operative for some time in West Bengal, as very few applications for establishing new industrial units in this state are pending with the government. But since the MRTP Act particularly hits West Bengal inasmuch as the majority of entrepreneurs there come within the jurisdiction of this Act, some relaxation seems to be warranted. The Industrial Development Corporation of West Bengal too can profitably follow the example of its counterparts in other states by obtain-

ing industrial licences for setting up ventures jointly with private entrepreneurs.

Perspective planning in West Bengal needs to be given more attention, as suggested by the Sanjoy Sen deputation. The memorandum submitted by Mr Sanjoy Sen and his colleagues to the Prime Minister stressed: "While other states were able to plan in a big way during the fourth Plan period, West Bengal could not do so. For instance, the total outlay in the third Plan was Rs 300.48 crores for West Bengal compared to Rs 560.25 crores for Uttar Pradesh and Rs 433.60 crores for Maharashtra. But in the fourth Plan, while the outlay in Uttar Pradesh jumped to Rs 965 crores and in Maharashtra to Rs 898 crores, in West Bengal the outlay is just Rs 322 crores." These figures indicate the imperative need for intelligent and intensive planning for which a planning cell needs to be created with adequate and experienced personnel.

Unfortunately, New Delhi seems to think that the appointment of Mr S.S. Ray as the Minister for West Bengal would act as a magic wand and that the problems which this state faces would vanish as soon as he settles down firmly in his new post. If anything, Mr Ray's appointment has created additional confusion as there is no clear demarcation of duties between the Governor and Mr Ray. The state needs firm rule by the centre for some time and if the suggestions given by the Indian Chamber of Commerce are put into practice, there is a possibility of stopping further economic downturn in the state.

The vicious circle of labour indiscipline and deterioration in the law and order situation leading to a setback to fresh investment and reduced fresh investment resulting in dwindling employment opportunities and leading to unrest has to be broken. The attack has to be two-pronged. On the one hand the law and order situation has to be improved expeditiously so that the investor's confidence is restored. On the other hand, the investor has to be encouraged by holding in abeyance the restrictive policy of the government and through extension of credit. The encouragement should be for the establishment of non-traditional industries for West Bengal. A move in this direction, of course, has been made already in so far as the public sector is concerned. This envisages the development of the Haldia complex with a refinery, a dockyard, a soda ash plant and a fertiliser manufacturing unit. The private sector too has to be allowed to branch out into new lines of manufacture, irrespective of the Monopolies and Restrictive Trade Practices Act.

NITIE Gives a Lead

R. V. MURTHY

TAKE ANY batch of students proceeding to foreign countries for higher technical education these days and you find a sizable percentage of them going in for a post-graduate diploma or degree (in foreign countries, no distinction is made as between diploma holders and degree holders at the time of recruitment, unlike in our country) in industrial engineering. This is because it is common knowledge that no one with industrial engineering qualification is, or has been, without a job not only in India but even in the USA, though thousands of engineers are remaining unemployed in both the countries.

The lead taken by the National Institute for Training in Industrial Engineering (NITIE) in offering a two-year post-graduate programme in Industrial Engineering, that is, a complete course to prepare young men for a career in industrial engineering, is, therefore, to be welcomed, even though, as Prof. N.S. Ramaswamy, the NITIE director, stated at the inauguration of this course, the other day, by Mr S. Jagannathan, Governor, Reserve Bank of India, the starting of this course is only the next phase of NITIE's development. (NITIE, which was established in 1963 by the government of India with assistance from the United Nations Organisation through the International Labour Organisation, is the apex institution in the country to cater to the needs of education, training, research and consultancy in the areas of Industrial Engineering, Operations Research, Productivity and other management sciences and offering diplomas to those that avail themselves of these courses).

Post-Graduate Course

I say this because NITIE's new post-graduate course in industrial engineering is industrial engineering with a difference, and it is a refreshingly happy coincidence that both NITIE's board of directors and Mr Jagannathan happen to hold the same views on the type of industrial engineers that this country needs, a point that could have been missed by none who listened to the inaugural speech of Mr Jagannathan, the welcome address of Dr S.M. Patil, (Managing Director, Hindustan Machine Tools Ltd, Bangalore) chairman of the NITIE board, and the talk on "Programmes and Perspectives" by NITIE director, Prof Ramaswamy, on

the day the new course was inaugurated.

"Industrial Engineering for the India of today" could well be the title of the inaugural speech of the Reserve Bank governor. He did well to point out both what the lay public understand by the term "industrial engineer" (which is not correct) and to spell out what industrial engineers are expected to do for this country now and in the future. Prof Ramaswamy had remarked at a press conference only on the eve of the function that the public concept of an industrial engineer was an engineer that had something to do with industry. The public cannot be blamed for this, because, as Mr Jagannathan pointed out in his speech, "Industrial engineering, particularly in western countries, was largely preoccupied with manufacturing functions in the first few decades of its development". In the result, other areas, no less important to modern man, such as urban development, transportation, banking, hospitals, etc., did not receive adequate attention.

New Dimensions

Again, industrial engineering in its application to a fully developed economy like, say, the USA with its own peculiar features, may not be suitable for a developing country or "a trinity of highly developed, developing and undeveloped sectors" that India is. Furthermore, in our case, there are certain new dimensions that need to be taken care of, such as, for example, the model of planning that we have chosen to adopt involving radical changes in socio-economic and political models, and the compulsions imposed on location of new industries in backward areas may be, more often than not, to appease popular and, powerful parochial interests. Finally, there is also the necessity to pay particular attention to the cost and quality of whatever we produce so as to be able to compete successfully in the world markets and build up our export trade — a *must* in the prevailing conditions. It is noteworthy that Mr Jagannathan drew pointed attention to every one of these problems and, what is more, insisted that these could be tackled by application of industrial engineering.

Looking back to see what progress has been achieved so far and looking

forward to see where we should aim to go and how we should go about to do so as quickly as possible, he prescribed certain imperatives, as it were, which deserve to be noted and followed, particularly by those in charge of NITIE.

First, the Reserve Bank chief noted that the time has come when the emphasis has to be more on increasing productivity and reducing costs. In fact, he said, there should be a great surge forward in production both qualitatively and quantitatively to cater to the vast potential market we have. Mr Jagannathan's thesis was that "an increase in production by better use of existing capital facilities could bring down costs and simultaneously expand the effective market thereby". To quote him, again, "the time has come when we should cease to take pride in merely being able to produce an article in India but concentrate instead on how much and how cheaply we can produce". It is his belief that industrial engineers can play a great part in stepping up the present low output/capital ratio of our country.

Need for Innovations

Secondly, according to Mr Jagannathan, it is essential for even the developed sector to initiate innovations in the management systems and follow them up vigorously for sustained growth and progress. As he observed, "changing socio-economic environments and rising aspirations of the people have made the age-old approaches and attitudes almost obsolete." In this context it is that he referred to the major problem of adapting techniques developed abroad and also developing new concepts and techniques suited to Indian conditions. To illustrate his point, he referred to concepts and techniques developed abroad within the framework of relative abundance of capital and shortage of labour and said how we, in our conditions which are just the reverse, may have to give more emphasis to methods that use more labour and to intermediate technology in certain sectors. But then, in this process, he cautioned, "it is not really a question of adopting a second best technology for humanitarian or social reasons, but rather that we must adapt the method to suit our conditions.... The technology has to fit our circumstances, be designed to suit the scale of production in view and seek to optimise production at minimum costs".

Thirdly, he alluded to the compulsion of having to locate new industries in less developed areas. "For such location and planning and adaptation to location", Mr Jagannathan said, "our industrial engineers will have to have a better understanding of social costs and

benefits. These new dimensions are to be brought into our educational and training processes". (And this, by the way, is what Prof. Ramaswamy also stressed in his talk on "Programmes and Perspectives").

Fourthly, Mr Jagannathan said: "Unlike the western countries which have a market economy, the imperatives of Planning in India demand new approaches and skills". This would mean, as he added, "development of models under a number of parameters, both tangible and intangible, concerning our social and cultural diversities". This would also need empirical research and development of quantitative techniques with which industrial engineering is mainly concerned, he urged.

National Failing

Fifthly, the Reserve Bank governor dwelt on a noticeable national failing of ours—"that as a group we, in India, are unable to produce the full results that we are capable of"—the cultural component as he put it, and, at the same time, pointed to another component amenable to short-term rectification—the supporting organisational infrastructure and systems—which could make a large difference. Inasmuch as industrial engineers "are directly concerned with the design and installation of supporting systems to make all functionaries more effective", he wanted them to play a significant role in developing organisational models and supporting technique systems for all types of organisations including government, public utilities, insurance and manufacturing, as also banking.

Finally, Mr Jagannathan deplored the scanty work done by industrial engineering in the non-manufacturing areas and remarked: "This is a serious lacuna since the manufacturing-cum-distribution sector is closely connected with the infrastructure service sectors". And he warned: "Any amount of incremental productivity in the manufacturing sector is likely to be offset by the lag in the other sectors, unless we give sufficient attention to close the gap in the non-manufacturing sector". Accordingly he welcomed the interest being evinced by NITIE in research and training in aspects connected with city administration, transportation, tourism, hospitals, etc. and to improve the banking industry's information system and records management.

To conclude, I cannot do better than refer to the challenges ahead which he listed in this graphic peroration:

"We recognise that changes have to take place to mould our attitudes and behaviour in order that our group effec-

tiveness may improve. We are aware that we have to adapt imported techniques to indigenous needs; clearly, we have to evolve indigenous techniques to solve our special problems. In a country where large masses of people are under-privileged, we have to realise the value of the human factor. We cannot easily be guided by unit level

profitability alone. We have to take technology and modern management sciences to sectors that did not have their benefits. These are the challenges ahead of us, particularly for institutions like NITIE and all professionals."

NITIE, there is every reason to hope will be able to face these challenges.

Seeds to Sustain Green Revolution

J. RADHAKRISHNAN

"THE MOST important key input to agricultural prosperity is quality seed. Quality seed in fact can rightly be described as the seed of Green Revolution," says Dr Rupsudan Lal Paliwal who is the Managing Director of the Tarai Development Corporation (TDC) in Nainital District of Uttar Pradesh. At full development by 1974, the TDC aims to meet 30 per cent of India's high-yielding seed requirements.

The Rs 20-crore ambitious project was set up in 1969 with the World Bank assistance of Rs 9.9 crores. Announcing the loan in 1969, the pragmatic World Bank President Robert McNamara declared: "This loan is the first financing anywhere by the Bank group in the field of seed production which lives at the heart of the world-wide improvement in agricultural technology. This is an important step in the Bank group's support of India's Green Revolution."

Unique Feature

That apart, a unique feature of TDC is that its shareholders include farmers. The National Seeds Corporation and the UP Agricultural University at Pant Nagar, are the others. The active participation of farmers makes TDC a producer-grower development project—the first of its type in India.

"It is a tribute to the confidence of the farmers in TDC that they subscribed shares worth Rs 80 lakhs in no time," notes its managing director. In all 1,022 farmers from the Tarai region of Nainital, and Rampur and Bareilly districts of UP have put their faith in TDC. (A minimum of 15 shares at Rs 100 each is the eligibility for a farmer shareholder).

This faith by the down-to-the-earth farmers is by no means ill-placed. TDC's achievements in the short two-year period since its establishment in June 1969 prove this. "TDC has already established a name for high quality and low-priced seeds throughout the country," says Dr Paliwal with pride. Last rabi season, the demand for wheat

was fully booked by September 1970 and processing of wheat seed had to be continued till the end of October to meet additional demands.

Figures speak for themselves. In 1969-70, TDC sold 74,376 quintals of seeds valued at Rs 1.4 crores. During kharif 1970, seed production programme was taken on about 10,500 acres and 61,500 quintals seed was produced. During rabi 1970-71, seed production programme has been taken on 12,331 acres.

"There was a very heavy demand for the seeds marketed by TDC last year and it became a problem to satisfy countrywide demands channelled through 24 distributors and 403 dealers designated by the corporation all over India," recalls Dr Paliwal. "The seeds had to be rationed keeping in view the demand and the importance of the crop in the end-use area". The 1970 "shortfall" has served a purpose. It has helped the distributors and dealers to anticipate the demands for seeds in their area and alert the TDC in advance on the seed needs in their respective territories this sowing season.

Hybrid Seeds

Seeds supplied by TDC include hybrid wheat and paddy, maize and pearl millet, soybean, pulses, oats, potato and some fodder crops. "We are the only large-scale producer of soybean seeds," notes Dr Paliwal. "We are able to produce seeds which are viable good, high quality soybean seeds." Maharashtra and Madhya Pradesh are two states presently taking TDC soybean seeds. "We will be able to supply 12,000 quintals of soybean seeds for kharif 1971," he says.

As for wheat, the seed production planned is 12,000 quintals. But the demand for TDC seeds is so great that all the seeds that TDC can produce are booked in advance. And there is a lengthening queue of people in the waiting list. TDC seeds are sought by farmers in almost all states of India. In addition, 1,400 quintals of whea

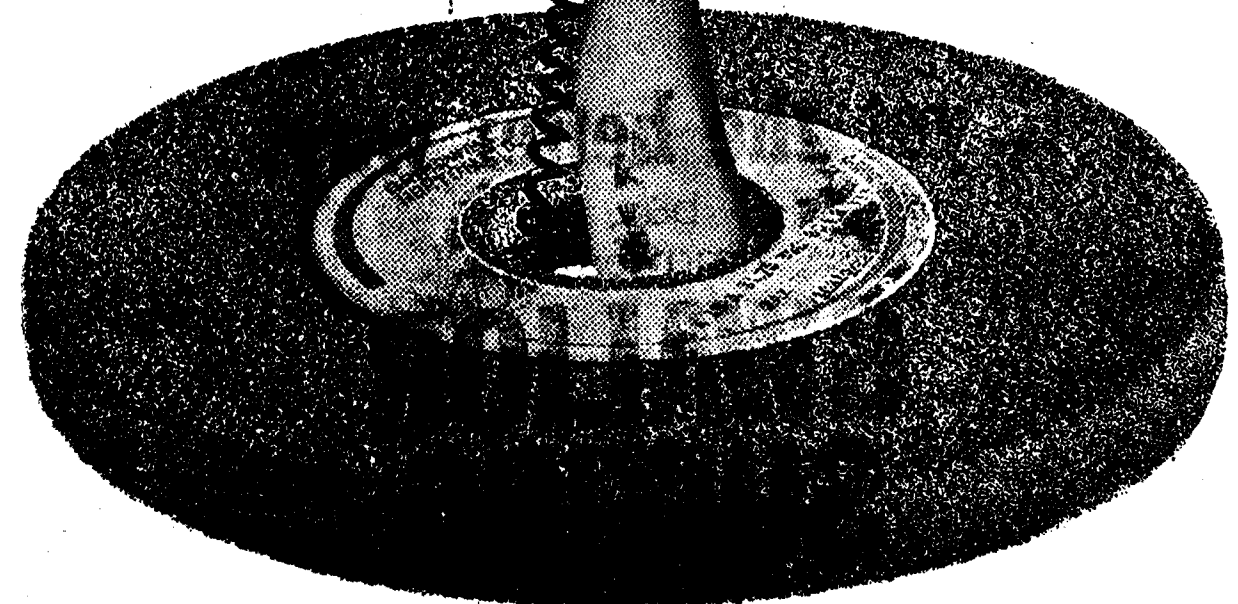
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while buying
a perfect

suiting

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time tested

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ROUND THE YEAR

seeds were exported to Nepal last year.

An outstanding achievement by TDC during *rabi* 1969 season was the multiplication of the special Triple-Gene Dwarf wheat seed (UP-301) on 3,250 acres. This wheat variety has 20 per cent higher protein, the highest disease resistance, high fertiliser absorption and response, excellent baking quality, and is completely non-lodging besides being the most suitable for mixed cropping with sugarcane. TDC expects the Triple-Gene wheat to give a great boost to wheat production in India.

TDC is the only seed producing concern in India which guarantees return of full value in case the seeds fail to germinate. According to its managing director, last year approximately 70,000 quintals of wheat seeds were sold. Of this huge quantity complaint was received in only one case involving six quintals. Here too it was not due to any fault on the part of TDC. The bag had apparently got soaked during transportation by train. Even so, TDC rushed another lot to the spot in time.

Diverse Activities

High quality seed production is only one aspect of TDC's diverse activities. The corporation has also taken on hand improved farm mechanisation, and land development programmes as adjuncts to increased foodgrains production.

"Efficient farm mechanisation is a very important factor in successful seed production and intensive agriculture," notes Dr Paliwal. To this end, TDC has purchased 750 tractors worth two crore rupees, and 73 harvest combines and related equipment such as ploughs, planters and seed discs, costing Rs 51 lakhs. This modern farm equipment is for use by the TDC's large clientele of shareholding farmers to help them accelerate quality seed production.

In addition, TDC has introduced a system of providing services to the farmers in the Tarai region (45 by 20 miles area) so that even small farmers who otherwise are not in a position to maintain their equipment can take advantage of this.

As regards land development, TDC has already constructed 44 artesian wells in the Tarai region. The discharge from these wells ranges between 50,000 to 96,000 gallons per hour. It is difficult to find a parallel to these excellent artesian wells anywhere in the world. The cost per cusec hour of water from these wells is expected to be less than

50 paise, or less than 25 per cent of that from ordinary tube wells operated with electric power. TDC plans to have about 200 artesian wells in the region soon.

Another TDC activity is periodic surveys of holdings of farmers for proper land levelling—an important element in quality seed production. By 1974, TDC hopes to complete levelling 32,000 acres in the Tarai region.

TDC is striving that yields should increase further. Proper land development and levelling are prerequisites for this. The corporation's aim to meet 30 per cent of India's high-yielding seed requirements by 1974 is very much tied to this. Its estimated requirement is in the neighbourhood of 46,000 tonnes. Right now TDC produces 20,000 tonnes.

It is obvious that TDC is actually serving two sets of people—the farmers of Tarai and the farmers of India who use TDC seeds. "We want to keep the price of seeds as reasonable as possible so that a large number of farmers are able to afford it. Even now our seeds are the lowest priced for comparable quality, but we aim at providing seeds at the lowest rate possible. We want to work as a servicing organisation, not a profit-

making unit," asserts the managing director of the corporation.

What of the future? At the moment TDC is concentrating on the production of only food seeds—wheat, rice, maize, millet and certain vegetables. It is however planning to start production of jute seeds, fodder seeds and a wide variety of vegetable seeds by the next season.

TDC has in view another long-term project which is of far-reaching significance. It is going to start in the south a complete seed production plant shortly, so that it can develop the special variety of seeds—rice especially—used in that region, and produce it in considerable quantity in time to meet south India's growing needs.

At present, in view of the vast distances to be covered, TDC is not in a position to meet all the seed requirements. To meet this situation, TDC will encourage more and more seed production projects to be started in different regions. "On our part we are prepared to give the experience we have gained and all the technical know-how to new ones planned," assures Dr Paliwal. In fact, TDC has already suggested to the World Bank to help spread the idea in many parts of India. And new ones should not be long in coming.

Evolution of Wage Policy in India

V. P. KAPUR

HISTORICALLY SPEAKING the growth of organised employment which permanently attracted labour away from the land and the evolution of a wage policy are comparatively recent phenomena in India. Even though the establishment of mining, plantation and factory industries goes back to the 19th century it was only in the period since the World War I, i.e. after the adoption of the protective tariff policy by the government of India that industrial employment in the country assumed significance and began to grow in size. Yet at the time of Independence the total employment in factories in the Indian union had hardly reached a level of three million. Aside from industry, Indian Railways were then as even now a major employer providing employment to over nine lakh persons.

Under these circumstances there were, apart from the early legislation for the prevention and settlement of labour disputes, no specific measures in the field of wages. However, in the period between the two world wars *ad hoc* enquiry committees without statutory

backing for settling specific wage issues were not altogether unknown. The first direct step in regard to the protection of wages earned or due was taken in 1936 when the Payment of Wages Act was enacted following the appointment of the Royal Commission on Labour.

With the outbreak of the World War II the Defence of India Rules were imposed whereby the government was among other things vested with powers to prohibit strikes and lock-outs by referring wage disputes to conciliation and arbitration and to enforce compliance of the decisions of the adjudicators by the parties concerned. These powers which were originally envisaged only as a temporary war-time measure came to stay with the enactment of the Industrial Disputes Act 1947. Thus almost since 1940 wage determination has not been considered as a purely private matter for settlement between employers and workers or to be left to the free play of market factors.

Another landmark in the history of wage policy in India was the 1946 programme of legislative and administra-

tive action on labour matters announced by the interim government which included: (i) the statutory prescription of minimum wages in sweated industries and occupations and in agriculture; (ii) standardisation of occupational terms and wages in all major industries and determination of differentials in wage rates as between various occupations in an industry; (iii) promotion of "fair wage" agreements including the introduction of time scales wherever possible with due regard to the industry's capacity to pay, and (iv) steps to secure a living wage for workers in plantations.

In 1947 an industrial truce resolution was unanimously adopted at a representative tripartite conference. The resolution *inter alia* recommended suitable machinery for studying and determining fair wages and conditions of work for labour. "The system of remuneration to capital as well as labour," the resolution said, "must be so devised that while in the interests of the consumers and the primary producers excessive profits should be prevented by suitable measures of taxation and otherwise, both will share the product of their common effort after making provision for payment of fair wages to labour, a fair return on capital employed in the industry and reasonable reserves for the maintenance and expansion of the undertaking."

The first industrial policy statement issued by the government of India on April 6, 1948, while indicating the acceptance by the government of the above resolution also stated that the government proposed to establish machinery for advising on fair wages, fair remuneration for capital and conditions of labour.

Minimum Wage

The Minimum Wages Act was also enacted in 1948. This provided for the fixation of minimum wages by government through notification on the advice of the committees appointed for the purpose or otherwise in the case of agriculture and 12 other industries listed in the schedule to the Act. The state governments were, however, empowered to add to this list in the light of local conditions. The Committee on Fair Wages was also appointed to determine the principles on which fair wages should be based and to suggest the lines on which the principles evolved could be applied. The recommendations of this committee have contributed a good deal to the concepts and ideas in the sphere of wage policy. The committee recognised that for evolving principles for governing the fixation of wages the background of the general

economic conditions and the level of national income should be taken into account and stated that at any level of national income there was a certain level of minimum wages which the society could afford. What it could not afford were the minimum wages fixed at a level which would reduce employment and thereby diminish national income and ultimately retard the progressive improvement of the wage structure.

It may also be recalled that this committee had defined three broad wage concepts namely of a "minimum wage", "living wage" and "fair wage". The Committee represented "a standard of living which provides not merely for a bare physical subsistence but for the maintenance of health and decency, a measure of frugal comfort and some insurance against the more important misfortunes." The "minimum wage" the committee said, "must provide not merely for the bare sustenance of life but for the preservation of the efficiency of the worker by providing some measure of education, medical requirements and amenities." According to the committee while the lower limit for fair wage must obviously be the minimum wage the upper limit was set by the industry's capacity to pay.

Actual Wages

Within these desiderata the level of actual wages would be governed by: (i) the productivity of labour; (ii) the prevailing rates of wages; (iii) the level of national income and its distribution; and (iv) the place of the industry in the country's economy. The wage fixing machinery, it was recommended, should relate a fair wage to a fair load of work and the needs of a standard family consisting of three consumption units inclusive of the earner. The capacity of a particular industry in a specified region should be taken into account to determine the capacity to pay, and this in turn could be ascertained by taking a fair cross-section of the industry in the region concerned. In the actual calculation of the fair wage, the committee had observed, it was not possible to assign any definite weights to these relevant factors.

A clearer enunciation of wage policy in India came with the commencement of planning. The first Plan, while cautioning against a general upward movement of wages which would set in motion a wage-price spiral, recommended that wage increases should be granted mainly to remove anomalies or where the existing rates were very low, and to restore the pre-war real wage as a first step towards a living wage. The Plan

further recommended that in settling questions of wage adjustments the following considerations should be taken into account:

- All wage adjustments should conform to the broad principles of social policy and disparities of income should be reduced to the utmost extent, and the worker must obtain his due share in the national income.
- The claims of labour should be dealt with liberally in proportion to the distance which the wages of different categories of workers have to cover before attaining the living wage standard.
- The process of standardisation of wages should be accelerated and extended to as large a field as possible.

Essential Features

The essential features of the labour policy enunciated for the first Plan period were retained in the second Plan. However, in view of the objective of a socialistic pattern of society the wage policy was further adjusted. Among the important recommendations of the second Plan were:—

- the introduction of payment by results in areas where the principle did not apply (subject to adequate safeguards for workers, the main guarantees being a minimum (fall-back) wage and protection against fatigue and undue speed-up);
- the conduct of a wage census which should provide sufficient facts and a suitable basis for the formulation of principles, etc. by the wage fixing authorities;
- the institution of enquiries for the revision of the existing series of cost of living indices so as to facilitate consideration of demands of employees regarding the merger of a part of the dearness allowance in basic wages; and
- the setting up of tripartite wage boards for individual industries in different areas as such boards, consisting of equal representatives of employers and workers and an independent chairman, were likely to ensure more acceptable decisions.

Two other developments in the evolution of wage policy during the period of the second Plan may also deserve a specific mention. One of these was

that the 15th Labour Conference (July 1957) agreed that minimum wage should be 'need-based' and should ensure the minimum human needs of the industrial workers, irrespective of any other consideration. To calculate the minimum wage, the conference accepted the following norms and recommended that they should guide all wage fixing authorities.

- In calculating the minimum wage, the standard working-class family should be taken to consist of three consumption units for one earner; the earnings of women, children and adolescents should be disregarded.
- Minimum food requirements should be calculated on the basis of a net intake of 2,700 calories, as recommended by 'Dr Aykroyd, for an average Indian adult of moderate activity.
- Clothing requirements should be estimated at a per capita consumption of 18 yards per annum which would give for the average worker's family of four, a total of 72 yards.
- In respect of housing the norm should be the minimum rent charged by government in any area for houses provided under the subsidised industrial housing scheme for low-income groups.
- Fuel, lighting and other 'miscellaneous' items of expenditure should constitute 20 per cent the total minimum wage.

Difficulties in Implementation

While formulating these guidelines for fixation of minimum wages for industrial workers throughout the country the existence of difficulties in implementing these recommendations was recognised. It was, therefore, provided that wherever the minimum wage fixed went below these recommendations, it should be incumbent on the authorities concerned to justify the circumstances which prevented them from adhering to the norms laid down. A second development was that the government appointed a commission of inquiry on emoluments and conditions of service of central government employees (the Second Pay Commission). The recommendations of the commission

though confined to government employees had nevertheless an indirect influence on wage settlements in private industry.

A particularly noteworthy feature of the developments during the period of the second Plan was that the arrangements and machinery devised for the settlement of wage disputes began to undergo a change. Although since Independence the government had been encouraging the conclusion of collective agreements, adjudication had thus far been the main instrument of wage fixation.

The second Plan had suggested that the suitable machinery for settling wage questions would be tripartite wage boards consisting of an equal number of representatives of workers and employers and an independent chairman, supported by an economist and a consumers' representative. This instrument of wages fixation has since emerged as a dominant method of wage fixation. The wage boards apart from providing machinery for the determination of wages have also served, to an extent, as the mechanism for bringing wage policy within the ambit of the wider objectives of the government's social and economic policy.

Shift in Emphasis

The third Plan while reiterating the need for a purposeful pursuit of the policies on wages enunciated in the second Plan suggested that studies should be organised on aspects like the redefinition of calorie requirements, determination of wage differentials, the manner of linking wages to productivity and the norms on the basis of which gains in productivity should be shared. There was thus as from the concluding years of second Plan a distinct shift of emphasis in the thinking on wage policy towards considerations of productivity. In face of the pressures on prices and the need to hold down costs, only wage increases involving corresponding increases in productivity were deemed desirable.

The report of the National Commission on Labour finalised and submitted to the government in the latter half of the year 1969 has, among other things, attempted a broad-based assessment of the wage policy in India in terms of certain selected indicators, namely (i) the state of industrial harmony, (ii) the changes in the workers' level of living, (iii) changes in productivity, (iv) the impact of wages on prices, and (v) the share of wages in the value added by manufacture. While taking

note of the fact that such assessment as the commission has attempted was intended to provide an overall view within the limitations of the data available, the commission observed "that increases in money wages of industrial workers since Independence have not been associated with a rise in real wages nor have real wage increases been commensurate with improvements in productivity. Simultaneously, wage costs as a proportion of total costs of manufacture have registered a decline and the same is true about workers' share in value added by manufactures. Wage disputes under these conditions have continued to be the single most important cause of all industrial disputes."

Sustained Increase

Notwithstanding the conclusion that the trend of real wages has not been one of sustained increase the wage policy as it has evolved since Independence has made a noticeable impact on the emoluments of labour as well as on the patterns of production. *Pari passu* with the further growth of the economy there remains quite a distance to be covered in the matter of further narrowing down wage differentials and progress towards a more integrated productivity oriented wage structure.

However, in arriving at definite and more broad-based inferences it is only legitimate to take into account the trends and phases experienced in the economy as a whole. In the ultimate analysis the real wages and standard of living of the wage-earning classes cannot be insulated from the trends and tendencies in the whole system. The erosion of real incomes due to inflation applies equally to wage incomes and other incomes in the system.

The purpose of this article is to merely trace the historical evolution of wage policy in India. Suffice it to say that an outstanding achievement of this policy has been the establishment of a machinery for wage determination and wage regulation. Thereby it has set into motion a process whereby the earnings of the workers could be increasingly brought in accord with the social and economic objectives laid down. Sufficient data are not available to assess the impact of government pronouncements on the actual spread of wage incentive schemes and the extension of the system of payment by results, yet a broad inference can be drawn that wage incentive schemes as effective tools of management and productivity linked wage systems have been gaining in popularity.

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NEW DELHI, Monday.

WITH THE Lok Sabha today taking up for consideration the Finance Bill, the debate on this year's central budget entered its third and the final phase. Earlier, it discussed the demands for grants of the ministries of External Affairs, Health and Family Planning and Works and Supply. Those of the ministries of Finance, Planning and Law and Justice and the Departments of Company Affairs, Electronics, Parliamentary Affairs, Supply and Science and Technology had to be guillotined for want of time.

Moving the Finance Bill for consideration, the Finance Minister, Mr Y.B. Chavan, announced several concessions in his budget proposals. The concessions, which are as follows, will aggregate to a loss of Rs 15 crores to the exchequer.

Direct Taxes: The relevant provisions in the Finance Bill are proposed to be amended so as to place director-employees on a par with other employees for the purpose of their emoluments and perquisites to be deducted for computing the taxable income of a company or any other tax-payer. The limit of deduction up to Rs 3,000 per annum presently available to the tax-payers in respect of income from investments in specified categories such as government securities, company shares, bank deposits, etc., for assessing taxable incomes is proposed to be extended to the married couples governed by the system of community of property in force in the union territories of Dadra and Nagar Haveli and Goa, Daman and Diu.

The exemption from Wealth Tax Act, currently available for a house exclusively used by a taxpayer for his own residence up to a value of Rs one lakh, will also be available in respect of a let-out house. The problem of granting some tax incentives for encouraging industries in certain selected sectors or backward areas is to be studied in depth. There is no intention to change the budget proposals in regard to the discontinuance of development rebate.

Customs Duties: The proposed 100 per cent ad valorem import duty on staple fibre has been reduced to 30 per cent ad valorem in the case of cellulosic staple fibre of cheaper varieties. The tariff values for dry fruits have been lowered and the mode of assess-

ment applicable hitherto to the goods of Afghanistan origin has now been extended to all dry fruits.

Excise Duties: The production of compounded lubricating oils and greases by units which do not use power will be exempted from duty. The duty on special boiling point spirits, which was raised to Rs 845 per kilolitre in the budget, has been reduced to Rs 425 a kilolitre on such spirits as are used in the solvent extraction of oils and the manufacture of rubber products.

The concession allowed in respect of duty on certain specified motor vehicle parts to be used as original equipment parts of motor vehicles is to be extended to such parts as go into the manufacture of assembled components like brake assemblies, etc., or automobile engines, provided these assembled components or engines are used as original equipment parts in the manufacture of motor vehicles. The concession from duty already available to small manufacturers in respect of certain specified motor vehicle parts is to be extended to the manufacturers of electric horns. The oxygen gas used in the production of steel and fertilizers will be wholly exempted from duty.

The pre-budget rate of 10 per cent ad valorem duty in respect of electrical porcelain insulators has been restored. Cinematograph projectors used in educational, family planning, agriculture and public health programmes have been exempted from the levy. Power-tillers will not attract excise duty proposed on tractors. The customs duty, however, will be charged on imported power-tillers. The rates of duties on hand-processed cotton cloth have been lowered. Ready-made garments will be exempted from duty if the total clearances by a manufacturer in a financial year do not exceed Rs five lakhs. Certain modifications in the definition of ready-made garments have been made to see that the big manufacturers do not escape the excise net. Bolts, nuts and screws produced by manufacturers whose total value of clearances does not exceed Rs five lakhs in a financial year will not attract any duty. Cigars and cheroots will be wholly exempted from duty.

Foreign Travel: The proposed 20 per cent tax on foreign travel is being reduced to 15 per cent for the standard

first class and 10 per cent for the economy or tourist class. The exemption from the tax will be applicable to approved students and scientists going abroad only if they travel by the economy class. Deck passengers travelling by sea for approved pilgrimages like the Haj will not be taxed. Free tickets given to airlines' employees as part of their service conditions or for inaugural flights too will not attract the tax if these are for the economy class. The tax will come into force on October 15, 1971.

The withdrawal of the excise levy proposed by him in his budget speech in regard to coarse cloth and Maida, it may be recalled, was announced by Mr Chavan on June 10.

Acrimonious Debate

The debate on the budgetary demands of the Ministry of External Affairs was indeed acrimonious. As could be expected, the Sino-American detente and the Bangla Desh holocaust dominated it. Members, both from the opposition and the treasury benches, demanded a fresh look on the foreign policy, but opinions differed on what shape the new policy should take.

While some members having leftist leanings argued in favour of normalisation of our relations with China, some others, particularly the spokesman of the Jana Sangh, Mr A.B. Vajpayee, wanted the country to stand on its own feet in so far as defence was concerned. He was of the view that one angle of the Washington-Rawalpindi-Peking axis was aimed at our heart and the other at Moscow's. The Sino-American detente, therefore, could cause anxiety to us, but it did not mean that we should go and sit in Moscow's lap. Vociferous pleas were made for the recognition of Bangla Desh. Some members asked for the recognition of the German Democratic Republic and South Vietnam. The government was assailed for its failures on foreign publicity, especially in regard to the Bangla Desh happenings. Some members reiterated their demand for our going nuclear in armament.

Replying to the debate, the Minister for External Affairs, Mr Swaran Singh referred to General Yahya Khan's threat to attack us if we made any attempt to seize any part of Bangla Desh and assured the House, amid applause, that "if Pakistan uses the victories of the Mukti Bahini in Bangla Desh as an excuse to attack us, we are prepared to defend ourselves." He expressed himself against General Yahya's proposal to meet Mrs Indira Gandhi to sort out the affairs in Bangla Desh and pointed out that Bangla Desh was not a problem

between India and Pakistan but between General Yahya Khan and the people of Bangla Desh. The general, he added, had to come to terms with the Awami League.

In regard to the proposed visit of the US President, Mr Nixon, to Peking, Mr Swaran Singh told the House that the government was in touch with all countries and "shall see to it that any Sino-American detente does not affect India or other countries adversely." A rapprochement between China and America, he said, was to be welcomed, but it could not be viewed with equanimity if it meant domination or a tacit agreement on it by the two over the east. Every country, the minister further stated, had a right to decide its own destiny without outside interference; this applied to Bangla Desh as well as to Vietnam or Palestine. "We shall not allow any country or a combination of countries to dominate us or to interfere in our internal affairs and we shall help other countries to maintain their freedom from outside domination," said Mr Swaran Singh.

Relations with China

As regards the demand for the normalisation of our relations with China, the Minister for External Affairs, observed that the government of India was not averse to it, but the efforts had to be from both sides and on the basis of respect for each other's territorial integrity and sovereignty and non-interference in each other's internal affairs. He denied that we had been rendered friendless through the policy of non-alignment. But for two neighbours, he stressed, we had cordial relations with most other countries.

The Minister for External Affairs had nothing more to add on the question of the recognition of Bangla Desh or that of the German Democratic Republic or South Vietnam. He repeated what had already been said in this connection on various occasions earlier.

The demands for grants of the ministries of Health and Family Planning and Works and Housing were discussed just briefly. During the debate on the demands of the Ministry of Health and Family Planning, the minister, Mr Uma Shankar Dixit, disclosed that the union government had decided to make the dispersal of grants to states in respect of vital projects of health and family planning conditional on the respective states utilising the funds for the specific purposes they were intended. The centre, Mr Dixit further indicated, would sponsor more health and family schemes in the country. He candidly admitted that in the sphere of family planning, the sterilization programme had reached "a stable level" with no evidence of an increase in numbers. The use of Nirodh, he pointed out, had,

however, been going up encouragingly. The minister wanted top priority for family planning, even over food and water supply.

Referring to the drinking water supply problem, Mr Dixit estimated that an investment of about Rs 1,000 crores would be needed to ensure adequate supplies in the entire country; the fourth Plan allocation was of the order of Rs 401 crores only.

Replying to the last week's debate on the budgetary demand of the Ministry of Agriculture, the minister, Mr Fakhruddin Ali Ahmed, expressed confidence that we would be able to dispense with the concessional imports of foodgrains from next year. His optimism was based on the good harvest during the agricultural year ending June last and the encouraging pace of procurement; already 8.5 million tonnes of cereals, he pointed out, had been procured. Mr Ahmed disclosed that the government planned to build up a chain of silos in the main markets of Punjab, Haryana and Uttar Pradesh under an agreement with the World Bank so that the difficulties of storage could be obviated during the post-harvest months. The Food Corporation of India, he further stated, would in course of time have a network of silos in the entire country.

With the foodgrains supply position having improved, the minister stressed the need to increase expeditiously the production of commercial crops, particularly cotton, jute and oilseeds. He revealed that a comprehensive plan had been approved by the government increasing cotton yield by 500,000 bales per annum; the plan would cost Rs 15 crores.

Mr Ahmed expressed the government's intention to bring about uniformity in the land ceiling laws in different states.

The Rajya Sabha reassembled this

week and had discussions on three important subjects: (i) the large influx of refugees from Bangla Desh; (ii) the working of the Ministry of Petroleum and Chemicals; and (iii) the proclamation of President's rule in West Bengal.

During the discussion on the first subject, the Minister for External Affairs shared the members' anger over the continuing US arms supplies to Pakistan and stressed that it amounted to arming Pakistan "against us". He feared that it might affect our relations with the United States. The minister also stated that the US arms supplies to Pakistan did have a significant bearing on the situation in Bangla Desh.

During the discussion on the working of the Ministry of Petroleum and Chemicals, the Minister, Mr P.C. Sethi, emphasised the need for stepping up the search for oil within the country. He revealed that the nationalisation of the foreign oil companies operating in the country was not ruled out, but stressed that the various implications of the matter had to be thoroughly gone into. The minister turned down the suggestion that the field of oil exploration in the country should be opened up to all as had been done in Australia in order to achieve maximum production in the shortest possible time. The Oil and Natural Gas Commission, he felt, had done a commendable job though for its future activities, it suffered from some constraints in the form of lack of equipment.

The discussion on the proclamation of President's rule in West Bengal was marked for the assertion of the Minister of State for Home Affairs, Mr K.C. Pant, that the government was determined to end the politics of murder and violence in that state.

The Lok Sabha passed this week the budgets of Mysore, Gujarat and West Bengal — the three states are under President's rule at present.

Eastern Economist 25 Years Ago

AUGUST 2, 1946

It is now becoming increasingly patent that whatever the final balance of the inflationary and deflationary forces at work, immediate economic health demands that a halt is called to this persistence of war-time inflation. We seem to have reached a desperate dead-end on the production front. Despite all the talk about reconstruction plans, reconversion and industrialization, nothing has yet been done nor is likely to be done. This do nothing attitude of the Government and the uncertainty about the formation of a popular government at the centre are the strongest inflationary factors in the situation. The strike fever which has afflicted every industry and occupation, and the widespread demands for higher and higher

wages have also had serious inflationary effects in two ways (1) by bringing about a decline in production and (2) by pushing up costs. The monetary and price indices have not yet ceased from their upward trend. From all evidence, immediate control of inflation should be the preoccupation of government policy in the next several months, and concrete steps to this end will have to be enforced with energy, and determination. The fact remains that the basic deflationary factors in our economy will prove to be stronger than the inflationary factors in the none too distant future but that makes no difference whatever to the immediate urgency of stopping this unhealthy monetary, price and stock exchange boom.

WINDOW ON THE WORLD

China, the USSR and the USA

JOSSLEYN HENNESSY

LONDON.

THE EMERGING TRIANGLE

VARIOUS EVENTS highlighted relations between China and the west early in April. Table-tennis teams from Britain and the USA, as well as certain developing countries, visited China and received a friendly and much-publicised reception. This was the first time that an American group had been invited since the Chinese communists came to power. After 22 years of suspension the phone link between Britain and China was restored. And President Nixon announced measures to relax travel and trade restrictions between the USA and China.

Far from restoring relations between China and the western powers to normal, such events show rather how abnormal relations have been and continue to be. Nevertheless they do suggest that China's rulers are anxious to emerge from the isolation which they imposed upon themselves during the Cultural Revolution (1966-69).

Major Development

If this is a correct interpretation, and if the present slight thaw is part of a long-term Chinese strategy to establish a rapport with the west, the USA in particular, then clearly a development of major significance to world affairs as a whole has emerged. Such a development would be bound to have some influence (a) on Soviet-American relations, and (b) on Sino-Soviet relations, though one can only speculate on just what impact a Chinese-American dialogue might have on the other two sides of the triangle.

I have never supposed that Euclidean geometry can take one far towards understanding world affairs, and there are many obvious qualifications to be made to any description of the present and future pattern of world affairs in terms of a triangle power structure involving Washington, Peking and Moscow. Though all three exert influence beyond their own borders, they do so in greatly varying degrees.

Despite her efforts to acquire influence in the rest of Asia and in Africa, China's world-wide impact remains much less than that of the other two. The means of influence of all three also vary. The USSR, for example, relies

on military strength to maintain its dominion in eastern Europe to an extent which is not true of either the USA or China in their external relations. Yet perhaps the most important asymmetry is the nuclear potential of the super powers. For some time both the USA and the USSR have been in nuclear parity with each other, but both are superior to China; though in the long-term the development of

This article was written and airmailed to us before the news that President Nixon had accepted an invitation to visit Peking was known. The insights of this article into current Sino-American relations suggest the closeness with which Josselyn Hennessy follows international affairs—Editor

China's nuclear potential may threaten this ability, there is no doubt that, at the moment, both Moscow and Washington, were they so inclined, could destroy the main cities of China without fear of retaliation in kind.

Another general qualification to the triangular concept is that in certain parts of the world and on certain issues the influence of smaller states remains powerful. There is also the possibility that in the course of the 1970s further powerful entities (Japan, and a unifying western Europe?) will emerge as forces with which super-powers will have to reckon. But at the moment, there can be little doubt, those with real influence on international developments—and this is what super-power status really amounts to — are the United States, the Soviet Union and, increasingly, China.

II

SINO-AMERICAN RELATIONS

Chinese and American attitudes towards each other, as they have evolved recently, reveal a contrast. Whereas since 1969 American policy has taken some concrete steps to try to improve relations with Peking, China has so far reciprocated in gestures rather than deeds.

A further difference is that whereas the Chinese outlook on the USA continues to be hidebound by ideology, the official American view of China is today largely devoid of ideological fog. Indeed, it is one of President Nixon's achievements that he has been able to cool down the China issue in American

domestic politics to the extent that, if there is any public pressure on American policy-makers about Chinese relations today, it appears to come from those who wish for a more rapid rapprochement with Peking than from the traditional anti-China lobby.

That American policy-makers recognise the need to have a dialogue with China is apparent from the Foreign Policy Report which President Nixon submitted to Congress in February. This document describes it as a truism that "an international order cannot be secure if one of the major powers remains largely outside it or hostile towards it", and adds that in the decade ahead "there will be no more important challenge than that of drawing the People's Republic of China into a constructive relationship with the world community and particularly with the rest of Asia".

In the hope of helping this process forward, the US government has taken various measures over the past two years to relax trade and travel restrictions between the US and China. In 1969, for example, there was a partial lifting of the trade embargo to allow American subsidiaries in foreign countries to trade with China. After the visit of the table-tennis players, President Nixon announced five further friendly initiatives, the principal being to facilitate the granting of visas to visitors from China and the relaxation of currency control to allow the use of US dollars by China. In addition, President Nixon has ordered a review of non-strategic items which could be licensed for export to communist China. This could in due course place American trade with China on the same footing as its trade with the Soviet Union.

Nixon's Announcement

Having made these announcements, President Nixon made it clear that in the American view it was now up to China to respond with some visible steps of its own. "Now it is up to them", he told a press conference.

One obvious response that the Chinese could make, indeed an essential one if rapprochement is to occur, is to resume diplomatic contacts between the two countries. Last year in reaction to the American and South Vietnamese incursion in Cambodia, the Chinese broke off the intermittent talks between the Chinese and American ambassadors in Warsaw. There is as yet no reliable indication that they are prepared to restore this link or establish diplomatic contact through any other channel.

The most immediate concrete obstacle in the way of better US-Chinese

relations is the issue of China's admission to the United Nations. Last year for the first time there was a majority of votes in the General Assembly in favour of China's membership, but since the Assembly had earlier decided to regard this question as falling within the category of "important" questions requiring a two-thirds majority vote, this did not secure Peking's admission to the UNO. The signs of increasing support for China's membership were, however, there for all to see, and the prospect that US opposition might no longer be sufficient to keep China out was doubtless one of the reasons which led the US Administration to initiate a review of its policy — a review which is still in progress.

Two Chinas or One

In the meantime, the Administration is standing firm on the position put forward in the United Nations last year that any change in the representation of China should not involve the expulsion of Taiwan from the UNO. However, whichever of the two obvious alternatives — the "Two Chinas" policy or "One China, One Taiwan" — the USA adopts as a solution to the long-standing argument, a change would have to occur in China's hitherto adamant refusal to consider membership of the United Nations as long as Taiwan is a member. So far, the Chinese have been deaf to suggestions from some of the states friendly to Peking that China might modify its policy on this point.

President Nixon clearly believes in the need for caution in any further development of the US-China relations. Quite apart from the necessity not to do anything at the expense of treaty commitments with American allies in the area — and here it is worth remembering that the USA has a commitment to the defence not only of Taiwan (to which China lays claim) but also of South Vietnam whose attackers are furnished in part by Peking — too much haste in seeking rapprochement could lead China's leaders to unwarranted conclusions about the conduct of American policy.

If unilateral measures were taken without countervailing concessions, the Chinese might be led to believe that intransigence with the United States pays off. On this point Professor Gelba, an academic commentator of repute, wrote in the October 1970 *International Affairs*: "It is doubtful whether the United States would be wise to give the impression that she is notably more anxious for agreement than is China... If it is true that the present world system requires China's accession to it, and that the solution of major problems

of stability of arms control requires her consent, it is even more true that for China to achieve the security or the place in the world which she desires, she requires the consent of others".

A further consideration that must weigh with American policy-makers is the effect that changes in US-Chinese relations could have on American relations with the USSR. President Nixon has been at pains to make clear that the USA has no desire to gang up with China against the Soviet Union, and that it sees no advantage to itself in Sino-Soviet tension. That a certain neuroticism appears at times to have crept into the Kremlin's attitude towards Peking is another reason for caution by the United States. There are many who believe that any real improvement in relations between the US and China, even if possible, would prompt an over-reaction by the Soviet Union (either towards mending its fences with China or into an isolation of its own), which would endanger relations between the Soviet Union and the USA. At the same time there is no reason to suppose that it is any less in the interest of the USSR to keep Soviet-American relations in reasonable working order than it is in America's interest. What can hardly be in doubt is that a state of total non-communication between two of the super-powers presents a bonus to that power which is in touch with both of them.

However pragmatic a view the USA may now take of its relations with China, one must not forget that China remains a state with a global mission to combat what it calls "imperialism". Though at times during the 1960s Soviet revisionism appeared to occupy an equal if not a prior place in China's demonology, the basic Chinese belief remains that between the capitalist world and communist states the possibility of understanding does not exist and that the only hope for world peace is to arouse the masses of all countries to struggle against American-led "imperialist" forces. So long as these bees buzz in the bonnets of China's leaders any real lessening of hostility is out of the question, and the most that can be hoped for in US-Chinese relations, even in the long term, is limited bargaining on particular issues.

III

SOVIET-AMERICAN RELATIONS

Limited bargaining on particular issues is really what Soviet-American relations have been about since the cold war became lukewarm. The era of sterile confrontation characteristic

of the 1950s is over, but has not yet been succeeded by an era of productive negotiations on such headaches as the middle east, Berlin and Vietnam. The various talks in which the two foremost nuclear powers are involved, together with Britain and France in some cases, have not yet resulted in any agreement on any really important problem.

What, more than anything, has transformed relations between America and Russia is their rejection of nuclear war as an instrument of policy. The fear that the two would destroy each other in any nuclear exchange has made them anxious to avoid any situation which could lead to direct military confrontation.

The Balance of Terror

At the same time it has provided them with a common interest in ensuring that the relentless advance of weapons technology, and the need of each partner to maintain the credibility of its deterrent, does not jeopardise the "balance of terror", as could occur if the retaliating capacity of either nuclear power were substantially diminished.

Yet the Strategic Arms Limitation Talks, which are the embodiment of this common interest, show the same tiresome feature which characterises US-Soviet relations at the moment — willingness to talk and inability to agree. SALT has so far gone through three full rounds and is entering its fourth. Because of the secrecy which shrouds SALT, it is hardly possible to give an account of the issues that at present divide the USA and the USSR. It seems, however, that in July last year the USA offered to the Soviet Union a package of proposals including an overall ceiling on the number of inter-continental ballistic missiles and sea-launching missiles, and a limitation on the deployment of anti-ballistic missiles to small systems around Moscow and Washington. According to some reports, the USSR replied last autumn with suggestions of its own less specific than the American proposals and restricted to controlling ABM deployment. The Americans having "passed the buck" the Soviets "passed the SALT."

One difference which has emerged concerns the deployment around the USSR of American bombers capable of delivering nuclear weapons as well as the medium-range tactical missiles stationed in Europe. The Soviet approach is to include these in SALT, though they do not welcome the inclusion of their own medium or intermediate-range missiles aimed at targets in western Europe. Despite the

continuing failure to agree on this and other issues arising out of SALT, both official US and USSR pronouncements stress the reasons, which to any objective outside observer must appear overwhelming indeed, for pursuing the dialogue in arms control.

One of the outstanding and potentially dangerous, asymmetries in super-power relations is that whilst the American government is anxious to lower its commitments in world affairs, the USSR seems ready to increase its own. In recent years it has extended its influence in areas vital to western interests such as the Mediterranean.

The Indian Ocean

Soviet attention is now turning to the Indian Ocean. That this is happening when the United States is trying to limit its commitment and encourage greater self-help by its allies in Africa Asia and Europe, carries the obvious danger that at some point a misreading of American intentions by the Soviet Union will result in the sort of direct confrontation which both are so anxious to avoid.

In a speech in New York a year ago, Mr Elliott Richardson, who was then Under-secretary of State urged that the United States and the Soviet Union should co-operate in establishing not zones of influence but spheres of restraint in which "both major powers would recognise that their long-term interests are furnished by attempts to gain short-term — and often fleeting — advantages". However for a power which rightly or wrongly believes that it can still extend its influence without becoming over-extended "spheres of restraint" is a concept of only marginal interest.

IV

THE U.S.S.R. AND CHINA

Undoubtedly tension between the two communist powers has relaxed since the clashes on the Ussuri river in 1969. The border dispute was transferred to the conference table when high-level talks began in October of that year. They have continued at intervals ever since, so far without result. A thaw in relations in the second part of last year led to a resumption of diplomatic relations, broken off in 1966 and to the signing of a trade agreement. None of these developments have prevented Peking and Moscow from continuing propaganda tirades against each other. Peking publicly interpreted the unrest in Poland at the end of last year as a popular movement against revisionist leaders and the Kremlin upbraided China for interfering in

the affairs of another state.

Many would say that it is along this side of the triangle that the most deep-seated antagonism between the three largest states in the world lies — and this for reasons of geography above all. Whilst the USA is detached from the other powers on a continent of its own, the Chinese and the Russians are neighbours occupying the same land-mass and sharing a frontier of 4,500 miles — the longest political border in the world. And on the Chinese side of the frontier, there is a population which is currently expanding at an estimated rate of 20 million people per year.

Whatever the importance of this

Dollar Against Franc

E. B. BROOK

VIENNA.

THE FLOW of speculative dollar funds into west European money markets remains, despite the debates over Britain's possible entry to the Common Market, governments' principal preoccupation as the warm holiday months of July and August still for a short time most of their public voices.

The latest currency threatened by this dollar flow is the French franc. International corporations and other holders of large funds in Eurodollars have been shifting them recently to Paris on speculation that the franc's value would be raised or that France would float its currency higher as did the West Germans and the Dutch on May 9. In either event the speculators would make an easy and sizable profit, after which they would take their funds out of France which had paid them well for lodging their money and then seek profits elsewhere.

Secret Pact?

The speculation has been encouraged by rumours that once the West Germans returned the mark to a fixed parity France would effect a small revaluation, the rumour adding — in the way of those who like to think they know what is really going on — that this arrangement was part of a secret pact reached by Pompidou and Brandt themselves on their pleasure jaunt down the Rhine.

So far, these well-informed rumours have been chillingly dispelled by the equally cold French Minister of Finance, M. Giscard d'Estaing, who referred to them as "fantasy" and who went on to reaffirm France's firm com-

geographical factor, future relations will depend in the first instance on the way the ideological debate develops within China when Mao Tse-tung ceases to be leader. Will his successors continue to try to outdo the Soviet Union as a revolutionary power in a bid for influence in the "third world", or will they emphasise peaceful co-existence as part of a strategy to become with the US and the USSR one of the arbiters of world peace?

While you are thinking out the answers, you may be cheered to find that we end where we began — a table tennis team from China is to visit Britain later this year or early next, providing nobody drops a bomb or otherwise puts his foot in it in the interval.

mitment to the 1948 Bretton Woods system and to France's fixed opposition to any greater flexibility in currency values. The French hold that most of the more important current difficulties in international finance arise from the US method of financing its balance of payment deficit. It is, in the French view, inflationary to impose on other countries the obligation of holding large deposits of American dollars in their reserves. The French give the highest priority to persuading the Common Market (properly, the European Economic Community) to return finally to the system of fixed parities.

French Not Intimidated

Despite this proclaimed French purpose, speculation and the flow of dollars into France has been whetted in the last few weeks by continuing international monetary discussions about wider exchange rate flexibility. French insistence on holding to current exchange values has not deterred the speculators. But the French remain also unimpressed by the receipt of 300 million dollars in one week and a total inflow in recent weeks of nearly \$700 million. So far, Paris has bought only some 30 million of these dollars and has sharply lowered the exchange value of the dollar on its exchange. If necessary, the French say, they will use exchange controls to defend the fixed parity of the franc.

But if this flow of dollars into France continues at the same level as in recent weeks and eventually reaches the proportions it did in West Germany in April and early May the French would have to be uncommonly tough if they

did not feel compelled to revalue or to suspend convertibility of the franc. France might also resume its policy of converting surplus dollars into US gold, as it did in de Gaulle's time. Such an action would probably foment a new monetary crisis but large purchases of US gold would put the United States under pressure to devalue the dollar and there is no doubt that, to the French, a dollar devaluation is distinctly desirable.

The dollar inflow to Europe and the unrestricted activity of the Eurodollar market continues to worry many others than the French. The last monthly meeting of the central bankers in Basle had a rare visit from M. Schweitzer, head of the International Monetary Fund, and Mr van Lennep, Secretary General of the OECD. Their consultations with the bankers suggested that international monetary authorities are anxious to instil a sense of urgency into all parties concerned. Despite the holiday season there is real need for some initiative without waiting another two months for the IMF to meet and possibly come to an acceptable conclusion on the subject.

The Impasse

West Europe is at an impasse over dollar flows and its national monetary exchange values. Federal Germany refuses to return to a fixed exchange parity until there is agreement to widen the exchange margins substantially. France, on the contrary, refuses to consider wider exchange rate margins or, if it will accept them at all, not until West Germany has re-established a fixed parity for the mark. It is unlikely that the Common Market will be able to arrive at a common position on this subject before the meeting of the International Monetary Fund in September — if then.

Across the Atlantic, the USA holds that it cannot take any initiative since it anticipates that the Common Market, which accuses the USA of creating crises in currencies, would rebuff any suggestions from Washington. London, basking in the prosperity of providing a base for Eurodollar operations within Europe, also stands aside on the excuse that it cannot take an initiative until it knows whether or not it is entering the Common Market. British banking and commercial opi-

nion is known, however, to favour a formal change in the international finance system providing for greater exchange rate flexibility. In that sense it is unfortunate that the IMF's annual meeting will be held before the British Parliament votes on Common Market membership.

Prospects at this moment are that an agreed solution among the Common Market's members, Britain and the USA will not be found possible for some time. In any case, the International Monetary Fund's articles have al-

ready been defied without difficulty or penalty by federal Germany, Holland and Canada in allowing their exchange rates to float as they were by France two years ago when Paris devalued the franc. The influence of the IMF has visibly weakened during the last three years. This tendency needs careful watching by all its members lest the undoubted value of the IMF in curbing ambitious schemes and setting some rules to the game of international finance is slowly eroded.

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STORES CONTROLLER

The moving finger writes

WHEN YAHYA Khan held out a threat of war against our country and declared that Pakistan would not be alone in the event of its launching an attack on us, he evidently intended that every one should make his own guess. I wonder, however, whether he seriously believed that many people would be persuaded to imagine that the US or even China would ally itself with him if he were to resort to hostilities against our country. At the most — or, more appropriately, at the worst — Iran and Turkey may be unfriendly enough towards us to help him with some military hardware in the event of his attacking this country. Beyond this, it is most unlikely that Pakistan will find co-conspirators or collaborators in any evil design that it may have on India.

This being so, our government could easily have ignored Yahya Khan's histrionics of blackmail. But then Mr Swaran Singh has to justify his existence. Our Minister for External Affairs consequently has promptly come forward to match Yahya Khan's bluff with some of his own. If there is a war between India and Pakistan, India too will not be without allies, says Mr Swaran Singh. If the implication is that the Soviet Union is just waiting on the wings to rush to our rescue in the event of an Indo-Pakistan war, nothing could be more absurd. Right now the great powers have too much on their minds to be involving themselves in any Indo-Pakistan military confrontation. In any case, it is shocking indeed that Mr Swaran Singh should share Yahya Khan's enthusiasm for converting this sub-continent into a battleground for the big powers. It is too late in the day for our Minister for External Affairs to create for himself the military image of another Maharaja Ranjit Singh. A warlike Swaran Singh will surely be the ultimate absurdity even in the present central cabinet of many clowns.

The announcement that our government has invited Tunku Abdul Rahman to visit our country in the near future is more than a bit of good news. As Secretary-General of the Islamic Secretariat, this ex-Prime Minister of Malaysia, who is one of the most respected elder statesmen of Asia, has been to East Bengal to see for himself the tragedy that is being enacted there. His mission evidently is to

bring unity, if possible, or in any event restore peace in an Islamic country where there has been so much slaughter of the innocents. The Tunku's record as an architect of an essentially secular modern democratic state in Malaysia has won worldwide recognition. Equally well-known is his friendship and good neighbourliness for India in his personal capacity as well as during his long tenure of office when he was the head of the government in Malaysia. The government of India therefore has every reason to hope that the Tunku's discussions in New Delhi after his talks in Islamabad and his tour of East Bengal will make constructive contribution to the process of restoring normalcy in strife-torn East Bengal and in our tense and troubled relations with our unfriendly neighbour to the north-west.

It is quite obvious that the Tunku himself will be in no hurry to cast himself in the role of a mediator. But it will be shortsighted indeed on New Delhi's part if it lets go the opportunity of his visit to create conditions for an Indo-Pakistan dialogue. This journal has made no secret of its view that New Delhi has not been wise in rejecting out of hand proposals for a meeting between Yahya Khan and our Prime Minister. It is surely frivolous to suggest that there could be no talk between New Delhi and Islamabad until and unless the Pakistan army's reign of terror is wound up in East Bengal. It must be clear to the meanest intelligence that the very moment a move gets started for bringing Yahya Khan and Mrs Gandhi to the conference table, the Pakistan army in East Bengal will necessarily have to de-escalate its campaign of violence against the people of that region.

It follows that it is quite open to Mrs Gandhi to secure relief temporarily or otherwise for the battered people of East Bengal by agreeing to bilateral talks with Islamabad. These talks naturally cannot concern themselves with the nature of a political settlement in East Bengal, which must necessarily be the right and responsibility of the authorised representatives of the people of that region, but a dialogue between Islamabad and New Delhi could certainly help to step down the virulence of the military terror in East Bengal and, what is more important for our

country, initiate an Indo-Pakistan dialogue on the refugee problem. Unless it has now become the accepted policy of the government of India to aid and abet the *Mukti Bahini* in its military activities, it is difficult to see how New Delhi can reasonably decline to talk to Islamabad on the future of the refugees especially when our government is not willing to allow direct and active UN intervention in the refugee situation which is now spread across the Indo-Pakistan border in eastern India.

The Chairman of the LIC has lately revealed himself to be an excellent trouble-shooter in the corporate sector. It is evident that Mr T.A. Pai's background, experience and skill as a dynamic and successful banker in his previous *avatar* had stood him in good stead when he helpfully intervened in the exciting, if not explosive situations in the affairs of two of our important public limited companies, namely Synthetics & Chemicals and National Rayon. Mr Pai and his colleagues under his leadership in the LIC have greatly enhanced the reputation of the institution by displaying both firmness and a sense of fairplay in arranging for a truce, and possibly even peace, in the managing councils of the concerned companies. The shareholding public may now feel confident that its legitimate interests will be safe in the hands of the LIC whenever that institution finds itself called upon to assert itself in guiding the conduct of corporate managements.

I have, however, no wish to be unduly soft to Mr T.A. Pai or indeed any other person or personality in the public life of our country. I therefore hasten to bring to his notice a letter to the editor from the indefatigable and ever-vigilant Mr M.R. Pai, which is published elsewhere in this issue. Mr Pai argues that the claims made on behalf of deposit-linked life insurance scheme are not justified. Some of the nationalised banks have lately been advertising in the press that the scheme offers depositors the additional benefit of life insurance protection at no extra cost. Mr M.R. Pai has challenged this statement and Mr T.A. Pai, I am sure, must be properly keen in putting the record straight. When a Pai meets a Pai it must be the Canarese version of Greek meeting Greek.

V.B.

Trade Winds

CANADIAN LOAN

A DEVELOPMENT loan agreement for about Rs seven crores (\$ 10 million) was signed recently between India and Canada. This loan will facilitate, under a line of credit arrangement, supply from Canada of machinery, equipment and services. It is expected that the greater part of the loan will be utilised for the supply of highly sophisticated electronic and mechanical equipment required for India's airport expansion programme. The loan is free of interest and service charges and is repayable over 50 years, including a 10-year grace period. These lending terms are the softest available to India from any source.

This is the third development loan Canada has extended to India during the current year. The other two, amounting to Rs 30 crores, were agreed to in April, one for import of industrial commodities and fertilisers worth Rs 28 crores (\$ 40 million), and the other for two crore rupees (\$3 million) line of credit for use by the Oil and Natural Gas Commission.

KANDLA FREE TRADE ZONE

The second meeting of the Kandla Free Trade Zone Committee was held in Kandla on July 31; Mr Mohammed Yunus, Additional Secretary in the Ministry of Foreign Trade, presided. The committee which includes representatives of various central ministries and departments, the chairman of the Kandla Port Trust and the Industries' Commissioner of the government of Gujarat, has been set up with a view to taking quick decisions on various matters relating to the Kandla Free Trade Zone. Among other things, the committee considered applications for setting up industries in the zone and took decisions on the requirements of the entrepreneurs in the zone for capital goods or imported raw materials.

PROGRESS IN SHIPPING

This country has made significant progress in the field of shipping during the year 1970-71 which will help achieve the fourth Plan target of four million GRT. There has been a net addition of 119,172 GRT during the year raising it from 2,315,979 to 2,435,151 GRT. Out of over one million tons which has been ordered now, 0.605 million tons was booked in 1970-71 alone. This

marks the highest tonnage ordered in any single year. Consequently the highest amount of loan Rs 138.14 crores has also been sanctioned in the year under review. This represents 50 per cent of the total loan sanctioned in the past eleven years. The vessels ordered in the year are in UK, West Germany, Belgium, Japan and Yugoslavia with the assistance from the UK and suppliers' credit from West Germany and Belgium. According to the annual report of the Ministry of Transport and Shipping, indigenous shipbuilding capacity at the Hindustan Shipyard at Visakhapatnam has now been improved and the work at Cochin Shipyard is gathering momentum.

FOREIGN TRADE

The sixth Diploma Programme in International Trade of Indian Institute of Foreign Trade (IIFT) was inaugurated recently by Mr H. P. Nanda, President, Escorts Ltd. Covering 8½ months of course-work followed by 1½ months of in-company training, this full-time course concludes in May 1972. The purpose of the diploma programme is to develop a cadre of competent young export management personnel, who will shoulder responsibilities as export managers in the private and public sectors. The participants will be given comprehensive training in international marketing and foreign trade management. The programme aims at equipping the participants, through highly intensive training, with critical and analytical faculties for business decision-making. The syllabus of the diploma programme covers, (a) international marketing management, (b) application of international marketing management concepts, methods and techniques, and (c) foreign trade practices. Since its inception in 1964, the Indian Institute of Foreign Trade has conducted 58 training programmes with the participation of 1,900 executives.

STEEL PRODUCTION

Raw steel production during June 1971 in 24 countries represented in the membership of the International Iron and Steel Institute was 33.44 million metric tons, compared with last June's figure of 34.90 million metric tons. This is a decrease of 4.2 per cent.

For the first six months of 1971, the cumulative total was 205.16 million

metric tons against 209.35 million metric tons for the same period in 1970, a two per cent decrease.

Comparative performance by major groups or countries was as follows :

(million metric tons of raw steel)

	1971	1970	% change over 1970
First 6 months			
ECSC	53.06	56.57	-6.2
UK*	12.76	14.22	-10.3
USA	65.14	61.61	+5.7
Japan	43.67	46.60	-6.3
Other	30.53	30.35	+0.6
Total reporting countries	205.16	209.35	-2.0

*The British figures are calculated by IISI on a calendar month basis.

The 24 countries covered in the report accounted for approximately 68.8 per cent of the 1970 world raw steel production, and for 97.7 per cent of world production excluding that of the USSR and other eastern bloc countries, mainland China and North Korea. They are Argentina, Austria, Australia, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Federal Republic of Germany, India, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, Republic of South Africa, Spain, Sweden, United Kingdom, United States of America and Venezuela.

ICMF WELCOMES NEW SCHEMES

The Indian Cotton Mills' Federation has welcomed the announcement in Lok Sabha on July 1, 1971 by Mr Annasaheb P. Shinde, Minister of State for Agriculture, that the union government had sanctioned a new scheme for intensive cotton district programme with an outlay of Rs 14.74 crores. Although it falls short of the outlay of Rs 10 crores per year for a period of five years, which the industry has been suggesting to the government for a very long time, the scheme as approved by the government presents a real and substantial advance. It was the federation's hope that the scheme produces such good results as would induce government to sanction, in the years to come, bigger outlays on cotton development. The second development of great significance has been the sanction given by the government for import of sophisticated machinery by exporting mills to the extent of 20 per cent of their exports in the period 1970-71. This was considered a good beginning for tackling the intractable

problem of rehabilitation and modernisation.

EXPORTS BY SMALL UNITS

Mr N. L. Chowdhary, President, the Bucket Manufacturers Association of India stated recently that the small scale units could play a very great role in the export efforts of the country. Of the large number of registered and unregistered units if only 15,000 units could be enthused to export goods worth Rs 20,000 each, they could make a contribution of Rs 300 crores in the foreign exchange earnings of the country in a very short time, besides generating considerable employment. Supply of imported materials has received the attention of the government but he pointed out, the difficulty in its procurement from indigenous sources at a reasonable price has not received the same attention. The small-scale manufacturers, therefore, could not produce and export in a competitive market. He has suggested that deliveries of steel from producers' stockyards should also be made at the rates at which wagonloads are supplied. He added that for this purpose the stockyards might be deemed to be railhead stations.

TRACTORS AS GIFT

The Ministry of Foreign Trade has revealed recently that the scheme for import of tractors by agriculturists as gift is applicable to the import of agricultural tractors of certain specified models only. The position has been reviewed and it has been decided that the import will hereafter be allowed only in respect of the models/specifications indicated below: (1) Massey Ferguson. MF-1035/135. IMT-533/555. (2) International. B-275/276 and 434. (3) Ford. Ford-3000. (4) Deutz. D-3006, D-4006, D-6006, D-1006, (5) Zetor. 2011/2511, 3011/3511, 5511, (6) Russian. T-25, (7) Shibaura. S-2000, (8) Hano-mag. 32 HP, (9) Rumanian. U-500, U-650. Other conditions applicable to the scheme will remain unchanged.

WORLD BANK SHIPPING TEAM

The World Bank shipping mission visited this country recently. The mission had talks in Delhi with officials of the union Transport Ministry and other technical experts. In Bombay they met officials of the shipping companies.

CARGO LINERS

A contract for the purchase of four cargo liners from Russia was signed recently. This was the second contract for the purchase of ships from the USSR. In March, SCI signed a contract for the purchase of three tankers of 16,300 dwt. each. The four liners are fast modern vessels and are provided

with large hatch openings and equipped with cranes which make them specially suitable for handling cargoes like iron and steel. The total outlay on the liners is Rs 18 crores.

NATIONAL INCOME: 1971-72

The national income is expected to increase by 4 to 5.5 per cent during 1971-72, according to a forecast of the Economic Research Unit of the Indian Statistical Institute. The forecast is given in a preview of the economy issued by the research unit. The forecast takes into account, according to the preview, the intentions and policies of the government as indicated in the central budget for 1971-72; and is based on a critical evaluation of both the long-term trends of various economic characteristics as also their devia-

tions from the trend during 1970-71. In the agricultural sector, according to the preview, the gross area under foodgrains output would be between 111 and 113 million tonnes thus registering a rise of six to eight million tonnes. Industrial production may be higher than last year and the rate of growth may range between 4 and 6 per cent. This growth is expected to be evident in all the sectors producing capital, intermediate and consumer goods.

U.S. AID : 1970-71

The United States has granted a total amount of \$461.6 million (Rs 346.12 crores) as aid for India's development during the US fiscal year ended June 30, 1971 (see table below). This includes project and non-project loans, food

	Dollars (millions)	Ruppee equivalent (crores)
1. Non-Project Loan		
March 13 : Main agreement	155.0	116.25
April 22 : First amendment	15.0	11.25
July 9 : Second amendment	20.0	15.00
Total	190.0	142.50
(The non-project loan provides financing for the import of fertilizers and other agricultural requirements plus industrial raw materials, machinery and components. The second amendment which was announced in Washington on June 24 and executed in New Delhi on July 9 was for the specific purpose of helping to maintain the pace of India's development despite the strains imposed by the refugee situation.)		
2. Project Loan : for India's largest fertilizer complex to be constructed in Gujarat by Indian Farmers Fertilizer Co-operative Ltd.	21.0	15.75
(While this loan agreement was concluded on June 18, 1971, \$ 15 million of the total loan of \$ 21 million was obligated by the US government in Fiscal Year 1970 and the remainder in FY 1971.)		
3. Concessional Sales of agricultural commodities under Title I of Public Law 480 programme	158.3	118.73
(This year's PL-480, Title I, agreement provides for the supply of 1,570,000 tonnes of wheat, 102,000 tonnes of vegetable oil, and 250,000 bales of cotton.)		
4. Food Grants under Title II of Public Law 480	70.5	52.88
(The bulk of food supplies is in support of the nationwide school lunch programme. Every year some 13.3 million children are benefited.)		
5. Technical Co-operation Grants	9.4	7.00
(Financing and services made available for the development of key sectors of the Indian economy.)		
6. Export-Import Bank loan to Air-India (Nov. 13, 1970)	12.4	9.26
(To help finance a Boeing 747 jumbojet, the fourth ordered by Air-India with US government support)		
Grand Total	461.6	346.12

grants and concessional sales of agricultural commodities under PL 480, technical co-operation grants and Exim Bank loans.

O.P.P.I.'s DEMANDS

The price control measure enforced by the government restrictions on expansion of capacity under the Industrial Licensing Policy and the Monopolies Act, and the recently passed Patents Act were deterrents to research in the pharmaceutical industry, according to the Organisation of Pharmaceutical Producers of India (OPPI). In a memorandum submitted to the Planning Commission and the Committee on Science & Technology the organisation stated that pharmaceutical research was an extremely expensive operation and also very time consuming. Pharmaceutical industry could be encouraged to invest more in research and development efforts if suggestions contained in the memorandum were considered. These suggestions included liberalisation of price control measures, reduced restrictions on the expansion of capacity and a certain amount of free foreign exchange in order to finance imports of scientific equipment, designs, drawings, etc.

FARMER PROTECTION DEPOSITS

Syndicate Bank has introduced a new scheme to coincide with the second anniversary of bank nationalisation, for the benefit of farmers and fishermen. Under the scheme called "farmers protection deposits" farmers will get a loan to the extent of twice their fixed deposits (of six months or one year's maturity), when the revenue authorities declare a failure of crops following floods, drought, pest invasion and diseases. The fishermen will get a loan when there are no adequate catches owing to natural factors. The main purpose of the scheme is to assure them of a loan (to be repaid over a period of three years) that they may utilise for their rehabilitation or for their own maintenance expenditure or for the purchase of seeds or manure for the next crop. The scheme is designed to relieve the distress of farmers as there is no crop insurance in the country.

CHECK ON TEXTILE MACHINERY

The Textiles Committee's inspection regulations for textile machinery equipment (components & accessories) for export come into force on August 11, 1971. Eighteen items of equipment will be covered by these regulations. Export of these items without the Textiles Committee's certificate is prohibited. India is perhaps the only country in the world to frame such regulations to ensure that only

quality material leave its shores. The items covered by the regulations are: Aprons for drafting systems; cots for drafting systems; inserts for spindles of ring spinning and doubling frames; rings for spinning & doubling frames; spindles for ring spinning & doubling frames; paper tubes for ring spinning and doubling frames; steel travellers for ring spinning & doubling frames; metallic card clothing wire for cylinder, doffer and licker-in; wooden flyer bobbins for speed frames; direct and rewound west pirns for use in shuttles for looms; picking sticks for underpick looms & overpick looms; wooden cones for winding machines; shuttles for looms; paper cones/cheeses for winding machines; flat steel healds for looms; twin wire healds/ inset mail wire healds for looms; pitch bound wire reeds/all metal reeds for looms and

pickers for looms. Further details can be had from the Secretary or Deputy Director, Textile Technology, Textiles Committee, 79 Dr Annie Besant Road, Worli, Bombay-18.

NAMES IN THE NEWS

Mr T.S. Kanan has been appointed temporarily special officer to look after the affairs of Alcock Ashdown and Co Ltd.

U.S. GRANT FOR REFUGEES

The United States government has granted \$ 70.5 million (Rs 52.88 crores) towards the relief of East Bengal refugees in India by way of food aid and for shelter, clothing, medicine and transportation. Details of the aid are given below.

U.S. GRANTS FOR RELIEF OF EAST PAKISTAN REFUGEES IN INDIA

		Dollars (millions)	Rupee equivalent (crores)
Food Aid (PL-480, Title II Grants)			
May 12	Food grains, milk & cooking oils	2.5	1.88
June 24	Food (sufficient to feed one half of the 6,000,000 refugees in India for a period of three months)	25.0	18.75
June 17	High-protein food blends	3.0	2.25
June 7	105,000 tonnes of wheat plus 6,000 tonnes of vegetable oil	10.0	7.50
	Total food aid	40.5	30.38
Shelter, Clothing, Medicine and Transportation			
June 7	For air-lifting refugees from Agartala to Gauhati; large amounts of cholera vaccine, rehydration fluid and medicines; tarpaulins, polythene sheets and other shelter material	5.0	3.75
June 24	For a greatly enlarged programme covering shelter, clothing, medicine, sanitation, and related transportation, logistics and administrative services to be provided through the United Nations High Commissioner for Refugees.	25.0	18.75
	(The first five-million dollar installment of this grant was released to the UNHCR on July 12. The remaining \$20 million will be released as plans are drawn up for using the funds to meet the most pressing requirements of the refugees.)		
	Total aid for shelter, clothing, medicine & transportation	30.0	22.50
	Total US aid for refugee relief	70.5	52.88

Company Affairs

BIRLA JUTE

THE DIRECTORS of the Birla Jute Manufacturing Company Ltd have proposed to step up the equity dividend to 11 per cent for the year ended March 31, 1971, from 9 per cent paid for the previous year. The company has earned a gross profit of Rs 4.57 crores against Rs 4.51 crores for 1969-70. The directors have provided Rs 129.08 lakhs for depreciation, Rs 11.72 lakhs for development rebate reserve, and Rs 141 lakhs for taxation, leaving a net profit of Rs 174.72 lakhs against Rs 188.24 lakhs. The net profit has been transferred to the general reserve. The proposed equity and preference dividend will claim Rs 52.28 lakhs and will be paid out of the general reserve. According to Mr S.N. Prasad, Vice President, the company will be issuing debentures of the value of Rs one crore instead of the proposed equity share issue which did not secure the sanction of central government. He stated that the production of calcium carbide would be stepped up by additional 50 tonnes or 100 tonnes a day. The company's slag cement project is awaiting clearance from the government. The project will cost Rs five crores and orders for plant and machinery have already been placed. If the government clearance is secured in time, the plant is expected to go into production by the end of 1972.

INDIAN COPPER

Mr G.D. Kothari, Chairman, Indian Copper Corporation Ltd, told the shareholders at the annual general meeting held recently that the year 1970 had proved fairly satisfactory for the company. The profit for the year amounted to Rs 3.09 crores as against Rs 2.21 crores during the previous year. He added, however, that the major portion of the increased profit went to taxation for which a sum of Rs 1.55 crores was provided as against Rs 95.50 lakhs during the previous year. Increased production of nickel sulphate had helped the company to improve its performance. The chairman told the shareholders that the company had applied for industrial licence for sponge iron project on which the official decision was awaited. The company, he added, was actively considering various proposals for the development of copper mines and also for putting up additional concentrate facilities so as to achieve the rated capacity production

of the flash smelter within the shortest possible time.

The company's present expansion programme was likely to be complete by the end of November 1971 and the production of copper would increase to about 13,000 tonnes annually though the capacity of new flash smelter was 16,560 tonnes. Mr Kothari pointed out that the restriction imposed by the government limited the production of rolled products in spite of a steady demand from the market. The company has made a representation to the government that in respect of rolling mill, there should not be any discrimination against the company and that it should be allowed a quota of copper and zinc on the same scale as permitted, by the government to other rolling mills.

Mr Kothari revealed, that the demand for kyanite had declined considerably and if the situation continued for a longer time, the company would be forced to curtail the production of kyanite. He added, however, that market conditions were likely to improve in the near future. He informed the shareholders that the company had executed a lease deed for a new area of 582 hectares at Chhakisa, which was required for the development of its existing Mosaboni mines. Since the financial position of the company continued to be satisfactory, the company was able to step up the dividend to 11.11 per cent in 1970 against 8.88 per cent in the previous year.

OIL INDIA

Oil India Limited has declared a net dividend of 13 per cent for 1970 for the fourth successive year. Reviewing the working of the company in 1970, the chairman, Mr Sarat Chandra Sinha, stated at the annual general meeting at Duliajan in Assam recently that it was futile to expect that self-sufficiency could be achieved in the near future without bold decisions in regard to investment in exploration, development of oil resources and managerial talent. He called upon Oil India to play "a bigger role than what has been assigned to it so far." The loan to equity ratio had come down from 1:2 to 1:1.1, thus reflecting the sound financial policies of the company, the chairman added. The annual crude production in 1970 had exceeded the 3 million tonne mark, enabling the

country to save foreign exchange of Rs 35 crores.

TELCO

Mr J.R.D. Tata, Chairman of Tata Engineering and Locomotive Co. Ltd, told the shareholders in his annual statement that despite the vehicles plant having reached the rated capacity, a continuing growth in turnover was expected mainly in spare parts, specialised vehicles and machines. The company, he added, had recently submitted proposals for an expansion programme which, if adopted, would almost double the present turnover. These proposals include increasing the production of Tata vehicles from 24,000 to 36,000 per annum. Other projects include the manufacture of 9,000 medium and heavy vehicles per annum at Poona, the manufacture of 3,000 highway vehicles at Jamshedpur and the setting up of a 10,000 tonnes per annum alloy iron foundry at Poona. The anticipated capital outlay on the expansion programme was expected to be Rs 40 crores over a period of five or six years. Including the normal annual replacement and renewals the total outlay would be about Rs 65 crores. The company had planned to finance this programme largely from internal resources and from funds accruing to it from the merger of the Central Bank of India Ltd. However, following the withdrawal of development rebate from 1974 and higher taxation, the company's internal generation of funds might be reduced and it might curtail the scope of the programme and spread it over a longer period. During 1970-71 a record output of 25,061 vehicles was achieved compared to 20,306 in the previous year. The production of special purpose vehicles, which was 707 in 1970-71, was expected to be doubled in the current year. The output of excavators was 63 against 45 units.

NATIONAL RAYON CORPORATION

The Chairman of the Life Insurance Corporation, Mr T.A. Pai, held discussions with two groups in the National Rayon Corporation Ltd, before the annual general meeting and the formula suggested by him was accepted by both the parties. Mr Krishanraj M.D. Thackersey and Mr Laljibhai C. Kapadia, who were retiring, were re-elected as directors of the company. The resolution proposing Mr M.C. Kapadia for the office of director in place of Mr K.M.D. Thackersey, was not moved. Mr Rasiklal J. Chinai was elected a director of the company. The resolutions about the appointment of Mr C.G. Mahant and Mr R.K. Framjee as directors of the company were dropped. Resolutions about the appointments of president and two vice-presi-

dents were also dropped. Mr Maharwal Jaideepsingh of Baria and Mr Devji Rattansey, who were supported by the Kapadias, were elected directors. The resolution concerning the increase in the strength of the board from 8 to 12 was also adopted. With the addition of two new directors, there are now 10 directors in all, representing the shareholders. There are two government nominees also. Both the Kapadias and the Chinnais have agreed to the appointment of a representative of the public sector financial institutions on the board of the company.

SWADESHI POLYTEX

Swadeshi Polytex Ltd offered for public subscription 1,650,000 equity shares of Rs 10 each in the last week of May 1971 and was oversubscribed nearly nine times over. The board of directors of the company, in consultation with the Stock Exchange, Bombay, decided upon the basis of allotment. There was no proposal for drawing lots and all valid applications would receive allotment. There will be 33,342 equity shareholders of the company as a result of this allotment. The basis of allotment was as under:

For 50 to 150 shares applied 25 shares each, for 200 to 450 shares applied 50 shares each, for 500 to 650 shares applied 75 shares each, for 700 to 1,500 shares applied 100 shares each, for 1,550 to 2,500 shares applied 150 shares each, for 2,550 to 3,500 shares applied 200 shares each, for 3,550 to 4,500 shares applied 250 shares each, for 4,550 to 5,500 shares applied 300 shares each, for 5,550 to 6,400 shares applied 350 shares each, for 6,600 to 7,500 shares applied 400 shares each, for 7,550 to 8,450 shares applied 450 shares each, for 8,800 to 10,000 shares applied 500 shares each, for 10,050 to 12,000 shares applied 550 shares each, for 13,000 to 13,600 shares applied 600 shares each, for 14,100 to 16,000 shares applied 650 shares each, for 20,000 shares applied 800 shares each, for 21,000 shares applied 850 shares each, for 21,150 shares applied 900 shares each, for 26,000 shares applied 1,100 shares each, for 30,000 shares applied 1,200 shares each, for 36,000 shares applied 1,500 shares each, for 45,000 shares applied 1,800 shares each, for 50,000 shares applied 2,000 shares each, for 50,050 shares applied 2,050 shares each, for 75,000 shares applied 3,000 shares each, for 100,000 shares applied 4,000 shares each, for 200,000 shares applied 8,000 shares each.

UNIVERSAL STEEL

Universal Steel Castings and Forgings Ltd (proposed new name Universal Steel and Alloys Ltd) expects to enter the capital market around the middle

of September with a public issue of Rs 30 lakhs in equity shares of Rs 10 each at par to meet a part of the finance required for setting up a Rs one crore plant for mild steel billets at Faridabad. The plant with an annual capacity of about 10,000 tons is expected to commence production by May 1972. The company has also plans to expand at a later stage its capacity to 25,000 tons of billets and create facilities for the manufacture of alloy and special steel billets and rolled products. The company's present issued capital is Rs 20 lakhs all in equity shares subscribed by the promoters, directors and their friends and associates. An amount of Rs 50 lakhs will be raised by a loan from the Industrial Finance Corporation of India. The company has been promoted by Mr Raunaq Singh, Managing Director of Bharat Steel Tubes Ltd, and his associates.

ORIENT BEVERAGES

Orient Beverages Ltd, Calcutta, proposes to enter the capital market shortly with a public issue of Rs 10 lakhs in equity shares of Rs 10 each. The company proposes to set up a plant at Patna (Bihar) for the manufacture of soft drinks with an annual capacity of 10 million bottles. It has entered into technical collaboration agreement with Parle Bottling Co. Private Ltd, Bombay, which has agreed to allow the company to use its trade marks of various soft drinks. The project is estimated to cost Rs 37.52 lakhs which will be met by additional share capital (Rs five lakhs to be subscribed by directors and exist-

ing shareholders and Rs 10 lakhs to be raised by public issue), loans from the Bihar State Financial Corporation (Rs 12 lakhs) and borrowings (Rs 10.52 lakhs). The company expects to go into production early next year. For the year ended January 31, 1971, the company had paid a 15 per cent equity dividend on the capital of Rs five lakhs.

MYSORE BREWERIES

Mysore Breweries Ltd propose to issue for public subscription capital of Rs 26.99 lakhs comprising 205,000 equity shares of Rs 10 each (Rs 20.49 lakhs) and 6,500—9.5 per cent cumulative redeemable preference shares of Rs 100 each (Rs 6.50 lakhs). The company proposes to set up a brewery at Bangalore (Mysore state) at a cost of Rs 65 lakhs, including foreign exchange content of Rs 7.50 lakhs. The total capital outlay on the project is estimated at Rs 97 lakhs, which will be met by capital (Rs 45 lakhs), long-term loan from banks and financial institutions (Rs 40 lakhs) and short-term loan from directors and banks (Rs 12 lakhs). Technical assistance will be obtained from Cerekem Danish Food Technologists Ltd.

TUBE INVESTMENTS

Tube Investments of India Ltd proposes to sell 25,000 equity shares of Rs 100 each held by Tube Investment Ltd (UK) as rights in the proportion of one share for every six shares held, at Rs 126 per share to holders as on August, 1971. Last date for acceptance of offers from shareholders is September 9, 1971.

NCAER

Latest Publication

To be released in August 1971

Sanctioned Capacities in Engineering Industries

This publication gives Statewise and Industrywise details of licences issued to the various industrial units engaged in all engineering industries in the country from the inception of the Industrial Development and Regulation Act of 1951 till the end of March 1971.

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Readers' Roundtable

DEPOSIT LINKED LIFE INSURANCE

Sir,

The deposit linked life insurance scheme has been announced by some banks and LIC. According to this scheme, a savings bank deposit with a minimum balance of Rs 500 in a rural area, and Rs 1,000 in an urban area, entitles the depositor to an automatic insurance cover. The cover is twice the average balance in case of individuals in the age group of 18 to 40 and same as the balance for age group of 41 to 49.

The claim of the banks and LIC that this is an "additional benefit" at "no cost" to the depositor is incorrect.

Normally a sum of Rs 500 or 1,000 is

not put in a savings bank account for a long period. The nationalised banks pay only 4 per cent on SB account whereas a fixed deposit for a year would earn 6 per cent, and for a longer period 7½ per cent. The postal savings scheme offers 7½ per cent interest. Good private companies offer 9 per cent or more. The depositors thus lose 3½ to 5 per cent on the SB account. This works out to a price of Rs 35 to 50 on Rs 1,000 of the so-called "costless" policy.

The banks gain because they pay about 1½ per cent to LIC by way of premium. Adding this to SB account interest, their cost works out to only 5½ per cent on the SB account instead of 7½ per cent they would have

had to pay on a long-term fixed deposit. Since mortality in the age group of 41 to 50 is low, and very low in the age group 18 to 41, the LIC has nothing to lose, and gains premium income for doing nothing!

It is understood that the scheme has been devised by LIC on the premise that small people are ignorant of the interest rate structure. It is distressing that a public institution should deprive millions of small depositors the additional interest which they badly need! It is time that MPs who shout on behalf of the common man looked into these things.

Yours etc.,

M.R. Pai

Hon. Secretary
All-India Bank Depositors' Association (Bombay Branch)

BOMBAY

INDIAN BANK, MADRAS

(Wholly owned by Government of India)

Regd. Office : Indian Bank Buildings, 17, North Beach Road, Madras-1.

ABRIDGED BALANCE SHEET AS AT 31st DECEMBER, 1970

CAPITAL AND LIABILITIES		PROPERTY AND ASSETS	
	Rs. P.		Rs. P.
1. CAPITAL :		1. Cash	8,94,21,630.96
Paid up Capital (Wholly owned by the Central Government)	88,66,600.00	2. Balances with other Banks	76,72,947.53
2. Reserve Fund and other Reserves	1,23,16,270.00	3. Money at Call and Short Notice	6,77,80,721.92
3. Deposits and Other Accounts	101,78,10,814.57	4. Investments	25,72,53,031.99
4. Borrowings from other Banking Companies, Agents etc.	2,90,83,902.75	5. Advances	65,95,50,543.25
5. Bills payable	2,51,68,543.30	6. Bills Receivable being Bills for Collection as per contra	8,67,04,487.27
6. Bills for Collection being Bills Receivable as per contra	8,67,04,487.27	7. Constituents' Liabilities for Acceptances, Endorsements and other obligations per contra	4,71,53,187.82
7. Other Liabilities	3,35,62,214.93	8. (a) Premises	90,20,673.35
8. Acceptances, Endorsements and other obligations per contra	4,71,53,187.82	(b) Buildings under construction	9,40,633.90
9. Profit & Loss	5,27,829.70	9. Safes, Furniture, Fixtures etc.	74,26,925.81
		10. Other Assets including silver	2,82,07,962.09
		11. Non-Banking Assets acquired in satisfaction of claims	61,104.45
TOTAL	126,11,93,850.34	TOTAL	126,11,93,850.34
S. MUTHUSWAMI Chief Accountant	AL. SATHAPPAN Joint Secretary	K. VENKATARAMA AYYAR Secretary	G. LAKSHMINARAYANAN Custodian

Dated : 28-6-1971
Madras.

B. NATARAJAN
M. A. KAMARUDIN
P. KRISHNASWAMY
K. S. CHAKRAPANI
M. G. BALASUBRAMANIAN
Directors

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COMPANY MEETINGS

TATA ENGINEERING AND LOCOMOTIVE CO. LTD.

Chairman's Statement

The following is the Statement of Mr. J. R. D. Tata, Chairman
of Tata Engineering & Locomotive Co. Ltd.—1970/71.

As may be seen from the Directors' Report and Accounts placed before you, the Company made excellent progress during the past year. Production, seriously affected by the 48-day strike in 1969-70, was not only fully re-established, but a record output of vehicles, exceeding the rated capacity of the plant, was achieved during the year. In addition, there was a substantial increase in the production of spare parts, the sales of which were 94% higher than in the previous year.

Production

2. Production would have been still higher had it not been for frequent work stoppages by labour. While there was no serious dispute between the Company and the workers, the labour situation was prevented from fully stabilising itself after the strike by the generally unstable political conditions in Bihar and the jockeying for power amongst the various political groups in the Trade Union field.

Labour

3. It is one of the major tragedies of India that while her need for maximum production and utilisation of installed equipment is probably greater than that of any other country in the world, the loss of production owing to labour unrest is amongst the highest in the world. The magnitude of this loss can be seen from the fact that with a total employment in organised manufacturing industry of about 7 million workers, nearly 19 million man-days are lost annually, while West Germany, with an industrial labour force of 11 million, lost only quarter million man-days last year.

4. Organised labour in India has achieved tremendous progress since Independence, not only in wages but also in conditions of work, retirement benefits, etc. thanks to the combination of strong Trade Union action, Government and Parliamentary support in the form of various legislative enactments and awards of tribunals, wage boards and other Government sponsored bodies, and the co-operation of management.

5. This is as it should be for, in the years gone by, and with rare exceptions in which I am glad to say Tatas were prominent, Indian labour was often

unfairly exploited and denied security and other benefits. This is certainly no longer the case and, taking productivity and other factors into account, organised labour in both the Public and the Private Sectors now receives fair wages and enjoys reasonable working conditions. In fact, by comparison with agricultural and unorganised industrial labour which form the majority, organised labour has now become a privileged class and the loss of production for which they are primarily responsible hits hardest the poorer elements of the nation.

6. There is, therefore no justification for the continuing agitation prevailing in industry which has resulted every year in such a grievous loss of production to the country. Such loss to the nation can no longer be accepted as an unavoidable price, amongst others, we have to pay, for democracy.

7. Our own experience shows that most labour disputes can be settled amicably by direct negotiations between management and labour, when given a chance to do so without the injections into their discussions of politics or inter-trade union rivalries based on political affiliations. Both of these are at the root of most of the labour troubles that plague Indian industry and hamper the sound development of the Trade Union movement. It is high time that peace and a minimum degree of discipline are re-established in the whole field of employment in both sectors.

8. The desperate and urgent needs of the country and its people call for a high measure of statesmanship and patriotism from labour and its leaders, as well as from management. If these qualities are not voluntarily forthcoming, Government, which has now a convincing majority in Parliament, should firmly intervene to achieve the desired results.

9. In the last few years a number of laws and ordinances have been passed by Parliament and Government governing labour relations, the violation of which are criminal offences under the law. These laws are being regularly flouted and yet, with one solitary exception, Government have never had the courage to take action against those breaking the law or instigating others

to break it, although the action they took in that one exceptional case produced dramatic results.

10. To enact laws which those whose actions they are meant to control can flout with impunity, is worse than having no laws at all.

11. The time has come for firm Government action, be it against management or labour or their unions, and I sincerely hope that Government will no longer hesitate to demonstrate their determination to restore order and discipline in industry without which a high rate of production cannot be achieved in the country.

12. With the background of industrial strife rampant in many sectors of industry, we may consider ourselves fortunate indeed that notwithstanding some stoppages, we did so well in production and sales last year.

Profitability

13. The position was less happy, however, in regard to the profitability of our operations. Ignoring the abnormal results of the previous year which were affected by the strike, and comparing instead the results of the year under review with those of two years ago we find that the percentage of profit on turn-over before taxes declined from 54% to under 5% and the profit after taxes was actually six lakhs lower. These figures reflect the extent to which our profit margin per unit of production was squeezed by the unabated increase in costs. Not only had we to pay more for raw materials, wages, power and other items of expenditure, but we had to bear the burden of frequent upward revisions of prices by ancillary suppliers who passed on to us their own increases in cost of raw materials, wages, freight, etc.

Price revision

14. It has been our consistent policy to give our customers value for their money and to keep the price of our products at a reasonable level. The increase in costs inflicted on us in the past year have however, been so substantial that we were unable to absorb them fully and were forced recently to increase the price of our product. The fact that at the same time we have continued to make constant improvements in our

vehicles ensures that our customers at least get something in return in the shape of a still better product for the higher price they pay for it.

Effect of the budget

15. The recent budget will not only place on us a substantial burden each year by way of additional direct and indirect taxation, but has serious long-range implications in the radical change of fiscal approach towards the corporate sector it seems to usher. Most of the concessions given in the past to accelerate industrial investment, including the development rebate, have been withdrawn or will be withdrawn by May 1974.

16. These incentives were wisely created with the object of providing a powerful investment thrust which has indeed proved a highly effective one. Their withdrawal might have had some justification if the rate of investment in the Private Sector had been so high as to be inflationary. The opposite has in fact been the case and the serious inadequacy in investment has severely hampered the growth of production and aggravated the inflationary trends already rampant in the country.

17. Significantly, the Prime Minister, then also Finance Minister, who sizeably stepped up the rates of taxation on private incomes and wealth in her budget last year, said at the time "The present structure of corporate taxation should be left more or less alone in the interests of maintaining a suitable climate for investment decisions. In keeping with the need to stimulate higher production and investment, no significant change in corporate taxation is proposed". Yet, fifteen months later comes a budget with a diametrically opposite philosophy. Have corporate investments boomed within these fifteen months and the rate of industrial production galloped ahead and overheated the economy?

18. The reverse has been the case, and one is at a loss to understand how a sector of the economy which produces barely 13% of the national income, yet generates, directly or indirectly, over 80% of the tax revenues of the Central Government, can be said to need no incentive for growth. It is difficult therefore to interpret the budget as having been motivated by any other than political considerations.

19. In actual fact, never have conditions in the country made it more imperative to encourage, by every means, the growth of industrial investment for none can have a greater multiplier effect than productive industry, which not only produces wealth and gives

employment, but also generates, in one form or another, the bulk of the Central Government's tax revenues.

20. Your own Company offers striking proof of this truth. Since it began vehicle manufacturing operations some fifteen years ago, its direct contribution to the Exchequer has been over Rs 250 crores. In addition, each vehicle it has put on the road has generated tremendous tax revenues for Government through octroi and levies, as also in taxes and duties on fuel, etc. The taxes paid by a truck operator total about Rs. 11,000/- per year. Thus, with our current level of production of 25,000 vehicles per annum, we are indirectly contributing to the Exchequer as much as Rs. 27 crores each year, in addition to the taxes and duties directly paid by us. Further, our suppliers, many of whom exist largely on the business we give them, also pay taxes and duties to Government.

21. Apart from its contribution to the Exchequer, Telco plays a powerful and beneficial role in the field of employment, a subject about which Government rightly shows great concern. Besides those for whom we have provided direct employment, which in our case number some 23,000, it has been estimated that each commercial vehicle put on the road generates employment for eleven persons in ancillary industries, road transport, fuel, repairs and other servicing activities.

22. Considering that we have built up to now over 200,000 vehicles, the great majority of which are still running on Indian Roads, one can appreciate the extent of the employment we have generated. Equally important from the national point of view is the fact that over the years we have developed at Jamshedpur and Poona several hundreds of highly trained engineers and technicians who today are the finest in the country and represent by themselves an invaluable national asset.

Expansion Programme

23. Backed by the great human skills and material resources built up over the years, we are poised today for a further advance to still higher levels of production and service to the country. With that object in view, we have recently submitted to Government proposals for an expansion programme which, if adopted, will almost double our present turnover. This would involve capital expenditure, over a period of five or six years, of about Rs. 40 crores, exclusive of the expenditure incurred on normal annual replacements and re-

newals, which would bring up the total outlay to around 65 crores of rupees.

24. We intended to finance this programme largely from internal resources and from the funds accruing to the Company from the merger with the Central Bank of India Ltd. With the withdrawal of the development rebate from 1974, and the increase in taxes payable under the new budget, the Company's internal generation of funds will be appreciably reduced and we may have to curtail the scope of the programme, or spread it over a longer period. This only shows the extent to which the Finance Minister's belief, that the withdrawal of incentives to the Corporate Sector will not hinder growth, is misconceived.

Exports

25. Another area in which your Company's contribution to the country has been noteworthy is in the earnings of foreign exchange from exports which have increased year by year and reached Rs. 11.21 crores last year compared to Rs. 7.22 crores in 1969-70. As a result of its export performance the Company has received the Engineering Export Promotion Council's award for the second year in succession.

26. The automobile industry is a

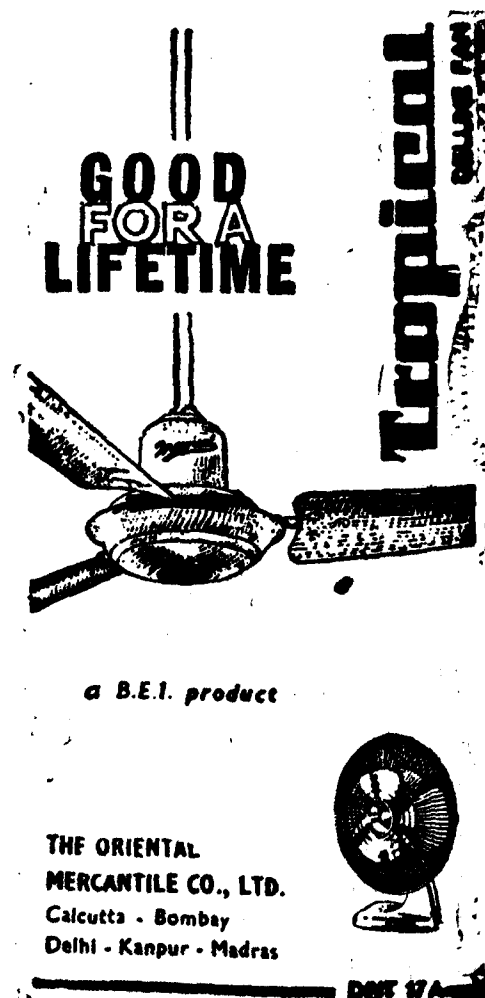
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high technology industry and Telco's record of growing exports in competition with the leading vehicle manufacturers of the world is an achievement which reflects great credit not only on those responsible for the design and manufacture of the vehicles but also on the effective sales campaign abroad of Tata Exports and their foreign agents. We shall make every effort to expand our exports further in the future. The expansion programme we have placed before Government, if it materialises, will enable us to play an even more significant role in the development of India's export trade.

Future Prospects

27. Although our production of vehicles has now fully reached, and even exceeded, the rated capacity of our plants, we expect a continuing growth of turnover mainly in spare parts, in specialised vehicles and machines such as industrial tractors, fork-lift trucks and excavators, and in special purpose machine tools, the manufacture of which is getting into its stride in Poona.

28. A high rate of production is not the only worthwhile achievement of your Company. What may not be so visible in the Annual Report and Statement of Accounts is the care we have taken to maintain the health of our manufacturing facilities. There is probably no engineering enterprise in the country which has laid so much stress, and spent so much effort and money on good house keeping and on the maintenance and renovation of its plant and equipment, as we have.

29. Similarly, on the organisational side we have, from the start, placed special emphasis on the development of our technical, supervisory and managerial skills. Towards this end, large training facilities, provided with the finest equipment, have been set up at both Jamshedpur and Poona, and several hundred young people, from trade apprentices to post-graduate engineers, are being extensively and intensively trained every year.

30. A well-equipped Engineering Research Centre has been set up at Poona to develop new products as well as improve existing lines of manufacture. Every member of our Design and Production staff is devoted to an almost fanatical pursuit of excellence and quality.

31. These unceasing efforts on all fronts to keep our plants and organisation at a peak of efficiency, involve substantial expenditure which many companies keep to the minimum, or

avoid altogether, in a shortsighted effort to maximise immediate profits. But it is because of the unflagging attention to the fundamentals that make for vitality and growth, that your Company today faces the future with confidence in its ability, if given the chance, to make greater contributions to the economy and to ensure still better prospects for its employees, more and improved products for its customers, increased orders for its suppliers, larger revenues for the Exchequer, larger earnings of

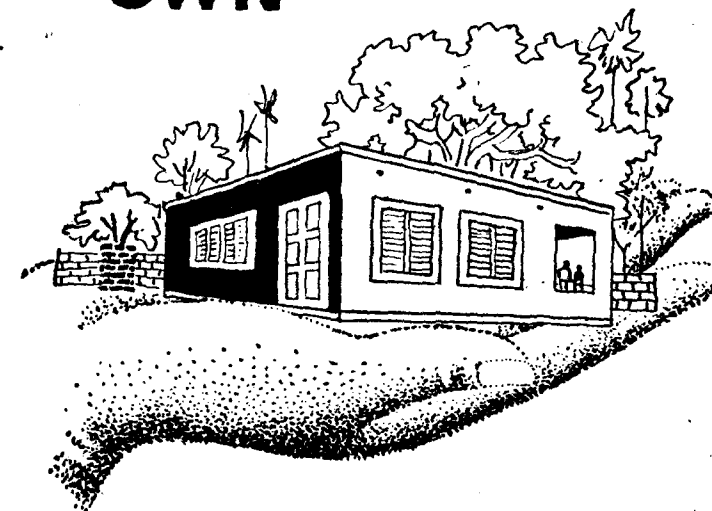
foreign exchange for the country, and better profits for its shareholders.

32. In conclusion, I am sure you will wish me on your behalf to express to our management, staff and workers who have produced exceptionally good results in the past year, our sincere appreciation of their hard work and devotion to duty.

J.R.D. TATA
Chairman

Bombay, 7th July, 1971.

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HEAD OFFICE: CALCUTTA.

Company Meeting:

INDIAN COPPER CORPORATION LTD.

Address of the Chairman Mr. G. D. KOTHARI
at the Annual General Meeting of the Company held on 21st July, 1971.

Gentlemen,

I have pleasure in welcoming you to the 47th Annual General Meeting of the Company.

The Accounts for the year ended December 1970 and the Directors Report have been in your hands for some time and with your permission I shall take them as read.

Before I start reviewing the affairs of your Company during the past year, it would be proper for me to acquaint you with the adverse effect which some of the Budget proposals for the financial year 1971/72 will have on your Company. Although the Copper industry continues to remain on the list of priority industry, the special tax concession is reduced from 8% of the profit to 5%. The benefit of the development rebate will be withdrawn in respect of investment after May 31st, 1974. In calculating the limit of 6% of the Capital for purpose of tax exemption for new industrial undertakings, debentures and long term borrowings will no longer form constituents of the Capital. A ceiling of Rs. 5000/- per month is imposed on the remuneration of the Company's employee which would be deductible in the computation of Company's profit. These proposals would, undoubtedly, have a somewhat discouraging effect on your Company and would not be conducive to the industrial growth in general.

ACCOUNTS:

The results for the year 1970 are reasonably satisfactory. The profit, before taxation, for the year amounted to Rs. 3,09,30,424/- against Rs. 2,20,52,254/- for the previous year. The major portion of the increased profit has, however, gone to taxation. Provision for taxation for the year 1970 amounts to Rs. 1,55,00,000/- compared to Rs. 95,50,000/- for the year 1969. The main factors for increase in profit may be contributed to the larger production of Nickel Sulphate, smaller provision for Depreciation and Development Rebate Reserve and the higher selling prices of Copper which were fixed by the Government for the year 1970/71 although the rise in price was not up to our satisfaction. It is hoped that while fixing the price of the Company's main product i.e. Electrolytic Copper Wire Bars, the Government will take into consideration the cost of production which has been continually increasing due to rise in wages, increase in cost of raw materials, consumable stores, fuel, electricity etc., and the funds required for development of mines and expansion of Works for raising the copper production capacity which is very vital in view of the large imports of copper being made by our country.

You are probably aware of the introduction in February 1971 of decimal currency in Great Britain, in consequence of this, the face value of the Company's Stock Unit, previously expressed as two Shillings has now become ten new Pence.

DIVIDEND:

The financial position of the Company continues to be satisfactory. A sum of Rs. 1,64,95,627/- has been transferred to the Reserves, the total Reserves now amount to Rs. 7,60,27,788/- against the Paid-up Capital of Rs. 4,62,81,375/-. Your Directors, after careful consideration, decided to recommend a Dividend of 11.111% (1.111 new Pence i.e. 20 Paise per unit of stock) for the year 1970 out of the General Reserve, subject to tax. If the recommendation is accepted the Dividend will absorb a sum of Rs. 51,42,375/-. You will recall that last year your Company had paid a Dividend of 8.883% (2.1333 Pence i.e. 16 Paise per unit of stock).

LEASES:

I am happy to inform you that the Company has executed the Lease Deed for the new area of 2.25 sq. miles at Chhabisa which is required for development of its existing Mosaboni Mines below 30th level. Negotiations are still in progress for the grant of a new lease of the Siddeshwar property and it is expected that this lease will be sanctioned in the Company's favour during 1971.

In August 1970 the Patna High Court upheld the Company's submission regarding a claim for royalty preferred by the State of Bihar in connection with the lease for Mosaboni Mine; there is, however, still a claim outstanding for a lesser amount against which a writ petition is pending in the Calcutta High Court.

The liability of the Company, if any, for royalty to Government will depend on the outcome of this writ petition and of tripartite negotiations between the State of Bihar, the Company's Superior Landlord and the Company. I expect that negotiations in this regard will start in the course of this year.

WORKING REVIEW:

In 1970 the Company was faced with a strike by its employees at Moubhandar Works for three weeks and in consequence there was a decline in the production of Fine Refined Copper; although it was not possible to make up the shortfall after the strike was over, the production of semi-finished goods increased during the last three months of the year.

There has been no substantial change in the pattern of the Company's Ore reserves which continued to be maintained at a satisfactory level.

In the Electrolytic Refinery, work continued as anticipated and the plant is now working at the highest level of production possible with the present output of Fine Refined Copper from the Smelter. The Nickel Sulphate plant worked throughout the year on utilising the residue from the Electrolytic Refinery Tank House but its production was hampered by mechanical breakdowns and also by non-availability of essential chemicals in time.

ROLLING MILL AND COPPER PRODUCT:

The restrictions imposed by the Government of India limited the production of rolled products as in previous years despite a steady demand from the market.

The Company has made a strong representation to the Government of India that in respect of its Rolling Mill there should not be any discrimination against your Company in the matter of restrictions which apply to other Rolling Mills in the country and that it should be allowed a quota of Copper and Zinc on the same scale as is permitted by the Government to other Rolling Mills.

I fervently appeal to the Government to give their sympathetic consideration to the Company's representation so that discrimination against the Company in this regard is removed.

EXPANSION:

The Company's present expansion programme is likely to be completed by the end of November 1971 and after that the production of Copper will increase to about 13,000 tonnes in a year though the annual capacity of the new Flash Smelter is 16,560 tonnes. When the Industrial licence for new Flash Smelter was granted to the Company, a condition was attached that the Company should accept Copper Concentrates, either from a Government Company or from a nominee of the Central Government equal to 3830 tonnes of Copper metal at a reasonable cost to be approved by the Central Government. It is, however, doubtful whether the Government will be able to supply such concentrates to utilise the spare capacity of Flash Smelter. Therefore, the Company is actively considering various proposals for development of Copper Mines and also for putting up additional Concentration facilities so as to achieve the rated capacity production of the Flash Smelter within the shortest possible time.

Your Company has also made an application for an Industrial licence for Sponge Iron project and the Government's decision on it is still awaited.

KYANITE:

In the year 1970 the demand for Kyanite continued strong but the situation has now changed and we are finding it difficult to sell our entire production. If this situation continues for a long time we will have to curtail our Kyanite production. There are, however, indications that market condition will improve in the near future. The efforts of our staff and the decline in the demand for Kyanite have reduced the pilferage to some extent.

Before I conclude, I would like to express our appreciation of the hard work willingly put in by all the workers and members of the staff. I thank my colleagues on the Board for their valuable guidance throughout the year.

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

July 30, 1971

RECORDS AND STATISTICS**Spread of Investment Habit**

THE FEDERATION of Indian Chambers of Commerce and Industry (FICCI) held a seminar on July 24, 1971, at Madras on "Spread of Investment Habit". The discussion centred in the issues connected with enlarging the market for equity shares. The part played by the financial institutions, the government, the industry and the stock exchanges in popularising the investment habit came in for special scrutiny. The FICCI circulated a background paper on this subject; full text of this paper follows:

Development depends partly on the level of savings and partly on the manner in which the savings are utilized. Some savings, like provident fund, are compulsory and the individual can hardly exercise any choice either regarding the level or the use. But the bulk of savings are invested by individuals and households either directly in fixed assets like machinery, buildings etc. or put into financial assets like shares, debentures, bank deposits, gold, silver and so on. The choice of these financial assets is crucial. It determines how the savings will be distributed among different sectors and consequently what growth these sectors will achieve.

Share Capital

Share capital is the nucleus of the financial structure of companies. It can be mobilised by issue of shares to the public or by capitalisation of accumulated reserves. The second alternative is open only to established companies which have been able to plough back a part of profits.

At the end of March 1970, there were 6172 public limited companies with a paid-up capital of Rs 1659 crores. Of these 6091 companies with paid-up capital of Rs 1529 crores were in the private sector. The growth of share capital of non-government companies has been, on an average, at the rate of about two per cent per year in the last five years.

The shares of about 1450 companies were quoted on the five principal stock exchanges viz. Bombay, Calcutta, Madras, Delhi and Ahmedabad. The paid-up value of these shares was Rs 1146 crores or about 80 per cent of the total paid-up capital of all non-government public limited companies. The

Government banned forward trading from June 27, 1969.

distribution of paid-up capital of these rupee companies by industrial groups listed on stock exchanges is as follows (Table I).

TABLE I

DISTRIBUTION OF PAID-UP CAPITAL BY INDUSTRIES

	(Rs crores)
Agriculture and allied activities	32.63
Mining and quarrying	14.80
Foodstuffs, textiles etc.	294.38
Metals, chemicals and products thereof	514.97
Other processing industries	168.01
Other industries (electricity, shipping, trading etc.)	133.67
Financial	68.57

The share capital is owned by a variety of investors viz. individuals, joint stock companies, financial institutions, trusts and government and semi-government bodies. Individual—directly and indirectly—hold the major part of share capital.

A survey of 189 companies made by the Reserve Bank of India revealed that in 1965, the paid-up capital of Rs 422.7 crores was held by 10,75,782 shareholders (accounts). The pattern of distribution of shares is shown in Table II.

TABLE II

PATTERN OF SHARE-HOLDING

	(Percentage to total)
Individuals	45.58
Joint-stock companies	32.76
Financial institutions	18.53
Others	3.13

The stock exchanges have estimated the number of book shareholders of companies quoted on stock exchanges at about two million, assuming, on an average, that a shareholder holds shares of about four companies, the number of investors would be about five lakhs or so.

The distribution of shares owned by individuals by size of holding did not show a high degree of concentration. About a half of the shares were owned by small shareholders (holding less than Rs 5,000); a third

by medium shareholders (Rs 5,000 to Rs 50,000); and less than a fifth by large shareholders (more than Rs 50,000). What is also heartening is that the growth of small shareholder class has been much faster than other classes of shareholders. For example, in 1959-65, of the total increase in individual shareholders, 94 per cent were small shareholders.

The number of shareholders, considering the size of the country, is, however, small. Only one person in 1000 is a shareholder. With this small share base, it will not be possible for companies to mobilise resources at the rate required by development potentialities. Therefore, an all-out effort, at all levels and by all agencies, to foster investment habit is called for.

Equity Shares

Equities have a number of attributes which distinguish them from other forms of investment. Firstly, shareholding enables small savers to participate in industrial progress and profits. Secondly, apart from earning dividend, the shareholder acquires a right to exercise franchise at company meetings. Thirdly, equities are the most liquid form of investment because they are readily marketable. There is continuity of price established through forward trading⁽¹⁾.

The yield on equities, like other securities, consists of two parts viz. dividends and capital appreciation. The average dividend on equities in the past 10 years has been of the order of 6.8 per cent on market value; capital appreciation was 0.6 per cent. The total yield has thus been about 7.4 per cent or so.

Capital appreciation normally is a significant part of yield. But since 1962, equity prices declined through a period of five years. Since 1966-67 there has been improvement except for 1967-68. Taking these two periods separately it would appear that the total yield (i.e. dividends plus capital appreciation) would be—0.5 per cent, in 1961-67 and +10.8 per cent in 1966-71.

Capital appreciation is also a factor to be reckoned with in respect of investment in gold and silver and other industrial scrips. However, in contractual loans like bank deposits, small savings etc. there is no capital appreciation. Thus, some investments like shares give both income yield as well as capital yield, others like bank deposits only income yield and some others like gold only capital yield.

The yield on different investments is broadly related to the nature of the

risk. In a short term, debentures, gilt-edged securities etc. are not subject to income risk. Gold and silver are subject to capital risk. But equities are subject to income risk as well as capital risk. Dividends are not contractual. Similarly, the capital value of equities is prone to fluctuations. The more risky the investment the higher will have to be the yield. Based on the nature of risk, there is a structure of yields on different investments. A change in this structure induces a shift in the allocation of savings to different assets.

The yield on different investments in 1961-71 is shown in Table III.

TABLE III

AVERAGE ANNUAL YIELD ON INVESTMENTS 1961-71*

	Income yield	Capital yield	Total yield
Equities	+6.8	+0.6	+7.4
Debentures	+7.2	-0.6	+6.6
Preference shares	+8.8	-2.1	+6.7
Gilt-edged securities†	+4.8	-0.2	+4.6
Gold		+5.4	+5.4
Silver		+11.7	+11.7
Bank Deposits†	+5.2		+5.2
Small Savings ††	+3.4		+3.4

* For details see Appendix I and II.

† One year deposits.

†† Post office saving bank accounts £ 3 per cent conversion loan 1986 or later.

Judged by the magnitude of yield, equities have been the most attractive form of investment, apart from silver. The total yield on shares would have been much higher if share prices in the first half of the last decade had not fallen so steeply. This also affected public interest in shares. There were until recently indications that the market for shares had revived; but in the last one month share prices have once again slumped. The temporary revival may have been due to the fact that there have been very few new issues. The additional demand for equities, as a result, was focussed on the existing scrips.

The income yield on shares depends on four factors:

(i) the gross profitability of com-

- panies;
- (ii) the level of corporate taxation;
- (iii) the percentage of profit distributed; and
- (iv) the tax incentives and disincentives to investment in shares.

The gross profits of companies depend upon the general economic conditions. Broadly, gross profits have remained fairly stable at about 9.5 per cent of total capital employed. Corporate taxation, on the other hand, has generally shown some rise. The effective rate of taxation increased from 38.6 per cent in 1960-61 to 48.7 per cent in 1967-68 for all public limited companies. However, in the capital structure of companies the proportion of borrowing also went up which reduced the fall in after-tax profits as percentage of net worth. Of the tax free profits, 66 per cent are, on an average⁽²⁾, distributed among shareholders, the balance being retained to finance industrial development or strengthen the capital base. Distributed profits are thus only about 34 per cent of the gross pre-tax profits of companies and 9.6 per cent of the paid-up capital.

Yield on Shares

The yield on shares has also to be considered in relation to the tax incentives and disincentives available to the shareholder. Under present conditions, investment in shares along with other approved investments is accorded concessional tax treatment in three main respects:

- (i) Dividend income up to Rs 3,000 per year along with income from other approved investments is exempt from income tax.
- (ii) In respect of shares held for more than two years, capital gains to the extent of first Rs 5,000 and 50 per cent of the balance are exempt from income tax.
- (iii) Shares up to Rs 1.5 lakhs along with other approved investments are excluded in computing net wealth for purposes of wealth-tax.

Apart from these tax concessions available to individuals and HUFs, companies also get a preferential tax treatment in respect of income from shares. For example, 60 per cent of the inter-corporate dividend is exempt from corporation tax. Similarly, capital gains are taxed at a lower rate viz. 35 per cent.

The tax concessions have enhanced the effective yield on shares, particularly to small shareholders.

The yield on equities as mentioned

earlier has to be considered in the context of the relative risk associated with them. It appears from investment trends that while the yield on equities is higher than on other securities or deposits, the difference is not adequate.

The market for equities has not perceptibly grown in the last 5 years. The increase in share capital has been at an annual rate of only about two per cent. There has been greater recourse to other sources of funds, particularly institutional loans. But share capital cannot be substituted indefinitely by borrowings. There is a certain composition of capital with inter-relationship between equity and preference, paid-up capital and reserves, and net worth and borrowed capital. These inter-relationships are prescribed by government itself.

The capital issues control limits preference-equity ratio to 1:4, paid-up capital-reserves ratio to 5:1 (for purposes of bonus issues) and debt-equity ratio to 2:1. The growth of companies, therefore, required that finance from different sources is obtained in a certain manner.

To companies also, each source of finance has a functional use. Equities are the only component of capital on which interest payment is not compulsory and which in the initial years of the company formation gives some breathing space to management. Being the 'own' capital of companies, it makes up the margin between loans on the one hand and assets on the other. Bank credit is used primarily for inventory financing.

In the 1960s, particularly the latter half, the growth of share capital was rather inadequate. This has reduced the degree of elasticity that existed in substituting one type of finance for another. In raising capital for financing productive assets, industry henceforth will be compelled to issue shares so as to preserve the desired composition of capital.

In 1968 (March), the composition of capital was as follows:

	Percentage to total
Share capital (including preference)*	30.3
Reserves	20.3
Borrowings	49.4

* Preference capital was 3.6 per cent.

The requirements of share capital by the end of the present decade i.e. 1980 can be worked out on the assumption that the average rate of growth

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HINDALCO HELPS TO BUILD NATION'S ECONOMY...

In May, 1962 Hindalco started production of aluminium with a smelter capacity of 20,000 tonnes a year. The capacity was raised to 40,000 tonnes in November, 1965, 60,000 tonnes in August, 1967 and to 80,000 tonnes in May, 1969. Plans are in hand to expand the plant further to 120,000 tonnes by end-1973.

Between May, 1962 and December, 1970 Hindalco, now India's largest producer of aluminium, has produced 372,903 tonnes of aluminium, which has saved for the nation nearly Rs. 180 crores of precious foreign exchange.

As a substitute for imported copper in the electrical industries, the above output represents a much larger foreign exchange saving, since one tonne of aluminium is replacing two tonnes of copper and as imported copper is several times costlier than indigenous aluminium.

As a vital raw material for Electrical Conductors & Cables, Telecommunications, Electric Capacitors, Condensers and Motors, Transportation (by road, rail, air and

water), Containers & Packaging (in both rigid & flexible forms), Building & Construction, Furniture, Paints, Surface Coatings, Explosives and Rocket Fuels, Industrial Castings, Steel Deoxidizing, Coinage, Missiles, Rockets, Satellites, Sophisticated Consumer Durables (like air-conditioners, refrigerators, electric fans), Business Machines (computers, typewriters, etc), Irrigation Piping, Grain

Bins, Drainage Culverts, Water Mains and countless other applications. HINDALCO aluminium is helping to build a new India...With its almost limitless variety of forms and shapes and its versatile properties, HINDALCO aluminium is sure to play a crucial role in meeting industrial India's challenge today and tomorrow...



HINDUSTAN ALUMINIUM CORPORATION LTD.

WORKS : P.O. RENUKOOT, DISTRICT MIRZAPUR, U.P.

of companies would be about 10 per cent per year. Taking a constant degree of utilisation of capacity, this would require a 10 per cent growth rate in the finances of companies, both short term as well as long term. This means that by 1980, the magnitude and composition of capital will have to be as under :—

	Rs crores
Share capital	3727
Reserves	2500
Borrowings	6078

On this basis, industry will be required to market equity shares to the extent of over Rs 100 crores per year^(*) which would mean more than trebling the present level of effort. This estimate measures the immediate needs of share capital of the corporate sector. It will be worth-while for industry to aim at a higher target in order to regain some flexibility in the capital composition.

The mobilisation of share capital cannot be done through financial institutions because these institutions are primarily catalysts and not sources of risk finance. Too much dependence on financial institutions in respect of equity capital is likely to negate the very concept of company as a democratic institution. An effort will therefore have to be made to expand the market for equities beyond urban centres and to the relatively less affluent sections of society. The improvement in agriculture has given rise to considerable savings resources in the rural sector which industry can tap to finance development. Besides, with the high level and large coverage of income and wealth-tax, it will be more and more difficult for the traditional classes of society to provide the requisite risk capital for industrial growth. Hence the corporate sector will have to increasingly depend on small savers who, apart from making available the necessary capital, will also help the corporate sector widen the share base and make the functioning of industry more democratic. This would also be a means of reducing concentration of share power.

The expansion of the market for shares cannot be done by the corporate sector single-handed. It would call for co-operation from different agencies like stock exchanges and financial institutions for effective marketing and

(*) Average for 1970-80 after taking account of bonus issues which have been issued at 50% of the increased in paid-up capital.

(*) For details see Appendix III.

from government for making equities a worthwhile investment.

No doubt it is the corporate sector which issues share capital and, therefore, the widening of the share base should be its primary concern. A public issue of shares is made either directly or is underwritten. In the latter case, the responsibility for subscribing to the issue becomes the responsibility of the underwriters. The cost of raising capital is about 6 per cent in respect of new companies and 4.5 per cent in respect of old companies.

Share issues amounted to Rs 28.6 crores in 1969-70. Rs 10.76 crores were offered to the public. Of this Rs 7.15 crores were subscribed by the public and Rs 3.55 crores by the underwriters. (See Table IV)

TABLE IV
PUBLIC RESPONSE TO SHARE ISSUES (1969-70)

	(Rs lakhs)	
	New companies	Old companies
Amount offered to public	189.5	886.7
Amount subscribed by public	101.6	613.4
Amount subscribed by underwriters	87.5	267.9
Amount left unsubscribed	0.4	5.4

Share issue is not a regular business of a company. It is an occasional necessity and, therefore, recurring expenditure on share marketing cannot be made. Even within this limitation, the corporate sector can, on its own, develop a market for its shares. For example, the medium of advertising which at present is confined to sophisticated newspapers, can be enlarged to reach the rural and the less educated sections of society. Companies can also nominate agents and salesmen who through personal contact, like insurance agents, can create a market for industrial scrips. Established companies can use their distribution channels to sell share also. This is particularly important in the case of industries which are in direct contact with agricultural sector either as buyers of raw materials like cotton, jute, oilseeds etc. or as sellers of agricultural inputs like tractors, fertilizers, pesticides, pumps, and so on.

Stock exchanges are a market for shares, not a source of equity finance

to the corporate sector. But by providing a market, the stock exchanges impart liquidity to shares and thus create demand from the public. It has to be considered in this context in what way forward trading can be resumed.

There are 8 stock exchange in India⁽¹⁾. Proximity to a stock exchange is necessary to inspire confidence that the shares would be readily marketable without much cost. Although in the past 13 years, industry has enlarged and dispersed, the number of stock exchanges has remained constant. It is worthwhile considering whether the establishment of more stock exchanges in cities and larger towns, for cash dealings to start with, would not be desirable.

Stock brokers are a traditional agency for marketing of share issues. The brokers can operate in consortia when the issue is large. The field of operation of stock brokers is, however, limited, mainly due to the lack of finance. If the banks advance credit to brokers more liberally, this agency would be more adequately utilised to promote marketing of share issues.

Deterrent Measure

The recent measures undertaken by the RBI in respect of advances against shares have tended to discourage public investment in shares. Firstly, advances against shares have become more and more difficult, and secondly, shares have to be transferred to banks if the advance exceeds Rs. 50,000. A way has to be found to secure government's objective of preventing speculation without discouraging advances against the security of shares.

The financial institutions like the LIC, ICICI, UTI, IFC, IDBI etc have emerged as major underwriters, particularly since 1964. Nearly two-thirds of the capital issues were underwritten in 1969-70 by central government financial institutions. Among these, the LIC topped the list with a share of 24 per cent followed by the UTI with 20 per cent. However, it appears that nearly 74 per cent of the amount underwritten was subscribed by the underwriters either as independent investors or as part of their underwriting obligation. Underwriting institutions are a machinery for marketing shares and not the principal source of risk finance to companies. The underwriters have, therefore, to endeavour to market shares so that the share base is widened and the resources at the disposal of the underwriters are turned over more often. For the purpose of distribution of shares to the public, the financial institutions can possibly use the wide

network of bank branches in urban and rural centres.

One reason why shareholding has not been that popular among the public is the element of risk associated with it. Share prices fluctuate widely and can result in capital loss; similarly investment in shares may not bring in adequate income by way of dividends. Share holding, therefore, does not appeal to people who are not willing to bear risk. This risk is possibly more when the investible savings are small and, therefore, have to be invested in shares of one or two companies. This deficiency can be rectified if private investment trusts on the same line as the UTI are set up, preferably in the rural sector. The units of these trusts will have to be exempt from income tax up to a certain limit to put them on a par with units of UTI.

Rate of Return

The preference for holding shares will inevitably depend upon the rate of return on shares relatively to the rate of return on other investments. In the last decade, capital appreciation was negligible and as such the yield on shares was almost equal to the rate of dividend. This did not compare very favourably with the return on other types of securities considering the fact that shareholding is associated with a higher element of risk. The yield on shares has been low partly because the rate of dividend has not been commensurate. To bring dividends in proper relation with the interest on debentures or other long-term loans, it will be necessary to enhance the dividend paying capacity of companies. Since overall profitability is determined by general economic conditions, the rate of dividend could be enhanced only if the rate of corporate taxation is brought down to reasonable levels.

The income from shares is exempt from tax up to Rs 3000 per year. Possibly this has not given sufficient boost to the investment habit and an upward revision of this limit may be necessary. In some other countries dividends up to Rs 7500 per year are exempt from income tax.

The spread of investment habit would thus require a concerted effort aimed at improving the marketing machinery as well as enhancing the yield which would make shares a more preferred form of investment. With the vast progress in agriculture, considerable savings resources have been generated in the countryside. These could be used not only to widen the productive base of the economy but also to strengthen shareholders' democracy.

APPENDIX I—GROSS YIELDS ON FINANCIAL ASSETS (% per annum)

	Equities	Debentures (Redemp.)	Pref. shares	Government securities	Interest on 1 year bank deposits	Interest on small savings (P.O. savings bank)
1961-62	5.98	5.31	7.22	3.72	4.00	2.50
1962-63	6.21	5.57	7.51	4.03	4.00	2.50-3.00
1963-64	6.27	5.95	7.53	4.17	4.00	3.00
1964-65	7.14	7.09	8.22	4.88	4.25-6.00	3.00
1965-66	8.11	7.36	8.92	5.46	6.00	4.00
1966-67	7.71	7.96	9.38	5.56	6.00	4.00
1967-68	8.22	8.37	9.85	5.45	6.00-5.50	4.00
1968-69	6.81	7.96	9.95	4.99	5.50	3.50
1969-70	5.75	7.98	9.79	5.00	5.50	3.50
1970-71*	5.53	8.19	9.71	5.00	5.50-6.00	4.00
Average :	6.77	7.18	8.81	4.83	5.16	3.43

* Figures of yields on securities refer to the average of 11 months upto February, 1971.

APPENDIX II—PRICES OF FINANCIAL ASSETS (1961-62=100)

End March	Equities	Debentures	Pref. shares	Govt. securities	Gold* (per 10 grams)	Silver (per kilogram)
1961	95.0	98.7	106.3	100.0	114.9	193.6
1962	100.2	98.9	102.4	99.6	121.3	206.5
1963	83.4	95.2	99.4	98.0	117.7	218.7
1964	87.2	95.9	101.1	98.7	112.0	240.3
1965	82.1	95.4	100.3	96.9	68.8	261.2
1966	75.9	93.1	90.9	93.6	77.8	314.6
1967	81.1	91.8	88.6	94.6	83.9	358.9
1968	77.5	91.7	85.7	97.1	157.0	430.1
1969	87.9	93.4	87.1	98.7	160.5	556.7
1970	95.8	93.6	88.1	99.2	179.6	489.1
1971	100.1	93.2	85.9	97.8	194.5	584.7

* Prices relate to gold bullion up to August 27, 1963, 14 carat gold up to November 9, 1966 and to standard gold from July 10, 1967.

APPENDIX III—ORGANISATION OF RECOGNISED STOCK EXCHANGES

Name of Stock Exchange	Year of establishment	Type of association	Date of recognition	No. of members
Bombay	1875	Voluntary non-profit-making association of persons	31-8-1957	504
Calcutta	1908 (Incorporated in 1923)	Public limited company	10-10-1957	660
Madras	1937 (Reorganised 29-4-57)	Company limited by guarantee	15-10-1957	33
Ahmedabad	1894	Voluntary non-profit-making association of persons	16-9-1957	463
Delhi	1947	Public limited company	9-12-1957	105
Hyderabad	1943	Company limited by guarantee	29-9-1958	55
Indore (Madhya Pradesh)	1930	Voluntary non-profit-making association of persons	24-12-1958	37
Bangalore	1957	Incorporated as a private limited company and converted into a public limited company on 3-4-1962.	16-2-1963	12

Foreign Collaborations

DURING THE quarter January-March 1971, government of India approved 81 cases of foreign collaboration. Sixteen of these involved financial collaboration. There were 16 cases of collaboration with Japan, 15 with West Germany, 14 with UK, nine with USA, eight with France, four with Switzerland, three with Italy, two with Australia and one each with Belgium, Bermuda, Canada, Denmark, GDR, Hungary, Netherlands, Norway, Spain and USSR.

Sl. No.	Name of the Indian company	Name of the foreign company	Item of manufacture
INDIA—AUSTRALIA			
1.	Indian Hume Pipe Co. Ltd, Construction House, Walchand Hirachand Marg, Ballard Estate, Bombay.	Humes Ltd., Hume House, 185, William Street, Melbourne, Victoria, Australia.	RCC hume pipes and other concrete products.
2.	Addisons Paints & Chemicals Ltd, Huzur Gardens, Sembiam, Madras.	Hardie Trdg. Co. Ltd, Australia.	Acquisition of trade marks for exports of paints.
INDIA—BELGIUM			
3.	Indo-Burma Petroleum Co. Ltd, Electronics Mfr. Division, Allahabad Bank Building, Appollo Street, Fort, Bombay.	Usines Arthur, Vandergeeten, Bruxelles, Belgium.	Automatic bottle filler with carbonator.
INDIA—BERMUDA			
4.	Indian Rolling Mills, Deputy-Kaprao, Kanpur.	LECA and Tentor Concessions Ltd, The Rose Bank Bldg, Bermuda.	'Tentor' high tensile steel bars.
INDIA—CANADA			
5.	Shri Dinesh Mills Ltd, P.O. Box No. 65, Baroda.	Albany Felt Company of Canada Ltd, Quebec, Canada.	Varieties of endless felts, needle felts, etc.
INDIA—DENMARK			
6.	Bombay Paints & Allied Products Ltd, Corridor Road, Govanpada, Chembur, Bombay.	Hampel's Marine Paints of Denmark	Marine paints
INDIA—FRANCE			
7.	The Commissioner, State Enterprises Department, Government of Rajasthan, Jaipur.	1. Mercier Freres, France, 2. Alrio, France, and 3. Magnant & Co., France.	Finished leather.
8.	Larsen & Toubro Ltd, L & T House, Dougall Road, Ballard Estate, Bombay.	Unelec of France.	Moulded case circuit breakers.
9.	The Managing Director, Praga Tools Ltd, Secunderabad.	Escofier & Co., Chalon Sur Saone, Saone et Loire, France.	Thread rolling machines.
10.	K.C.P. Ltd, Ramakrishna Building, 38 Mount Road, Madras.	Fives Lille Cail, Paris, France.	Continuous sugar centrifugals.
11.	Indoflex Pvt. Ltd, Jaipur South, Jaipur.	Societe Tubes of France	Flexible metallic tubings.
12.	Managing Director, Bharat Heavy Plates & Vessels Ltd, P.B. No. 100, Visakhapatnam (AP).	L'Air Liquide of France	Air and gas separation plants.
13.	Ashok Paper Mills Ltd, C/o Director of Industries, Assam, Shillong.	SOGEE, France.	Consultancy service for manufacture of pulp and paper/speciality paper.
14.	Bharat Pulverising Mills Ltd, Hexamar House, Syan Road, Bombay.	Doittau Products Metallurgie of France.	Exothermic type of hot tops.
INDIA—G.D.R.			
15.	Blue Star Engg. Co. (Bombay) Pvt. Ltd, Kasturba Building, Jamshedji Tata Road, Bombay.	VEB Werkstoff machinen, GDR.	Testing machines.
INDIA—HUNGARY			
16.	Bharat Industries and Commercial Corporation, Tower House, Chowringee Square, Calcutta.	Komplex Hungarian Trading Company, Agricultural tractors, Budapest, Hungary.	

(Contd.)

Sl. No.	Name of the Indian company	Name of the foreign company	Item of manufacture
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INDIA—ITALY

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| 17. | Wire Machinery Mfg. Corporation Pvt. Ltd, 1/A, Vansittart Row, Calcutta. | Societa per Azioni Meccanica Wi Precisione S.A.M.P., Bologna, Italy. | Sophisticated wire drawing machines |
| 18. | Industrial Abrasive Co-operative Society Ltd, 163, P.D. Mello Road, Bombay. | Societa Italo Sivizzers Materialai Abrasivi, Italy. | Resinoid bonded grinding wheels. |
| 19. | Gujarat Polyamides Ltd, 2nd Floor, (F) Metropolitan Insurance House, 278 Dr D.N. Road., P.O.B. No. 1837, Bombay. | Italtiscosa Eastern Trading, S.P.A., Italy | Nylon textile yarn. |

INDIA—JAPAN

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| 20. | CEMA PVT. Ltd, Unique House, 4th Floor, 25, Brelvi Sayed Abdulla Road, Bombay. | (i) Nippon Parts Co., Japan,
(ii) New Cosmos Elec. Co. and
(iii) Starvox Co. Ltd, Japan. | Electrolytic capacitors, carbon film resistors, potentiometers and paper cones for loud speakers. |
| 21. | Bengal Chemical and Pharmaceutical Works Ltd, 6 Ganesh Chander Avenue, Calcutta. | Shiratori Pharmaceutical Co. Ltd, Japan. | Caffeine. |
| 22. | Shriram Chemical Industries, Naaz Building, Jhandewalan Estate, New Delhi. | Shin-Etsu Chemical Industry Co. Ltd, Tokyo, Japan. | Expansion of caustic soda plant. |
| 23. | Nalanda Cermics & Industries Ltd, 2/1, Hindustan Road, Calcutta. | Takasago Industry Co. Ltd, Japan. | Decorated porcelain tableware. |
| 24. | Special Steel Ltd, Dattapara Road, Borivli (East), Bombay. | Suzuki Metal Industry Co. Ltd, Japan. | Special types of steel wires. |
| 25. | Vijinder Kumar, 3457 Delhi Gate, P.O. Box No. 1179, Delhi. | Mitsubishi Shoji Kaisha Ltd, Japan. | Dry cells. |
| 26. | M.P. Taparia, 71, Marine Drive, Girikuj, Bombay. | Mitsubishi Shoji Kaisha Ltd, Japan. | Dry cells. |
| 27. | Modi Industries Ltd, Modinagar (UP). | Mitsubishi Shoji Kaisha Ltd, Japan. | Dry cells. |
| 28. | The Managing Director, The Kerala Agro-Industries Corporation Ltd, Central Hospital Road, Trivandrum. | Kubota Ltd, Osaka, Japan. | 'Kubota' power tillers and 'Kubota' diesel engines. |
| 29. | Pintpak Machinery Limited, Link Road, Faridabad (Haryana). | Kawashima Packaging Machinery Ltd, Tokyo. | Packaging machinery. |
| 30. | J.K. Satoh Agricultural Machines Ltd, (F) Kalpi Road, Kanpur. | (i) Satoh Agricultural Machines Mfg. Co.
(ii) Sumitomo Shoji Kaisha Ltd, Osaka Japan. | Satoh power tillers. |
| 31. | Shri D.D. Lakhnupal, 29, New Queens Road, Bombay. | Umeda Electronics Laboratory Inc. Tokyo, Japan. | Tunning indicators. |
| 32. | Shri Pavan Kumar Poddar, 18, Rabindra Sarani, Calcutta. | Yai Dry Battery Ltd, Tokyo, Japan. | Dry cells. |
| 33. | Jairamdas Udyog (P) Ltd, 17-A/1, (F) Asaf Ali Road, New Delhi. | Yai Dry Battery Co. Ltd, Tokyo, Japan. | Dry cells. |
| 34. | Shri Ajit Chakraverty, Promoter, Nara Chakraverty P. Ltd, 13, Debi Chowdhury Road, Calcutta. | Nara Grinding Machinery Works Ltd, Tokyo, Japan. | Establishment of a consultancy engineering firm. |
| 35. | Heatex Product (P) Ltd, 11, Bank Street Fort, Bombay. | Tabai Mfg. Company Ltd, Japan. | Test chambers. |

INDIA—NETHERLANDS

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| 36. | Andhra Farms Chemicals Corporation Ltd, Venkatarayapuram, Tanuku, W. Godavari Distt. (AP) | Phillips Dunphar, Amsterdam, Netherland. | BHC technical. |
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INDIA—NORWAY

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| 37. | Mikro Mech Industries, 20, Union Park, Chembur, Bombay. | Ulstein Propeller, A.S., Ulsteiavik. | CP propeller with gear boxes. |
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(F) Indicates cases involving financial participation also.

(Contd.)

Sl. No.	Name of the Indian company	Name of the foreign company	Item of manufacture
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INDIA—SPAIN

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| 38. | Hiralal Gokaldas Dalal and Co., 45, Nagdevi Cross Lane, Bombay. | Eurokote, S.A. Leiz (Navarra) Spain. | High gloss cast coated paper. |
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INDIA—SWITZERLAND

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| 39. | The Managing Director, Praga Tools Ltd, Secunderabad. | George Fisher Ltd, Schaffhausen, Switzerland. | Model-18 copying lathes. |
| 40. | Scindia Workshop Ltd, 'Scindia House,' Ballard Estate, Bombay. | MacGregor AG, Swzerland. | Hatch covers. |
| 41. | Karamchand Premchand (P) Ltd., Shahibagh House, Shahibagh, Ahmedabad. | Inter-Sakaphen Corporation, Gmbh, Switzerland. | Coating and lining of heat exchangers, reaction kettles. |
| 42. | Advani-Oerlikon P. Ltd, Radia House, 6, Rampart Row, Fort, Bombay. | Oerlikon Electrodes Buchle Ltd, Birchstrasse, 230, Zurich 8050, Switzerland. | Tubular welding rods. |

INDIA—U.K.

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| 43. | Industrial Electronics, 9, Varsha, 69-B, (F) Napean Sea Road, Bombay. | Sintered Glass to Metal Seal Pvt. Ltd, UK. | Glass to metal seals. |
| 44. | Premier Irrigation Equipment Pvt. Ltd, 3, Netaji Subhas Road, Calcutta. | David Brown Tractors Ltd, England | David Brown tractors. |
| 45. | Kersons Mfg. Co. of India Ltd, Gopal Niwas, Lohar Chawl, Bombay. | Midland Electric Manufacturing Co. Ltd, UK. | Rights issue raising the total share capital of the company. |
| 46. | Usha Automobiles & Engg. Pvt. Ltd, 14, Princep Street, Calcutta. | Silent Channel Products Ltd, Ferrars Road, Huntingdon, UK. | Flocked channels. |
| 47. | New Bemco Engg. Products Pvt. Ltd, Udyambag Industrial Estate, P.O. Udyambag, Belgaum (S.C. Rly.). | Towler Hydraulics Ltd, UK. | Hydraulic control valves. |
| 48. | Shri S.K. Dass, 21-A Janpath, New Delhi. | Sterilin Ltd, UK. | Disposable plastic medical wares. |
| 49. | The Managing Director, Hindustan Cables Ltd. P.O. Hindustan Cables, Distt. Burdwan (W Bengal). | Standard Telephones & Cables Ltd, UK. | Type 174 coaxial cables. |
| 50. | Glaxo Laboratories (India) Ltd, Dr. Annie Besant Road, Worli, Bombay. | Glaxo Group Ltd, UK. | Magestrol acetate. |
| 51. | The A.P.V. Engg. Co. Ltd, 2, Jessore Road, Dum Dum, Calcutta. | A.P.V. Holdings Ltd, Maner Royal, Crawley, Sussex, England. | Evaporators and keeglas chemical equipment. |
| 52. | Chemical & Fibres of India Ltd, 19 Wittet Road, Ballard Estate, Crescent House, Bombay. | I.C.I. Ltd, London, UK. | Polyester staple fibre. |
| 53. | Mahindra & Mahindra Ltd, Worli Road, No. 13, Worli, Bombay. | Painton & Co. Ltd, UK. | Multipin connectors. |
| 54. | Automobile Products of India Ltd, Lal Bahadur Shastri Marg, Bhandup, Bombay. | British Leyland Motor Corporation Ltd, London, UK. | Agricultural tractors. |
| 55. | Shri Ashok Rambhai Patel, C/o Dr Satish D. Patel, 535, Tilak Road, Ahmedabad. | London Electrical Mfg. Co. Ltd, London, UK. | Styroflex capacitors. |
| 56. | Shri B.N. Kapoor, C/o Crossley & Towsers Pvt. Ltd., 7-A, Lower Circular Road, Calcutta. | Spirafite Ltd, UK. | Grain storage silos. |

INDIA—U.S.A.

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| 57. | Dai-ichi-Karkaria Pvt. Ltd, Liberty Building, New Marine Lines, Bombay. | Atlas Chemical Industries Inc. USA. | (i) Alkyl-phenol.
(ii) Polyether polyols.
(iii) Sorbitol mannitol. |
| 58. | Camphor & Allied Products Ltd, P.O. Clutterbuckganj, Distt. Bareilly (UP). | William Timm Consulting Engineer, USA. | Process for turpentine superfractionation. |
| 59. | Hindustan Antibiotics Limited, Pimpri, Poona. | American Home Products Corporation, USA. | Semi-synthetic penicillin. |

(F) Indicates cases involving financial participation also.

(Contd.)

Sl. No.	Name of the Indian company	Name of the foreign company	Item of manufacture
60.	The Delhi Cloth & General Mills Co. Ltd, Bara Hindu Rao, Post Box No. 1039, Delhi.	Chemtex Fibres, USA.	Nylon tyre cord.
61.	ACE Tools Pvt. Ltd, 101, Nagdevi Street Second Floor, Bombay.	Scully Jones of USA.	Machine tool accessories.
62.	National Rayon Corporation Limited, P.B. No. 200, Ewart House, Bruce Street, Fort, Bombay.	Chemtex Fibres USA.	Nylon tyre cord.
63.	Managing Director, Bharat Heavy Plates & Vessels Ltd, P.B. No. 100, Vishakhapatnam (AP).	Nooter Corpn. USA.	Layered vessels.
64.	Instrumentation Engineers, B-4, Co-operative Industrial Estate, Balanagar, Hyderabad.	Brooks Instruments Division, Emerson Electric Co., USA.	Rotameters and their accessories.
65.	Larsen & Toubro Ltd, L & T House, (F) Ballard Estate, Bombay.	Mcneil Akron, USA.	Rubber processing machinery.
INDIA—U.S.S.R.			
66.	Chairman, Heavy Engineering Corpn. Ltd, Ranchi.	Veesejunojo Export Import licensing, Moscow, USSR.	Continuous casting machines of the radial and curvilinear type.
INDIA—WEST GERMANY			
67.	Shri P.C. Rao, C/o. Precision Gears (F) Ltd, 3rd Floor, Tecicon House, Dr E. Moses Road, Bombay.	Hassia Verpackungs Maschinen GmbH, W. Germany.	Strip packing vacuum forming machines.
68.	Bharat Fritz Werner (P) Ltd, Peenya, Bangalore.	Maschinenfabrik Johannisberg, West Germany.	Printing machinery.
69.	Chairman, Heavy Engineering Corporation Ltd, Ranchi.	Megenscheidt of West Germany.	Special machine tools.
70.	Vulcan Engineering Pvt. Ltd, Mahalaxmi Chambers, Bhulabhai Desai Road, Bombay.	Universal Industries Ofenbau GmbH, West Germany.	Walking beam, furnaces etc.
71.	Shalimar Wires & Industries Ltd, 27-A Camac Street, Calcutta	Mr Karl. Ulrich Schuster, West Germany.	Fourdenier wire cloth from synthetic fibres.
72.	J.K. Steel Industries Ltd, Development Department, Nehru House (3rd Floor) 4, Bahadur Shah Zafar Marg, New Delhi.	C. Kuehler & Sohn of West Germany.	Cold rolled strips.
73.	Suhrid Geigy Limited, P.O. Box No. 48, Baroda.	Krebskosmo GmbH, Berlin, 28 West Germany.	Phthalic anhydride.
74.	Rajgarhia Brothers, 2427, Billimaran, Delhi.	Dr Illing, West Germany.	Nylon moulding power.
75.	National Machinery Mfrs. Ltd, 81-83, Veer Nariman Road, Bombay.	Barmag Barmer Maschinenfabrik Aktiengesellschaft, West Germany.	Machinery for production of artificial fibres.
76.	Laldee (P) Ltd, Vijay Press Building, Naya Bazar, Delhi.	Prinz & Kremer, West Germany.	Combined rolled iron and steel flats/bars.
77.	Madhya Pradesh Industries Limited, C/o Straw Products Ltd, 4, Bahadur Shah Zafar Marg, New Delhi.	Ringsdorf Werke GmbH, West Germany.	Midget electrodes.
78.	Dharmsee Parpia, Amjad Manzil, 62/64 (F) Sembudoss Street, Madras.	Rohm & Haas GmbH, West Germany?	Tanning auxiliaries based on enzymes
79.	Fertilizers & Chemicals Travancore Ltd, Floor, Udyogamandal, P.O. Kerala.	Chemiebau Dr A. Zieren GmbH, Koln-41, Aacheener Strasse, West Germany	Purchase of technical know-how etc. for setting up a sulphuric acid manufacturing plant.
80.	Brenford Electric India Ltd, Calcutta. (F)		Issue of right shares to non residents.
81.	E. Merck (India) (P) Ltd, Bombay. (F)		Allotment of shares to non-residents due to increase of share capital.

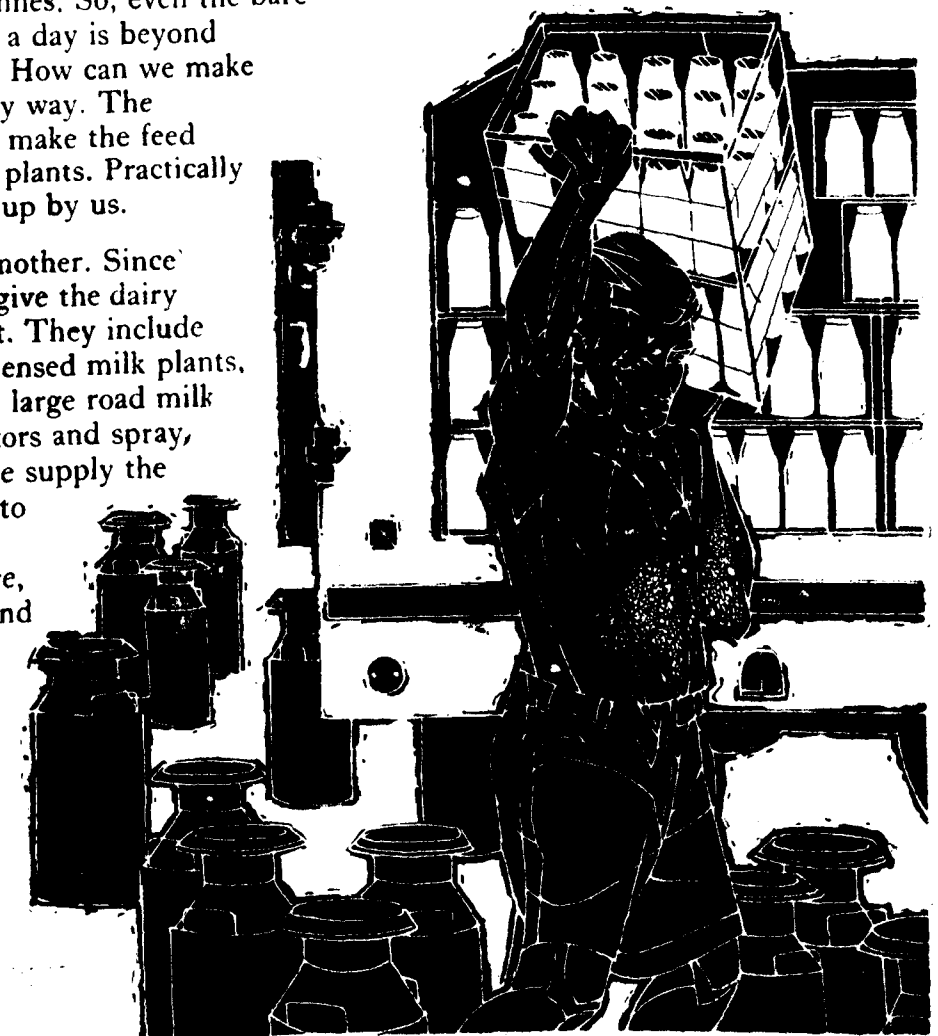
(F) Indicates cases involving financial participation also.

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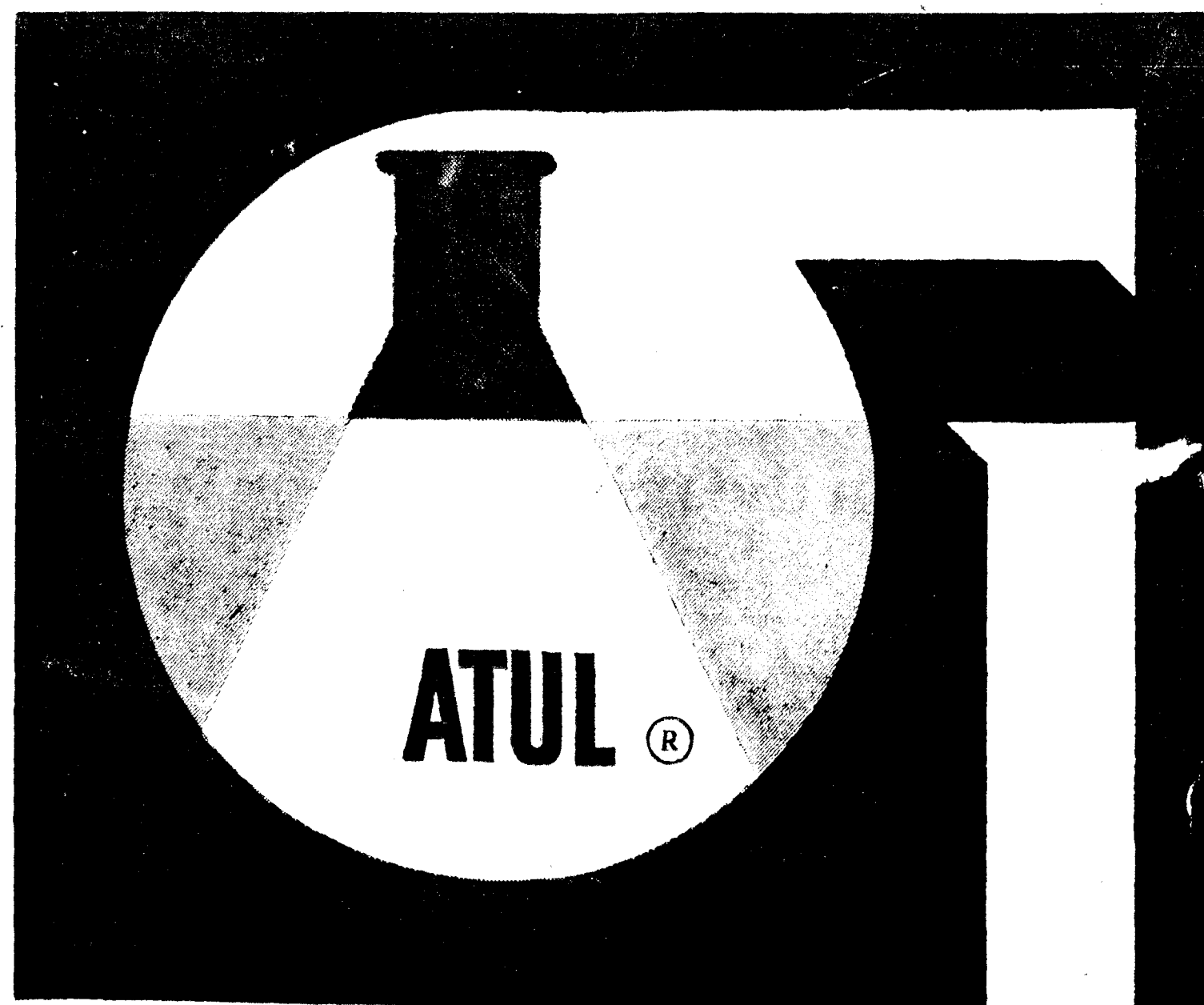

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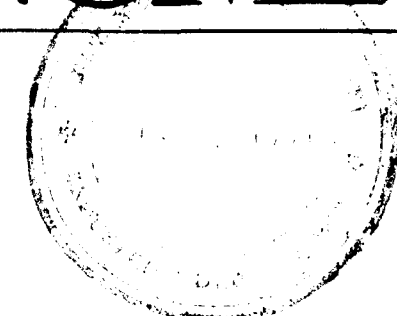
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A Wood of Wrong Trees

Engineering Exports: Storm Signals?

Working of Deposit Insurance

Bank Compensation in Perspective

Economic Implications of E.E.C. Membership

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A Wood of Wrong Trees	239
Engineering Exports: Storm Signals? ..	240
Working of Deposit Insurance ..	241
Paucity of Paper : Why?	242
Bank Compensation in Perspective —A Correspondent	245
Income-Tax Exemption for Individuals —R. Chandra Prakash	246
Worker Participation in Management —S. Natarajan	251
FROM THE PRESS GALLERY	
Assault on Fundamental Rights! ..	253
WINDOW ON THE WORLD ..	256
Unemployment and Inflation. Economic Implications of EEC Membership.	
TRADE WINDS	263
State Loans; Exploring Export Markets; Foreign Trade; Overseas Contracts; Bhilai's Expansion; More Cement Units; Finance for Tea; Andhra Pradesh Budget; IDBI Branch at Hyderabad; Crude Prices; Binny Dealers' Meet; Fertilizer Corpora- tion; Rampur Rum; Esso; Coca- Cola Exports; Gujarat State Ferti- lizers; Leipzig Fair, Names in the News.	
COMPANY AFFAIRS	265
Tata Iron; Jay Engineering; Larsen and Toubro; Asian Electronics; Universal Cable; Indo-Asahi Glass; Ceat Tyre; Licences and Letters of Intent.	
COMPANY MEETING	269
The Tata Iron & Steel Co. Ltd.	
RECORDS AND STATISTICS ..	272
Amendments in Finance Bill. Banks: Two Years After Nationalisation. Foreign Assistance.	

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A WOOD OF WRONG TREES

IT SEEMS as if there is, in our midst now, a whole pack of dogs barking up a whole wood of wrong trees. Take, for instance, the resentment and scorn some of us have been moved to express over the World Bank's handling of the report of its team which went to Pakistan to study that country's request for development aid. The critics have found fault with Mr Robert McNamara, the President of the World Bank for attempting to suppress the disclosures of this team about the political and economic shambles to which the generals of Islamabad have reduced Pakistan by unleashing their armed forces on the people of East Bengal. Their contention seems to be that the President of the World Bank should not only have forwarded this report to members of the Aid Pakistan Consortium but also not come in the way of its receiving the widest global publicity through the press or otherwise.

Such of us as have been arguing in this manner either do not know what they are talking about or are wilfully trying to mislead public opinion from propagandist motives. That there is ground for suspecting their *bonafides* is shown by the fact that Mr McNamara has been charged, without any proof whatsoever, of having surrendered both his conscience and his judgment to what is claimed to be the convenience of the US government's diplomacy in dealing with the situation in East Bengal. It is not surprising that, in the prevailing mood of our country, such accusations of the World Bank or its president are liable to be seriously regarded as evidence of its or his inability to function independently where considerations of western power politics are brought into play. Considering the great role which the World Bank has been playing in our economic and other progress consistently over the years, we surely owe it to ourselves to evaluate objectively the current campaign of vilification which is being carried on against that institution, and in particular its eminent president, whose dedication to the ideals of the Bank is or, at least, must be above controversy.

The most important relevant fact about the World Bank is that it is not an international institution designed or intended to be a judge of political situations, delivering political verdicts on the conduct of the governments of countries to which it has given assistance or which are seeking assistance from it. Although in evaluating the development needs, capabilities or prospects of a country, the World Bank's investigating team is certainly expected or even entitled to report to the policy-makers of the Bank on the totality of the circumstances prevailing in that country, the basic obligation of the Bank itself is to concern itself with or otherwise handle the data gathered for or by it only to the extent such material is relevant to its formulating its recommendations on the issue of aid. If there is a political stand to be taken by an international institution on the situation in East Bengal or if there is a moral view-point to be expressed by any organ of the world community, it is clearly United Nations and its secretariat that must be thought of in this context. To put it bluntly, if there is a grievance to be aired on this score—as there undoubtedly is—it should more properly have been addressed to that bogus Buddha U Thant, who has even failed to earn his salary in the discharge of the responsibilities which certainly belong to the Secretary-General of the United Nations with regard to the genocide which is being carried out in East Bengal.

The second point we have got to bear in mind in evaluating the conduct of the World Bank or its president is that, whenever a team of the Bank visits a country which has sought development aid, it does so at the instance and on the invitation of the government of that country. Its functioning in that country and the handling of its report by the Bank are consequently governed by the nature of the relationship which must necessarily exist between the Bank on the one hand and the client-country on the other. This is all the more important because the findings of a World Bank team being only in the nature of an expression of its views to the Bank's president in the first instance and the Bank's board of governors ultimately, they are clearly subject to the limitation that they may not be accepted as the official view of the Bank or accepted only with reservations or in a modified form. When this is the case, the president of the World Bank would have been guilty of a gross violation of the proprieties of his institution's relations with its member-countries had he made himself

a party to the team's report being released to the press or otherwise made public for purposes of political exploitation.

The fact that the Yahya regime in Islamabad has behaved and is continuing to behave in the most inhuman and savage fashion by indulging in the mass slaughter of the people of East Bengal has clearly influenced the sentiments and reactions of many of us in judging the conduct of the World Bank or its president. But this is surely not a valid way of looking at the manner in which the president of the World Bank has chosen to discharge his responsibilities in an extremely difficult situation. It is not irrelevant to recall here the fact that there had been occasions previously when the views expressed by World Bank teams on the performance of our economy or the economic policies of our government had not been flattering or convenient to us. On those occasions we had rightly insisted on the reports not being treated as public documents. There can be little doubt that there would have been storms of protest in our country had the World Bank made itself officially responsible for giving currency to the views expressed in certain reports of Bank teams which had from time to time investigated various aspects of our economy or our manner of utilisation of development aid received over the years. Let us not ignore the fact that there may also be many occasions in the future when we may be grateful to the World Bank for acting on the principle of confidential relations between member-countries and itself.

In any case, let us not forget that, on the one real issue of substance, which is whether the regime in Islamabad is entitled in its present circumstances to ask for and receive development aid on behalf of Pakistan and particularly East Bengal, the World Bank has not only taken full and proper note of the findings of its team but has given a bold lead to its member-countries by firmly recommending that the regime in Islamabad is not in a position now to receive and make proper use of development aid and that aid to Pakistan should therefore remain suspended until that country and its government is once again capable of employing it for the economic progress and welfare of its people. It is true enough that there will have to be other pressures too on Islamabad and many more means as well of making Yahya Khan and his fellow criminals not only stop the genocide in East Bengal but also pay for the crimes against humanity which they have been committing all these days. This mission, no doubt, is an interna-

tional responsibility but our country obviously has special reasons and obligations for working for the launching of it. This is a big enough task for

us. Let us, therefore, not waste our energies in displays of ignorance, immaturity, prejudice and petulance.

Engineering Exports : Storm Signals ?

THE GENERAL optimism that in view of the nearly three-fold increase in our exports of engineering goods from Rs 41 crores to Rs 115 crores in a span barely of three years—1967-68 to 1970-71—the launching of the general scheme of preferences and the mounting labour costs in the developed countries, the task of raising these exports to Rs 165 crores this year, Rs 210 crores next year and Rs 250 crores in 1973-74, as targeted, is well within our reach, indeed, has received a severe jolt from the distressing news of the collapse of one-third roof of the steel melting shop at Rourkela. This major mishap, unprecedented in the history of the steel industry in the country, will, according to the union Minister of Steel, Mr Mohan Kumaramangalam, result in a sharp reduction in production at this plant; the damage, it is felt, may take from four to six months to be fully repaired. With the Durgapur steelworks and the Indian Iron and Steel Company's plant already experiencing difficulties due to labour indiscipline and various other factors too well known to be recounted here, the domestic supply position of steel can be expected to dwindle substantially. The position may become extremely acute if the fears expressed in certain circles that Bhilai steel plant may also run into difficulties in the near future comes out to be true.

To some extent, the shortfall in domestic production will be mitigated by increased imports, as envisaged by the Minister for Steel in his statement made in the Lok Sabha last week communicating the news of the Rourkela mishap to the House, and also by the start of the supplies from abroad contracted last year. But there can be no denying the fact that serious shortages of this basic raw material for the engineering industry would adversely affect exports, particularly because the fall in the domestic output will be in the flat products which are already in short supply. The Steel ministry's sincere efforts at establishing a complete rapport with the industry with a view to removing the unnecessary irritants and distribution bottlenecks, thus, may not yield the expected results. On the contrary, the steel distribution policy may have to undergo some change.

In this revision of policy, care obvi-

ously has to be taken not to complicate the matters for the industry unduly. Even at present, when the supply position of steel is not so acute as it may become in the near future, the industrialists, both small and big, voiced several complaints at a seminar organised by the Engineering Export Promotion Council (EEPC) here recently. Apart from the general complaint of tight steel supply position, it was pointed out that the present distribution system under which priority is allocated by the Steel Priority Committee, is time-consuming and incompatible with the needs of export. The minimum time lag between the indenting of steel and the actual supply is at least eight months and even then there is no assurance that the requisite supplies would be made. The complaint was more serious from the smaller industrial units whose requirements are catered for by the stockyards. In this connection, the suggestion of the chairman of the seminar, Mr Raunag Singh, in his opening address that a specific quantity of steel of various categories should be reserved and placed at the disposal of the EEPC for allocation deserves a trial. The association of the EEPC with the discussion in the Joint Plant Committee (JPC) regarding the rolling programmes to be undertaken by the steel plants should help in the rationalisation of the production programmes. On its part, the industry, as the Secretary for Steel, Mr H. C. Sarin, pleaded at the seminar, would do well in making its requirements more standardised than hitherto so that not only the domestic production is raised to the maximum but also imports can be made less expensive.

Another serious complaint voiced at the seminar related to the earnest money—10 per cent of the value of steel indented against EEPC recommendations—required to be deposited with the JPC by exporters. Although the Steel Secretary stressed that the system of earnest deposits could not be dispensed with in the interest of obviating exaggeration of indents, the contention of the exporters that this deposit entailed rise in their costs—loss of interest on the deposit had to be made up somehow—cannot be lightly brushed aside. In the case of indents recommended by the EEPC on replenishment basis against exports that have already been effected, the

extent of steel consumed in the exported products is correctly known. Similarly, wherever steel is recommended by the EEPC on advance basis against overseas orders the quantity can be correctly ascertained. The grant of exemption from the stipulation of earnest money for steel indents against export orders, thus, can be easily granted, as no exaggeration in these indents can be indulged.

There were complaints at the seminar regarding the supply of billets, protection of export contracts, reimbursement of the difference between the JPC prices and international prices of steel to the exporters, etc. But since Mr Sarin observed that these could be looked into, we may not dwell on them at any length here. Suffice it say that amicable solutions to these problems would be found soon. In view of the shortages of domestic steel becoming more acute, however, it must be emphasised that the EEPC and the exporters ought to co-operate more closely with the canalising agencies in the planning of imports. Canalisation of imports of steel, as also of many other commodities, has come to stay; a discussion on the subject at present will amount to entering into a sterile controversy. There is a good deal of justification in the Steel Secretary's grievance against the consumers of imported steel. After imports had been arranged by the State Trading Corporation and Hindustan Steel last year in close consultation with the engineering industries concerned, the material is not being lifted. The industries perhaps gave too optimistic requirements. The mistake, even though inadvertent, has to be scrupulously avoided lest the credibility gap between the government or the canalising agencies and the industries widens.

Considering the long lead time involved in the arranging of imports as well as domestic supplies, the plea of the Steel Secretary that the consuming interests should plan their indents well in advance, as far as possible, cannot but be endorsed. The same is the case with Mr Sarin's advice for greater selectivity in exports of engineering goods. The indication given by him that in course of time the government will start encouraging the exports of items in whose case the added value is higher and restricting exports of those which are steel-intensive deserves pertinent note by the industry. It is, however, hoped that this step will be taken only after providing enough time to the industry to readjust itself. The unnecessary curbing of the present exports of those items in which the steel content is high and the added value not very large may result in the loss of overseas markets so assiduously

built up in the recent past. The exports of items in which the value added is high, of course, can be encouraged through special allocations of steel as and when required, even through stepping of imports. In the long run, Mr Sarin's proposal, of course, will have to be adopted.

It may be argued by some that the reduced supply of domestic steel should not affect our exports of engineering goods (for the requirements on this count will not be very large) and the cut in allocations should be for the domestic consumption alone. But it needs to be pointed out that the conse-

quences of such a policy would be very adverse to the price line which has tended to go up at an alarming rate following this year's central budget and the large influx of refugees from Bangla Desh. The increase in domestic prices inevitably will have its impact on exports in general. The government, therefore, has to draw up its steel import programme quite realistically. The efforts at raising the domestic steel output, of course, need to be pursued relentlessly. The political overtones of the unhealthy industrial relations at Durgapur and HISCO's works particularly have to be firmly dealt with.

Working of Deposit Insurance

WITH MANY of the co-operative banks also being now covered by the provisions of the Deposit Insurance Corporation Act, the working of the Deposit Insurance Corporation (DIC) is bound to attract wider notice, if not interest. Although champions of nationalised banks may not relish the implication, the fact remains that a large section of bank clientele feel, especially since the Rs 60-lakh episode in the State Bank of India, New Delhi, the need for a guaranteed repayment of their deposits with the nationalised banks is as great as, if not greater than, for their deposits with the non-nationalised banks. It is just as well, therefore, that even the nationalised banks are among the insured banks. But even now, certain categories of deposits, such as deposits of foreign governments and central and state governments, are not insured by the corporation, but there would appear to be no compellingly justifiable reason to exclude them. If only because their inclusion would add to the corporation's premium income, it is perhaps worth considering whether these deposits also should not be covered by the Corporation's guarantee. It may be argued that deposits of foreign governments stand in a special category, but, inasmuch as no such deposits can remain unpaid, albeit for reasons of prestige, there is all the more reason why these deposits too should be insured by the corporation. The ninth annual report on the working of the corporation, released recently, does engender the hope that the corporation can, and is also in a position to take on the additional risk.

According to the latest annual report of the corporation, the number of fully protected accounts (that is, those with balances not exceeding Rs 10,000) as on the last Friday of September, 1970 was 2,31,65,196, which represented a spurt of 45,56,145, the highest

increase over any 12-month period since the corporation commenced operations. This, of course, is due to the raising of the limit of the balance from Rs 5,000, which held good until March 31, 1970, to Rs 10,000. This number should be considerably higher now with the inclusion of the deposits of 382 co-operative banks in the states of Maharashtra, MP and AP and the union territory of Goa, Daman and Diu. It would grow further still when the deposits of all the 1,318 co-operative banks in the country come to be covered by the scheme, as it must be. Meanwhile, one is amazed how some of our state governments, all of whom swear by the interests of the small man, still need to be goaded by the Reserve Bank of India to enact the necessary legislation in their states and enable the DIC to extend the benefit of the scheme to as many eligible co-operative banks as possible.

Be that as it may, it is a matter of gratification that the percentage of the insured deposits to total assessable deposits has steadily risen (except for a fractional decline of 0.1 in 1964) from 23.1 in December, 1961 to 69.1 in September, 1970. Similarly, the percentage of fully protected deposit accounts to the total number of deposit accounts at 96.4, which is the highest, compares with 78.5 in December, 1961 and the nine-years' low of 76.4 in September, 1965 and September, 1966. As on September 30, 1970, fully protected deposits constituted 45.8 per cent and partly protected deposits constituted 54.2 per cent of the total assessable deposits.

For obvious reasons, the proportion of accounts as well as of deposits fully covered by the insured limit tended to be higher in the case of smaller sized banks than in that of larger sized ones. Thus, the proportion of fully protected

accounts to the total number of accounts varied from 96.0 per cent to 97.1 per cent in the case of banks with assessable deposits of Rs 25 crores and over, whereas it was as high as 99 per cent in the case of banks with assessable deposits of one crore rupees or less; the respective figures of the percentage of insured deposits to total assessable deposits were 49.0 to 65.2 per cent and 77.5 per cent.

It may seem paradoxical that, while the extent of cover (i.e. percentage of insured deposits to total assessable deposits) has been rising, the number of insured banks has been declining. At the time of the establishment of the DIC (1961) the latter was 287 but at the end of 1970, the number had fallen to just 83, mainly as a consequence of the Reserve Bank's policy of reconstruction of small banks with a view to making the banking system more viable. It remains to be seen how these 83 banks will ensure the effective supervision of the greatly increased number of branches compared to the larger number of banks and their fewer number of branches. The problem poses a challenging task indeed. Some idea of the problem could be had from the extent of assessable deposits of the 206 banks whose registration was cancelled (at the time of such cancellation). This was as much as Rs 80.26 crores.

Commensurate with the increase in the amount of assessable deposits in 1970, the DIC's income from insurable premium also rose from Rs 230.73 lakhs in the previous year to Rs 266.70 lakhs. The corporation had a higher income from its investments also — Rs 84.80 lakhs in 1970, as against Rs 71.75 lakhs in 1969. Out of this aggregate income of Rs 351.80 lakhs, after providing for depreciation in the value of investments, as also for estimated insurance loss in respect of claims paid, a sum of Rs 316.80 lakhs has been transferred to the Deposit Insurance Fund, which stands (as at the end of 1970) at Rs 1,731.27 lakhs. Accordingly, the percentage of the Fund to insured deposits was 0.51 per cent, while that of the Fund to assessable deposits was 0.32 per cent. The corresponding percentages in 1962 were 0.20 and 0.05, respectively.

In dealing with the DIC's working during any year, a particularly important point that requires to be looked into is the number of insured banks whose registration is cancelled and the extent of liability imposed consequently on the corporation. In 1970, the registration of two banks (both Delhi banks, by the way) — National Bank of Lahore Ltd, Delhi — and Punjab & Kashmir Bank Ltd, Delhi — was

cancelled. However, it was only in respect of the National Bank of Lahore, Ltd that the corporation's liability (to pay or make provision for claims) was attracted to the tune of Rs 9.69 lakhs. But depositors of the said bank were paid in full by the State Bank of India with which this Bank was amalgamated under Section 45 of the Banking Regulation Act, 1949. During the year of report, the corporation also paid or provided for payment of Rs 46.40 lakhs to depositors of the Bank of Bihar Ltd. Thus, the total claims paid or provided for by the corporation during 1970 amounted to Rs 56.09 crores, raising the total of such claims since the corporation's inception to Rs 113.12 lakhs. As against this, the corporation was reimbursed by the transferee banks to the extent of Rs 1.82 lakhs in 1970 and Rs 37.54 lakhs since the start of the DIC, so that the net amount of claims paid or provided over all these nine years past aggre-

gated no more than Rs 75.58 lakhs. This works out to an annual average of about Rs 8.4 lakhs, or less than 3.5 per cent of the corporation's total income in 1970.

The position of the corporation's Deposit Insurance Fund was satisfactory, with a balance to its credit of over Rs 17.31 crores as on December 31, 1970. It is a moot point whether the same comfortable position would have continued had the DIC also taken on the comprehensive insurance scheme to cover the credit risks incurred by lending banks in granting loans to relatively neglected sectors as had been recommended by the working group constituted by the government of India in this behalf. The corporation need not very much regret, therefore, the entrusting of this rather more risky scheme to the Credit Guarantee Corporation of India Ltd, registered early this year.

Paucity of Paper: Why?

THE OUTPUT of paper in this country multiplied almost five times from 155,329 tonnes in 1954 to 753,000 tonnes in 1970. Despite this sharp increase, shortage of paper — especially of white printing paper needed for educational textbooks and exercise books for students — persists. The price control over paper for nearly two decades was supposed to have hampered the growth of this industry because of inadequate return on capital employed. It is legitimate to ask why after more than three years of decontrol of this industry the paucity of paper continues to harass the consumers.

The government of India on its part took prompt action in issuing letters of intent and licences to prospective manufacturers of paper in our country. The Crash Programme Committee provisionally approved 22 schemes for increasing production in the existing mills by the provision of balancing equipment. If these licensees have so far failed to install the new manufacturing units, the cause of the delay needs to be investigated. It is feared that the anticipated increase in the capacity of this industry to raise total production to 960,000 tonnes at the end of the fourth five-year Plan period would not materialise for a variety of reasons.

It is widely known that the paper industry is capital intensive. For a unit having capacity to make 50 tonnes of paper every day, machinery worth Rs 10 crores is needed. In order to

run a unit of this size, fixed plus working capital of the order of about Rs 15 crores is required. Many of the companies which have been given either letters of intent or licences to install paper manufacturing units are not in a position to mobilise capital of that order; that is why the capacity of this industry is not increasing at the anticipated pace.

The Monopolies and Restrictive Trade Practices (MRTP) Act in this country has been a negative force in the sense that it has forbidden the growth of this industry through business houses which possess the capacity to mobilise the capital needed for it and also have the requisite technical know-how. It is necessary that the government should adopt a pragmatic approach in this matter if the threatened famine in paper is not to be allowed to raise its head in a few years. The policy of issuing licences for manufacturing paper to small and medium entrepreneurs has clearly failed and if the present policy is continued, there seems to be very little hope of any sharp increase in paper production so as to match the rising demand. The possibility of expansion in this industry at the expected rate has been inhibited to a large extent by this factor though there are a number of other reasons as well which have been equally responsible for the present state of affairs.

A unit manufacturing 50 tonnes of paper can in no way be described as an economic unit. Some of the advanced

countries which have specialised in the production of paper have installed plants with capacity of a single unit at as much as 800 tonnes of paper a day. We in this country do not have any unit of that size. In order to reduce the cost per unit of paper, it is necessary that we must go in for larger units keeping in view the availability of raw materials, particularly bamboo and soft wood which are the most widely used raw materials for paper making. It is a pity that out of 57 paper mills in our country, hardly a dozen can be described as economic units.

The paper industry has a formidable problem in obtaining its raw materials, namely rags, waste paper, agricultural residue (such as bagasse) and bamboo. At present bamboo is used by nearly three-fourths of our factories for making paper. But it is known that the supply of bamboo will not keep pace with the demand for paper. Hence, we have to shift to alternative sources of supply of raw materials. In this country we have discussed for a long time the feasibility of using bagasse for paper making which at present is being used by sugar mills as a fuel. The use of bagasse for paper making can take place only if the sugar mills are provided with alternative fuels at competitive cost. Unfortunately, little work has so far been done in this direction.

Again, it is necessary that the afforestation policy of the government also should undergo a change so as to facilitate the feeding of the paper mills with bamboo as well as soft woods. Currently, shortage of both these raw materials has forced some of the mills to resort to the use of hard woods. There is urgent need for an aggressive policy of afforestation so that the supply of these raw materials for paper manufacturing industry is kept up. The recent tendency in some of the states to encourage plantations in place of forests is regrettable because it is harmful to smooth and steady growth of forest-based industries such as the manufacture of pulp and paper. For the promotion of paper industry in particular, it is essential that the states should work out their forest policies in close co-operation with industry. In their own interest, the paper manufacturing units would be interested in lending a helping hand so that the yield of raw material per hectare might be maximised.

A word needs to be added about the supply of indigenous machinery for manufacturing paper. We have 13 units manufacturing paper machinery in this country which have a total annual capacity for fabricating machinery worth Rs 10 crores. There is no doubt that the policy of self-reliance and im-

port substitution started in 1965 in the wake of Indo-Pakistan hostilities needs to be continued so as to save valuable foreign exchange wherever it is possible but we must see to it that in the name of self-reliance we do not continue to install paper plants which are outmoded and tend to keep high the cost of manufacturing paper. In industrially advanced countries almost a revolution in the manufacture of paper has taken place. It is necessary that we should keep in touch with trends in the manufacture of paper machinery in foreign countries and urge the indigenous manufacturers also to take to the fabrication of machinery of new designs.

If it is found that the indigenous manufacturers are not capable of delivering machinery based on modern technology at competitive prices, then the country should not fight shy of importing machinery which in the long run would be in the interests of the industry. As in the case of some other industries, the paper manufacturing units should be urged to export a part of their production so as to earn enough foreign exchange to cover the cost of imported machinery. Only through such a policy of imports designed to modernise our paper-making machinery can we lay down the foundation for an efficient and modern paper-

making industry. Continuous reliance on machinery which does not measure up to the standards required in the world of today will put paper-making machinery in this country as well as the art of making paper far behind other countries.

The central budget for the current year has given two blows to plans for the expansion of this industry. Being a priority industry, the paper industry was entitled to special tax exemption at eight per cent which has now been reduced to five per cent. The scaling down of this incentive will reduce the profitability of this industry. Again, the notice served on all industries that the incentive of development rebate would be withdrawn with effect from June 1, 1974, is likely to slow down the installation of new paper units in this country. These two measures have threatened the coming up of even those units in regard to which orders for the purchase of machinery have already been placed.

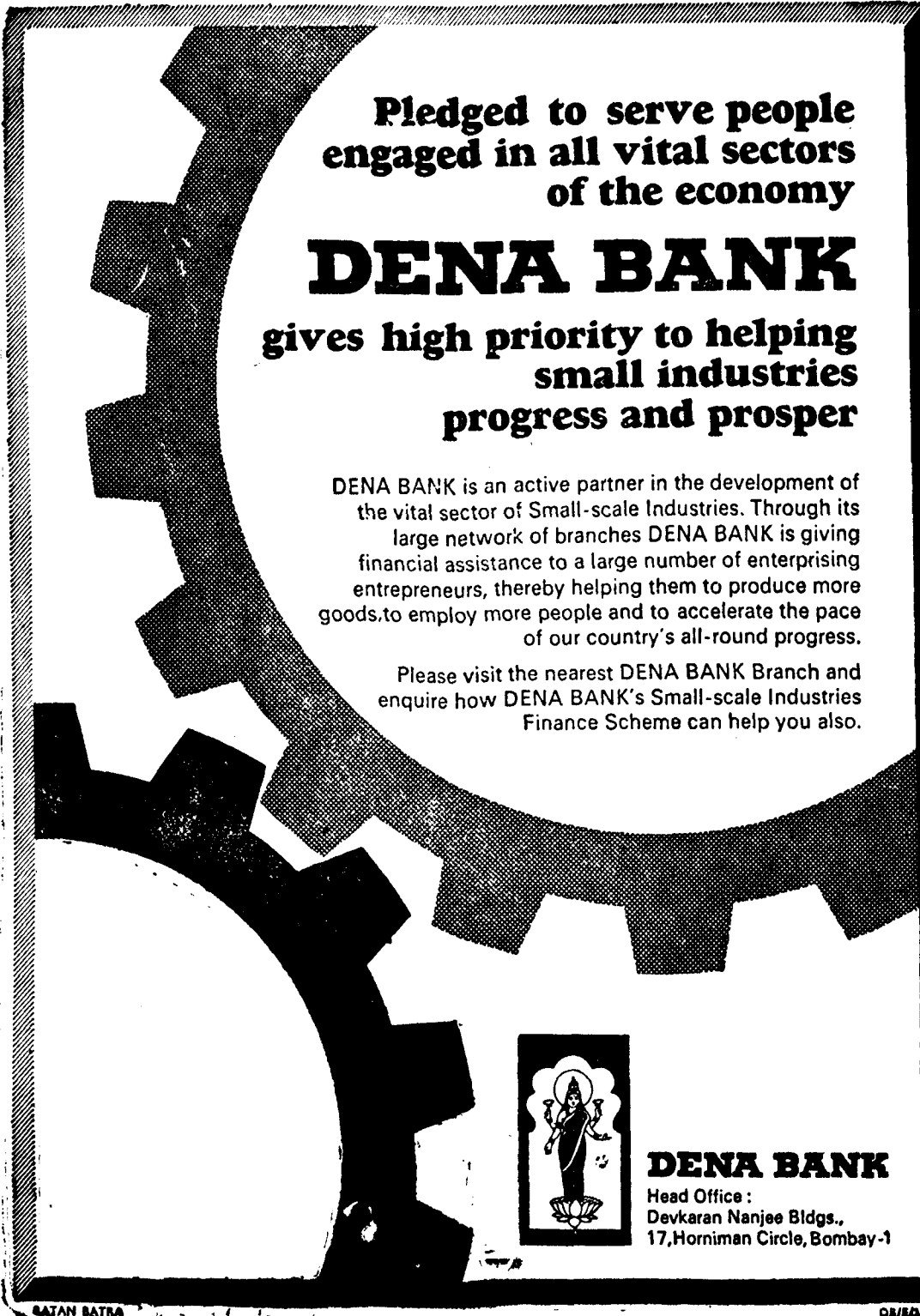
Market circles have estimated the current shortage of paper at no more than 100,000 tonnes a year. If the government continues to pursue its present policy and does not take corrective action early, the gap between demand and supply would widen further leading to acute shortage of paper.

Eastern Economist 25 Years Ago

AUGUST 9, 1946

India has so far had industrial investment connexions of any importance only with the British who invested large sums under circumstances all in their favour. In the future industrialization of the country, co-operation with other countries will become increasingly more important. India can perhaps also take part in foreign industries. Important developments in this direction however appear to have taken place in the field of Indian participation in foreign industry and vice versa, though the public and the press in this country have very successfully been kept in the dark. Some specific instances of industrial collaboration with Australia have been taken notice of in a book recently published, viz., 'New Horizons in Indo-Australian Relations' by Bertram Stevens. These may be repeated here though no fully informative picture is as yet available. An Indian industrialist has recently

formed his own proprietary company in Australia with the whole of the capital provided by himself, with the object of purchasing plant and equipment in Australia and examining possibilities of getting from Australian manufacturers help by way of provisions of blueprints, drawings and specifications, and technical assistance including the training of Indian operatives. A very substantial contract has already been made by him with an Australian for the building of machinery and ancillary plant for the manufacture in India of complete sets of cotton textile machinery. Such developments, it appears, are being planned by others as well. These moves would get the Indian industrialists to know the capacity of Australia and also help the Australian manufacturers to keep in touch with the details of the vast industrial development that is set moving in this country.



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Bank Compensation in Perspective

A CORRESPONDENT

IN SOME quarters there has been an attempt to create the impression that the payment of compensation to the erstwhile banks by the government was needlessly generous and that it could have paid to the different institutions much less than Rs 87.40 crores in the form of compensation bonds and cash. This impression is incorrect as sufficient allowance has not been made by the critics for the immense scope that exists for the growth in the stature of the banking system and, therefore, in the quantum of net earnings. Even in respect of 1970, for which year the accounts of 13 major banks are available and the unaudited figures of the 14th bank are also known, the performance has been quite encouraging. The government should have thought itself lucky to be in a position to recover a major part of the interest charges that have been borne by it on the debt created for nationalisation of banks.

Indeed, it should be said that the effectiveness of this debt is much less than it is generally believed as many erstwhile banks have been compelled to incur losses because of the inability to cash their bonds, particularly the 5½ per cent 2,000 Loan at par. Some of the erstwhile banks were, of course, fortunate in disposing of their holdings of long dated securities as, in pursuance of merger arrangements with industrial units, available resources were handed over to the units concerned on a loan basis. Some others had sold their bonds at par on the understanding that the proceeds would be kept with the purchasers, who were mainly the nationalised banks, as deposits for one year or thereabout. But there are quite a few which have not been successful in disposing of the holdings because of an unhelpful policy pursued by the Reserve Bank and the anxiety of the buyers to secure favourable terms for them.

Complicated Situation

It is needless to say that the whole situation has been complicated by the decision of the Reserve Bank early this year to raise its lending rate to six per cent from five per cent. As it was felt that there was heavy pressure on the banking system and a dearer money policy had to be pursued, lending rates were raised by all the scheduled commercial banks even during 1970 and

more sharply in 1971 after the Bank Rate was raised. There was also an adjustment in deposit rates which meant that there had to be a readjustment in the yield structure in the gilt-edged market. This process of readjustment is still taking place though immediately after the Reserve Bank's announcement about revision of its lending rate, selling and buying rates for different central loans were refixed. In this process, a selling rate of Rs 98.30 was fixed for the long-dated 5½ per cent 2,000 Loan. It would have been normally expected that the Reserve Bank would sell to the needy institutions like banks and provident funds, parcels of this long-dated loan only if floating stocks were not available in the open market. It was also generally believed that it was the Reserve Bank's responsibility to ensure the effectiveness of its open market operations especially as the gilt-edged market was functioning under closed conditions.

Long-Dated Loan

The actual developments, however, have come about in an entirely different manner. Even now there are many erstwhile banks which are experiencing difficulty in disposing of the holdings of the long-dated loan as recently the central government issued the 30-year long-dated loan carrying interest at 5½ per cent with the issue price at par. As it was possible to invest free resources on a more advantageous basis and secure a higher current and redemption yield by 1/4 per cent, there has naturally been greater anxiety on the part of the Life Insurance Corporation, provident funds and even banks to take advantage of the terms of the new long-dated loan.

Some amounts were invested in the short-medium dated loan and medium-dated loan which also carried an interest rate which was higher by ½ per cent as compared to analogous loans. The net result of the new borrowing policy of the central government has been to depress prices for medium-dated and long-dated loans particularly as the open market operations of the Reserve Bank were not properly conceived and with the selling of new loans only at a slight premium on tap, fresh investible funds have been finding their way into the

new loans and distress sales have had to be effected by the holders of 5½ per cent 2,000 Loan for securing a higher interest rate on deposits in meeting their commitments. It has thus happened that transactions have taken place recently in the open market at around Rs 97 for 5½ per cent 2,000 Loan and there are still some sizable parcels to be disposed of. The buyers, who are mainly the nationalised banks, have been dictating their own terms and in most cases even after a price of only around Rs 97 has been secured for this loan, the proceeds have been kept with the buying banks as fixed deposits for at least one year.

These developments have been cited only to show that though theoretically the government would be adding to its debt burden to the extent of Rs 87.40 crores it would be a substantial beneficiary on account of the repurchases of the loans effected by the major banks, of which it is the ultimate owner, at much lower than the issue prices. The losses sustained by way of capital depreciation may be easily two per cent in the aggregate. Apart from the advantage derived by the new owners of the compensation bonds in the shape of a higher percentage of income on



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their outlay, the government itself has not been a net loser as it received Rs 4.17 crores as its share of profits for 1970 from the banks against Rs 2.33 crores for the broken period in 1969 after nationalisation and a sum of Rs 4.36 crores received by the share-holders of erstwhile banks by way of dividends, out of earnings for 1968. In order to cover fully interest charges payable on compensation bonds, around Rs 4.75 crores should have been received by the government. The shortfall was mainly due to the central bank which had to make heavy provisions towards bad debts and other uncovered liabilities. Four other banks, Allahabad Bank, Dena Bank, Indian Bank and Indian Overseas Bank also were unable to make the full contribution due to inadequacy of profits. But the United Bank of India made its own contribution of 5.5 per cent while the remaining eight others could even raise their contribution, Canara Bank's share working out to as high as 7.7 per cent on the compensation paid by the government to the corresponding erstwhile banks.

Aggregate Profits

While it may be argued that there was a small shortfall in the government's share of profits of the nationalised banks for 1970, it should not be overlooked that aggregate disposable profits of all 14 banks for this year were quite satisfactory at Rs 6.90 crores against Rs 5.98 crores for 1969 and Rs 6.28 crores for 1968. Thus, this clearly indicates that a sum of Rs 2.73 crores has been credited to statutory reserves and the government is benefiting to this extent. If disposable profits are reckoned as a percentage of the compensation amount, the return will work out to 7.89 per cent, which is much more than 5.5 per cent being the rate of interest on the long-dated 2,000 Loan.

It cannot, therefore, be said that the government is a loser, even temporarily, as the earned profits are quite sizable. It is also necessary to point out that the working results of the 14 banks for 1970 were exceptional in many respects. There was a sharp rise in operating expenses on account of massive branch banking and but for the jump in interest and other income to Rs 229.94 crores in 1970 from Rs 184.01 crores in 1969 it would not have been possible to earn reasonable profits. There was a sharp rise in the salary bill to Rs 93.45 crores from Rs 75.02 crores in the previous year and Rs 67.42 crores in 1968. This is a clear indication that higher emoluments and a larger work force were responsible for a big rise in administrative expenses.

With higher lending rates on advan-

ces being effective throughout 1971 and a slowing of the pace of branch expansion, there is bound to be a big rise in disposable profits in the current year to even nine crore rupees in which case the return on compensation would be more than 10 per cent. If it is borne in mind that the disposable profits are reckoned after providing for substantially larger amounts towards taxation, the government will gain immensely in the coming years as a result of a spectacular growth in the stature of the banking system. Even during 1971, fresh additions to deposits are expected to be well over Rs 1,000 crores

while in 1972 these may exceed Rs 1,200 crores. There will necessarily be a faster growth in gross income and if the new branches start paying their way, net earnings may even be double those of 1970, after three or four years. It is, therefore, wrong to argue that bank nationalisation has been unprofitable and the compensation amount has been unduly generous. If anything it is unduly ungenerous especially as the tax that has to be borne by the erstwhile banks on the "gains" accruing out of compensation, where merger are not involved, has not yet been determined.

Income-Tax Exemption For Individuals

R. CHANDRA PRAKASH

IN ALMOST every country where income-tax is levied we find an exemption limit. The main considerations for granting such an exemption limit are, firstly, to enable the citizens of a country to enjoy a particular standard of living without any reduction in their incomes by way of income-tax deductions; secondly, to statutorily recognise the inability of persons with a particular income to pay income-tax; thirdly the administrative reasons of eliminating a large number of assesseees with low incomes, thereby keeping the cost of collection at reasonable levels.

Ever since income-tax was introduced in the country in the year 1860 it has always carried an exemption limit. Table I shows the trend in the exemption limit in Indian income-tax. In the year 1860, the exemption limit was Rs 200. It was raised to Rs 500 in the year 1862, on two grounds firstly, that two-thirds of the assesseees to income-tax came under the lower rate range of Rs 200-500; and secondly, that only one-fifth of the income-tax revenue was derived from these assesseees.

In 1871 it was further raised to Rs 750 because, as Sir Richard Temple put it, "it had been in respect of small incomes below Rs 750 that the complaints of over-assessment, exaction, or vexation had mainly arisen and the pressure of tax had fallen mainly on these small incomes". Even though a reverse step was taken in the year 1886 by reducing the exemption limit to Rs 500 from Rs 750, it was offset by a "less than full rate" tax policy for incomes between Rs 500 and Rs 2,000. The income-tax liability for Rs 500-750 was Rs 10, for Rs 750-1,000 Rs 15; and for Rs 1,000-2,000 it was Rs 42. However in the year 1903 the exemption limit was raised

to Rs 1,000. This step reduced the number of income-tax assesseees by 50 per cent without affecting the income-tax revenues. Due to inflationary trends brought about by World War I the exemption limit was raised to Rs 2,000 in the year 1919. Further rise in the exemption limit was effected only in the year 1947 when it was raised to Rs 2,500 once again due to inflation created by the World War II. In 1948 it was raised to Rs 3,000. By the year 1953 it had risen to Rs 4,200 and by 1955 the exemption limit for unmarried person was Rs

TABLE I

TRENDS IN INCOME-TAX EXEMPTION LIMIT IN INDIA

Year	Rs
1860	200
1862	500
1871	750
1886	500
1903	1,000
1919	2,000
1947	2,500
1948	3,000
1950	3,600
1953	4,200
1955	4,200
	+1000 for unmarried & 2000 for married persons.
1970	5,000

Compiled from:

1. *History of Indian Taxation* — Bannerjee.
2. *Indian Taxation During and After World War I* — H. Pershad.
3. *Aykar Padhithi Ki Sameeksha* — Purushotham Shroff.

5,200 and for married person it was Rs 6,200. Therefore the exemption limit of Rs 5,000 in 1970 is actually lesser than what it was in 1955! However between the period of 1955-70 the economy has undergone lot of stresses and strains and this necessitates a revision in the exemption limit of the individual assesseees.

The period of 1955-67 had been very critical from the economy's point of view. The heavy dose of deficit financing during the second Plan period (worth about Rs 950 crores) with unsatisfactory performance of the public sector units in which major portion of these second Plan funds were invested started an ever-increasing inflationary trend in the prices of essential commodities. To add fuel to fire the decade of the sixties witnessed unforeseen and unprecedented happenings both on the political and economic scene of India. This started with the Goa operation in 1961. Then came a disastrous Chinese aggression of 1962 which shot up the defence costs three to four times what it was earlier. This changed the emphasis in the third Plan from merely on "development" to "defence and development". This was followed by the draughts in 1964 and 1965. Then came the Pakistani aggression of 1965. The importation of large quantities of foodgrains and military wares from abroad lead to heavy drain on our precious and already meagre foreign exchange reserves. All these factors made their contribution to inflationary trends in the prices of essential commodities in the country.

Terrific Rise

The devaluation of the external value of rupees in the year 1966 was merely a confession by the government that the rupee value had fallen considerably. The prices had risen by only 7.8 per cent during 1950-51 to 1955-56. Whereas between 1955-56 to 1960-61 (the starting of the critical period in the country's economy) they had risen by 21.7 per cent. But the period of 1961-62 to 65-66 witnessed a terrific rise in the prices which escalated by 66 per cent*. Table II shows the trends in the index numbers of wholesale prices during the decade of 1960's. During the 1960-70 period there has been 108 per cent increase in the wholesale prices of food articles and 81 per cent in the prices of all commodities. It is paradoxical that even during the years of the green revolution viz., 1968-69, 1969-70, and 1970-71 the prices of food articles have been on an increase. The index number of food article was 186.5 in 1968-69 and it rose to 207.6 in 1970-71, thereby

* *The Menace of Inflation*, Gyanchand, p. 10.

recording an increase of 22 per cent in these three years alone.

TABLE II

TRENDS IN INDEX NUMBERS OF WHOLESALE PRICES BETWEEN 1960-70

(Base: 1961-62 = 100)

Years	All commodities	Food articles
1962-63	104.9	104.8
1963-64	113.3	119.8
1964-65	122.3	132.3
1965-66	137.5	150.3
1966-67	158.9	187.9
1967-68	160.3	194.3
1968-69	165.1	186.5
1969-70	168.3	190.6
1970 December	181.2	207.6

SOURCES:

1. *The Times of India Directory & Year Book* 1970.
2. RBI Bulletins.

This price spiralling has increased the cost of living by many times. The pinch is mainly felt by individuals with fixed incomes. The income-tax exemption of Rs 5,000 (which is lesser than what it was in 1955-56) further increases the hardships for such individuals. On the one hand inflation has cut badly into the purchasing power of such people and on the other income-tax reduces further their incomes. Hence there is adequate economic justification for enhancing the income-tax exemption limit from Rs 5,000 to at least Rs 7,500, the level which is

also recommended by the Bhoothalirgam Commission.

Apart from this economic consideration there is a strong administrative reason for the income-tax exemption limit to be increased from the present Rs 5,000. Table III shows the composition of individual assesseees with the total income of not exceeding Rs 7,500 for the year 1958-59 and for 1964-65 (for which latest figure are available). The table shows that individuals with total incomes not exceeding Rs 7,500 constitute a major portion of all the individual assesseees paying income-tax. This situation has remained more or less constant over a period of 1958-59 to 1964-65. In 1958-59 they constituted 63.2 per cent and in 1964-65, 65.4 per cent of all the individuals assessed to the income-tax. But their share in the total income of individual assesseees has been a meagre 31.5 per cent and 36.0 per cent respectively. Income-tax collected from these assesseees has been 6.4 per cent and 8.2 per cent of total income-tax collected from all the individual assesseees and the surcharge levied on them has been 0.2 per cent and 0.3 per cent respectively. All this means that about 66 per cent of individual assesseees with incomes of not exceeding Rs 7,500 contribute only 8.2 per cent of the income-tax collected from the individual assesseees whereas, rest of the 34 per cent of the assesseees account for 91.8 per cent of income-tax and 99.7 per cent of the surcharge collected from individual assesseees.

This situation has lead to the loss of revenue and creation of large-scale black money on the one hand and un-

TABLE III

COMPOSITION OF INDIVIDUAL ASSESSEES WITH TOTAL INCOME NOT EXCEEDING RS 7500 IN THE TOTAL OF INDIVIDUAL ASSESSEES FOR THE YEARS 1958-59 AND 1964-65

	1958-59			1964-65		
	Total	Individuals with T.I. upto Rs 7,500	%	Total	Individuals with T.I. upto Rs 7,500	%
No. of assesseees	7,17,339	4,53,232	63.2	12,29,854	8,03,745	65.4
Total income assessed in '000 Rs	692,42,36	218,02,52	31.5	1,091,79,35	393,28,01	36.0
Income Tax collection in '000 Rs	55,86,01	3,56,54	6.4	80,83,81	6,62,67	8.2
Surcharge collection in '000 Rs	31,83,23	7,08	0.2	37,14,55	12,59	0.3

SOURCE: *Indian Statistical Abstract*—1968 (published in 1970).

necessary burden on the collecting authority, greater inefficiency in the disposition of assessment cases (during 1968-69 workload was 49,99,237 cases of which only 34,21,282 were disposed of leaving a backlog of 15,77,955 cases)* and increasing number of legal petitions. Under the present crash employment programme of the government a considerable increase in the number of individual assesseees with an income less than Rs 7,500 is a certainty. Therefore, it would be in the interest of administration of income-tax that the personal exemption limit for the individual should be raised to Rs 7,500. As can be made out from Table III the possible loss on this account (for 1964-65) would be about Rs 6.63 crores but this loss would be more than made up by the increase in the revenue due to greater care that could be given to affluent assesseees. Reduction in the workload, increase in the efficiency of collecting authority and considerable reduction in the collection costs would be the other consequences of such a step.

There have been objections that the existing exemption limit for individuals in income-tax in India is "high" compared with other countries. Mr James Cutt†, for example, feels that for an economy such as India it is

*Report on Direct Taxes—1968-69

† *Taxation and Economic Development in India* —James Cutt (1970).

unjust to exempt an income which is almost ten times in terms of per capita income (Rs 421.5 in 1964-65). He says that in no other country except Burma this exemption limit, expressed in terms of number of times of per capita income, is as high as in India. Exemption limit expressed as a multiple of per capita income indicates that incomes exempted (in 1964-65) in various countries are—India 11.5 times; UK 1.9 times; USA 1.3 times; and Japan 3.4 times of per capita income of the respective countries. However, such a comparison is misleading, as the per capita incomes of these countries are not same and as such are uncomparable. Table IV gives the comparative per capita income figures in rupees and also the per capita income of other countries as the multiples of Indian per capita income. From this table it can be proved that the exemption limit of income-tax in India is not high. Take for example USA, where only 1.3 times the per capita income is exempted but in terms of rupees it would be about Rs 33,000 whereas in India though it is 11.5 times of its per capita income, it is about Rs 4,200 only (for 1964-65).

Irrespective of the exemption limit in these countries, the wide spectrum of social security measures provided by their governments to the public more or less neutralise the burden of income tax on lower income groups. In India social security measures are still in infancy.

These countries have the advantage

of more or less constant price levels in the case of essential commodities. For example, the annual percentage increase in the index numbers of wholesale prices between 1963-68 (base 1963 = 100) in the case of USA was 1.5 per cent; West Germany 0.1 per cent; Japan 1.0 per cent; France 1.4 per cent; Italy, 1.9 per cent, whereas in the case of India it was 12.7 per cent. This factor should be taken into consideration while comparing the existing exemption limits.

Here it should be noted that the difference in the standard of living and the cost of living make it difficult to

TABLE IV
PER CAPITA INCOMES OF CERTAIN COUNTRIES IN TERMS OF RUPEES AND EXPRESSED IN THE MULTIPLES OF INDIAN PER CAPITA INCOME

Country	Per capita income in Rs	No. of times of Indian per capita income
India	543	1
Australia	13,650	26
France	13,035	24
West Germany	11,340	21
Italy	7,650	14
Japan	6,908	13
USA	24,773	46

Compiled from : *Statistical Outline of India — 1970.*
Tata Economic Consultancy Service.

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Editor : R. V. MURTHY

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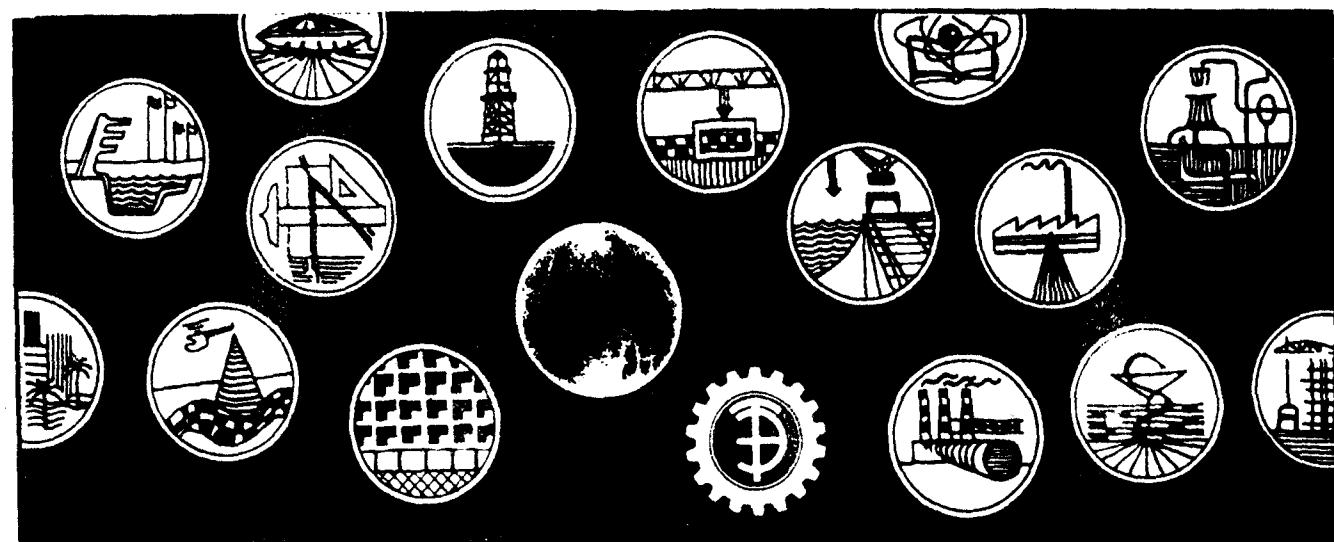
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compare the exemption limits. Therefore, while fixing an exemption limit for individuals in income-tax of a particular country various influencing factors like the ability to pay, the administrative convenience and economy should be the main considerations.

In the case of India time has come when the government should have a realistic rather than dogmatic approach in regard to this problem. If the criteria in maintaining a lower exemption limit is to imbibe the "tax consciousness" among the public, then it must be realised that the cost of doing so is unrealistically high on the one hand and, on the other, it has led to piling up of black money (which is estimated at Rs 3,000 to 3,500 crores by the Wanchoo Committee)*, as the potential assessee escape the attention of the tax authorities.

It needs to be seen that "tax con-

*Indian Express, April 7, 1971

sciousness" from the government's point of view does not make the lower income groups more desperate than they already are!

In conclusion it is suggested that if government is reluctant to enhance the exemption limit of the individual assessee on dogmatic grounds then the least as a measure of relief it could give to the lower income group and especially to the salaried class is an amendment in the Income Tax Act 1961 whereby the dearness allowance should not remain a part and parcel of the salary income. After all the reason for granting of DA was to neutralise the effects of inflationary trends in the prices of essential commodities. This would automatically reduce the number of individual assessee with incomes not exceeding Rs 7,500. To avoid the possible misuse of this amendment only government DA scales may be allowed to be excluded from the salary of an assessee.

Worker Participation in Management

S. NATARAJAN

THE IDEA of associating workers in the management of an enterprise has been gaining ground. It seems it will not be long when there will be workers' representatives on the boards of management of companies, especially in public sector. Without going into the merits or demerits of the question, it is intended to examine the practical aspects of the presence of a worker on the board of management.

An examination of the functions of the board of directors of public sector enterprises, in general, will be of assistance in understanding the potentialities of the presence of a workers' representative on the board. The board of directors of public sector enterprises normally consists of an official or non-official chairman and several directors representing the interests of the ministries and a few individuals connected with industry and labour. All except the managing director and, in a few cases, the functional directors are part-time directors. By the very nature of their appointment and their preoccupations, the directors have little time to devote to the affairs of the company as dictated by growing management considerations. Their contribution generally is confined to examination/evolution of policies in the board rooms only. The implications of the induction of a workers' representative on the existing board as well as the person introduced in this set-up will require careful study.

Once a worker is appointed to the

board, the other directors will have to reorient themselves to deal with a person who does not have the necessary background and expertise to participate equally in the discussions. It, therefore, calls for a lot of tact and restraint on the part of these directors to understand the background of the new director and help him to make himself at home in their company and to enable him to achieve a position by which he could effectively participate and contribute towards discussions at the board level. In the initial stages, there may be some reluctance on their part to freely exchange ideas on business policies other than labour matters in which the new director is expected to be an expert. It calls for tact on the part of the chairman, as a leader among equals, to make the director representing the workers find his bearings on the various subjects on the board agenda. The chairman should encourage the worker to shed his reticence before the experts in fields of finance, administration and labour so that he can effectively participate in the discussions and make a real contribution by throwing light on the interests of labour and other broad questions.

In this effort to 'condition' the worker-director, the role played by the managing director and other officials of the company, normally the secretary, might be most useful. While the directors can influence only at the board meeting, the secretary can help the worker-director in his effort to adapt himself to his new functions in

the time available between the board meetings by tactfully educating him on the affairs that are to be discussed at the board level without giving the impression of doing so.

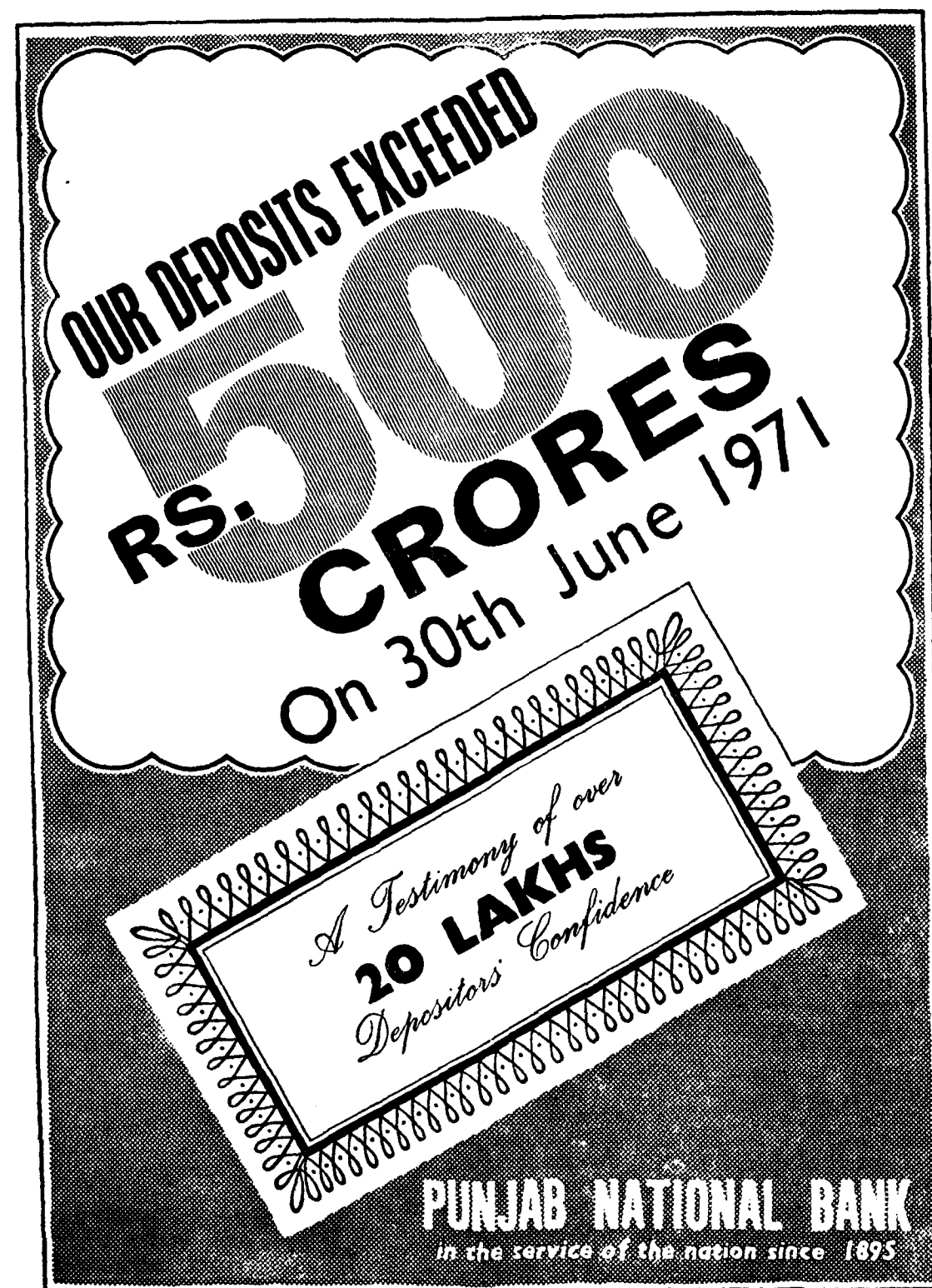
It is obvious that the success of the scheme of introduction of worker-director at the board level will depend mostly on the individual who is selected to represent the workers on the board. He must be capable of transposing his personality from a worker at plant level to that of a director at board level. This transformation on the part of a worker will be rather difficult because of the loyalties involved. From the moment a worker is put on the board of management, his fellow-workers may lose confidence in his ability to be loyal to their cause. It would appear that when a worker is appointed to the board he would acquire a new status, and may even go to the extent of ceasing to be a worker in the real sense of the term. The workers may feel that he has been sold to the board to reap the benefits of higher status for himself and become a tool in the hands of board of directors. Only if this does not happen, the success of the worker on the board will be assured.

Important Aspect

An important aspect of the situation is that the worker-director has to familiarise himself with his new task quickly to make an effective contribution in the field of labour which he is primarily selected to represent. Apart from having a knowledge of the overall labour situation and always keeping under consideration the aspirations of the workers at the plant level, the worker-director has to learn about the conduct of other business on the board. To begin with, it would be profitable for him to confine himself to those questions which have a bearing on the labour force whom he represents and then slowly extend his field of activities. For making an effective contribution he should be assisted to a great extent by the group of individuals who are associated with him at the union level; on the management side he may look forward to the assistance of the secretary or the administrative manager of the company, if not the managing director who is a busy individual.

Naturally, it will take time before a worker-director becomes a force at the board meetings. It is essential, therefore, that he should be appointed for a period sufficient to enable him to grow in his job, if the experiment of workers' participation in management is to be a success.

It is evident that a lot of groundwork has to be done to make the system effective. If it is not properly tackled, the very idea of worker participation in management may fall in bad repute.



INT/PNB-05/71

FROM THE PRESS GALLERY

Assault on Fundamental Rights!

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

THE FEARED attack by the ruling party on the Fundamental Rights enshrined in our Constitution was initiated this week through the introduction of two amendment bills in the Lok Sabha—one seeking to restore the supremacy of Parliament to amend any part of the Constitution and the other aiming at abridging the citizens' right to property by doing away with the justiciability of the amount, manner and principle of the compensation paid for the acquisition by the government of any property in pursuance of the Constitution's Directive Principles of State Policy. If the two bills are enacted, the Constitution would have been amended 25 times since its coming into force on January 26, 1950.

The operative clauses of the former bill—the Constitution (Twenty-fourth Amendment) Bill, 1971—reads as follows:

"2. In Article 13 of the Constitution, after Clause (3), the following clause shall be inserted, namely: '(4) Nothing in this article shall apply to any amendment of this Constitution made under Article 368'.

3. Article 368 of the Constitution shall be re-numbered as Clause (2) thereof, and

(A) For the marginal heading to that Article, the following marginal heading shall be substituted, namely: 'Power of Parliament to amend the Constitution and procedure thereof'.

(B) Before Clause (2) as so renumbered, the following clause shall be inserted, namely:

"(1) Notwithstanding anything in this Constitution, Parliament may in exercise of its constituent power amend by way of addition, variation or repeal any provision of the Constitution in accordance with the procedure laid down in this article'.

(C) In Clause (2) as so renumbered, for the words 'it shall be presented to the President for his assent and upon such assent being given to the Bill' the words 'it shall be presented to the President who shall give his assent to the Bill and thereupon' shall be substituted:

(D) After Clause (2) as so renum-

bered, the following clause shall be inserted, namely:

(3) 'Nothing in Article 13 shall apply to any amendment made under this article'."

The operative clauses of the latter Bill—the Constitution (Twenty-fifth Amendment) Bill, 1971—are as follows:

"2. In Article 31 of the Constitution,—
(a) for Clause (2), the following clause shall be substituted, namely:—

"(2) No property shall be compulsorily acquired or requisitioned save for a public purpose and save by authority of a law which provides for acquisition or requisitioning of the property for an amount which may be fixed by such law or which may be determined in accordance with such principles and given in such manner as may be specified in such law; and no such law shall be called in question in any court on the ground that the amount so fixed or determined is not adequate or that the whole or any part of such amount is to be given otherwise than in cash';

(b) after Clause (2A), the following clause shall be inserted, namely:—

"(2B) Nothing in sub-clause (f) of Clause (1) of Article 19 shall affect any such law as is referred to in Clause (2)'.

3. After Article 31B of the Constitution, the following article shall be inserted, namely:—

"31 C. Notwithstanding anything contained in Article 13, no law giving effect to the policy of the state towards securing the principles specified in Clause (b) or Clause (c) of Article 39 shall be deemed to be void on the ground that it is inconsistent with, or takes away or abridges any of the rights conferred by Article 14, Article 19 or Article 31; and no law containing a declaration that is for giving effect to such policy shall be called in question in any court on the ground that it does not give effect to such policy:

Provided that where such law is made by the Legislature of a state, the provisions of this article shall not apply thereto unless such law

having been reserved for the consideration of the President, has received his assent'."

According to the statements of objects and reasons of the two bills, they have been necessitated by the last year's judgement of the Supreme Court in the bank nationalisation case. In view of this judgement, the government allegedly feels inhibited in giving effect to the Constitution's Directive Principles of State Policy. A significant provision in the Constitution (Twenty-fourth Amendment) Bill is that "it shall be presented to the President who shall give his assent to the Bill." This implies that the President preforce will have to grant assent to the Bill if it is adopted by the two Houses of Parliament and the requisite majority of state legislatures.

As could be expected, the two bills encountered stiff opposition from several members at the introduction stage. But their advice did not carry much weight with the brute majority of the ruling party in the House. The stron-

The Finance Bill was passed by the Lok Sabha on Saturday. During the third reading the Finance Minister announced a reduction in the excise duty on pressure cookers from 20 to 10 per cent.

gest opposition came from Mr P. K. Deo, the leader of the Swatantra group on the opposition benches, and Mr Frank Anthony, an eminent member of the bar and a nominated member of the House. The Jana Sangh members had earlier walked out of the House after their leader, Mr A. B. Vajpayee's bid to have a full-length discussion at the introduction stage itself had failed.

The Swatantra leader questioned the legislative competence of the House to enact the measures and apprehended a confrontation between Parliament and the Supreme Court on the issue. He felt that the rights of minorities would be subjected to the tyranny of the majority if the bills were passed. He compared the measures to those enacted in Hitler's Germany, Indonesia and Ghana and demanded a referendum on the issue.

Mr Anthony's opposition was mainly to the Constitution (Twenty-fifth Amendment) Bill, though he quoted Mr Justice Hidayatullah to say that Parliament could not arrogate to itself the power to amend the Fundamental Rights by amending Article 368—the basis for the Constitution (Twenty-fourth Amendment) Bill. The Fundamental Rights, Mr Anthony pointed out, were transcendental and the Supreme Court was the sentinel against lawless politicians. It would be a monstrous provision if the jurisdiction

of courts was ousted in deciding compensation for acquired properties. The bill, he feared, would institutionalise expropriation and efface the most cherished rights of minorities from the Constitution.

In a brief intervention, the Prime Minister, Mrs Indira Gandhi, sought to assure Mr Anthony that the government stood for the defence of minority rights. When the motion to grant leave for the introduction of the two bills was put to vote, there was Mr P. K. Deo's lone voice of dissent.

Debate on Finance Bill

The Lok Sabha yesterday completed its general debate on the Finance Bill. During this debate, many members expressed grave concern over the expanding price spiral and increasing unemployment. Some members regretted that the development rebate was proposed to be dispensed with in 1974. The mounting administrative expenditure came in for scathing criticism. Several members felt that the concessions announced by the Finance Minister in his budget proposals were not enough; they wanted various budget proposals to be more watered down. The performance of the public sector was adversely commented upon by various members; so also the inadequate rate of growth in the industrial sector in general. The centre-state relations and the problems created by the large influx of refugees from Bangla Desh figured prominently in the debate. Another major point of criticism was the continued accumulation of black money. The demonetisation of currency was suggested by some members to tackle this problem.

Replying to the debate, the Finance Minister, Mr Y. B. Chavan, not only refused to grant any further concession in his budget proposals but also indicated that the people should be prepared for more sacrifices in view of the burden cast on the economy by the large influx of refugees from across the eastern border of the country. He also expressed the view that there was further scope for taxing the corporate sector.

Dealing with the upswing in prices, the Finance Minister suggested a price rise resistance by consumers as part of the "Gharibi Hatao" movement. He had no hesitation in pleading guilty to the charge of being responsible for a rise in the prices of taxed items, but expressed concern over the "irrational atmosphere" in which there was a general price increase. Controls, he observed, could be an alternative to price rise resistance by consumers, but he thought that the past experience was indicative of the fact that they were not the best course. Another way to check

rise in prices, Mr Chavan pointed out, was raising of production.

In regard to black money, the Finance Minister conceded that it was a complex, difficult and the biggest problem he faced, but clarified that as a solution, the government was not considering demonetisation of currency. The problem, he stressed, had to be tackled at the roots and the sources of black money had to be blocked. Besides announcing the intended legislative measures to check under-invoicing, undervaluing of property prices and benami transactions, he agreed to consider any constructive suggestion from members to tackle the issue.

Referring to the withdrawal of development rebate, he restated the arguments he had put forth earlier. The measures, he observed, had done some good when the government wanted to diversify the industrial base. Once the rebate was made permanent, he felt, it ceased to be an incentive and became a privilege.

Tax Collection

In the context of the unemployment problem, the government, Mr Chavan disclosed, was thinking in terms of giving incentives to labour-intensive projects, especially in the small-scale sector and in the backward areas. The Finance Minister found the criticism about heavy tax arrears quite valid and assured the House that a strict drive was on with the appointment of five recovery commissioners of the income-tax.

Mr Chavan disagreed with those who thought that West Bengal was not receiving adequate financial assistance and quoted figures to prove his point. Justifying the budget proposals as unavoidable to raise resources for development, he offered his sympathy to those hit by the levies on such items as soap, pressure cookers, etc.

The Rajya Sabha this week approved the Central Appropriation Bill No.2 and the Mysore budget as adopted by the Lower House. During the debate on the Appropriation Bill, members expressed a good deal of concern over rise in prices, unemployment, the fall in the rate of industrial growth and the growing indebtedness of the government. Pleas were made for the immediate enforcement of drastic measures to reduce non-developmental expenditure and unearthing of black money which, it was contended, was distorting the economy in various ways. It was suggested that either there should be a limit on the government's borrowing capacity through an act of Parliament, as envisaged in the Constitution, or greater parliamentary

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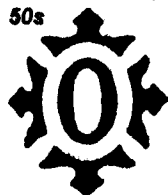
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control should be exercised over financial matters so that the indebtedness of the government could be contained.

The leftist members of the House, as usual, launched an attack on "monopoly capital" and for the nationalisation of "monopoly concerns". The nationalisation of foreign oil companies operating in the country was, they argued, called for immediately. These members accused the government of encouraging monopolistic trends and concentration of economic power, totally neglecting the interests of the working class. Some members complained that their states were not getting their due share in the allocation of central assistance and the location of industrial projects in the public sector. In his reply to this discussion, the Minister of State

for Finance, Mr K.R. Ganesh, revealed that the government would soon introduce a taxation laws amending measure to plug loopholes in the existing laws which were heavily weighted in favour of assesseees.

Replying to the debate on the Mysore budget, the Deputy Minister for Finance, Mrs Sushila Rohatgi, assured the House that the popular government in the state would be restored as soon as the conditions for its installation were created; the promulgation of President's rule in the state was earlier vehemently criticised by several members. She agreed that the Cauvery waters dispute between Mysore and Tamil Nadu should be amicably settled. Last week, the Prime Minister, it may be recalled, had assured the Lower House that this dispute would

have to be referred to a tribunal if an amicable settlement was not reached between the disputant parties in the near future.

Serious concern was voiced in both the Houses over the repeated Pakistani provocations on our eastern border, the latest instance being the shelling by Pakistani troops across the borders with Assam and Tripura, killing 10 persons. Forceful demands were made that the security of the border should be entrusted to the army instead of the border security force. The Minister of State for Home Affairs Mr K.C. Pant, explained that although the border security force was being strengthened to take care of the Pakistani provocations, the army was standing by and would take the necessary and adequate action whenever required.

5 3/4% State Government Loans, 1983

Interest on the maturing securities accepted for conversion will be paid at the rate of 4% per annum upto and inclusive of 18th August 1971.

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

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

- Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work except at the branch of State Bank of Hyderabad, Gunfoundry, Hyderabad.
- Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work.

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

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

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

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

All loans will open for subscriptions on Thursday 19th August 1971 and close on Wednesday 25th August 1971 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent. in excess of the notified amounts.

The loans will be redeemable at par after 12 years i.e. on 19th August 1983 and interest will be paid half yearly on 19th February and 19th August each year. Interest in respect of all 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 80L of the Income-tax Act, 1961.

Subscriptions may be in the form CASH/CHEQUE.

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

Name of the loan tendered for conversion	Name of the new loan issuable
1. 4% Andhra Pradesh State Development Loan, 1971	5 3/4% Andhra Pradesh State Development Loan, 1983.
2. 4% Assam Loan, 1971	5 3/4% Assam Loan, 1983.
3. 4% Bihar State Development Loan, 1971	5 3/4% Bihar State Development Loan, 1983.
4. 4% Kerala State Development Loan, 1971	5 3/4% Kerala State Development Loan, 1983.
5. 4% Madhya Pradesh State Development Loan, 1971	5 3/4% Madhya Pradesh State Development Loan, 1983.
6. 4% Maharashtra State Development Loan, 1971	5 3/4% Maharashtra State Development Loan, 1983.
7. 4% Orissa Government Loan, 1971.	5 3/4% Orissa Government Loan, 1983.
8. 4% Mysore State Development Loan, 1971	5 3/4% Mysore State Development Loan, 1983.
9. 4% Punjab Loan, 1971	5 3/4% Punjab Loan, 1983.
10. 4% Rajasthan State Development Loan, 1971	5 3/4% Rajasthan State Development Loan, 1983.
11. 4% Madras Loan, 1971	5 3/4% Tamil Nadu Loan, 1983.
12. 4% Uttar Pradesh State Development Loan, 1971	5 3/4% Uttar Pradesh State Development Loan, 1983.
13. 4% West Bengal Loan, 1971	5 3/4% West Bengal Loan, 1983.

WINDOW ON THE WORLD

Unemployment and Inflation

JOSSLEYN HENNESSY

LONDON.

I

A CHANGING RELATIONSHIP

ONE OF the most interesting, as well as one of the most authoritative, of the slowly dwindling number of bank reviews in the UK is that published by Barclays Bank (54 Lombard St., London EC 3.). In a recent issue Barclays Bank Review published an interesting analysis of the new phenomenon that has appeared in the UK since 1967, namely a higher than usual percentage of unemployed with higher than usual all-round wage increases. Prior to 1967, governments kept wage increases reasonable by periodical restriction of credit, which causes unemployment to rise. But that no longer works.

Two questions present themselves: (1) What new factors have come into play? (2) What can be done to prevent excessive wage rises from boosting inflation and pricing British exports out of their markets. I summarise the Bank Review's report, because I think its analysis answers the first question admirably. Its answer to the second must be read with respect even if, as I do, one thinks it too pessimistic. Ted Heath's government shows no sign of ceasing to produce one surprise after another. For example, entry into the EEC, which now seems certain, would make a big difference to the problem.

Mild Inflation

British governments since 1945, irrespective of party, have agreed that two of their basic aims should be low rates of both inflation and unemployment. They have accepted mild inflation as a stimulus to enterprise but rejected a rapid increase in prices can be both socially inequitable and damaging to British exports. Equally, a small pool of unemployed is inevitable in a changing economy which requires mobility of labour, but governments now take great pains to avoid the social distress and low utilisation of economic resources involved in the prewar levels of unemployment. However, governments which have sought to establish simultaneously the optimum level for both unemployment and inflation have found that these two aims have tended to be incompatible. When the level of demand in the eco-

nomy has been high, production has increased and the demand for labour has risen; this has achieved a desirably low level of unemployment but at the same time prices have tended to rise, because the unions have found themselves in a strong position to demand wage increases, because employers have had to pay more overtime and increased wages to attract more scarce labour, because demand for goods and services in the economy may have exceeded the short-run supply encouraging entrepreneurs to increase their prices and because, beneath all this, the government has permitted an increase in the money supply. Conversely, in a time of low demand, unemployment has risen while the rate of inflation has fallen.

Wages and Unemployment

This experience was studied in the 1950s by academic economists who sought to express the choice of options open to governments in analytical terms. Given a strong link between wage increases and inflation, increases in productivity apart, their inquiries turned on the relationship of changes in money wage rates and levels of unemployment. The two were found to have had a strong correlation between 1861 and 1914 and a somewhat weaker but still significant association in the period since 1920. In the context of the post-1945 economy evidence suggested that, if governments would risk the political and economic problems of 2½ per cent unemployment, average wage increases would not normally exceed increases in productivity, and inflation would be eliminated. On the other end of the scale if the authorities were prepared to put up with the possibility of social inequity and balance of payments deficits, they could opt for a minimum level of unemployment of about one per cent (allowing only for 'unemployables' and those switching jobs) and suffer an annual increase in prices of the order of six per cent.

In practice, of course, these were over-simplifications. Unemployment in the UK has been more a regional than a national problem; inflationary pressures in the growth areas of the midlands and the south of England can co-exist with high employment elsewhere. Thus governments looked like having, not each problem to a minor

degree, but both problems in some magnitude. Yet, given some redressing of regional imbalances, the choice of options given seemed to work out as a rule of thumb approach to the dual problem. Annual increases in wages and prices during the last 20 years show a close inverse relationship with the level of unemployment between 1950 and 1966. There was a lag in the 1950s; there were also the exceptional circumstances of 1951, when the Korean war and devaluation caused sharp rises in import prices, and of 1963 when a particularly severe winter led to abnormal unemployment. These events caused distortions. Over the period as a whole there was a tendency for the pattern of wage increases to become more stable, indicating that wage demands were less sensitive to conditions in the labour market, but nothing that occurred before 1967 was any foretast of what has happened since then. In that year unemployment rose dramatically to 500,000, the first time that the monthly average had reached that level, apart from the exceptional winters of 1947 and 1963, since World War II. Wage increases could have been expected to have fallen significantly but instead the rate rose by 1.6 points. Since then unemployment has tended to rise still more and demands for increased wages have built up to a 'wage explosion'.

II

A NEW PATTERN

What happened in 1967 to cause this change? Wage demands were probably inflated when the government lifted its nil norm for incomes early in the year and ended even severe restraint a few months later. It is reasonable to assume that some of the wage increases in 1967 were part of the backlog from 1966 and may have been enlarged by the post-devaluation surge in import prices, but the same cannot be said for the subsequent years. It is also possible that the nature of unemployment changed significantly in 1967; the Labour government commissioned the Oxford University Social and Administrative Studies Department to examine the nature of unemployment in the belief that it had. Such figures as are available suggest that the increase in unemployment is not confined to a few industries but is widespread. Furthermore the ratio of those wholly unemployed to those who are temporarily not working has increased, despite the greater number of industrial disputes that have made others idle. It might be expected that improved job mobility would be a factor but the percentage of short-term unemployment has fallen. It appears that it is the older workers, often unskilled

and usually out of work for a considerable period, who have been the main contributors to the change in unemployment levels in the last three years. A comparison of this year's figures with those of 1963 when the total level of unemployment was comparable, illustrates this change; those over 40 who have been unemployed for over a year are now 60 per cent more numerous while there are 11 per cent fewer younger men out of work for this period. In terms of skills it is significant that over half the unemployed are labourers, and vacancies for such men currently run at one to every 18 unemployed in the nation as a whole—it is worse in the development areas.

In all, about three-quarters of the unemployed are unskilled compared to two-thirds seven years ago. Yet vacancies for other types of jobs are greater than might have been expected. The number of unfilled vacancies is, of course, usually inversely proportional to the level of unemployment but no dramatic fall occurred in 1967 to match the dramatic rise in unemployment levels. This supports the contention of some employers that the real labour reserve is between 150,000 and 200,000—the rest, they say, are those who are unemployable (estimated at a constant 200,000) and those who are in the process of changing jobs, and perhaps being more leisurely about it than they used to. But the theory that the last category is increasing is hardly borne out by the figures mentioned earlier which indicate that it is the long-term unemployed who form most of the recent increase.

Hidden Unemployment

Another theory suggests that there has been a reduction in labour hoarding. In times of recession it was usual in the past for employers to retain useful workers semi-idle for a short while rather than declare them redundant and regret their departure when demand picks up. A recent survey has indicated that labour hoarding has been less than usual since 1967 and that the official unemployment figures have been inflated accordingly. Certainly there was a sharp rise in productivity in 1967 which would support this view, but it seems unlikely that most of the people who then became unemployed would normally have been candidates for hoarding in any case. Nor have the service industries, which might have been hit by the Selective Employment Tax, accounted for a larger percentage of the unemployed. The same survey indicated that hidden unemployment, consisting largely of married women and semi-retired men, is high at present: many such

people are not eligible for unemployment pay or supplementary benefits and so do not enter the official returns. If this is so, official unemployment figures are, from this point of view, an underestimate.

A third theory is that advances in automation and mechanisation began to cause widespread clerical and manual redundancies in 1967. It is also possible that some of the less skilled found that the financial advantages, net of tax, of working did not sufficiently exceed the combined social benefit payments to warrant the inconvenience of having a full-time occupation. Overall, the evidence is inconclusive. It seems clear that there is more demand for certain types of labour than there usually is at the present level of unemployment but lack of occupational and regional labour mobility is not the whole explanation of the reduction of sensitivity of wage demands to the supply and demand situation in the labour market which occurred in 1967.

III

OTHER EXPLANATIONS

We must accordingly turn to other solutions. There is the influence of what can be called 'wage-increase-psychology'. The 'wage-wage' and 'wage-price' spiral are well-known influences in determining the amounts of wage demands. It takes workers in only a few militantly organised industries, or indeed firms, to try to get ahead in the wage race, by claiming and winning above average demands, for other groups to follow suit in order to secure wage parity or to maintain differentials. This natural reaction has been accepted in the past by some arbitrators, and employers, concerned at possible loss of labour, have often put up only token resistance. Once this situation has occurred and the spiral has steepened it is unlikely to revert easily to the former position because prices will tend to rise faster to pay for the greater increase in costs and this, in turn, will be used by unions to justify further comparable wage increases.

Conversely, to flatten out the spiral some group of workers has to set the tone, either voluntarily through some self-denying 'Dunkirk spirit' or because—a more likely happening—some employer gets tough with them. All this is not new; what is new is the increased militancy of labour in a wider range of industries and occupations. This is borne out by the figures for industrial stoppages, the majority of which are caused by wage disputes, and by the

size of current wage demands. The average annual days lost through disputes rose from 2½ million in 1964-66 to 4.8 million in 1967-69 and exceeded 7 million in 1970, making 1969 and 1970 the worst years for days lost in this way since the early 1930s. The average level of over 20 major wage claims pending at the beginning of September was nearly 30 per cent compared to an average of 10 per cent won by these groups of workers on their previous round of wage negotiations.

Governments have been reluctant to grasp the nettle and oppose such demands with more than compromising reluctance; employers have little to gain and much to lose in the short-term by resisting demands, especially as they are often made to whole industries on a national scale and so do not affect an individual firm's competitiveness in relation to its British competitors. Nor do the unions need to take note of unemployment levels when considering industrial action; few employers try to hire 'blacklegs', few are allowed to dismiss the organisers of disputes. In some firms, workers' fear of redundancy has been changed to positive approval of it by the statutory payments that now go with it, there is little concern if a firm loses customers through a dispute. In addition, the economic stringency facing strikers was, until the recent change in legislation, reduced by the supplementary benefits that were payable to their wives and children.

There is thus little pressure on the individual to ignore the call for collective action, at least given levels of unemployment that are considered politically feasible today.

Legislative Action

Thus the result of the new situation is that the government has lost one of its policy options. Only with much greater difficulty can wage inflation now be controlled by altering the level of demand. To what alternatives can the government turn to regain control of wage inflation? One alternative is to try to make the labour market freer so that the old means of demand management would again be efficacious. A by-product of the measures in the Industrial Relations Bill now before Parliament could be a small move in that direction: some collective sanctions operated by trade unions may become slightly harder to put into effect, others may be postponable by the government and some of the more extreme forms of labour monopoly may be outlawed. But it will be difficult to stem the tide of collective action without introducing much more stringent measures than are at present con-

templated and which might well, in any case, prove unworkable.

An Income Policy

The alternative is for the government to fall back on direct action. With its new policy of 'disengagement' it will probably do this with reluctance but it may have no alternative. The method used in recent years has been an incomes policy, and the experience of 1966-67 has shown that a statutory wages freeze can, in the short term, achieve a significant reduction in wage demands: the political and economic drawbacks are, however, evident. It is possible that a new variant of the policy will be tried but the idea is both contrary to the declared intentions of the present government and repugnant to its traditional ideology. It is more likely that they will opt for an attempt to break the 'wage-increase-psychology' rather than for a formal permanent incomes policy. This action would be designed to flatten out the wages spiral and could be seen as a short campaign that might have a salutary effect on wage demands for a longer period. In effecting such a

policy the government would be restricted by its limited control over wage negotiations in general. Only about a seventh of the civilian working population is employed directly by the government or works for nationalised industries or local authorities, and even here the government's power of coercion is tenuous. If a showdown occurs in the public sector the government will have to do all in its power to extend such a tough attitude to the private sector to avoid accusations of partiality.

The free labour market in the country as a whole, which has suffered a slow demise over the past century, because of the increasing size of industrial units on the one hand and greater organisation of labour on the other, now appears to have been given a final knock-out. The impersonal discipline of market forces, manipulated at a distance by the government in recent years, has now all but disappeared. The labour market today is governed by the pace-setters in wage negotiations, and the government is faced with the need for direct action with all the political turmoil that this could involve.

Economic Implications of EEC Membership

THE CENTRAL QUESTION here is how membership of the Community would affect the structure of our economy and so the prosperity of our people. For many years we have faced familiar problems: difficulties with the balance of payments, a disappointing record in industrial investment, and an inadequate rate of economic growth. The result is that we have begun to drop seriously behind other countries, and particularly the members of the Community, in attaining a higher standard of living.

The government believes that membership would provide the most favourable opportunity for achieving the progress which we all desire. Studies made by the Confederation of British Industries show that this belief is shared by a substantial majority of British industry. Our entry would not, of course, of itself bring about some automatic improvement in our performance and it would involve us in costs as well as benefits. The following paragraphs discuss the costs and advantages of membership in more detail.

All member countries contribute to a common budget for certain specific purposes, such as agricultural support, the European Social Fund, and administrative costs. We shall be required to pay a contribution to the Community budget which — after allowing for our estimated receipts

These extracts setting out British government's views on economic implications of EEC membership are taken from the White Paper, *The United Kingdom and European Communities*.

from the budget — will involve a net cost to our balance of payments of some £100 million in the first year. The cost in later years will depend primarily on whether it becomes possible gradually to reduce the predominant share of the budget which agricultural expenditure at present takes up. If the structure of the budget were to remain unchanged the net balance of payments cost would rise to some £200 million in the fifth year. Thereafter our contribution will be limited for two further years (see box on page 261).

Agriculture

Gradual adoption of the common agricultural policy will stimulate British farm output and open Community markets to our food exports, but at the same time will raise food prices in the United Kingdom and the cost of our food imports. The extent of this increase in food prices and import costs will naturally depend on the difference between Community and world food prices. This difference has narrowed significantly in the last two or three years. But assuming a continuation of the present price gap and allowing for likely changes in patterns of United Kingdom production and consump-

tion, the additional cost to our balance of payments on account of food imports seems unlikely to amount to more than about £5 million in the first year, and £50 million a year by the end of the transitional period. On the same assumption about world and Community prices it is estimated that the rise in average retail food prices during the transitional period resulting from our adoption of the common agricultural policy will amount to about 2½ new pence in the £ each year. As a result, the cost of living will increase by about half a new penny in the £ each year, but at the same time tariff reductions should lead to lower prices for manufactures which will go some ways to offset this increase. The influence on wage movements of the increase in the cost of living is not expected to have any significant effect on the costs of industry nor, therefore, on our balance of trade. In addition, we should be asked to subscribe £37.5 million in sterling to the paid-up capital of the European Investment Bank: it is expected that the greater part of this sum will remain in the United Kingdom. We should also subscribe £24 million to the reserve funds of the European Coal and Steel Community (ECSC): this would be primarily if not wholly spent in this country.

Effects on Industry

The effects of membership on British industry will stem principally from the creation of an enlarged European market by the removal of tariffs between the United Kingdom and the Community countries, and, less importantly, from other tariff changes.* The response of British industry will be broadly of two different kinds. First, there will be the immediate reaction of a British exporter to each annual reduction in the tariff on his exports to the Community. This response will involve a decision whether, for example, to maintain his prices and so increase his profit margins, or reduce his prices and so expand his sales. But secondly, and in the long run far more significant than this response to relatively small annual changes in tariffs, will be industry's decisions on how to take advantage by structural changes of the oppor-

*British exporters will benefit from preferential access to those markets associated, or having special trade arrangements, with the Community. On the other hand they will share with Community exporters their present preferential position in other EFTA countries and in the Irish Republic; and must expect a faster erosion of existing Commonwealth preferences, which have, however, been steadily eroded over recent years and which would probably continue to diminish in future even if we remained outside the Community.

tunities opened up by the creation at the end of the transitional period of a permanent, assured, and greatly enlarged market. Manufacturers will be operating in a "domestic market" perhaps five times as large as at present, in which tariff barriers cannot be put up against them however well they do. There will in consequence be a radical change in planning, investment, production and sales effort.

Any calculation of the effects on the balance of trade of these tariff changes will only produce a valid estimate if it takes account of the parallel existence of both these influences operating on industry. And a simple summation of estimates of industry's immediate responses to the small annual tariff changes involved would reflect only the false assumption that no other changes were taking place. The government does not believe that the overall response of British industry to membership can be quantified in terms of its effect upon the balance of trade. They are confident that this effect will be positive and substantial, as it has been for the Community.

Use of Resources

Growth and prosperity in any country, including of course each of the six Community countries, depend first and foremost upon the size and effective use of its resources of manpower, plant, equipment and managerial skill. It is essential to deploy these resources to the maximum benefit, and this requires the pursuit of appropriate economic policies. This requirement would be mandatory upon the United Kingdom in any event. However, the general economic and commercial environment within which a country operates is also a vital element in its success in creating wealth and promoting welfare. The environment can be conducive to growth, or it can be unfavourable to growth. It is generally agreed that for advanced industrial countries the most favourable environment is one where markets are large, and are free from barriers to trade. These conditions favour specialisation, the exploitation economies of scale, the developing and marketing of new products, and a high level of investment in the most modern and up-to-date equipment. Through increased competition, they foster the more efficient use of resources over a wide area of industry and help to check the trend to monopoly positions on the part of large-scale organisations.

In particular, the development and exploitation of modern industrial technology, upon which so much of our employment and income increasingly depends, requires greater resources for research and development and wider

markets than any one western European nation can provide. The different national systems of corporate law and taxation in western Europe make it difficult for European firms to combine and co-operate effectively to meet competition from the great firms whose resources are based on the much larger home markets of the United States and, more recently, of Japan. In recent years western European markets for jet aircraft and aero engines, for computers and advanced electronic equipment, for nuclear fuel and power, for motor vehicles and for many other products have been increasingly dominated or penetrated by the much larger international corporations based outside Europe. Together, the western European nations can organise them-

selves to compete with these giants, which are otherwise bound to go on increasing their share of European industrial markets.

If we enter the Community we shall be able to profit from the general advantages of a larger market and, in particular, to play a full part in the development of industries based on advanced technology. If we do not join, we shall forgo these opportunities which the members of the Community will increasingly enjoy. Their industries will have a home market of some 190 million people, with preferential markets in other European and overseas countries. Our industries would have a home market of some 55 million people, with perhaps another

INDUSTRIAL TARIFFS

There are two main processes involved here. First, all tariffs on trade between the United Kingdom and the Six have to be eliminated. This is to be done in five equal stages, starting three months after accession. Second, subject to the special tariff arrangements referred to below, we have to apply the Common External Tariff (CET) to all countries neither belonging to, nor enjoying any special arrangements* with, the enlarged Community. For those countries affected which at present have no preferential position in our market, this will involve only fairly minor adjustments to the duties we apply to their goods: in general the CET is rather lower than our own tariff. However, for the countries affected which currently enjoy free entry to our market, it will mean the gradual application of the CET to their exports to this country. It has been agreed that our move to the CET should be carried out in four stages, starting a year after accession. The table below shows how these arrangements would work out if we join the Community on January 1, 1973:

	Abolition of tariffs between the Six and the United Kingdom (per cent)	Cumulative reduction (per cent)	Adoption of the CET by the United Kingdom (per cent)	Cumulative movement towards adoption of the CET (per cent)
April 1, 1973	20	20		
January 1, 1974	20	40	40	40
January 1, 1975	20	60	20	60
January 1, 1976	20	80	20	80
July 1, 1977	20	100	20	100

These arrangements have two substantial advantages for us. In the first place they will ensure that within three years of entry (when the Community's tariffs will have been cut by 80 per cent) our exporters will have virtually duty-free access to the large and rapidly growing market of the Six. The opportunities will be considerable. The CET is not on average high, but tariff averages can be misleading: in several sectors of importance to British industry the barriers we face are still substantial — 22 per cent on commercial vehicles, up to 18 per cent on organic chemicals, 16-18 per cent on plastics, 18 per cent on tractors and 14 per cent on diesel engines. In the second place, the delay of a year before our first move to the CET should usefully lengthen the period of adjustment for our Commonwealth partners.

SPECIAL TARIFF ARRANGEMENTS

Duties on most industrial materials are zero in both the United Kingdom tariff and the CET of the Community, but there are a number of items of particular importance to British industry which are dutiable under the CET, and we have sought to ensure that our membership of the Community will not lead to a new charge on supplies of these materials.

In some cases, after a careful examination of the situation, it has been concluded that the enlarged Community will be self-sufficient. For the rest, we have agreed on arrangements which will ensure that about 90 per cent of our imports from outside the enlarged Community will continue to be imported free of duty. These arrangements will be particularly beneficial to Canada and Australia, who are important suppliers of several of the materials concerned.

*The countries expected to have special arrangements with the enlarged Community include: those members of the European Free Trade Association who do not become members of the Community; the independent Commonwealth countries in Africa, the Caribbean, the Indian Ocean and the Pacific; our dependent territories, except Gibraltar and Hong Kong; and the countries with which the existing Community has special arrangements. The enlarged Community will also be offering preferences to most developing countries under the United Nations Conference on Trade and Development Generalised Preference Scheme.

45 million in EFTA, as against the home market of some 290 million people we should have if we joined the Community.

Experience of the Six

The economic growth of the Six countries had already been considerable in the 1950s, as they recovered from the disruptions of war and occupation. The formation of the European Economic Community then created an environment within which they have each made further and striking progress over the past decade. In considering the likely effect upon our economy of membership of an enlarged Community we must first examine the evidence of that decade.

The members of the Community created a common market in industrial goods by steadily eliminating the tariffs on imports from one another over the years 1959-68. The abolition of tariffs provided a strong and growing stimulus to the mutual trade of Community countries. It is estimated that by 1969 the value of this "intra-trade" in manufactured products was about 50 per cent higher than it would have been, had the Community not been formed; moreover it appears that the stimulus to intra-trade is continuing. The abolition of tariffs and this consequent increase in intra-trade were accompanied by important changes in the performance of manufacturing industries in the Six countries. Those industries which competed with imports faced an intensification of competitive pressure as tariffs fell, obliging them to seek ways of raising efficiency and reducing costs. By the same token, prospects for exporting dramatically improved. Import competition and export expansion were closely associated with a growth in investment. The outcome of these processes was a significant improvement in the rate of growth of manufacturing productivity, and, therefore, higher national incomes in the Community than the member countries believe they would have enjoyed otherwise. Moreover, the increase in productivity was accompanied by a low level of unemployment, even though large numbers of

farm workers left the land for industry.

Growth of Output

The rate of growth of manufacturing output per head in the five major Community countries had already been at a generally high level over the 1950s and early 1960s, faster than in nearly all other comparable industrial economies. In the latter half of the 1960s, however, this growth rate showed a further marked increase (with the one exception of Italy, where the very high rate achieved in the earlier period was not quite maintained).

The rapid growth in manufacturing productivity in the Six was a key factor in their impressive economic record in the past decade. But other indicators also show clearly the extent of the advances made by comparison, with the United Kingdom. For example, in 1958 average earnings in Britain were similar to those in France, Germany, Belgium and the Netherlands and well over half as high again as those in Italy. By 1969 average

earnings in Italy had caught up with British earnings, and in the other Community countries, earnings were now between a quarter and a half higher on average than those in Britain. In real terms (i.e., after allowing for price inflation), average British earnings had increased by less than 40 per cent between 1958 and 1969, while in the Community countries average real earnings had gone up over 75 per cent. Similarly, all the Community countries enjoyed rates of growth of gross national product (GNP) per head of population, or of private consumption per head, roughly twice as great as Britain's.

Moreover, at the same time a high proportion of the Community's output continued to be channelled into investment, so providing the basis for further rapid growth. In the period 1959-69, the Six devoted 24 per cent of their GNP to investment, whereas the figure for Britain was 17 per cent.

Finally, the Community as a whole have maintained a strong balance of

EFFECT ON FOOD PRICES

It is estimated that membership will affect food prices gradually over a period of about six years with an increase of about 2½ per cent each year in retail prices. As food accounts for about a quarter of total consumer expenditure the effect on the cost of living would be about ½ per cent each year. There is, of course, no harmonisation of retail prices in the Community. The effect of entry on the retail prices of foodstuffs here will therefore depend on many factors, including the efficiency of our own system of processing and distribution. It will vary from commodity to commodity. Some, such as butter, cheese and beef, are likely to rise by significantly more than the average; others, such as bread, flour and eggs, by about the average; and others, such as milk, fish, oils and fats, tea and coffee should show little change in price. For some fruit and vegetables, prices should be lower at certain times of the year. Moreover, the increase in food prices will be offset to some extent by lower prices for other consumer goods as a result of tariff reductions.

These estimates compare with an estimated increase of 18-26 per cent in food prices over the transitional period set out in the 1970 White Paper.* Since that White Paper was published, however, the gap between United Kingdom and Community food prices has narrowed considerably, partly because world prices have been rising faster than Community prices.

Retirement pensioners and those dependent on other social benefits will be protected from the effects of the increase in food prices through adjustments in those benefits. These effects will not begin to be felt until the spring and summer of 1973 and, as indicated above, are likely then to be small. The government is committed at least to maintain the purchasing power of national insurance pensions and related benefits through regular reviews every two years. In the normal cycle the next review will take place in 1973. Supplementary benefits are kept under close review. The government undertakes that in these reviews, both in 1973 and subsequently, full allowance will be made for the effect on prices of joining the EEC. National Insurance pensioners and beneficiaries, as well as those entitled to supplementary benefits will share in the increased prosperity flowing from membership of the Community. Accession to the Community will not alter in any way the National Health Service.

*Britain and the European Communities: An Economic Assessment, (Cmd. 4289, February 1970).

payments position, earning a surplus on current account of more than \$25,000 million over the period 1958 to 1969; by comparison the United Kingdom had a small cumulative deficit on current account over these years.

Prospects for Our Economy

This, then, has been the experience of the Community. It is the conviction

of the governments, of the industries, and of the trade unions in the Six countries that their economic progress has been promoted in large measure by the changes brought about by the creation of the Community. The economic structure of the United Kingdom is in many respects similar to that of the member countries of the Community. We, like they, are a highly industrialised society, without large indigenous re-

sources of raw materials, and thus heavily dependent upon foreign trade. Like the three larger members of the Community — which in size of population are closely comparable to ourselves — we have a widely diversified industrial structure, which has great potential for development in a larger market.

In the light of the experience of the

CONTRIBUTION TO THE COMMUNITY BUDGET

From the outset the Government recognised, as did their predecessors, that it would not be possible to seek to make fundamental alteration in the system of providing funds for the Community. The existing members had finally agreed this system among themselves early in 1970 only after considerable difficulty and regarded it as an essential part of the process of "completing" the Community envisaged in The Hague Communiqué. The negotiations have been therefore directed to finding a method to enable us gradually to adapt to the Community system over a period of years, without placing an undue burden on our economy.

The solution which has been reached is as follows. A percentage or "key" has been set, broadly corresponding to our present share of the total gross national product (GNP) of the 10 countries likely to form the enlarged Community. This will represent the proportion of the budget which we should nominally be expected to pay in the first year of membership. This key will then increase marginally in each of the four subsequent years, under similar arrangements to those agreed by the Six for themselves.

However, we shall pay only a proportion of our nominal contribution over these first five years. The proportion will increase in annual steps. The effect of these arrangements is shown in the table below. Column 2 sets out the nominal key which has been agreed. Column 3 shows the proportion of this nominal key which we shall in practice be required to pay. Column 4 gives our resulting share of the Community budget in each year. Column 5 sets out the possible size of our gross contributions on the assumption that the budget amounts to £1,400 million in 1973 and rises to £1,600 million by 1977. Column 6 shows the estimated build-up of our receipts from the budget, and the resulting estimates of our net payments are shown in the final column.

It will be seen that we should be required to pay 8.64 per cent of the budget of the enlarged Community in the first year, rising to 18.92 per cent in the fifth year—the latter being broadly comparable to our proportion of the gross national product of the enlarged Community.

After the first five years there will be a further period of two years during which the size of our contribution will continue to be limited as follows. The Commission will calculate what our contribution to the budget would have been in 1977 if we had been required in that year to apply the direct income system in full. In 1978 our contribution will not increase above that for 1977 by more than two-fifths of any difference between the Commission's calculation and our actual contribution in 1977. In 1979 the increase in our contribution over 1978 will be limited similarly.

In 1980 and subsequent years we shall be required to contribute 90 per cent of our agricultural levy and customs duty receipts and such Value Added Tax (VAT) (not exceeding the yield of a one per cent VAT) as is necessary from each member country to close any gap between Community expenditure and Community revenues from levies and duties. It is not possible to make any valid estimate of the size of our levy and duty receipts in the 1980s. The outcome depends on a large number of unpredictable factors. For example, earlier estimates of our levy receipts in the mid-1970's have already been invalidated by the recent substantial narrowing in the gap between world and Community food prices. Nor is it possible to make any reliable forecast of future size and pattern of our trade and so of the sources of imports, on which any estimate of both levy and duty receipts must depend. Finally, it is impossible to foresee the likely size of our VAT contribution. The size of this contribution (if any) would be a function of the size of the Community budget and of aggregate receipts of levies and duties from all member countries. The gap between these two amounts would have to widen very considerably indeed if member countries were to be required to contribute the full one per cent of VAT. This gap is only likely to widen in this way if the enlarged Community were to spend much more on non-agricultural activities such as industrial and regional development, in which case the United Kingdom could expect to enjoy much larger receipts.

Thus, in the government's view, neither our contribution to, nor our receipts from, the Community budget in the 1980s are susceptible of valid estimation at this stage. And it is for this reason that the Community declared to us during the course of the negotiations that if unacceptable situations should arise "the very survival of the Community would demand that the institutions find equitable solutions."

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Year	UK key (percentage of Community budget)	Percentage of key to be paid	UK contribution (percentage of Community budget)	Possible UK gross contribution	Possible UK receipts	Possible UK net contribution
1973	19.19	45.0	8.64	(£m) 120	(£m) 20	(£m) 100
1974	19.38	56.0	10.85	155	40	115
1975	19.77	67.5	13.34	195	55	140
1976	20.16	79.5	16.03	245	75	170
1977	20.56	92.0	18.92	300	100	200

Six themselves, and their conviction that the creation of the Community materially contributed to their growth, and of the essential similarity of our economies, the government is confident that membership of the enlarged Community will lead to much improved efficiency and productivity in British industry, with a higher rate of investment and a faster growth of real wages. The studies, mentioned earlier, made by the Confederation of British Industries show that this belief is shared

by a substantial majority of British industry, whose own interests are at stake, and who are in the best position to judge. A more efficient United Kingdom industry will be more competitive not only within the enlarged Community but also in world markets generally.

These improvements in efficiency and competitive power should enable the United Kingdom to meet the balance of payments costs of entry over the next decade as they gradually

build up. The improvement in efficiency will also result in a higher rate of growth of the economy. This will make it possible to provide for a more rapid improvement in our national standard of living as well as to pay for the costs of entry. For example, if a rate of growth of national income a ½ per cent higher were to be achieved as a result of membership, by the end of a period of five years our national income would be some £1,100 million higher in the fifth year.

SYNDICATE BANK'S

RECORD OF PROGRESS

DURING 2 YEARS: SINCE NATIONALISATION

Account of Progress (From July 1969 to June 1971)	Rise	Percentage Rise
DEPOSITS From Rs. 126.86 crores to Rs. 177.80 crores	Rs. 50.94 crores	40.30%
ADVANCES From Rs. 90.36 crores to Rs. 123.61 crores	Rs. 33.25 crores	36.80%
DEPOSIT ACCOUNTS From 13.10 lakhs to 21.02 lakhs	7.92 lakhs	60.50%
BORROWING ACCOUNTS From 2.58 lakhs to 4.20 lakhs	1.62 lakhs	62.80%
BRANCHES From 306 to 495	189	61.80%

ADVANCES TO PRIORITY SECTORS

	JULY 1969		MAY 1971	
	No. of A/cs.	Amount	No. of A/cs.	Amount
AGRICULTURE	40,443	Rs. 9.69 Crores	98,251	Rs. 16.33 Crores
SMALL SCALE INDUSTRIES	5,932	Rs. 10.14 Crores	9,726	Rs. 18.00 Crores
TRANSPORT OPERATORS	1,450	Rs. 2.67 Crores	3,768	Rs. 4.57 Crores
RETAIL TRADE	17,823	Rs. 4.43 Crores	26,300	Rs. 7.03 Crores
ASSISTANCE TO STUDENTS	793	Rs. 27.64 Lakhs	3,060	Rs. 91.39 Lakhs
SELF EMPLOYED AND PROFESSIONALS	5,320	Rs. 72.47 Lakhs	14,206	Rs. 1.81 Crores
SMALL BUSINESS	3,455	Rs. 34.86 Lakhs	9,691	Rs. 99.02 Lakhs
EXPORTS	466	Rs. 5.90 Crores	823	Rs. 9.10 Crores

DISTRIBUTION OF BRANCHES

In rural areas	In semi-urban areas	In urban areas	Total
188	170	137	495

SYNDICATE BANK

Head Office:
Manipal

K.K. PAI
Custodian

Trade Winds

STATE LOANS

FIFTEEN STATE governments have announced their market borrowing programme for the current financial year in the form of 5.75 per cent 1983 cash-cum-conversion loans at par for aggregate amount of Rs 158.75 crores. The notified amounts of the new loans are as follows: Andhra Pradesh Rs 12.75 crores, Assam Rs 6.25 crores, Bihar Rs 6.25 crores, Gujarat Rs 12.75 crores, Haryana Rs 5.50 crores, Kerala Rs 7.75 crores, Madhya Pradesh Rs 10 crores, Maharashtra Rs 18 crores, Mysore Rs 10 crores, Orissa Rs 7 crores, Punjab Rs 6 crores, Rajasthan Rs 7.25 crores, Tamil Nadu Rs 19.50 crores, Uttar Pradesh Rs 15.50 crores and West Bengal Rs 14.25 crores. Subscriptions to the new loans will be received from August 19 to 25, but the lists may be closed earlier without notice as soon as the subscriptions amount approximately to the notified amount. As usual, all the state governments reserve their right to retain subscriptions up to 10 per cent in excess of the notified amounts. The loans will be redeemable at par after 12 years, that is on August 19, 1983 and interest will be paid half-yearly on February 19 and August 19 each year. Interest will be taxable. 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 of the Income-tax Act 1961. Securities of the 4 per cent 1971 loans of 13 states, which are maturing on August 18, 1971, will be accepted at par for conversion into the new loans of the respective state governments. Interest on the maturing securities accepted for conversion will be paid at the rate of 4 per cent per annum up to and inclusive of August 18, 1971.

EXPLORING EXPORT MARKETS

The Indian Institute of Foreign Trade is implementing a project for exploring the overseas markets for selected product groups by sponsoring selected groups of executives from the trade and industry. Fifty executives in seven product groups are being sponsored in the current year for visiting potential markets for their products in the countries of Europe, USA, Canada, west Asia, Africa and south-east Asia. The product groups selected

for this programme comprise (i) Leather and leather manufactured products; (ii) processed foods and spices; (iii) handicrafts; (iv) automobile ancillaries; (v) marine products; (vi) light electrical goods and (vii) plastics.

FOREIGN TRADE

In May 1971, exports from this country totalled Rs 132.16 crores, about Rs 14 crores more than in the same month in 1970. The details for May are:

	(Rs crores)	
	1971	1970
Exports (incl. re-exports)	132.16	118.37
Imports	159.15	117.77
Balance of trade	-26.99	+0.60

The cumulative total for April-May 1971 as compared with the same period in 1970 are:

	(Rs crores)	
	1971	1970
Exports (incl. re-exports)	259.28	246.10
Imports	303.48	264.37
Balance of trade	-44.20	-18.27

OVERSEAS CONTRACTS

International bid invitations received in the Directorate of Commercial Publicity, Ministry of Foreign Trade, during the week ending July 24, 1971, reveal that there is considerable scope for the export of electrical items, sophisticated manufactures of metals, railway rolling stock, drugs and chemicals etc. for the economic activities in the developing regions. There is also scope for the Indian entrepreneurs in regard to the export of consultancy services and establishment of turnkey projects abroad.

BHILAI'S EXPANSION

The sixth blast furnace of Bhilai steel plant was recently commissioned by Mr S. Mohan Kumaramangalam Minister of Steel and Mines. The unit which can produce about 600,000 tonnes of pig iron per year, is the first step in Bhilai's expansion programme beyond its present annual capacity of 2.5 million tonnes of steel ingots. A feature of the new blast furnace is that the design and detailed engineering

work has been undertaken entirely by Indian engineers of the Central Engineering and Design Bureau of Hindustan Steel Limited.

MORE CEMENT UNITS

The union government has decided to license on an "urgent basis" additional capacity for cement to meet the growing demand with the rising tempo of construction activity. A press note issued recently stated that preference would be given to applicants in the northern and eastern zones which are cement deficit areas. Intending entrepreneurs have been advised to submit their applications to the Secretary Ministry of Industrial Development New Delhi, complete in all particulars by August 31, 1971.

FINANCE FOR TEA

The Reserve Bank proposes to set up a working group for examining greater flow of credit to the tea industry through the participation of various institutions providing term finance. The terms of reference of the working group will be (i) to review the existing institutional arrangements for financing the medium and long-term credit requirements of tea plantations, as well as a policy and procedures governing the same; (ii) to inquire into the scope for and to determine the ways and means and terms and conditions and the purposes for which the various existing financial institutions could participate in term loans to tea plantations and, (iii) to indicate the institutional agency through which the joint lending to the industry is to be channelled if such joint lending is considered desirable and feasible.

ANDHRA PRADESH BUDGET

The Andhra Pradesh budget for 1971-72 shows an overall surplus of Rs 13.78 crores, with revenue receipt placed at Rs 319.65 crores and expenditure estimated at Rs 305.87 crore. The expenditure for 1971-72 was Rs 5.73 crores more than what was estimated in the vote on account. In the capital account, the expenditure was expected to be Rs 52.28 crores, taking public debt, loans and advance and public account together, transactions for the year 1971-72 were expected to leave an overall deficit of Rs 9.59 crores.

I.D.B.I. BRANCH AT HYDERABAD

A branch office of the Industrial Development Bank of India (IDBI) started functioning at Hyderabad (Andhra Pradesh State Co-operative Bank Building at Troop Bazar, Hyderabad) from July 19, 1971 under the overall supervision of the Regional Office of IDBI at Madras. The branch office

which will be under the charge of a manager, will, to begin with, develop closer operational links and maintain liaison with the central and state government agencies, state financial corporation, banks and other regional financial and development institutions/bodies connected with the growth of industries, particularly in the medium and small sectors, in the state of Andhra Pradesh.

CRUDE PRICES

Mr P.C. Sethi stated recently that the oil companies had increased their price of crude first on December 1, 1970, again with effect from February 15, 1971 and on the third occasion with effect from June 1, 1971, thus making a total increase of 40 cents per barrel in the case of Aghajari crude supplied by Burmah Shell and Caltex and by 41 cents per barrel in the case of Arabian mix supplied by Esso. The government had made it clear to the oil companies that they did not see sufficient justification for the oil companies passing on the entire increase in taxes and royalties to this country. However, in order not to affect the country's industrial growth the government allowed import of crude provisionally at the higher prices. On July 5, Burmah Shell informed the government that from July 15, 1971 their price of Aghajari crude would be further increased from \$1.68 to \$1.73 per barrel. Similar notice was given by Caltex on July 6, 1971, stating that their price increase will become effective from July 18. On July 5, Esso also gave similar notice that the price of the Arabian Mix will increase to \$1.70 per barrel from \$1.66 with effect from July 10, 1971. Unlike the previous increases in oil price which were sought to be justified by the oil companies as following from the Tehran agreement, this last increase, they contend, was justified on the basis of a further increase in the prevailing world prices of crude. This was a new situation and the government was examining the position with regard to crude prices currently obtaining in the world market. Meanwhile foreign exchange was being released for imports at the June 1, 1971 prices, he said.

BINNY DEALERS' MEET

Over 500 people representing Binny guarantors, wholesale dealers and exclusive shop-owners gathered at the Pink Hall of Hotel Dasaprakash, Madras to begin the All-India Binny Dealers' Conference. Over 50 senior marketing and production executives and managers of Binny Limited welcomed them. Mr P. Unnikrishnan, director, of the company stated that this unusual gathering of people, who steer the distribution and production of Binny tex-

tiles in this country, is meant to provide an exchange of ideas and a two-way traffic in business communications. Out of this conference will emerge an aggressive well-formulated selling programme for the company resulting in a wider range of fabrics systematised supply, greater customer satisfaction and improved qualities and service—factors that have made Binny a great name in textiles over the decades.

FERTILIZER CORPORATION

The Fertilizer Corporation of India has won its case pertaining to the Nangal fertilizer project against Messrs Saint Gobain of Paris. Lord Devlin gave an award for Rs 123 lakhs in favour of FCI. The remittance has been received recently.

RAMPUR RUM

Contessa Rum, a product of the Rampur Distillery & Chemical Co Ltd, Rampur, has been named winner of the silver medal for liquor at the 1971 Monde Selection held at Brussels this year. The medal itself will be presented at a special prize-giving ceremony at Brussels on September 18, 1971. This recognition opens the possibility of substantial exports of Indian made foreign liquor (IMFL) from this country. This award comes soon after the distillery had achieved the distinction of being the first manufacturer to get ISI approval for its products. The ISI seal had been granted to the company for seven of its gin, whiskey, rum and brandy products.

ESSO

Esso profit remittances for the three years—1968, 1969 and 1970 were only Rs 4.5 crores which represented 5.5 per cent of the total remittance during this period. Clarifying the company's position regarding reports on heavy remittances appearing in some sections of the press, an Esso spokesman pointed out that these remittances were not profit remittances only but payments made towards purchase of crude as well as bunker and aviation supplies made to Indian customers abroad. He pointed out that the crude remittances which constitute as much as 75 per cent of the total are unavoidable for any refinery, either public or private, so long as the country is not self-sufficient in crude production and a large portion of the country's crude oil requirements continue to be imported.

COCA-COLA EXPORTS

The Coca-Cola Export Corporation has stated that Coca-Cola does not get anything more than any other exporter of non-alcoholic beverage bases gets. Indian-owned bottling plants involving an aggregate investment in excess of Rs 10 crores, have been sanctioned by

the government under terms and conditions which ensure that the supply of concentrate to these bottling plants does not result in any additional burden of foreign exchange by way of raw materials which have to be earned through exports of concentrate. Coca-Cola generates present national turnover of approximately Rs 30 crores, employment of over 200,000 people and revenue earnings to the government of almost Rs 10 crores annually.

GUJARAT STATE FERTILIZERS

Mr C.D. Thakkar, President, Indian Chemical Manufacturers Association, in a statement has pointed out that, according to a recent report, a proposal was being mooted to convert a leading joint sector company, namely, Gujarat State Fertilizers Co. Ltd, into a fully paid public sector company. The Gujarat State Fertilizers has a dominant holding of 49 per cent by the state government and also substantial holdings by official bodies like nationalised banks, the Life Insurance Corporation and the Industrial Development Bank, which ensures that the government can effectively guide the management of the organisation and intervene in any issue considered important. However, any move to upset the existing pattern of management and control of the organisation, Mr Thakkar pointed out, could not but adversely affect the efficiency of this important organisation. He, has, therefore, appealed to the government not to accommodate any proposal that affects the joint sector status of the company.

LEIPZIG FAIR

The 1971 Leipzig Autumn Fair will have some 6,500 exhibitors from the German Democratic Republic and other countries. It will be marked by commercial activities and extensive programme of scientific and technical lectures. Exhibitors at the 1971 Fair will contribute more than 100 exhibit-related lectures, providing technical information to the programme of scientific and technical events organised at the Fair. Key themes will be from the engineering fields such as from those of chemical plant making and the chemical industry, pharmaceutical industry, paper, printing and allied machinery.

NAMES IN THE NEWS

Asian Development Bank Vice President Mr C.S. Krishna Moorthi has been appointed for a further five-year term commencing from December 19, 1971. Mr Krishna Moorthi's reappointment was recommended by ADB President Takeshi Watanabe, and was approved by the Bank's 12-man board of directors.

Company Affairs

TATA IRON

IN A statement issued on the occasion of the annual general meeting held recently, Mr J.R.D. Tata, Chairman, Tata Iron and Steel Company, told the shareholders that the company was still some way away from re-establishing full rated production, although the completion of modernisation and mechanism of ore mines and the commissioning of the pelletisation plant should improve operations in blast furnace. He added that there were still some impediment to higher production such as inadequacy of coke and its high ash content.

Mr Tata pointed out that company's programme of colliery expansion and modernisation should improve the availability of washed coal low in ash content. Mr Tata made it clear that steel making and rolling facility of Jamshedpur, other than the one put up under the two million ton programme 12 years ago, needs major programme of modernisation. Such a project would have to be superimposed on the existing programme involving an expenditure of Rs 100 crores over the period 1970-75 on the pelletisation plant, the replacement of the coke ovens, the collieries project, and the usual normal replacements and renewals. In this context the government's approval was awaited for the issue of Rs 20 crores on debentures to finance the current programme, he added.

The increase in price of Rs 71 per tonne, on the product-mix of the company granted by the government from January 1, 1970, had already been largely neutralised by increases in costs. With further escalations which had taken place since the close of the year and which might be expected during the current year, little if anything will remain of the benefit of last year's increase in prices. Notwithstanding the political unpopularity of any increase in steel prices the need for it would soon be inescapable if the health of the industry was not to be jeopardised, Mr Tata stated.

JAY ENGINEERING

During the year ended March 31, 1971, the Jay Engineering Works Ltd, recorded gross profit of Rs 96.34 lakhs

which was about 35 per cent more than last year. This had enabled the directors to recommend a dividend of 10 per cent on equity shares compared to eight per cent last year. The financial results for the year have to be viewed in the context of four and a half months of production stoppage at the sewing machine factory at Calcutta due to adverse labour situation. Operations of the fan factory at Calcutta were also seriously affected by the stoppage of sewing machine factory, as castings are supplied to the fan factory by the sewing machine factory. Profit for the year would have been much better but for the resultant loss of production for over one-third of the year.

The units at Hyderabad and Agra made notable progress and registered rapid production increases. The satisfactory overall financial results of the company have been possible in no small measure due to the contribution of these two units. Geographical dispersal of production has helped the company's operations. While making efforts to maintain and indeed improve the excellent facilities at Calcutta, the process of developing the alternative production units has been continued in the interest of the company's operations and profitability. The directors proposed to transfer Rs 34.05 lakhs to depreciation, Rs 3.20 lakhs to development rebate reserve and Rs 38.50 lakhs to tax provision. Equity dividend will absorb Rs 19.74 lakhs.

A feature of the year's operation has been an addition of over Rs 60 lakhs to capital assets. It has been pointed out that current operations were proceeding satisfactorily, but rising costs continued to make a dent in earnings. Despite this the outlook for the current year has been considered optimistic.

LARSEN AND TOUBRO

Sales of Larsen and Toubro Limited for the first quarter, ended June 30, 1971, at Rs 470 lakhs show an increase of 29 per cent over the same period of the previous year. Output from the company's workshops has also risen appreciably. The backlog of orders has shown substantial improvement. It was Rs 28 crores on June 30, 1971

against Rs 24 crores on June 30, 1970.

ASIAN ELECTRONICS

The directors of Asian Electronics Ltd have proposed a bonus issue of equity shares in the proportion of one share for every six shares held besides maintaining an equity dividend of Rs 10 per share for the year ended March 31, 1971 on the company's higher capital resulting from the one-for-five bonus issue made during the year. The proposed bonus shares will be issued by capitalising reserves to the extent of Rs six lakhs. The company has earned in 1970-71 a gross profit of Rs 14.90 lakhs compared to Rs 22.92 lakhs for the previous year, the sales dropping from Rs 63.36 lakhs to Rs 60.62 lakhs. Its net profit amounts to Rs 3.60 lakhs compared with Rs 7.75 lakhs for the previous year after providing Rs 7.15 lakhs for depreciation, Rs 50,000 for development rebate reserve and Rs 3.65 lakhs for taxation. A sum of Rs 3.65 lakhs has been transferred to the general reserve out of which the proposed equity dividend amounting to Rs 3.60 lakhs will be paid.

UNIVERSAL CABLE

Universal Cable Ltd recorded an increase in sales from Rs 6.50 crores to Rs 8.09 crores during the year ended March 31, 1971. A gross profit of Rs 101.15 lakhs for the year was earned as against Rs 73.54 lakhs in the previous year. After providing Rs 31.82 lakhs for depreciation, Rs 16.40 lakhs for taxation and Rs 6.25 lakhs for development rebate reserve, the net profit works out to Rs 46.68 lakhs, which has been transferred to general reserve. The directors have proposed to raise the ordinary dividend to 12 per cent from 10 per cent paid previously and is payable out of general reserve.

INDO ASAHI GLASS

Indo Asahi Glass Co. Ltd, Bhurkunda, Bihar, is likely to achieve a production target of 600,000 cases by the end of 1971 or early next year. Mr Kurata, President of Asahi Glass Co. Ltd, Japan, who is on a short visit to India, stated recently that the parent company in Japan has developed a new process of manufacturing sheet glass without distortions and bubbles. The process, according to him, would help achieve higher production due to uninterrupted run for a greater period and at a greater speed of the machines. He added that this process would be of a great help to the sheet glass industry in India. Indo Asahi had recently exported 5,000 cases of sheet glass to the USA worth over Rs two lakhs. Total exports of the company were around

Rs 24 lakhs a year. Mr. Kurata disclosed that the company had under its active consideration several schemes to broaden its activities by diversifying the production of sheet glass and entering into the manufacture of soda ash, caustic soda and chlorine.

CEAT TYRE

The directors of Ceat Tyre of India Ltd, have proposed to issue 50,600 rights shares of Rs 100 each at a premium of Rs 100 per share (at a price of Rs 200 per share) in the ratio of one share for every six shares held. The proceeds of the rights issue amounting to Rs 1.01 crores will be utilised to meet a part of the finance required for the company's expansion projects.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the three weeks ended March 20, 1971. The list contains 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 Asiatic Wires Ltd; P. 23/24, Radha Bazar Street, Calcutta. (Madhyamgram-West Bengal)—Galvanised Steel Wires: (a) upto 18 gauge—4 500 tonnes p.a. (b) Thinner than 18 gauge—10,000 tonnes p.a. (NU); M/s Chaliha Rolling Mills Pvt. Ltd; 5, Mission Row, Calcutta. (Calcutta-West Bengal)—(i) Galvanised Barbed wire—3,700 tonnes p.a., (ii) Concertina Barbed wire—1,300 tonnes p.a. (COB).

Fuels

M/s Cochin Refineries Ltd; P.B. No. 1751, Cochin-16. (Cochin-Kerala)—Annual capacity after expansion in (tonnes). 1. Naphtha—2,67,000 2. Motor Spirits—1,84,000 3. Kerosene—7,35,000 4. High speed Diesel—7,07,000, 5. Furnace oil—1,110,000 6. Bitumen—118,000, 7. Plant Fuels—Loss—169,000, 8. Liquefied Petroleum Gas—10,000. (SE); Shri Mahabir Prasad; Marwari Village & Post Office, Pathargama, Dist. Santhal Pargana. (Bihar)—Coal—15,000 tonnes per annum. (NU); Shri Baij Nath Kedia; P.O. Pakur, E. Rly. Loopline, S.P. Bihar. (Chilgo Colliery-Bihar)—Coal—12,000 tonnes per annum. (NU); M/s Pure Kustore Collieries Co. Ltd; Pure Bansra Colliery, Village

Bansra. P.O. Raniganj (Burdwan) (Pure Bansra Colliery-West Bengal)—Coal—2,00,000 tonnes per annum. (SE).

Electrical Equipment

M/s Sarson Industries Pvt. Ltd; Pimpri, P.F., P.O. Poona-18. (Pimpri-Maharashtra)—1. Motor Starting Electrolytic capacitors—1 Lakh number p.a., 2. Paper Capacitors—Ten Lakh Numbers p.a. (NA).

Transportation

M/s. Hero Cycle Industries, G.T. Road Ludhiana-3. (Ludhiana-Punjab)—1. Complete Bicycles—2,40,000 nos. p.a. 2. Bicycle Rims—6,00,000 Nos. p.a. 3. Handle Bars—1,60,000 Nos. p.a. 4. Pedals—1,60,000 nos. p.a. 5. Chainwheel with Cranks—1,60,000 Nos. p.a., 6. Saddles—1,60,000 Nos. p.a. (COB); M/s The Wheel & Rim Co. of India Ltd; 'Huzur Gardens', Sembiam, Madras (Sembiam, Madras -Tamil Nadu)—Bicycle Rims—12 lakhs (Twelve Lakhs) Nos. p.a. (COB); M/s Road master Inds. of India Ltd; A-2 Industrial Area, Meerut Road, Ghaziabad (Ghaziabad-Uttar Pradesh)—Bicycle Rims—3,00,000 pairs. p.a. (COB)

Industrial Machinery

M/s Ruckan-Wolf New India Engineering Works Ltd; Pimpri-Poona-18. (Maharashtra)—Steam Tube Calciner (Drier) Plants—Rs 80 lakhs (Rs Eighty lakhs) only per annum. (NA); M/s Holman Climax Mfg. Ltd; Chartered Bank Building, Calcutta-1. (Titaghur, 24 Parganas-West Bengal)—(i) TA-13 'S' (120 cfm) 60 Nos. p.a., (ii) TA-13 'T' (120 cfm)—90 Nos. p.a. (COB).

Machine Tools

Managing Director, Praga Tools Ltd; 6-6/8/32 Kavadiguda Road, Secunderabad-3. (Secunderabad-Andhra Pradesh)—Thread Rolling Machines—20 Nos. p.a. (NA).

Engineering Industries

M/s Snail Spanners (I) and Tools Ltd; 87, Nagdevi Cross Lane, Bombay-3. (Bhandup-Maharashtra)—Industrial Knives—500 tonnes p.a. (NA).

Office & Household Equipment

M/s K.C.P. Ltd; Macherla, Guntur, Andhra. (Madras-Tamil Nadu)—1. Electronic Calculating Machines—500 Nos. p.a. (NA); M/s Electronics Ltd.; Electronics House, 12-A, Connaught Place, New Delhi-1. (Farida-

bad-Haryana)—Room Air Coolers—10,000 Nos. p.a. (SE).

Medical and Surgical Appliances

M/s Laboratories Vifor (I) Pvt. Ltd.; 85, Dr. Annie Besant Road, Worli, Bombay-18. (Bombay-Maharashtra)—1. Infusion set type 'A'—3 lakhs complete Units, 2. Infusion set with double out type 'C'—3 lakhs complete units 3. Twin Infusion set Type 'D'—3 lakhs complete units, B. Vifor Equipment for Blood Administration, 1. Twin infusion set type 'B'—3 lakhs complete units. 2. Blood Administration set (Standard Type)—3 lakhs complete units, 3. Blood Collecting set (for gravity) Type 'G'—3 lakhs complete units, 4. Blood Administration set type 'H'—3 lakhs complete units, C. *Hamosflex*. Outfit Blood Transfusion Plastic container with a Monobloc Blood taking device for preservation and administration of blood.—5 lakhs complete unit. (COB).

Scientific Instruments

M/s H. Guru Instruments Pvt. Ltd.; 2A, Shakespear Serani, Calcutta-16. (Hoogly-West Bengal)—1. Pressure Gauge—25,000, 2. V.P. Thermometers—1,200, 3. M.S. Thermometers—700, 4. Diaphragm Gauges—600, 5. Hydraulic Gauges—400, 6. Recorders—25, 7. Pyrometers—25, 8. Draught Gauges—25, 9. Thermocouples—330, 10. Ganges Testers—60, 11. Dead Weight Testers—50, 12. Receiver Gauges—225. (COB).

Chemicals

M/s Sardesai Brothers Ltd.; Post Sardesai Factory Billimoria, Distt. Bulsar (Gujarat) (Devsar, Gandevi, Distt. Bulsar—Gujarat)—1. Wetting out and emulsifying agents—Expansion from 320 tonnes to 520 tonnes p.a., 2. Cationic & Finishing agents—100 tonnes. (New article) 3. other items—680 tonnes (Same as at present.) (SE)

Textiles

M/s Guptalon Ltd.; 236, Industrial Area 'A', Ludhiana (Ludhiana-Punjab)—Nylon Yarn—1,000 tonnes per annum. (NU).

Food Processing Industries

M/s Hindustan Milkfood Mfrs. Ltd.; 1st Floor, Jeevan Deep Building, Parliament Street, New Delhi. (Rajamundry-Andhra Pradesh)—Malted Milk food—6,000 tonnes p.a. (NU).

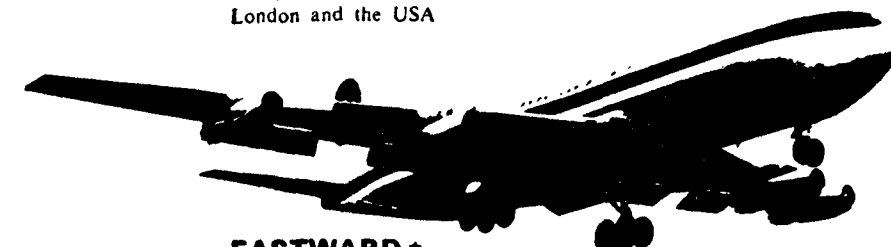
Vegetable Oils & Vanaspati

M/s Swaika Vanaspati Products Ltd.; P.N. B. House, 18-B, Brabourne Road, Calcutta-1. (Howrah-Calcutta)—Vanaspati—One hundred tonnes per days. (COB); M/s. Keshav Vanas-

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pati P. Ltd.; Industrial Area, Aish Bagh. Lucknow. (Lucknow-Uttar Pradesh)—Vanaspati—50 (Fifty) tonnes per day. (COB); Shri E.A. Kader; Jil Road, South, Bombay. (Bombay-Maharashtra)—Vanaspati—50 (Fifty) tonnes per day. (COB); M/s. Sundatta Foods & Fibres Limited; 70, Forbes Street, Bombay-1. (Hubli-Mysore)—Vanaspati—50 (Fifty) tonnes per day (COB); M/s Maharashtra Vegetable Products Pvt. Ltd.; Dhulia (Maharashtra). (Udyognagar-Maharashtra)—Vanaspati—45 tonnes per day (COB)

Cement & Gypsum Products

The Hindustan Sugar Mills Ltd.; 51, Mahatma Gandhi Road, Fort, Bombay. (Udaipur, Taluka Mavli, Dist. Udaipur-Rajasthan)—Portland Cement—200,000 Tones p.a. (COB); M/s Panyam Cement & Mineral Industries Ltd.; Cement Nagar, Post Office Bugganipalli R.S., Dist. Kurnool (AP). (Cement Nagar, Dist. Kurnool—Andhra Pradesh)—Portland Cement—388,000 tonnes p.a. (COB); M/s Orissa Cement Ltd.; 4, Scindia House, New Delhi-1—Portland Cement/Pozzolana Cement—401,000 tonnes p.a. (COB); M/s Dalmia Cement (Bharat) Ltd.; 4, Scindia House, New Delhi-1. (Dalmiapur-Tamil Nadu)—Portland/Pozzolana Cement—525,000 tonnes p.a. (COB).

LETTERS OF INTENT

Metallurgical Industries—Non-ferrous

M/s Timblo & Timblo P. Ltd.; Margao (Goa). (Margao-Goa)—Aluminium collapsible Tubes—12 Million Nos. p.a. (NU).

Electrical Equipment

M/s Elpro International Ltd.; Chinchwad, Poona-19. (Poona-Maharashtra)—1. Intensifying Screens-Expansion from 2640 pairs to 7500 pairs p.a. 2. Industrial Screens within the licensed capacity of 600 pairs p.a. of Fluoroscopic screens under. (SE/NA). Lt. Col. L.K. Malhotra (Retd.); R-8, Green Park, New Delhi-16. (Punjab/Faridabad-Haryana, Gaziabad-Uttar Pradesh)—P.V.C. Battery separators—20 lakh Nos. p.a. (NU); M/s Jay Electric Wire Corporation; 195, Upper Palace Orchard, Bangalore-6. (Bangalore-Mysore)—1. Tungsten coiled coil Filaments—30 million pieces

p.a., 2. Tungsten Wire—60 million pieces p.a.—(Double Shift basis). (NU).

Telecommunications

M/s Gramophone Co. of India Ltd.; 5, Old Court House, Street, Calcutta. (Calcutta-West Bengal). I. (a) Pick-up complete equipment for replacement purpose—2,30,000 Nos. p.a. (b) Pick up cartridges for export—1,20,000 Nos. p.a. II (a) Stylus for replacement purpose—1,80,000 Nos. p.a. (b) Stylus for exports—1,20,000 Nos. p.a. (NA).

Transportation

Shri Harbans Lal, C/o M/s International Machine Tools; M-1, Industrial Area 'A', Ludhiana-3. (Ludhiana-Punjab)—Multi speed Hubs (Bicycle) with Trigger & Twist. Control—1,50,000 pieces per annum. (NU); M/s Gujarat Small Industries Corporation Ltd.; Ambica Nivas, Ashram Road, Navarang Pura, Ahmedabad-9. (Ammedabad-Gujarat)—Scooters—24, 24,000 Nos. per annum. (NU).

Industrial Machinery

M/s Frick India Ltd.; Jeewan Vihar, 3, Parliament Street, New Delhi. (Faridabad-Haryana)—Steam Jet Vacuum Refrigeration Systems upto 900 tons capacity—10-Nos. per annum. (NA); M/s Jyoti Ltd.; P.O. Chemical Industries, Baroda-3. (Baroda-Gujarat)—1. Moderator Circulator Pump (Type RV), 2. Primary Coolant Pump (Type MSB) 3. Primary Coolant auxiliary feed pump (Triplex Premyer type), 4. Standby coolant pump (Type CD) (25 Nos each), 5. Cryogenic Pumps—45 Nos. (NA).

Agricultural Machinery

M/s Tradeparts of India (P) Ltd.; 4, Industrial Area, Govindnagar, Kanpur-6. (Kanpur-Uttar Pradesh)—1. Cutting Edges and Blades for Earthmoving machines—5,000 Nos. p.a., 2. Seal Washers for sealer tracks—3 lakh Nos. 3. Special Rubber Rings for use in Track Rollers and Crawler Tractors—2 lakh Nos. p.a., 4. Life Time Metallic Scale for track rollers for crawler Tractors—0.5 lakh Nos. (NA); M/s United Auto Tractors Ltd.; D-432 Defence Colony, New Delhi-3. (Hyderabad-Andhra Pradesh)—Agricultural Tractors (U-500 of 50 HP and U-650 and 651 of 65 HP)—5,000 Nos. p.a. (NU); M/s Perfect Tractors (P)

Ltd., Baradari Gardens, Patiala (Punjab)—'Hanomag' (32 HP) Agricultural Tractors—5,000 Nos. p.a. (NU); M/s. Larsen & Toubro Ltd.; L&T House, Dougall Road, Ballard Estate, Bombay-1. (Ghaziabad-Uttar Pradesh)—'John Deere' Tractors (Model 1120 of 52 HP, Model 2020 of 64 HP, 2120 of 72 HP and Model 3020 of 82 HP)—6,000 Nos. p.a. (NU).

Chemicals

M/s Bharat Swiss Footwear Co (P) Ltd; 2nd Floor, Merchant Chamber, 41, New Marine Lines, Bombay-1. (Maharashtra)—Footwear with PVC Soles -Expansion from 12 lakh pieces per annum to 21 lakhs p.a. (SE); M/s Supreme Industries Ltd.; P.B. No. 7107, Wadala, Bombay-31 D.D. (Rajasthan)—Footwear with PVC soles—18 (Eighteen) lakhs pairs per annum. (NA); The Rajasthan State Indl. & Mineral Development Corporation Ltd.; 100, Jawaharlal Nehru Marg, Jaipur-4. (Udaipur-Rajasthan)—(1) Synthetic Cryolite—3,000 M.T. per annum, (2) Aluminium Fluoride—2,000 M.T. per annum. (NU).

Paper & Pulp

M/s Grace Paper Inds.; C/o Bilba Paper Pvt. Ltd., Shale Building, Bank Street, Fort, P.O. Box 1787, Bombay-1. (Gujarat)—Art paper, Embossed paper and Boards, Teleprinter & Monotype paper Balls, Creped & Dip Dyed tissue papers, Leatherette papers, Laminated papers, Lacquered, Waxed & Gummed papers—36,000 Tonnes per annum. (NU); M/s Star Paper Mills Ltd.; 27, Braboune Road, Calcutta-1. (Saharnpur-Uttar Pradesh)—I. Pulp-Expansion from 39,200 to 54,200 Tonnes per annum., II. (a) M.G. Craft paper—5,000 Tonnes p.a. (b) Fluting Paper—10,000 Tonnes p.a. (NA/SE).

Sugar

Dr M. Habibullah, Managing Director, Jammu & Kashmir State Industrial Development Corporation Ltd.; Haft Chinari, Srinagar. (Zuzan, Dist. Gujarat). (Kashmir)—Sugar—2,000 Tonnes per annum. (NU).

Cosmetics

M/s Bombay Soap Factory; Two Tanks, Ahmed Oomer Street, Bombay-8. (Maharashtra)—Synthetic Detergents—4,800 tonnes per annum. (NA).

COMPANY MEETING

THE TATA IRON & STEEL COMPANY LIMITED

Chairman's Statement

The following is the statement of Mr J. R. D. Tata, Chairman of the Tata Iron & Steel Company Limited, for the year 1970-1971

The Year's Results

THE RESULTS for the year under review, although marginally better than for 1969-70, reflected little change in the state of the Company and, incidentally, in the industry as a whole. By and large, the same deficiencies and obstacles to better results continued to prevail.

2. We are still some way away from re-establishing full rated production and reaping the fruits of the remedial measures we have taken in the past few years. The completion two years ago of the long-term programme of modernisation and mechanisation of our ore mines, and the commissioning this year of the pelletisation plant should lead to an improvement in blast furnace operations and the output and the quality of the iron made.

3. The other impediment to higher production, namely, the inadequacy of coke and its high ash content, will be with us for some years. Until we complete the programme of colliery expansion and modernisation, we cannot ensure from our own collieries the totality of our requirements of washed coal, lower in ash than the 17% to 18% on the average we have to live with today. Such coal results in a coke with any ash content as high as 23% to 24%, probably the highest in the world. This not only reduces iron production by compelling a higher proportion of fluxes charged in the furnaces, but also greatly increases, at considerable cost, coke consumption per tonne of iron. Because of the use of low ash coal, coke consumption in Japan averages 450 kg. per tonne, while ours is about 900 kg.

4. Our greater and more immediate problem today, however, lies in a severe shortage of coke, arising primarily from the setback we have suffered from last year in the condition of our older coke oven batteries, which has reduced our coke output by some 20% from our highest output in 1968-69. While we have been able to make up the deficiency partly by purchasing coke, this is now becoming increasingly difficult because of growing scarcity

and rail transport problems arising from the disturbed situation in the eastern region.

5. Our coke supply position will improve from next year with the completion of the sixth battery, but full supplies of coke from our own batteries will be permanently assured only four or five years hence when the older batteries have been replaced by new ones.

Modernisation Programme

6. While the rebuilding of our coke ovens and the commissioning of the pelletisation plant will remove the main obstacles to full production of iron from which we suffer today, we must face the fact that our steelmaking and rolling facilities at Jamshedpur, other than those put up under the Two Million Ton Programme twelve years ago, are getting old and that the time has come when a major programme of modernisation in those areas, possibly with some measure of capacity expansion, cannot be long delayed. I mentioned this subject in my statement last year and told you that we were considering such a programme, on which we hoped to come to a final conclusion during the course of the year.

7. As such a project is to be superimposed on the existing programme to spend over Rs. 100 crores over the period 1970-75 on the pelletisation plant, the replacement of the coke ovens, the collieries project, and the usual normal annual replacements and renewals of plant and machinery, the financing of this earlier programme had to be ensured before a large fresh commitment could be considered.

8. Government's approval is still awaited for the issue of Rs. 20 crores of debentures, which formed an important part of the scheme to finance the current programme. As the guidelines covering such issues of debentures have now been published, I hope approval will soon be given to this issue being made and underwritten

by the public financial institutions.

Future of the Private Sector

9. These guidelines are illuminating and add one more stroke of the brush to the canvas on which is being painted the future of Private Enterprise in India. From that picture, though unfinished, clearly emerges the plan to bring the Private Sector under an ever-increasing degree of ownership and managerial control of Government.

10. During the past twenty years, the freedom of action and the scope of operation of the Private Sector has been subjected to a gradual but continuous process of erosion in the course of which Government have achieved a measure of control and ownership of the means of production and distribution, which would have been inconceivable to any of us if introduced all at once at the start and which is unprecedented in any country other than those under totalitarian rule.

11. The process of erosion is now visibly accelerating, and, if continued at the present rate, must inevitably result, within a very few years, in the virtual disappearance of the Private Sector as an effective instrument of national development, in all but small scale activities. Already a pattern has been set, which goes far beyond the mixed economy which Government and Parliament had selected as the right one for the country and which we ourselves fully supported.

12. On the one hand, practically every significant freedom of decision and action has been taken away from the owners or management, namely: the choice and size of the project undertaken, the location of the factory, the form and remuneration of top management, the company's capital structure, the selling price of the product, etc., all of which are now subject to Government approval. Even a shareholder's right to vote his own shares has been taken away from him and transferred to Government, if he

has pledged them to a bank against an overdraft of Rs. 50,000 and over.

Financial Monopoly

13. On the other hand, by the nationalisation of Banks and Insurance, and by the imposition of confiscatory rates of taxation on private wealth and income, a Government monopoly has in effect been created of loan finance and, ultimately, of investible funds too. Already Government have become the principal shareholders of most of India's large scale industrial concerns and may be expected to acquire majority control within a few years.

14. The guidelines issued to Government financial institutions, which extend over twelve pages of detailed directives and recommendations, make it clear that, in pursuit of their long-term plan of bringing the Private Sector under total Government control, this financial monopoly is to be used to acquire a further measure of ownership control over Private Sector companies.

15. My purpose in calling attention to the pattern that is emerging from Government's policies and actions in recent years, is not to protest against it, let alone contest their or Parliament's right to lay their hands so heavily on our few remaining freedoms, for, as loyal citizens of India, it is our duty to obey the laws enacted by Parliament and to cooperate with Government, if for no other reason than that we have no alternative if we wish to live and work in our country and serve it.

16. But every thinking citizen of India, rich or poor, in business or in professions, employed or unemployed, has a duty to himself, his family and his country, to seek to understand, by the exercise of his own mind and judgement, the true significance and consequences of the policies followed and the steps taken by Government in managing the country's economy. For those policies and steps will have a direct impact on the livelihood and living conditions of every citizen and his children's children.

17. I for one believe that our Government means well. I believe in the leadership of our Prime Minister as the only one able to guide the country through the immensely difficult and dangerous times and events through which we are passing. But I find it difficult to reconcile the public statements on economic policy made by the Prime Minister herself, or by responsible Ministers and officials of Government, with the lengths to which, and

the speed at which, our country is now being driven on the road to economic totalitarianism.

18. Considering that our Prime Minister and her colleagues are staunch democrats, strongly opposed to totalitarianism, one must assume that, in their view, the socialist policies they are following can be effectively implemented within the framework of Parliamentary Democracy as we know it. This is, in fact, the rock on which, I fear, their plans will founder, for such economic and fiscal policies cannot succeed without a degree of regimentation which can only be achieved by force.

A Parallel Economy

19. A symptom of resistance and rejection is already clearly visible in the growing black market which is increasingly concealing the wealth and income of people. It is estimated that the annual drain of funds into the black market runs into several hundreds of crores. It is clear that under the impact of fiscal policies which spell ruin to honest tax-payers and wealth to tax evaders, a parallel economy outside and beyond the control of Government is being established. Can this kind of economy bring about the prosperity and welfare of our people? Obviously not. But the point is that it can only be suppressed either by a reversal of the policies which create it, or by ruthless action incompatible with a democratic regime.

20. In considering these various aspects and consequences of Government's economic policies, one should not lose sight of the prime objective before the country which, in the striking words of the Prime Minister, is to remove poverty (Garibi Hatao).

Imperative of Growth

21. Up to now, most the measures taken by Government to redeem the election pledges of the Party in power, have been directed more at promoting a socialist image than at economic growth. But poverty can only be removed by increasing the wealth produced by the nation, and this can be achieved quickly only by harnessing to the task all available productive resources and energies whether in the Public Sector or in the Private Sector. Government has at its disposal ample means and powers to ensure that any increase in wealth so created is used for the benefit of the many and not for that of the few. To renounce opportunities for more rapid industrialisation and increased production on theoretical grounds is a cruel injustice to

the hundreds of millions of our people living in poverty and clamouring for a better life. We are running out of time and can no longer afford to fritter any of it away on the barren discussions and the resulting endless delays which have been retarding the country's progress upto now.

22. To those shareholders who might feel that this discourse on economic policy is hardly relevant to their Company's immediate interests and prospects, may I point out that it is very relevant indeed to the dilemma we face today in coming to a decision whether to go ahead with a new long-term programme of renovation and, if we do, to the problem of financing it.

Guidelines to Financial Institutions

23. The recent guidelines to the financial institutions indicate clearly that any further borrowing to finance a major scheme of modernisation partly involving incidental expansion would lead to the shareholders being asked to part with some of their equity to the financial institutions and to the Company's management being brought under their supervision.

24. Whatever view one may have about these guidelines, I hope that the financial institutions, who have proved themselves to be amongst the most practical minded and knowledgeable of Government agencies, will interpret and apply them in a fair and constructive manner. In particular, whenever a loan is made to include a conversion right, its terms should be fair to the shareholders. If I single out this point for special mention, it is because I am surprised and concerned to learn that at least in one instance of a loan made subject to a conversion right, the price at which the shares are to be issued on conversion if the right is exercised is appreciably lower than the market price of the share prevailing at the time of the loan. This is unfair to the shareholders and contrary to the universally accepted principle that the price at which a conversion right is exercisable is invariably higher than that prevailing in the market at the time the loan or debenture issue is made.

25. This is as it should be, for the lender is protected from any risk and will obviously exercise his option to convert only if the increased profitability of the concern makes it worthwhile for him to become, in fact, an ordinary shareholder instead of a secured creditor. To ask for the right to obtain such shares at a price which may be much lower than that freely quoted in the market at the time would be grossly unfair to existing sharehol-

ders, both in depriving them of a part of their equity and in depressing the value of their shares.

TISCO's Future Role

26. I am sorry, therefore, that for these reasons and others, it has not been possible as yet to formulate a detailed scheme of further modernisation to be placed before Government and the shareholders. In the light of recent experience, I am reluctant to prophesy when any project is likely to materialise, for prophecies have a tendency to rebound to the prophet's discomfiture. As the country is, and will continue to be, short of steel for many years, however large the public sector may become, we must surely hope that, between our desire to ensure the continued health and growth of this great enterprise which has served the nation for sixty years, and Government's sympathetic understanding of its problems and needs, the Steel Company will be permitted to contribute further to the industry's development without having to make unjustified sacrifices for the privilege of doing so.

The Budget

27. The recent budget, particularly in its long-term implications, will itself have a bearing on our capacity to spend money on such a project, quite apart from the heavy additional burden of taxation it imposes on industry, which, as I have said elsewhere, already generates over 80% of the tax revenues of the Central Government while contributing only 13% of the national income. The immediate withdrawal of most incentives to grow and to modernise is a severe, and, I submit, a totally undeserved blow. But the threatened withdrawal by May 1974 of the development rebate will be particularly damaging. This measure was wisely introduced many years ago in specific recognition of the growing gap, caused by inflation, between the original and replacement costs of an asset. In the case of the steel industry in particular, in which assets are used for a long period, the gap between historical and replacement costs is enormous, in some cases reflecting an increase in the prices of plant and machinery of anything up to 400% over the last 25 years. The development rebate, in effect, gives a company in the priority sector such as ours an additional allowance of 25% for depreciation with the added advantage of permitting it to be deducted all in one year. I understand that the reason for the proposed withdrawal is that this relief is considered as being unnecessary and unduly generous in respect of new projects. While I do not agree with this view, it is clear that such an argument could not apply to capital expenditure incurred

on pure replacement of old equipment. This is very much the case in heavy industry and particularly of our Company, which has a large programme of essential replacements of old plant and equipment ahead of it. The withdrawal of this valuable incentive by reducing the generation of internal funds will result in delaying essential replacements to the detriment of production. I sincerely hope that the Finance Minister will reconsider this harsh decision.

28. While still on the subject of finance, it is appropriate that I should make a reference to the final repayment of the loans totalling \$107.5 million advanced to us some fifteen years ago by the World Bank to help us finance our Two Million Ton Programme. This was at the time, and may well still be, the largest loan made by the World Bank to any single non-governmental borrower. At the foreign exchange rate prevailing at the time, the loan amounted to Rs. 51 crores. Taking into account the changes in exchange rates that have taken place since the loans were made, including the devaluation of the rupee in 1966, the total amount repaid by the Company was Rs. 63 crores.

29. We are deeply grateful for the generous support given to us by the World Bank, without which the project could not have gone ahead as it did, and also to the Government of India, whose guarantee of the loans made the World Bank assistance possible.

Prices

30. As briefly stated in the Report, the increase in price of Rs. 71 per tonne, on our product-mix, granted by Government from 1st January 1970 has already been largely neutralised by increases in costs beyond our control. With the further escalations which have taken place since the close of the year and which may be expected during the current year, and taking into account the additional burden imposed upon us by the recent Railway and Finance budgets, it is clear that, in both the private and public sector plants, little if anything will remain of the benefit of last year's increase in prices. Notwithstanding the political unpopularity of any increase in steel prices the need for it will soon be inescapable if the health of the industry is not to be jeopardised.

31. It is to be remembered that the prices as prevailing today are based on a major review of steel costs as far back as 1962, to which only a part of the cost escalations which have taken place since then have been added. Furthermore, the overheads allowed

in total costs for the whole industry were based on the low TISCO capital cost per tonne of Rs. 1,176. This resulted in a depreciation allowance included in prices of only Rs. 60 per tonne or Rs. 9 crores on our 12 million tonne capacity. Since then our block has increased by over 50% to Rs. 1,830 per tonne as a result of replacements of old equipment by costlier new equipment. The depreciation allowance has, therefore, become grossly inadequate in our case, and even more so in the case of HSL whose present capital costs per tonne are Rs. 1,900 for Bhilai, Rs. 2,200 for Durgapur and Rs. 3,250 for Rourkela.

32. Even if prices are judged by comparing them with foreign prices, rather than replacement requirements, the prices allowed to the producer in India are very materially below those earned by foreign manufacturers, with the exception of Japan where domestic prices are, for the moment, slightly below Indian prices owing to a severe recession in steel demand. Thus, whereas the prices allowed to Indian producers averaged Rs. 717 per tonne on a representative product-mix, domestic prices for the corresponding product-mix are Rs. 1,243 in the USA, Rs. 1,085 in the UK, Rs. 1,025 in West Germany and Rs. 927 in Australia. At the same time, Government is itself responsible for raising prices to the consumer by continuing to charge a heavy excise duty on steel.

33. We periodically bring these facts to the notice of Government and shall continue our efforts to convince them of the imperative necessity of allowing such a basic industry as steel adequate internal resources to enable it constantly to renew and modernise its plant and to provide for some degree of expansion.

Labour Relations

34. I am glad to report that the relations between the management and our employees at Jamshedpur and elsewhere, and with the Tata Workers' Union, remained cordial and co-operative. Jamshedpur thus remains a striking oasis of labour peace and co-operation in a country many parts of which are severely affected by labour unrest and stoppages of work causing an appalling loss of production to the country.

35. On your behalf and the Board's, I thank all our employees at Jamshedpur and elsewhere for their co-operation and good work during the past year, and for the fine example they have set to the whole country.

J.R.D. Tata

Bombay, 15th July, 1971. Chairman.

RECORDS AND STATISTICS

Amendments in Finance Bill

MOVING THE Finance Bill in the Lok Sabha on July 26, the Finance Minister, Mr Y.B. Chavan, gave details of the amendments which he proposed in the Finance Bill. The cut in the levy on foreign travel, the reduction of duty on a number of items, the relief in wealth tax and various other concessions are likely to reduce the impact of the tax proposals by Rs 15 crores. Full text of the Finance Minister's speech is given below:—

The important features of the proposals in the Bill were outlined by me in my budget speech and the details of the specific provisions in the Bill have also been spelt out in the explanatory memorandum circulated to Hon'ble Members along with the budget papers. I do not, therefore, propose to take the time of the House in going over the entire ground again, and shall confine myself merely to explaining the principal changes that I propose to introduce in the provisions of the Bill. The valuable suggestions that I have received both from Hon'ble Members and others have been of considerable assistance to me in formulating these amendments and I would like to take this opportunity of expressing my gratitude to those who have provided comments on the proposals. I have also met the representatives of various associations. I have also had the benefit of consultations with my colleagues in the cabinet.

The main objectives of the Bill are to simplify and rationalise the taxation laws and to reduce opportunities for evasion of taxes, as also to bring about a scaling down of the concentration of economic power and reduction in the inequalities of income and wealth and, if I may say so, it has been widely acknowledged that the proposals in the Bill will go a long way to meet these objectives. What I propose to do through the amendments is to suggest a few changes for rationalising some of the provisions of the Bill and, in certain other cases, to make them more effective in achieving the objectives underlying them.

Direct Taxes

In the field of direct taxes, the Bill contains proposals for imposing a ceiling on the remuneration of employees which would be deductible in computing the taxable income of a company or any other taxpayer. The maximum amount that will be deductible in respect of any one employee

will be limited to Rs 5,000 for each month or part thereof comprised in the period of employment of the employee in India during the relevant account year. The expenditure incurred in providing any perquisites etc. to an employee will also be restricted to 20 per cent of the salary of the employee or Rs 1,000 per month, whichever is higher. In regard to directors or persons who are substantially interested in the company or their relatives, there will be a similar ceiling of Rs 72,000 for the year.

In the case of employees, certain items of expenditure, such as, contributions to recognised provident funds, home leave travel concession, etc. will not, however, be taken into account for purposes of applying the aforesaid ceiling limit. I now propose to make an amendment in the relevant provisions in order to place director-employees on a par with other employees in this regard. I also propose to clarify that where the expenditure on account of remuneration, benefits or amenities provided to a director does not relate to a full year, the deduction for such expenditure will be reduced proportionately, and further that in a case where a person is a director of the company for a part of the account year and an employee for another part of the year, the deductible amount of expenditure incurred by the company in providing remuneration, benefits or perquisites to such a person will be limited to Rs 72,000.

Extension of Benefit

The Bill proposes to limit the deduction upto Rs 3,000 presently available to all categories of taxpayers in respect of income from investments in specified categories of financial assets, such as, government securities, company shares, bank deposits, etc. to individuals and Hindu undivided families only. Having regard to the special position of married couples governed by the system of community of property in force in the union territories of Dadra and Nagar Haveli and Goa, Daman and Diu, I propose to extend the benefit of this deduction to such married couples as well.

There has been some criticism of the proposal in the Bill to include in the net wealth for purposes of taxation the first Rs one lakh of wealth in the case of individual assesseees and the first Rs two lakhs in the case of

Hindu undivided families, where the net wealth exceeds the aforesaid limits. In particular, it has been urged that this provision will operate harshly in cases of middle class people where the only income derived by a taxpayer is from house property let out to others. Under an existing provision in the Wealth-tax Act, one house or part of a house belonging to a taxpayer and exclusively used by him for his own residence is exempt from wealth-tax upto a value of Rs one lakh. I propose to provide that this exemption will also be available in respect of let-out house property in the same manner and to the same extent as the existing exemption in respect of self-occupied house property.

Development Rebate

In my budget speech, I had announced my intention to discontinue development rebate in respect of ships acquired or machinery and plant installed after May 31, 1974. We have already issued the notification giving effect to this proposal. It has been represented that the withdrawal of development rebate after the three-year notice period would result in retarding decisions for establishing new units or expansion and modernisation of the existing units. In this connection, it has been mentioned that the various licensing and regulatory procedures take a considerable amount of time before a licence can fructify and, as such, the new projects will have to be largely planned on the basis that the development rebate will not be admissible in their cases. We are contemplating certain steps to expedite the work relating to licensing and other regulatory procedures. This, I hope, will result in expediting the decisions by various agencies concerned with licensing and other matters.

Although the development rebate has served a very useful purpose in attracting investments in industry during the last 17 years of its operation, I feel that at the present stage of our development, it is no longer necessary to continue this concession. Development rebate has been criticised by several persons as leading to wasteful use of scarce capital resources and has, to some extent, led to a concentration of economic activity in the hands of existing firms. I am not, however, suggesting that there may not be need for better conceived tax incentives for encouraging industries in certain selected sectors or those in backward areas. We propose to study this problem in depth and I shall be grateful for any sugges-

tions that the Hon'ble Members may like to make in this behalf.

I now turn to the proposals in the Bill regarding indirect taxation. I have already dealt with the proposals relating to customs and central excise in my budget speech and in my reply to the general discussion on the budget. Some of the budget levies, notably those relating to maida and coarse cloth, were withdrawn at the stage of the general discussion. While the other proposals do not call for any material change, some modifications are necessary and desirable in order to remove anomalies or hardship and inconvenience particularly to small producers. And I now propose to indicate some of the modifications regarding customs and excise duties.

Customs Duties

I shall first deal with customs duties. In view of the high margin of profit on imported staple fibre, I had proposed as part of the budget a duty of 100 per cent *ad valorem*. While the duty on non-cellulosic staple fibre will remain at this level, I propose to reduce this duty to 30 per cent *ad valorem* in the case of cellulosic staple fibre which is a cheaper variety of staple fibre being imported to meet the cotton shortage in the country. A notification giving effect to this change in duty is being issued.

On the basis of the revised structure of import duties, a rate of 100 per cent was prescribed for all dry fruits. Consequential amendments have now been made in the tariff values fixed for assessment of these dry fruits and a notification is being issued, giving effect to the revised tariff values. The revised tariff values being generally lower than those in force hitherto, the burden of duty will be correspondingly less. In order to remove the disparities in the incidence of duties caused by different modes of assessment, the system of assessment on the basis of tariff values which was hitherto applicable to goods of Afghanistan origin only, has now been extended to all dry fruits.

Coming next to central excise duties, I propose, in line with the concessions already announced at the time of the introduction of the Finance Bill in favour of small units, to exempt wholly from excise duty the production of compounded lubricating oils and greases, by units which do not use power.

There have been a large number of representations from the manufacturers of rubber products and vegetable non-essential oils using solvent extraction process against the increased

duty on certain special boiling point spirits on the ground that it would result in higher cost of production and price rise on a number of products. I have carefully considered these representations and have decided to reduce, subject to certain procedural safeguards, the effective rate of duty from Rs 845 to Rs 425 per kilolitre (nearly half of the present level) on special boiling point spirits with the nominal boiling point ranges of 55 to 115°C and 63 to 70°C which are used in the manufacture of rubber products and solvent extraction of oils respectively.

Keeping in view the concession already extended in respect of certain specified motor vehicle parts intended to be used as original equipment parts of motor vehicles, I propose to extend a similar concession to such parts going into the manufacture of assembled components like brake assemblies, etc or automobile engines, provided that these assembled components or engines are used as original equipment parts in the manufacture of motor vehicles.

I also propose to extend the concession already announced to the small manufacturers in respect of certain specified motor vehicle parts, to the manufacturers of electric horns.

Oxygen Gas Exempted

In order that the levy of duty on oxygen gas does not adversely affect the steel and fertiliser industry, I propose to exempt oxygen gas wholly from payment of central excise duty if it is used in the manufacture of steel and fertilisers.

Further, in order to meet demands from the manufacturers of gases who apprehend considerable difficulties in the matter of declaration of assessable values, it is proposed to fix tariff values in respect of oxygen, chlorine and ammonia gases.

I also propose to restore the pre-budget rate of 10 per cent *ad valorem* in respect of electrical porcelain insulators as a measure of reducing the cost burden on rural electrification programme.

In respect of cinematograph projectors, I propose to fix tariff values for 35 mm and 70 mm projectors to eliminate certain administrative difficulties. Further, as I would not like the cause of education, family planning, agriculture and public health programmes to suffer owing to the new levy on cinematograph projectors, I propose to exempt 16 mm projectors used for these purposes wholly from the central excise levy subject to certain checks and procedural safeguards.

In the wake of the withdrawal of ex-

emption on agricultural tractors, some points of doubt had been raised whether power-tillers would also attract central excise duty. This point has been carefully considered and it has been clarified that for purposes of levy of central excise duty, power-tillers cannot be classified as agricultural tractors and therefore the levy imposed on the latter is not chargeable on the former. Customs duty will, however, be charged on imported power-tillers.

Substantial Reduction

The Hon'ble Members will recall that in my budget speech I had made a mention of rationalisation of the concessions available to independent processors of cotton fabrics. By this measure, the hand processing units which were hitherto enjoying complete exemption from processing duty, were subject to a certain amount of duty on the processing done by them. It has been represented by this sector of the industry that the rates proposed are too heavy for them and that it will also be difficult, particularly for the smaller units, to follow the normal procedure for paying excise duty. I have carefully considered these representations. I am making a substantial reduction in the rates of duty which were proposed for them. To obviate the procedural formalities and checks, an optional compounded levy scheme is also being notified under which the effective rates will be somewhat less than even the reduced standard rates.

Hon'ble Members may recall that I had proposed a levy on certain ready-made garments and in order to protect the small manufacturers, the levy was intended to be confined only to such articles which are manufactured with the aid of power and sold under a registered trade mark or brand name. However, subsequent to this, some of the leading manufacturers of ready-made garments have, with a view to avoid payment of central excise duty, de-registered their brand names. In order to ensure that the big manufacturers of ready-made garments do not get away in this manner, I have made certain modifications in the existing definition. Simultaneously, however, I am providing for adequate relief to the smaller manufacturers by increasing the exemption limit of clearances for ready-made garments to Rs five lakhs per annum. This concession will not, however, be available to these manufacturers whose annual clearances exceed the limit of Rs five lakhs in a financial year.

The maximum number of representations have been received in respect of the levy on bolts and nuts and screws. These representations deal mainly with either the scope of the tariff item or the

difficulties experienced by the smaller producers. After careful consideration of these representations, the precise scope of the tariff item is being clarified to include only such bolts, nuts and screws which are exclusively fasteners and have no functional utility otherwise. The difficulties of the smaller producers have also been looked into and after considering the various possibilities to alleviate them, I have decided to exempt bolts, nuts and screws produced by a manufacturer whose total value of clearances does not exceed Rs five lakhs in a financial year, as in the case of ready-made garments. This exemption, I hope, should meet adequately the demand of the smaller units.

Apart from the reliefs and concessions I have mentioned above which all relate to the proposals made in the budget, I would also like to take this opportunity of announcing another relief, by way of total exemption from excise duty on cigars and cheroots. This industry which is mainly in the cottage sector, and highly labour intensive, has been languishing over the years, fragmenting itself and confining itself more and more to the manufacture of inferior variety of cigars and cheroots as they are not able to bear the incidence of excise duty leviable on the costlier varieties. The loss of revenue by this exemption will be about Rs seven lakhs per annum. I hope this exemption will help to revive this industry and also give a fillip to the export of quality cigars and cheroots.

Foreign Travel Tax

A number of letters have been received, including from some Hon'ble Members, about the Foreign Travel Tax. In view of the novelty of the tax in this country and the many representations received, I propose to revise the rate of the tax and now intend to make a beginning with a 15 per cent rate of tax for the standard first class and only 10 per cent rate for the economy or tourist class.

I have also taken into account various representations made that relief should be given for certain classes of passengers. Hon'ble Members will recall that even at the time of pro-

posing the tax I had announced exemption from tax in the case of students and scientists. It was also clarified in the memorandum circulated to the members at the time that in so far as students are concerned, the exemption would apply to all of them who go abroad for studies or technical courses whether foreign exchange is released for them by the Reserve Bank or they do not ask for foreign exchange but are otherwise eligible for it. I should like to amplify this by saying that this exemption would apply only to those who travel by economy class, as Hon'ble Members would appreciate that those who travel by first class are certainly in a position to pay for that luxury and can therefore afford to pay the tax also.

Case of Scientists

As for scientists, I would like to clarify that the intention is to exempt them from the tax provided they are sponsored by universities and such other institutions engaged in scientific research as may be approved by the government of India in this behalf and the purpose of the travel is for participation in an approved international conference, seminar, etc. Here too, naturally, the concession would apply only to travel by economy class. I also propose to exempt deck passengers travelling by sea for approved pilgrimages like the Haj. Employees of airlines and shipping companies have represented that as part of their service conditions they are allowed to travel free abroad once in a while. The airlines companies also give free tickets on other occasions, such as inaugural flights. I propose to exempt such free tickets only as are given to employees as part of their service conditions or for inaugural flights but here too, the concession will be confined to travel in the economy class only.

As the rules and procedural arrangements have to be finalised before this levy can come into operation, a certain time is needed for this purpose after the Bill is passed. My intention is to bring the tax into effect from the October 15, 1971.

The loss in revenue as a result of the modifications now proposed in the

travel tax are very roughly estimated to be about Rs three to four crores for this year. Taking all the concessions made since the introduction of the budget, including those in respect of Maida and coarse cloth, the net effect this year will be a loss in revenue of about Rs 15 crores. I hope Hon'ble Members would at least agree that if I had to cast the net wide in augmenting budgetary resources this year, I have been equally responsive to suggestions for modifications and reductions to remove undue hardship and give relief to the smaller manufacturers.

Mobilisation of Resources

Finally, I might refer to a matter not connected with the Finance Bill but which has a bearing on mobilisation of resources through the voluntary savings of the people. Hon'ble Members will be glad to know that the net collections under small savings were about Rs 197 crores last year, that is to say, about Rs 70 crores more than the collections in the preceding year. In view of the urgent need to step up these collections still further so as to counteract the inflationary trends in the economy and to find the much needed resources for development, it has been decided that the limits of deposits in the 7-Year National Savings Certificates (II and III Issues), taken together, should be enhanced from Rs 25,000 to Rs 50,000 for individual holdings and from Rs 50,000 to Rs 1,00,000 for joint holdings, with effect from August 1, 1971. It has also been decided that 5 Year Fixed Deposits receivable at the post offices and branches of the State Bank of India and its subsidiaries will not be received after the close of business on July 31, 1971.

To enlist the co-operation of the state governments in increasing the collections under the Public Provident Fund Scheme, it has been decided that with effect from the current year, the Public Provident Fund Scheme will form part of the Small Savings Scheme for the purpose of determining loans admissible to state governments in respect of the small savings collections. I am confident that the state governments will now take keen interest in stepping up the collections under the scheme.

Banks: Two Years After Nationalisation

ACCORDING TO a handout released by the Press Information Bureau of the government of India on the eve of the second anniversary (July 1971) of the public sector banks, there was all-round progress and sustained growth in the activities of these banks.

Deposits of the scheduled commercial banks crossed the Rs 6,000-crores mark in May 1971. On the last Friday of that month, deposits (excluding inter-bank deposits) of the scheduled banks aggregated Rs 6,079.6 crores. Over the previous year the deposits showed a rise of Rs 917.1 crores or 17.8 per cent as against Rs 660.5 crores (14.7 per cent) in the corresponding 52 weeks of 1969-70.

In the public sector banks (i.e. the State Bank of India and its seven subsidiaries and the fourteen nationalised banks) deposits went up during this period from Rs 4,327.2 crores to Rs 5,101.1 crores—an increase of Rs 773.9 crores or 17.9 per cent as against Rs 588.6 crores (15.7 per cent) in the preceding 52 weeks. This compares with an increase of Rs 541.2 crores (16.2 per cent) in the year immediately preceding nationalisation and Rs 420.2 crores (14.4 per cent) in the year before.

On May 28, 1971, deposits of the 14 nationalised banks stood at Rs

3,407.9 crores—against Rs 2,625.84 crores, at the time of nationalisation.

Small Lendings

Lending by the public sector banks to borrowers of small means showed further progress in the first nine months of the second year of nationalisation (July 1970—March 1971). The number of borrowal accounts with these banks under the heads-agriculture,

small-scale industry, road transport operators, retail trade and small business, professional and self-employed persons and education, increased from about 9.3 lakhs in June, 1970, to 11.7 lakhs at the end of March 1971. In June, 1969 (on the eve of nationalisation) the number stood roughly at 2.8 lakhs.

The amounts outstanding in these accounts have also increased from Rs 760.8 crores in June, 1970, to about Rs 897.3 crores in March, 1971—more than twice the amount in June, 1969. Advances of the public sector banks to these sectors constituted roughly 22.8 per cent of their total advances in March, 1971 as against

TABLE II

ADVANCES OF PUBLIC SECTOR BANKS TO AGRICULTURE AND OTHER NEGLECTED SECTORS

	No. of borrowal a/cs. as at the end of		
	June 1969	June 1970	March 1971*
Agriculture			
(a) Direct finance (excluding plantations)	1,71,880	6,15,952	7,95,745
(b) Indirect finance	4,756	18,846	17,700
Small-scale industry	73,987	1,21,057	1,39,390
Road transport operators	2,527	12,690	21,794
Retail trade and small business	28,037	1,25,748	1,48,389
Professional and self-employed persons	422	28,879	40,427
Education	594	4,995	6,856
Total	2,82,203	9,28,167	11,70,311

*Data are provisional

TABLE I

AGGREGATE DEPOSITS (EXCLUDING INTER-BANK DEPOSITS) OF SCHEDULED COMMERCIAL BANKS

(Rs crores)

	Aggregate deposits as on the 1st Friday of May.			Increase between		% increase between	
	1969	1970	1971	May '69 and May '70	May '70 and May '71	May '69 and May '70	May '70 and May '71
	1	2	3	4	5	6	7
SBI group	1225.4	1430.4	1693.2	205.0	262.8	16.7	18.4
14 nationalised banks	2513.2	2896.8	3407.9	383.6	511.1	15.3	17.6
Public sector banks	3738.6	4327.2	5101.1	588.6	773.9	15.7	17.9
Banks in the private sector	763.4	835.3	978.5	71.9	143.2	9.4	17.2
						(12.6)	(16.7)
E. TOTAL for all scheduled commercial banks	4502.0	5161.5	6079.6	660.5	917.1	14.7	17.8

NOTE:—Figures in brackets indicate the percentage rate of growth of the banks in the private sector worked out after adjusting for Rs 24 crores representing the deposits of Bank of Behar and National Bank of Lahore, which were amalgamated with SBI in November 1969 and February, 1970, respectively.

21.2 per cent in June, 1970 and 14.5 per cent in June, 1969. The aggregate advances of these banks were of the order of Rs 3,934 crores in March, 1971, Rs 3,591 crores in June, 1970 and Rs 3,017 crores in June, 1969. That is to say, the proportion of the advances to agriculture and other heads mentioned above in the aggregate advances of the public sector banks is now larger and that too on a bigger base.

Loans to Farmers

The increase in 'direct finance to farmers' is particularly notable. The number of farmers' borrowal accounts with the public sector banks has gone up from 1,71,880 in June, 1969, to 6,15,952 in June, 1970 and 7,95,745 in March, 1971. The amounts outstanding in these advances increased from Rs 38 crores in June, 1969 to Rs 153.4 crores in June, 1970 and about Rs 198.8 crores in March, 1971. The average size of these loans is around Rs 2,500. In some of the nationalised banks the average is as low as Rs 1,000 or even less. Further, available information indicates that farmers with holdings of not more than five acres accounted for about 50 per cent of the total number of borrowal accounts under the head 'direct finance' with the public sector banks.

Branch Expansion

The momentum gathered by the commercial banks after nationalisation in branch expansion in unbanked areas has been kept up in the second year of nationalisation. Between July 19, 1969 and April 30, 1971, 3,419 new offices were opened by the commercial banks. (This amounts to an annual post-nationalisation average of 1,900 new offices as against an annual average of 362 new offices opened during the nine years prior to nationalisation.) Of the 3,419 new offices, 2,934 were opened by the public sector banks, nearly 70 per cent of them in unbanked centres, mostly in rural areas. Rural offices now constitute a little over 36 per cent of the branch offices of the public sector banks as against 23 per cent at the time of nationalisation.

Lead Bank Scheme

Surveys under lead bank scheme made considerable progress in the year under review. Over 125 survey reports have been submitted by the lead banks in respect of districts under their charge. Another 75 reports are expected to be finalised by the end of 1971. Follow-up action on findings of the surveys has also been initiated. In fact the strategy of branch expansion for 1971 is based chiefly on surveys carried out by the lead banks to identify growth centres and areas which are urgently in need of banking faci-

lities. Meetings have been convened by the Reserve Bank on a regional basis to allocate the identified growth centres among the commercial banks. Six such meetings have been held, in Madras, Calcutta, Patna, Kanpur, Bho-

pal and New Delhi. Programmes for branch expansion drawn up so far envisage the opening of about 1,300 new offices in the course of 1971/early 1972; of these nearly 1,200 will be in unbanked centres.

TABLE III

ADVANCES OF PUBLIC SECTOR BANKS TO AGRICULTURE AND OTHER NEGLECTED SECTORS

	(Rs lakhs)		
	Amount outstanding		
	June 1969	June 1970	March 1971*
Agriculture			
(a) Direct finance (excluding plantations)	38,02.0	153,44.6	198,80.1
(b) Indirect finance	122,32.5	139,07.6	129,05.5
Small-scale industry	251,45.8	369,89.0	440,47.1
Road transport operators	6,69.0	24,73.6	3,961.7
Retail trade & small business	19,22.2	64,86.6	76,64.8
Professional and self-employed persons	33.1	6,74.9	8,92.5
Education	45.6	2,06.8	3,76.3
Total	438,50.2	760,83.1	897,28.0
Total advances by the above mentioned banks	30,16,76	35,91,14	39,34,37
Total deposits of the above mentioned banks	38,71,44	44,00,21	49,60,94

*Data are provisional.

TABLE IV

PUBLIC SECTOR BANKS' ADVANCES TO VARIOUS NEGLECTED SECTORS AS PERCENTAGE OF THEIR AGGREGATE ADVANCES

	June 1969	June 1970	March 1971*
Agriculture			
(a) Direct finance (excluding plantations)	1.26	4.27	5.05
(b) Indirect finance	4.05	3.87	3.28
Small-scale industry	8.34	10.30	11.20
Road transport operators	0.22	0.69	1.00
Retail trade & small business	0.64	1.81	1.95
Professional and self-employed persons	0.01	0.19	0.23
Education	0.02	0.06	0.10
Total	14.54	21.19	22.81

*Data are provisional.

Foreign Assistance

THE COUNTRY-WISE details of loans and grants received by the government of India i.e. value of agreements signed by the government as on 30th April, 1971.

LOANS			LOANS (Contd)		GRANTS	
S.No.	Country/source	Value of loans agreements signed as on the April 30, 1971. (Rs crores)	S. No.	Country/source	Value of loans agreements signed as on the April 30, 1971 (Rs crores)	S.No. Country/source Amount authorised (Rs crores)
A. Loans repayable directly in Foreign Currency			B. Loans repayable through Export of Goods			
1.	Austria	21.38	1.	Bulgaria	9.75	1. Australia 65.82
2.	Belgium	9.54	2.	Czechoslovakia	96.20	2. Austria 1.16
3.	Canada	284.65	3.	Hungary	12.50	3. Britain 11.13
4.	Denmark	12.00	4.	Poland	56.85	4. Canada 426.97
5.	Federal Republic of Germany	871.92	5.	USSR	1021.13	5. Czechoslovakia 0.63
6.	France	93.92	6.	Yugoslavia	28.58	6. Denmark 0.84
7.	Italy	16.68	TOTAL-B : Loans repayable through Export of Goods		1225.01	7. Federal Republic of Germany 21.82
8.	Japan	388.38	Total loans payable in Foreign Currency		791.73	8. France 1.43
9.	Netherlands	57.14	C. Loans repayable in Rupees			9. Japan 0.76
10.	Norway	1.58	1.	Denmark	1.50	10. Netherlands 1.42
11.	Sweden	35.96	2.	USA :		11. Norway 11.56
12.	Switzerland	36.02	(i) Other than PL 480 Rupee Loans	445.59	12. Sweden 8.75	
13.	UK	858.69	(ii) PL 480 Rupee Loans	1537.82	13. USSR 10.15	
14.	United States of America	2524.58	TOTAL-C : Loans Repayable in Rs		1984.91	14. USA *724.70
15.	Kuwait	46.15	Grand Total (A+B+C)		9902.22	15. Ford Foundation 37.15
16.	Bahrain	10.60				TOTAL 1324.29
17.	Qatar	12.88				
18.	IBRD	439.67				
19.	IDA	970.56				
TOTAL—A: Loans repayable directly in foreign currency		6692.30				
*Includes rupee grants from the counterparts rupees generated by aid for food and other agricultural commodities—Rs 372.1 crores. Source : Lok Sabha, (unstarred question No. 1931)						

*Includes rupee grants from the counterpart rupees generated by aid for food and other agricultural commodities—Rs 372.1 crores.

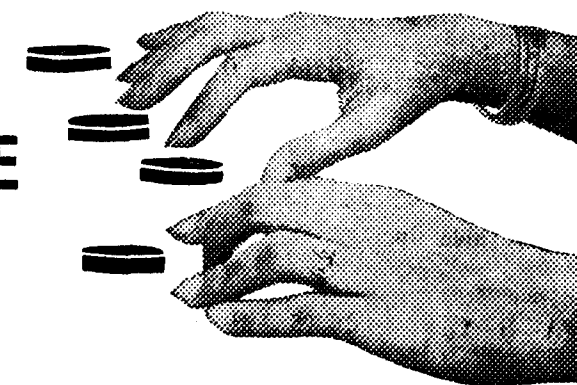
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(Rs crores)

S.No.	Country/source	Upto May, 1971		From June 1971- to March, 1972		1972-73		1973-74		1974-75	
		Prin- cipal	Inter- est	Prin- cipal	Inter- est	Prin- cipal	Inter- est	Prin- cipal	Inter- est	Prin- cipal	Inter- est
A. Loans repayable directly in Foreign Currency											
1.	Austria	—	—	1.44	0.49	1.60	0.48	1.60	0.43	1.70	0.38
2.	Belgium	—	—	—	0.18	0.19	0.20	0.19	0.23	0.29	0.23
3.	Canada	0.09	0.05	1.38	3.28	3.73	3.43	3.73	3.14	3.73	2.82
4.	Denmark	—	—	0.20	—	0.20	—	0.20	—	0.20	—
5.	Federal Republic of Ger- many	—	—	31.02	19.95	32.90	19.98	38.17	17.89	37.37	15.97
6.	Italy	—	0.08	0.12	0.11	0.12	0.30	0.58	0.39	0.88	0.37
7.	France	0.09	0.21	1.89	1.72	3.63	2.69	4.89	3.58	6.08	3.85
8.	Japan	—	—	22.26	15.34	28.05	17.54	31.22	17.01	33.35	15.95
9.	Netherlands	0.71	—	—	1.35	0.85	1.35	1.21	1.45	1.21	1.55
10.	Norway	—	—	—	—	—	—	—	—	—	—
11.	Sweden	—	—	—	0.19	—	0.42	—	0.54	0.11	0.68
12.	Switzerland	0.37	—	2.34	1.47	2.73	1.49	2.78	1.51	2.64	1.52
13.	UK	7.77	6.62	12.70	11.12	21.20	19.74	23.87	18.63	24.82	17.46
14.	United States of America	0.59	1.55	27.43	29.72	35.85	32.58	38.59	32.38	39.72	31.35
15.	Kuwait	—	—	4.34	0.26	1.08	0.05	—	—	—	—
16.	Bahrain	—	—	0.71	0.17	0.71	0.13	0.71	0.10	0.71	0.07
17.	Qatar	—	—	0.94	0.41	0.94	0.36	0.94	0.31	0.94	0.26
18.	IBRD	1.30	1.75	21.73	13.42	21.10	14.39	18.18	13.59	19.23	12.67
19.	IDA	—	0.75	0.49	5.41	1.16	6.71	2.12	6.99	3.13	7.13
TOTAL-A—Loans Repayable di- rectly in Foreign Currency		10.92	11.01	128.99	104.59	156.04	121.84	168.98	118.17	176.11	112.26
B. Loans repayable through Ex- port of Goods											
1.	Bulgaria	—	—	—	—	Neg.	Neg.	Neg.	Neg.	0.01	Neg.
2.	Czechoslovakia	0.71	—	7.05	1.31	7.65	1.11	7.76	0.92	7.13	0.74
3.	Hungary	—	—	—	—	Neg.	Neg.	Neg.	Neg.	0.01	Neg.
4.	Poland	—	—	2.75	0.59	3.13	0.56	3.73	0.47	3.28	0.39
5.	USSR	—	—	31.40	9.46	50.27	9.20	48.60	8.17	48.76	7.11
6.	Yugoslavia	0.35	—	3.32	0.46	2.69	0.39	1.99	0.31	1.77	0.25
TOTAL-B—Loans repayable through Export of Goods		1.06	—	44.52	11.82	63.74	11.26	62.08	9.87	60.96	8.49
Total Loans repayable in Foreign Currency		11.98	11.01	173.51	116.41	219.78	133.10	231.06	128.04	237.07	120.75
C. Loans repayable in rupees											
1.	Denmark	0.14	0.05	0.14	0.05	0.28	0.09	0.28	0.07	0.28	0.06
2.	USA :										
	(i) other than PL 480 rupee loan	2.89	1.13	18.12	8.99	20.63	9.41	21.15	8.54	18.76	7.68
	(ii) PL 480 rupee loans	1.24	6.81	4.12	27.79	6.48	34.40	7.60	34.20	8.77	33.94
TOTAL-C—Loans repayable in rupees		4.27	7.99	22.38	36.83	27.39	43.90	29.03	42.31	27.81	41.68
GRAND TOTAL (A+B+C)		16.25	19.00	195.89	153.24	247.17	177.00	260.09	170.85	264.88	162.43

Source : Lok Sabha, (Unstarred question No. 1931 for July 11, 1971).

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Not As Good As Gold	323
Whither Nationalised Banks?	324
Andhra's Deficit Budget	325
Production Function for Major Industries—B.K. Sinha, S.N. Ghosh and A. Lahiri	327
FROM THE PRESS GALLERY	335
Indo-Soviet Security Treaty Hailed	337
WINDOW ON THE WORLD	339
Nixon on the Dollar	340
THE MOVING FINGER WRITES	343
TRADE WINDS	348
Indo-Nepal Trade Treaty; Canadian Loan for Kandla; Foreign Assistance; Trade with Romania; Soybean Oil for Vanaspati; Leather Development Council; Output of Foodgrains; Fertilisers Pool; Taxation Laws Amendment; Water Supply; Fertiliser Distribution; Matchwel Electricals; Hoechst Donation; Carbon Black Project, Names in the News	343
COMPANY AFFAIRS	348
Tata Power Companies; Modipon; Indian Iron; UCO Bank; Macneil and Barry; State Bank of Mysore; Premier Automobiles; American Express; Licences and Letters of Intent	348
BALANCE SHEET	359
United Commercial Bank	367
BOOKS BRIEFLY	367
Politics in Soviet Economics; Company Law; Books Received	367
RECORDS AND STATISTICS	367
Treaty of Peace; Indo-Soviet Joint Statement; The Taxation Laws (Amendment) Bill, 1971	367

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NOT AS GOOD AS GOLD

MR RICHARD NIXON seems fated to preside over the liquidation of many fondly cherished American superstitions, political or economic. Not long ago Washington at last felt compelled to recognise the fact that the capital of the country called China was a city named Peking on the Asian mainland and not a town known as Taipeh on an island in the Pacific. Earlier this week the Whitehouse chose to concede that the Almighty Dollar was not all that mighty and announced a series of measures to check the erosion of its value at home or abroad.

Although, as late as on August 8, the US Treasury had haughtily dismissed the report of a congressional sub-committee calling for the dollar to be devalued, it has been apparent for some time now that the Nixon administration is properly worried over the surplus of suspect dollars in the world's exchanges. With even the overseas trade balance as distinct from the overall balance of payments turning adverse for the first time in many years, the US government is being forced to recognise the fact that West European central banks cannot be expected to underwrite much longer or without question the role of the US dollar as a reserve currency. As a matter of fact, the dollar has been at an appreciable discount against a number of national currencies for quite some time despite the fact that the two-tier gold price scheme has been working better than was generally expected. There has recently been a flurry of buying of gold in Europe of an order sufficient to call for a review of international monetary system when the IMF holds its next annual meeting come September.

In the circumstances, Mr Nixon's advisers have evidently counselled him that a policy of masterly inactivity could be less than adequate for coping with the pressures on the dollar. All the same, it is open to doubt that President Nixon would have acted in a manner that must necessarily detract from the majesty of the dollar had the external factors working against the US currency not been reinforced by certain compulsions acting on the domestic economy itself. With unemployment mounting in the context of stubborn inflationary trends in prices, the President has had to do something to make it less easy for troublesome foreigners, such as Japanese or the Germans, to sell increasing quantities of their goods in the US market at the expense of American industry. Hence a levy of a surcharge of ten per cent on most imports. This has been described in some quarters as a virtual devaluation of the dollar, but this would be too sweeping an interpretation. A more appropriate way of looking at the surcharge would be to view it as an act of protectionism on the part of a country which has had to reckon the hard reality that some of its important trading partners, while being protectionists themselves, have been aggressively pushing their wares into the US market taking advantage of the relatively more liberal commercial policies of Washington.

The surcharge on imports however is not the most significant component of the package of measures which President Nixon has put together for strengthening the dollar at home or abroad. This distinction must go to his decision to suspend the 37-year-old US commitment to exchange dollars into gold at the official price of \$35 to the ounce. It is true that the two-tier pricing system for gold had already robbed this undertaking of some of its pristine prestige. Even so that the US President should have had to admit by implication that at least for the time being the US gold reserves are not sufficient or secure enough for the US government to honour its obligation to ensure the convertibility of the dollars held by the central banks of other countries cannot but be a rude blow to the self-esteem of the American economy as the world's dominant economic system. For the time being at any rate, the US dollar has ceased to be as good as gold and the US government's insistence that the official parity of the dollar at \$35 to the ounce must continue to remain the monetary price of the yellow metal has lost seriously in credibility. The 64,000-dollar question now is whether the US suspension of dollar convertibility would be effective enough to persuade certain West European governments, notably the government of West Germany and the government of Japan, to devalue their respective currencies, instead of deciding to sit out the current difficulties or uncertainties in the hope that the US will soon find cornered into devaluing the dollar. An indication of the attitudes of the concerned central banks will become available soon enough through their deciding or not deciding to support the American currency by adding to their holdings of dollars more of this money at the official rate. The more basic issue of a thorough going realignment of the par values of the national currencies so that the Bretton Woods scheme may be preserved and world monetary liquidity and the expansion

of international trade promoted in the spirit of Bretton Woods is a matter which will have to be thrashed out in discussions which must necessarily precede the forthcoming annual session of the IMF.

A rather interesting item of the Nixon package of economic measures is the ordering of a 90 day blanket freeze on wages and prices. (He has also called upon American corporations to freeze dividends.) It is no doubt too soon to conclude that the Nixon administration has been converted to faith in an incomes policy. But it does seem to be the case that, so far as the contending schools of economic doctrine in the US are concerned, the monetarists have suffered a setback, although it is clearly too early to conclude that the neo-Keynesians have come into their own. Quite possibly all that has happened is that adversity has made strange bed-fellows, with Mr Richard Nixon playing economic interventionist so as to gladden the heart of Mr John Kenneth Galbraith.

Finally, tears may be shed in many lands over the announcement that the United States would cut its aid outflow by ten per cent. It is possible that this is Washington's way of telling other affluent capitals of the world that they

start bearing more of the burden of global development assistance than they have been doing so far. Politicians or officials in the government of India or others in our country may try to put a bold face on it, but the hard truth is that both New Delhi's budgetary position and the larger national economy of our country are bound to experience added strains as a result of a reduction in aid dollars as well as difficulties which the US import surcharge may cause for some of our exports. Fortunately, the adverse impact on our export trade with the US

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may be less serious than may be feared. Fortunately our export trade in jute goods appears to be in a position to adjust itself to the impost at least for the present. In terms of a more general perspective, any development which suggests or may lead to a crisis of confidence in international monetary or trade relations is bound to have a far reaching impact on the volume or flow of world trade and therefore the fortunes of national economies depending on that commerce in varying degrees.

Whither Nationalised Banks?

THE NATIONALISATION of 14 leading banks two years ago had caused alarm in certain sections in this country not only because of the fear that the hard-earned savings of the people with the banks would be made use of in injudicious ways but also because of a belief that the banks would cease to be efficient both in regard to service and profitability. The performance of these banks after take-over by the state has shown that the fears of the people were not unfounded as costs have been allowed to rise disproportionately partly under the pressure of labour unions whose demands for increased wages and bonus continue to multiply and partly because of a mad rush to open new branches irrespective of their utility. And now there is a sharp decline in the quality of service doled out to the clients.

The net profits (after paying bonus) of the 14 banks fell from Rs 6.28 crores in 1968 to Rs 5.98 crores in 1969 but staged a mild recovery to Rs 6.90 crores in 1970. In relation to working funds, the profitability of the banks indicated a discouraging trend. In the two years under review while the working funds rose by 36 per cent from Rs 2,960 crores in 1968 to Rs 4,028 crores in 1970, the net profits rose by less than 10 per cent. The chief reason for reduced profitability was the steep rise in the

wage bill including bonus. The payment on account of bonus rose sharply from Rs 2.19 crores in 1968 to Rs 6.44 crores in 1970 both because of the rise in the number of employees and the quantum of bonus paid to each employee. Similar was the case with the bill of wages, allowances and provident fund which rose by about 38 per cent from Rs 67.42 crores in 1968 to Rs 93.45 crores in 1970. The working operations of these banks were thus far from being satisfactory.

The service to clients by the nationalised banks has deteriorated markedly during the past two years. The loudest to complaint in this regard is one of the priority sectors, namely, small-scale industry. Mr B. Kejriwal, President, Faridabad Industries Association, is reported to have said recently at Faridabad that the management and staff of banks had become callous. They were indifferent and unsympathetic to the problems of small entrepreneurs. In Faridabad branches of nationalised banks, according to Mr Kejriwal, no paper moved unless the officers were bribed. The small-scale industrialists were the worst sufferers as they did not have the capacity to pay illegal gratification. That there was corruption at the branch level was not denied by the Finance Minister, Mr Y. B. Chavan, when the working of the nationalised

banks was criticised severely by many a member in the Lok Sabha on August 11. All that Mr Chavan said was that the requisite machinery for vigilance had been instituted and several cases had been handed over to the CBI for investigation.

There is no doubt, however, that agriculturists, small-scale entrepreneurs, exporters, transport operators and self-employed persons such as engineers have received substantial assistance from the nationalised banks. Between July 1969 and March 1971, the total additional deposits of the 14 nationalised banks were Rs 699 crores. The statutory obligation of maintaining liquidity reserve at 30 per cent siphoned off Rs 231 crores leaving Rs 468 crores for advancing credit to different sections of the economy. The banks advanced Rs 290 crores—about 62 per cent—to the above-mentioned sectors. If the State Bank of India and its subsidiaries were also included in this exercise, the credit advanced to these sectors was as high as Rs 459 crores. While the quantum of credit advanced to the so-called neglected sectors of the economy during the period under reference is not small, what matters is quality about which complaints are increasing day after day. Many of the recipients of credit deem it prudent to keep quiet about the shocking behaviour of the bank staff but very soon more and more persons like Mr B. Kejriwal will feel courageous enough to speak out their mind. The new re-organised boards of the banks have failed to evolve a machinery to check the high-handed behaviour of the staff and the fear of referring the complaints of the public to the CBI has had no effect on the bank workers as well as branch managers.

A recent release by the Press Information Bureau regarding the progress of the nationalised banks during the past two years takes great pride in the fast expansion of branches of banks. It is stated that between July 19, 1969 and April 30, 1971, 3,419 new offices were opened by the commercial banks. The new offices opened by the public sector banks were as many as 2,934 and 70 per cent of these were in unbanked rural areas. No effort has however been made to work out the cost-benefit ratio of each one of these offices as it is known that most of them are a drag on the working of the banks.

It should not be forgotten that before nationalisation of the 14 leading banks, the State Bank of India had worked out a plan for opening up rural branches but for each such office it received financial assistance from the Reserve Bank of India. It had been conceded by the Ministry of Finance and the Reserve Bank of India

that rural offices of the State Bank of India were a burden on the working of the bank and without special assistance, even a nationalised bank would not dare undertake the costly luxury of opening branch offices in unbanked rural areas. The 14 nationalised banks have now been forced to undertake the expensive exercise of having rural branches where the volume of banking business is not worth the expenditure involved. All that this policy of indiscriminate branch expansion has done is to add to the expenditure of the banks and give a talking point to Mr Y. B. Chavan; the cost to the nation is indeed stupendous.

The nationalised banks have had the benefit of the so-called advice of the mini-boards of directors which were constituted in a hurry and were manned in many cases by persons who had no experience in this specialised field. In fact, many custodians found some of the new directors so ignorant about banking principles that they had to turn down politely some of the grotesque suggestions made by them. The proposal to provide for full-fledged boards of directors to these banks has made little progress so far because of

Andhra's Deficit Budget

AFTER THE disastrous experience of 1970-71, the Finance Minister of Andhra Pradesh, Mr K. Vijaya Baskara Reddi, has made an attempt to formulate the budget estimates for 1971-72 on a realistic basis and achieved nearly overall balance even after meeting an increased Plan outlay and a higher level of revenue expenditure. The improved performance in the current financial year has been made possible by a sizable increase in revenue receipts to Rs 319.65 crores due to the scrapping of prohibition and larger receipts under various heads. There will actually be a surplus of Rs 13.78 crores on revenue account against a deficit of Rs 12.02 crores in the revised estimates for 1970-71. However, with an increase in the Plan outlay to Rs 105.08 crores from Rs 86.68 crores in the previous year, there will be a deficit of Rs 23.37 crores in the capital budget. Even after taking advantage of the surplus on revenue account, there will be an overall deficit of Rs 9.59 crores. The financial position of the state government, however, is not comfortable as there was a minus opening cash balance of Rs 47.34 crores taking the total cumulative deficit to Rs 56.93 crores.

Mr Vijaya Baskara Reddi however has not made any attempt to wipe out the earlier deficits as this was

the difficulty of choosing the workers' directors from the representatives of various labour unions. Even after this problem is sorted out—though there are few hopeful signs—the heterogeneous character of the new boards of directors is likely to be of little help in implementing the policies chalked out by the Ministry of Finance and the Reserve Bank of India.

The nationalised banks are virtually being forced to disburse credit to small borrowers without regard to their credit-worthiness or even the credit worthiness of their proposals. The bankers who have always deemed it their religious duty to take all possible measures to safeguard the deposits of the people, are finding it hard to swallow the new guidelines which are currently being provided to them. The government has however set up a special corporation to provide guarantee cover to small loans which is expected to remove the "justifiable apprehensions" of the traditional bankers but it is hard to visualise the fate of such a corporation. Indiscriminate lending to small borrowers without taking the necessary precautions may lead to the bankruptcy of the corporation.

largely the result of lower revenue receipts in 1970-71 and the incurring of Plan expenditure for a sizable amount in the expectation that the required central assistance would be forthcoming. As this expectation did not materialise the overall deficit proved to be as much as Rs 37.34 crores even with an opening surplus cash balance of Rs 83 lakhs. As the wiping out of this huge deficit will call for a

stupendous effort, Mr Reddi has thought it advisable to correct only the current budgetary position and repay the debts incurred in connection with Plan expenditure in the previous year over a period.

Even in regard to the current year, no new taxes have been proposed now as some measures have already been adopted for securing additional revenues and some others are under consideration. The increase in the motor vehicles tax on contract carriages and the levy of a surcharge on motor vehicles tax in respect of fleet-owners will together yield a fresh revenue of Rs 1.30 crores. A bill is already before the legislature seeking to empower the state government to levy stamp duties on the basis of market values of property irrespective of whatever values that might have been mentioned in the documents. This will yield a revenue of Rs 1.50 crores. There is besides, a proposal for rationalising the sales tax structure on the basis of the recommendations of the National Council of Applied Economic Research which was asked to review the tax structure with a view to eliminating anomalies and expanding the scope for additional revenues. It is also estimated that an extra amount of three crores of rupees will be available from the central government as the state's share of additional excise duties on tobacco, textiles and sugar. It will, therefore, be seen that the budgetary gap of Rs 9.59 crores will be easily bridged.

An effort could, however, have been made to impose additional taxation on farm incomes as it is unlikely that there will be a faster growth of revenues in the coming years without a large industrial base. There will, of course, be a bigger income from sales tax and excise

Eastern Economist 25 Years Ago

AUGUST 23, 1946

It is commonly known that our reserves of high grade coal are none too abundant and despite this, we have been using a very large quantity of this high grade coal in the most wasteful manner imaginable, namely, burning it in railway engines to raise steam. Of the heat energy created by coal in the locomotive only about 4 per cent is used up in the generation of steam, while the remaining 96 per cent runs to waste. This is in addition to the loss of the various by products of coal such as benzene, naphtha, hydrogen and so on which we are put to waste due to the burning of coal in the locomotives. A way out of this wastage was suggested by Sir Padamji P. Ginwala who, in a memorandum last year, made out a

strong prima facie case for thermal electrification of certain sections of railways within a radius of 150 or 200 miles from the coal fields in Bengal and Bihar. By utilizing the inferior grades of coal, which cannot bear the cost of transport to other areas, at the source we could effect an economy of nearly 2 or 2½ million tons of coking coal and 4 to 4½ million tons of good steam or gas coal per annum. The National Planning Committee's Sub-Committee on Power and Fuel has also come to the same conclusion as Sir Ginwala. It has recommended the electrification of railways as far as possible in order to conserve the very limited coal resources.

duties if there was heavier expenditure by the agricultural income groups on consumer and durable goods and on liquor. The advantage arising out of this possibility, however, is not clearly determinable. Besides, it should be stated that the effort made by the state government is not adequate if it is pointed out that the Tamil Nadu government has raised steeply the rates of agricultural income tax, while sales tax rates are much higher in its region than in Andhra Pradesh. The latter government has also the disadvantage of much of its expenditure on Plan schemes yielding tangible results only over a period. Even here, the outlay on the Nagarjunasagar and Pochampad projects and connected irrigation facilities will be reflected mainly in larger agricultural production and a strengthening of the agricultural economy. While these will be reflected in a higher standard of living of the regional population, it will be a long time before the interest charges on these projects can be fully recovered by the state government. It is not known whether the charges for irrigation facilities and the levy of betterment fees will be formulated in such a way that the interest charges on the concerned projects can be fully recovered and it would also be possible to recover the expenditure over a period.

The state government should, therefore, take note of the peculiar character of its budgetary position and adjust its finances in a manner that rising interest charges on new schemes do not have a complicating effect if they could not be fully recovered in the shape of water rates, betterment fees or electricity charges and duties.

The central government too should help this state with special assistance as it has the compulsion to spend its resources on a determined basis, it being necessary to allocate separately resources for Telengana, Rayalaseema and coastal Andhra Pradesh. There has thus to be a rescheduling of repayment of debts relating to the Nagarjunasagar, Pochampad, Srisaillam and other projects which have long gestation periods. The state is seriously handicapped on account of the earlier concentration on the execution of the Nagarjunasagar and other schemes. Even now large amounts have to be spent on the excavation of canals and the creation of distribution facilities. Only if the work in this regard was speedily completed, the outlay on the main projects would be fully worthwhile.

A sum of Rs 20 crores will be spent in 1971-72 for the canal systems of the Nagarjunasagar and Pochampad projects. The Krishna-Godavari drain-

age scheme has to be implemented with the levy of a cess and a loan from the Life Insurance Corporation. There are also other new irrigation projects in their early stages which may require heavy expenditure over a period.

Apart from irrigation projects which will absorb over Rs 22 crores in 1971-72, power projects have been allotted Rs 42 crores against Rs 36 crores in 1970-71. The Kothagudem extension scheme alone will require Rs 12 crores and the Lower Sileru Project Rs 6 crores. The pace of work on the Srisaillam project will also be expedited but it is still feared that there will be a big gap between demand and availability of electricity and it would be necessary to

purchase large blocks of power from Mysore and Tamil Nadu. It has actually been demanded that Andhra Pradesh should have a share of the power generated by the central projects at Neyveli and Kalpakkam in Tamil Nadu. It has however been indicated that only a portion of the power generated by the second unit of the Kalpakkam atomic power station will be available for Andhra Pradesh and Mysore. The problems of Andhra Pradesh, as stated above, are therefore peculiar in character. Unless there was a proper appreciation of the need for mobilising additional resources and an intelligent re-scheduling of debt repayments, the fourth five-year Plan cannot be implemented on the desired lines.

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Production Function for Major Industries

B. K. SINHA, S. N. GHOSH & A. LAHIRI

No study appears to have been made in India on econometric determination of a production function for any industry based either on time series or cross-sectional data. Many studies on these lines have been made in the USA, the UK, Australia and Canada. These studies aim at establishing a technical relation between output on one hand and various combinations of labour and capital on the other with the object of measuring elasticity of marginal productivity of labour and capital. In other words, it seeks to discover the effect of change in labour and capital on production.

Effect of Plans

An attempt has been made here to obtain production functions for major Indian manufacturing industries for the years 1951, 1956, 1961 and 1965 and study whether there has been any change in the pattern of production functions with the passage of time. These years have been carefully selected so as to see whether five-year Plans have something to do with the changes in production function.

Nineteen major industries have been included for the study. Cross-section data on labour, capital and production over the periods have been collected from the "Census of Indian Manufacturers" and "Annual Survey of Industries"—both publications of the Central Statistical Organisation.

Production function is the name given to the relationship between the output of product and input of productive factors. There are in essence only two productive factors—the services of human being, or labour, and the services of natural resources, or land. But it has been long recognized by economic theorists that there is a third productive factor capital which also contributes to production. It is difficult to

say which one is more important since each is indispensable to the other. Of the three, however, labour has through the history of capitalism been able to command a preponderant share of the total income from production, and in this sense at least the "more important" of the three basic factors.

Productive Inputs

For the present study we have selected labour and capital as the inputs of productive services. The amount of productive services necessary to produce a unit of product is called the technical coefficient of production of that service. When these coefficients are evaluated independently and the sum of coefficients add up to unity, we say that the technical relation is under 'constant returns to scale', and the

productive factors considered are the only ingredients determining the production.

In each of the years under study each manufacturing industry has been treated as an observation with its respective quantities of labour, capital and production. These terms have been defined as follows:

Labour (L)=total number of persons employed;

Capital (C)=total productive capital of the industry;

Product (P)=value added by manufacture, i.e. value of output minus value of input.

The data under the above heads are depicted in Tables III to VI.

The mathematical model employed is the usual one employed in all studies of production function and introduced by Cobb & Douglas:

$$P^{\alpha} L^{\alpha} C^{\beta}$$

i.e., $P=KL^{\alpha}C^{\beta}$, where K is a constant(1)

The above equation can be re-written as a linear one by using the logarithm

TABLE I
VALUES OF THE CO-EFFICIENT EXPONENTS OF PRODUCTION FUNCTIONS

Year	No. of industries	K	α	$\partial \alpha$	β	$\partial \beta$	$\alpha + \beta$
1951	19	0.63	0.29	0.23	0.71	0.25	1.00
1956	19	0.85	0.25	0.16	0.71	0.17	0.96
1961	19	0.86	0.39	0.12	0.51	0.12	0.90
1965	19	2.03	0.32	0.19	0.55	0.18	0.87

TABLE II
DEVIATION OF ACTUAL PRODUCT P FROM PRODUCT P' COMPUTED UNDER THE FORMULA

Year	Percentage of deviations from AA'	
	within $\pm 1s$	within $\pm 2s$
1951	79	95
1956	63	100
1961	68	95
1965	95	100

mic values of the variables. The equation then becomes:

$$\log P = \log K + \alpha \log L + \beta \log C \quad (2)$$

Equation (2) can be best fitted by the method of least squares and the values of constants are obtained.

As well be seen here the exponents α and β are the elasticities of output (technical co-efficients of production) with respect to labour and capital. Elasticity of output (P) with respect to labour (L) and capital (C) is defined respectively as,

$$\frac{\partial P}{\partial L} \cdot \frac{L}{P} \dots \dots (3)$$

$$\frac{\partial P}{\partial C} \cdot \frac{C}{P} \dots \dots (4)$$

From equation (1) by taking partial differentiation we obtain,

$$\frac{\partial P}{\partial L} = KC^\beta \cdot \alpha L^{\alpha-1} \dots (5)$$

$$\frac{\partial P}{\partial C} = KL^\alpha \cdot \beta C^{\beta-1} \dots (6)$$

Combining equation (1) with (5) and (6) we get, respectively,

$$\frac{\partial P}{\partial L} \cdot \frac{L}{P} = \alpha$$

$$\text{and } \frac{\partial P}{\partial C} \cdot \frac{C}{P} = \beta$$

Values of constants of equation (1) have been evaluated by the methods of least squares and the relationship between Product, Labour and Capital obtained are:

$$P = 0.63 L^{0.29} C^{0.71} \text{ for 1951}$$

$$P = 0.85 L^{0.25} C^{0.71} \text{ for 1956}$$

$$P = 1.86 L^{0.39} C^{0.51} \text{ for 1961}$$

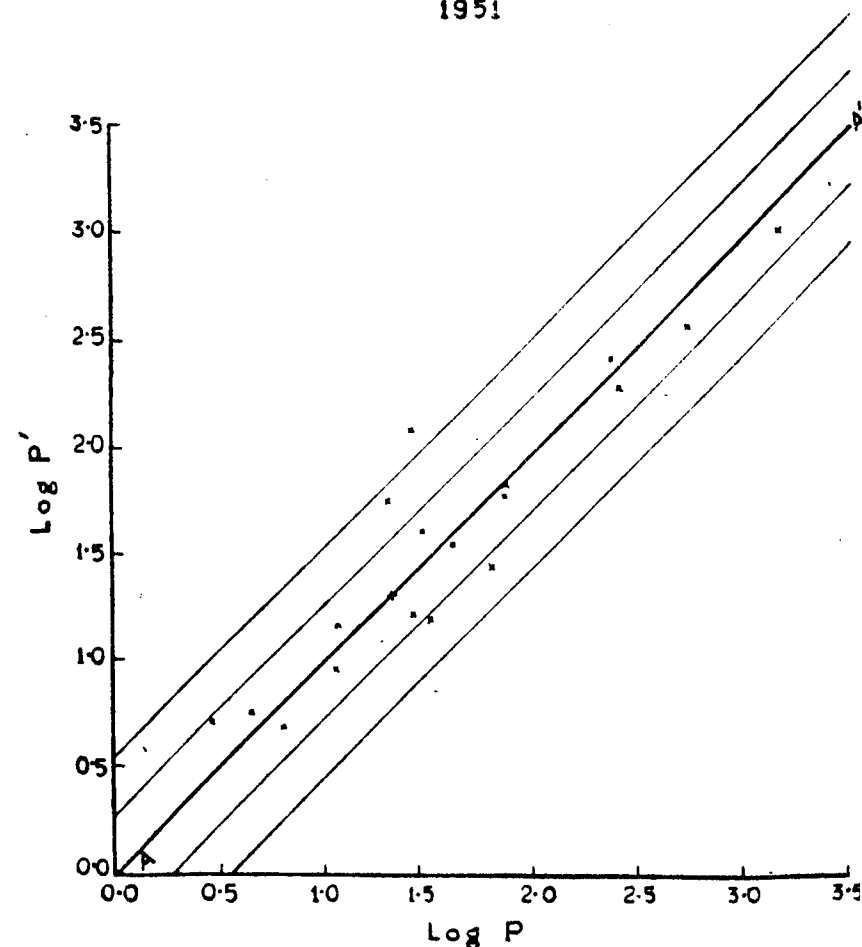
$$P = 2.03 L^{0.32} C^{0.55} \text{ for 1965}$$

The above relations suggest that in 1951 and 1956 for an increase of capital by one per cent, labour remaining unchanged, the corresponding increase in product was about 0.71 per cent. Again, in the same period 1951 and 1956, for one per cent increase of labour, capital remaining unchanged, there was about 0.29 per cent increase in the product in 1951 and about 0.25 per cent increase in 1956. In 1961 and

TABLE III
BASIC DATA FOR DEDUCING PRODUCTION FUNCTION : 1951

Name of industry	Total number of persons employed (thousands)	Total productive capital employed (Rs million)	Value added by manufacture (Rs million)
1. Flour Mills	5.5	41.3	11.1
2. Rice Mills	43.3	121.3	19.0
3. Sugar	120.0	709.0	229.3
4. Edible Hydrogenated Oils (Vanaspati)	8.4	152.0	28.8
5. Edible Oils (other than Hydrogenated Oils)	47.7	330.7	24.1
6. Starch	2.8	11.7	2.9
7. Cement	21.6	209.2	72.4
8. Cotton Textiles	660.5	2322.4	1437.9
9. Woollen Textiles	14.4	95.9	41.1
10. Jute Textiles	287.4	778.0	533.5
11. Paper & Paper-board	21.6	170.7	70.2
12. Sewing Machine	2.5	11.7	6.2
13. Electric Fans	5.3	21.1	10.8
14. Electric Lamps	1.7	17.8	4.3
15. Paints and Varnishes	5.3	49.7	26.0
16. Soaps	6.3	96.2	58.2
17. Glass & Glassware	22.0	39.1	20.5
18. Matches	12.2	31.7	31.1
19. Iron & Steel	79.0	563.8	265.1

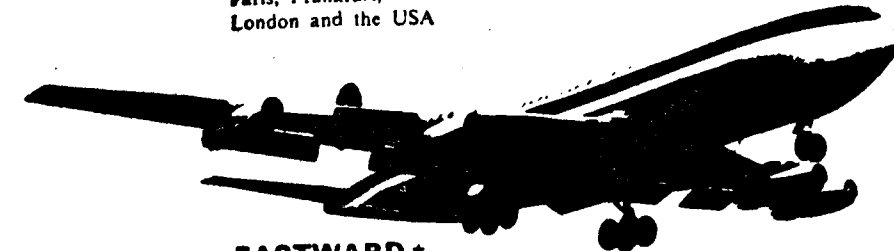
THEORETICAL & OBSERVED VALUES OF LOG P FOR 1951



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1965 the exponent of capital came down and that of labour went up slightly. Thus elasticity of marginal productivity of labour went up and that of capital came down after 1956. In the United States where capital per worker is appreciably greater, the exponent of capital has a lower value than that of labour. It is not unlikely that in India where capital per worker is comparatively lower the exponent of capital has a higher value. However, rise in the exponent of labour has correspondingly brought down the exponent of capital, thus suggesting an increase in capital investment per worker.

The value of exponents of labour and capital viz. α and β along with their respective values of errors have been shown in Table I. (p. 327)

The sum of the exponents is unity in 1951 and near unity in 1956, but it steadily came down to 0.90 in 1961 and 0.87 in 1965 warranting statistical test to see whether the basic assumption of linear homogeneity of the function held or not. This was done by determining the exponents for two years (1961 and 1965) under the restriction $\alpha + \beta = 1$, and thus determining only one of the exponents independently. Then the sum of squares of residuals for both fits was compared by F test. The F test suggested that the value of the sum of the exponents in 1961 and 1965 were not significantly different from one at one per cent level of significance, but when considered at five per cent level the value of the sum of exponents for 1965 became significant. Thus, it may be concluded that up to 1961 the basic assumption of linear homogeneity of the production function was in essence valid and we had constant return to scale since coefficients α and β were determined independently. For any change in the productive factors, therefore, there would be proportional change in the product.

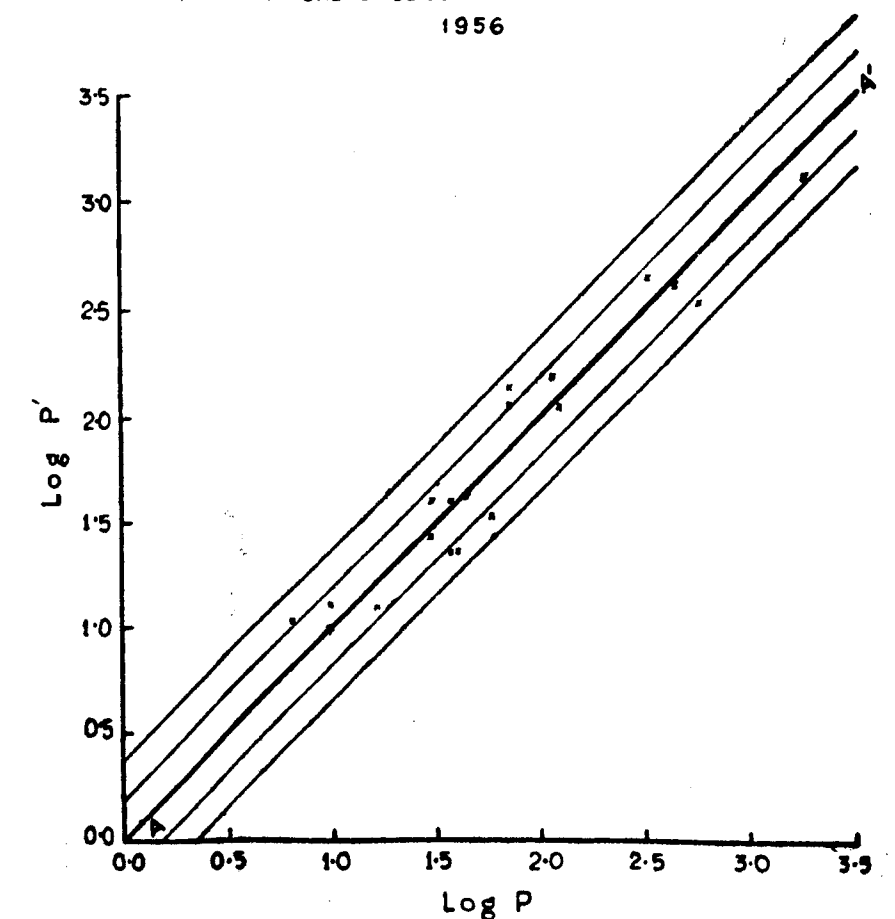
In 1965, however, some change was observed and the production function was not fully described by capital and labour alone. Some other factors possibly of qualitative nature e.g., quality of management, entrepreneur-

TABLE IV

BASIC DATA FOR DEDUCING PRODUCTION FUNCTION : 1956

Name of industry	Total number of persons employed (thousands)	Total productive capital employed (Rs million)	Value added by manufacture (Rs million)
1. Flour Mills	7.4	62.6	28.8
2. Rice Mills	67.5	225.9	69.1
3. Sugar	134.7	1138.7	306.3
4. Edible Hydrogenated Oils (Vanaspati)	8.1	115.6	42.4
5. Edible Oils (other than by hydrogenated oils)	51.0	318.7	67.9
6. Starch	1.9	26.8	6.2
7. Cement	26.2	467.3	109.2
8. Cotton Textiles	782.4	2854.6	1727.0
9. Woollen Textiles	15.4	84.7	35.9
10. Jute Textiles	273.7	833.5	414.1
11. Paper & Paper-boards	29.9	292.8	112.8
12. Sewing Machine	4.6	24.4	15.8
13. Electric Fans	4.5	27.4	9.4
14. Electric Lamps	2.6	21.3	9.4
15. Paints & Varnishes	6.3	53.5	35.7
16. Soaps	5.9	92.8	57.5
17. Glass & Glassware	25.3	74.2	29.1
18. Matches	16.5	37.9	38.1
19. Iron & Steel	88.0	940.2	551.1

THEORETICAL & OBSERVED VALUES OF LOG P FOR 1956



ship, skill of labour, labour relation etc. might have affected this likely change.

It may further be observed from the above tale that the co-efficient 'K' registered a gradual increase over the years. It was 2.03 in 1965 as against 1.86 in 1961, 0.85 in 1956 and 0.63 in 1951. A rise in the value of this co-efficient suggests an increase in product with the same input of labour and capital. It may be inferred, therefore, that over the years the manufacturing processes have undergone significant changes and thus Indian industries as a whole have registered an improvement in manufacturing techniques.

The theoretical values of log P (say log P') have been computed by the formula and values of log P' have been plotted against log P. This has been done for all the four years in four separate graphs. A scatter is obtained around the line $\hat{A}\hat{A}'$ which is at an angle of 45° to the X-axis such that the observations would fall on the line in case of perfect correspondence between theoretical and actual values. To measure scatter more precisely two sets of bands have been laid out on the graph—the first at a distance of $\pm$ one standard error of estimate(s) and the second band at a distance of $\pm$ two standard errors of estimate from the line of expected relationship $\hat{A}\hat{A}'$.

Some differences between actual and theoretical values of P (as expected by formula) may result from either of the following reasons: (i) errors of measurement, (ii) difference in the technical effectiveness of labour and capital in some industries, (iii) factor other than the quantities L and C influencing P, and (iv) other unassignable causes. If the above cited causes are random in nature, then the values of exponents of labour and capital are the main determinants of the end result 'Product'. Under this situation it is expected that 95 per cent of the theoretical values furnished by production function would lie within ± 2 standard errors of estimate(s). Table II (p. 327) shows percentage of observations lying within $\pm 1s$ and $\pm 2s$.

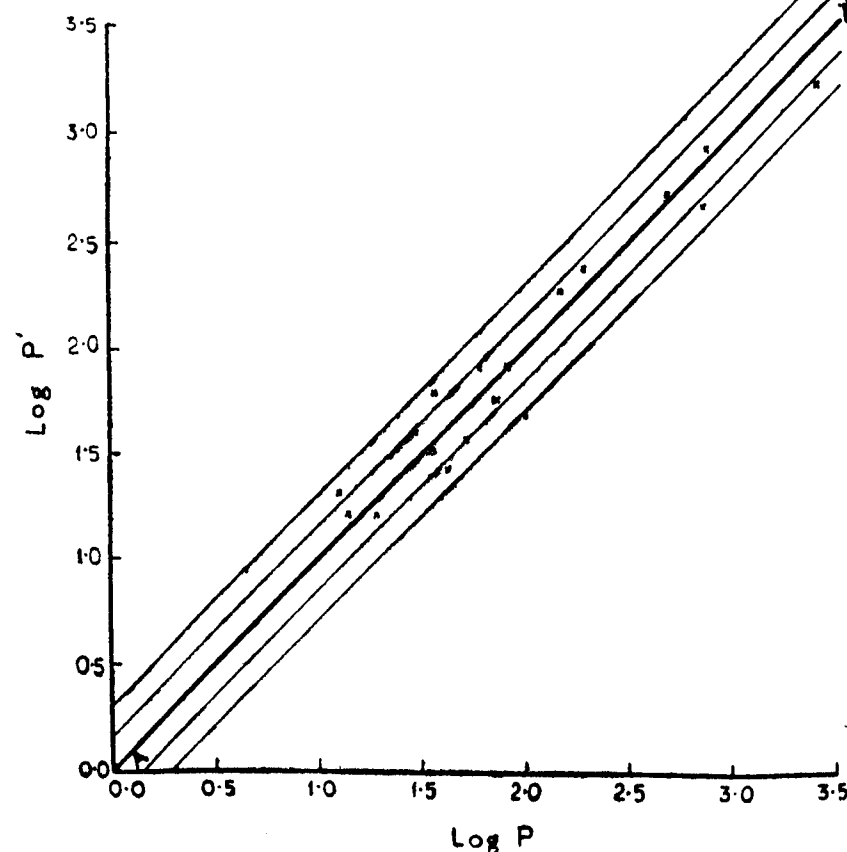
From the graphs it appears that

TABLE V

BASIC DATA FOR DEDUCING PRODUCTION FUNCTION : 1961

Name of industry	Total number of persons employed (thousands)	Total productive capital employed (Rs millions)	Value added by manufacture (Rs millions)
1. Flour Mills	8.2	76.1	28.9
2. Rice Mills	25.8	74.9	36.0
3. Sugar	124.6	1397.3	463.7
4. Edible Hydrogenated Oils (Vanaspati)	9.9	136.2	71.7
5. Edible Oils (other than hydrogenated Oils)	20.4	150.7	58.5
6. Starch	2.5	34.7	12.7
7. Cement	28.3	626.3	149.5
8. Cotton Textiles	820.0	3007.4	2420.3
9. Woollen Textiles	21.6	159.8	79.5
10. Jute Textiles	225.3	715.9	345.2
11. Paper and paperboard	46.4	666.3	185.2
12. Sewing Machines	4.3	20.4	18.7
13. Electric Fans	8.3	35.4	42.1
14. Electric Lamps	3.7	39.7	15.3
15. Paints & Varnishes	6.2	65.9	34.8
16. Soaps	7.0	128.2	96.2
17. Glass & Glassware	35.2	120.6	61.7
18. Matches	14.0	44.3	51.3
19. Iron & Steel	171.7	2827.9	720.6

THEORETICAL & OBSERVED VALUES OF LOG P FOR 1961



except for one observation in 1951 and one in 1961 all points lie within $\pm 2s$ band showing close fit between theoretical and actual values.

The data available for industrial production, manpower and capital for few major manufacturing industries of India have been used for construction of "production functions" for the years 1951, 1956 and 1961 and 1965. Closeness of fit of the "production function" over the years proves that labour and capital are the main determinants of the production function as far as India is concerned. Other factors affecting production have not changed much and their effects are not significant.

The essence of economic progress is a change in "production function". No appreciable change has been observed in the pattern of "production function" as there is no clear evidence of any third factor affecting the production function. However, the observed increase in the exponent of labour indicates the fact that there is an increase in capital per worker. Moreover, the increase in the co-efficient 'K' indicates a shift in manufacturing processes evidently suggesting an upward trend in absolute return with identical input of labour and capital over the years. This may be due to improved techniques followed in the producing units.

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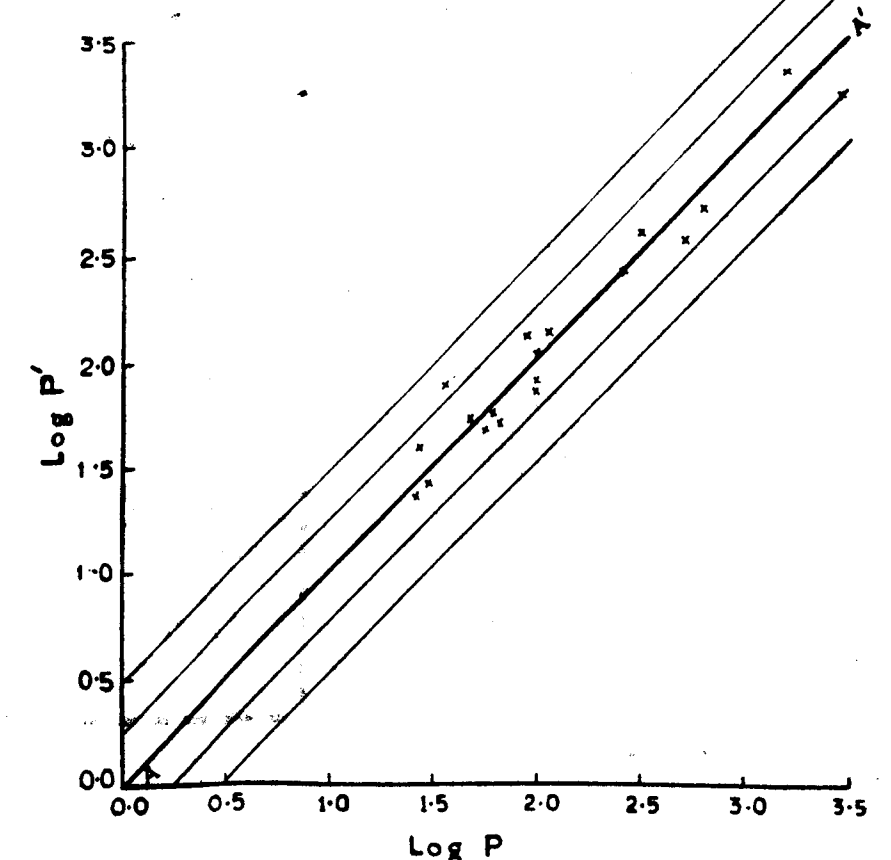
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TABLE VI

BASIC DATA FOR DEDUCING PRODUCTION FUNCTION : 1965

Name of industry	Total number of persons employed (thousands)	Total productive capital employed (Rs million)	Value added by manufacture (Rs million)
1. Flour Mills	8.8	103.4	48.2
2. Rice Mills	26.5	105.9	35.5
3. Sugar	128.4	1671.4	529.0
4. Edible Hydrogenated Oil (Vanaspati)	11.0	186.8	95.7
5. Edible Oils (other than hydrogenated oils)	23.8	211.6	97.1
6. Starch	2.7	43.5	26.3
7. Cement	32.8	884.8	266.2
8. Cotton Textiles	791.0	4122.7	2617.7
9. Woollen Textiles	27.2	292.8	116.2
10. Jute Textiles	270.6	874.6	629.7
11. Paper & paperboard	60.9	1280.9	308.9
12. Sewing Machines	6.0	37.3	29.5
13. Electric Fans	12.3	73.9	68.1
14. Electric Lamps	6.3	69.3	26.8
15. Paints & Varnishes	8.2	130.2	59.9
16. Soaps	7.1	206.7	96.1
17. Glass & Glassware	42.7	222.3	88.9
18. Matches	13.6	65.2	56.9
19. Iron & Steel	298.3	11251.8	1621.5

THEORETICAL & OBSERVED VALUES OF LOG P FOR 1965



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Indo-Soviet Security Treaty Hailed

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Saturday.

THIS YEAR's budget session of Parliament, which ended to-day, will go down in the annals of the country as a historic one on two counts. First, a momentous step was taken during this session in the form of the adoption by the two Houses of the Constitution (Twenty-fourth Amendment) Bill, which, by empowering the Parliament to amend any part of the Constitution, including the Chapter on Fundamental Rights, sought to restore its supremacy over every institution in this country. Secondly, the government during this session signed with the Soviet Union a wide-ranging treaty which takes in its sweep issues of both war and peace.

The Indo-Soviet Treaty (see text in the Records and Statistics section), signed on August 9, which the Minister for External Affairs, Mr Swaran Singh, described as a deterrent "to any power that may have aggressive designs on us," received an overwhelming support from the Parliamentarians. The spokesmen of the Swatantra group and the unified Socialist Party in the Lok Sabha, Mr Piloo Mody and Mr Samar Guha, respectively, were the only two to sound discordant notes when the issue came up for discussion in that House.

Indecent Haste

Mr Mody observed that he would have welcomed the treaty if it had been designed to specifically solve the problem of Bangla Desh refugees, halt the foreign arms aid to Pakistan and contain China, if it intervened in a conflict against us. He, however, thought that the treaty had been concluded in some "indecent haste" and at a time when the Soviet Union had been isolated and we had all our options open. Barring the absence of a provision for a joint overall command, the treaty, Mr Mody opined, was indistinguishable from the Warsaw Pact. Far from any benefits accruing out of it to us, the Soviet Union would reap all the advantages from it, especially since it was looking for bases in the Indian ocean. In his criticism of the treaty, the Swatantra group's spokesman also referred to the fate of the countries like Hungary, Czechoslovakia and

Sudan which had signed similar agreements with the Soviet Union.

Mr Samar Guha, claiming to speak as a representative of the unified Socialist Party, observed that while his party welcomed close relationship with the Soviet Union, it felt unnecessary "to codify the relationship". By signing this treaty, he feared, we have become politically, economically and militarily aligned to the Soviet Union. He drew the attention of the government to the fact that nearly 80 per cent of the external assistance came to us from the western countries.

Some independent members like Mr Shibban Lal Saxena expressed the view that the policy of non-alignment, which was initiated by Late Jawaharlal Nehru, had been buried deep by Mr Nehru's daughter, the present Prime Minister, Mrs Indira Gandhi. The consequence of the treaty, he felt, would be that we would become a satellite of the Soviet Union.

Assurance Needed

Significantly enough, the Jana Sangh spokesman, Mr A.B. Vajpayee, welcomed the treaty; we at last, he felt, had found a friend who could be trusted. He, however, wanted similar treaties to be signed with other nations. The Jana Sangh leader also wanted the government to seek assurances from the Soviet Union about the correcting of maps in which our boundaries had been wrongly depicted and stopping of the broadcasts from the Radio Peace and Progress that were critical of certain political parties in our country.

The DMK spokesman, Mr K. Manoharan, saw in the treaty a reflection of the mutual trust and understanding between the Soviet Union and our country. He, however, did not quite appreciate the fact that the treaty should hold good for 20 years. He too, like the Jana Sangh spokesman, wanted exploration of the possibilities of developing healthy contacts with other countries, including the United States.

As regards the attitude of the two factions of the Communist Party towards the treaty, while Mr Hiren Mukherjee (CPI) whole-heartedly acclaimed it by referring to the many fields of co-operation between us and

Soviet Union, Mr A.K. Gopalan (CPM) welcomed the treaty against the background of the supply of US arms to Pakistan. He hoped that it would act as a deterrent to the sabre-rattling of President Yahya Khan. Mr Gopalan, stressed the need for self-reliance in defence so that we have not to depend on such agreements and pacts permanently.

The Congress (R) members, as could be expected, solidly expressed themselves in favour of the treaty. The Congress(O) leader, Mr S.N. Mishra, though welcomed the pact, expressed the view that its real test would be in Bangla Desh. He did not think that the treaty had been signed by the government of India from any position of weakness.

No Deviation

In his reply to the debate, Mr Swaran Singh tried to dispel the fears that by signing the treaty, the government had said good-bye to the policy of non-alignment. He stressed that the treaty would not restrain us from taking any action in regard to Bangla Desh. It did not limit our options and it did not mean any compromise on the policy of non-alignment. The treaty, he further said, had not been signed in any haste. He disclosed that talks on it had gone on with the Soviet Union for about two years at various levels. Mr Swaran Singh hoped that the treaty would deter Pakistan from foisting a war on us.

The Minister for External Affairs clarified that the treaty was neither a military pact nor a defence agreements; it only provided for consultations and not for any "automatic drawal" of the parties into any armed conflict. He chided Mr Piloo Mody for comparing the treaty with the Warsaw Pact. The treaty, he asserted, would not come in our way if we decided to depart from the policy of using nuclear energy only for peaceful purposes. The Soviet Union, he emphasised, had entered into this agreement in full knowledge of our position on the nuclear non-proliferation treaty. Mr Swaran Singh drew the attention of the House to the clause in the treaty which said that the Soviet Union respected our territorial integrity and appreciated the policy of non-alignment. He assured the House that the Soviet Union would correct the maps in which our boundaries had been wrongly depicted.

The Rajya Sabha also had an opportunity to discuss the Indo-Soviet Treaty. Intervening in this debate, the Prime Minister denied the report of *New York Times* that in return for the Soviet Union's pledge of support under this treaty, we had agreed

not to recognise Bangla Dosh. The Minister for Defence, Mr Jagjivan Ram, replied to this debate in the absence of the Minister for External Affairs. He made the forthright declaration that a political settlement in Bangla Dosh could be possible only on the basis of independence for the territory. He also scathingly criticised the US administration for assisting Pakistan. Mr Jagjivan Ram felt that the Nixon administration had isolated itself from the people of the United States; "if it does not see the sign of the times, it will cause greater harm to itself than to India." While some members criticised the treaty, most of the members expressed themselves in favour of it. The stands of the various parties on the treaty in this House were practically the same as enunciated by their spokesman earlier in the Lok Sabha.

Constitution Bill Adopted

The Constitution (Twenty-fourth Amendment) Bill, which was adopted by the Lok Sabha last week with an overwhelming majority, was passed this week by the Rajya Sabha also with an equally overwhelming vote — 177 for and only three against; one member abstained.

The Upper House debate on the Bill followed more or less the same pattern as that of the discussion in the Lok Sabha. The defence of the government for the measure was also on the same grounds as enunciated in the Lower House. The Prime Minister assured the Rajya Sabha that the Bill would not result in the curbing of fundamental rights or the rights of minorities, as feared by some opposition members. The government, she stressed, did not want to take away anybody's property. Mrs Gandhi did not agree with those who felt that the measure would result in a confrontation between Judiciary and Parliament. She saw little sense in the suggestion of some members that the government needed a mandate for changing the Constitution and pointed out that not only the Congress (R) manifesto but also the manifestos of several other parties had emphasised during the last election, the need for a change. The Prime Minister further stated that the bill did not seek to weaken the Constitution; on the contrary, it sought to strengthen it. "We are giving the power to the people to amend the Constitution. In any country, there is nobody greater than the people themselves", she declared. Mrs Gandhi described the talk of her assuming all powers and the country going the totalitarian way as baseless.

In sharp contrast to the observations of Mr Frank Anthony — an eminent

legal expert in the Lower House — the former Attorney-General, Mr M.C. Setalvad, who is a member of the Upper House, expressed the view that the Constitution (Twenty-fourth Amendment) Bill did not pose any threat to liberty. The rights of people, he asserted, could not be preserved by judgments of courts; they could be preserved only by the people and their representatives functioning with due responsibility. Individual liberty, Mr Setalvad added, did not depend on what was inscribed or written in the Constitution; it depended on what the people and their representatives did. He further stated that "there is no reason to believe that the representatives of this and the other House will not deeply and carefully consider issues before making any alteration in the Constitution which has been devised after great thought. If change is necessary, it is certainly up to the representatives of the people to make changes. The Constitution must be capable of adapting itself to the needs of changing times."

Erosion of Fundamental Rights

The Bill came in for scathing criticism from the Jana Sangh and the Swatantra parties and from Mr Raj Narain (SSP). Some of the arguments advanced by the supporters of the bill were also countered by Mr Babubhai Chinai, a Congress(O) member. Mr Chinai expressed the view that the amendment gave Parliament more than legislative powers; while it eroded the Fundamental Rights, it would not help in tackling the unemployment, poverty and other problems.

In his reply to the debate, the Law Minister, Mr H.R. Gokhale, did not accept the suggestions that the Bill ought to have been referred to the Supreme Court for opinion or it should be sent to a Select Committee for detailed scrutiny or that there should be referendum in the country before it was enacted.

The Bill will be submitted to the President for assent after it has been passed by half the state legislatures as is required under the Constitution. The President will have to give his assent to it as the Bill itself contains a specific provision giving no option to him for declining assent.

Among the other bills passed this week by one House or the other was the Prevention of Insults to National Honour Bill which was adopted by the Lok Sabha. This bill provides imprisonment for three years for any disrespect or dishonour to the national flag, the national anthem and the Consti-

tution. During the debate on the Bill, the Deputy Minister for Home Affairs, Mr F.H. Mohsin announced that the union government had taken a decision, after consulting the President and governors of states, that with effect from August 15, only the national flag would flutter over the Rashtrapati Bhawan and the Raj Bhavans. Hitherto, the President and the state governors had been using their individual flags over their residences. The Appropriation (No. 3) Bill, which sought Rs 200 crores for expenditure on Bangla Dosh refugees, was returned by the Rajya Sabha; it has already been approved by the Lower House.

Finance Bill Amendment

Two important bills were introduced in the Lok Sabha this week. One seeks to amend the Constitution with a view to withdrawing the recognition to the rulers of the erstwhile Indian states and to abolish their privy purses and special privileges. The other aims at amending the Income-tax Act, the Wealth Tax Act and the Gifts Tax Act with a view to checking tax evasion and circulation of black money. The details of the latter Bill are contained in the Records and Statistics section of this issue.

A good deal of concern was expressed in the two Houses over the reported trial of Sheikh Mujibur Rehman by the military junta in West Pakistan. Sharing the concern of members, the Prime Minister disclosed that she had written to various governments urging them to intervene and impress upon the West Pakistan regime the imperative need for a political settlement of the Bangla Dosh issue. The settlement, she added, could be had only with the Sheikh and his party.

The Minister for Foreign Trade, Mr L.N. Mishra, revealed in the Rajya Sabha that the government did not rule out the take-over of cloth exports. The exports of cotton textiles during the ten months to January last, he observed, had aggregated to Rs 88 crores — Rs 4.38 crores less than during the corresponding period of the previous financial year. This was despite the provision of three incentives, namely, (i) an allocation of Rs 20 crores for import machinery for modernisation; (ii) the institution of a soft-loan scheme to be handled by the Industrial Finance Corporation; and (iii) allowing of sizable imports of raw materials.

The Finance Minister, Mr Y.B. Chavan, disclosed in the Rajya Sabha that the country's total outstanding public debt as on March 31, 1971, was Rs 7,687 crores and the debt raised outside India Rs 7,100 crores.

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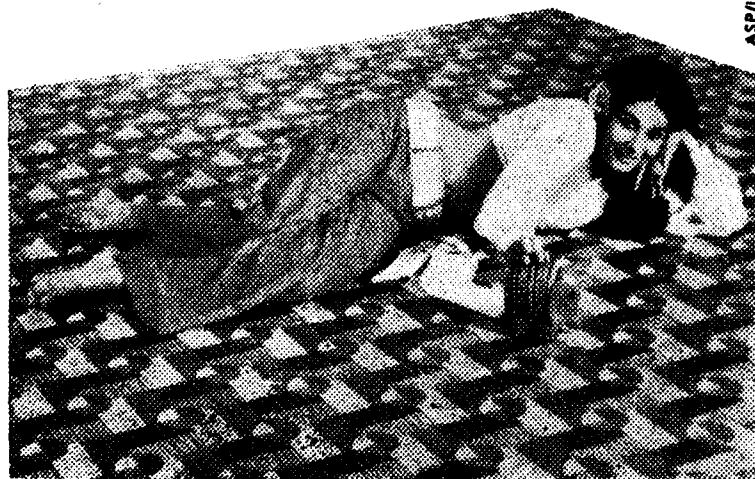
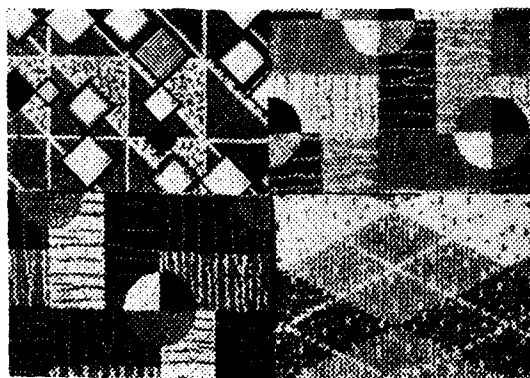
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WINDOW ON THE WORLD

Nixon on the Dollar

(THIS IS the text of an address by President Nixon, on nationwide radio and television on Sunday, August 15.)

I have addressed the nation a number of times over the past two years on the problems of ending a war. Because of the progress we have made toward achieving that goal, this Sunday evening is an appropriate time for us to turn our attention to the challenges of peace.

America today has the best opportunity in this century to attain two of its greatest ideals; to bring about a full generation of peace, and to create a prosperity without war.

This not only requires bold leadership ready to take bold action — it calls forth the greatness in a great people.

Prosperity without war requires action on three fronts: We must create more and better jobs; we must stop the rise in the cost of living; we must protect the dollar from the attacks of international money speculators.

We are going to take that action. Not timidly, not half-heartedly, not in piecemeal fashion. We are going to move forward to the new prosperity without war as befits a great people — all together and along a broad front.

The time has come for a new economic policy for the United States; its targets are unemployment, inflation and international speculation. Here is how we are going to attack them.

Eradication of Unemployment

First, on the subject of jobs.

We all know why we have an unemployment problem: Two million workers have been released from the armed forces and defence plants because of our success in winding down the war in Vietnam. Putting those people back to work is one of the challenges of peace and we have begun to make progress. Our unemployment rate today is below the average of the four peacetime years of the 60s.

But we can and must do better.

The time has come for American industry, which has produced more jobs at higher real wages than any other industrial system in history, to embark on a bold programme of new investment in production for peace.

To give that system a powerful new stimulus, I shall ask the Congress when it reconvenes after its summer recess to

consider as its first priority the enactment of the Job Development Act of 1971.

I propose to provide the strongest short-term incentive in our history to invest in new machinery and equipment that will create new jobs for Americans: A 10 per cent job development credit for one year, effective as of today, with a five per cent credit after August 15, 1972. This tax credit for investment in new equipment will not only generate new jobs, but will raise productivity and make our goods more competitive in the years ahead.

I propose to repeal the seven per cent excise tax on automobiles, effective today. This will mean a reduction in price of about \$200 per car. I shall insist that the American auto industry pass this tax reduction on to its nearly eight million customers who are buying automobiles this year. Lower prices will mean that more people will be able to afford new cars, and every additional 100,000 cars sold means 25,000 new jobs.

Reduction in Income Tax

I propose to speed up the personal income tax exemptions scheduled for January 1, 1973, to January 1, 1972 — so that taxpayers can deduct an extra \$50 for each exemption one year earlier than planned. This increase in consumer spending power will provide a strong boost to the economy in general and to employment in particular.

The tax reductions I am recommending, taken together with the broad upturn of the economy which has taken place in the first half of this year, will move us strongly toward a goal this nation has not reached since 1956 — prosperity with full employment in peace time.

Looking to the future, I have directed the Secretary of the Treasury to recommend to the Congress in January new tax proposals for stimulating research and development of new industries and new technologies to help provide 20 million new jobs that America needs for the young people who will be coming into the job market in the next decade.

To offset the loss of revenue from these tax cuts which directly stimulate new jobs, I have ordered a \$4.7 billion cut in Federal spending.

Tax cuts to stimulate employment must be matched by spending

cuts to restrain inflation. To check the rise in the cost of government, I have ordered postponement of pay raises and a five per cent cut in government employment.

I have ordered a 10 per cent cut in foreign economic aid.

In addition since the Congress has already delayed action on two of the great initiatives of this Administration, I will ask Congress to amend my proposals to postpone the implementation, of revenue sharing for three months and welfare reform for one year.

In this way, I am reordering our budget priorities to concentrate more on achieving full employment. The second indispensable element of the new prosperity is to stop the rise in the cost of living.

Artificial Prosperity

One of the cruellest legacies of the artificial prosperity produced by war is inflation. Inflation robs every American. The 20 million who are retired and living on fixed incomes are particularly hard hit. Homemakers find it harder than ever to balance the family budget. And 80 million wage earners have been on a treadmill; in the four war years between 1965 and 1969, their wage increases were completely eaten up by price increases. Their paychecks were higher but they were no better off.

We have made progress against the rise in the cost of living; from the high point of six percent a year in 1969, the rise in consumer prices has been cut to four percent in the first half of 1971. But just as in our fight against unemployment, we can and must do better.

The time has come for decisive action to break the vicious circle of spiraling prices and costs.

I am today ordering a freeze on all prices and wages throughout the United States, for a period of 90 days. In addition, I call upon corporations to extend that wage-price freeze to all dividends.

I have today appointed a cost of living council within the government. I have directed this council to work with leaders of labour and business to set up the proper mechanism for achieving continued price and wage stability after the 90 day freeze is over.

Let me emphasise two characteristics to this action: One, it is temporary. To put the strong, vigorous American economy into a permanent strait jacket would lock in unfairness and stifle the expansion of our free enterprise system. Two, while the wage price freeze will be backed by government sanctions if necessary, it will not be accompanied by the establishment of a huge price-control bureaucracy. I am relying on

the voluntary co-operation of all Americans — workers, employers, consumers — to make this freeze work.

Working together, we will break the back of inflation, and we will do it without the mandatory wage and price controls that crush economic and personal freedom.

The third indispensable element in building the new prosperity is closely related to creating new jobs and halting inflation. We must protect the position of the American dollar as a pillar of monetary stability around the world.

In the past seven years, there has been an average of one international monetary crisis every year. Who gains from these crises? Not the workingman, not the investor, not the real producers of wealth. The gainers are the international money speculators. Because they thrive on crises, they help to create them.

Defence of Dollar

In recent weeks the speculators have been waging an all-out war on the American dollar. The strength of a nation's currency is based on the strength of that nation's economy — and the American economy is by far the strongest in the world. Accordingly, I have directed the Secretary of the Treasury to take the action necessary to defend the dollar against the speculators.

I have directed Secretary Connally to suspend temporarily the convertibility of the dollar into gold or other reserve assets, except in amounts and conditions determined to be in the interest of monetary stability and in the best interests of the United States.

Let me lay to rest the bugaboo of devaluation. What does this action mean for you?

If you want to buy a foreign car, or take a trip abroad, market conditions may cause your dollar to buy slightly less. But if you are among the overwhelming majority who buy American-made products in America your dollar will be worth just as much tomorrow as it is today.

The effect of this action will be to stabilise the dollar.

This action will not win us any friends among the international money traders. But our primary concern is with the American workers and with fair competition around the world.

To our friends abroad, including the many responsible members of the international banking community who are dedicated to stability and the flow of trade, I give this assurance: The United States has always been, and will continue to be, a forward-looking and trustworthy trading partner. In full co-operation with the International Monetary Fund and those who trade with us,

we will press for the necessary reforms to set up an urgently needed new international monetary system. Stability and equal treatment is in every body's best interest. I am determined that the American dollar must never again be a hostage in the hands of the international speculators.

I am taking one further step to protect the dollar, to improve our balance of payments, and to increase US jobs. As a temporary measure, I am today imposing an additional tax of 10 per cent on goods imported into the United States. This is a better solution for international trade than direct controls on the amount of imports.

This import tax is a temporary action — not directed against any other country, but an action to make certain that American products will not be at a disadvantage because of unfair exchange rates. When the unfair treatment is ended, the import tax will end as well.

As a result of these actions, the product of American labour will be more competitive, and the unfair edge that some of our foreign competition has had will be removed. That is a major reason why our trade balance has eroded over the past fifteen years.

At the end of World War II, the economies of the major industrial nations of Europe and Asia were shattered. To help them get on their feet and to protect their freedom, the United States has provided \$143 billion in foreign aid. That was the right thing for us to do.

Sharing the Burden

Today, largely with our help, they have regained their vitality and have become strong competitors. Now that other nations are economically strong the time has come for them to bear their fair share of the burden of defending freedom around the world. The time has come for exchange rates to be set straight and for the major nations to compete as equals. There is no longer any need for the United States to compete with one hand tied behind her back.

The range of actions I have taken and proposed tonight — on the job front, on the inflation front, on the monetary front — is the most comprehensive new economic policy to be undertaken by this nation in four decades.

We are fortunate to live in a nation with an economic system capable of producing for its people the highest standard of living in the world; flexible enough to change its ways dramatically when circumstances call for change; and most important — resourceful enough to produce prosperity with freedom and opportunity unmatched in the history of nations.

The purposes of the government ac-

tions I have announced tonight are to lay the basis for renewed confidence, to make it possible for us to compete fairly, with the rest of the world, to open the door to a new prosperity.

But government, with all its powers, does not hold the key to the success of a people. That key, my fellow Americans, is in your hands.

A nation, like a person, has to have a certain inner drive in order to succeed.

In economic affairs, that inner drive is called the competitive spirit.

Every action I have taken tonight is designed to nurture and stimulate that competitive spirit, to help us snap out of that self-doubt and self-disparagement that saps our energy and erodes our confidence in ourselves.

Sense of Personal Destiny

Whether this nation stays number one in the world's economy or resigns itself to second or third or fourth place; whether we hold fast to the strength that makes peace and freedom possible in this world, or lose our grip — all that depends on your competitive spirit, your sense of personal destiny, your pride in your country and in yourself.

We can be certain of this: As the threat of war recedes, the challenge of peaceful competition increases.

We welcome this competition, because America is at her greatest when she is called on to compete. And no nation has anything to fear from our competition, because we lead our competitors on to new heights for their own people.

As there always have been in our history, there will be voices urging us to shrink from that challenge, to build a protective wall around ourselves, to crawl into a shell as the rest of the world moves ahead.

Two hundred years ago, a man wrote in his diary: "Many thinking people believe America has seen its best days." "That was just before the American Revolution in 1775, at the dawn of the most exciting era in the history of man. Today we hear the echoes of those voices, preaching a gospel of gloom and defeat, saying that same thing: "We have seen our best days."

Let Americans reply: "Our best days lie ahead."

As we move into a generation of peace, as we blaze the trail towards the new prosperity, I say to every American: Let us raise our spirits. Let us raise our sights. Let all of us contribute all we can to the great and good country that contributes so much to the progress of mankind.

Let us invest in our nation's future: and let us revitalise that faith in ourselves that built a great nation in the past, and will shape the world of the future.

The moving finger writes

IN HIS broadcast on the eve of this Independence Day, the President called for hard work and austere living. Mr V.V. Giri had celebrated his 77th birthday a few days earlier. He cannot justly be expected to do hard work and in any case the President's office, especially in view of the amendments to the Constitution now in train, ought not to demand of him much work, not to speak of hard work. As for austere living, very few men in their later seventies have much of a choice in the matter. The stomach, for one thing, is apt to act queerly if overloaded. Most of the other organs too would rather want to be left alone at this stage of a man's life rather than be pampered or pandered to. The President may therefore exhort the nation to hard work and austere living even with a certain feeling of personal detachment.

There might, however, be one qualification. Mr Giri is fortunate in having a family as rich and luxuriant as some century-old banyan tree. This family may not be a Hindu Undivided Family (HUF) in the legal sense or for the purposes of tax laws, but in a fundamental sense it certainly is a Hindu Undivided Family in that its many generations of members seem to be sharing board and lodging most of the time. Perhaps, as Rashtrapati Bhavan's contribution to national austerity in this year of the Bangla Desh crisis, the President may impose on himself a self denying regimen to limit his family resident in Rashtrapati Bhavan to himself and his wife. This should not be too much of a hardship on this particular HUF since all of Mr Giri's sons and sons-in-law seem to be fairly well-settled in life and capable of providing comfortably for themselves and their respective families.

The Prime Minister, of course is a far cleverer politician than the President. She knows that while the masses who gave her their mandate would swallow almost anything, they may not swallow everything. Hence her attempt to give Mr Giri's austere slogan a local habitation and a name by announcing a cut of ten per cent in her salary and the salaries of her ministers. I do not doubt that the masses have been duly impressed. As for Mr N. Dandekar or Mr M.K. Mohta, or querulous people of that kind, why should the Prime

Minister care at all? How many ballot boxes can these men over-fill with voting paper? Incidentally, does anybody or would somebody say what the cost to the public exchequer was of the mass rally in the capital on August 9, which was planned and organised by the ruling party obviously for the purpose of providing the Prime Minister with an opportunity to dramatise or even sensationalise the signing of the Indo-Soviet pact on that day?

For too many denizens of our political jungle seem to be only too keen on taking their cue from the Indo-Soviet pact to start a "Hate America" campaign in our country. The outgoing governor of West Bengal in a speech, both silly and senile, which he chose to deliver in Calcutta on Independence Day permitted himself some far from innocent entertainment by sneering and jibing at the American nation and the American people. His excuse was that the US government was continuing to ship arms to and maintaining political friendship with the general's junta in Islamabad despite the atrocities which have been and are being committed by the Pakistan army in East Bengal.

The conduct of the Nixon administration, it is true, is indefensible and everyone of us in this country has good reason to feel bitter about it but, is Mr Dhavan justified in equating the policies of a government with the feelings or behaviour of a country or its people? Even he ought to know that the American press has done a wonderful job in educating public opinion and political circles in that country about the Bangla Desh movement and the savage methods adopted by Islamabad to suppress it. Then, again, there is the fact that influential Senators and Congressmen in Washington have been putting pressure on the Nixon administration to condemn the genocide in East Bengal and use its influence with Islamabad to bring about a political settlement acceptable to the people of that region. How deeply moved the best among the American people are by the colossal tragedy of the multi-million strong exodus of East Bengalis into India has been demonstrated by Mr Edward Kennedy's tour of the refugee camps in West Bengal. What makes Mr Dhavan's conduct particularly objectionable is that hardly had Mr Kennedy left West Bengal

for New Delhi when the former chose to make comments which were in obvious bad taste about the Statue of Liberty in New York harbour. Mr Dhavan declared that the American people did not deserve to have a statue of that kind in their country and that this statue should be removed to West Bengal and installed in such a way that it faces East Bengal with its message of refuge and freedom to people fleeing from tyranny. Fortunately, Mr Dhavan will soon cease to hold public office and, Mrs Gandhi willing, he should thereafter be able to devote himself exclusively to his domestic affairs, including perhaps the affairs of his son who seems to have got in to the habit of being thrown out of London restaurants and is still in no hurry apparently to return to the land of his birth for which his father cherishes such demonstrative super-patriotic sentiments.

Mr R.B. Shah, Custodian of the United Commercial Bank, is not only eminent banker but is also a rare gentleman. I therefore feel rather bitter about the raw deal he received when his name came up in Rajya Sabha some days ago in connection with a foreign exchange transaction reported to have been effected by the Hindustan Motors through the United Commercial Bank Ltd., (as it then was), two days before the devaluation of the rupee on June 6, 1966. Mr Shah was General Manager of the bank at that time and it was stated by the Minister of State for Home Affairs, Mr Ram Nivas Mirdha, that the legitimacy of this transaction was being investigated and that, only after this investigation was completed, it would be possible to say whether any illegal act had been committed and if so, whether Mr Shah was involved in it in any way. In spite of this elucidation of the factual position, a few MPs went so far as to demand that Mr Shah should be removed from his present office immediately or even placed under arrest. This is a sad demonstration indeed of the value which some of our law-makers are inclined to place on the rule of law or the principles of natural justice or fairplay in a civilised community. It is only because our current mores of public or political conduct are what they are, such exhibitions of a totalitarian mentality not only go unchallenged in our legislatures but are even able to produce an effect.

V. B.

Trade Winds

INDO-NEPAL TRADE TREATY

INDIA AND Nepal signed recently a new five year trade and transit treaty under which they would accord the "most favoured nation" treatment to each other's goods. The treaty was signed on behalf of Nepal by the Minister of Industry and Trade, Mr Navraj Subedi, and on behalf of India by the Minister of Foreign Trade, Mr L.N. Mishra. A joint communique issued by the two ministers stated that primary products of Nepal would have unrestricted entry into the Indian market. They would be exempt from customs duty. A significant feature of the treaty is the special treatment which India has agreed to accord, on a non-reciprocal basis, to goods made in Nepal from Nepalese and Indian materials. These goods, according to the communique, will have access to the Indian market without any quantitative restrictions and would be exempt from customs duty. The new treaty also incorporates agreement on the use of overland routes and prevention of deflection of trade. According to the joint communique, "provision has been made for mutually acceptable overland routes to be used by the two countries within the framework of regional co-operation agreements among the countries concerned." On deflection of trade, "an understanding has been reached on the areas of co-operation to prevent it." Accordingly, each country will prohibit re-export of each other's products. Export of products made mainly from raw materials of the other country would be prohibited. Both countries would take effective measures to enforce the ban.

CANADIAN LOAN FOR KANDLA

A Canadian development loan agreement for about Rs 70 lakhs (\$1 million) was signed on August 12, 1971. The loan will facilitate the procurement from Canada of certain machinery required for the fertilizer bulk handling facility to be constructed at the port of Kandla. It is expected that this new facility will permit considerable savings in foreign exchange, since fertilizers can be purchased in bulk at much more competitive prices than specially packaged or bagged fertilizers. The loan is free of interest and service charges, with repayments amortized over 50 years including a 10-year grace period. These lending terms are the softest available to India from any source. The loan agreement was signed

by the Acting Canadian High Commissioner, Mr G.A.H. Pearson and Mr M.G. Kaul, Additional Secretary in the department of Economic Affairs, Ministry of Finance. This is the fourth development loan extended to India by Canada during the current year. The three others include a Rs 28 crores (\$40 million) loan to finance the import of a wide range of industrial commodities and fertilizers, a Rs two crores (\$3 million) line of credit for use by the Oil and Natural Gas Commission and Oil India Limited, and a recently signed Rs seven crores (\$10 million) general line of credit agreement to permit the import of equipment and services by end-users in the private and public sectors.

FOREIGN ASSISTANCE

The total amount of foreign aid for which agreements have been signed during the first quarter of 1971-72, (April-June), amounted to 347.29 million dollars (Rs 260.47 crores). Of this, non-project aid amounted to 102.79 million dollars (Rs 77.09 crores), and project aid was 244.50 million dollars (Rs 183.38 crores). The non-project assistance of 102.79 million dollars also includes assistance from France in the form of debt relief amounting to five million dollars (Rs 3.75 crores). The country-wise details of the aid agreements are as follows:—

Country/Institution	(\$ million)	
	non-project aid (including debt relief)	Project aid
1. Canada	37.00	2.78
2. France	18.32	13.32
3. Germany	8.19	—
4. Japan	25.39	15.40
5. The Netherlands	13.89	—
6. IDA	—	213.00
Total	102.79 (Rs 77.09 crores)	244.50 (Rs 183.38 crores)

TRADE WITH ROMANIA

A Romanian Economic Delegation, led by Mr Nicolae Nicolae, First Deputy Foreign Trade Minister of Roma-

nia, visited India from July 26, to August 6, 1971. The delegation had discussions with the Ministry of Foreign Trade and other economic ministries, departments of the government of India, as also with the State Trading Organisations and with some private enterprises. During the discussions, a review was made of the present state of implementation of the Trade Plan provisions for 1971. The possibilities for further expansion of the trade between the two countries during the current year and the following years were examined. Both sides expressed satisfaction at the development of trade exchanges between the two countries and agreed that there were considerable potentialities for further development of the economic relations and of the industrial and economic co-operation between the two countries.

SOYBEAN OIL FOR VANASPATI

Following the decline in groundnut oil prices during the past few months, release of soybean oil for use in vanaspati manufacture was progressively reduced and eventually discontinued in the middle of June, according to a press statement issued by the union Ministry of Agriculture. However, despite an admittedly easy supply position and prospects of a good crop in the coming season, there has been a sudden spurt in groundnut oil prices in recent weeks which is believed to be largely speculative and artificial, the statement added. With a view to relieve the pressure on groundnut oil, the government has now decided to release 15,000 tonnes of soybean oil per month to the vanaspati industry during each of the next three months. In addition, soybean oil will be marketed in liquid form through state governments where necessary. Accordingly supplies of soybean oil are being made to the Maharashtra government for distribution as refined oil through approved distribution channels.

LEATHER DEVELOPMENT COUNCIL

First meeting of the reconstituted Development Council for Leather and Leather Goods Industries, was held recently. Mr Ghanshyambhai Oza, Minister of State for Industrial Development inaugurated the meeting.

OUTPUT OF FOODGRAINS

Soviet Foreign Minister, Mr Gromyko, called on Minister of Agriculture Mr Fakhruddin Ali Ahmed, while the former was in this country. At the request of the Soviet Foreign Minister, Mr Ahmed gave a brief account of the current food situation. He stated that the 1970-71 production of foodgrains was about 107.3 million tonnes and it

indicated an 8.5 per cent increase over last year's output. Though the weather had been erratic in some parts of the country recently, Mr Ahmed felt confident that the 1971-72 production would be still better. He gave an account of the steps being taken to increase the production of pulses and oilseeds.

FERTILISERS POOL

Normally the union government supplies imported fertiliser through the Central Fertiliser Pool to the state governments, domestic manufacturers and commodity boards. A few months back, in order to clear accumulated stocks of the Pool, a system of direct sale by the governments supplying agents, namely the Food Corporation of India, state warehousing corporations and the Central Warehousing Corporation, to all including private licenced or registered distributors without any allotment from the ministry, was introduced in respect of stocks not required by state governments, etc. This was done as a temporary measure

to liquidate the stocks. In the light of the clearance of surplus stocks of most varieties, the position regarding direct sale has been reviewed and it has been decided that there will be no direct sales of the Pool fertilisers to private dealers; such sales will be confined to state governments, major domestic manufacturers for seedling and sale purposes, commodity boards, apex co-operative societies and state agro-industries corporations.

TAXATION LAWS AMENDMENT

Proposals to amend the Income-tax Act, 1961, the Wealth-tax Act, 1957 and the Gift-tax Act, 1958 with a view to countering evasion of tax, checking the circulation of black money and also to improve tax collection, are contained in the Taxation Laws (Amendment) Bill, 1971. The Bill was introduced in the Lok Sabha recently by the Finance Minister, Mr Y.B. Chavan.

It will be recalled that the Minister of Finance had, in his budget speech for 1971-72, indicated the government's

intention to take powers to acquire immovable properties at prices which correspond to those recorded in sale deeds, to discourage *benami* holdings of property and to improve the present arrangements for valuation of immovable properties for purposes of wealth-tax. The Bill is meant to give concrete shape to these proposals.

WATER SUPPLY

The Ministry of Health & Family Planning has, under Section 2 of the Essential Services Maintenance Act, 1968, declared water supply service in West Bengal as an essential service. This has been done to prevent grave hardship that would be caused to the people of West Bengal in the event of a strike in the water supply service.

FERTILISER DISTRIBUTION

The Fertiliser Corporation of India has taken two important steps with a view to making the distribution and application of fertilisers to our agriculture more effective than hither-

5³/₄ PER CENT MAHARASHTRA STATE DEVELOPMENT LOAN 1983

ISSUE PRICE RS. 100.00 FOR EVERY RS. 100.00

OPEN ON THURSDAY, THE 19TH AUGUST 1971.

The loan will be closed as soon as the total amount of Rs.18 crores has been subscribed and in any case not later than the close of business on the 25th August 1971.

The applications for the loan will be received at:

- the offices of the Reserve Bank of India, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;
- the branch of the State Bank of Bikaner and Jaipur at Jaipur;
- the branch of the State Bank of India (Local Head Office) Ahmedabad;
- the branches of the State Bank of Hyderabad conducting Government Treasury work within the State of Maharashtra;
- the branches of the State Bank of India within the State of Maharashtra except at Bombay and Nagpur and at places covered by item (d).

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

Dop/440/71

to. The first step concerns research. At Sindri, studies have been undertaken to find out soil-crop response co-relations through extensive tests. Tests in regard to soils in seven states have already been completed. It is proposed to conduct every year 2,000 such tests under controlled conditions. This will be in addition to an ambitious programme of field demonstrations through which media farmers are educated in the application of fertilisers. The second step is to set up an institute at Durgapur by September, 1971 for imparting training to agricultural graduates in various aspects of promotion of use of fertilisers by farmers. Five graduates are at present undergoing training at Manila. On their return, they will form the nucleus of the proposed institute. The training will be imparted to batches of 10 to 20 agricultural graduates for a period of three to four months. These programmes are part of the measures being taken by the FCI to gear itself to the task of marketing effectively 2 to 2.5 million tonnes of plant nutrients by 1975-76. Currently, the FCI markets about 400,000 tonnes of plant nutrients a year.

MATCHWEL ELECTRICALS

At the silver jubilee function of Matchwel Electricals (India) Ltd. Poona recently, Mr Ramkrishna Bajaj, Chairman of the company, while describing the part played by Matchwel in the fan industry in India, stated that 10 per cent of all fans exported by India

in 1969 were made by Matchwel. He explained the expansion programme of the company, especially the manner in which the company was helping some ancillary industries around Poona. The Chief Minister of Maharashtra, Mr Vasant Rao Naik speaking as the chief guest lauded the part played by Matchwel in the industrial growth of the State and wished it a bright future. Mr Ramkrishna Bajaj, responding to the Chief Minister's request, announced a donation of Rs 25,000 by Matchwel and associated companies, in the cause of mitigating the hardships of students in the drought affected parts of the state.

HOECHST DONATION

Farbwerke Hoechst AG, West Germany, technical collaborators of Hoechst Pharmaceuticals Limited in India, donated 100,000 doses of cholera vaccine for the relief of the refugees from Bangla Desh. The consignment was air-lifted directly to the Indian Red Cross in Calcutta.

CARBON BLACK PROJECT

Mr M. Karunanidhi, Chief Minister of Tamil Nadu, laid the foundation stone of the new carbon black project of Kamanis at Manali in Madras, on August 3, 1971, and this formally heralded the entry of Kamanis into the petrochemical field. Carbon black is an important ingredient for the production of automobile tyres and other industrial goods and continues to claim a share in our import bill. This carbon black

plant will have an installed capacity of 30 million lbs. This is coming up in technical and financial collaboration with an American firm, Cities Service International Inc. The Columbian Carbon Company, now merged with the Cities Service is one of the top five carbon black suppliers of the world with eight plants operating in the USA and Canada. Indian Rubber Regenerating Co. Ltd, an integral unit of the Kamani Group, itself the biggest producer of reclaimed rubber in India, has sponsored this carbon black project. The total capital cost of the scheme including initial margin for working capital would be Rs 4.75 crores. The entire foreign exchange requirement of the project amounting to Rs 52 lakhs would be financed by equity participation of the collaborators.

NAMES IN THE NEWS

The union government has appointed Dr G. Ramaswamy, Chief of Exploration Planning and Development, Ministry of Petroleum & Chemicals, as Member (Off-shore) of the Oil & Natural Gas Commission. In view of the growing importance of the off-shore exploration for petroleum and prospects held out for oil there, the government considered it necessary to have a separate member in the Commission for off-shore work. Dr Ramaswamy, is also the Managing Director of Hydrocarbons India Private Limited, the ONGC's subsidiary for our Persian Gulf venture which produces Rostam crude.

Company Affairs

TATA POWER COMPANIES

THE DIRECTORS of the Tata group of electricity companies — the Tata Power Co. Ltd, and the Andhra Valley Power Supply Company Limited, have proposed to maintain the dividend at 12 per cent for the year ended March 1971. They have now proposed a final dividend of Rs seven per share, making a total of Rs 12 per share for the year for all the companies.

Tata Hydroelectric: The company's sales have gone up from Rs 685.26 lakhs to Rs 817.44 lakhs. The profit after providing for depreciation and taxation amounts to Rs 79.92 lakhs against Rs 88.03 lakhs in the previous year. After providing Rs 2.22 lakhs for development rebate reserve and Rs 24.68 lakhs to other statutory appropriations and adding thereto Rs 0.87 lakhs being tax refund and Rs 0.06 lakhs brought in from last year, there is a sum of Rs 53.95 lakhs available for disposal. General reserve gets Rs 37.62 lakhs. The proposed final dividends will claim Rs 21.60 lakhs and will be paid from general reserve.

Tata Power: Sales during the year are higher at Rs 19.54 crores as against last years Rs 16.44 crores. The profit after providing for depreciation and taxation is Rs 185.51 lakhs. After providing Rs 4.09 lakhs to development rebate reserve and Rs 58.52 lakhs for other statutory provisions and taking into account a sum of Rs 0.05 lakhs brought in, the disposable surplus is Rs 122.95 lakhs. From this a sum of Rs 86.73 lakhs is taken to general reserve. The proposed final dividend will claim Rs 47.57 lakhs and will be paid from general reserve.

Andhra Valley Power: Sales are up from Rs 9.99 crores to Rs 11.82 crores. The profit after providing for depreciation and taxation is Rs 100.97 lakhs as against Rs 113.77 lakhs last year. After providing Rs 2.75 lakhs for development rebate reserve, Rs 33.82 lakhs for other statutory provisions and taking into account a sum of Rs 0.06 lakhs brought in, the disposable surplus is Rs 64.45 lakhs. From this a sum of Rs 43.31 lakhs is taken to general reserve. The proposed final dividends will claim Rs 27.82 lakhs and will be paid from general reserve.

MODIPON

Although there was some decline in sales from Rs 17.06 crores to Rs 15.74

crores, Modipon Ltd during the year ended February 1971, recorded increased gross profit of Rs 5.02 crores compared to Rs 4.80 crores in the previous year. After providing Rs 75.52 lakhs for depreciation, Rs 1.04 lakhs for development rebate reserve and Rs 230 lakhs for taxation, the net profit has declined from Rs 3.33 crores to Rs 1.96 crores. General reserve received Rs 1.70 crores. The interim dividend at 12.5 per cent had absorbed Rs 25 lakhs. The final dividend has also been maintained at 15 per cent which will absorb Rs 30 lakhs and will be paid from the general reserve. The company has applied for an industrial licence for expansion of the existing nylon yarn unit and also for the manufacture of polyester yarn. The government decision is still awaited. The company has been issued a trade licence for purchase and sale of cotton and that business has been satisfactory for the company.

INDIAN IRON

The Indian Iron and Steel Co. Ltd, has announced the maintenance of dividend at 60 paise per share of Rs 10 each for the year ended March 1971. The dividend is to be paid out of reserves. According to the preliminary figures released by the company, the net surplus is maintained at Rs 17.55 lakhs after providing Rs 5.61 crores for depreciation, Rs 46 lakhs for taxation and after transferring Rs 3.05 crores to reserves, including Rs 1.75 crores to statutory reserves.

UCO BANK

The board of directors of the United Commercial Bank Ltd. decided recently at a meeting that the company should be voluntarily wound up. It has a capital of Rs 2.80 crores divided into 560,000 equity shares of Rs 50 each (partly paid). The compensation it has received is Rs 8.30 crores in bonds and Rs 9.80 lakhs in cash from the Reserve Bank for its Malaysian branches. According to Mr B.T. Thakur, a director of the company, the compensation would come to about Rs 135.40 per share. The Life Insurance Corporation, the Unit Trust of India and nationalised general insurance companies together hold about 40 per cent shares of the company. The remaining are small shareholders and have very little to worry about the capital gains tax. The board has decided that the interim dividend of Rs seven

per share i.e. 14 per cent, less tax, paid in 1970 should be treated as final dividend. A special dividend of Rs seven per share i.e. 14 per cent less tax will be paid for the current year out of the reserves.

MACNEIL AND BARRY

Chairman of Macneil and Barry Ltd. in his annual statement hoped that the tea division would continue to make an important contribution to the company's revenue. Referring to the fibre services division he stated that the working of the Gouripore Co. Ltd, and the Nuddea Mills Co. Ltd showed marked improvement over the previous year. Sales increased to Rs 14.52 crores in 1970 from Rs 12.08 crores in 1969. After providing for depreciation of Rs 11.25 lakhs, the pretax profit amounted to Rs 19.27 lakhs. Taxation absorbed Rs 9.99 lakhs. Bringing in Rs 25,454 and writing back from development rebate Rs 7,800, the net profit amounted to Rs 9.28 lakhs. Allocations under various heads were: transfer from general reserve Rs 7.50 lakhs, transfer to capital reserve Rs 3.31 lakhs, transfer to development rebate reserve Rs 33,600, transfer to

NOTICE

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD.

Registered Office

BIRLAGRAM, NAGDA, (M.P.)

Notice is hereby given that the Register of Members and Transfer Books of the Equity Shares of the Company will remain closed from Monday, the 13th September 1971 to Wednesday, the 22nd September 1971 (both days inclusive) for the purpose of payment of dividend on 66 lacs Equity Shares.

The dividend on Equity Shares, if sanctioned, will be made payable on or after the 14th October, 1971 to those Share-holders, whose names stand on the Register of Members of the Company as on 22nd September, 1971.

The Transfer Books of Preference Shares, Series 'A', 'B' and 'C' will also remain closed during the period above mentioned.

By Order of the Board

B.N. PURANMALKA

Secretary.

Birlagram, Nagda
Dated: 10th August, 1971.



Our fleet of seventeen modern freighters offers fast, regular and dependable service between

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pension reserve Rs one lakh, preference dividend Rs 4.43 lakhs, ordinary dividend at five per cent Rs 7.50 lakhs and carry forward Rs 19,835.

STATE BANK OF MYSORE

The board of the State Bank of Mysore has decided at a meeting recently to pay the shareholders an interim dividend of 4½ per cent for the half year ended June 30, 1971. The share transfer books of the bank will remain closed from the August 26 to September 6, 1971 (both days inclusive) for this purpose.

PREMIER AUTOMOBILES

Premier Automobiles Ltd, has submitted to the government a project for producing 18,000 Fiat cars per annum against 12,250 cars per annum produced during past three years. The cost of the project is estimated at about Rs 3.13 crores including foreign exchange of about Rs 38 lakhs. According to Mr S. T. Raja, Managing Director, the necessary finance, including foreign exchange, could be arranged within the next three months, provided government permission is received for expansion. He hopes that the company will be able to increase the production before December, 1973. He has told newsmen that the government's response to the expansion proposal is sympathetic and company is hopeful of getting it. Expansion will be undertaken only if the company is granted a price rise, he added. Mr Raja has said that a project is also being prepared for further expanding the capacity to at least 24,000 Fiat cars per annum in the second phase. If a decision of the second phase can also be taken before March, 1972 and the necessary finance is arranged, it could be possible to commence production at the rate of 24,000 cars per annum by the end of 1975. Besides equipping the present stamping plant at Kalyan to handle larger number of stampings, plans are under way for modernising and suitably expanding the foundry at Wadala. Mr Raja stated that the automobile industry was not allowed a price rise to compensate even the rise in costs.

AMERICAN EXPRESS

Earnings of the American Express Co. and its subsidiaries during the first six months of 1971 "ran well ahead of records set during the comparable period last year", according to Mr Howard L. Clark, Chairman and Chief Executive Officer of the company. Con, solidated net income rose 22.3 per cent to \$42.9 million compared with \$35 million for the same period last year. Earnings of travel and financial service activities continued their growth, with net income of \$20.7 mil-

lion, a 13.8 per cent increase over the first half of 1970. This reflected continued improvement in the results of activities such as the American Express card and travellers cheques.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the two weeks ended April 3, 1971. The list contains 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 Usha Martin Black (Wire Ropes) Ltd; 14, Prince Street, Calcutta-14. (Ranchi—BIHAR)—1. High Tensile (20 to 30 SWG)—1,800 tonnes p.a.; 2. Shaped Wires (Various shapes & Sizes)—600 tonnes p.a.; 3. Copper Coated Wires (19 to 22 SEG)—1,200 tonnes p.a.; 4. Mild Steel Wires (19 to 26 SWG)—5,200 tonnes p.a.; 5. Tinned Wire (20 to 24 SWG)—200 tonnes p.a. (NA).

Electrical Equipment

M/s Hindustan Brown Boveri Ltd; Brown Boveri House, 264-265, Dr. Annie Besant Road, Bombay-25-DD. (MAHARASHTRA)—Air Blast Indoor Type Circuit Breakers upto 22-KV rating, 400 MVA to 1500 MVA—50 nos. p.a. (NA); M/s Eastern Electronics (Delhi) Pvt. Ltd; 1-2, Industrial Area, N.I.T., Faridabad. (Faridabad, Haryana)—Electronics Test Instruments—1,595 p.a. (COB).

Industrial Machinery

M/s Purolator India Ltd; Hauz Khas, Yusuf Sarai, New Delhi. (New Delhi)—1. Heavy Duty Industrial Filters; 2. Light Duty Industrial Filters, (1) & (2)—50,000 p.a.; 3. Automotive Filters—30,000 nos p.a.; 4. Filters for Heavy Equipments—30,000 nos. p.a. (COB). M/s Antifriction Bearing Corp. Ltd; 401, Kakad Chambers, 132, Dr. Annie Besant Rd; Worli, Bombay. (Lonavala, Maharashtra)—1. Roller Bearings—6,49,600 nos. p.a. 2. Ball Thrust Bearings—2,01,600 nos. p.a. after expansion. (SE) M/s Garden Reach Workshops Ltd; 43-46, Garden Reach Rd; Calcutta-24. (Calcutta, West Bengal)—Hydraulic Steering Gears—15 p.a. (NA).

Scientific Instruments

M/s The Industrial Electrodes & Gauges Ltd; 15, Ganesh Chandra

Avenue, Calcutta-1. (Calcutta, West Bengal)—Single Duplex Vacuum Gauges & Pressure Gauges of all gases and types ranging from 2" to 7" and having pressure ranges from 0—6000 PSI—5,000 nos. p.a. (COB); M/s Arora-Mathay Ltd; 166, Netaji Subhas Chandra Bose Road, Tollygunge, Calcutta-14. (Calcutta, West Bengal)—1. Laboratory Apparatus such as Crucibles, basis, Tipped Tongs, Combustion Boats, Filter Cones, Electrodes heating elements, Thermocouple elements, etc. made of platinum—100 kgs. p.a.; (ii) Equipment for generation, transmission and distribution of electricity components and accessories for namely (a) Electrical Contacts, (b) Bimetals with precious metal inlay, onlay or overlay for switchgear relays and allied uses; (c) Rated Silver Elements for high Rapturing capacity Fusegear—2,500 Kgs. p.a. (COB)

Chemical

The Swastik Oil Mills, Saltpan Road, Wadala, Bombay-31. (Maharashtra)—Synthetic Detergents—Expansion from 11,880 to 20,000 tonnes p.a. (SE); M/s Excell Industries Ltd; 184-87, S.V. Road, Bombay-60. (Bombay, Maharashtra)—Oxalic Acid (Fine Chemicals)—1,000 tonnes p.a. (After expansion) (SE); M/s Res Chemol Pvt Ltd; 14, Nurmala Lohia Lane, Calcutta-7. (Bandipur, West Bengal)—Synthetic Resin, Viz. Ureaformaldehyde, Melamine-formaldehyde, Phenolic and alkylated Resins (of various grades)—350 tonnes p.a. (COB).

Drugs & Pharmaceuticals

M/s Uni Sankyo Ltd; Plot No. 37, Rd. No. 10, Banjara Hills, Hyderabad. (Maharashtra)—1. Fungal Diastase—18 tonnes p.a.; 2. Chlorpheniramine Maleate—2 tonnes p.a.; 3. Pyrazinamide—3 tonnes p.a.; 4. Specialities (in Incorporating the loose products—) capacity to be fixed (COB).

Textiles

M/s Standard Oil Mills Co Ltd; Mafatlal House, Backbay Reclamation, Bombay-20. (Dewas, Madhya Pradesh)—Cotton Cloth—14 plain loom. (SE) By way of transfer from Prabhadevi Unit at Bombay to Dewas Unit in MP; M/s Eastern Spinning Mills Ltd; P.O. Kadambgachhi, Dist: 24-Parganas, West Bengal. (West Bengal)—Cotton Yarn—2,688 spindles. (SE).

Paper & Pulp

M/s Caprihans (I) Pvt Ltd; 'D', Block, Shivsagar Estate, Worli, Bombay-19. (Thana, Maharashtra)—Clay Coated Paper—2,500 tonnes p.a. (COB); M/s Union Paper & Board

Mills Ltd; 18, Netaji Subhas Road, Calcutta. (Calcutta, West Bengal)—Paper & Paper Board (Straw Board, Milk Board, Grey Board, Bitumen Water Proof Paper, Cone Board, Straw Paper and Wrapping Paper)—5,000 tonnes p.a. (COB); M/s Card Board Box Mfg. Co. 41, Chowringhee Road, Calcutta-16. (Calcutta, West Bengal)—Double Faced Corrugated Boards, Single Faced Corrugated Rolls, Corrugated Boxes, Paper Cones, etc.—7,500 tonnes p.a. (COB); M/s Metal Box Co. of (I) Ltd; 59-C, Chowringhee Road, Calcutta-20. (Bombay, Maharashtra)—Treated & Processed & Laminated Board and Paper & Containers thereof—5,600 tonnes p.a. (COB); Shri M.S.V. Kantham, No. D-14, Fairlands, Salem-14. (Salem, Tamil Nadu)—Industrial Packaging Materials—600 tonnes p.a. (COB).

Vegetable Oils

M/s Kishan Chand & Co. Oil Industries (P) Ltd; G.T. Road, Ludhiana. (Ludhiana, Punjab)—Vanaspati—40 tonnes per day. (COB).

Leather and Leather Goods

M/s N.D. Georgopanlas, 9, Davidson Street, Madras-1. (Madhavaram, Madras, Tamil Nadu)—Wet Blue

Chrome Tanned Goat Skins and Sheep Skins—6,01,200 pieces p.a. (COB).

Cement

M/s J.K. Synthetics Ltd; Kamla Tower, Kanpur. (Nimbahera, Rajasthan)—Portland Cement—2,52,000 tonnes p.a. (NU); The Associated Cement Companies Ltd; Project Planning & Sales Division, Cement House, 121, Maharishi Karve Road, Bombay-20. (Jamul, Madhya Pradesh)—Portland Blast Furnace Slag Cement—10,80,000 tonnes per annum. (COB).

LETTERS OF INTENT

Metallurgical Industries

M/s Raunaq & Company (P) Ltd; 14/15-F, Connaught Place, New Delhi. (Faridabad, — Haryana)—Galvaniscop Malleable Iron Fittings—(1/4" to 3" size)—5,000 tonnes p.a. (NU).

Electrical Equipment

M/s Martin Burn Ltd; 12, Mission Row, Calcutta-1. (West Bengal)—1. Automatic Train Control Equipment—Rs. 50,00,000 p.a.; 2. Axle Counter System—Rs. 30,00,000 p.a.; 3. Route Relay Inter-locking—Rs. 20,00,000 p.a. (NA); M/s Kerala Electrical & Allied

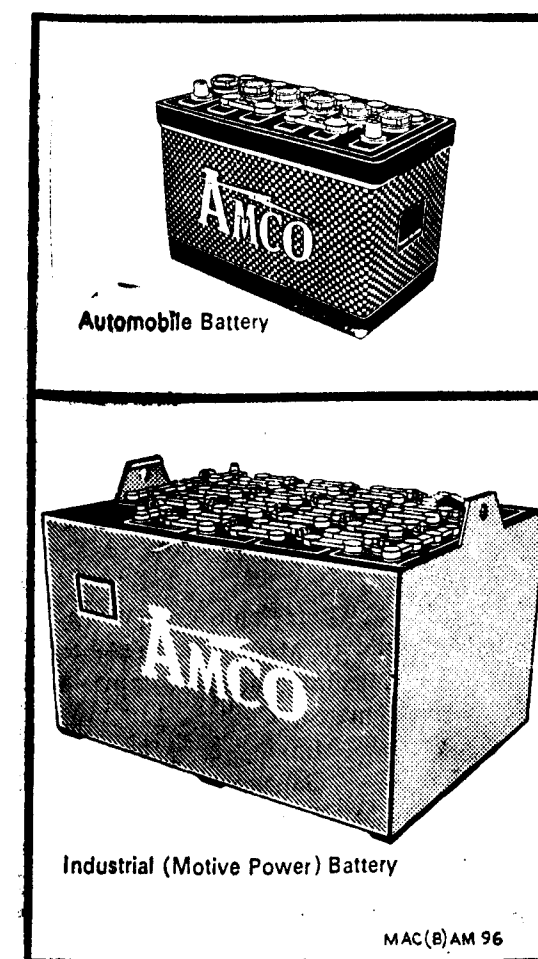
Engg. Co. Ltd; Mamala P.O., Cochin. (Kundara, Kerala)—1. Brushless Alternators—600 nos. p.a. (NA); M/s Heavy Electricals (I) Ltd; 1st Floor, Chandralok, 36, Janpath, New Delhi-1; (Bhopal, Madhya Pradesh)—Transformer Laminations—Expansion from 4,000 to 7000 tonnes p.a. (SE); M/s Siemens India Ltd; 134, Dr. Annie Besant Rd, Worli, Bombay-13—Railway Signalling Equipment: 1. Relay Groups—3,000 nos. p.a.; 2. Electronic Axle Counters—100 sets p.a.; 3. Automatic Train Control Equipment—30 nos. (Loc Devices)—100 nos. (Track Devices); 4. Tokenless Block Instrument—200 nos. p.a.; 5. Last Vehicle Control System: 100 nos. Track Devices. 30 nos Loc Devices. (N.A.)

Telecommunications

M/s Bharat Electronic Ltd; P.O. Jalahalli, Bangalore-13. (Bangalore, Mysore)—Silicon Diodes & Transistors—Expansion from 10 million Nos. to 50 million nos. p.a. (SE).

Transportation

M/s Surjit Brothers, 308/4, Daya Basti, Old Rohtak Road, Delhi-7. (Delhi)—1. Voltage Regulator—36,000 nos p.a.; 2. Head Lamps—30,000 nos p.a. (NU); M/s Sharco Ind. Pvt Ltd;



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SERVICE — ENGINEERING — RESEARCH — LONG LIFE

2750, Sharan Kutir, Kashmiri Gate, Delhi-6. (Faridabad, Haryana)—Hydraulic Industrial Lift Jacks—Within the total licensed capacity of 9,000 nos. for Hydraulic Autolift Jacks p.a. (SE); Shri Bhupinder Singh Sawhney, 561-64, 18th Road, Khar, Bombay-52. (Thana, Maharashtra)—1. Alternators/Generators—70,000 nos p.a.; 2. Starters—70,000 nos p.a.; 3. Voltage Regulators—70,000 nos. p.a.; 4. Wiper Motors—60,000 nos p.a.; 5. Distributors—50,000 nos p.a.; 6. Head Lamps—1,00,000 nos p.a.; 7. Flasher Units—1,50,000 nos p.a. (NU); M/s J.M.A. Industries Pvt Ltd; 8, Padmini Enclave, Haus Khas, New Delhi. (Ballabgarh, Haryana)—1. Head Lamps—270,000 nos p.a.; 2. Flasher Units—360,000 nos p.a. (After Expansion) (SE); M/s Jain Brothers, 903, Queens Road, Delhi-6. (Faridabad, Haryana)—Clutch Release thrust bearings—3,00,000 nos p.a. (NU); M/s Dass Hitachi Pvt Ltd; 21-A, Janpath, New Delhi-1. (Ghaziabad, Uttar Pradesh)—1. Starters—20,000 nos p.a.; 2. Generators—20,000 nos p.a.; 3. Voltage Regulators—40,000 nos p.a. (NA); M/s Hindustan Auto Corpn, 8-9, Modi Chambers, Sandhurst Bridge, Bombay. (Nasik, Maharashtra)—Switches for automobiles, Agricultural earth moving machinery, etc.—3,00,000 nos. p.a. (NU); M/s Sahney Kirkwood Commutators Pvt Ltd; 27, Kirol, Near Vidya-vihar station, Bombay-86. (Kirol, Maharashtra)—Slip Rings—1,50,000 nos. p.a. (NU).

Industrial Machinery

M/s Nav Bharat Vanijya Ltd; 7, Council House Street, Calcutta-1. (Dungarpur, Rajasthan)—Synthetic Cryolite & Aluminium Fluoride—3,000 tonnes p.a. & 2,000 tonnes p.a. respectively (NU); M/s Eastern Paper Mills Ltd; No. 2, Dakshindari Rd; Calcutta-48. (Calcutta, West Bengal)—Pulp, Paper or Board making machinery. (Plant of 70-100 tonnes per day)—2 nos worth Rs 12 crores p.a. (NA); M/s G. Varadan Pvt Ltd; 306, Arun Chambers, Tardeo Road, Bombay-14. (Jaipur, Rajasthan)—Dandy Rolls of all types for use in paper industry—Capacity to be determined afterwards. (NU); M/s Tractor Ancillaries Pvt Ltd; 5, Mir Baker Ali

Compound, Sanstha Vasahat, Pratap Road, Badpura, Baroda. (Baroda, Gujarat)—Crankshaft & Camshafts—10,000 nos. each p.a. (NU); Shri Rajindar Singh Chandok, c/o Chandok Auto Industries, 431, Lamington Road, Bombay. (Maharashtra)—Cylinder Heads for Agricultural Tractors, Industrial & Automobile Engines—24,000 nos p.a. (NU).

Household Equipment

M/s American Refrigerators Co Ltd; 20-A, Najafgarh Road, New Delhi-15. (Faridabad, Haryana)—Domestic Refrigerators—15,000 nos. p.a. (NA).

Medical & Surgical Appliances

Shri Balbir Singh, 189, Golf Link, New Delhi. (Faridabad, Haryana)—Dental Components & Equipments: 1. Servitors—30, 2. Airtors (Borden Type)—60, 3. Wall Bracket model Dental Engine, Doriat Arm, Handpiece, Foot Control—100, 4. Pedestal Model Dental Engine—100, 5. Table Model Dental Engine—100, 6. Suspension model Dental Engine—100, 7. Portable Dental Engine—100, 8. Lathes with chucks, Cable arm, hand piece—100, 9. X-ray unit—100, 10. Burs Steel—8,54,000, 11. Burs Carbide—1,80,000, 12. Burs Diamond Point—35,000, 13. Mandrol—20,000, 15. Orthodontic Equipment—30,000 Annual capacity (in nos) (NU)

Industrial Instruments

M/s English Electric Co India Ltd; P.O. Box No. 2592, Madras-27. (Madras, Tamil Nadu)—1. Impedance Bridges—150 nos. p.a.; 2. Distortion Meters—75 nos p.a.; 3. Modulation Meters—100 nos p.a.; 4. Output Power Meters—150 nos. p.a.; 5. Q. Meters—75 nos p.a. (NA)

Chemicals

Shri Premshankar B. Dave, 20, Jai Bharat Colony, Khar, Bombay-52 (Gujarat)—Synthetic Detergents—10,000 tonnes p.a. (NU); Shri C. P. Agarwal, E-2/27, Link Road, Jhandewalan, New Delhi-55. (Delhi)—Oxygen Gas—0.45 million Cubic Meters. (NU); Shri Ram Niwas Gupta, 115-D, Kamla Nagar, Delhi-7. (Sonapat, Haryana)—

Oxygen Gas—0.45 million cubic meters. (NU); Shri Lallan Singh, Homeo Hall, Kundanpura, Muzaffarnagar (UP). (Uttar Pradesh)—Oxygen Gas—0.45 million cubic meters. (NU); M/s Anil Investment Corpn, Kishori Niwas, Birhana Rd; Kanpur. (Ghaziabad, Uttar Pradesh)—Oxygen Gas—0.45 million Cubic Meters. (NU); Shri Harikishin L. Poorswami, 52, Mira Society, 39, Shankarseth Road, Poona-9. (Belgaum, Mysore)—Oxygen Gas—0.45 million Cub. Meters. (NU). The Travancore Cochin Chemicals Ltd; Udyogmandal P.O., Kerala State. (Kerala)—Sulphur Dioxide (Liquid)—7,500 tonnes per annum (NA).

Paper and Pulp

M/s Modipon Ltd; Modinagar. (Jammu & Kashmir)—1. Rayon Grade Wood Pulp—30,000 tonnes p.a., 2. Multi-grade Wood Pulp—15,000 tonnes p.a. (NU).

Sugar

Assam Industrial Development Corpn Ltd; 26-A, Cantonment, Shilllong, Assam. (Durlabhchar, Assam)—Sugar-cane Crushing capacity of 1250 tonnes per day. (NU).

Food Processing

Shri K. B. Narasappa, 1-145, Fort, Kurnool (A.P.) (Vijayawada, Andhra Pradesh)—Soft Drinks (Coco-Cola etc.)—96 million Bottles p.a. (NU).

CHANGES IN THE NAMES OF OWNERS/UNDERTAKINGS

(Information pertains to particular licences only)

For M/s Port Engineering Works Ltd; Calcutta. to M/s Andres Yule & Co. Ltd; Calcutta; For M/s Jaipuria Samla Amalgamated Colliers Ltd, to M/s Swadeshi Mining & Mfg. Co Ltd; For M/s Gangapur Sugar Mills Ltd to M/s Gangapur Sahakari Sakhar Karkhana Ltd; For Kullappa Spinning Mills to Shree Kathiresan Spinning Mills; For M/s Racmann Koshatkinn. to M/s Racmann Auto Pvt. Ltd.;

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UNITED COMMERCIAL BANK

Head Office: CALCUTTA

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Second Report along with the Accounts for the year ended 31st December 1970.

THE BANKING SYSTEM

Commercial banks recorded all-round progress during the year. The deposits of scheduled commercial banks rose by Rs. 798 crores (16.4 per cent) to Rs. 5,675 crores during 1970 as compared with the rise of Rs. 651 crores (15.5 per cent) in the previous year. Demand Deposits increased by 16.4 per cent as against 14.6 per cent in the previous year. The growth rate of Time Deposits at 16.3 per cent was larger than the previous year's increase of 14.7 per cent. Savings Deposits too registered a rise of Rs. 226 crores (18.0 per cent) as against an increase of Rs. 187 crores (17.5 per cent) in the previous year.

Over the year the scheduled commercial banks' total credit rose by Rs. 812 crores (22.5 per cent) to Rs. 4,428 crores as against the rise of Rs. 547 crores (17.8 per cent) in 1969.

Investments of scheduled commercial banks in Government Securities rose by Rs. 121 crores to Rs. 1,346 crores at the end of 1970 as against an increase of Rs. 100 crores during the previous year. The borrowings by scheduled commercial banks from the Reserve Bank of India at the end of December 1970 was Rs. 302.2 crores as against Rs. 91.9 crores at the end of 1969.

The 1969-70 busy season was marked by a series of measures adopted by the Reserve Bank of India in order to control credit with a view to restraining the upward trend in prices. These measures included tightening of bank credit against specific commodities, namely, raw cotton and kapas, oil seeds and vegetable oils and foodgrains, prescribing in the case of advances against certain commodities a minimum rate of interest at 12 per cent, removal of the ceiling of 9.5 per cent on interest rates on advances, curtailment of refinance facilities and levy of a commitment charge on unutilised credit. The statutory liquidity requirement was also raised by stages from 25 per cent to 27 per cent and the net liquidity ratio for the purpose of borrowings from the Reserve Bank of India from 30 per cent to 32 per cent. In August 1970 these two percentages were further raised to 28 and 33 respectively. Given the abnormal credit expansion in the 1970 slack season and the continued pressure on prices, the accent of the credit policy for the 1970-71 busy season formulated by the Reserve Bank of India, was generally on restraint.

While the refinance at concessional or bank rate was continued to be made available to the priority sectors in respect of an increase over the base period, the base period for the purpose of calculation was advanced from the corresponding quarter of 1968-69 to that of 1969-70. The first two months of the 1970-71 busy season, nonetheless were marked by a relatively large credit expansion resulting in increased recourse to Reserve Bank borrowings by banks.

The bank rate was raised from 5 per cent to 6 per cent with effect from 8th January 1971. Simultaneously the minimum net liquidity ratio was raised from 33 per cent to 34 per cent. The upward adjustment in the Bank Rate was accompanied by a rise in the rates of interest on deposits, the increase varying from one quarter of one per cent to one-half of one per cent; and the rate of interest on Savings Bank account was stepped up from 3.5 per cent to 4 per cent.

During 1970 the public sector banks opened 1909 new branches. If the performance in this sphere of the non-nationalised banks is taken into account, the banking system as a whole opened 2,134 branches in 1970 against 1,369 in 1969 and 677 in 1968. From July 1969 to 31st December 1970 the public sector banks opened 2,494 new offices out of which, 1,750 offices were in hitherto unbanked centres. In carrying out this massive branch expansion programme, the Lead Bank Scheme introduced by the Reserve Bank of India in December 1969 is an important factor. Under this Scheme the districts in various States have been allotted to different banks for carrying out a quick and impressionistic survey and for identifying growth centres in each district for extending banking facilities, pinpointing of credit gaps and drawing up of programmes for development.

OPERATIONS OF THE BANK

Deposits

The operations of the Bank in India and abroad recorded a satisfactory progress during the year. The deposits and other accounts of the Bank at Rs. 295.81 crores showed an increase of Rs. 38.28 crores as against the increase of Rs. 24.43 crores in the previous year. The aggregate deposits of the Bank in India rose by Rs. 36.95 crores (15.5 per cent) to Rs. 274.99 crores as against the rise of Rs. 24.23 crores in 1969. The Current Deposits rose by nearly Rs. 9 crores (12.60 per cent) to Rs. 80.43

crores while the Time Deposits increased by Rs. 17.36 crores (15.23 per cent) to Rs. 131.33 crores during the year. The Savings Deposits went up by Rs. 10.61 crores (20.16 per cent) to Rs. 63.23 crores. The number of Deposit Accounts went up from 9,12,000 to 10,60,000 the notable increase being in Savings Bank and Recurring Deposit accounts.

Advances

The Bank's Advances and Bills outstanding on 31st December 1970 amounted to Rs. 217.15 crores registering a rise of Rs. 54.33 crores over the figure at the end of 1969, almost wholly in India. The significant rise in advances during the year is accounted for by an increase of Rs. 27.29 crores in advances to priority and preferred sectors. There was also expansion of credit to industrial and other sectors which was partly due to the utilisation of the limits sanctioned in 1968 and 1969 when the Bank's credit-deposit ratio was low. The credit-deposit ratio of the Bank as a whole at the end of 1970 was 73.4 per cent while for the Indian branches it was 73.6 per cent as compared with 61.7 per cent and 59.2 per cent at the end of the years 1969 and 1968 respectively.

Priority and Preferred Sectors

Advances to priority and preferred sectors like Agriculture, Small-scale Industries, Small Traders and Artisans, Transport Operators and Exports received special attention and the total of advances to such sectors stood at Rs. 53.67 crores at the end of the year as compared with Rs. 26.38 crores at the end of 1969. The number of such advance accounts increased from 14,959 at the end of 1969 to 40,134 at the end of 1970.

Financing of	(Amount in Crores of Rs.)					
	1969			1970		
	No. of A/cs.	Sanctioned Limits	Out-standings	No. of A/cs.	Sanctioned Limits	Out-standings
1. Small-Scale Industries	3,010	21.90	10.25	5,095	32.51	17.91
Of which Transport Operators	140	0.60	0.40	997	3.07	2.35
2. Retail Trade and Small Business	1,423	2.99	2.99	7,672	10.18	6.87
3. Professionals and Self-employed persons and Education	266	0.14	0.14	2,338	0.66	0.56
4. Agriculture	9,951	13.64	5.00	24,654	19.28	13.76
5. Exports (Preshipment and post-shipment)	309	16.68	8.00	375	18.75	14.57
Total	14,959	55.35	26.38	40,134	81.38	53.67

Particular mention may be made of the substantial spurt in the Bank's assistance to the Agricultural sector. The total outstanding advances at the end of the year amounted to Rs. 13.76 crores as compared with Rs. 5.00 crores at the end of the previous year. The amount of direct finance (production and equipment) to Agriculture went up from Rs. 2.81 crores to Rs. 5.81 crores and the number of such accounts from 9,594 to 19,391. Seventy-five per cent of such accounts are of small farmers having a holding of 5 acres or less. The Bank has also undertaken to finance farmers through 84 Primary Co-operative Societies in the States of Mysore, Andhra Pradesh, Haryana, Madhya Pradesh and Uttar Pradesh. The amount of loans to such Societies outstanding at the end of 1970 was Rs. 36.06 lakhs against the total limit of Rs. 97.73 lakhs sanctioned by the Societies to more than 3,000 members.

The Bank maintained a steadily increasing flow of assistance to Small-scale Industries. The number of such accounts increased from 3,010 at the end of 1969 to 5,095 at the end of 1970. The total limits sanctioned to Small-scale Industries and the outstanding advances in such accounts showed an upward trend and stood at Rs. 32.51 crores and Rs. 17.91 crores respectively at the end of 1970 as compared with Rs. 21.90 crores and Rs. 10.25 crores respectively at the end of 1969.

The assistance to Truck and Taxi operators and Rickshaw pullers included in Small-scale Industries advances given in the preceding paragraph rose from Rs. 40 lakhs to Rs. 2.35 crores in 997 accounts.

The finance to Retail trade, Small business, Professional and Self-employed persons and students increased from Rs. 3.13 crores at the end of 1969 to Rs. 7.43 crores at the end of 1970. The number of accounts which received such finance went up

from 1,619 to 10,010 at the end of 1970. The Bank continued to finance Exports in a large way. The total outstanding of pre-shipment and post-shipment finance at the end of the year was Rs. 14.57 crores as compared with Rs. 8.00 crores at the end of 1969. The aggregate of export credit made available during the year was Rs. 32.23 crores for pre-shipment finance and Rs. 42.63 crores for post-shipment finance, making a total of Rs. 74.86 crores as against Rs. 68.81 crores in the previous year.

Profit

The profit for the year 1970 before making provision for Bonus to staff and transfer to the Reserve Fund, but after making the usual and necessary provisions for taxes, etc. amounted to Rs. 142.03 lakhs as against the profit of Rs. 89.22 lakhs for the year 1969. The higher profit was as a result of better utilisation of funds in advances and bills during the year. There was an increase of Rs. 3.97 crores in the income under the head Interest and Discount Received and Rs. 1.82 crores in the Interest paid on deposits and borrowings as against a rise of Rs. 1.61 crores and Rs. 0.99 crore respectively in 1969. There was an appreciable increase of Rs. 1.59 crores in salary, allowances and provident fund as against one of Rs. 50 lakhs in 1969. During the year the Second Bipartite Settlement was arrived at between the Indian Bank's Association and the All India Bank Employees' Association for revision of salary and allowances of the staff governed by the award, which provided for a rise of about 15 per cent in the total emoluments of such staff. Consequent upon the merging of a part of the dearness allowance in the pay of the Award staff and the upward revision of certain other allowances, the salary and allowances of the officers not governed by the Award were also revised upward after an Agreement was reached with the All India United Commercial Bank Officers' Federation.

Branches

Seventy new branches were opened during 1970 as against 52 in 1969 as shown in the Table below. Of these, 64 were in rural and semi-urban areas, 56 such branches being in previously unbanked centres. Greater emphasis was laid during the year on the opening of branches (41) in the Eastern Area.

Number of Branches at the end of			States	Branches opened in 1970			
1968	1969	1970		Rural	Semi-urban	Urban/Metropolitan	Total
6	8	16	Assam (including Meghalaya)	8	—	—	8 (7)
22	26	29	Bihar	—	3	—	3 (2)
10	11	27	Orissa	14	2	—	16 (14)
43	49	63	West Bengal	13	1	—	14 (9)
2	3	10	Himchal Pradesh	6	1	—	7 (7)
16	17	24	Punjab	6	1	—	7 (7)
23	27	30	Rajasthan	1	2	—	3 (1)
6	6	6	Andhra Pradesh	—	—	—	—
6	9	10	Haryana	—	1	—	1
30	43	44	Gujarat	—	—	1	1
3	4	4	Jammu & Kashmir	—	—	—	—
7	7	8	Kerala	—	—	1	1
28	30	30	Madhya Pradesh	—	—	—	—
32	36	39	Maharashtra	1	—	2	3
6	7	7	Mysore	—	—	—	—
17	18	20	Tamil Nadu	—	1	1	2
28	36	38	Uttar Pradesh	—	2	—	2
29	29	31	Union Territories	—	1	1	2
314	366	436	Total	49	15	6	70 (47)

Figures in brackets indicate Branches in Lead Districts.

The total number of branches of the Bank in India at the end of 1970 was 436 out of which 106 were located in rural centres, 142 in semi-urban centres and the rest in urban centres and metropolitan cities. The number of branches in foreign countries remained unchanged at six.

It is proposed to open about 100 branches in 1971—66 in 'Lead Districts' and 34 in other districts. Of these, 84 will be located at the rural and semi-urban centres and only 16 in urban centres and metropolitan cities. Emphasis is being laid on opening branches in the four States in the Eastern Area and the Lead Districts in the States of Himachal Pradesh, Rajasthan and Punjab.

Lead District

The Bank has been allotted 23 districts under the Lead Bank Scheme out of which 13 are in the four States of the Eastern Area, 10 are in the three States of Northern Area. Eight out of the 23 such districts are considerably underbanked on the basis of the average for all districts of the country of one office for a population of 52,000. For the purpose of identifying growth centres for opening new branches and for assessing the economic activities in the districts, impressionistic surveys were undertaken and 19 such surveys were completed by the end of May 1971. Surveys of 4 other districts are in progress. Simultaneously with the surveys of the districts new branches were opened in the lead districts after identifying the growth centres. Out of 70 new branches opened during the year, 47 branches are located in the lead districts. Special attention is being given to the development of lead districts with the assistance of other banks functioning in them.

Management

As mentioned in the last report, the First Board of Directors of the Bank was appointed by the Government on 18th July 1970. Prior to the appointment of the Board a representative of the Reserve Bank of India was nominated on the Committee of the Management. Shri S. K. Mukherjee, Dr. N. A. Sarma, and Shri H.K. Dasgupta served on the Committee of Management, from time to time as the representatives of the Reserve Bank of India. The Bank places on record its high appreciation of their wise counsel and valuable guidance in conducting the business of the Bank.

The Bank also wishes to thank the Reserve Bank of India as well as the Department of Banking, Ministry of Finance, Government of India for their valuable help and guidance in the conduct of the Bank's work.

Administrative Reorganisation

In the past 3 years there has been an all-round increase in the Bank's deposits, advances and branches. The growing network of branches in rural and semi-urban areas, the task of development of under-developed States, particularly in the Eastern Area, the concept of the lead districts and disbursement of credit to priority and preferred sectors called for a change in the organisational set up of the Bank in order to achieve the desired objectives. The Board of Directors has, therefore, taken in hand the reorganisation of the administrative set up of the Bank at the Head Office, Regional and Branch levels with a view to delegating decision making powers at various levels for expeditious disposal of credit proposals and other matters, providing adequate control to ensure effective supervision and reviewing performance of Branches.

Whether it is financing of Small-scale Industry, Agriculture or Small self-employed persons or opening of branches in rural areas or development of lead districts, the progress and impact could be quick and effective if the members of the staff of the Bank — at all levels — are imbued with the spirit of the social concept of banking. This may need a greater re-orientation of attitudes and approach on the part of the Bank's personnel. This will come about as more and more experience is gained in dealing with hitherto neglected sectors of the economy. The Directors place on record their appreciation of the co-operation of the members of the staff in this new task but for which the Bank could not have made such progress and they hope that they will play a more effective role in the coming years to enable the Bank to achieve the objectives of nationalisation.

Calcutta.
20th July, 1971.

For and on behalf of the Board of Directors
R. B. SHAH
Custodian

UNITED COMMERCIAL BALANCE SHEET AS AT

CAPITAL AND LIABILITIES	31st December, 1970		31st December, 1969	
	Rs.	P.	Rs.	P.
1. CAPITAL :				
Paid up (Wholly owned by the Central Government)			2,80,00,000.00	
2. RESERVE FUND AND OTHER RESERVES				
(a) Reserve Fund	4,70,00,000.00		4,41,07,947	
(b) Development Rebate Reserve	9,10,000.00		9,10,000	4,50,17,947
3. DEPOSITS AND OTHER ACCOUNTS :				
Fixed Deposits	1,45,25,63,576.10		1,28,01,84,370	
Savings Bank Deposits	64,14,64,647.12		53,45,80,665	
Current Accounts, Contingency Accounts, etc.	86,40,30,668.65	2,95,80,58,891.87	76,05,14,353	2,57,52,79,388
4. BORROWINGS FROM OTHER BANK- ING COMPANIES, AGENTS, ETC.				
(i) In India [Includes borrowings from Industrial De- velopment Bank of India Rs. 2,14,50,000 (Previous year—Rs. 2,21,49,738) and from Agricultural Refinance Corpo- ration Rs. 22,64,900 (Previous year— Rs. 21,57,000) and from Reserve Bank of India under Section 17 (4) (a) Rs. 12,30,00,000 (Previous year— Rs. 1,80,00,000) and under Section 17 (4) (c) Rs. 5,50,00,000 (Previous year—Rs. Nil)].	20,32,30,916.70		4,48,81,737	
(ii) Outside India	79,16,198.99	21,11,47,115.69	1,93,70,712	6,42,52,449
PARTICULARS :				
(i) Secured by part of Investments and Advances per contra	20,18,64,900.00		5,20,56,737	
(ii) Unsecured	92,82,215.69		1,21,95,712	
	21,11,47,115.69		6,42,52,449	
5. BILLS PAYABLE :		7,60,12,419.83		4,61,06,565
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra :				
(i) Payable in India	26,31,79,204.79		20,76,92,788	
(ii) Payable outside India	7,86,93,938.43	34,18,73,143.22	5,78,78,521	26,55,71,309
7. OTHER LIABILITIES :				
(i) Branch Adjustments	10,23,84,298.60		8,88,91,508	
(ii) Rebate on Bills Discounted, Advance Receipts etc.	45,43,808.50	10,69,28,107.10	35,72,836	9,24,64,344
8. ACCEPTANCES ENDORSEMENTS AND OTHER OBLIGATIONS per contra :		30,17,45,909.58		22,95,12,031
Carried over..	4,07,16,75,587.29		3,34,62,04,033	

BANK

31ST DECEMBER, 1970

PROPERTY AND ASSETS	31st December 1970		31st December, 1969	
	Rs.	P.	Rs.	P.
1. CASH :				
In hand and with Reserve Bank of India and State Bank of India (including foreign cur- rency notes)	25,66,98,854.47			21,93,67,853
2. BALANCES WITH OTHER BANKS :				
On current account :				
(i) In India	Rs. 70,51,695.99		77,80,886	
(ii) Outside India	Rs. 6,74,75,417.93	7,45,27,113.92	33,12,25,968.39	5,28,63,817
3. MONEY AT CALL AND SHORT NOTICE			1,62,64,000.00	3,20,94,250
			34,74,89,968.39	31,21,06,806
4. INVESTMENTS : (at below market value)				
(i) Securities of the Central and State Gov- ernments and other Trustee Securities, including Treasury Bills of the Central and State Governments	80,69,46,113.06		80,59,89,750	
(ii) Shares :				
(a) Fully paid Preference Shares	8,38,642.50		8,67,213	
(b) Partly Paid Preference Shares	47,500.00		24,725	
(c) Fully Paid Ordinary Shares	52,36,947.28		57,86,588	
(d) Partly Paid Ordinary Shares	28,33,620.00		28,25,980	
(iii) Debentures or Bonds	71,87,380.00		1,38,39,605	
(iv) Other Investments :				
(a) Securities of Foreign Governments and Foreign Trustee Securities	1,30,17,865.50		1,29,76,930	
(b) Unit Trust of India (Initial Capital)	4,50,000.00		4,50,000	
(v) Gold		83,65,58,068.34		84,27,60,791
5. ADVANCES :				
(Other than bad and doubtful debts for which provision has been made to the satis- faction of the Auditors)				
(I) Loans, Cash Credits, Overdrafts etc. :				
(i) In India	Rs. 1,47,59,16,935.89		1,11,04,14,556	
(Includes term advances amount- ing to Rs. 3,70,16,386 (Previous year—Rs. 3,60,31,738) in respect of which refinance has been ob- tained from Industrial Develop- ment Bank of India to the extent of Rs. 2,14,50,000 (Previous year— Rs. 2,21,49,738) and Agricultural Refinance Corporation Rs.22,64,900 (Previous year—Rs. 21,57,000) per contra.)			7,04,99,234	
(ii) Outside India	Rs. 7,74,17,416.65	1,55,33,34,352.54		1,18,09,13,790
Carried over ..		1,18,40,48,036.73		1,15,48,67,597

UNITED COMMERCIAL

BALANCE SHEET AS AT

CAPITAL AND LIABILITIES	31st December, 1970				31st December, 1969	
	Brought forward	Rs.	P.	Rs.	P.	Rs.
	..			4,07,16,75,587.29		3,34,62,04,033
9. PROFIT AND LOSS :						
Profit as per last Balance Sheet	..	25,41,864.92				60,983
Less Amount transferred to Central Government		25,41,864.92				..
	..					60,983
Add Transfer from Contingency Reserve	Rs. 16,55,934.40					12,50,000
Less Bonus paid to Staff for the years 1968 and 1969 in excess of amount appropriated for bonus	Rs. 16,55,934.40					12,33,316
	..					16,684
Add Profit for the year		1,42,02,973.89				77,667
						89,22,144
Less Appropriations made :		1,42,02,973.89				89,99,811
To Reserve Fund Rs.	28,92,053.27					34,57,946
To Bonus to staff	Rs. 66,00,000.00					30,00,000
		94,92,053.27				64,57,946
Balance to be transferred to Central Government in terms of Section 10(7) of Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970				47,10,920.62		25,41,865
10. CONTINGENT LIABILITIES :						
(i) On Partly Paid Shares	Rs. 44,86,140.00					45,47,175
(ii) Claims against the Bank not acknowledged as debts	Rs. 19,23,042.74					17,37,026
(iii) Guarantees given on behalf of Customers and Correspondent Banks	Rs. 65,54,67,506.29					62,38,05,495
(iv) Bills of Exchange Re-discounted with the Industrial Development Bank of India	Rs. 6,70,23,755.55					3,25,28,805
(v) Forward Exchange Contracts outstanding for the purchase and sale of Bills and Telegraphic Transfers of which upto 18-6-71 Rs. 19,95,80,460=32 have been delivered	Rs. 21,76,81,985.78					26,49,17,304
Carried over	..			4,07,63,86,507.91		3,34,87,45,898

BANK

31ST DECEMBER, 1970

PROPERTY AND ASSETS	31st December 1970				31st December, 1969	
	Brought forward	Rs.	P.	Rs.	P.	Rs.
				1,18,40,48,036.73		1,15,48,67,597
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments) :						
(i) Payable In India (Includes an amount of Rs. 6,00,00,000 (Previous year—Rs. Nil) of Usance Promissory Notes lodged with Reserve Bank of India for advances under Section 17 (4) (c) to the extent of Rs. 5,50,00,000 per contra).						31,31,53,887
(ii) Payable outside India	Rs. 15,24,12,292.56					13,41,68,619
		61,81,33,173.54	2,17,14,67,526.08		44,73,22,506	1,62,82,36,296
PARTICULARS OF ADVANCES :						
(i) Debts considered good in respect of which the Bank is fully secured		1,65,44,69,187.25				1,19,64,16,949
(ii) Debts considered good for which the Bank holds no other security than the debtors personal security		22,68,13,303.47				16,90,53,109
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors		29,01,85,035.36				26,27,66,238
(iv) Debts considered doubtful or bad, not provided for		Nil				Nil
		2,17,14,67,526.08				1,62,82,36,296
(v) Debts due by directors or officers of the Bank or any of them either severally or jointly with any other persons		62,03,538.35				62,55,731
(vi) Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members		..				..
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Bank or any of them either severally or jointly with any other persons		62,55,731.00				62,96,297
(viii) Maximum total amount of advances, including temporary advances granted during the year 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		..				..
(ix) Due from banking companies, banks under Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and foreign banks		1,47,92,485.49				1,19,25,802
Carried over	..			3,35,55,15,562.81		

UNITED COMMERCIAL
PROFIT AND LOSS ACCOUNT FOR

EXPENDITURE	Year ended 31st December, 1970		Year ended 31st December 1969	
	Rs	P.	Rs.	
1. Interest paid on deposits, borrowings, etc.	10,26,84,126.46		8,45,09,346	
2. Salaries and allowances and Provident Fund*	7,18,44,971.61		5,59,72,377	
3. Directors' and Local Committee Members' fees and allowances	4,050.00		44,600	
4. Rent, Taxes, Insurance, Lighting, etc.	81,96,722.19		72,45,842	
5. Law Charges	1,09,472.68		1,34,504	
6. Postage, Telegrams and Stamps	37,71,826.72		31,97,779	
7. Auditor's fees	3,33,751.00		4,09,941	
8. Depreciation on, and repairs to, the Bank's property	44,49,648.22		37,53,647	
9. Stationery, Printing, Advertisement, etc.**	50,07,602.03		50,88,260	
10. Loss from sale of, or dealing with, non-banking assets	—		—	
11. Other Expenditure	61,37,278.44		60,77,583	
12. Balance of Profit subject to Bonus	1,42,02,973.89		89,22,144	
*Includes remuneration of Chief Executive Officer :—				
Chairman/ Custodian 1969	Custodian 1970			
Rs.	Rs.			
72,000.00	(i) Salary	72,000.00		
6,000.00	(ii) Allowances	6,000.00		
6,000.00	(iii) Contribution to Provident Fund	6,000.00		
9,000.00	(iv) Monetary value of perquisites calculated in accordance with Income-tax Rules	9,000.00		
1,356.52	(v) Medical Aid	625.63		
94,356.52	93,625 63			

**The amount shown against item 9 Stationery, Printing, Advertisement etc., includes expenditure of Rs. 10,93,143=05 on Public Relations and Publicity. The figures for 1969 are for the whole year excluding the figures relating to Branches in Malaysia.

TOTAL Rs. 21,67,42,423.24 17,53,56,023

The above Accounts have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949.

Calcutta
20th July, 1971.

R B. SHAH (Custodian)
D. BANERJEE
UPEN BORDOLOI
RAGHUNATH MOHAPATRA
G. P. SINHA
NALINI AMBEGAOKAR
ASHOK MITRA
Directors

BANK
THE YEAR ENDED 31ST DECEMBER, 1970

INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Year ended 31st December, 1970		Year ended 31st December, 1969	
	Rs.	P.	Rs.	
1. Interest and Discount	18,31,54,068.44		14,35,18,811	
2. Commission, Exchange and Brokerage	3,14,93,104.08		3,00,03,456	
3. Rents	18,56,627.32		17,52,527	
4. Net profit on sale of investments, gold and silver land, premises and other assets (not credited to Reserves or any particular Fund or Account)	—		—	
5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	—		—	
6. Income from non-banking assets and profit from sale of, or dealing with, such assets	2,38,623.40		81,229	
7. Other receipts	—		—	
8. Loss	—		—	
TOTAL Rs. : 21,67,42,423.24 17,53,56,023				

S. SUBRAHMANYAN
Chief Accountant

S. J. UTAMSING
General Manager

As per our report annexed.
LOVELOCK & LEWES
PRICE WATERHOUSE, PEAT & CO.
P. C. HANSOTIA & CO
Chartered Accountants

UNITED COMMERCIAL BANK REPORT OF THE AUDITORS

THE PRESIDENT OF INDIA

We have audited the attached Balance Sheet of United Commercial Bank as at 31st December, 1970 and also the relative Profit and Loss Account for the year ended on that date annexed thereto, in which are incorporated the returns of all the Branches of which:—

- (i) 58 Branches have been audited by us, 104 Branches by other auditors and 97 Branches have been unaudited, for the exclusion of which from audit, concurrence of the Reserve Bank of India, was obtained, and
- (ii) 183 Branches for the half-year ended 31st December, 1970 have been audited by other auditors. The audited returns in respect of these 183 Branches for the first half-year ended 30th June, 1970 have not yet been received.

The Balance Sheet and Profit and Loss Account have been drawn up in forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph and the notes on the accounts, 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 and returns of the Bank:
 - (i) The Balance Sheet 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, 1970;
 - (ii) The Profit and Loss Account shows a true balance of profit for the year ended 31st December, 1970.
- (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 purposes of our audit.

Calcutta.
20th July, 1971.

LOVELOCK & LEWES
PRICE WATERHOUSE, PEAT & CO.
P. C. HANSOTIA & CO.

Chartered Accountants

BOOKS BRIEFLY

Politics in Soviet Economics

The Soviet Quest for Economic Rationality : W. Keizer; Rotterdam University Press; 1971; Pp 267; Price not given.

Developing Economies and the International Framework : S. Venu; Orient Longman Ltd; 1971; Pp 301; Price Rs 27.50.

Labour Welfare in India : K. N. Vaid; Shri Ram Centre for Industrial Relations, New Delhi; Pp 392; Price Rs 45.

Economics of Land Consolidation in India : S. K. Agarwal; S. Chand & Co. (Pvt) Ltd, New Delhi; 1971; Pp 159; Price Rs 20.

Russia Revisited : K. P. S. Menon; Vikas Publications, Delhi; 1971; Pp 109; Price Rs 15.

Advanced Economic Theory : H. L. Ahuja; S. Chand & Co., Delhi; Pp 595; Price Rs 16.50.

Reviewed by ACADEMICUS

The Soviet Quest For Economic Rationality, is an excellent study concerned with the problem of the conflict between the orthodox Marxist economics of socialism as officially interpreted in the Soviet Russia and the quest for greater economic rationality in the post-Stalin era. It was assumed that the basic flaw in the Soviet economic system lay in the adherence to the erroneous ideological economic theory of socialism and that economic rationality would assert itself and the chronic ills of the system would disappear, once this body of dogma was abandoned. A number of western economists saw in the post-Stalin era, changes in the system the acceptance of the economic institutions commonly associated with market economies and consequently the gradual adoption of a pragmatic economic theory not basically different from that prevailing in the western countries.

During the course of the study Dr Keizer seems to have become convinced that "the crucial issue underlying the economic problems of the USSR is not the conflict between Marxist ideology and economic rationality, but the latter and the power-political goals of the Soviet ruling elite." According to the author therefore the conflict is not between ideology and economic law but between power-politics and economic law. The object of this study is to trace the relationship between economic and political rationality in a totalitarian economic system.

The author begins by defining the nature of economic and other types of

rationality in human behaviour in general and behaviour of Soviet policy-makers in particular. He has come to the conclusion that the motive behind economic activities may well be the direct achievement of certain political and social goals, instead of economic goals by themselves. In this case the economic system will evince political and social rationality and not economic rationality in the sense of maximising a monetarily quantifiable entity. Whether the purpose of any particular economic system is to be rational in the economic or in a political sense depends on the goals pursued by its policy-makers. The author, therefore, is of the opinion that we can say nothing about the rationality of any economic system, unless we know what its actual goals are.

The author then describes the possible objectives of the Soviet economic system. These are the ideological and political aims of the Communist Party leadership of the Soviet Union and the aims of the Soviet population as consumers. Dr Keizer has made an attempt to show that contrary to the common belief of the western economists, Marxist-Leninist ideological tenets continue to play a vitally important role in the Soviet economic life. They serve to justify and legitimise the leaders' appropriation of the major share of the GNP for achieving their political and economic aims.

The author then proceeds with his analysis assuming that the Soviet state as personified by the Communist Party leadership acts as a separate person with aims of its own which may

not necessarily be identical with those of its subjects. It therefore so acts as to maximise its own subjective utility or 'welfare'. The supreme aim of the Soviet politico-economic system is to secure its own self-preservation. All Soviet economic actions are directed towards this aim and can be explained in those terms only. All other aims of the system are subservient to this primary aim and may be sacrificed when their achievement conflicts with its maximum realisation. According to the author the successful pursuit of this aim requires the maximisation of the leadership's powers of disposal over the economic potential of the Soviet Union.

Aims of Soviet Economy

The supreme aim of the Soviet economy is not the maximisation of economic growth or any other purely economic objective by itself but the contribution which the economy can make to the above accepted ultimate goal. In a system such as the highly politicalised Soviet economy, economic rationality is by and large identical with the ideological or political rationality. Economic rationality is striven for in so far as it contributes to the achievement of the ultimate aim.

All this means that maximum consumer welfare as understood by western economists is not the major objective of the Soviet economy. As a fact, the basic Stalinist model minimized the volume of resources devoted to consumption in order to maximise the volume of resources devoted to the production of growth and power goods. In spite of the manifest improvements which have occurred in the standards of living of the consumers in the Soviet Union, no relaxation of this basic principle can yet be discerned.

The author has discussed the changes that have occurred over the past fifteen years in the allocation problem facing the Soviet policy-makers. Possibly, they have found that the Stalinist allocation priorities can no longer be relied upon to secure maximum achievement of their supreme goal and therefore, have effected certain basic reforms in the traditional planning system. After examining some of the reforms, recently effected, the author has come to the important conclusion that the reform proposals and measures that are both politically acceptable and technically feasible will not improve the economic efficiency of the system to the extent necessary. This applies to the profitability proposals, the price reforms, the programming models and techniques. The author concludes that the Soviet economic system cannot be accused of irrationality because it does not maximise consumer welfare. Given the aims of its policy-makers, the

Soviet economy achieves these aims as well as could be done under the existing constraints and the state of the planning techniques available.

This refreshing study is not based on an analysis of economic factors alone but attempts to take the relevant political and ideological factors into account as well. This is a right approach because no field of social activity can be satisfactorily analysed or evaluated when it is studied in isolation. It should be emphasised that this applies with even greater force to the analysis of totalitarian economies.

We have so much identified ourselves with the type of economic analysis that has come down to us from the western economists that we have become incapable of comprehending any other system of economic values and analysis. The reading of this stimulating book will certainly help us up to widen our horizon and whether we accept the alternative philosophy and values or not, it should be the duty of the students of economics to fully understand the case before sitting on judgment on any system.

DEVELOPING ECONOMIES

S. Venu has made an attempt in his book *Developing Economies and The International Framework* to analyse the economic problems of the less developed countries in the context of the international framework. It is now common knowledge that the efforts of developing nations to accelerate their growth rates are very much influenced by the politics of developed countries. What is more galling is that while professing to aid developing countries, many of the advanced countries are taking steps which are not hampering this growth process but are further accentuating the inequalities between the two groups of countries. Since this is so, any attempt at formulating proper economic policies by developing countries necessitates complete understanding and appreciation of what is happening in the outside world and hence the importance of this book.

In part one, the author has analysed trade problems between developed and less developed countries (LDCs) concentrating his attention on aspects such as discrimination in international trade, the Kennedy Round, international agreements and export problems before the developing countries.

The LDCs are concerned over the trends in their international trade for a number of reasons. For some of them the volume of international trade is

large in relation to their national income, e.g., Ceylon and Malaysia; for most of them it is important as it provides essential capital goods and technical know-how so important for economic development.

Trade not Aid

He is of the opinion that though LDCs are insisting on 'trade and not aid', international trade has not been a means of economic progress for most of the LDCs as the empirical evidence reveals that there has been a steady deterioration in the terms of trade over the past two decades. This is because, according to Gunnar Myrdal, "Trade operates (as a rule) with a fundamental bias in favour of the richer and progressive regions (and countries) and in disfavour of the less developed countries..." Myrdal regards it as a circular constellation of forces causing a low income equilibrium. His arguments against international trade as an engine of growth are based on low price and income elasticities of demand for primary exports. Hans Singer's arguments for the worsening terms of trade of the LDCs bear a certain affinity to the Marxist concept of colonial exploitation, and therefore according to him dynamic radiation of international trade had no sufficient effect. Raul Prebisch also supports the secular-deterioration hypothesis. All these authors agree that the present structure of international trade acts as a serious barrier to economic development. Foreign exchange restrictions and a limited ability to import have held back economic growth of countries like India, Pakistan, Brazil, Columbia and Turkey.

The author has also emphasised that while non-discrimination, multilateralism and expansion of international trade constitute the prime rationale of GATT, the actual picture is one of complete divorce of practice from professions, with developed countries getting a larger share in world trade. The author has also proved that the demand made by developing countries at UNCTAD I and UNCTAD II and at the Algiers Conference in 1967 for special international treatment of primary commodities which accounted for about 45 per cent of aggregate world exports has met with only lip service and the position in respect of export of primary products from LDCs is actually deteriorating all these years.

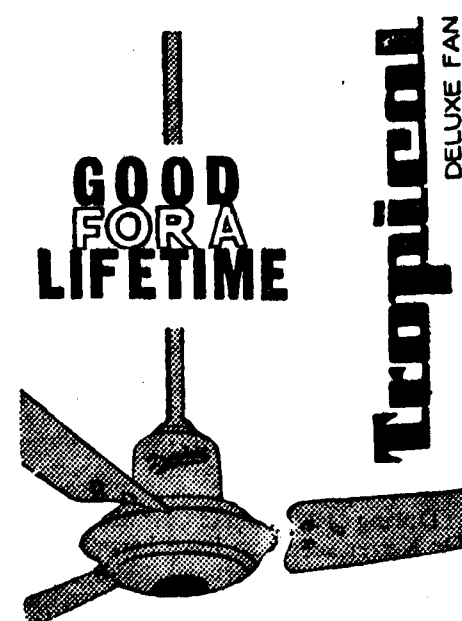
As a result of rapid economic development the LDCs have had to finance ever-increasing import bills. The terms of trade of the '88' progressively worsened. According to the author the way out of the impasse lies in diversifying the range of exports from the

LDCs to the developed countries. There is also an urgent need to increase earnings from traditional exports which have declined in relative terms during the so-called 'Development Decade'.

Part two of the book analyses various aspects of foreign aid such as meaning of foreign aid and why foreign aid, the sources and quantum of foreign aid, its economic effects, the rationals of foreign investment and its future. There is nothing new in the analysis but the reader gets at one place all that he needs to know in a general way about this important subject.

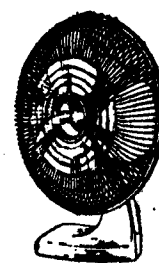
Part three deals with trade problems among the developing countries. The author pleads for immediate liberalisation of trade among the LDCs to help alleviate the general problem of excess capacity in industry caused by lack of effective domestic demand or demand from developed countries. Also, he has warned that developing countries in future will compete with each other in third country markets for sale of identical or substitute products and therefore must take steps to avoid self-defeating competition.

The next two parts deal with the pro-



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blems concerning the socialist bloc and developing countries (mainly the problems of bilateral trade among the two) and the international liquidity conundrum.

The reader often finds in this book that many of the topics dealt with are treated sketchily and the author has failed to realise the necessary degree of co-ordination and relevance among various topics. And yet the reader does get a broad international perspective against which the developing countries have to struggle and attain their growth. One thing that stands out prominently is the wide gap between the professions of most of the developed countries and their trade and aid practices with developing countries. The book is worth a careful perusal.

LABOUR WELFARE

Shri Ram Centre for Industrial Relations in India, New Delhi, has been doing excellent research work in the field of labour economics and has brought out a number of books on the subject almost all of which have been already reviewed in these columns. *Labour Welfare in India* by K. N. Vaid is an excellent addition to the literature already produced on the subject.

This excellent and fairly comprehensive book deals with the movement of labour welfare as it developed in India during the period 1930 to 1970. The author begins with a discussion of the theory of labour welfare with particular reference to India, traces the evolution of labour welfare policy over the decades, presents a brief account of the welfare legislation as applicable to industry and describes the various programmes in different fields such as health, housing, recreation, education and training for industrial workers, as well as working of industrial co-operatives, labour welfare funds and social security programmes. What is equally important is that the author also examines the role of employer's organizations, labour welfare officers and trade unions in the welfare movement in Indian industries. Since labour welfare seeks to upgrade the quality of life of industrial workers through voluntary and statutory measures with a view to increasing their sense of involvement and for motivating them to lend a willing hand to the economic development of the country, the importance of this subject cannot be overemphasised.

The policy formulation in regard to labour welfare involves determination of objectives, ordering of priorities, estimation of resources required and their generation, building administrative infrastructure necessary to handle

resources and programmes and a mechanism of evaluation. It is in the light of this that the author analyses various aspects of labour welfare such as health and welfare legislation, workers' education and training, housing, workers' co-operatives, social security and so on. According to the author the labour welfare policy should be based on four pillars, namely, promotion of economic development, harmony with other areas of overall social policy, dynamics of social change and value structure in the country and administrative feasibility.

The role of business and industry in society would exert the most significant influence on the scope and nature of labour welfare in industry. Since business and industry owe their existence to the community which creates and supports it, their gains from society should be matched by their contribution to the society. Modern business has therefore, responsibility to itself, to its consumers, to workers, to shareholders and to the community at large. Thus an enterprise is expected to make good product, sell it at a fair price, provide decent wages to its employees, earn a fair return on the capital, pay taxes honestly, create minimum social tensions and be aware of the wider implications of the narrow business decisions. This means that it is not enough for modern business only to redefine its goal; such a decision will need to be followed by introduction and carefully nurturing structural and attitudinal changes at all levels of the enterprise.

The book should serve as a text book to be used by scholars and as a sort of handbook for experts. K.N. Vaid deserves compliments on this excellent addition to the existing literature on labour economics.

CONSOLIDATION OF HOLDINGS

In view of the significance the land reforms in the agrarian structure of a country committed to planned socialistic pattern of economic development, the need for a scientific analysis of the problems of land consolidation is obvious. The need for such studies is most urgent to find out whether the hypotheses which led to the initiation of the programme of land consolidation were correct; and if so, to what extent; and if not, what could possibly be the reasons. There has not been any systematic study concerning economics of land consolidation and *Economics of Land Consolidation in India* by Dr S. K. Agarwal is intended to fill that gap.

Among the various land reform measures advocated for the reorganisation of Indian agriculture, land consolidation has been considered an important pro-

gramme in India's five year plans. The aim is to give every right-holder a compact area equivalent in value to what he held before in scattered plots.

To make a comparative study of the 'before' and 'after' consolidation situation, the author made enquiries in consolidated villages to ascertain the position as it prevailed before and after the consolidation of holdings. The period of five years was considered sufficient to show the short as well as long-term effects of the measures of consolidation. The period referred to as 'before consolidation' relates to 1954-55 and 'after consolidation' refers to the agricultural year 1962-63.

Tenancy Reforms Needed

Dr Agarwal has interesting findings to record. According to him all land reforms are mutually interdependent and none of them can be successfully insulated. He therefore is of the opinion that the state government should take steps, firstly, in regard to a tenancy reform; then the measures for land collection and its distribution and land consolidation should be attempted last so that holdings may not be again fragmented as a result of redistribution of land on any ground. Otherwise lack of proper and integrated implementation would have only an adverse effect on production.

The author has found that the climate is favourable for the consolidation of holdings and their maintenance as the cultivators are enjoying the fruits of consolidation and fully appreciate the benefits accruing to them from such arrangement. But the finding is that the problem of enacting suitable legislation aiming at the prevention of future subdivision of holdings is a very complex one. In UP, there are no restrictions on partition of ancestral holdings which means fragmentation and sub-division of holdings will continue to spread. The author is of the opinion that 'standard area' should be defined and no holdings be allowed to fall below that size on any account.

Also, in UP the present consolidation act does not provide for the amalgamation of those plots of a cultivator which lie in another village, even though the scheme is carried out in the whole revenue circle at one and the same time. It is therefore, suggested that provision should be made for consolidation of all plots of a cultivator in different villages so that a cultivator is saved from the inconvenience of having to run from village to village for cultivating his scattered plots.

The author is of the opinion that there is great need for consolidation in

hill areas as UP's consolidation of holdings scheme does not apply to the hill districts of Kumaon, Uttarkhand divisions and some other parts of the state on account of their hilly and uneven topography. Consolidation of holdings has definite benefits for the hilly areas and it would lead to increased production through intensive supervision and better management of land and water resources.

The author thinks that the expenses of consolidation such as expenses on correction of records, on actual consolidation and on land improvements should be met by the state, while expenditure on items such as construction of irrigation and drainage channels, laying out of village roads, etc. should be met by panchayats.

Planned Programmes

Another important suggestion which the author makes is that the opportunity of consolidation should be utilised to rationalise and plan cultivators' holdings and other allied programme in such a manner that the whole planning and development work at the village level would provide the greatest opportunity for maximum utilisation of the resources available for the development of the village. Consolidation programme should be properly co-ordinated with those of irrigation, drainage and bunding to achieve the greatest possible effectiveness in the use of land resources of the village. This means all the concerned administrative government departments should have close links with the consolidation department.

What is further to be noted is that at present the cultivator is placed in a situation where a single measure such as that of consolidation still not improve his lot. The problem requires a multi-sided approach which means that the measure for the consolidation of holdings will have to be supplemented by measures to supply to the cultivator other facilities such as water, better seeds, adequate fertilisers and improved credit. The author's findings show that if such measures are not taken simultaneously along with the measures of consolidation, consolidation programme in a backward area will have little to contribute to increase in agricultural production.

Consolidation measures have been taken in most of the states, but hardly any research is done concerning the effects of consolidation and supplemental measures necessary to make that measure effective. In most cases consolidation measure is taken in isolation and therefore expected results by way of increased efficiency of cultivation and

increased agricultural production have not come about. Much research will have therefore to be undertaken regarding all such measures and Dr S. K. Agarwal has done well to provide a fairly satisfactory model for such research projects.

PLEASURABLE READING

Those who have read *Many Worlds-an Autobiography* know well the polished, elegant, witty and anecdotal style of K.P.S. Menon whose writing never fails to give entertainment and pleasure, if not knowledge and insight into the affairs of the countries or their people whom the author is describing.

Russia Revisited is a sort of sequel to the author's well-known volumes on the USSR namely, *Russian Panorama*, *the Flying Troika*, *The Lamp and the Lampstand* and *Lenin Through Indian Eyes* and makes as much entertaining reading as all the other books of the author.

This book is a record of what the author saw and heard and also what he thought and felt in his visit to the Soviet Union at the time of International Lenin Centenary year 1970. There are articles on the institutions associated with Lenin, on Soviet life, Indo-Soviet relations, on the Crimea and Ulyanovsk, Lenin's birth place.

When on June, 17, 1970, the author was travelling by Aeroflot to the USSR, he confesses that he had "a feeling of returning home". He confesses that he feels that Moscow is his "second home." This sets the tone of his writing and generally he has the highest regard for things and Russian institutions. Any way, we get interesting reading material in the book. If Afanasi Nikitin's journey from Russia to India fifty years before Vasco da Gama took three years and the author's first journey in 1950s 28 hours, in another two years Delhi will be within two hours' flight from Moscow! We learn that the problem of accommodation is receiving intense attention and the joke which was true a few years ago that even divorced couples had perforce to share the same room is no more true. We read about the shifting on huge rollers big buildings to widen the streets and when ophthalmic hospital on Gorky Street was being moved back, the eye operations went on uninterrupted.

The readers' mind is certainly attracted by what Lenin did and said and especially his statement that "In order to champion the cause of workers one must think like a workman act like a workman and live like a workman." Our ministers living in feudal splendour and always talking of fighting the poverty of the poor should ponder over

that statement if they are sincere in their professions. Lenin's strict limits on speeches -10 minutes for reports, five minutes for a first speech and three for the second and no one to speak more than twice is another precept which Indians in general and our ministers in particular will do well to bear in mind. Also, Lenin's reply to students who asked him what they should do towards fulfilment of the revolution: "Your first duty is to study, your second duty is to study, and your third duty is to study" should be eye-opener for the Indian youth.

There is no doubt that one learns interesting facts about various things in the Soviet Union such as life and culture in Moscow, about Indian embassy, old and new, the Lenin mausoleum, the Lumumba University, the Russian riviera, the woman and the family in the USSR etc., etc. However, the fact that K.P.S. Menon considers the Soviet Union his "second home" because he stayed there about nine years renders him incapable of viewing things there objectively. The government of India should be cautious that their ambassadors do not stay long enough in any country to which they are accredited and come to consider it as their 'second home' as that renders them completely incapable of delving deep into the secrets of policy of that country. All this means that while *Russia Revisited* which is written in chiselled and polished English of which only the Indian civil servant during the British regime was capable and while the book with its picturesque language and anecdotal style provides good entertaining, it however completely fails to educate, an objective which possibly K.P.S. never has in his mind when he writes on anything connected with the Soviet Union.

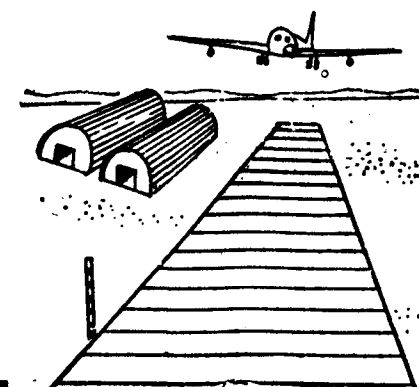
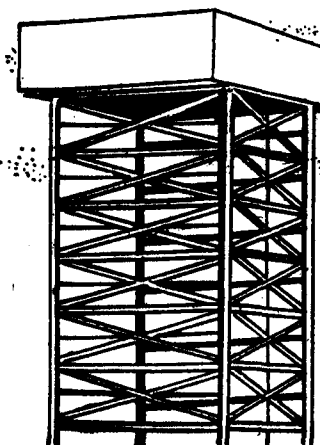
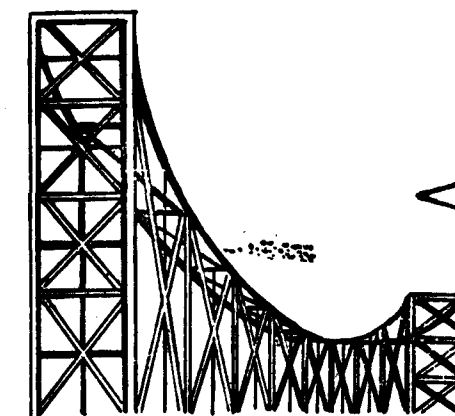
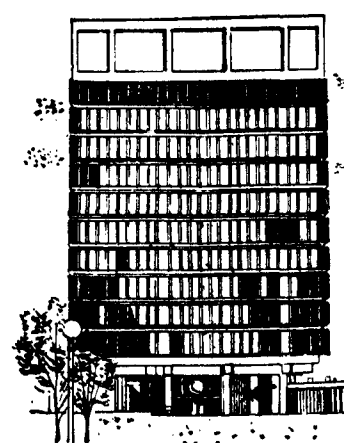
MICROECONOMIC ANALYSIS

While there have been quite a few good books on money, banking and international trade written by Indian authors who mainly have in view the Indian student world, there is however a paucity of such analytical books on microeconomic analysis. The few books by Indian authors that are available deal with the demand theory and problems of distribution in only the traditional Marshallian way neglecting recent advances which have taken place in these spheres. The books by foreign authors almost invariably are tending to be more and more mathematical which means that Indian students generally having poor mathematical background find it hard to follow satisfactorily the analysis in those books. Prof. Ahuja therefore, is to be warmly congratulated for bringing out his excellent book

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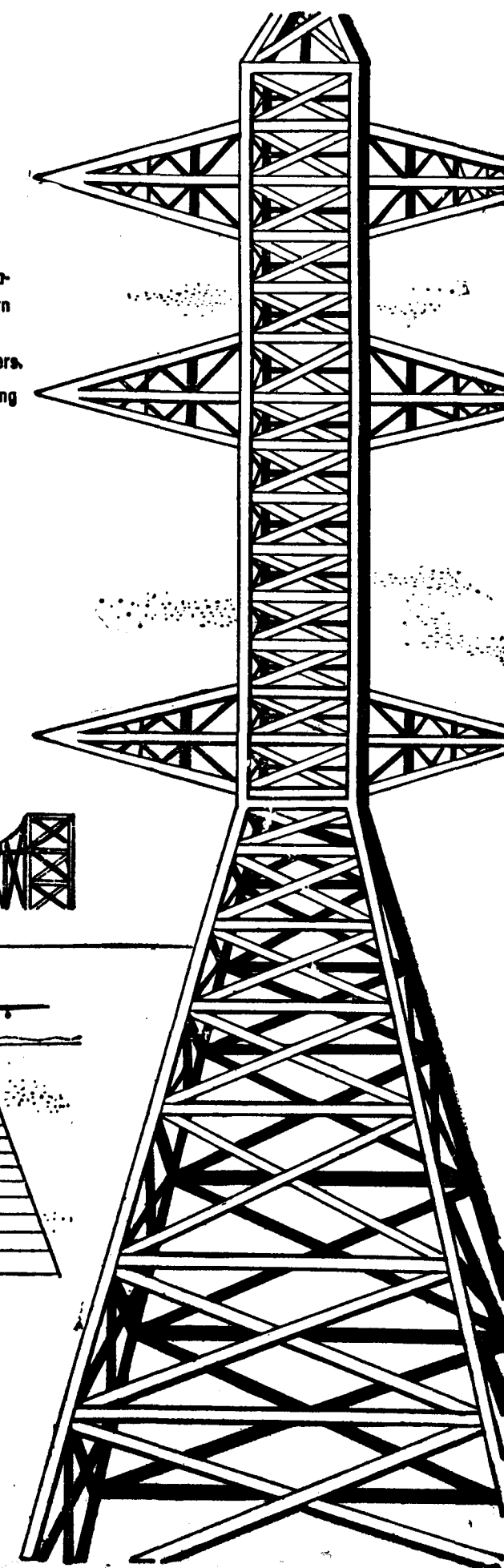
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Advanced Economic Theory which incorporates fairly latest developments in the field of the theories of value and distribution and presenting them in a manner that would enable even students with little mathematical background to follow the analysis.

After dealing in Part one with the nature of economic theory, part second deals fairly exhaustively with the theory of demand which is an important part in the theory of value. Considerable advances have been made in this field in recent years and the author has incorporated such topics as revealed preference-theory of demand and Hick's revision of demand theory. In a sense this is the most satisfactory part of the book.

Part three deals with the theory of production and cost which is complementary to the topics analysed in part two. Part four analysis the theory of product pricing under perfect competition while the next part deals with the theory of product pricing under imperfect competition, and part four with the theory of distribution i.e. pricing of the factors of production. All the analysis is clear and with illustrative graphs. There is no doubt about the excellent quality of the book. The only regret is that the book has not been brought out in a manner befitting the quality of the material. The book should serve as a good text book for BA and even MA students of the Indian universities.

Company Law

Company Law and Practice—An Analytical Study; by Premjus Roy and V.P. Arya; Oxford and IBH Publishing Company, New Delhi; PP X+206; Price Rs 22.

Reviewed by H. R. Gupta

The Indian Companies Act is like the proverbial elephant. It all depends on who is viewing it and from which angle. It has gone through so many amendments that very few will be able to recognise its original shape.

Company Law and Practice makes interesting reading, a fact not normally found in publications of this type. For example, listing of shares on recognised stock exchanges, election of company directors through proportional representations, takeover offers etc. have been explained in the light of practical difficulties faced by both shareholders and the management.

This is not the last word on Company Law. Nor will there ever be. But some suggestions merit notice:

The promoters of a company may have any number of objects in the memorandum of association as main objects. This may, however, frustrate the very purpose of the amendment as brought out by the Companies (Amendment) Act, 1965, which requires the main objects to be spelt out which the company wishes to pursue on its incorporation. The authors submit that it should be clarified that the main objects will include only those activities which the company proposes definitely to have at the commencement of business, and no other.

The procedure for amendment of the memorandum should be simplified, for the tendency to make the main objects clause all embracing is mainly due to the cumbersome procedure for amending the objects of the company involving approval of the court. A special resolution should be sufficient for this purpose as in the English Law.

Instead of having the objects clause amended through the court, the same may be allowed to be altered with the approval of the Company Law Board.

The right to obtain a copy of the memorandum and articles of association of a public company should also be given to persons other than the company's shareholders.

Section 73 (1) requires that the company must apply for listing of the securities to the stock exchange named in the prospectus before the 10th day after the first issue of the prospectus. Even a technical or unintended breach of Section 73 (1) would render the capital issue entirely infructuous. It has been suggested that provisions should be made in Section 73 that either the stock-exchange or the Department of Company Affairs may, in suitable bonafide cases, condone the delay and extend the time for making of the application for listing.

A suggestion made by the authors that the enlistment of shares by even one of the stock exchanges mentioned in the prospectus should be adequate compliance with the provisions of Section 73, and in tune with a recent judgment of the Supreme Court in the case of Allied International Products Limited (1971) 41 Comp. Cases (P. 127).

The authors have rightly suggested that Section 81 of the Companies Act should be amended to provide that at the time of fresh issue of capital, if a company reserves upto 20% of the fresh capital for employees, it should not require the shareholders' approval. Further, the limit of loan from the company to employees for the purchase of company's shares laid down in Sec-

tion 77 (3) of the Companies Act should be increased from six to 12 months salary.

Under a blank transfer deed, the ultimate purchaser is entitled to fill in his name date and other particulars in the blank transfer deed. The right to fill in the blank form clearly implies that the ultimate purchaser has also the right to correct mistakes by cutting or overwriting. The companies are, however, insisting that any cuttings or overwritings should be authenticated both by the transferor and the transferee which in many cases causes lot of inconvenience to the shareholders. The authors have suggested that it would be fair and reasonable for a company to accept a transfer deed in which any mistake in filling the transfer deeds are authenticated by the transferee.

It has been suggested that the companies should accept registration of shares in the name of minors. It seems wrong to debar a minor from holding shares in his own name, especially if the shares are fully paid, when under the existing law he can hold property in his name. It has been pointed out that over 1.3 million minors own stock in America. Why should minors in India be debarred from such rights?

Right to Speak

At present, the companies normally do not confer a right on the proxy to speak at the general meeting. When a proxy has the right to represent a shareholder, he should also be given the right to speak at the general meeting. The authors have also suggested that the proxy should be permitted by law to vote not only on a poll, as is the normal provision in various articles of the company, but he should also be entitled to vote on show of hands.

Section 263 states that election of directors should be voted on individually. The section does not prescribe the mode of appointment when the number of candidates seeking selection as directors is more than the number of seats to be filled up.

When a person who is not already a shareholder of a company sends shares for transfer to his name before the date of closure of share transfer books of the company, several companies do not send a copy of the latest balance sheet and profit and loss account to him, until after the shares are transferred in his name and the general meeting is over and sometimes these statements are not sent until the next annual general meeting. The authors have suggested that the companies must follow the practice of sending the statement of accounts to the shareholders as soon as a transfer has been received.

With regard to the provisions of

Section 108 which provide that the instrument of transfer is valid for a period of two months or up to the date of the first closure of the register of members after the date of registrar's stamp, whichever is later, the authors point out that the companies may be able to effectively evade this restriction. There is no obligation on the companies to close the register of members for the purpose of payment of dividend. A company may refrain from closing share transfer books so that transfer deeds involving these shares may continue to be indefinitely valid. For the purpose of payment of dividend, a company may notify a date with reference to which dividends would be payable. Such a date before the date of the general meeting with reference to which the shareholders may be entitled to the payment of dividend, voting rights, etc.

The authors have laid emphasis on disclosure of more information in the statement of accounts.

The main thrust of the book is towards streamlining Company Law so that it becomes easier to comprehend both for the shareholders and the management. The Shareholder's interest evidently comes first and foremost.

Books Received

Theories of Economic Development: V.B. Singh; Somaiya Publications Pvt. Ltd; Pp 256; Price Rs 25.

The Challenge of Bangla Desh—A Special Debate: Edited by Pran Chopra; Popular Prakashan; Pp 159; Price Rs 20.

Confrontation With Pakistan: Lt. Gen. B.M. Kaul; Vikas Publications; Pp 338; Price Rs 25.

The Tempest Within: An Account of East Pakistan: Dom Moraes; Vikas Publications; Pp 103; Price Rs 12.50.

Bangla Desh — Birth of a Nation: Yatindra Bhatnagar; Indian School Supply Depot, 3762, Netaji Subhash Road, Post Box 1053, Delhi-6; Pp. 344.

The Anatomy of Betrayal: Designed and produced by Enver Ahmed.

The Successful Manager's Guide: William Wachs; Vikas Publications; Pp 231; Price Rs 16.

Effective Management Techniques for Getting Things Done: Lynn W. Whiteside; Vikas Publications; Pp 213; Price Rs 16.

New Techniques for Effective Sales Management: George B. Wright; Vikas Publications; Pp 194; Price Rs 18.

Management of Public Sector in India: Edited by Dr Raj K. Nigam; Vora and Co. Publishers Pvt. Ltd; Pp 333; Price Rs 30.

Significance of Gandhi as a Man and Thinker: Dr K.G. Saiyidain; Publications Division, Ministry of Information and Broadcasting; Pp 74; Price Rs 1.25.

Values and Economic Development, The Indian Challenge: V.K.R.V. Rao; Vikas Publications; Pp 182; Price Rs 20. *The Demand for Money in India: A Sectoral Approach:* M. Saravane; Vikas Publications; Pp 197; Price Rs 27.50.

Employment and Unemployment Problems of the Near East and South Asia: Ronald G. Ridker and Harold Lubell; Vikas Publications; Pp 470 (Vol I); Pp 392 (Vol II); Price Vol I Rs 45; Price Vol II Rs 45, Price Vols I and II Rs 80.

A Guide to the Companies Act (Sixth Edition): A. Ramaiya, Madras Law Journal Office, P.B. No. 604, Mylapore, Madras-4; Pp 1242; Price Rs 50.

Trade and Strategy for Rich and poor Nations: Harry G. Johnson; George Allen and Unwin; Pp 232; Price £2.50 (50sh).

A Policy for Natural Resources (Commerce Pamphlet): Vadilal Dagli; Published on behalf of Commerce by Vora and Co. Publishers Private Ltd; Pp 35; Price Rs 1.50.

How Do You Save in a Bank? How

Banks Lend for Nation's Future? Published by the Indian Banks' Association, Stadium House, Block 3, Veer Nariman Road, Bombay 20 BR; Pp 51; Price Rs2.

Britain 1971, An Official Handbook (Twenty Second Edition): Published by Her Majesty's Stationery Office, Post Box 569, London SE1; Pp 522.

Productivity Special Issue: Development of Entrepreneurial Talent: Editor V.S. Chopra; National Productivity Council, 38 Golf Links, New Delhi-3; Pp 160; Price Rs 3.

Handbook of Statistics on Cotton Textile Industry (Fourth Edition): Published by the Indian Cotton Mills' Federation, Veer Nariman Road, Fort, Bombay-1; Pp 64.

Seminar on the Role of Shipping in Indo-American Trade: Issues and Challenges: Published by Indo-American Chamber of Commerce, 1-C Vulcan Insurance Building, Veer Nariman Road, Churchgate, Bombay-20; Pp 267; Price Rs 25; \$4.00

EEC Preferences for Imports from India—Tariff Concessions Under Generalised System of Preferences: Published by the Indo-German Chamber of Commerce, Vulcan Insurance Building, Veer Nariman Road, Bombay-20, Pp 76; Price Rs 25.

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RECORDS AND STATISTICS

Treaty of Peace

A TREATY of peace, friendship and co-operation between India and the USSR was signed in the capital on August 9, 1971. Mr A. A. Gromyko, Foreign Minister of the USSR signed it on behalf of his government and the Minister for External Affairs, Mr Swaran Singh signed it on behalf of the government of India. Speaking after the signing ceremony, Mr Swaran Singh said that the treaty was an important milestone in the path of Indo-USSR relations. Mr Gromyko said that the treaty crowned the principled and consistent policy of the two countries which was aimed at co-operation and friendship.

Following is the text of the Treaty:

Treaty of Peace, Friendship and Co-operation between the Republic of India and The Union of Soviet Socialist Republics

DESIROUS of expanding and consolidating the existing relations of sincere friendship between them,

BELIEVING that the further development of friendship and co-operation meets the basic national interests of both the States as well as the interests of lasting peace in Asia and the world,

DETERMINED to promote the consolidation of universal peace and security and to make steadfast efforts for the relaxation of international tensions and the final elimination of the remnants of colonialism,

UPHOLDING their firm faith in the principles of peaceful coexistence and co-operation between States with different political and social systems,

CONVINCED that in the world today international problems can only be solved by co-operation and not by conflict,

REAFFIRMING their determination to abide by the purposes and principles of the United Nations Charter,

The Republic of India on the one side, and the Union of Soviet Socialist Republics on the other side,

HAVE decided to conclude the present Treaty, for which purpose the

following Plenipotentiaries have been appointed:

On behalf of the Republic of India:

Sardar Swaran Singh,
Minister of External Affairs.

On behalf of the Union of Soviet Socialist Republics:

Mr A. A. Gromyko,

Minister of Foreign Affairs.

who, having each presented their Credentials, which are found to be in proper form and due order.

HAVE AGREED AS Follows:

ARTICLE I

The High Contracting Parties solemnly declare that enduring peace and friendship shall prevail between the two countries and their peoples. Each Party shall respect the independence, sovereignty and territorial integrity of the other Party and refrain from interfering in the other's internal affairs. The High Contracting Parties shall continue to develop and consolidate the relations of sincere friendship, good neighbourliness and comprehensive co-operation existing between them on the basis of the aforesaid principles as well as those of equality and mutual benefit.

ARTICLE II

Guided by the desire to contribute in every possible way to ensure enduring peace and security of their people, the High Contracting Parties declare their determination to continue their efforts to preserve and to strengthen peace in Asia and throughout the world, to halt the arms race and to achieve general and complete disarmament, including both nuclear and conventional, under effective international control.

ARTICLE III

Guided by their loyalty to the lofty ideal of equality of all peoples and Nations, irrespective of race or creed, the High Contracting Parties condemn colonialism and racialism in all forms and manifestations, and reaffirm their determination to strive for their final and complete elimination.

The High Contracting Parties shall co-operate with other States to achieve

ARTICLE IV

The Republic of India respects the peace loving policy of the Union of Soviet Socialist Republics aimed at strengthening friendship and co-operation with all nations.

The Union of Soviet Socialist Republics respects India's policy of non-alignment and reaffirms that this policy constitutes an important factor in the maintenance of universal peace and international security and in the lessening of tensions in the world.

ARTICLE V

Deeply interested in ensuring universal peace and security, attaching great importance to their mutual co-operation in the international field for achieving those aims, the High Contracting Parties will maintain regular contacts with each other on major international problems affecting the interests of both the States by means of meetings and exchanges of views between their leading statesmen, visits by official delegations and special envoys of the two governments, and through diplomatic channels.

ARTICLE VI

Attaching great importance to economic, scientific and technological co-operation between them, the High Contracting Parties will continue to consolidate and expand mutually advantageous and comprehensive co-operation in these fields as well as expand trade, transport and communications between them on the basis of the principles of equality, mutual benefit and most-favoured-nation treatment, subject to the existing agreements and the special arrangements with contiguous countries as specified in the Indo-Soviet Trade Agreement of December 26, 1970.

ARTICLE VII

The High Contracting Parties shall promote further development of ties and contacts between them in the fields of science, art, literature, education, public health, press, radio, television, cinema, tourism and sports.

ARTICLE VIII

In accordance with the traditional friendship established between the two countries, each of the High Contracting Parties solemnly declares that it shall not enter into or participate in any military alliance directed against the other party.

Each High Cocontracting Party under-

takes to abstain from any aggression against the other Party and to prevent the use of its territory for the commission of any act which might inflict military damage on the other High Contracting Party.

ARTICLE IX

Each High Contracting Party undertakes to abstain from providing any assistance to any third party that engages in armed conflict with the other Party. In the event of either Party being subjected to an attack or a threat thereof, the High Contracting Parties shall immediately enter into mutual consultations in order to remove such threat and to take appropriate effective measures to ensure peace and the security of their countries.

ARTICLE X

Each High Contracting Party solemnly declares that it shall not enter into any obligation, secret or public, with one or more states which is incompatible with this Treaty. Each High Contracting Party further declares that no obligation exists nor shall any obligation be entered into between itself and any other State or States which might cause military damage to the other Party.

ARTICLE XI

This Treaty is concluded for the duration of twenty years and will be automatically extended for each suc-

cessive period of five years unless either High Contracting Party declares its desire to terminate it by giving notice to the other High Contracting Party twelve months prior to the expiration of the Treaty. The Treaty will be subject to ratification and will come into force on the date of the exchange of Instruments of Ratification which will take place in Moscow within one month of the signing of this Treaty.

ARTICLE XII

Any difference of interpretation of any Article or Articles of this Treaty which may arise between the High Contracting Parties will be settled bilaterally by peaceful means in a spirit of mutual respect and understanding.

The said Plenipotentiaries have signed the present Treaty in Hindi, Russian and English, all texts being equally authentic and have affixed thereto their seals.

Done in New Delhi on the ninth day of August in the year one thousand nine hundred and seventy one.

On behalf of the
Republic of India

On behalf of the
Union of Soviet
Socialist Republics.

(Sd/-)

Swaran Singh
Minister of
External Affairs.

(Sd/-)

A. A. Gromyko
Minister of
Foreign Affairs.

Indo-Soviet Joint Statement

The following joint statement was issued on August 11, 1971, at the conclusion of the talks between Mr A.A. Gromyko, Minister of Foreign Affairs of the USSR and Mr Swaran Singh, Minister of External Affairs of India:

On the invitation of the government of India, the Minister of Foreign Affairs of the USSR, His Excellency Mr A. A. Gromyko, paid an official visit to India from August 8 to 12, 1971.

During his stay in New Delhi, the Minister of Foreign Affairs of the USSR called on the President of India, Mr V.V. Giri, and was received by the Prime Minister of India, Mrs Indira Gandhi. He also met the Food and Agriculture Minister, Mr Fakhruddin Ali Ahmed, the Finance Minister, Mr Y. B. Chavan and the Defence Minister, Mr Jagjivan Ram. He had several meetings and talks with Mr Swaran Singh, Minister of External Affairs of India.

The meetings and talks were held in

an atmosphere of warm friendship and cordiality. It was noted with deep satisfaction that the friendly relations and fruitful co-operation between the Soviet Union and India in the political, economic, cultural, technical and scientific fields are developing successfully and hold great promise for further expansion. The political and legal basis for this co-operation is further strengthened by the Treaty of Peace, Friendship and Co-operation between the USSR and India, which was signed in New Delhi by Mr Swaran Singh, Minister of External Affairs of India and Mr A. A. Gromyko, Minister of Foreign Affairs of the USSR.

Both sides consider that the conclusion of the Treaty is an outstanding historic event for their two countries. The Treaty is a logical outcome of the relations of sincere friendship, respect, mutual trust and the varied ties which have been established between the Soviet Union and India in the course of many years and have stood the test of time. It corresponds to the basic interests of the Indian and Soviet peoples and

opens up wide prospects for raising the fruitful co-operation between the USSR and India to a higher level. Alongside other provisions concerning bilateral Soviet-Indian relations the Treaty provides for the two sides maintaining regular contacts with each other on major international problems and holding mutual consultations with a view to taking appropriate effective measures to safeguard the peace and security of their countries.

The Treaty between the USSR and India is a real act of peace expressing the community of policy and aspirations of the USSR and India in the struggle to strengthen peace in Asia and throughout the world and for safeguarding international security. All provisions of the Treaty serve these purposes. The Treaty is not directed against anyone; it is meant to be a factor in developing friendship and good-neighbourliness, in keeping with the principles of the UN Charter.

Preservation of Peace

The governments of India and the USSR are confident that the conclusion of the Treaty of Peace, Friendship and Co-operation will meet with complete approval on the part of all those who are really interested in the preservation of peace in Asia and throughout the world and on the part of the governments of all peace-loving states.

In the course of the meetings and talks, both sides noted with satisfaction that their positions on various problems discussed were identical or very close. The Minister of External Affairs of India explained the heavy burden placed India's resources due to over seven million refugees who had entered India. Both sides, after a detailed discussion, reiterated their firm conviction that there can be no military solution and considered it necessary that urgent steps be taken in East Pakistan for the achievement of a political solution and for the creation of conditions of safety for the return of the refugees to their homes which alone would answer the interests of the entire people of Pakistan and the cause of the preservation of peace in the area.

The Indian side expressed its gratitude for the understanding of the problem shown by the Soviet Union as was evident from the appeal addressed on April 2, 1971 to the President of Pakistan by the Chairman of the Supreme Soviet of the USSR, Mr N. V. Podgorniy.

Both sides held the view that outside interference in the affairs of Indo-China should immediately cease. They consider that it will be futile to attempt to impose any settlement not acceptable

to the peoples of the area. They welcomed the recent 7-point proposal of the Provisional Revolutionary Government of South Vietnam as a concrete step forward which could form the basis of a peaceful political settlement.

On west Asia, both sides were convinced of the urgent need for the implementation of the resolution of the Security Council of November 22, 1967, so that the consequences of aggression are liquidated.

Both sides considered that all international problems, including border

The Taxation Laws (Amendment) Bill, 1971

PROPOSALS to amend the Income tax Act, 1961, the Wealth-tax Act, 1957 and the Gift-tax Act, 1958 with a view to countering evasion of tax, checking the circulation of black money and also to improve tax collection, are contained in the Taxation Laws (Amendment) Bill, 1971. The Bill was introduced in the Lok Sabha on August 12, 1971 by the Finance Minister, Mr Y.B. Chavan.

Mr Chavan had, in his budget speech for 1971-72, indicated the government's intention to take powers to acquire immovable properties at prices which correspond to those recorded in sale deeds, to discourage *benami* holdings of property and to improve the present arrangements for valuation of immovable properties for purposes of Wealth-tax. The Bill is meant to give concrete shape to these proposals.

The broad features of the amendments proposed in the Income-tax Act, Wealth-tax and Gift-tax Act are as follows:

Acquisition of Immovable Properties in certain cases of transfer to counter evasion of tax.

It is proposed to empower the central government to acquire any immovable property (including agricultural land) which is the subject-matter of a transfer, where there is reason to believe that the price agreed to between the parties has not been fully disclosed in the instrument of transfer with the object of facilitating evasion of reduction of the liability to tax by the transferor or the transferee or both. These provisions will be administered by the Income-tax Department and will operate in respect of properties having a fair market value exceeding Rs 25,000.

Competent Authority

Proceedings for acquisition of properties will be initiated by the Assistant Commissioner of Income-tax (who

disputes, must be settled by peaceful negotiations and that the use of force or the threat of use of force is impermissible for their settlement.

Both sides declare that they are strongly in favour of an early agreement on General and Complete Disarmament, including both nuclear and conventional weapons, under effective international control.

The Minister of Foreign Affairs of the USSR expressed his gratitude for the cordial reception given to him by the government of India.

is being designated as the competent authority for this purpose) where he has reason to believe that the fair market value of the property exceeds Rs 25,000 and that the consideration has not been fully disclosed in the instrument of transfer in order to facilitate tax evasion by the transferor or transferee or both. Such proceedings may be initiated anytime up to six months from the date on which the competent authority receives information about the registration of the properties from the registration officer or the transferee of the property.

Filing Objections

The parties concerned, namely, the transferor and transferee as also any person who may be interested in the property, will be entitled to file objections against the proposed acquisition. The competent authority will consider these objections and also give a hearing to the parties before finalising the matter. If after such consideration and hearing, he is satisfied that the property should be acquired for the reasons already stated, he will order the acquisition of the property. But before doing so, he will have to obtain the prior approval of the Commissioner of Income tax. An appeal will lie to the Central Board of Direct Taxes against the order of acquisition.

Compensation will be payable for properties acquired under the proposed provision in a sum equal to the consideration stated in the deed of transfer plus a solatium of 15 per cent thereof. Where any improvement has been made to the property between the date of transfer and the date of initiation of proceedings for acquisition, the compensation will be increased by an appropriate sum to cover such improvement. Conversely, if the property has been damaged otherwise than as a result of normal wear and tear when it was in the possession of the transferee, the compensation payable will be re-

duced by an appropriate amount. The whole of the compensation will be payable in cash. Delay in payment of compensation beyond one month from the date the property is surrendered or delivered to the competent authority, will entail payment of simple interest by the central government at the rate of nine per cent per annum.

As the compensation, under the proposed provision, may fall short of the compensation which would be payable if the property had been acquired under the Land Acquisition Act, 1894, it is specifically being provided that the amount of the shortfall shall be deemed to have been realised by the central government as penalty from the transferee for being a party to a transfer which has, as its object, the facilitating of tax evasion by the transferor or the transferee or both, as stated earlier.

No Penalty

Accordingly, no penalty would be leviable on the transferee for concealing his income which is utilised by him for paying to the transferor by way of consideration an amount in excess of what is stated in the instrument of transfer, even though such amount may be assessed to tax as his income. Similarly, no penalty will be leviable on the transferee under the Wealth-tax Act for concealing his wealth (in the form of money or other asset) which is utilised by him for paying to the transferor such excess consideration, even though such assets may be assessed to Wealth-tax in the hands of the transferee. With a view to obviating any conflict with the provisions of the Land Acquisition Act, 1894, a specific provision is being made that proceedings under that Act for the acquisition of any property shall not be initiated by the central government unless the date for initiation of proceedings for the acquisition of such property under the proposed provision in the Income-tax Act has expired without such proceedings having been initiated or unless the competent authority has declared that such property will not be acquired under the new provisions.

Amendment of the Income-tax Act with a view to curbing *benami* holding of property

Pursuant to the recommendation of the Administrative Reforms Commission, the Bill seeks to introduce a new provision in the Income-tax Act. It proposes to debar a person from enforcing his claim to any property standing in the name of any other person, unless the claimant has disclosed the income from such property for purpose of income-tax or the property itself for purposes of Wealth-tax, or has given notice to the Income-

tax Officer about his claim to the property. With a view to obviating inconvenience to persons of small means, it is being specifically provided that this provision will not apply to a suit of a value not exceeding Rs 2,000 which is tried by a Court of Small Causes or other similar court.

Improving the arrangements for valuation of assets for purposes of wealth-tax and other direct taxes.

It is proposed to amend the Wealth-tax Act, 1957 so as to augment the administrative set up of the Valuation Department which is functioning at present on a limited basis and also to vest the necessary powers in the Valuation Officers to discharge their functions effectively.

Briefly, it is being provided that the Valuation Officer may be required by the Wealth-tax Officer to value any asset and on being so requested, the Valuation Officer will proceed to deter-

mine the value of the asset after giving opportunity to the taxpayer to present his case and after considering all the relevant factors. The value as estimated by the Valuation Officer will be adopted by the Wealth tax Officer in finalising the assessment. If the value is objected to by the taxpayer before the appellate authorities, namely the Appellate Assistant Commissioner and Appellate Tribunal, these authorities will decide the matter after giving a hearing to the Valuation Officer as also the assessee who may, for this purpose be assisted by a non-official valuer who is registered as a valuer with the Central Board of Direct Taxes.

The existing procedure for arbitration of the valuation of any asset by two non-official valuers at the stage of appeal to the Appellate Tribunal is being discontinued.

Non-official Valuers

Provision is also being made for non-

official valuers to register themselves with the Central Board of Direct Taxes, so that they may assist taxpayers in valuing their assets and also presenting their point of view before the taxation authorities including the appellate authorities.

For getting registration as a valuer, a person has to have the qualifications and experience to be specified by the Board in the Wealth-tax Rules and has to abide by certain procedural formalities. These are mainly that he will furnish his report of the valuation in a form to be prescribed for the purpose in the Wealth-tax Rules and charge fees only at the rate or rates to be specified in such rules. He will also have to give an undertaking that he will not value any asset in which he has a direct or indirect interest.

The procedure of valuation by Valuation Officer is being extended also for purposes of the Income-tax Act and the Gift-tax Act.

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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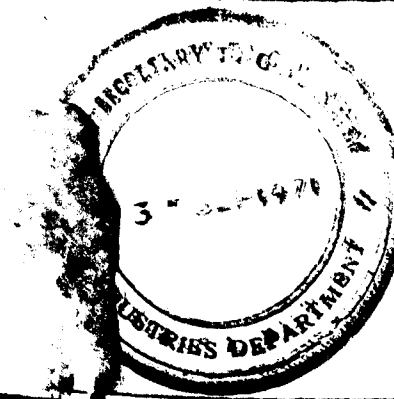
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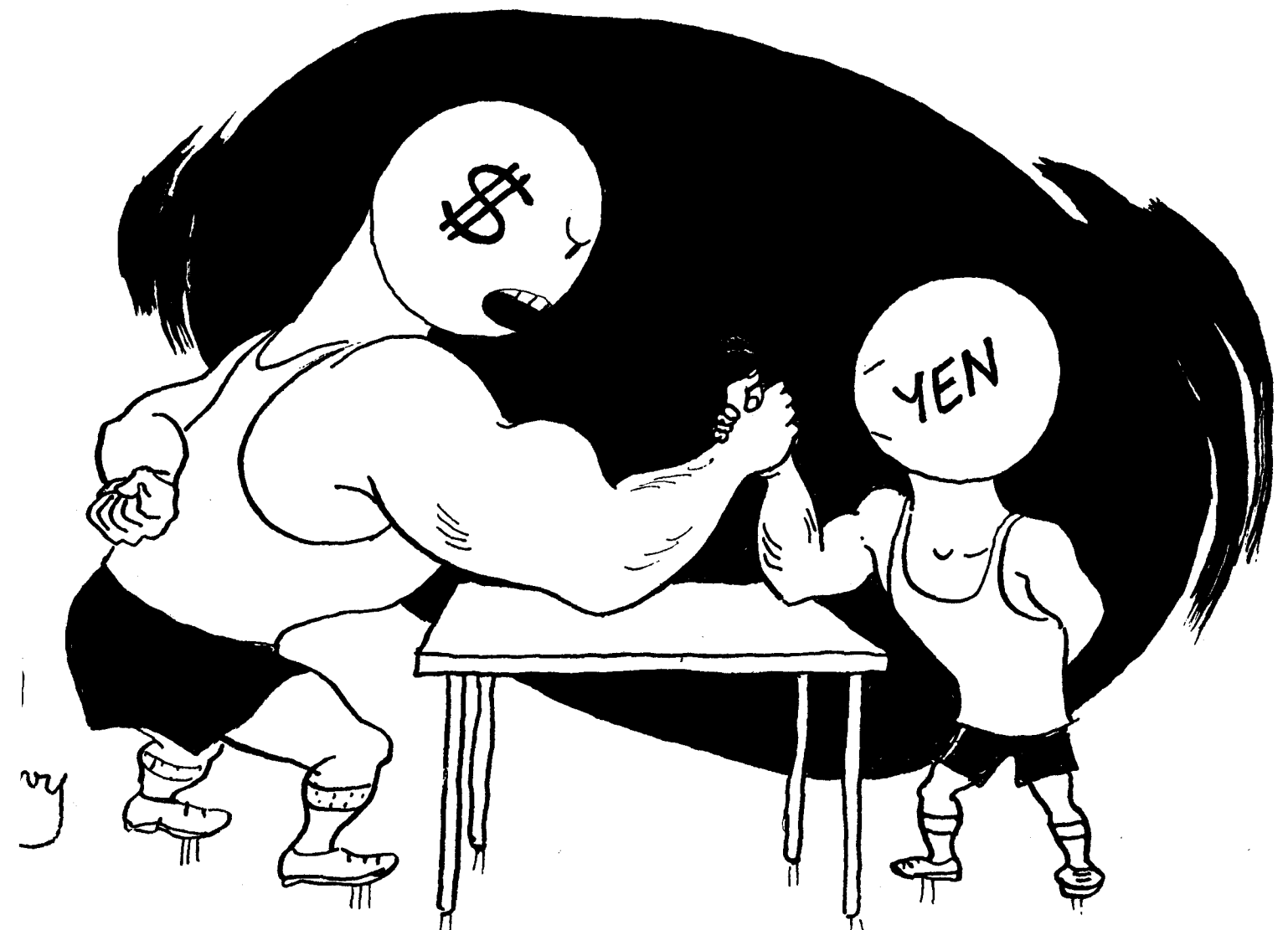
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EASTERN ECONOMIST

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Now for the Home Front ..	375
Dialogue on Jute ..	377
Liberalisation of Credit Policy ..	378
The World of Copper ..	380
—Josselyn Hennessy ..	380
Import Substitution and Standardisation ..	386
—H. K. Suchdev ..	386
WINDOW ON THE WORLD ..	388
USAID: Towards a Better Future ..	391
THE MOVING FINGER WRITES ..	392
TRADE WINDS ..	395
Aide Memoire to USA; Exchange Rates; State Loans; Forward Trading in Cotton; IDA Loan; Tax Concession for Migrants; New Pulse Varieties; Health Map; Collection of Arrears; Foodgrains Output; Fertiliser Promotion; Food Minister's Conference; New Zealand Trade Fair; Sugar Output; Indo-German Agreement; Int. Fertiliser Meet; Know- How for Fertilisers; New Business by LIC; Council for Indian Medicine; Development for J & K; Road Develop- ment; Labour Situation in W. Bengal; Names in the News.	395
COMPANY AFFAIRS ..	397
United Commercial Bank; Bharat Steel; Gedore Tools; Larsen & Toubro; India Cements; Swadeshi Cotton; American Express; Capital and Bonus Issues.	397
COMPANY MEETINGS ..	400
Mukand Iron and Steel Works Ltd. Oriental Fire and General Insurance Co. Ltd.	400
RECORDS AND STATISTICS ..	400
Modifications in Credit Policy; Indo-Nepal Treaty.	400

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NOW FOR THE HOME FRONT

ALTHOUGH THE Prime Minister is keen on the Indo-Soviet pact being viewed in a long-term perspective as a possible first step towards promoting positive friendship and co-operation among nations with like interests, if not of like minds, public opinion has naturally reacted and responded to it as a necessary and desirable initiative on the part of New Delhi in the context of Pakistan's bellicosity. The merits of this treaty, — whether it would be a net gain in terms of its being able to promote both firmness and flexibility in our external relations or, again, whether it may not have an unexpected or undesirable influence on our national policies relating to our domestic affairs — will no doubt be keenly debated, and must certainly be carefully considered in any case.

All the same, there is this to be said to the credit of the Indo-Soviet pact that it has introduced a catalytic into our foreign policy and diplomacy which had tended to be unimaginative, unenterprising and even indifferent to the demands of a changing world. This is definitely a welcome development at this point of our history not only because there is at present a crisis in our relations with Pakistan which is far more serious than any that had occurred before but also because the decision of the governments of the United States of America and the Peoples Republic of China to talk to each other on issues of big power equations in Asia and the world has sharply altered the global framework of reference for the Foreign Offices of national governments everywhere.

The Prime Minister, therefore, is entitled to present the Indo-Soviet treaty to the public as proof of our administration's awareness of and responsiveness to the problems of national security in the context of shifts in the power balance among the super-powers as well as the urgent need for deterring Pakistan from engaging in any military adventure against our country and, in case, our efforts in that direction fail, our being adequately prepared to resist Pakistani aggression along any of our frontiers with that country. This, however, may well prompt public opinion to ask whether the government is also equally prepared to take initiatives on the home economic front so that our military defences could be reinforced with the citizens' morale and physical resources which a country needs to protect itself or punish those who would violate its territorial integrity. The signing of the Indo-Soviet pact, in other words, has prompted informed public opinion to be more sensitive than ever to the urgency and importance of a domestic economic policy of defence preparedness which could add to the credibility of a national posture of our being willing and able to meet threats of war from Pakistan or elsewhere.

That the economic stability of our country is basically less sound today than it was a year or two ago cannot be seriously questioned. It is true that the growth in agricultural production has been a strengthening factor but it is apparent that its influence is beginning to wear thin. Inflationary financing of public expenditure, accompanied by the growth in population, is steadily eroding the cushion provided by the improvement in the production of foodgrains. The fact that over seven million refugees from East Bengal have arrived in our land and have to be fed and looked after must warn us against any complacency about the food outlook. Although it may be the case that, for the foreseeable future at any rate, the physical shortage of foodgrains as such may not become a problem of inconsiderable gravity, nevertheless experience has made us wise to the fact that in situations such as these local shortages cannot be ruled out nor their capacity for mischief in terms of undermining the peoples' confidence or even creating areas of physical distress.

Rather alarming in this context is the virtual helplessness expressed by the Finance Minister about possible inflationary increases in prices. He has solemnly stated in Parliament that he sees no way of meeting the situation except by appealing to the public to organise consumer resistance to rise in prices. Mr Chavan has also spoken laconically of a need arising for price controls should the price level become unmanageable. It is a moot point whether the government can be content with adopting the attitude of preacher and policeman by turn. It is quite strange and certainly unfortunate for our country that the Finance Minister did not know or care enough to try to relate price prospects to the production aspect particularly in industry.

For years now, the rate of investment in building additional manufacturing capacity or starting new industry has been regularly falling behind the needs of the rise in population, let alone the expectations of the people of improving their stan-

dard of living. It is this deficiency in our investment performance in recent years which is now coming to be reflected in a growing imbalance between goods and effective demand, particularly where the products of industry are concerned. The production of most of the essential consumer goods has not been rising fast enough. In a number of cases the basic raw materials needed for the processing of these goods are becoming increasingly difficult to obtain in sufficient or required quantities. It is apparent that only such new initiatives in industrial policy as could galvanise our industrial capacity or activate our industrial potential to outbursts of energetic production could create those balancing factors in the economy which are our best guarantees of stability, particularly in the context of defence preparedness.

This article, by the editor, is reproduced here by courtesy of *The Hindustan Times*, in which it appeared on August 24.

Against this background it is the immediate responsibility of the government to restore confidence in the business community. Current legislation relating to the amendment of the Constitution, whatever its other merits may be, has undeniably engendered feelings of anxiety and uncertainty even if not downright depression in industrial and trade circles. Entrepreneurs and investors alike feel, rightly or wrongly, that they have been reduced to being helpless pawns in an unending game of political chess. This is all the more so because there have been specific acts of government which are calculated to promote the fear that any extension of the legislative scope for radicalism or any curtailment of judicial discipline on its practitioners is bound to be exploited arbitrarily for sectarian political ends.

Not a few of the state governments especially have been only too happy to provide grounds for this concern. There was the case not long ago of the government of Tamil Nadu taking over the passenger transport business of the leading road transport operators in the state, in spite of the fact that, while those private transport services were being managed with a very high degree of efficiency, the existing services of the State Transport Undertaking were being widely criticised for their inadequate performance.

Then, there is the undisguised antagonism of the government of Kerala to many aspects of private industry or commerce. The Chairman of the Kanan Devan Planters Association, Mr

G. Verghese complained the other day of the war of nerves that the Kerala government appears to have started against foreign owned plantations in the state. Although the report of a commission appointed sometime ago to inquire into the working of foreign owned plantations is being kept secret, there is a deliberate attempt to stir up speculations in the press about the Kerala government having forwarded to New Delhi the draft of an ordinance for nationalising all foreign owned plantations in the state. Mr Verghese has effectively exposed the "public interest" argument advanced in this connection by making the telling point that the foreign owned plantations have established the efficiency of their management and consequently their social utility by achieving yields which compare favourably with rates of output in other sectors of the plantation industry in this country or in the plantation industries of other countries such as Ceylon.

An even more glaring example perhaps of the Kerala government's casual treatment of private or corporate rights is provided in the Kerala Private Forests (Vesting and Assignment) Bill No. 68 of 1971, which seeks to replace an ordinance nationalising private forests. Although there is a precedent to the contrary in the Kerala Land Reforms Act which has specifically exempted from its provision relating to ceiling "lands belonging to or held by an industrial or commercial undertaking at the commencement of this Act and set apart for use for industrial or commercial purposes of the undertaking" and although the present Bill itself has kept out of its purview the plantations of tea, coffee, rubber, cardamom and cinnamon, the Kerala government for

reasons of its own, has proposed to bring under the mischief of this projected measure of nationalising private forests the plantation developed by Gwalior Rayon for the purpose of providing raw material for its Rs 16 crore rayon grade pulp factory in Kozhikode district in Kerala, a plant which saves considerable foreign exchange.

It is worth noting here that an area of 30,000 acres of forest land, unsuitable for normal cultivation, was purchased by this company with the approval and concurrence of the state government for raising eucalyptus and other pulpwood species. This transaction was tied to a specific undertaking on the part of the state government that "this 30,000 acres of land will not be acquired by the government for a period of 60 years from the date of purchase under the proposed legislation for the acquisition of private forests". Putting its faith in this recorded assurance of the state government, Gwalior Rayon has so far invested Rs 175 lakhs on land, buildings and roads as well as on planting the area. One of the considerations which has obviously prompted the state government to commit itself in this manner was that it realised the advantage of the company being allowed to build up its own raw material base so that the state government might be relieved in due course of its obligation to supply bamboo to the pulp factory which was one of the conditions on which Gwalior Rayon, in the first instance, had agreed to put up its plant in Kerala.

In spite of these circumstances, the Kerala government has not found anything wrong in proposing to take over Gwalior Rayon's investment of Rs

Eastern Economist 25 Years Ago

AUGUST 30, 1946

The Government of India has announced its cotton prices policy for the season 1946-47. In terms of that policy, the floor and ceiling prices fixed for the 1945-46 crop will be continued into the 1946-47 season and will apply both to the current crop and to the crop marketed during 1946-47. This decision has given acute dissatisfaction to the cotton trade. It will be recalled that at its recent monsoon meeting, the Indian Central Cotton Committee adopted a resolution favouring the raising of the floors and ceilings by Rs 100 per candy. The Government has not the prices at the present levels. The Board of the East India Cotton Association, consequently, has addressed to the Government a vigorous protest against its cotton prices policy.

There is no doubt that the cotton interests

are genuinely persuaded that the cotton grower and the trade have received a raw deal. For some time past, the demand for higher floors and ceilings has been gathering volume and the fact that eminent cotton men of the standing of Sir Purshotamdas Thakurdas and Sir Chunilal B. Mehta have been prominently associated with the demand that warrants the most careful consideration of the case for higher cotton prices. The Government claims that it has in fact given that "most careful consideration" to the matter and as a result decided in favour of the continuance of the present ceilings and floors. The question now is whether, taking all the relevant factors into consideration, the Government's decision is in the larger interests of the country or not? We are inclined answer, "Yes".

175 lakhs in a project from which the company naturally has not received any return so far, since it takes time to develop pulpwood plantations to the stage of commercial exploitation. It is clearly cases of such high-handed politics on the part of state governments or the centre rather than high-sounding protestations of justice and fairplay from the Treasury benches in Lok Sabha that will be held to be relevant by the public in evaluating the possible consequences of legislation extending the authority of Parliament

which in effect means the authority of the government of the day over the Constitution. The issue for the Prime Minister now is whether the country could afford a state of demoralisation in industry and commerce and a widening credibility gap between the government and the business community at a time when its economic stability must be strengthened as much as possible through increased production and investment so that its defence capabilities are at their optimum.

Dialogue on Jute

In his inaugural address at the annual general meeting of the Calcutta Jute Fabrics Shippers Association on August 7, Mr L.N. Mishra the union Minister for Foreign Trade, said that the government of India had urged upon the state governments concerned to accord all the necessary facilities to the jute industry for stepping up the production of jute goods. He expressed the hope that the state governments would appreciate the vital importance of fully utilising the limited capacity of the jute mills. There is however little evidence of the state governments doing all they could to help the jute industry to maximise its production and exports. In West Bengal, for instance, the sudden cuts in power supply have been adversely affecting the output of the mills. Go-slow and other acts of indiscipline also continue to hinder productivity. The half-percent multi-point sales tax, imposed by the government of West Bengal, tends to reduce the competitive capacity of our jute goods. But nothing has been done to abolish this tax or to modify it in such a way as to minimise its impact on exports.

But if the states have not fully realised their responsibility towards the jute industry, has at least the central government done so? Mr Mishra ignored some vital issues raised by Mr J.P. Goenka in his presidential address at the association's annual meeting. For example, Mr Goenka referred to the need to abolish the export duty. He pointed out that the removal of this duty would have a salutary effect in keeping down the prices, and that its retention had become more anomalous than before. He also argued that when India was pressing for the removal of tariff and non-tariff barriers to trade by other countries, our stand was considerably weakened by the retention of duties on our exports. Mr Goenka urged the reintroduction of the scheme of export tax credit certificates for jute manufactures which would be particu-

larly helpful for the export of hessian and carpet backing. He suggested that consortia of exporters should be set up and the revenue from the excise duty on sacking should be made over to these consortia to enable them to offer sacking at reduced prices in the world markets. He said that if the government did not favour consortia, the scheme could be operated by an export promotion council for jute goods. Mr Mishra did not comment on these proposals presumably because their implementation would be the responsibility of the Ministry of Finance. But the Ministry of Foreign Trade should examine these schemes and recommend them with or without modifications. The export of sacking has suffered severely in recent years mainly due to the competition from Pakistan; the government of India should do something to recover the lost ground.

Mr Goenka also said that export interests had not been given representation on the Board of the Jute Corporation; it was difficult to appreciate the government's decision in this regard. Mr Mishra was of the view that the shippers could render a service by providing a line of communication between the ultimate consumer and the producer and that they could also render assistance in improving the pattern of jute product development and marketing strategy in the existing and potential markets. He expressed the hope that the Jute Corporation would fill in some of the existing gaps in the institutional structure in respect of the promotion of export of jute goods. But it is not clear how exactly the Corporation is going to play this role and what expertise it has acquired for this purpose. The government would do well to associate the Shippers Association also with the working of the Jute Corporation since it has over 72 years of experience in the trade.

Mr Mishra stressed the imperative need to set up new jute mills. He said:

"The government is, at present, examining the report of the committee that was set up to study the feasibility of establishing jute mills in the industrially backward jute-growing states. I hold a strong view on the matter that the industrially-backward jute growing states should have jute mills. I know there is no provision in the fourth Plan for the new mills. While I cannot say when the new mills would be set up, there is no doubt about the fact that we will have new and more modern jute mills in these states to meet the aspiration of these jute-growing states". The jute industry has strongly opposed this proposal. It has argued that more jute goods should be produced by expanding the capacity of the existing mills rather than by setting up new ones. It seems surprising that Mr Goenka did not take a definite stand on this issue. All he said was that it was for the government of India to decide this matter. But has not the Jute Fabrics Shippers Association any views of its own on this major issue?

Regarding the European Economic Community (EEC), Mr Goenka made three main points. First, that the carpet backing quota should be increased from the present level of just over 1,000 tonnes; second, there should not be any distribution of the quota among the member countries but that each country should be at liberty to import according to its requirements, provided that the total imports into the EEC are within the quota; and third, that jute should be included in the generalised scheme of preferences earlier than 1973, Mr Mishra seemed to agree with these suggestions. He said; "The government of India had entered into a bilateral agreement with the European Economic Community for regulating the exports of carpet backing a couple of years ago. We entered into that agreement in good faith and in great expectation that the access to one of our most promising items, namely carpet backing, would be liberalised in a significant way. Unfortunately, our expectations have not been realised in so far as the restrictive features which you have mentioned in your speech are not only being maintained but intensified. The treatment given to us has also been less favourable than the treatment given to Pakistan." Mr Mishra added that there was no reason for delaying the implementation of the general scheme of preferences, on jute goods by the EEC and that he would take up these and other matters with Brussels during his forthcoming visit.

Mr Mishra reminded the shippers that India's exports of jute goods in the year ended March 1971 declined to about 540,000 tonnes, the lowest for

several decades. He said that the country had to pay heavily for the series of prolonged strikes that crippled our exports. He urged that we should be very watchful about the prices of jute goods being pushed to levels which might prove inimical to jute. "The very survival of the industry", he said, "depends upon its ability and will to control the rise in cost". But the government too has an equal responsibility in ensuring the competitive prices of our jute goods. Mr Goenka said that strikes, bandhs, and disorder created a psychology of uncertainty about India's capacity to execute export orders. He revealed that

Liberalisation of Credit Policy

The monetary authorities have recently announced a relaxation of credit curbs on specified commodities with a view to bringing about their more orderly marketing and also ensuring greater benefit to growers in backward areas. There may not be general agreement with the approach adopted by the Reserve Bank in some directions as an injection of credit may have harmful effects and raise the cost of manufactured goods. But it is interesting to note that the difficulties now being experienced in completing procurement operations by the Food Corporation of India and other agencies are sought to be minimised by making available credit over a larger area against wheat, barley and maize. It is perhaps feared that there will be larger marketable surpluses against the current kharif crops and perhaps also during the forthcoming rabi season.

As it has been now officially estimated that the output of foodgrains in 1970-71 was at an all-time record of 107.8 million tonnes, it stands to reason that there will be greater anxiety on the part of cultivators to sell a larger proportion of their produce within a shorter period and convert it into cash. As in April-July this year the Food Corporation and other state agencies experienced serious problems in handling huge quantities of wheat, barley, maize and bajra there is anxiety that there should not be a repetition of these problems when foodgrains arrive into the marketing centres after the next harvest. It has been announced that there would be no ceiling in respect of advances against wheat and there would be as before no control on barley and maize. There will of course, be a minimum margin of 50 per cent in respect of credit against wheat and an interest rate of 10 per cent also will be charged. Rice millers in Maharashtra will get their requirements of credit for specific purposes. The directive has,

the consumption of hessian in the USA in 1970 totalled only 609.4 million bales — the lowest since 1951 and that the decline in consumption had been continuous in the last four years — 8.3 per cent in 1967, 3.9 per cent in 1968, 13.3 per cent in 1969, and 11.7 per cent in 1970. This decline, took place *solely* because of our inability to maintain regular supplies. Unless therefore the government, the industry, the shippers, and the workers sincerely and effectively cooperate with one another, we shall not be able to maximise the export earnings from jute goods.

however, been given that fresh assistance should be given, as far as possible, to small growers and traders.

This decision of the Reserve Bank should be commended as it is amply clear that the official agencies will not be equal to the task of marketing increasing quantities of foodgrains with a rising level of production. There will necessarily have to be association of private traders with the marketing of huge surpluses in a period of plenty. The exploitation by middlemen of the growers can be prevented if the latter could be helped to hold stocks and release them for sale to the official agencies or directly to consumers on a phased basis. It is necessary, however, to have an intelligent co-ordination of the activities of the official agencies, co-operative marketing societies and growers. If it is ensured that there will be effective procurement prices when there are only marginal surpluses and attractive floor prices when there was a slump in the open market and warehouse arrangements could be created on a large scale, the serious difficulties experienced in the second quarter of this year in absorbing the sizable marketable surpluses of foodgrains in Punjab, Haryana, Uttar Pradesh and Bihar particularly could be eliminated.

As regards to oilseeds and oils, the objectives of the central banking institution are not quite clear. It cannot be denied that, except in respect of sesamum and some other minor oilseeds, open market prices have remained at fairly attractive levels in respect of groundnut oil, coconut oil and other edible oils. There is, of course, some significance in encouraging the use of cottonseed oil and liberalising restrictions on the grant of credit against soybean oil as the former, if made available in larger volume, can relieve pressure on other

edible oils. Soybean oil is, of course, released for sale to the manufacturers of vanaspati by the State Trading Corporation out of its own stocks and it would be wrong to impose needless restrictions on the use of credit for stocking soybean oil by the manufacturers of vanaspati. The banking system will not be handicapped in any way by liberalising advances against soybean oil as it is already granting liberal facilities to the State Trading Corporation and any sale effected by this agency will result only in a transfer of credit from one borrower to another and the advances will be extinguished when vanaspati finally moves into consumption. The margins have, of course, been maintained at high levels, the maximum being 75 per cent in respect of groundnut oil. It is probably felt that brisker marketing of minor oilseeds and facilities for granting loans to growers in backward areas will result in realisation of better average prices by growers and the elimination of profit margins to a great extent now being secured by middlemen. There would also be larger use of minor oils.

However, to adopt a cautious policy in this regard as no breakthrough has yet been established in the output of oil seeds and even with a higher level of production in 1970-71 prices have risen sharply in the past few weeks after an earlier slump. It must, nevertheless, be said that even the present higher levels are lower than those prevailing in the corresponding period in 1970 and there is a feeling that there may not be any rise in prices in the coming months with the prospect of a bumper groundnut crop in Gujarat. It must be pointed out, all the same that the output of oilseeds in Andhra Pradesh, which is a large producer, may not come upto expectations if unfavourable weather conditions affected the yield of the crops. The position in this regard will become clear only towards the close of 1971. In any case, any attempt to liberalise credit against oilseeds may have undesirable repercussions if controls are not properly exercised and the activities of the vanaspati manufacturers are not also carefully watched.

In respect of cotton, a fitful policy has been followed by the Reserve Bank. There was untimely relaxation of credit curbs at the beginning of the 1970-71 season in the expectation that there would be a reasonably large crop of cotton. But with the serious damage suffered by the standing crop in Vidarbha and the delays in arranging for imports of cotton under PL-480 agreement from USA and against commercial purchase from Egypt and Sudan, there was an unprecedented rise in prices. Even with the drop in

values sometime back, cotton is still very costly. It is not known what is the precise significance of the relaxation of credit curbs against cotton as the situation is still difficult and in the absence of any indication of a better crop for the next season and expeditious arrangement for importing cotton, there may have to be cutbacks in production of mills after some time. Many units are also finding it uneconomic to continue the manufacture of yarn and fabrics with restrictions on credit and wide fluctuations in prices for finished products. Because of a pruning of credit limits and the imposition of higher margins, many units have been obliged to borrow at usurious rates from the bazaar.

It is a known fact that merchants have been carrying stocks on behalf of mills because the latter cannot pay on the due delivery dates. Merchants in turn have been unable to fulfil their commitments. There is thus the paradox of an accumulation of stocks of raw cotton with growers in particular areas while it has been complained that there is inadequate supply of cotton and that the credit squeeze has affected production. There will certainly be some relief to mills in upcountry areas, out of Bombay and Ahmedabad, due to the facility offered to maintain stocks for an additional two weeks. There will also be varying margins for larger holdings. But it is feared in textile industry circles that there cannot be a grip on the cotton situation without immediate arrangements for sizable imports and adequate bank credit for holding stocks in a central pool, if need be. Strenuous efforts will also have to be made to increase the output of cotton in important growing areas if an undue rise in prices for raw cotton is to be avoided and the interests of consumers of cotton textile also have to be safeguarded. There will thus have to be integrated credit control. It will then be possible to prevent cornering of kapas by co-operative societies, as happened in Maharashtra early in the 1970-71 season. There is no use limiting only the holding of stocks by mills after giving encouragement to a rise in prices for this natural fibre. It is indeed necessary to administer credit control in a manner which will fetch for the farmer reasonable prices for his produce. But apart from improving his ability to hold stocks for a reasonable period and preventing distress selling, there will have to be safeguards against hoarding or cornering in the early stages of marketing. The new policy should be administered in such a way that prices for collard at the mill-end are not unduly inflated.

There is, however, no danger of a

big rise in prices of foodgrains with liberalised credit facilities. Indeed, it is necessary to have marketing facilities through different agencies for handling bigger surpluses until such time the adjustments to the new situation has been fully completed. Whatever may be the changes in price trends relating to oilseeds, oils and raw cotton, it may be expected that there will be surprising developments in the food situation if, for the fifth season in succession, there was an increase in production and there was a more

than proportionate increase in marketable surpluses. Fortunately, the banking system is in a position to expand credit for the expeditious marketing of agricultural commodities. Even after massive financing of procurement operations, the borrowings of scheduled commercial banks are now at rather low levels. It can also be expected that there will be bigger additions to bank deposits with a significant increase in agricultural incomes and a fast spread of the banking habit in rural areas.

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The World of Copper

JOSSLEYN HENNESSY

I THE USES OF COPPER

SINCE ANCIENT times copper has been a key commodity in world trade. It is a widely distributed, but relatively rare component in the earth's crust. Only where the natural minerals of copper are concentrated to a sufficient degree is profitable mining possible.

There are around 165 known copper minerals, but only a small number are found in concentration large enough to be mined. The principal mineral is chalcopyrite around 34.5 per cent copper. This mineral forms the basis of most copper mining operations, but at least ten other minerals, often associated with chalcopyrite, also provide an economic source of copper.

The relatively heavy exploitation of copper over the past 100 years has meant that the more obvious, and in many instances the richest, deposits of copper have already been used up. This is particularly true of the early developed areas in Europe and North America. Even in presently underdeveloped regions the chances of finding large high grade copper deposits lessen with each passing year. Rich lode deposits of Australia's Mount Isa type are contributing less and less each year to total world mine production. An increasing share of output is coming from the so-called "porphyry copper" type deposits of which Australia's Bougainville orebody is one. In these orebodies small grains of chalcopyrite are scattered through a "porphyry" rock — a rock somewhat similar to a fine grained granite. The actual copper content of the rock is frequently low, often much less than 1.0 per cent (the new Sierrita mine in Arizona, USA for example, will mine ore averaging only 0.35 per cent copper) but to offset this low grade the reserve tonnages are sometimes enormous. Bougainville ore averages 0.48 per cent copper and the reserves presently total 900 million tons (in this report tons are long tons). While some patches of higher grade ore are present in porphyry copper deposits, these rarely allow for selective mining. As a general rule porphyry copper deposits can only be mined by low cost open-cut mining methods by which the copper mineral bearing rock is mined in total.

Despite the benefits flowing from

improved technology and increasing scale of operations, production costs continue to rise. Without a steady increase in the price of copper over the longer term it will become increasingly difficult to mine lower and lower grade of ore. Total world reserves of metallic copper, recoverable at present copper prices under the current level of technology, have been estimated at around 300-350 million tons. Present world mine production is around 6.2 million tons per year. If the vast extra tonnages of copper held in lower grade mineralisation are ever to be made available for future generations a constantly rising copper price, at least keeping pace with costs is essential.

Unique Properties

Copper provides at low cost a unique combination of properties which have won ready acceptance over the full spectrum of industry. Its earliest uses were related to its ready workability, exceptional resistance to corrosion, durability and attractive reddish colour.

Copper's high electrical conductivity makes it ideal for use in the generation and transmission of electrical energy for lighting, power and heat. Around 50 per cent of world consumption is currently used by the electrical industry in products as diverse as generators, motors, transmission lines, wiring, telephones, radios, TV sets, and electronic printed circuitry in computers, instrument panels and a myriad other appliances.

Copper's high thermal conductivity and the relative ease with which it can be welded, brazed and soldered, finds it a ready market for the fabrication of heat exchangers, boilers, radiators and for various piping and plumbing uses.

Some of copper's properties can be enhanced by alloying with one or more of a wide range of metals and non-metals. The various brasses and bronzes, the copper nickels (used in coinage), the nickel-silvers (alloys of copper, zinc and nickel, containing no silver) are put to countless uses by industry in castings, rolled and machined products.

The use of copper is closely geared to the level of industrial development,

and increasing industrialisation of hitherto underdeveloped countries offers an expanding market for it. Traditional uses are being constantly augmented by new uses, and despite the loss of a small share of some established markets to aluminium and plastics, demand for copper continues to grow. At present this growth in demand shows no signs of slackening. Over the last decade consumption of copper has grown at an average annual rate of around 4.0 per cent and reliable sources estimate that demand for copper should increase over the next decade at between four and five per cent per year.

II

WORLD SUPPLY POSITION

In 1967 and 1968 world production was seriously affected by protracted strikes at major US copper mines. US mine production during 1967 was down 424,100 tons on the previous years' figure of 1,275,700 tons. The strikes cost the US 900,000 tons in metal output. The lack of domestic supplies throughout the strike, and shortly after, also affected consumption. The cash price for wirebars on the London Metals Exchange (LME) soared to £727 per long ton in March, 1968, up 90 per cent on the price six months before. The present price is £517 per long ton.

Since 1968 production has returned to normal. Tables I and II show the growth performance of the world industry over the past 10 years.

Big advances in production in 1969 and 1970 following the high copper prices were not fully matched by the rises in consumption. In fact total

TABLE I
COPPER: WORLD PRODUCTION
AND CONSUMPTION

	(million tons)	
	1961	1970
Mine Production	4.2 (3.6)	6.2 (5.0)
Refined Production*	5.0 (4.2)	7.4 (6.1)
Refined Consumption	4.9 (3.9)	7.0 (5.6)

*Includes refined scrap. (non-Communist world total in brackets)

Source: World Bureau of Metal Statistics, 1970.

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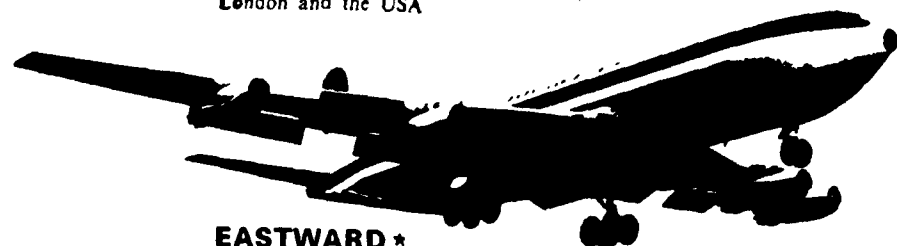
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world production in 1970 exceeded consumption by around 340,000 tons.

Table III, gives a breakdown of major world producers and consumers. The dominant position of the US both as a producer and a consumer is clearly illustrated. In 1970, the US was a net importer of copper (290,000 tons). The importance of Japan as a consumer is also highlighted.

To what extent is the present over-supply position a portent for the future? Various authorities have confidently predicted that over the next few years supply will continue to outstrip demand, because they are convinced that most proposed new copper mining projects under study throughout the world will shortly begin production. Surpluses forecast by informed industry sources range from around 460,000 tons per year by 1973, through 590,000 tons in 1974, to around 850,000 tons in 1975. However, despite the authority of these predictions, caution is necessary when extrapolating copper's supply and demand factors into the future.

Political Uncertainties

Problems afflicting several major world copper producers raise some doubts that many of the new copper projects scheduled over the next few years will reach production on schedule. The political uncertainties in many emerging nations, the rising tide of nationalism and aversion to foreign controlled basic resource industries, have tended to restrict the flow of development capital into these areas. Without foreign capital, massive expansion programmes planned for the industries in these countries must be deferred and future copper supplies jeopardised.

Peru is an interesting example. The imposition of stringent conditions by Peru's military government, which was an attempt to galvanize long established copper concession holders into speedy development, has resulted in the return of most of these concessions to the government. Development would have taken the equivalent of A\$880 million mainly from foreign sources. Unless alternate sources of finance become available, development of these concessions will be delayed. With recent strike action at the Ilo smelter, Oroya and at the huge Toquepala mine, the Peruvian scene both in the short and long term looks far from happy.

In Chile, the government has nationalised the large copper mines. Chile has some of the largest copper mines in the world, but despite nationalisation and a marxist President, Chile is

not free of industrial strife, strikes and wage claims. Recent furnace failures at the El Teniente mine and severe labour problems in the industry as a whole, largely due to the flight from the country of foreign technical staff, makes observers even wonder whether Chile can maintain 1970's production level throughout 1971. Substantial expansion of output is even more doubtful. The recent announcement from the El Teniente mine extending its control on 45 per cent of deliveries until October strengthens these doubts.

The increases in output planned for the nationalised industries of Zambia

and Congo (Kinshasa) depend on the ability of those countries to woo and win foreign development capital. In a highly competitive world market for funds, the politically unstable areas, particularly those with a proven yearning for nationalism, are in poor bargaining positions. The break-down of financing arrangements has thrown doubt on the huge Sar Cheshmeh project in Iran. At an estimated total cost of A\$295 million, Sar Cheshmeh could produce around 103,000 tons of copper per year.

The immense capital requirement for the Udoken Project in the USSR

TABLE II
REFINED COPPER PRODUCTION/CONSUMPTION
(Non-Communist World)

Year	(Million tons)			
	Refined production	Change %	Refined Consumption	Change %
1961	4.2	—	3.9	—
1962	4.3	2.5	4.0	0.6
1963	4.3	1.6	4.2	6.4
1964	4.7	7.5	4.7	11.5
1965	5.0	6.2	4.8	2.3
1966	5.1	3.0	5.2	6.9
1967	4.7	—(7.8)	4.8	—(6.9)
1968	5.3	13.1	5.1	6.0
1969	5.8	8.8	5.6	10.3
1970	6.1	4.6	5.6	Nil

Source: World Bureau of Metal Statistics, 1970.

TABLE III
WORLD COPPER PRODUCTION/CONSUMPTION : 1970

(000' tons)					
Country	Prod.	%	Country	Cons.	%
USA	1523	24.7	USA	1813	25.8
Zambia	673	10.9	Japan	819	11.7
Chile	675	10.9	W. Germany	682	9.7
Canada	603	9.8	UK	539	7.7
Congo (Kinshasa)	380	6.1	France	325	4.6
Peru	200	3.2	Italy	268	3.8
Australia	143	2.3	Canada	225	3.2
			Australia	109	1.6

Source: World Bureau of Metal Statistics, 1970.

of around \$1,000 million, provides an almost insurmountable barrier to early development. This project is more likely to get under way after 1980, at which time the planned yearly output of 400,000-500,000 tons of copper would be more readily absorbed by the market than at present.

III

MAJOR WORLD MINES

One of the great stabilising elements in the international copper scene is the location of the world's leading porphyry copper province within the borders of the United States of America. Six states, Arizona, Colorado, Montana, Nevada, New Mexico and Utah produced over 1,246,000 tons of copper during 1969, almost 21 per cent of total world mine output during the period. During 1970 most of the major US mining groups increased output from their domestic mines. The Kennecott Corporation raised output almost five per cent to 495,000 tons. Output from the Phelps Dodge Corporation rose 10.3 per cent to 313,600 tons. The Anaconda Company produced 282,400 tons of copper in 1970, up 42 per cent on the previous year's figure.

While US mines rate collectively as the world's leading source of copper, some of the largest individual copper mines in the world are located outside the USA. (See Table IV).

The new mine being developed on Bougainville Island is planned to produce around 169,000 tons of copper in concentrate by 1973. At this level of output it could rank amongs the world's first half dozen or so copper producers.

IV

THE IMPORTANCE OF SCRAP

The Impact of copper scrap on world supplies of copper is often insufficiently appreciated. Scrap finds its way on to the market in two forms. First, as recovered metal fed back into the cycle at the refining stage to augment supplies of new copper from mine sources and, secondly, as recovered metal used directly by manufacturers and fabricators. The difference between the two types of scrap is that the former contributes to the statistics of total world refined copper production, while records of the tonnages of the latter used by industry are often incomplete or unavailable. A recent estimate suggested that scrap recovery during 1970 in the communist world exceeded 3.2 million tons, of which around 1.1 million tons was secondari-

ly refined and 2.1 million tons directly used. This compares with a total refined metal consumption in non-communist countries during 1970 of around 5.6 million tons.

Industry is using more and more scrap. Between 1968 and 1969 non-communist scrap consumption grew by 11 per cent. Supply of scrap is price-sensitive whereas mine production is, at least in the short term, independent of price. More and more scrap should

become available to consumers in future as the metal price increases. Little copper is "consumed" in the sense that it is converted into some other non-recoverable form. Copper is "used" mainly in pure metallic form or in various alloys from which it can eventually be recovered, or the alloy melted down and re-worked. It has been estimated that around 75 per cent of copper used will ultimately be reclaimed and huge reserves of potential scrap are currently building up in all the advanced nations.

TABLE IV

MAJOR WORLD COPPER PRODUCERS

Mine	Location	Operator	Metal output (tons)
Open-Cut Mines			
Chiquicamata	Chile	Chilean Govt.	289,717 (1970)
Bingham Canyon	USA	Kennecott	268,000* (1970)
Nchanga	Zambia	Zambian-Govt. (51 per cent)**	216,405 (1969)
Bougainville	Bougainville Island	Bougainville Copper Pty. Ltd.	169,000 (1973)
Toquepala	Peru	Southern Peru Copper Corp.	133,000 (1969)
Underground Mines			
El Teniente	Chile	Chilean Govt.	194,465 (1970)
Mufulira	Zambia	Zambian Govt. (51 per cent)***	173,940 (1969)
Mount Isa	Australia	MIM Hold. Limited	101,970 (1970/71)

*Capacity **49 per cent, Anglo American Corporation ***49 per cent Loan Selection Trust.

TABLE V

COMPARISON OF MAJOR COPPER PRODUCERS†

	No. of shares (millions)	Earns. per share \$	Div. per share \$	Price at 30/6/71 \$	Div. yield %	P/E Ratio
Anaconda	21.89	2.78	1.70	16.91	10.0	6.1
Kennecott Copper	33.16	5.00*	2.33	29.45	7.9	5.9
Phelps Dodge	20.2	4.80	1.88	35.94	5.2	7.5
Inspiration	2.4	6.37	2.91	33.82	8.6	5.3
M.I.M.	285.8	0.20	0.15	3.47	4.3	17.4

*Before charges, write offs. †(based on 1970 profit performance in A \$)
Source: Various Published Reports.

The duration of usage may vary from five to 50 years, and as the metal price rises over future years, an increasing amount of scrap will find its way back into the cycle.

V

WORLD STOCKS OF COPPER

The stock of metallic copper throughout the world at any one time is to a degree a measure of market activity. A buildup of stocks, either as blister, the crude unrefined copper produced by mine smelters, or as refined copper, indicates a surplus of supply over demand. Some level of copper inventories is essential to damp down the fluctuations brought about by supply difficulties of a purely temporary nature such as transport stoppages, bottlenecks and breakdowns. The level of these fluctuates from time to time. However, unduly high level over too long a period frequently denotes imbalance in the supply-demand position, and an impending weakness in the metal price.

Over the five months to March, 1971, total world stock levels of refined copper rose by over 18 per cent to around 444,000 tons. Over the same period, stocks held in the warehouses of the London Metal Exchange rose by more than 30 per cent. LME stocks on July 3, 1971, stood at 98,769 tons, slightly down on the previous week's figure of 99,409 tons which was a post-World War II record high. LME stock level at the end of 1969 was only 18,300 tons.

One of the greatest impacts on the copper market is the level of stocks in the US Strategic Stockpile administered by the General Services Administration. In December, 1970, this stockpile held only 226,300 tons of copper, some 461,500 tons short of the announced stockpile objective of 687,800 tons. This means that if this objective is maintained, sometime in the future the US government could be expected to come to the market to replenish this stockpile. The timing and the rate of replenishment is not known, but in any event any replenishment must boost demand for the metal. It has been estimated that the US is using around 200,000 tons of copper a year in the Vietnam struggle and the other side from 100,000 to 150,000 tons a year. A cut-back on military action in Vietnam could bring some easing of demand for copper.

VI

PRICES AND POLITICS

The copper prices on the London Metals Exchange are as close a measure

of free market conditions as we are likely to get. It goes without saying that the prices quoted by the LME fluctuate widely in response to temporary market forces, but over the past seven years at least the trend for the most commonly quoted metal form — electrolytic wirebars — has been generally upward. The bar chart illustrates movements in the LME cash price for copper wirebars over the past ten years expressed in US cents.

The LME prices reflect free market conditions. The of quoted US and Australian producer prices follow movements in the LME prices in a subdued way, frequently with a short time lag. Since August 5, 1966, Australian producers have based the domestic price directly on LME cash wirebar prices. US producers, however, have in the past taken a more independent line. Torn between the desire for larger profits and the twin bogies of substitution and inflation, US producers set a domestic price which is frequently well out of line with LME prices. Moves by some producers to close the gap between the US producer and LME prices, in one instance at least, resulted in sharp reaction from the US President. The disparity between the two prices in this system has in the past brought some distress to US manufacturers and fabricators lacking strong ties with US producers. They have been forced to buy on the free market to their competitive disadvantage. President Nixon recently appointed a special subcommittee to study conditions in the copper market, and in time this may suggest ways of correcting the anomalous situation.

Strained Labour Relations

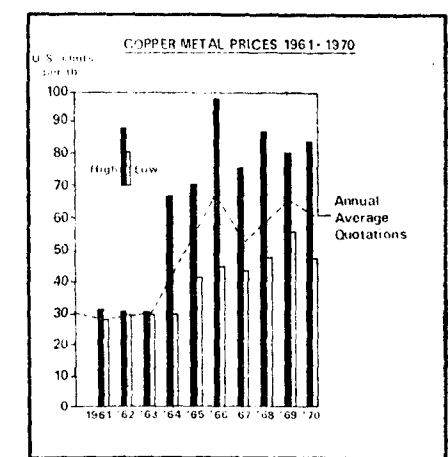
The spectacular rise in the LME metal price over the early months of this year largely reflected the concern felt throughout the industry, particularly by consumers, of impending stoppages at mines and plants throughout the US after June 30 this year. At that time labour contracts with unions, mainly the United Steelworkers of America, and the Teamsters expired. Discussions have been under way for some time for negotiations of new contracts. Fears for a repetition of the 1967 and early 1968 nation-wide strikes resulted in buying by speculators and hedging by anxious consumers and producers alike. The situation was aggravated by production difficulties in Chile, by optimism engendered by the end of the General Motors strike, and hopes for an early recovery in the US economy.

However, it is necessary constantly to keep in mind how sensitive the pre-

sent situation is. With stocks at an all time high, the recent heavy fall in the price of copper was predictable in the short term. Early in July strike action taken by US copper mine workers brought a firming of the copper price.

International Scene

On the international scene, the Inter-governmental Council of Copper Exporting Countries (abbreviated from the French as "Cipec") has been in frequent conclave over past months. The Cipec nations, Chile, Congo (Kinshasa), Peru, and Zambia, are among the world's leading exporters of copper, supplying around 60 per cent of world copper exports in 1969. The Cipec countries are believed to be formulating measures to try to extract the maximum income from their copper exports. Measures available involve support buying on the LME and restriction of supplies to world markets to boost prices, or imposition of voluntary restraints on production to the same end. As yet it appears that no accord has been reached, and the lack of unanimity apparent in comments made by various spokesmen, and alleged to have come out of the discussions, means that agreement on a workable scheme has not been reached. However, the time may not yet be right for such a scheme. In fact, in view of current price levels, it may not at present be necessary. A sudden and substantial fall in the free price of copper, however, could force members of Cipec Council into moves to protect the metal price and their export incomes.



Source: Based on L.M.E. daily cash quotations for electrolytic copper wirebars.

It is unwise to dogmatise about the future price of copper, but I hope that this report explains the reasons for the volatility of the price of copper over past years and it looks as though this volatility will persist in the future. However, in view of the problems be-

setting many producers, particularly the Cipece nations, a resurgence of demand following improvements in the US economy, and whittling down of stock-piles, could bring a return over the short term to more buoyant prices. The increasing costs of the industry coupled

with steady expansion in demand should maintain the rising trend in world copper prices over the longer term.

(This article was compiled by the courtesy of an Australian firm of stockbrokers, from their confidential report to their client.)

Import Substitution and Standardisation

H. K. SUCHDEV

As a strategy for achieving self-reliance through an efficient exploitation of internal resources and for securing planned industrial growth, import substitution has been an essential element of India's continuing efforts since Independence. With the rapid growth of national economy through industrial expansion and dispersion, slowly and systematically the import quantum for a number of items has been reduced over years through the development of indigenous sources of supply. At present, India no longer needs to import capital and consumer goods and equipment on the same scale as in the past. This trend is likely to strengthen as time passes. Sufficient capacity for satisfying a major portion of the demand for industrial machinery, intermediate products and consumer goods has been built up in the country. However, partly on account of the lack of appropriate information and partly on account of misplaced enthusiasm for foreign makes, imports still continue for some items which can be supplied easily from indigenous sources.

Over Obsession

There is no doubt that over-obsession with import substitution can jeopardise the cause of export promotion through increase in cost and perhaps compromise on quality. At any given time the structure and trend of international prices is bound to be such as would make imports profitable for some items and advantageous to produce and export others. The zest for import substitution will be self-defeating if it fails to take an overall value of the problem.

In achieving self-reliance and self-sustaining growth through import substitution, standardisation has an important role to play as it is the common denominator of all efforts such as increased productivity, conservation of scarce materials, export promotion, development of indigenous know-how and expertise, and production and distribution of goods and services. It enables production to be rationally co-ordinated with consumption, new engineering techniques to be applied in industrial practice, and leads to higher rate of production, improvement in quality and perfection of trade facilities. To gain spontaneous acceptance at the

hands of the general consumer as a substitute, it has to stand the test of quality, availability and durability. The common acceptance of standards would not only be a major factor in introducing indigenous products, raw materials and know-how but would also play a notable role in building a favourable reputation for Indian products in the internal and foreign markets.

Raw Materials Substitution

Substitution of raw materials is largely a matter of natural endowment, though here also introduction of new technology can help in replacing some of the imported inputs by local substitutes. It becomes essential in the case of strategic materials which may leave us vulnerable in emergency. The major scope for economy would, of course, be available in the import bill for such items, as spare parts and accessories and balancing equipment. Maintenance imports alone, it is expected, would amount to Rs 7,000 crores during the fourth Plan period. The importance of standardisation and interchangeability in programmes for arriving at an intelligent choice for substituting materials and components imported hitherto hardly needs any emphasis. The substitutes, being compromises have to be picked up with great care giving due attention to a multitude of factors.

The very process of developing standards with consensus and overall agreement of all the interests concerned—manufacturers, consumers, traders, technologists, engineers, ensures that all the related factors concerning the production and serviceability of a product are fully taken care of. In fact, in a number of fields Indian Standards have helped and guided the production of goods which ultimately led to the substitution of products imported previously. In the building, field, for example, standards have been instrumental in promoting the use of lime and pozzolanas, such as fly ash, *sirkhi* and blast furnace slag, to stretch the supply of portland cement. Attempts to overcome shortage of building materials have also been made through popularisation of prefabrication and modular co-ordination of building components. The work of ISI in the realm of structural and other commercially available

timbers has proved beneficial in the rational utilisation of timbers and in encouraging the use of locally available species in preference to costlier timbers procured from distant sources. In the case of non-ferrous metals such as copper, tin, zinc, nickel, etc, in which India faces serious shortages, special efforts have been made to conserve these metals through (a) minimising the use of virgin metals and promoting the use of scrap, (b) reclamation of scrap normally looked upon as machine wastes, and (c) recovery of metal from foundry wastes. The result of these efforts can be examined in a number of available products, viz, aluminium conductors and cables, doors and windows, utensils, storage bins, dairy equipments, bolts and screws, drawn and extruded tubes, etc.

The diversion of major resources for defence preparedness have given a new fillip to the ISI programmes for conserving critical industrial raw materials which are in short supply. As a result reviews have been carried out of specifications dealing with (a) paints to economise in zinc and lead-based pigments, (b) bicycle components to specify enamel in place of electroplating to save nickel and chromium, (c) electrical components and cables to substitute aluminium for copper, and (d) copper alloys for preserving scarce non-ferrous alloying elements such as nickel, tin, zinc and antimony and (e) metal containers to conserve tin-plating by its substitution with black plate whenever feasible.

Standardisation in Steel

The case of alloy and special steels where standardisation and variety reduction has paved the way for the development of an organised special steel industry in the country provides a striking example. At one time the demand was split over 1,500 varieties causing serious difficulties for the establishment of alloy steel industry in the country. Through systematic study and co-operation, it has been possible to reduce the varieties to 156. Recently, these varieties have been further reduced to about 70 only. After an exhaustive survey of the net requirements and detailed discussion with several industries which led to the reduction in steel varieties are published in IS: 1570-1961 'Schedules for wrought steels for general engineering purposes'. Another Indian Standard, IS: 1870-1965 'Comparison of Indian and overseas standards on wrought steels for general engineering purposes', guides the users in choosing steels suited to their particular requirements.

Notable economies have also been effected in the manufacture of refractories, tapes for electrical industry, textile

mill accessories and testing instruments, asbestos cement products, water supply and sanitary fittings, fire fighting equipment, water supply and sanitary fittings, fire fighting equipment, etc. Standards have also paved the way for the exploitation of indigenous materials, such as tamarind kernel powder, Ennore sand for testing of cement, blast furnace slag, etc.

Another important field in which import substitution is needed is technical know-how. Import of foreign technical know-how has to be made on a substantial scale to industrialise the country; by making a judicious use of the experience available from the advanced nations, the path towards industrialisation can be cut short. It is not so simple as care has to be taken against isolation from the mainstream of world technological progress and to a certain extent, it is inescapable as there is no point in wasting funds on re-inventing the techniques already discovered and proved elsewhere. But it is high time when the tendency to resort to turnkey projects and package deals should be curbed and only import of design and drawing should be made on selected basis. To develop indigenous technical know-how, a basic structure of research facilities comprising a network of laboratories under the Council of Scientific and Industrial Research (CSIR) and various other laboratories sponsored by the government, technical and industrial associations and individual companies has been set up.

Too Many Standards

In the case of foreign collaborations involving overall blanket deals for putting up projects, there is a natural tendency on the part of overseas associates to attempt to influence the purchase of a variety of goods and services in terms of capital equipment, engineering charges and consultancy services. All this works to the detriment of the local initiative and leads to the import of items which could be supplied from indigenous sources. Further, the acceptance of foreign designs and specifications in toto leads to the inevitable problem of multiplication of standards and specifications for the same type of products or equipment which ultimately retards the development of indigenous production facilities. Only from this point of view, the equipment and spares needed in the Indian Oil Company (IOC) are either imported or made to GOST (Russian), DIN (German), STAS (Rumanian), AFNOR (French), BS (British), API, ASME, ASA, ASTM (American) standards and codes, besides the equipment and materials procured from indigenous sources conforming to Indian standards. This problem will not only increase the cost of the ultimate product manufactured in the country, but it will also lead to excessive

wastage of man, machine and materials and becomes a detrimental factor for the development and exploitation of internal resources. The best results would only be achieved if a happy marriage was effected between imported technology and indigenous ability in the fields of design, engineering and fabrication, and there is tremendous scope for suitably adopting designs and specifications to ensure fuller utilisation of local materials, equipment, talent and know-how. For those organisations which have already entered into collaboration, it is a hard task to work the formulation of equivalent standards.

To promote development of in-plant standardisation activity in Indian industries, ISI has taken up a project under which assistance is given to industries to evaluate the status of in-plant standardisation practices in their factories and to establish an organised standards activity.

ISI helps in providing effective training in standardisation to designers, engineers and technologists required for manning standards cells through specially organised courses. Consequently, the movement for the esta-

blishment of in-plant standardisation has gained momentum; more and more industrial undertakings now realise its importance as an effective managerial tool for increasing the overall efficiency of their organisations.

The role of standardisation to achieve self-reliance through import substitution needs no further elaboration as the standards of any country have to be oriented to the materials, production facilities and habits of use. They assume importance as instruments for efficient exploitation of the internal resources of a country. Last year the seminar on import substitution organised in New Delhi by the Federation of Indian Chambers of Commerce and Industry (FICCI) afforded a valuable opportunity for a frank talk between planners and leaders of industry and technology on the fundamental issue of import substitution and the economic and technical feasibility of such substitution in certain selected areas. The important role which standards could play in this field was noted and the setting up of in-plant standardisation cells for a systematic effort on continual basis to cut down import was recommended.

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WINDOW ON THE WORLD

USAID : Towards a Better Future

THERE is a great deal of misunderstanding about foreign aid and much questioning of whether it really works. The facts are that most of the less developed nations, where more than two-thirds of the world's people live, are in the process of growing and developing in spite of droughts, floods, wars, turmoil and ignorance. In part this growth is because of aid—ours and that of many other countries. Less developed nations, in aggregate during the last 20 years have achieved about a five per cent increase in gross national product per year. The problem is that when you start with a per capita gross national product of \$ 100 per year or less, a five per cent increase is five dollars per person per year and that does not go very far.

Aggregate figures hide major problems. One of the most important of these is population growth. The less developed nations, because of their high rates of population growth, find that an increase in GNP of five per cent—with a three per cent per-year population growth rate—ends up with only about a two per cent increase in per capita GNP. For the countries with a per capita GNP of \$ 100 per year or less, that figures out to be an increase of two dollars per person spread over a full year and that does not buy much. Obviously, performance has differed substantially in different countries. Some nations have grown hardly at all in income per capita—Indonesia, Syria, Haiti, Uruguay. Others such as Korea, Taiwan, Greece are moving rapidly.

Rapid Urbanisation

Distribution of the increases within the countries is far from equal. Urban areas grow more rapidly than rural areas, where the bulk of the population still lives. New seeds and fertilizer go first to large farmers who can buy it on the commercial market. Education is still geared to an academic professional career, out of reach for most people. Nonetheless, significant growth is taking place in the poor countries. The most dramatic recent gains have been in agriculture. Research has produced high-yielding varieties of wheat and rice which, when used with the proper amounts and kinds of fertilizer and with water and pesticides, can quadruple a farmer's yield and double or triple his income. Farmers, particularly in Asia, are rapidly adopting the new cereal varieties and agricultural practices. Planting have increased from

36,000 acres in 1965-66 to more than 44 million acres in 1969-1970. As a result, wheat production in Pakistan jumped 50 per cent in two years. India has achieved three successive record crops of more than 100 million tons of cereal per year. The Philippine has become self-sufficient in rice and agricultural production in Latin America is turning up. This has been termed "the Green Revolution."

But similar revolutions can be found in other areas: in education, primary school enrolments has almost tripled since 1950 and secondary and higher education enrolments have quadrupled. In health, malaria has been reduced from a world-wide scourge affecting some 750 million people to a secondary health problem. Smallpox and measles in Africa have been largely controlled.

Provision of Transport

Transport facilities, though often poor by US standards, move volumes of cargo that were unheard of just a few years ago. Consumer goods are being produced domestically in substantial volume in many countries. Exports are increasing and include many new products as well as traditional raw materials.

The point to underline is that these gains have essentially been achieved by the less developed countries themselves. They have invested at least seven of their own dollars for every dollar that has come to them through foreign aid. They have set goals for themselves and in many cases designed and implemented the programmes needed to achieve them.

AID has contributed significantly to this growth, both in terms of technological transfers and resources flow. This has meant schools and roads, teachers and engineers, fertilizer for the farmer and electrical power for the industrialist.

If the effectiveness of aid is clear, why then has there been a persistent decline in the volume of US aid, and increasing disinterest in the problems of the developing countries?

At the peak of the Marshall Plan, our country was spending almost \$ four billion a year in foreign economic assistance (most of it in grants) to help reconstruct Europe. Today, our annual appropriation is less than two billion dollars—less than half of the annual Marshall Plan cost, without reference to the decreased purchasing

power of the dollar involved. More than two-thirds of the annual appropriation for AID goes for loans to the less-developed countries for projects and programme jointly agreed upon to be repaid with interest with US dollars. In the Marshall Plan days we were committed to action; today, many question whether development support is our responsibility.

The Vietnam war has aroused deep misgivings about our foreign policy from which development assistance is not exempted. Our very real and urgent domestic concerns have moved development assistance for the less-developed countries to near the bottom in the allocation of our national priorities. Time and changing circumstances reduce the effectiveness of the early rationales often used to support foreign aid in the Congress and with the public.

This is the text of an address delivered on July 21, to the International Rotary Club of Washington, DC by Dr John A. Hannah, Administrator, United States Agency for International Development.

In order to fight inflation in the USA through reduced expenditure, President Nixon slashed foreign aid by 10 per cent on August 16. This was one of the measures taken by him to strengthen the dollar. Full text of his speech was published last week in these columns. The cut in aid is likely to hurt the economies of the developing countries including ours.

The first of these rationales to falter was the expectation by many that foreign aid was—as with the Marshall Plan—a quick-acting tonic which could produce immediate, salutary effects in the less developed countries. The early assumption that less developed societies could, with a boost from the outside, modernise rapidly has proved to be not so simple.

A second rationale for foreign aid was the argument that it would help forestall a communist takeover of the less developed world. During the 1950s and early 1960s foreign aid frequently became—and was often sold as—a weapon in the cold war. As the cold war has abated and as the monolithic "Sino-Soviet bloc" seems less solid to many people, anti-communism is a less effective reason for foreign aid.

Third, foreign aid has often been construed as a charity programme. In the popular image, we are providing loans or grants as a rich man gives to the poor. For this we expect—even demand—the gratitude of the beneficiaries. The objectives of AID do reflect the humanitarian instincts of most Americans, but AID never has been solely or even primarily a charitable programme. It is a realistic investment to assist in building a stable world without which it is unrealistic to expect to enjoy social and economic stability at

home. It is an investment in our own future.

This point is obscured by describing aid as charity. Viewing aid as a charity makes it vulnerable to those who contend that domestic needs should preclude charity. To them charity is an extra which we, perhaps regretfully, must sometimes give up when other needs have higher priority.

There is also the myth that we are doing more than our share in foreign aid. At one time, the United States was the only country in the foreign assistance business. But today almost every donor country is making a relatively greater contribution to development assistance than we. Measuring official development assistance as a percentage of GNP or on the basis of average income, the US ranks 11 from the top among the 16 major aid-giving countries. Those ranked above us are, in order: France, Portugal, Australia, Belgium, Netherlands, Sweden, Denmark, West Germany, United Kingdom and Canada. Norway and Japan may pass us this year. The other three substantial aid giving countries are Italy, Switzerland and Austria.

Role of Foreign Aid

Finally, there is the widespread impression that foreign aid is a giveaway programme. It is not. It operates on a businesslike basis. Excluding the security-related assistance to countries like Vietnam, Laos, Cambodia, Thailand and Jordan, 68 per cent of the total AID programme consists of loans. Over the total 20-year period of AID and its predecessors, less than one-half of one per cent of these loans have ever been in default. You may be surprised to learn that, of more than \$ 14 billion in AID and predecessor agency loans to less-developed countries only \$28 million are not current in interest payment and that is almost all owed by the United Arab Republic and the Arab world.

Foreign aid has been battered by misconceptions. Recognising the need to revitalise our foreign assistance programme, President Nixon sent legislation to the Congress in April proposing major reforms in foreign aid. The legislation seeks a new mandate from Congress and the American people for development assistance to less developed countries.

It asks that our contributions to international development be increased. It seeks to focus our attention on the importance of a sustained, long-term effort in which responsibilities are shared in partnership with the developing nations themselves, with other advanced industrial nations and with international organisations.

The proposed reforms seek to make

our assistance programmes more effective, more rational, and better attuned to the needs of this decade.

Rather than go into a detailed discussion of the proposed new programmes and legislation, in summary, the President is proposing:

That we separate long-term economic assistance from short-term security assistance, thus clarifying the purposes of each.

That we work increasingly in partnership with other donors and the recipients themselves in carrying out assistance programmes.

That we improve the effectiveness of our bilateral programmes, particularly the application of US technical and scientific expertise to problems abroad.

That we complement our aid programme with improved trade and private investment policies.

The President's proposal represents a reaffirmation of this country's commitment to the international development effort. We have a profound national interest in joining other nations to help alleviate the problems of poverty around the world. Our basic goals—the concern for peace and the building of an orderly community of nations—is well served by this effort.

The problems of this world are not contained by boundaries. Diseases ignore national boundaries, so also polluted air and polluted water which flows across. Trade and the exchange of goods and services vitally affect the well-being of all nations. The sense of injustice, frustration and bitterness which will be acquired if the peoples in the less developed world are unable to see progress toward a better life cannot be bottled up.

The basic objective of AID is to offer assistance on a request basis to the governments of the developing countries who want to move in the direction of encouraging lives of better quality for all of their people.

Indigenous Resources

To attain that goal requires the development of the indigenous resources—human and material for the improvement of their own people.

The LDCs (less developed countries) cover a wide spectrum of differences. The areas of highest priority of interest include:

—An adequate supply of human food, or an emphasis on agricultural production, proper food handling, emphasis on human nutrition, etc.

—Availability of basic requirements for human health—clean water,

sanitation, availability of basic health care, vaccines, clinics, etc.

—Education to permit and encourage social mobility, the development of the skills and competence required to make a society and government operate, to give hope for better tomorrow.

—Encouragement of industrial development and, not least, the population problem.

World-Wide Problem

Let's look at the population problem. There are now about 3½ billion people in the world—three times the population a hundred years ago.

In another 100 years, at the present growth rate, there could be more than 30 billion people on this earth almost eight times the present number. If, by the year 2040, each family has on the average no more than two children, the world population would stabilise 70 years later in 2110 at about 15 billion (1/2 of 30 billion)—still an awesome figure and more than four times the present world population.

If the world could achieve the two-child family by the year 2000 (certainly not an easy task) the world population would stabilise at about eight billion—more than double the present population and an immense burden to place on the earth's resources, but much better than twice or four times that number.

We in the US cannot ignore this world-wide problem, and concentrate on our domestic concerns. It is unrealistic to think that 30 years from now 300 million Americans can live comfortably in this country while across the continents of Asia, Africa and Latin America, more than twice the present population—some seven billions of people—struggle to eke out an existence. There can be no assured peace for Americans unless we join the other developed nations of the world in a continuing effort to develop a stable world order. We cannot answer the question as to what life will be like in the United States decades from now without first asking, what will the rest of the world be like?

People in the poor countries no longer believe that God ordained that their children must go hungry and sometimes die because there is no food for them. They are easily convinced that there is something wrong when, in this decade of the seventies, their people must die, because there is no health care, no vaccines to prevent epidemic diseases, no clean water to drink, no education for their children—no schools, no books, no teachers.

All of the people on this earth live in the same world. This is the world our children and their children must live in

too. It is unrealistic to plan for a better world for our children and our grandchildren unless we recognise that the kind of a world they will live in 30 years, 60 years, 100 years from now will be determined to a substantial degree

by what happens to the world that the other two-thirds live in. There is really no alternative but for our country to join with the peoples of the other nations of the world in a common effort to do our fair share to

help those countries who want to help themselves improve the quality of the lives of their people too.

That is what AID is all about. That is what there is in it for all of us.

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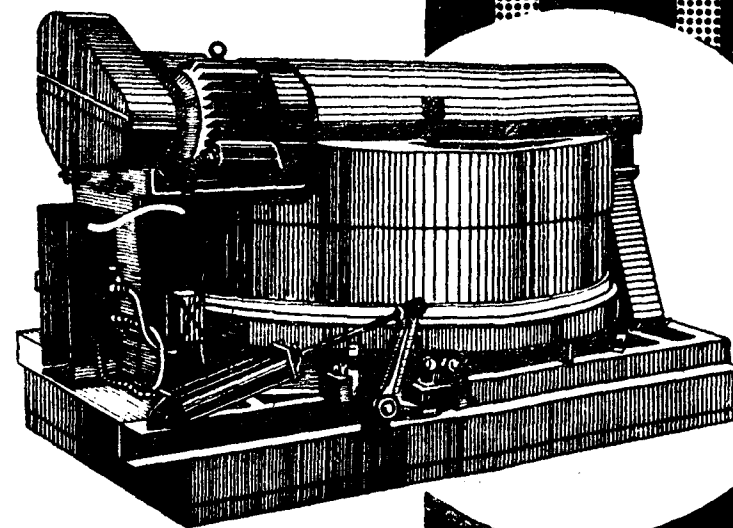
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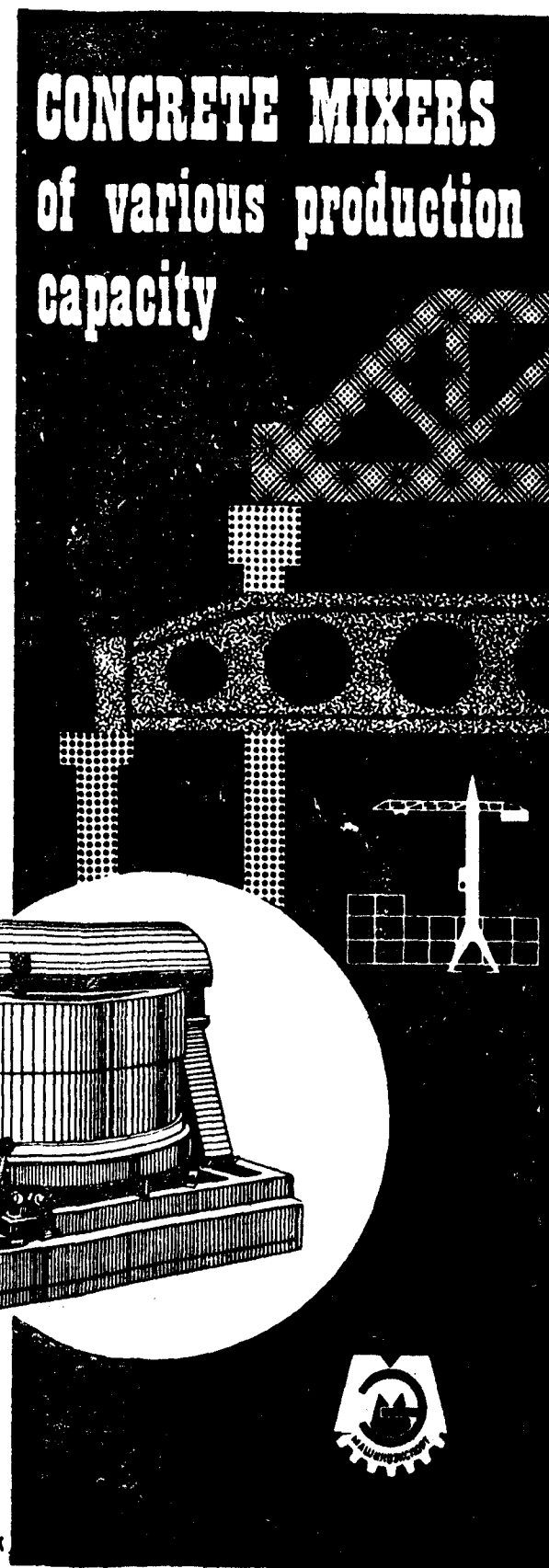
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ADMARK

The moving finger writes

Mr J.N. Sahni, the veteran journalist, recently documented what some of us have been suspecting for a long time. Recalling Jawaharlal Nehru's immediate reaction to an abortive attempt made by a rickshaw-puller to assault him (Nehru) in Nagpur years ago, Mr Sahni reports that Nehru, who was obviously greatly upset, exclaimed that the rickshaw-puller had not realised that he might have killed not just a human being, but a Cause. Many of the problems or troubles, political or economic which this country has experienced, whether during Nehru's Prime Ministership or as a consequence of the Nehru legacy, is certainly due to the fact that Nehru was unable to think of himself as essentially a human being. The road to national hell is always paved with the intentions or actions of father-figures who have forgotten that, when all is said and done, they are no divinities but only human beings.

If the father considered himself to be a Cause, the daughter obviously herself to be the Cause. It is obvious that the present Prime Minister of India desires to recreate this great country and its people after her own image. In the process she seems to regard any attempt on the part of any individual or group to protect his or its legitimate interests against arbitrary onslaughts by the government of the day as a personal insult to her. For instance, simply because the Princes successfully appealed to the Supreme Court against the illegality of a piece of legislation directed against them, the Prime Minister reportedly is no longer prepared to entertain any representations or proposals from them regarding their privy purses. Such high-handed conduct in the name or on the part of a government is intolerable in a democratic context and it will certainly not be tolerated in the long run, unless of course the grossly poor and largely uneducated electorate has, in the meanwhile, been wholly brainwashed into surrendering the essential freedoms of the citizens to the witchcraft of massive mandates.

Predictably, the Prime Minister has lost no time in attempting to make good her threat to bemuse the nation and shackle public opinion with a "commitment" press. She has the personal arrogance, political will and the parliamentary majority to legislate according to her whims and fancies or passions and prejudices. I wonder whether the spate of leading articles or of lengthy

protests or pleadings in the editorial columns of the newspapers is at all going to persuade her to relent or retrace her steps. I would not argue that some toning down of the excesses in the draft sponsored by the Ministry of Company Affairs for the proposed legislation as a result of criticism in the press or the pressure of public opinion is entirely unlikely, but I do believe that the juggernaut of governmental authority over the press is now well and truly on the move and, given the authoritarian temper of the ruling party and particularly its leader, it is unlikely that this blind and blundering chariot could be effectively disciplined and thus prevented from coursing in the vicious direction set for it.

The introduction of extraneous party politics into our trade union movement at its very inception has been the bane of industrial relations in our country and at least in this case there was the justification that labour militancy had to be fostered in political terms for the sake of the freedom struggle. On the present occasion, when the running of newspapers is being deliberately sought to be politicalised, there is no question of national interest being involved on the contrary what is in full and foul play is nothing but sordid personal or partisan political aggrandisement.

Meanwhile, admiration perhaps is in order for the sheer audacity of the schemers against a free and independent press. Notwithstanding the fact the Prime Minister's own house journal—a newspaper published from New Delhi and Lucknow—was recently accused of suppressing the speech of the leader of the opposition in the UP Assembly on the occasion of an important debate, Mrs Indira Gandhi and her minions in the central government or party are brazen-faced enough to pose as high priesthood of the gospel of independence of the press.

What 'commitment' may do to the press has been indicated already by what commitment is doing to the bureaucracy. A fine example of 'commitment' on the part of a civil servant was provided recently by Dr Ashok Mitra, Chief Economic Adviser in the Department of Economic Affairs of the Ministry of Finance, in his Note of Dissent to the Report of the Committee on Differential Interest Rates which was set up by the Reserve Bank of India. Dr Mitra's display of 'commitment' on this occasions, however,

had so over-reached itself that not much notice was taken of his views in such discussions as there had been in the press or elsewhere on the Committee's Report itself.

Dr Mitra, however, is a new comer to the practice of the cult of 'commitment'. Enthusiastic as he is, he still has a lot to learn from veterans in the field such as Mr R.C. Dutt who is presently Secretary to the government in the Ministry of Information and Broadcasting. Presiding over the annual day of the Indian Institute of Mass Communications in New Delhi some days ago, Mr Dutt found fault with the press in this country for, as he alleged, failing to reflect the aspirations of the people during the last general election. In other words, Mr Dutt was aggrieved that there should have been a number of newspapers in this country which did not think it part of their duty to range themselves behind the Prime Minister's party and campaign for its success in the election. It must be said to the credit of Mr Dutt that, so far as he is concerned, he has always known which horse to back.

In view of the "holier than thou" attitude adopted by Mr Dutt towards the press, I believe that I may be pardoned if I refer here to an incident relating to Mr Dutt, of which I have personal knowledge. Years ago when a Company Law Department happened to be part of the Finance Ministry, Mr T.T. Krishnamachari, the Finance Minister and Mr Dutt, the Secretary of that Department, a seminar of Public Relations Officers in government undertakings was held in New Delhi under the auspices of this department. On the agenda was an address to be delivered by the Finance Minister and a couple of minutes before Mr T.T. Krishnamachari was due to arrive on the scene, Mr Dutt went to the microphone and asked the audience to accord a standing ovation to the minister as he entered the hall. This was duly done and the great man was obviously pleased by what he naturally thought to be the spontaneous demonstration of admiration and affection for him. Sentimental as Mr T.T. Krishnamachari essentially is, he was also genuinely touched and all the time Mr Dutt was sitting there purring like a cat that had swallowed cream. A public servant who stage-manages a demonstration in order to impress his ministerial boss is surely not entitled to talk of an alleged need for the government delivering the press from its "bondage".

V.B.

Trade Winds

AIDE MEMOIRE TO U.S.A.

IN AN aide memoire handed over to the US Ambassador Mr Kenneth Keating, the union Minister for Foreign Trade, Mr L.N. Mishra, has drawn the attention of the US Administration to the adverse effect which President Nixon's imposition of 10 per cent surcharge on import duties would have on our exports to the United States. The pertinent point made is that although only about 15 per cent of the US imports from us, comprising such goods as iron and steel products, chemicals, leather footwear, some fancy categories of jute products (furnishing materials) etc., would be affected by this surcharge, the damage to our exports would be significant as these are the vital growth points in our export list. It is feared that if the new US tariff's are maintained for some time, it would be very difficult for us to attain the fourth Plan export targets. The aide memoire points out that the US difficulties are the outcome of the policies of the advanced countries; the developing nations have had no hand in creating them. Yet both the guilty and the innocent are being treated alike by the US. Mr Mishra hopes that the US would soon implement its tariff reduction offer under the generalised scheme of preferences.

Knowledgeable circles opine that the aid contracts already signed would not be affected by President Nixon's decision to cut economic aid by 10 per cent. Future assistance, of course, might be curtailed. It is hoped that the 10 per cent cut in aid would not affect the funds being provided by the US for humanitarian purposes.

EXCHANGE RATES

Following the unsuccessful bid of the west European countries recently to arrive at a unanimous decision on measures to resolve the current dollar crisis, Britain, Belgium and Italy have decided to float their currencies. The West German and the Dutch currencies were floated some time ago; they are to continue to float. The French government, on the other hand, has decided to adopt a two-tier exchange rate for the US dollar under which while the French franc will be pegged to its old rate for trade transactions, it will fluctuate for all other financial purposes according to supply and demand. Denmark has decided to maintain the existing exchange rate for the

US dollar. In Asia, Japan has not yet taken any decision on the revaluation or the floating of the yen. The present one dollar equal to 360 yen rate continues.

As regards our currency, the union government announced on August 22, that it had decided "to maintain the present IMF parity of the Indian rupee, according to which one rupee equals 0.118489 grams of fine gold. In order to enable the Reserve Bank to buy (and sell) foreign exchange from authorised persons in an orderly manner, revised notifications are being issued. The effect of these notifications is that transactions between the Indian rupee and the US dollar will remain within prescribed margins around the present parity of one US dollar equal to Rs 7.50. The rupee-sterling rate will vary from time to time depending on the dollar-sterling rate in the London market, which is not to be allowed to fall below 2.38 dollars to one pound".

STATE LOANS

Out of the fifteen 5.75 per cent, 1983 state government loans for a total notified amount of Rs 158.75 crores, which opened for subscription on August 19, as many as four were closed by 2 p.m. on the first day on their being fully subscribed and another three till the evening. All the state loans were fully subscribed.

FORWARD TRADING IN COTTON

The Forward Markets Commission has permitted trading in transferable specific delivery (TSD) contracts for Bengal Deshi cotton for the new season 1971-72. Announcing this the East India Cotton Association stated that trading will commence from August 23. The two contracts to be traded are: Machine Ginned (MG) Bengal Fine and Machine Ginned (MG) Bengal extra superfine, both for November and December deliveries.

IDA LOAN

The International Development Association has decided to provide \$39 million to finance part of the first phase of the Pochampad irrigation scheme at the Godavari to irrigate initially 250,000 acres in Andhra Pradesh. Eventually 968,000 acres are proposed to be irrigated. The IDA credit will be for a term of 50 years, including a 10 year grace period. It will be interest free, but service charge of three

fourths of one per cent will be made to cover IDA's administrative costs. The first phase of the Pochampad scheme is scheduled to be completed by June 1976 at an estimated cost equivalent to \$127 million.

TAX CONCESSION FOR MIGRANTS

Persons of Indian origin migrating from Ceylon will not be required to produce documentary evidence in support of their claim for transfer of money from that country under certain conditions. Instructions to this effect have been issued to Income-Tax Officers by the Central Board of Direct Taxes.

NEW PULSE VARIETIES

Four high-yielding varieties of pulses have been approved for general cultivation by the Central Varietal Release Committee of the union Ministry of Agriculture. They are: "Pusa Baisakhi" Mung, and "Sharda", "Mukta" and "Ageti", Arhar. Developed at the Indian Agricultural Research Institute, these new varieties are high-yielding and short duration crops.

HEALTH MAP

The Organisation of Pharmaceutical Producers of India released here last week a health map of India, which in 15 panels tells the story of the progress

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made by us since independence in the field of health. The map highlights, among other things, that our life expectancy has gone up from 32.1 years during the decade 1941-50 to 52.6 years during the period 1966-70; the death rate during the same period has declined from 27.4 per 1,000 to 14 per 1,000; the deaths caused by some major diseases such as cholera, small pox, plague, dysentery and diarrhoea have gone down a great deal; the production of pharmaceuticals has increased from a bare Rs 10 crores in 1948 to as much as Rs 250 crores in 1970; the value of basic manufactures has gone up from Rs 17 crores in 1964 to more than Rs 35 crores in 1970; very considerable improvements have been effected in the infrastructure facilities for health care; the range of pharmaceutical products manufactured indigenously has expanded considerably and exports are increasing significantly. The map also reveals that about 15 pharmaceutical companies in the private sector are spending nearly four crores of rupees annually on research in drug development in addition to a few CSIR aid state government laboratories.

Releasing the map, the union Minister for Petroleum and Chemicals, Mr P. C. Sethi called upon the pharmaceutical industry to devote greater attention to research and development within the country so that collaboration arrangements with foreigners could come to an end soon. He complimented the industry on the co-operation it had extended in bringing down the prices of life-saving drugs and urged that in keeping with its obligations to the welfare of the people, it should make efforts to obviate the shortages of medicines whenever they emerged. The OPPI Chairman, Brig. B. S. Bhagat, earlier spoke of the effort that had gone into the making of the map and promised to produce in the near future a Hindi version of it.

COLLECTION OF TAX ARREARS

Steps to speed up the collection of tax arrears and disposal of assessments, to combat tax evasion effectively and to educate the tax-payers were discussed at the four-day Conference of Income-Tax Commissioners which concluded recently. For speedier collection of tax arrears, it has been decided to divide the country into convenient zones under an Additional Commissioner of Income-Tax in each zone. He will be in sole charge of collection and recovery of tax arrears in the area. A drive for quantifying the effective arrear after giving credit for payments already made by the taxpayer and also giving effect to appeal decisions will be instituted. A major innovation to be introduced shortly

in the Tax Administration is the establishment of a system of permanent account numbers for tax-payers on all-India basis.

FOODGRAINS OUTPUT

For the first time in the history of Indian agriculture, this year the production of rice, wheat, bajra, maize and ragi has reached a new high, establishing all-time records, with the result that for the second year in succession new levels of foodgrains production have been achieved. In the case of wheat, it is a record crop for the fourth year in succession, with total production of 23.2 million tonnes as against the fourth Plan target of 24 million tonnes fixed for 1973-74. In the production of rice, the increase during 1970-71 over that of 1969-70 is 5.7 per cent despite decrease by 0.7 per cent. In the case of bajra, while the target for 1973-74 fixed for the fourth Plan is seven million tonnes, production this year has reached the level of eight million tonnes, exceeding the target by one million tonnes. According to the Directorate of Economics and Statistics, union Ministry of Agriculture, All-India Final Estimates of Foodgrains (cereals and pulses), 1970-71 have put the area and production at 123.9 million hectares and 107.81 million tonnes as against 1969-70's final estimates of 123.57 million hectares and 99.50 million tonnes respectively.

Foodgrains production for 1970-71 shows an increase of 8.31 million tonnes or 8.4 per cent over 1969-70. The entire increase in foodgrains production is accounted for by cereals. Production of pulses during 1970-71 shows a marginal fall as compared to previous year. Bulk of the increase in foodgrains production is accounted for by Rajasthan, Uttar Pradesh, Gujarat, Madhya Pradesh, Tamil Nadu, Bihar and Haryana. This increase has, however, been offset to some extent by decreases recorded mainly by Maharashtra, Andhra Pradesh and Jammu & Kashmir.

FERTILISER PROMOTION

The Fertiliser Corporation of India has launched a massive programme of educating the Indian farmers in the use of chemical fertilisers on scientific lines.

The promotion and extension work by the Corporation is already being done in the states of Maharashtra, Andhra Pradesh and Mysore. The Corporation Organised its fifth meeting of the panel of agronomists and soil chemists — first of its kind in Orissa — at Bhubaneswar on August 16. The meeting opened under the Chairmanship of Mr B. Sivaraman,

Vice-Chairman, National Commission of Agriculture. Mr Chintamani Panigrahi, MP, was the Chief guest. About 40 delegates, including Mr S.Y. Padmanavan, Director, Central Rice Research Institute, Cuttack, and agronomists from different parts of the country, attended the conference. The meeting of agronomists was followed by the first fertiliser festival held on August 17 at Khurda, 18 miles from Bhubaneswar. The programme was launched in collaboration with the State Directors of Agriculture. Agricultural Research organisation and universities were also involved in evolving and evaluating the promotional programme.

FOOD MINISTERS' CONFERENCE

Addressing the state Food Ministers' Conference convened to review the progress and problems of procurement, Mr Fakhruddin Ali Ahmed, union Minister of Agriculture, stated recently that while solving the problems of increased production was a pleasant task as against dealing with situations of shortage and scarcity, the intensive procurement programme had to be continued and the problems it had generated solved quickly.

NEW ZEALAND TRADE FAIR

This country, along with sixteen other countries, is participating in the New Zealand International Trade Fair being held in Wellington from August 18 to September 4. India participated in the New Zealand Trade Fairs previously held in 1964, 1967 and 1969. At this Fair this country is showing sea-food goods, mango juice, cosmetics, bidis, sports goods, stainless steel, readymade garments, tools teleprinters, radio amplifiers, automobile parts, electric motors and household electrical appliances, besides tea, textiles and handicrafts. In machinery highly advanced lathe machines as well as small type machines will be shown. Fresh Indian tea will be served to the visitors and a fashion show of Indian garments will be held daily.

SUGAR OUTPUT

According to the Indian Sugar Mills Association, the total sugar, production in the month of June, 1971, the ninth month of the season 1970-71 was about 37,000 tonnes as against about 1,44,000 tonnes during the corresponding period last season. This brings the total production during the first nine months of the Season 1970-71 to 3.72 million tonnes as against 4.16 million tonnes during the corresponding period last season. The off-take of sugar from factories during the month of June, 1971 was about

3,24,000 tonnes for internal consumption as against about 3,04,000 tonnes for internal consumption during the corresponding period last season. The total despatches in the first nine months of season in 1970-71 was 2.87 million tonnes for internal consumption and 3,09,000 tonnes for export as against 2.42 million tonnes for internal consumption and 1,07,000 tonnes for export during the corresponding period last season. The total closing stock of sugar with factories on the June 30, 1971 was about 2.62 million tonnes as against about 2.93 million tonnes on the same date last season.

INDO-GERMAN AGREEMENT

An accelerated pace of work in the Indo-German Agricultural Development Project, Nilgiri, Tamil Nadu, is envisaged in the agreement signed recently between the government of the Federal Republic of Germany and the government of India. The most important feature of this supplementary agreement to the original Indo-German Agreement of 1966 relates to the setting up of a revolving fund for small loans to farmers in the project area. The Federal Republic of Germany will make available up to 550,000 German marks for this fund. The Agreement, which covers the operation of the programme up to June 30, 1972, highlights the promotion of vegetable and potato cultivation and the building up of a potato seed multiplication chain.

INT. FERTILISER MEET

India and the USSR will play host to the Second Inter-Regional Fertiliser Symposium to be held under the auspices of the United Nations Industrial Development Organisation (UNIDO) during September — October, 1971. The symposium will be held in Kiev (USSR) from September 21 to October 1 and then the participants will move to New Delhi for further deliberations from October 2 to October 12. The symposium will identify the problems being faced by the fertiliser industry in developing countries and suggest solutions. Besides representatives from India, about 150 delegates from developing as well as developed countries and various United Nations specialised agencies are expected to participate in the Symposium.

KNOW-HOW FOR FERTILISERS

For the production of fertiliser in this country, two large and modern plants for coal dust gasification are at present being built by the Fertiliser Corporation of India on a licence and with the basic engineering of M/s Heinrich Koppers of Essen, W. Germany. These plants produce raw synthesis gas according to the Koppers-Totzek process by partial oxidation of

coal dust with oxygen and steam. Meanwhile, Koppers have received an additional order for the supply of special equipment to the amount of more than Rs four crores (20 million DM) for these two large plants in Ramagundam (Andhra Pradesh) and Talcher (Orissa). The Koppers process for coal dust gasification is of particular advantage both technically and economically.

NEW BUSINESS BY L.I.C.

The total new business of the Life Insurance Corporation of India in July 1971 amounted to Rs 112.07 crores, involving 1,29,164 policies. This included foreign business worth Rs 57 lakhs. During the month the western zone of the Corporation recorded the highest amount of new business totalling Rs 29.97 crores followed by the southern zone with Rs 29.17 crores. The eastern, the northern and the central zones accounted for Rs 13.90 crores, Rs 14.07 crores and Rs 24.39 crores worth of business respectively. The total new business completed by the Corporation including the foreign business, during the four months April 1 to July 31, 1971 was to the order of Rs 267.98 crores involving 3,31,518 policies, as against total completed business of Rs 193.31 crores involving 259,078 policies during the corresponding period of 1970.

COUNCIL FOR INDIAN MEDICINE

A Central Council of Indian Medicines came into existence on August 15. It will function on the same lines as the Medical Council of India. The Council will evolve uniform standard of education and registration for the practitioners of Indian medicine. Separate committees will be set up for 'Ayurveda', 'Siddha', and 'Unani'. The Council will register practitioners of Indian system of medicines who have qualifications which are entered in the Schedules of the Act.

DEVELOPMENT OF J & K

Addressing the Kashmir Chamber of Commerce and Industry, union Minister for Tourism & Civil Aviation, Dr Karan Singh stated that the government of India was paying special attention to the developmental needs of Jammu and Kashmir state, which was economically backward and geographically remote. He mentioned that central projects involving an expenditure of about Rs 200 crores had been sanctioned for the state in the fourth Plan, along with the state's own developmental schemes. He was sure that the next few years would see a marked improvement in the living standards of the people of Jammu and Kashmir. Referring to the special im-

portance of tourism in the economic development of Kashmir, Dr Karan Singh detailed the projects in tourism undertaken in the state by his Ministry during the fourth Plan. They are the Gulmarg Winter Sports project with an estimated expenditure of about Rs four crores; a sound-and-light spectacle at Shalimar at a cost of Rs 25 lakhs; a motel at Jammu at a cost of 25 lakhs and a youth hostel at Patni Top costing Rs three lakhs. He hoped that these four projects would be completed during the current Plan period.

ROAD DEVELOPMENT

A two-day meeting of the Transport Development Council, a high-powered policy-making body, was held in Srinagar recently. Mr Raj Bahadur, union Minister for Parliamentary Affairs, Shipping and Transport, was in the chair. The Council considered a number of important matters relating to road transport, which included measures for stepping up the pace of work to achieve the fourth Plan target for road development, improvement and further construction of rural roads, co-ordination between railways and road transport systems, abolition of octroi and consolidation of check posts in various states so as to permit free flow of traffic not only on the national highways but on the other roads too.

LABOUR SITUATION IN W. BENGAL

Mr R.K. Khadilkar, union Minister for Labour and Rehabilitation convened a meeting of labour leaders of West Bengal on August 22, 1971 at Delhi to discuss the labour situation of that state. Mr Siddhartha Shankar Ray, union Minister for West Bengal Affairs also participated in the discussions.

NAMES IN THE NEWS

Mrs Sumati Morarjee, Executive Director of The Scindia Steam Navigation Co., Ltd. has been nominated as the Chairman of the Executive Council of National Institute of Oceanography, Goa, by the government of India. National Institute of Oceanography located in Panaji, Goa, has been set up by the Council of Scientific and Industrial Research. It carries out research on various aspects of physical, geological and chemical oceanography including prospecting for petroleum and minerals in sea bed and processing of oceanographic data.

Dr J.D. Verma, a senior officer of the Indian Economic Service, posted in the Small-scale Industries Development Organisation, has been nominated as Member-Secretary of the All India Small-scale Industries Board.

Company Affairs

UNITED COMMERCIAL BANK

THE DEPOSITS of United Commercial Bank on December 31, 1970 stood around Rs 295.81 crores showing an increase of Rs 38.28 crores in a year. The current deposits increased by Rs nine crores while time deposits by 17.36 crores. The savings deposits went up by 10.61 crores. The bank's advances and bills outstanding towards the end of the year were Rs 217.25 crores registering an increase of Rs 54.33 crores over the year. Advances to priority and preferred sectors such as agriculture, small-scale industry, small traders and artisans, transport operators and exports received special attention and the total of advances to such sectors stood at Rs 53.67 crores at the end of the year, as against Rs 26.38 crores a year before. The Bank maintained a steadily increasing flow of assistance to small-scale industries. The number of such accounts increased from 3,010 at the end of 1969 to 5,095 at the end of 1970. The total limits sanctioned to small-scale industries and the outstanding advances in such accounts showed an upward trend and stood at Rs 32.51 crores and Rs 17.91 crores respectively at the end of 1970 as compared with Rs 21.90 crores and Rs 10.25 crores respectively at the end of 1969.

During the year under review the bank recorded a profit of Rs 142.03 lakhs after making provisions for taxes as against Rs 89.22 lakhs in 1969. Seventy new branches were opened during 1970 as against 52 in 1969 and as many as 56 of these were in unbanked centres. The total number of branches in the country at the end of 1970 were 436 out of which 106 were in rural centres and 142 in semi-urban centres. The bank proposed to open another 100 branches in 1971 out of which 66 in 'Lead Districts' and 34 in other districts. The bank, has been allotted 23 districts under the 'Lead Bank Scheme' out of which 13 are in the four states of the eastern area, and 10 are in three States of northern area.

BHARAT STEEL

Bharat Steel Tubes Limited has done well during the financial year ended March 31, 1971. The gross profit has gone up from Rs 168.88 lakhs in the previous year to Rs 191.09 lakhs. After providing Rs 28.50 lakhs for depreciation, Rs 29.000 for development

rebate reserve and Rs 98 lakhs for taxation, there remains a net profit of Rs 64.30 lakhs. Having availed of tax concessions available to new industrial undertakings ending with the preceding year, the amount of tax this year has gone up appreciably from Rs 21 lakhs in the previous year to Rs 98 lakhs. The directors have recommended payment of the final dividend on equity shares for the year at six per cent. This with the interim dividend of six per cent declared earlier, amounts to 12 per cent as against 10 per cent declared last year. This increase is significant in view of the coming up of the strip mill project involving an outlay of Rs 17 crores and other expansion schemes. The total final dividends including dividends on cumulative preference shares will amount to Rs 12.28 lakhs to be paid out of the general reserve. The total reserves and surplus as on March 31, 1971 aggregated to Rs 2.42 crores. Mr Raunaq Singh, Managing Director of the Company mentioned recently that the company had experienced throughout the year considerable difficulty in getting supplies of hot rolled steel strip/skelp, the basic raw material for pipe and tube manufacture. The plant had to be closed intermittently for want of steel. In fact, because of this the company was not able to utilise even 40 per cent of the installed capacity. He mentioned that export efforts of the company were also inhibited by steel shortage. The company earned Rs 1.08 crores in foreign exchange during the year under review. It was to overcome the chronic steel shortage that the company decided to set up a strip mill. Impelementation of this project is progressing satisfactorily and the company hopes that it will be commissioned by December 1973, ahead of the final date fixed for withdrawal of development rebate. It is expected the company will come for a fresh issue of share capital within the next few months. The Company has set up a pipework engineering division for undertaking designing, supply, fabrication and erection of pipework in power plants, fertiliser plants, refineries, petrochemical industries, chemical industries and all other industries where pipework is required.

GEDORE TOOLS

From premier importers of handtools to the country's leading manufacturers and exporters — Gedore Tools (India)

Private Limited has executed this transition in one decade. Jhalani Brothers Private Limited, in collaboration with Gedore Werkzeugfabrik of Remscheid, West Germany, one of the leading manufacturers of handtools, launched Gedore Tools (India) Pvt. Ltd at Faridabad. The construction of the factory began in 1960 and production began as early as May 1961. Today, the company has two plants at Faridabad in Haryana. Production has increased ten-fold from Rs 42 lakhs in 1962-63 to Rs 4.33 crores in 1970-71. Over the years, the product range has also been diversified. When Gedore Tools started in 1961, their product range comprised double-ended spanners, ring spanners, wrenches and adjustable wrenches. Their present range of products includes such diverse items as open jaw spanners, bihexagon ring spanners, tabular box spanners, cross rim wrenches, cold chisels and screw drivers, etc. Gedore Tools are guaranteed and are subjected to rigid quality control at all levels of production. Gedore Tools' performance in exports has been quite remarkable. Their exports increased from a bare Rs 42,700 in 1963 to a substantial figure of Rs 1.6 crores in the year ended March 1971. In fact, their exports in 1970-71 have accounted for 60 per cent of their total production. Gedore's increasing success in earning valuable foreign exchange for the country have made them one of the top ten exporters of engineering goods from this country. Gedore's export target for the current year has been set at Rs two crores. Gedore's customers abroad include the USA, the USSR, the UK, West Germany, Canada, Australia and Japan, as well as less advanced countries in the Middle and Far East. Very recently they have been able to secure an order of more than Rs 67 lakhs from Yugoslavia.

LARSEN AND TOUBRO

Mr H. Holck Larsen, Chairman, Larsen and Toubro Ltd, in his statement to the shareholders circulated along with the report and accounts for the year ended March, 1971, has stated that projections of the company for the next three years revealed a sizable increase in turnover from year to year matched by a commensurate increase in profitability. The company is at present working on several manufacturing schemes in financial and technical collaboration with well-known companies. The products of these ventures will be marketed by the company. The company has entered into the electronics field for the manufacture of electronic components. A joint venture is likely to be formed with International Telephone and Telegraph Corporation of New York city for the manufacture

of connectors with the distinct possibility of advancing into other fields of electronics. Another promising scheme is the manufacture of tyre curing presses in collaboration with McNeil Corporation of Akron, Ohio. The factory is expected to be located at Madras. The company has received letters of intent for the manufacture of agricultural tractors and self-propelled harvester combines. Discussions are in progress with the management of Deere and Co, Moline, Illinois, regarding the implementation of the scheme. The company's sales during the year reached Rs 39.2 crores showing an increase of Rs 3.5 crores over the previous year. Its exports reached Rs 60 lakhs against Rs 50 lakhs last year. The company has been recognised as an export house by the union government. The output from the company's workshop at Powai is Rs 17.7 crores a rise of 50 per cent over the year. The working of the company's subsidiaries and associate companies has also been considered good.

INDIA CEMENTS

India Cements Ltd has recorded a profit of Rs 53.25 lakh for the year ended March 31, 1971, against Rs 88.02 lakhs in the previous year. The equity dividend has been maintained for the year at nine per cent. A sum of Rs 30 lakhs has been transferred to the development rebate reserve and Rs 20.63 lakhs to the general reserve. The expansion reserve, capital reserve and dividend reserve which received Rs 1.38 lakhs, Rs 6,200 and Rs four lakhs respectively in the previous year do not get any amount this time.

SWADESHI COTTON

Swadeshi Cotton Mills Co. Ltd, reported a rise in income from Rs 19.46 crores to Rs 22.16 crores. The company's gross profit, however, came down from Rs 71.24 lakhs to Rs 48.59 lakhs. After providing Rs 56.25 lakhs for depreciation Rs 19.25 lakhs for development rebate reserve and Rs 3.95 lakhs for adjustments of income tax, there is a net loss of Rs 30.86 lakhs against a net loss of Rs 16.25 lakhs in 1969. After some adjustments, a deficit of Rs 35.52 lakhs has been transferred to general reserve against a surplus of Rs 17.91 lakhs in the previous year. The preference dividends absorbing Rs three lakhs are to be paid from the general reserve. Dividend has been passed over on equity and preferred ordinary shares. The directors point out that in line with textile industry in general, the mills' working was adversely affected. The company has been pursuing its policy of modernisation, renovation and ex-

pansion and a sum of Rs 1.15 crores was spent during 1970. Steps are in progress in connection with the setting up of a textile mill at Rae Bareilly, for which the industrial licence has been received.

AMERICAN EXPRESS

American Express stated recently that its traveller's cheques, cards, and other financial paper were being honoured without limit at its network of offices throughout the world. "Today" said Mr Howard L. Clark, Chairman, "We used the exchange rate for the dollars which prevailed on Friday August 13, before President Nixon's announcement. Henceforth our offices will cash our travellers cheques and other financial instruments without limitation at the prevailing bank rate in the country involved. One of the advantages of our network of more than 1,000 travel offices throughout the world is that they are in a position to help travellers during such times of monetary confusion". Mr Clark pointed out, "For instance today in France and Belgium where banks were closed American Express travel offices were open and taking care of the financial and other needs of American Express clients".

CAPITAL AND BONUS ISSUES

Consent has been accorded to eleven companies to raise capital of over Rs 2.42 crores. Eight of them are to issue bonus shares totalling over Rs 95 lakhs and the amount of bonus shares ranges between Rs 5 lakhs and Rs 25 lakhs. The consents are valid for twelve months. The following are the details:

Anil Starch Products Ltd, Ahmedabad, has been accorded consent to capitalise Rs 25 lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Duphar-Interfran Ltd, Bombay, has been accorded consent to capitalise Rs 24 lakhs 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 three equity shares held.

The Metal Powder Company Ltd, Sivakasi, has been accorded consent to capitalise Rs 12 lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every equity share held.

Gharda Chemicals Private Ltd, has

been accorded consent to capitalise Rs 11,31,300 out of its share premium account and P and L account and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 12 per five equity shares held.

Schrader-Scovill Duncan Ltd, Calcutta, has been accorded consent to capitalise Rs 7,70,000 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 five equity shares held.

Allied Publishers Private Ltd, Bombay, has been accorded consent to capitalise Rs 5,36,400 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Savita Chemicals Private Ltd, Bombay, has been accorded consent (valid for three months) to capitalise Rs five lakhs out of its P and L account and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of five bonus shares for every four equity shares held.

Shri Dinesh Mills Ltd, Baroda, has been accorded consent to capitalise Rs five lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every five equity shares held.

Jotindra Steel And Tubes Ltd, Delhi, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 of Rs 40 lakhs divided into Rs 30 lakhs equity shares of Rs 10 each and Rs 10 lakhs preference shares of Rs 10 each for setting up a mill for manufacture of steel tubes and GI pipes.

Mysore Breweries Ltd, Bangalore, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, of Rs 45 lakhs consisting of Rs 35 lakhs in equity shares of Rs 10 each and Rs 10 lakhs in preference shares of Rs 100 each for setting up a plant for the manufacture of beer.

Gannon Dunkerley and Co. Ltd, Bombay, has been given consent for further issue of Rs 62.40 lakhs consisting Rs 42.40 lakhs in equity shares and Rs 20 lakhs in 9.5 per cent preference shares of Rs 100 each. All the shares will be offered to the public for cash at par.

COMPANY MEETINGS

MUKAND IRON AND STEEL WORKS LIMITED.

Statement of the Chairman, Shri KAMALNAYAN BAJAJ

The following statement by Mr. Kamalnayan Bajaj, Chairman, Mukand Iron and Steel Works Limited, was circulated along with the Annual Report of the Company for the year 1970-71.

Political Scene

The year 1970-71 has been an eventful year in the country's history after the attainment of Independence. It witnessed the end of the era of governmental uncertainty at the Centre ushered in by the Fourth General Election and accentuated by the split in the Congress party in 1969. The mid-term Parliamentary elections, held a year ahead of schedule, returned, the Ruling Congress party with a two-third majority to the Lok Sabha. The massive victory of the Congress (R) is essentially a verdict in favour of its slogan "Garibi Hatao". It has consequently underlined the tremendous urgency of the need to take prompt and effective measures to satisfy the newly aroused hope of the masses.

It is now essential that our energies and efforts must be directed towards (i) the restoration of law and order which alone would create an atmosphere congenial to rapid economic growth and political stability, (ii) the creation of adequate employment opportunities, especially for educated and talented youth, to avoid distress and frustration and the resultant attraction of extremist and irresponsible methods, and (iii) the eradication of corruption prevailing in different fields of public life. To the extent we are able to achieve these objectives, we will be able to achieve all-round economic development and growth, both in production and productivity, leading to material progress and spiritual contentment of the people.

Bangla Desh

The inhuman campaign of organised genocide, arson, rape, loot and destruction launched by the West Pakistani military regime since March last has

brought incalculable suffering and misery to the people of Bangla Desh and thrown the whole Indian sub-continent into a violent turmoil.

The continuing massive influx of refugees from Bangla Desh has made it imperative for us to observe strict austerity and economic discipline and to ensure that whatever developmental programmes are undertaken by the Government are speedily implemented.

Economy

The resounding victory at the polls has given the Ruling Party a stable majority in the Lok Sabha. But it has also correspondingly increased its responsibility to provide effective government and accelerate the tempo of development. The Planning Commission has already been reorganised and the Fourth Plan is being recast to make it reflect more closely the priorities laid down in the election manifesto of the Ruling Party. The main emphasis in the Plan would now be on promoting agricultural transformation and creating new employment opportunities. There are indications of pragmatism in the Government's industrial policy. There has been some liberalisation of licensing procedure and the import policy has also been liberalised. But it is necessary to extend this liberalisation further in order to utilise effectively the entrepreneurial ability and resources available in the country.

The current tendency to resort to or recommend indiscriminate expansion of the public sector is distorting our economy and creating an atmosphere of uncertainty all around.

There is no question of opposing nationalisation of any industry on

ideological grounds. The public sector today, with an investment of over Rs 3,000 crores, is being run at a loss. This investment should have ordinarily yielded a return of at least 10 per cent, which means it should have earned a profit of about Rs 300 crores. Further, it should have paid an equal amount in corporate taxation. Thus, even if we forget further expansion and development, the Government should have received about Rs 600 crores as revenue from the public sector. But, instead, the tax-payer today has to pay more to compensate for the loss being incurred by it.

Budget

Against this background, the Union Budget for the current year, with its massive increase of Rs 205 crores in the tax burden coupled with an overall deficit of Rs 235 crores, reflects only the concern with raising revenue to the exclusion of all considerations of requirements of growth.

Taken together with the indirect taxes imposed, the budget is bound to add to inflationary pressures and hinder growth and investment.

Iron and Steel Industry

One of the major problems confronting the country's industrial development is the steel shortage which has seriously inhibited the growth of all steel-based activity. The shortage is more pronounced in flat products and structurals which are the basic raw material of engineering industries. Apart from the engineering industries being starved of their vital raw material, the steel shortage has also caused a severe setback to the export of engineering goods at a time when the country is on the threshold of a major breakthrough in this field. In the last

fifteen years, exports of engineering goods have gone up from a mere Rs 5 crores to Rs 115 crores in 1969-70. But the steel shortage has had a debilitating effect and the earlier momentum has been lost. In 1970-71, the export achievement of the industry fell short of the target of Rs 140 crores.

The deteriorating condition of the steel industry has precipitated a major crisis. Whereas the combined rated capacity of the country's five integrated steel plants—three in the public sector and two in the private sector—rose from 7.7 million tonnes ingot in 1966-67 to 8.9 million tonnes in 1968-69, at which level it has remained stagnant since, the production has been declining consistently. The highest-ever recorded production of steel was in the year 1966-67 (during the period of industrial recession!) at 6.6 MT ingot and 5 MT of finished steel. It declined to 6.1 MT ingot and 4.7 MT of finished steel in 1970-71. This shortfall is mainly due to a poor utilisation of the public sector steel plant capacities.

I referred last year to the necessity of licensing more electric arc-furnace-continuous casting units. The proposition is commendable for the most practical combination of a short-term need and a long term strategy. The Government deserves to be complimented on their recent decision to

allow the setting up of nine scrap-based electric steel plants which, when working to full capacity, will be producing 440,000 tonnes of billets and ingots. The Ministry of Steel has still more proposals for such units under consideration.

These electric steel plants will be making use of the continuous casting process which eliminates the ingot making operation. The Heavy Engineering Plant at Ranchi, which is designated as the indigenous source of such equipment, has so far not manufactured even a single unit. The equipment will therefore have to be imported for the present. In this connection, I may refer to my suggestion made last year to permit other engineering works in the country, which already have the necessary facilities, to manufacture continuous casting machines and thereby save a considerable volume of foreign exchange. The Government should seriously consider this proposal.

Another suggestion I made last year related to the setting up of plants for the manufacture of sponge iron which can effectively replace steel scrap for use in electric arc furnaces. Sometime ago, the Government took the welcome step of regulating the export of scrap in view of the needs of the electric steel industry within the country itself. However, considering the increasing re-

quirement of this industry not only to produce more steel but, what is equally important, to turn out quality steel, sponge iron is a suitable substitute. The three units recently licensed for setting up sponge iron plants, even when working to rated capacity, will meet only a part of the total requirement of the industry. What is needed therefore is to allow the electric furnace units to set up their own sponge iron plants to meet their raw material requirement.

The production of rerollers declined from 22.8 per cent of the national total of finished steel in 1967-68 to 16 per cent in 1969-70 on account of the inadequate billet supply. The industry is highly labour-intensive and employs about 80,000-100,000 persons in widely dispersed areas. It also meets local engineering and consumer demands in small lots which cannot be conveniently supplied by the Main Producers. The urgency for helping the industry overcome its problem of billet shortage can therefore be hardly overemphasized.

31st July 1971 **Kamalnayan Bajaj**
Chairman

Note: This does not purport to be a record of the proceedings of the 33rd Annual General Meeting which will be held in Bombay on September 7, 1971.

THE ORIENTAL FIRE AND GENERAL INSURANCE COMPANY LIMITED.

Speech on the Report and Accounts, 1970 By Shri T. A. PAI

GENTLEMEN,

I have great pleasure in welcoming you all to the Twenty-third Annual General Meeting of the Company.

The Report, Accounts and Balance Sheet in respect of the year ended 31st December, 1970 are already in your hands and with your permission I propose to take them as read.

Before dealing with the Company's results of the year's working, I would like to make a reference to the promulgation on 13th May, 1971 by the President of India of an Ordinance to provide for the taking over of the management of General Insurance Business, pending nationalisation of such business. The said Ordinance has since been replaced by the General Insurance (Emer-

gency Provisions) Act, 1971. No Custodian has, however been appointed to take over the management of the business of our Company and your Board of Directors and the General Manager continue to look after the affairs of the Company as agents of the Central Government under Section 3 of the General Insurance (Emergency Provisions) Act, 1971.

Coming now to the results of the Company during the year 1970, the gross direct premium of the Company has gone up by Rs. 51.31 lacs over the previous year. The profits of the Company have gone up from Rs. 116.51 lacs in 1969 to Rs. 174.83 lacs. After making provision for taxation, there is a surplus of Rs. 84.83 lacs which amount has been transferred to General

Reserve. As a result of the year's operation the funds have increased by Rs. 72.09 lacs.

The overall claims ratio has improved from 58.67% in 1969 to 58.59% in 1970.

The overall ratio of expenses of management including commission to net premium is 35.04% as against 33.40% in 1969. The increase is mainly due to revisions in the salaries of the employees.

The Company's investments on 31st December, 1970 aggregates Rs 1163.41 lacs as against Rs 1035.24 lacs on 31st December, 1969.

Your Directors recommend dividend at the rate of 25% (subject to deduction of tax) which, if approved by you, will be paid out of the General Reserve.

In conclusion, I would like to express my thanks to all our business connections, both in India and abroad, who have continued to extend us their support. I would also like to extend my thanks to the officers, field workers and staff for their sincere and loyal work.

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

Save with grace

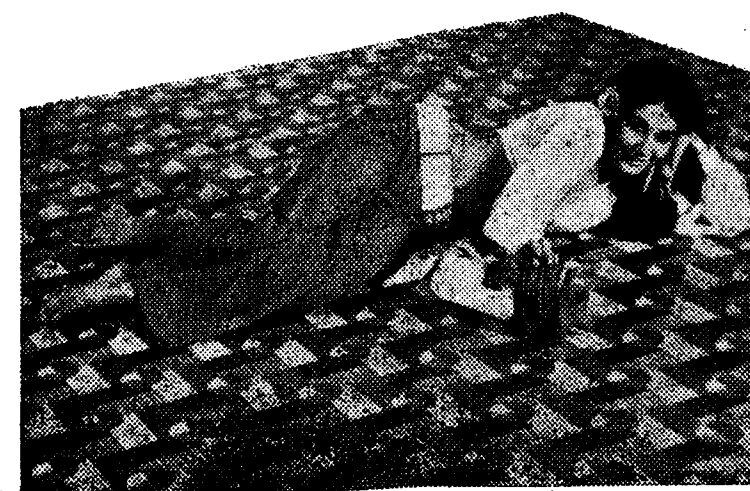
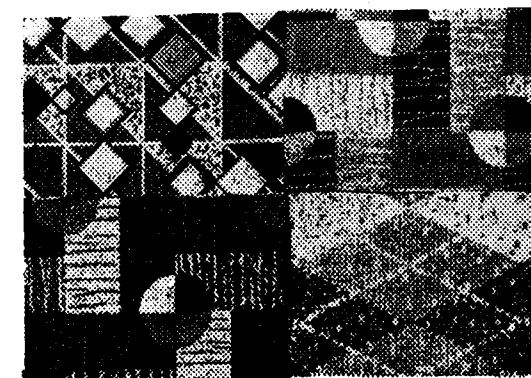
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ASPAL-3

RECORDS AND STATISTICS

Modifications in Credit Policy

THE RESERVE Bank of India has modified, to some extent the provisions of its controls on advances against cotton, foodgrains and oilseeds and vegetable oils (including vanaspati) in view of the present and prospective supply position of these commodities and the need for an adequate distribution of credit for production and marketing purposes. These are the only commodities which are now subject to selective credit control by directive.

In regard to foodgrains no major modifications have been made in respect of the control on advances against paddy and rice, coarse grains and pulses. Advances against foodgrains other than maize and barley made against official warehouse receipts would also continue to be subject to a minimum margin of 40 per cent. The prescribed ceilings for bank advances and additional limit of Rs 25,000 for each new branch opened since January 1, 1970 against paddy and rice and other foodgrains mentioned above, will also continue.

Removal of Ceiling Control

The Bank has, however, removed the ceiling control on advances against wheat in view of the comfortable supply and price position of wheat; such advances would, however, continue to be subject to the existing restrictions relating to the minimum margin of 50 per cent and the minimum rate of interest of 10 per cent. Maize and barley have been completely exempted from control; barley had earlier been exempted from margin and ceiling control in April 1970. The ban on advances against rice to manufacturers of puffed rice in Maharashtra has been removed.

Advances against rationed foodgrains granted to wholesale and retail dealers appointed/licensed by government and operating under statutory rationing/fair price distribution system in all the states and union territories have also been exempted from the provisions of the directive.

The Reserve Bank has advised banks to use the utmost caution in supervising the use of credit limits against foodgrains and to ensure that fresh credit facilities are extended, as far as possible, only to new small borrowers, particularly in the relevant growing areas.

The minimum rate of interest on advances against all foodgrains excepting maize and barley will, however, continue at 10 per cent per annum.

The control on advances against oil-

seeds and vegetable oils including vanaspati will now be applicable only in respect of groundnut, mustardseed/rapeseed, castorseed and linseed, oils thereof and vanaspati, and all other oilseeds and vegetable oils will be completely exempt from credit controls. The minimum margin in respect of the specified commodities will continue at 75 per cent except for mustardseed/rapeseed which will continue at 60 per cent as at present. The existing ceiling control also remains unchanged for the above oilseeds except for mustardseed/rapeseed which are already exempt from ceiling control.

The minimum margin on advances against vegetable oils specified above to vanaspati manufacturers will be: 40 per cent of the value of stocks of such oils equivalent to six weeks' consumption for factories located in the eastern zone, 50 per cent for factories in the northern zone against oil stocks equivalent to six weeks' consumption and 50 per cent for factories in the southern and western zones against oil stocks equivalent to four weeks' consumption. The base period for working out the average of weekly consumption of vegetable oils by vanaspati manufacturers in the four zones have been shifted from October 1969-March 1970 to October 1970-March 1971.

Modification of Margin Controls

At present, advances against vegetable oils including vanaspati to registered oil mills and vanaspati manufacturers are exempt from ceiling control. Advances other than such advances will, however, continue to be subject to ceiling control which is prescribed at 70 per cent of the 1967 levels. Besides this, an additional limit equivalent to 15 per cent of the level of advances in the respect of (i) oilseeds, and (ii) vegetable oils, including vanaspati. Banks have also been advised that such additional limits in respect of the above-mentioned commodities are allocated, as far as possible, to new small borrowers, particularly in producing areas and to parties not having permitted limits earlier, particularly oil mills in the unorganised sector. The concessions/exemptions from margin and ceiling control given earlier will continue.

Advances against controlled oilseeds and oils thereof and vanaspati, that is, those mentioned above, will continue to be subject to the minimum rate of interest 12 per cent per annum.

As regards cotton, with a view to

ensuring adequate credit to cotton mills for buying and stocking raw cotton, the Reserve Bank of India has also modified, to some extent, the existing margin control on advances against cotton and kapas by (i) increasing by two weeks the period of stock consumption in respect of the specified categories of mills, and (ii) extending further, the exemption from selective credit control of advances made in two more states. Thus, with effect from August 3, 1971 the minimum margin for mills other than those in Bombay and Ahmedabad would be 25 per cent for stocks equivalent to eight weeks' consumption, 40 per cent for stocks of eight to ten weeks and per cent for stocks beyond ten weeks. Besides, the margin for government owned/managed/run mills would be 20 per cent in respect of stocks equivalent to eight weeks' consumption and 35 per cent for a higher level of stocks.

Advances against cotton, foodgrains, oilseeds, vegetable oils and vanaspati made in Himachal Pradesh and Orissa are also exempted, as also in the states of Assam, Meghalaya, Nagaland and Jammu & Kashmir and the union territories of Manipur, NEFA and Tripura.

(Summary charts relevant to directives are given on Pages 401-405.)

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SUMMARY OF THE PROVISIONS OF THE DIRECTIVE TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST FOODGRAINS—AS ON AUGUST 10, 1971

Minimum Margin	Minimum Rate of Interest	Level of Credit*	Exemptions
1. 25 per cent on advances: (i) to the duly appointed agents of the Food Corporation of India against stocks held as agents, (ii) to roller flour mills for wheat purchased from the FCI.	10 per cent per annum for all Parties	Ceiling for each two-month period commencing from July-August 1971. 100 per cent of the average aggregate level of credit maintained in the corresponding two-month period in 1970 (separately in respect of advances against (i) paddy & rice and (ii) other foodgrains (i.e. other than paddy & rice, wheat, maize and barley).	1. The following types of advances are <i>completely</i> exempted from control: (i) Advances in the states, of Assam, Meghalaya, Nagaland, Jammu & Kashmir, Himachal Pradesh and Orissa and the Union territories of Manipur, NEFA and Tripura. (ii) Advances against the security of maize and barley. (iii) Advances to the Food Corporation of India (excluding advances granted to its duly appointed agents). (iv) Advances to state governments and millers and wholesale dealers who are appointed as procuring agents by a state government subject to the condition that such procuring agents are acting exclusively as agents of the concerned state government and are precluded from purchasing, distributing paddy or rice or converting paddy into rice on behalf of themselves or other parties. (v) Advances against high yielding/hybrid seeds produced under contract with the National Seeds Corporation Ltd, Delhi, or a state government or which bear the certification of the said corporation or as the case may be, the concerned state government, or of any certification agencies authorised under the Seeds Act, 1966 and seeds notified under Section 5 of the said Act. (vi) Advances against rationed foodgrains granted to wholesale and retail dealers appointed/licensed by government and operating under statutory rationing/fair price distribution system in all the states and union territories. (vii) Advances granted to Wholesale Consumers' Co-operative Store and state and national federations of consumers' co-operatives. (viii) Advances granted to co-operative societies duly registered or deemed to be re-
2. 35 per cent on advances: (i) against paddy to rice mills; (ii) against stocks of foodgrains other than paddy & rice to foodgrains processing units (other than rice mills) located at centres with a population of 50,000 or below for stocks equivalent to four weeks' consumption of such units.		Additional Limit: Combined limit of Rs 25,000 for advances against any one or both the two groups of foodgrains stated above for each new branch opened on or after January 1, 1970 at a centre with a population of 50,000 or below.	
3. 40 per cent on advances against official warehouse receipts covering stock of foodgrains.			
4. 50 per cent on all other advances.			

*In the state of Maharashtra, credit against paddy & rice, jowar and nagli (ragi) is completely banned except to (i) traders dealing in foodgrains licensed, by the government of Maharashtra, for distribution of paddy and rice, jowar and nagli (ragi) in Maharashtra and (ii) manufacturers of puffed rice against the security of rice. Advances as at (i) and (ii) would however, be subject to the provisions relating to minimum margin, rate of interest and ceiling controls.

Minimum Margin	Minimum Rate of Interest	Level of Credit*	Exemptions
			gistered under the Maharashtra Co-operative societies Act 1960 and duly authorised by the District Collectors in the state of Maharashtra to deal in paddy and rice, jowar and nagli (ragi).
		(ix) Advances against the security of or by way of purchase or discount of demand documentary bills drawn in connection with the movement of foodgrains.	
		2. Advances directly granted to farmers and to primary co-operative societies for extending credit to their cultivator—members against foodgrains which represent an extension of advances granted earlier against the standing crop for a period of two months from the date of harvesting the said crop provided that the amount of such credit limit does not exceed Rs 2,500 per farmer or the amount of the crop loan outstanding, whichever is lower are exempted from margin and ceiling controls.	
		3. The following types of advances are exempted from ceiling control:	
		(i) Advances against wheat to all parties.	
		(ii) Advances against foodgrains other than paddy & rice to foodgrains processing units such as dal mills (but other than rice mills) at centres with a population of 50,000 or below.	

A SUMMARY OF THE PROVISIONS OF THE DIRECTIVE TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST GROUNDNUTS AND OTHER OILSEEDS VIZ. RAPESEED/MUSTARDSEED, CASTORSEED AND LINSEED—AS ON AUGUST 10, 1971

Minimum Margin	Minimum Rate of Interest	Level of Credit	Exemptions
1. 75 per cent separately on advances granted against (i) groundnuts & (ii) other oilseeds viz. castorseed and linseed, other than the following:	12 per cent per annum for advances against the security of groundnut, rapeseed/mustardseed, castorseed and linseed.	For each two-month period commencing from July-August 1971, separate ceiling for each of (i) groundnuts (ii) other oilseeds viz. linseed and castorseed:	I. Following types of advances are completely exempted from control: (a) Advances to all parties in the states of Assam, Meghalaya, Nagaland, Jammu & Kashmir, Himachal Pradesh and Orissa and the union territories of Manipur, NEFA and Tripura.
2. 60 per cent on Advances against rapeseed/mustardseed.		70 per cent of the average aggregate level of credit maintained during the corresponding two-month period in 1967.	(b) Advances against the security of oilseeds other than groundnut, mustardseed/rapeseed, castorseed and linseed

(Contd.)

Minimum Margin	Minimum Rate of Interest	Level of Credit	Exemptions
3. 25 per cent on— Advances against stocks of controlled edible oilseeds viz. groundnut and rapeseed/mustardseed, equivalent to two months' consumption of each mill in Bihar and West Bengal.	Additional Limited 15 per cent of the average aggregate level of credit maintained during the corresponding two-month period in 1970 for granting credit in oilseeds producing areas and/or for accommodating new parties.	(c) Advances to the Food Corporation of India and the State Trading Corporation. (d) Credit limits in favour of exporters of oilseeds, de-oiled and/or defatted cakes in respect of oilseeds and/or extractions of oilseeds in respect of specific firm export contracts and/or against export bills. (e) Advances to the Wholesale Consumers' Co-operative Store and the state and National Federations of Consumers' Co-operatives. (f) Advances against the security of or by way of purchase or discount of demand documentary bills drawn in connection with the movement of oilseeds.	II. Advances against rapeseed/mustardseed are exempted from ceiling control.

A SUMMARY OF THE PROVISIONS OF THE DIRECTIVE TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST VEGETABLE OILS (VIZ. GROUNDNUT OIL, RAPESEED/MUSTARDSEED OIL, CASTORSEED OIL AND LINSEED OIL) & VANASPATHI—AS ON AUGUST 10, 1971)

Minimum Margin	Minimum Rate of Interest	Level of Credit	Exemptions
1. 75 per cent on advances against groundnut oil, rapeseed/mustardseed oils, castorseed oil and linseed oil and Vanaspathi other than the following:	12 per cent per annum for advances against the security of groundnut oil, mustardseed/rapeseed oils, castorseed oil and linseed oil, and vanaspathi.	Ceiling for each two-month period commencing from July-August 1971 in respect of groundnut oil, rapeseed/mustardseed oils, castorseed oil and linseed oil and vanaspathi as follows: 70 per cent of the average aggregate level of credit maintained during the corresponding two-month period in 1967.	I. Following types of advances are completely exempted from control. (a) Advances in the States of Assam, Meghalaya, Nagaland, Jammu & Kashmir, Himachal Pradesh, Orissa and Union Territories of Manipur, NEFA and Tripura.
2. 25 per cent on advances against: stocks of oils processed from linseed oil and castorseed oil for use of industrial raw material by factories in Bihar and West Bengal.			(b) Advances against the security of vegetable oils other than groundnut oil, mustardseed/rapeseed oils, castorseed oil and linseed oil.
<i>On advances to vanaspathi manufacturers against controlled vegetable oils mentioned in I above:</i>		Additional Limits 15 per cent of the average aggregate level of credit maintained during the corresponding two-month period in 1970 for utilising as far as possible in oilseed producing areas and/or for accommodating new parties, particularly oil mills in the unorganised sector.	(c) Advances to the Food Corporation of India and the State Trading Corporation against the stocks of Vegetable oils, and vanaspathi.
3. 40 per cent on advances against stocks of such oils used as raw material equivalent to six weeks' consumption of each factory located in eastern zone, worked out on the basis of average of weekly consumption during October 1970 to March 1971.			(d) Advances against stocks of vanaspathi held by vanaspathi manufacturers for being delivered to the Army Purchase Organisation in the Ministry of Food and Agriculture, Government of India, in pursuance of contracts entered into with the said Organisation by said manufacturers.
4. 50 per cent on advances against stocks of such oils used as raw material equivalent to six weeks' consumption of each factory located in northern zone, and			
5. 50 per cent on advances against stocks of such oils used as raw materials equivalent to four weeks' consumption of each factory in southern and western zones:			(e) Advances against stocks of vegetable oils and vanaspathi in favour of exporters of de-oiled and/or de-fatted cakes in respect of specific firm export contracts and/or against export bills.

(Contd.)

Minimum Margin	Minimum Rate of Interest	Level of Credit	Exemptions
The stock of oils mentioned in the foregoing paragraphs have to be worked out on the basis of average of <i>weekly</i> consumption during the period from October 1970 to March 1971 For New Vanaspati Factories The basis is the average actual weekly consumption from the date of establishment, and. For Vanaspati Units likely to start Production in future : The margin is to be related to four to six week's requirement (as stipulated) depending on the located of the factory, based on one-third of the average weekly productive capacity of the unit for the first six months and thereafter based on the average actual weekly consumption during the preceding six months.			
		(f)	Packing credit advances to the exporters of de-oiled and/or de-fatted cakes on the basis of firm export orders/letters of credit against the security of oilseeds and/or other raw material to the extent of the value of raw material required for producing cakes covered by the export order, even though the value of the raw material exceeds the value of the relative export orders; Provided:
		(i)	such advances to the extent of the value of by-product oil shall be adjusted by the sale proceeds of the by-product oil or in cash as soon as the oil is extracted and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bills, and
		(ii)	advances against the by-product oil granted in a separate account are exempted for a period of 30 days from the date of advance.
		(g)	Advances to Wholesale Consumers' Co-operative Stores and the State and National Federations of Consumers' Co-operatives.
		(h)	Advances against the security of or by way of purchase or discount of demand documentary bills drawn in connection with the movement of vegetable oils and vanaspati.
		II.	Advances against Vegetable oils and Vanaspati to Vanaspati Manufacturers and registered oil mills are exempted from <i>Ceiling</i> control.

A SUMMARY OF THE PROVISIONS OF THE DIRECTIVE TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST COTTON AND KAPAS—AS ON AUGUST 10, 1971

Minimum Margin	Minimum Rate of Interest	Level of Credit	Exemptions
To Mills			
A. For Weak Mills			
I. Mills under Authorised Controller; Mills under Chief Executive Authority; Government run/owned/managed mills/authorised agencies including State Textile Corporation)	12 per cent per annum for all parties.	1. No. ceiling for advances to Mills. 2. For Others: Commencing from October 1970—January 1971: 75 per cent of the peak level in the corresponding four-month period in any of the preceding three years viz., 1969, 1968 and 1967.	1. The following types of advances are <i>completely exempted from control</i> : 1. Advances in the states of Assam, Meghalaya, Nagaland, Jammu & Kashmir, Himachal Pradesh and Orissa and the union territories of Manipur, NEFA and Tripura. 2. Advances against stocks of imported cotton and kapas. 3. Advances against the security of stocks of exportable varieties of cotton viz. Bengal Deshi, Yellow Pickings, Zodas, Sweepings, etc. provided that firm export orders in <i>(Contd.)</i>
(i) 20 per cent for stocks of eight weeks' consumption, (ii) 35 per cent for stocks in excess of eight weeks' consumption.			
II. Financially weak mills covered by Working Group on Bank			
		Provided for the period June-September 1971 :	

Minimum Margin	Minimum Rate of Interest	Level of Credit	Exemptions
Credit for Cotton Textile Industry			
(i) Same as maintained prior to January 21, 1970 directive for stocks of eight weeks' consumption,	75 per cent of the peak level in the four-month period February—May in any of the three preceding years viz., 1969, 1968 and 1967 (i.e. equivalent to permitted levels available in February—May 1971 period).	4.	respect of the stocks have been received by the parties and lodged with the banks.
(ii) 35 per cent for stocks in excess of eight weeks' consumption.			Advances in respect of pre-shipment credit for cotton exports, provided the advance is made in respect of a firm export order and is repaid on negotiation of the relevant export bill on shipment.
B. Other Mills			
I. Mills in States other than in Bombay, Ahmedabad and West Bengal			
(i) 25 per cent for stocks of eight weeks' consumption		5.	Advances against the security of or by way of purchase or discount of export bills relating to export of cotton from India.
(ii) 40 per cent for stocks between eight to ten week's consumption,			Advances against the security of or by way of purchase or discount of demand documentary bills drawn in connection with the movement of cotton and kapas.
(iii) 60 per cent for stocks in excess of ten week's consumption.			
II. Mills in Bombay & Ahmedabad			
(i) 25 per cent for stocks of six weeks' consumption,		6.	Advances against cotton and kapas to manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for manufacture of surgical cotton and not for resale are exempted from <i>margin</i> and <i>ceiling</i> controls.
(ii) 40 per cent for stocks between six to eight week's consumption,			
(iii) 60 per cent for stocks in excess of eight week's consumption.			
III. Mills in West Bengal			
(i) 20 per cent for stocks of ten weeks' consumption,		II.	The following types of advances are exempted from <i>margin</i> control:
(ii) 35 per cent for stocks in excess of ten weeks' consumption,			(i) Advances to cotton mills in respect of pre-shipment credit against such stocks of indigenous cotton and kapas as are required for the manufacture of cotton textiles (including yarn) in respect of which firm export orders have received either directly by the mills or by the merchant-exporters through whom the mills are exporting provided the contracts with merchant-exporters are registered with Cotton Textiles Export Promotion Council. If firm export orders are received by the mills directly, the advances should be repaid on negotiation of the relevant export bill on shipment.
TO OTHERS			
A. For Oil Stocks (marketed prior to October 1970) of cotton and kapas: 75 per cent			
B. For New Stocks			
(i) Marketed in October 1970—January 1971		(i)	Advances to sick mills in West Bengal and mills owned/managed/run by the government of West Bengal or by its authorised agencies against the stocks equivalent to ten weeks' consumption of each mill.
(a) 60 per cent—October—January 1971			
(b) 60 per cent—February 1971—August 1971			
(c) 75 per cent—Thereafter			
(ii) Marketed in February 1971—May 1971		(ii)	
(a) 60 per cent—February—May 1971			
(b) 60 per cent—June 1971—September 1971			
(c) 75 per cent—Thereafter.			
(iii) Marketed in June 1971—September 1971		(iii)	
(a) 60 per cent—June 1971—September 1971			
(b) 60 per cent—October 1971—January 1972			
(c) 75 per cent—Thereafter.			

Indo-Nepal Treaty

THE TREATY of trade and transit between India and Nepal signed recently at Kathmandu paves the way for smooth trading between the two countries, besides ironing out some differences over transit arrangements. According to this treaty, the government of India will provide access to the Indian market free of basic customs duty and quantitative restrictions for all manufactured articles containing not less than 90 per cent of Nepalese materials or Nepalese and Indian materials. As many as 16 articles have been listed in the protocol which if produced in Nepal and imported into India will be exempt from basic customs duty and quantitative restrictions. Full texts of the treaty and the protocol follow:—

Treaty of Trade and Transit between the Government of India and His Majesty's Government of Nepal

The Government of India and His Majesty's Government of Nepal (hereinafter referred to as the Contracting Parties),

Being conscious of the need to fortify the traditional connection between the markets of the two countries,

Being animated by the desire to strengthen economic co-operation between them, and

Impelled by the urge to develop their economies for their several and mutual benefit,

Have resolved to conclude a Treaty of Trade and Transit in order to expand trade between their respective territories, encourage collaboration in economic development and facilitate transit of trade with third countries, and

Have for this purpose appointed as their Plenipotentiaries the following persons, namely,

The Government of India
Shri Lalit Narayan Mishra, Minister of Foreign Trade

His Majesty's Government of Nepal
Shri Nava Raj Subedi, Minister of Industry and Commerce
who, having exchange their full powers

and found them good and in due form, have agreed as follows:

TRADE

Article I

The Contracting Parties shall promote the expansion and diversification of mutual trade in goods originating in the two countries and shall to this end endeavour to make available to each other commodities which one country needs from the other.

Article II

Both the Contracting Parties shall accord unconditionally to each other treatment no less favourable than that accorded to any third country with respect to (a) customs duties and charges of any kind imposed on or in connection with importation and exportation, and (b) import regulations including quantitative restrictions.

Article III

Notwithstanding the provisions of Article II and subject to such exceptions as may be made after consultation with His Majesty's Government of Nepal, the Government of India, with a view to providing the primary producers of Nepal access to the Indian market, agree to exempt from customs duty and quantitative restrictions such primary products as are produced in Nepal and imported into India.

Article IV

Notwithstanding the provisions of Article II, and subject to such exceptions as may be made after consultation with His Majesty's Government of Nepal, the Government of India agree to promote industrial development of Nepal through the grant on the basis of non-reciprocity, of specially favourable treatment to imports into India of industrial products manufactured in Nepal in respect of customs duty and quantitative restrictions normally applicable to them.

Article V

With a view to facilitate greater interchange of goods between the two countries, His Majesty's Government shall endeavour to exempt, wholly or partially, imports from India from customs duties and quantitative restrictions to

the maximum extent compatible with their development needs and protection of their industries.

Article VI

Payments for transactions between the two countries will continue to be made in accordance with their respective foreign exchange laws, rules and regulations. The Contracting Parties agree to consult each other in the event of either of them experiencing difficulties in their mutual transactions with a view to resolving such difficulties.

Article VII

The Contracting Parties agree to cooperate effectively with each other, to prevent infringement and circumvention of the laws, rules and regulations of either country in regard to matters relating to foreign exchange and foreign trade.

TRANSIT

Article VIII

The Contracting Parties shall accord to "traffic in transit" freedom of transit across their respective territories through routes mutually agreed upon.

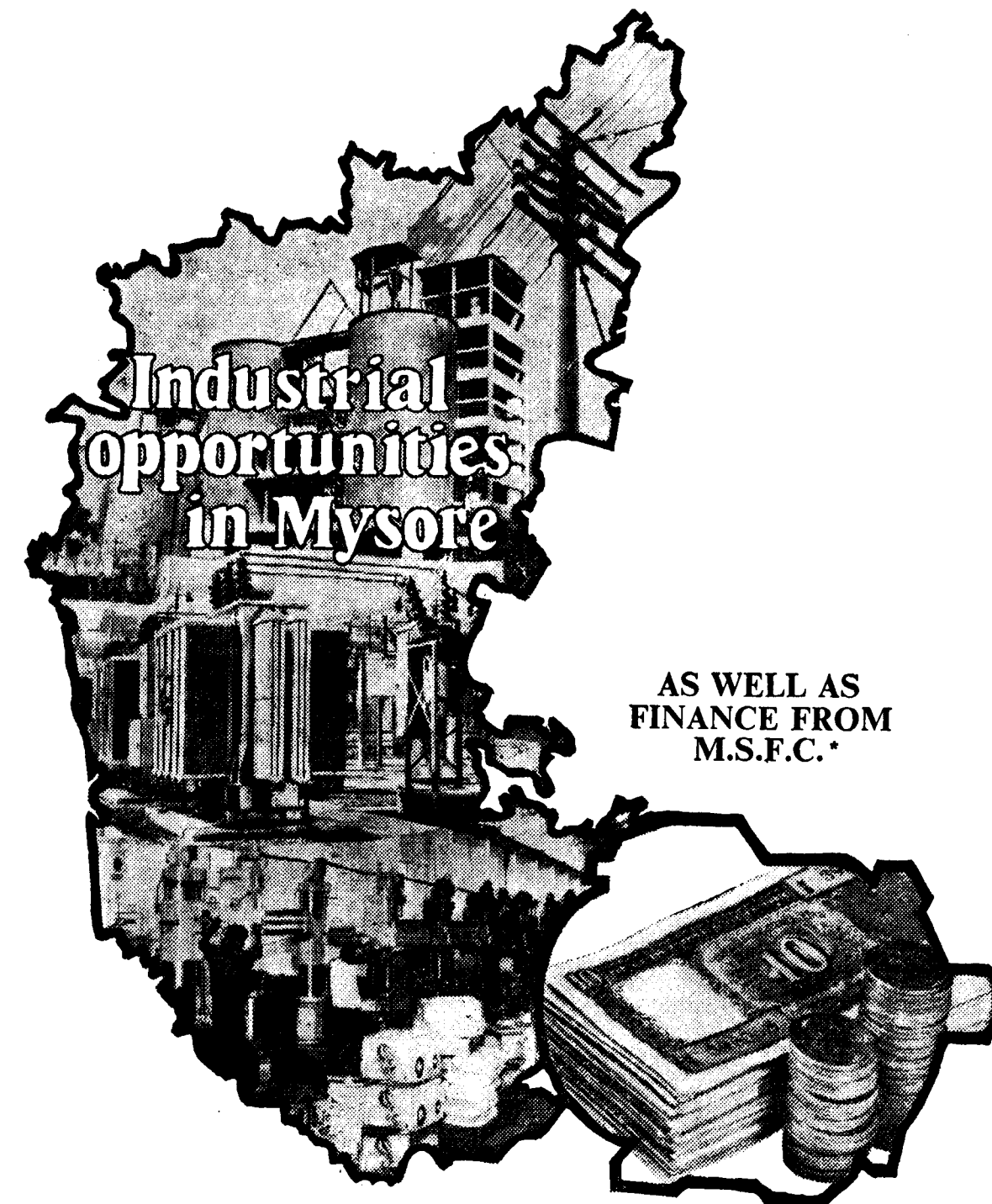
Each Contracting Party shall have the right to take all indispensable measures to ensure that such freedom, accorded by it on its territory, does not in any way infringe its legitimate interests of any kind.

Article IX

The term "traffic in transit" means the passage of goods including unaccompanied baggage across the territory of a Contracting Party when the passage is a portion of a complete journey which begins or terminates within the territory of the other Contracting Party. The transshipment, warehousing, breaking bulk and change in the mode of transport of such goods as well as the assembly, disassembly or re-assembly of machinery and bulky goods shall not render the passage of goods outside the definition of "traffic in transit" provided any such operation is undertaken solely for the convenience of transportation. Nothing in this article shall be construed as imposing an obligation on either Contracting Party to establish or permit the establishment of permanent facilities on its territory for such assembly, disassembly or re-assembly.

Article X

Traffic in transit shall be exempt from customs duty and from all transit duties or other charges except reasonable



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For further details contact:

MYSORE STATE FINANCIAL CORPORATION

1/1 2nd Main Road, Malleswaram, BANGALORE-3

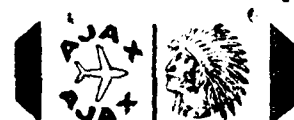
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August 1962

charges for transportation and such other charges as are commensurate with the costs of services rendered in respect of such transit.

Article XI

For convenience of traffic in transit, the Government of India agree to provide at point or points of entry or exit, on such terms as may be mutually agreed upon and subject to relevant laws and regulations prevailing in India, warehouses or sheds for the storage of transit cargo awaiting customs clearance before onward transmission.

Article XII

The procedure to be followed for traffic in transit to or from third countries is laid down in the Protocol hereto annexed. Except in case of failure to comply with the procedure prescribed, such traffic in transit shall not be subject to avoidable delays or restrictions.

Article XIII

Passage of goods from one place to another in the territories of one Contracting Party through the territories of the other Party shall be subject to such arrangements as may be mutually agreed upon.

Article XIV

The freedom of transit shall apply to goods required by each Contracting Party and to goods available for export from that Party, but shall not extend to the products of the other Contracting Party. Subject to such exceptions as may be mutually agreed upon, each Contracting Party shall prohibit and take effective measures, and co-operate with the other, to prevent

- re-exports from its territory to third countries of goods imported from the other Contracting Party and products which contain materials imported from the other Contracting Party exceeding 50% of the ex-factory value of such products;
- re-exports to the territory of the other Contracting Party of goods imported from third countries and of products which contain imports from third countries exceeding 50% of the ex-factory value of such goods.

Article XV

In order to enjoy the freedom of the high seas, merchant ships sailing under the flag of Nepal shall be accorded,

subject to Indian laws and regulations, treatment no less favourable than that accord to ships of any other foreign country in respect of matters relating to navigation, entry into and departure from the ports, use of ports and harbour facilities, as well as loading and unloading dues, taxes and other levies, except that the provisions of this Article shall not extend to coasting trade.

GENERAL PROVISIONS

Article XVI

Notwithstanding the foregoing provisions, either Contracting Party may maintain or introduce such restrictions as are necessary for the purpose of:

- protecting public morals,
- protecting human, animal and plant life,
- safeguarding national treasures,
- safeguarding the implementation of laws relating to the import and export of gold and silver bullion,
- safeguarding such other interests as may be mutually agreed upon.

Article XVII

Nothing in this Treaty shall prevent either Contracting Party from taking any measures which may be necessary for the protection of its essential security interests or in pursuance of general international conventions, whether already in existence or concluded hereafter, to which it is a party relating to transit, export or import of particular kinds of articles such as opium or other dangerous drugs or in pursuance of general conventions intended to prevent infringement of industrial, literary or artistic property or relating to false marks, false indications of origin or other methods of unfair competition.

Article XVIII

The Contracting Parties shall take appropriate measures to ensure that the provisions of this Treaty are effectively and harmoniously implemented and to consult with each other periodically so that such difficulties as may arise in its implementation are resolved satisfactorily and speedily.

Article XIX

This Treaty shall come into force on the fifteenth day of August, 1971 and shall remain in force for a period of five years. It may be renewed for a further period of five years by mutual con-

sent, subject to such modifications as may be agreed upon.

Done in duplicate in Hindi, Nepali and English languages all the texts being equally authentic, at Kathmandu on the thirteenth day of August, one thousand nine hundred and seventy one, corresponding to the twenty-eighth day of Shravana, Bikram Samvat two thousand and twenty eight. In case of doubt, the English text will prevail.

Sd/- L.N. Mishra Sd/- Nava Raj Subedi
for the Govern- for His Majesty's
ment of India Government
of Nepal.

PROTOCOL TO THE TREATY OF TRADE AND TRANSIT BETWEEN INDIA AND NEPAL

1. With reference to Article IV:

1. The Government of India will provide access to the Indian market free of basic customs duty and quantitative restrictions, generally, for all manufactured articles which contain not less than ninety per cent of Nepalese materials or Nepalese and Indian materials.

Further, when such articles are manufactured in small units in Nepal, the "additional duty" on these articles will be equivalent to the rates of excise duty applicable under the Indian Customs and Central Excise Tariff to articles produced in similar units in India.

2. In the case of other manufactured articles in which the value of Nepalese material and labour added in Nepal is at least 50% of the ex-factory price, the Government of India will decide in each case the nature and extent of access, including tariff preferences, having regard to all relevant factors which have a bearing on the trade in that article including the extent of third country materials used and the manner of obtaining them, the difference in the ex-factory cost of its production in the two countries, incentives provided directly or indirectly and the differences in the industrial and trade policies of the Contracting Parties.

3. Where for social and economic reasons, the import of an item into India is permitted only through public sector agencies or where the import of an item is prohibited under the Indian Trade Control Regulations, the Government of India will consider any request of His Majesty's Government of Nepal for relaxation and may permit the import of such an item from Nepal in such manner as may be found to be suitable.

4. Procedures to determine the eligibility of industrial products to these

concessions and for the verification of the values of different components of Nepalese industrial products will be agreed upon mutually.

5. For the purpose of calculation of import duties, customs valuation procedures, as prescribed under the Indian Customs Act, will be followed.

6. It is the understanding that for a fixed period of five years from the date on which the Treaty comes into force, the following transitional arrangements will be made in regard to "additional duty" collected by the Government of India in respect of manufactured articles other than those manufactured in small units:—

Wherever it is established that the cost of production of an article is higher in Nepal than the cost of production in a corresponding unit in India, a sum representing such difference in the cost of production, but not exceeding 25% of the additional duty collected by the Government of India, will be paid to His Majesty's Government of Nepal provided:

- (a) such manufactured articles contain not less than ninety per cent of Nepalese and Indian materials, and
- (b) His Majesty's Government of Nepal have given assistance to the same extent to the (manufacturer) exporter.

7. It is also the understanding that, pending mutual agreement on procedures as envisaged in para 4 above, the following articles produced in Nepal and imported into India will be exempt from basic customs duty and quantitative restrictions:—

1. Matches, 2. Straw Board, 3. Jute goods, 4. Articles made of wood, 5. Vegetable oils, 6. Sugar, 7. Confectionery, other than chocolate, 8. Handicrafts, 9. Preserved fruits, 10. Preserved vegetables, 11. Oil cakes including deoiled cakes, 12. Leather and leather goods, 13. Plywood, 14. Refined butter (Ghee) 15. Cattle Feed, 16. Katha.

II. With reference to Articles II and V:

The Government of India will reimburse to His Majesty's Government the excise and other duties collected by the Government of India on goods produced in India provided (i) such reimbursement shall not exceed the import duties and like charges levied by the Government of Nepal on similar goods imported from any other country, and (ii) the Government of Nepal shall not collect from the importer of such

goods so much of the import duty and like charged as is equal to the amount reimbursed by the Government of India.

III. With reference to Article XI:

1. The following warehouses and open space, or such other warehouses and open space as the Commissioners for the Port of Calcutta they offer in lieu thereof, shall be made available for the storage of transit cargo (other than hazardous goods) meant for transit to and from Nepal through India in accordance with the procedure contained in the Memorandum to the Protocol.

(i) Covered Accommodation

Calcutta Jetties—First floor of 7 Calcutta Jetty Shed covering an area of approximately 62,775 sq. ft.

Kidderpore Docks—First floor of 25 Berth Kidderpore Dock Shed covering an area of approximately 48,000 sq. ft.

King George's Dock—Half of first floor of 2 Garden Reach Jetty Shed covering an area of approximately 47,000 sq. ft.

(ii) Open Space

West of New Traffic Building in King George's Dock area abutting Circular Garden Reach Road covering an area of approximately 10,000 sq. ft.

2. The above storage facilities shall be given on lease by the Commissioners for the Port of Calcutta (hereinafter referred to as the Commissioners) to an Undertaking incorporated in accordance with the relevant Indian laws and designated by His Majesty's Government of Nepal for this purpose. Such an Undertaking is hereinafter referred to as the Lessee.

3. The terms of the leases to be entered into between the Commissioners and the "Lessee" shall conform to "Long-term Lease-Godown" and "Commercial Lease—Land—long-term" of the Commissioners. The lease will be for twenty-five years.

4. The lease rent shall be determined in accordance with the Schedule of Rent Charges as determined by the Commissioner-in-meeting from time to time.

5. The transit cargo shall be subject to the levy of all charges by the Commissioners in accordance with their Schedule of Charges in force from time to time. The transit cargo shall also

enjoy the same facilities as non-transit cargo in regard to free period as is provided in the Commissioners' Schedule of Charges.

6. The Lessee would be permitted to own and/or operate a number of trucks and barges in the Port Area in connection with the storage of cargo in transit in the said areas, subject to compliance with the normal rules and regulations applicable to trucks and barges plying in the Port area.

7. The owner of goods may under the supervision of the proper officer of the Indian Customs:

- (i) inspect the goods,
- (ii) separate damaged or deteriorated goods from the rest,
- (iii) sort the goods or change their containers for the purpose of preservation for onward transmission,
- (iv) deal with the goods and their containers in such a manner as may be necessary to prevent loss or deterioration or damage to the goods.

8. The warehouses shall function during the normal working hours under the supervision of officers to be provided by the Calcutta Custom House. Where, however, such functioning is necessary outside the office hours, officers for supervision would be provided by the said Custom House on payment of the prescribed fees.

IV. With reference to Article XII:

1. All traffic in transit shall—

(i) pass only through one of the following routes:

- (a) Calcutta—Galgolia
- (b) Calcutta—Jogbani
- (c) Calcutta—Bhimnagar
- (d) Calcutta—Jayanagar
- (e) Calcutta—Raxaul
- (f) Calcutta—Nautanwa
- (g) Calcutta—Barhni
- (h) Calcutta—Nepalganj Road.
- (i) Calcutta—Gauri-Phanta
- (j) Calcutta—Banbasa

provided that fertilizers imported by Nepal shall be allowed to pass through any other agreed route after prior intimation to the Indian Customs Officers. Provided further that these routes may be discontinued or new added by mutual agreement.

- (ii) comply with the procedure as set out in the memorandum annexed hereto;
- (iii) comply with any other detailed regulations which may be pres-

cribed in mutual consultation by the Contracting Parties.

2. Wherever enroute it becomes necessary to break bulk in respect of consignments in transit, such breaking shall be done only under the supervision of the appropriate Officer of the Indian Customs.

3. All goods intended for removal in transit to Nepal, while in the process of removal to or from the warehouses or other storage places that may be leased out in Calcutta port for the storage of such goods and also while in storage or under the process of packing, sorting and separation etc. in such warehouses or places, shall be subject to relevant Indian laws and regulations.

4. Except in the case of

- (i) goods financed by authorised investment from abroad,
- (ii) good imported under official foreign aid,
- (iii) bonafide gifts and personal baggage,
- (iv) goods authorised to be financed from foreign exchange held abroad by the nationals of the respective Contracting Parties,

imports from third countries will not be permitted by His Majesty's Government of Nepal and facilities for movement of traffic in transit to Nepal shall not be available in respect of any goods unless foreign exchange has been specifically authorised by His Majesty's Government of Nepal for their import. His Majesty's Government of Nepal will not issue any import licence on the basis that the foreign exchange required for it will be arranged by the importer himself.

5. The procedure in the foregoing paragraphs including the memorandum forming part of 1 (ii) above shall apply *mutatis mutandis* to road transport with the following modifications:—

- (a) Arms, ammunition and hazardous cargo shall not be allowed to be transported by road.
- (b) The trucks shall have a pilfer-proof container rivetted to its body, which is capable of being locked and sealed. The trucks shall be locked by locks of Indian Customs.
- (c) The individual packages shall be sealed by Indian Customs.
- (d) Laws and Regulations of State Governments through which

trucks move shall be fully applicable.

- (e) If the truck breaks down, the nearest Customs Officer shall be approached with least possible delay.
- (f) Any other modifications that may be considered necessary after the procedure for road transport has been in operation for a period of 3 months.

V. With reference to Article XIII:

It is agreed that for the movement of goods from one part of Nepal to another through Indian territory, the procedure prescribed for export of goods from Nepal to third countries shall apply *mutatis mutandis*. Further, as regards the movement of baggage accompanying a person travelling from one part of Nepal to another through Indian territory, the Government of India shall prescribe a simplified procedure in respect of such articles of baggage as the Government of India may specify as being likely to be retained in India having regard to the difference in prices in Nepal and India and other relevant factors. For other articles of baggage accompanying a passenger, movement shall be freely allowed.

VI. The objective of Article XIV is to prevent deflection of the mutual trade of the Contracting Parties to third countries and to deal effectively with attempts to abuse the freedom of transit across the territory of either Contracting Party and with attempts to circumvent their respective foreign exchange and trade control laws, rules and regulations.

In pursuance of the aforementioned objective, the Contracting Parties will effectively co-operate in the following ways:—

1. The Contracting Parties will take steps to ensure that the products of either Contracting Party do not get re-exported to third countries from the territory of the other. With that aim in view, they will *inter alia*—

- (a) adopt appropriate measures so as to limit the exports to third countries to goods produced in their respective countries,
- (b) prohibit and take appropriate measures to prevent import from the territory of the other Contracting Party of goods the export of which from the other Contracting Party to its territory is prohibited.

2. With a view to prevent abuse of

the freedom of transit by interested elements, the Contracting Parties shall *inter alia*

- (a) regulate import of baggage (accompanying and unaccompanied) and gifts, allowed for bonafide personal requirements, to ensure that consumer articles are imported in such reasonable quantities and values as will not be an inducement to diversion of such goods to the market of the other Contracting Party,

(b) take steps to ensure that all imports, except the following, are covered by appropriate foreign exchange authorisation from its Central Bank:—

- (i) Bonafide personal baggage and gifts.
- (ii) Goods imported under official foreign aid.
- (iii) Goods financed by authorised investment from abroad, and
- (iv) Goods authorised to be financed from foreign exchange held abroad by the nationals of the respective Contracting Parties.

3. Appropriate agencies of the Contracting Parties shall:

- (a) compile statistical and other information relating to the objective mentioned in Article XIV and make these statistics and information available to each other,
- (b) exchange information regarding the measures taken by either Contracting Party in pursuance of the objective mentioned above.

(c) hold periodical consultation with a view to remedying inadequacies that may be found in statistical and other information which is exchanged and in the measures adopted for achieving the objectives of Article XIV,

(d) identify procedures which will help in the prevention of the deflection of trade.

4. Appropriate investigational and enforcement agencies of the Contracting Parties shall develop mutual contact and cooperation, with a view to improving the efficiency of their respective investigations into allegations concerning offences against laws, rules and regulations relating to foreign exchange and foreign trade prevailing in

their respective countries. In particular, the Customs Authorities of the two countries will hold periodical consultations with a view to curbing effectively deflection of trade between the two countries. On the basis of these consultations and recommendations, appropriate measures, including establishment of Special Vigilance Units, will be taken by the Contracting Parties in their respective countries.

5. The Joint Committee envisaged under Article XVIII shall:

- (a) consider the results of mutual contact and co-operation referred to in paras 2, 3 and 4 above and resolve satisfactorily and speedily difficulties and problems as may arise in the implementation of the Treaty and suggest any further measures necessary to achieve the objective for the consideration of the Contracting Parties;
- (b) review the steps taken and suggest such further action as might be necessary to secure the efficiency of mutual contact and consultations;
- (c) consider all such matters as might be deemed to be necessary for the effective implementation of Article XIV.

VII. With reference to Article XVIII:

It has been agreed to establish a Joint Review Committee, hereinafter referred to as the "Joint Committee".

2. The Government of India and His Majesty's Government of Nepal will nominate a senior officer each to serve on the Joint Committees. They will be assisted by such other officials, as may be required, from time to time.

3. The Joint Committee shall meet in the months of January, April, July and October every year alternately in New Delhi and in Kathmandu, to secure harmonious and effective implementation of the provisions of the Treaty. If for some reason, the Committee cannot meet in a scheduled month, the leaders of the two Contracting Parties shall inform their Governments and take immediate steps to hold a meeting in the following month. If meetings cannot be held for two quarters consecutively, the Contracting Parties shall meet and hold discussions and may give such directions for the timely holding of the meetings of the Joint Committee, as they may deem fit. The Joint Committee will *inter alia*:

- (i) that market possibilities and resource endowments are identi-

fied and steps taken to further the growth of mutual trade;

- (ii) that difficulties, if any, in the supply of goods to each other are resolved to the mutual satisfaction of the Contracting Parties;
- (iii) that items imported from the territory of one Contracting Party into the other are accorded the Most-Favoured-Nation treatment as also such other preferences as have been given in terms of the Treaty;
- (iv) that the restrictions maintained or introduced in providing access to the markets of either Contracting Party are consistent with the provisions of the Treaty;
- (v) that there is smooth flow of 'traffic in transit' through the agreed routes;
- (vi) that there is effective co-operation in the prevention of infringement and circumvention of foreign exchange and foreign trade regulations of either Contracting Party;
- (vii) that there is effective cooperation between the appropriate agencies of the Contracting Parties in terms of the provisions in the Protocol relating to Article XIV; and
- (viii) that difficulties which may be experienced are resolved expeditiously and satisfactorily to the mutual benefit of the Contracting Parties.

MEMORANDUM

In pursuance of and subject to the provisions of the Protocol to the Treaty of Trade and Transit, His Majesty's Government of Nepal and the Government of India agree that the following detailed procedure shall apply to traffic in transit:

Import Procedure

When goods are imported from third countries for Nepal in transit through India, the following procedure shall be observed at the Indian port of entry (hereinafter called the Custom House):

1. (a) Transit of consumer goods and specialized materials for consumer goods imported for Nepal shall be allowed against import licences issued by HMG.

NOTE: I. His Majesty's Government will arrange to supply through the Indian Embassy at Kathmandu to the Collectors of Customs concerned, the

specimen signature of officer/officers who sign Nepal Government Import licences. It will also arrange to have one copy each of import licences issued by it for such goods, sent direct to the Collector of Customs concerned.

NOTE: II. This requirement will not apply in case of goods for the import of which into Nepal no licence is required under the Laws of HMG of Nepal.

(b) In case of goods other than those referred to in (a) above, the Royal Nepalese Consul General or Consul at Calcutta shall furnish the following certificate on the Customs Transit Declaration:—

"I have verified that the goods specified in this Declaration and of the quantity and value specified here in have been permitted to be imported by His Majesty's Government of Nepal under Licence No. dated _____ and that the requisite foreign exchange for the import of these goods has been authorised under Nepalese Rashtira Bank Authorisation No. dated _____

2. At the Custom House, the importer or his agent (hereinafter referred to as the importer) shall present a Customs Transit Declaration containing the following particulars—

- (a) Ship's name, Rotation No. and Line No.
- (b) Name and address of the importer.
- (c) No., Description, Marks and Serial Nos. of the packages.
- (d) Country of consignment/origin, if different.
- (e) Description of goods.
- (f) Quantity of goods.
- (g) Value of goods.
- (h) HMG's import licence No. and date.
- (i) Route of transit.
- (j) A declaration at the end in the following words:—

"I/We declare that the goods entered herein are for Nepal in transit through India and shall not be diverted en-route to India or retained in India."

"I/We declare that all the entries made herein above are true and correct to the best of my/our knowledge and belief."

(Signature)

3. The importer shall book the goods at Railway Risk rate, and in cases where such booking is not accepted by the Railways, shall insure the goods.

August 27, 1971

The amount for which the goods are booked or insured shall be equal to the market price of such goods in India with a stipulation that in the event of the goods specified in the Customs Transit Declaration not reaching Nepal, the c.i.f. price of the goods shall be payable to the importer and the balance amount to the Collector of Customs, Calcutta, provided that no such requirement will be necessary in respect of goods carried by air without transshipment en-route or in such cases as may be mutually agreed.

4. The Customs Transit Declaration shall be made in quadruplicate. All copies along with Nepal Import Licence, wherever required, shall be presented to the Custom House. The copy of the Nepal Import Licence so presented shall be compared by the Custom House with the copy received directly from HMG of Nepal.

5. Consumer goods and specialized materials for consumer goods must be removed to Nepal Shed within three days of unloading thereof, if not already put in wagons.

6. The Custom House shall make a percentage examination of the goods to check whether the goods are in accordance with the Customs Transit Declaration and conform to the import licence, wherever such licence is required. Goods for Nepal as are covered by the said licence and are also in accordance with the Custom Transit Declaration shall be approved for onward transmission.

This right of examination shall not be exercised in the case of goods imported by Their Majesties and members of the Royal family for their personal use.

NOTE: The percentage examination referred to here means that a percentage of the total packages in a consignment will be selected for examination and not that a percentage of the contents of every one of the packages comprised in a consignment will be made.

7. Except during a transitional period of three months or such extended period as may be mutually agreed, traffic in transit shall be transported from the Customs port of entry to the border post in closed Railway wagons or in pilferproof containers (to be provided by the importer) which can be securely locked. The containers or wagons, as the case may be, shall be locked and duly sealed after the above examination. Individual packages in such wagons or containers shall not be sealed except where consumer goods

EASTERN ECONOMIST

or specialized materials for consumer goods are being transported, or where the goods are to go to Nepal by a route where the railway line does not reach upto the last town on the border.

8. Where goods cannot be transported in closed wagons and have to be transported in open wagons or flats, detailed identifying particulars shall be recorded in the Customs Transit Declaration.

9. After the Custom House is satisfied as regards the checks contemplated in the preceding paragraphs, it shall endorse all the copies of the Customs Transit Declaration. The original copy shall be handed over to the importer. The duplicate and triplicate will be sent by post to the Indian Border Customs Officer and the quadruplicate shall be retained by the Custom House.

10. In case of any suspicion of pilferages, traffic in transit shall be subject to checks by the Indian Customs during the period that they are in transit, as may be necessary, particularly at the point of railway transshipment from broad-gauge to metre-gauge.

11. On arrival of the goods in transit at the border railway station, the sealed wagons or the sealed containers, as the case may be, shall be presented to the Indian Customs Officer at the station, who shall examine the seals and locks and, if satisfied, shall permit the unloading or breaking of bulk, as the case may be, under his supervision. The importer shall present the original copy of the Customs Transit Declaration duly endorsed by the Indian Custom House of entry, to the Indian Customs Border Officer, who shall compare the original copy with the duplicate and triplicate received by him by post and will, in cases where the seals and the locks on the wagons or containers and on the packages where required under para 6 are intact, identify the packages with the corresponding Customs Declaration and, if satisfied, will endorse all the copies of the Declaration. In cases where the seals and locks on the wagons or on the containers or on the packages are not intact, or there is suspicion otherwise, he may examine the contents. The Indian Customs Officer shall thereafter through such escorts or supervision as may be necessary ensure that the goods cross the border and reach Nepal. He, or in cases where there is an Indian Customs Officer posted right at the border, such officer will certify on the copies of the Customs Transit Declaration that the goods have

cross into Nepal. The Indian Customs Officer shall then hand over the original copy of the Customs Transit Declaration to the importer, send the duplicate to the Indian Custom House at the port of entry, send the triplicate to the Nepalese Customs Officer at the corresponding Nepalese post and after it is received back duly endorsed by the Nepalese Customs Officer, retain it for his records.

12. If a consignment in transit is received at destination in more than one lot, the separate lots of the consignment covered by one Custom Transit Declaration may be presented in separate lots and the Indian Custom Officer at the border shall release the goods so presented after necessary examination and check of relevant documents and goods and after making the necessary endorsement. In such a case, the Indian Customs Officer at the border shall send the triplicate copy of Customs Transit Declaration to the Nepalese Customs Officer at the corresponding Nepalese post only after release of the entire consignment as covered by the Customs Transit Declaration.

13. In cases where the duplicate and triplicate copies of the Customs Transit Declaration are not received at the Custom Office of exist, the Indian Customs Officer will, by telephonic or other quick means of communication with the Customs Office of entry, seek confirmation to ensure against delay and then on the basis of aforesaid confirmation allow despatch of goods.

14. The Nepalese Customs Officer shall:

(i) endorse a certificate over his signature and authenticate it under customs stamp on the original copy of the Nepal import licence and the Customs Transit Declaration that the packages correspond in all respects with the particulars shown in the declaration and in all material respects with the Nepal import licence and that the goods have been cleared from Nepalese customs custody for entry into Nepal,

(ii) return the original copy of the Declaration and the original copy of the Nepal import licence to the importer or his agent,

(iii) return the triplicate copy duly endorsed to the authorised officer of Land Customs and Central Excise after the goods have crossed the Nepalese border customs post.

15. The importer will present to the Assistant Collector of Customs the original Customs Transit Declaration duly certified by the authorised officer of Land Customs and Central Excise and the Nepalese Customs Officer to

the effect that the goods have crossed into Nepal. The original Declaration should reach the Assistant Collector of Customs concerned within one month of the date on which transit was allowed at the Indian port of importation, or such extended time as the Assistant Collector of Customs might allow. For every week or part thereof delay in presenting the original Customs Transit Declaration duly certified as above, the importer shall pay a sum of rupee one for every Rs 1000/- of the Indian market price of the goods.

Export Procedure

When goods from Nepal are cleared from Nepalese Customs' custody for export to third countries in transit through India, the exporter or his agent (hereinafter referred to as the exporter) shall be required to observe the following procedure at the corresponding Indian Border Customs Post:

1. The senior-most officer incharge of the Nepalese Customs Office at the border shall furnish the following certificate on the Customs Transit Declaration:—

"I have verified that the goods specified in this declaration and of the quantity and value specified herein have been permitted to be exported by His Majesty's Government of Nepal under licence No. _____ dated _____."

2. The exporter shall prepare the Customs Transit Declaration in quadruplicate and shall present it to the Indian Customs Officer at the Customs Post through which the goods are to enter India. The Customs Transit Declaration shall contain the following particulars:—

- (a) Name and address of the exporter.
- (b) No., description, marks and serial Nos. of the packages.
- (c) Country to which consigned.
- (d) Description of goods.
- (e) Quantity of goods.
- (f) Value of goods.
- (g) HMG's Export Licence No. and date
- (h) Country of origin of the goods.
- (i) Indian Customs Office of entry from Nepal.
- (j) A declaration at the end in the following words:

"I/We declare that the goods entered herein are not of Indian origin, are for export from Nepal to countries other than India, and shall

not be diverted en-route to India or retained in India."

"I/We declare that all the entries made above are true and correct to the best of my/our knowledge and belief."

(Signature)

3. The Indian Customs Officer at the point of entry into India shall make such examination of packages and the contents as may be necessary to check whether

(i) the goods are in accordance with the Customs Transit Declaration,

(ii) the goods are such as have been specified by the Government of India as being liable to pilferage en-route having regard to the duty are restrictions, if any, to which they are liable on import into India,

(iii) goods are such as are dutiable or prohibited or subject to import regulations including quantitative restrictions when imported into India from Nepal,

(iv) they are of origin as declared in the Customs Declaration Form.

4. After the necessary checks, the Indian Customs Officer at the border shall endorse all the copies of the Customs Transit Declaration. He shall hand over the original to the exporter and will send the duplicate and triplicate by post to the Collector of Customs, Calcutta. The quadruplicate shall be retained by him.

5. In respect of goods specified in sub para (ii) of paragraph 3 above, the exporter shall book the goods at Railway Risk rate, and in case where such booking is not accepted by the Railways, will insure the goods. The amount for which the goods are booked or insured shall be equal to the market price of such goods in India with a stipulation that in the event of the goods specified in the Customs Declaration not being exported from India, the c.i.f. price of the goods at the Indian border station shall be payable to the exporter and the balance amount to the Indian Customs Officer in charge of the Indian Border Station, provided that no such requirement will be necessary in respect of goods carried by air without transshipment en-route or in such cases as may be mutually agreed.

6. Except during a transitional period of three months or such extended period as may be mutually agreed, the goods specified in sub-paragraph (ii) of paragraph 3 above shall be transported from the Indian Customs border post to Calcutta port in closed Railway wagons or in pilfer-proof containers (to be provided by the ex-

porters) which can be securely locked. The containers or wagons, as the case may be, shall be locked and duly sealed after the examination by the border Customs Officer.

7. Where the goods cannot be sent in closed wagons and have to be transported in open wagons or flats, detailed description, particulars and specifications thereof shall be recorded in the Customs Transit Declaration.

8. After the Indian Customs Officer at the border is satisfied as regards the checks contemplated in the preceding paragraphs, he shall endorse all the copies of the Declaration and where sealing has been done, give the necessary indication thereof on the relevant Customs Transit Declaration, and allow the movement of goods to Calcutta port. He shall hand over the original copy of the Declaration to the exporter, send the duplicate and triplicate by post to the Collector of Customs, Calcutta and retain the quadruplicate copy with him.

9. In the case of any suspicion of pilferage, the goods specified in sub-para (ii) of para 3 above shall, while in transit through India, be subject to such checks by the Indian Customs as may be necessary particularly at the point of Railway transshipment from metre-gauge to the broad-gauge.

10. On arrival of goods at Calcutta port, the exporter shall present the original copy of the Customs Transit Declaration duly endorsed by the Customs border office to the Custom House. This copy shall be compared by the Custom House with the duplicate and triplicate received by it from the border. In case of goods which have moved under seals and locks, the Custom House shall check the seals and locks and where there is suspicion that they have been tampered with, will examine the goods to identify them with the corresponding Customs Transit Declaration. After the Custom House is satisfied about the identity of the goods, it shall permit the export of the goods and will, in the case of goods specified in sub para (ii) of para 3, ensure that these are duly shipped. After the goods have been shipped, the Custom House shall endorse all the copies of the Customs Transit Declaration, hand over the original to the exporter and send the triplicate copy to the Indian Customs Border Officer and retain the duplicate.

NOTE: This procedure or the facilities contemplated under this will not apply to goods originating in India.

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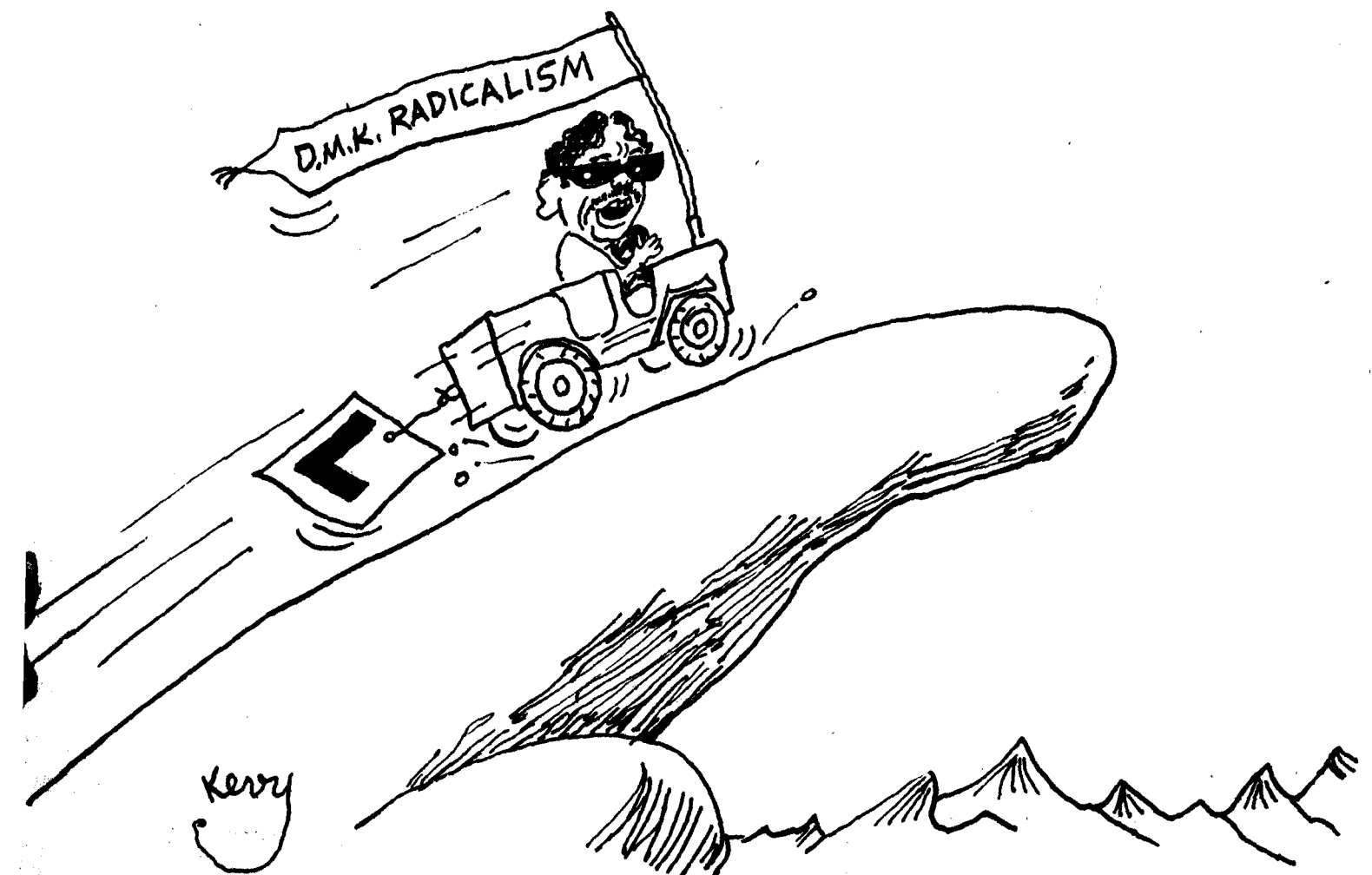
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EASTERN **10** ECONOMIST

SEPTEMBER 3, 1971 VOL. 57



When the Dollar Sneezed...
The Rupee in Monetary Maelstrom
Indo-Nepalese Treaty
Towards Mounting Deficits



The Tamil Nadu Government, according to its Chief Minister, is taking over certain passenger road transport undertakings because of its socialistic urge to capture "the commanding heights of the economy."

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EASTERN ECONOMIST

SEPTEMBER 3, 1971

When the Dollar Sneezeed . . .	419
The Rupee in the Monetary Maelstrom	420
Towards Mounting Deficits . . .	420
Indo-Nepalese Treaty	422
The Container Revolution—S. K. Ray	424
Currencies in Combat—J. R. Chawla . .	426
WINDOW ON THE WORLD . . .	431
Container Ports around the World.	
The Rich also have Problems.	
The Dollar Crisis : World Reactions	
TRADE WINDS	435
Trade with EEC; Release of Sugar;	
Rice Rubber Rollers; SAMICA Papers;	
Sugar Stocks; Indian Sugar Mills; Pro-	
cessed Food; Supply of Edible Oils;	
Rapeseed Oil for Refugees; Rice Pro-	
duction; Road Transport; India-Japan	
Committee; Seabeds Committee; Con-	
tribution to ADB; Steel Production;	
Workshop on Population; Names in the	
News.	
COMPANY AFFAIRS	436a
Ajanta Vanaspati; Mukand Iron; Orien-	
tal Fire; India Tobacco; State Bank of	
Patiala; BOAC; Licences and Letters	
of Intent.	
COMPANY MEETINGS	440
Poysha Industrial Company Ltd.	
Oil India Ltd.	
The Fertilizer Corporation of India Ltd.	
BOOKS BRIEFLY	445
Strategy for Developing Economies;	
Books Received.	
RECORDS AND STATISTICS . . .	452
Maximisation of Capacity Utilisation	
and Productivity.	

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WHEN THE DOLLAR SNEEZED...

THIS TIME the other currencies did not catch pneumonia; they have only gone into hysterics. It seems to us that the United States has placed itself in a position where whatever its President says or does seems more wrong than right to most of the rest of the world. Even so if there is at all a villain of the piece on this occasion it is surely Tokyo and not Washington. It takes not merely two but all to play the Bretton Woods game and it is a sad fact of the monetary history of the world for the last twenty years or so that this condition has frequently not been met. Governments with weak national currencies have generally been dragging their feet in the matter of devaluation while countries enjoying persisting surpluses in their balance of payments have been stubbornly sticking to the trade advantages of their under-valued currencies. As a result the IMF scheme of fixed par values has been compelled to acquire a rigidity which is not natural to it by any means. This general situation had been complicated further for some time by the constant sniping at Fort Knox by de Gaulle's France that was.

The current maelstrom in international monetary affairs has been occasioned primarily by the despair felt by the United States over its ever being able in a normal manner to persuade the strong-currency countries particularly Japan to think in terms of a realistic revaluation of their respective currencies. It must be said in favour of West European countries such as the Federal Republic of Germany that they would be less disinclined towards a rearrangement of par values had they not been apprehensive of Japan continuing to remain adamant indefinitely.

In this sense the responsibility for initiating processes for the resolution of the monetary crisis has been mainly Japan's. After two weeks of efforts to hold the yen to the parity of 360 to a US dollar by buying up offerings of the latter currency, Tokyo realised on Friday last week that it could not really ward off pressures for the revaluation of the yen. As a result, the Japanese government has decided, like several other governments in western Europe had done earlier to allow the yen float in the exchange market, thereby permitting it to establish its own exchange rate according to supply and demand. This acceptance of the realities of the world monetary situation by Japan has materially advanced the prospects of the par values of the various national currencies being realigned in an orderly fashion.

It is clear that the essentials of an agreement on a new pattern of exchange rates will have to be settled through a conference of the major monetary powers, namely the United States and the countries known as the Group of Ten which includes Japan. At the annual meeting of the IMF due later this month, what may reasonably be expected only is that this conference should dot the 'i's and cross the 't's of a settlement reached earlier among these eleven countries.

At the time of writing, we see no reason for believing that, as a result of any such agreement, the US dollar must necessarily be devalued in the sense in which devaluation is understood. With Japan apparently ready to see reason, there is every possibility that the Group of Ten will be able to agree on appreciating the currencies of its members to varying extents, with minor adjustments elsewhere. As for the monetary price of gold, the two tier price system should certainly be able to resume functioning more or less smoothly once a realignment of currencies has been brought about through an agreement among the US, and the Group of Ten. Mr S. L. N. Simha, writing in *the Hindu* some days ago on the current monetary crisis, chose to revive the plea for an increase in the monetary price of gold through doubling its value in terms of the US dollar. In our view, this would be mixing up issues. The two-tier price system for gold has demonstrated that the monetary price of gold can be effectively insulated from the market pressures acting on commercial or speculative transactions in gold. If what Mr Simha has in mind is the problem of international liquidity, the mechanism of the Special Drawing Rights, which remains to be fully exploited, would become relevant. In any case, the storm that has hit the world's exchanges for the last few weeks is not primarily related to the issue of liquidity.

The Rupee in the Monetary Maelstrom

THERE is a wise saying in one of the languages of our country. It asks what business it is of a house-fly to intrude into the forge of a black-smith. The purpose of this proverb is to counsel caution to smaller men in the matter of getting involved in the quarrels of the great. This moral has an obvious relevance to the crisis which has now overtaken monetary relations among the member-countries of the International Monetary Fund. When the major national currencies are locked in a combat for supremacy and are waging among themselves both a war of nerves and a battle of wits, countries which are of less significance in international trade or payments cannot afford to stick their necks out. On the other hand, they must be content to take such steps as may be the minimum needed to prevent their respective economies being hurt while the storm rages in Washington, Tokyo, Bonn, Paris or London.

The Government of India, for its part, has been quick to see the need for prudence of this kind. The Reserve Bank of India has issued a series of

This is the text of a talk broadcast by the Editor last week on the General Overseas Services of All India Radio and is reproduced here by courtesy of AIR.

instructions to authorised dealers in foreign exchange with a view to ensuring that the country is able to carry on the day-to-day transactions of its foreign trade with the least dislocation in its exports or imports. These regulations have been drawn up within the framework of the government's broad policy decision to maintain the *status quo* in respect of the par value of the rupee as declared to the International Monetary Fund in terms of gold as well as in the case of the existing official exchange rate of Rs 7.50 to the US dollar. Since, however, the value of the dollar has been fluctuating in world markets, the Reserve Bank has directed that the rate at which the rupee is exchanged for the pound sterling by the authorised dealers in foreign exchange should be settled from day to day in accordance with the previous day's closing dollar-sterling rate in the London market.

As an *interim* arrangement, this strategy has the virtue of combining stabi-

lity with a certain degree of flexibility. Since the world monetary conditions are not merely in a state of flux but have been caught in a violent upheaval — an upheaval caused primarily by the collapse of the wish or the will to co-operate on the part of the leading members of the International Monetary Fund — it is obviously not possible for the government of India to anticipate the eventual pattern of currency realignments. Hence the decision to let the *status quo* continue in respect of the par value of the rupee. At the same time, with most major currencies tending to appreciate in terms of the US dollar, the realities of the international trade or payments situation have to be taken into account. This our government has sought to do by linking the rupee-sterling rate to the dollar-sterling rate in the London market. As it is the declared policy of the government of the United Kingdom not to allow violent fluctuations in the dollar-ster-

ling rate, the establishment of a relationship between that rate and the rupee-sterling rate may be expected to see to it that the rupee is insulated to some extent from violent disturbances in the world exchange markets.

Additionally, to the extent that the pound is tending to appreciate gently in terms of the dollar, Indian exports stand to gain to a limited extent from a marginal, *de facto* devaluation of the rupee in terms of some of the major currencies. It must be added, however, that a number of procedural problems will have to be solved before Indian banks dealing in foreign exchange or other authorized foreign exchange dealers in this country are able to work the current arrangements smoothly. Meanwhile — and this is important — there has been absolutely no sign of nervousness in business circles in this country, while there is general support for the Finance Minister, Mr Chavan's statement that the government of India would fully co-operate with the International Monetary Fund in the effort that has become necessary to re-establish a new pattern of stable exchange rates in accordance with the basic principles underwritten by the Bretton Woods Agreement.

Towards Mounting Deficits

THE QUESTION of adjusting the unauthorised overdrafts of the state governments with the Reserve Bank by providing additional central assistance is again being hotly discussed with a view to finding out how a recurrence of this malady can be avoided and the aggregate quantum of deficit financing limited with some amount of certainty. The union Finance Minister, Mr Y.B. Chavan indicated in Parliament some time back that he and Mr C. Subramaniam, Minister for Planning, would be holding discussions with the state ministers for eliminating unauthorised overdrafts and incurring Plan and non-Plan expenditure within available resources. In spite of the implementation of the recommendations of the Fifth Finance Commission and the transfer of larger revenues from the centre, the overdrafts of the state governments with the Reserve Bank have continued to rise at an alarming rate and before the huge adjustments took place, a few weeks back, the overdrafts of states stood at the high level of Rs 428.62 crores on June 18, 1971 against only Rs 190.56 crores on June 19, 1970. The central government brought down these overdrafts to Rs 82.40 crores during the week ended July 2, 1971 with the payment in advance of the states' share of taxes and also special ways and means advances wherever there was a gap. The addi-

tional funds thus provided have to be returned to the centre by the states concerned before the end of the current financial year. In June 1970, a similar operation was carried out when the overdrafts came down to Rs 52.68 crores on July 3, 1970 from Rs 190.56 crores on June 19, 1970. These operations did not create then any serious problems.

The developments in the past few months, however, clearly indicate that a big increase in non-Plan expenditure and in development outlay outside the Plan have resulted in the building up of sizable minus cash balances. Many state budgets for 1970-71 have disclosed gaping deficits on revenue and capital accounts in the revised estimates for 1970-71. There are also uncovered deficits for 1971-72. All the four southern states Andhra Pradesh, Kerala, Mysore and Tamil Nadu had huge minus cash balances at the end of 1970-71. Andhra Pradesh alone had an uncovered deficit

ACKNOWLEDGEMENT

Mr P. Chattopadhyay, author of the article "Reducing Lead Time in Exports" which appeared in *Eastern Economist* of July 9, 1971 (Page 57) wishes to acknowledge his indebtedness to Prof M.L. Garg and Prof R.N. Shivpuri of the Indian Institute of Foreign Trade for the portion of the article dealing with export procedure.—Editor.

of over Rs 47 crores in the last financial year even when it had an opening cash balance of Rs 83 lakhs. This is an indication of how state budgeting has been faulty and with a difficult ways and means position, it is not surprising that there has been resort to deficit financing through unauthorised overdrafts for meeting commitments. In the first two years of the current plan, the quantum of deficit financing on account of the centre and states did not assume alarming proportions. Actually in 1969-70 aggregate deficit financing was relatively small at Rs 58 crores having regard to the total outlay. It was however higher at Rs 365 crores in 1970-71 according to provisional estimates.

It is quite likely that the deficit on centre's account will be much less than that indicated in the revised estimate for 1970-71, as at the end of March its ways and means position was extremely comfortable with cash balances with the Reserve Bank at a high level. It was also complained that there had been a serious shortfall in Plan outlay in the central sector. Judging however, from the trend of overdrafts of states in the past year, it is quite likely that the deficits of the state governments were sizable. When the accounts for the last financial year are finalised it may not be surprising if deficit financing was only on account of the states and the share of the centre was meagre.

The trends in the current year, however, are not quite happy. Apart from the serious upset in calculations regarding the availability of resources to the centre, as a result of the heavy expenditure that is being incurred on maintaining refugees from East Bengal, the massive assistance given to the states in the last week of June has had a debilitating effect on central finances. It may be wrong to take a pessimistic view of the central budgetary position as the difficulties now being endured are mainly due to the slow inflow of foreign aid for the rehabilitation of refugees.

It has been stated that only about eight crores of rupees had been received out of the promised assistance of Rs 90 crores. As quite a sizable amount has already been spent on the refugees and there has also been a large transfer of revenue to the states, the immediate position is uncomfortable and it has been necessary for the centre to resort to deficit financing for meeting its commitments during the week ended August 6, for the first time in several months. It is quite likely that with the adjustments that will be made with the states in respect of earlier payments and the receipt of fresh foreign aid, the budgetary position will get corrected and central government deposits with the

Reserve Bank may again tend to rise in the later half of the year as it happened in 1970-71.

It has to be determined, however, what should be the future strategy and how deficit financing should be kept within limits by the centre and unauthorised overdrafts avoided altogether by the states. The centre's calculations have obviously been upset by the huge expenditure on refugees which up to the end of December this year is estimated at Rs 260 crores. As already, there is a budgetary provision of Rs 60 crores, it has been observed that the overall deficit will increase to Rs 385 crores from the budget estimate of Rs 225 crores. No allowance, however, has been made for foreign aid of Rs 90 crores already promised though it must be said that in the last quarter of 1971-72 there will have to be a fresh supplementary demand for Rs 120 crores taking the total expenditure on refugees to Rs 380 crores in 1971-72. As about Rs 190 crores can be expected to be in the form of foreign aid, the net liability of the centre may not be more than Rs 190 crores. It will, therefore, be justifiable to say that even allowing for a continuance of expenditure on the present scale on refugees, in the first quarter of 1972, there may not be an increase in the overall deficit by more than Rs 130 crores. Even this increase will take place only if Plan outlay was stepped up to the anticipated extent. Besides, there is the possibility of larger revenue receipts and bigger realisations through open market loans and small savings. In any case, the centre cannot avoid a sizable deficit which may be anything between Rs 150 and Rs 200 crores.

In these circumstances, there will be pressure on the states to reduce their

deficits or raise additional resources with a view to avoiding unauthorised overdrafts. In view of the forthcoming elections, many state governments have not levied additional taxation while some states under Presidential rule could not think of new proposals for raising resources through fresh taxation. Only a few states such as Andhra Pradesh and Tamil Nadu will have no overall deficits for the current year though they will still have accumulated deficits of earlier years.

It is, therefore, felt that the aggregate deficit of the states will be about Rs 205 crores and if the larger deficit of the centre is taken into account, there will be deficit financing for as much as Rs 590 crores. Even allowing for the possibility of the centre's deficit being lower by Rs 200 crores, for the reasons stated above, aggregate deficit financing will still be to the extent of Rs 400 crores. The centre has naturally been protesting that there is no scope for a further rescheduling of debt repayments and interest charges as demanded by the states because special assistance is already being given on a large scale, and there has also been a big transfer of revenues from the centre to the states under the recommendations of the Tyagi Commission. It has also been emphasised that the effort for mobilising resources has been successfully completed, the target fixed for the centre under the fourth Plan being likely to be over-reached even with the levies already introduced. The states, on the other hand, have yet to formulate proposals for meeting a gap of over Rs 400 crores. This gap may be expected to be filled with new proposals in 1972-73 after the elections are over. But the ways and means problems will assume serious proportions in the meantime if Plan outlay by the states was

Eastern Economist 25 Years Ago

SEPTEMBER 6, 1946

The Government cotton exports policy has aroused in the cotton trade an opposition, which is nearly as intense as that with its cotton prices policy has been met. And yet, taking into consideration all the factors of the current Indian cotton situation, it is difficult to see how the Governments' decision could have been very much different from what it is, at least in so far as its broad outlines are concerned. There are some in the trade, who would have the export trade left free and untrammelled. But this is an extremist view. Large sections of opinion realise that control, in some form or other is necessary in the present circumstances. Indeed, the need for export restrictions becomes patent, if one considers the lines along

which the Indian raw cotton balance sheet is likely to develop during the 1946-47 season. The carry-over at the beginning of that season is expected to be in the neighbourhood of 2.74 million bales, and the season's crop, under ideal conditions some 4 million bales. The total supply may thus be about 6.74 million bales, out of which domestic consumption factory and extra factory may absorb something like 4.4 million bales. Consequently, the quantity available for export and as carry-over to the next season would be something like 2.34 million bales. Since the estimate on which the above figures are based was made, certain trend have manifested themselves, which would suggest small variations from the above figures.

more than warranted by available resources and non-plan expenditure was not frozen at the existing levels. Besides, calculations regarding the availability of resources has gone wrong be cause of an increase in non-Plan expenditure.

The inescapable conclusion arises that there will have to be a slowing down of development expenditure on account of the states, just when they are in a position to implement rural electrification and irrigation projects in a big way. This will be undesirable as the objective is to increase the tempo of economic development and provide larger employment. It will thus have to be examined whether the Plan can be suitably recast to increase the share of the state sector and also the quantum of central assistance if, for any reason,

Indo-Nepalese Treaty

THE TREATY between India and Nepal which came into force on August 15 this year is expected to be an important landmark in Indo-Nepalese relations. If implemented "effectively and harmoniously", as indicated in the treaty, it will go a long way in promoting Nepal's diversification of trade and industrial development and will also help New Delhi to strengthen its economic and political friendship with a country which though small in size is of considerable strategic importance.

This country has been Nepal's major trade partner, our share in her total trade being about 90 per cent. India had a favourable balance in her trade with Nepal valued at Rs 3.32 crores in 1967-68, Rs 10.53 crores in 1968-69 and Rs 12.88 crores in 1969-70. Nepal's exports to third countries increased from about \$3.2 million in 1965-66 to \$8.9 million in 1967-68 while her imports from third countries amounted to \$7.2 million in 1967-68. Up-to-date statistics of Nepal's foreign trade are not readily available. It is however significant that by restoring normal relations, the treaty paves the way for the two neighbours to come to-

schemes in the central sector cannot be implemented on the anticipated scale.

The centre may be unwilling to make any adjustments in this regard and it will eventually happen that additional taxes will have to be imposed in the next budget for overcoming the deficiencies of the state budgets. This course would be inadvisable. Instead, it may be examined whether there can be a more intensive mobilisation of small savings and bank credit also can be used for certain purposes. A gap of Rs 500 crores should not present difficulties in a total plan outlay of over Rs 16,000 crores. Only there should not be further complications due to heavy expenditure on refugees in 1972-73 and 1973-74. The central government can probably take a definite view of Plan prospects early next year in the light of fresh developments.

Full text of Indo-Nepal Treaty, was published in the *Eastern Economist*, dated August 27, 1971.

gether closer and open a new chapter in their trade and economic co-operation.

India has agreed to provide Nepal access to its market without any duty or quota restrictions for all her manufactured goods which contain not less than 90 per cent of Nepalese materials or Nepalese and Indian materials. It has also been laid down that if such articles are made in small units in Nepal, the additional duty will be equivalent to the rates of excise duty applicable under the Indian customs and excise tariff to articles produced in similar units in India. In the case of other manufactured goods where the value of Nepalese material and labour added in Nepal is at least 50 per cent of the ex-factory price, the government of India will decide the nature and extent of access including tariff preferences.

India's imports from Nepal have hitherto been confined mainly to butter

and ghee, rice, jute cuttings, mustard seed, mill-made rayon fabrics, and stainless steel utensils. In 1969-70 out of India's total imports from Nepal valued at Rs 14.39 crores, rice accounted for Rs 6.15 crores, butter and ghee for Rs 1.09 crores and stainless steel utensils for Rs 19 lakhs. The treaty provides opportunities to Nepal to diversify her exports to India. This will depend on how fast Nepal is able to expand her agricultural and industrial development and produce sufficient surplus for export. Agricultural products form the bulk of Nepal's exports and rice is the most important item, accounting for 50 per cent of the total exports. As India's needs of imported rice are bound to decrease, Nepal will have to give attention to the production of other exportable goods. Nepal's main industries are jute goods, sugar, cigarettes, matches, textiles and stainless steel utensils. Table I shows the trend in industrial production in recent years, according to the United Nations' statistics.

An interesting aspect of these figures is that the production of those industries has expanded rapidly which found a ready market in India although the Nepalese government gave low priority to the development of such industries. Under the Industrial Enterprises Act (Amendment) passed in 1969, Nepal divided industries into four categories, category 'A' consisted of industries producing basic goods such as cement, fertilisers, and agricultural implements and those with export potential or contribute to import substitution. Tourism and cottage industries came under category 'B'. Processing industries such as ghee and bristles came under 'C' while industries which required imported raw materials with convertible foreign exchange and exported finished goods were classified under 'D', and therefore received low priority. Nevertheless, the 'D' class industries like stainless steel utensils and synthetic fabrics increased their production and exports to such an extent as to compel India to restrict their imports. Nepal has drawn up several schemes for expanding her existing industries and for setting up new ones with foreign collaboration. These include an integrated pulp and paper

TABLE I
PRODUCTION OF PRINCIPAL INDUSTRIES—1962-63 TO 1968-69

Industries	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
Jute (tons)	18,831	16,587	19,035	17,603	12,386	12,179	3,429 (a)
Sugar (tons)	1,922	1,609	7,300	9,912	4,410	3,279	9,656 (b)
Cigarettes (million units)	237	303	414	636	954	1,150	1,027 (a)
Matches (1,000 boxes gross)	390	390	361	444	465	424	261 (b)
Textiles, including synthetic (1,000 yards)	6	124	1,093	1,421	2,305	2,739	2,783 (a)
Stainless steel utensils (tons)	..	..	..	232	381	738	2,032 (c)

(a) Data for eight months. In the case of jute, the data relate to only one of the two mills. (b) Data for nine months. (c) Data for seven months.

mill involving an investment of US \$9.5 millions with a capacity of 50 tons per day, ethyl alcohol plant with an investment of US \$880,000 and a capacity of 1000 gallons per day, and a mill for cotton fabrics with an investment of US \$8.3 millions and a capacity of 12.5 million yards per year. Nepal is seeking technical know-how, equity, management, and marketing assistance in setting up these and other industrial ventures, and India should be able to help her in various ways.

Nepal has been depending on India for her requirements of a vast variety of goods. India's total exports to Nepal were valued at Rs 18.39 crores in 1967-68, Rs 24.65 crores in 1968-69 and Rs 27.27 crores in 1969-70. Our major exports to Nepal in 1969-70 were motor spirit valued at Rs 1.29 crores, Kero-

sene Rs 1.67 crores, medicinal and pharmaceutical products Rs one crore, long cloth (grey) Rs one crore, other cotton piece-goods Rs 3.42 crores, cement Rs one crore, besides various engineering and miscellaneous items such as iron and steel, sewing machines, electric fans, motor vehicles and parts, footwear and cinematographic films. In the past, diversion of Indian goods exported to Nepal resulted in much loss of foreign exchange to our country and caused other complications. The treaty therefore provides for the prevention of such diversion.

Both countries have agreed that they will take steps to ensure that the products of either country do not get re-exported to third countries from the territory of the other. These steps include compilation of statistical and other information and making it

available to each other, holding of periodical conferences and identification of procedures which will prevent the deflection of trade and develop mutual contact and co-operation between the appropriate investigational and enforcement agencies. Nepal has also agreed not to permit imports from third countries and facilities for movement of traffic in transit to Nepal will not be available for any goods unless foreign exchange is specifically authorised by Kathmandu for their import. Further, Nepal has undertaken not to issue any import licence on the basis that the foreign exchange required for it will be arranged by the importer himself. If these provisions are effectively enforced it will be a distinct advantage to India.

The Tables II & III show the trend in Indo-Nepalese trade:

TABLE II
INDIA'S IMPORTS FROM NEPAL (Value in '000 Rs)

Articles	Unit of Qty.	Quantity			Value		
		1967-68	1968-69	1969-70	1967-68	1968-69	1969-70
Butter & ghee	Metric ton	1,144	1,550	1,387	90,28	1,19,53	1,09,36
Rice	'000 metric tons	57	22	60	7,62,31	2,50,61	6,15,29
Jute cuttings	Metric ton	—	—	1,707	—	—	12,06
Mustard seed	do.	5,104	4,993	4,169	69,80	73,82	50,92
Mill-made rayon fabrics	'000 metres	1,910	2,395	21	90,87	1,24,25	2,54
Stainless steel utensils	Metric ton	484	15,42	70	1,85,64	4,02,62	19,25
Total (all items)		—	—	—	15,08,18	14,11,80	14,39,72

TABLE III
EXPORT FROM INDIA TO NEPAL (Value in '000 Rs)

Articles	Unit of Qty.	Quantity			Value		
		1967-68	1968-69	1969-70	1967-68	1968-69	1969-70
Biscuits	Tonne	35	68	51	1,06	6,48	1,94
Tea (black)	"	541	474	701	48,64	42,44	63,29
Tobacco (unmanufactured)	"	1,704	1,534	2,309	37,80	32,04	38,91
Motor spirit (light distillates)	'000 litres	—	—	15,710	—	—	1,29,72
Kerosene	"	—	—	30,441	—	—	1,67,83
Diesel oil	'000 tonnes	—	—	69	—	—	88,32
Medicinal & pharmaceutical products	Tonne	—	—	—	38,65	77,64	99,02
Cotton yarn & thread	"	220	500	575	16,47	40,29	41,23
Rubber manufactures	"	—	—	—	1,97	23,35	24,15
Dhoties white (handloom)	Kilometre	4,520	191	2,191	69,05	2,26	37,90
Long cloth (grey)	'000 sq. mtrs.	3,417	3,931	5,996	54,92	64,51	1,00,50
Sheetings (grey)	"	3,027	3,644	2,627	35,93	45,54	40,90
Other cotton piecegoods (grey)	"	7,804	25,521	26,404	1,07,57	3,62,27	3,42,47
Twill, stain, etc (white)	"	10,305	7,779	8,439	1,40,23	1,00,83	1,34,74
Hessian bags	Tonne	191	102	32	6,44	3,02	94
Sacking bags	"	110	253	142	2,20	4,27	3,11
Cement	'000 tonnes	42	60	76	47,41	72,63	1,01,77
Iron & steel	Tonne	2,410	10,550	6,703	22,50	94,10	61,63
Aluminium utensils	"	16	53	54	1,48	2,98	4,19
Sewing machines	Number	1,073	557	1,713	1,73	74	2,52
Electric fans	"	1,252	3,866	1,026	180	5,38	1,39
Dry cell batteries	'000 nos.	3,090	3,191	3,713	19,89	15,94	20,83
Motor vehicles & parts	"	—	—	—	35,28	44,71	84,67
Footwear	'000 pairs	410	678	536	28,96	52,02	42,43
Cinematographic films (exposed)	Kilometre	54	89	102	1,00	1,34	1,63
Total (all items)		—	—	—	18,39,74	24,65,21	27,27,63

The Container Revolution

S. K. RAY

THERE HAS been some talk in the Indian subcontinent of the pitfalls of unbridled transport competition as a force militating against the building of balanced regional economic sectors. These talks however have not been pregnant in actual practice with intentions to build up anything but separate sectors. In India, inter-modal transport developments have through the decades been considered in pockets of isolation. The overall transport requirements provided by the different forms, taken in their totality, were never taken into cognisance, principally because the agencies providing them were disorganised and because the overall transportation provided by these modes fell short of the overall optimum requirements of the country.

Monopoly Transport

There was for a long while for the Indian Railways what may be considered the economics of monopolistic oligopoly. There was in fact the situation of what may be called a monopoly of scarce transport. The railways were besieged with more traffic than they could conveniently carry, so they had quotas and priorities and they carried as much as they could and the rest were cast to the other modes. It was also because this did not affect the overall profitability of the railways and it was always convenient to emphasise the need for developing the road transport in certain streams where railways were not operating.

The spectacular expansion of European economies preceded by an unprecedented rate of technological change has resulted in the movement of more goods and people than ever before. Industrial expansion, rising productivity, more employment, higher incomes and mounting trade have been both cause and effect of the increasing volume of movement. This resurgent transport revolution has also been manifest in a complete overhaul of transport methods, evolving in its trail many major shifts in public policies pertaining to economic development. The European situation of the economics of inter-modal transportation, by and large, fits with the general pattern obtaining in the United States. There have been phases of cut-throat transport competition between the different modes, road, rail and inland waterways

in the main, both on the European continent and the United States.

Learning their lessons from these phases of unremitted competition, a reoriented programme is now clearly evident in the two continent for devising and applying co-ordinate remedies based on the overall requirements of economic development. Remedies now being adopted have therefore been based on a clear understanding of the inter-relation between transport and economic development—that maximum growth will be possible only if transport capacity is available to sustain it, and that fully developed systems of transport is in turn one of the prerequisites of economic growth, a variable that need to be given the fullest possible attention if economic development, with adequate sectoral balance, is to be achieved. Transport programmes, therefore need to be an integral part of the broad social and economic development plans rather than being conceived in isolation.

It has been increasingly appreciated that the historical tendency to view different forms of transport separately and without relation to the other has become untenable. The greatest challenge will be to perfect the means by which policies can be agreed upon for transport as a whole without succumbing to the dangers of favouring one form over the other or of supporting the status quo at the expense of innovation.

Non-competitive Groups

In India unfortunately this basic tenet of economic expansion in the field of transportation has not been correctly appreciated. Here we have been too much engrossed in academic theories of transport co-ordination, even before the two modes attained their optimum developments. In no country has transport development achieved a sustained and complete growth except by proving its own mettle to the consumers. If any particular mode of transport, say road transport, is developed to the exclusion of the rail transport in that region, it will function on the principles of the economics of non-competitive group and it will not flourish to its fullest scope of profitability, because it will then have a monolithic base which will inhibit research and innovation. It will always

have a tendency to take recourse to cheap and easy expedients and will always fall short of giving the users optimum and complete service. In many regions of the company such a phenomenon has actually taken place. In deliberating on the principles of transport competition and co-ordination, the Committee on Transport Policy and Co-ordination appears to have unduly buttressed the need for co-ordination. The tenets of the economics of competition has been broadly rejected by the committee mainly on the consideration of its wastefulness to the economy as a whole. The validity of this theory can not be accepted in full all the way and there is a gradual awareness of this on the railways.

Economics of Competition

The tenets of co-ordination cannot help the railways for the entire sweep. Very soon the economics of competition will come into play. It has to be appreciated that for a specific section or for a specific traffic the customer will take to the mode of transport that suits him best. If the railways, or for that matter the roadways, want to retain the existing volume of traffic that they are carrying or want to skim off a big chunk of traffic from the other mode of transport, they will have to meet such competition squarely on its own terms. There is a limit beyond which patch-work transport co-ordination cannot work. It would appear that this point has already been reached in India, in the context of the overall transportation growth on the sub-continent. If that be so, then it may be wiser for the railways to take to the expedients of competition. They will have to take up marketing as a serious technique of operation and will have to develop means to carry traffic to the entire satisfaction of the customer. How they are going to do so, is entirely their business. The experience of the European and American continents clearly indicate that the railways cannot continue to flourish until they keep on getting the lion's share of total transportation generated in the country. To do this, they will have to come out of their shell and provide transportation to the specific requirements of the customers' demands. Bickerings and protestations that the roadways are developing on routes parallel to the rail tracks and into areas where railways are already well equipped to provide a satisfactory service will not carry conviction with many. If the railways want more traffic they will have to find out means to get it. It is in this context that the recent emergence of the marketing concept of the Indian Railways appears to be a development in the right direction.

The marketing concept is based

principally on an awareness of free market economies. Under free market economies a transporter, to get the major share of available transportation, has to provide the better or the more convenient means of transport. Marketing aims to strike a balance between the best and the most convenient transport service. Lately, fortunately, Indian Railways is showing an increasing awareness of developing such a marketing strategy in its confrontation with the consumer on the one hand and alternative transport systems on the other.

Marketing as a Strategy

The marketing approach on the Indian Railways, even though it is in its first few years of serious implementation, has taken a few meaningful, multipronged and practical strides. First, its steady but sure stepping into the world-wide era of container revolution. Secondly, it has taken to sales programming. Thirdly, it has taken to market development for specific sectors of transport. Finally, it has also taken to a scheme of establishing rapport with agencies, trade and industry which provide the cream of the country's paying transport requirements and such agencies are being courted by the railways as what they call 'the millionaire customers'.

Mainly from the point of view of providing a complete door-to-door service to the trade and the industry, a beginning was made in the introduction of container services in early 1966 on Indian Railways. An incidental objective was also to attract high-rated road traffic for rail movement in containers. The Indian Railways experimented, taking a leap from both European and American continents in containers of various sizes and volumes. They introduced a mini container, a medium container and a large container. Under the peculiar economic and trade conditions in the country, the mini container and the medium container did not prove to be a success, in view of the uncertainty of the trade which these containers meant to serve. Small-scale industries that these container could serve was fickle in their nature of patronage and they would like rates to be jumped every now and then. This being so, the railways in India finally concentrated on the large container and though they started with a 4.5 tonne container between Delhi and Bombay, they have now standardised a five tonne container on the major container trunk routes.

On these routes the containers are moved on the rail portion by rail, four to a flat, and on the road portion at the terminal towns on the railways' own

road vehicles, two to a vehicle. Thus a total, door-to-door, fast, damage-free and time-guaranteed service at competitive rates, is provided by these services.

It is learnt that on the major trunk routes where these container services have been introduced, the initial targets have been long exceeded and the services are now flourishing and are attracting larger and larger volume of traffic. Analysing the clientele and the traffic carried by these services two definite trends have come to notice. The container services in India are mainly transporting consumable commodities like soap, vegetable, oil, cigarettes, liquified petroleum gas, starch, cloth, lub oil, beer, whisky, electrical appliances, nylon yarn, biscuits and similar other commodities. The extent to which these commodities are laible to stresses and strains of transport moving either by road or through conventional rail wagons are comparatively higher. The essential good points of a container-borne movement of these commodities therefore have helped in their flight from the erstwhile modes to the container, particularly in the major cities and towns. This has been indicated also by the fact that the first five or six years of the container transport in India has not been blemished by any mentionable damages to the traffic or in the industry going around preferring claims for compensation.

Research and Innovation

Having been assured of the patronage, Indian Railways also made intensive research on improving the service, both on the rail portion and the road portion. For the new services that were introduced the Research Designs and Standards Organisation of the Indian Railways designed a new improved and versatile five tonne container. It is learnt that the manufacture of these containers was distributed over both the public and private sectors. A breakaway from the normal rigidity of the private sector, this has enabled the Indian Railways to expeditiously float a good number of containers on their services. Intensive research has been undertaken not only on the designing of both rail and road equipment, but also in regard to the handling equipment required at the terminals. It is no secret that these researches were undertaken in close collaboration with the private sector and this decidedly has been another progressive step. While tractor-trailer combinations have already been put to extensive use for the road portion of the container services at the terminals, trials are also being conducted about fork-lifting and exploration on side-transfer arrange-

ments and straddle-cranes were also on the anvil.

To a cost economist, it would appear that from the experience gained with the container services operating at present, the railways should have found that apart from being very useful to the trade and to the industry, the services would also be quite remunerative to the railways with a return of 15 per cent or more. An official appraisal on this new innovation on Indian Railways for public information would be in the fitness of things.

Freight Forwarding

In the expansion of container services in India many new areas are being covered. A real step in rail-road co-ordination has been taken by introducing a container freight forwarding scheme between Bombay and Delhi, Calcutta and Bombay and Calcutta and Madras. Under this scheme road transporters are siphoning smalls traffic from different sources as a sort of clearing agent and their offering for bulk movement in containers. This innovation also provides a total transport service to our industry and trade and shows a definite promise of growth under the scheme. Lately even conventional rail wagons have been pressed into service. This scheme is getting to be popular under which the road transporters have been encouraged to mop up smalls traffic from the metropolitan areas and book them either in wagon loads or container loads over rail routes. The road transporter in these cases have therefore been developed as commission agents for the railways to get more traffic. This in fact has been a practical step in building up transport co-ordination.

It is learnt that the freight forwarders have been given consolidated rates for carrying mixed consignments of smalls in containers and conventional wagons. They have been provided the railway terminal services at the two ends and in their transaction with the railways they are required to pay at unit rates for container transport irrespective of what is loaded and how much is loaded, subject only to the obligation that they would always abide by the rules of law of the country in force.

Inter modal container movements to day provide an integrated transport service of sea, rail and road in the advanced countries of the world. Fast strides have been made lately in this direction in the American and European continents and in certain Asian countries like Japan.

In the United States, transit time between the eastern states and Japan has been considerably reduced by send-

ing containerised freight by rail across the continent for shipment from the west coast. In Canada, the Canadian National Railway proposes to use their trans-continental rail route as a land bridge for connecting the Atlantic and Pacific oceans for container traffic between Europe and the far east. Similarly, container movements have started from the continent and the United Kingdom by rail across Europe and the Soviet Russia to the Pacific ports, for onward despatch by ship to Japan. From the present indications, it is certain that world transport today is very much geared to enter into new phases of the container revolution.

There is an appreciation that India has also to participate in the near future in such inter-continental, inter-modal transport of traffic in containers, and will therefore have to take matching steps right from now, so that she is not deprived from enjoying a bonus of transit traffic taking to containers.

The ISO Container

Indian Railways started by using 4.5-tonne pay-load capacity containers, which has been now standardised at five tonne pay-load capacity. These container services of Indian Railways work on their own system, while at the terminals either the railways or the private transport industry provide the road services. For international routes the specifications of containers have since been standardised by the International Standards Organisation in its meeting at Moscow in June 1967. The internationally agreed sizes are 8' x 8' (2.44 x 2.44m) in profile, and 20', 30', and 40' (6.10, 9.15 and 12.20 m) in length. All new containers, whatever their construction, are today built to these sizes and generally incorporate standard lifting devices. All container handling equipment (dock and warehouse facilities, cranes, transporters) and all container carrying equipment (rail and road vehicles and special cellular ships) are built to accommodate these sizes. One would like to visualise that in India in the near future, 10' and 20' long containers should be envisaged for use.

In December 1967, the Ministry of Transport and Shipping had organized a seminar to assess India's involvement in the movement of containers on international routes. This seminar received widespread publicity in the national press, in view of the interest it had evoked in the country. This was followed by another seminar organised by the Ministry of Shipping in 1968. These seminars had recommended for development of required facilities for road movement of containers of the two ISO standards within a radius of 40 km on the ports of Bom-

bay, Calcutta and Cochin. The seminar also suggested the development of container berths in selected ports and emphasised the need for developing road facilities for the movement of containers mounted on road vehicles within the metropolitan areas of Bombay, Calcutta, Madras, and Delhi.

It is learnt that as far as the Indian Railways are concerned, the ISO standard containers can move on all broad-gauge routes and metre gauge routes on all main lines. It is also learnt that research to develop suitable rail stock and handling arrangements for rail terminal were taken in hand.

Preparing the Terminals

It will not be enough if the railways only are in a position to transport the containers as between the ports of call and the inland rail terminals. It will be necessary to transport these containers, mounted on road vehicles, between the rail terminals and the factories or godowns of the trade deep inside the four metropolitan areas and in important commercial centres like Kanpur, Ahmedabad, Secunderabad and Bangalore.

These would bring into focus to anyone interested in the subject two basic problems which must be reckoned with well in advance.

The overall height of road vehicles carrying 8' profile containers would be 13'. The height generally allowed in these areas is only 11' even though, under special permission, height up to 15' is allowed for double decker buses etc. The container vehicles however will have to go to congested business districts, unlike the double decker buses which ply on certain specified routes. For movement in metropolitan areas and important commercial centres, the question of road clearances in congested commercial areas and road over bridges will have to be checked by the concerned authorities. The road vehicles, carrying two 10 ft. long containers or one 20 ft. container will give a load of up to 20 tonnes, including tare of the container, the weight being distributed over the axles. For movement of these loads on the streets of the metropolitan and important commercial areas, the capacity of road overbridges and surface of the highways may, in certain cases, have to be made fit for their transport.

It would therefore appear that it is not enough that our ports and railways are able to deal with international containers, but it is equally necessary that the inland road transport systems are also fully equipped for the movement of such containers.

The introduction of containers open up new prospects and possibilities not

only for the Indian Railways but also for the transport system in India as a whole. It also opens up the possibility of developing international trade in containers from, to and across India. For the carriage of consumer goods on railways, containers provide a most suitable form of carrier. They can also be profitably used for palletised traffic, for lubricants, machinery parts, crude and processed food, meat, fish, butter etc. requiring refrigeration and copper and steel coils etc. We can profitably adopt the specialised, refrigerated, ventilated or tank type of containers to meet the specific requirements of each class of traffic.

There is also the tempting prospect of India providing a land bridge for the international traffic moving from Eastern Europe, Western Asia and North Africa to countries in the Far East. This traffic, if ferried in containers, can be handled at a suitable port on the West Coast. From there these containers can be carried in fast moving special trains to a container port on the East Coast. From the port, they can be reloaded into ships either of India or of other countries to be carried to ports in the Far East, Australia, New Zealand or the Western Coast of America. We have to explore the possibilities of this attractive prospect and it would appear desirable that the Government should appoint a small group to go into this question in consultation with the international shipping interests. This suggestion was rightly voiced by the railway's delegate to the 1968 seminar on Container Movement at Bombay organised by the Ministry of Shipping.

Vast Possibilities

Containers are a simple equipment but they have opened up unexpected and vast possibilities. The transport techniques and patterns in the 1970s and 1980s are likely to be radically altered with the introduction of containers. New possibilities of co-ordination and integration of road, rail and sea transport services will be offered. It has to be appreciated that such co-ordination will not be brought about under legal duress of political pressure. It will depend on integration of the technical advantages of each system and will provide a transport service to the people and the economy at a cost much lower than is available at present and with lesser possibility of damage, pilferage and obsolescence.

Containers are not new in world transport. They have been there for quite some time and have already gone through a large number of vicissitudes. There have been many experiments, multiple researches and innumerable innovations. We have an

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EASTERN ECONOMIST

429

advantage in India in that we are able to take our lessons from the results of the experiments carried on with containers in countries abroad, in the United States, in Europe, and in Japan. All that is required to be done is for us to take courage in both hands and draw up our bold plan of providing containers of inter-modal and inter-gauge transport, provide necessary equipment and facilities at terminals, go all out to expand domestic container services on broad gauge routes, arrange for dealing with international containers at important ports of call.

All this we need on a crash programme and as part of an investment-oriented marketing strategy. The scope of containerisation in India, even in

respect of traffic not moving by rail, is so vast that in the beginning container borne movement should be mainly in respect of traffic that is not already moving by rail transport. A high powered marketing commission should also be set up, it is felt, by the government, of the India, with representatives from the railways, ports and the State Trading Corporation of India for conducting dialogues with international interests in trans-continental trade and shipping for firmly establishing Indian ports and railways on the international container map of today and tomorrow. For this the idea of building up a container land bridge, so to say, between one east and the west coast, need also be pursued vigorously by this high powered committee.

Currencies in Combat

J. R. CHAWLA

1944: It was a dollar-sterling world at the Bretton Woods. Uncle Sam had the idealism and confidence of enough accumulated wealth to buttress his ideals; John Bull had the intellectual laboratory of theoreticians from Adam Smith and Ricardo to Keynes, to vindicate the economic theory behind idealism. Together they waved the magic wand of full employment and echoed the philharmonic tunes of free multilateral trade and international trade specialisation.

It is salutary to remember to what extent the world of Bretton Woods in 1944 was an Anglo-American entente. Of the present fraternity of international monetary wizards, Germany, Japan and Italy were enemies; France and the Benelux countries were occupied; Switzerland was isolated; Canada and Australia were hardly emergent; the Second World was gloating in the mire of Marxian theology and the Third World was nonexistent. Who could see the development of the Eastern World, the rainbow over Nippon, the consequences of the Cultural Revolution, the Korean War and its cost, the tragedy of the triangle in Vietnam and the economic consequences of the house divided?

The victor of war lost the peace. The cost of idealism proved too high to bear for Fort Knox. The basic uncertainty behind this predicament is whether the US would retain the two-tier system and freely convert externally held dollars into gold at \$35 an ounce and with it the existing anchor of the gold exchange standard. The other formidable problem faced by the dollar is its post-war confrontation with the COMECON countries and the

satellites. The fact is that no economy, not even the world's richest, can have both a major war abroad and prosperity at home, and avoid inflation and external disequilibrium eating away at its currency.

John Bull, comrade-in-arm of Uncle Sam, emerged from the War in a very reduced position. Shorn of its empire and many foreign assets, saddled with large debts, it cannot regain the status of a world reserve currency. The UK has incurred short and medium term commitments overseas since 1964 to the tune of about £1850 million a year. That a large trading nation with a current turnover in visible and invisible trade of about £16,000 million per annum should continue to run an international reserve currency, with liabilities of about £6,000 million and zero reserves is probably a miraculous achievement!

Amidst dollar-sterling predicament the French economic offensive at ECM and UN platforms appears effective. In the financial field it is launched from a position of strength deliberately acquired over the last decade. A number of factors have contributed to this spectacular recovery: the devaluation of 1958, the end of the Algerian War, the stern stabilisation policies of the 1960's and the success of the Common Market. Despite these marvels the Franc is a tiny moth trying to scale the heights of the heavens. It has yet to develop the economic sinews of the yen and the guilders to claim laurels as a world reserve currency.

Consequently, the Group of Ten activated the Special Drawing Rights — the paper gold — as a first step towards restoration of monetary discipline.

line. But the universal acceptance of the SDRs is doubtful because with more dollar units (especially with the fortification of the yen, the mark and the guilder) there is likely to be diminishing need of the SDRs.

The foregoing analysis reveals that the dollar is not only the most important currency in the world, it is also the most vulnerable. It is at the same time the strongest and the weakest. As the dollar is the main reserve and vehicle currency in which \$15,000 million of official reserves and \$16,000 million of commercial working funds are locked by foreigners the question of regaining confidence in dollar is a key problem. If the United States of America fail to return to a more reasonable equilibrium in its balance of payments, the whole monetary system of the gold exchange standard would lose one of its main pillars and could fall to pieces.

The dollar is unimpeachable *vis-à-vis* other international currencies. Sterling is likely to be eclipsed from time to time; the Swiss franc owes its strength to the increasing volume of hot money; until the concluding months of 1966 the French franc was inherently sound but is no more popular internationally; as for the mark, the yen and the guilder, official measures against the influx of money deter their widespread use as currencies for foreign markets except when there are revaluation rumours and speculative purchases.

Unlimited Deficits

For want of a better currency, the dollar is bound to remain the ruling currency but much under surveillance than hitherto. The days of unlimited US deficits are over — yet the greater danger is another. The real risk is that the US may return too quickly to a balance of payments surplus, combined with renewed financial orthodoxy and a severe bout of disenchantment with its thankless political role in the western and the Third World. The three Worlds have more to fear from a US induced world deflation than from US balance of payments deficits. The world monetary system cannot allow the dollar to become the orthodox restrictionist of today and a prisoner of restrictionism tomorrow.

Another manifestation of the US dollar is the so called Eurodollar or better Worlddollar market which has come to play a significant role for speculation in foreign exchange and in gold. Every since its origin it has always provided an alternative device to that of forward exchanges as a means for going short in devaluation-prone currencies or for going long in revaluation-prone currencies. The organisation and practices of the Worlddollar

market provides new facilities for investors of short-term funds, for borrowers throughout the world, for arbitrage operations and for speculation.

Eurodollars serve the international money market and therefore must be strongly regulated. The Bank for International Settlements (BIS) has assumed that task, albeit to a limited extent. It has direct experience in dealing with Euro-currencies and it is geographically closer to their markets. It intervenes to regulate the trend in Eurodollar market. Such an arrangement is a rudimentary beginning to a worldwide monetary policy which should be the ideal to be pursued.

Eurodollar is the single most important currency of the western world. Foreign-held dollar claims against the United States gold supply total something over \$41 billion; Eurodollar balance may be as much as \$30 billion, and of this \$30 billion at least \$10 billion are claims by the US branches against their domestic head offices. This vast fund of international liquidity in the form of foreign-held dollars should be constructively used for financing and expanding international trade.

As a second step in its evolution into an international reserve system the IMF should denominate each country's present net position with Fund in terms of Eurodollars or Worlddollars. The Fund should purchase national currencies and pay for them by creating liabilities of the Fund in their favour; or, in other words, make loans to their central banks denominated in Worlddollars. The Fund should also buy all gold offered to it by member countries at a price to be fixed by a system, by creating in favour of the member a Worlddollar deposit of the equivalent amount with the system. Each member country should commit itself to accepting Worlddollar deposits in settlement of obligations of other member countries.

The SDRs should be activated on a larger scale and be added to each member's Worlddollar deposit with the Fund and should not be available in member's own currency. Coupling the activation of SDRs in a limited amount each year with the assumption of reserve to dispel the widespread expectations that such 'overdrafts' would lead directly to worldwide inflation of paper currency.

[This article was written before August 15, 1971, when the new economic programme was announced by President Nixon.]

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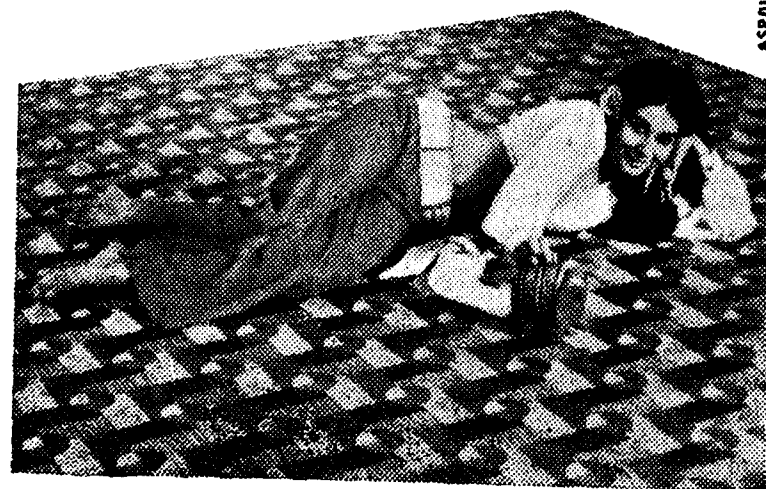
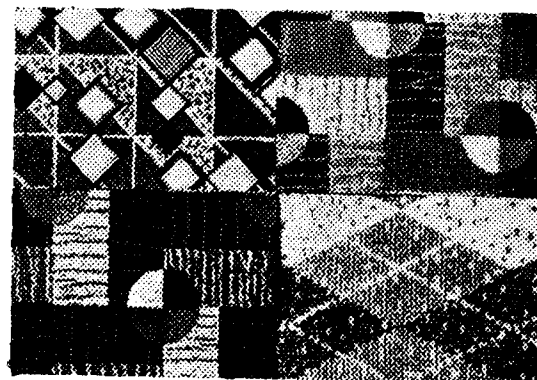
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WINDOW ON THE WORLD

Container Ports Around the World

JOSSLEYN HENNESSY

LONDON: low the 73 per cent figure achieved in 1969.

I GROWTH AND COMPETITION

THE MOST striking development in sea-borne trade over recent years has been the swift rise in the use of containers. Container ships, and consequent changes in techniques of cargo-handling, have led to the reequipping of ports to serve as container terminals. The need for new installations and equipment has provided a spur for competition between container ports. A new report prepared by the OECD Maritime Transport Committee on recent developments in seaborne container transport and related policy issues devotes a special section to competitive port developments and the challenge to which they give rise.

In continental Europe, established container ports have recently increased their throughput at rates as high as 50 to 100 per cent per year. The OECD report on which this article is based expresses considerable reserve on the comparability of available port statistics, as a result of differences of definition and details. Governments are co-operating to provide in future uniform statistics concerning the movements of large containers; but, until these improvements are established, the report suggests that available statistics are better suited to describing developments in individual ports than for comparing the performance of different ports.

Rotterdam, where container tonnage grew by 80 per cent in 1969, increased by another 75 per cent in the first half of 1970. With 1.3 million tons handled between January and June, Rotterdam was second only to Antwerp (1.4 million tons) among Europe's container handling ports. Antwerp's fast rate of increase in the first half of 1970 was exceptional; it was largely attributable to the rapid development of the Europe-Australia container service, which was centred on Antwerp and only transferred to its home port of Tilbury (London) after termination of a drawnout labour dispute. Bremen/Bremerhaven retained its place as the third largest container port, but its rate of increase during the first half of 1970 — 54 per cent — was significantly be-

low the 73 per cent figure achieved in 1969. For the United Kingdom ports it is not possible to determine the growth rate for traffic in large containers, because 1969 was the first year in which this traffic was recorded separately. For all unit loads — containers as well as "wheeled" units and similar devices — the tonnage of foreign traffic through the major ports increased in 1969 as follows: London 31 per cent, Dover 30 per cent, Southampton 60 per cent, Liverpool 42 per cent, Hull 87 per cent and Felixtowe 74 per cent. These increases are similar to those of Continental ports, but London's low figure was attributed to the labour conflict at Tilbury. Dover is almost entirely "wheeled" traffic of long standing. For the United Kingdom as a whole the increase in all unit load traffic was 56 per cent. According to the National Council the total container traffic through British ports was 7.05 million tons in 1969, rather more than for the rest of north-west Europe and Scandinavia combined.

Outside Europe, Japan as a country which is just entering the container field, is showing very high growth rates, in excess of 300 per cent per annum for 1969. In the United States, growth in the east coast ports is comparable to that of European ports, while on the Pacific coast, with new services developing rapidly the most recent growth rates recorded were well over 100 per cent.

II

DEVELOPMENT IN FACILITIES

The trend in port developments over recent months has been more towards consolidation and expansion of existing ports than to establishing new ventures, since virtually all major general cargo ports in Europe and the United States now have container handling facilities. However, although many ports have only just brought container into service, the speed of development has led to plans for expansion in many ports. Of 83 deep-sea container ports surveyed, 48 have further development plans. The most important recently reported are those for Southampton, Fos (in southern France), New York,

Philadelphia, Baltimore and the four main Japanese ports.

Europe-Australia

In Europe, the Europe-Australian service will be taking up two additional new ports, Flushing and Zeebrugge, both of which will begin operating during 1971. Zeebrugge has already been active in the short-sea trades and it is intended to develop the existing feeder services. In France, although it has been decided as a matter of policy to concentrate major container trading at Dunkirk, Havre and Fos, Bordeaux is to have a single-berth terminal for containers, from which a service to Africa will operate.

The most significant new project in Europe is the Falmouth scheme, which has recently received British Parliamentary approval. This is the first major project to be conceived as an entrepot scheme: Falmouth, in the extreme-south-west of England, is not well placed for hinterland traffic, and the plans envisage that cargo will be transhipped on to feeder vessels running high-speed services to and from about fifteen United Kingdom and continental ports.

Ceylon, Hong Kong, Malaysia

Outside Europe, the major new developments have been in the far east. Ceylon and Hong Kong have now joined Malaysia and Singapore to form a group of developing countries which are taking advantage of the development in containerisation. India has at last begun to show some interest in container ports but as yet no firm plans have been published. Other new ports to declare plans are Capetown and Nigeria.

III

COMPETITION BETWEEN PORTS

In recent months, problems of competition between certain ports have become more pressing. To maximise the economies of containerisation, and to justify the high speed and large capital investment required for container ships, port calls should theoretically be kept to a minimum. As several ports in a region equip themselves to handle a larger cargo volume and to serve a wider hinterland than they did when handling conventional general cargo, it seems inevitable that competition will intensify, particularly if inland transport costs become relatively less significant.

In West Germany, competition between Hamburg and Bremen/Bremerhaven seems to have been at least temporarily relieved by certain services

calling at both ports on alternate voyages. In the Netherlands, Amsterdam showed scarcely any increase in tonnage in the first six months of 1970 and its facilities were only half utilised, but Rotterdam continued to grow rapidly.

In the United Kingdom, problems of competition between ports have been examined from both the national and international viewpoints. A study was commissioned by the National Ports Council on the possible development of shortsea movements between Britain and a continental entrepot. One conclusion of this study was that deep-sea container services on most trade route will visit one UK and one Continental port. There would therefore be little scope for transshipment of deep-sea container cargoes between the UK and the Continent. However, delays in UK ports leading to slower ship turnaround than in continental ports could result in certain deep-sea container services by-passing the United Kingdom.

In the United States, competition between ports has created a serious situation on the Pacific coast. Under US legislation, disputes between ports or ocean carriers can lead to legal proceedings, and the Federal Maritime Commission (FMC) has recently been concerned with four cases.

Litigation in the USA

The first of these involves an agreement between six Japanese lines to form a consortium to operate between Japan and the states of Washington and Oregon in the USA, and Vancouver, BC, in Canada. Such agreements are subject to approval by the FMC. The port of Portland, Oregon, filed a protest against the agreement charging that the lines had unlawfully agreed among themselves to exclude service to Portland. Following hearings by the FMC and the US Court of Appeals, the Japanese lines and Portland reached an accord whereby the former agreed to serve Portland with one call approximately every twenty days.

In a second proceeding, the port of Portland, joined by the port of Oakland, California, protested against a lease agreement between the port of Seattle and the six Japanese lines for use of terminal facilities. Thus the FMC was obliged to order an investigation to determine whether or not the agreement could be approved under the provisions of the United States Shipping Act. As a result of the accord between the Japanese lines and Portland in the first case, Portland and Oakland have recently withdrawn their protest, and the FMC has approved the agreement.

Another protest by the port of Port-

land — that the practice of the Sea-Land Co. of calling only at the port of Seattle (and moving cargoes to Portland via overland transport) constituted a violation of the shipping statutes — led to FMC hearings. Many ports have intervened in this proceeding because the final decision will have great impact on future competition among container handling ports.

In a fourth case, Sea-Land charged that the port of Portland refused to accept the containers discharged by Sea-Land at Seattle and then moved by overland transport to Portland. The basic issue, which is relevant to the situation in many ports, is whether or not they must accept at their terminal facilities containers which have not been discharged from vessels at that port.

Competition? Control?

The question remains whether and to what extent governments should control competition between ports and the type of service provided to the hinterland. A specific hinterland problem is the degree of control over the use of inland transport as against maritime feeder lines to service ports not covered directly by major container-ship services.

On the one hand it is desirable, from a container operator's point of view, that he should be able to choose and to limit the number of ports which he serves and be free to select methods of distribution purely on the grounds of efficiency and quality of service; from this point of view it could be argued that ports should not indulge in

speculative investment in container handling facilities lest the under-utilisation of those facilities should waste capital resources and lead to pressures to distort the pattern of container services in order to give each port a "fair share" of the trade.

On the other hand, port authorities can argue that they have every right to compete for cargo and to invest for a potential future market. With the rapid pace of development of container services and the long time-scale required for port investment, it is often vital to plan for future handling capacity in advance of known demand. Where the ports are public utilities, it could be argued that the community might prefer to accept a lower than optimum return on their investment for social reasons.

The complex problems, which are reflected in the cases mentioned above have claimed the attention of the OECD Maritime Transport Committee for several years. However, the vigorous development of containerisation and the rapid changes which this entails for the seaports make it impossible to indicate the likely pattern of solution at the present time.

Sources and acknowledgements: The foregoing summarises a new report by the OECD Maritime Transport Committee on recent developments in sea-borne container transport, obtainable from the OECD Publications Office, 2 rue Andre Pascal, F75 Paris 16, France, but the OECD is responsible neither for the emphasis of my summary nor my comments.

The Rich Also Have Problems

E. B. BROOK

VIENNA:

WHILE THE world is making up its mind what it will do about the USA's temporary suspension of convertibility of its dollar and its ten per cent additional tax on imports, it may be useful to take a more intimate look than usual at the Europe—Britain will presumably be entering in about 18 months time.

Not a little adjustment of view is needed: the mass of technical jargon that has been growing up obscures a good many homely and important facts and the image of a colossus with trade tentacles the world over also hides some hurtful blemishes. There are those who regard the Common Market — more correctly the European Community — as an exclusively mercantile, almost mercenary, organisation while others

have the vision of a glorious Europe united in industry, commerce, labour and technical laws to an extent that would put the unity of the USA itself in the shade.

Both views are wrong. The European Community is much more than a merely commercial grouping; on the other hand, despite some successes in agreeing on international regulations for some aspects of transport operation, removing tariff and some other restrictions in commerce, there is no unity over patterns of industrial production or in such vital matters as patent laws and there remains a very strong sense of national interest, as the floating German mark has proved clearly enough.

It is also quite misleading to speak

of Britain "entering" or "joining" Europe. Britain, despite the often insular character of many of its people, has been an integral part of the Europe since long before Roman times; the Phoenicians of the eastern Mediterranean traded with pre-Roman Britain, the Roman and Norman conquests of Britain made the islands intimately a part of Europe; there has never been a time when Britain was remote from Europe although in the last three centuries Britain, like several other European countries, devoted much attention elsewhere. In post-war days Britain has been formally "in Europe" as a member of the EFTA from the time of its foundation 18 years ago, a member of the GATT and of the NATO, Europe's western defence group.

Closer Relations

What will be happening if Britain decides to join the Common Market is that its economy will be far more closely related than before with those of its six existing members. It is of no little consequence to Britain and to all countries associated in any way with it to know what these countries are really like.

The popular impression of an overall thriving prosperity is false; the idea that the Six are peopled with vigorous, active and eager populations with ever more progressive outlooks is equally wide of the mark. Every Market country has its problems, some quite serious; all of them are populated by peoples at least as conservative in their various attitudes as the British themselves; most of them have recent records of disturbed labour relations and some of them are distinctly backward in their commercial methods. The cheque as a method of payment, for instance, is little used and still distrusted, most bills are settled either in cash or by a form of postal order involving spending time in a post office.

The French, who reluctantly devalued their franc two years ago, are, in general, a nation of small shopkeepers and small farmers, with often intensely provincial outlook. The southern part of France neighbouring Spain presents the surprising picture of a supplier of food and raw materials to the growing industrial area of northern Spain. The rich wine lands of central and south-western France are international only in their trade; otherwise they are highly traditionalist. Eastern France, the homeland of de Gaulle, is one of the most conservative, hard working areas in a generally conservative, diligent country.

French relations with Federal Ger-

many have been soured more than most realised by the floating of the German mark in face of French insistence of loyalty to the concept of fixed exchange rates. The new financial problem coming this week from the USA will do nothing to sweeten that sourness. The French have been worried about inflation for about two years and tightened the availability of cash some three months ago to prevent their economy from becoming unbalanced. French bankers fear that the continuing currency crises could force French domestic demand to outstrip the national production capacity and so lead to deterioration in the French balance of payments. During the last two years the supply of money in France rose by 6.1 per cent and 15 per cent (in 1970) and up to the end of March had increased again by 17.5 per cent. These increases led the Finance Minister to warn France against a wave of inflation and to take special measures, not all of which proved to be practical, against the recent inrush of dollars.

Generally, despite its recent welcome to British membership of the Market, France feels itself to be on the defensive — against the flood of American money and industrial enterprise in Europe, against the strength of British banking and industry, against the floating German mark. France's co-operation with the USSR in expanding its automobile and fuel industries is, in part, an insurance against being obliged to yield some ground in the western trading world.

Germany's Economic Troubles

Federal Germany, likely to be Britain's major partner in the Market, is not free from economic problems which stem only to a small extent from some of its unique political troubles. To a large extent, Germany's troubles arise from living too well. Individual incomes have risen so steeply in a nation that has only 135,000 people unemployed, which has more than two million foreign workers doing much of the more laborious work, that the German nation almost literally floats in its marks while its consumer prices have risen 25 per cent in one year.

Floating the mark last May has resulted in some seven billion deutsche-marks of speculative money leaving Germany, to the improvement of its economic health; but far too much money still lies with the German banks and far too much money is still in circulation among the populace. One result is that, whereas in Britain private house ownership, despite steadily rising house prices, is increasingly the order of the day, the cost of houses in Germany is so prohibitive that ownership — short of mortgaging oneself for

life — is impossible. Most Germans unwillingly choose to pay rent so as to leave themselves enough ready capital for cars, clothes and the holidays. Almost all sizable towns have high class luxury shops. In standards of domestic living the Germans are years ahead of the British. Double glazed windows and deep freezers in the kitchens are almost commonplace; the really well-off middle class German has a private swimming pool, some with rollback walls and roof for use in winter months. A middle class family would need £1000 more annual income to live in Germany than it would need in England.

Italy's Downward Trend

The third major Market partner, Italy, was Europe's post-war second "economic miracle" till two years ago, when its expanding economy began to slow down sharply. The growth of the Italian national product has been very slow since last summer and a series of massive strikes in almost all spheres has put an end temporarily to almost all progress.

Italy's southern regions are a constant drain on the resources of as hard working a people as can be found in Europe, a people who derive no small part of their income—as do the Spaniards—from giving their fellow Europeans a summer holiday. Poverty in the south and continuing labour disturbances are not, however, Italy's most serious current problems. There has been an ominous increase in signs of insufficient demand for Italian industrial output, with some risk of deflation. There is some real risk of a recession in the economy and all hopes are being pinned on a revival this autumn.

To achieve recovery from its deepest and most sustained post-war slump the Italian economy needs a revival quickly. The prevailing mood of political and social uncertainty needs to be removed. Public funding is deterred by Italy's monstrous public debt. Small businesses, unable to stand the strain of taxes and poor trade, are disappearing rapidly. Recent elections seemed to bring a more serious and less combative mood to labour negotiations; the Fiat settlement appears to have some permanency; restrictions on the movement of currency have helped to improve the balance of payments since more money has to stay at home and the balance of trade is slightly better. Indications for Italy, at present the sick man of the Market, is that it may have seen its worst days and that investors, tempted to put money into Yugoslavia and Rumania, may keep it in its more familiar speculative home in the Italian markets and industry.

The Dollar Crisis: World Reactions

THE Japanese government announced on August 27 that it would let the value of the yen increase on the foreign market. Japan's decision came after two weeks of efforts to hold the yen to a parity of 360 yen=one US dollar. The Governor of the Bank of Japan stated in a supplementary statement that if the yen's margin of fluctuation against the dollar became too large, the central bank would buy dollars to stabilise the rate.

The government of India's decision to maintain the present IMF parity of the Indian rupee at 0.118489 grammes of fine gold per rupee was announced by the Ministry of Finance, on August 22. The effect of this decision — which amounts to a reiteration of the prevailing situation — is that transactions between the Indian rupee and the US dollar will remain within the prescribed margins around the present parity of one US dollar equal to Rs 7.50. The rupee-sterling rate will, however, vary from time to time, depending on the dollar-sterling rate in the London market which will not be allowed to fall below \$ 2.38 to one pound-sterling.

Following the above decision of the government of India, the Reserve Bank decided on August 23 to suspend forward purchases of sterling. This decision was reversed on August 28. Since then, forward purchases of sterling for delivery up to six months have been resumed at £ 5.5556 per Rs 100 as a measure to assist exporters and authorised dealers in foreign exchange. The rate accepted by the Reserve Bank is considered the floor or support level at which the central banking authority would cover foreign transactions, should the rupee-sterling exchange rate fall below the notified rate, in the next six months.

The United Kingdom announced on August 20 that, while the parity of its currency would remain unchanged at \$2.40 per pound-sterling, dealings for the time being would not necessarily be confined within the existing limits. The dollar-sterling rate would not be allowed to fall below \$2.38 per pound-sterling. However, it might be allowed to move upward beyond the present limit of \$2.42 per pound-sterling.

The following controls have been announced by the Treasury: (i) banks, discount houses and other institutions operating sterling accounts for residents of countries outside the sterling area will not for the time being pay interest on any increase in the balance starting on August 31; and (ii) financial institutions will not accept further deposits from non-residents for the time

being. No time-limit for these measures has been announced.

Permission has been withdrawn for the sale to non-residents of additional holdings of sterling certificates of deposit for treasury bills or government securities — or government-guaranteed securities — having a fixed maturity date earlier than October 1, 1976. Switching of existing holdings will be permitted. The extent to which authorised banks may convert foreign currency deposits into sterling is being restricted. The limit of the restriction was not given. The moves rule out investment by non-residents in various short-term securities, a favourite refuge for speculative money.

France introduced on August 20, a two-tier system under which the franc is floating freely for capital and tourist transactions, while the official transactions are being done at the official dollar exchange rate. The International Monetary Fund has approved the French decision. Under the French plan, the exchange rate for the franc in terms of the dollar remains at 5.5125 for sterling trade transactions and official transactions with other governments. But the rate for financial transactions, including money exchanged by tourists and movements of capital and "hot (speculative) money" of various kinds, are being allowed to move freely.

West Germany has allowed its currency to continue to float upwards against the US dollar. The D-mark was floated in May last. The West German government hopes that D-mark would soon float down to five or six per cent above parity with the dollar.

Italy has also floated the lira within certain limits. The official exchange rate, however, remains 625 lira to one dollar.

Belgium and the Netherlands have announced that they would maintain tight links between their own currencies but would allow them to float freely in relation to other currencies.

The Benelux nations—Holland, Belgium and Luxembourg — have proposed to "go it together" on the world currency markets and proposed to keep their three currencies within identical upper and lower brackets in terms of third currencies. The upper and lower limits set by the Benelux currencies are 0.75 per cent above or below the old fixed parity, allowing a total fluctuation of one and one half per cent. Should the circumstances require the central banks of the three members would step in with protective measures.

The Swiss and Austrian authorities — who upgraded their currencies by 7 and 5.05 per cent, respectively, on May 9 — are still stated to be deliberating upon their next steps.

Norway has not changed the parity of its currency in relation to the US dollar. An announcement by the Bank of Norway says that Norway would maintain its obligations to sell dollars "within the limits" of a rate of 720 crowns to one dollar at the most.

Portugal has decided to retain the present exchange rate of the escudo against the dollar.

The Bank of Greece has announced that it would keep the drachma pegged to the dollar at its usual rate of exchange. The Bank said it would however, exchange other currencies only, at their dollar value. This means, in effect, that the drachma will move with the dollar, up or down, in relation to other currencies.

The Canadian Prime Minister, Mr Pierre Trudeau, has stated in a broadcast: "A weak Canadian economy is of no help to the United States. We cannot sit idly and observe the impact of the US surcharge, which if it continues in effect against Canada, will hurt us more than any other country".

Chile has pegged its export and import payments on a dozen hard currencies whose values are expected to vary in relation to the US dollar.

The Australian government has stated that it would see how a floating pound-sterling and Japanese yen fare before deciding on the future rate of the Australian dollar.

New Zealand banks are to continue limited dealings in foreign exchange. The Governor of the Reserve Bank said in a statement that New Zealand banks had confined their dealings to sterling and limited facilities in other currencies for travellers.

Israel has officially announced a 20 per cent devaluation—from £ 13.5 to £ 14.20 to one US dollar. An official announcement later said that the rate of exchange between the Israeli £ and other currencies would be adjusted from time to time, according to their rates in relation to the dollar.

Indonesia announced on August 23 a devaluation of the rupiah by almost 10 per cent in what was officially described as a move to protect the nation's exports. The devaluation, raises the rupiah exchange rate to the US dollar from 378 to 415.

The Soviet Union devalued on September 1, the rouble in relation to all major foreign currencies except the US and the French franc.

Trade Winds

TRADE WITH E.E.C.

THE UNION Minister for Foreign Trade, Mr L. N. Mishra, had discussions here last week with the ambassadors of the EEC countries to impress upon them the urgent necessity of reducing the wide trade gap between India and the members of the EEC. He urged the EEC to expedite the conclusion of a commercial co-operation agreement with us about which a memorandum was presented to the Community last year. He emphasised that such an agreement was essential to remove the present imbalance between the two trading partners. During the last few years, our exports to the EEC have been less than half of our imports from there. Mr Mishra wanted the EEC to have a close look at the problems particularly relating to our exports of jute textiles and coir products. He pointed out that even Pakistan was being accorded a preferential treatment in respect of these products as compared to us. The coverage of these items under the generalised scheme of preferences, which was introduced by the EEC on July 1, 1971, he suggested, would help in improving the situation. Mr Mishra is expected to follow up last week's talks with the EEC ambassadors by a visit to Brussels — the headquarters of the EEC — next week. He might also later on visit the capitals of the Community countries.

RELEASE OF SUGAR

The union government has issued orders for release of 4,25,000 tonnes of sugar from factories for sale to licensed wholesalers. The release orders will be effective for delivery from September 1, 1971 to October 15, 1971, both days inclusive.

RICE RUBBER ROLLERS

The union government has been considering the question of creating further capacity in the country for the manufacture of rice rubber rollers to meet the increasing demand. It has, therefore, been decided by the government to invite applications both from existing units and new entrepreneurs for the installation of capacity for this item. Applications in the prescribed form from intending entrepreneurs for manufacture of rice rubber rollers have been invited so as to reach the Ministry of Industrial Development by September 30, 1971. These applications, complete in all respects, should be addressed to the CLP Section in the

ministry. In considering these applications, preference will be given to those applications seeking to locate their units in the industrially backward regions of the country. It has been pointed out that no import of plant and machinery or foreign collaboration will be allowed for the manufacture of this item.

SAMICA PAPER

A new process has been developed for making Samica paper by the Research and Development Organisation for Electrical Industry, Bhopal (RDOEI), attached to the Ministry of Industrial Development. This will help in saving Rs one crore in foreign exchange. Experiments for this purpose were conducted by RDOEI engineers for over a year. The final success was achieved a month ago when continuous sheets of Samica paper were rolled out at the paper making branch of the Forest Research Institute, Dehradun. The imported Samica tapes cost between Rs 70 and Rs 100 per kg. The preliminary estimates of the RDOEI indicate that indigenously made Samica tape should not cost more than three fourths of the imported prices and if produced on large scale the price is likely to be only about half the foreign prices. Samica paper used in insulation, is made from scrap mica by thermal and chemical treatments.

SUGAR STOCKS

The Indian Sugar Mills Association has denied the report that UP mills were holding back sugar stocks. On the contrary, the Association points out, the mills in UP were regularly selling sugar according to government release orders and consequently their prices have remained stable. During July, despatches from factories have been at a record level of 382,000 tonnes. Even during the month of (August) despatches continue to be quite satisfactory and were as high as 104,000 tonnes during the first week of August. The Association claims that in the face of such heavy despatches from factories it was clear that there was no holding back of stocks by the mills in UP or elsewhere.

INDIAN SUGAR MILLS

Association has expressed serious concern at complete suspension of sugar traffic for more than a fortnight at a stretch during the first half of

August, 1971, on the Northern Railway. Even after the withdrawal of these restrictions, supply of empties for sugar loading is very much restricted. Despite limit on indents by factories, large registrations for supply of wagons are pending. As a result, sugar factories are not able to even despatch sugar already sold by them and scarcity of sugar is being felt in the various distant consuming centres.

PROCESSED FOOD

The union government has appointed a six-member high powered committee on Processed Agricultural and Food Products. The inter-ministerial Committee is headed by the Secretary of the union Department of Agriculture. The Secretaries of the union Departments of Food, Economic Affairs, Industrial Development and the Planning Commission will be the other members of the Committee; while the Joint Commissioner (Export Promotion), Department of Agriculture, will be the convenor. The Committee will make periodical reviews of the situation regarding production of the various commodities for which processing and marketing facilities are to be provided on short and long term basis; suggest appropriate measures for creating the necessary processing facilities in the private and public sectors, and for adaptation of the products to market requirements; and determine the targets of production of the processed products for marketing in the country and abroad based on market development research.

SUPPLY OF EDIBLE OIL

There has been a fresh spurt in edible oil prices during the past few days. This has been ascribed in some quarters to the fears of reduced supplies of soyabean oil following the 10 per cent cut in foreign aid recently announced by the US authorities. The official circles believe that relief supplies of about 50,000 tonnes of soyabean oil, programmed earlier, will in no way be affected by the cut and that the first shipment of about 18,000 tonnes is already ready for shipment. This also applies to India's request for the supply of soyabean oil under the next PL 480 Agreement which is presently under negotiation. The STC is already holding sizable stocks of soyabean oil and

CORRIGENDA

In the Balance Sheet and Profit and Loss Account 1970, of the State Bank of Patiala, published on pages 304-308 in our issue of August 13, 1971, the figure on page 305 item No. 11 of Property and Assets side (1969) should be read as—Rs 2,87,308.15 instead of Rs 2,87,398.15 and figure on page 306 item No. 1 of Income side (1970) of the Profit and Loss Account should be read as Rs 3,29,10,850.94 instead of Rs 3,29,19,850.95.

government is committed to release a minimum quantity of 15,000 tonnes of this oil per month to the vanaspati industry in the next three months as well to meet any additional requirements for direct consumption as refined oil. Apart from soyabean oil, the STC is also holding over 50,000 tonnes of rapeseed at Calcutta and other centres; and, these are being supplied to the various states according to their requirements. Further supplies of rapeseed are also expected shortly under the relief programme.

RAPESEED OIL FOR REFUGEES

The first consignment of 7,168 metric tonnes of rapeseed oil, a Canadian gift for the East Bengal refugees, was handed over to Col. P.N. Luthra, Additional Secretary, Ministry of Rehabilitation, by Mr B. Wannop, First Secretary, Canadian High Commission in India, on August 20 at Calcutta.

RICE PRODUCTION

For the second year in succession West Bengal's contribution to the national food basket is substantial and it has led the country in rice production with 6.10 million tonnes, according to the final estimates of foodgrains for 1970-71, issued by the Directorate of Economics and Statistics of the union Ministry of Agriculture.

ROAD TRANSPORT

At the Zonal Conference of Indian Roads and Transport Development Association (IRTD) Calcutta branch held at Cuttack recently the transport commissioners of West Bengal, Bihar and Orissa formulated a number of specific proposals which would herald freer movement of road transport between the states of Bihar, Orissa and West Bengal. The conference also afforded an opportunity to the transport operators to discuss their problems with the three transport commissioners. The government officials encouraged a useful and purposeful discussion, which was much appreciated. Mr V. Narayanan, the Chairman of the association, stressed the importance of speeding road development and freer movement of road transport from one state to another.

INDIA-JAPAN COMMITTEE

The newly reconstituted India Committee for Studies on Economic Development in India and Japan held its first meeting recently to plan the preparatory work for the ensuing joint meeting of the India and Japan committees in December next. The members of the

India Committee are; Mr B.R. Bhagat, Chairman; Dr S. Chakravarty, Member, Planning Commission; Mr Mahendra; Mr Charat Ram; and Mr K.B. Lall, Secretary, Ministry of Defence; Members. The Members of the Japan Committee are: Prof. Ichiro Nakayama, Chairman; Dr Shigeo Nagano, Chairman, Nippon Steel Corporation; Dr S. Matsumoto, President, International House of Japan; Dr Seiji Tobata, Member, Japan Academy and President, Institute of Developing Economies; and Mr Yoshizane Iwasa, President of the Fuji Bank; Members.

SEABEDS COMMITTEE

The United Nations General Assembly last year resolved that the seabed beyond the limits of national jurisdiction is the common heritage of mankind. Peace and equity require internationally-accepted boundaries of these limits, and agreement on the related questions of the right of transit through international waters, fisheries, and regulations to govern exploration and exploitation of the seabed. The UN General Assembly told the UN Seabeds Committee to prepare for a conference in 1973 to resolve these issues. That conference is expected to create an international framework for the development of the ocean beds for the benefit of all mankind.

CONTRIBUTION TO A.D.B.

The Asian Development Bank accepted recently from the government of India a contribution of Rs three lakhs on a grant basis to the Bank's Technical Assistance Special Fund. Earlier in July 1970, India contributed Rs two lakhs to the Technical Assistance Special Fund. The second contribution, like the first, may be utilised for financing the procurement of such services of Indian consultants and experts as may be required by the Bank in providing technical assistance, in conducting feasibility or pre-investment studies in processing loan applications, in appraising or implementing projects and in the training of any personnel undertaken by the Bank in the course of its operations.

STEEL PRODUCTION

Raw steel production during July 1971 in 24 countries represented in the membership of the International Iron and Steel Institute was 31.54 million metric tons, compared with last July's figure of 33.84 million metric tons. This is a decrease of 6.8 percent. For the first seven months of 1971, the cumulative total was 236.58 million metric tons against 243.19 million

metric tons for the same period in 1970, a 2.7 percent decrease. The 24 countries covered in the report accounted for approximately 68.8 per cent of the 1970 world raw steel production, and for 97.7 per cent of world production excluding that of the USSR and other eastern bloc countries, mainland China and North Korea, they are Argentina, Austria, Australia, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Federal Republic of Germany, India, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, Republic of South Africa, Spain, Sweden, United Kingdom, United States of America and Venezuela.

WORKSHOP ON POPULATION

A Workshop on Health and Population Education in Schools is being organized by the union government in collaboration with the World Health Organization at Vigyan Bhavan, New Delhi from August 23 to September 4, 1971.

NAMES IN THE NEWS

Dr Yelavarthy Nayudamma, who took over as Director-General of National Council of Scientific and Industrial Research (NCSIR) succeeding Dr Atma Ram. Till recently he was Director of the Central Leather Research Institute. After his association with the Institute of Leather Technology, Madras (1943-45) he was deputed by the then government of Madras to the United Kingdom (1946-47) and to the United State of America (1947-51) to obtain advanced training in the leather technology. Dr Nayudamma is associated with the CLRI, Madras, in various scientific capacities.

New Chairman of the Burmah Oil Company, Mr J.A. Lumsden, has been a director of the Burmah Oil Company since 1957, and visited India in 1962. He succeeds the late Mr R.P. Smith.

Mr Lumsden is also a Director of the Bank of Scotland, Chairman of the Murray Johnstone Group of Investment Trust Companies, which includes the Scottish Western Investment Company Ltd, the Clydesdale Investment Company Ltd, the Caledonian Trust Company Ltd, the Second Great Northern Investment Trust Company Ltd, the Glenmurray Investment Trust Company Ltd, and the Glendevon Investment Trust Company Ltd. Mr J. C. Finlay, M.C., Chief Representative, the Burmah Oil Group of Companies in India, who was on leave now resumed office on August 25, 1971.

yana)—Room Air Conditioners—2,500 nos. p.a. after expansion. (SE).

Chemicals

M/s Delhi Cloth & Genl. Mills Co. Ltd; Najafgarh, Road, P.O. Box No. 1211, (DCM Chemical Works). New Delhi-15. (Delhi)—Caustic Soda—16,500 tonnes. (Annual capacity after expansion). (SE); M/s Chemo Pharma Laboratories Ltd; C.S. 215, Sewri, Bombay-15 (DD). (Maharashtra)—1. Urea Formaldehyde Moulding Powder—600 tonnes p.a. 2. Melmine Formaldehyde Moulding Power—250 tonnes, 3. Industrial Resins—250 tonnes. (UF & PF). (Annual Capacity on maximum utilisation). (NA).

Dye Stuffs

M/s Atic Industries Ltd; Atul, Bulsar Dist; Gujarat State. (Gujarat)—Disperse Dyes (Anthraquinone type)—150 tonnes p.a. (NA).

Textiles

M/s Kelvin Jute Co. Ltd; Mcleod House, 3, Netaji Subhas Road, Calcutta-1. (West Bengal)—Jute Carpet Backing Cloth—100 broad looms to produce 5080 tonnes of carpet backing cloth. (SE); M/s Hukum Chand Jute Mills Ltd; 9, Brabourne Road, Calcutta-1. (West Bengal)—Jute Carpet Backing Cloth—50 broad looms to produce 2540 tonnes of carpet backing cloth. (SE); M/s Universal Silk Mills, Mathuradas Mills Compound, Lower Parel, Bombay-13. (Bombay Maharashtra)—Art Silk Fabrics—116 Power looms acquired from M/s New India Rayon Mills Co. (P) Ltd; Bombay. (COB).

Paper

Shri B.N. Mathur, 90, Sundernagar, New Delhi. (Nasik, Maharashtra)—Art paper, Art Card & Plastic Dispersion Coated Paper Card & other speciality papers—3-3,000 tonnes p.a. (On the basis of maximum utilisation of Plant & Machinery). (COB); M/s Prasad Packagings, 1258-A, Jangli Maharaj Road, Poona-4. (Maharashtra)—Plastic Coated Industrial Packaging Paper. 1. ISCOFOL—360 tonnes p.a. 2. ISCOTHERM—360 tonnes p.a., 3. On the basis of maximum utilisation of Plant & Machinery). (NU); The Ballarpur Paper & Straw Board Mills Ltd; (Shree Gopal Division) Thapar House, 124, Janpath, New Delhi Yamunanagar. (Haryana)—1. Pulp—46,000 tonnes p.a. Writing & Printing Paper—46,000 tonnes p.a. (On maximum utilisation of Plant & Machinery). (COB); The Hindustan Tanneries (P) Ltd; P.O. Box No. 277, Kanpur—16. (Uttar Pradesh)—1. Sole Lea-

ther—70,000 nos. p.a., 2. Coloured Kattai—2,38,000 nos. p.a., 3. Picking Bands—42 tonnes p.a. (On maximum utilisation of Plant & Machinery). (COB); M/s Meenakashi & Co., 38, North Car Street, Post Box No. 39, Dindigul, Madurai. (Tamil Nadu)—Tanned Skins—3.60 lakh pieces of skins p.a. (COB); M/s Super Tannery, Jajmau, Kanpur—10. (Uttar Pradesh)—1. Vegetable Tanned hides—50,000 pieces p.a., 2. Chrome Blue & Finished Leather (Hides)—25,000 pieces p.a. (COB); M/s Hoh-i-Noor Tannery, Jajmau, Kanpur-10. (Uttar Pradesh)—1. Tanned Hides for Sole & Saddlery—10,000 Hides p.a., 2. Tanned 'Buff Skins'—75,000 Kattai & Banwar p.a. (COB).

Glass

M/s Jg. Glass Industries Pvt. Ltd; Pimpri, Poona. (Maharashtra)—Vacuum Flask & Vacuum Flask Refills—1.5 m. pieces p.a. on maximum utilisation of Plant & Machinery. (COB).

Cement

The Associated Cement Cos. Ltd; Project Planning & Sales Division, Cement House, 121, Mararishi Karve Road; Bombay-20. (Maharashtra)—Portland Cement—400,000 (tonnes on maximum utilisation of plant & Machinery. (COB); The India Cements Ltd; Dhun Building, 175/1, Mount Road, Madras-2. (Tamil Nadu)—Portland Cement—600,000 tonnes p.a. on maximum utilisation of plant & Machinery. (COB).

LETTERS OF INTENT

Metallurgical Industries

Fit Tight Nuts & Bolts Ltd., Old Ashram, Andheri Kurla, road, Andheri, Bombay. (Bombay-Maharashtra)—1. Gear Blanks light forgings, 2. Automobile flanges and Auto mobile parts, like Universal Cross, Rocker Arm, 3. High Pressure flanges and mild steel flanges, 4. Inner and Outer Ball Bearing Races, Total capacity of 7,200 Tonnes p.a. NA; M/s Poysha Industrial Co. Ltd., Tiecicon House, Dr. E. Moses Road, Bombay-1. (West Bengal)—OTS Cans, General Line containers and Closure Plain and Lithographed 30 million Nos. p.a. NU; M/s Poysha Industrial Co. Ltd., Tiecicon House, Dr. E. Moses Road, Bombay-11 BC. (Madras, Tamil Nadu)—OTS Cans, General Line containers and Closure Plain and Lithographed—30 million Nos. per annum. (NU); M/s Industrial and Agricultural Engg. Co. (Bombay) Pvt. Ltd, 43, Forbes Street, Fort, Bombay-1. (Bombay-Maharashtra)—1. Safety and Relief Valves

for steam Gas Liquid, medium pressure upto 40 Kg/cm² and above. Rs 30 lakhs p.a., 2. Pressure Reducing Valves for steam, Gas & Liquid (Automatic & Non-automatic), medium pressure upto 40 Kg/cm² and above.—Rs 12 lakhs p.a. 3. Medium and High Pressure valves for steam, gas and liquid, medium pressure upto 40 Kg/cm² and above, —Rs 42 lakhs p.a. (NA.)

Electrical Equipment

Shri Ajay Kumar Jain, Shree Ram Buildings, Jawahar Nagar, Delhi. (Faridabad-Haryana)—Electrical Stampings for motors and transformer laminations—2,000 M.T. per annum. NU; M/s Electronics Corporation of India Ltd., Industrial Development Area, Hyderabad-40. (Hyderabad-Andhra Pradesh)—Electronics Equipment—6,000 Nos. p.a. NA; M/s B. Chowdhury & Co. Indian Cable Chambers, Fort St. Bombay-1. (Bombay-Maharashtra)—HPMV Lamps—90,000 Nos. NA; M/s Golden Industries 10, Jessore Road, Calcutta-28. (24 Parganas-West Bengal)—Band Switches—Expansion from existing capacity of five lakhs to 10 lakhs Nos. p.a. (SE.)

Transportation

M/s Perur Engineering Products, 2/77, Alandurai Road, Perur, Chettipalayam, Coimbatore-10. (Coimbatore-Tamil Nadu)—Clutch release bearings for automobiles—3,50,000 Nos. p.a. (NU); M/s Sri Ram Das Motors Transport Private Ltd., Subhas Road, Kakinada. (Kakinada-Andhra Pradesh)—(i) Tie Rods—36,000 Nos. (ii) Drag Links—24,000 Nos. (iii) Universal Joint Crosses—90,000 Nos. joint crosses (NA); M/s Union Bearing Manufacturing Co., 511, Prasad Chambers, 5th Floor, Tata Road, No. 2, Bombay-4 BR. (Porbander-Gujarat)—(i) Ball Bearings—3.00 lakhs, (ii) Roller Bearings—4.00 lakhs (Needle Roller, Cylindrical Roller & Barrel Type), (iii) Tapered Roller Bearings—Two lakhs. (S.E.)

Industrial Machinery

Shri J. P. Aggarwal, Director, Jg. Moulds Pvt Ltd, 17-8, Industrial Estate, Hadapsar, Poona-13 (Maharashtra)—I.S. Machines and spares 12 Nos. valued at Rs 150 lakhs p.a. NU; Shreno Ltd, Alembic Road, Industrial Area, Baroda (Baroda-Gujarat)—1. Bottle Making Machines—5 Nos. 2. Press Wave Machines—2 Nos. 3. Decorating Machines—8 Nos. 4. Decorating Lehr.—2 Nos. 5. Annealing Lehr.—7 Nos. 6. Stackor—10 Nos. 7. Glass Feeder with Ferro hearth and Get Feeding Mechanisms. (NA) — Suessen Textile Bearing

Ltd. Bombay-Ahmedabad National Highway No. 8, P.O. ONGC Baroda-9. (Baroda-Gujarat)—(1) Top Arms & Apron guiding Devices. 3,00,000 sets p.a. (ii) Antifriction Ball Bearing Top Rollers/Arbours—12,10,000 sets p.a. (SE.)

Agricultural Machinery

James Warren & Co (I) Ltd. 31, Chowringhee Rd., Calcutta-16. (Punjab/Haryana/Uttar Pradesh)—Howard Tractor mounted Rotavators—25,000 Nos p.a. (NU.)

Engineering Industries

M/s Hada Tools Ltd, 10-A, Harrington Street, Calcutta-1 (Haryana)—Hacksaw Blades—40 lakhs: Nos per annum NU M/s Greaves Cotton & Company Ltd, 1, Forbes Street, Fort, Bombay-1—Rolling Cutter Rock Drill Bits—3,000 Nos per annum. (NU.)

Commercial Equipments

M/s Globe Industries Private Ltd. Agra Road, Mulund, Bombay-80. (Vapi—Gujarat)—Auto Air-Conditioners—3,000 Nos per annum. (NU.)

Chemicals

M/s Tamil Nadu Industrial Development Corporation Ltd. L.L.A. Building, 150-A, Mount Road, Madras-2 (Tamil Nadu)—Basic Chromium Sulphate (BCT) Powder—3,300 tonnes per annum. NU; M/s Modi Industries Ltd, Modinagar (UP) (Modinagar—U. Pradesh)—Oxygen Gas—10,36,800 cubic Meters per annum. (NA); M/s Mettur Beard sell Ltd, Bombay Mutual Building, 3rd Floor, N.S.C. Bose Road, Madras-1. (Bombay—Maharashtra)—Large and medium sized tanks made of polyethylene—400 tonnes per annum. NA; M/s Bombay Oxygen Corp. 5, Convent Street, Colaba, Bombay-1. (Bombay—Maharashtra)—Oxygen—additional capacity 0.45 million cubic Meters per annum. (SE); M/s Hindustan Safety Glass Works (P) Ltd, 2-St. George Gate Rd., Hastings, Calcutta-22. (Allahabad—Uttar Pradesh)—Polyvinyl Butyral Foil—75 lakhs Sq. Ft. per annum. NU; Panyan Cements and Mineral Industries Ltd, Cement Nagar. P.O. Karnool Distt (AP) (Hospet—Mysore)—Calcium Carbide—10,000 tonnes per annum NU; M/s T.I. Cycles of India Ambattur, Madras-53 (Ambattur Tamil Nadu)—Brighteners and Nickel Plating Salts—20 tonnes per annum

and four tonnes per annum respectively. (NA.)

Dye-Stuffs

M/s Indian Dyestuff Industries Ltd., Mafatlal House, Backbay Reclamation, Bombay-20 (Maharashtra)—Anthraquinone—Expansion from existing capacity of 1000 tonnes per annum to 2200 tonnes per annum. (SE.)

Drugs & Pharmaceuticals

M/s Synbiotics Ltd. Wadi Wadi, Baroda (Gujarat)—Neomycin Sulphate—Expansion from existing capacity of 300 Kgs to 1800 Kgs p.a. S.E.; M/s Merck Sharp and Dhome of India Ltd, Dugal House, Backbay Reclamation, Bombay-1. (Maharashtra)—Cynocobalamin and Hydroxocobalamin—Expansion from existing capacity of 72 Kgs to 144 Kgs per annum. (SE); M/s Wyeth Laboratories Ltd, Steelcrete House, Dinshaw Wacha Road, P.B. No 1423, Bombay-20 (Maharashtra)—Ampicillin formulations consumption of 1500 Kgs of Ampicillin with a annual capacity of—(i) Tablets/Capsules—50 lakhs. (ii) Injections—one lakh. (iii) Syrup—7.5 Kilolitre. (NA.)

Paper

M/s Punalur Paper Mills Ltd, Punalur, Kerala (Punalur—Kerala)—Pulp and Paper white printing, M.F. Brown, M.F. Blue, Match paper—Expansion from existing capacity of 12,500 tonnes to 33,000 tonnes p.a. (SE.)

Fermentation Industries

M/s Duncan Gilbey and Matheson (India) Ltd, 2, Ring Road, Lajpatnagar IV—Part I). New Delhi-24. (Uttar Pradesh)—Blended whisky (235 Kilo p.a.) Gin (135 Kilo p.a.) Brandy (162 Kilo p.a.) Rum (81 Kilo p.a.) Vodka (27 Kilo p.a.) (NU.)

Rubber Goods

M/s Fenner Cockill Ltd, P.B. No. 117, Madurai-1. (Tamil Nadu)—Industrial V. Belts and Fan Belts—expansion from existing capacity of 3,36,000 Nos. per annum to 35,00,000 Nos. per annum (on single shift basis) (SE.)

Leather, Leather Goods and Pickers

M/s Nava Bharat Enterprises (P) Ltd, 920-Dinabad Estate, Tilak

Road, Hyderabad-I. (Andhra Pradesh)—1. Finished Chrome Hides and Calf Upper Leather for shoes. 1.2 lakh Nos p.a. 2. E.I. Tanned Kips 0.3 lakh Nos p.a. 3. Wet Blue Chromed Tanned Skins (15.0 lakh Nos. p.a.) 4. E.I. Tanned Skins (3 lakh Nos p.a.) 5. Chrome Splits for lining counters (1.2 lakh Nos.) (NU); M/s The Hindustan Tanneries (P) Ltd, P.O. Box No 277, Kanpur-16 (Uttar Pradesh)—1. Chrome Upper Leather (1 80 lakh Nos. p.a.) 2. Garment Leather from skins (1.50 lakh Nos p.a.) 3. Suede Leather from skins (1.50 lakh nos p.a.) (NA); M/s Haripal Singh & Co. F-28, Hauz Khas Enclave, New Delhi—1. Upper Leather from calf sheep and goat skins. (Six lakh nos. p.a.) 2. Sole Leather (1.5 lakh nos p.a.) NU; M/s K.L. Narayansa, No 9, Seshadri Road, Bangalore-9. (Mysore)—Glass Bottles 18,000 tonnes p.a. (NU); M/s Lalit Kumar Agarwala P. O. Domchanch Distt. Hazaribagh, Bihar (Dhanbad—Bihar)—Machine made glass Bottles 18,000 tonnes p.a.; Shri Gautam Kumar, Krishna Bhawan, 2898-99, Sirkiwalan, Delhi-6. (Madhya Pradesh)—Glass Bottles, 18,000 tonnes p.a. (NU).

Cigarettes

M/s Nava Bharat Enterprises (P) Ltd, 4-I-920 Dinabad Estate, Tilak Road, Hyderabad. (Hyderabad—Andhra Pradesh)—Cigarettes—3,6000 million pieces p.a. (NU)

CHANGES IN THE NAMES OF OWNERS/UNDERTAKINGS

(Information pertains to particular licences only)

From M/s Victoria Cotton Mills Ltd, Calcutta to M/s India Linoleums Ltd, Calcutta-1.

LICENCES REVOKED / SURRENDERED

(Information pertaining to particular licences only)

M/s Maya Engineering Works Pvt Ltd, Calcutta 26. Tilting type power presses; M/s Diamond Sugar Mills Ltd, Gorakhpur (UP). Sugar. ; M/s Reliable Engineering Works New Delhi. Centre Lathes. M/s The Hindustan Construction Co Ltd, Bombay. Iron & Steel Structural.

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COMPANY MEETINGS

POYSHA INDUSTRIAL COMPANY LIMITED

The following are extracts from the Statement of Mr. M. R. Ruia, Chairman of Poysha Industrial Company Limited for the year 1970-71.

The tempo of progress continued to be maintained during the year. As against total sales of Rs. 711.65 lakhs for the whole group (Poysha Kaira Can Company and Colridge) last year, the figure for this year was Rs. 933.98 lakhs; excluding the element of excise, the sales rose from Rs. 708.31 lakhs to Rs. 855.54 lakhs. In the case of Poysha alone the rise (without excise) was from Rs. 540.25 lakhs to Rs. 679.92 lakhs. Sales by Kaira Can remained more or less stationary, while the figures for Colridge rose from Rs. 14.94 lakhs to Rs. 22.32 lakhs.

The gross profits for the year amounted to Rs. 54.26 lakhs, and the net profits after providing for depreciation, development rebate and taxation, amounted to Rs. 33.67 lakhs, as against Rs. 27.66 lakhs last year.

The Ghaziabad factory has been enlarged to accommodate another printing line and other equipment. The new printing line is now in operation. Ghaziabad is now in a much better position to meet and service the increasing demand.

At Cochin the main factory buildings are complete and electrification is going on. The factory should be ready for commissioning soon after the monsoon.

In our subsidiary, Kaira Can Company, too, printing lines are being set up, which should make it self-sufficient in the matter of printed tinplate sheets. Other balancing equipment is also being procured and we expect Anand to be fully self-sufficient soon.

TINPLATE SUPPLIES

The position regarding supply of tinplate continued to be unsatisfactory. Hindustan Steel and the Tinplate Company of India are expected to meet the full demand of the industry for general line containers; but the same irregularities in supplies and a continuously increasing backlog still persist, in spite of promises to increase production and improve supplies. As for O.T.S. tinplate, it is still under experimentation at Hindustan Steel; and while we are hopefully expecting an early im-

provement in the situation, we still have to import large quantities of suitable tinplate from abroad. This has now become a matter where Government should strongly and effectively intervene. In the context of the generally unsatisfactory situation of the steel industry, however, one does not know when the required improvements will materialise.

TAXATION

To add to these troubles, the taxation policy of the Government, in the matter of duties and of excise, has continued unaltered. I pointed out last year how the tin can was suffering from triple imposts, being taxed both on its prime raw material and on itself as a finished product, besides the tax on the canned product, too. This position continues unchanged, and has recently worsened as a result of the last budget which raised the duty on imported tinplate from 27½ per cent to 40 per cent. It would almost appear as if a dead set is being made against tin containers, on the misconceived ideological ground that preserved foods are mere luxuries beyond the reach of the common man. It is a well-known fact that about 30 per cent of the fruits and vegetables grown in this country is wasted on account of improper packaging, inadequate transport and lack of marketing facilities. Today, a mere 0.5 per cent of India's 20 million tonnes of fruit and vegetable production is being preserved. One would have thought that, the Government's basic policy being the promotion of agro-based and defence-and-export-oriented industries, close attention would be paid to the means of food preservation in this country, and to the increase as rapidly as feasible of the volume of foods so preserved. Unfortunately, this has not been the case. The fruit and vegetable preservation industry is largely a small-scale industry which is labour intensive and has a high employment potential. In the fight against malnutrition and under-nourishment, it will hold a key position in the creation of a more balanced diet than can otherwise be obtained. It is also important for defence requirements of "special convenience" and "survival" foods, which are even today of the value of Rs. 5 crores per annum. The Indian Institute of Fo-

reign Trade, after a recent survey of over 20 countries in Europe, West Asia and South East Asia, has also called for a bold programme of exports rising from its present value of Rs. 6.7 crores to Rs. 50 crores by 1975-76. This, however, can be achieved only with the active assistance of the Government by way of relief of taxation and other levies on the existing modern units. It has been calculated that, on the basis of current figures of exports, estimated at 20 per cent of the total production, there will be a need to raise the annual production of canned and preserved fruits and vegetables to at least 300,000 tonnes within the next five years.

A VITAL INDUSTRY

It is most unfortunate that the food canning industry in India is being treated as a luxury industry, whereas in the United States it is one of the most far-reaching and important of all industries. It is nothing short of a criminal waste of our food resources to allow a substantial part of the fruits, vegetables, etc., annually produced in this country to go to waste. I do hope that the Government will at least now take a realistic view of the importance of food preservation vis-a-vis national nutrition and the national economy, and change their taxation policy.

The crux of the matter as regards the tin can is the quality and price of tinplate. Tinplate prices have gone up by 50 per cent during the last five years; and considering that in the case of general line cans 50 to 60 per cent of the cost of the container, and in the case of the O.T.S. cans, as much as 70 to 80 per cent consists of the cost of the tinplate alone, one can understand the severe handicaps under which the industry is now operating. Successive levies on tinplate, on empty containers and on the final products packed in the container, are a burden which has, in increasing measure, to be passed on to the consumer who will soon find the tin can beyond his purchasing power. As it is, can prices in India for preserved foods are perhaps the highest prevailing anywhere and account for as much as 30 per cent of the total cost of the end products.

In a country like India where the

products have to travel long distances and have to face severe climatic conditions, they have to be packed with extreme care. This is more important in the case of processed foods where the tin container is vital, but where owing to the handicaps placed on it, it has had a continuous struggle to maintain its supremacy. If this struggle ends in failure, it will be nothing short of a major calamity.

FOREIGN COLLABORATION

I am happy to announce that our long-drawn-out negotiations with American Can Company, the largest can-makers in the world, have now been successfully concluded. All the points that have been outstanding between us and the Government of India have now been cleared.

As a result of this collaboration, many new items will be taken up for manufacture. They include beer cans (both conventional and specialised), aerosols, and cans with easy opening ends of both aluminium and tinplate. Many of the existing difficulties of the Indian processing industries can readily be solved with American Can's expert advice. Similar advantages will accrue in the case of our exports also, besides large savings by import substitution, and by the use, on American Can's advice, of thinner tinplate, plain or beaded, in lieu of conventional tinplate.

EXPANSION PROGRAMME

I am glad to announce that the Government have recently sanctioned of expansion by two more units of sizeable

capacity, one in Madras and the other in West Bengal. Steps will be taken to implement the projects as soon as possible. In O.T.S. cans a trend is visible for the shift of their most important markets from Bombay to the North and the South. Our Ghaziabad unit and the forthcoming unit in Madras will increasingly share in this business.

Our thanks are due to our staff and workers who have, as usual, fully co-operated with us.

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

M.R. RUIA
Chairman

Bombay: 27th August, 1971.

OIL INDIA LIMITED

(A 50:50 partnership of the Government of India and The Burmah Oil Company Limited, for Exploring, Drilling, Production and Transporting of Crude Oil and Natural Gas from Assam to the Eastern Sector Refineries: Gauhati and Digboi in Assam and Barauni in Bihar).

Statement of the Chairman, Shri Sarat Chandra Sinha to the shareholders at the Twelfth Annual General Meeting of the Company, on Thursday, July 22, 1971, Duliajan, Assam.

Gentlemen,

The final accounts of the year 1970 and the Report of the Directors have been with you for some time and, with your permission, I shall take them as read.

I will take this opportunity now to highlight some important features of our last year's activities, and update facts, where necessary. I shall also endeavour to give you an idea, as briefly as possible, of our future thinking, regarding the operations of our Company.

Dividends and Discounts

The financial workings of Oil India have been very satisfactory during 1970, and your Board of Directors has been able to recommend again the payment of a 13% Dividend (net of taxes) for the 4th successive year.

The final price of our crude for the year under review, worked out to Rs 95.40 per tonne, against an import parity price of Rs 105 per tonne, for comparable Middle East crude. The Company allowed a total price adjustment of Rs 733.58 lakhs in favour of the shareholders on the basis of its

formula price. Of this the Government of India's share was Rs 661.77 lakhs and that of the Burmah Oil Company Rs 71.81 lakhs, as reflected in the accounts. However, as the initial payments, received by your Company from IOC Refineries were on the basis of import parity rather than the formula price, the difference between the import parity payment and the final price for crude oil supplies to these Refineries, is refundable to the Government of India as cash discount. These cash payments of Rs 257.01 lakhs are the highest ever made to the Government, and include Rs 108.47 lakhs paid by your Company as Sales Tax on behalf of the Government. Since the Assam Oil Company pays for the normal crude oil supplied to it, at the final price, no cash discounts were payable to them.

Equity Loan Ratio

At one stage in Oil India's working, it had a capital structure of Rs 28 crores, besides Rs 58 crores approximately, by way of loans, which gave an equity to loan ratio of 1:2. As on December 31, 1970, whereas the equity remained the same, the loans had been reduced to Rs 31.67 crores, giving an equity to loan ratio of approximately 1:1.1,



which reflects the sound financial policies pursued is the Company. This ratio, it is expected, will go on decreasing from year to year.

Operational Highlights

For the second year in succession, production of crude oil exceeded the 3 mtpa mark. It was also the first year when the total deliveries of crude oil to the refineries were slightly in excess of 3 million tonnes, thereby eliminating the necessity of selling any part of the crude in the pipelines, as had been done in the previous years.

The production rate has recently been stepped up to a level of 3.1 mtpa to maintain adequate supplies to the eastern sector refineries. With a view to offset depletion of reservoir energy because of regular production, several water and gas injection schemes have already been implemented, and more are expected to come into operation, during

the current year. Up to December 31, 1970 over 0.9 million kilolitres of Water and 60.6 million cubic metres of gas, had been injected into the oilfield formations.

In comparison with 1969, gas supplies to outside consumers increased by about 5 to 7 percent in 1970. The total off-take by these consumers is still much less than their commitments. Meanwhile various installations work on O.I.L.'s own project for utilisation of gas are under way.

On the exploration front, our emphasis during the year had been to probe the potential of the Kusijan structure in the Dum Duma area. Kusijan 2, an exploratory well, was completed as an oil producer in 1969. As per the rules in the Petroleum Exploration License grant, an application was then submitted by the Company for a mining lease over this area. Therefore, strictly for accounting purposes only, any further drilling in this area is technically designated development drilling, but, in reality, it continues to be in the realm of exploratory drilling. Two such exploratory wells, Kusijan Wells 3 and 4 have been completed as producers of gas and condensate. Evidence from all the four wells drilled so far in Kusijan, has indicated only a marginal increase in Oil India's crude oil and natural gas reserves.

In the sphere of development drilling, operations are spreading out to meet the dual requirements of developing known pools and probing outlying structures, away from the main producing centres, with a view to find new reserves and sustain 3 mtpa production for as long as possible. Here our efforts have met with some success, particularly within the Moran Mining Lease.

The meterage drilled in exploratory and development wells during 1970 exceeded the target by 3,138 metres or about 10,295 feet. The drilling performance during the first half of 1971 continues to be satisfactory and it is hoped that, barring unforeseeable developments, the target will again be exceeded during the current year.

It will be of interest for the members to know that considerable progress has been made in the application of advanced techniques and computer technology to interpret seismic data for releasing new locations. Computer programmes are also being successfully used for detailed investigation into the behaviours of underground reservoirs. The Company has entered into an agreement with a reputed firm of the USA (D.R. McCord Associates) to utilise a set of highly sophisticated computer programmes (viz. 3-D 3-Phase Reser-

voir Simulation Model) for reservoir studies.

As against 141,400 tonnes of ONGC crude transported in 1969 through our pipelines, we transported about 168,100 tonnes of their crude to the IOC Refineries during 1970, from our Moran installation. Early this year, the pumping capacity in Moran has been increased to accommodate more such ONGC crude, and currently we are lifting their crude at 0.33 mtpa rate. An interim tariff rate for ONGC crude transportation has been finalised and will remain operative till the end of 1971.

In pursuance of the decision of the Government of India to set up a new refinery and petrochemical complex at Bongaigaon, we are likely to be asked to increase the capacity of our pipeline system between Moran and Bongaigaon by 1 mtpa by 1975. Should this request materialise, and a reasonable commercial tariff be agreed for the transportation of this 1 mtpa of ONGC crude, we would be likely to need to put in an additional capital outlay of about Rs. 7.5 crores during the 1972-75 period.

In view of the overall demand for LPG (Liquefied Petroleum Gas) in the country, we are considering setting up of a plant for extraction of LPG from the associated gas produced in our fields. The Shareholders have agreed to amend the Memorandum of Association of the Company to include this operation. Our application for this amendment required under Section 17 of the Companies' Act is now pending before the Assam High Court.

We are also thinking of entering the business of consultancy services in the fields of reservoir engineering and pipeline engineering. We have considerable experience in these fields. We are operating one of the most modern pipelines of its kind in the world. We are also about to acquire one of the most comprehensive sets of programmes on computer study of oilfield reservoirs, presently available in the world. If our request for the amendment of the Memorandum of Association to start these consultancy services is finally agreed, we intend to proceed with the rest of the formalities soon.

Indigenous Crude Production

Despite every effort being made to increase the production of crude oil in this country, the gap between total requirements and indigenous production seems to be widening. Therefore, unless more crude sources are found, and production is increased to bridge the gap between the demand and supply, there would be a heavy out-go of foreign exchange in the years to come. It is futile to expect that self-sufficiency could

be achieved in the near future without bold decisions regarding investments in exploration, development of oil resources and managerial talent. It is my feeling that with all the expertise available to OIL now, it can play a bigger role than what has been assigned to it so far in the search for oil in this country.

Board Changes

With the appointment of Shri A.B. Das Gupta, Managing Director, Oil India, as Member (part-time), Oil and Natural Gas Commission, there are, at present, three common Directors in these two organisations engaged in exploration activities. Besides Shri Das Gupta, the other two are Shri B.S. Negi, the present Chairman of the Oil and Natural Gas Commission, and Shri M.V. Rajwade, Joint Secretary, Ministry of Petroleum. It may be recalled here that this fully meets the recommendation of the Estimates Committee of the Fourth Lok Sabha which had suggested that there should be common directors in these two organisations to achieve full cooperation.

Shri Dev Kanta Borooah who had been appointed as a Government Director and Chairman of the Board in May 1968 and had continued as such alternately as a nominee of the Government of India and The Burmah Oil Company, resigned early this year on assuming the office of the Governor of Bihar. This vacancy, as you know, has now been filled in by my appointment.

Employee Relations

The year 1970 has been another year in which the relationship between the workers and the management continued to remain cordial. A new Agreement was negotiated with the recognised Union, and signed for a period of four years. In terms of this agreement, the management has made significant concessions in respect of pay and other perquisites.

I am thankful to the Executives and the Workmen for the high standard of efficiency that they have maintained throughout the year in keeping with the traditions of this Company.

I wish to thank my colleagues on the Board, the two Executive Directors, and the Resident Chief Executive at Duliajan, for the able management of the Company's affairs. I congratulate Shri A.B. Das Gupta, Managing Director, on the conferment of "Padma Shri" on him. With this, Oil India has earned the signal distinction of two of its Directors, one past and one present, being given such honours.

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

THE FERTILIZER CORPORATION OF INDIA LIMITED

Speech on the Report and Accounts for 1970-71 delivered at New Delhi on August 31, 1971

BY

H.N. Sethna, Chairman



Shri H.N. Sethna

Gentlemen,

I have great pleasure in welcoming you to this, the 15th Annual General Meeting of the Corporation. The Director's report and audited Statement of Accounts of the Corporation for the year ended March 31, 1971, have been circulated to you and, with your permission, I shall take them as read.

I am glad to inform you that during the year 1970-71 your Corporation made a gross profit of Rs 17.07 crores which, after providing for depreciation (Rs 11.82 crores) and interest (Rs 3.58 crores), resulted in a net profit of Rs 1.67 crores. The turnover of the Corporation has increased to about Rs 78 crores as against Rs 66 crores during the previous year. Against an Authorised Capital of Rs 200 crores, the Corporation's paid up capital stood at Rs 115.55 crores.

Profits at Nangal and Gorakhpur declined mainly due to drastic power cut in the former and power interruptions and increased costs of raw materials and utilities in the latter. Trombay made a recovery this year showing some profit. These three Units together with the P & D Division made a profit of Rs 4.69 crores. However, Sindri and Namrup Units have together made a loss of Rs 3.02 crores.

Drastic Power Cut

The production at Nangal during the year was 53,926 tonnes of Nitrogen as against 79,765 tonnes during the previous year. The production loss at Nangal was entirely due to the drastic power cut imposed by the Bhakra Management Board and this Unit which exceeded the rated capacity last year, was thus forced to sustain a heavy loss of profit to the extent of about Rs 2 crores.

The production at Gorakhpur dur-

ing the year was 67,752 tonnes of Nitrogen as against the previous year's 72,710 tonnes. In the case of Gorakhpur also there were serious power interruptions which adversely affected its performance. Your Directors are deeply concerned over the non-availability of the required quantum of power, especially at Nangal, and have approached the Government for their intervention.

Trombay's production during the year was 57,646 tonnes of Nitrogen and 24,145 tonnes of P_2O_5 as against the previous year's production of 48,012 tonnes of Nitrogen and 16,988 tonnes of P_2O_5 . Trombay has significantly improved its performance during the year and it is anticipated that it will improve further.

In the case of Sindri, which is an old plant, problems peculiar to ageing still continue. The production during the year was 84,474 tonnes of Nitrogen as against 87,306 tonnes of the previous year. Your Directors have taken various corrective steps to remedy the problems and these are in various stages of implementation.

Namrup Unit's performance with a production of 27,659 tonnes of Nitrogen has improved marginally over that of last year's production of 25,821 tonnes. The initial teething troubles at Namrup are being got over; but this plant, because of its low capacity and locational disadvantage, may not significantly improve in profitability till the proposed expansion has been completed.

Cost Increase of Inputs

Your Directors are deeply concerned over the all-round increase in the cost of various inputs viz., increase in the electricity rate, increase in naphtha prices, increases in freight, labour cost,

etc., without a corresponding increase in the sale price of fertilizers, which, in some cases, as you are aware, is controlled under the Fertilizer Control Order.

To make matters worse, recently there has been decrease in the price of Urea by Rs 20/- per tonne which will significantly reduce the profits of the Corporation in future as Urea-based plants with substantial capacity are being built up. It is significant to note in this connection that although the Government is rightly anxious to reduce the price of agricultural inputs, like fertilizers, in the overall interest of development of agricultural production in the country, there has been continuance of the 10% excise duty on fertilizers which has been passed on to the consumers.

In other words, your Corporation is adversely hit on both fronts that is, continued increase in the input cost and a reduction in the price of products, while the Government retains the benefits of what the market can bear through the imposition of an Excise Duty. It is significant to point out in this connection that your Corporation had paid an amount of Rs 5 crores as Excise Duty on finished products during the year.

Your Corporation's internal resources generated since the commissioning of the Corporation's oldest Unit at Sindri amount to Rs 107.92 crores, including Rs 91.27 crores as depreciation and Rs 15 crores as Development Rebate Reserve. The Internal Resources generated in 1970-71 was Rs 12.28 crores.

Your Corporation has been awarded an amount of Rs 100.52 lacs by the Court of Arbitration. The International Chamber of Commerce, Paris, in a dispute with Messrs St. Gobain. The Corporation is deeply indebted to the

dedicated band of its employees who were responsible for this effort.

Seven Projects Being Built

During the year, your Corporation had seven major projects under construction. These are Durgapur, Barauni, Rationalisation Project at Sindri, Namrup Expansion, Ramagundam, Talcher and Trombay Expansion. This task, which is expected to cost approximately Rs 450-500 crores over a period of approximately 4/5 years, is being carried out entirely by our Planning & Development Division, an achievement unique in this country.

Of these, Durgapur is expected to go on stream in the end of 1971, initial trial runs having been already started. The projects at Barauni and Namrup are expected to be commissioned by the end of 1972. Delay in the supply of indigenous equipment by the fabricators, shortage of structural and other steel items and problems of contractors' labour at site have severally affected the completion of the project on schedule.

Though some of these problems are not uncommon in the initial stage of a developing nation, yet such difficulties in regard to inadequate capacity for indigenous fabrication, non-availability of structural steel, etc., will pose problems for timely execution of the projects.

Why Coal-based Plants?

A mention may be made in this connection about the two new coal-based plants at Talcher and Ramagundam. These two large fertilizer plants based on coal are being put up for the first time in the country, and this has considerable importance from the socio-economic point of view. Since the projects are based on coal, which is abundantly available in the country, there is no recurring foreign exchange involved in the use of raw materials.

Apart from this, the development of coal mines catering to these projects will generate additional employment potential in the coal mining industry to the extent of about 3000 persons in each area. These two projects together with the coal mining industry would contribute to the development of all infra-structure industries and trade from which the industry will derive substantial benefits.

Our Planning & Development Division at Sindri continues to play its important role in research and development, planning, designing and engineering, procurement of plants for all the major projects in hand, as well as some of the minor projects forming part of the diversification schemes of the Units. Planning of new projects at Haldia, Nangal Expansion, Capacity Stabilisation Schemes for Gorakhpur and Trombay, Sindri Modernisation and

Paradip has also been undertaken. This year the Division has accepted a consultancy assignment from a private sector company for the design of a plant to manufacture Sodium Nitrite and Sodium Nitrate based on our know-how. We are probably the only organisation in India which is capable of catering to its own demand for complete design and engineering services including indigenous process know-how and also making it available to other organisations.

Marketing Expanded

The Marketing Division of your Corporation is on the threshold of large scale expansion to take care of the marketing needs that will come up in the next few years. The Eastern Marketing Zone catering to the Units in the eastern sector has at present about 1,000 dealers and 5,000 retailers. Regional offices have been established at Durgapur, Gauhati, Bhubaneswar, Patna and Raipur. This Zone is being geared to meet the seedling programme for Durgapur, Barauni and Talcher projects. Similarly, the Trombay Marketing Zone is being further developed to meet the market development and promotional activities relating to Trombay Expansion and Ramagundam projects. Nangal and Gorakhpur factories are marketing their production.

During the year, the Unions at Namrup, Durgapur and Barauni have signed agreements with the Management binding for a period of five years for continuing Government of India scales of pay and dearness allowance with a minimum wage of Rs 170/- per month as in the case of other Units which entered into similar agreements last year. An agreement was also signed with the Trombay Union in the matter of linking the dearness allowance with the Bombay consumer price index. During the year, generally speaking, the industrial relations have been somewhat satisfactory.

New problems which have cropped up during the year are local situations leading to tensions, especially in the eastern sector, on the question of employment. While your Corporation continues to bestow adequate attention and are evolving a liberal policy to meet genuine local aspirations to the extent possible, it must be pointed out that such tensions will retard the progress of projects and also affect production which will cause overall economic problems.

Fresh Management Approach

I would like to bring to your notice that during the year there has been a new approach to Management outlook for conducting your Corporation's business in all areas of activity. In regard to the problems of production,

maintenance, materials planning, inventory control, sales etc. Quarterly Production Review Meetings are regularly held where problems are reviewed and discussed by the Directors with all those concerned and corrective action taken. Similarly, quarterly meetings of Material Managers are also conducted to review and control inventories in all aspects.

In regard to marketing, meetings are held quarterly with the Zonal and Regional Marketing Managers to review problems relating to sales, supplies, distribution, credits, etc. On the promotion and extension side, quarterly meetings of a panel of agronomists and scientists of the Corporation with the Directors of Agriculture of the concerned States and also with the agriculture scientists of the Universities are held to review and plan for demonstrations, trials, publicity and other promotional measures for the two cropping seasons.

The management Reporting cell established in the Central Office has evolved a rationalised system of reporting to top Management. Your Corporation has increased its reliance on computers for data processing, engineering applications, project scheduling and other commercial applications. An Executive Committee of Functional Directors comprising the Managing Director, Director (Finance), Director (Projects) and Director (Production) has been set up during the year for conducting your Corporation's business in regard to important day-to-day problems and policies. This Committee meets frequently and discusses problems in all their aspects and takes decisions in accordance with the powers delegated by the Managing Director. Your Corporation has also constituted four standing sub-Committees, viz., Operations Committee, Projects Committee, Personnel Committee and Finance Committee to scrutinize and review the specific problems and policies that come within the respective area of responsibility.

In conclusion, I am happy to put on record my gratitude to you, the shareholders, for the confidence, trust and understanding extended to your Directors and to me. I also express my gratitude for the cooperation and assistance I have received from my colleagues on the Board, the officers and employees of the Corporation in the matter of formulation and implementation of your Corporation's policies and programmes. I have no doubt that with this cooperation, assistance and understanding, the challenging problems posed by the growing activities of an expanding organisation like yours, in the years to come, can be faced boldly and with good results.

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

BOOKS BRIEFLY

Strategy for Developing Economies

Trade Strategy For Rich And Poor Nations: Edited by Harry G. Johnson, George Allen & Unwin Ltd, (1971); Pp 232; Price 50s.

The Demand For Money In India — A Sectoral Approach: M. Saravane; Vikas Publications, Delhi, (1971); Pp 197; Price Rs 27.50.

Small Industry In The Seventies: Ram K. Vepa; Vikas Publications, (1971); Pp 307; Price Rs 45.

Bureaucracy and Politics In India: C. P. Bhambhri; Vikas Publications, Delhi, (1971); Pp 349; Price Rs 36.

Values And Economic Development — The Indian Challenge: V.K.R.V. Rao; Vikas Publications, Delhi, (1971); Pp 182; Price Rs 20.

Small Industry Exports: O. P. Jain; S. Chand & Co. (Pvt) Ltd, New Delhi, (1971); Pp 342; Price Rs 35.

Reviewed by ACADEMICUS

The Atlantic Trade Study Programme which started its activities in 1966 is mainly concerned with exploring "the potentialities and possible problems of the formation of a free trade association among the advanced countries of the Atlantic area." The study was envisaged against the background of the liberalisation of international trade and payments that had characterised the period and that had contributed greatly to world prosperity and economic growth. This volume *Trade Strategy for Rich and Poor Nations*, edited by Harry G. Johnson presents three major studies which extend beyond the confines of a plan for a free trade association into the basic issues of the consequences of trade and the problems of economic policy formation in an open society.

Regressive Steps

When the Kennedy Round of negotiations for tariff reductions was approaching its fairly successful conclusion, it seemed both logical and prudent to consider the next step towards freer trade and steps to be taken in that direction. But unfortunately the situation on the international trade liberalisation front deteriorated and in mid-1970, rather than being prepared for further steps towards trade liberalisation, the major nations seem bent on a reversal of the post-war trend towards free trade and on a retreat into the protectionism that had so disastrously crippled the world economy during the inter-war period. In this situation the prospects for rational and informed discussion of alternative strategies for further liberalisation appear to be bleak. On the other hand the need for such a discussion both from the point of view of developed as well as developing countries appears to be greater today in view of the disillusion-

ment shared by most of the countries in regard to foreign aid which at one time was expected to act as a catalytic agent of the economic development of backward countries.

After surveying the field and the achievements and failures of the UNCTAD I and UNCTAD II, the editor has come to hold the view that the best and most effective contribution which the developed countries could make to the economic development of the backward regions of the world, given the contemporary disillusionment with the official foreign aid, would consist of non-discriminatory reduction or elimination of barriers to exports of manufactures and semi-manufactures from developing to developed countries, including both tariffs, quota and other restrictions, coupled with an effort to regularise and liberalise trade in agricultural products. The author has warned that through-going steps in this direction, would require both procedures for dealing equitably with the problem of market disruption and development of methods for providing adjustment assistance to industries in the developed countries adversely affected by import competition. Dr Johnson is apprehensive of the trend of development in the direction of regionalisation of world trade which would be very unfortunate as it would have serious international political consequences.

Liberalisation Advocated

Dr Harry Johnson along with his colleagues has been advocating liberalisation of international trade which according to him should be based on a dynamic theory of comparative advantage. However convincing the arguments from purely theoretical angle the prospects of such a policy being

accepted either by the developed or developing countries are very remote. The trends in the field of international trade seem to be exactly in the opposite direction, Great Britain proposing 15 per cent duty on textile imports from India and the USA raising the import duty by 10 per cent on imports from most of the countries including developing countries. As in the case of the classical economists, Dr Harry Johnson's arguments appear to be valid in the long-run which seems to be his main concern. But most of the countries of the world appear to be more concerned with the short-term problems towards the solution of which the analysis in this book would appear to contribute very little. And yet the articles by Harry Johnson, David Wall, Hans Liesner and M.D. Steur are extremely readable as they provide a model to be kept in view by developed as also developing countries and move towards its achievement in the long-run, if all the countries of the world are to progress together hand-in-hand.

INCOME VELOCITY OF MONEY

In this book *The Demand for Money in India*, M. Saravane has made an attempt to explain the behaviour of income velocity of money in India. He defines the income velocity of money as "the ratio of national income at current prices to the quantity of money with the public", while the quantity of money is defined in the conventional sense and includes both currency with the public and all demand deposits.

A few scholars have already made attempts to analyse the determinants of income velocity of money, mainly with a view to assess the influences, if any, of the rate of interest on demand for money as an asset. But in all these empirical studies, the demand for money function is dealt with at the aggregate level. The author in this study has adopted a sectoral approach to the problem of income velocity of money.

The sectoral breakdown distinguishes between the household sector and the business sector. The household sector is defined as comprising individuals, non-corporate business (including agricultural sector) and private collectives like temples, educational institutions and charitable foundations. The business sector includes only those large and medium sized non-governmental non-financial public limited companies which are included in the Reserve Bank surveys. The rest of the business sector which includes private limited companies, government companies, local authorities, non-banking financial institutions and others are grouped together as "the other".

sector and the author has not undertaken the investigation of the demand for money of this last sector for two reasons, namely, no continuous time series of the required data for these categories are readily available for the period under review (1950-51 to 1962-63) and secondly, their money holdings are relatively small.

Demand for Money

At the sectoral level the general approach of the author is to analyse the demand for money by visualising money as one among the range of assets that compete for a place in the household or the business asset portfolio. The approach of the author is in consonance with the recent developments in the monetary theory to integrate monetary theory with capital theory. This means that the author has analysed the problem of the demand for money as a part of the problem of the changing level and structure of assets and liabilities of each sector.

It is extremely instructive to observe the conclusions at which the author has arrived. On the basis of the empirical data, he has concluded that income velocity of money, defined as the ratio of national income to the quantity of money with the public, fell over the first five-year plan period and rose during the period of the second five-year plan. Over the period 1950-51 through 1962-63, a mild declining trend in the income velocity of money could be discerned.

As regards the significance arising on account of monetisation and of shifts in the proportion of marketed agricultural surplus for income velocity of money, it is revealed that while the secular need for monetisation creates an increasing demand for money and implies an upward trending ratio of transaction velocity to income velocity of money, the short-term shifts in the proportion of marketed agricultural surplus bring about changes in income velocity of money and the general price level in the same direction. This means, according to the author, "the determinants of the marketed agricultural output constitute a meaningful body of factors influencing income velocity of money in the short-run." The long-run policy of monetary expansion at a rate higher than the rate of growth of real output as warranted by the long-run objective of monetisation may therefore, according to the author, endanger the maintenance of stability in the general level of prices, if the short-run swings in marketed agricultural output are ignored.

According to the author, with the exception of the years 1952-53, 1960-61 and 1961-62, the household sector was

the biggest contributor to changes in the income velocity of money during the period under review in this book. This in other terms means that the factors influencing the household sector's income velocity of money emerge as the most significant determinants of income velocity of money at the aggregate level.

Shift from money balances into near-money assets (time and saving deposits with banks) on account of liquidity characteristics and earning capacity of these assets is one of the important factors which has bearing on this sector's income velocity of money. Further, under conditions of constant rural saving-income ratio, shift in income distribution in favour of urban households has depressing effect on the velocity of money whereas shift in favour of rural households has stimulating effect on velocity. This conclusion rests on the observation that urban households are more prone to save in financial assets including currency.

According to the author the contribution of all non-government, non-financial private and public limited companies to changes in aggregate income velocity of money was somewhat lower than what the changes in these companies' sales velocity of money would suggest.

On the above basis the author comes to the final conclusion that having in view the fact that bulk of total liquidity was with the household sector at the end of 1962-63 whereas the liquidity cushion of the non-financial non-government public limited companies was heavily eroded by that time, it can be stated that the community's power to influence significantly aggregate income velocity of money in the upward direction was with the household sector of the Indian economy.

The author's attempt, though essentially of an exploratory nature and though fraught with various limitations due to inadequacy and also crudity of available material, is extremely praiseworthy. Along with the quantity of money understood in the conventional sense, income velocity of money is an equally important factor influencing the price level and the level of economic activity and very little effort has been made so far to ascertain that velocity. This exploratory attempt is therefore, with all its limitations, extremely welcome and has prepared the ground for further intensive research in this unexplored field.

IN THE SEVENTIES

The author has already written a number of books on different aspects of small-scale industries some of which have already been reviewed in

these columns. *Small Industry in the Seventies*, is another excellent addition to the subject which is going to be of increasing significance in developing countries in years to come.

The seventies will certainly be an exciting decade in the history of developing countries. In the process of their economic development, growth of small industries is emerging as an important element for a number of reasons such as creation of new employment opportunities, diffusion of skills in rural areas and removal of regional imbalances. According to the author Japan and India are demonstrating that small industries can play a vital role in the economic development, provided they are integrated with the larger framework of growth which requires careful thought both in formulation and implementation. The author has drawn heavily on the experiences not only of Japan and India but also of those other countries of Asia, Africa and Latin America so as to give a proper perspective to the status and potentialities of small industries in these countries. The author has made an attempt to identify the key areas of development and examine them

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in depth and outline a broad strategy of a development programme.

Faced with the problems of poverty, unemployment and regional imbalances, there has been since the Sixties a greater interest in the developing countries in small industries programme as offering the best way to solve the above problems. In Japan the growth of small industries forms an important constituent of the Japanese miracle that has astonished the world. India has undertaken since the mid-fifties an extensive programme of small industry development whose full impact is yet to be felt. In magnitude it forms, according to the author, the most comprehensive effort made by any developing nation so far. The author has given a fairly comprehensive account of small industry development programmes in other Asian, African and Latin American countries. In many of these countries small industry development is being pushed forward rapidly and is at varying stages of development—those in Taiwan, Korea, Hong Kong and Singapore leading the way, while the African and Latin American countries are yet to implement the programme in a big way. The author has given a very lucid and detailed account of all these development.

Importance of Small-scale Sector

The author has emphasised that the establishment of small industry is only the first step in the development of small-scale sector. The assistance to agro-based industries and rural artisans is more difficult, since they pose problems peculiar to developing nations, without any parallel in the western countries. It is these two problems which according to the author, need attention now and will demand all the ingenuity of the policy makers and knowledge of the technologists. This is also true to some extent in the case of handicraft workers who at present are receiving some assistance from the government. But it is the more humble rural crafts such as the carpenter, the blacksmith, the potter and the weaver who must be modernised, if industrialisation is to transform the countryside of developing nations.

The author has rightly emphasised that the problems of these small industries must be properly understood. They need financial assistance and what is more important an evolution of appropriate technology, an aspect so far neglected to a great extent in developing countries. The new technology must make possible decentralised productive units at a high level of efficiency. The author hopes that the technology of the 1970s will be largely

based on the processes being developed in the laboratories of today.

The challenge of the 1970s to the world as a whole is the challenge to bridge the widening gulf between the rich and poor nations and in the poor nations to avoid political tensions between the towns and rural areas and to build a more integrated society. As regards the challenge before the developing countries, the small industry development programme will be an important element of the strategy to meet the above challenge. More purposeful education, population limitation, better housing, land reforms, better agricultural practices, effective health and sanitation measures — all these need to be done; but the development of small industries will represent according to the author, the most important facet of the developmental programme. It has important social and political consequences, besides purely economic ones. It will vindicate the philosophy of the concern for the small man which is the cornerstone of the ideology of most of the developing nations. The author has convincingly shown that while Indian small industry development programme has relevance for other countries of the world, India in turn can learn much in this field from Korea, Taiwan, Hong Kong and Japan.

The author has given a critical account of the development programmes in Asia, Africa and Latin America. He has devoted a chapter each to Japan and India which are the pacesetters in this field. What is of significance and interest is the broad similarity of the problems as also the variations that occur in every country.

Possibly this is the first attempt by an Asian writer to deal with the problems of small industries in developing countries in a comprehensive way. The book makes exceptionally interesting reading. There is no doubt that this book will be of invaluable help to policy-makers in charge of formulating and implementing small industry development programmes in developing countries. The author deserves high compliments for this excellent book on a vital sector which unfortunately has remained so far a comparatively neglected sector in most of the developing countries.

BUREAUCRACY AND POLITICS

It is a truism that democracy can not function without well-organised political parties. In the light of the existing position in regard to political parties, what will be the position of bureaucracy in India? A centralised, well integrated, hierarchically well-knit bureaucracy in

India has a history of more than a hundred and fifty years. Will this bureaucracy in India re-assert its former authority in the wake of the present malaise in the party system in the country. Bureaucracy and political parties are always competing for sharing of political power in a developing society. If political parties are strong, they can effectively control bureaucracy. If the parties disintegrate and multiply, they create political instability in the country. What would be the impact of such political instability on the powers of the bureaucracy is a question worth investigating.

The author in his book *Bureaucracy and politics in India*, is of the opinion that in a situation such as the one that characterised the central government after the general election of 1967, the powers of the bureaucracy are bound to increase in the absence of effective check by the minister. By referring to the experiences of coalition governments in Italy and France, the author has shown how bureaucracy in those countries dominated the political scene.

Curbs on Bureaucracy

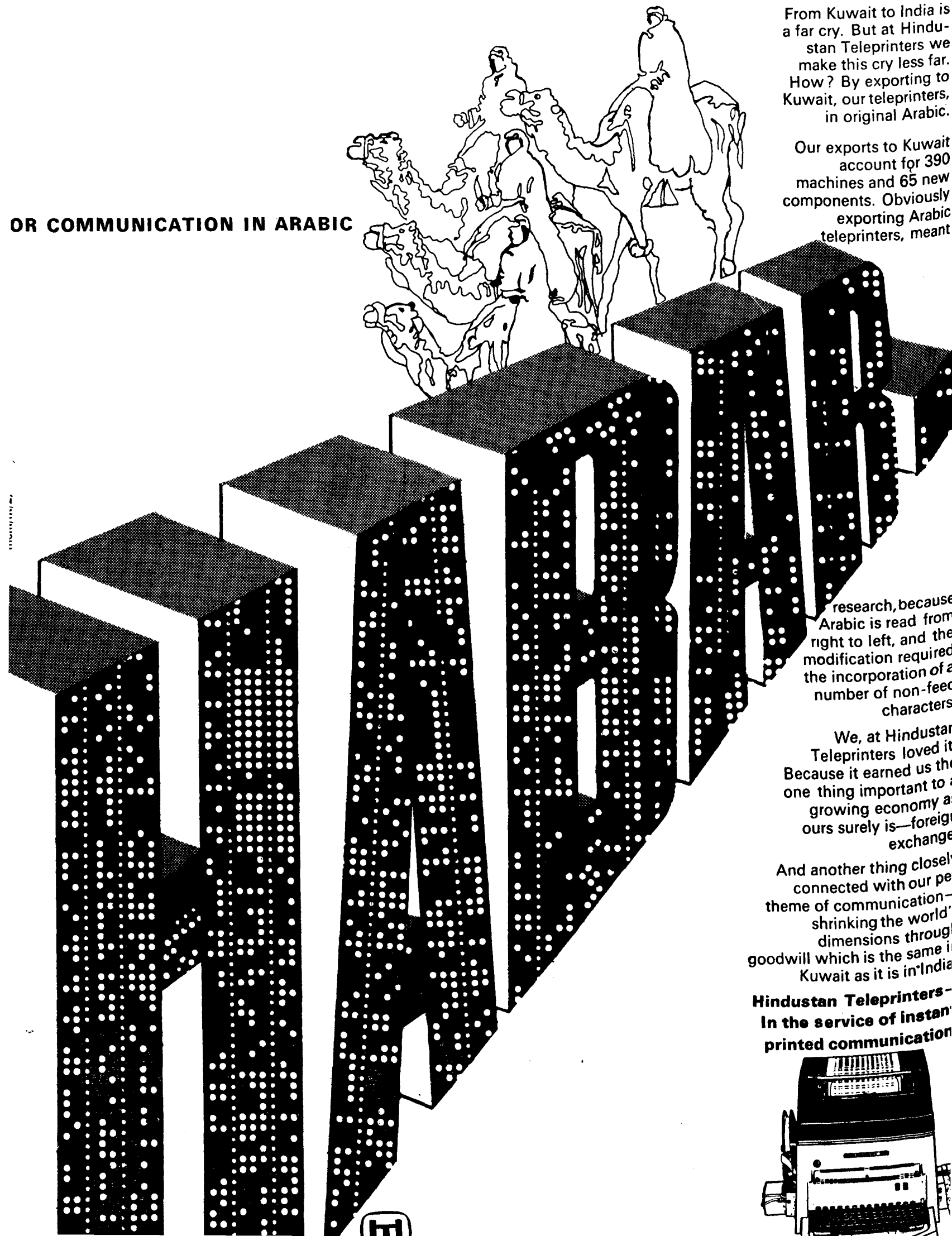
The author has raised two important questions: (a) How to strengthen the minister vis-a-vis bureaucracy so that he can effectively control his department? (b) How to protect the citizen against the growing powers of bureaucracy so that discretionary power vested in the public administration are not abused?

As regards the first problem, the author is of the view that the minister should be allowed to bring with him his party experts and advisers for helping him in managing the departmental affairs. Instead of the minister depending on the bureaucratic experts who at present offer various alternative policies to the minister who thus eventually becomes their tool, he should employ party experts to frame departmental policies and to watch their execution. This, according to the author, will substantially diminish the powers of bureaucracy which thus will be reduced to a purely executive body. If this is done, the author is of the opinion that this system will achieve, (a) effective dominance of the political element in the administration; (b) less dependence of the minister on the bureaucracy; (c) direct confrontation between the party technocrats and departmental bureaucracy resulting in better policy-formulation; (d) better liaison between the minister, the bureaucracy and the party; and (e) direct and intimate accountability of the public bureaucracy instead of the present remote and indirect control.

As regard the second problem, the

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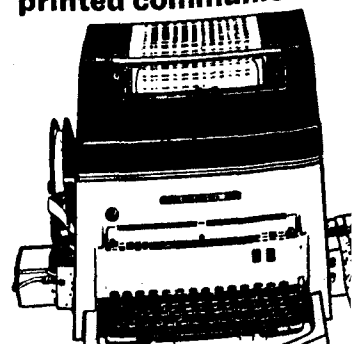
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449

author is in favour of some new institutions such as Lok Pal and Lokayukta who should be given wide powers of supervision and investigation. The author feels that at the district level there should be intimate contact between the common man and the district level officials. These officials should be called upon to defend their policies in the public and there should be a question hour once a month when all the district level officials should be present to answer questions in the public. As far as the secretariat level officials are concerned, they will be effectively controlled by the device of party experts and advisers referred to above. According to the author there should also be more parliamentary committees to investigate and scrutinise public administration. The author hopes that some of these institutional devices would protect effectively the public from bureaucratic tyranny.

It is a fact that in the field of public administration, we are trying to run the welfare state with the help of bureaucratic machinery that was evolved and fit for the police state of the last century. It is therefore true that various institutional changes will have to be brought about to make the popularly elected minister more effective in policy formulation and implementation and public administrative machinery more responsive to the wishes of the people and functioning for their welfare. One may or may not accept the recommendations of the author, but one cannot deny the existence of the problem and the necessity to find proper solution to it. The author has done well to draw attention to this important problem which has much to do with the proper functioning of the democratic welfare state like India.

THE INDIAN CHALLENGE

This book *Values and Economic Development—The Indian Challenge*, according to its author Dr V.K.R.V. Rao, is "in response to the problem of democratic socialist development posed before India and the desperate attempts it is making to initiate and accelerate the process of economic development within the framework of parliamentary political democracy which is also wedded to the establishment of a socialist order."

There are six articles in section I which is entitled "Values and Economic Development—Conflict and Convergence", and seven essays in section II with the title "The Indian Challenge—Values as Aid to Development".

The author begins by describing how the Indian society is transforming itself from a traditional into an industrial

society and the various impediments which it is facing in the way. He has emphasised that the factors essential for bringing about the transformation of a pre-industrial society into an industrial society reveal clearly the important role of the human factor in the economic growth. This human factor is influenced by tradition, environment, education, institutions and values. What, therefore, an industrial society requires is that all these conditioning factors should get re-oriented in the direction of increased productivity and accelerated economic development.

In the second article, where the author has made an attempt to trace the relationship between individual freedom and economic development, he has come to the conclusion that historically speaking, individual freedom for the masses appears to be an end-product of economic development rather than an essential condition during its earlier stages. The implications of reversing this position in India should be clear as it is bound to create many problems in the process of economic development. In the next essay where the author has emphasised the role of science and technology in economic development, he has at the same time given the proper warning that developing countries should take precautions in time and while using science and technology for economic growth, they should take care to see that their adverse effects are minimised, if not altogether eliminated, by an appropriately formulated pattern of economic development. Discussing the problem of "Ethics and Economic

Development", the author while stressing that economic development "requires a materialist code of ethics that sets value by material possessions and makes their attainment a matter of virtue and profit", as also warned at the same time that what is needed is, "a compromise admixture of material with the spiritual, want with restraint, and ethics with economics." He has rightly emphasised that the developing countries in their desperate quest for material growth should not forget the values and the ultimate purpose for which economic development is only a means and not an end. Discussing the relation between "Social and Economic Development", the author has stressed that developing countries should realise that economic development throws in its train a series of social problems and it is important to undertake research on this subject and study the consequences of economic growth in terms of their effects on social relations, social institutions and social attitudes. If the effects are good, they should be promoted; if they are bad, they must be countered by appropriate measures of an antidotal or reformative nature. Unfortunately most of the developing countries including India seem to lack this integrated programme of socio-economic policy for dealing with the problems that arise in the social sphere as a consequence of economic development.

While comparing "Capitalist and Communist Development", while drawing attention to certain common problems such as the need for capital accumulation etc., the author has also

New Unit in Place of Rupee

1. The continued decline in the value of rupee and the present highly defective monetary system is causing enormous troubles to the people. Mr. Shroff's new monetary theory and the use of proposed new unit 'Jivai' in place of rupee, will remove these troubles.
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5. The value of rupee is declining but the value (worth) of Jivai will not decline. Jivai-System is most simple.
6. This new monetary theory and the brilliant scheme of this Jivai-Unit has been highly praised by prominent personalities, Lok Sabha Members and many Papers and Periodicals. For full details, read:—

'Jivai-Siddhant' (Fourth Edition, Hindi)

Author—PURUSHOTTAM SHROFF;

Pages 96; Price Re. One only.

Sellers—1. Hindi Book Centre (near Delight Cinema), 4/5-B, Asaf Ali Road, New Delhi-1.

2. Bombay Pustak Bhandar, 195/1, Mahatma Gandhi Road, Calcutta-7.

shown that for bringing about capital accumulation, for efficiency in generating, mobilising and accumulating the economic surplus, the communist system is more efficient than the capitalist system. "But then there are the restraints on individual liberty in communist countries which make the author proclaim that". I would rather trudge along this path or even take the risk of failing to scale the heights of the highest materialistic mountain rather than ensure success by following methods of economic development whether capitalist or communist, that have in them elements that offend my sense of human dignity, human equality, human liberty and human spirituality."

Section II deals specifically with some of the general Indian problems. Analysing the Indian problem of economic development, the author has emphasised that the problem of economic development for a vast and poor country like India that wants to function within the constraints of working democracy is not just one of economics. It is much more a problem of character, of ethics, of national discipline and national will. Writing about "Values and Economic Development", the author has emphasised that out-dated and anti-development values like casteism, groupism, communalism, regionalism, linguism and other anachronistic social attitudes will have to be abandoned in favour of rational and scientific attitudes and institutions. Unfortunately the above attitudes seem to be getting stronger after independence and impeding rapid economic growth of the country. According to the author, it is here that the Indian universities can and will have to play a vital role by building suitable psychological attitudes which are in consonance with the needs of economic development. India has accepted the challenge of bringing about economic development of the vast masses in a democratic way and if this challenge is to be met successfully, Indian people will have to give up the above feudal institutions and attitudes which are at present acting as barriers to their economic progress.

Indian economists and planners generally think of economic problems in isolation. It is good that the author has attempted an integrated view of economic development where along with economics, sociology, politics, ethics and psychology also play a vital role in the affairs of people. The essays make stimulating reading and the reading of this book will surely put our economic problems in their proper perspective.

ROLE OF SMALL INDUSTRY

For long, developing countries, for

all practical purposes identified economic development with industrialisation which meant mostly large-scale manufacturing industries. Small industry was long regarded as an inevitably backward and lagging sector of the economy to be aided more out of charity and social purposes in a rather protective and defensive way than to be viewed as a promising field capable of providing opportunities for gainful employment for vast masses of people and therefore an essential sector of the economy. It is only in recent years that more attention is being paid to

small industries which make many consumer goods and also various kinds of components for large-scale industry. *Small Industry Exports* bring out this new approach to our attention, various benefits to be gained by helping the more promising small industries and establishment to modernise their processes of production by improving their methods of management and encouraging new entrepreneurship in fields adapted to small-scale production.

Broadly, there are two ways of aiding small industry. One is the protective or

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restrictive way of helping small industry sector by putting restrictions on competing large-scale industries. The second method is the developmental way which aids small industry to produce goods more efficiently and thereby compete effectively in well-selected lines which are adaptable to relatively small-scale production. This developmental policy includes such measures as economic information and market guidance, organisation of co-operative export marketing arrangements, technical consultations for introducing new productive methods and attaining high standards in quality, provision of loans and credit facilities, managerial counselling and educational and training facilities for the personnel involved in small industry. With the help of such a developmental policy (instead of purely defensive and restrictive policy), small industry not only can stand on its own legs and become a sound and progressive element in the economy of a developing nation but can also earn much needed foreign exchange by successfully capturing export markets.

In this book *Small Industry Exports* O. P. Jain has dealt with only one important area of developmental policy. He has analysed the various techniques for gearing small industry to various export markets. There are various aspects of export-expanding techniques such as export market intelligence, improvement and control of the quality of production, provision of various types of incentives for export marketing systems and various institutional arrangements for export promotion and the author has fairly exhaustively dealt with these problems indicating at the same time the various methods

and devices which are being used in different countries to deal successfully with the problem of bringing small-scale industries into the highly complex and competitive export field. On the basis of the experience of foreign countries and taking into account the special conditions prevailing in India, the au-

thor has made detailed recommendations regarding a comprehensive and integrated programme of export development for the small industry sector of the Indian economy. The book will be found useful by enterprising entrepreneurs in small industry who are aiming at markets outside their country.

Books Received

Technological Change and Industry: Edited by C.P. Thakur and G.S. Aurora; Shri Ram Centre for Industrial Relations; Pp 348; Price Rs 40.

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Hindus and Family Planning (Socio-Political Demography): Sudhir Laxman Hendre; Supraja Prakashan, Ropa Lane, Chandanwadi, Bombay-2; Pp 160; Price Rs 11.

Political Parties in India: Horst Hartmann; Meenakshi Prakashan; Pp 278; Price Rs 40.

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RECORDS AND STATISTICS

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RECORDS AND STATISTICS

Maximisation of Capacity Utilisation and Productivity

ACCELERATED INDUSTRIAL growth depends partly on the sustained increase in capacity and partly on the optimum use of machinery, equipment, labour and materials. In recent times, industrial growth has suffered due to the difficulties of maximising production against capacities installed and of increasing capacity commensurate with demand. If the rate of industrial growth is to proceed at the targeted rate of 8 to 10 per cent per annum in the coming years, it would be necessary to overcome these handicaps.

The Seminar on Maximisation of Capacity Utilisation and Productivity, held in the capital on August 30 and 31 discussed the problems of capacity utilisation and the factors inhibiting production and higher productivity in different sectors of industry. The Federation of Indian Chambers and Industry which organised it, circulated a background paper. Excerpts from this paper are given below:—

Some General Issues

Against the fourth Plan industrial growth target of 8 to 10 per cent, the actual production expansion in the last three years was at an average rate of only about six per cent (6.4 per cent in 1968, 7.1 per cent in 1969 and 4.8 per cent in 1970). There are unmistakable signs of strains in industrial development. These are in the nature of sectoral imbalances, particularly pronounced in the field of raw materials, intermediates and services like power and transport. Consequently, the demand for different goods and services is not commensurate with supply. As such the production process has been held up in some areas and interrupted in others.

A survey of capacity utilisation undertaken by the FICCI in respect of 200 engineering and chemical and other industries in 1969 and 1970 (see Annexure I to V) shows that the number of industries utilising 50 per cent or less of their capacities rose from 71 in 1969 (36 per cent of the total) to 78 in 1970 (39 per cent of the total). It is also revealed that the problem of idle capacity is faced mainly by the engineering industries. On the whole, the consumer goods and chemical industries have recorded a higher ratio of capacity utilisation.

Out of the 66 machinery and transport equipment items analysed, pro-

duction was less than 50 per cent of capacity in respect of 38 items in 1969 and 35 in 1970. Thus, over 50 per cent of the industries in this group utilised only 50 per cent or less of their capacity. In the consumer goods sector, out of 46 industries surveyed there were nine industries which utilised less than 50 per cent of their capacity in 1969. It was about the same in 1970. At the same time, over 40 per cent of the total number of these industries utilised 75 per cent or more of their capacity. In the fertilizer and chemical industry, out of 81 items, units in only 27 items utilised less than 50 per cent of capacity in 1970. It was 26 in the previous year. About 40 per cent of the total number of industries in this group utilised 75 per cent or more of the installed capacity.

Shortfalls in Production

Many factors such as raw material shortage, power and transport difficulties, labour troubles etc. have been reported as the reasons for shortfalls in production and capacity utilisation. A sample survey based on the information provided by some fifty units in all industries indicated the relative importance of the various factors.

Reasons for under-utilisation	Units which have reported idle capacity due to respective reasons	
	No.	Percentage
Raw material shortage	30	60
Fall in offtake	11	25
Power failures and shortages	6	12
Transport bottlenecks	5	10
Paucity of working capital	5	10
Labour troubles	4	8

Evidently, raw material shortage has been the major reason for the low utilisation of capacity particularly in the machinery industries and metal-based industries. In the consumer goods sector, industries producing durable consumer items and agro-based items like textile and vegetable oils have also reported raw material shortage. Fall in offtake is reported mainly from the capital goods industries, particularly industrial machinery, diesel engines and some

consumer goods items like leather. Widespread power shortage has been prevalent in recent years. Transport bottlenecks causing difficulties in the movement of raw materials and finished products, have re-emerged on the industrial scene. Labour troubles have resulted in strikes and go slow and these have been causing considerable loss in production. Besides, factors like paucity of working capital and difficulties of getting balancing equipment, spare parts etc. also have effected capacity utilisation.

Raw Material Shortage

The total import requirements in the fourth Plan are estimated at Rs 9730 crores, of which Rs 7840 crores will be for maintenance import viz. raw materials, components and spares. The magnitude of the problem is thus clear. Even this estimate is, perhaps, based upon the basic assumption that domestic production of raw materials will increase at a commensurate rate. However, there has been a setback in production of most raw materials during 1970. Metals constitute the major item of raw materials. The low utilisation of capacity in the steel industry together with delay in completing Bokaro have aggravated steel shortage. In spite of 21 per cent increase in production of aluminium, this metal is fastly becoming a scarce item.

Loss of production in many industries could be attributed to the inadequacies in sectors like power and transport. During 1970 power cuts to the extent of 40 per cent were imposed in Punjab, and the supply position was difficult in many states like Haryana, Uttar Pradesh, Bihar and West Bengal. Production in several important industries such as engineering, jute, paper etc. has been affected. The problems with regard to power supply have been partly due to fluctuations in voltage, causing damage to machinery and installations, and partly due to inadequacy of power generating capacity. While power demand is estimated to rise at the rate of 15 per cent per annum, the outlay on power had declined from Rs 385 crores in 1957-58 to Rs 367 crores in 1969-70. The power generating capacity is expected to rise from the present 15 million kW to 23 million kW by 1973-74. Even then, according to the Sixth Annual Power Survey estimates of Demand and Availability of Power, shortages may well continue to persist for quite some time, particularly in the Northern, Western and Southern regions. However, the Ministry of Irrigation and Power have drawn a Power Development Plan for the decade ending 1980-81 with a target of 52 million kW generating capacity.

There are transport bottlenecks in a

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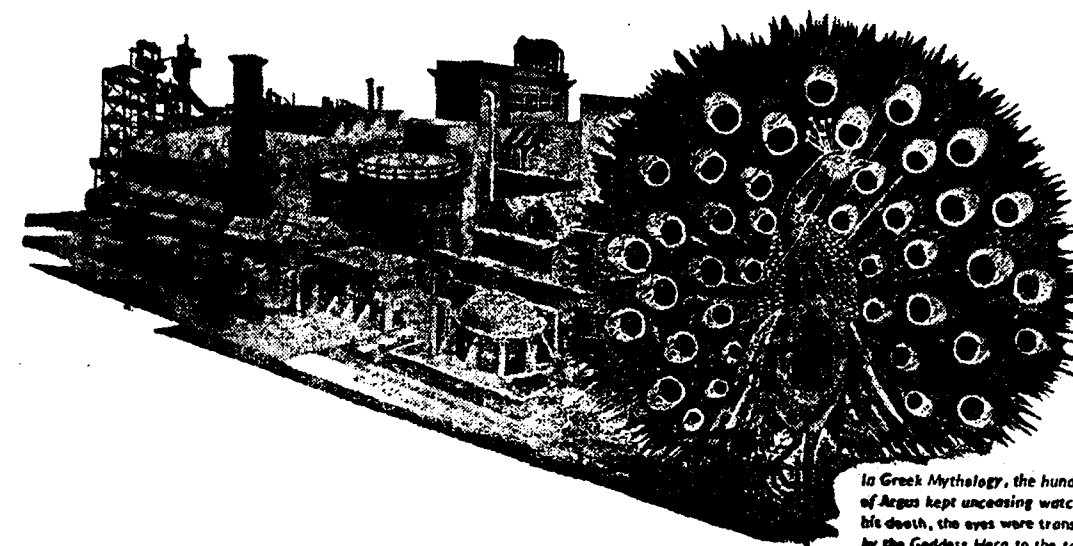
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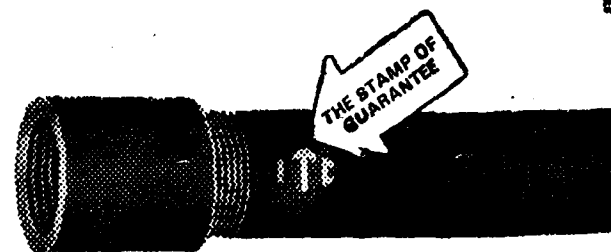
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number of areas. Industrial users of rail transport have been experiencing difficulties in getting adequate number of wagons. The wagons loaded on both broad and metre gauge systems have shown sharp fall of 4.85 and 6.07 per cent respectively between 1969-70 and 1970-71. The shortfall in wagon availability has been more pronounced in the case of textiles, cement, sugar, paper, coal mines, brick kilns and power-houses. In the case of coal—an essential input for many other industries—the movement difficulties have resulted in accumulation of coal at pithheads and shortages to consuming industries, located away from the coal mines. Against the daily sanctioned allotment of 7000 wagons, the actual allotment has been only about 45000 i.e., as shortfall of about 30 per cent. In the case of rail transport the problem is not merely one of increasing the facilities. It is also one of improving the quality of existing facilities.

Lack of Demand and Offtake

Capacity utilisation in several industries continues to be low due to lack of effective demand. The problem is pronounced in the machine building, transport equipment and electrical equipment industries in many of which the capacity utilised is less than 40 per cent. The low offtake has affected many transport equipment industries like wagon building. The procurement of wagons by the railways has been only to the extent of about 45 per cent of the installed capacity of the industry. The textile machinery industry utilises less than 50 per cent of capacity mainly because of the lack of orders from the textile industry, which itself has been passing through a period of rising cost and reduced sales realisation. Apart from low investment in industry infrastructure etc., the reason for low volume of sales, in some cases, can, perhaps, be attributed to the lack of adequate sales promotion efforts. Offtake can also be improved by diversifying into new lines.

The labour situation has been difficult in many parts of the country. As many as 17 million man-days were lost in 1970. The annual average of man-days lost was only 5.8 million during the period 1961-65. The loss of production due to strikes and stoppage of work in factories is estimated at Rs 150 crores per annum.

In the realisation of full production against installed capacity, there can be operational difficulties: The output of a new plant does not immediately go up to 100 per cent of normal capacity; even if demand is adequate, but rises gradually towards the normal level. In many cases, the low utilisation ratio of capacity could be attrib-

uted to this factor, especially in industries in which many new plants are completed during a particular year.

Another factor to be reckoned with is the deliberate limitations which restrict the scope for increasing output beyond a certain level. Such limitations may be due to administrative, procedural or technological problems. For example, in engineering industries, licences have been issued on single-shift basis although the plants are capable of working two or three shift. Multiple shift operation in such cases would be possible only after government give recognition to the same although the Industries Act does not involve any licensing in such cases.

Stringency of Bank Credit

Many firms have reported low utilisation of capacity due to difficulties of getting finance from banks. Bank credit accounts for nearly 20 per cent of the total capital of the corporate sector or nearly 64 per cent of the inventory holding. The requirements of credit are related to, (i) the amount of inventories necessary to maintain the production flow, and (ii) the level of prices. To maintain an increasing level of output a higher level of bank credit becomes automatically necessary.

As a result of the change in distribution pattern of bank credit with emphasis on provision of credit to agriculture, transport operators, public sector agencies etc., the supply of credit to industry has not

commensurately gone up. The wholesale price index of raw materials rose by 42.4 per cent between March 1968 and June, 1970, whereas the availability of credit increased by only 28 per cent. The stringency of funds seems to have affected industries like cotton textiles, jute manufacturers, engineering and chemicals, etc. The gap between requirements and availability of credit is about 10 per cent.

Cost Considerations

Hardly any sector is free from cost inflation. The index of raw material and labour cost has been rising. While maximum production against given capacities may help reduce the overhead cost, it need not produce the same effect on the cost of raw material or labour per unit of output. In so far as labour cost is concerned, if the increase has to be kept within limits, the productivity should rise at a rate more than the rise in wages. A question of importance therefore is that of linking wages with productivity. It is also possible to raise labour productivity through automation and rationalisation. Re-equipment and modernisation in many traditional industries can greatly contribute to increased productivity besides making them more viable and competitive.

Direct material accounts for a major share in cost of production. Even marginal reduction in the cost of material can, therefore, reduce the manufacturing costs. In years to come, industry

TABLE I
PERCENTAGE CHANGES IN STEEL PRODUCTION

Items	Production			Percentage changes in production (+) (-)	
	1968	1969	1970	1969	1970
Finished Steel (Mill. tonnes)	4.4	5.0	4.8	+13.3	-5.0
Copper (tonnes)	9286	9751	9311	+5.0	-4.5
Aluminium (Th. tonnes)	120.1	132.6	161.0	+10.4	+21.4
Lead (tonnes)	1647	1398	1861	-15.1	+33.0
Zinc (000 tonnes)	20.5	23.9	21.3	+16.6	-10.9

TABLE II
DISTRIBUTION PATTERN OF BANK CREDIT

Industry	(Rs crores)		
	Demand for credit	Supply of credit	Gap between demand and supply June 1970
Cotton textiles	377	346	31
Jute textiles	134	104	30
Engineering	586	576	10
Chemicals	240	209	31

will have to continually search out and adopt new materials and processes. New improved and more economical materials in the field of metals, plastics, chemicals ceramics, fibreglass are being developed. Improved methods and processes for manufacturing traditional and new materials are available in many developed countries. The introduction of such processes can be specially beneficial where traditional processes have proved wasteful. The importance of increasing research and development in industry along with induction of foreign technology and know-how arises in this context.

Closed and Sick Units

The problem of closure of industrial enterprises seems to have aggravated during the last one year or two. The incidence of closures has been reported high in industries like textiles and engineering. There have been reports of closures from other industries also.

There can be several reasons why an enterprise is closed down: The labour situation continues to be disturbed in many parts of the country resulting in strikes and lock-outs. A second reason for closures has been shortage of imported raw materials. Some of the engineering units reportedly stopped working during 1970-71 due to the paucity of raw materials like steel, non-ferrous metals and critical components. Although the import policy for 1971-72 has provided for raw material import assistance on priority basis to the closed units particularly in West Bengal, to what extent this has enabled revival of production by the closed units, is not known. Also many industries like textiles and some engineering industries have not been faring well in recent years. Recession in demand, high cost and low returns seem to have resulted in uneconomic working conditions in many units which have been characterised as 'sick'. Some of these remain closed or are facing imminent danger of closure. This is a situation which seems to be faced by some units in the established industries like coal, sugar, cotton textiles, engineering and jute.

For a number of years now, the profitability of cotton textiles industry has been affected due to increase in price of cotton and rise in manufacturing cost without commensurate increase in sales realisation. In some cases, these difficulties have been accentuated by the shortage of working capital, low utilisation of capacity due to paucity of raw materials and labour troubles. The low profitability has made it difficult for the industry to generate its own resources. The industry has been finding it difficult to get adequate working capital even to carry on its

day-to-day operations, leave alone the resources required for modernisation. Although according to the Reserve Bank of India estimate, 276 mills accounting for 81 per cent of the total paid up capital of the industry spent about Rs 88 crores between 1965-66 and 1967-68, on plant and machinery, there is still a backlog of modernisation particularly in the so-called 'sick' mills. As many as 79 mills were closed down in 1968 though the number was reduced to 66 in 1969 and 69 in 1970. About 100 textile mills out of 660 are considered sick. Although many closures have been said to be the result of labour troubles, in some cases, a major reason for closures is attributed to financial difficulties and the uneconomic working conditions.

The other major branch of industrial sector which is affected by closures is engineering particularly in West Bengal. The state of West Bengal accounts for one-half of the total engineering capacity of the country. It is said that the problem has been acute in the case of many smaller engineering units located in the Howrah region. They can come out of the present stagnation only through product diversification, re-equipment and modernisation and induction of advanced technology. And this may involve substantial amounts of financial resources. The magnitude of the problem can well be imagined from the results of a survey undertaken by the Reserve Bank of India, some time ago into the working of the small engineering units in Howrah region. The survey revealed that out of 300 major machines employed by 200 sample units, about 2000 were over fifteen years old and more than 1000 over thirty years old. About 12 per cent of the engineering units in the Howrah region had to be closed down.

Blocked Funds in Coal

In so far as the coal industry is concerned, with the progressive drop in despatches of coal and increasing stock accumulation, many units in the industry are faced with a critical financial situation. It is reported that as much as Rs 28 crores are blocked in unsold stocks which now exceed eight million tonnes. Many of the well-established coal companies are operating at a loss due to uneconomic prices and low offtake. This has not only resulted in production cutbacks but also in the closure of some marginal and weak units.

A new Industrial Re-construction Corporation has been set up with headquarters in Calcutta with the objective of extending financial assistance for modernisation and rehabilitation of closed industrial units and units which

are facing the risk of closure. The IDBI, IFC, ICICI, and the nationalised banks hold shares in the Corporation. The central government has decided to give Rs 10 crores interest free loan to the Corporation which is expected to assist these units in the matter of reconstruction of the share capital, strengthening of management and amalgamations and mergers of 'sick' units, diversification of products, improvement in technology and labour relations, besides extending financial assistance on soft terms. Till June 30, 1971, the Corporation received 85 proposals out of which six proposals have been granted a total amount of assistance of Rs 146.6 lakhs. Of the 60 closed units from West Bengal which applied for assistance for re-opening and rehabilitation, 31 were from engineering industry, 3 from chemicals, 7 from textiles, 2 from foundry, 4 from paper, 2 from mining and 11 from other industries. Even these applications would involve loan assistance of the order of Rs 5.28 crores.

Iron & Steel Industry

The steel industry comprises five integrated steel plants and the secondary procedures, the re-rolling units, tool alloy and special steel and wire drawing units. The industry utilised about 69 per cent of ingot capacity of the main procedures in 1969 which was reduced to about 66 per cent in 1970-71. The capacity utilised by individual plants differed from unit to unit. It was the lowest at Durgapur. This plant which has a rated capacity of 1.6 million tonnes of ingot steel produced only 0.69 million tonnes in 1970-71 which was the lowest production ever recorded by this plant. There is no unit which, at present, produces at the rated capacity although both TISCO and Durgapur had achieved production upto their rated capacity in earlier years. The capacity utilised for production of finished steel is even less, as will be seen from the Table III (p. 457).

The low utilisation of capacity in the steel industry caused a decline in the output of finished steel, from five million tonnes in 1969-70 to 4.8 million tonnes in 1970-71. The loss in production on account of low utilisation of capacity is placed at about two to three million tonnes. The result of this situation has been larger imports of steel, licences for which more than doubled between 1969-1970 and 1970-71.

The non-integrated sector of the steel industry also has recorded considerable increase in the idle capacity. In so far as re-rollers are concerned, the shortage of billets and scraps, have limited production against existing

capacities. The result of this shortage was a fall in production of steel re-rollers and secondary producers from 0.82 million tonnes in 1969-70 to 0.66 million tonnes in 1970-71. The wire drawing units had reduced production by about 40,000 tonnes in 1970-71 over the previous year's level.

Production of saleable pig iron was 1.54 million tonnes in 1969-70 and 1.27 million tonnes in 1970-71. The current supply of pig iron is made mainly by the integrated plants. Out of the installed capacity with the main producers, the major part is used as hot metal for production of ingots. The capacity installed for pig iron for sale in the main plants is about one million tonnes. Besides, there is licensed capacity in the private sector for 796,000 tonnes inclusive of 100,000 tonnes of sponge iron. The demand for pig iron estimated currently at about two million tonnes is expected to increase to 2.95 million tonnes by 1973-74. Although, according to government, there is no shortage of pig iron at present due to excess availability from main steel plants, the foundries complain that the pig iron that is offered to them is of inferior grade and not suitable for producing castings and other items required for machinery and equipment.

In the case of tin plates, although production increased by 40,000 tonnes during 1970-71, it was below capacity due to the renovation of the first pickling line at Rourkela. Production of tool, alloy and special steel was only 235,000 tonnes in 1970-71 against 261,000 tonnes in 1969-70 indicating a fall in the capacity utilised.

Labour Problems

It is a well-known fact that the steel industry particularly the integrated steel plants which account for 80 per cent of steel production is affected by labour troubles. During 1970-71, the Rourkela plant is reported to have lost 0.29 million man hours and Durgapur about 1.75 million manhours leading to an aggregate loss of production of about Rs 25 crores. The decline in production of finished steel in IISCO leading to a fall in their production and export is also attributed to labour troubles.

Operational deficiencies seem to have affected the optimum use of capacity in steel plants. The damages caused to the coke-oven batteries at Durgapur have yet to be repaired, and this is said to be one of the causes for continuing production difficulties in this plant. Four additional soaking pits were recommended to be set up at Durgapur by the Pande Committee with a view to increasing production to capacity level. Construction of these has

yet to be completed. Another operational difficulty has been shortage of loco-power which is now said to be made good by HSL through imports. The damages caused to the steel melting shop at Rourkela in July 1971 also aggravated the production problems in that plant. In so far as the Alloy Steel Plant is concerned, there was a major break down of the transformers of one of the arc furnaces which affected production and capacity utilisation. Apart from these specific difficulties faced by the individual plants, there are other well-known technical problems such as inadequacies in inventory control, over-stuffing and others which have reduced the level of productivity in the industry as a whole to say about 60 ingot tonnes per man year, at present. It is considered possible to achieve a productivity level ranging up to 100 or more ingot tonnes per man year if the steel plants expand their production up to the rated capacity.

Paucity of Raw Materials

Shortages have been reported in the supply of refractories required by the units in the steel industry. Although the Hindustan Steel Ltd. was permitted to make additional imports of refractories, the supply position of this item is still considered difficult. A lasting solution to the problem lies in an increase in the capacity of refractories. Another item for which there was a critical shortage during the last year was graphite electrodes for which the indigenous supply from only one unit is inadequate.

Lack of adequate quantities of lime due to the limited capacity of lime kilns has been stated to be one of the reasons for low utilisation of capacity in some plants. Inferior quality of coke with high ash content sometimes extending to 23 to 24 per cent have also affected production efficiency in the integrated plants. Expansion of lime kiln facilities and provision of adequate coal washing facilities may go a long way

towards improving efficiency and production in all integrated steel plants.

Scrap is a major item of raw material for re-rolling industry. Till recently, large quantities of scraps were available for exports after meeting domestic requirements. However, the position has of late become somewhat critical and adequate quantities of scrap may not be available to meet the demands of the new furnaces. Perhaps the availability of scraps can, to some extent, be increased by the utilisation of skull scraps, turnings and boring within the country by establishing the facilities for processing them. In so far as billets are concerned, the billet re-rollers got a supply of only 27 per cent of their one shift capacity during 1970-71. The major difficulty of wire drawing units has been shortage of high carbon wire rods.

Increasing Steel Availability

The maximisation of capacity utilisation by the existing steel plants may, of course, improve the overall availability of steel required by the engineering industries and for exports. However, an equally important question to be considered is that of increasing the capacity of the steel industry itself. The demand for finished steel is placed even now at about seven million tonnes which may progressively increase to 8.42 million tonnes in 1973-74 and 12 million tonnes in 1978-79. Therefore, even if all existing capacity in the industry were fully utilised, there will still be a shortage. How can this be met? According to official estimates the first stage of Bokaro will not be completed before March 1973, although the blast furnace complex would have been completely erected by December, 1971.

Production of coal in 1969-70 came to 75.72 million tonnes of which 55.25 million tonnes were in the private sector. Capacity already installed is of 90 million tonnes. Thus, there is a con-

TABLE III
CAPACITY AND PRODUCTION OF FINISHED STEEL
(million tonnes)

	Capacity	Production	Capacity	Production	Capacity
	1969-70	1969-70	utilised	1970-71	utilised
			%		%
Bhilai	1.96	1.13	57.7	1.28	65.0
Rourkela	1.22	0.78	65.0	0.59	48.4
Durgapur	1.23	0.39	40.0	0.36	29.6
TISCO	1.50	1.00	66.8	0.97	64.7
IISCO	0.80	0.46	57.5	0.46	58.7
Re-rollers and secondary producers	2.45	0.77	31.4	0.76	31.0
Alloy steel industry	0.22	0.26	—	0.24	—
Wire drawing industry	6.24	0.18	—	0.14	—

siderable margin of idle capacity in the industry.

A capacity for about 20 million tonnes is in the process of being installed. In fact, as the Tariff Commission had commented in its last Report, the private sector of the industry was already geared to the production of 100 million tonnes in 1965-66, and a large number of coal mines had secured equipment and spares under the World Bank loans. Production of 100 million tonnes would not therefore, need any special effort. The per cent slack in demand arises from the fact that development of coal consuming industries as envisaged by the Planning Commission while drawing up the third Plan, did not actually materialise. Increasing dieselisation of railways despite its implied foreign exchange cost on oil imports has also reduced the demand for coal from 18.8 million tonnes in 1967-68 to 16.2 million tonnes in 1969-70. The demand from Railways is expected to go further down to 13.4 million tonnes by 1973-74.

In the case of coking coal, the off-take was only 10.4 million tonnes against a production of 18 million tonnes. Obviously, the setback in steel programme has kept down the demand for coking coal. The surplus of coking coal is, at present, being utilised for non-metallurgical purposes, though use of such valuable resources for non-metallurgical purposes is a waste particularly because the resources of coking coal in the country are extremely limited.

Transport Crisis

The problems or idle capacity and production difficulties of the coal industry are further aggravated by the present transport crisis. This has resulted in stock accumulation exceeding eight million tonnes.

While the law and order situation, no doubt, has a severe impact on wagon availability the feeling remains that there is scope for improvement in Railways' operational efficiency also. The turn-round time of wagons has not shown any improvement despite huge capital expenditure for yard modelling, improved signalling, mechanisation of yards and other measures to improve line capacities. Apart from the problems relating to storage of such huge capacity of coal, the financial burden estimated at about Rs 25 crores, of carrying the accumulated stock is beyond the capacity of the industry. It is said that the financial problems of the industry are accentuated by the sharp increase in cost of labour, amenities, stores, electricity, etc and rise in the rates of royalty, besides heavy burden of interest.

The engineering industry accounts

for an estimated production of Rs 2500 crores. The engineering industries recorded higher rates of growth of 12.3 per cent in the period 1951 to 1967 as compared to the overall industrial growth of 6.5 per cent during this period. The engineering units have also increased their capacity and exports. In spite of these strides, the industry is faced with some major impediments in utilising its capacity fully. The five per cent decline in steel production in 1970 and the general steel shortage has affected the output of all steel based industries. The major section of the engineering industry, viz. machine building comprising about 700 units, has considerable idle capacity. In the machine building units, steel shortage apart, lack of off-take has been a major impediment to capacity utilisation due to the low level of new investment and expansion in the industrial sector and the power and transport sector. The revival of the basic machine building industry will therefore be determined by the expansion in all other sectors, including infrastructure.

The capacity utilisation has been less than 50 per cent in a number of machine building units particularly those producing wood working machinery, cement machinery, vehicular type diesel engines, road rollers, structurals, cranes, railway wagons, transmission towers, steel castings and steel pipes.

TABLE IV

UTILISATION OF CAPACITY IN MACHINERY INDUSTRY

	Capacity utilisation in machinery industry	
	1969	1970
Number of industries utilising less than 50% of capacity	34	36
Number of industries utilising 50% to 75 % of capacity	16	13
Number of industries using over 75% of capacity	7	12

The capacity installed in a number of engineering industries is expressed in terms of single shift working. The apparent ratio of utilisation of capacity based on single shift working need not therefore indicate the real position in respect of the potentiality of the industries. If capacity on maximum possible number of shift working is taken into account, the potential capability of industries for increased production with capacity already installed

may be much more than the position as indicated by under utilisation according to official statistics on a single shift basis. The extent of idle capacity in the engineering industries is, therefore, somewhat difficult to measure due to the ambiguous nature of the published statistics.

Unused Capacity

Even so the problem of unused capacity exists in varying degrees in different industries mainly due to the following reasons:

- Shortage of raw materials, spares and components;
- discouraging prospects of demanded due to low rate of investment in sections which use the machinery; and
- the slow build up of production.

It is said that till an year or two ago, the engineering industry as a whole was operating at an average of some 60 per cent of capacity. But currently it would not be an exaggeration to state that many firms are working 40 per cent to 50 per cent of capacity due to shortage of raw materials. There is an all round shortage of iron and steel items like sheets, plates, billets, stainless steel etc. although the magnitude of the problem may be varying from product to product. There has been an increase in the import of various types of steel during 1970 or previous year, Rs 101 crores worth in April-December 1970 as against Rs 56 crores during the same period of 1969. The quantity of steel imported increased from 293,000 tonnes to 478,000 tonnes during the same period.

The demand for machinery is a derived one and therefore depends on the investments in those industries which use the machinery for replacement and expansion. Machine building industries such as coal mining equipment industries, etc. have not been able to fully utilise their capacity because of the slow expansion of industries which use these equipment. It is possible that even routine replacement and modernisation in the coal mining, textiles and other industries may make for a larger off-take of capital goods. But most of the industries have been stagnant since 1965. For example, the footwear and made up textile goods industries recorded an average annual expansion of 13.9 per cent in the 1960-65 period, but production showed a net decline by 1.4 per cent per annum during the three year period 1967-69. Similarly, during this period there was a reduced growth rate in several industries like food processing, beverages, tobacco, cotton and jute textiles.

In the field of electrical equipment the capacity utilisation ranges between

25 to 75 per cent. It is said that installed capacity could not be utilised to the full extent due to shortage of raw materials such as copper and EC grade aluminium. Also, shortfalls in achievement of power targets — 1.2 and 0.8 million kW respectively during 1969-70 and 1970-71 against targets of 2.0 and 1.6 million kW — also may have affected demand for electrical equipment items resulting in idle capacity. There is a relationship between the demand for electrical equipment and addition to power generating capacity. For example, one million kW addition to generating capacity may yield an annual demand for 5.7 million kVA of transformers and 1.23 million kW of electric motors.

Many transport equipment industries are utilising only a fraction of their installed capacities. The production of railway equipment continued to shrink because of the declining fortunes of the railways equipment industry due to lack of demand from Railways. The Railways are stated to be experiencing difficulties with regard to traffic and are, therefore, reluctant to place orders for additional equipment. The trend in acquisition of railway rolling stock now as compared to 1965-66 level shows that there has been a sizable reduction in orders placed.

Fall in Railways' Demands

The fall in off-take of items like wagons, locomotives and other railway equipment has been affecting demand for the products of several industries like steel castings, components and ancillaries for rolling-stock. The low utilisation of capacity in the major assembling units naturally gets reflected in the production and capacity utilisation of the ancillary units.

While in most of the agricultural machinery items the growth of demand from rural sector was expected to provide an impetus to production, this expectation does not seem to have materialised. In the case of agricultural tractors, the curtailment of credit to purchase tractors, together with unplanned imports is said to have created difficulties of off-take in the existing units. Similarly, in the case of diesel engines in the first half of 1971, production showed a decline of 50 to 60 per cent in respect of diesel engines up to 10 HP. Extension of rural electrification leading to a replacement of diesel engines appear to have affected capacity utilisation in the industry. There was a considerable expansion of capacity for marine diesel engine in recent years, but the demand for this item is reported to have declined to the low investment by the fishing industry.

In spite of idle capacity in the ma-

chinery manufacturing industry, imports are still taking place. The import of machinery and transport equipment though showed a decline from Rs 299 crores in April-December 1969 to Rs 274 crores in April-December, 1970, even now it is a sizable item of import trade. Wrong or unrealistic estimates of demand can lead to avoidable imports. It is pointed out that in the case of tractors, the domestic demand is over estimated and imports made on that basis.

Importance of Exports

Another feasible method of increasing capacity utilisation is exports. There is scope to export complete machinery items even on a turn-key basis. Many existing machine fabricating industries have been able to increase production against their capacities mainly because of exports. For example, the textile machinery industry increased production from Rs 19.6 crores in 1969 to Rs 26 crores in 1970 and exports also increased correspondingly from Rs 1.62 crores to Rs 5.16 crores.

Machine building industries are developed to suit particular technologies prevailing at a time which becomes outdated after a certain period. A continued growth of efficiency and productivity depends, in a large measure, on the ability of the enterprises to keep pace with the advancement in technology of the industries which use these equipment. While capacity in the Heavy engineering Corporation was intended to meet the requirements for steel making machinery of a one million tonne steel plant in the country, installation of capacity in steel is not complete. A continuous expansion of production and levels of productivity, quality and efficiency depends on research and development and modernisation. The cost of research and development is rather high and may not yield quick results. Many units in the machine

building industry particularly in the private sector, may not have the necessary financial strength to undertake costly research necessary for product development and diversification.

Consumer Goods Industries

In the consumer goods sector, production in 1970 has been below the capacity installed in respect of several items.

Production in most items based on agricultural raw materials have been fluctuating as a result of variations in the availability of these raw materials. The domestic availability of major oilseeds for example, fluctuated from 8.3 million tonnes in 1967-68 to 6.8 million tonnes in 1968-69 and 7.6 million tonnes in 1969-70. Similarly, production of jute and mesta varied from 7.6 million bales in 1967-68 to 3.8 million bales 1968-69 and 6.8 million bales in 1969-70. There has been variation in the production of tobacco and raw cotton as well. In the case of the latter, the production has been stagnant and around 5.5 million bales against a consumption of about 6.5 million bales.

The variations in the supply of raw materials get reflected not only in the form of idle capacity in the concerned industries but also in the prices of these materials. The whole-sale index of cotton prices, for example, almost doubled between 1966-67 and 1970-71. The cost of stores and raw materials have been going up in many cases without commensurate increase in the prices of finished products either because of demand conditions or due to the existence of price controls on the finished products.

Adequate availability of raw materials at the right price itself would help many of the consumer goods industries to increase production within their existing capacities. To overcome raw material problem, short term and long term

TABLE V

RAILWAY PROCUREMENT AS ESTIMATED IN THE ANNUAL PLANS

Item	Unit	1965-66	1966-67	1969-70	1970-71
				(Programmed)	
Investment on Rolling Stock	(Rs crores)	126.25	117.52	107.49	123.69
Locomotives					
Steam	Nos.	200	169	74	38
Diesel	"	97	70	31	56
Electric	"	114	72	115	147
Wagons (in terms of four wheelers)	"	36,000	28,000	14,918	18,210
Coaches	"	1,600	1,200	1,493	1,412

measures have to be considered. In the short run, the availability can be increased by allowing more liberal imports.

In the case of many of the agricultural raw materials productivity and yield is considerably low in India as compared to other countries. Although India has the largest area under cotton cultivation, the average per acre output is only 119 lbs against 480 lbs in the USA and 603 lbs in the UAR.

Raw materials are not necessarily the only constraint to making a better use of capacity in many industries. With the increasing cost of inputs and production, working capital requirements have gone up. The major source of working capital is the banking system. It is said that the availability of working capital to industry has not increased commensurate with the demand for credit. One of the reasons for this being credit restrictions. Some of the consumer goods industries like drugs and vanaspati are subject to price controls. There may be a case for making available items of consumption at reasonable prices. However, it is yet another question whether price controls would help secure this objective without adversely affecting the growth of the industry itself.

Fertilizer and Chemical Industries

Although the Fertilizer and Chemical industries on the whole have recorded considerable growth, production has not recorded commensurate expansion in respect of some items. There is also a problem of idle capacity, though not to the same extent as in the engineering industries (see Annexure IV).

There are a number of raw materials required by the chemical industry for which the domestic potential for development is limited. The examples are sulphur, rock phosphate, mercury etc.

Then, there is another group of raw materials for which there is indigenous production but the present level of production is not adequate to meet the demand. This is the case of items like methanol, phthalic anhydride, benzene, soda ash and caustic soda, besides many intermediates required by the dye-stuff industries, plastics and synthetic fibres. Major raw materials required by the chemical and fertilizer industry are canalised through agencies like STC. The lack of advance planning of import schedules and shipping difficulties, it is said, have been causing irregularities in the supply of canalised materials.

During the last several years, many chemical processing industries have

taken shape in the country. The expansion of basic raw materials producing sectors in the chemicals industry have not kept pace with the development of processing industries. The examples are dye-stuff, plastics and synthetic fibre industries. The dye-stuff industry needs about 200 intermediates of which only less than 100 are produced within the country. Similarly, many intermediates required for synthetic fibres, plastics are not produced within the country or their production is not adequate to meet the requirements of the processing industries. It is said that there has been delay in the establishment of petrochemical complex at Koyali and the approval of schemes which form part of this complex. This may very well affect the supply of polymer materials.

Adequate Raw Materials

The optimum development of the chemical industry depends upon the plentiful availability of adequate quantities of raw materials at reasonable prices. For increasing the availability, short term and long term measures, will have to be adopted. In several cases, it may be possible to effect a better utilisation of existing machine capacity through substitution of available indigenous materials for scarce imported items. Development of pyrites based sulphuric acid plants can greatly ease the supply position of sulphur. A pyrites based sulphuric acid plant has already gone into production in the public sector. It may be possible to replace sulphuric acid based plants by phosphoric acid or nitric acid based plants. So also, mining of rock phos-

phate is a special area which provides considerable scope for development. This may, however, involve an increase in the mining of rock phosphate from Rajasthan.

Shortages have been reported in respect of a number of industrial chemicals like soda ash, caustic soda, methanol, chlorine, glycerene etc. To make up for the shortage imports may be a solution, at best a short term one. Additional capacity has to be created in many industries. Delay in clearance of applications for licences and under MRTP Act is said to be an impediment to quick expansion of capacity. It is, therefore imperative to simplify the procedures for clearances under the Industries Act and MRTP Act.

Annexure I

IRON & STEEL

	Production as % of capacity			
	Ingot steel		Finished steel	
	1969	1970	1969	1970
Bhilai	75	77	57.7	65.0
Rourkela	61	56	65.0	48.4
Durgapur	51	43	40.0	29.6
TISCO	85	85	66.8	64.7
IISCO	70	62	57.5	58.1

TABLE VI

PRODUCTION IN CHEMICAL AND FERTILIZER INDUSTRY

Item	Unit	Production			Percentages change (+) (-)	
		1968	1969	1970	1969 over 1968	1970 over 1969
Nitrogenous fertilizers	'000 tonnes	506	672	816	+32.8	+21.3
Phosphatic fertilizers	"	219	216	215	-1.5	-0.6
Caustic soda	"	306	347	361	+13.4	+4.0
Soda ash	"	396	422	446	+1.6	+5.7
Liquid Chlorine	"	100	129	147	+29.0	+14.0
Bleaching powder	"	10.5	15.7	13.7	+49.5	-12.7
Sulphuric acid	"	994	1160	1206	+16.7	+4.0
Viscose filament yarn	"	36.3	36.5	36.1	+1.6	-1.1
Acetate yarn	"	1.96	1.99	1.95	+1.1	-1.4
Staple fibre	"	58.0	58.4	63.3	+0.7	+8.4
BHC	"	18.2	12.1	16.8	-33.5	+38.8
Vat dyes	tonnes	1041	1283	1233	+23.2	-3.9

Annexure II

MACHINERY INDUSTRIES

	Production as % of capacity	
	1969	1970
Cement mill machinery	42.6	39.1
Paint & varnish machinery	39.3	48.8
Bread making machinery	27.0	44.3
Printing machinery	50.0	34.0
Industrial screens	39.0	37.7
Food processing machinery	25.0	20.0
Tea machinery	42.3	48.8
Rice mill machinery	5.1	20.0
Coal mining machinery	16.0	20.0
Textile machinery	32.0	35.0
Industrial dry cleaning machinery	66.3	40.0
Leather machinery	42.9	29.5
Pesticide equipment	28.0	28.3
Metal forming machinery	51.8	49.0
Hacksaw blades	62.9	48.0
Diamond drill bits	36.5	40.6
Machine tools	40.0	44.6
Wood working machinery	26.3	27.2
Industrial machine knives	21.8	23.8
Paper insulated power cables	27.5	28.0
Cranes	24.0	16.2
Wire ropes	50.0	50.0
Penstock	22.0	26.5
Agricultural implements	40.0	42.0
Rubber machinery	25.0	20.0
Steel forging	42.6	
Steel castings	36.1	34.6
S.G. Iron castings	15.1	17.0
Malleable iron castings	63.6	7.1
CI castings including alloy iron	46.0	43.0
CI steel shorts and grits	38.3	38.8
CI spun pipes	33.0	41.2
Ceramics machinery	60.0	60.0
Sugar mill machinery	59.0	66.0
Feed mill plant	105.5	57.1
Drilling equipment	58.0	58.0
Coated abrasives	57.4	56.4
Measuring tape	49.8	53.8
Furnaces	50.0	53.0
VIR & PVC cables	46.2	52.7
ASCR & AAC conductors	66.6	65.0
Transmission towers	58.5	66.0
Welding electrodes	56.4	63.0
Large dia. pipes	45.7	57.1

	1969	1970
Tractors	75.0	66.0
Boilers	260.0	264.8
Conveyors and wagon gon triplers	73.0	82.0
Gas cylinders	166.0	167.3
Industrial filtration equipment	80.0	100.0
Electroplating equipment	102.5	107.3
Tobacco machinery	44.5	110.0
Dairy machinery	51.4	93.4
Oil and gas machinery firing equipment	50.5	82.4
Oil mill machinery	100.0	80.0
Paper and pulp machinery	74.0	83.0
Chemical & pharmaceutical machinery	100.00	88.0
Machine tool accessories	73.6	122.0
Forged hand tools	—	163.2
Portable tools	56.6	83.3
Broaches	118.7	150.3
Electric motors	84.0	123.0
Transformers	83.3	141.0
PVC power cables	78.5	98.0
Seamless steel tubes	81.6	80.0
Diesel engines	200.0	—
Power driven pumps	248.0	—
Agricultural machinery	75.0	110.4

Annexure III

TRANSPORT & COMMUNICATION EQUIPMENT

	Production as % of capacity	
	1969	1970
Railway wagons	41.0	40.1
Building & construction equipment	17.0	25.0
Building hardware	52.3	37.7
Road rollers	14.0	10.0
Fork lift trucks	10.3	
Vehicular diesel engines	30.0	37.0
Trailers	45.0	49.0
Commercial vehicles	59.0	70.0
Air Compressors	72.3	75.0
Cars	87.5	89.5
Motor cycles,		

	1969	1970
scooters, three wheelers.	99.8	117.0
Jeeps	78.3	93.3
Tyres and tubes	121.2	84.8
Shovels & excavators	93.0	90.0

Annexure IV

FERTILIZERS & CHEMICAL INDUSTRIES

	Production as % of capacity	
	1969	1970

	Below 50%	
Fertilizers		
Superphosphates	49.8	47.7
Ammonium phosphates	44.0	40.5
Organic Chemicals		
Acetone	41.6	47.6
Benzene	27.5	31.5
Butylacetate	41.9	41.6
Toluene	43.5	30.0
Xylene	24.8	7.2

Plastics		
MF Moulding powder	20.0	15.0
CA moulding powder	20.3	14.3
Polystyrene	48.3	48.0

Pesticides		
Copper oxychloride	18.0	20.0
Zinc phosphide	50.0	13.0

Drugs		
Tetracyclin	16.0	35.0
Nicotinic acid	62.2	45.5
Vitamin B	10.0	20.0
Other Chemicals		
Boric acid	85.4	40.0
Nickel carbonate	18.2	38.4
Nickel sulphate	43.4	37.6
Sodium sulphide	35.8	37.0
Foundry chemicals	12.8	28.1
Exothermic	24.2	25.8
Sodium aluminate	57.7	49.1
Vanadium pentoxide	101.8	48.9
Fluxes	59.7	48.0
Chromic acid	54.8	45.7
Arc welding fluxes	55.4	44.5
Nickel chloride	33.3	41.3

	1969	1970		1969	1970		1969	1970
<i>Between 50%—75%</i>			Polyethylene LD	98.0	120.0	Flour milling	44.9	53.3
			Polyethylene AD	86.5	91.2	Milk foods	78.0	66.6
			PVC resins	77.6	92.0	Guar gum	51.3	72.4
			PVC compound	80.3	113.5	Instant tea	85.5	59.8
			Leather cloth	100.0	88.0	Hydrogenated oil and vanaspati	67.0	57.0
			PVC unsupported sheets	93.3	98.0	<i>Above 75%</i>		
Fertilizers			Pesticides			Biscuits	73.3	88.5
Ammonium sulphate	63.0	64.0	DDT	74.3	92.5	Vegetable & fruit preservation	69.0	77.0
Urea	40.6	62.6	Malathion	52.0	94.1	Cocoa & chocolate	52.3	90.5
Inorganic Chemicals			Organo mercurials	67.2	100.0	<i>Below 50%</i>		
Liquid chlorine	61.0	67.3	Drugs			Durables		
Soda ash	98.0	64.0	Anti malarials	75.0	78.0	Sewing machines	81.4	35.0
Sulphuric acid	56.6	63.1	Sulphadriugs	78.0	93.0	Typewriters	37.3	31.0
Alcohol			Vitamin C.	116.0	125.0	<i>Between 50%—75%</i>		
Ethyl alcohol	73.7	75.0	Anti dysentery drugs	100.0	100.0	Razor blades	56.4	63.3
Organic Chemicals			Aspirin	104.6	105.5	Steel furniture	63.2	66.0
Phthalic anhydride	54.1	60.9	Phenacetin	52.4	100.0	Room airconditioners	46.4	71.0
Plastics			Anti TB drugs	70.0	76.6	Record players	55.4	—
Polyester resin	55.6	59.1	Synthetic hormones	23.1	100.0	<i>Above 75%</i>		
Laminates	107.0	67.0	Dyestuffs			Bicycles	88.0	95.2
Polyethylene film pipe tubes	83.3	74.2	Acid dyes, direct dyes	56.0	100.0	Stoves	265.0	200.0
Pesticides			Naphthol	68.3	86.1	Hurricane lanterns	130.0	113.1
BHC	73.6	74.3	Organic pigments	60.0	84.2	Clocks	88.0	105.0
Drugs			Vat dyes	130.0	109.2	Radio receivers	—	76.4
Chloramphenicol	60.0	53.2	Other Chemicals			Domestic refrigerators	133.0	174.0
Penicillin	61.0	70.0	Rayon grade pulp	98.8	91.0	Electric fans	86.3	90.0
Streptomycin	81.0	72.5	Paper grade pulp	66.0	109.0	Miniature lamps	116.6	119.0
Anti diabetics	48.1	53.3	Rare earth chloride	74.0	88.9	Fluorescent tubes	125.0	125.0
Paracetamol	50.0	55.0	Hydro flouric acid	62.2	89.8	GLS lamps	131.2	123.0
Dyes			<i>Annexure V</i>					
Fast colour bases	48.0	65.4	CONSUMER GOODS INDUSTRIES					
Reactive dyes	32.8	71.1						
Sulphur dyes	73.0	63.8						
Other Chemicals								
Oxygen gas	65.0	66.0						
Nitrogen	100.0	75.0						
Nitrous oxide	66.0	73.0						
<i>Above 75%</i>								
Inorganic Chemicals								
Caustic soda	93.7	100.0						
Synthetic Fibre								
Nylon filament yarn	100.0	106.0						
Polyester staple fibre	114.0	95.1						
Plastics								
Synthetic rubber	82.0	100.0						
PF Moulding powder	105.4	100.0						
Phenolic resins	88.0	124.5						
UF Moulding powder	82.0	88.0						

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Love's Labour's Lost
Future of Electronics in India
Promoting Green Revolution
The Economics of Social Security



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EASTERN ECONOMIST

SEPTEMBER 10, 1971

Love's Labour's Lost	467
Our Crowded Country	468
Future of Electronics in India	469
States Get their Money	470
Promoting Green Revolution	471
The Economics of Social Security —S. Venu	473
Foreign Aid and Indian Imports —Dr A.K. Singh	479
WINDOW ON THE WORLD	481
New Uses for Worn-out Cars. Currency Unrest and Forward Transac- tions. Whither Floating?	
THE MOVING FINGER WRITES	489
TRADE WINDS	490
Problems of Shippers; Exemption of US Surtax; Accountancy; Japan Tightens Controls; UK Cuts Bank Rate; UK Assistance; Sale of Tractors; Support for Raw Jute; Rourkela Mishap; Additional Cement Capacity; Chemical Industry; Leather-Fur In- dustry; Awards for Inventions; Atomic Energy; Film Finance Corporation; Devaluation of Rouble; Names in the News.	
COMPANY AFFAIRS	495
Delhi Cloth Mills; Oil India; Poyscha Industrial; Fertilizer Corporation; Central Bank; Lamps Caps.	
RECORDS AND STATISTICS	497
Imported Know-how Creates Hard- ships; Foreign Collaborations.	
Special Feature on Republic of Korea	483

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LOVE'S LABOUR'S LOST

SOME RECENT presidents of the Fédération of Indian Chambers of Commerce and Industry had been experimenting with different styles of leadership. Mr L.N. Birla, for instance, endeavoured to take the FICCI to the community of business-men in the smaller cities and larger towns so that this apex organisation might not be considered to be merely a preserve of metropolitan business leaders. Mr Birla, during his tenure, toured the country extensively and addressed a very large number of trade associations and other business gatherings in an attempt to educate the average businessman not only on what narrowly mattered to him but also on the larger economic issues facing the nation. Another ex-president Mr Ramnath Poddar had his own pattern of priorities. He was a great believer in organising group discussions which could help the FICCI to formulate its ideas or approaches in the light of informed opinion. Then there was Mr D.C. Kothari who chose to treat with urgency the important problem of mending the FICCI's fences with the powers-that-be.

The present President, Mr S. S. Kanoria, in charting his own course, seems to have put his faith in discovering as much common ground as possible between the business community and the central government. His strategy has been to organise a series of seminars on themes which are capable of being discussed in a constructive manner by individuals who may differ in their ideological motivations or political views. Not long ago, there was one such seminar held in Madras on the subject of the investment climate and the steps that could be taken to improve it. Last week in New Delhi there was yet another seminar, the topic discussed at this time being the serious under-utilisation of installed capacity in industries.

There is of course the danger that too many seminars, held too frequently might tax both the resources of the FICCI's secretariat and audience interest in these proceedings. That the tolerance limit has not yet been crossed in the matter of the secretariat is encouragingly clear from the excellent background paper which the participants in or the invitees to the New Delhi seminar were provided with. There is however some indication that Mr Kanoria will have to go slower with seminars if he is at all anxious about fairly full-house even at luncheon meetings.

This apart, there can be no two opinions on the virtue of Mr Kanoria's heroic effort to establish the widest area of shared thinking between the business community and the central government on matters of practical as well as pressing importance for the very day-to-day course of the national economy. Whether this particular virtue will be rewarded amply or even slightly, is, however a different question altogether. The background paper has fully documented the extensive wastage of productive machinery and the working force which is threatening to become a more or less permanent feature of industry in this country. The Minister for Steel, Mines and Fuel, Mr Mohan Kumaramangalam, addressing the luncheon meeting on the second day of the seminar, disarmingly confessed that he at least was in no need of being told of lost opportunities in plant facilities. That Mr Kumaramangalam is able to treat with a sense of humour the outrageous breakdowns in the functioning of the steel plants in the public sector from time to time is a matter which may be of some solace to his family since this suggests that he has not been losing many nights' sleep over Rourkela or Ranchi; as for Durgapur, Mr Mohan Kumaramangalam's predecessors in this portfolio have already firmly established the convention that Steel ministers should learn to live with this plant's chronic truancy or worse.

There is perhaps this to be said in favour of some of the newer members of Mrs Gandhi's cabinet that they have the capacity to be social successes and this applies as much to Mr Moinul Haque Chowdhury (who had addressed the luncheon meeting on the first day of the seminar) as it does to Mr Mohan Kumaramangalam. These two ministers have discovered the secret of successfully sparing themselves the avoidable strains of ministerial office. They readily concede that the economic difficulties or problems pointed out to them do exist and then they blithely proceed to deliver political homilies to business audiences reminding the latter that the government, having recently won a massive mandate at a general election, naturally has less time to think of these things than of certain other matters more relevant to its own convenience or ambitions.

It is fashionable these days to accuse big business of being monopolistic but at least in the case of placing themselves on the right side of the Prime Minister or the favourites at her court, there is surely the fiercest compe-

tion among individual business leaders. This naturally gives even the rawest recruits from Mrs Gandhi's Council of Ministers an advantage, unfair or otherwise, over their protagonists from the business community in debates over the government's sins of commission and omission in not fostering the full functioning, let alone the growth, of the industrial economy. Nevertheless, the situation may not be entirely hopeless. Mr Mohan Kumaramangalam, for instance, was good enough to promise that he would study the proceedings of the seminar carefully and see what use the government generally or his ministry in particular could make of the recommendations or suggestions put forward by the participants for ensuring better utilisation of

Our Crowded Country

THE PROVISIONAL estimates made by the Census Commissioner put the population of this country at 547 millions in March 1971 showing a rise of 24.66 per cent in a decade. At this rate of growth, the number of our countrymen will exceed 1,000 millions at the end of the current century. The estimate made by an experts' committee prior to the census indicated that India's population in 1971 would be around 561 millions. It seems that the assumptions made by the committee regarding the expected fall in the mortality rate were optimistic and hence the difference of 14 millions between the forecast and the enumerated total. It is however small consolation that the census figure of our population is less than the expert committee's estimate because the rate of rise in population is still alarming. The census has thus highlighted the necessity of putting a curb on this explosive rise in population if planned development of the economy in the coming years is to bring some cheer to the dull and drab living of the masses.

There are more men than women in this country. As against 264.1 million females, the census recorded 283.3 million males. Though there is no obvious explanation for this disparity, some guesses might be hazarded. Because the male child enjoys greater preference in an average Indian household, the female child is prone to be neglected leading to increased mortality. The high maternal mortality can also be a reason for the reduced number of females in this country.

The rise of 24.66 per cent in this country's population in 1961-71 was the highest rate of increase for any decade since the beginning of the current century. From a rise of 5.73 per cent in 1901-1911, it dropped to a decline of 0.30 per cent in 1911-21, only to spurt to 11.00 per cent in 1921-31, 14.23 per cent in 1931-41, 13.31 per

industrial capacity and consequently increased production and more employment. Things could be still better of course if only more and more of Mrs Gandhi's colleagues would choose to think independently at least on issues which are specifically the day-to-day concern of their respective ministries. As it is, there is such a frightening quality of sameness in the *obiter dicta* delivered so effortlessly by the various members of the government on matters concerning government's relationship with industry, that the suspicion is permissible that the redoubtable secretary in the Prime Minister's secretariat (who has gone on leave preparatory to re-employment at his present post) has been writing speeches not only for Mrs Gandhi but all her colleagues as well.

cent in 1941-51 and 21.64 per cent in 1951-61. The explanation for this steadily increasing rate of rise in population since 1921-31 lies in the declining tendency of the death rate coupled with near stability in the birth rate. In the decade 1921-31, the death rate was 36.3 per thousand population which dropped steadily to 31.2 per thousand population in 1931-41, 27.4 per thousand in 1941-51 and 22.8 per thousand in 1951-61. There are indications that the death rate fell further during the decade 1961-71, though the Census Commissioner will be able to estimate it only when the age distribution data for 1971 is analysed.

In sharp contrast to the falling death rate, the birth rate has maintained a high level. It has ranged between 49.2 per thousand and 39.9 per thousand during the first six decades of the century. The birth rate in 1961-71 is estimated to be around 40.0 per thousand despite the massive family planning campaigns in recent years. The Census Commissioner is right when he says that while the mortality rate has been brought to the minimum level possible, the control on fertility will start yielding fruitful results on the overall growth rate of population only in the decade 1971-81.

The government of India has devoted serious attention to the population problem only in recent years. This is evident from the meagre resources allocated for the family planning programme in the first fifteen years of planning. However, the government has been keen in promoting literacy in this country ever since Independence in 1947 and it is the result of persistent efforts both at the centre and in the states that the literacy curve has been moving up decade after decade. At the beginning of the current century, the percentage of literate population was 5.35 per cent only. By 1951, it

had risen to 16.67 per cent. In March this year, it had increased to 29.34 per cent. It means that three out of 10 adults in this country can read and write. The literacy among women is however less than half of men. While 18.44 per cent of women were literate, the literacy among men was as high as 39.51 per cent.

The degree of variation in the growth of population between different states is wide, the fastest growing being Nagaland with a rise of 39.64 per cent, followed by Assam at 33.51 per cent and Haryana at 31.36 per cent. The slowest rate of rise was witnessed in Uttar Pradesh at 19.73 per cent presumably because it is the most-populated state of the country. The states where the growth in population was less than the average for the whole country were Andhra Pradesh, Bihar, Himachal Pradesh, Punjab, Tamil Nadu and Uttar Pradesh.

The census this year has shown that 19.87 per cent of the population of this country lives in urban areas. At the beginning of the century, this percentage was 10.85 only. It means that whereas one out of ten persons lived in urban areas in 1901, this year two out of ten persons live in urban areas. The increase in urban population was rather slow from 1901 to 1941 as there was a rise of only three percentage points in 40 years. It was in the subsequent three decades that the process of urbanisation got hastened and there was a rise of seven percentage points in thirty years. Moreover the pace of urbanisation of bigger cities was faster than that of the smaller towns. It follows that if the present tendency continues the pressure on big cities will increase which will have to plan on a long-term basis in regard to transport, education and health facilities. There are clear indications that these services are already breaking down in some of the cities such as Calcutta, Delhi and Bombay as the municipal authorities are not able to match the availability of these services with the mounting pressure of population.

Housing facilities in particular have lagged far behind requirement with the result that slums have sprung up in all big cities. Besides the fact that they are a slur on society, they tend to reduce the contribution which those living in sub-human conditions would be able to make to civic life if they were well-housed. The developed countries have started constructing multi-storeyed buildings in order to house the growing urban populations and some cities in our country have also initiated this trend but this will touch only a fringe of the problem. Unless extensive schemes for housing the poorer sections of society are chalked out, this problem is likely to worsen further in the coming decade.

Future of Electronics in India

AT A seminar held in the capital on August 3 under the auspices of the Electronic Component Industries Association (ELCINA) to discuss the future of the electronics industry in this country, Prof M.G.K. Menon, Chairman of the Electronics Commission, stated that this industry had suffered in recent years mainly because it had not kept pace with the fast-shifting technology. The basic reason for this state of affairs, according to him, was the lack of adequate information regarding technological advances and research input in the industry. In order to overcome this drawback the Electronics Commission is taking steps to encourage as well as co-ordinate research and development projects in industry and institutions.

Undoubtedly, Prof Menon has applied a pragmatic approach to the problems facing this industry. What is urgently required is that the Commission should speed up the pace of its operations. Since it has been armed with far-reaching powers, it should follow up the conclusions of its study with concrete steps. The Electronics Commission, it may be recalled, came into being more than six months ago "in order to ensure the necessary balanced development of electronics in the country as rapidly as possible". Except for recommending the issuance of a large number of licences for the manufacture of sophisticated electronic equipment of various types, the Commission has not taken any measures which may mitigate the misery of the largest sector of the electronics industry i.e. the entertainment sector. The radio industry in this country has been experiencing great hardship because the licensed capacity is far in excess of demand. The hardest hit is the small-scale sector whose scale of operations has been considerably reduced during the last two years. The small-scale manufacturers of the radio industry have made insistent demand that the production of low-cost radio and transistor sets (of a value up to Rs 165 each) should be exclusively reserved for small units. This suggestion had been accepted by the government and the low-cost radio sets were reserved for the small-scale sector but the decision was subsequently reversed. The future of the small-scale sector in the radio industry at present hangs in the balance.

The bible of the electronics industry

in this country continues to be the report prepared by the late Homi Bhabha with the assistance of a number of experts. This report was published in 1966 after Dr Bhabha had died in an air accident. The policies pursued by the Electronics Committee set up under Dr Vikram Sarabhai to implement the recommendations of the Bhabha Committee resulted in lopsided development of this industry as the entertainment sector more than fulfilled the targets set in this report while the professional sectors such as communications, automation, control systems and defence lagged far behind.

The need for accelerating the growth of this industry in the professional fields is fully realised by the Electronics Commission though precious little has been done by it in this regard. The fast-changing technology in this industry to which Prof. Menon made a pertinent reference at the seminar was the subject of a special paper submitted by Brig. K.K. Mehta, Director of Electronics in the Ministry of Defence. He was of the view that there was not likely to be a significant demand for some of the strategic microwave components but all the same they would be absolutely necessary for four or five public sector industries. The quantities required would not be commercially viable though they would be strategically viable for the industry to solve quickly some of its problems. Because of this over-riding factor, he put forward the view that the future of the electronics industry lay in the field of sophisticated equipments, which in turn

would depend on how best the country was able to manage the production of high-grade professional microwave components and solid state devices.

Another problem which has been facing the electronics industry is the government's policy regarding the import of technical know-how. In the wake of the Indo-Pakistan hostilities in September 1965, the government of India had veered round to the view that as far as possible this country would try to become self-sufficient in technology. At Pilani the Central Electronic Engineering Research Institute (CEERI) made significant progress in the development of a wholly indigenous television set. Consequently licences were refused to some of the well-known foreign companies which wanted to collaborate with Indian electronics companies for the manufacture of television sets, in this country. So far licences have been issued to five companies with total annual capacity of 40,000 sets, which is deemed inadequate as soon as Bombay, Kanpur, Srinagar and other stations come up in the next two years.

Keeping this fact in view the Department of Electronics last year had sought applications for the manufacture of television sets in this country. While the companies which are already manufacturing television sets had applied for expansion in capacity, a large number of other companies which have substantial experience in this specialised field because of their affiliations with well-known manufacturers abroad, had also applied for licences to manufacture television sets. Two of the public sector undertakings — Bharat Electronics Ltd and Electronics Corporation of India — had also applied for licences. It is necessary that the Electro-

Eastern Economist 25 Years Ago

SEPTEMBER 13, 1946

In the world of economists there is perhaps no place for imperatives. *Ceteris paribus* and conditional generalisations take a high and honoured rank in their scheme of evaluation. This is a not to be surprised at, because the economist's primary pre-occupation is to establish and explain relations, not to prescribe codes and regulations. "Do this or that" and other categorical imperatives are utterly alien to his scientific mind, because he recognises that there are many more things to a course of action than can be inclosed within his agenda. Yet, in recent years the economists have been leaned upon heavily by Governments as guides to current policy and action; nor have they been unwilling to assume the role and act as mentors. This is largely because they see

more clearly than politicians and others the implications of various kinds of action; the risk of basing governmental action on their advice is now acknowledged and recognised to be far less (despite the gibe at them) than that based on ignorance or instinct.

At the same time, few competent economists are unconscious of the limitations of their knowledge or capacity to advise. Controlled economies which have now taken the place of the 19th century free economies have given inflated values to economic nostrums all the world over; counsels and remedies are loosely prescribed with an assurance which would have astonished the classical economists.

nics Commission should take an early decision on these applications which reportedly number more than 100. On the one hand it is necessary that this country must set up increased capacity so as to meet the rising demand for television sets in the next few years while on the other, the Electronics Commission must examine carefully, before altering the present policy of encouraging indigenous technology, the implications of allowing Indian companies with foreign affiliations to start making television sets.

It goes to the credit of the Electronics Commission that in recent months a large number of pending cases have been disposed of and decisions have been taken regarding the issuance of licences though many more applications, not only for the manufacture of television sets but for other equipment and components are still awaiting disposal. The Electronics Commission should make a determined effort to dispose of all such long-standing applications. Some of them were submitted to the government more than three years ago.

Again, no final decision has been taken in regard to the country-wide television net work to be set up in the coming years. The Information and Broadcasting Ministry sometime back prepared a blueprint which promised coverage of about 90 per cent population of the country in ten years at a total cost of Rs 112 crores through the use of the conventional terrestrial system of television. This ministry put forward the view that due to the regional and linguistic demands of different states the satellite system worked out by the Atomic Energy Commission would not suit this country. It may be recalled that Dr Vikram Sarabhai, Chairman of the Atomic Energy Commission had prepared sometime back a scheme for the synchronous satellite linking together of isolated rural community and distant centres of population through a powerful national system for mass communication using television. No final decision has, however, been taken though steps have already been taken for the encouragement of the terrestrial system. The committee of three secretaries set up sometime ago has still to submit its report.

The key to the faster growth of professional electronics lies in increased emphasis on research and Development (R & D) which has been by and large neglected in this country. The Bhabha Committee had suggested that by 1975 the expenditure on R & D should be around Rs 85 crores a year or nearly one-third of the total turnover of the electronics industry. At present the expenditure on R & D does not

equal even three per cent of the total sales of the industry. It is, therefore, essential that the Electronics Commission should devise ways and means to build a strong R & D base for this industry. At the seminar, Prof. P. V. Indiresn of IIT Delhi, drew special attention to the need for providing encouragement to serious students of electronics in the development of R & D. He said that the industry had done very little in this regard and it was apparent from the extremely low remuneration paid to research scientists. "Our research scientists are paid less than a car driver by Air India; after years of expensive education a research student gets less than the salary of a peon in a bank", said Prof. Indiresn. He therefore, asked the industry to join hands with scientists to evolve ways of usefully employing the talent which is available in plentiful in our country.

Among the various engineering in-

dustries which have substantial possibilities for exports electronics occupies a unique position. Mr P. A. Bhat of Asian Electronics Ltd who has been elected President of ELCINA for the current year, listed various concessions which were available in other countries such as Singapore, South Korea, Taiwan, Ireland and Hong Kong for promoting exports of electronic equipment and components. Unless our country also provided liberal assistance to exporters of electronics goods it would not be easy to compete with these countries. He put forward the view that colour television sets, tele-communication equipment and desk calculators could be exported in substantial quantities from this country. He also asserted that this country should not feel shy of importing technology for export purposes because this step would automatically bring sophisticated technology into our country.

States Get Their Money

THANKS TO the nationalisation of 14 major banks and the new policy adopted by the Reserve Bank of India in regard to the mobilisation of resources for states, their open market loans have been a spectacular success for the third year in succession. On the latest occasion, the states have got their requirements on terms which are advantageous to them in spite of the increase in the Bank rate in January this year and costlier borrowing by the central government. All the state loans having a notified amount of Rs 158.75 crores have been oversubscribed, the lists for seven loans being closed on the opening day and those for the remaining eight loans on the second day. Aggregate subscriptions were Rs 175.15 crores including conversion applications of Rs 35.10 crores. The net amount borrowed will be Rs 102.44 crores. There were 14 maturing loans including 4½ per cent 1971 Loans of Maharashtra which was redeemed on July 15, outstanding to the extent of Rs 72.71 crores. All applicants will receive full allotment as the states have exercised their right to accept subscriptions up to 10 per cent in excess of the notified amount. Where even the total of subscriptions exceeded marginally (10 per cent), full allotment will be made to the applicants. In 1970, there was heavier over-subscription for 15 loans having a notified amount of Rs 142.50 crores. As there were maturing loans for only Rs 57.46 crores, the net amount borrowed was not much lower at Rs 99.60 crores. All the lists were closed in 1970 also in two days though it must be said that even under difficult conditions in the money market 10 loans were

oversubscribed on the opening day. There was also partial allotment in many cases.

There could have been a more dramatic effort at the present moment. But the Reserve Bank probably did not feel impelled to make an attempt at sensation as the Life Insurance Corporation, the nationalised banks and provident funds were in any case bound to make a success of these loans.

It would appear, however, that the Reserve Bank has decided to secure only about Rs 100 crores in the form of open market loans for the states as the Life Insurance Corporation and banks are extending loans on a negotiated basis to the state electricity boards for implementing their rural electrification programmes and credit to the state governments, municipalities and corporations for executing house building, drainage and water supply schemes. The liberal assistance provided to them in this manner has probably been responsible for limiting investment by banks particularly in new state loans in spite of the fact that additions to deposits in the current year will be much higher at Rs 1,000 crores.

It is interesting to note, however, that conversion applications for the new state loans amounted to only Rs 35.10 crores. Even allowing for the redemption of 4½ per cent 1971 Loan by Maharashtra on July 15 for Rs 4.10 crores, other maturing loans were outstanding for Rs 68.61 crores and had to be repaid on August 19. As in 1970, conversion applications amounted to

Rs 32.64 crores against maturing loans or Rs 57.46 crores, it is not clear why the holders of maturing loans, who were mostly institutions, decided to cash sizable parcels on August 19, instead of taking advantage of the conversion terms. This was probably due to a desire to bring about a better redistribution of investments in state loans by major banks. Otherwise, there can be no valid explanation for the poorer response for conversion terms. A re-adjustment in the portfolios of banks could have been easily effected as the maturing loans had to be repaid on August 19 and cash applications for large amounts could have been submitted by the institutions concerned anticipating the receipt of funds against maturing loans.

The state governments have, therefore, raised a net amount of over Rs 102 crores and completed their borrowing programme for the current year without difficulty. They would have been more happy if the Reserve Bank had permitted them to raise a much larger amount and improve their budgetary position. Many states are in need of large additional resources as even after the substantial adjustments effected in the last week of June, the overdrafts of state governments with the Reserve Bank have been rising again steadily and stood at Rs 157.88 crores on August 13. The central government will probably be expecting that a good portion of the amounts raised by states would be used for effecting debt repayments to the centre or for reducing the overdrafts with the Reserve Bank.

The basic disequilibrium in the state budgets can, however, be rectified only if there was a conscious effort on the part of the states to reduce expenditure or raise additional resources. How large uncovered deficits will be avoided will be known from the measures that will be adopted by the states in the coming months.

Meanwhile, the centre is in need of sizable resources notwithstanding the fact that it has made a big tax effort in the last budget and cash balances with the Reserve Bank were also at a high level at the beginning of the year. These balances have been used up completely on account of the liberal assistance extended to the state governments, unprecedented procurement operations and continuing heavy expenditure on refugees from East Bengal. There may, of course, be some relief from the repayments that will be effected by the state governments and the adjustments that will be made shortly by the Reserve Bank when handing over to the centre the share of the former's pro-

fits for 1970-71. Usually, these adjustments are completed in the first week of September. There has, however, been already some measure of deficit financing for getting over a difficult ways and means position and the *ad hoc* securities created may be cancelled.

There may also be some advantage arising from a speedier inflow of foreign assistance for maintaining refugees from East Bengal. But it will be possible to avoid a big increase in the overall deficit for 1971-72, only if there was larger net borrowing through open market loans and substantially larger receipts under the small savings campaign. If the experience of 1970-71 is any guide, it should not be difficult to raise additionally Rs 50 crores under the small savings campaign over the budget estimates and another Rs 50 crores through open market loans. If it is assumed that expenditure on refugees in the whole of 1971-72 will be around Rs 380 crores and roughly half of this amount will be in the form of foreign assistance, the central government will have to find out of its own resources Rs 190 crores. If there were extra capital receipts for Rs 100 crores, as indicated above, and there was also buoyancy of tax revenues, the overall deficit need not record a big increase even with heavy expenditure on refugees. The position in this regard can be clearly understood early next year.

Under these circumstances, there will

Promoting Green Revolution

NOT ONLY did our overall production of foodgrains during the 1970-71 agricultural year scale a new peak, but also the outputs of several individual crops established fresh records. The aggregate production at 107.81 million tonnes was higher by 8.31 million tonnes or 8.4 per cent than the previous year's output of 99.5 million tonnes. Crop-wise, the outputs of rice, wheat, maize, ragi and bajra at 42.45, 23.25, 7.41, 2.20 and 8.00 million tonnes, respectively, were the largest recorded so far; the increases in the case of rice, wheat, maize and bajra were indeed substantial. The only crops the yields of which marginally fell short of the previous year's totals were pulses other than tur and jowar. Coming on the top of three good harvests from 1967-68 to 1969-70 and 1970-71, output should give a boost to the economy which at present is burdened with the baffling problem of the influx of nearly eight million refugees from Bangla Desh.

This heartening improvement in production, which, according to the

naturally be anxiety to raise larger amounts in the central government's second stage of the borrowing programme. Against the target of Rs 168 crores for 1971-72, it has already raised a net amount of Rs 73 crores leaving a balance of only Rs 95 crores still to be mobilised. Now that the state loans are out of the way, the centre may effect re-issues of the 4½ per cent 1978 Loan and 5½ per cent 1986 Loan for at least Rs 100 crores by the end of September, besides effecting sales of 5½ per cent 2001 Loan after making a re-issue for Rs 25 crores or thereabout and handing it over to the Reserve Bank. As the Life Insurance Corporation is adding to its resources impressively and the provident funds also may be having fresh investible resources, the net amount borrowed by the centre can be easily Rs 200 crores in the aggregate. With phased borrowing and intelligent open market sales the difficult ways and means position can be easily rectified. The state electricity boards and the state financial corporations also can issue their bonds for modest amounts after the centre's borrowing programme has been completed. The Reserve Bank has, however, a duty to ensure that the diversion of funds from the banking system does not have a complicating effect during the 1971-72 busy season. This can be ensured only if there were liberal refinancing facilities and there was a faster growth of deposits.

union Minister of Agriculture, Mr Fakhruddin Ali Ahmad, has exceeded all expectations, nevertheless, ought not to lull us into complacency. The developmental effort at modernising our agriculture has admittedly contributed a great deal to the raising of the production level, but the impact of favourable weather conditions all these years, especially last year, too has not been insignificant. In this has to be found the explanation for the 1970-71 output surpassing even the most optimistic estimate of 106 million tonnes which held the field till lately.

Surely, we cannot depend unduly on the continuing smile of the rain gods for achieving the target of 129 million tonnes foodgrains output in 1973-74, as envisaged in the fourth Plan. Our developmental effort on the agricultural front has to continue vigorously. There are two components to this effort. First, concerted action has to be taken for stepping up the production of such crops as rice, jowar and pulses, because the 1973-74 targets in their case—52.0, 15.0 and 15.0 million tonnes, respec-

tively — may not be achieved otherwise. Secondly, an effective organisation has to be created to cope with the problem of making available to farmers in time and in adequate quantities the various agricultural inputs.

So far as the first aspect of the developmental effort is concerned, the agricultural scientists apparently have to continue to play the key role; they have not yet been successful in evolving high-yielding seeds for these crops suitable for our soils and climatic conditions. The results achieved on the wheat and maize fronts is a clear indication of this. The action in regard to the second aspect, of course, is a much simpler affair. An answer to this, as the recent seminar of agro-services, —organised by the National Alliance of Young Entrepreneurs under the auspices of the union Ministry of the Agriculture—stressed, is to be found in the launching of an ambitious programme for setting up agro-service centres, manned by agriculture and engineering graduates, through the length and breadth of the country. Apart from relieving the unemployment of these technically qualified people, this programme can appreciably accelerate the green revolution.

Besides the problem of providing financial assistance at reasonable interest to these agro-service centres, two pertinent points that emerged from the above seminar and which deserve serious note are that, (i) these centres should, as far as possible, provide a package of services to farmers — supply of all the major farm inputs, technical guidance, etc. — and (ii) the persons incharge of these centres should be imparted intensive training in their jobs. The producers of farm inputs have to be involved in this programme so that it may become truly effective.

Lest the enthusiasm of farmers should tend to wane, the other important area which calls for massive efforts is the promotion of the post-harvest modern technology in our agriculture and expeditious handling of the marketable surpluses of the various products. Mr Fakhruddin Ali Ahmed quite appropriately drew the attention of

the state agriculture ministers and the officials of the agencies concerned with the task, both at the centre and the state levels, to this at a meeting here a few days ago. Not only the harvesting and threshing operations have to be made faster, as the recent experience has shown that untimely rains lead to a significant loss of grains at these stages, but also the movement of grains from the surplus to the deficit areas or to the store houses has to be expedited.

The more-than expected procurement of wheat this year-already—five million tonnes—have been procured—against the whole year's target of four million tonnes—has clearly brought out the inadequacy of the storage facilities as well as of the movement programme. With a view to tackling the storage problem in the short run, Mr Ahmed indicated at the above-mentioned meeting that such measures as construction of temporary structures and augmenting of the supply of tarpaulin, polythene sheets and bituminised sacking could be help-

ful. But, in the long run, adequate permanent modern storage facilities have to be created both in the consuming areas in the deficit states and in the surplus producing states so that movement of grains from the latter to the former can be phased out in accordance with the availability of transport.

The encouraging trend of procurement of various grains this year incidentally should suggest that the time has come to somewhat bring down the procurement prices. The recommendations of the Agricultural Prices Commission during the recent past in this regard have not found acceptance at the hands of the government because of political considerations. Can it be hoped that when the procurement prices are fixed this year, economic considerations will be given due weightage? In the interest of fostering the green revolution, the lags in the indigenous production of the various agricultural inputs, of course, have to be made up expeditiously.

PRODUCTION OF SELECTED FOODGRAINS IN INDIA

Output	(Million tonnes)		
	1969-70	1970-71	Peak production till 1969-70 (years in brackets)
Rice	40.43	42.45	40.43 (1969-70)
Wheat	20.09	23.25	20.09 (1969-70)
Maize	5.67	7.41	6.27 (1967-68)
Ragi	2.12	2.20	2.12 (1969-70)
Jowar	9.72	8.19	10.05 (1967-68)
Bajra	5.33	8.00	5.33 (1969-70)
Barley	2.72	2.87	3.50 (1967-68)
Pulses (total)	11.69	11.58	12.44 (1964-65)
of which:			
Gram	5.55	5.25	6.25 (1960-61)
Tur	1.84	1.84	2.07 (1960-61)
Total Foodgrains	99.50	107.81	99.50 (1969-70)

The Economics of Social Security

S. VENU

ONE OF the most striking developments of recent decades has been the rise and expansion of social security systems. This has been a world-wide process and includes high as well as low income countries; nevertheless there exists a wide variety in the structure of such systems.

The concept of social security originated in the United States and spread throughout the world. But a precise definition of the concept is elusive. The government expenditure may be divided into two broad categories; *non exhaustive* and *exhaustive*. *Non-exhaustive* expenditure refers to the purchase of goods and services. *Exhaustive* or *transfer* expenditures refer to the grants of money to private citizens in cash or kind—the converse of taxes. The process of money coming from the citizen to the government is reversed.

Transfer Expenditures

Transfer expenditures are either *direct* with the gains accruing to the recipients or *indirect* in the form of subsidies to public utilities, whereby persons other than the recipients are benefited by way of lower fares encouraging more travel. Social security schemes belong to the group of direct transfer expenditures and may be defined as programmes providing for cash payments or curative services when efficiency in earnings is reduced or physical disability arises. This definition is vague, but in any event it is not a unitary, coherent or well defined phenomenon. Broadly speaking the term indicates, following the definition of Encyclopedia Americana, "Specific government programmes designed primarily to prevent want by assuring to families the basic means of subsistence".

We follow the conventional International Labour Organisation (ILO) definition of social security excluding public expenditures on health which are financed by the budget. The scope of our study covers; (a) old age, invalidity and survivor pensions, (b) sickness and maternity benefits, (c) compensation for work injuries, (d) unemployment and (e) family allowance benefits. Thus, public expenditure on housing, health and education which are embraced by the more comprehensive term social welfare' is excluded since these

result in subsidised facilities and fall into the orbit of indirect transfer payments.

Rationale of Social Security

The modern technological society depends upon the existence of large regular transfers or income flows to individuals and families beyond the system of payment for current work. Complete self-sufficiency is no longer possible; family income support is gradually restricted to narrower circles; a system is hence essential for providing a substitute income when earnings are interrupted or cease. This need overlaps another, much older set of needs—the need for income support and assistance to those who work but earn too little or who, for whatever reason, have less to live on than society regards as minimal or 'subsistence'.

Life in general and social life is no exception, is beset with risks—unemployment, illness and death. Man has become more conscious of the welfare of fellow-man. In the developing societies the great need for social security is seen from the high incidence, of unemployment, sickness, maternity disability and death. The great poverty as reflected by low per capita income keeps the vast majority of people at subsistence or below subsistence level. There is hence little or no margin of safety for emergencies which imme-

diately result in hunger, starvation and untold privations.

1967, expenditure on social security measures in the West European countries are given in Table I.

No tax gives money to people: it is in fact public expenditure on social benefits that secures a net progressiveness as a result of giving low-income households more in benefit than they pay in tax. Here the EEC countries are well ahead of the UK.

The EEC states spend more per head on welfare than the UK, because whereas 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 (Table II, p 474).

High Burden

When economists state that the burden of taxes is too high in the UK, the usual reply is to point out that the burden is no less in West European countries with the exception of Italy; albeit, sometimes higher as in the case of West Germany and Sweden. The answer seems to be that the high percentage of income tax collections stifles initiative, enterprise and development.

While the hourly monetary wage of the British worker is higher than that of his counterpart in most Common Market countries, it is in the area of fringe benefits such as paid holidays,

TABLE I
EXPENDITURE ON SOCIAL SECURITY IN W. EUROPE

	(million \$)		
	Percentage of GNP	Expenditure per capita	Taxes as percentage of GNP
Belgium	14.8	314	35.8
France	16.1	377	45.7
W. Germany	7.2	348	41.0
Italy	15.1	210	34.7
Netherlands	18.5	308	41.0
UK	12.8	214	37.0
Sweden	16.7	312	46.6

Source: EEC Statistical Office.

bonuses and social security that the latter is decidedly better off.

Three major categories can be distinguished:

- (a) *Social Insurance*—programmes, usually compulsory, financed by special contributions and benefits generally related to contributions.
- (b) *Social Assistance*—from general revenues based on 'needs' and 'resources' of recipients.
- (c) *Public Assistance*—from general revenues but benefits available automatically to all citizens in certain categories.

For old age and related benefits, the most common method is contributions by employees, employers and in some cases government. In W. Germany, the UK Italy and Japan, all the three parties are contributors to schemes. In the USA, the government is, generally, not a contributor. In India, the government has started contribution only with the recently announced Family Pension Scheme; prior to this, only the employers and employees contributed. In France, exceptional grants are given by government. In eastern Europe contributions are solely by employers, i.e. the enterprises. Contribution and benefit levels vary with no readily discernable pattern.

There is a wide variation of the extent of dependence on the social insurance as opposed to the other two approaches. W. Germany, France and Italy favour the former and the UK public assistance.

Social Security in India

The Indian Constitution guarantees social security in the following words:

"The State shall within the limits of its economic capacity and development, make effective provision for securing public assistance in case of unemployment, old age, sickness, disablement and other cases of undeserved wants".

The social security programmes operative in India are broadly as under:

- (a) *Employees State Insurance and Health Insurance schemes.* This is a scheme contributed to compulsorily by those covered at rates varying according to emoluments and providing sickness, disablement and maternity benefits.
- (b) *The Provident Fund schemes* whereby employees and employers contribute a certain percentage of salary (flat-rate) depending on the 'capacity' of the industry as

laid down by the government—6½ to 8½ per cent covering those earning less than Rs 1000 per month with exemption provisions for establishments whose benefits are as good as those provided under the Acts.

The number of members enrolled is about 18 lakhs with 'live' subscribers of four lakhs. Contributions are invested in government and other securities and upto March 1969 the aggregate investment was Rs 76 crores.

- (c) *Family Pension schemes* where the government is also a contributor introduced in February 1971, whereby a pension is paid to dependants of workers who die before retirement. Lump sum payments are also interwoven into the framework and this scheme is indeed unique.
- (d) *Miscellaneous Disablement and Unemployment schemes* exist in the states, e.g. Punjab's Unemployment dole introduced in 1970.

It has been estimated that total employers' contributions under the ESI and EPF schemes come to 13 per cent of the wage bill and that of employees 10.6 per cent. Regressiveness has been tempered by laying down a graduated scale of contributions to the ESI scheme and exempting the lowest group of wage earners from contributions.

However, the overall impact is negligible in relation to needs. All these

schemes cover only the labour of the organised sector. 94 per cent of the total labour force is not covered. Expenditure on social security in India is 1.8 per cent of the GNP and the UAR 1.6 per cent, and Ghana 1.3 per cent, are among the few countries with a lower ratio. In other countries, the ratio varies from 2 to 20 per cent. Comparative figures for 1966 are given in Table III.

TABLE III
EXPENDITURE ON SOCIAL SECURITY

Country	Expenditure on Social Security as percentage of GNP	Income of schemes as percentage of GNP
Ceylon	3.4	4.5
Chile	9.6	11.1
Ghana	1.3	2.7
India	1.8	2.6
Japan	5.8	7.6
Mexico	2.3	2.7
UAR	1.6	2.8
USSR	10.2	10.2

As a percentage of gross domestic investment, social security savings for some countries are given in Table IV (p. 475) for the period 1962-65 on an averaged basis. These figures denote the net increase i.e. difference between receipts to finance

TABLE II
TAX COLLECTION IN W. EUROPE

	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	3.0	40.1

*Including local rates.

SOURCE: Economic Trends August, 1970, HMSO.

programmes and expenditures by way of benefit payment and operation costs.

TABLE IV
SOCIAL SECURITY SAVINGS

Country	Social Security Savings as percentage of GDI
Burma	.5
Israel	3.7
Mexico	4.2
Brazil	4.1
India	4.8
Philippines	10.2
Malaysia	11.6
Uruguay	16.0

By themselves, the figures are misleading. Uruguay has large accruals but the sector has a larger deficit owing to liberal disbursement of benefits. In many countries inflation has reduced the real value of the benefits and the investment income as a source of revenue.

The role of social security schemes in economic growth is of acute interest.

Savings

As a percentage of GNP, household saving in India were around 6.5 per cent in 1967. In 1961, the figure was 4.7 per cent. During this period, the contribution of provident funds increased from 1.0 per cent to 1.6 per cent of national income. On this evidence, and from studies made by the Reserve Bank of India and ECAFE,* it would seem reasonable to conclude that social security saving has increased household saving. Workers in the lower income categories would not have saved without the compulsory schemes. As funded programmes do not provide liquidity, there is a further incentive to save for liquidity, and the accretion of 'near-money'.

On the other hand, if income is received by consumers rather than savers, savings may be reduced. Corporate savings are reduced if the increase in labour costs encroaches on profits, unless selling prices are raised which will produce inflation. If contributions of employers are deductible in arriving at taxable income, receipts from the corporate profits tax will decline. Generally, however, social security programmes appear to be an efficient compulsory means of garnering savings.

Effort

Social security benefit payments have two main effects on the incentive of the

- (i) Economic Bulletin for Asia and the Far East—Vol. XIII-Dec 1962-ECAFE.
- (ii) Reserve Bank of India Bulletin 1965, pp 314-333.

recipient to work. First, any subsidy (a negative income tax) lightens the pressure to work by increasing the family's disposable income. In some quarters the argument is advanced that if social security programmes cause a larger rise in GNP per head, the correlation between the two is positive, indicating more effort from the recipient but the process of development involves numerous variables and a direct thesis can not be formulated. In eastern Europe today, social security is negatively associated with economic growth. Malin-

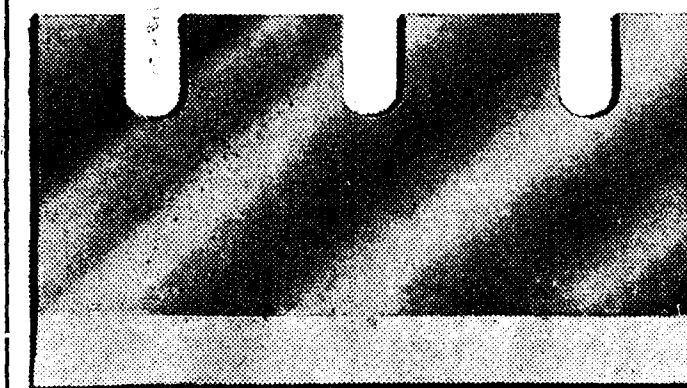
gering and absenteeism have become endemic. Similar complaints in India are voiced with unfailing regularity.

Second, the income effect of the compulsory deductions may induce more work. But unless the gain in marginal income is substantial and the contribution is a flat-rate one, such effects may not be pronounced.

Elasticity and Flexibility

With wider coverage at the same rates, the yield is flexible both in terms

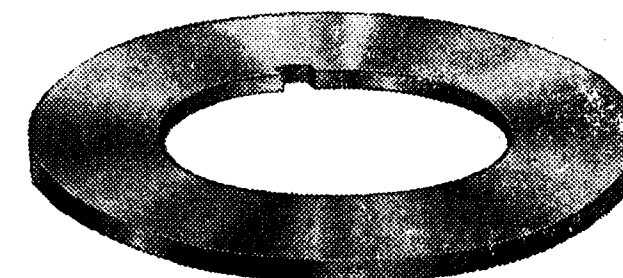
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of 'bought-in' nature and buoyancy. With increasing percentage of income taken away statutorily income elasticity of yield is attained e.g.: the rise in percentage for certain industries from 6½ to 8½ per cent in India. Added to these advantages is the ease of collection from large enterprises and government offices.

Stability

In developed countries, reserve funds built up from collections provide a strong anti-recessionary sensitivity to business downturns. Public assistance schemes, based on need contribute additional offsets to fluctuations in private income. In underdeveloped countries, the effect is marginal, as a very small fraction of the labour force is covered. However, on the revenue side, the savings constitute an anti-cyclical factor lending stability to programmes and creating vested rights for contributors. As one observer remarks, "Social security also appears to have been earned, and the benefits received as a matter of right and not as charity".

Distribution of Income

Distribution effect differs depending on whether related to size distribution of current groups or of lifetime income or age groups. It would be of interest to test Titmuss's hypothesis that social security largely redistributes income between subsections in the lower or middle income groups rather than equalise income brackets.

In India and the developing societies an obvious effect has been to widen the differential between the industrial worker in the organised sector on the one hand and the worker in the unorganised and rural sectors on the other. Horizontal equity has thus been lessened. Vertical equity has, to some extent, been attained in that real wage differentials between the lower rungs of supervisory staff and the industrial worker has been narrowed. But a regressive element is the fact that the upper income worker gains more from the flat-rate deductions than one with a lower income.

Impact of Inflation

Where cash benefits like pensions are fixed and contributions are a fixed percentage of wages, contributions grow at a faster rate than benefits during inflationary periods and surpluses grow. This is an anti-inflationary process. But this will cause the public to regard social security contribution as another form of taxes and benefits will not be in keeping with contributions.

Pattern of Investment of Revenue

Receipts from the Provident Funds rose to Rs 54.80 crores in 1965-66 and Rs 74.71 crores in 1970-71—from Rs

8.54 crores in 1950-51.

For financing of the Plans, social security savings have provided the following amounts in crores of rupees.

First Plan	92
Second Plan	265
Third Plan	253
1966-69	300
Fourth Plan	660 (estimated)

Upto 1967-68 all receipts had to be held in central government securities. Since then, some flexibility has been allowed and receipts can be held in state government securities and fixed deposits. The share of such reserves—government Securities—rose to 16.5 per cent in 1967 from 5.5 per cent in 1957.

In the process of providing for a number of important needs, social security programmes help to maintain household income and dampen economic fluctuations. In India, the tertiary and service sectors, apart from labour in the unorganised and rural sectors, are not covered. Further extension of the schemes is an immediate task. But the dilemma is one of 'limited funds and unlimited wants'. While resources do pose a formidable barrier, no country committed to Socialism can allow the bulk of its citizens to live in destitution.

The central government should assume more and more responsibility for contributions to social security pro-

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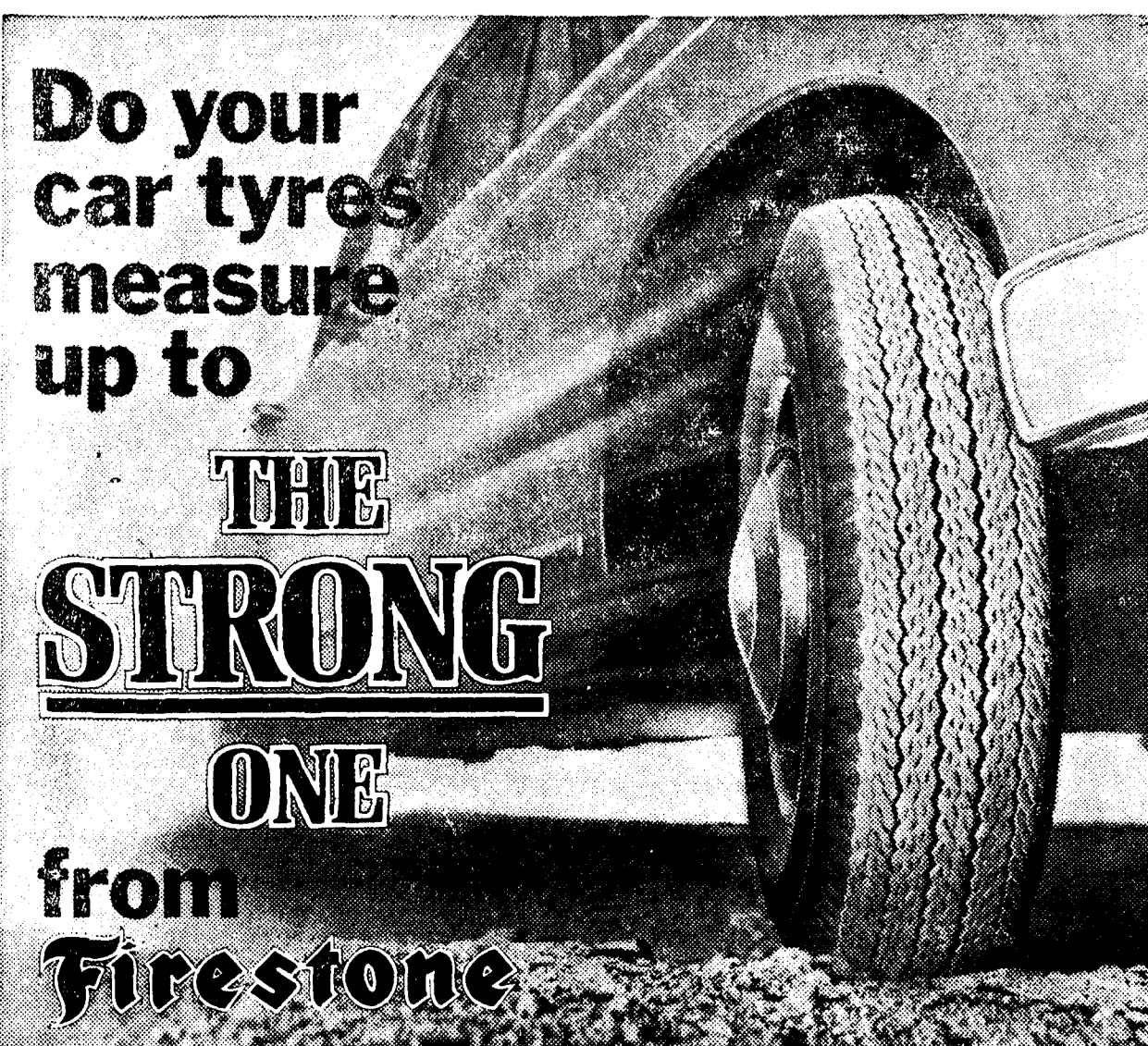
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grammes. Uniformity can be ensured on a nationwide basis and the redistribution of resources among the states will be facilitated. A National Commission to lay out a detailed forward plan of extension would be of immense value provided its approach is pragmatic and not doctrinaire.

Problems will, of course, arise. Should there be more subsidisation of factor incomes? Should government coverage or employer coverage be increased? Should schemes be based on cash or in-kind transfers? These and related questions will be decided more by the political process.

The relief of poverty is a world-wide problem of great complexity requiring the attention of economists, psychologists, social workers and many others. Along with, social security systems will

be needed developments such as continued accumulation of inventions and capital equipment, an expansion of educational opportunities so that inadequate knowledge ceases to be a barrier against earning income and an improvement in other welfare services. Only a comprehensive socio-economic attack on an integrated scale can hope to raise minimum living standards in a rapidly growing population.

It is not feasible to effect exact 'cost-effectiveness' studies to compare Rs 100 spent on old age relief to the same amount on schools as a scientific yardstick is still not in hand. The tangible effects of an improvement in health are not measurable. But these difficulties should not deter our efforts. *Social security is an end by itself however defined.*

Foreign Aid and Imports

DR A.K. SINGH

It is now widely recognised that foreign trade is not a substitute for economic growth but a supplement to it. In fact, the developing countries do not face the problem of choosing between free trade and protection or between balanced and unbalanced growth. According to Pincus, 'the art of development policy with respect to concrete issues lies in making appropriate use of different theories without being able to rely entirely on any theoretical structure that combines completeness and relevance. From this viewpoint, the operative issues that north and south both face are what choices to make in view of all constraints and not in view of some 'a priori' ideal.'

While the value of trade has never been denied in an economic organisation, the external barriers and in-built limitations of trade in an underdeveloped economy create peculiar problems during the initial stages of growth. Import bills mount very fast due to augmentation and speedy implementation of modern industrialisation. Even import substitution cannot be maintained without aid unless the difficult course of devaluation is adopted². It is here that the need for aid arises.

India as a developing country has accepted aid as a source of meeting her excess import bills. The main purpose of this article is, thus, to analyse the contribution of foreign aid to the Indian external trade—the imports. In analysing the contribution to Indian imports, four points have been taken into account, viz, (1) the total volume of

volume of Indian imports which are positively correlated with the increase in the GNP. Foreign aid contribution was not very significant during the first Plan period but it showed a remarkable upward shift during the second Plan period and contributed 29.20 per cent of the total imports bill. The upward trend did not stop there. It further increased to 46.24 per cent during the third Plan period and remained almost at the same level during the annual

The name of the author of the article, "Import Substitution and Standardisation", published in the Eastern Economist, dated August 27, 1971, should be read as S.K. Suchdev instead of H.K. Suchdev.

Plans (1966-1969) contributing 45.66 per cent to the imports bill. Taking the whole period (1951-1969) into consideration, we notice that foreign aid accounted for 34.77 per cent of the total volume of imports.

Trade Gap

Viewed in relation to export-import gap, the aid contribution can be appreciated in a better way. Table II shows how much of the gap was financed by external assistance.

It is clear that during the first Plan, imports exceeded exports by Rs 571 crores. This was covered by external aid to the extent of Rs 194 crores—34 per cent of the total. The rest was financed

TABLE I

SHARE OF AID IN THE TOTAL VOLUME OF IMPORTS: 1951-1969

(Rs crores)

Period	Total imports (cif)	Total external assistance	Total/aid as percent of total imports
First Plan Period (1951-1956)	3615	194	5.37
Second Plan Period (1956-1961)	4924	1430	29.20
Third Plan Period (1961-1966)	6204	2869	46.24
Annual Plans (1966-1969)	5814	2655	45.66
Total	20557	7148	34.77

Source: India's Development and Economic Aid, Embassy of the USA, New Delhi, 1965 for the figures of Aid during the first Plan period; Economic Survey 1967-68, Government of India for aid figures during second Plan and third Plan periods; Report on Currency and Finance RBI, 1968-1969 for aid figures during annual Plans and imports during the third Plan and annual Plans period. Import figures from 1951 to 1961 from relevant Reports on Currency and Finance.

by drawing on accumulated reserves. The corresponding gap during the second Plan increased to Rs 1,806 crores and 79.2 per cent of it was financed by foreign aid. The third Plan registered a record 'gap' of Rs 2,443 crores. External aid during the third Plan also reached an all time high—Rs 2,869 crores. Obviously, thus, the aid not only covered the gap in its entirety but also helped to finance the deficits in the balance of payments on other accounts to the extent of 77.8 per cent.³

The gap during the annual Plans (1966-1969) stood at Rs 2168 crores. Again, foreign aid exceeded this gap and left a balance of Rs 21 crores after covering the entire deficits in the balance of payments.⁴ This balance resulted in an increase in our foreign exchange reserves. Thus, devoid of foreign aid India could not have been in a position to import the amount required by the economy. It would have been less by Rs 6,988 crores.

Incremental Volume of Imports

Had Indian imports continued at 1950-51 level of Rs 650 crores, the total volume of imports between 1951-1969 would have been Rs 11,700 crores, i.e., Rs 8,857 crores less than the actual volume of imports of Rs 20,557 crores. Thus, the incremental volume of imports during the period under study was Rs 8,857 crores.

Table III shows the share of aid in this incremental volume of imports.

Thus, Table III reveals that aid contributed 80.7 per cent to the incremental volume of imports that supported the growth efforts during the period under study and made it possible to increase the national income at the annual rates of 3.5, 4.0 and 2.9 during the first, second, and third Plan respectively at 1948-49 prices.⁵

Incremental Level of Imports

If we compare the incremental level of annual Indian import with the incremental level of annual external aid received and utilised by India, we get a close view of the aid contribution to our rising annual imports since the beginning of the first Plan. For the calculation of incremental level of annual imports, annual average of import during the first Plan and annual average of imports during the annual Plans have been compared. Similarly for arriving at the incremental level of external assistance, the annual average of foreign aid during the first Plan has been compared with the annual average of aid utilised during the annual Plans.

Table IV gives a clear picture of external aid contribution to incremental level of imports into India.

nal aid contribution to incremental level of imports into India.

TABLE IV
SHARE OF AID IN THE INCREMENTAL LEVEL OF INDIAN IMPORTS (1951-1969)

	(Rs crores)
Level of Imports in the First Plan	723
Level of Imports in the Annual Plans	1938
Incremental Level of Imports (2-1)	1215
Level of External aid in the First Plan	39
Level of External aid in the Annual Plans	885
Incremental level of external aid (5-4)	846
6 as per cent of 3	69.6%

Thus, we see that external aid, as a whole, financed 69.6 per cent of the incremental level of annual Indian imports during the period under study. Without the external aid, therefore, the

Indian imports would not have increased at such a high rate.

To sum up, India, which is engaged in a programme of intensive industrialisation, has been substantially assisted by foreign aid in financing the fast increasing imports bill. During the period between 1951 and 1968-69, foreign aid has contributed to the extent of 34.77 per cent of the total volume of imports and all the trade gap for this period. Viewed in relation to the incremental volume and level of imports, the aid contribution has been of the order of 80.7 and 69.6 per cent respectively.

REFERENCES

1. Pincus, John, "Trade, Aid and Development", McGraw-Hill Book Company, New York, 1967, p. 148.
2. Ibid, p. 43.
3. See Table 6.3, pp. A54-55, Economic Survey 1967-68, Government of India. According to this table the annual average overall deficit during the third Plan was Rs 605.2 crores i.e. Rs 3,026 crores in all. The Trade gap being Rs 2443 crores, other deficits come to 3026-2443 = Rs 583 crores of which Rs 454 crores came from foreign aid.
4. Figures upto December 1968 show a total deficit during Annual Plans of Rs 2634 crores and aid figures upto March 1969 are Rs 2655 crores. Thus exact percentage cannot be worked out.
5. Economic Survey 1967-68, Government of India, p. A.4.

TABLE II
AID AND EXPORT-IMPORT GAP: 1951-1969

Period	Imports (CIF)	Exports (FOB)	Gap (—)	Total	Total aid percent. of gap
First Plan	3615	3044	571	194	34.0
Second Plan	4924	3118	1806	1430	79.2
Third Plan	624	3761	2443	2869	117.4
Annual Plans	5814	3646	2168	2655	122.4
Total	20557	13569	6988	7148	102.3

Source: Table I of this article and Report on Currency and Finance, RBI for concerned years.

TABLE III
SHARE OF AID IN THE INCREMENTAL VOLUME OF IMPORTS: 1951-1969

	(Rs crores)
Incremental Volume of Imports (1951-1969)	8857
Total Foreign Aid (1951-1269)	7741
Total aid as per cent of Incremental Volume	80.7%

Source:—Table I of this article.

WINDOW ON THE WORLD

New Uses for Worn-out Cars

JOSSLEYN HENNESSY

LONDON.

A GROWTH INDUSTRY

USED MOTORCARS are among the rubbish with which those responsible for "environmental policy" have more and more to cope. Rusting old cars disfigure the countryside and pile up in the suburbs of towns. The number of abandoned cars is estimated at several millions in every one of the leading countries of Europe. In 1969 alone 600,000 were withdrawn from circulation in France—just one of the countries in which these roadside wrecks are piling up. The total number of cars on the road in France tripled in size between 1950-60 and doubled again in the past ten years. The problem of what to do with these hoards of old metal becomes more pressing year by year.

In Sweden they dump used cars in the sea! But then Sweden has miles of quasi-deserted fjords which other countries lack and in any case the Swedish solution will strike many people as unattractive. Moreover, an old car contains appreciable quantities of non-ferrous metals, cast iron and above all, much good quality steel, so that the salvaging of old cars represents an important source of scrap metal for the iron and steel industry. In fact, however, the industry uses less and less of the derelict cars offered by scrap merchants in "package deals" because a load of mixed metals needs further sifting before it becomes useful to steel smelters. Scrap merchants must therefore first put the carcasses of old cars through a sifting process if they are to produce scrap that steel users consider to be of the right quality and price.

Technique of Pulverisation

In certain scrap enterprises the bodies of old motors are treated by means of presses normally used to pack up metal or iron waste. This transforms them into flat, easily transportable, lots of about a cubic metre each. Unfortunately these lots contain too high a percentage of non-ferrous metals, particularly copper, which the steel industry finds difficult to use. This process is therefore being steadily abandoned. Only separation by hand of the different

metals in the carcasses would produce a sufficiently refined commodity, but the cost of man-handling would make the sale price uneconomic to steel users.

The solution lies in the sifting by automatic means of the metal and non-metallic, the ferrous and non-ferrous elements. Two automatic processes are at present available. The first, developed in Japan, uses the differences in the melting temperatures of metals, and produces 99 per cent pure scrap iron. The wrecked cars are led on a conveyor belt into a pre-heated chamber, then into an oven in which the lead, aluminium and copper melt in succession and are recovered as ingots. Lastly, the steel is compressed, rolled thin and cut into sheets. The point about this process is that it enables relatively low powered presses to be used as the heated scrap becomes malleable. On the other hand, the "cooking" of the carcasses gives off strong and ill-smelling fumes. To get rid of these raises technical problems and costs which are excessive, at any rate in Europe. Another process, developed in France, and picked up in West Germany, Great Britain and the United States is to pulverise the carcasses.

New Technique

In pulverising plants, such as those developed by the Compagnie Française des Ferrailles (French Scrap Iron Company), the vehicles (from which cushions, engines, radiator, petrol tank, axle, wheels and transmission have been removed) are lowered by cranes equipped with grapples or with an electro-magnet, into a pulveriser either directly or via a conveyor.

Pulverisation is effected either by hammers with cutting edges, set in rings, and revolving rapidly round a horizontal axis, or by a cutting press which slides in a verticle groove and acts on knives fixed to the inside of the pulveriser's walls. The body of the car is thus reduced within 35 seconds to pieces of 20 centimetres each, which are channelled by a conveyor to the sifting chambers. "Sterile" products such as paint, plastic items, wadding, or covering for electric wires, are rejected, by an airblast, into a hopper or burner. Thereafter the steel, separated from non-ferrous metals by magne-

tisation, emerges as homogeneous, compact strips of metal. The product thus obtained is valuable to steelmakers, because it is of more than 99 per cent purity, is readily transportable in bulk and easily loaded into the furnaces.

II

PROFITABILITY

A recovery plant naturally only becomes profitable when a sufficient level of output is attained. Since, on an average, it requires two vehicles to obtain one ton of scrap iron and since the general preference in Europe seems to be for plants with a capacity of 30,000 tons a year, there should theoretically be room in France, for example, for ten to twelve plants capable of pulverising more than 600,000 cars a year. In fact, France only has two. One installed at Athis-Mons and another, which pulverises 200 vehicles a day, recently started up at St Pierre de Chandica in the Department of the Rhone.

The conditions of supply of old cars influence the choice of a site for a recovery plant. One would expect pulverising enterprises to be sited near big cities and conurbations. While, however, they do benefit in an initial period in a restricted area from the considerable accumulation of abandoned cars, these supplies are soon exhausted and the pulverisers are obliged to look further afield.

It is uneconomic to pick up abandoned cars in the special lorries used for transporting new cars, because of the constant stopping to load, so a mobile press has been developed which reduces the wrecks to pancakes, 15 to 20 centimetres thick, and some two meters long, which are loaded on to lorries and channelled directly to the pulverising centre. This mobile press enables 200 cars to be paneaked in eight hours and thus makes profitable the picking up of wrecks over a circle of sixty miles, always providing that there are enough wrecks in the area. Profitability begins after picking up seven pancakes within a circle of 30 miles.

It would, obviously be more advantageous if the owners of a car which they went to abandon, as well as the car-breakers who recover from disused cars obtain bits and pieces in order to sell them would themselves deliver their old cars direct to the pulverising plant. In fact, however, the owners more often than not abandon their cars on the spot, on a street or on waste-land, while the car-breakers tend to accumulate their stocks because they are speculating on an eventual rise in the num-

bers of pulverising enterprises. This speculation can pay off. In the USA, where 70 pulverising enterprises are already at work, competition to buy old car: has become keen and some enterprises try to sign up car-breakers on long-term contracts. Things have not yet reached that point in Europe. Pulverisers already at work refuse to buy wrecks at prices which send up their costs of production. The price of a carcass is related to the price of scrap iron on the world market, which at the time of writing was about £2.25 to £2.75 per vehicle. Thus, although their raw material is plentiful, pulverising capacities are not fully used.

It is all the more important to make sure of handling wrecks profitably because the capital costs of installing a pulverising plant are high compared to those usual in scrap iron recovery. Capital costs for plant of an annual capacity of processing 60,000 vehicles (30,000 tons of scrap ready for delivery to steelmakers), would be around £75,000 (of which about 20 per cent for the engine and the pulverisator; 10 to 15 per cent for the site, and 65 to 70 per cent for the conveyor belt, sifter, and eliminator of "sterile" items). In addition, a mobile press costs about £7,500.

Running costs are basically the power consumption of the pulverisator and its maintenance; the hammers need to be renewed fairly frequently. In addition there are the costs of servicing and control of the sifting machine and, above all, of the evacuation and elimination of the sterile items; the latter amount to 15 per cent of the wrecks and can rise to 25 per cent if they are very rusty, which is the special affliction of enterprises which are set up in areas where wrecks have been accumulated for many years.

III

FUTURE POSSIBILITIES

The whole trend in the scrap iron market is towards increasing use of high grade scrap, so that the market for the high quality products of pulverisers is steadily likely to erode the demand for lesser grades produced by other means and that do not emanate from used cars.

Scrap iron is often used in blast furnaces, but the quantity has decreased since the war: use has fallen from 125.5 kilos per ton of cast iron in 1955 to 11 kilos in 1969. While it is not necessary that high quality scrap should be used for cast iron, high quality is essential for steel, where it is important not to re-introduce impurities in the final phase of production. Consump-

tion of scrap averaged 359 kilos per ton of raw steel in 1955 and 347 kilos in 1969. The development of steel production processes opens enticing possibilities to scrap suppliers. For example, the development is foreseen not only of the electric furnace, which is often fed with 100 per cent scrap, but also of oxygen converters whose consumption of scrap is close to that of the Martin furnaces, which can take up to 70 per cent of the load, that is two or three times more than the Thomas converters.

In France where, as in many other countries, the consumption of scrap remained more or less stable in 1966-68, owing to stagnation in steel production, the increase of the supply of scrap, which lags several years behind the progress of steel consumption, has tended to be felt in lower prices for scrap. Since then, however, prices have risen parallel with the upsurge in the steel market. There is, moreover, every reason to believe that the great purity of pulverised motor scrap will continue to be preferred to scrap recovered from other sources.

Supply Position

The expansion of the recovery from old cars by pulverisation depends on the supply facilities available to the pulverisers. Since the average life of a car in Europe is 10 or 12 years, it is estimated that nearly 12 million vehicles in France alone could be turned over to scrap between 1970-80. Beyond 1980, the problem of scrap recovery will become more acute. In the USA the life of a car is already only seven years and obsolescence overtakes vehicles more and more rapidly.

The distribution of motors in different parts of France is unequal. The regions of Paris, of the Rhone-Alps, of Provence-Cote D'Azur, and of the north account for 40 per cent of the cars in circulation, which explains why the pioneers of pulverisation have their eyes specially on these regions for future development. The establishment of a steel complex near Marseilles will also attract wrecking specialists to Provence and the Cote d'Azur, where the number of cars has tripled in the last ten years. Furthermore, this south coast region has the advantage of being close to the Italian market, which imports scrap in a big way. If the existing prohibition to export scrap outside the European Economic Community were ended or partially lifted, the exploitation of the number of cars in Aquitaine, which is almost as large as that of the north, would cash in on the strong demand that would come from the Spanish market.

It is possible that in future, it will be

the steel enterprises which will come to site themselves near the pulverising plants. Steel men, aware of the special quantity of ferrous metals recovered from motor cars, have developed a process to manufacture steel directly in the electric furnaces using car scrap and pre-reduced mineral ore. Small steel works, combining this technique with that of continuous flow, have already been built in West Germany and in the United States. Their annual production capacity varies from 70,000 to 400,000 tons. The start of such enterprises, which enable wire and cast steel bars to be produced far from the great centres, is beginning to attract the attention of big producers. This means that pulverising enterprises would be assured of close customers and steadier production runs.

New French Law

The scrap merchants will certainly benefit by the action that various public authorities have taken in the struggle against pollution of the environment. In this connection, a new French law which allows cars abandoned on the public highway to be picked up and destroyed within seven days will speed up supplies for the pulverisers. Next, any motor not redeemed from the public pound within forty five days of receiving a warning, will be deemed to be abandoned. Even this delay will be reduced to ten days if the authorities consider the car to be below a certain value and declared unfit for circulation.

Hitherto scrap merchants have not sought to pick up wrecks which lack the French grey identification cards. Moreover up to now they have had to have a police permit for any removal. It is now proposed that the scrap merchants, the local authorities and the pulverisers should sign a contract whereby the demolition enterprises should be obliged to remove worn out vehicles and would thus be automatically dispensed with the need to search out the owner and go through all the previous formalities. In addition, the demolition contractors would receive state financial aid by means of a bonus equal to the average price of worn-out cars. This would be paid by the buyer of a new car and paid back to the last owner of the worn-out car. This system would penalise the first buyer of a car, since he is rarely its final owner, but it would doubtless be most effective in reducing the number of abandoned cars.

Now that I have finished this article there comes to my minds a libellous story told of a distinguished Sikh who, some years ago, was a minister of the central government. Travelling along
(Continued on page 487)

Commemorating Independence Day (August 15) of Republic of Korea and Republic of India

The people of Korea felicitate the people of India on this happy occasion. India was Chairman of the United Nations Commission which brought Independence to Korea.

Republic of Korea believes in the unification of Korea by peaceful means. It therefore supports the United Nations formula of free elections throughout Korea under United Nations observation.



His Excellency
President Park Chung Hee
Republic of Korea

India helped Republic of Korea to repel the Communist aggression from north during the Korean War as a part of United Nations forces in Korea.

The Government and people of Republic of Korea honour and remain grateful to the gallant officers and jawans of the Indian Army for their supreme sacrifices in Korea in the cause of peace, freedom and democracy.



Seoul
Capital of Korea
(Population 5.5 million)



United Nations

Gigantic Economic Development

The Republic of Korea known until the turn of the century as a Hermit Kingdom has taken a gigantic step towards industrialization.

Coming out of the ravages of the Korean War of 1950-53, with her production potential badly damaged, Korea has set an amazing speed on the economic growth. In 1968, the GNP of Korea rose by 13.3 per cent second only to Japan in ECAFE Region countries, which was further expanded in 1969 by an all time high rate of 15.5 per cent with the total GNP of 2,047.1 billion Won.

Third Five Year Economic Development Plan

Having acquired political stability and administrative continuity, Korea has gained the confidence needed for the rapid growth of an economy. Encouraged by the successful implementation of the First (1962-66) and Second Five Year Plan (1967-71), Korea now looks forward to an affluent society under the Third Five Year Plan (1972-76).

Third Plan will concentrate on the attainment of self-sufficiency in grain production; improvement in the balance of payment position by exporting \$3.5 billion worth of goods in 1976, the target year; acceleration of industrialization; decentralization of industrial facilities and population through the efficient exploitation of land resources; and development of manpower resources by improving scientific and management skills which in turn will raise the level of technology and productivity.

The Atomic Power Plant at Kori, Kyongsangnam-do, to be completed in 1976 will raise the total power generation to 6,000,000 kw in 1976 as against present capacity of 2,200,000 kw.

An integrated iron and steel mill with an annual capacity of 2,400,000

M/T will go into operation in the near future to lay the foundation for the development of the heavy and machinery industry. It is notable that Korean construction companies have been awarded contracts worth more than \$10,623,000 in four different countries.

Foreign Trade

The exports rose from \$31.8 million in 1960 to \$702.8 million in 1969 shared by manufactures to the extent of 79 per cent as compared to 20 per cent in 1960. This dramatic change in the diversification of exports is indicative of the consolidated export industry.

With the achievement of export goal for 1970 totalling \$1,003.8 million, the export target for 1971 has been set at 1,350 million dollars, 35 per cent over that for last year. During the period of Third Five Year Plan, the exports are planned to increase by an average of 22.8 per cent per annum to gross \$3,510 million in the target year 1976.

The total exports during 1970 represented more than 950 different types of products going to more than 100 countries all over the world. Diversification of exports envisaged in the Third Plan period will change the composition of primary products share from 21 per cent in 1969 to 9.1 per cent in 1976, and that of manufactures from 79 per cent to 90.9 per cent. In the composition of manufactures, the ratio of light industrial products will decline from 55.9 per cent in 1969 to 51.2 per cent in 1976 and that of heavy and chemical industry climbing up from 23.1 per cent in 1969 to 39.7 per cent in 1976.

Investment Opportunities

Korea, being a fast developing country, offers vast investment opportunities by way of capital participation and supply of technical know-how. Foreign capital by acquisition of stocks and/or shares in enterprise which contribute to foreign exchange earning capacity of the country and/or economic development is permissible with or

without collaboration with local parties. The investment can be by direct payment, import of capital goods and technical know-how in the field of accelerated profits on existing investment in the country. The Economic Planning Board looks after all the needs of foreign investors in Korea.

Overseas remittance of profit/dividend, sale proceeds of capital subscription, as well as the property invested is guaranteed. As an inducement the foreign investor is exempted from the taxes, custom duty/commodity taxes on capital goods imported under the collaboration, in total or in part as the case may be.

Korea enjoys a constitutional democratic, republic polity as well as political, economical and social stability under a strong, popular leadership. Systematic national economic policy and a streamlined administrative efficiency afford a very favourable climate to foreign investors.

Korea also boasts an abundant, inexpensive labour force highly adaptable for modern industrial work. Excellent harbour facilities are available on all coastal port cities with vast array of a merchant marine fleet.

At the end of 1970, foreign investments in Korea amounted to \$213 million involving 266 projects. Remittances of principal and profits on investments in Korea totalled \$8.3 million during 1970, a marked advance over

Republic of Korea

\$5.7 million remitted in 1969. As of June 4, 1971, the foreign investment further rose, amounting to approximately \$243.54 million in 312 different projects, out of which independent foreign investments account for \$39,730,000 and joint investments with local businessmen for \$203,814,000.

In addition, the Korean Government is fostering a programme in which diversified industrial complexes located at suitable regions will be developed with full Government backing. Having already completed the establishment of 13 industrial estates throughout the country, including those in Taejon, Chonju and Kwangju, preparation of five additional sites will be completed by the end of 1971 and three more sites will be finished by the end of 1972, bringing the total to 22 industrial estates, including the Masan Free Export Zone.

The new industrial estates are:

- (1) Seoul Export Industrial Estate—157 plants to produce electrical and chemical products.
- (2) Incheon Estate — 48 plants to produce metal products and machinery.
- (3) Chonju Estate — 25 plants to process food, chemicals, machinery and textiles.
- (4) Mokpo Estate — 10 plants for the processing of marine products.
- (5) Pohang Estate — 145 plants in-

cluding the integrated steel mill.

- (6) Iri Estate—30 plants to process food, chemicals and machinery.
- (7) Masan Export Estate—20 plants for the processing of export products.
- (8) Ulsan Estate—33 plants for the production of petrochemical products.

Masan Free Export Zone

The Masan Free Export Zone, located on the southern coast of Korea, should be a matter of great interest to many foreign firms interested in investing in Korea. In addition to the usual benefits of foreign investment in Korea, some additional advantages exist for setting up industry in the Zone.

The firms intending to locate industry in the Zone must manufacture, process, or assemble goods for exports.

The types of industries admissible include electrical, medical and scientific appliances; machinery and tools; precision machinery; electronic products; plastic, leather, rubber and metal products; textiles and handicrafts; musical instruments; toys, furniture and decorative items; travel and sporting goods; yachts and small boats; packing materials; ceramics, cosmetics, food processing, printing; and all types of clothing.

India's Trade with Korea

According to the latest available official statistics of the Government of India, during 1969-70, India's exports to Korea were of Rs. 8,60,48,573 while Korea's exports to India stood at Rs. 1,47,49,471.

It is heartening to note that during the period of 1966-1970, India's exports to the Republic of Korea increased by over 170 times from a mere 5 lakh rupees in 1966 to more than 8.6 crores rupees in 1969-70.

Recently, Korean firms won two global tenders to supply 45,000 M/T of fertilizers to India during the year 1971 valued at US \$2,326,000. A long term supply programme of Korean cargo

ships, tankers, fishing trawlers, tuna boats and fertilizers are also under negotiation. Joint collaboration in fishing and canning in India is also being pursued.

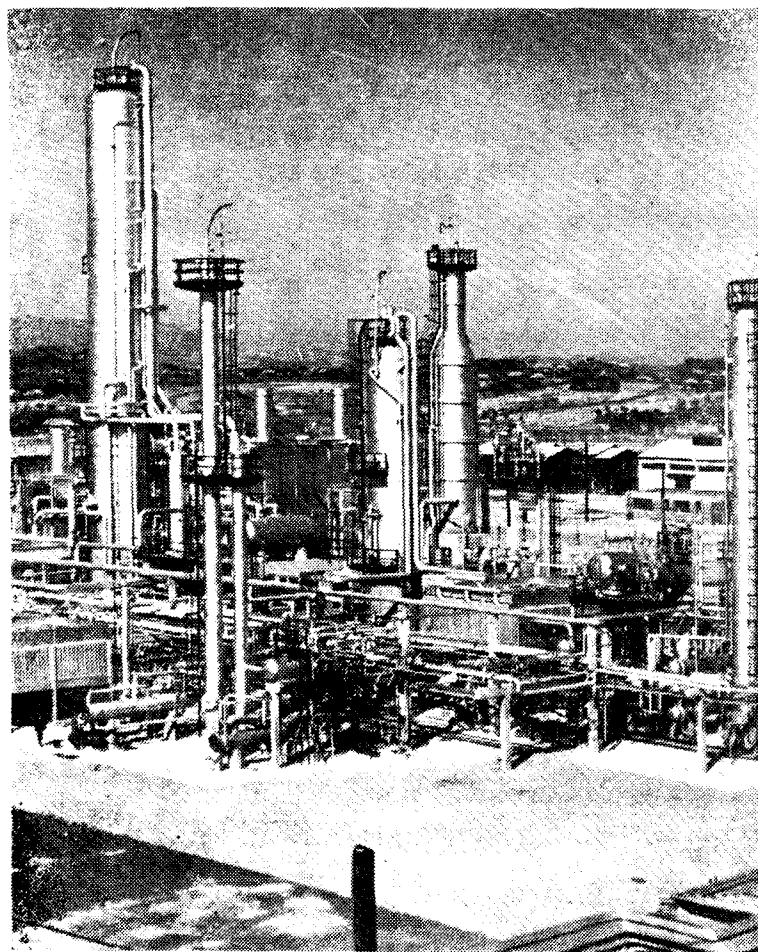
India is importing from Korea, *inter alia*, zinc, graphite, anthracite, contraceptives, tungsten, raw silk, agar agar and silk worm seeds, all of which can further be expanded. Copper and other non-ferrous metals, ferro-silicon, antimony, ginseng products, peppermint oil, synthetic fibres, nylon textiles, chemicals, medicines and pharmaceuticals, PVC resins, iron and steel products, all types of clothing and others are some of the items for which there exist a large potential in Korea for export to Indian market.

On the other hand, India can meet Korea's requirements of raw materials for some of Korean industries. Pohang Steel Plant at Pohang, Korea will go into production by July 1973 with the initial annual production capacity of 1,030,000 M/T to be increased in stages to 2,400,000 M/T by 1976, requiring the following raw materials:

- (1) Iron ore 573,000 M/T in 1973, 1,194,000 M/T in 1974 and 1,224,000 M/T in 1975.
- (2) Manganese ore, minimum of 14,000 M/T per annum.
- (3) Steel Slabs from 1972 to 1974 — 40,000 M/T, 110,000 M/T and 550,000 M/T — for the Ship Plate Mill and Hot Strip Mill of the Plant which will begin operation in August 1972 and October 1972 respectively.
- (4) Scrap Metal upto 700,000 M/T per annum.

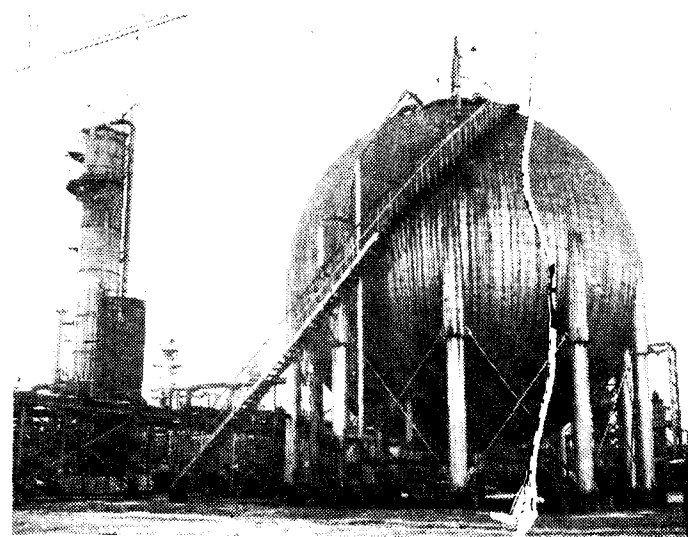
India can also export to Korea 100,000 M/T of Raw Sugar, 300,000 M/T of Salt and 15 M/T of Raw Opium every year. Cotton yarn, oil cakes, jute, human hair, mica blocks, radio receivers, pepper and other spices, animal horns, dyes, high carbon content and alloy grade iron and steel products, rails, railway wagons are some of other items which may be exported to Korea.

Korea and India are dedicated to peace and progress. To this end, Korea and India cooperate closely at all United Nations agencies and regional organizations in Asia. United Nations has recognized Republic of Korea as the only lawful Government in all Korea (General Assembly resolution of December 12, 1948). Three crores out of four crores' population of Korea live in Republic of Korea in democracy, freedom and prosperity.

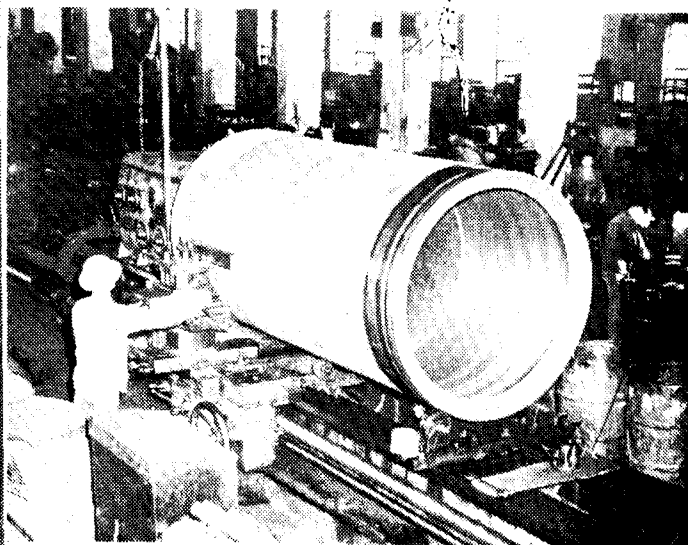


Oil Refinery at Yosu

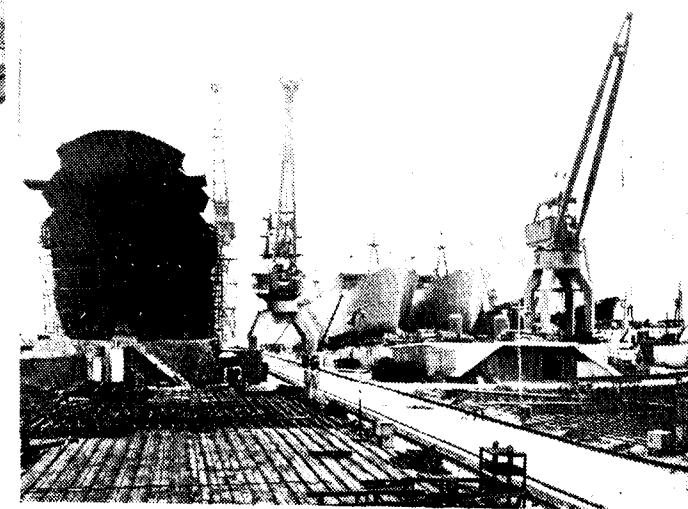
Korea and India are bound by enormous trade and economic cooperation. In 1969-70, India's exports to Korea were of Rs. 8,60,48,573 while Korea's exports to India stood at Rs. 1,47,49,471. Korea's total exports have increased by more than 40 per cent every year during the last decade and will surpass 1.45 billion dollars in 1971.



Fertilizer Plant at Ulsan



Steel Plant at Pohang



Shipbuilding Yard at Pusan

a road near Ambala where there is, or used to be, a vast dump of rusting disused cars, the minister stroked his beard anxiously and said to his driver: "You'd better drive carefully here. There seem to have been an astonishing number of accidents along this road recently".

This article summarises a special report published (in French) in a recent issue of the *Economic Review* of the Banque Nationale de Paris, but the Bank is responsible neither for the emphasis of my summary, nor for my comments, and still less for the contents of my final paragraph.

Currency Unrest and Forward Transactions

TORBEN JANTZEN

DURING the last twenty years the western countries have generally succeeded in upholding the principle of fixed par values in accordance with rules laid down under the auspices of the International Monetary Fund.

From time to time, however, various currencies have been exposed to pressures which — especially in the last few years — have resulted in devaluations or revaluations.

The pound, for instance, was depreciated in November 1967 and so was the Danish krone. Since the autumn of 1967 international currency markets have, in fact, been in a state of latent unrest which, from time to time, has flared up into acute crises.

International Unrest

Recently, unrest in international foreign-exchange markets has led to revaluations of the Austrian and Swiss currencies and provisionally (June 1971) to floating exchange rates for the Dutch and German currencies.

The instability of currency markets has its roots both in the United States and Europe where politicians, economists and central banks in most nations are faced with very real problems of combining a satisfactory level of economic growth with an acceptable rate of inflation and no excessive deficits or surpluses on their balance of payments.

This situation has affected the conditions governing international trade which has become more difficult and involves added risks.

The difficulties have also been felt in Denmark because a large part of our foreign trade is settled in foreign currency and because Danish firms and companies have contracted growing debts abroad, payable in foreign currency, during the last few years.

Many Danish firms have thus incurred exchange risks that may be difficult to assess.

Exporters and importers selling or

buying on credit run exchange risks until their sales or purchases are settled, unless they have covered these risks by forward transactions or otherwise.

An exporter does not know at what rate of exchange he can sell the amount received in settlement of his invoice, and an importer does not know that what rate he will have to buy foreign exchange to settle his purchase when it falls due for payment.

This implies that a firm cannot calculate the final price of goods exported or imported etc., until the exchange risk has been eliminated.

Seeing that business and industry are expected to engage in trade and production and not to expose themselves to exchange risks, many firms consistently hedge against such risks. In relatively stable currency situation, however, most firms consider that the exchange risk will not normally warrant the cost of coverage.

It is only when serious pressures develop against a currency that a general need is felt for hedging — at a time when the cost of forward cover has risen considerably.

The individual businessman or bank will always find it difficult to predict what the outcome of a particular situation may be, partly because the factors affecting it are varied and complex, and partly because political considerations and decisions, especially with regard to devaluation or revaluation, may influence the course of events.

Forward Cover

As noted above, many firms consistently, protect themselves against exchange risks, but the majority of business and industrial companies will engage in forward transactions only in particularly tense situations.

An exporter may protect himself against losses on changes in par values by:

(i) obtaining payment of claims before these become due for payment, but he will generally have to allow discounts on any such advance payments;

(ii) raising a loan in the same foreign

currency as the amount due to him and falling due for payment at the same time as the debt owed to him, selling the proceeds of the loan against Danish kroner; he will then repay the foreign-exchange loan out of the proceeds from the export sale; the exporter may have to pay (or he may earn) the difference between the rate of interest charged on his loan and the rate obtained for the Danish kroner, but his exchange risk will have been eliminated in any case;

(iii) make a forward sale of his foreign-exchange claim.

Importers cannot protect themselves against losses suffered on commitments payable in foreign currency except buying the amount due in foreign exchange on forward terms, because the Central Bank no longer permits acquisition of foreign exchange for payment into an account or prepayment of trade debt.

Commitments other than trade debt, e.g. loans obtained from foreign banks, can normally not be prepaid either, because repayment before the maturity originally stipulated is not allowed.

Forward Transactions

A forward transaction is a contract of purchase or sale of foreign currency for delivery at some future time, which may be fixed at the buyer's or seller's option, at the rate of exchange agreed when the contract is signed even if the rate may be higher or lower at the time of settlement. The forward rate is, in fact, rarely identical with the spot (current) rate of exchange. Both rates are determined by the international market price of the currencies involved, which varies for different dates of delivery according to supply and demand which, in turn, are governed by commercial requirements, liquidity, interest levels, central bank intervention and other factors.

Forward transactions sometimes involve very little cost (when the difference between forward rates and spot rates is negligible) but in times of currency unrest the cost may run into several per cent per annum.

Most forward transactions are concluded for periods of up to six months, partly because the cost of short-term transactions is generally lower in terms of kroner (if not in relative terms) and because business firms find such periods long enough to cover the time when the risk is heaviest, and partly because it may be more difficult to place longer-term forward contracts in the international market for forward transactions at a reasonably warrantable cost.

Rules governing forward contracts

Torben Jantzen is the Chief Foreign Manager, Den Danske Landmandsbank

have been promulgated by the Central Bank of Denmark.

Such contracts may normally be concluded for up to one year at a time but only for claims or debts falling due for payment within two years of the date of the contract. Transactions must be in the currency of the underlying exchange risk.

At the time of settlement, many forward transactions may prove to have involved an unnecessary cost, but it would be fallacious to regard them as mistakes. Forward, cover is, in fact,

tantamount to an insurance transaction.

In this context it should also be borne in mind that forward sales of claims in foreign exchange will often fetch a price above the current rate of exchange.

Forward transactions should therefore be regarded as an invaluable protection against the consequences of dramatic events in foreign-exchange markets, which may have serious repercussions on the net result of commercial transactions.

Whither Floating?

E. B. BROOK

VIENNA.

THE INTERNATIONAL currency perplexities and the unwilling adjustments compelled by the suspension of the US dollar's convertibility into gold few days ago are unlikely to be more than the first phase of a world-wide attempt to arrive at monetary reality. The process of finding a solution when currency values are compelled to "float" will probably take at least a year. The Canadian dollar has already been "floating" for the last 15 months and there is no sign of agreement at what parity the German mark, "floating" now for four months, should settle. Much is being written about "realistic levels" but the determining factors are slow to operate. The facts are that it is often difficult for even two nations to agree on a realistic parity rate and that no government will easily surrender so much of its sovereignty as to allow a free market to determine its country's monetary fate.

The issues of the present situation can be quite simply stated. The reason officially put forward by the US government for declining any longer to stand by its Bretton Woods undertaking to exchange the dollar against a fixed value in gold is not the real cause. The US Administration has moved off this fixed gold value because it had long since ceased to be realistic; the US foreign trade imbalance was no more than a secondary reason. The dollars value in gold had ceased to be realistic, also, because for the last five or six years international values of currencies have often been determined by the large-scale activities of speculators rather than by normal international currency operations or balances in trading. And the major factor that has enabled this hectic and irresponsible state of affairs has been the creation of the Eurodollar market—the multi-billions of US dollars expatriate in Europe and free to move

in bulk from one currency to another for sheer raw profit and for no other motive.

The major factor leading to the creation and growth of the Eurodollar market has been the constant and immense increase in American investments throughout the world. In the Common Market area alone American investments have increased from two billion dollars to \$ 13 billion in twelve years. \$ 13 billion outside the USA and free to move from pounds to marks, from marks to francs and back to pounds have defied US control and created near-havoc among the European exchanges which until recently were trying to adhere to the fixed exchange rate system decided on in 1944. That system no longer works satisfactorily; after many ominous creakings and devaluation breakdowns it has collapsed.

The post-dollar devaluation scene has not been pretty. The Japanese, after valiant if ill-judged, efforts have been forced by sheer brute force of money to allow the yen to float. The members of the Common Market revealed how fragile and shallow is their unity when on August 20-21 a bleary-eyed Council of Ministers emerged from an all night session (Brussels's favourite gambit) in sharp disagreement. It is a measure of how far the Europeans have been conditioned to deceive themselves that they claimed this to be a "historic achievement." The third unpretty picture was the weakness of the GATT—the General Agreement on Tariffs and Trade—in the face of a forceful exposition of the American case.

Nowhere has there been any sign of unity and very little of strength. The most sensible thing that has happened is that, the French apart, European states have allowed their currencies to float and find for the time being their internationally acceptable

level. As a result most of them have for the time being, moved up.

A further cause of instability in Europe is the continuing French refusal to move from their nervous insistence on valuing everything against gold, their refusal to float the franc, to give up their habit of unhelpful technical controls and to admit gracefully that they are now not the strongest party in the Common Market. That strongest party is Germany and it will continue to be Germany even if Britain joins the Market.

Germany's exports within the Common Market are nearly double those of France, within EFTA more than double, to the USA more than double and exceed French exports also to industrially developing countries. Germany's one weakness—that, having lost a major war 26 years ago, it is still not officially a great power—will soon have to give way to the fact that it is easily the most prosperous, vigorous and in many ways, powerful state in Europe. There in also, lies its danger; for when other European states sense power in Germany they tend to take defensive political and commercial moves against it.

Analyses of causes and of facts are very well but they solve few problems by themselves and do nothing to comfort or compensate those who have lost in recent years through sharp declines in currency values. The profit has been to the smart operators. Governments and bankers will, in future, have to be at least as shrewd as the speculators in rating a currency on contemporary situations and nations' capability in management.

If this new determinant comes into operation through capable management and floating currencies the future pattern will be that set by Federal Germany and Japan who, faced with the immediate critical need to recover from disastrous defeat and ruin, based their new post-war economies on the principle that no money could be wasted, that all public expenditures must be productive.

The solution of present perplexities precipitated by the US dollar devaluation will be at least as much political as economic. In the process much national pride will have to be shed in several countries and in more than one continent; ideological barriers will have to be lowered and a few grains of rough shrewdness accepted from the speculators, who have profited from discerning in advance that the final real value of a currency depends on capable economic management and not on prestige, on reliance in fixed values or on support from the IMF's Special Drawing Funds as a means of increasing money ready to spend.

The moving finger writes

IT HAS been alleged about many eminent scholars, including such redoubtable writers as Dr S. Radhakrishnan and the late K. M. Munshi, that much ghosting has gone into many works published over their names. Mr Shankar Giri, a son of the present President of India, has brought out a publication giving a version of the celebrated presidential election that split the Congress organisation and rocked national politics. Mr Giri Jr has christened his work 'The Voice of Conscience'. To me the whole thing sounds more like the voice of Mr Giri Sr. Perhaps the father has ghosted for the son, making it all one holy transaction.

Among the many sacred cows of our foreign policy is the King of Nepal. So much so one of the tenets of our diplomacy appears to be that at least this King can do no wrong. I was therefore particularly pleased to find *The Statesman* doing some plain speaking about the game of politics as played by the Royalty in Kathmandu. An editorial in its issue of August 31 makes the basic point that Nepal has continued to remain economically a backward country where the traditional impoverishment of the masses seems to threaten to outlast this century. It is possible that to the extent that the government of India could have done anything significant at all to improve the viability of the Nepalese economy, both its intention and effort could have been more imaginative and purposeful. At the same time, the greater blame will certainly attach itself to the Ruler of Nepal who still does not seem to have got his priorities right. The King must come to terms with the fact that there has to be a compromise between his preference for personal autocracy on the one hand and the popular political forces in his country on the other if there is to be a successful national endeavour for developing and diversifying Nepal's meagre economy.

Rather shocking is our government's invitation to the President of Sudan, to pay a State visit to our country. Maj. Gen. Gaffar Nimiery is due to come to this country later in the year and I wonder how many among the crowds that collect on such occasions to greet visiting VIPs would know anything at all about the barbarous manner in which Maj. Gen. Nimiery dealt with his

political opponents, who had attempted an abortive coup a few weeks ago. Even granting that it is the prerogative of dictatorships or autocrats to put to death those who unsuccessfully conspire against their regimes, the cat-and-mouse game which the Sudanese President chose to play with some of the doomed men when he personally interrogated them was surely one of the most outrageously obscene episodes even in this blood-thirsty and blood-sodden age. I do not know what the diplomatic compulsions were which has made it necessary for the government of India to offer the hospitality of our State to Maj. Gen. Gaffar Nimiery, but I am tempted to suggest that, if New Delhi could have this President of Sudan come and stay at the Rashtrapati Bhavan as an honoured guest, its credentials for questioning Gen. Yahya Khan's possibly homicidal intentions towards Mr Mujibur Rahman would be rather shaky.

I was considerably intrigued by the concluding passage (which I reproduce below) of an editorial in *The Statesman* of August 30 on the Japanese decision to float the yen:

"Nixon's brinkmanship could (if other countries retaliate) easily result in trade war and strict exchange controls. But if America's trading partners act with restraint, the American unwillingness to devalue the dollar would mean a prolonged period of floating rates and the continuance of the ten per cent import surcharge. The first would not necessarily be undesirable, the second could be most undesirable".

I, for one, am unable to see the logic or the sense of the categorical assertion that a trade war would be less undesirable than floating exchange rates. Does *The Statesman* desire that if the IMF is to be laid to rest at all, the GATT too ought to be well and truly buried with it in cold and clammy company?

The finances of politicians are the favourite topic of cocktail talk in most capitals. The bank balance of Mr Harold Wilson, for instance, was much discussed in London recently, the provocation being his receipt of a reputedly large sum for a volume of memoirs

relating to his period in office. In our own New Delhi, the gossips of course do not need any provocation at all. A few days ago I heard a question asked whether there were men of great wealth among the members or ex-members of the central government. There were a number of prompt answers but they differed widely about the identities of the allegedly over-rich politicians. They were however generally in agreement on the point that there are quite a few men of great wealth in this tribe; (this is apart from ministers such as Mr Karan Singh who have "ostensible" sources of wealth.)

It was suggested that there were even some ministers or ex-ministers who could count their money in several millions of rupees. Incidentally, among those present at this discussion, was a notorious wag who remarked, rather irrelevantly, that he knew of a cabinet minister who more or less began life as a *mali* in Motilal Nehru's household, subsequently became a *munshi* in Jawaharlal Nehru's establishment and is now a minister in Mrs Indira Gandhi Nehru's cabinet. This account may be apocryphal, but it certainly makes a valid point. We undoubtedly have a wonderful political system in which practically every dog may hope to have his day.

This brings me to the rather important issue of the quality of the Prime Minister's Council of Ministers. Some of its members can hardly be said to be even alive. For instance, I had almost forgotten that Fakhruddin Ali Ahmed was still holding a cabinet post until he himself reminded the public of the fact a few days ago by issuing a stern warning to the sugar industry and trade against increasing the price of the commodity. Right now, quite a large number of people is saying that Mr Mohan Kumaramangalam is the brightest jewel in the crown which Mrs Gandhi may be figuratively described as wearing. The basis for this evaluation seems to be a widespread assumption that it is he who has masterminded the Indo-Soviet pact. Rumours such as these have a habit of growing on the people and it is not unlikely that the general public and even Mr Mohan Kumaramangalam himself may come to believe that there may be something to the notion that he is the most valuable colleague Mrs Gandhi has.

V. B.

Trade Winds

PROBLEMS OF SHIPPERS

Mr. L.N. Birla, Chairman, All India Shippers Council stated at a meeting of the Council that the shippers were facing a number of problems in regard to shipping services, freight rates and port facilities. Increases in freight rates had been quite frequent and the Conference had failed to maintain any stability in freight rates. In spite of the high level of freight rates the shipping services were inadequate and irregular. The council Mr. Birla said, had to find out the causes and explore appropriate remedies.

He hoped that sooner or later shipping industry would take due note of the shippers' interests. Already there was recognition of the fact that shipping was meant to serve trade and not *vice versa*. The problems of shippers were receiving increasing attention at international forums, he added.

EXEMPTION OF U.S. SURTAX

Exports to the United States which had already left the country of origin before August 16 are exempt from the 10 per cent additional surcharge, the US Treasury Department announced recently. President Nixon proclaimed the surcharge on August 15 to help safeguard the US balance of payments position. It applies only to dutiable items, and in a few cases amounts to less than 10 per cent. However, the merchandise in warehouses and foreign trade zones must be withdrawn by October 1, 1971, in order to qualify for the exemption.

ACCOUNTANCY

At a press conference here recently the President of the Institute of Chartered Accountants of India, Mr M. C. Bhandari, stressed the need for redefining the objectives of accountancy so as to cover such functions as the measurement of fair wages for labour, reasonable prices for the consumer, assessment of correct dues for the state in the form of taxes, fair return and justice to the investor and evaluation of a unit's working in terms of social benefits to the community. He regretted that the members of the profession of chartered accountancy were not having adequate opportunities for audit practice in public sector undertakings and suggested that the audit of the branches of nationalised banks should be entrusted to the practicing chartered accountants in the

areas of operation of these branches. At present, the Comptroller and Auditor General of India, he pointed out, maintained a panel of experienced chartered accountants. There is need to expand this panel so that the services of a larger number of chartered accountants could be availed of in distant areas. There was also need, he added, for making audit of partnership accounts compulsory. The services of professional accountants, Mr Bhandari further said, could be profitably utilised by farm co-operatives and medium and small-scale industries.

JAPAN TIGHTENS CONTROLS

Japan's commercial banks have received new instruction designed to severely restrict the amount of the dollars they can sell to the government, the Bank of Japan and Finance Ministry stated on September 1. The instructions contained three provisions: non-resident free yen balances were frozen at the level of August 28, commercial banks were prevented from reducing their own dollar balances from the level required by exchange control rules at the end of August, and commercial banks were prohibited from discounting export bills before the shipments of goods takes place. The new restrictions, which were described by the central bank officials as temporary, were instituted to prevent another rush to sell dollars in Tokyo prior to the expected revaluation of Japan's currency.

U.K. CUTS BANK RATE

Britain has cut its bank rate by one per cent on September 2, in a move intended as a further bar against speculative money inflows from abroad. The rate, the key to interest charges throughout the economy was reduced from six to five per cent the lowest level for nearly seven years. The Bank of England made clear that the move was for external reasons only following uncertain conditions generated by the crisis over the United States dollar. An official spokesman stated that the action was consistent with the exchange measures introduced at the weekend to discourage speculative inflows of the so-called hot money.

U. K. ASSISTANCE

ARRANGEMENTS were concluded on September 2, 1971 in New Delhi for a British aid allocation of £6,125,000 (Rs 11 crores) to finance the building of a giant cargo ship for India by a

Scottish firm. A bulk carrier of 75,000 tons dead weight will be built for the Scindia Steam Navigation Company of India by the Lower Clyde shipbuilding firm of Scott Lithgow. Due for delivery in 1976, the new ship will be 805 feet long, with a maximum breadth of 106 feet and a loaded draft of 45 feet. It will be powered by diesel machinery built by another Scottish firm, John G. Kincaid and Co. of Greenock. This is the second Indian shipping order this year from Scott Lithgow to be

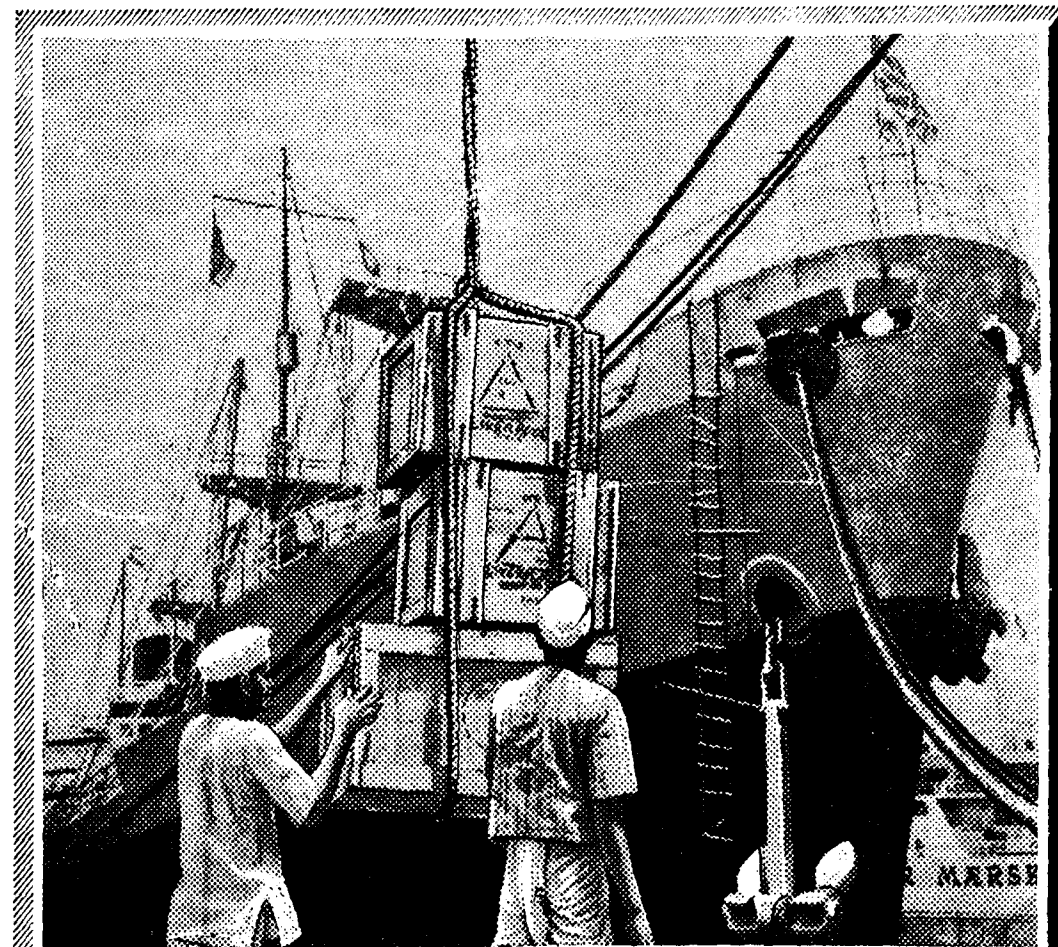
CORRIGENDA

In the Balance Sheet and Profit and Loss Account, 1970, of the State Bank of Patiala, published on pages 304-308 in our issue of August 13, 1971, the figure on page 305 item No. 11 of Property and Assets side (1969) should be read as Rs 2,87,308.15 instead of Rs 2,87,398.15 and the figure on page 306 item No. 1 of Income side (1970) of the Profit and Loss Account should be read as Rs 3,25,10,850.94 instead of Rs 3,29,10,850.95.

financed by British aid loans. In March, letters were exchanged providing for aid loans totalling £11.5 (Rs 21 crores) million for two bulk carriers for the Shipping Corporation of India. Britain is the only country which has so far agreed to the government of India's proposal that the purchase of complete ships should be financed out of aid funds. The Scindia ship will be used mainly for the carriage of iron ore exported by India to Japan. Its purchase will assist India's economic development by increasing the proportion of foreign trade carried in Indian vessels and thus saving foreign exchange.

SALE OF TRACTORS

The union government has issued the Tractors (Distribution and Sale) Control Order, 1971, under the Essential Commodities Act, 1955. This Control Order is on the lines with the Motor Cars (Distribution & Sale) Control Order 1959, and the Scooters (Distribution & Sale) Control Order 1960. Thirty types of tractors are covered under this Order which include imported tractors also. The Control Order prescribes the procedure for registration of orders with the dealers for purchase of new tractors. The intending buyers have been advised to apply in the prescribed proforma to the dealer of the area, furnishing a post office savings bank pass book evidencing the fact that he has opened a Security Deposit Account in the said post office for a sum not less than Rs 500/- and pledge the pass book to the dealer. Supplies will be made by the dealers in accordance with the order of registration. A person can purchase only one new tractor in a period of 12 months. The order prohibits the re-sale of tractors for a period of



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two years from the date of original purchase except with the permission of the Controller of Tractors or an officer appointed by the state government for this purpose. The new tractor so purchased shall immediately be registered by the purchaser with an authority to be specified by the state government and in accordance with the terms and conditions to be prescribed by it, including the payment of any fee for such registration. The Control Order authorises the Controller of Tractors to lay down the pattern of distribution of tractors as well as to fix quotas for meeting the requirements of the government, corporation, local authority or any class of persons. The control Order extends to the whole of India and comes into force from September 1, 1971.

SUPPORT FOR RAW JUTE

The Agricultural Prices Commission has recommended that the minimum Support price for raw jute for Assam Bottom variety delivered at Calcutta be raised to Rs 113.87 per quintal (Rs 42.50 per maund) for the 1971-72 season, as against Rs 107.17 per quintal (Rs 40 per maund) for the 1970-71 season. The Commission has also recommended that the grade differentials in force in 1970-71 be continued in 1971-72. The union government has accepted the recommendations. This will mean an increase of Rs 6.70 per quintal over the 1970-71 level. The government has also accepted the recommendation of the Commission that derivative minimum prices for up-country markets be worked out in the same manner as for 1970-71, i.e., the differential on account of freight and other charges as between Calcutta and any upcountry market does not exceed Rs 17.42 per quintal (Rs 6.50 per maund).

ROURKELA MISHAP

The Technical Committee, Which was set up by the Ministry of Steel and Mines, to conduct an enquiry into the causes and factors which led to the mishap at Rourkela steel plant in July, submitted on August 31, its report to Mr S. Mohan Kumaramangalam, Minister of Steel and Mines. Lt. General R.A. Loomba, Engineer-in-Chief, Army Headquarters, was Chairman of the Committee. The other Members were Mr Dinesh Mohan, Director, Central Building Research Institute, Roorkee and Mr H. P. Bodhanwala, Technical Adviser, Tata Iron & Steel Company Ltd, Jamshedpur. Dr S. Narahari Rao, Scientist, Structural Engineering Research Centre, Roorkee, was Secretary to the Committee. The Committee had the following terms of reference: (i) to enquire into and determine the causes and factors which led to the accident, (ii) to ascertain whether any person or

authority was responsible for the accident or for conditions leading to it, and, if so, to what extent, (iii) to make recommendations regarding the steps to be taken to prevent such mishaps in future and (iv) to make such other recommendations regarding the working in the plant as the Committee may consider relevant and necessary. The Committee had also been asked to examine the steps being taken and arrangements being made to repair the damage that had been caused and to recommission the steel melting shop and advise if this could be done with greater speed to enable the steel melting shop to function to the fullest extent as early as possible. The Committee had given an interim report a few weeks ago on matters which needed immediate attention. In the mishap at Rourkela, a part of the roof structure of the steel melting shop over a length of about 150 meters collapsed. The damage covered an area of 10,000 square meters out of the total roof area of 38,000 square meters in the steel melting shop. This has seriously affected functioning of the plant and in particular of the steel melting shop.

ADDITIONAL CEMENT CAPACITY

The union government had under consideration for sometime past, the steps that were necessary to augment cement production in the country keeping in view the growing demand for cement due to rising tempo of construction activity. It had, therefore, been considered necessary to licence additional capacities for cement production on an urgent basis. The Union Government had advised intending entrepreneurs on July 28, 1971 to submit their applications for setting up cement plants in the various parts of the country by August 31, 1971. As it has been felt by the government that some more time be given for receipt of applications, it has decided to extend the last date for submitting the application to the Ministry of Industrial Development upto September 15, 1971.

CHEMICAL INDUSTRY

Mr C. D. Thakkar, President, Indian Chemical Manufacturers Association, stated recently that a major difficulty confronting the chemical industry was on account of scarcity of various raw materials, plants and equipments. This included a number of industrial chemicals such as soda ash, caustic soda, chlorine, glycerine, etc. besides basic materials like mild steel, aluminium, stainless steel, alloy steel, non-ferrous metals etc. required for the fabrication of chemical plants and equipments. On account of the shortage of raw materials, even the existing capacity in many units was not utilised fully. This country, he added, was thus in an unhappy

position of being compelled to look to other countries for the supply of a number of items which could be produced in larger quantities within the country. A situation like this highlighted the importance of expansion and diversification of the existing units he said. Another problem relating to raw materials has been on the question of price. A number of public sector undertakings were being entrusted with the production of several important raw materials such as benzene, toluene, xylene, naphthalene, methanol, etc. There have been considerable price fluctuations in regard to some such raw materials adversely affecting the cost of production of industrial units consuming these raw materials. He also referred to

NOTICE

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NOTICE is hereby given that the Twentyfourth Annual General Meeting of the Shareholders of the Company will be held at GRASIM CLUB, Birlagram, Nagda on Wednesday the 22nd September, 1971 at 4-15 P.M. to transact the business mentioned in the Notice dated the 27th August, 1971 accompanying the Annual Report and Accounts for the year ended 31st March, 1971 separately posted to the Shareholders of the Company individually at their Registered Addresses.

The explanatory statement as required by Section 173(2) of the Companies Act, 1956, relating to the special business is annexed to the Notice.

Notes :

- A 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.
- The Draft of the Heads of Agreement between the Company and The Industrial Credit & Investment Corporation of India Limited, referred to in the Ordinary Resolution No. 12 are open to the inspection of the Members at the Registered Office of the Company on all working days between the hours of 1.30 P.M. and 4 P.M.

Shareholders are requested to intimate to the Company change in their registered address, if any.

By Order of the Board
B.N. PURANMALKA
Secretary.

Birlagram, Nagda

the enhancement of railway freight on goods year after year continuously.

LEATHER-FUR INDUSTRY

The Small Industries Service Institute, Srinagar, held an Open House Technical discussion on Leather-Fur Industry at Srinagar on August 30. The discussion, the second of its kind organised in collaboration with All Kashmir Leather-Fur Manufacturers, Tanners and Dyers Association, tried to highlight the problems facing the industry. The first such discussion held in October 1969, solved the major problem of huge export rejects then faced by the industry.

AWARDS FOR INVENTIONS

Mr D. C. Dias of the Naval Dockyard, Bombay, has been sanctioned a cash award of Rs 750 by the Ministry of Defence for inventing a new plunger type valve used in ships and hydraulic hoses. For saving a foreign exchange expenditure of nearly Rs two lakhs. Mr J. C. Chaudhuri and Mr A. K. Audi of the Naval Chemical and Metallurgical Laboratory, Bombay, have each been sanctioned a cash award of Rs 500. They devised a plan to remove thick and hard deposits on boiler tubes of a naval ship. Mr D. S. Ramakrishna of the Chief Inspectorate of Electronics, Bangalore, has been sanctioned a sum of Rs 500 for fabricating a test-set used for testing the gear box controller of Vijayanta tank. Mr Gurbux Singh of the Naval Dockyard, Bombay, has assembled a high pressure testing pump for the boilers of some Naval ships. He has been sanctioned a cash award of Rs 500. A cash award of Rs 500 has also been sanctioned to Sub. K. R. Dhar of the EME Directorate for developing a test kit, which is much simpler than the imported version and is capable of checking entire working of a transmitter-receiver radio set without opening it. Dr H. S. Rama Rao, Mr M. A. Sastry, and Mr I. K. Oomen of the Defence Electronics Research Laboratory, Hyderabad, have been jointly sanctioned an award of Rs 1,500 for salvaging various component of unutilised equipment and assembling these with certain modifications into a new instrument for evaluating the performance of a defence store. Company-Havildar-Major S. Kanshi of EME Directorate has been awarded Rs 250 for improving the relay system of a radio set.

ATOMIC ENERGY

The Fourth International Conference on Peaceful Uses of Atomic Energy will be held at Geneva from September 6 to 16 this year. Organised jointly by the United Nations and the International Atomic Energy Agency, the Conference will be attended by several thou-

sand scientists, technologists, public officials, economists, planners and newsmen. This country is taking significant part in the Conference and presenting a number of papers. Developments in the peaceful uses of atomic energy will be reported at the Conference, allowing the world community to take stock and to judge likely trends in future work. An exhibition on 'Atoms for Development' is also being organised at the time of the Conference, at which Government of India is setting up a pavilion.

FILM FINANCE CORPORATION

The Film Finance Corporation earned profit of Rs. 3.08 lakhs during the year 1970-71. Out of this a sum of Rs 2.88 lakhs was paid as interest on government loans. The total expenditure in the year under report was Rs 5.16 lakhs against Rs 6.04 lakhs during the previous year. The gross income of the Corporation for the year was Rs 5.34 lakhs as against Rs 6.21 lakhs of the previous year. The union government advanced a loan of Rs 20 lakhs to the Corporation during the year under review. Fifty-six applications for loan were received during the year under review and out of these, 14 applications for Rs 20.75 lakhs were accepted. Twenty applications valued at Rs 38.30 lakhs are under consideration. The Corporation has recovered loans with interest from 33 films including 14 documentary or shortfilms. Outstanding loans against the producers are: (i) released films—24; (ii) films completed, but not released—6; and (iii) films under production—23. The total amount is Rs 1.03 crores of which Rs 13.34 lakhs is on account of interest. Since the inception of the Corporation, 47 films financed by the Corporation have been released, including four released in the year under report.

DEVALUATION OF ROUBLE

The Soviet Union altered the par value of the rouble in relation of major currencies except the US dollar and the French franc on September 1, 1971. The Soviet Bank of Foreign Trade announced the new rate of exchange with nine currencies with the Japan's yen taking the largest jump of 5.16 per cent. The smallest change was in the Canadian dollar which changed only 0.22 per cent. The change in the rouble value in relation to major currencies will have no effect on Indo-Soviet trade which is in rupee account.

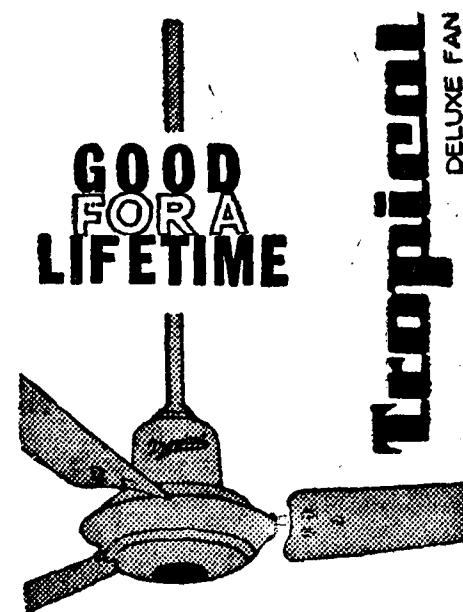
NAMES IN THE NEWS

Mr M.R. Bhide, Executive Vice-Chairman and Managing Director of Voltas Limited, has been appointed

Chairman of the company with effect from August 20, 1971, in the vacancy caused by the death of Mr R.F.S. Talyarkhan.

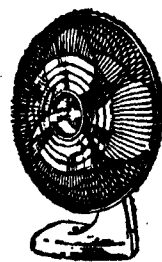
Mr S.L. Bagria, President of the Bharat Commerce and Industries Ltd, has been unanimously elected Chairman of the Man-Made Fibre Spinners' Association for the current year. Mr Mahesh Kumar Modi, of Modi Spg. and Wvg. Mills Co. Ltd. has been elected Vice-Chairman.

Mr Mulukutla Rama Brahman has been appointed Chairman of the Board of Directors of the Indian Oil Corporation Limited. He took over from Mr N. N. Kashyap, the outgoing chairman, on August 31, 1971. From 1950 to 1959 Mr Rama Brahman served as Superintending Engineer and Engineer-in-Chief of the Kandla Port Trust. He joined the Indian Refineries Limited as Chief Engineer in 1959 and later became General Manager of the Gauhati Refinery. In November 1965, he joined the Madras Refineries Limited as its Managing Director and, four years later, was made Chairman of its Board of Directors in addition to his duties as Managing Director.



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OFIT 17A

Company Affairs

DELHI CLOTH MILLS

THE BOARD of directors of the Delhi Cloth and General Mills Company Ltd. has recommended a final dividend of five per cent on ordinary shares, making a total of 10 per cent on increased capital for the year ended June 1971 against 16 per cent for the preceding year. The company paid an interim ordinary dividend of five per cent, absorbing Rs 87 lakhs earlier this year. The total equity dividend distribution for the year amounts to Rs 174 lakhs against Rs 154.69 lakhs last year. The preference dividend absorbs Rs 17.65 lakhs, the same as last year. Preliminary figures show that the company has made a gross profit of Rs 13.07 crores during the year compared with Rs 14.25 crores for the previous year. Depreciation claims Rs 570.28 lakhs development rebate Rs 21.07 lakhs and tax provision Rs 90 lakhs. The net profit was Rs 62.96 lakhs. A sum of Rs 538.9 lakhs has been transferred to general reserve. The company capitalised Rs 7.73 crores out of general reserve by a four for five bonus issue during the year, increasing the paid-up equity capital to Rs 17.39 crores.

OIL INDIA

Mr Sarat Chandra Sinha, Chairman Oil India Ltd. stated at the annual general meeting held recently that for the second year in succession production of crude oil by the Company exceeded the three million mark. With a view to offset depletion of reservoir energy because of regular production, several water and gas injection schemes had already been implemented, and more were expected to come into operation, during the current year, he added. Up to December 31, 1970 over 0.9 million kilolitres of water and 60.6 million cubic metres of gas, had been injected into the oilfield formations. In the sphere of developmental drilling, operations were spreading out to meet the dual requirements of developing known pools and probing outlying structures, away from the main producing centres, with a view to find new reserves and sustain production for as long as possible. Mr Sinha said that the efforts of the company had met with some success, particularly within the Moran mining lease. The meterage drilled in exploratory and development wells during 1970 exceeded the target by 3,138 metres or about 10,295 feet. The drilling perfor-

mance during the first half of 1971 continued to be satisfactory and it was hoped that, barring unforeseeable developments, the target would again be exceeded during the current year. Mr Sinha told the Shareholders that considerable progress had been made in the application of advanced techniques and computer technology to interpret seismic data for releasing new locations. Computer programmes were also being successfully used for detailed investigation into the behaviours of underground reservoirs. The company had entered into an agreement with a reputed firm of the USA (D.R. McCord Associates) to utilise a set of highly sophisticated computer programme for reservoir studies.

POYSHA INDUSTRIAL

Poysa Industrial Company Ltd. maintained its tempo of progress during the year 1970-71 so that its total sales for the whole group was around Rs 9.34 crores as against Rs 7.12 crores a year before, stated Mr M.R. Ruia, Chairman of the company while addressing the annual general meeting. The gross profit for the year amounted to Rs 54.26 lakhs and net profit, after providing for depreciation, development rebate and taxation, amounted to Rs 33.67 lakhs as against Rs 27.66 lakhs last year. The chairman told the shareholders that the Ghaziabad factory had been enlarged to accommodate another printing line and other equipment. Mr Ruia stated that the supply of tin plate was unsatisfactory. Hindustan Steel and the Tinsplate Company were expected to meet the full demand of the industry for general line containers he said, but the same irregularities in supplies and a continuously increasing backlog persisted in spite of promises to increase production and improve supplies. As for OTS tinsplate, it was still under experimentation at Hindustan Steel. He pointed out that while the company was hopefully expecting an early improvement in the situation, it still had to import large quantities of suitable tinsplate from abroad. This had become a matter where the government's intervention was strongly and effectively called for.

Mr Ruia pointed out that the tin can was suffering from triple imposts, being taxed both on its prime raw material and as a finished product, besides

the tax on the canned product too. This position continued unchanged, and had recently worsened as a result of the last budget which raised the duty on imported tinsplate from 27½ per cent to 40 per cent. Mr Ruia pointed out that the Indian Institute of Foreign Trade, after a recent survey of over 20 countries in Europe, west Asia and south east Asia, has called for a bold programme of exports of Canned products, rising from its present value of Rs 6.7 crores to Rs 50 crores by 1975-76. This, however, could be achieved only with the active assistance of the government by way of relief of taxation and other levies on the existing modern units.

FERTILIZER CORPORATION

The Fertilizer Corporation of India Ltd, recorded an increased turnover during the year 1970-71, at around Rs 78 crores as against Rs 66 crores during the previous year, stated Mr H.N. Sethna, Chairman of the Corporation. It made a gross profit of Rs 17.07 crores and a net profit of Rs 1.67 crores. Mr Sethna pointed out that the production at Nangal unit during the year dropped to 53,926 tonnes of Nitrogen as against 79,765 during the previous year. The loss in production, he stated, was entirely due to drastic power cut imposed by the Bhakra Management Board. In fact it was due to power interruptions that output

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED (Incorporated in England)

7½% DEBENTURE STOCK. 1980 INTEREST FOR THE HALF-YEAR ENDING 14TH OCTOBER, 1971

Notice is hereby given that interest at the rate of Rs 38.75 P (less Indian Income Tax) per Rs. 1,000/- of Stock will be paid on 15th October, 1971, to Debenture Stockholders registered in the books of the Company on 3rd October, 1971. Applications for transfers received at the Company's office at Victoria House, Post Box 304, Chowringhee Square, Calcutta, upto 3rd October, 1971, will, if otherwise satisfactory, be registered at the date for the purpose of participation in the above interest.

Debenture Stock Transfer Books will be closed from 4th October, 1971 to 14th October, 1971, both days inclusive.

By Order of the Board,
S.K. MITRA
Secretary

Victoria House,
Calcutta,
31st August, 1971.

at Gorakhpur also came down. Trombay, on the other hand, improved its production at 57,646 tonnes of Nitrogen and 24,145 tonnes of P_2O_5 . Mr Sethna revealed that the Sindri unit was facing problems peculiar to ageing units.

Mr Sethna told the shareholders that the Corporation had seven major projects under construction. These were, Durgapur, Barauni, rationalisation project at Sindri, Namrup expansion, Ramagundam, Talcher and Trombay expansion. This task, which was expected to cost approximately Rs 450 to 500 crores over a period of approximately four to five years was being carried out entirely by the Planning & Development Division of the Corporation, an achievement unique in this country. Of these, Durgapur was expected to go on stream by the end of 1971, initial trial runs having been already started. The projects at Barauni and Namrup were expected to be commissioned by the end of 1972. Delay in the supply of indigenous equipment by the fabricators, shortage of structural and other steel items and problems of contractors labour at site had severally affected the completion of the project on schedule.

CENTRAL BANK

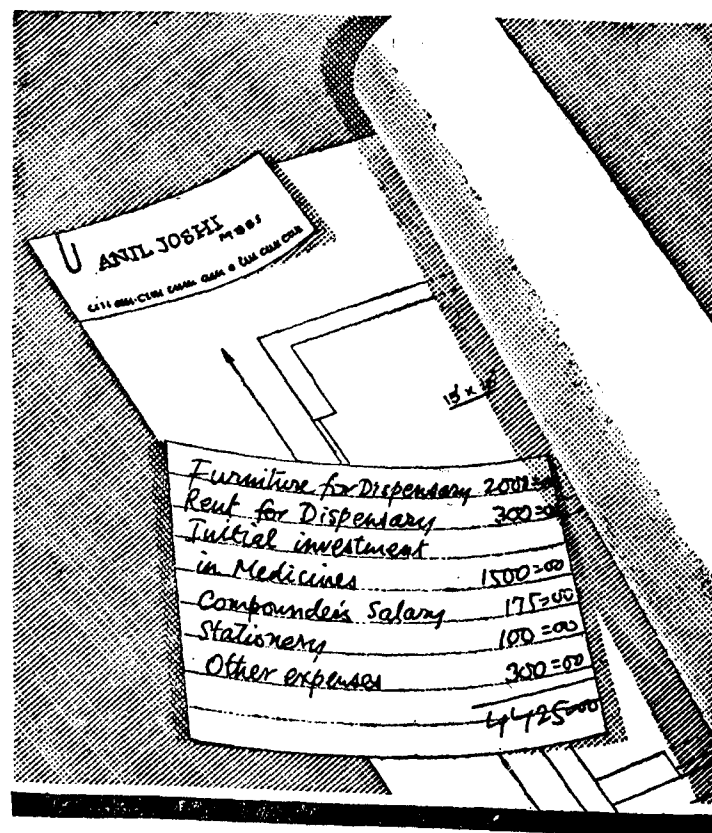
After providing Rs 48.45 lakhs for taxation, the directors of the Central Bank of India have recommended a final dividend of 60 paise per share, absorbing Rs 11.50 lakhs, for 1970. Interim dividend for the year has been paid at the rate of Rs two per share, absorbing Rs 38.32 lakhs. The total dividend for the year thus works out to Rs 2.60 per share, or 10.4 per cent gross. According to the preliminary results released by the company, the excess of income over expenditure during 1970 works out to Rs 37.62 lakhs against Rs 19.59 lakhs for 1969. The entire excess for 1969 was carried to the accounts for 1970.

LAMPS CAPS

Lamps Caps and Filaments Ltd. will enter the capital market on September 10 with a public issue of Rs 25 lakhs comprising 150,000 equity shares of Rs 10 each (Rs 15 lakhs) and 10,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each (Rs 10 lakhs). The entire public issue has been underwritten. The company has an authorised capital of Rs one crore (Rs 75 lakhs in equity and Rs 25 lakhs in preference shares). The issued and subscribed capital is Rs five lakhs. The present issue is for Rs 30 lakhs, out of which equity shares of Rs five lakhs have been reserved for allotment to the foreign collaborators OF AIRAM AB (Helsinki) in part

payment of the machinery and equipment to be supplied by them. The company proposes to set up a plant at Nasik (Maharashtra) for the manufacture of tungsten filament wires, a component vital to the electric lamp industry of every type including electronic valve. The installed capacity will be 150 million metres of filament wire per annum which is at present imported. The company expects to go on stream by the middle of 1972. In the first

phase the manufacture will be under taken from about 0.6 mm imported tungsten wires by successive drawing and redrawings to the requisite dimensions. The proceeds of the present issue will be utilised for financing the first phase of the project. The capital outlay is estimated at Rs 75 lakhs, which will be met by share capital (Rs 40 lakhs) foreign currency loan from the ICICI (Rs 26 lakhs) and rupee loan from SICOM (Rs 9 lakhs).



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TITAEENG

RECORDS AND STATISTICS

Imported Know-How Creates Hardship

MR MOINUL Haque Choudhury, Minister for Industrial Development, said in New Delhi on August 30, that "dependence on imported know-how and equipment not only robs us of valuable time, foreign exchange and production capacity, but also causes hardship to all concerned". Inaugurating a seminar on "Maximisation of Capacity Utilisation and Productivity", organised by the Federation of Indian Chambers of Commerce and Industry, the Minister urged the industrialists to develop indigenous technical know-how and asked them to make "larger provision in their budgets for research and development".

Mr Choudhury said that the government intended to give importance to such industries in the fourth Plan as to provide for import substitution and export promotion.

Following is the full text of Mr Choudhury's speech:—

I am indeed very happy to be in the midst of some of the leaders of our Industry today, for, having chosen to build up an industrial society it needs no gainsaying that the hastening of the process of development in our country squarely hinges on the pace of our industrial development. It is also true, at the same time, that there are many stumbling blocks in the way of our progress in this direction, for instance, lack of adequate capital resources, machinery and equipment, equitable and rational distribution of raw material and so on, and that we have no other alternative but to make the best use of whatever we have in our hand. This question of under-utilisation of the installed alternative capacity in our industries has been agitating our minds for quite some time. I am glad, therefore, that the Federation of Indian Chambers of Commerce & Industry has chosen the subject of "Maximization of Capacity Utilization and Productivity" for this Seminar.

As you all know, recently, many of our industries, chiefly textiles and steel-based industries went through certain production difficulties as a result of which, coupled with low investment, the rate of increase in the industrial output tended to decline. However, given the will and the effort even now, it will be possible to achieve higher levels of production in a wide range of industries.

I know that all those concerned with

the situation will have different versions to tell as regards the various factors that prevent us from maximising utilisation of the potential. The management will have its own reasons to advance. The labour leaders would analyse the situation differently, and so on. I do not say that these different versions will have no validity at all. But I do want to say here, and I say with conviction that if we decide to keep our objective of social good in view, all these differences would automatically disappear. In fact, the success of an enterprise today is increasingly judged by the contributions it is able to make to the public good and not merely by its profitability index. This has been realised even in the home of the private enterprise—that is the USA.

Impediments to full Utilisation

Mr Kanoria, you have rightly referred to some of the impediments that are responsible for the low utilisation of the capacity in various industries, such as raw material shortage, paucity of bank credit, labour unrest, transport bottleneck, power shortage and so on. I am conscious of the fact that too many departments and corporations are dealing with the industries, allocation of raw materials control and regulation etc. I assure you that the government is quite alive to its responsibility in these matters and it is doing everything possible to ease the situation through various measures, including initiating—for instance—steps for better co-ordination between the various Departments which need to be consulted in issuing Letters of Intent/Licences and the departments and corporations which plan, import and allocate raw materials; in fact, I am convinced, without it our rate of growth will not stimulate. In fact, some streamlining is absolutely necessary. Further, imports of raw materials, components and spare parts, where these were found indispensable, have been allowed on a more liberal scale than ever before. But you will agree with me that in the ultimate analysis, the industry has to find its own feet. As I have already said in the beginning, and I do not mind repeating it again, we have to make optimum utilisation of the resources at our command—whether it is machinery, equipment, materials or labour.

I shall give you an example to prove my point. A recent survey by the Ministry of Irrigation and Power, showed that one-third of the construc-

tion equipment had been lying idle for quite some time for want of spare parts and components awaited from abroad. Now, this is a lesson for us. Dependence on imported know-how and equipment not only robs us of our valuable time, foreign exchange and production capacity, but also causes hardship to all concerned. Our engineers, scientists, and managers have a special role to play in avoiding resurgence of such situations. Not that they have not done so until now. In fact, it is because of the outstanding success of some of their achievements by which I am encouraged to make this remark. All they have to do is to put a little more vigour into their efforts. Recently, some distinguished Indian scientists, on their own, pointed out in a meeting with the Planning Commission that foreign collaboration in technological fields had a stifling effect on Indian initiative, and pleaded for developing indigenous technological endeavour to the maximum extent. I must say this is the right spirit in which we have to approach all our problems. Industries too have to lend a hand in this by making a larger provision in their budgets for research and development. As things are, the amount spent by them in this direction is pitifully small. It is simply because of these considerations that the government intends to give importance to such industries in the fourth Plan as to provide for import substitution and export promotion.

Cost Consciousness

While I am discussing these some what technical aspects of the problem before, I might as well mention some other factors of similar nature which have prevented us from exploiting our production-capacity to the full. Lack of adequate cost-consciousness, for example, is one. Obviously, the existence of a seller's market has prevented our manufacturers from evincing interest in the need for reduction of costs. Even the quality of their products has not been up to the mark. Perhaps many of them do not realize that lack of quality does not pay in the long run. They must also dispel their misunderstanding that quality control adds to the costs: scientific analyses have shown that it actually reduces the total costs, for it brings in its wake significant economies in production and distribution. They should not feel shy of making full use of the knowledge and expertise accumulated by organisations, such as the National Productivity Council in these spheres and achieving optimum results.

So far as the question of making the fullest use of our machinery and equipment is concerned, we can pro-

eed without any qualms of conscience. But, when it comes to the question of making the optimum use of our manpower resources, we have to be very careful for workers are not machines. At the same time, their deep involvement in the achievement of our objective is very essential. This has to be done by providing proper incentives to them to give of their best, and also training them according to the needs of the situation. Now, when they put in their best efforts, it also devolves on us to share with them, in an appropriate manner, the gains accruing as a result of such efforts. I quite realise that no tailor-made formula for determining the extent of their contribution, along with those of the other factors of production, is readily available. To tell you the truth, no single formula may also be available in the near future, as the quantum of the share of each factor of production is bound to differ from industry to industry. In fact, the National Productivity Council, which is a tripartite organisation representing employers, labour and government, has been working hard for some years now to arrive at an agreed approach and I hope that it will soon succeed in presenting a national consensus. I would say, however, that even if we cannot produce a nationally acceptable formula immediately, we can at least try to follow the example

of countries like Great Britain, where Productivity Agreements at the unit level have helped a great deal in solving this problem and creating a congenial climate for increasing production. Some industrial units in India have also found this system workable to the satisfaction of both the management and workers, and my plea is that we must go for such agreements in a big way.

Economise Materials Cost

I am tempted to make one more observation in this context. Of the total cost incurred in the manufacture of a product, as much as 60 to 70 per cent is accounted for by the materials cost. Therefore, if we could economise on our materials resources through their efficient management, rather than economise on labour, there would perhaps be no need to get into trouble over layoffs, retrenchment, etc, and this would also suit our conditions under which unemployment has to be avoided at all costs. It is true that in many instances, the lack of fuller utilisation of the capacity has been due to inefficient running of the units, and this has given rise to the phenomenon of the so-called "sick units." But, I would not say that the workers have no obligations in all these efforts. Unless they too realise their responsibilities and put in their best in exploiting the production poten-

tial fully, this would go against their own interest.

Productivity Techniques

Before concluding, I would like to emphasise once again the importance of making greater use of productivity techniques for driving an all-round advantage in terms of costs, output, quality and fuller utilisation of our scarce resources. With each improvement in operations through skilled management comes a lower manufacturing cost and better quality which, in turn, bring increased earnings to the workers and a lower selling price for the consumer. With the reduction in the selling price, the consumer is enabled to buy more products in quality and in variety, and to lead a better life. This is, what you call, real progress.

Some economists have estimated that it would take us many decades to catch up with the industrially advanced countries. Speaking for myself, I am not inclined to take such a pessimistic view. In fact, having built up in our country a sound infrastructure for industrial growth, if our entrepreneurs, managers, technologists and scientists pull their weight together, we can succeed in reducing this "development gap" in a much shorter time.

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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Inquiries regarding subscription and advertisements may be addressed to :

The Manager,
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Foreign Collaborations

DURING THE quarter April-June 1971; government of India approved 85 cases of foreign collaborations. Nineteen of these involved financial collaborations. There were 22 cases of collaborations with the UK, 20 with the USA, 18 with W. Germany, 10 with Japan, four with France, two each with Holland, Sweden, and Switzerland, and one each with Austria, Belgium, Czechoslovakia and Denmark :

Sl. No.	Name of the Indian Co.	Name of the foreign Co.	Item of manufacture
INDIA—AUSTRIA			
1.	M/s Westerwork Engineers Pvt. Ltd., Commerce Centre, Tardeo Road, Bombay-34.	M/s Unitherm Osterichse Gaselshaft, Austria.	Automatic pressure jet burners.
INDIAN—BELGIUM			
2.	M/s Donngurse Diamond, Division Maneckji Wadia Building, 127, Mahatma Gandhi Rd., G.P.O. Box No. 890, Fort, Bombay-1.	M/s Diamant Boarts, Belgium.	Diamond dressers, diamond wheels, diamond nibs and diamond saws.
INDIA—CZECHOSLOVAKIA			
3.	M/s Ideal Jawa (India) Private Limited, Industrial Estate, Mysore-2.	M/s Polytechna, Foreign Trade Co-operation, Agency, Praha, Czechoslovakia.	'Jawa' motor cycles.
INDIA—DENMARK			
4.	M/s Bombay Paints & Allied Products Ltd, Corridor Rd, Gavannada Village, Chembur, Bombay-74 (AS).	M/s Hempel's Marine Paints, Denmark.	Marine paints.
INDIA—FRANCE			
5.	M/s Burlingtons' Exports, Taj Mahal Hotel, Bombay.	M/s Promostyl, Paris, France	Ready made garments.
6.	M/s Southern Agrifurane Industries Limited, "Rayala Buildings", 1/155, Mount Road, Madras-2.	M/s, Petrole-Chimie Engineering, 5-Rue, Taylor, Paris, France.	Furfural.
7.	M/s K.G. Khosla & Co. Private Limited, 1, Deshbandhu Gupta Rd. New Delhi-55.	M/s Crenelle & Co. Lille, France.	Air and gas compressors.
8.	M/s The Ballarpur Paper and Straw Board Mills Ltd., Thapar House, 124, Janpath, New Delhi-1.	M/s Krebs Paris, France.	Caustic soda/chlorine.
INDIA—HOLLAND			
9.	M/s Associated Textile Engineers, Proprietors; ATE Private Ltd, 43, Forbes Street, Fort, Bombay-1.	M/s Stork Boxmeer NV, Boxmeer, Holland.	Rotary screens machinery.
10.	M/s Philips India Ltd., 7, Justice Chandra Madhab Road, Calcutta-20.	M/s N.V. Philips, Holland.	MV lamps.
INDIA—JAPAN			
11.	M/s Mysore Porcelains Ltd., Science Institute Post, Post Box No. 1245, Bangalore-12.	M/s NGK Insulators Ltd, Mizuho, Nagoya, Japan.	LT & HT electronporcelain insulators.
12.	M/s Everlite Insulating Industries Pvt. Ltd., 137, Biren Roy Road West, Calcutta-61.	M/s Daiichi Denko Co. Ltd, Japan.	Enamelled Copper wires.
13.	M/s Manubhai Ambalal Patel Station Road, Opp. Baroda Bank, Petlad (Distt. Kaira) Gujarat.	M/s Nakano Machinery Works Ltd, Osaka, Japan	Wire products machines.
14.	M/s Kerala Ceramics Ltd., P.O. Kundara (Kerala).	M/s Japan Ceramics Ergg. Co., Ltd, Tokyo, Japan.	Ceramic transfer pictures.
15.	M/s Hindustan Bone Mills (Pvt) Ltd, F Civil Lines, P.B. 76, Moradabad (UP).	M/s Japan Leather Co. Ltd., Tokyo, Japan M/s Okura Trading Co., Ltd, Tokyo, Japan.	Ossein (gelatine) and dicalcium phosphate.
16.	M/s Jayakumar Eng. Pvt., Ltd, 7-C, Industrial Estate, P.O. Podanur, Coimbatore (Tamil Nadu).	M/s Nagoya watch Co. Nagoya, Japan.	Battery operated clocks.
17.	M/s Byford Pvt. Ltd, M-5, New Delhi South Extension Part II, Ring Road, New Delhi-49.	M/s Ishikawajima Harima Heavy Industries Co. Ltd, Japan.	'Shibaura', (37 HP) Agricultural tractors.

(F)—Indicates cases involving financial participation.

1	2	3	4
18. M/s Kerala State Industrial Development Corp. Ltd., Vellayambalam, Post Box No. 105, Trivandrum-1.	M/s Yaskawa Electric Mfg. Co. Ltd, Ohtemachi Bldg. Chiyoda-ku, Tokyo, Japan.	Eddy current clutches.	
19. M/s Tata Fison Industries Ltd, 21, Revelin Street, Bombay-1.	M/s Sumitomo Chemical Co. Ltd, Japan	Fenitrothion.	
20. M/s S.R.P. Tools Ltd, Lattice Bridge, Madras-41.	M/s Mitsubishi Heavy Industries, Japan.	Gear hobs, shaping cutters, broaches, gear shaving cutters.	
INDIA-NETHERLAND			
21. M/s Shri Mahandra K. Jhavar. N-32, F Greater Kailash-1, New Delhi-48.	M/s Sales of America (Nederland) Netherland.	Consultancy engineering firm.	
INDIA-SWEDEN			
22. M/s Permanent Magnets Ltd, 20, Old Custom House Road, Bombay-1.	M/s Aktiabolaget Bacho of Stockholm, Sweden.	Burners and burner parts,	
23. M/s Electronics Industrial, 1899 Chandni Chowk, Delhi-6.	M/s Farad Electronics Stockholm, Sweden.	Polyster capacitors.	
INDIA-SWITZERLAND			
24. M/s Dr Karanths Pharma Chemical Industries, B-11, Industrial Estate, Sanatnagar, Hyderabad-18.	M/s Cilag-Chemie Ag, Schaffhausen, Switzerland.	Sulpha methoxy pyridazine and sulpha dimethoxine.	
25. M/s The Star Trading Co. (P) Ltd, Dhanraj Mahal, Apollo Bunder Road, Bombay-1.	M/s Zellweger Ltd, CH-8610 Uster, Switzerland.	Spectrograph imperfection tester.	
INDIA - U.K.			
26. M/s Nuchem Plastics Ltd, 54, Industrial Area, Faridabad, NI. IT. Haryana.	M/s Daniels of Stroud Ltd, Bath Road, Stroud, Gloucestershire, UK.	Hydraulic presses.	
27. M/s Larsen & Toubro Ltd, L & T House, Dougall Rd., Ballard Estate, Bombay-1.	M/s Simon Vicars Ltd, Earlastown, Newtonle-Willows, Lancashire, England.	Biscuit making plant.	
28. M/s J.G. Glass Industries Pvt. Ltd, Bombay-Poona Road, Pimpri, Poona-18	M/s Johnson Radley Moulds, UK.	Glass moulds.	
29. M/s Fifth Sterling Steel Co. of India Plot No. F. 3, Road No. 22 Thana Industrial Area, Thana (Maharashtra).	M/s Firth Brown Ltd, Shiffeld, U.K.	Special Steel of various types.	
30. M/s Tata Engg. & Locomotive Co. Ltd, Bombay House, 24, Bruce Street, Fort, Bombay-1.	M/s Raymond F. Thompson (Engineers) Ltd, Harlow Essex, U.K.	Jigs, fixtures etc.	
31. M/s Pressure Cookers Appliances Pvt. Ltd, United India Building, Sir Pherozeshah Mehta Road, Bombay-1.	M/s Ekco-Hawkins Ltd, UK.	Pressure cookers for export.	
32. M/s Eswaran & Sons Engineers Pvt. Ltd, P.B. 1912, Madras-1.	M/s Ottermill Ltd., Ottery St. Mary, Devon, UK.	Moulded case circuit breakers & air circuit breakers.	
33. M/s New Standard Co. Ltd, NSE Estate, Goregaon East, Bombay-63, NB.	M/s B. & S. Massey Ltd, Openshaw Manchester, England.	30 CWT & 40 CWT pneumatic power hammers.	
34. M/s National Peroxide Ltd, Neville F House, Graham Road Ballard Estate, Bombay-1.	M/s Larote Industries Ltd, UK.	Hydrogen peroxide.	
35. M/s Brady & Morris Engg. Co. Ltd, Brady House, 12/14, Veer Nariman Road, Fort, Bombay-1.	M/s Herbert Morris Ltd, UK.	Pulley blocks, elevating trucks, hand operated Travelling cranes etc.	
36. M/s Automobile Products of India Ltd, Lal Bahadur Shastri Marg, Bhandup, Bombay-78.	M/s automotive Products Co. Ltd, UK.	Lockheed hydraulic brake system.	
37. M/s Automobile Products of India Ltd, Lal Bahadur Shastri Marg, Bhandup, Bombay-78.	M/s Automotive Products Co. Ltd, UK.	Borg and rock clutch system.	
38. M/s Pioneer Equipment Co. Pvt. Ltd, 58/1, Arunodaya Society Alakapuri, Baroda-5 (Guj.).	M/s Morganite Thermal Designs Ltd, Norton, Worcester, UK.	Furnances.	
39. M/s James Warren & Co. (India) Ltd, F 31, Chowringhee Road, Calcutta-16.	M/s Rotary Hoos Ltd, West Hornden, Essex, England.	Howard tractor mounted rotavators.	
40. M/s The East & West Trading Co, Advani Chambers, S.P.M. Road, Bombay-1.	M/s Avery-Hardoll Ltd, UK.	Bulk meters, couplings etc.	

(F) — Indicates cases involving financial participation.

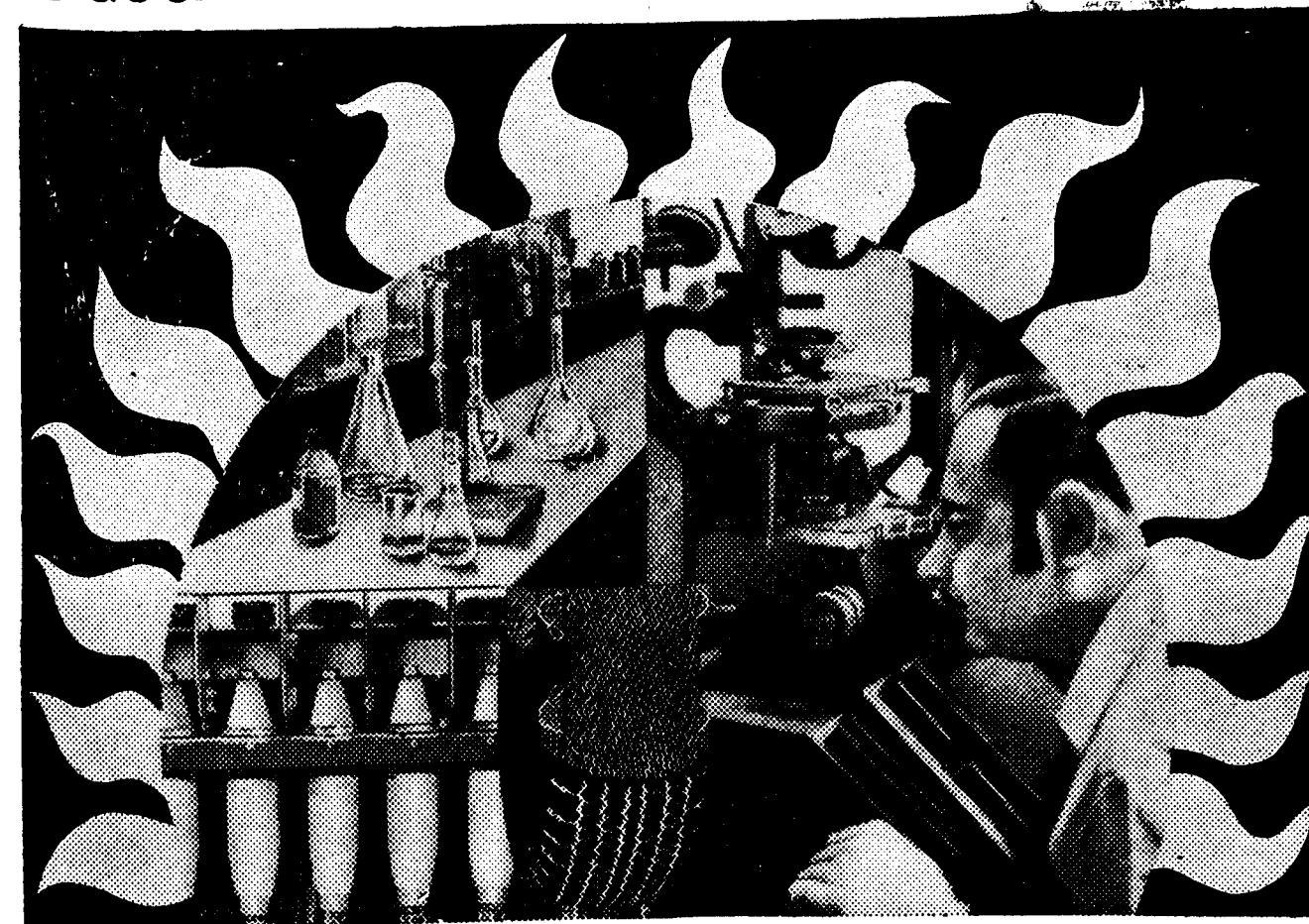
1	2	3	4
41. M/s Shri Raj K. Dewan, Visi Systems Mfrs., C/o Mr J. Mitra, 23, Curzon Road Annexe, New Delhi-1.	Col. William Gray Horton of M/s Gray Horton Products, 22, Burton Street, London, UK.	Visible charting equipment and signals of cellulose.	
42. M/s Shri R.N. Bose, 228, Jor Bagh, New Delhi-3.	M/s Smith Industries Ltd, Cricklewood works, London, NW2, UK.	Dash Board instruments.	
43. M/s Bhukhanvala and Sons, Post Box No. 469, Meadows House, Nagindas Master Road, Meadows Street, Fort, Bombay-1.	M/s Engis Limited, Park Wood Trading Estate, Maidstone Kent, England.	Lapping and polishing, machines.	
44. M/s Biecco Lawrie Ltd, 21, Netaji Subhas Rd Calcutta-1.	M/s South Wales Switchgear Ltd, UK.	High tension switchgear.	
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	M/s Miralle Engg. Co., Claremont, California, USA.	Ceramic package and substrates.	

(F)—Indicates cases involving foreign financial participation.

1	2	3	4
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66. M/s Shri V. Srihari Rao, 275, Sanjivareddy Nagar, Hyderabad-38.	M/s Richard Brothers Punch Co., Detroit Michigan, USA.	Ball lock punches and dies.	
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73. M/s The Managing Director, Assam Industrial Development Corporation Ltd, 26A, Cantonment G.S. Road, Shillong-1.	M/s Schanzlin Maschinen-fabrik GmbH, West Germany.	Schanzlin power tillers.	
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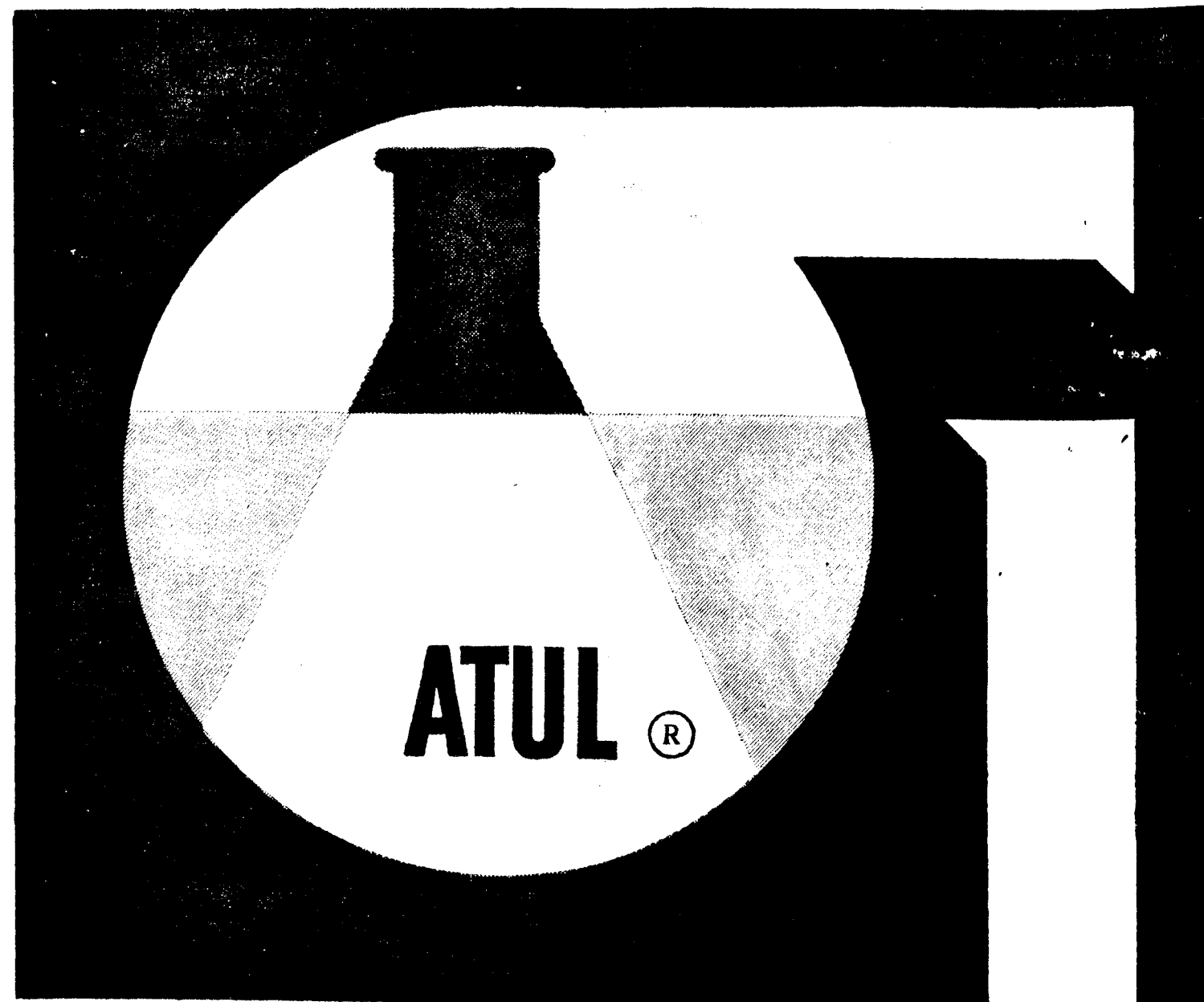
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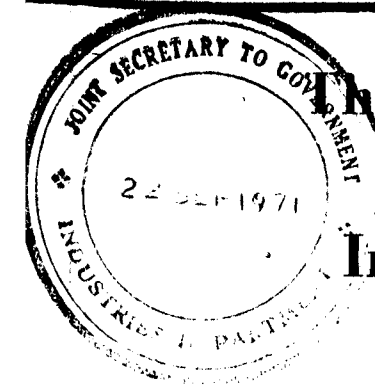
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The Politics of First Person Singular ..	507
Power and Its Problems	508
Industrial Revival of West Bengal ..	509
Plantation Crops in Plenty	510
Railways and Computerisation ..	512
—Vinod Pal	512
Industrial Estates in Mysore	515
—Dr K.V. Prabhakar	515
WINDOW ON THE WORLD ..	518
A Matter of Economics.	
Cost of Bank Finance in Seven Countries.	
THE MOVING FINGER WRITES ..	523
TRADE WINDS	524
Aid from Britain; Chemical Team to Japan; Annual Plan : 1972-73; Finance for Tea; Shipping Tariffs; Blanket Exchange Permits; Swedish Discount Rate; Indian Telephone Industries; Kores Copying Machine; Scindia's New Ship; American Express; Unit Linked Insurance; Co-operative Fertilizer Unit; Farmers' Fair; Names in the News.	
COMPANY AFFAIRS	526
Life Insurance Corporation; Birla Cotton; Larsen and Toubro; J.K. Satoh; Central Bank Ltd; Hindustan Brown Boveri; Frick India; Philips; Hindustan Sanitary Ware; Travancore Rayons.	
CHAIRMAN'S STATEMENT ..	528
Life Insurance Corporation of India.	
COMPANY MEETING	532a
Simco Meters Ltd.	
RECORDS AND STATISTICS ..	533
World Bank-IDA Report : 1971.	
IMF Report ; 1971.	

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THE POLITICS OF FIRST PERSON SINGULAR

HAVING FIRST become a dictator in the government, Mrs Gandhi is now well on her way to becoming a dictator in her party. This may be a logical development, but it is a sad one all the same. The Indian National Congress (dead for some time now, but not yet decently buried or burnt) had historically endeavoured sincerely and seriously to be a broad-based democratic institution in which there could be opportunities for discussion or dispersed decision-making at all levels of the organisation. The purpose was to promote the emergence or development of natural leaders of the people with firm local roots and a genuine concern for the aspirations of the communities in which they moved and functioned. It is true that Mahatma Gandhi was often described as a dictator, but the austere discipline he exercised was incidental to his moral authority over his followers.

It is also worth noting that, in asserting his will or even his whims, the Mahatma was in no way trying to hold on to any position of power. On the contrary, he was able to have his way only because he was ever ready to stand aside and let others assume responsibility if they would or could. There were no doubt a few cases in Congress history—the most important among them being those concerning Subash Chandra Bose, N.B. Khare and K.F. Nariman—where the Mahatma appeared to be acting ruthlessly in eliminating from the organisation personalities with whom he found he could not get along. But then history has vindicated the Mahatma's evaluation of Subash Chandra Bose as a leader unqualified to head a political organisation wedded to a non-violent struggle against a mighty government in power. As for N.B. Khare, there is general agreement that the disciplinary action taken against him was necessary and unavoidable. The Nariman episode however was perhaps a marginal case and it is possible that, here as in some other incidents involving individual Congressmen, including those who were close to him, the Mahatma might have acted harshly or even to a certain extent unfairly. It is however not given to man to be perfect. The Mahatma was still a human being, although he certainly was the noblest of them all. In any case the most significant fact about Gandhi, in his relation to the Congress organisation, was his basic faith in the need for fostering the democratic spirit and content of the national movement which he led while being completely free of any interest in perpetuating his own personal position or authority.

It would be unfair to accuse Mrs Gandhi of having fouled this legacy, for the simple reason that the inheritance had immensely deteriorated by the time it passed into her hands. It would however be legitimate to charge her with trying to recreate the present ruling party in the image of a subservient political machine which would mobilise uncritical acceptance of her leadership and submission to her decisions both as the Prime Minister and as the *de facto* leader of the party. In deciding to set up *ad hoc* units of the party organisation in West Bengal, Bihar, Rajasthan, Madhya Pradesh and Tripura, the Working Committee of her party has only been taking its cue from her or her managers. When Mr M.L. Sukhadia was eased out of his jagirdari in Jaipur, it was expected that similar exits would be brought about before the general election for many of the state legislatures due early next year. Mr S.C. Shukla in Bhopal, Mr Brahmananda Reddy in Hyderabad and Mr V.P. Naik in Bombay have naturally been counting their days even while counting heads in their respective following.

Mr Shukla is a relatively easy proposition. His family has been exploiting its political influence and advantages in Madhya Pradesh long enough for its de-thronement to be generally welcomed. As for Mr Reddy, his Achilles' heel on Telengana is only too fully exposed and, in the case of Mr V.P. Naik, Mrs Gandhi's armoury has been strengthened by the revival of the agitation for the state of Vidharba. It is not surprising that demoralisation over Mrs Gandhi's almost fatalistic invincibility is not confined to the 'other' Congress.

All this must pose some anxious questions for the nation. If through the manipulation of the party organisation between now and the general election for state legislatures and as a result of that election Mrs Gandhi's omnipotence in government and party were to be furthered and confirmed, there could be a

very real danger of a claim to omniscience being made, even if not directly by her, at least on behalf of her. This could not only aggravate the already farcical nature of collective responsibility in the central government but also the futility of Parliament itself.

That these fears are not idle is indicated by the fact that the proceedings of the recent session of Parliament fell far short of the standards of responsible democratic debate even on occasions when measures of basic legislation such as amendments to the Constitution were at issue. If this trend continues, the processes of our people being well and truly educated in the spirit and practice of democracy will certainly be reversed and the concept of universal adult franchise in which the country's Constitution glories would become more and more unrelated to the reality of the people's participation or rather non-participation in the government of the country.

It should be conceded of course that there is no threat of a one-party government as such if only because the communist movement is still a signi-

ficant political force in some parts of the country. But there is certainly every possibility of the more moderate forces in the body politic ceasing to be truly operational. Should the Mrs Gandhi juggernaut, were to continue to pursue its runaway course on its legendary wheels of *gharibi hatao*, a great responsibility would come to rest on the liberal political forces in the nation to regroup themselves in a timely bid for restoring to the political system the disciplines and decencies of the democratic way of life. During all the troubled years since Independence the nation has been in search of a healthy equilibrium in its politics. While hopes that the Congress party would provide constructive leadership to this quest have turned out to be false, the importance and urgency of the goal itself have become all the greater. A great many men in the political game, some of whom belong to Mrs Gandhi's party itself, have become demoralised, by the turn events have taken. But this is no reason why such of us as still cherish the vision of an impersonal government in a liberal democracy should give in to a sense of frustration.

Power and Its Problems

AS THE deliberations at the recent conference on the future outlook of power in the northern region—organised by the Punjab, Haryana and Delhi Chamber of Commerce and Industry—stressed, there are three aspects of the problem of ensuring adequate power supply which merit attention. The first is the raising of the generation capacity to meet the growing requirements. The second is the improving of the quality so that wide voltage fluctuations can be obviated. The third, but not the least important, is the rationalisation of tariffs.

The comparative easiness in the power supply position in the latter half of the sixties in most parts of the country, and in some regions till lately, was primarily the outcome of the recessionary trends in the economy rather than the result of the creation of any large new capacity. If the slight pick up in demand as a sequel to the rise in the tempo of development has tended to create power scarcity, it is not surprising in the least. On current indications, except a few states and union territories—Rajasthan, Himachal Pradesh and Delhi in the northern region, Kerala in the southern region, the DVC area and Orissa in the eastern region and Assam, Manipur, Tripura, Nagaland and NEFA in the north-east—will be short of power in 1973-74 even if the current programme of raising the

overall generation capacity by then to 23 million kws from the present nearly 17 million kws is successfully implemented. Region-wise, only the eastern and the north-eastern regions will be comfortably placed; the northern, western and southern regions will experience, sizable power shortages. By 1980-81 till which year power generation plans have been formulated, the requirements are estimated to grow to as much as 52 million kws.

The task of augmenting the power generation capacity in the next few years, thus, is stupendous indeed, especially when the gestation period of power plants is five to eight years. It, however, is by no means beyond our capacity. The major problems to be encountered will be; (i) the mobilising of adequate finances, and (ii) the arranging of the production of the needed equipment. The latter hurdle may be overcome without much difficulty if the supply orders on indigenous manufacturers are judiciously phased out; they have enough under-utilised capacity. Moreover, if the situation warrants, some equipment can be imported. The former problem, however, will be a challenging one. The addition of 39 million kws capacity between 1973-74 and 1980-81, according to the Power Economy Committee, which reported to the union government about five months ago, will call for an invest-

ment of over Rs 8,000 crores on generation, transmission and distribution during the fifth Plan period alone, between 1973-74 and 1978-79.

The vast magnitude of the finances required warrants concerted action at effecting saving in the cost of putting up power plants. The various proposals made by the above committee, which were by and large endorsed by the conference on the future outlook of power, deserve to be vigorously pursued. The adequate advance action by way of necessary investigation of hydro-electric schemes and arrangements of fuel supplies, reduction in the power system, energy losses, improving of the quality of fuels and introduction of unit trains for power stations using coal as fuel, etc., can result in sizable savings. But the most crucial suggestion of the committee apparently is the regionalisation of power projects. It has been estimated by the committee that "if the entire country is fully integrated (through regional boards), the capacity saving of about 2,000 mw can accrue by 1980-81. In terms of savings in investment, this will mean about Rs 500 crores."

The regionalisation of power projects, of course, has been effected to some extent in the past, but the progress has been too halting. The interstate bickerings and rivalries have been a major reason for this. They have to be curbed. Further, the expanding scale of power plants warrants the centre taking over the responsibility of generation in an increasing measure. This will require a drastic amendment of the Electricity (Supply) Act. A high-powered committee to review the situation is proposed to be appointed for this purpose, an indication to this effect was given by the Union Minister for Irrigation and Power, Dr K. L. Rao, at the above conference. A pertinent point that this committee will have to consider is whether power generation in future should be undertaken by autonomous bodies at the central, regional or state levels or whether this task should continue to be performed by the departmentally controlled boards. One great virtue of constituting autonomous boards is that they can be insulated from political pressures. If the state electricity boards are divested of the function of generating power, they should be able to devote greater attention to the distribution aspect; they will have enough work on this count itself.

In so far as the quality of supply is concerned, the wide fluctuations in voltage are causing not only frequent disruptions in production at the consuming ends but also many times damage costly equipment. The greater attention that the state electricity boards

would be able to devote to distribution if they are made to concentrate on it, should help in improving the quality of supply. But there is, as Mr H. R. Bhatia, an eminent electricity engineer, emphasised at the above conference, imperative need of high-level planning in distribution also. There is further great necessity of strengthening the transmission systems; so also for increasing resort to use of capacitors.

As regards the rationalisation of power tariffs, the problem is the direct outcome of the poor financial position of electricity boards at a time when they are obliged to provide power at concessional rates for agricultural purposes. The chairman of the above conference, Mr I. P. Anand, in his keynote address, pertinently pointed out that the worst sufferer was "the pressure-less group—the industrial consumers—in the Indian public life today." Considered as the only solvent group, it was receiving a raw deal inasmuch as it was being burdened with additional imposts. To this category may be added the domestic consumer who also has to pay high power tariffs. A solution to this problem ultimately lies in bringing down the generation and distribution costs. At any point

of time, some consumers of power will have to be catered for at concessional rates; maybe their operations demand it or the overall national development warrants this.

It is, of course, heartening to note that the importance of setting up nuclear power plants in areas distant from the main coal belt of the country is being well recognised now. Although hydro power is still the cheapest in the country, it is being considered best for peaking purposes. For firm supply, thermal power has to be banked upon. The development of nuclear energy has to fulfil this task in the areas to where coal movement is costly or cumbersome. A nuclear power project for the northern region obviously is a must, for not only coal supplies have to be hauled over long distances for this region but also the hydro resources here are not abundant. The encouraging of private entrepreneurs through providing funds at reasonable interest to set up electricity units in the deficit areas should go some way in mitigating the rigours of power shortages. Some proposals in this respect are understood to have already been made from the northern region. They deserve expeditious consideration.

Industrial Revival of West Bengal

THE 16-POINT programme for the revival of West Bengal's economy, announced by Mr Siddhartha Shankar Ray, union Minister for West Bengal Affairs, on August 23 does not seem to have created much enthusiasm among the business community. This is hardly surprising since the law and order situation continues to be as disquieting as before in spite of Mr Ray's sincere efforts to improve it. Moreover, many of the points in the government's programme appear vague. For instance, the government has said that the applications from the larger houses will be examined on merit. Would it not have helped to create a better climate for investment if the government had declared that all restrictions imposed on larger houses in regard to industrial licensing and monopoly legislation would be kept in a bygone in respect of West Bengal?

In West Bengal, the initiative for investment in the past has come predominantly from the large business houses and even now it is they alone who are now in a position to undertake investment in a big way. In other states such as Punjab and Haryana local entrepreneurship has shown great deal of dynamism but in West Bengal this has been lacking. There is no evi-

dence to show that even if adequate finance and raw materials are readily made available, local entrepreneurs will come forward in sufficient numbers with practical schemes to set up new industries. So, however unpalatable it may be to New Delhi from the political point of view, the fact has to be faced, that if private investment is to take place in a substantial way in West Bengal, it can come only from the large business houses. It is generally agreed that in order to create new jobs on a massive scale, West Bengal needs an investment of at least Rs 1,000 crores in the next three or four years. But is such massive investment possible so long as the government continues to be biased against the so-called big business? The 16-point programme envisages the creation of a target of 2000 small units per year in West Bengal which means a doubling of the existing number. But the government does not seem to realise that the best way to stimulate the growth of small industries is by encouraging the larger ones.

The government's proposal to treat the whole of West Bengal except Calcutta, Howrah and 24 Parganas as a backward area for eligibility of concessional finance by the public financial

institutions is welcome. But in view of the utterly inadequate infrastructure facilities in these areas, not much progress is possible in the near future. Rural electrification has made little headway—only less than 10 per cent of West Bengal's villages are electrified—and the availability of roads, communications and banking facilities continues to be insufficient. The government has announced its intention to carry out a rapid survey of each district from the point of view of identifying industries suited to the area based on local materials and skills. But has the government the necessary staff of the right type to undertake this kind of surveys in a reasonable time?

The government has promised to provide more orders for wagons by the railways and to consider West Bengal's requirements for raw materials with special sympathy. It is proposed to organise a raw material bank by the state Small-Scale Industries Development Corporation. The Department of Industry and Commerce of West Bengal has been asked to indicate the realistic requirements of the state for iron and steel. But it is not enough if more orders are placed for wagons. It is also necessary to offer economic prices for these wagons and make payments without undue delay. As regards the assessment of raw materials, the Small-Scale Industries Development Corporation does not seem properly equipped to deal with this task expeditiously. In the past, many small-scale industries in the state suffered from acute shortage of raw materials because their applications were not promptly and properly recommended by the state government.

The government has promised that legislation will be promoted shortly to take-over, free of encumbrances, industrial units which are in difficulties. It is also proposed to amend the Industries (Development and Regulation) Act to enable the government to acquire permanently industrial units, the management of which can be taken over under Section 18 of the Act now. The government has said that it will have to invest large sums of money in some of these undertakings which are taken over, and that it would not be proper to return them to private control after bringing them into a state of good health. These proposals do not seem well conceived. The government of West Bengal does not have a creditable record of managing efficiently the enterprises whose ownership or management it has already taken over. The government has neither the money nor the right type of man to run its existing commercial enterprises. In this background, to take over the management

of the private sector unit will merely result in the dissipation of scarce resources. The problems connected with the industrial units in difficulties have to be examined on merit and the appropriate solution will have to be found, depending on the circumstances in each case. The Industrial Reconstruction Corporation has already made a good beginning by examining the position of the sick and closed units and evolving the right method to tackle it. But the corporation seems to be handicapped in doing its job more speedily because of its lack of sufficient technical and managerial personnel.

One of the most important points in the government's programme is that the government will make an effort to raise productivity and improve management-labour relations. It is stated that the union Ministers of Education and Social Welfare has already taken up this matter in hand. This is, however, not an easy matter to solve. Out of 17 million man-days lost by industrial disputes in the whole of India last year, as many as seven million were in West Bengal. The Durgapur steel plant has been unable to work even up to 45 per cent of its capacity mainly because of the persistent labour trouble, engineered by political parties for political purposes. Inter-union rivalry has been so fierce and frequent and even public utilities like electricity and water supply have been affected by it. Gross indiscipline is allowed to pass with impunity and even deliberate sabotage of essential services has been condoned. With the trade unions being so powerful, militant, and obstructionist, one wonders what concrete programme the government has in view to improve the management-labour relations and to what extent it can implement an effective policy in this regard.

The 16-point programme does not reveal the government of India's intention to step up its own investment in West Bengal. It seems to have decided not to expand the Durgapur steel plant because of chronic labour trouble. It has not yet made up its mind about investment in the petrochemical complex or in setting up a shipyard or a free trade zone, all in Haldia. These proposals still seem to be under study. The government should expedite this and agree to invest in West Bengal in a big way at an early date.

The government has assured that the incentives presently given to new industrial units by the state governments will be reviewed to see if any additional incentives cannot be offered on the pattern of the practice in Maharashtra, Tamil Nadu, and Gujarat. It is more

than a year now since industrial organisations in West Bengal have been demanding incentives on the lines given in the other states. All these details are readily available and the government should not lose further time in announcing fresh concessions. One of these should be a rebate of electricity duty. The rates of electricity in West Bengal are in many cases much higher than in other states, and even at these higher levels, electricity is not available uninterruptedly. The government

therefore should ensure adequate supply of power both to the new and the existing industries and make it available at lower rates where possible. But the most powerful incentive that is available in other states and which West Bengal lacks at present is the rule of law. The centre and the state government therefore should give more serious attention to this problem and firmly maintain the law without attempting to placate political parties or play to the gallery.

Plantation Crops in Plenty

THE DEVELOPMENTS in 1970-71 concerning the major plantation industries, tea, coffee and rubber, give room for the hope that the required export surpluses or self-sufficiency in production of nearly all plantation products can be ensured if the estate owners are encouraged to extend the acreage under the major crops and implement vigorously replantation schemes. For the first time in living memory, there has been a record output of tea, coffee and rubber in the same year and the coffee and rubber boards are now grappling with the problem of marketing surpluses. Though the output of tea has risen by over 2½ per cent, there has been a concurrent increase in exports and internal consumption. It has thus been possible to meet the spectacular rise in demand for different grades of tea in the home-market and re-establish also the lead India always enjoyed in the international market over Ceylon. The south Indian planters particularly have been favourably affected by the latest developments as the estates in Tamil Nadu and Kerala are in some instances having the highest productivity in the world and there has also been an increase in the share of tea output of the estates in these two states in all-India production over a period.

The improvement in productivity has been mainly responsible for preventing a serious erosion of profit margins which has been taking place on account of rising labour costs and an increase in burden of central and state taxes. The estates in Tamil Nadu were better off, until recently than their counterparts in Kerala, but in the recent budget of Tamil Nadu there has been a steep rise in the rates of agricultural income-tax and the high rate of 55 per cent is applicable to joint stock companies on their agricultural incomes. In Kerala, there is a system of step rates and the smaller units have to pay only 45 per cent as tax though the maximum rate is much higher at 65 per cent.

The three states, Mysore, Kerala and

Tamil Nadu, are, therefore, taxing heavily the incomes of plantation industries and it has been repeatedly represented to the central and state governments that there should be relief in taxation and it was no use conducting periodical enquiries into the problems of plantation industries when the recommendations of many expert committees have remained unimplemented. It has been actually complained that the absence of depreciation allowances on field assets for the tea and coffee industries has been retarding the extension of acreage under these crops and even the progress of replantation programmes. It is felt that the financial assistance and subsidies available for these purposes are not adequate and heavy losses will have to be sustained over a period if there is an attempt to replant over-aged tea bushes on an ambitious scale.

The President of the United Planters' Association of Southern India, Mr D. Sivappa, did not elaborate on these problems at the 78th conference of the association held at Conoor recently. But he emphasised the need for maintaining parity between production and demand for all plantation products in the 70s, and added that the industries concerned had to pay constant attention to the improvement of productivity. This can be achieved only if there are helpful fiscal and land policies. The bogey of nationalisation can have serious harmful effects on long-term plans if it is not removed. It is very necessary to ensure a continuously rising average growth rate in the output of tea, coffee, and rubber, in the next two or three decades as new trends in consumption are emerging and export surpluses will dwindle if there is no accelerated growth in production. It is also necessary to pay greater attention to the development of new plantation crops like cocoa as Mr A. P. Dharmalingam, Tamil Nadu's Minister for Agriculture, suggested when he addressed members of the UPASI at this conference. There will besides have to be a larger output of cashew and cardamom. Large quan-

tities of cashew kernels are now being imported for being re-exported after processing.

It is wrong to think that just because bumper crops of coffee and rubber have been raised, along with tea, and there are embarrassing surpluses in coffee and rubber, there is no need for strenuous efforts for raising production regularly in the 70s. The output of coffee at 109,000 tonnes in 1970-71 is a freak as earlier blossom estimates have been considerably exceeded and even experts have been confounded. The previous record crop was only 78,000 tonnes in 1966-67. It is, however, agreed that the cumulative effect of replantation programme and new techniques of cultivation may have been responsible for the bountifulness of nature under favourable conditions and it may not be difficult to achieve the same results under identical circumstances. But it is necessary to remember that a bumper coffee crop is always followed by a shorter crop in the next season.

It has been actually disclosed by a spokesman of the Coffee Board that the 1971-72 crop may not be more than 70,000 tonnes. This will give an annual average of about 90,000 tonnes for two years and it cannot be suggested by any stretch of imagination that the compulsion to create buffer stocks of about 20,000 tonnes out of the 1970-71 crop is a calamity. It has been possible for the first time in the past decade to provide fully for the needs of the home market and also step up exports. A delegation from the coffee industry has visited many foreign countries with a view to maximising coffee exports and the problem has been rendered difficult by the fact that the export quota of 1970-71 under the International Agreement has been reduced to 21,770 tonnes from the earlier allocation of 24,395 tonnes. This will mean that additional exports will have to be directed mainly to non-quota countries. The quantum of exports may eventually be a record at 45,000 tonnes and internal consumption also at the same figure, leaving a balance of 20,000 tonnes to be carried over. This surplus will be easily absorbed in 1971-72 as there may be a further rise in consumption and exports also could be maintained at a high level.

There is no need, therefore, to be desparate about the situation that is now prevailing in the coffee industry.

As regards rubber, the glut in the natural product is due to different reasons. There has no doubt been an increase of 14 per cent in output to 92,000 tonnes. There has also been a higher level of production of synthetic rubber and the large-sized unit at Bareilly in UP is capable of producing even in excess of 30,000 tonnes annually with plentiful availability of alcohol. Internal production of all rubbers, including reclaimed rubber, can thus be easily 135,000 tonnes. This quantity is not in excess of current requirements if the tyre industry is allowed to function without major labour trouble. The effect of earlier imports of 20,000 tonnes has also to be got over. With a recovery in production at some of the major tyre units, the consumption of rubber in 1971 may prove to be higher than in 1970 and by the end of 1972, when additional capacity for manufacturing tyres is expected to be in operation, the buffer stocks may tend to dwindle. What is really gratifying is the opportunity afforded to eliminate imports of synthetic and natural rubber which were costing Rs 10 crores annually some time back. Mr A. G. George, union Deputy Minister for Foreign Trade, was naturally worried about the glut in rubber

and the ineffectiveness of central government's policy regarding the enforcement of minimum prices. The prices prevailing in the open market are over Rs 100 per quintal below the official minimum price. This is eloquent testimony to what could happen if prices were sought to be maintained at artificial levels and industrial labour was intransigent. The situation cannot be tackled by subsidising exports of costly Indian natural rubber. Instead, it would be advisable to maximise the output of tyres and remove the shortages that now exist within the country and increase also exports with a realistically conceived incentive scheme.

As the Chairman of the Indian Rubber Board, Mr T.V. Swaminathan, has observed, the present glut in rubber is due to man-made reasons and with the anticipated growth in consumption in the current Plan period, there may even be a shortage of natural rubber by 1973-74. It should, therefore, be possible to tackle the special problems of the coffee and rubber industries without difficulty given the right approach. What is really significant from the national angle is the opportunity afforded for augmenting foreign exchange earnings through exports of major plantation commodities and eliminating expenditure that was being incurred on imports of rubber for overcoming marginal deficits.

Eastern Economist 25 Years Ago

SEPTEMBER 20, 1946

The report of the Sub-Committee of the Consultative Committee of Economists which was charged with the task of examining and reporting on the American proposals for expansion of world trade and employment is a welcome addition to the growing literature on the subject. Since these proposals were published, several articles have appeared in these pages including contributions from academic Economists, which examined them from every possible angle and at close and long ranges. Nevertheless the able and admirable survey which the Economists of the Consultative Committee have presented and their detailed comments and recommendations on the proposals deserve the special attention both of Government and the public. They have set

out what according to them are the essentials of an appropriate commercial shape primarily with India's own needs, must also, it is recognised, take into account wider considerations. It should be so adopted as to enable India to take a place in the world economy on a co-operative basis with a view to assisting the constructive effort which is being made for economic harmony and all sided progress. But they rightly affirm that the task of securing a rapid and substantial rise in India's national income necessarily involves the adoption of a programme of planned economic development and for this purpose India must equip herself with all the necessary instrument of regulation, control and direction of trade and enterprise.

Railways and Computerisation

VINOD PAL

AS AN organisation grows in size, the management information system assumes added importance. A stage is reached when manual analysis of data becomes so time-consuming and expensive that the managers might be forced to resort to taking decision on hunches rather than on scientific analysis. The growth of computer technology has placed a powerful tool in the hands of managers. The speed with which massive data can be processed, by computers is so fast that the modern management need no more base its decisions on inadequate data or hunches. Progressive and large industrial undertakings are, therefore, taking to computers in an ever-increasing measure. The railways in our country, the biggest nationalised undertaking, are not lagging behind in making use of this modern technological advancement. They are presently the biggest users of computers in the country.

Largest Undertaking

Criss-crossing the country over nearly sixty thousand route kilometres, the railways constitute the second largest railway system in the world under single management. They are the nation's largest undertaking with an investment of nearly Rs 39,000 million and employees numbering about 1.4 millions. Nearly 0.6 million tonnes of goods traffic and about 6.6 million passengers are carried in nearly 11,000 trains every day. For carrying this traffic the railways use a fleet of about 11,500 locomotives, 25,000 passenger vehicles and 390,000 goods wagons. About 36,000 wagons are loaded with goods traffic every day.

The growth of traffic on the railways since Independence has been phenomenal. As compared to 1950-51, the originating freight traffic has grown nearly 2.2 times, and the passenger traffic about 1.8 times. Efficient control of a vast organisation such as the railways with aforesaid gigantic operations depends to a very great extent on the efficacy of a suitable management information system. The innovation of computers has provided a powerful tool to the management for tackling this problem in an effective and efficient manner. With a progressive outlook the railways have gone in a big way to reap the benefit

of this modern technological development, not with a view to saving manpower, but with the objective of providing a better and more efficient transport service to the nation. The railways are today the largest user of computers in the country having 14 computer centres, one in the Railway Board's office, one in every zonal headquarters, one in Mugal Sarai yard, and one each in the three production units. These are all second generation computers belonging to IBM 1401 series.

The computers installed in the Railway Board's office and at Mugal Sarai are being used primarily for helping in the control of movement of goods wagons and coaching vehicles. Those in the production unit viz., Chittaranjan Locomotive Works, Diesel Locomotive Works, Varanasi and Integral Coach Factory, Perambur, are helping in production scheduling, material reservation and ordering and machine loading. These computers also facilitate rapid adjustment of scheduling and machine loading necessitated due to unscheduled events and breakdowns. This would not have been possible but for the rapidity with which these computers process massive data and evaluate the efficacy of numerous alternatives.

Useful Work

Apart from compiling various statistics for management control, the computers at the zonal headquarters have taken over the work of goods and passenger accounts and allied revenue statistics, inventory control, fuel statistics, pay roll of staff and bonus payment to workshop employees etc. The usefulness of the computers could be gauged from the fact that in the sphere of inventory control alone they have helped in bringing about a saving of about Rs 13 crores. Another interesting work by zonal computers is that of linking the railway coal wagons. This work, when done manually took unduly long time in spite of employing a large staff. The computers have remarkably reduced the time lag in linking of such wagons between despatch from the collieries and receipt at the various steam loco sheds. Some of the zones have developed computer programmes for periodic overhaul of rolling stock. Efforts are also afoot to provide quick reservation of berths/

seats in trains starting from metropolitan towns by using computers.

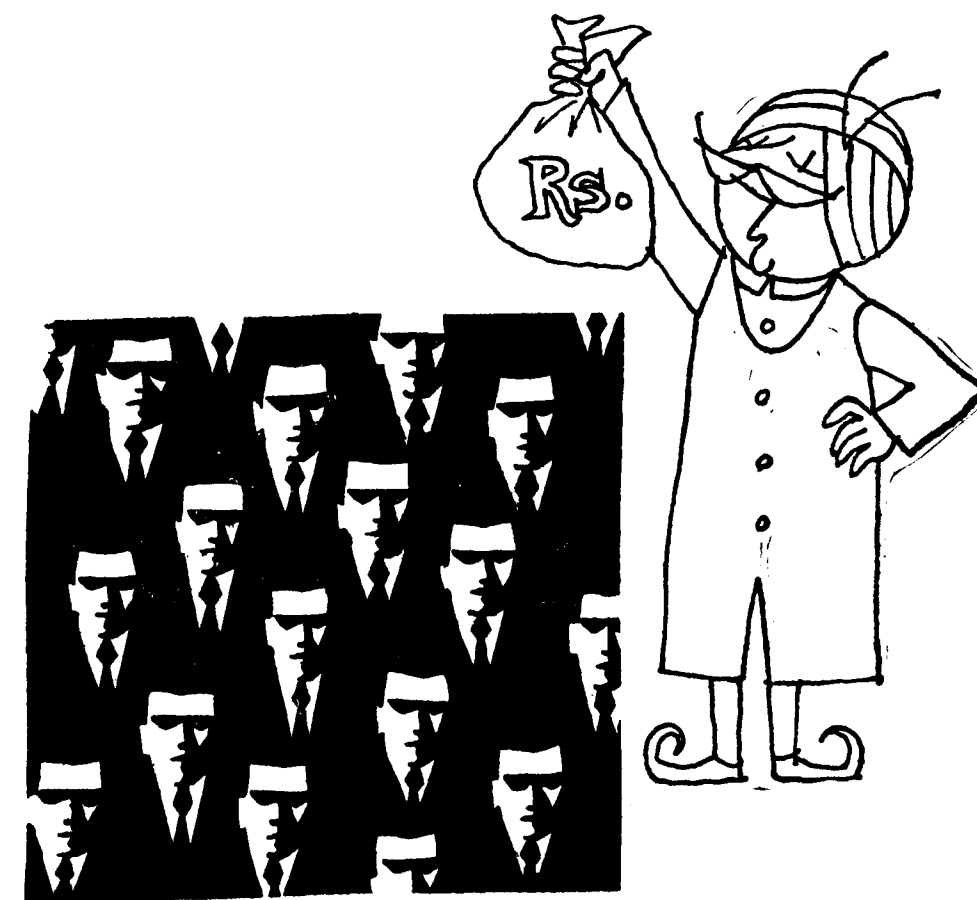
The Railway Board computer centre is connected to all the major broad gauge inter-railway interchange points and a few important yards by means of an all India teleprinter network. Movement particulars of each and every broad gauge freight wagon through any of these points are daily reported to the computer through punched paper tapes over the teleprinter links. About 25,000 such movements are reported in respect of goods wagons and about 3000 for passenger and other coaching vehicles every day. The computer then processes this basic data at a speed which could never be thought of by manual process and provides the administration relevant information needed for efficient management of stock—e.g. forecasts of loaded wagon inflows into selected critical sectors or routes etc. A monthly statement of all such wagon movements is printed and copies sent to Madras, Calcutta and Bombay for the reference of various zonal railways for settling claims.

Immediate Reply

It may be interesting to know that in the past this was being done manually in the office of the Indian Railway Conference Association. Apart from the fact that a large number of clerks was employed to post the wagon movements, the volume of work had grown so fast that the postings were generally in arrears which adversely affected expeditious settlement of claims. In the past, sometimes it took days and weeks to trace a missing wagon gone astray due to clerical error or deliberate mischief by unsocial elements. Now, with the help of the computer, tracing of such wagons can be done much more expeditiously. In respect of coaching vehicles which carry valuable parcel consignments and motor cars, the Railway Board computer is in a position to give immediate reply to any random query regarding their latest movements from the zonal railways. The Railway Board's computer is also helping in the matching of unconnected wagons with overdue wagons and thus saving a large number of claims.

The railways are adding every year to their wagon fleet, special type of wagons to cater for diversified needs of the shippers. These special types of wagons are costly and limited in number. They are used for special types of traffic—generally high-rated traffic. It is, therefore, imperative that a stricter control is exercised over utilisation of such stock. The computer furnishes valuable infor-

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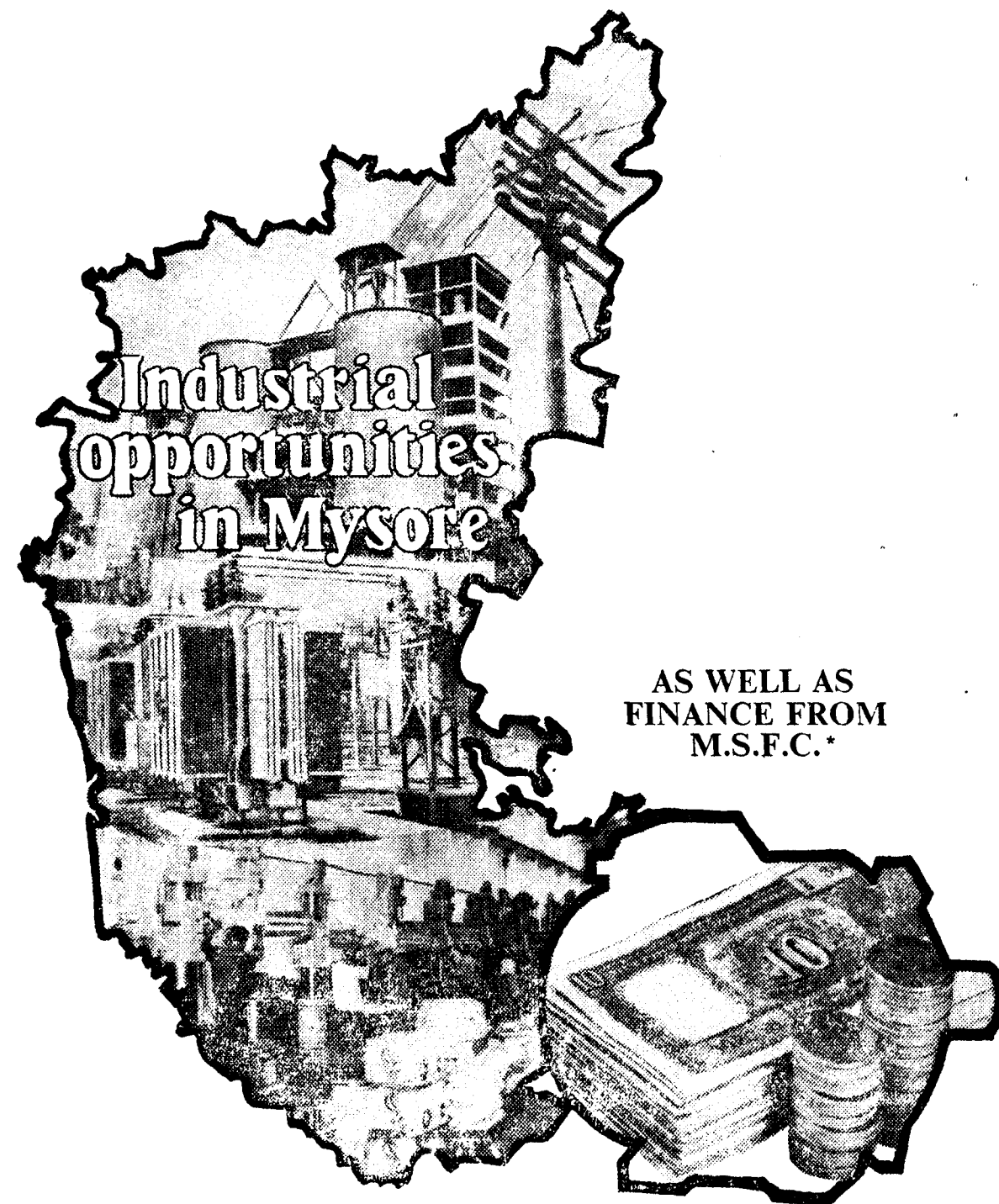
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mation to the management in this connection by processing the basic data referred to earlier. Any undue detentions of such wagons are spot-lighted by the computer so that expeditious remedial measures may be taken.

Particular mention may be made here regarding the help the computer is rendering in controlling the fleet of tank wagons. The railways are a major carriers of petroleum products in the country. Out of a total production of about 17 million tonnes of POL (petrol, oil and lubricants) in 1969-70 about 50 per cent was carried by rail. There is a large variety of such products, e.g. aviation spirit, gasoline, high speed diesel oil, light diesel oil, tea drying oil, jute batching oil, furnace oil, low sulphur, heavy stock, kerosene, naphtha, bitumen and hexane. Moreover, the movement of such products is rationalised depending upon the locations of refineries and consuming areas. The tank wagons have accordingly been assigned to various bases to cater for various streams of traffic and the movements of these wagons are quite complex. Any hold-up of such wagons results in serious dislocation of these important streams of traffic. With the assistance of the computer not only regional imbalances are promptly tackled but also preventive steps are taken in time to avoid excessive holdings in any particular areas. Also undue detentions of such stock are pinpointed and remedial measures taken. Such a close watch on the movement of wagons would not have been possible without expeditious data processing done at the computer centre.

Biggest Yard

Mugal Sarai is the biggest yard on our railways through which about 6,000 wagons pass every day. The computer installed at Mugal Sarai keeps a complete account of traffic passing through that yard and provides relevant information for efficient control of such wagons. Wagons detained in the yard over four days are spotlighted for suitable action. Other statistics indicating efficiency of the yard such as average detention of wagons and shunting loco utilisation, are also printed by the computer. Thus the computer at Mugal Sarai helps in more efficient managerial control of the big yard through compilation of yard statistics in a speedy, systematic and accurate manner. The computer also helps in the tracing of overdue and unconnected wagons.

Optimum use the computers can be made only when the user possesses some basic idea regarding their scope and potentialities. The railways have a number of officers trained in collaboration with IBM to work as senior pro-

grammers, systems analysts and electronic data processing managers. But this is not enough. More than 7,000 officers are employed on the railways and to make the maximum use of computer technology, these officers should be helped to acquire some basic ideas regarding computer applications. The Railway Staff College, where railway officers from all the zones come for various training courses, has already taken the initiative in imparting this knowledge to such officers. Apart from lectures by experts in this field, the college also arranges practical demonstrations at the various computer centres. The college has already arranged special courses in FORTRAN programming.

One-month AUTOCODER programming courses have also been scheduled. It is heartening to learn that these engineers have been able to solve many of the complicated problems in their assignments through the use of computers.

Modern railroads abroad have developed their computer systems to a much greater degree and are devising more and more efficient systems to ensure a cheaper and better service to shippers. The railways have already made a beginning and it is hoped that this technological development will help them in achieving their cherished objective of providing cheap, efficient and custom-tailored service to rail users.

Industrial Estates in Mysore

DR K. V. PRABHAKAR

IN MYSORE state, the Industrial Estates Programme was initiated during the second Plan period. The Plan envisaged the construction of eight industrial estates consisting of 171 workshops at a cost of Rs 68 lakhs. All the eight estates were taken up and completed. The number of sheds constructed was 127 and the actual expenditure incurred was Rs 50.08 lakhs.¹ The third five-year Plan envisaged the establishment of 30 estates with 300 sheds at a cost of Rs 120 lakhs. These 30 estates together with the eight completed estates were to be so located that each revenue district would have at least two industrial estates, one at the district headquarters and the other in an interior place. The targets, however, could not be reached because of delays in acquisition of land, scarcity of building materials which was then keenly felt and lack of budget provisions. The amount spent on the programme during the period was Rs 69.34 lakhs and the number of estates constructed was 10.² The construction of another three estates was taken up and is nearing completion. At present, there are 21 estates with 296 workshops. There is also one private industrial estate at Yedyur, Bangalore, started by Messrs M.M. & Sons, with 17 sheds. Table I, gives the location and present position of industrial estates in Mysore.

Out of these 22 estates, the once situated at Rajajinagar, Bangalore, is the biggest; it has 105 sheds. The manu-

facturing activities of the units in this estate cover a wide range of lines such as light engineering, foundries, plastic and packaging products, photographic equipment, chemicals and synthetic fibres. Several units are unique in their lines of activity such as the vacuum equipment unit, high density polythene monofilaments, photo equipment, plastics, packaging products and automatic flushers. The total investment of all the units in this estate approximates to one crore of rupees and their annual output exceeds Rs 2.5 crores. About 1600 persons are employed in the estate.

As for the aggregate amount spent on industrial estates in Mysore, it is not much when compared to the other neighbouring states. This could be seen from the following figures which represent the amount spent on industrial estates during the Plan periods:

	Rs in Lakhs
Mysore	105.56
Andhra	341.32
Kerala	140.37
Maharashtra	129.12
Tamil Nadu	641.32

The state government has taken a decision recently that in future industrial estates would be created only when there is potential demand for them. Thus in such big towns as Bangalore, Belgaum and Hubli, where the pace of industrialisation has already set in and where there are anxious entrepreneurs, more sheds will be constructed. There will be a second estate in Bangalore where initially 40 workshops will be built. Additional sheds will be constructed at Hubli and Belgaum. Construction of

1. Industrial Estates in Mysore—Note prepared for Estimates Committee, 1965; Mysore Small Industries Development Corporation, Bangalore.
2. According to the information furnished by Mysore Small Industries Development Corporation, Rajajinagar, Bangalore.

industrial estates will be continued at the following places other than the 21 places where industrial estates have already been, set up: Hospet, Gadag, Hassan, Sakleshpur, Mandya, Kollegal, Karwar, Raichur, Lingsugur, Bagalkot and Sirsi.

The state government has also laid down the policy of attracting ancillary units into the industrial estates so as to make them technically viable units. It has also been realised that the promotion of ancillary and complementary relationships inside the industrial estates would considerably increase the effectiveness of the industrial estates and strengthen their role in industrial development of the Mysore state.

We shall now examine the number of ancillary units functioning in the industrial estates so far established. Table II shows the total number of ancillary units functioning in various industrial estates.

Ancillary Content

Out of the 252 total units functioning in various industrial estates, only 86 are ancillary units, forming only 34 per cent of the total units. Thus the ancillary content is very low. In Bangalore-Rajajinagar estate, the ancillary content is 63 per cent, in Bangalore-Yeddiur estate 53 per cent and in Harihar 57 per cent. In the case of the remaining estates, the ancillary content is either negligible or completely absent.

The low ancillary content in industrial estates is primarily due to two factors:

(1) Absence of a large or medium unit in and around the estates. The main problem initially in the development of an industrial estate is to draw a big manufacturer. Unless this takes place, there is always a fear that the required facilities will not be available, no matter how convincingly the authorities make out a case. No attempt has been made to integrate industrial activity in these estates with development plans for the surrounding area, nor is there any liaison established with private sector units in the neighbouring areas with a view to establishing a market for ancillary products. This is particularly the case with Hubli, Harihar and Belgaum estates.

(2) Lack of certain basic essential facilities such as common facility centres, godowns, technical cells, testing laboratories and 'common lease shop' and 'structural workshop' facilities. In Mysore state, due to the extreme paucity of funds, only worksheds have been constructed leaving the provision of essential facilities to such times as

TABLE I

LOCATION OF INDUSTRIAL ESTATES IN MYSORE STATE

Location of industrial estate	Present condition	No. of sheds planned	No. of sheds allotted	No. of sheds occupied
Bangalore	Completed	105*	97	97
Belgaum	"	14	14	14
Hubli	"	23	23	23
Mysore	"	16	16	15
Mangalore	"	13	13	13
Harihar	"	15	14	13
Ramanagaram	"	16	15	14
Gulbarga	"	16	16	16
Mercara	"	8	5	5
Tumkur	"	6	5	4
Bijapur	"	6	6	6
Shiralakopa	"	6	5	4
Jamkhandi	"	6	5	5
Kolar Gold Fields	"	6	6	6
Bellary	"	6	6	6
Dandeli	"	6	3	3
Chickmagalur	"	6	5	..
Shimoga	Partly completed	6	4	4
Bidar	Nearing completion	6	..	..
Kadur	"	6	..	..
Sira	"	4	..	..
Yeddiur, Bangalore**	Completed	17	17	17

*Eight additional sheds are under completion. **Private Industrial Estate.

Source: Mysore Industrial Diary Special Issue Vol III, No. 2, MSIDC, Bangalore, April/June 1969, p. 220.

TABLE II

ANCILLARY UNITS IN INDUSTRIAL ESTATES IN MYSORE STATE

Name of the industrial estate	Total number of units functioning including ancillaries	Total number of ancillary units	% of ancillary total units
Bangalore-Rajajinagar	97	61	63
Bangalore-Yeddiur	17	9	53
Bijapur	13	2	15
Bellary	6	..	..
Chickmagalur	2	..	..
Dandeli	3	..	..
Gulbarga	14	..	..
Hubli	23	2	9
Jamkhandi	4	..	..
Kolar Gold Fields	6	..	..
Mangalore	10	1	10
Mercara	5	..	..
Mysore	15	2	13
Ramanagaram	11	1	9
Shiralakppa	5	..	..
Shimoga	4	..	..
Tumkur	3	..	..
Harihar	14	8	57
Total	252	86	34

Source: Field investigation.

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and when funds become available. The absence of these basic and essential facilities has reduced the effectiveness of these industrial estates.

The policy of attracting ancillary units into the industrial estates would be unsuccessful if the above two factors are not taken into account.

For the development of ancillary industries through industrial estates, the industrial estates programme should be co-ordinated with the general industrialisation programme of the state. The new tendency should be to combine, on the same tract of land, an industrial estate for small-scale industries and an industrial area for large industries, one of the advantages being the promotion of ancillary and complementary relations between them.

Industrial Areas

It is gratifying to note that the industrial areas are being developed in the state. Suitable tracts of land in areas having industrial potential are being acquired by the government and are being developed with roads, water and power supplies. For this purpose, the following 11 places have been declared as growth areas: Bangalore, Mangalore, Belgaum, Mysore-Belagola, Mysore-Nanjangud, Shimoga-Bhadra-vathi, Harihar-Davangere, Hubli-Dharwar, Gulbarga, Dandeli and Belary-Hospet.

As these industrial areas are planned in places where there are already industrial estates for small industries, it is hoped that the government policy of attracting more ancillary units into the industrial estates might eventually succeed. In any case, an industrial estate must develop as an integral part of a larger plan of development of the area or region in which it is located. To ensure this, a link-up of industrial activity in the estate with that in the private, public and co-operative sectors outside the estate must be organised, with a view to seeking an assured market for products manufactured in the estate. This should be done at the state level by the Joint Director of Industries and within the estates by the estate managers under the guidance of district industries officers.

An industrial estate cannot be deemed to be a really effective one unless certain common facilities are provided. The provision of common lease shop and structural shop facilities is indispensable for small ancillary units. If these facilities are not provided, a majority of ancillary units would remain outside the estate. These facilities are necessary imperatives even under normal circumstances for any industry to flourish. An Industrial Estates

Programme will have only a limited impact and usefulness if, on the one hand, it does not integrate all or most of these facilities and services and, on the other hand, it is not backed by an overall development programme for small ancillary units with a state-wide coverage. An Industrial Estate Programme is not a substitute for an overall development programme for small ancillary units but should be an integral part of it. Therefore, in future, high priority should be given to the provision of these facilities in completed industrial estates where these facilities do not exist at present. It is gratifying to note that the government is already making efforts to provide common lease shop, structural workshop and laboratory testing facilities in the Bangalore-Rajajinagar Industrial Estate for the benefit of ancillary units functioning in the estate. Such measures must also be extended to other industrial estates.

It is also desirable to set up in every estate, a co-ordinating committee for the purpose of associating representatives of municipalities, banks, postoffice, electricity boards and technical and research institutes, so that difficulties encountered by the small units are ironed out; the managers of the industrial estates should act as the secretaries of these committees.

The programme of setting up of industrial estates is a part of national planning and it aims at providing the best possible locational and technological pattern to the industries in the state in accordance with the objectives

of the Plan. The state government should, therefore, take a lead in setting up ancillary industrial estates. As satellite units, these ancillary estates could answer the needs of the larger unit at its doors so that the overhead cost on transport, supervising, raw-material transport and re-transport are not unnecessarily added to production cost of ancillary units. In order that the ancillary industrial estates are rendered suitable for the requirements of large units, it is felt that large units should be enabled to set up ancillary estates around them, instead of the government establishing such estates directly.

In order to enable the large units to set up such ancillary estates, the government should either directly or through the Life Insurance Corporation bear 60 per cent of the cost of establishing such estates. If a group of existing ancillary units functioning in mofussil areas come forward to establish ancillary estates on co-operative basis around a particular large unit with whom they have sub-contracting relationships the government should go all out to encourage them. The scheme for establishing ancillary estates on co-operative basis is quite interesting; 20 per cent of the capital for the scheme will be invested by the entrepreneur; 20 per cent is government participation and 60 per cent comes from financial institutions. This proposition is attractive because the entrepreneur will get his unit for 20 per cent participation (the balance being payable in instalments).

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WINDOW ON THE WORLD

A Matter of Economics

KENNETH B. KEATING

It is rare when economists agree on anything more substantial than the time of day. So it is with absolutely no trepidation that I plunge into the discussion over President Nixon's recent economic and monetary measures.

Basically, I am guided by George Bernard Shaw's comment that if all the economists in the world were laid end to end, they would not reach as far as a conclusion.

Yet, there are some conclusions that can be drawn from the President's programme, particularly as they may affect India. Concern here seems to rest on the President's decision to impose a temporary 10 per cent surcharge on some imported goods, and what this will mean to India's exports to the US.

Careful Selection

The fact is that the surcharge was carefully fashioned so that the bulk of exports from India and other developing nations will be exempt. Looking down the list of present Indian exports to the US, only about 20 per cent are subject to surcharge. Some 80 per cent fall into the exempt category, among them cotton textiles, sugar, tea, cashews, shrimp and most jute products. These products will continue to flow into the United States free of any duty.

Products which are subject to the surcharge are mainly manufactured goods. These are entering the US chiefly from the developed countries, for whom the 80-20 ratio cited in the case of India is — in general — virtually reversed. Most of their goods will be subject to the surcharge.

I realize that India is seeking to increase its export of manufactured products — machine tools, engineering goods and the like — to the United States. But the impact, certainly in the case of India and other developing nations, will be far less than that of the industrialized nations. Some American importers believe that the effect will be minimal. I tend to agree with them.

A main point is that the President's action by no means closes the door to India's manufactured products. The American market remains open to the full range of Indian products. Some of them, temporarily, may cost, at the most, 10 per cent more than their pre-

the past. Even with the surcharge, the US market remains among the most accessible of the industrialized nations. For almost four decades now, we have led in international efforts to reduce barriers to world trade.

Looking ahead, there is every reason to believe that the developing nations, and India in particular, stand to benefit significantly from other aspects of the President's programme.

The President's measures have set into motion a long-overdue realignment of the world's major currencies. The outcome will be a more realistic relationship between the dollar and other currencies.

Strong currencies such as those of Japan and West Germany, for example, are rising in relation to the dollar. This will mean that the products of these nations will become more expensive in US markets.

By contrast, the products of India are unaffected. This development holds obvious potential for India. The competitive opportunity will be there. How well India capitalizes upon it

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President Nixon has made it abundantly clear that the United States

desires an expansion of world trade. If the nations of the world seize the opportunity, we can enter into a healthy era of expanding and equitable trading relationships.

Cost of Bank Finance in Seven Countries

JOSSLEYN HENNESSY

LONDON:

GREAT BRITAIN

THE LONDON clearing banks in England and Wales, and their counterparts in Scotland and Northern Ireland undertake most of the day-to-day commercial banking business in the United Kingdom. They are to some extent in competition with over 150 other banks — accepting houses, foreign, overseas and other banks — but most of these operate comparatively specialised types of business, usually through a single office in London, although a few may have one or two branches. Thus despite the rapid expansion in the assets and liabilities of these other banks over the past decade or so, it remains true that almost all customers, business as well as personal, look first to the clearing banks for basic banking services, including credit.

Among the factors which help to determine the rating structure of the clearing banks are a number of long standing agreements. For many years past they have paid a uniform rate of interest of two per cent below Bank Rate on deposits left with them at a minimum of seven days' notice. On lending rates a number of arrangements are in operation, mostly relating to shared facilities negotiated with various parts of the public sector, and the main agreement of significance to the industrial and commercial borrower is that establishing a minimum rate to be charged. However, it seems probable that this agreement, and that on deposit interest, will shortly cease to operate, in view of the new arrangements proposed by the Bank of England in the document "Competition and Credit Control."

In one important respect, therefore, the way in which bank lending rates are determined in Britain is about to be changed. Looking further ahead, and assuming the United Kingdom joins the European Economic Community, then moves towards greater integration of capital markets, and the ambitious plans for monetary union, will also affect the development and operations of commercial banking. Our purpose here, however, is not to

look into the future but broadly to survey the ways in which bank lending rates are at present determined in the more important countries, and to indicate their current levels.

In Britain, clearing bank lending to the private sector is mainly conducted by way of overdraft, with the interest rate expressed as a margin above the Bank of England's rate. Thus the interest rate on an advance changes automatically when Bank Rate is changed. The agreement among the clearing banks specifies a minimum rate for lending to first-class industrial and commercial borrowers, each bank being free to decide which of its customers fall into this category. This "Blue chip" rate was increased from one-half to one per cent above Bank Rate in October, 1969. Rates charged to other types of borrowers are higher, and in recent years the spread of rates has tended to increase. Typically perhaps two per cent above Bank Rate, and even higher margins, would be not uncommon for some categories. In addition, increasingly a commitment fee or other form of commission charge may be levied on the total agreed limit of the overdraft, whether it is used or not. There is increasing use of such fees, but in general the cost to the borrower is in fact the agreed rate of interest. In many countries, as we shall see, the borrower must expect to incur charges over and above the quoted rate of interest.

FRANCE

Until five years ago, French commercial banks were separated by statute into two major groups, the deposit banks and the investment banks or *banques d'affaires*. The deposit banks were restricted in their lending business, being permitted only within narrow limits to invest in the equity of companies, while the investment banks were restricted as to their liabilities, not being allowed to accept demand deposits from the public. These restrictions have now been largely removed, but, although in practice the distinctions persist, to a considerable extent the investment banks are competing for deposits. What follows mainly describes the deposit

banks, although the lending practices of the investment banks in the short-term field are similar.

The three largest deposit banks are state owned and each has deposits three to four times as large as those of the biggest of the private commercial banks whether deposit or investment banks. They experience substantial competition from other public sector undertakings — savings banks, the postal cheque system and the *Credit Agricole* — which jointly account for about one-half of all deposits in banking. The proportion of funds attracting interest has risen in recent years, and this is reflected in lending rates.

Methods of Lending

The main methods of lending are the overdraft and the discounting of customers' bills or promissory notes. The National Credit Council, a statutory body, laid down until March, 1966, minimum interest rates for the various forms of bank credit. At one time the minimum rate of interest was prescribed in terms of a margin above the central bank discount rate, and later was based on a system which attempted to reduce the frequency of changes in accordance with alterations in the discount rate. Since 1966, however, the banks have been free to determine their rates on overdrafts, and also those on discounts. With the development of an interbank money market the banks have increasingly met their marginal needs from this source rather than from rediscounting facilities with the central bank; accordingly, increasing importance is being attached to the interbank rate as a factor in determining the rate to be charged on short-term credits. Nevertheless, the Banque de France, through short-term facilities, or "pensions", remains the lender of last resort, and is thus in a position to influence money market rates.

Overdrafts are generally granted only to highly credit-worthy customers for short periods. They are of two main types: the *facilite de caisse* (cash facility) to meet a temporary lack of cash which is expected to last for a period of weeks or up to three months; and the *decouvert* (time) loan, which can be granted for a period of up to a year, but is usually permitted only in anticipation of the receipt of funds from a particular transaction.

Overdraft facilities may be extended beyond a year, but most of the facilities going beyond that term — and often up to seven years — granted for equipment or export financing, are extended not in the form of overdrafts,

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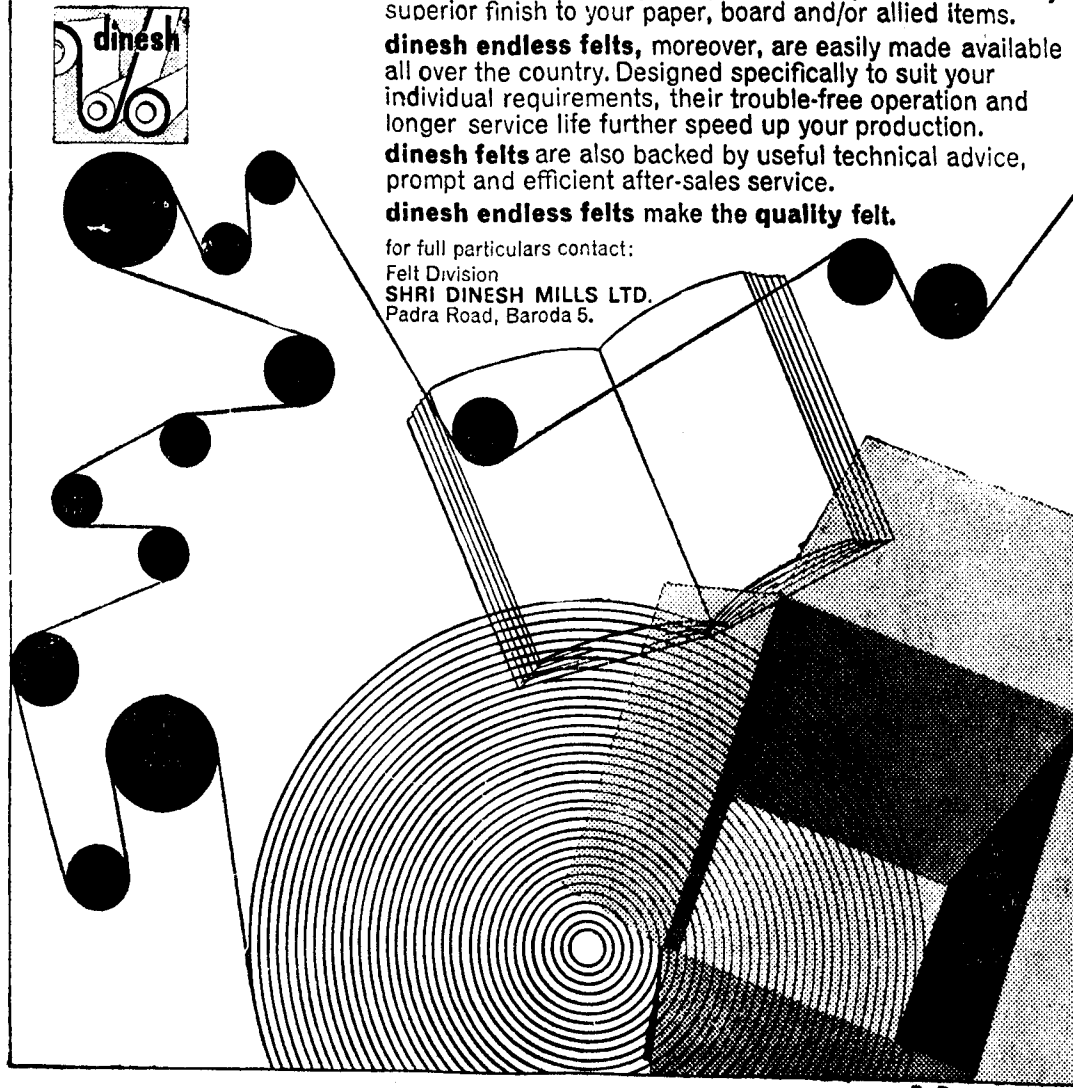
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but by way of bills rediscountable at the Banque de France under a system known as *credit a moyen term mobilisable* (medium term mobilisable credit). The banks discount these bills at a rate generally about $\frac{1}{2}$ per cent below the normal overdraft rate. It may, however, happen that some short-term credits are mobilisable, and that some medium-term credits are not.

In June, 1971, with discount rate at $6\frac{1}{2}$ per cent, the overdraft was $8\frac{1}{2}$ per cent p.a. This, however, applied only to first class borrowers; for others rates were somewhat higher, depending upon the category of borrower and the risk involved. Interest is charged only on the amount of the outstanding debit balance, but over and above this a commission is charged on the maximum amount of the overdraft during the preceding month, at a rate of between one-tenth and one-twentieth per cent per month. Generally no formal lending agreement is made, and the bank is not committed to maintaining the facility for a stated period; if the borrower requires written confirmation of the facility an additional commitment fee of one per cent per annum is levied on the full line of credit, whether utilised or not.

Another and often complementary method used for raising short-term funds for general working capital purposes is the discount of promissory notes with a maturity not exceeding ninety days. Depending upon the standing of the parties to the transaction, these notes may be eligible for rediscount by central bank up to a stated limit, in which case a lower rate of discount is charged. In June this year, rediscountable promissory notes were being discounted by banks at a minimum charge of 8.1 per cent per annum and non-eligible notes at 9.3 per cent.

The other widely used method of short-term bank finance is the discounting of trade bills arising from commercial transactions. As with promissory notes, these may be eligible for rediscounting up to a stated limit at the Banque de France. In June the discount rate for commercial bills was $7\frac{1}{2}$ per cent. In addition, a commission of one franc per instrument is made.

WEST GERMANY

West German commercial banking is based on three large banks operating nation-wide branch systems, and on over 100 other banks, mainly local or regional, which are often strong in their own areas. In addition, the savings banks are increasingly offering commercial banking services, so that the West German system is highly competitive. In recent years the three large commercial banks have actively sought

the savings of the small personal customer and savings deposits now represent about one-third of total deposits from non-banking sources. Based on these deposits, the banks have to an increasing extent been providing medium and longer-term finance to industry — fields in which they were already more heavily engaged than the commercial banks in many other countries. Lending in these categories to non-bank domestic enterprises and individuals now accounts for 45 per cent of total non-bank lending by the "big three", compared with 30 per cent seven years ago.

Since 1967 lending and borrowing rates have been free from official controls; nor are they regulated by inter-bank agreements. In this competitive situation and with money tight and interest rates generally high, the margin between borrowing and lending rates has been squeezed. Although free from direct control, interest rates are considerably influenced by the Bundesbank through traditional action on the liquidity position of the banks and the cost of central bank funds. Liquidity controls operate mainly through reserve ratios, changes in which may force the banks to borrow from the Bundesbank either by rediscounting or by obtaining advances against securities at the Lombard rate, usually set at one per cent above the central bank discount rate.

Provision of Overdraft

Short-term lending to industrial and commercial customers is commonly provided by overdrafts, if necessary on a secured basis. The rate charged is typically $4\frac{1}{2}$ per cent over the central bank discount rate; part of the charge — up to 3 per cent — will represent a commitment fee on the whole of the facility and is payable whether the credit is utilised or not. With central bank discount at five per cent, the rate of interest charged by banks on overdrafts currently averages nearly 10 per cent per annum, ranging between 9 to 11 per cent. An additional commission is sometimes levied at $\frac{1}{8}$ per cent on the turnover of the account.

The other major form of short-term commercial credit facility is bill discounting. Each bank has a privately established limit with the central bank up to which it may rediscount eligible bills, these being trade bills of good standing for ninety days or less. Finance paper may be rediscounted in exceptional circumstances. The discount rate charged by banks ranges from about $\frac{1}{2}$ per cent per annum above the Bundesbank's discount rate for fine trade bills, the average margin being about $2\frac{1}{2}$ per cent. Thus at present, with the rediscount rate at five per cent,

the rates charged by the banks range from $5\frac{1}{2}$ to eight per cent, the average rate being $7\frac{1}{2}$ per cent. For finance bills not eligible for rediscounting the rate quoted is currently about $8\frac{1}{2}$ per cent. In addition a stamp duty equivalent to 0.6 per cent per annum is payable on all bills.

To a much smaller extent the banks discount acceptances, usually covering export-import transactions. These are commonly for sums in excess of DM 100,000 (around £12,000) and suitable paper is eligible for rediscount at the central bank. The rates charged by the banks average about two percentage points above the central bank rediscount rate; at present this amounts to a rate of seven per cent per annum. Stamp duty equivalent to 0.6 per cent per annum is again payable on the paper.

ITALY

All major commercial banks in Italy providing short-term credit are either owned by a state holding company or are public corporations. By law medium-term credit is provided by separate institutions. The banks may not in the first instance make advances for periods of more than twelve months; if required for a further period they must be renegotiated with the specific approval of the central bank, the Banca d'Italia.

The basic method of providing bank credit are by overdrafts and by the discounting of trade bills and of promissory notes. Current account overdrafts are the more important form of bank lending, especially for large enterprises. Overdraft rates are higher than discount rates, but there is little difference in effective costs, since discounts attract fiscal charges, and overdraft rates are levied only on the outstanding debit balance. Because fewer alternative sources of finance are available to them, medium-sized and small firms tend to rely more heavily on the banks than do the larger enterprises. Most smaller transactions are, however, financed by the discount of bills and of promissory notes usually drawn up to 120 days. Technically, discounted bills and notes may be rediscounted at the central bank, provided the names on them are good, although in practice this facility is little used, especially when the banks have ample liquidity.

Interest rates are not prescribed by the central bank, even though the banks are in public ownership, but an inter-bank agreement, formally declared by the authorities to be in the public interest, lays down minimum overdraft and discount rates, maximum deposit rates, and commission charges for a wide variety of bank services. The minimum lending rates are generally related

to the official discount rate, and vary, among other things, according to whether the credit is secured or unsecured, the kind of collateral, the maturity, and the particular form of the credit. For unsecured lending, that on discounts is generally 1½ to three per cent higher than the official discount rate, and that on overdrafts about 3½ per cent. In addition, a commission charge of 1/8 to one per cent per quarter is levied on the highest level of the overdraft.

Although the more efficient banks may press for reduction of the agreed minimum rates, competition is expressed in the actual rates charged. A large enterprise with a top credit rating is likely to command the minimum rate, but for most borrowers a higher rate is charged according to the extra risks and costs involved.

The liquidity of the banks, and the ease with which they are able to attract deposits, influence the lending rates charged at any time, and although minima are fixed by agreement, the arrangements actually made are flexible and competitive. In August, 1969, the cartel agreement was temporarily suspended because of a scarcity of domestic funds, deposit rates rose sharply, and in 1970 the prime rate for overdrafts rose to over 10 per cent. Since the autumn of 1970, domestic funds have been more readily available, and central bank action has increased bank liquidity. A new interbank agreement, encouraged by the Banca d'Italia, was negotiated last September and has gradually been brought into effect. Lending rates have been declining, a trend re-inforced by a resumption of short-term foreign currency borrowing by Italian corporations to finance their domestic working capital requirements. Following the reduction in the official discount rate from 5½ to five per cent in April this year, interest rates payable by prime borrowers now stand at 8½ to nine per cent plus commission on overdrafts and about 6½ per cent on discounts. The rates paid by most borrowers, however, are somewhat higher.

NETHERLANDS

Following a number of mergers in 1964, two large banks now dominate the Netherlands banking system, but many medium and smaller-sized banks also operate. In the past the commercial banks have predominantly provided finance for industry and commerce; the needs of the rural community have been met by two agricultural co-operative organisations, which plan to merge later this year. The previous dividing line between the various institutions, however, has become increasingly blurred, and each group now seeks to extend its range of services. For the com-

mercial banks, short-term lending predominates, though in recent years they have been expanding their medium-term financing, which now accounts for about one-quarter of their total private sector lending as compared with under three per cent 10 years ago. This development has in effect been encouraged by the authorities who have piled ceilings on the growth of short-term lending but have freely permitted the expansion of medium-term loans and capital market investments provided that they were matched by deposits taken at relatively long term.

Varying Cost of Credit

Deposit and lending rates are not regulated by the authorities, nor, apart from an arrangement concerning interest paid on private current accounts, is there any agreement among the banks themselves on rates. In practice, by convention, lending rates are generally expressed in relation to the central bank discount rate for promissory notes, which at present is one per cent above the official discount rate for Treasury paper and approved bills of exchange. Banks determine the rate for each advance on its merits and also differentiate between clients in respect of additional charges, such as commissions. Consequently, the extent to which the cost of credit may vary as between different transactions is considerable.

As distinct from the practice in some other European countries, the discounting of bills plays little part in the lending of commercial banks. Short-term bank advances are predominantly made by overdraft, generally but not always secured. The lowest rate charged is 1½ per cent per annum above the central bank promissory note rediscount rate; for most advances the margin is 1½ per cent but it may range up to two per cent. Most borrowing in addition is subject to a commission charge usually between ½ and 1½ per cent per annum but which may go as high as 1½ per cent. Moreover, the commission is levied on the highest amount of the overdraft during the year, and an even higher rate may be levied if borrowed exceeds the agreed facility. At present with Bank Rate at 5½ per cent and the promissory note rediscount rate at 6½ per cent, the minimum overdraft rate is 7½ per cent, and the most common rate eight per cent, plus commission.

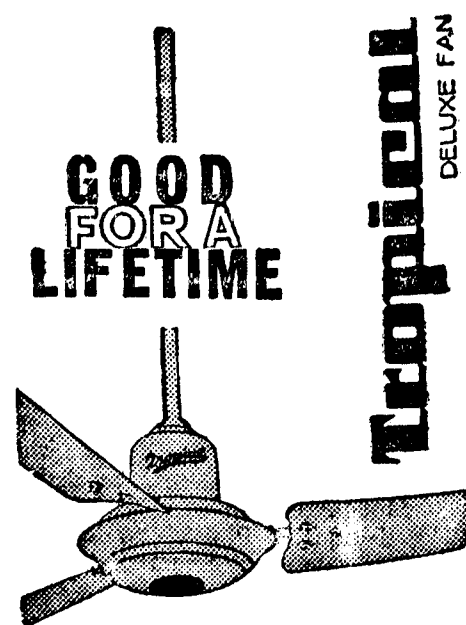
Short-term advances are commonly for working capital, but they may also be made for portfolio investment purposes against a collateral of securities. The minimum rate charged on advances of this nature is set by the Stock Exchange Association, a private organisation which regulates stock exchange and related activities and whose members include the banks as well as stock-

brokers. At present the rate is 1.8 per cent above the "contango" or carry-over rate of seven per cent, or 8.8 per cent per annum.

Rates on medium-term bank loans are differently determined, being generally slightly above the market rate payable on mortgage debenture loans, which are granted mainly by mortgage banks, savings banks and institutional investors such as insurance companies and pension funds. The rate of interest fixed for the duration of the loan—repayment being made by fixed instalments—and in addition a commitment fee may be charged. The average rate on loans for periods of between one and five years is currently about 8½ per cent per annum excluding commission.

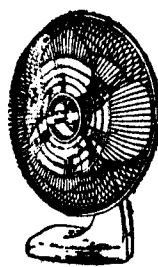
Next week's article will cover the banking situation in the United States of America and Japan and will discuss the resemblances and differences between the different banking systems in the UK, France, West Germany, Italy, the Netherlands, the USA and Japan.

Sources and acknowledgements: The foregoing summarises an exclusive report in the August issue of the Midland Bank Review (Poultry, London E.C. 2), but the bank is responsible neither for the emphasis of my summary nor for my comments, based on a variety of sources.



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The moving finger writes

EVEN AT the height of the panic in this country over the influx of refugees from East Bengal, I had firmly adhered to the view that our country, including its newest citizens, would soon settle down to the situation. It is amazing how few people realise that poverty, unlike affluence, has an infinite capacity to absorb or accommodate misery. The dictum that it is only the poor that helps the poor is true in more senses than one. The Prime Minister and her lesser colleagues in the cabinet may go on repeating for purposes of their political propaganda that the refugees must or would return to where they fled from, but it is becoming more and more clear that the greater part of the eight million or so who have crossed into our country is here for keeps, adding perhaps a new dimension to the inherent unreality of Mrs Gandhi's sloganising about *gharibi hatao*.

One aspect of the reactions of other countries to the Bangla Desh problem and the refugee situation, which deserves to be noticed in this country more than it has been, is the warm response on the part of a number of nations which may not be among the most weighty or conspicuous members of the international community. The German Democratic Republic has been very helpful in both word and deed by underlining the political implications of the Bangla Desh movement as well as contributing material resources for the benefit of East Bengal refugees in our country. The Federal Republic of Germany, under the enlightened leadership of its Chancellor, Mr Willy Brandt, has also adopted a constructive posture. The Scandinavians have been forthcoming not only in their sentiments but also by way of such practical contributions as they could make to refugee relief. There is also the instance of Canada where both government and public opinion have struck constructive postures.

The country I think a lot of in this context, however, happens to be New Zealand. Not many people are perhaps aware of the fact that New Zealand's Prime Minister has been among the few leaders of governments who have not hesitated to express the view that the "increasing tension on the border of East Pakistan confirms that the situation in that area does have serious implication for international peace and security and is therefore a fit subject

for the Security Council". Sir Keith Holyoake had thus not hesitated to reject by implication the contention that this matter was the internal affair of the government of Pakistan. Sir Keith had also urged on Yahya Khan to look to the elected representatives of the people of East Pakistan for working out a political settlement. It is pertinent to add to this mention of the relief supplies which New Zealand has been donating to the Indian Red Cross Society or OXFAM for distribution among the refugees from East Bengal.

The way the automobile manufacturers in this country are being hounded out of their business there should certainly be no competition from the private sector by the time Mr Sanjay Gandhi is able to place his product on the market. The Standard Motors factory in Madras continues to be in a state of suspended animation. Premier Automobiles in Bombay is grinding towards a financial breakdown. Hindustan Motors at Uttarpara near Calcutta is being persecuted in various ways with a vindictiveness which is only too obvious. If this continues to be the government's attitude towards existing automobile manufacturers, there will be no need to ask of or obtain from the government a formal statement of its intention to kill off these three automobile firms and their plants.

Economists are prophets with a difference in that they are not only not honoured in their own countries but are seldom honoured in others either. In this sense, at any rate, Prof. John Kenneth Galbraith qualifies as an economist. When a man sets out to be a professional assassin of 'conventional wisdom', he himself runs the risk of being taken as one who finds it easier to be witty rather than to be wise. In economics, no less than in other intellectual activities which may or may not have practical applications, iconoclasts no doubt have their uses, but the trouble with Prof. Galbraith is that he is apt to set up more idols than he demolishes and among those idols that he puts up, the most ubiquitous is that of Mr Galbraith himself. In a note on his current visit to this country, *The Hindustan Times*, tempted apparently by 'Timese' (i.e., a fashion set by *Time* magazine) has parenthetically referred to his height of six feet six inches. Mr Galbraith seems to have convinced

himself that all those extra six inches must be additional grey matter.

Mr Galbraith may be less of a problem while being even more of a personality if he does not constantly insist on the world taking him more seriously than he himself does. In President Nixon's recent packet of economic decisions he seeks to discover the final discomfiture of Mr Milton Friedman and the more or less final vindication of himself. There might hence be some temptation for him to do this, but his enthusiasm seems exaggerated. In recording its immediate reactions to the Nixon proposals, this journal wrote as follows in its issue of August 29 (page 324):

"It is no doubt too soon to conclude that the Nixon administration has been converted to faith in an incomes policy. But it does seem to be the case that, so far as the contending schools of economic doctrine in the US are concerned, the monetarists have suffered a setback, although it is clearly too early to conclude that the neo-Keynesians have come into their own. Quite possibly all that has happened is that adversity has made strange bed-fellows, with Mr Richard Nixon playing economic interventionist so as to gladden the heart of Mr John Kenneth Galbraith."

Even so, a more prudent publicist than Prof. Galbraith might not have allowed himself to be carried away by a feeling of "I told you so" to such an extent as to declare (as he did to a special correspondent of *The Statesman*) that, although "at a press conference one week before President Nixon had denounced the 'policies I was advocating'", "the next Sunday he adopted them". Hardly had the echo of the good professor's words of self-congratulation died down when news came from Washington that President Nixon had stated that his 90-day wage-price-freeze was meant to be precisely that, namely, a 90-day exercise. The President added that some form of stabilising machinery would be necessary after the freeze ended, but he has not indicated that fiscal or monetary policies would not form important parts of that machinery along with administrative regulations, if any.

Trade Winds

AID FROM BRITAIN

BRITAIN is to lend £7.5 million (Rs 13.5 crores) to this country as debt relief aid under an agreement signed recently. The loan fulfils part of the pledge made by the British government at this year's Aid-India Consortium meeting in Paris. Members then undertook to extend to a fourth year the Consortium's three-year scheme under which money was made available to India for debt relief purposes. Under the terms of the agreement, the loan is not tied to the purchase of goods and services from Britain and is therefore a valuable supplement to India's foreign exchange resources. The new aid loan—like all British loans to India since 1965—is interest free and repayable over 25 years, with no repayments during the first seven years.

CHEMICAL TEAM TO JAPAN

An eight-member FICCI study team for chemicals left on September 6, 1971 for Japan under the leadership of Mr J.H. Doshi, President, Amar Dye-Chem Ltd, Bombay. During its stay, the team would identify items for which there is good scope for exports to Japan and to third countries, in the context of the tariff concessions available under the Generalised System of Preferences for Exports from developing countries. After identification, the scope for their manufacture in India with, or without, Japanese assistance and also the scope for organisation of exports through Japanese agencies would be examined in detail. The Team would also study the standards and specifications to which Indian production should adhere to as well as the technological gaps that exist in the manufacture of chemicals. The programme is in pursuance of the decision taken at the fourth joint meeting of the Business Co-operation Committees of India and Japan held at Kyoto in September 1970, when it was decided that individual study teams would be sent on various subjects. The other members of the team include Mr K. Sen, Managing Director, Allied Resins & Chemicals Ltd., Calcutta; Mr R.V. Ramani, Managing Director, Mettur Chemicals and Industrial Corporation Ltd, Mettur; Mr D.C. Mittal, Additional General Manager, Shriram Chemical Industries, Kota; Mr G.C. Shroff, Chairman, Excel Industries Private Ltd, Bombay; Mr R.R. Patel, Marketing Director, Alembic Chemical

Works Ltd, Baroda; Dr Ram Gopal Agrawal, Deputy Secretary, Federation of Indian Chambers of Commerce and Industry, New Delhi; and Mr L.K. Vadhera (Member-Secretary), Deputy Marketing Manager, State Trading Corporation of India Ltd, New Delhi.

ANNUAL PLAN : 1972-73

Discussions on the annual Plan for 1972-73 between Planning Commission and central ministries are scheduled to start on November 1 and continue up to the first week of December, 1971. In the meantime, the ministries will formulate their proposals for the annual Plan. In a letter addressed to the union ministries the Commission has suggested that suitable adjustments may be made, wherever possible, in the existing programmes to increase their employment content. In the annual Plan for 1972-73, maximum attention will have to be given to the need for generating additional employment, especially in the rural areas and for educated people. It is pointed out that, while it is true that employment generation is in an overall manner related to the volume of development investment, it is at the same time essential to deliberately steer the programmes to fulfil the need of employment.

The Commission feels that maximum importance has to be given to special schemes introduced during the current year for generation of employment opportunities. It is also necessary to strike a proper balance between quick maturing projects and comparatively long gestation ones. While formulating programmes for the annual Plan, priority has to be accorded to; (i) firm commitments, (ii) spill-over expenditure from the previous year, (iii) completion of works already in an advanced stage of construction, (iv) expeditious construction of other works in hand and (v) full utilisation of capacities already created, including diversification wherever necessary. The Commission has also suggested the initiation of suitable advance action in the case of some appropriate programmes to be taken up during the fifth Plan period.

FINANCE FOR TEA

The Reserve Bank of India has constituted a 12 member working group under the Chairmanship of Mr B.K. Dutt, Custodian of the United Bank of India, to study in depth all aspects of

finance for the tea industry. The terms of reference of the Working Group are: (1) to review the existing institutional arrangements for financing the medium and long-term credit requirements of tea plantations, as well as the policy and procedures governing the same; (2) to inquire into the scope for and to determine the ways and means, terms and conditions and the purposes for which the various existing financial institutions could participate in term loan to tea plantations; (3) to indicate the institutional agency through which the joint lending to the industry is to be channelled, if such joint lending is considered desirable and feasible. The working group is expected to submit its report within three months. The other members of the group are: Mr S.K. Mehera, Chairman, Indian Tea Association, Mr K.K. Dutt, Director of Tea Development, Tea Board, Mr Manas Roy, Managing Director, West Bengal State Financial Corporation, Mr K.P. Barooah, Managing Director, Assam State Financial Corporation, Mr B. V. Abdulla Koya, MP, Chairman, Kerala State Financial Corporation, Mr M.K. Das, Managing Director, Assam Co-operative Apex Bank Ltd, Mr S.S. Basu, Chief Accountant, Agricultural Refinance Corporation, Mr E.H.J. Pennafather, Manager, National & Grindlays Bank Ltd, Calcutta, Mr Nadkarni, Superintendent, Advances Department, State Bank of India, Calcutta, Mr N.P. Nayak, Regional Manager, Canara Bank, Calcutta, and a representative to be nominated by the Consultative Committee of Plantation Associations to represent the tea gardens in the southern region.

SHIPPING TARIFFS

The union government has recently proposed that shipping tariffs on export cargoes should be payable in Indian currency. The proposal was made in a communication to the India-Pakistan/UK Continental Conference. The union government protested against the conference decision to impose currency adjustment levy on shipments from the UK and Continental ports and its intention to impose a similar levy on India's exports. The proposal of the union governments is expected to minimise occasions needing review of foreign rates on account of currency devaluation or revaluation. The protest has been reinforced by the All India Shippers' Council

BLANKET EXCHANGE PERMITS

The Reserve Bank of India had liberalised the issue of blanket exchange permits to exporters. It has now been clarified that the blanket permit facility will not be available in the

following cases: (1) where the exporter or his/associate or allied concern/s have an unsatisfactory record in regard to compliance with the Foreign Exchange Regulations; (2) where the affairs of the exporter or his associate or allied concerns are under investigation by police or other authorities in connection with any violations of Foreign Exchange Regulations and/or Import Export Control Regulations; and (3) where the Reserve Bank of India is for adequate reasons, of the opinion that the blanket permit facility, if allowed, is likely to be misused.

SWEDISH DISCOUNT RATE

The Swedish Central Bank has lowered recently the discount rate from six per cent to 5.50 per cent. It was the third time this year the Swedish national bank lowered the discount rate.

INDIAN TELEPHONE INDUSTRIES

Indian Telephone Industries Ltd, recorded a turnover of around Rs 26 crores showing an improvement of 21 per cent over the previous year. The company was able to recommend a dividend of 12½ per cent as against 10 per cent declared last year. Net profit at Rs 1.86 crores was also higher than last year's figure of Rs 1.50 crores. The directors have reported that the new transmission factory set up at Naini, near Allahabad will go into production in September this year. This factory will reach its ultimate capacity in 1973-74. A new unit for the manufacture of telephone instruments and allied items is also being set up at Naini, at a capital cost of Rs 7.37 crores. This unit will have an annual production of telephones and allied items of Rs 13.5 crores. The company has plans to set up another factory for manufacture of Telephone Switching equipment to meet the growing demands of telephone facilities. An ancillary unit at Srinagar, in Jammu and Kashmir, for the manufacture of textile braided cords and moulded type of alarm fuses was fully commissioned on May 22, 1971. This unit will also start the manufacture of telephone instrument parts in the phase II expansion programme. The company was able to export to the extent of Rs 50.25 lakhs bringing the total exports since 1962-63 to Rs 3.66 crores.

KORES COPYING MACHINE

Kores (India) Ltd, have introduced Korestat-171, first commercial xerographic copying machine in this country. The machine has been designed by Indian engineers. Kores have already applied for a patent for the machine. The Korestat-171 copying machine will be a boon to the banks, business orga-

nisations, offices, and all those who require quick, quality copies of letters, bills, memorandas, invoices, etc. The cost per copy will work out to only 10 P. The Korestat-171 works on the electrophotographic principle.

SCINDIA'S NEW SHIP

A ship has joined the fleet of The Scindia Steam Navigation Co. Ltd. The 'M.V. Jalamoti' was formally delivered to the company by the shipbuilders, M/s VEB Warnowwerft, Warnemunde, on August 31, 1971 at Warnemunde. The keel of this vessel was laid on May 12, 1971. This is the second of the second series of four vessels on order in GDR. The first ship was M.V. 'Jalamohan' which is already in the company's overseas trade. These vessels have several innovations incorporated in them.

AMERICAN EXPRESS

The board of directors of American Express Company declared recently the regular quarterly dividend of (net) 33 cents per common share payable on October 1, 1971. The American Express board also declared the regular payment of 57 1/2 per-cent per share on its \$2.30 preferred series and 37 1/2 cents per share on its \$1.50 preferred series both payable on October 1, 1971.

UNIT LINKED INSURANCE

The union Finance Minister, Mr Y. B. Chavan, has called on the Unit Trust of India to spread the sale of units in the rural areas, which have not been tapped so far. Inaugurating the "Unit-linked Insurance Plan" Mr Chavan stated that both deficit financing and taxation had definite limits beyond which they could not be used to mobilise resources for development plans. It was in this context that reliance had to be placed on optimum mobilisation of savings through voluntary efforts. Under the Unit-linked Insurance Plan, every individual between 18 and 45 would be eligible for participation in the plan. The minimum amount for investment plan would be Rs 3,000 and the maximum would be Rs 12,000 and the period of the plan would be 10 years. The Unit Trust would pay a small premium to the LIC for life insurance cover between 2.6 per cent to 8.95 per cent of the contribution depending on the participant's age. The bulk of the contribution would, therefore, be invested in units. After 7 years, no premium for insurance would be payable and the entire contribution would be invested in units. The dividend earned on units would be reinvested in more units. For joining the plan, there would be no need for medical

examination. The units for this scheme would be offered at Rs 10 each

CO-OPERATIVE FERTILIZER UNIT

Mr Fakhruddin Ali Ahmed, union Minister of Agriculture inaugurated recently the Conference of Registrars of Co-operative Societies and chairmen and chief executives of the Apex Marketing Federations. He welcomed the Indian Farmers Fertiliser Co-operative Ltd (IFFCO) project to propagate NPK complex fertilisers. The project was likely to be completed by early 1974. The project when completed would save, the minister observed, foreign exchange of about Rs 22 crores every year and help to produce about eight million tons of additional food for the country. IFFCO ammonia-urea plant will be at Kalol, 15 miles from Ahmedabad (Gujarat) and NPK plant at Kandla port (Gujarat). The Kalol plant when in full production will produce 910 tons of ammonia and 1200 tons of urea per day. IFFCO expects to market its products by early 1973. The seeding programme for concentrated development of the market and for popularising of IFFCO's products in selected areas will, however, start operating this month.

FARMERS' FAIR

A week-long All-India Farmers' Fair will be held at Pantnagar (Nainital) from October 1, 1971. Organised by the UP Agricultural University, the fair is going to be the biggest of its kind, wherein a large number of farmer delegates are expected to participate with the co-operation of about 100,000 village panchayats.

NAWS IN THE NEWS

Dr Bijoy Kumar Barman, former Commercial Manager in the office of the Chief Representative, the Burmah Oil Group of Companies, New Delhi has been appointed Deputy General Manager Castrol Limited, India Branch, with headquarters in Bombay. He is the first Indian to hold this post.

Mr B.N. Baruah, formerly Sales Manager, the Assam Oil Company, Digboi, has been appointed Commercial Manager, in the office of the Chief Representative, The Burmah Oil Group of Companies, New Delhi.

Two senior employees of the Assam Oil Company, a 100 per cent subsidiary of the Burmah Oil Group of Companies, have been seconded to the Anglo-Ecuadorian Oil fields Limited, in Ecuador, a Burmah Group undertaking. They are Messrs K. P. Gupta, Chief Geologist of the Assam Oil Company (before his secondment) and A.K. Metre, Geologist. While the former has just left, the latter has been in Ecuador since December 1970 and is expected to return to India about April 1972.

Company Affairs

LIFE INSURANCE CORPORATION

Mr T.A. Pai, Chairman, Life Insurance Corporation of India, stated on the occasion of the annual general meeting held recently that the corporation had set up a new record completing new business of Rs 1303.08 crores under 1.6 million policies against Rs 1036.08 crores under 1.4 million policies in 1969-70. He pointed out that nearly 66 per cent of the total number of policies issued in the country assuring Rs 725.95 crores were sold to persons insuring for the first time. The average sum assured per policy increased to Rs 8,066 in 1970-71 as against Rs 7,394 in 1969-70, he added. Another significant feature of the corporation's performance during the year was that as many as 507,000 policies assured for a sum of Rs 296.37 crores were issued in the rural areas. Mr Pai added that in view of vast potential that was still untapped in the rural areas, vigorous attempts were to be made to bring more and more people under insurance cover. In this context he pointed out that the LIC served the country through 664 offices and with the exception of a few such offices which concentrated their activities exclusively in the urban sectors, these offices served the urban as well as the rural areas over the entire country. In order to cover the entire rural population, Mr Pai suggested that a development fund out of the share of the valuation surplus that went to the government should be credited because such developmental activity could not be financed out of the premiums of the policyholders as there was a ceiling up to which this premium income could be utilised for the purpose.

Mr Pai revealed that the total income of the corporation during the year under review amounted to Rs 394.01 crores made up of Rs 292.15 crores of premium, Rs 104.41 crores of interest, dividends and rents and Rs 9.99 crores by way of miscellaneous income. Talking about the investments of the corporations, Mr Pai stated that enormous amount of money had been invested according to national needs. For instance an amount of Rs 309 crores had been invested for rural electrification, Rs 279 crores for housing development, Rs 50 crores for water supply and drainage schemes for towns and villages, Rs 92 crores for agricultural development through land mortgage banks and Rs 28 crores for

small-scale industries through industrial estates and assistance to the state financial corporations. He added that the corporation had also invested large amounts in the private corporate sector. Out of 1,529 public limited companies that have their shares and debentures quoted on the eight recognised stock exchanges in the country, the corporation had shares in 853 companies. Mr Pai added that out of the paid up capital of these companies of about Rs 700 crores, the corporation held nearly 13 per cent of the equity capital. In 275 companies the corporation holds with its investments of Rs 73.13 crores between 10 per cent and over 30 per cent of the paid-up capital of equities. In 578 companies its holdings were less than 10 per cent of the paid-up capital.

BIRLA COTTON

The directors of the Birla Cotton Spinning and Weaving Mills Ltd, have reported that the working results of the Textile Mills at Delhi were adversely affected as a result of unprecedented increase in the prices of cotton as also increase in other production costs without any increase whatsoever allowed by the government in the prices of controlled varieties of cloth and only marginal increase in the prices of non-controlled varieties of cloth. The net result has been that the company incurred a loss for the first time in more than thirty years. A loss of Rs 23.98 lakhs, after making sundry adjustments, was recorded for the year ended March 31, 1971. Due to this loss the directors have regretted their inability to recommend any dividend on ordinary shares for the year ended March 31, 1971, and of preference shares for the half-year ended March 31, 1971. The interim dividend on the preference shares for the half year ended September 30, 1970 has already been paid out of general reserve. The directors have pointed out that the prices of cotton during the year increased, ranging from 40 per cent to 70 per cent with consequential increase in the cost of production of cloth varying between 25 per cent to 40 per cent. In spite of this exorbitant increase in the cost of production, the union government did not allow any increase in the prices of controlled varieties of cloth. In order to improve the working, the directors have proposed to divert a part of the production of cloth to finer counts and other sophisticated

varieties. The directors have stated that the condition of the industry could improve only if the prices of cotton substantially decline or there was a proportionate increase in the prices of the finished products. The working results of Chenab Textile Mills have been better as compared to the earlier year. The directors expect that the working results will show substantial improvement during the year. The working results of the Ginning & Pressing Factories were adversely affected due to heavy fluctuations in the prices of kapas and cotton. The directors have reported that there was an appreciable increase in the exports of cloth by the textile mills at Delhi from Rs 28 lakhs to Rs 55 lakhs, which was a record.

LARSEN AND TOUBRO

Mr H. Holck Larsen, Chairman, Larsen and Toubro Limited, presented a colourful picture of the company's performance during the current year. Presiding over the company's annual general meeting recently, he stated that the company's sales in the first five months of the current year have been higher at Rs 8.52 crores as against Rs 7.22 crores in the same period last year. This represents an increase of 18 per cent. Production in the company's workshop has kept pace with the rise in sales. The directors are confident of maintaining the dividend for the current year, while continuing the present policy of ploughing back profits into the company's business. The company's applications for industrial licences to manufacture tyre curing presses, electronic components, self propelling harvester combines and agricultural tractors have been well received and it is expected that new companies will be formed during the current year to carry out these schemes.

J.K. SATOH

J.K. Satoh Agricultural Machines Ltd entered the capital market on September 14, 1971 with an issue of Rs 48.20 lakhs made up of 282,000 equity shares of Rs 10 each and 20,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each at par. The issue will close on September 24, 1971 or earlier on the discretion of the directors but not before September 17, 1971. The company has an authorised capital of Rs 2.50 crores and issued, subscribed and paid up capital of Rs 41.80 lakhs. Out of the present issue, 232,000 equity shares and entire preference shares have been underwritten. The company proposes to manufacture agriculture machines, particularly power tillers or hand tractors, tractors, rice hullers, pumps, lawn mowers,

sprayers, seed and fertilizer drills etc. The company entered into a technical collaboration agreement with Satoh Agricultural Machine Mfg. Co. Ltd, of Shimane, Japan. The power tiller for hand tractor proposed to be manufactured by the company has successfully undergone comprehensive tests and trials at the Tractor Training & Testing Station of the union government at Budni (MP). Separate agreements were entered into with Satoh and Sumitomo Shoji Kaisha Ltd, Osaka, Japan, for joint venture for equity participation and import of capital goods from Japan. The company has obtained an industrial licence for the manufacture of 6000 nos. per annum of power tillers or hand tractors. Power tiller or hand tractor is a small multi-purpose riding-cum-walking type of two wheeled tractor and used extensively in farming. The construction work has already started and output is expected to begin by the middle of 1972.

CENTRAL BANK LTD.

The directors of the Central Bank of India Ltd have proposed a final dividend of 60 paise a share which will absorb Rs 11.50 lakhs. Together with the interim dividend of Rs two per share, absorbing Rs 38.33 lakhs already paid, the total dividend for 1970 is Rs 2.60 per share. The final dividend is payable to shareholders on the company's register on September 24, 1971. With the profit of Rs 19.59 lakhs for 1969 and the surplus for the period January 1 to September 30, 1970 of Rs 30.58 lakhs, the total amount available from which dividend can be paid as per scheme of amalgamation with TELCO comes to Rs 50.17 lakhs.

HINDUSTAN BROWN BOVERI

The turnover of Hindustan Brown Boveri Ltd, increased from Rs 10.18 crores in 1969-70 to Rs 11.96 crores in 1970-71. Working results before providing depreciation and development rebate were Rs 50.84 lakhs against Rs 38.74 lakhs in the previous year. After providing depreciation of Rs 29.88 lakhs and development rebate reserve of Rs 220,000 net profit for the year was 18.75 lakhs on which tax provision of Rs 125,000 has been made after taking into account unabsorbed tax reliefs brought forward from the previous year. To the net profit for the year of Rs 17.50 lakhs has been added Rs 65,081 being the amount brought forward from last year making a total of Rs 18.15 lakhs from which Rs 300,000 has been transferred to reserve for doubtful debts and the entire balance of Rs 15.50 lakhs has been transferred to general reserve. In addition a sum of

Rs 5.69 lakhs being the excess provision for taxation made in earlier years which is no longer required has been transferred directly to general reserve. The directors have recommended payment of preference dividend at the rate of 8.57 per cent subject to deduction of tax on the cumulative preference shares absorbing Rs 342,800 which will be paid out of general reserve. In the previous year the preference dividend was paid out of the year's profits before effecting transfers to the general reserve. No dividend is recommended on equity shares as the directors want to consolidate the company's position and to place it on a better footing before distributing profits to the equity shareholders. With these appropriations the total reserve at the end of the year was Rs 85.20 lakhs.

FRICK INDIA

The directors of Frick India Limited have recommended 10 per cent dividend for the year 1970 on the increased capital of Rs 60 lakhs. Last year the company paid a dividend of 12 per cent on 15-month performance on a capital of Rs 37.7 lakhs. The company increased its sales by 50 per cent over a corresponding period of the last year. Profit before tax amounts to Rs 15.25 lakhs and after providing Rs 7.25 lakhs for income tax, the balance of Rs 8.00 lakhs has been transferred to general reserve. Dividend when approved by the shareholders shall be paid out of general reserves. The company went into production of the centrifugal packaged chillers recently. There is a great demand for such large size air conditioning machines in the chemical and fertilizer industry. A new boom in the building of skyscrapers in big cities holds great promise for the demand of such machines in air-conditioning these buildings. Orders booked by the company in the first quarter exceed Rs one crore and the order book shows Rs 20 lakhs worth of export orders yet to be shipped.

PHILIPS

The directors of Philips India Limited will meet on October 12, 1971 to consider the declaration of an interim dividend not exceeding 10 per cent subject to deduction of tax for the calendar year 1971. The board has decided that the register of members of the company will remain closed from October 21, 1971 to November 3, 1971, both days inclusive.

HINDUSTAN SANITARY WARE

Hindustan Sanitary Ware and Industries Ltd, has shown markedly improved results with sales rising to Rs

151.42 lakhs during the year ended March 31, 1971 against Rs 129.37 lakhs in the previous year. After meeting all charges and providing Rs 11.04 lakhs for depreciation, Rs 3.43 lakhs as interest, Rs 1.15 lakhs for the development rebate reserve and Rs 12.40 lakhs for taxation, the directors have transferred Rs 15.00 lakhs to the general reserve during the year. A sum of Rs 6.77 lakhs has been transferred from the general reserve. The dividend on equity shares at eight per cent and that on preference shares at the stipulated rates of 8.975 per cent for the half year ended September 30, 1970, absorbing Rs 5.91 lakhs and Rs 89,076 respectively, will be paid out of the general reserve. During the year the company issued 39,351 bonus shares by capitalisation of the revenue reserve. The Industrial Finance Corporation of India has permitted redeeming the preference shares on September 30, 1970.

TRAVANCORE RAYONS

Travancore Rayons Ltd. has proposed to celebrate its Silver Jubilee shortly. The company was established in 1946 and was the first rayon and cellulose film plant in the country which went into production in 1950. Having completed 25 years of useful existence, the company can look back with legitimate pride on what it has been able to do during this span of time. Starting with a gross block of about Rs two crores, the gross block to day stands at over Rs 10 crores. The entire investment of over Rs 10 crores has been made at Rayonpuram, Kerala. The production capacity over the years has risen from 450 tonnes of cellulose film per annum to about 5,000 tonnes per annum and that of rayon yarn from 1,800 tonnes per annum to 3,250 tonnes per annum. Apart from ploughing back sizable sums, the company has also built up reserves of Rs 157 lakhs, against the share capital of Rs 175 lakhs. The company has a proud record of many firsts to its credit.

To commemorate the Silver Jubilee year, the company is building an open air theatre-cum-stadium at Subash Maidan, Perumbavoor, at a cost of about Rs 1.50 lakhs. The company has applied to the union government for industrial licences for expanding its rayon capacity by 1800 tonnes per annum and its cellulose film capacity by 3600 tonnes per annum. The company is also doing its best to contribute to the export earnings of the country. It is currently exporting its cellulose film—Trayons trayophane—to countries in Africa, middle east, south east, and New Zealand.

CHAIRMAN'S STATEMENT



Life Insurance Corporation of India



Shri T. A. Pai

Extracts from Statement by

Shri T.A. PAI, Chairman,

at the One Hundred and Eighty-Second meeting of the Members of the Life Insurance Corporation of India held in Bombay on August 31, 1971.

I have great pleasure to place before you the Statement of Accounts and the Annual Report of the Life Insurance Corporation of India for the period April 1, 1970 to March 31, 1971.

The country had an encouraging period, both in the realm of Industrial growth as well as in agricultural output, self-sufficiency in food being well in sight. There have been healthier trends in the national economy which are reflected in the national as well as per capita income. While the results of the mid-term poll of Parliament in March 1971 have laid the foundations of healthier democratic traditions in our political life, the buoyant economic conditions have led to a spirit of new awakening and greater expectations to improve the lot of the common man. However, the unfortunate events in Bangla Desh leading to influx of refugees in a gigantic proportion and a mass movement of people into our country on a scale unknown in history have thrown an unexpected burden on the country calling for considerable and unstinted sacrifice on the part of the people ever at the expense of desirable and expected economic growth.

New Business

In 1970-71 the LIC has set up a new record completing a new business of Rs 1303.08 crores under 16.16 lac policies against Rs. 1036.08 crores under 14.01 lac policies in 1969-70. The sum assured increased by 25.8%

compared to the previous year. This is the highest percentage increase that the Corporation achieved since inception. The number of policies issued each year had been stagnating around 14 lacs between the years 1964-65 and 1969-70. In 1970-71 the Corporation has achieved a major break-through in this respect also.

Out of the new business, nearly 66% of the total number of policies issued in India, viz. 10.62 lac policies assuring Rs. 725.95 crores out of Rs. 1303.08 crores were sold to persons insuring for the first time.

Size of Policy

The average sum assured per policy increased to Rs. 8,066 in 1970-71 as against Rs 7,394 in 1969-70. While 11.11 lac new policies issued in the year were for sums assured between Rs. 1,000 and Rs. 5,000, the corresponding figure for 1969-70 was 9.81 lac policies.

Rural Business

During the year, as many as 5.07 lac policies for sum assured Rs. 296.37 crores were issued in the rural areas as against the corresponding figures for the previous year of 4.62 lac policies assuring a sum of Rs. 251.76 crores. In view of the vast potential that is still untapped in the rural areas, it is evident that vigorous attempts still need to be made to bring more and

more people under insurance cover. In this context it has to be remembered that the LIC serves the country through 664 offices procuring new business as a Branch, Sub Office or Development Centre. Almost all of these offices, barring a relatively few which concentrate their activities exclusively in the urban centres, serve the urban as well as the rural areas of our vast country. If the entire rural population in this country has to be covered by the LIC, the presumption that this can be done only by appointing agents in the rural areas is not correct. With the selling of the policy, servicing also becomes an important aspect of the business and the location of a Branch of the LIC becomes important from this point of view. But, today, unfortunately, LIC's activities in undertaking developmental responsibilities of this type are restricted because the resources available for this purpose are only the premiums of the policyholders and there is a ceiling up to which this premium income can be utilised for the purpose. If the LIC has to spread the message of insurance covering the entire rural population and mobilise the savings from the rural areas, the State will have to take it as a major instrument for this purpose and help its developmental activities by providing adequate assistance. Obviously, a time has come when the LIC, in order to spread its activities far and wide in the country, to mobilise the people's savings and also to cover the lives which are not ordinarily covered, will have

September 17, 1971

to create a Development Fund out of the share of the Valuation surplus that goes to the Government.

Non-Medical Business

During the year, 8.25 lac policies, being 51.2% of the total number of policies issued in India, were issued under the Non-Medical Schemes. In value, they amount to Rs. 324.03 crores, which is 25.0% of the total sum assured in India. The amount of Non-Medical business in 1969-70 was Rs. 223.65 crores—21.8% of the total sum assured in India.

Group Insurance Schemes

During the year 1970-71, 54,938 lives were covered under Group Insurance Schemes for a total sum assured of Rs 79.55 crores and 273 lives were covered under Superannuation Schemes for pension benefits.

Salary Savings Scheme

As against 3.76 lac policies assuring Rs. 177.33 crores issued in 1969-70, 4.86 lac policies amounting to Rs. 252.06 crores were issued under the Salary Savings Scheme in 1970-71. This Scheme helps people, particularly in the salaried middle income groups, in making the payment on insurance as the first charge on their income.

Business in Force

The total ordinary life assurance business in force as on March 31, 1971 was Rs. 7,067 crores under 147.85 lac policies as against Rs. 6,348 crores under 140.41 lac policies on March 31, 1970.

Lapse Ratio

Efforts made by the Corporation to conserve business are reflected in the progressive improvement recorded in the lapse ratio in the last three years. The ratio of lapses to mean life insurance business in force decreased from 5.9% in 1969-70 to 5.2% during the year under review. In 1968-69 the lapse percentage was 6.3 while in 1966-67 it was 7.4.

Life Fund

While the Life Fund as at March 31, 1969 was Rs. 1434 crores, in March 1970 it rose to Rs. 1611 crores (plus 177 crores) i.e. 12.31% and in March 1971 to Rs. 1825 crores (plus 214 crores) i.e. 13.04%.

Total Assets

The total assets of the Corporation as on March 31, 1971 amounted to

EASTERN ECONOMIST

529

Rs. 1989 crores as against Rs. 1772 crores as on March 31, 1970.

Settlement of Claims

Death and Maturity Claims amounting to Rs 19.09 crores and Rs. 68.01 crores respectively were intimated to the Corporation during 1970-71. Out of these claims and those outstanding at the end of the previous year, death and maturity claims for Rs. 21.94 crores and Rs. 68.92 crores respectively were settled by the Corporation during the year as against death and maturity claims for Rs. 18.77 crores and Rs. 62.59 crores respectively for the preceding year. An analysis of the settlement of claim operations in the year 1970-71 indicates that the number of outstanding claims as at March 31, 1971 was about 80% of the outstanding claims as at March 31, 1970. This improvement has been possible with the special efforts made during the year to settle the claims expeditiously. The ratio of outstanding claims to claims intimated during the year also dropped from 79.8% in 1969-70 to 63.6% in 1970-71 in respect of death claims and from 14.9% in 1969-70 to 12.4% in 1970-71 in respect of maturity claims. On the whole, the drop in the ratio of outstanding claims as at March 31, 1971, was 23.6% of the intimated claims as against 29.8% as at March 31, 1970.

The number of claims that the LIC settled during 1970-71 came to 3.55 lacs as against 2.67 lacs in 1966-67 which shows that while in 1966-67 the Corporation had settled 921 claims per day based on about 290 working days in a year, in 1970-71 it was paying out 1224 claims per day.

Income and Expenses

The total income of the Corporation during the year 1970-71 amounted to Rs. 394.01 crores made up of Rs. 292.15 crores of premium, Rs. 104.41 crores of Interest, Dividends and Rents and Rs. 9.99 crores of miscellaneous income. As against this, the amount of total benefits paid to policy holders was Rs. 99.37 crores, Expenses of Management Rs. 79.43 crores and Miscellaneous Outgo Rs. 1.20 crores. The gross and net rates of interest realised on the mean Life Insurance Fund were 6.25% and 5.73% respectively as against 6.06% and 5.57% respectively in the preceding year. Even this slight improvement of the yield from 5.57% to 5.73% has brought in an additional return of Rs. 4 crores in the year.

Efforts were being made continuously to improve the yield on the Life

Fund. While considerable emphasis has always been laid on the working expenses of the LIC, in the days of rising costs in every sphere of its activities, it must be emphasised that the working expenses of the LIC are not comparable to insurers in the world in the private sector. The private insurers have a right to confine their activities to a particular class of business which is less expensive or to particular areas at reduced cost. The obligation placed on an institution like the LIC to spread its activities far and wide in backward areas and even covering smaller policies, obviously cannot be judged by the same standard. It would be worthwhile evaluating its performance in this direction rather than only in terms of expense ratio. As a matter of fact, when even this expense ratio has come down, it indicates that the expense ratio could be high if the business is stagnant and could be brought down by continuous expansion of business. However, this does not mean that the LIC has no obligation to avoid any extravagant expenditure which does not fulfil its objectives.

Investments

The resources of the Corporation have become an important part of the national effort in mobilising the savings of the people, and the Government would have to ensure a fair return on these funds to make insurance attractive. Then again, there is no comparison between the insurers in the rest of the world in the private sector and the LIC. Insurers elsewhere may have vast opportunities to go in for high yielding investments. But the investments of the LIC will have to conform to the national needs. As a result of the LIC being in the Public Sector, enormous amount of money viz. Rs. 1989 crores which constituted the total assets of the LIC today, are insulated from any political pressurisation for personal ends and the citizens have been reaping the maximum benefit of this accumulation.

It is inconceivable that, if LIC was not in the Public Sector, an amount of nearly Rs. 309 crores (inclusive of current year's investment) would have gone for rural electrification throughout the country, an amount of Rs. 279 crores (inclusive of current year's allocation) would have been utilised for housing development in the country, an amount of nearly Rs. 50 crores could have gone for Water Supply and Drainage Schemes for our towns and villages, Rs. 92 crores for agricultural development through Land Mortgage Banks and proposed allocation of Rs. 5 crores for building up storage for the

Food Corporation of India, and nearly Rs. 28 crores for small scale industries through industrial estates and assistance to the State Financial Corporation. This infrastructure so necessary for the development of the country would never have been thought of. Besides, it has a huge investment of Rs. 707.21 crores by way of subscription to the Government loans in order to support the planned development of the country.

The total book value of the investments of the Corporation as at March 31, 1971 was Rs. 1717.59 crores, thereby recording an improvement of Rs. 188.98 crores over the figures of 1969-70. Of this, the total book value of the investments pertaining to Life and General business was Rs. 1700.30 crores and Rs. 17.29 crores respectively. Of the total investments of Life Department, 74.8% was in the Public Sector, 9.9% in the Co-operative Sector, 0.3% in the Joint Sector and 15.00% in the Private Sector. The investment reserve account amounted to Rs 31.23 crores. The Corporation agreed, during the year, to underwrite 92 new issues to the extent of an aggregate amount of Rs. 51.08 crores.

LIC & Private Sector

The LIC has also assisted the private corporate sector and in terms of total resources with the current year's allocation, its direct assistance and market purchases together would come to Rs. 251.50 crores. Besides, but for the huge investment in infrastructure, the growth of the Private Sector itself would have been inhibited in this country. There have been criticisms that the LIC has not assisted the private sector sufficiently. There have been criticisms also that the LIC has been responsible for building up monopolies. As at March 31, 1969, out of 6109 Public Limited Companies in the country only about 1529 had their shares and debentures quoted on the 8 recognised Stock Exchanges in India. We had shares in 853 companies out of them. Out of the paid-up capital of these companies of about Rs. 700 crores, we held about 13% of the Equity Capital. In 275 companies, LIC holds with its investment of Rs. 73,12,67,960 between 10% and over 30% of the paid-up capital in equities and in 578 companies, its holdings are less than 10% of the equity capital amounting to Rs. 25 crores. In 530 companies, we had on investment of Rs. 35.20 crores in Preference Capital and in 121 companies, Rs. 48.09 crores in Debentures. Consideration for this investment was naturally the yield and growth of these investments, and it is not that private sector always ful-

filled these expectations. On the other hand, as the result of this investment, LIC became substantial owners of capital and acquired a stake in many of the Monopolies which, in effect, has come to mean substantial ownership of the private corporate sector by the public sector.

Housing & Housing Loans

Out of the total investments of the Corporation, Rs. 300.97 crores is for housing purposes to meet the acute shortage of housing the country. LIC is trying to build townships in several places including Bombay, Hyderabad, Bangalore, Lucknow and Calcutta with the active help of the State Governments. For middle class housing, unless the State is prepared to subsidise land prices, the problem itself will be difficult to solve. The idea of group insurance cover in case of housing loans is to provide a facility for the balance of the loan being paid off instead of its being a burden on the family involving into litigation after the death of the borrower. My grateful thanks are due to the Government of Maharashtra for expediting the Apartment Act. I have now to request the Government of Maharashtra for its enforcement as considerable demand is there for flats in Bombay and other cities. The maximum loan against a flat has been restricted to Rs. One lac.

The Corporation advanced during 1970-71 a sum of Rs. 17 crores to State Governments for financing various housing and land acquisition schemes. It also advanced amounts totalling to Rs. 16.57 crores to Co-operative Housing Finance Societies and other authorities for financing housing Co-operatives in various States. The advances during 1969-70 under these heads were Rs. 14.80 crores and Rs. 15.70 crores. It will be of interest to mention that the Corporation's total contribution to housing development alone, in India, by way of loans to State Governments and Co-operative Finance Societies and loans under other Schemes amounted to over Rs. 287 crores as on March 31, 1971. The Corporation's "Own Your Home" Scheme, which was earlier operative in 159 centres in the country, was extended to all places where the Corporation has either a Branch or a Sub-Office with effect from February 2, 1971. It is in operation now in 424 centres inclusive of a few centres where the Corporation does not have any office. During the year, 1202 loans amounting to Rs. 371.62 lacs were sanctioned to policy-holders for construction or purchase of houses. So far, 7233 loans amounting to Rs. 2086.41 lacs have been sanctioned by the Corporation under this scheme.

Likewise, the Corporation's Mortgage Scheme for construction of houses operative in only 57 centres was extended to all the 424 centres where the "Own Your Home" Scheme is in force. During the year, 349 loans amounting to Rs. 186.82 lacs were sanctioned. So far, in all, 3394 loans amounting to Rs. 2288.35 lacs have been sanctioned under this scheme.

Loans for Water Supply & Drainage Schemes

So far 434 Municipalities all over the country received a loan assistance of Rs. 36.92 crores. In 1970-71 itself 205 municipalities were advanced Rs. 10.76 crores besides 4 Zilla Parishads got an assistance of Rs. 44.37 lacs for rural water supply. It is openly acknowledged that the people living in these places would not have enjoyed the benefits of these amenities left to the State Resources for the next one or more decades.

Expense Ratio

The overall expense ratio for the year for Life business was 27.19% as against 27.69% in the previous year, while the renewal expense ratio comes to 14.6% as against 16.15% in the previous year.

Corporation's Business Abroad

The main object of the Corporation in running the offices overseas is not only to write business but to build goodwill for the country. In foreign territories, in addition to writing new business and covering more and more lives, the Corporation is providing technical know-how to a large number of insurers. The Corporation continued to transact new business in Fiji, Kenya, Malaysia, Mauritius, Nepal, Singapore and the United Kingdom. The Corporation has ceased to write new business in Hong Kong and Uganda. During the year, the Corporation issued 3945 policies assuring Rs. 8.50 crores in the countries abroad, the corresponding number being 4661 policies for Rs. 10.28 crores in 1969-70.

General Insurance

During the year, the Corporation secured a gross direct premium of Rs. 23.09 crores as against Rs. 18.04 crores in the previous year. Of this, Rs. 5.69 crores was secured under Fire Insurance, Rs. 9.49 crores under Marine and Rs. 7.91 crores under Miscellaneous insurance. The total net premium collection during the year amounted to Rs. 8.36 crores as against Rs. 6.01 crores in 1969-70. The net

claims during the year amounted to Rs. 100.11 lacs under Fire, Rs. 119.91 lacs under Marine and Rs. 98.28 lacs under Miscellaneous insurance. The total net claims amounted to Rs. 318.30 lacs in 1970-71 as against Rs. 242.82 lacs in 1969-70. A sum of Rs. 94.26 lacs has been added to the reserve. The profits transferred to the Profit and Loss Account were Rs. 2.38 crores from Fire, Rs. 1.02 crores from Marine and Rs. 0.75 crores from Miscellaneous insurance, making a total of Rs. 4.15 crores. After making adequate provisions for Reserve and Taxation, a balance of Rs. 49.85 lacs is payable to the Central Government. The Corporation gave up the Open Market Business during the year and transferred it to its subsidiary, the Oriental Fire & General Insurance Company. With the nationalisation of General insurance, it is felt that there would be a great spurt in the insurance industry. Fields uncovered as yet like health and other social insurance, Cattle and Crop Insurance, I trust, would be some of the main goals of the nationalised General insurance.

From Classes to Masses

Unprecedented steps were introduced by the Corporation in the current year to popularise the message of insurance on an accelerated pace. The Centenary Policy, for instance, was finalised during the year and introduced with effect from May 1, 1971 for meeting the needs of the people whose income fluctuates. The main feature of this policy is that, if a default occurs in the payment of premium not more than once in any block of three years subsequent to the first two years, the policy should not lapse. This should take care of the needs of our rural population as that of agriculturists faced with the uncertainties of our agriculture and also the different sections of the community even in the urban areas. In accordance with our promise to see that in our endeavour to reach the masses we would resort to the use of our national languages, we have made a start with the Centenary Policy. The Corporation also decided to liberalise the profit-sharing scheme under One Year Renewable Group Term Assurance Plan and, under the revised scheme, the group policyholders having a membership of at least 200 will be entitled to share in the profits to the extent of 60 per cent to 80 per cent of the total profits in respect of the Scheme. The concept of Deposit-linked Life Insurance is proposed to be extended on a mass scale. This is a new experiment made for the first time in the World. I am happy that more and more banks are agreeing to introduce this measure and I look forward to their continued

support not only for insurance but real mobilisation of savings.

The number of Savings Bank Accounts in the banks now come to about 1.5 crores. 25 per cent of them should at least satisfy the condition of the minimum balance of Rs. 500/-. If insurance is automatically extended to all such accounts satisfying this condition, insurance cover to 30 lacs of lives would be possible. For this additional benefit, not only these persons would be keeping their balances in the bank rather than with themselves, it would be an inducement for another 20 lacs of people to improve their balances.

Premium rates in respect of (i) Mortgage Redemption, (ii) Temporary Assurance, (iii) Two Year Temporary Assurance and (iv) Convertible Term Assurance Plans were substantially reduced with effect from March 1, 1971. These rates were reduced also for, (i) One Year Renewable Group Term Assurance Plan, and (ii) Level Group Term Assurance Plan, with effect from June 1, 1971. Another major decision taken was that of doing away with the occupational extra premium for a number of occupations where the extra premium chargeable is Rs. 4 per thousand sum assured per annum or less and such extras have been removed as from December 1, 1970 in the case of Whole Life Limited Payment and Endowment Assurance Policies.

In the past it had been the practice of erstwhile insurance companies and also of the Corporation to charge extra premiums to the weaker sections of our society like those who are engaged in the conservancy work. Similarly, the humblest of the self-employed Rickshawallas were refused insurance under our rules. This unjust state of affairs of penalising workers performing essential services for the community could not be continued any longer. I am glad that, with effect from the beginning of the year, LIC has removed all occupational extras to the socially weaker sections of the community.

This covered 40 occupations such as Orderlies, other menial staff and Nurses in T.B. Mental & Leprosy Asylums, Scavengers, underground employees in Mica, Coal, Gold and Bead mines, compositors in the printing industry, all types of workers in the Railways from Brakesmen to Travelling Ticket Examiners, Cycle Ricksha Drivers, Hospital & Municipal Sweepers, Bidi Kamgars, workers in silk and textile industry, Linesmen in Telephones & Telegraphs, Naval Divers and Divers in Marine Industry, Guards and Foresters in the Forest Industry, Fire fighters in Fire Brigades, Coastal & Deep

Sea Fishermen, Bargemen in Marine, Workmen and Heavy Vehicle drivers in the Automobile Industry, Employees in X-ray Radium Department and Assistants working with X-ray Specialists, to give a few examples.

Re-organisation of Corporation's Offices

The Administrative Reforms Commission appointed by the Government of India had recommended that the Zonal Offices should be abolished and the Divisional Offices should function virtually as Head Offices of the erstwhile insurers, barring policy making, investments and such other functions. The object is to make the Divisions all important and responsible for development and servicing of business in terms of (A) Business Cost, (B) Underwriting, and (C) Lapses. The process of decentralisation would be further extended to Branches which, at the grassroot level, would undertake policyholders' servicing also. In taking up this, the needs of the community would be borne in mind more than its own. Organised as it is, the implementation of this policy would take some time and expertise would have to be built up to undertake the responsibility envisaged. This is being done expeditiously.

Staff

Continuous efforts to identify the employees with the Corporation and to build a philosophy of management where both the employer and employees meet periodically and continuously was evolved to sort out the problems. The exercise is to transform the working philosophy into one based on Industrial Relations rather than on Industrial Disputes. I look forward to the employees playing a responsible part as Members of the Board and of the proposed Divisional Advisory Councils. We believe that the constructive relationship now established between the employer and the employees would help to further the cause of the Corporation. The active co-operation of both should help to serve the community much better as both the management and the employees have a higher obligation to the community at large — an obligation transcending to themselves. Behind the published Balance sheet of any institution showing assets and liabilities everyone working for the institution could either be an asset or liability. It would be a worthwhile exercise to convert every liability into an asset. With this end in view, it is obligatory on the Corporation also to afford opportunities to the employees to develop themselves for the growth of their capacities by providing them with facilities for training and develop-

ment. Corporation accepts this responsibility.

Forging Ahead

Even though the achievements of the Corporation during the year have been quite remarkable, we are conscious of the vast scope, both for expansion and improvement, that lies ahead of us. With a widening area of activity becoming accessible for our message and service and with the help of a live-wire network of more than 730 offices of the Corporation located throughout the length and breadth of the country, manned with an agency organisation spread over even to the smallest township, the LIC has to now establish itself as a very competent marketing organisation for all parts of the country. The prosperous and affluent farmers in the villages now provide a potential market for our message. New branches of the nationalised banks emerging in all parts of the country are gradually inculcating the savings habit among the people. These savings habits will indirectly provide a fertile ground for us also to sell life insurance. The Branches of the Banks will, moreover, be a facility for the rural policyholders for remitting their premia to us. These welcome developments in the country will enable us not only to write more business but also to cover a large number of people.

Conclusion

Before I conclude, I would like to record my appreciation and thanks for the co-operation and advice I have received from the Members of the Corporation and my colleagues on the various Committees. I am also indebted to the Experts who have unstintingly given their time and energies in associating themselves with the Committees and for giving valuable guidance. For the excellent results recorded by the Corporation in the year 1970-71, my thanks are due to every member of the staff of the Corporation at the Administrative level and our Development Officers and Agents of the Corporation without whose enthusiasm, hard work and whole-hearted co-operation these encouraging results would not have been achieved. The year's results have proved what is possible and thrown open vast vistas for greater growth and greater progress. I look forward to their unstinted support for the noble objectives we have before us of spreading the message of insurance to all sections of people, particularly the weaker sections of the community, who need this protection most.

The motto of the LIC is "Yogakshemam Vahamyaham" i.e. "Your

Welfare is My Responsibility". The welfare of the nation should be the obligation of the Life Insurance Corporation through millions of people assuring with it. The Trusteeship concept should be extended not only to cover the safety of the funds but the confidence that it should create of being the trustee for all widows and orphans; the strength and size of the LIC should be used in extending friendly assistance to every body associated with it. Its symbol of two hands co-

vering a burning lamp representing security, both our Development and Administrative wings will have to take care of, and it shall be our joint endeavour to see that this lamp of security burns in every home. As long as there are homes without this lamp of security, it should be a sad reminder to us of the existence of poverty which, with all our combined efforts, we have to fight.

We in the LIC re-dedicate ourselves to these tasks.

The hand that spins the ball
also handles your bank account
with magic spell

B. S. CHANDRASEKHAR



at play



at work



SYNDICATE BANK

Head Office : MANIPAL (Mysore State)

Leg spin googly bowler Chandrasekhar who had the magic figures of 18.1-3-38-6 at Kennington Oval, London, on 23-8-1971 works as an Officer of Syndicate Bank at its Cantonment Branch Bangalore.

PRATAP-SB-71

COMPANY MEETING

SIMCO METERS LIMITED Tiruchirapalli

Chairman's Speech

The following is the text of the Speech delivered by the Chairman, Shri S. Narayanaswamy, at the 10th Annual General Meeting of the Company, held at Tiruchirapalli on Saturday, the 11th September, 1971.



Shri S. Narayanaswamy

Ladies and Gentlemen:

I have great pleasure in welcoming you to this Tenth Annual General Meeting of the Company. The Report and Accounts for the year ended 31st March 1971 have been with you all for sometime and with your leave, I will take them as read.

All of you will doubtless be gratified to note that our turnover for the year under review has crossed the mark of Rs.1 crore and has reached an impressive figure of Rs. 127 lakhs, which exceeds the last year's turnover by 35%. The Balance Sheet and the Report set out the details of our profits and allocations and it is not my intention to take you through them in the course of my observations this morning.

The Company is confident of maintaining the same turnover during the current year if not register a further increase, on the basis of the volume of orders they have already on hand.

Transmission and distribution of power through all-India and inter-State Grids continue to enjoy top priority in our country's planning and, therefore, the demand for single phase and poly-phase meters is bound to increase year after year at least during the next two Plan periods. Nevertheless, I desire to share my concern with all of you, that many State Electricity Boards have once again been faced with paucity of funds for fulfilling their commitments, which they have already entered into with various meter manufacturing companies including ours. It would appear that, while funds are allocated to various States as recommended by the Planning Commission for developmental works in general, priorities come to be frequently shifted by the respective State Governments, presumably under regional and political pressures, with the result that one department or another is suddenly left without resources to implement the diligently prepared projects.

The remedy would appear to be for

the Planning Commission as well as the Central Government, in the process of making financial allocations, to earmark them for investment in specific and clearly identified development projects. This is particularly important in order that capricious shifts based on differing ideas as to priorities at the State and Central levels will be avoided.

As the Central Government have already announced that they will stop import of food from the next financial year as our country is well-poised to become self-sufficient in the sphere of food production, it is imperative to maintain the tempo of the rural electrification programme undiminished, if the rate of growth in food production is to keep pace with the population growth.

Let us hope that the present dynamic Union Minister for Planning will take steps to see that the sanctity of top priorities in development are preserved particularly where programmes of rural electrification and power distribution are concerned and that the Central Government obtain comparative immunity from regional or political pressures in such matters.

For the first time, the Central Government have imposed Excise Duty on energy meters, in their Finance Bill for 1971. All our contracts with the Electricity Boards stipulate that the prices payable by them under the contracts are exclusive of Excise Duty and any other Central or State levies and it would, therefore, follow that the Electricity Boards have to bear the extra burden imposed by the Finance Bill. Nevertheless, many of the State Electricity Boards are still taking time to accept their contractual obligation in this behalf; pending obtaining express clearance from their respective Boards, we have been requested to accept payments excluding the Excise Duty. We are, however, confident that all the State Electricity Boards will accept their liability to pay the Excise Duty to us in the near future.

As a consequence of this levy, most

of the Electricity Boards have considerably reduced their monthly offtake by revising their 'despatch instructions' apparently to accommodate their ultimate payment of excise duty within the budgetary provisions allotted to the Board for purchasing meters. Despite these adverse factors, I feel confident that the turnover of our company will exceed the turnover of the year under review as stated earlier.

As already mentioned in my last year's speech, the supply position of raw materials and components, particularly steel and steel products, continues to remain unsatisfactory, leading to inevitable increase in the cost of production of our products. I am glad to state that our Research and Development Wing, which has begun to function with zeal and enthusiasm, has been able to meet the situation to a degree by finding low cost substitutes in raw materials in the place of those which are becoming increasingly scarce, without such substitutes affecting the quality of our products.

I am further glad to inform you that within a few months of the Research and Development Department being established, they have developed successfully quite a few critical items which are hitherto imported for manufacture of combination meters. Before long, I am confident they will establish the utility of indigerous material for the full range Power Factor Meters. On behalf of all of you and on my own behalf, I desire to take this opportunity to convey our congratulations to our Chief Executive and to the employees of the Research and Development Wing for having done such good work within a short time. Your Board of Directors propose to allot adequate funds to maintain the tempo of research both in meter technology and in the field of electronics.

All of you are aware that our company has already been issued industrial licence for manufacturing polystyrene Variable Condensers and Garg Condensers up to 600,000 pieces per year

besides a few electronic instruments which were mentioned in my last year's speech. Our company has now applied for issue of industrial licence for manufacturing a wider range of electronic instruments which are sophisticated in character and are defence-oriented.

As you all know, the Government of India has accorded the highest priority to the growth and development of electronics as a 'core industry.' We are confident of obtaining the industrial licence which we have applied for. In this context, it is but relevant to mention that the management of M/s. Eastern Electronics (Delhi) Private Ltd., with whom we had been collaborating, has changed hands during the year under review and your Board of Directors, therefore, felt it advisable to seek termination of the collaboration arrangement with them by 30th June 1972 to which M/s. Eastern Electronics (Delhi) Private Ltd. has kindly agreed. In the meantime, we have been able to secure the services of experienced and highly qualified electronic engineers to man our Electronics Division.

Messrs. Seshasayee Enterprises Private Ltd., which is an affiliate of Messrs. Seshasayee Brothers, has also set up two subsidiary companies to operate as small-scale units for manufacturing electronic components and instruments. Being small-scale units, they are not required to obtain industrial licences and they have received registration certificate from the Director of Industries. These certificates enable them to manufacture all varieties of electronic instruments and compo-

nents and they have undertaken to co-operate with our company by placing orders for all components which our company is already equipped to manufacture.

Simultaneously, as observed by me last year, our company will also establish different ranges of electronic instruments to feed the Indian Telephone Industries, the Bharat Electronics Ltd., and the Defence Establishments at Bangalore, with their requirements as soon as we obtain the industrial licence that has been applied for. While substantial capital outlay will be required to implement the licence as soon as it is received, we are confident of finding the needed funds from our internal resources, present and prospective.

As may be observed from the Balance Sheet, your Management has been very careful in husbanding the resources of our company and it can be expected to meet the above requirements and also service the loans payable to the Commonwealth Development Finance Company Limited (CDFC), London, the first instalment of which falls due only on 31st December, 1972.

I may now refer to a few significant items in the Balance Sheet. We have been able to provide Rs. 6.46 lakhs for scientific research and development during the year under review and also write-off a substantial sum of Rs. 8.93 lakhs in respect of jigs, tools and machinery that have become obsolete.

You will have observed that a sum of Rs. 3.64 lakhs has been paid by way of royalty to our foreign collaborators,

namely, Denis Ferranti Meters Ltd. Our collaboration agreement has come to an end on the 30th of May 1971. It is not proposed to renew this collaboration agreement and we will have, therefore, to pay only a small sum by way of royalty earned by them during April and May of the current financial year. Thereafter, royalty burdens cease.

After making provisions for all the above items and depreciation of Rs. 2.72 lakhs, our profit for the year under review recorded a figure of Rs. 13.68 lakhs, which, I am sure, you will consider satisfactory.

Before concluding my observations, I desire to take this opportunity to convey our profound thanks to the Commonwealth Development Finance Co. Ltd., London, United Commercial Bank, Kumbakonam City Union Bank and to the various State Electricity Boards, who are our main customers, for their continuous support, assistance and encouragement throughout the year.

I also take this opportunity to convey appreciation on your behalf and on my behalf to the Managing Director, Mr R. Subbarayan, the Chief Executive and to all ranks of staff and labour for the excellent work put in by them during the year.

I now move for adoption of the Balance Sheet, Profit and Loss Account and the Annual Report and, in doing so, shall be glad to answer any question from shareholders.

I thank you for your forbearance.

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

RECORDS AND STATISTICS

World Bank-IDA Report: 1971

THE WORLD Bank Group further increased the range and depth of its assistance to developing countries in the fiscal year ending June 30, 1971, while setting new records in lending volume.

Annual reports by the Executive Directors released on September 14, showed development finance commitments in member countries by the World Bank and its two affiliates during the year of more than \$2,500 million, an increase of about \$280 million over the previous 12 months. The affiliates are the International Development Association (IDA) and the International Finance Corporation (IFC). The year's commitments: World Bank \$1,896 million, IDA \$584 million and IFC \$101 million.

Bank/IDA disbursements increased by 30 per cent during the year, to a new record high of \$1,190 million.

To meet the disbursement requirements of its larger lending programme, the World Bank sharply increased its borrowing. Eighteen issues of Bank obligations were sold during the fiscal year, for a total of \$1,368 million. This compared with the previous record of \$1,224 million in fiscal 1969 and \$735 million in fiscal 1970.

Stress on Initiative

The combined report for the Bank and IDA laid special stress on new initiatives to improve the effectiveness of development lending, taking account of the social and economic needs and objectives of borrowing countries.

The recent trend toward a more comprehensive attack on problems of agricultural development was further accelerated, while the volume of lending continued to rise. In the last three years, the Bank and IDA have lent almost as much for projects in this sector as in all their previous history.

For the first time, support was provided for agricultural research. At the international level, the Bank joined with other agencies in sponsoring a Consultative Group to organize financial backing for regional research efforts; in Spain, the Bank made its first loan for a national programme in this field.

In line with new policies approved by the Executive Directors, the Bank and IDA considerably broadened their approach to educational development. They provided support for comprehensive reform programmes, special training for farmers and school drop-

outs, and new departures in management education and the training of industrial workers and technicians.

For the first time, a loan was made specifically for pollution control. This was one of two loans made simultaneously to Brazil for water supply and sewerage facilities in Sao Paulo. At the same time, the environmental aspects of projects were subjected to expert review as a routine part of the appraisal process, while conditions prescribing anti-pollution measures were included for the first time in various loan and credit agreements.

In economic and social research, new studies were launched to help developing countries come to grips with the problems of rapid urbanization and unemployment.

Targets Exceeded

In volume, financing by the three World Bank Group institutions exceeded the level required to meet the quantitative target set three years ago by their President, Mr Robert S. McNamara: to double over five years the amount provided for development in the period 1964-68. Table 1 gives the record (excluding loans by the Bank to IFC) in millions of US dollars.

To reach the five-year goal, it will be necessary for the Group to maintain operations at the level of about \$2,500 million over the next two fiscal years ending June 30, 1973. The report noted that this will depend in part on the timing of the third replenishment of resources for IDA, the Bank's affiliate which relies on governmental contributions of funds for lending on "soft" terms to the poorest developing countries. All of IDA's available resources had been committed for specific projects by the end of the fiscal year, and the new replenishment agreement concluded in 1970 had not yet become effective.

To forestall the disruption of opera-

tions, however, Canada, Denmark, Finland and the United Kingdom offered advance contributions near the close of the fiscal year, totalling about \$113 million. Several other countries were considering similar action, and the Bank's Governors authorized a grant to IDA of \$110 million out of net income for the fiscal year; this raised the total of such grants over the last seven years to \$595 million. The balance of fiscal 1971 net income, \$102 million, was allocated to reserves.

Debt Servicing

The report indicated that the debt servicing obligations of developing countries increased more than twice as fast as their export earnings in 1970, and that their export prospects were further diminished by the slow growth of production and income in developed countries. While the total flow of finance from the 16 principal donors to developing countries increased by about \$1 billion in 1970 to a total of nearly \$15 billion, virtually all the increase was in relatively "hard" official export credits and private funds going to countries well above the lowest levels of development.

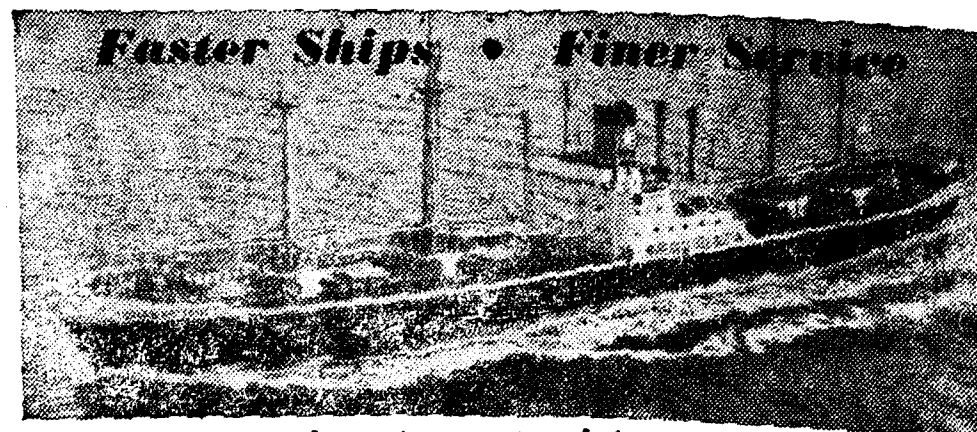
In fiscal 1971, Bank and IDA loans included funds for technical assistance amounting to nearly \$50 million to meet the cost of experts and consultants, overseas training and feasibility studies. In addition, IDA extended a credit of \$4 million to Indonesia for project preparation. The Bank became executing agency for 16 new technical assistance projects financed by the United Nations Development Programme (UNDP) under commitments totalling about \$14 million.

At the close of the fiscal year, the World Bank's outstanding debt stood at \$5,424 million, an increase of \$856 million for the year. Of the total, it was estimated that 41 per cent was held in North America, 39 per cent in Europe, 14 per cent in Asia and Oceania, three per cent in Latin America and two per cent in Africa. The remainder, less than one per cent, was held by various international organizations.

The Bank's authorized capital was

TABLE I
FINANCING BY THE WORLD BANK GROUP

	Average 1964-68		Average 1969-70		1971	
	Number of projects	\$ million	Number of projects	\$ million	Number of projects	\$ million
World Bank	40	859.2	77	1,489.6	78	1,896.4
IDA	18	267.4	47	495.5	53	584.0
IFC	16	36.5	27	102.4	24	101.0
TOTAL :	74	1,163.1	151	2,087.5	155	2,581.4



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increased during the year from \$24,000 million to \$27,000 million. Under a resolution approved by the Governors, the Bank was also authorized to accept special increases totalling \$2,222 million in the capital subscriptions of 75 members, on a selective basis, following similar increases in quotas of the International Monetary Fund.

World Bank Group's commitments for India's economic development reached a high level of \$243.4 million during the year ended June 30, 1971. The year's commitments compare with \$227.5 million in fiscal 1970 and \$193.0 million in fiscal 1969.

All of the financing from the Bank Group to India during the year came from IDA. The IDA's credits to date have been for 50 years, free of interest, but carry a service charge of 3/4 of one per cent. The year's financing in India was distributed as follows:

	\$ in million
Agriculture	90.4
Telecommunications	78.0
Electric power transmission facilities	75.0

During the year, India accounted for over 41 per cent of the Association's total commitment of \$584 million. By June 30, 1971, the cumulative total of Bank and IDA lending in India

amounted to \$2,558 million — \$1,051 million in 39 Bank loans and \$1,507 million in 34 IDA credits. Bank and IDA lending in India has been supplemented by investment commitments totalling \$42 million by the Bank's other affiliate, the International Finance Corporation (IFC).

Agricultural Sector*

Supporting India's efforts to sustain the momentum of growth in the country's agricultural sector has been an important theme with the World Bank Group. In the earlier years of their operation, Bank and IDA assistance to Indian agriculture was largely confined to irrigation and flood protection works. But more recently the pattern of Bank and IDA lending for agriculture in India and other member countries has undergone a change. Apart from continuing their traditional support for large flood control and irrigation schemes, stronger support is being given to projects which involve a comprehensive approach to agricultural development.

(a) Pest Control

A credit of six million dollars, extended in January 1971, is assisting a project aimed at better control of crop pests and diseases through the expansion and improvement of aerial spraying services mainly for small farms

throughout the country. At full development, aerial spraying made possible by the project will help control pests and diseases over six million acres of field crops, mostly rice, wheat, cotton, groundnuts and sugarcane.

(b) Rural Credit

The availability of agricultural credit for crop development is assuming increasing importance with the technological advances of the "green revolution". With the new technology, farmers who were previously able to produce barely enough for their own needs, can now achieve large increases in production; they are therefore able for the first time to take advantage of the facilities for investment in on-farm improvements — minor irrigation works, farm mechanization and land levelling.

During the year under review, IDA approved three credits totalling \$84.4 million to assist the expansion of institutional credit for investments in on-farm improvements — farm mechanization, minor irrigation and land levelling — in Andhra Pradesh, Har-

*A Bank loan of \$13 million, made in June 1969, is financing a project to grow more seeds of high yielding varieties of foodgrains. It will produce certified seeds for seven million acres annually.

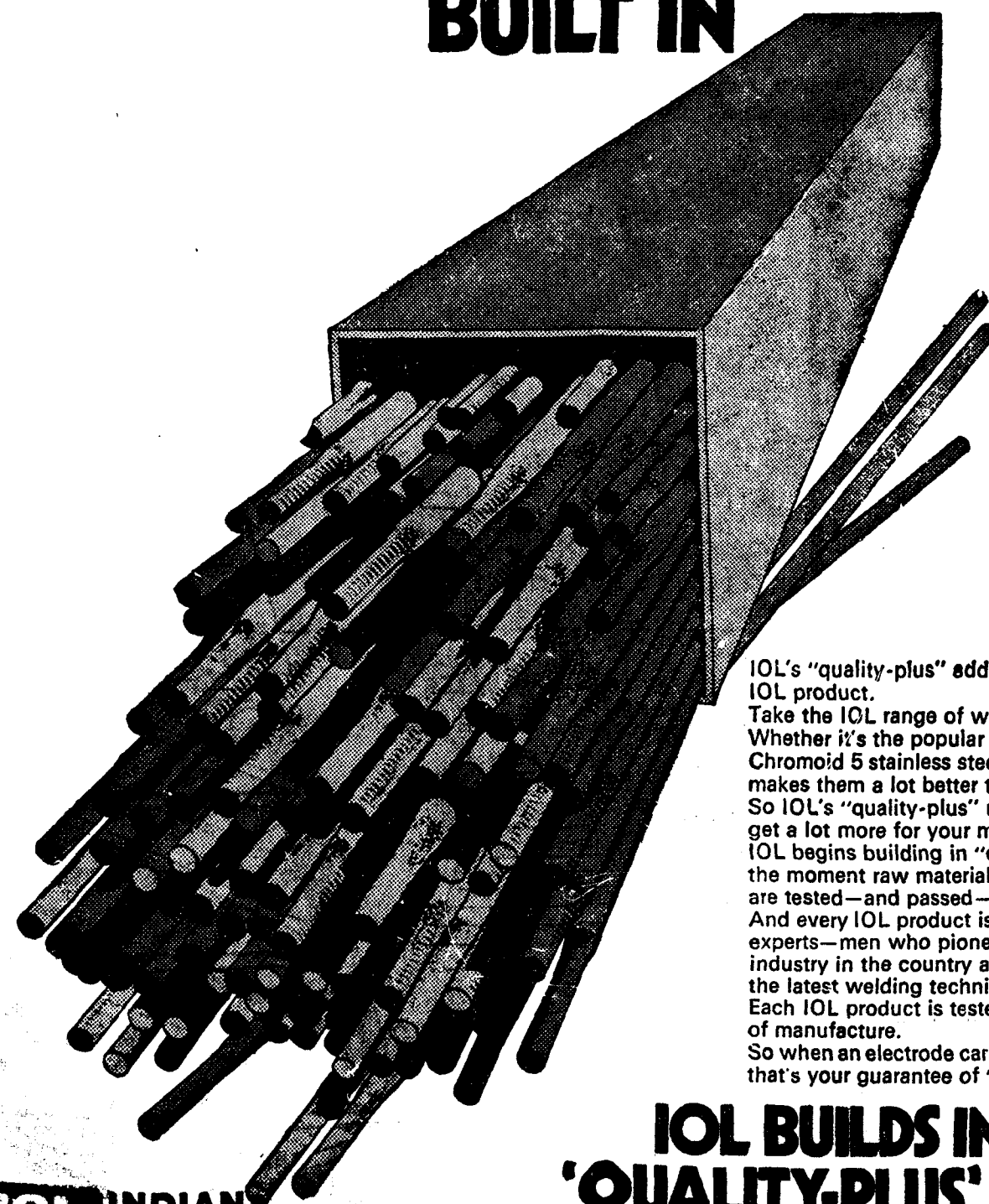
WORLD BANK LOANS AND I.D.A. CREDITS : 1970-71

(Millions of US dollars)

	Bank loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Africa						
Botswana	1	32.00	1	3.00	2	35.00
Cameroon	—	—	1	1.50	1	1.50
Chad	—	—	1	2.20	1	2.20
Congo, Democratic Republic	—	—	1	7.00	1	7.00
Congo, People's Republic	—	—	1	3.50	1	3.50
Dahomey	—	—	1	3.50	1	3.50
Ethiopia	—	—	1	9.50	1	9.50
Ghana	—	—	1	7.10	1	7.10
Guinea	1	9.00	—	—	1	9.00
Ivory Coast	3	27.50	—	—	3	27.50
Kenya	2	31.30	1	12.60	3	43.90
Malagasy Republic	—	—	1	5.00	1	5.00
Malawi	—	—	1	7.25	1	7.25
Mauritius	—	—	1	5.20	1	5.20
Morocco	2	45.00	—	—	2	45.00
Niger	—	—	1	5.70	1	5.70
Nigeria	3	97.20	—	—	3	97.20
Senegal	—	—	3	7.05	3	7.05
Sierra Leone	1	3.70	1	3.50	2	7.20
Somalia	—	—	1	3.30	1	3.30
Tanzania	1	30.00	2	12.30	3	42.30
Tunisia	2	31.50	1	4.80	3	36.30
Uganda	—	—	2	11.30	2	11.30
Upper Volta	—	—	1	6.20	1	6.20
Zambia	1	40.00	—	—	1	40.00
	17	347.20	24	121.50	41	468.70

(Contd)

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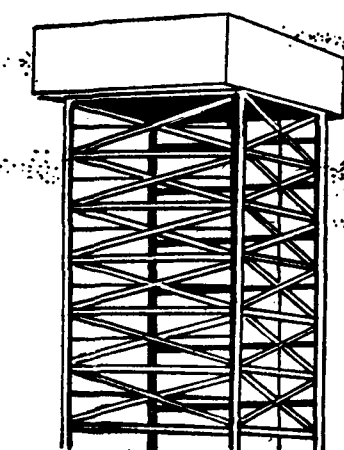
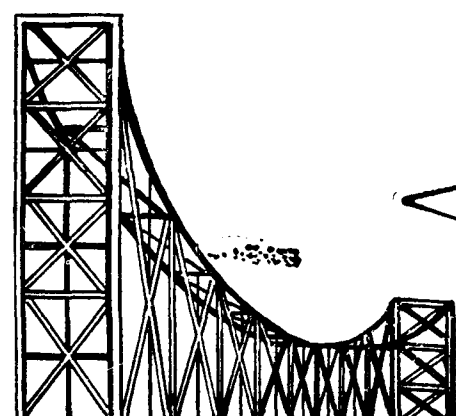
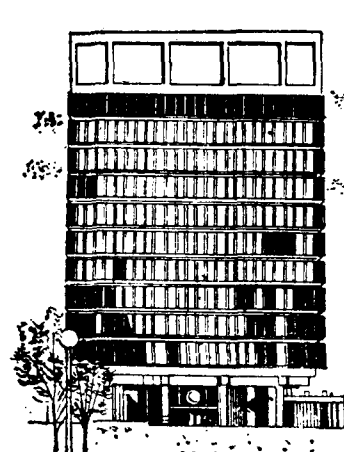
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ALUMINIUM IN CONSTRUCTION & STRUCTURAL USES

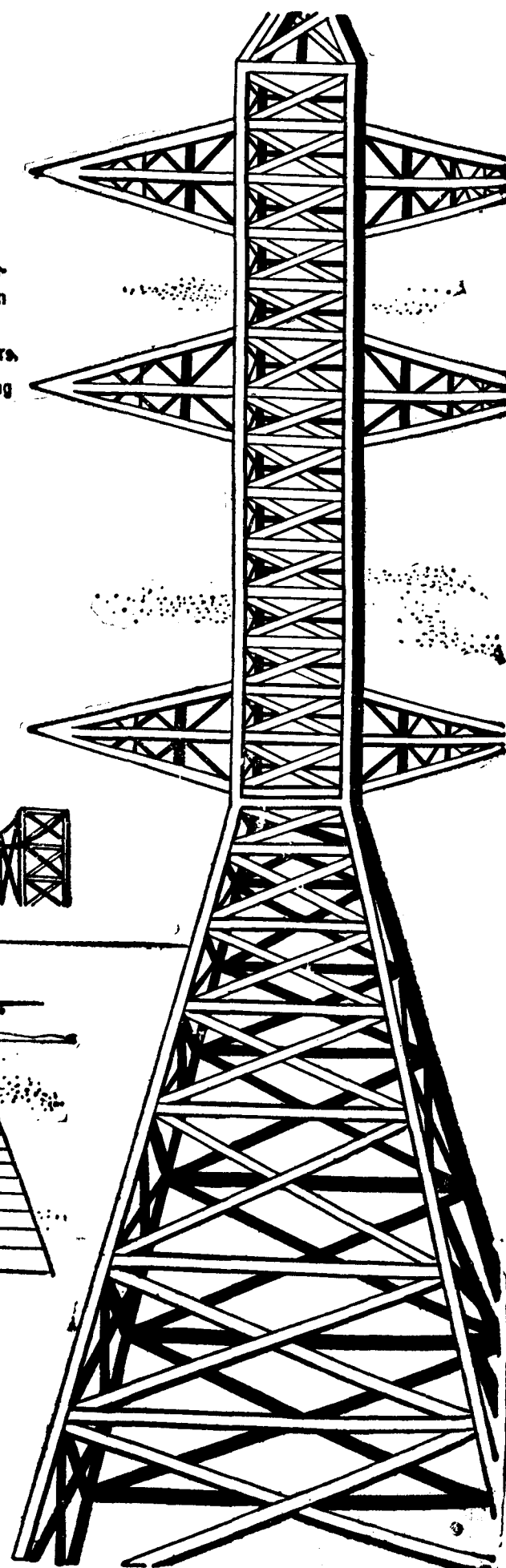
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World Bank Loans and I.D.A. Credits : 1970-71—Contd.

(Millions of US dollars)

	Bank loans		IDA credit		Total	
	Number	Amount	Number	Amount	Number	Amount
Asia						
Afghanistan	—	—	1	5.00	1	5.00
China	2	70.00	—	—	2	70.00
India	—	—	6	243.40	6	243.40
Indonesia	—	—	8	95.90	8	95.90
Iran	4	165.00	—	—	4	165.00
Israel	1	20.00	—	—	1	20.00
Jordan	—	—	1	6.00	1	6.00
Korea	2	84.50	1	7.00	3	91.50
Malaysia	3	54.80	—	—	3	54.80
Nepal	—	—	1	2.50	1	2.50
Pakistan	—	—	2	48.00	2	48.00
Philippines	2	22.30	—	—	2	22.30
Thailand	1	12.50	—	—	1	12.50
Yemen, People's Democratic Republic	—	—	1	1.60	1	1.60
	15	429.10	21	409.40	36	838.50
Europe						
Cyprus	2	5.40	—	—	2	5.40
Finland	2	33.00	—	—	2	33.00
Greece	2	38.30	—	—	2	38.30
Iceland	1	4.10	—	—	1	4.10
Ireland	2	30.00	—	—	2	30.00
Spain	2	102.70	—	—	2	102.70
Turkey	5	94.50	2	19.50	7	114.00
Yugoslavia	3	90.00	—	—	3	90.00
	19	398.50	2	19.50	21	418.00
Oceania						
Fiji	1	11.80	—	—	1	11.80
New Zealand	1	16.00	—	—	1	16.00
Papua and New Guinea	1	23.20	—	—	1	23.20
	3	51.00	—	—	3	51.00
Latin America and Caribbean						
Argentina	2	151.50	—	—	2	151.50
Bolivia	—	—	1	6.80	1	6.80
Brazil	5	160.40	—	—	5	160.40
Colombia	5	153.10	—	—	5	153.10
Dominican Republic	—	—	2	9.00	2	9.00
Ecuador	1	8.00	1	10.00	2	18.00
El Salvador	—	—	1	5.60	1	5.60
Guatemala	1	4.00	—	—	1	4.00
Guyana	1	5.40	1	2.20	2	7.60
Honduras	1	6.00	—	—	1	6.00
Jamaica	2	17.20	—	—	2	17.20
Mexico	1	75.00	—	—	1	75.00
Peru	1	30.00	—	—	1	30.00
Trinidad and Tobago	1	3.00	—	—	1	3.00
Uruguay	2	22.00	—	—	2	22.00
Venezuela	1	35.00	—	—	1	35.00
	24	670.60	6	33.60	30	704.20
TOTAL	78	1,896.40	53	584.00	131	2,480.40

yana and Tamil Nadu. Two credits totalling \$62 million, made during fiscal 1970, are assisting similar credit programmes in Gujarat and Punjab.

Telecommunications

A credit of \$78 million extended during the fiscal year, will help the further expansion and modernization of India's telecommunications system. Improved communications will benefit all sectors of economic activity — industry, trade, agriculture and government.

Electric Power

Expansion of electric power transmission facilities in Andhra Pradesh, Bihar, Gujarat, Haryana, Maharashtra, Punjab, Rajasthan, Uttar Pradesh and West Bengal is being assisted by a credit of \$75 million, extended in May 1971.

Fertilizer, Grain Storage

Soon after the end of fiscal year 1971, IDA approved two credits totalling \$64 million to assist the expansion of grain storage, fertilizer manufacturing and irrigation facilities.

A credit of \$20 million, approved in August 1971, will finance the second stage of an expansion programme of Fertilizers and Chemicals, Travancore Limited (FACT). The credit is the first operation for the Bank and IDA in support of fertilizer manufacturing in India. It is also the first operation for the two institutions in support of a manufacturing enterprise in India's public sector.

Also in August, IDA joined Sweden in providing \$10 million to assist in the construction of modern foodgrain storage and handling facilities in India's wheat belt — Punjab, Haryana, Rajasthan and Uttar Pradesh. IDA's share in this operation is five million dollars.

A credit of \$39 million, announced in August 1971, will finance the first phase of the Pochampad Scheme to irrigate initially about 250,000 acres in Andhra Pradesh. Subsequent phases will ultimately enable 988,000 acres to be irrigated.

The Aid India Consortium met in June this year to review the progress of economic development in India, to consider India's aid requirements for the fiscal year beginning April 1, 1971 and to consider proposals concerning studies of possible Consortium participation in India's further economic development.

It was agreed that India needed substantial new commitments of non-project and project aid if the progress of the

economy was to be sustained and accelerated. Members agreed that, for the year which began April 1, 1971, levels of new commitments of non-project assistance of about \$650 million, of project assistance of about \$500 million, and food aid of about \$100 million would be desirable.

In a separate session Consortium members heard special reports from a representative of the UN High Commissioner for Refugees and from the Government of India about the situation with respect to the large number of refugees recently arrived in the eastern states of India.

With a total of \$838.5 million in Bank loans and IDA credits Asia continued to be the principal regional reci-

pient of assistance from the two institutions.

The fiscal year ended June 30, 1971, witnessed a continuation of the World Bank Group's intensive efforts to accelerate economic development in the developing countries. While expanding its level of assistance, the Group gave increasing attention to ensuring that its assistance contributed to the optimum development of the recipient community as a whole.

Development financing commitments by the three Bank Group institutions — the World Bank, IDA and IFC — totalled \$2,581 million during the year ended June 30, 1971, representing an increase of \$283 million on the previous year's total which itself was a record.

IMF Report : 1971

THE INTERNATIONAL Monetary Fund recently released its Annual Report for the fiscal year ended April 30, 1971. The text of the Report was approved by the Executive Directors on July 29 for transmittal to the Board of Governors of the Fund, prior to the announcement of far-reaching US monetary and economic measures on August 15 and the subsequent international developments. The Report focuses mainly on a review of monetary and economic developments in 1970 and the first part of 1971. It analyses the monetary disturbances of May 1971 that resulted in the floating of the German and Dutch currencies, the revaluation of the Austrian and Swiss currencies, and the establishment of a fully floating rate in Belgium's free exchange market for capital transactions.

Particular attention is given to the effect of volatile short-term capital flows during the period and their impact on the international monetary system. A variety of measures are discussed that might make the system less exposed to disturbances and help to promote smoother adjustment in international payments. Emphasis is given to the need to combat continuing world-wide inflation with a more balanced mix of monetary and fiscal policies and, where indicated and possible, incomes policy. The Report reiterates a statement made in the Fund's 1970 Annual Report that the need to rectify the US balance of payments position remains the most urgent task in the field of international payments. In its review of international liquidity, the Report calls the experience with the working of the SDR facility markedly encouraging, since it has demonstrated the ability of the international commu-

nity to create a reserve asset and use that asset smoothly and effectively.

In the Fund Report the view is expressed that the performance of the world economy was less than satisfactory in certain major respects during 1970 and the first part of 1971. The period was marked by a slow and irregular pace in the expansion of world output, strong and persistent inflationary forces, a spill-over of domestic price increases into foreign trade, huge and volatile capital flows from the United States to Europe with ensuing monetary disturbances, and an unplanned and exceptional increase in the foreign exchange component of international reserves.

In the analysis of developments during this period, leading up to the monetary crisis, and the temporary suspension of official exchange market operations in May of this year, the Report states that there was no single or simple cause of the crisis, but that it stemmed from a succession of economic developments and policies in the main industrial countries over a period of years. Important elements in the background of the May 1971 monetary disturbances were: the prevalence of contrasting economic conditions in the United States and in continental Europe; the overly heavy reliance on monetary policy in several key countries; the resulting wide divergence of credit conditions and interest rates, bringing marked fluctuations in short-term capital flows and large swings in the balances of payments of individual industrial countries; and the underlying imbalance in the international payments situation, reflecting most importantly the persistent deficit

September 17, 1971

in the basic external accounts of the United States.

In their discussion of the monetary disturbances that emerged in May of this year, the Executive Directors affirm that support of the Bretton Woods system calls for member countries to pursue adequate policies to control inflationary pressures, a frequent source of exchange rate difficulties. Members should be willing to make timely exchange rate adjustments where these are appropriate to restore equilibrium. The present international mobility of capital makes this consideration particularly important because expectations of parity changes can lead to large and disruptive capital movements. Also important is full participation of countries in the international adjustment process through application of measures needed to maintain or restore balance of payments equilibrium and through due consideration of the effects on other countries of any measures taken to improve international economic conditions.

Sensitivity to Interest Rates

Experience has amply demonstrated, the Report observes, that sensitivity of capital movements to interest rates and exchange rate expectations can generate huge flows of funds across national boundaries—facilitated by the Euro-currency markets—with disruptive effects on national and international stability. Referring to the Fund's continuing study of the problem of dealing with volatile capital flows, the Report indicates preliminary general views regarding each of four possible—and not mutually exclusive—approaches to that problem: better international coordination of monetary policies; controls over, or other measures directly affecting, capital movements; somewhat greater exchange rate flexibility; and accommodation of the capital flows.

On the subject of better international coordination of monetary policies, the Report states that it would be hard to make a case that the fiscal and monetary policies of the main industrial countries have been well balanced or that their monetary policies have been reconciled internationally. The Report also asserts that a fundamental requisite for improvement in this sphere is a strengthening of the role of fiscal policies, so that monetary policies might be geared relatively more to the external position than has proved feasible in the past and so that undue reliance on monetary policies for domestic purposes can be avoided. However, while noting both the scope and the incentives for better international coordination of policies, the Report

EASTERN ECONOMIST

539

recognises the difficulty of achieving it and cautions that substantial results may not be forthcoming in this area in the short run.

In considering capital controls, the report sees possible scope for selective use of certain tools, but regards the advantages of free movement of capital as too great to justify a general recommendation that countries should have comprehensive exchange controls. It suggests that countries that want to be prepared to head off or moderate occasional large capital movements, and thereby to avoid excessive pressures on exchange rates, should consider developing, at least on a stand-by basis, a set of relatively simple and flexible tools that could be quickly activated in time of need to contain disequilibrating flows of capital through the most important channels.

Possibilities for the discouragement of such flows through a limited increase in the degree of exchange rate flexibility continue to be studied by the Fund. The matters currently under review in this field include the advisability of amending the Articles of Agreement to permit a slight widening of margins around par and temporary deviations from par value obligations. With respect to accommodation of capital flows, the Report suggests that countries review their techniques for offsetting the effects of reserve changes on domestic monetary conditions and for financing such large movements of short-term capital as do occur. In particular, attention is drawn to the possibility of official borrowing from, or repayments to, capital markets abroad—a technique which has the advantage that it involves no changes in global reserves.

Financial Difficulties

In the conclusion of its general survey of the world economic situation, the Report points to a number of ways in which the developing nations have been affected in recent years by the financial difficulties of the main industrial countries and stresses the benefits that the developing nations would derive from the restoration and maintenance of financial stability in those countries. At the same time it expresses full support for efforts to improve the trade arrangements under which products of the developing countries are marketed and states that there remains an urgent need for major improvement in the volume and quality of development assistance as a whole.

In its discussion of international liquidity, the report notes that a number of important changes have affected the quantity, composition, and distribution of international reserves since the beginning of 1970. These changes have

also affected the availability of conditional liquidity and the use of swap arrangements. The Report calls "exceptional and disquieting" the proportions of the increase in international reserves in 1970 when they rose by some \$16 billion, or 21.8 per cent, by far the largest annual growth in the history of the Bretton Woods system. Although most countries participated in this increase, part of which reflected allocation of special drawing rights, nearly two-thirds of the 1970 rise in global reserves was concentrated in four countries—Germany, Canada, Japan, and France. The rapid pace of the 1970 expansion continued in the first quarter of 1971, when a \$7 billion increase (including the 1971 SDR allocation) raised total reserves at the end of March to \$98.5 billion, 24 per cent above their level a year earlier.

Foreign Exchange Reserves

The fact that global reserves grew much more rapidly during 1970 than in previous years reflects mainly an increase of \$14.1 billion, or almost 50 per cent, in foreign exchange reserves (mostly in claims denominated in US dollars). The major influences in this expansion were the 1970 US deficit on official settlements transactions and the growth of foreign exchange reserves other than claims on the United States, particularly in the form of official holdings of Euro-dollars. On the basis of information provided to the Fund, it is estimated that official holdings of US dollars outside the United States, other than claims related to central bank assistance, increased in 1970 by about \$5.5 billion, to a total of some \$9 billion. The report analyses the shifts from and to the Euro-currency market and the impact of official Euro-dollar placements, which accounted for perhaps the major portion of the growth in that market. The expansionary effect of these placements is discussed, and note is taken of the decision made in the second quarter of 1971 by central banks of major countries to refrain for the time being from further placements of funds in the Euro-currency market and to withdraw funds when such action is prudent in the light of market conditions.

The Report points out that the very large expansions in holdings of foreign exchange involved a considerable shift in the proportions of the various reserve components. Thus, at the end of the first quarter of 1971, foreign exchange holdings comprised almost one-half of total reserves, compared with less than 40 per cent at the end of 1969 and less than 30 per cent at the end of 1967.

to almost six per cent of the total and gold holdings fell below two-fifths of countries' total reserves, compared with more than one-half at the end of 1969 and two-thirds at the end of 1951.

In analysing the type of reserve growth associated with short-term capital movements, the Report suggests that this type of increase can, at least in part, be of a temporary character, and that it tends to be concentrated in the particular countries receiving the capital, where it is associated with short-term external liabilities. Thus it does not involve the same addition to global reserve ease as a generalized increase of corresponding size in world reserves—for example, through SDR allocations. The analysis also notes that, while in most countries the domestic currency counterpart of SDR allocations is frozen, other reserve increases can add to monetary expansion. This can stimulate existing inflationary pressures in recipient countries and frustrate domestic policies.

After reviewing the subject of reserve ease and the adjustment process, the Report notes that a number of indicators point to a significant increase in reserve ease since the end of 1969. It does not undertake any judgment as to the implications that this increase may have for policy with regard to international reserve creation. A number of elements in recent developments including the role played by factors that may prove to be temporary, suggest that such a judgment can more suitably be made when these events can be seen in a somewhat longer perspective. It is noted that a decision with respect to future allocations of SDRs will need to be made in 1972, the final year of the first basic period.

General Issues

The Annual Report reviews a number of general issues for reserve policy and international monetary management raised by the recent disturbing and unplanned reserve developments. These developments occurred at the same time that deliberate management of international reserve creation began with the allocation of special drawing rights. Assessing the SDR facility in the context of developments in the international reserve system as a whole, the report comments on the smooth and effective use of the new international reserve asset in day-to-day operations, but adds that the experience has also emphasized that such action to create reserves is not of itself sufficient to regulate the volume of aggregate international reserves, and that further problems remain to be tackled if the reserve system as a whole is to be made

responsive to deliberate management. In this connection, persisting maladjustment in the balances of payments of some of the major industrial countries continues to have a serious impact on the development of the international reserve system, and the evolution of that system will be affected to an important extent by the pace at which the US payments deficit is reduced, with progress in that direction dependent in part on developments and actions in surplus countries.

The substantial portion of reserve growth in the form of foreign exchange balances, held both in the main reserve centres and also outside them in Euro-currency markets or in domestic currency in national markets of other countries, points toward the need, the Report says, to consider the desirability of co-ordination of policies regarding the location and management of reserves. The SDR facility marked an important step in the direction of international understandings on the rate of growth in global reserves. An important issue that will deserve further attention for the longer run is whether, and if so by what means, this general principle should be extended in some measure to cover understandings with respect to other forms of reserves.

Short-Term Capital

Another issue posed by the report, and currently under active consideration in the Fund and elsewhere, concerns ways in which the magnitude of short-term capital flows may be limited. The future need for reserves and for international credit facilities is seen to be dependant in part on the extent to which it will prove feasible and desirable to limit volatile flows of international funds by any of a broad range of possible official measures.

The volume of total output on a worldwide basis increased by only about three per cent from 1969 to 1970—markedly below the average growth of five per cent during the decade of the 1960s. The primary factor in this result was a modest decline in output of the United States. For the other developed countries, as well as for the less developed countries, the expansion of real output from 1969 to 1970, while slowing down somewhat, still amounted to some six per cent. For each of these groups of countries, it remained above the trend growth of 5½ per cent over the 1960s.

Throughout most of the world, the Report says, output changes in 1970 were accompanied by strong inflationary pressures. Price increases were larger

in 1970 than in 1969 in almost all the industrial countries, where the overall price rise from 1969 to 1970, amounting to 5½ per cent as measured by an average of GNP deflators, was almost twice as high as the average annual rate for the past decade. Among primary producing countries, the 1969-70 increases in consumer prices were also markedly larger than those of the previous year in most major areas; they averaged six per cent for the more developed countries in this group and nine per cent for the less developed countries.

Problem of Inflation

The Annual Report traces the course of economic developments and policies in the industrial countries during the latter part of the 1960s when inflation emerged as a serious problem, and calls attention to differences among countries in the timing and impact of the stabilization efforts of recent years. In particular, the role of restrictive monetary and fiscal policies in slowing total output expansion during 1970 is examined, as are the later efforts of several countries to stimulate renewed growth through expansionary financial policies. The application of stimulative policies was perhaps most notable in the United States, Canada, and the United Kingdom, where unusually high rates of unemployment in the first half of 1971 contrasted with virtually full capacity utilization in certain other industrial countries, and most notably in Germany.

At the present juncture, the Report states, a rise in the rate of expansion of total output in the industrial countries seems to be developing. The combined real growth rate of these countries turned upward in the first half of 1971 with a cyclical upswing in the United States and Canada, and this movement, as it proceeds, could be reinforced by a tendency toward faster output expansion in some other countries under the impact of easier demand management policies. At the same time that the rate of output growth is tending to increase, inflation continues to be a serious problem throughout the industrialized world. The determined efforts of national authorities will be required, in the Fund's view, to bring it under effective control, since the overall price rise in the major industrial countries from 1970 to 1971 is considered almost certain to be well above any rate that might be regarded as indicative of reasonable price stability.

The report stresses the persistence of strong cost-push forces in the industrial countries despite the clear

elimination of excess demand in all of the larger ones except Germany. In such circumstances, it says, there is a strong economic justification for the adoption of some form of incomes policy to supplement the use of fiscal and monetary policies in the continuing fight against inflation, although the question of the effectiveness and appropriateness of incomes policy is a controversial one in many countries.

The Report notes that the international spreading of inflation during recent years is clearly reflected in the statistics on world trade. In an expansion of approximately 15 per cent in its value from 1969 to 1970, some six percentage points were attributable to the price component. This feature contrasted with the earlier tendency, prevailing from the mid-1950s to 1968, for average prices of internationally traded goods to rise only slightly, if at all. The acceleration of increases in such prices after 1968 stemmed primarily from the pervasiveness and intensity of inflationary forces in the main industrial countries, which made it relatively easy for ex-porters to pass on to their customers a large part of the rapid increase in domestic costs of production.

Terms of Trade

In these circumstances, the report observes, there was a marked deterioration from 1969 to 1970 in the terms of trade of the majority of primary producing countries. Their import prices were raised by the widespread increases in unit values of exports from the industrial countries at a time when their own export prices were not at all buoyant because of the impact of the slowdown in the industrial countries on demands of those countries for raw materials. Because of the adverse shift in terms of trade, the international purchasing power of total export earnings of the developing countries rose much less in 1970 than in 1968 or 1969. However, the rise in effective purchasing power of such earnings from 1969 to 1970, amounting to about five per cent, was in line with its long-term trend. For oil exporting countries, agreements with the international petroleum companies concluded in late 1970 and the first part of 1971 foreshadowed sharp increases in export unit values as well as in revenues from oil production.

Reviewing shifts in trade balances in recent years, the report singles out several noteworthy changes from 1969 to 1970. One was a substantial rise in the overall trade deficit of the more developed primary producing countries, whose imports soared while ex-

port growth was reduced. Another was the marked deterioration in the trade balances of the smaller industrial countries in Europe as imports advanced rapidly with the emergence of strains on resources. In addition, there was a large increase in the combined export surplus of the seven largest industrial countries, reflecting chiefly a bulge in net exports from Canada, a shift from deficit to surplus in French trade transactions, and some rebound of the US export surplus from its depressed 1968-69 level. The historically high levels of the German and Japanese trade surpluses increased only moderately further from 1969 to 1970.

Imbalance in Basic Accounts

In its analysis of international payments developments during 1970 and 1971, the Report focuses on the persistence of imbalances in the basic accounts of the major industrial countries and the superimposition upon those underlying imbalances of large short-term capital movements. Chiefly because of such movements, there were extraordinarily wide swings in the balances of payments of individual industrial countries. The overall balance of the United States swung from an exceptional surplus in 1969 to a huge deficit in 1970, while the balances of all the other larger industrial countries moved sharply in the opposite direction, with the bulk of this counterpart movement concentrated in the German accounts. The sharp fluctuations in short-term capital flows, which were even larger in the early months of 1971 than they had been during most of 1970, are attributed by the Fund mainly to unusually wide differences in credit conditions and interest rates between the United States and Europe. Such differences arose from the divergence in cyclical positions of the two areas, coupled with fiscal-monetary policy mixes in both of them that placed particular emphasis on monetary policy in programmes to regulate domestic economic activity.

With respect to the basic imbalances that exposed the international monetary system to disturbances through large movements of yield-sensitive capital, the Report singles out the persistent deficit in the basic external accounts of the United States as the most important. It notes that the counterpart of this deficit is to be found in surpluses that are rather widely scattered among other countries. In addition to the sharp changes in the US and German external positions, the continuation of large surpluses in Japan's balance of payments was a prominent feature of the recent international payments situation. Another

feature was the positive swing of nearly \$6 billion in the French balance of payments from 1968 to 1970. Equally striking was the improvement after 1968 in the external accounts of the United Kingdom—an improvement that extended into 1971 and enabled the authorities, as in the case of France, to repay very large amounts of international debt. Other outstanding developments in the recent period included the emergence of a large Canadian surplus in 1970 and a strengthening of Italy's overall payments position. The report also notes a substantial 1969-70 increase in the aggregate payments surplus of primary producing countries. Including SDR allocations totalling \$1.2 billion, it amounted to \$4.2 billion in 1970, compared with \$1.6 billion in 1969. This increase, stemmed mainly from a sharp rebound in the net capital inflow, the uptrend in which had been interrupted in 1969 by stringent conditions in international financial markets. The resurgence of capital inflows in 1970 was particularly marked in some of the more developed primary producing countries, but the total net flow of capital and official aid to less developed countries also rose considerably. For the latter group of countries as a whole, this rise was more than sufficient to cover an increase in their combined current account deficit. While the resultant overall surplus was unevenly distributed among developing countries, it permitted a further increase in the aggregate reserves of that group of countries.

Fund Operations

(a) Special Drawing Account

In its discussion of the operations of the Special Drawing Account, the Annual Report says that during the period since the first allocation on January 1, 1970, SDRs have become established as usable and acceptable reserve assets. Participants have been willing to hold and acquire SDRs and have been able to use them readily to obtain needed foreign exchange.

The allocations made on January 1, 1970 and 1971 of SDR 3,414 million and SDR 2,949 million respectively increased official world reserves by five per cent in 1970 and 3.6 per cent in 1971. Use by participants in the 16-month period from the first allocation to the end of the Fund's fiscal year on April 30, 1971, totalled SDR 1,450 million, of which SDR 808 million was transferred between participants in 79 transactions, and SDR 641 million was transferred to the General Account mainly for repurchases and payment of charges. SDR 152-million was transferred from the General Account to

to participants, leaving the General Account with a balance of SDR 490 million at the end of the fiscal year. The total value of all SDR transfers thus amounted to SDR 1,601 million. Some participants had been both users and receivers of SDRs, and on April 30, 1971, the total net use of 81 participants, whose holding were below their cumulative allocations, was SDR 1,111 million. These included 55 primary producing countries, using more than nominal amounts, with a net use of SDR 732 million. The SDR 621 million in excess holdings of 28 participants, plus the General Accounts' holdings of SDR 490 million were the counterpart of the net use.

During the 16 months under review, 42 participants used a total of SDR 503 million to obtain currency from 32 participants designated by the Fund. SDR 436 million was used to obtain US dollars, SDR 43 million to obtain pounds sterling, SDR 19 million to obtain French francs, and SDR four million to obtain Italian lire. The principal currency provided was also the US dollar, in the equivalent of SDR 392 million. Since this was less than the amount of US dollars requested, net conversions into US dollars of French francs and pounds sterling were necessary, for a total equivalent to SDR 44 million.

Direct Transactions

An additional SDR 3.6 million was used for direct transactions between participants without designation. The United States used SDR 286 million to "buy back" or redeem balances of its own currency held by other countries, chiefly Belgium and the Netherlands. The United Kingdom used SDR 20 million in a similar operation with Germany.

During the period, 44 countries used SDR 635 million for repurchases from and payments of charges to the Fund. The United Kingdom and India made such transfers to the General Account of SDR 295 million and SDR 118 million, respectively. In addition, the Fund received SDR 5 million as inter-

est on its General Account holdings and SDR 2 million from assessments to cover the expenses of conducting the business of the Special Drawing Account. Total transfers to the General Account represented 40 per cent of all SDR transfers. The Fund itself transferred to participants SDR 152 million, as previously noted.

(b) General Account Operations

During the past fiscal year, 44 coun-

tries made drawings or purchases of 15 currencies in the equivalent of \$1.167 billion, a sharp decline from the \$3 billion in the previous year when France and the United Kingdom made important purchases. Slightly more than half of the 1970-71 purchases were within the super gold tranche position of the purchasing country and do not have to be repurchased. The report points out that the fiscal year 1970-71 was the first since 1962/63 in which repurchases by members exceeded sales of currencies. The report adds that the net contraction in the volume of the Fund's sales of currencies reflected, to a large extent, developments in the pattern of international payments and world liquidity. Repayments or repurchases remained about the same, at \$1.7 billion. Creditor or super gold tranche positions declined to \$1.7 billion from \$2.7 billion. The resources of the General Account increased to \$28,478 million from \$21,349 million largely as a result of the payment of increased subscriptions under the Fifth General Review of Quotas.

Standby Arrangements

During the year, 18 stand-by arrangements were approved, all for primary producing countries, authorizing purchases up to \$502 million. This was \$106 million more for this category of countries than in the previous fiscal year but \$1,880 million less than the total amount approved that year when large stand-by arrangements were approved for the United Kingdom and France. The Fund also approved use of the buffer stock financing facility to help member countries finance contributions to the tin buffer entered into force provisionally on July 1, 1971.

(c) Gold

The Annual Report states that the Fund's transactions and operations in gold during the fiscal year were the largest in its history. During that period, the Fund received gold in a gross amount equivalent to \$2,684 million and disbursed gold to members in an amount equivalent to \$1,109 million mostly or the replenishment of its currency holdings.

On April 30, 1971, the Fund's old holdings were equivalent to \$4,338 million, compared with \$2,763 million one year earlier. During the fiscal year, the Fund received gold from two main sources: (1) the equivalent of \$1,744 million in increased gold subscriptions in connection with members' increases in quotas under the Fifth General Review and (2) \$390 million in gold purchases from South

Africa, following the purchase of \$283 million during the first four months of last year. The equivalent of \$63 million was acquired as a result of members paying their initial gold subscriptions.

The Fund replenished by sales of gold its holdings of the currencies of two members which mitigated the impact of gold losses arising from their sales of gold to 75 other members for purposes of enabling the latter to pay to the Fund the gold portion of their increases in quotas. For this purpose the Fund sold the equivalent of \$548 million to the United States and \$16 million to Austria. In addition, partly as a consequence of its purchases of gold from South Africa, the Fund in September 1970 and in April of this year decided to replenish its currency holdings by sales of gold amounting to \$325 million and \$320 million, respectively; participants in the Special Drawing Account were given an option to receive SDRs from the Fund instead of gold that was to be sold to them. Three members opted to receive SDR 67.5 million at the time of the sale of gold in September 1970, and three members received SDR 56 million in April. The Annual Report points out that with these two operations the Fund sold in replenishment the equivalent of nearly all the gold it purchased from members during 1970.

Short-Term Securities

In September 1970 the Fund reacquired half of \$800 million of gold which had been sold to the US between 1956 and 1960 for investment in short-term US Treasury securities, to income from which was to be used to meet past and possible future administrative deficits incurred by the Fund.

In a decision adopted on March 22, 1971, the Executive Directors also agreed on guidelines for future sales of gold, other than those sales designed to mitigate the effects of quota increases. With respect to gold acquired by the Fund under Article V, Section 6(a) the guidelines provided that, unless there was no case for replenishment, it should be presumed that gold sales would be justified in amounts roughly corresponding to the amounts acquired under that section since the last preceding sale. The guidelines further provided that other sales of gold would be made at times and in amounts determined by the Fund's need for replenishment. The Directors also defined further considerations for such sales and agreed on the criteria for distribution of gold sales among member countries.

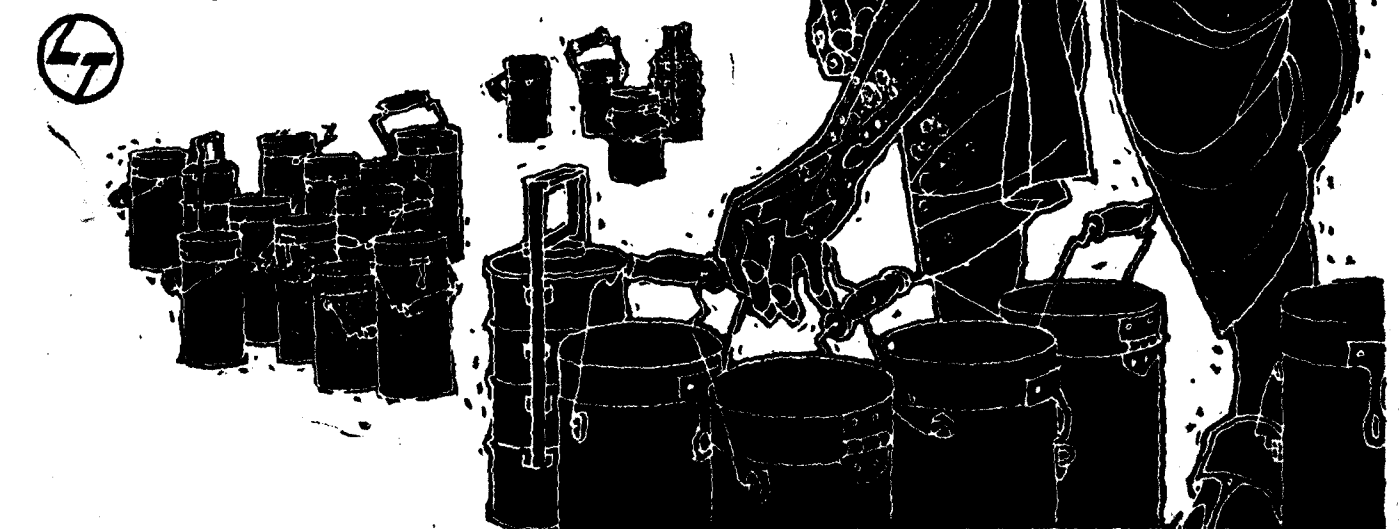
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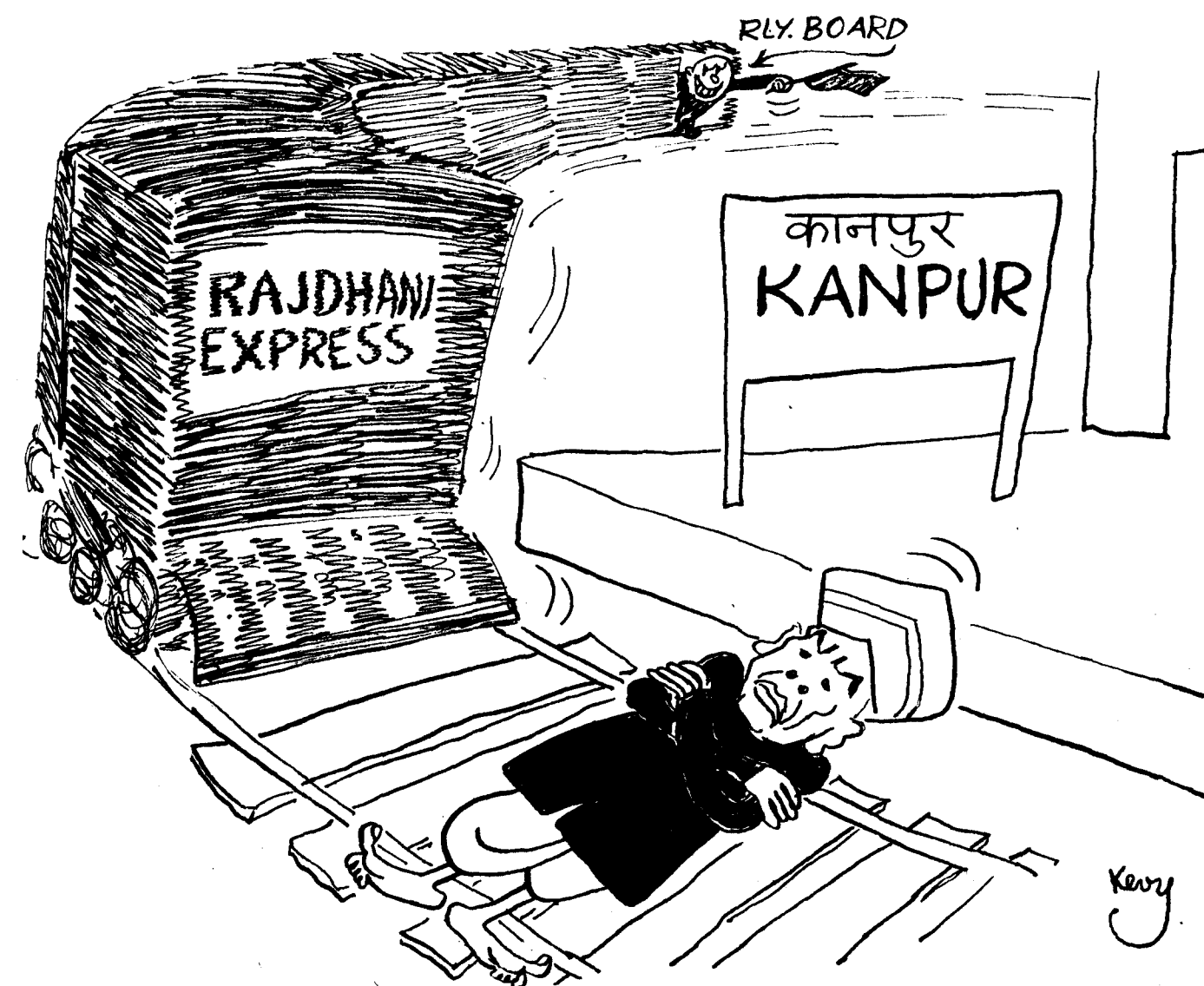


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EASTERN 13 ECONOMIST

EES 1.50 SEPTEMBER 24, 1971 VOL. 57

Between Nassau and New Delhi
The Problem of Foreign Debt
Storm Signals for Sugar
A View of the Public Sector



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SEPTEMBER 24, 1971

Between Nassau and New Delhi ..	547
The Problem of Foreign Debt ..	548
Idling Bank Money	549
Storm Signals for Sugar	550
Time to Cheer Up Tea	551
Towards Faster Travel	552
A View of the Public Sector	553
—V. Balasubramanian	
Working of Super Bazars	556
—N.S. Gopalan	
WINDOW ON THE WORLD ..	561
Cost of Bank Finance : International Comparisons.	
National Interest to the Fore.	
THE MOVING FINGER WRITES ..	565
TRADE WINDS	566
Currency Developments; Hindustan Steel; Conserving of Bank Funds; Investment Guidance Bureau; IFC; Hindustan Machine Tools; National Seeds Corporation; Certificates for Exports; Indian Airlines; Tractor Imports; Exports to Nepal; Steel Mill in Libya; Trade with Hungary; Vijayanagar Steel Plant; Names in the News.	
COMPANY AFFAIRS	568b
UCO Bank Ltd; Simco Meters; Orient Paper; Motor Industries; New Great Insurance; Guest Keen Williams; Licences and Letters of Intent.	
COMPANY MEETING	576
Hindustan Teleprinters Ltd.	
RECORDS AND STATISTICS ..	578
IFC Report : 1971.	
Wholesale Prices; Index Numbers of Industrial Production; Money Supply with the Public; Factors Affecting Money Supply; Reserve Bank of India; Scheduled Commercial Banks; Index Numbers of Security Prices; Consumer Price Index Numbers for Industrial Workers and for Urban Non-Manual Employees.	

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BETWEEN NASSAU AND NEW DELHI

IN MILTON'S great epic poem, the plight of the shorn Samson was described in moving terms as "eyeless in Gaza, at the mills with slaves". No epic tragedy has yet overtaken our Finance Minister, but we have a suspicion that he may find himself even more helpless in Nassau than Samson was in Gaza. At the annual sessions of the IMF and the World Bank, the leader of the Indian government delegation, surely, will be just neither here nor there. Our Finance Minister however is either unwilling or unable to recognise this. He talks as if he is going to rally the developing countries to his side and thus make an impact on the discussions of the future international monetary system. This, indeed, is ambitious talk. In Nehru's time there used to be in New Delhi a sentiment that the government of this country mattered in international politics. Today it would be even more unrealistic to suppose that India matters internationally, of all things, in the economic field. This is not merely because the present Finance Minister is a lesser man than the earlier Prime Minister; New Delhi is a lesser national capital now than it was 15 or even 10 years ago.

As for Mr Chavan himself, his personal political fortunes have been as determinedly downward as the international status of our government or tempo of our economic growth. When he reassuringly replaced Mr Krishna Menon at the Defence Ministry, this country was inclined to think even more of him than he himself did. When he moved to the Home Ministry against the background of Mr Gulzarilal Nanda, the country still thought of him at least as well as he did. Today, when he has been Finance Minister for a little over a year, he must surely be having a better opinion of himself than the country does.

It did not need the negativism of his budget for the country to catch on to the idea that the present Finance Minister cannot be depended upon to do any worthwhile thinking on activating the human and physical resources of the economy and gearing their potential to higher rates of economic growth. Indeed there has never been a Finance Minister who has been so impervious to the influence of other views or ideas as Mr Chavan. He is disposed to dismiss any criticism of the government's economic policies as the parrot-cry of vested interests. (It is true that Mr Uma Shanker Dixit too believes that the business community should endorse in advance the government's economic policies before there could be any dialogue between the two, but then Mr Dixit is not professionally obliged to know any better.)

At a time when the government machinery for economic policy-making or administration is so obviously stumbling without direction or even a sense of equilibrium, the Finance Minister is still content to insulate himself with advice which would flatter his prejudices or please his ears. In the circumstances, we wonder what good is at all going to come out of the much-advertised conferences and confabulations of the Prime Minister with her colleagues on the economic crisis confronting the country. Meanwhile, before hurrying off to Nassau, the Finance Minister has asserted himself in his own petty manner in a matter of detail.

For quite some time now, the Embassy of the Federal Republic of Germany in New Delhi had been engaged in organising a visit to its country by a delegation of leading industrialists and others who may be significantly associated with the affairs of the Indian economy. This delegation has now taken shape and its members will assemble in West Germany in the first week of October. Besides its leader, Mr S.S. Kanoria, President of the Federation of the Indian Chambers of Commerce and Industry, the group includes Mr A.M.M. Arunachalam, Lala Charat Ram, Mr B.M. Ghia, Mr D.C. Kothari, Mr N.R. Modi, Mr H.P. Nanda, Mr G.R. Poddar and Mr G.L. Bansal.

Here Mr Chavan comes into the picture because he has vetoed the association with this delegation of Mr R.S. Bhatt, the Chairman of the Unit Trust and Mr R.K. Talwar, the Chairman of the State Bank. It is worth noting that the proposed participation of these two individuals was duly cleared both by the Governor of the Reserve Bank and the Secretary to the Government in the Department of Economic Affairs of the Ministry of Finance. This 'clearance' was regarded necessary in view of the semi-official status of the Chairman of the Unit Trust and Chairman of the State Bank. At the last minute, however, Mr Chavan seems to have decided that Mr Bhatt and Mr Talwar might get corrupted in the land of successful private enterprise especially if they were to visit it in the company of some of the big boys of the private sector. Mr Bhatt and Mr Talwar head institutions which are supposed to enjoy a certain degree of autonomy in respect of their relations with the government. It is a pity that this concept of autonomy should have meant so little to the Finance

Minister. Worse still, it would be surprising if the West German Embassy here or its government in Bonn has not been upset by this cavalier attitude of the Finance Minister. To the extent that what Mr Chavan does involves the government of India, we cannot but condemn the latter for its churlish

The Problem of Foreign Debt

TO BE the prisoner of a slogan is bad enough; to find oneself its victim is worse. Our national or at least political attitudes towards foreign aid have hardly been straightforward. There has been repetitive affirmation of our resolve to depend less and less on development assistance from other countries without there being a corresponding effort on our part to develop our capacity to reduce that dependence. Fortunately or unfortunately, we may soon be compelled to practise as a necessity the self-reliance which we would rather be content to preach to ourselves as a virtue. President Nixon's recent announcement of a summary cut of 10 per cent in the US government's aid programmes has brutally underlined the fact that development assistance has become a marginal element in the thinking of donor countries.

It is highly unlikely that loan commitments and grants available for developing countries will hereafter cross the peak of about \$8.7 billion which was reached in 1968. India's own experience underlines this global trend. During the periods of the second and third Plan, the net inflow of external resources financed as much as one-fifth of our investment outlays. By 1969-70, however, this proportion had fallen to 13 per cent and, during the fourth Plan period, only about eight per cent of the aggregate investment expenditures in the economy is expected to be met by a net inflow of external resources.

With the gross inflow of development aid declining, the emphasis now has to be more than ever on its net availability for, thanks to the recipient countries' obligations of servicing debts already contracted, the scope open to them to draw on external resources for financing further investments is restricted not only by the fall in the amounts of new loans or grants available but also by the growing burden of debt service payments. In respect of eighty developing countries considered in this context, these payments amounted to \$2.18 billion in 1961 as against a total of \$8.37 billion made available to them as loan commitments and grants in that year. In the case of

conduct towards the friendly government of a friendly country which has all along been extending large-scale economic assistance to our country and which, especially after Mr Willy Brandt became Chancellor, has been displaying much sympathy for New Delhi's political entanglements with Pindi.

This is the text of a script by the Editor for a broadcast in the "Spotlight" programme on Wednesday, September 14, and is reproduced here by courtesy AIR.

our country alone it is estimated that during 1970-71 our total debt servicing would absorb Rs 435 crores as against Rs 769 crores of gross aid receipts. The annual outgo of foreign exchange on account of servicing of debts already incurred has since been and continues to be well over this level.

The World Bank study has stressed the fact that for many developing countries, especially those in Asia and Africa their debt outstandings and debt service payments have been growing much more quickly than their gross national product or foreign exchange earnings. As a result the ratio of debt service to foreign exchange earnings has grown rapidly in these countries. The World Bank Report speaks of this debt service ratio having increased in respect of both India and Pakistan from about five per cent in 1960 to over 20 per cent in 1970. More up-to-date data is even more disturbing, for the Indian position at present is that debt absorbs nearly 30 per cent of the country's export earnings. Even if the export targets of the fourth Plan are struck, this percentage may fall but only slightly.

Ideally aid ought to be an asset to development in the recipient countries. This in fact is what aid is all about. But now aid has led to what the Lester Pearson Report sometime ago had described as an explosive debt problem for the developing countries. This problem lies in the fact that, if developing countries are to fulfil duly their debt service obligations, they will have precious little left of available new aid for financing further investments in their economy. In other words, they would be borrowing again largely in order to pay interest on or part of the principal of earlier debts. In case they fail in their obligations as debtors, they would be hastening the tendency of new loans or grants commitments by donor countries to decline. This too would result in a contraction of exter-

nal resources available for further development.

At the same time there is the cruel truth that many developing countries have no choice in the matter. Pakistan recently suspended the transfer of debt service payments to sources of official bilateral development assistance, except where service can be made in kind. But this is a crisis measure which is primarily related to the other larger crisis in East Bengal. Even otherwise, Pakistan like many other developing countries including ours undoubtedly has debt servicing difficulties. It is true that only eight developing countries have actually undertaken multi-lateral re-negotiations since the mid-fifties. Most of the countries included in this short list, however, have sought re-negotiation on several occasions and what is perhaps more important, some of the largest debtors among the developing countries find a place among this eight.

India is to be found in this company and had secured from the World Bank Aid Consortium a commitment of Rs 225 crores for debt re-scheduling or re-financing for the three-year period ending 1970-71. Further relief of up to Rs 75 crores has been negotiated for the current financial year. It may be confidently predicted that re-scheduling or re-financing of existing indebtedness would continue to form as much a part of aid negotiations in the future as requests for or commitments of new loans and grants. Debt relief and the softening of aid terms have become inescapable if development aid is to fulfil its long-term purpose.

Meanwhile controversy rages, not without acrimony, about who or what is responsible for the emergence of this debt problem. The donor countries have been blamed for the unrealistically harsh terms on which aid has been granted in the earlier years. The recipient countries in their turn have had to face the charge that they have been wasting aid or at least spending a lot of it unwisely. An accusing finger has been pointed at expenditures on projects of prestige rather than performance. The emphasis here has particularly been on failure to establish or promote export capacities needed for servicing debts incurred abroad. The World Bank Report, while striving to keep its balance in this debate, is clearly inclined to attach greater weight to the need for the better management of aid or even better economic management generally in developing countries. It should of course not be very difficult for developing countries to realise that, in their own

interest, their economy and specifically their export earnings should grow faster than their external indebtedness — which, unfortunately, has not been the case so far in many of them. The urgency of improvement is greater now than ever before, with the White House having flourished the

Idling Bank Money

THE ABSENCE of heavy pressures on the banking system in the past few months is somewhat intriguing as not long ago it was felt that the scheduled commercial banks particularly would continue to be in an over-extended position and the refinance facilities provided by the Reserve Bank of India would have to be fully utilised. The developments in the current slack season, however, have come about in an entirely unexpected manner and borrowings of scheduled commercial banks from the central banking institution during the week ended September 3 amounted to only Rs 85.93 crores against as much as Rs 195.93 crores in the corresponding week in 1970. This situation has occurred in spite of the fact that the Food Corporation of India and other state agencies have been carrying out procurement operations on an unprecedented scale and at least two million tonnes of foodgrains have been procured additionally in the past few months as compared to the same period last year. This would mean that about Rs 130 crores at least would have been lent by commercial banks to the Food Corporation and others. There should have, therefore, been a large increase in borrowings of member banks from the central banking institution if there had been expansion of credit for use by borrowers in the priority sectors and industry and trade.

It must be pointed out, however, that there has been a release of funds from other directions due to a decline in stocks of sugar, raw cotton and other items. But the decline in advances of banks on account of these factors could not have been more than Rs 100 crores which would suggest that, in the absence of any growth in deposits, borrowings should have stood at about Rs 220 crores on an adjusted basis. There has, of course, been a rise in deposits by over Rs 150 crores so far in the current year as compared to the corresponding period in 1970 which would have been helpful in reducing borrowings if there had been no significant increase in investments in central and state loans and bonds of public bodies.

The reduced strain on the banking system will be borne out by the fact

axe at development aid. Aid, hereafter, may be forthcoming perhaps on softer terms, but certainly in smaller quantities. This imposes a double compulsion on developing countries to utilise more efficiently and purposefully such external resources as may continue to be available to them.

that against the increase in deposits of scheduled commercial banks in the 12 months ended September 3, by Rs 1,032 crores, advances have risen by only Rs 589 crores and investments by Rs 202 crores. There has actually been a decline in borrowing, as stated above, to the extent of Rs 110 crores. In the whole of 1970, there was an increase in advances which was even in excess of fresh addition to deposits and, as there was a rise in the statutory liquidity ratio by three per cent, it became compulsory to borrow heavily from the Reserve Bank of India. The position would have become more complicated if many banks had not maintained investment portfolios in excess of statutory requirements.

The slow growth of advances in the face of heavy expansion of credit for procurement purposes is an indication that there has either been needless denial of credit to industry and trade for legitimate purposes or banks have become cautious in lending to borrowers in the priority sectors pending a study of the character of earlier small advances with a view to finding out whether there were large sticky amounts. There has, of course, been restriction of credit against cotton while industrial production has not been increasing on the anticipated scale. These developments are not quite encouraging as economic activity has not been improving at the desired rate even with a further rise in agricultural production. If new records are established in the output of foodgrains in 1971-72 and there is no concurrent growth in industrial production, there may be an accentuation of inflationary pressures on account of a demand for consumer and durable goods in excess of availability.

While these problems have to be tackled effectively from the long-term angle, the scheduled commercial banks may be feeling comfortable for some time because there has been a decline in the credit-deposit ratio to 74.29 per cent during the week ended September 3 from 77.57 per cent in the corresponding week in 1970. If there is a continued rise in deposits and also a decline in advances due to a

further drop in sugar stocks, it is quite likely that borrowings of member banks from the central banking institution can be even wiped out fully before the advent of the busy season. There will, however, have to be support from the banking system to the new loans that would be floated by the central government for completing its borrowing programme for the current year. There will have to be minimum cash subscriptions of Rs 100 crores for reaching the target of Rs 168 crores for 1971-72. As there will also be open market sales by the Reserve Bank of India and issues of bonds by the state electricity boards and statutory finance corporations, about Rs 150 crores may have to be earmarked for fresh investment in gilt-edged securities. It can be safely expected that the new growth in deposits in September and October will take care of the needs of the central government and public bodies while there will be a drop in advances against sugar alone in these two months by Rs 60 crores.

There is thus the prospect of member-banks being in a comfortable position at the beginning of the 1971-72 busy season while they had borrowings of Rs 150 crores from the Reserve Bank of India at the commencement of the last busy season. There may not, therefore, be any great difficulty in meeting the requirements of industry and trade after November, especially as it is expected that the output of sugar will not be more than 36 lakh tonnes against a little over 38 lakh tonnes in 1970-71. Also, with a fairly brisk off-take, the net additions to stocks during the peak of the crushing season may not be sizable while by the end of September next year there can be a net reduction in the carry-over from the current season by even seven lakh tonnes.

There will, however, be unexpected pressure if the procurement of foodgrains exceed expectations and there is an increase in buffer stocks by another three million tonnes. The position in this regard will become clear before the middle of next year though it is emphasised that procurement will have to be a continuing operation if the kharif crops prove to be satisfactory in spite of floods and drought in many parts of the country. If there is a strident growth in deposits and no attempt is made by the Reserve Bank to raise the statutory liquidity ratio for scheduled commercial banks, as is speculated in some quarters, all legitimate needs of industry and trade and small borrowers in the priority sectors can be easily met. Only, it is necessary to watch carefully fresh developments and impose curbs where it is found that

funds are being used for speculative or unproductive purposes. In the altered circumstances, there is no need for a policy of undue restraint which will have a stifling effect on the economy. As there are indications to suggest that the increase in deposits in 1971 may be even more than Rs 1,100 crores, nearly Rs 300 crores more than the

Storm Signals for Sugar

THE RECENT hardening of sugar prices, despite the fact that the country has at present a very comfortable stock of the commodity, should be a pointer to the ugly portents developing on the sugar front. In some areas to which transport difficulties have emerged either because of the inadequate availability of railway wagons or owing to the unprecedented floods, the uptrend in prices can be well understood. The recent upward revision in the tariff value of sugar by Rs 10 per quintal may also have been a contributory factor to the rise in prices. But the more important reason appears to be the fear in trade circles that the next year's output may show a sharp decline.

With a view to combating the recent rise in prices, the industry can be complimented for offering to state governments the supply of a sizeable portion of the monthly releases of sugar for sale through fair price shops. This should help in containing prices. But the more important aspect of the problem that deserves serious notice is the outlook for the next season's production.

According to industry circles, the acreage under sugarcane this year has gone down by 15 to 20 per cent. The recent floods might have also done some damage to the standing crop. These two factors can be expected to reduce the cane availability substantially. If the trends in the gur market are any indication, a serious shortfall in the cane crop in the ensuing season is not ruled out. On current indications, the output of sugar in the forthcoming season may not exceed 32/33 lakh tonnes, as against nearly 40 lakh tonnes this year and about 42 lakh tonnes last year. If these fears come out to be true, the tightness in the sugar market will surely become acute. The carryover stock at the end of the current season is not expected to be more than 15/16 lakh tonnes, thanks to consumption around 40 lakh tonnes exceeding all estimates. The total availability of sugar next year, thus, may not be more than 48/49 lakh tonnes. Allowing about four lakh ton-

growth in 1970, and in 1972 fresh additions may be easily Rs 1,400 crores, with continued good health of the agricultural sector, it will be no exaggeration to say that the readjustment to the new situation is fast taking place and it will be inadvisable to impose unnecessary shackles on industry and trade.

nes for exports and even assuming that the domestic consumption would not go up any markedly next year, the carryover stock at the end of the next season will dwindle to just about five lakh tonnes — a level fraught with dangerous potentialities.

This development on the sugar front, in fact, will be just a repetition of the early 1960s events when acute shortages of the commodity started developing, primarily as a result of fall in cane acreage. The experience of sugar being sold at Rs 5 to Rs 8 per kilogram in the mid-sixties is too fresh to be dwelt upon at any length here. Unless ener-

getic steps are taken to obviate any substantial setback to sugar output in the next season and a further shrinkage in cane sowings in the next three months, the situation may well go out of hand.

The two obvious steps to ward off the above dangers are the curbing of speculation in gur and the raising of the minimum cane price. An expeditious decision in regard to the former step is warranted in the interest of making enough cane available to sugar factories during the ensuing season. The latter measure is necessary for increasing cane acreage for the 1972-73 crushing season during which the crisis is likely to be most acute. To what extent the minimum cane price should be stepped up, of course, is an issue of detailed analysis by agricultural experts. The mounting cost of production and the attractive prices the farmers are able to get for alternative crops, however, have apparently made cane cultivation a less profitable proposition. The choice before the government today is between allowing a "controlled" small increase of 10 to 15 paise per kg in sugar prices next year through a raise in the minimum cane price and a

Eastern Economist 25 Years Ago

SEPTEMBER 27, 1946

The Interim Government has apparently not come into grips with the crisis of inflation. During the last few days the question of fixing fair prices for several articles has been coming up, and each case is decided on its own merits. At the Sugar Advisory Committee meeting held on Wednesday this week, it was decided to increase the price of cane from 14 as. to Re. 1-4 a maund and of white sugar from its present price of Rs 16-8 to Rs 20-14 per maund. Departures from these prices are to be allowed if after an examination of the position in individual provinces and states any change is considered necessary. A strong case can, of course, be made out for this increase in price. The cultivator finds (a) that growers of other crops get more return, (b) that costs of cultivation have increased, and (c) that his cost of living has mounted up very high. The argument that clinches the matter is the undoubted possibility of a drop in the supply of sugarcane and consequently

in the production of sugar. Within its own framework the logic is unanswerable. Again, at the end of last week the continuance of price control in respect of jute and jute goods came up. We are glad that it has been decided to continue price control over both raw jute and jute goods and that the Bengal Government has more or less agreed to its continuance. But the prices are to be considerably higher than at present, though we are yet to know at what levels they will be finally fixed by the Government. Again there is a strong and overwhelming case for a higher jute price and higher, if not proportionately higher, jute goods prices. The arguments are practically the same as in the case of sugarcane and sugar, but with the added difference that in the case of jute and jute goods, the foreign buyer will pay the higher prices and both the Indian cultivator and the Indian manufacturer (including the worker) will benefit. Again the logic is unanswerable.

sharp spurt in prices later resulting from a shortage of the commodity. From the point of view of consumers,

the obvious choice is the former alternative. Will the government make up its mind before it is too late?

Time to Cheer Up Tea

IN HIS presidential address at the seventeenth annual general meeting of the Tea Association of India held in Calcutta on September 7, Mr B.C. Biyani highlighted the "new phase" into which India's tea industry has entered in last two years. While all the other major producers continue to depend on the international markets for the disposal of the bulk of their tea, the internal consumption in India, though very low on per capita basis, has now grown to a volume which provides a measure of stability to the marketing of tea produced in the country. But this has created the need to increase production much faster in order to cater fully for the internal and export demand.

Mr Biyani made some specific suggestions to improve the yield per acre and increase the total production. He gave priority in his programme to fiscal measures like a full refund of excise duty on exports, readjustment in the excise duty for the different zones, levelling of income and agricultural income-tax to a standard level, which will leave sufficient resources in the hands of the industry for expansion, depreciation on some fair basis in respect of plantations; and continuance of developmental allowance on tea, which has been suspended for the last two years. These suggestions are not new — they have been made by many official committees in the past — but reiteration surely does not detract from their merit. For instance, there is hardly any justification for not fully refunding the excise duty on the tea that is exported. Tea perhaps is the only export item that continues to be subjected to excise duty. This levy adds to the cost of tea production and affects the industry's profit. Its incidence has been particularly heavy on the estates of Darjeeling and Nilgiris. The average auction price realised by Darjeeling tea (exclusive of excise duty) was Rs 11.12 per kg in the season 1970 compared to Rs 11.18 per kg in the previous season.

The government should consider these proposals favourably since the financial health of the tea industry has suffered seriously because of unprofitable working due mainly to causes beyond its control. While the union Finance Ministry may take time to make up its mind about fiscal relief, something should be done immediately

to simplify the procedures and conditions by which loans and other assistance are made available to the industry from the Tea Board or from other financial institutions. The problems of tea finance are now under study by a team set up by the Reserve Bank of India. But even before the team submits its report, a great deal can be done to eliminate procedural delays and other tedious formalities which the tea companies have to observe while seeking assistance from the Tea Board or other institutions.

Mr Biyani rightly emphasised the imperative need to increase the yield per acre by intensive cultivation, improvement of soil and drainage, prevention of diseases, and introduction of perennial plucking. Official figures reveal little improvement in the country as a whole in the yield per acre of tea in the recent years. For example, in Assam the yield per acre was 1264 kg in 1964 and 1211 kg in 1968. The table below compares the yield per acre in India and other tea producing countries.

The figures show that while the yield per acre in India has practically remained stagnant between 1964 and 1968, the yield in east Africa has impressively increased from 779 kgs to 936 kgs in this period, and in the subsequent years there has been a further improvement.

Mr Biyani pointed out that the adoption of perennial plucking had helped the planters in north-east India to increase production, improve profits, and provide steady employment to workers. His words deserve quotation, "A storm was raised against the conception of perennial plucking when the idea was first advanced to the industry in north-east India. People

thought it to be an incredible thing that could not survive a moment. But when Jay Shree Tea & Industries Ltd. pioneered the techniques and showed the actual results, everyone realised how important an innovation this was. Now we find that perennial plucking is being progressively adopted by ever-increasing number of planters in north-east India."

The following table shows how production has been doubled by adopting perennial plucking:

(Million kgs)

1960	7.51
1966	8.21
1967	10.08
1968	12.93
1969	14.43
1970	14.96
1971	13.99

The Chairman of the Tea Association stressed the importance of securing a higher unit value for our exported tea. "Our main worry", he said, "is not maintaining and/or increasing the share of our export markets but the increase in the unit value of the export. We have begun to accept that it is good even to restrict exports if that can improve the unit value of the tea exported, and even though for achieving these restrictions of exports, all countries have to regulate their production." In this context, it is relevant to note that Indian tea fetched lower prices in many markets in 1969 as compared to the previous year. The value per kg of Indian tea exported to the UK declined from Rs 8.15 in 1968 to Rs 7.17 in 1969, to the Irish Republic from Rs 7.74 to Rs 7.48, to the Netherlands from Rs 8.34 to Rs 7.72, to the USSR from Rs 8.34 to Rs 7.72, to the USA from Rs 7.43 to Rs 7.11 and to the UAR from Rs 6.17 to Rs 5.80.

An important point that deserves New Delhi's attention is the need to step up our tea exports to countries which bring us free foreign exchange.

TEA YIELD PER ACRE—INDIA AND OTHER COUNTRIES

(In kgs)

Country	1964	1965	1966	1967	1968
Ceylon	912	949	921	911	930
Indonesia	608	655	609	538	684
East Africa	779	777	920	871	936
Pakistan	774	702	720	723	675
India	1090	1061	1081	1096	1139

Mr Biyani did not deal with this aspect. But J. Thomas and Co., in their latest annual report, have cogently argued the case for directing more of our exports to the general currency areas. The report says, "Buying by these countries (that is, the UAR, Afghanistan, the USSR and other countries of east Europe) is not necessarily influenced by price levels, and the fact that the budget concessions made Indian tea cheaper to buy did not result in an increase in exports to these countries. It is possible that in the coming years, those countries, with whom India has bilateral trade agreements, may themselves be looking for trade with countries who can offer convertible currency. Therefore, too much dependence on exports to these bilateral agreement countries, at the expense of trade with free currency payment countries, may not be to India's advantage. Efforts must be made to increase exports to countries who pay in convertible currencies. These, of course, are the most difficult markets as they are the most competitive. Quality, price and the ability to ship any purchases quickly and efficiently will play a vital role in the success or otherwise of endeavours in this direction."

Mr Biyani deplored the declining importance of Calcutta to the tea trade. India could have exported more tea in 1970 but for the general disturbances in Calcutta, the strikes in the port, and warehouses, and deterioration in the services provided by the banks. Mr Bayani said, "These have not only affected the importance of Calcutta as the biggest centre of tea but have also set new trends which will eventually reduce its importance in this sphere. As it is, the West Bengal Entry Tax was a big enough inhibition against bringing teas to Calcutta. Now, diverting them elsewhere certainly becomes a more profitable and welcome proposition." In 1970 about 47 million lbs of tea were shipped from Kandla port to the UK, Ireland and the continent.

According to J. Thomas & Co., "the situation in Calcutta has had an extremely detrimental effect on the tea trade and industry as a whole". They recall that "Calcutta has a fine tradition of efficient service to the tea trade and it will be most unfortunate if, for various reasons, this cannot be sustained. The chronic disruptions in Calcutta during the last year in particular cannot but affect buyer's confidence to purchase from Calcutta, for does not know when the warehouses or the Port will be on strike. By the same token, buyers for internal consumption will make endeavour to obtain supply outside the Calcutta market."

In view of the fall in the level of employment in West Bengal and the imperative need to create more jobs the government of India and the state government should see to it that Calcutta's importance in the country's

Towards Faster Travel

ON OCTOBER 1, when the Indian Railways break the 118-year-old speed barrier of 96 kilometres per hour on the broad gauge system, the Railway Board would be accomplishing one of the most important tasks it has set before itself. On four trunk routes — (i) Delhi/New Delhi-Howrah (both Grand Chord and Howrah-Burdwan Chord systems); (ii) New Delhi-Bombay Central (Frontier Mail route), (iii) New Delhi-Madras Central (Grand Trunk route) and (iv) Howrah-Nagpur-Bombay VT — the maximum speeds of trains would be raised from that day to 120 km/h in the first case and 100 km/h in the latter three cases—10 km/h increase in all cases. (The only train in the country whose top speed currently exceeds 96 km/h is the recently introduced Rajdhani Express connecting New Delhi and Howrah. Its maximum speed is 110 km/h). Ultimately, the trains on these routes would run to 160 km/h by April 1, 1975. On several other routes the speeding up by 1975 would be up to 130 km/h.

Compared with the advanced countries, the above step of the Railway Board is indeed a modest one. Speeds up to 160/200 km/h are currently achieved by the railways of most of the advanced nations in their day-to-day operations. They are even contemplating speeds up to 250 km/h in the near future. For instance, a new standard gauge line was constructed in Japan a few years ago over the 515 km route between Tokyo and Osaka on which trains are running at a speed of 210 km/h. The Japanese National Railways will soon extend the new Tokaido line from Osaka to Hakata — a distance of 562 km. The first 162 km portion between Osaka and Okayama is expected to be opened in 1972 for trains to run at a maximum speed of 250 km/h. On the continent, the French National Railways achieved in 1955 the world record of 331 km/h. Currently, the French Railways are running at speeds varying from 140 to 200 km/h. The maximum speeds in the Soviet Union range between 120 and 250 km/h. In the United Kingdom, speeds around 160 km/h are not uncommon. The US trains have speeds normally between 127 km/h and 145 km/h, but in some sections speeds up to 192 km/h have been recently introduced, for example in the case of the North-East Corridor between New York and

tea trade is not diminished in any way. Mr Siddhartha Shankar Ray, the union Minister for West Bengal Affairs, should look into this matter and take effective steps to revive the health of the tea industry.

Washington. Studies are in progress abroad for attaining normal speeds up to 250 km/h. Our railways, of course, can be expected to go in for such high speeds only towards the end of the present century. The speeding up of trains to 130/160 km/h, however, is not insignificant though a modest step.

The real significance of the Railway Board's above decision, of course, is not just to provide faster passenger traffic in fulfilment of the outstanding desire of passengers to travel overnight to places situated 1000-1500 km apart. It is to make the most efficient use of the present track and rolling stock facilities. With air travel expected to remain out of reach for the vast majority of our people for decades to come, faster train services obviously are an answer for the growing requirements of traffic—both passenger and goods traffic. The speeding up of trains will indeed require some fresh investment on the strengthening of track at some places, improving of the rolling stock designing and construction, modernising of signalling, etc. But the assessment after the recent trials put this additional investment at not too large a figure. The speeding up of passenger trains, it is expected, will automatically help in running more goods trains. Large scale fresh investment, thus, can be diverted to areas where the railway network is not adequately developed as yet.

The accelerating of the speeds of both passenger and goods trains should help in attracting larger custom to the railways, leading to a good deal of improvement in their financial position. The optimum utilisation of their facilities should also help in bringing down the cost of operations. If more traffic is available because of the speeding up of operation the gain can be doubled. Along with the decision to speed up the four routes mentioned above, it is encouraging to note that the Railway Board is contemplating to increase the number of bogies in the speeded up trains from 17 to 20. The postal bogies are also proposed to be detached from these services. The net increase in bogies will, therefore, be four per train. The entire additional accommodation will be provided for the third class passengers. Each of these trains will be accommodating nearly 250 additional passengers. A boon indeed for the less affluent travelling public!

A View of the Public Sector

V. BALASUBRAMANIAN

THERE HAS generally been more debate than dialogue among those who have been discussing the performance of the public sector and in particular the functioning of the manufacturing or trading undertakings of the central government. Such of us as may swear by our ideological faith in nationalisation or have strong political motivations for advocating government entering all kinds of business naturally would not hear of anything being wrong not only with the concept of a public sector in industry or commerce but also of its actual functioning in this country. They are always out to invent excuses, discover alibis or go after scapegoats. The critics of the public sector on the other hand are often unwilling to face the reality that the public sector has become part of our political establishment and is likely to keep growing for at least as long as we may care to attempt to foresee the relevant future. They consequently fail to appreciate the fact that it serves no national purpose for them or anybody else to overlook the importance of a pragmatic approach to the problem of what the community may do for securing a reasonable return on its considerable (and compulsory) investments in businesses run by the state.

It must be conceded, however, that a proper evaluation of businesses in the public sector, even given the right motives, is not an easy task if only because information about their functioning is often both dated and inadequate. Indeed it has been our unfortunate experience that only when there is some spectacular crisis in the working of one or the other of the larger state enterprises that we are apt to start a feverish search for at least knowledge if not wisdom. For instance, it has taken a grave shortage of steel in the country for public opinion to be agitated over what appears to be the chronic inability of many state enterprises to deliver the goods. At other times there is only a muted feeling of discontent that public sector industries are generally not paying their way and that most of them are losing most of the time.

It is possible that there is a certain element of unfairness about this vague impression about the public sector and from this point of view such authentic information as becomes available should be taken sufficient and serious notice of. We have, for instance, the report of the

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Comptroller and Auditor General of India for the year 1969-70, reviewing the working results of companies owned or managed by the central government. Part I of this report presents a general review of the financial results of 78 such companies—the results of another four

not being included in this report since in their case the accounts for the year 1969-70 had either not been prepared or were not due.

The total paid-up capital of these 78 companies stood at about Rs 1,876 crores at the end of 1969-70 and out of this amount about Rs 1,725 crores were on account of 60 companies fully owned by the central government (excluding subsidiaries). The long-term loans obtained by these 78 companies stood at about Rs 1,747 crores and as regards interest on these loans, it is noteworthy that the government had granted "interest holiday" on loans amounting to about Rs 357 crores in the case of Hindustan Steel Ltd, up to March 31, 1962, the recoveries so waived being nearly Rs 40 crores. Besides this, the central government had granted mora-

INVESTMENTS IN CENTRAL GOVERNMENT UNDERTAKINGS

(As on March 31, 1970)

(Rupees in thousands)

	Paid-up capital				
	No. of concerns	Central	State	Private	Total
1	2	3	4	5	6
Companies fully owned by the central government (excluding subsidiaries)	60	17,24,51,88	—	—	17,24,51,88
Companies jointly owned by the central government and state governments (excluding subsidiaries)	5	74,35,09	1,95,22	—	76,30,31
Companies jointly owned by the central government and private parties	6	21,47,00	—	12,16,23	33,63,23
Companies jointly owned by the central government, state governments and private parties	7	28,44,24	6,30,36	6,39,19	41,13,79
TOTAL	78	18,48,78,21*	8,25,58**	18,55,42†	18,75,59,21
		98.6%	0.4%	1.0%	100%
Figures for the year 1968-69	73	15,99,96,26††	8,18,58	18,52,65‡	16,26,67,49
		98.4%	0.5%	1.1%	100%

* Includes Rs 4,425.28 lakhs received for issue of shares.

** Includes Rs 5.00 lakhs received for issue of shares.

† Includes Rs 0.02 lakhs received for issue of shares and Rs 5.27 lakhs received on forfeited shares.

†† Includes Rs 4,104.96 lakhs received for issue of shares.

‡ Includes Rs 0.91 lakh received for issue of shares and Rs 5.27 lakhs received on forfeited shares.

torium for periods ranging from one year to nine years in the case of 23 companies for repayment of loans aggregating to over Rs 42 crores provided to these companies during 1969-70.

The central government has thus invested over Rs 3,600 crores in these 78 companies as equity or loan capital. On this investment, these 78 companies among themselves reported a total net loss of Rs 3.3 crores during 1969-70. This loss, however, was very considerably lower than the total net loss of Rs 28.38 crores reported by 73 companies in the preceding year. This improvement or at least change was the result mainly of Hindustan Steel being able to bring down its loss by Rs 29.44 crores.

In this relative sense, the year 1969-70 has also been a good year for Bharat Heavy Electricals, Instrumentation, Uranium Corporation of India, National Mineral Development Corporation, National Small Industries Corporation and a few others which too showed reductions in losses. In a more positive way, Hindustan Aeronautics, Bharat Earth Movers, National Coal Development Corporation, Shipping Corporation of India, Indian Oil Corporation, State Trading Corporation of India, Minerals and Metals Trading Corporation of India and a few more had staged improved performance by substantially stepping up their profits.

Encouraging Features

It is worth noting that 38 companies in which a paid-up capital of Rs 437 crores had been invested had shown a profit of 15.7 per cent. Another encouraging feature was that 21 companies, with a total paid-up capital of Rs 148.55 crores, declared dividends averaging 7.8 per cent. These details may usefully be borne in mind along with the more general fact that the amount of Rs 11.59 crores declared as dividends by these 21 companies worked out to only 0.6 per cent on the total paid-up capital of Rs 1,876 crores of all the 78 companies considered in this report.

The point that I would make here is that the public sector is not without units which are working profitably. It is true of course that in the case of some of these profit-making enterprises of the central government such as the State Trading Corporation or the Minerals and Metals Trading Corporation, several non-commercial factors have been contributing to their earnings. Nevertheless it is not unknown for government enterprises, similarly well-positioned to succeed in making losses and to this extent, organisations such as STC or MMTC may be entitled at least to qualified praise.

The report has attempted to estimate the return on capital invested

COMPANIES DECLARING DIVIDENDS DURING 1969-70

(In thousands of Rs)

Name of the company	Amount of dividend declared/proposed	Paid-up capital
Bharat Earth Movers Limited	35.69	11,89.80
Bharat Electronics Limited	52.12	5,21.25
Hindustan Teleprinters Limited	9.84	82.00
Indian Telephone Industries Ltd	46.68	4,90.65
Hindustan Antibiotics Limited	24.73	2,47.26
Hindustan Insecticides Limited	7.53	1,25.47
Indian Rare Earths Limited	12.00	1,50.00
Manganese Ore (India) Limited	10.77	2,15.45
Mogul Line Limited	10.12	1,01.19
Shipping Corporation of India Limited	1,17.25	23,45.00
Mazagon Dock Limited	15.00	3,00.00
Garden Reach Workshops Limited	21.00	3,00.00
Indian Oil Corporation Limited	4,98.24	71,17.72
Cochin Refineries Limited	1,47.00	7,00.00
Hindustan Housing Factory Limited	4.41	48.99
Hindustan Steelworks Construction Ltd	4.60	23.00
State Trading Corporation of India Ltd	1,00.00	5,00.00
Minerals & Metals Trading Corporation of India Limited	21.00	3,00.00
Engineers India Limited	2.50	25.00
National Industrial Development Corporation Limited	1.50	10.00
State Farms Corporation of India Limited	17.03	62.33
TOTAL	11,59.01	1,48,55.11

COMPANIES INCURRING LOSSES OF RS. ONE CRORE AND ABOVE DURING 1969-70

(Rupees in thousands)

Name of the company	Paid-up capital	Loss incurred in 1969-70	Cumulative loss up to 31-3-70
Heavy Electricals (India) Ltd	50,00.00	7,75.60	53,76.32
Bharat Heavy Electrical Ltd	65,00.00	1,49.47	18,60.83
National Instruments Ltd	3,25.96	1,24.17	2,64.24
Heavy Engineering Corporation Ltd	1,00,00.00	18,17.58	58,90.36
Mining & Allied Machinery Corporation Limited	20,00.00	6,40.16	26,47.07
Fertilisers & Chemicals, Travancore Limited	17,46.98	1,67.06	1,76.31
Indian Drugs & Pharmaceuticals Limited	24,25.00	9,18.44	21,69.75
Hindustan Photo Films Manufacturing Company Limited	5,82.00	1,89.57	6,24.48
Neyveli Lignite Corporation Ltd	80,00.00	2,04.73	23,89.65
Central Inland Water Transport Corporation Limited	1,85.00	1,16.65	3,89.95
Hindustan Steel Limited	5,57,00.00	10,47.28	1,72,82.76
Madras Refineries Limited	12,87.50	3,67.31	3,67.31
National Projects Construction Corporation Limited	2,55.00	1,00.17	1,90.30
TOTAL	9,40,07.44	66,18.19	3,96,29.33

as well as the return on capital employed. In the first case, the total paid-up capital, long-term loans and free reserves at the close of the year have been taken into account. Simultaneously the return taken into account includes not only the profit disclosed but also the interest paid on long-term loans. On this basis, the return in 1969-70 on a total investment of Rs 3,798 crores made in 78 companies amounted to Rs 94.60 crores, being 2.5 per cent of the investment as against 1.8 per cent in 1968-69.

As against this, the return on capital employed works out to Rs 92.35 crores or 3.4 per cent as against 2.1 per cent in 1968-69. This estimate relates to the total capital employed of Rs 2,684 crores in 60 running concerns and nine Promotional and Development Undertakings as in 1969-70. In this case the capital employed has been taken as net fixed assets (excluding capital works in progress) plus working capital. In calculating the return, interest charges on all kinds of borrowings which are charged to the Profit and

Loss Account and Development Re-bate Reserve and Income-Tax, if charged to the Profit and Loss Account before availing of the net profit, have been added to the net profit as disclosed in the Profit and Loss Account.

Incidentally, the Consultancy companies, two in number, have naturally

shown the highest return on the capital employed, the rate being 70.8 per cent. Next come two Financial companies earning 37.3 per cent and they are followed by four Trading and Services companies with an average return of 31.6 per cent on the capital employed. The relative significance of these categories in the overall in-

COMPANIES INCURRING CUMULATIVE LOSSES MORE THAN THEIR PAID-UP CAPITAL

(Rupees in thousands)

Name of the Company	Paid-up capital as on 31-3-70	Cumulative loss up to 31-3-1970
Heavy Electricals (India) Ltd	50,00.00	53,76.32
Mining & Allied Machinery Corpn. Ltd	20,00.00	26,47.07
Hindustan Photo Films Manufacturing Company Limited	5,82.00	6,24.48
Central Inland Water Transport Corpn. Limited	1,85.00	3,89.95
Tannery & Footwear Corporation of India Limited	15.00	48.18
National Buildings Construction Corporation Limited	1,52.50	1,99.14
TOTAL	79,34.50	92,85.14

RETURN ON PAID-UP CAPITAL

(Rupees in lakhs)

	1968-69			1969-70		
	Number	Paid-up capital	Profit/Loss	Number	Paid-up capital	Profit/Loss
(i) Running Concerns	56	1,35,893.38	(-)2,685.54	60	1,44,111.61	(-)283.40
Companies which earned profit	31	38,289.74	(+)6,438.93	32	42,155.79	(+)6,818.86
Companies which incurred loss	25	97,603.64	(-)9,124.47	28	1,01,955.82	(-)7,102.26
A. Industrial	49	1,34,944.44	(-)3,898.27	52	1,42,843.42	(-)1,852.71
Companies which earned profit	26	37,664.74	(+)5,160.12	25	40,897.60	(+)5,249.08
Companies which incurred loss	23	97,279.70	(-)9,058.39	27	1,01,945.82	(-)7,101.79
B. Trading and services	4	773.94	(+)1,155.18	4	1,083.19	(+)1,464.89
Companies which earned profit	2	450.00	(+)1,221.26	4	1,083.19	(+)1,464.89
Companies which incurred loss	2	323.94	(-)66.08	—	—	—
C. Consultancy	1	25.00	(+)17.26	2	35.00	(+)43.13
Companies which earned profit	1	25.00	(+)17.26	1	25.00	(+)43.60
Companies which incurred loss	—	—	—	1	10.00	(-)40.47
D. Financial	2	150.00	(+)40.29	2	150.00	(+)61.29
Companies which earned profit	2	150.00	(+)40.29	2	150.00	(+)61.29
Companies which incurred loss	—	—	—	—	—	—
(ii) Promotional and Developmental Undertakings	8	756.54	(-)152.17	9	1,617.44	(-)22.33
Companies which earned profit	3	203.84	(+)15.78	5	800.24	(+)56.83
Companies which incurred loss	5	552.70	(-)167.95	4	817.20	(-)79.16
(iii) Companies under construction (partial operation)	9	26,017.57	—	9	41,830.16	(-)27.21
Companies which earned profit	—	—	—	1	744.19	(+)0.26
Companies which incurred loss	—	—	—	1	700.00	(-)27.47
Companies which have not prepared Profit & loss account	—	—	—	7	40,385.97	—
Total :	73	1,62,667.49	(-)2,837.71	78	1,87,559.21	(-)332.94

vestment pattern in the public sector is of course limited and so far as the industrial concerns are concerned, the rate of return was only 2.8 per cent on the capital employed of Rs 2,577 crores.

Finally, even if one were to ignore controversies over the public sector as such, the disturbing fact remains that, in spite of a relatively good year such as 1969-70 (which was in many respects better than the previous year for the central government companies), as many as 33 out of 78 of them, accounting for a paid-up capital of about Rs 1,035 crores had sustained losses totalling over Rs 72 crores. Again, out of these 33 companies, 13, each losing one crore of rupees or more, accounted for an aggregate loss of as much as Rs 66 crores. Apart from such notorious losers as Hindustan Steel, Heavy Engineering Corporation and Indian Drugs and Pharmaceuticals, this list of 13 included six companies, namely, Heavy Electricals, Mining and Allied Machinery Corporation, Hindustan Photo Films Manufacturing Company, Central Inland Water Transport Corporation, Tannery and Footwear Corporation and National Building Construction Corporation, which have earned the distinction of having accumulated

losses in excess of their paid-up capital. The cumulative loss up to the end of March 1970 in the case of these six companies taken together was Rs 93 crores as against their aggregate paid-up capital on that date of Rs 79 crores.

The rot, of course, continues. The year 1970-71 has been a particularly bad year for all the heavy losers, such as Hindustan Steel, Heavy Electricals, Heavy Engineering Corporation and Indian Drugs and Pharmaceuticals. This was bound to have affected for the worse the working results of central government companies in that year. The current year does not hold out any promise of improvement in the situation. Even as a matter of practical politics—and excluding politics of all other description—the central government must surely address itself without delay to the task of preventing any further aggravation of the trends towards bankruptcy in some of the largest or otherwise important state enterprises. Hindustan Steel, where a crisis of production now seems to have overtaken the more chronic condition of lack of profitability, provides a test case for the government's willingness and ability to cope with the crucial problems of managerial efficiency and labour discipline.

Working of Super Bazars

N. S. GOPALAN

THE RECENT planning efforts in the Indian economy have brought about unprecedented economic growth, particularly in the area of industrial sector. Such a pace of development has created a large base of fixed income group of industrial workers and middle class income group. It is this category of people who are exposed to serious repercussions of spiralling prices, lack of supply of goods and services and unhealthy practices resorted to by some businessmen.

To mitigate this distress, the central government drew up a scheme called "centrally sponsored scheme" (CSS) by opening in 1962 some 200 cooperative wholesale stores organised in cities and towns having more than 50,000 population.

But the situation has not only not improved but the dissatisfaction in the industrial belts has spread due to spiralling prices. To bring this accentuated situation under control the government of

India resorted to a new kind of scheme "accelerated programme", whereby it created a new fleet of retail shops all over the country under the nomenclature "co-operative super bazars". The accelerated programme was:

- to organise 100 new co-operative wholesale stores and 2,000 primary co-operative stores; and,
- to organise 43 departmental stores to cover all important cities with a population of about 200,000 and more.

The objective prescribed by the state for these super bazars was "to hold the price line and to ensure equitable distribution of essential consumer goods to the general public at fair prices regularly". This objective was sought to be achieved by making the consumer to take active interest in the distributive trade and thus it was expected to put at least 20 per cent of the distributive trade in the hands of the final consumer.

The simple meaning and explanation that could be attributed to super

market (super bazar) is that—super means "above", "over beyond" that which surpasses and market refers to a "place" where merchandise is displayed or made available for sale. Thus Super marketing can be considered as the act of marketing on a large scale in a manner that surpasses ordinary marketing¹.

Such an explanation cannot hold good for our purpose and as such we do not find any standardised definition in the light of Indian conditions. Hence one has to identify super markets in India by the following features:

(a) A super market should carry a complete line of food products, dry groceries, fresh fruits, vegetables, dairy products, etc. In other words it must be able to offer all such products that are used day in and day out. The trend has now been to include drugs, toilets, cosmetics, textiles, and hosiery, and the Delhi Super Bazar has recently started selling gasoline and automobile parts too;

(b) The stock ought to consist of fast moving items and those that carry good markup, so that the sale of the product may add substantially to gross profits without a corresponding increase in expenses;

(c) An ideal super market imbibes the features of self-service, which contributes a lot towards reducing the cost of establishment. The Delhi Super Bazar has this feature to some extent—in case of groceries customers do self-serve. But even here great care has been taken by arranging mirrors in such a way that the movement of the consumers could be observed.

Growing Number

The number of super bazars has been growing fast since 1966. In 1966 the government was able to initiate 38, while during 1966-67 the number was almost doubled to 60, in 1967-68 it reached 80 and by January 1971 it was 105 with different nomenclatures—Sahakari Bhandar, Sahakari Mandali in Maharashtra, Upabhokta Sahakari Bhandar in MP and Chintamani, super bazars, janata bazars in some southern states.

In most cases super bazars are the offshoot of the cooperative structure itself either at the district, state, or national level. There are also cases where trade unions and other private organisations, with individual members have opened super bazars with separate entity and organisational structure.

The cooperative structure is as follows:—

- National Consumers' Cooperative Federation,

- State Federation of Consumers' Cooperative Wholesale Stores,
- District central cooperative wholesale stores, and
- Primary cooperative stores (at Taluqa level).

The Mysore Janata Bazar for example is set up as a unit of the Mysore district Central Cooperative Wholesale Stores. The district wholesale stores has primary cooperative stores as members and it functions and controls the affairs of both wholesale stores and the Janata Bazar through a 15-member board of directors, out of which two are nominated by the state cooperative department and another is an MLA. Among the nominated members the Deputy Registrar for Co-operative Societies functions as chief executive officer to the Janata Bazar and is the overall functioning authority. The final power is vested with the board of directors.

Separate Entity

The super bazars have been allowed a stipulated time (three years in case of Mysore Janata Bazar) to become a separate entity with individual members. But the tendency on the part of super bazars is to continue on the existing pattern as the management feels that once the membership is opened to all, the merchant class would dominate.

The main source of financial help comes from the central government in the form of "governmental assistance to super bazars". The sum of assistance was mainly to be based on the location and population criterion. The scheme was as under²:

A. For metropolitan towns	Rupees
(1) Share capital	10,00,000
(2) Loan-cum-subsidy for furniture and fixtures (loan 75 per cent and subsidy 25 per cent)	7,00,000
(3) Management subsidy	25,000
(4) Size of the department store—floor area	25,000 sq. ft.
B. For towns with population between 5,00,000 and 10,00,000	5,00,000
(1) Share capital	
(2) Loan-cum-subsidy for furniture and fixtures (loan 75 per cent and	

2. A Study Report on Personnel Management Practices in Selected Super Markets in India by Dr K. K. Taimini and others.

	Rupees
subsidy 25 per cent)	3,00,000
(3) Management subsidy	25,000
(4) Size of department stores	15,000 sq. ft.
C. For towns with population between 2,00,000 and 5,00,000	
(1) Share capital	3,00,000
(2) Loan-cum-subsidy for furniture and fixtures (loan 75 per cent and subsidy 25 per cent)	30,000
(3) Management subsidy	25,000
(4) Size for department store	10,000 sq. ft.

The grant of finance did not call for any matching contribution on the part of cooperative stores. Since the super bazars had to be opened with utmost expedition. But a condition was laid down that the stores should be able to contribute at least 50 per cent of the share capital within a period of five years.

As regards the loan, it is for a period of nine years and shall be repayable in seven instalments commencing from the third year of the grant of loan. And the loan carries interest only for the first two years.

Government Guarantee

Further, in the context of serving the working capital needs, the central government introduced a scheme whereby up to 25 per cent of all secured loans and advances made by commercial and cooperative banking institutions had in government guarantee.

Some super bazars have been working up to the expectations whereas some others far from it. During the five years of their operation since, July 1966 they have been subject to their own officials. One wonders why many super bazars suffer losses in the

severe criticism from all corners including consumers, academicians and light of large increases in sales. Maybe most of these defects and inefficiencies are identified with the nature, structure and working policies pursued by them.

The products handled by super bazars could be conveniently grouped under different sections, viz; groceries, toilets, textiles and ready-made garments, household goods, drugs and medicines, vegetables, fruits and cafeteria. The purchase policy of a super bazar, to a large extent is determined by the commodities demanded by the customers, which is evident from the table below.

The table clearly reveals that most of the purchases are centered around textiles and general articles, while the former represents approximately 50 per cent of the total purchases in 1967-68 and 44 per cent and 41 per cent during 1968-69 and 1969-70 respectively, the latter approximates to 30 per cent consecutively. During the first half of 1970-71 however the figures for general articles exceeded the figures of textiles for the same period.

Purchase Policy

Super bazars as a matter of policy should make their purchases direct from the sources of production or through the sole distributors or manufacturers. But they can also get supplies of groceries, foodgrains, coffee, sugar etc., from the parental body (in case of Mysore Janata Bazar it is District Central Cooperative Wholesale Stores). Due to inadequate facilities of transportation or high transportation costs, the bazars have no alternative but to purchase in local markets. Even then it is advisable to make direct purchases from the manufacturers in such articles as condiments, jaggery, etc.

The practice of purchase varies from super bazar to super bazar due to

PURCHASES MADE DURING THE YEAR 1967-68 TO 1969-70 BY MYSORE JANATA BAZAR

	(in rupees)			
Commodities	1967-68	1968-69	1969-70	July to Dec. 1970 *
General	8,65,381.74	10,78,200.20	12,70,600.48	8,12,937.64
Textiles	12,22,830.19	14,79,269.27	14,93,415.45	7,96,729.23
Groceries	4,82,818.75	9,93,584.48	10,48,612.59	7,11,062.63
	25,71,030.68	35,51,053.95	38,12,628.72	23,29,729.50
Less returns	27,875.83	2,00,645.69	1,89,751.94	1,04,811.59
	25,43,154.84	33,49,048.26	36,22,866.78	22,24,917.91

*Year ends in June 1970

Source: A Short Note on the Working of the Janata Bazar, Mysore.

1. Marketing by Duddy and Revzon

local factors and the demands of the customers, and more than anything else on the people involved in making purchase policy decisions.

The trouble is that the board of directors, who mostly draft the purchasing policies, do not have enough skill and experience in a large retail shop of this nature. This has reduced the super bazars to a pitiable position where "there are goods for which there are no customers and there are customers for whom there are no goods". This clearly reveals that the super bazars lack a scientific purchasing policy and inventory control techniques to run the bazar efficiently.

Since the main object of super bazars is "to hold the price line and to supply all the commodities under one roof", it has become almost inevitable on their part to use pricing policies as a strategic tool in this direction. In order to charge reasonable prices, the profit margin is to be kept at a minimum so as at least to cover the establishment expenses and a little more in the form of surplus to declare nominal dividends to its members. For example the profit margin in the case of groceries will be within five per cent and in the case of general stores and textiles it will be in the range of five to 15 per cent in the Mysore Janata Bazar.

Act as Guidelines

More than anything else the existing rates in the bazars should act as guidelines for the private merchants to fix their prices in accordance with the prices of the super bazar. No less a person than the Prime Minister has called a super bazar "pace setter in the matter of prices, quality and reliability". "Super Bazars," she says "are acting not only as price setters in their areas of operation but also exercise a regulatory influence on the distributive trade". This is seen from the fact that in some states private merchants claim through advertisements that their prices are in conformity with the super bazar prices. In certain commodities the super bazars might have failed to reduce prices below market prices or even they might be slightly higher which need to be brought down to reasonable levels, as they are there to serve a great purpose. "Whether the consumers buy from super bazars or elsewhere, they always keep in mind

the price charged by the super bazars and in no circumstance pay more than is reasonable. Thus it has acted as a stabilizer as far as retail prices are concerned, it has proved to be a check on the retail trade".

More than the benefits of price reduction and an influence on retailers, the availability of goods to the consumers in the open market was the greatest service expected of a super bazar. As the super bazars offered most of the commodities, whose supply was choked due to creation of artificial scarcity, the private merchants were forced to release their hidden stocks and unload it in the open market. For instance in the recent paper shortage faced by public at large, the Mysore Janata Bazar placed the orders directly with Bhadravati Papers Limited. It is being sold on preferential basis to educational institutions and to other needy sections of the society.

Careless Attitude

Another criticism levelled against super bazars is that the salesmen instead of offering alternatives when there is no stock of a particular item, display a 'take-it-or-leave-it attitude'. Such an attitude on the part of the salesmen drives away the customers. "People like to be pampered. Buying is a pleasure and people enjoy being indulged by effusive salesmen who are eager to please. Super market salesmen and sales girls have a hardboiled air of not caring what you want or whether you get it"³.

The reasons for such an attitude are summarised by Dr Taimini in the following way:

(a) These constraints flow directly from the close identification of the state with their management and absentee ownership;

(b) Social objective of a cooperative organisation and to an extent from the limited role that has been assigned to them in the present context; and,

(c) While the state offered finances and helped super bazars in various negotiations with the manufacturers, producers and agents, they also did not fail to introduce the typical "administrative culture" by deputing state bureaucrats to occupy pivotal management positions, issuing policy directions, appointing nominees on the board of directors etc.

In this context we can rightly recall what late Dr D.R. Gadgil, an authority on planning, opined, "It was

really a public store run by government authority under the name of the co-operation, so that if it did well the government departmental officers could take the credit, if it did badly it was the co-operative". Thus the whole organisational structure and the activities were rules-oriented.

As for the workers, they were treated as mere caretakers of physical stock and "the entire sales staff has in fact geared towards a purpose which subverts the rules and conditioned attitude of the state bureaucrats of playing safer than achieving the objectives of the organisation"⁴. Thus one can see that there is neither skill at the top on the part of management nor the effort on the part of workers at the bottom. Hence the need for education and training.

This aspect of education and training seems to have been neglected and it was observed: "Expect in one store under the study, no real attempt had been made in this very important field of management, and it seemed most of the stores were not fully alive to the importance of training"⁵. The need for education and training becomes all the more important where "the ideal of democracy is that people shall be masters, but employ servants, more capable than themselves"⁶.

Yeoman Service

The Vaikunta Mehta National Institute of Co-operative Management (VMNICM) is rendering yeoman service in this direction by conducting various courses in purchasing policy and inventory control in super bazars for the personnel drawn from different super bazars of the country. But this is an *ad hoc* effort. Hence the suggestion to impart training for both management personnel and salesmen at the regional cooperative training centres in each of the four zones. In this context VMNICM has already offered an outright assistance of Rs 3,000 to start with to make the suggestion feasible.

While Mr S.D. Misra, Chairman of Delhi Super Bazar, claims that he would be able to cover up the recent losses incurred by opening up more and more counters and by offering more and more facilities to consumers, there is a marked tendency on the part of many super bazars to lease out certain sections to private merchants on the plea that the sections had shown continued deficits. This practice is still being continued even after a directive sent by the central government to all state governments not to allow such unhealthy trends.

It is no wonder that consumers are ignorant of all such practices.

Even in the case of such attempts being allowed in emergency cases, it must be subject to the following considerations in order to safeguard the consumers' interests:

(a) Such a lease is made known to the customer, and,

(b) Super bazar authorities keep the final discretion on matters of quality, price and also reserve the right to take back the lease without attributing reasons thereon.

It is obvious that super bazars, just like any other co-operative stores or governmental agency, should receive criticism, sometimes constructive and sometimes irrelevant, in the context of objectives and statistical facts and figures.

Poor Worksheets

Critics often quote worksheets of super bazars to question the validity of their very existence. And it is an oft-repeated cry: "The question is why should one go all the way to super bazars when one can buy all required items for the same prices or a few paise more at the nearest shop".

As a matter of fact the authorities while defending their stand claim that the rental charges are high (in case of Delhi super bazar it accounts to 25 per cent of gross profits), pilferage is as high as three per cent while it is only 1/2 per cent in western countries and the time for starting super bazars was not at all sufficient. As Mr S.D. Misra puts it "Delhi Super Bazars were started in a record time of two weeks".

It has been claimed that the super bazars have helped national exchequer by directing the flow of taxes on the sales made by them, thereby effecting reduction in tax evasion on sales.

The evaluation of an institution such as the super bazars should be made on quite a different plane than on commercial enterprises. For example, the consumer will not be very sensitive to a price rise in the open market, while the slightest rise in the super bazar prices causes hue and cry in the press and Parliament.

In improving the working condition of super bazars the following suggestions should be seriously considered.

(1) The purchases made by super

bazars should be on a rational basis. Every super bazar must obtain the services of a purchase officer, who in consultation with various sectional heads would be in a position to enter into timely contracts with due regard to quality and quantity purchased.

(2) Prices charged by super bazars are quite reasonable, and hence any attempt to reduce the profit margin would be at the peril of the institution. But super bazars should enter into long-term contracts with reliable suppliers or manufacturers, the benefits derived thereon could be passed on to customers in the form of price reduction.

(3) An attempt to introduce self-service, as in the case of Delhi super bazar, though commendable, is not feasible in the present-day circumstances, as already the super bazars are facing the problem of pilferage as high as three per cent of gross profits. Rather it could be of interest to suggest the method adopted by the Bangalore Janta Bazar. Here a system called

'central counter service' has been introduced, whereby the customers only need to list their items to be purchased with a deposit of Rs 10 and the salesmen in the counter would make purchases on behalf of the customers. But this can be possible only in case of groceries.

(4) Another area wherein super bazars should compete equally with private merchants is provision of credit facilities. Most of the customers falling under middle class income groups do expect such a facility, which is being readily offered by the private merchants. The super bazars, therefore, should enter into long-term contracts with various industrial establishments and other huge organisations, whereby the employees of such concerns are allowed to make purchases up to a fixed amount agreed upon, which is to be adjusted against their salaries at a later date. This should work if properly implemented, since such agreements are already in vogue.

GOVERNMENT OF INDIA

4½ PER CENT LOAN 1978 (REISSUE) TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 1ST OF JULY 1978.

5½ PER CENT LOAN 1986 (REISSUE) TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 1ST OF JULY 1986.

5½ PER CENT LOAN 2001 (REISSUE) TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 1ST OF JULY 2001.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 100 crores (approximately). Subscriptions may be in the form of cash/cheque. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

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

Interest for the period 1st of October 1971 to 31st of December 1971 inclusive will be paid on 1st January 1972 and thereafter interest will be paid half yearly on the 1st January and 1st July. Interest on all the loans now issued together with interest on other previous Government Securities and income from 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 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

Subscription lists will open on the 1st of October 1971 and close on 4th of October 1971 or earlier without notice. Applications for the loans will be received at :-

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

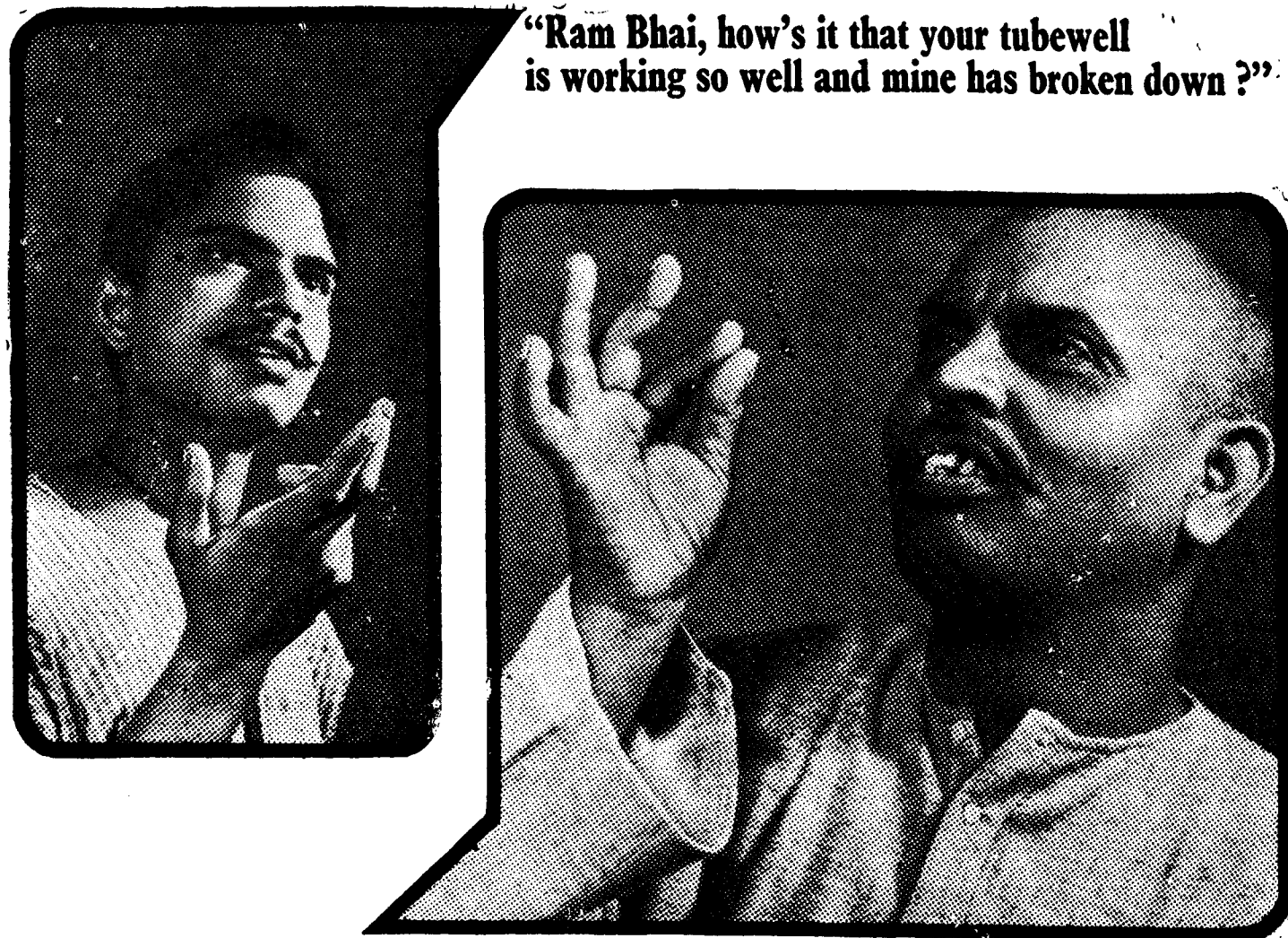
For full particulars please apply to any of these offices or branches.

3. Mrs Balasubramanyam in *Femina*

4. Dr Taimini in *Indian Management*

5. A Study report on Personnel Management by Taimini and others.

6. John Stuart Mill quoted by Sarkar in *Co-operator*, Nov. 1967



"That's because I made sure of using tubes that carry the ITC stamp of guarantee for right wall thickness and correct weight. This ensures longer life."

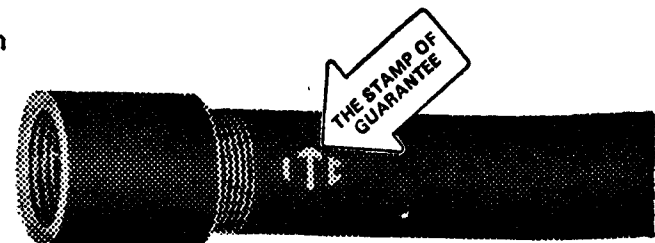
And that's because Indian Tube exercises strict quality control right from the raw material stage to the finished tube. And the ITC stamp you see on the tube is the guarantee of correct weight ensured by right wall thickness. No wonder ITC tubes are being demanded by more and more wise farmers, house owners and other buyers.

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WINDOW ON THE WORLD

Cost of Bank Finance: International Comparisons

JOSSLEYN HENNESSY

LONDON :

THE UNITED STATES

OVER 13,700 separate banks operate in the United States, ranging from the largest in the world to small local undertakings. Naturally, banking practice is diverse but the various banks do broadly the same kind of business. They are, however, only a part of the market for money, since the United States has many other financial institutions. Accordingly, the level of bank lending rates tends to be determined more by market circumstances, and less by interbank agreement or central bank influence than in many other countries.

Bank lending in the United States normally takes the form of fixed loans or lines of credit, in conjunction with which the banks often operate a system of compensating balances: agreement is reached between the bank and its borrowing customer that a proportion of the agreed loan should not be drawn upon but be held on deposit as an interest-free credit balance.

Compensating Balance

Typically a compensating balance requirement would be 10 per cent of the total negotiated credit, plus 10 per cent of that part of the credit drawn upon at a particular time. Another common compensating balance arrangement is for an average deposit of 15 per cent of the entire line of credit to be maintained. With no interest paid on this compensating balance, the quoted rate of interest on the borrowing is effectively increased by about 18 per cent of itself. However, the compensating balance requirement is negotiated between the bank and the individual customer, and the arrangements may provide for some modification, such as slightly lower rate on the loan itself. The arrangement is mostly used by the major banks for credit extended to finance companies as well as to commercial and industrial undertakings, though less so far agricultural and consumer loans.

customers, mainly the large corporat-

The key interest rate on bank borrowing in the United States is the prime rate, i.e., the rate charged on short-term loans to the most creditworthy

ions, and is broadly equivalent to the "blue chip" rate in the United Kingdom. Each bank determines its own prime rate, without reference to other banks, but in practice, at least among the large banks in the main financial centres, competitive pressures ensure that rates are ordinarily at the same level. It commonly occurs that one Bank—usually a New York City Bank—will respond to market pressures and initiate a change, and other large banks, which have been feeling similar pressures, will follow within a short time. Often the prime rate will follow changes in the official discount rate of the Federal Reserve authorities, but at times a change will occur first in the prime rate and be followed by the discount rate. Moreover each of the districts of the Federal Reserve fixes its own discount rate and changes in them are not always made simultaneously.

Other Weapons

Accordingly the prime rate is not rigidly related to the central bank discount rate, the influence of which is less strong than that of Bank Rate on bank lending rates in Britain. The Federal Reserve authorities have, however, various other weapons—notably Regulation Q—for influencing the rates at which banks and other intermediaries may raise funds, and these affect the market circumstances within which the prime rate is determined. The frequency with which prime rates change depends upon these circumstances; in the early 1960s they were unchanged for long periods, but have already changed nine times this year, compared with four changes in the official discount rate.

The normal margin of prime rate above discount rate is generally one to 1½ percentage points, but it has been as much as two and exceptionally—in the second half of 1969 and the early months of 1970—2½ percentage points. This was a time when the banks, faced with a considerable loss of time deposits, were having to turn for funds to the Eurodollar market, and the price to be paid for these deposits was reflected in the rates charged on bank lending. Thus at times of stress the cost to the banks of alternative deposit money has become significant in assessing the rate of interest charged on

loans. Indeed, at that time some banks began to relate a particular borrower's rate to that on the Euro-currency used to fund his loan, although the borrower would otherwise have qualified for the prime rate.

Figures published by the Federal Reserve Board indicate that over one-half of the total of short-term business loans outstanding are made at prime rate or up to ½ per cent above it. On this basis, at the present time about half of such borrowing is carrying a rate of interest of up to 6½ per cent. Although the prime rates of the large "City" banks represent the key rate for business loans, the rates charged by the numerous smaller banks away from the main financial centres are determined largely by local circumstances, and it is thought that many of them were charging substantially less on their loans last year when prime rates of "City" banks were high.

U S Practice

Normal bank loan practice in the United States is to credit a borrower's account with the full amount in exchange for a promissory note or discount of a customer's paper; thus interest is charged from the start on the full amount. More akin to the overdraft form of lending are the lines of credit extended to established creditworthy customers, whereby a bank agrees in advance to cover fluctuating peak requirements up to a stipulated maximum period, generally 12 months. Similar arrangements are made with revolving credits, but they cover longer periods; in such cases the bank will levy an additional commitment fee on the unused portion of the agreed credit. Under term-loan arrangements, an amount is borrowed for a fixed period, and regular repayments are made to the bank. Here again, a commitment fee would be made. Rates of interest on term loans are moderately higher than rates on short-term loans, with provision usually for adjustment in the event of changes in basic money rates.

For normal business borrowing, the interest rate charged by the bank would vary not only with the creditworthiness of the borrower, the security offered and the size of the loan, but also with the area. For instance, with the relative lack of mobility of funds in a unit banking system, rates on short-term business loans are normally lower in New York City and in south-eastern cities than in other regions and higher in north-eastern cities other than New York.

JAPAN

Japanese commercial banks differ in many ways from those in other countries, particularly in their lending activities. Besides providing short-term

funds, banks in Japan have traditionally engaged also in long-term financing and loans of one year or longer still account for over one-tenth of all commercial bank lending. Because of this, and the close relationship of the commercial banks with their customer companies, bank lending is high as a ratio of deposits, commonly about 85 per cent. The city banks, the principle suppliers of funds to large businesses, have usually in the past been in an "over-loaned" position, necessitating the rediscount of some part of their lending with the Bank of Japan, the central bank. At present their ratio of loans to gross deposits is around 90 per cent, against almost 100 per cent at the end of last year.

The central bank can impose a penal rate of interest—over and above Bank Rate—on borrowing from it above a set limit, based upon a bank's asset and liability position, and is able informally to exercise a form of "window guidance". Thus the banks are peculiarly sensitive to the influence of the authorities, even though they are no longer subject to any qualitative or ceiling control over their lending. Bank Rate itself comprises a number of separate rates according to the kind of bill discounted or the kind of collateral pledged as security for a loan, but the rate for the discount of commercial bills and secured loans is regarded as "basic rate".

Legal Control

Apart from the influence which the authorities can bring on the terms of bank lending, interest rates are controlled by law. Under the Temporary Interest Rates Adjustment Law of 1947, short-term rates of interest charged by private financial institutions are subject

to maxima decided by the Policy Board of the Bank of Japan at the initiative of the Minister of Finance, after consultation with an advisory body which includes a number of representatives of financial undertakings. For banks the maximum lending rate is at present fixed at 9½ per cent for loans and discounts and 10½ per cent for overdrafts; changes in the maxima do not follow movements in Bank Rate.

Interest Rates

Within these limits the banks themselves, through the Federation of Bankers' Associations, lay down maximum rates of interest charged on loans and discounts by mutual agreement. This agreement, like the legal limit, is restricted to loans for 'periods of less than one year and for amounts of over one million yen (roughly £1,000). Within these limits, a standard rate system similar to the United States prime rates has been in effect since 1959. The standard rate, which moves with Bank Rate and covers about one-fifth of bank lending, is applied to commercial bank discounts and loans on commercial bills eligible for discount by the Bank of Japan and other comparable bills. Other rates are based on the standard rate; various margins above it are applied to specific types of borrowers.

Bank lending in Japan comes under four headings: loans on bills, bills discounted, loans on deeds, and overdrafts. Lending is almost entirely for business purposes, personal credit being provided by other financial undertakings. Except for bill discount, commercial banks sometimes require collateral security for their lending, which may take the form of personal security or mortgages or other forms

of real security. In Japan, as in the United States, it is customary for banks to require borrowers to keep a part of the loan proceeds on deposit with the bank but the banks charge a relatively low rate of interest for that amount of the loan held as a compensating balance.

Over one-half of bank credit is in the form of loans against bills, used mainly to provide companies with working capital, though their average tenor of two to three months is often extended or renewed so that they tend to represent longer-term capital. Rates charged on such loans vary according to the creditworthiness of the bills; those on high-quality bills eligible for rediscount by the Bank of Japan are charged one-quarter of one per cent above the "basic" Bank Rate, and the range extends to two per cent above it. In mid-July, then, with Bank Rate at 5½ per cent, the actual interest rates levied on this kind of borrowing would have varied mainly between 5¾ and 7½ per cent, the voluntary maximum agreed by the banks.

Self-Liquidating Bills

The discount of commercial bills accounts for about one-third of bank credit in Japan. These "self-liquidating" bills are considered to be one of the best forms of commercial bank lending. Prime commercial bills are eligible for rediscount at the Bank of Japan or as collateral against a loan from the central bank. The rates of interest charged by banks on the discount of commercial bills are determined in the same way as with loans on bills.

Loans on deeds are made by banks against "bonds of debt", a form of

written contract between the bank and customer, but involving no notes. This form of lending is used to finance the purchase of plant and machinery, though loans on bills are preferred for this purpose because of their flexibility. Rates have tended to range between 8.0 and 8.5 per cent.

Lending by overdraft, the principal form of credit in Europe, accounts for less than one per cent of commercial bank lending in Japan. Moreover, for the customer, the interest rate charged is higher than that on other forms of borrowing, with the banks' voluntary limit at present standing at 8½ per cent.

A Varied Pattern

The outstanding impression given by today's and last week's survey is of the diversity of banking structures, lending practices and levels of rates charged in the six countries and the United Kingdom. In Italy and France, the main commercial banks are state-owned. In some countries commercial banking and investment banking are largely conducted by separate undertakings, either by law or as a result of legal requirements recently removed; this is true, once again, of both Italy and France. In Britain too, a similar distinction can be observed, though here it has arisen as a matter of banking practice rather than official action, and is tending to break down. In West Germany, and to some extent in the Netherlands, the main commercial banks are all-purpose banks.

In lending practices, only in the United States is the loan the predominant method, though loans are also used in Japan in an arrangement which also involves bills. In the other countries, the two main lending methods are overdrafts and discounting of bills, but their relative importance varies widely. In most countries overdrafts are usually preferred to bill finance.

In all these countries the central bank exerts substantial influence on the level of lending rates, but in Japan it operates directly by prescribing maxima; in France, prescription by the authorities was abandoned five years ago. In Italy, and in Britain for the present, maximum rates are established by agreement between the commercial banks, and in Japan maximum rates below the officially prescribed maxima are similarly agreed. In the other countries lending rates are determined by market competition. In all of them the banks face sharp competition for funds from various other deposit-taking bodies, and especially — in most of them — from savings banks

enjoying varying degrees of official support or encouragement. The international market in Eurodollars is also a substantial influence, though this has been lessened through measures taken in some countries to check inflows or outflows of such funds.

Again in all countries a more or less direct relation operates between lending rates and the central bank's rediscount rate, though in the United States the link is tenuous. Other rates — themselves linked to the official rediscount rate — are also significant in two of the countries when determining the cost of bank finance. In West Germany, the Lombard Rate, charged by the Bundesbank on advances to banks against securities, could at times be more significant than the official rediscount rate; and in the Netherlands, lending rates are generally expressed in relation to the central bank rediscount rate for promissory notes and not to the basic "Bank Rate". Rates for discounting commercial bills are everywhere at the same level or below those charged as interest on overdrafts or loans, but comparisons of true costs must also take into account such factors as commission charges and the flexibility of overdraft arrangements. The commercial bank discount rate is above the official rediscount rate in all the countries examined. Overdraft or loan rates, too, are in all cases above the official rediscount rate, but again by varying amounts.

Cost of Bank Finance

The table on page 562 attempts to compare the true cost of bank finance i.e. taking account of commissions, compensating balance requirements, and other outgoings, in each of the seven countries. The comparisons cannot, however, be pushed too far because of structural and other differences that are apparent from the surveys of individual countries. In addition, allowances must naturally be made for the fact that central bank rediscount rates are not uniform, and that relative levels will also vary from time to time. In the last two columns of the table, however, current costs are expressed as a margin above the official rediscount rate.

Comparing these margins, it is evident that for a first-class company the total cost of borrowing on loan or overdraft is substantially lower in the United Kingdom than in any of the other European countries. Moreover, even the current cost of borrowing compares favourably with that applying elsewhere in Europe.

For lending by discounting commercial bills special factors are in opera-

tion which affect the validity of direct comparison to an even greater degree than for loans and overdrafts. Generally the margins above Bank Rate are much narrower and the total cost of this type of borrowing would appear to be relatively high in the United Kingdom.

Towards Harmonisation

To sum up, lending practices and the actual levels of rates surveyed display some common aspects and much diversity. The EEC hopes to work towards harmonisation of monetary policies, which might produce greater uniformity of official rediscount rates. Complete uniformity would require a much greater convergence of economic structure and circumstances in the separate member countries than can at present be foreseen. The diversities of lending practice among the banks seem to be mainly historical or traditional rather than intrinsic to the kind of finance being provided, and here perhaps moves in the direction of greater alignment can be expected, stimulated by the development of working arrangements between banks across frontiers. But this does not imply that the imposition of uniform commercial

REAL COST OF BANK FINANCE

(at mid-July 1971)

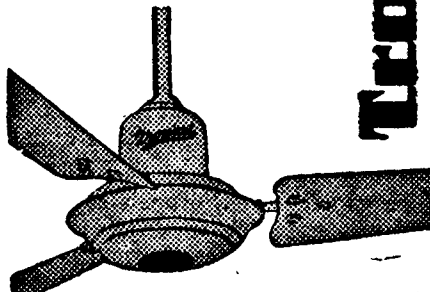
	Central bank rate	Overdraft or loan costs for first-class company			Cost of prime rate commercial bills			Margin over central bank discount rate	
		Interest rates	Other charges or costs	Total	Interest rates	Other charges	Total	Overdraft or loan	Commercial bills
(per cent per annum)									
United Kingdom	6	7	—	7	7	—	7	1	1
France	6 $\frac{3}{4}$	8 $\frac{1}{2}$	1	9 $\frac{1}{2}$	7 $\frac{1}{2}$	—*	7 $\frac{1}{2}$ *	2 $\frac{3}{4}$	$\frac{1}{2}$
West Germany	5	6	3	9	5 $\frac{3}{4}$	$\frac{1}{2}$	6 $\frac{1}{2}$	4	1 $\frac{1}{2}$
Italy	5	8 $\frac{1}{2}$	$\frac{1}{2}$	9	6 $\frac{1}{2}$	—*	6 $\frac{1}{2}$ *	4	1 $\frac{1}{2}$
Netherlands	5 $\frac{1}{2}$	7 $\frac{3}{4}$	$\frac{1}{2}$	8 $\frac{1}{2}$	—	—	—	2 $\frac{3}{4}$	—
United States	5	6	$\frac{3}{4}$	6 $\frac{3}{4}$	—	—	—	1 $\frac{3}{4}$	—
Japan	5 $\frac{1}{2}$	5 $\frac{3}{4}$	—	5 $\frac{3}{4}$ †	5 $\frac{3}{4}$	—	5 $\frac{3}{4}$	$\frac{1}{2}$ †	$\frac{1}{2}$

*Some fiscal charges may be levied.

†Excluding cost of maintaining compensating balances.

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structures in all the member countries would be desirable, even if it were possible.

Sources and acknowledgements: The foregoing summarises a special report

National Interest to the Fore

E. B. BROOK

VIENNA:

TO WRITE at the present time on any topic other than the international money perplexities would be unrealistic; unfortunately, these difficulties remain totally unresolved with hopes moving from one meeting to another and all now centred on the International Monetary Fund's and World Bank's annual session in Washington.

The consultations preceding that meeting have so far confirmed the long-standing suspicion that, when faced with a major clash of interests, the western European governments and the Common Market would demonstrate that national interests remain the final political compellant and that unity so far achieved in what may be termed the second post-war recovery period has owed its being to the fact that the general west European aim has not clashed critically with the individual interests of any of its members.

But, as in the political world, massive changes have been building up for some years. These have been obscured by the Market's admission of "exceptions" and "special interests", by occasional French vetoes and by the continuing, but diminishing, West German need to jog along with the rest while perfecting economic strength. The catalyst to this structure of unity, the Eurodollar and its speculative use, had been growing in vehemence for years and finally broke down the unity in May when, to France's fury, West Germany decided to float the mark as a defence against the floods of dollars swamping its banks.

The gap in west Europe's economic unity was not long in widening; the Dutch followed West Germans with a floating guilder, both having followed an example set by Canada a year earlier. Finally, under the strong extra stress of the US decision to suspend convertibility of the dollar almost everybody except the French decided to float and the French set up a double value of exchange against the dollar, while the Japanese were finally compelled to revalue the yen and the Russians conceded a small exchange improvement against the rouble.

That remains the international monetary picture as the IMF and World Bank meetings approach with a meeting

in the August issue of the Midland Bank Review (Poultry, London EC 2), but the Bank is responsible neither for the emphasis of my summary nor for my comments, based on a variety of sources.

of the Group of Ten in London and those of the Market's Foreign Ministers and of Commonwealth Finance Ministers in the Bahamas preceding it. None of these meetings is seriously expected to produce much progress. In any case, whatever might be agreed in London would have to be formalised by the IMF in Washington.

The Common Market's nine-man executive commission has called in recommendations to the Market's Finance Ministers, for a realignment of all major trading currencies and the progressive diminution of the dollar's role as a reserve currency. What the Commission really had in mind was devaluation of the dollar in terms of gold; the British Treasury prefers approach to a solution by a rise in the price of gold. At the Group of Ten meeting the United States have confronted a fairly united stand in favour of dollar devaluation.

The Market Commission proposed that "international liquidity should continue to be based on gold, and, to an increasing extent, by reserve instruments created and managed collectively on the international level: This implies the adaptation and development of the system of Special Drawing Rights. It is thus important to organise a progressive decline in the role played by national currencies as instruments of reserves."

These new principles from Brussels have not found uncritical support from the Group of Ten and, in any case, would depend on whether or not the United States agrees to a change in the gold parity of the dollar. In the short term the Market Commission's idea suggests a combined Common Market float against the dollar while remaining pegged relative to one another but since France has turned the idea down once already there seems little reason to expect a change of heart in Paris. West Germans also are cool to the Brussels ideas, remarking merely that they were "worth studying." The hard fact is that the Market, and certainly its Commission, does not necessarily reflect the way its member governments think. The Italians have failed to smooth financial policy differences between France and West Germany and the best the Market can hope to do is to maintain a short-term

stance in the dollar crisis.

The international bankers in Basle are similarly being tentative in their views, holding inconclusive discussions and ignoring politicians' demands for summit meetings. The bankers are the technicians who have little time for theorising from Brussels, who have to try to maintain international co-operation in monetary transactions against the failure of the politicians to remake a settled system now that President Nixon has broken up the old one. It may be unfortunate, but it is the politicians and not the bankers who will have finally to dispose of the matter.

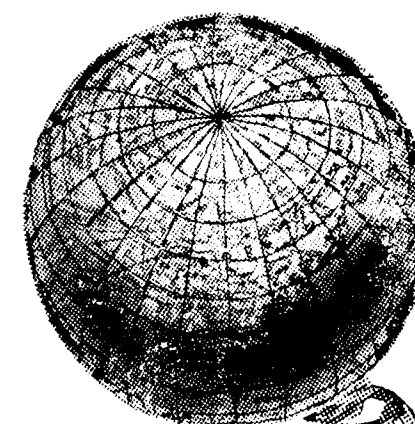
The bankers' view in general is that there must be some changes in the Bretton Woods system and that the reserve role of dollar and of sterling should be wound down—in this they agree with Brussels. In their place an internationally managed reserve, probably the Special Drawing Rights, should operate to ensure international liquidity. Currency values might have to be realigned but the bankers are less insistent than the French on the necessity to restore fixed parities. The Bank for International Settlements looks on anxiously as the discussions within the Market and between the Market and the Group of Ten increasingly reveal divisions and as the Americans continue to decline to devalue the dollar officially.

Influence of Politics

The monetary and trading situation is bedevilled by the influence of politics in international finance, by trade issues and ultimately by defence issues. The US ten per cent import surcharge hinders all attempts to discuss a realignment of currencies and the severe condemnation of it handed down by a special working group of GATT may surprise but is unlikely to move Washington. The gulf between the USA and other major trading nations and industrially developing countries has been widened and pressures within the Common Market for defensive action against the surcharge are growing.

A long period of floating exchange rates and an eventual external devaluation of the dollar in terms of Special Drawing Rights appears to be the most probable result of a confused and unamiable situation. No country is willing to move or adjust until it can see what the others are doing. Whatever happens, it is important that changes made should not too drastically alter the basic features of the Bretton Woods system and that whatever agreement is finally made should be kept within the competence of the International Monetary Fund. If either of these two frameworks are weakened the damage to international trading would be widely hurtful.

THERE IS A NEW MARKET FOR INDIA IN EUROPE — THE COMMON MARKET



**The EEC countries
are offering
new scope for
the export of
Indian products
under the Generalised
System of Preferences**

The European Economic Community

Six European countries — Belgium, France, Germany, Italy, Luxembourg and the Netherlands — 186 million people, have combined to form the greatest concentration of buying power in the world — the European Economic Community. Already the largest import and export market, it will account for one-third of the world's trade and one-fifth of the world's gross product after the entry of the United Kingdom and other applicant countries. This market is now open to India and other developing countries under a scheme known as the Generalised System of Preferences.

What is the Generalised System of Preferences?

The GSP is a system based on the principle of non-discriminatory and non-reciprocal preferences for the exports of developing countries. The main objectives are to increase the earnings from these exports, to promote industrialisation and to accelerate the economic growth of developing countries.

How does India benefit under the GSP?

India already has a large, modern industrial base. With world trade trends shifting from primary commodities to manufactured and semi-manufactured products, India has a good opportunity to compete with other developing countries in the Common Market. With the implementation of the GSP India will have duty-free access to this new market for the export of industrial products and will get preferential tariffs for certain agricultural products. It is estimated that the introduction of the GSP will generate additional trade worth at least one billion dollars in the EEC countries. India is one of the countries which stands to gain from this new Common Market policy.



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The moving finger writes

I MAY NOT agree with Prof. Galbraith that, while most countries are burdened with second-rate rulers, India has a first-rate statesman in its Prime Minister, but I would readily concede that, if politics is the art of the possible, Mrs Indira Gandhi is a skilled practitioner of it in the sense that she can always recognise on which side her political bread is buttered. Having downed Mr Sukhadia and Mr Brahmananda Reddy, she seems to have realised that enough is enough at least for the time being. So Mr V. P. Naik and Mr S. C. Shukla are to be granted a reprieve, it seems. They have their uses, evidently, until the general election is over and done with in their states.

Another affair in respect of which the Prime Minister seems to know when to pause, if not stop, is this matter of dragooning the press. Mrs Gandhi is having second thoughts on the notorious draft of a bill for the so-called diffusion of ownership and control of the press which Mr Raghunatha Reddy, conspiring with certain well-known travellers in the government, has been attempting to inveigle the government into legislating. Or, perhaps, it would be more appropriate to say that the Prime Minister has begun *thinking* for the first time about the political consequence to her government of attempting to rail-road the press in this manner. All her bravado notwithstanding, she seems to have realised that any effort at coercing the press to become the handmaiden of the ruling party, which of course is her real aim of the projected step, would unduly strain the acceptability of her government even by a bemused electorate which is alleged to have given her a massive mandate at the last general election to the Lok Sabha.

As a result, there appears to be pretty little chance of Mr Reddy, Mrs Nandini Satpathy, and Mr Inder Gujral & Co, or Mr Gokhale or Mr Kumaramangalam, individually or jointly, being able to have their way in this matter. This is not to say that the threat to the freedom of the press is now dead, for the danger of such a threat is inherent in the political motivations of this government. But it will be certainly safe to predict that the Prime Minister would rather be inclined to think in terms of more sophisticated means of imposing her government's or her party's authority on inconvenient or

non-conformist forces in the press. The possible outcome of the situation thus remains basically disturbing, but we should not feel unduly aggrieved, I think, since eternal vigilance is the price of liberty.

Since it had been found necessary that Mr Shankar Giri—that celebrated keeper of his father's conscience—should accompany the President on his state visit to Singapore, I feel that we should not complain too much about an Indian cook having been included specially in that party to cater for the orthodox eating habits of the President's wife. Where there is so much impedimenta in any case, the addition of a favourite cook need not be considered an undue imposition on the taxpayer in this country. More to the point is the claim that has been promptly made that the President's visit has succeeded in enlisting support from the Singapore government for New Delhi views on the East Bengal political or refugee situation. *The Statesman*, however, gave the show away by putting within brackets the guarded observation that "according to UNI Mr Lee voiced his sympathy with India on the humanitarian and political aspects of the problem".

To me, personally, the most interesting incident of the President's visit to Singapore was the reported boycott by all Singapore based correspondents of Indian newspapers of the reception given by the High Commissioner in honour of Mr Giri to enable the President to meet the members of the Indian community. The boycott, it was stated, was in protest against the High Commission's exclusion of these journalists from all other High Commission's organised functions connected with the President's visit. This news report has served to remind me that my sometime fellow journalist, Mr Prem Bhatia, is still serving our country on its Diplomatic Corps. As a journalist, Mr Prem Bhatia had always a complex that he was an Immortal fallen among mere human beings. It should not be surprising that if the years he has spent in the rarefied atmosphere of our diplomatic missions abroad have only strengthened him in this weakness. I however suspect that Mr Bhatia is feeling none too happy or secure in his present estate. Being a Lal Bahadur appointee to his first High Commissionership

(which was when he was accredited to Kenya) he may now be well under strain because of his suspicion or perhaps conviction that he is in Singapore only on sufferance.

Mr Romesh Thapar, writing in *The Economic and Political Weekly*, has been rightly sarcastic about the peregrinations of assorted members of Mrs Gandhi's Council of Ministers, who have gone to the four corners of the globe to spread the message of Bangla Desh. My own favourite story about these wandering minstrels has been provided in a Press Information Bureau release about Mr Ghanshambhai Oza's labours at Nigeria. The Minister of State for Industrial Development who had gone to Lagos as the special representative of the Prime Minister, was reported to have discoursed with Gen. Gowon on the inequities of Yahya Khan in East Bengal. This, I must say, is carrying coal to Newcastle with a vengeance. I wonder whether Mr Oza would know what I am talking about.

When Mr R. Venkataraman was Minister for Industries in Tamil Nadu, then known as Madras state, he no doubt displayed both imagination and energy in encouraging and assisting entrepreneurs to set up quite a few important large-scale industries in that part of the country. He was similarly resourceful and effective in promoting industrial estates and small-scale industries generally. His were undoubtedly noteworthy contributions to the economy of our country and the welfare of our people. All the same, like so many greater or lesser men, Mr Venkataraman was not averse to blowing his own trumpet. Every time he came back from a foreign trip, he used to unfold a list of projects for his state which he claimed to have sold to governments and businessmen in the industrialised countries. As it turned out, most of those projects remained—projects. The Industries Minister in the present DMK administration, Mr Madhavan, I am amused to find, is imitating Mr Venkataraman with all the enthusiasm of a boy scout for his scoutmaster. Mr Madhavan, who had returned from a foreign trip recently, called a press conference in Madras to announce that he had come back with a bagful of industrial schemes which virtually the entire world is dying to set up in DMK-land.

V. B.

Trade Winds

CURRENCY DEVELOPMENTS

Group of Ten Meet: The conference of big ten opened on September 15 in London with Britain. Japan and the Common Market countries ranged together in an apparent common front to protect their trading interests against America's new economic policy. The broad lines of the common approach against the US were agreed at a meeting between Britain's Mr Barber and the Italian Finance Minister, Mr Aggradi. Speaking on behalf of the five EEC countries represented at the meeting, Belgium, France, West Germany, Italy and the Netherlands, Italy's Mr Aggradi said a "differentiated realignment of parities" would be the "principal remedy" to the present world monetary and trade problems "whatever the contribution" that might be made towards a solution through "non-monetary measures". He said such a realignment must "include the currencies of all countries concerned" — a clear reference to the US. He also made it clear that the "constructive" talks on this subject could not be opened as long as the US was maintaining its 10 per cent import surcharge and tax incentives favouring the US domestic industry. But the US Treasury Secretary, Mr John B. Conally, told the meeting firmly that the US had no intention of devaluing the dollar by raising the price of gold. He stressed that President Nixon's 10 per cent import surcharge was only "temporary". He added that it would be lifted only when progress was made in working out a new system of international exchange rates, mutual sharing of economic burdens and removal of unfair trade barriers.

The deputies of the Group of Ten Finance Ministers have been given 10 days in which to prepare a work programme to deal with the immediate issues for solving the world currency crisis. An official communique stated that the ministers had given this instruction to their deputies when they ended their two-day meeting. The Finance Ministers agreed on a work programme which would include realignment of currencies and lead up to a reform of the international monetary system.

Solution Within IMF: This country will work for a solution to the world currency crisis within the framework of the International Monetary Fund

(IMF) in a manner which would safeguard the interests of the 80 odd developing countries and provide for flexibility in parity within narrow margin. The Finance Minister, Mr Y.B. Chavan, indicated this to newsmen recently before leaving for the Commonwealth Finance Ministers' Conference at Nassau, Bahamas, on September 23 and the IMF-World Bank meeting at Washington on September 27. This country will adopt a three-fold "basic approach", he said. This was: (i) a solution within the IMF framework, (ii) to safeguard the interests of developing countries and (iii) that any sort of flexibility in parity values should be "within narrow margins." India would strive at evolving a broader consensus, Mr Chavan said.

Pak to Link Rupee with Dollar: Pakistan has decided to delink its rupee from the pound sterling and link it to the American dollar from September 17. A press note issued by the State Bank of Pakistan stated that this step had been taken in the context of the present currency situation to maintain the competitive position of Pakistan's exports.

Holland Cuts Bank Rate: Holland recently cut its bank rate to five per cent, down by a half per cent, effective from September 15.

HINDUSTAN STEEL

During the year 1970-71, Hindustan Steel had a sales turnover of Rs 417.35 crores. Of this Rs 401.96 crores came from its own production, while Rs 15.59 crores were on account of sale of imported steel. The total sales in the previous financial year were Rs 381.33 crores exclusively from the company's own production. After payment of interest and providing for depreciation, Hindustan Steel sustained a loss of Rs 5.40 crores in 1970-71, against a loss of Rs 10.47 crores in the year 1969-70 and of Rs 39.92 crores in 1968-69. The total production of the three mild steel plants was 4.269 million tonnes of hot metal, 3.612 million tonnes of steel ingots, 2.645 million tonnes of saleable steel and 0.980 million tonnes of saleable pig iron as compared to 4.493 million tonnes of hot metal, 3.781 million tonnes of steel ingots, 2.785 million tonnes of saleable steel and 1.138 million tonnes of saleable pig iron in the year 1969-70. Production in Alloy Steels Plant amounted to

50,600 tonnes of alloy steel ingots and 38,600 tonnes of finished alloy steel as compared to 65,600 tonnes of alloy steel ingots and 41,000 tonnes of saleable alloy steel in the previous year. One of the highlights of production was the increase in the manufacture of Torsteel twisted bars which helped the country save on the consumption of mild steel for building construction. Bhilai Steel Plant developed several new sections in its rolling programme, particularly to meet the export demand from the Argentine and UAR railways, and also in channels, angles, wire rods and ribbed bars. Rourkela Steel Plant developed and commenced production of tin plates with 0.50 lb and 0.25 lb coating as required by metal printers and for packing non-food items. Hindustan Steel supplied special quality plates for wagon builders and for exports to Poland, Hungary, Iran and Yugoslavia.

CONSERVING OF BANK FUNDS

In the light of the anticipated demand for credit that banks would have to face in the next busy season, the Reserve Bank has advised the banks that they should make a further effort towards conserving the resources arising out of the current deposit accretion for use in the ensuing busy season. Such conservation, it has been pointed out, could take the form where appropriate, of repayment of borrowings from the Reserve Bank and/or stepping up of investments in government and other approved securities. In a circular issued to the scheduled commercial banks, the Governor of the Reserve Bank, Mr S. Jagannathan, has emphasised that banks should continue with their available resources to extend credit to those sectors of the national economy which would be requiring credit for increase in production now and in the immediate future. According to the Governor, finance for exports, agricultural operations, small-scale industries, urgent working capital needs of industry and for the seasonal requirements of jute and tea should also continue to be given the fullest attention that is possible. A review of the banking trends so far in the current slack season (up to September 3, 1971) revealed that aggregate deposits of banks had recorded a sizeable rise of Rs 469 crores, as against an increase of Rs 307 crores in the corresponding period of the previous slack season, while the total bank credit has expanded by Rs 100 crores, as against Rs 146 crores last year. Borrowings of banks from the Reserve Bank had come down from Rs 191 crores at the end of April last to Rs 86 crores; the borrowings declined further to Rs 78 crores as on September 10. Banks' investments in government and other approved securities have increased by Rs 154 crores, as against Rs 153 crores

a year ago. The credit deposit ratio now stands at 74.3 per cent, as against 77.6 per cent at this time last year.

INVESTMENT GUIDANCE BUREAU

The union government has decided that an Entrepreneurial Guidance Bureau should be set up to assist prospective investors in taking investment decisions. In view of the close connection of the functions being currently performed by the Indian Investment Centre with this new activity, it has been decided that the proposed Bureau should be set up as a part of the Indian Investment Centre. The Bureau will serve as an advisory body for guiding entrepreneurs regarding the policies and procedures relating to the establishment of fresh industrial capacity. The Bureau will, *inter alia*, provide information and also advise about the industries in which there is need for fresh capacity; the size of economic units and corresponding investment involved; methods of production; raw materials required and their availability; requirements of capital equipment, indigenous and imported; demand forecast; export possibilities; preferred locations; policy of government regarding foreign collaboration and other relevant details relating to the field of investment. The Bureau will also maintain close liaison with banks and financial institutions so as to guide entrepreneurs in securing necessary finances for the project.

I.F.C.

Industrial Finance Corporation of India proposes to issue 5 3/4 per cent bonds 1983 worth eight crores rupees at an issue price of Rs 100 per cent redeemable at par on October 5, 1983. 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. Subscription will be received in cash or cheque or 4 per cent IFC Bonds 1971 due for redemption on October 5, 1971, at the branches of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna from October 5, 1971 but the list will be closed without notice as soon as the total subscriptions amount to eight crore rupees, and in any case, not later than the close of business on October 8, 1971. The corporation reserves the right to retain subscriptions received up to 10 per

cent in excess of the sum of eight crore rupees. The Bonds will have a currency of 12 years, and will be repaid at par on October 5, 1983. They will bear interest at the rate of 5 3/4 per cent per annum from October 5, 1971. Interest will be payable half-yearly on April 5, and October 5, and will be subject to tax under the Income Tax Act, 1971. Four per cent IFC bonds 1971 due for redemption on October 5, 1971, will be accepted at par in payment of subscription

to 5 3/4 per cent IFC Bonds 1983. Interest on four per cent Bonds 1971 will be paid at the stipulated rate of four per cent per annum up to and inclusive of October 4, 1971 at the time of issue of the new bonds.

HINDUSTAN MACHINE TOOLS

Hindustan Machine Tools recorded a gross profit of Rs 194 lakhs in 1970-71, nearly a four-fold increase compar-

Bit by Bit
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her way to a
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HEAD OFFICE: CALCUTTA

UCOBANK PAVES PATH TO PROSPERITY

ed to the previous year. There was a net profit of Rs 30.78 lakhs in 1970-71 compared to a loss of Rs 50.29 lakhs in the previous year. The net profit was secured in spite of one month's shut-down of the Bangalore unit following strike and lock-out in November 1970. But the same labour, according to the chairman, Mr S. M. Patil, worked with great dedication to increase the output later. The unit had sustained a loss of about Rs one crore in production during the strike, he said.

NATIONAL SEEDS CORPORATION

National Seeds Corporation Ltd. has made some advances in developing seed industry and during the last few years the output of both foundation as well as certified seeds has increased considerably. For instance, in 1965-66 the total production of foundation seed was around 3,280 quintals and that of certified seeds around 74,628 quintals. In 1970-71 the output of foundation seeds increased to 40,918 qts. made up of 10,580 qts. of high yielding varieties of maize, sorghum, bajra, wheat and paddy and 30,339 qts. of seeds of other crops. The output of certified seeds of maize, sorghum, bajra, wheat and paddy was around 131,933 qts and those of other crops 23,000 qts. making a total of 154,933 qts. The projected output for

1971-72 was 99,255 qts. of foundation seeds and 291,738 qts. of certified seeds. National Seeds Corporation has encouraged small and medium farmers and their co-operatives to undertake seed production on quality lines. It has also helped various agencies and state governments in setting up processing plant so that some 130 such plants were in existence out of which 28 model plants directly belonged to the Corporation. National Seeds Corporation has set up its own up-to-date seed testing laboratory which has already got the privilege of becoming the second seed testing laboratory in the country to become the member of the International Seed Testing Association.

CERTIFICATES FOR EXPORTS

The union government has authorised the following organisations and their regional offices to issue the prescribed Certificates of Origin required in respect of exports to the member-states of the European Economic Community and Japan under the Generalised System of Preferences: 1. Export Inspection Council, 2. Central Silk Board, 3. Coir Board, 4. Textile Commissioner (Textiles Committee), 5. All India Handicrafts Board, 6. Jute Commissioner, 7. Chief Controller

of Imports and Exports (Officers in-charge of export promotion work). The Generalised System of Preferences under which tariff concessions to developing countries are extended by the developed countries, requires the export-parties to furnish a Certificate of Origin to qualify for the preferential treatment under the GSP. The prescribed forms of Certificates of Origin are available with these organisations. The member-states of the EEC have introduced the GSP with effect from July 1, 1971 and Japan from August 1, 1971. These countries have permitted exports from the beneficiary countries without the Certificates of Origin up to September 30, 1971, provided the Certificates of Origin as prescribed under the GSP are furnished later on. From October 1, however, Certificates of Origin must accompany the export documents.

INDIAN AIRLINES

The Sen Committee, appointed to examine the organisational and administrative set-up of Indian Airlines has recommended greater decentralisation of the airline's organisational structure, both functional and regionwise. It has also urged that decentralisation should accompany powers of sub-delegation. The report has stated that

the committee was guided by the basic assumptions that the public sector has a crucial role to play. It should be run by professionally competent managers accepting responsibility for both social obligations and performance. The report was submitted to Dr Karan Singh, Minister for Tourism, recently.

TRACTOR IMPORTS

The Ministry of Industrial Development has decided to stop the import of tractors by the end of 1972 and has, meanwhile, referred to the National Council of Applied Economic Research the controversy, raised by the industry, in regard to actual requirements of tractors. The Council, according to Mr Moinul Haque Choudhury, Minister of Industrial Development will conduct a detailed market study in regard to tractor requirements.

EXPORTS TO NEPAL

Following certain enquiries about changes in procedures for exports to Nepal, sources close to the union Foreign Trade Ministry stated recently that exports of goods to Nepal are allowed without export control restrictions, provided the goods are either the produce of or manufactured in India, subject to such exceptions and limitations as have been made, and are in force or may be made, hereafter. Generally, no export licences are required for the export of goods from India to Nepal. There are, however, some items like raw jute, mica, bristles, leopard and tiger skins which are not ordinarily allowed to be exported. There are also certain items which are not allowed to be exported either to Nepal or to any other country. Details of these have been given in the Schedules to the Export (Control) Order, 1968. However, a number of articles such as tractors, non-ferrous metals, fertilizers, petroleum and kerosene and denatured spirit which were not allowed to be exported to other countries were allowed to be supplied to Nepal on the basis of quotas as in the past.

STEEL MILL IN LIBYA

The Libyan government signed on September 8, in Tripoli a contract with the Indian consultants, Dastur and Company, for the preparation of a Feasibility Report on Iron and Steel Industry in Libya. This is the second consultancy contract awarded by Libya to the Indian companies this year.

TRADE WITH HUNGARY

Hungary and India have agreed that the existing level of trade between the two countries should be increased by 50 per cent. The two countries have also agreed that special emphasis should be placed on the purchase of non-tradi-

tional products from either country. The agreement was reached following talks between Foreign Trade Minister, Mr L.N. Mishra, and Hungarian Foreign Trade Minister, Mr Ozsee Biro. The two ministers later signed a memorandum outlining the steps to be taken to achieve the objectives agreed upon.

VIJAYANAGAR STEEL PLANT

The union government has, in consultation with the government of Mysore, decided to name the steel plant in the Hospet region as "Vijayanagar Steel Plant". Tornagalu, the site select-

ed for the location of the steel plant, is only 15 miles from Hampi, which was the seat of the Vijayanagar empire. The Prime Minister will inaugurate work on this project on October 14.

NAMES IN THE NEWS

Mr V. D. Thakkar took over as the Custodian of Bank of Baroda from September 14, 1971 in succession to Mr M. G. Parikh who has retired after serving the Bank for over three decades. Prior to the new assignment, Mr Thakkar was the Bank's Joint General Manager.

INDUSTRIAL FINANCE CORPORATION OF INDIA

5 $\frac{3}{4}$ % BONDS 1983

PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL GUARANTEED BY THE GOVERNMENT OF INDIA

AMOUNT OF ISSUE
Issue Price

Rs. 8,00,00,000
Rs. 100.00 per cent

REDEEMABLE AT PAR ON THE 5TH OCTOBER, 1983

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.

Subscription will be received in cash/cheque or 4% IFC Bonds 1971 due for redemption on the 5th October, 1971 at the branches of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna from Tuesday the 5th October, 1971 but the list will be closed without notice as soon as the total subscriptions amount to Rs. 8 crores, and in any case, not later than the close of business on Friday, the 8th October, 1971. The Corporation reserves the right to retain subscriptions received upto 10% in excess of the sum of Rs. 8 crores.

The Bonds will have a currency of 12 years, and will be repaid at par on the 5th October, 1983. They will bear interest at the rate of 5 $\frac{3}{4}$ % per annum from the 5th October, 1971. Interest will be payable half-yearly on the 5th April and 5th October, and will be subject to tax under the Income Tax Act, 1961.

Conversion Terms: 4% IFC Bonds 1971 due for redemption on the 5th October, 1971 will be accepted at par in payment of subscription to 5 $\frac{3}{4}$ % IFC Bonds 1983. Interest on 4% Bonds 1971 will be paid at the stipulated rate of 4% per annum upto and inclusive of 4th October, 1971 at the time of issue of the new Bonds.

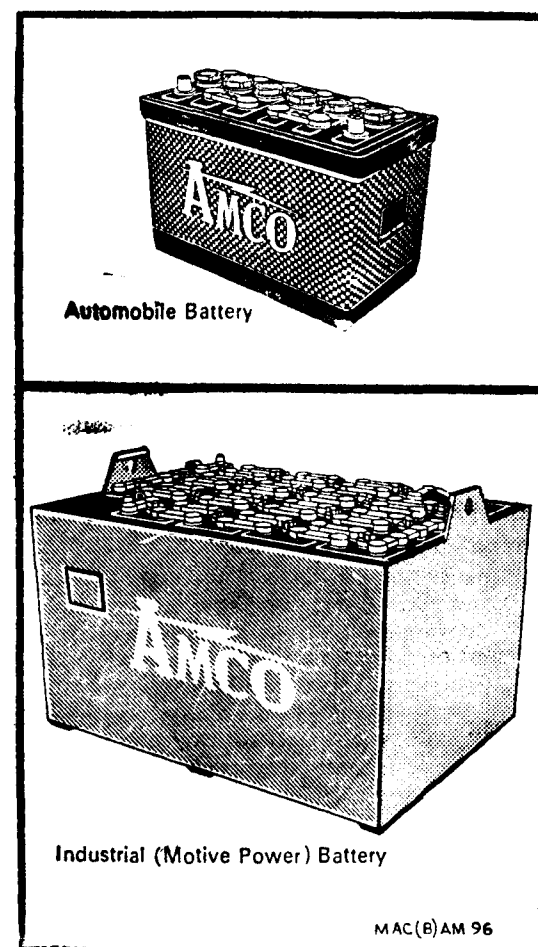
Copies of the prospectus and application forms can be had from the Offices of the Reserve Bank of India as also from the Head Office of the Corporation at Bank of Baroda Building, 16-Parliament Street, P.B. No. 363, New Delhi-1, its branches at Mehta Mahal, 5th Floor, 15-Matthew Road, P.B. No. 3928, Bombay-4 4-Mangoe Lane, 2nd Floor, P.B. No. 2483, Calcutta-1, Raji Building, 3rd Floor, 147-Mount Road, P.B. No. 1080, Madras-6, Jivabhai Chambers, Ashram Road, P.B. No. 4049, Ahmedabad-9, Gauhati Office at G.N. Bardoloi Road, Chandmari, P.B. No. 30, Gauhati-1 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 stamps.

NEW DELHI,
Dated the 2nd Sept., 1971.

C.D. KHANNA
CHAIRMAN



Automobile Battery

Industrial (Motive Power) Battery

MAC(B)AM 96

THOSE WHO WANT
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SERVICE — ENGINEERING — RESEARCH — LONG LIFE

Company Affairs

UCO BANK LTD.

Mr M. P. Birla, Chairman of the United Commercial Bank Limited, stated in Calcutta on September 16 that in the interest of the shareholders the directors had decided that the company should be voluntarily liquidated. Addressing the shareholders at the annual general meeting, Mr Birla pointed out that the proposal to convert it into a merchant bank would involve considerable time. As such, the proposal was dropped and another proposal to amalgamate it with Atul Products Limited was abandoned. It was thought that instead of waiting for an indefinite period it would be better for the shareholders to get back their money. After all, either a merchant bank or a merged unit would not be able to fetch a return of more than seven to eight per cent while sound industrial units would pay an interest of more than 10 per cent if the money was lent to them, he added. Under the circumstances, it was of no use to block the investors' money.

The report of the bank revealed that the company earned a profit of Rs 46.82 lakhs during 1970 after providing Rs 36.13 lakhs as interest on deposits and borrowing, Rs 22.34 lakhs as salary, allowance and provident fund, Rs 2.59 lakhs as rent, taxes, insurance, etc., Rs 2.41 lakhs as depreciation, Rs 9.10 lakhs as other expenditure and meeting all other charges. The company's main income was Rs 31.61 lakhs. After adding a sum of Rs 8.01 lakhs brought forward from previous year's account, the net profit amounted to Rs 54.33 lakhs of which Rs 54.32 lakhs has been appropriated while a balance of Rs 51,051 was carried forward. In the appropriation account the directors transferred Rs 9.30 lakhs to reserve fund No. 1. Interim dividend, which incidentally has been designated as final and special dividend of Rs seven per share or 14 per cent, would consume Rs 39.20 lakhs making a total of Rs 54.32 lakhs. The directors had under consideration proposals for amalgamation of the company with industrial units, but in view of the considerable delay that would be involved in putting through any acceptable scheme they came to the conclusion that after the undertaking of Malaysian branches has been transferred to the proposed new banking company being incorporated in Malaysia according to the

arrangement with the Reserve Bank of India, the company should be voluntarily wound up. Activities of the bank during the year were mainly confined to the three branches of Malaysia. Now it had been agreed that the Rs 9.80 lakhs would be received by the bank in full settlement of the bank's claim for business in Malaysian branches.

SIMCO METERS

Mr S. Narayanaswamy, Chairman, Simco Meters Ltd, while addressing annual general meeting of the company stated that the turnover for the year ended March 31, 1971, was gratifying as it crossed the one crore rupee mark. In fact the turnover reached an impressive figure of Rs 127 lakhs which was nearly 35 per cent more than the previous year. The chairman was confident that the company would maintain the same turnover during the current year if not register a further increase. He stated that the transmission and distribution of power throughout the country continued to enjoy top priority and therefore the demand for single phase and poly-phase meters was bound to increase year after year at least during next two Plan periods. He further added that many state electricity boards were facing paucity of funds for fulfilling their commitments, which they had entered into with various meter manufacturers including Simco Meters. He therefore, suggested that the Planning Commission and the union government while making financial allocations should earmark investment for specific and clearly identified developed projects to avoid shifting basis of priorities at state and central levels.

Mr Narayanaswamy stated that the supply position of raw materials and components particularly steel and steel products continued to remain unsatisfactory leading to inevitable increase in the cost of production of company's products. He added that the research and development wing of the company was able to meet the situation to a certain degree by finding low cost substitutes in raw materials in place of those which were becoming increasingly scarce. He added that research and development wing had developed successfully quite a few critical items which were hitherto imported for manufacture of combination meters. He

stated that adequate funds were proposed to be allocated for research to maintain tempo of research both in meter technology and in the field of electronics. Mr Narayanaswamy added that the company had been issued industrial licence for the manufacture of polystyrene variable condensers and gang condensers up to 600,000 pieces per year besides a few electronic instruments. The company has now applied for issue of industrial licence for manufacturing a wider range of electronic instruments which are sophisticated in character and are defence-oriented. Simultaneously the company also proposed to establish different ranges of electronic instruments to feed the Indian Telephone Industries, the Bharat Electronics Ltd and the defence establishments at Bangalore, with their requirements as soon as the company obtained the industrial licence that had been applied for. While substantial capital outlay would be required to implement the licence as soon as it was received the company is confident of finding the needed funds from its internal resources, present and prospective, stated Mr Narayanaswamy.

ORIENT PAPER

The directors of Orient Paper Mills have proposed to step up the equity dividend to 11.5 per cent during the year ended March 31, 1971 against 10 per cent in the previous year. The dividend on preference shares has been maintained. The entire dividend on equity shares has been exempted from tax. The preliminary working results show that the company's net profit has increased to Rs 2.34 crores against Rs 1.76 crores. Allocations under various heads include Rs 1.43 crores for gratuity, Rs 55 lakhs for development rebate reserve, Rs 2.11 crores for depreciation, Rs 1.20 crores for taxation. Rs 56.63 lakhs for dividend equalisation reserve, Rs one crore for research and development reserve, and Rs 75 lakhs for repairs and renewals reserve. The carry forward is Rs 3.72 lakhs against Rs 1.20 lakhs brought in. In the previous year a sum of Rs one crore had been transferred to deferred depreciation reserve and Rs 32 lakhs to general reserve. The equity dividend has been exempt from tax.

MOTOR INDUSTRIES

The Motor Industries Co. Ltd, has received an industrial licence from the union government for expanding the production capacity of spark plugs, single cylinder pumps, multi-cylinder pumps including distributor and multi-duel type, elements, delivery valves

nozzle holders and nozzles. The existing licensed capacity of spark plugs is 2.16 million pieces a year and it is to be increased to 3.6 million pieces. The capacity for the manufacture of single cylinder pumps is to be raised from 138,000 pieces to 540,000 pieces and that of multi-cylinder pumps including distributor and multi-duel type from 77,000 to 90,000 pieces. The capacity for the manufacture of elements is to be doubled to 3.6 million pieces and that of delivery valves is to be expanded substantially from 1.44 million pieces to three million pieces. The production of nozzle holders is to be increased from 552,000 pieces to 960,000 pieces and that of nozzles from 1.92 million pieces to 4.2 million pieces. The new licence sanctions the company's expansion in full with the exception of filters and filter inserts where no expansion has been granted. In accordance with the company's request, the licence stipulates production of nozzles and nozzle holders in a new factory to be set up at Nasik. The company has assured the government at the time of making the application for expansion that by this process nobody in Bangalore factory would be laid off or adversely affected in any manner. The company says that this will be the case even when the production of nozzles and nozzle holders is shifted gradually to Nasik. As soon as the foreign exchange is finalised (expected date is the end of 1971) the company will go ahead with the construction of the new factory building at Nasik and ordering of additional machinery and equipment, both for the expansion at Bangalore as well as at Nasik. The company has made an application to the Controller of Capital Issues for permission to capitalise Rs 1.50 crores and issue bonus shares in the ratio of two shares for every five equity shares held.

NEW GREAT INSURANCE

The New Great Insurance Company of India Limited has received the approval of the union government for payment of final dividend at the rate of Rs 3.25 per share less tax for the year 1970 which together with the interim dividend of Rs three comes to Rs 6.25 per share, as against Rs 5.50 paid in 1969. The dividend works out at 25 per cent of the paid-up value of Rs 25 per share. The final dividend will be paid out of the general reserves. Gross premium in 1970 increased to Rs 4.20 crores from Rs 3.45 crores in the previous year, while net premium amounted to Rs 3.02 crores in 1970 as against Rs 2.46 crores in 1969. The departmental reserves have increased by Rs 31 lakhs and the same stand at Rs 1.67 crores at the end of the year. The gross profits show a

substantial rise of Rs 28.61 lakhs in 1970 as against Rs 18.01 lakhs in 1969. The general reserves stand at Rs 25.25 lakhs as against paid-up capital of Rs 25 lakhs.

GUEST KEEN WILLIAMS

The directors of the Guest Keen Williams Ltd have proposed, subject to the consent of the Controller of Capital Issues and approval of the Reserve Bank of India, to issue bonus shares in the ratio of one share for every two equity shares held. The proposed bonus shares will be issued by capitalising the entire balance of Rs 216.33 lakhs standing to the credit of the share premium account and a further sum of Rs 99.77 lakhs from the general reserve. The existing paid up capital of the company is Rs 6.32 crores and after the bonus issue the paid up capital will rise to Rs 9.48 crores.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the two weeks ended May 1, 1971. The list contains 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

Ferrous Industries

M/s Fit Tight Nuts and Bolts Ltd, Old Ashram, Andheri Kurla Road, Andheri, Bombay-69. (Bombay-Maharashtra)—1. High Tensile Precision Bolts & Nuts—Expansion from 1354 M.T. to 2440 M. T. per annum. 2. High Tensile Precision Socket Head Cap Screws, Expansion from 338 M. Tonnes to 610 M. Tonnes p.a. (SE); M/s Southern Alloy Foundries (P) Ltd, 76, G.N.T. Road, Madavaram, Madras. (Madras-Tamil Nadu)—1. S.G. Iron Castings — 1200 tones p.a. after expansion. 2. Alloy Iron Casting—300 tonnes p.a. after expansion. (SE).

Non-Ferrous Industries

M/s Unval Industries Ltd, ISM Estate, Chinchpokli Cross Lane, Bombay-27. (Bombay-Maharashtra)—Non-ferrous shell moulded castings and die castings — 50 tonnes per annum. (COB).

Fuels

M/s North Keshalpur Colliery Co. Pvt. Ltd., P.O. Karasgarh (Dhanbad)

— Bihar; Coal — 1.40 000 tonnes per annum after expansion (SE)

Electrical Equipment

M/s Associated Battery Makers (Eastern) Ltd, 59C, Chowringhee Road, Calcutta-2. (West Bengal)—Train Lighting Cell — 72,000 Nos. per annum after expansion. (SE); M/s Eswaran & Sons Engineers Pvt. Ltd, 5-7, Second Line Beach, Post Box No. 1912, Madras-1. (Tamil Nadu)—Electrical Stampings for Rotary & Static Electrical Machine — 3,000 tonnes per annum after expansion (SE); M/s Chandra Electric Industries, F-39, N.D.S.E. Part I, New Delhi-49. (Delhi)—Super Enamelled Copper Winding Wires—120 tonnes per annum. (COB); M/s T.I. Diamond Chain Ltd, Ambattur, Madras-5. (Ambattur, Madras-Tamil Nadu)—Bicycle Chains—17,50,000 Nos. p.a. (COB).

Transportation

M/s Deepak Industries Limited, 16, Hara Street, Calcutta. (Haryana)—Gears for Tractors—150 tonnes per annum. (NU); M/s Freewheels (I) Ltd, UCO Bank Bldg., 4th Floor, Parliament Street, New Delhi. (Faridabad-Haryana) — Bicycle Freewheels—12,00,000 Nos. per annum. (COB); M/s Rane Brake Linnings Ltd, 147, Mount Road, Madras. (Ambattur-Tamil Nadu)—Brake Linnings and Clutch Facings—480 tonnes per annum after expansion. (SE).

Industrial Machinery

M/s McNally Bird Engineering Co. Ltd, P.O. Kumardhubi Distt. Dhanbad (Bihar). — Mineral Benefication and Treatment Plant Equivalent to 25% of production. (COB); M/s Voltas Limited, 19, Graham Road, Ballard Estate, P.B. No. 1198, Bombay-1. (Thana-Maharashtra) — Water Well Drills, 25 Nos. p.a. (COB); M/s Techno Engineers, P-46-A, Radhabazar Lane, Calcutta-1. (Jamshedpur-Bihar) —1. Brew House Equipment—Rs 100 lacs p.a. 2. Malt House Equipment—Rs 10 lacs p.a. (NU); M/s Bird & Co. (I) Ltd, Chartered Bank Bldg., Calcutta-1. (Calcutta-West Bengal)—1. Carpet Backing looms, annual capacity 360 Nos. 2. Inspection Machine. 60 Nos. 3. Narrow Loom. 72 Nos. 4. Pre-beamers 12 Nos. 5. Beaming. 4 Nos. 6. Roll up machines. 12 Nos. 7. Roll Winders. 48 Nos. 8. Cop Winders. 48 Nos. (NA); M/s Killick Halco Ltd, Killick House, Home Street, Fort, Bombay-1 BR. (Bombay, Maharashtra) — Water-Well Drilling Rigs and accessories—15 p.a. (COB); M/s Hindustan Motors Ltd, P.O. Hind Motor, Dt. Mogly, West

Bengal (Uttarpara-West Bengal). Travellers—within the overall licensed capacity of 4200 tonnes of cranes p.a. (COB); M/s Bird & Co. (P) Ltd, Chartered Bank Bldg., Calcutta-1. (Calcutta-West Bengal)—(i) E.O.T. Cranes—Rs 44.00 lakhs p.a. (ii) Winches—Rs 6.00 lakhs p.a. (COB); M/s Hindustan National Glass Manufacturing Co. Ltd, Bahadurgarh, Distt. Rohtak. (Bahadurgarh-Haryana)—(i) Glass Forming Machine 6 Nos. p.a. (ii) Glass Feeder—6 Nos. p.a. (iii) Auto stacker—6 Nos. (iv) Annealing Lehr—6 Nos. (v) Other spares & equipments—Rs 6 lakhs. (NA).

Engg. Industries

M/s The Indian Aluminium Cables Ltd, F. 40, N.D.S.E., Part I, New Delhi-49. (Ghaziabad-Uttar Pradesh)—Expanded Mandrels—60,000 Nos. p.a. (NA).

Chemical

M/s Kanoria Chemicals and Industries Ltd, 9, Brabourne Road, Calcutta. (Renukoot-Uttar Pradesh)—Chlorinated Paraffin wax—1500 tonnes p.a. (NA); The Fertilizer Corporation of India Ltd, F-43, South Extension Area, Part I, Ring Road, New Delhi-3. (Trombay-Maharashtra)—Methylamines—4,000 tonnes p.a. (NA); M/s ICI Chemicals (P) Ltd, 6, Middleton Street, Calcutta. (Durgapur-West Bengal)—(i) Chlorinated Diphenyls—3000 tonnes p.a. (ii) Chlorinated Naphthalate—500 tonnes p.a. (iii) Chlorinated Paraffins—500 tonnes p.a. (NU); M/s Indian Oxygen Ltd, Oxygen House, P-43, Taratala Road, Calcutta-53. (Gauhati-Assam)—(i) Oxygen Gas—2,40,000 Cubic Meters p.a. (ii) Dissolved Acetylene Gas—70,000 Cubic Meters p.a. (COB); M/s Adarsh Chemicals and Fertilizers Ltd, P.O. Baroda Rayon, Udhna, Distt. Surat (Gujarat). (Udhna-Gujarat)—Synthetic Cryolite and or Sodium Silicofluoride—30 tonnes per month. (NA).

Drugs & Pharmaceuticals

M/s Glaxo Laboratories (I) Ltd, Dr. Annie Besant Road, Worli, Bombay-18. (Maharashtra)—Vitamin A—Expansion from existing capacity of 10 MMU to 30 MMU per annum. (SE); M/s Suhrid Geigy Ltd, P.O. Box 48, Wadi, Wadi Baroda. (Gujarat)—Butazolidin—Expansion from 10 tonnes to 30 tonnes per annum. (SE); M/s Geoffrey Manners and Co. Ltd, Magnet House, Dougal Road, Ballard Estate, Bombay—Isosorbide Dinitrate Tablets—160 lakh Nos. p.a. (NA).

Textiles

M/s Kinnison Jute Mills Co. Ltd, Chartered Bank Bldg., Calcutta-1.

(West Bengal)—Jute Carpet Backing Cloth—141 broadlooms to produce 7163 tonnes of carpet backing cloth. (SE).

Paper & Pulp

M/s Premier Paper Products 23, Venkataswamy Road, P. Box No. 747 R.S. Puram, P.O. Coimbatore-2. (Coimbatore-Tamil Nadu)—Paper, film & foil based flexible packaging materials 2328 tonnes p.a. (COB); M/s The Ballarpur Paper & Straw Board Mills Ltd, Thapar House, 124, Janpath, New Delhi. (Ballarpur-Maharashtra)—(i) Pulp—69,000 tonnes p.a. (ii) Paper all kinds (writing, printing, packing, art, tissue and poster paper—69,000 tonnes p.a. (COB); M/s Straw Products Ltd, 4, Bahadur Shah Zafar Marg, Nehru House, New Delhi. (Jaykaypur-Orissa)—i. Pulp—28,500 tonnes p.a. ii. Writing & Printing papers—19,000 tonnes p.a. iii. M.G. Paper/M.F. Tissue 9,500 tonnes p.a. iv. Coated Papers and Board—4,500 tonnes p.a. (COB); M/s Diamond Coated Papers Ltd, B-38, Greater Kailash. I, New Delhi-48. (Faridabad-Haryana)—Art Paper/Art Board—3000 tonnes p.a. (NU); M/s Tribeni Tissues Ltd, 3, Middleton Street, Calcutta-16. (West Bengal)—(i) Pulp—7,500 tonnes p.a. (ii) Cigarette Tissue Commercial and other Tissue Papers—8,500 tonnes p.a. (COB); M/s Straw Products Ltd, 'Nehru' House (3rd Floor), 4, Bahadur Shah Zafar Marg, New Delhi-1—(i) Pulp—13,200 tonnes p.a. (ii) Paper Boards, including Grey Board, Duplex Board, Box Board—7,200 tonnes p.a. (iii) Straw Board—6,000 tonnes p.a. (COB); M/s J.K. Rayon, Kamla Tower, P.B. No. 25, Kanpur (Jajman, Kanpur) (Uttar Pradesh)—Cotton Linters Rayon Grade Pulp—4,000 tonnes p.a. (COB); M/s G.T. Industries, 33-A, New Marine Lines, Bombay. (Ujhani, Uttar Pradesh)—Packing & Wrapping Paper, Mill Board & Straw Board—3,000 tonnes per annum. (COB); M/s The Cellulose Products India Ltd, P.O. Kathwada, Maize Products, Distt. Ahmedabad, Gujarat. (Ramol-Gujarat)—(i) Pulp—5400 tonnes p.a. (ii) Straw Board & Grey Board—5400 tonnes p.a. (COB); The Titagur Paper Mills Co. Ltd, Chartered Bank Bldg, Calcutta-1. (Titagur & Kankinara-West Bengal)—Pulp—65,000 tonnes p.a. Paper & Paper Board—65,000 tonnes p.a. (COB).

Vanaspatis

Shri H.K. Singhania, Managing Director, Rajadhiraj Industries (P) Ltd, Seoni (M.P.). (Seoni Madhya Pradesh)—Vanaspatis—25 tonnes per day. (COB); M/s Ranbir Chemical Indust-

ries (P) Ltd, Ranjit Bagh, Ropar Road, Kharar, Distt. Ropar (Punjab). (Rupar Road Kharar)—Vanaspatis—25 tonnes per day. (COB); Shri N. Srinivasan, 2, Dr. C. P. Ramaswami Iyer Road, Alwarpet, Madras-18. (Madras-Tamil Nadu)—Vanaspatis—50 tonnes per day. (COB); M/s Prakash Vanaspatis Udyog, P.O. Box No. 81, Shivnagar, Wardha, (Wardha-Maharashtra)—Vanaspatis—20 tonnes per day. (COB); M/s Rohtas Industries Ltd, A-3, Prithvi Raj Road, Jaipur-5. (Jaipur-Rajasthan)—Vanaspatis—100 tonnes per day. (COB); M/s Motilal Padampat Sugar Mills Co. (P) Ltd, (Vanaspatis Branch), P.O. Box No. 69, Gataiya, Kanpur (Gataiya, Kanpur-Uttar Pradesh)—Vanaspatis—50 tonnes per day. (COB); M/s Rohtas Industries Ltd, P.O. Dalmianagar, (Dalmianagar-Bihar)—Vanaspatis—100 tonnes per day. (COB).

Glass

M/s Jagatjit Industries Ltd, 54, Ring Road, Lajpatnagar-3, New Delhi.—Glass Bottles and Miscellaneous Ware—12000 tonnes p.a. (NA).

Ceramics

M/s Belpahar Refractories Ltd, P.O. Belpahar, Distt. Sambalpur, Orissa. (Belapahar-Orissa)—Silica Bricks—20,000 tonnes p.a. after expansion. (SE); M/s Kumardhubi Fireclay and Silica Works Ltd, Chartered Bank Bldg., Calcutta-1. (Kumardhubi-Bihar)—Firebricks, Silica bricks, Sillimanite bricks, Mortars, specialties—1,35,000 tonnes p.a. after expansion. (SE); M/s E.I.D. Parry Ltd, P.B. No. 12—Madras-1. (Banipet-Tamil Nadu)—Raschig Ring, Honeycomb Segments, Intalox Saddles, Filters etc.—1,300 tonnes per annum after expansion. (SE); M/s Belpahar Refractories Ltd, P.O. Belapahar, Distt. Sambalpur (Orissa). (Belpahar-Orissa)—Basic Bricks—50,000 tonnes after expansion. (SE).

Cement

M/s The Indian Cements Ltd, Dhun Building, 175/1, Mount Road, Madras. (Tamil Nadu)—1. Portland Cement—863,000 tonnes p.a. 2. Pozzolana Cement—50,000 tonnes p.a. (COB); Tamil Nadu Industrial Development Corp. Ltd, LLA Building, 150-A, Mount Road, Post Bag No. 5205, Madras-2. (Alangulam-Tamil Nadu)—Portland Cement—400,000 tonnes per annum. (COB); M/s Bagalkot Cement Co. Ltd, Stadium House, Veer Nariman Road, Fort, Bombay. (Bagalkot-Mysore)—Portland Cement & Slag Cement—360,000 tonnes per annum.

Composed of 2,25,000 tonnes of portland Cement & 1,35,000 tonnes of Slag Cement. (COB)

LETTERS OF INTENT

Ferrous Industries

Shri Satyabrata Ghosh, L-1/19, Hauz Khas, New Delhi—Centrifugally Cast Alloy Steel Tubes and High Alloy Steel Castings (Heat Resistant Stainless Steel)—500 tonnes each. (NU); Shri V. Srihari Rao, 275, Sanjiva Reddy Nagar, Hyderabad. (Vijaywada-Andhra Pradesh)—Steel Floor Gratings and Stair Threads—2,000 tonnes p.a. (NU); M/s Indian Sugar & General Engg. Corp., Yamunanagar, Distt. Ambala (Yamunanagar-Haryana)—Low Carbon Cast Iron Rolls, Alloyed Iron Balls, Low Carbon and Alloyed Iron Rolls, Nadular Iron Rolls and Nadular Iron Castings—3,000 tonnes p.a. (NA); M/s Nitin Engg. & Mfg. Co. (P) Ltd, Eastern Express Highway, Panchapakhadi, Thana. (Maharashtra)—Centrifugal Alloy Castings (Reformer Tubes)—1,000 tonnes p.a. (NU); M/s Indian Tube Mills & Metal Industries (P) Ltd, 126, Narayan Dhuru Street, Bombay. (Maharashtra)—Bright Bars—Expansion from existing capacity of 12,000 tonnes to 18,000 tonnes p.a. (SE); M/s Jindal Strips Pvt. Ltd, Delhi Road, Hissar. (Hissar-Haryana)—Hot Rolled Skelp and Strips—15,000 tonnes p.a. (NA).

Steam Generating Plants

M/s Westerwork Engineers Pvt. Ltd, Commerce Centre, Tardeo Road, Bombay-34. (West Bengal)—Packaged Oil and Gas Fired Boilers—Expansion by Rs 16.00 lakhs p.a., making total capacity as Rs 43.00 lakhs p.a. (SE).

Electrical Equipment

M/s B. Choudhury & Co., Indian Cable Chambers, Fort St., Bombay-1. (Bombay-Maharashtra)—H.P.M.V. Lamps—0.09 million Nos. p.a. (NA); M/s Associated Battery Makers (Eastern) Ltd, "Barlow House", 59, Chowringhee Road, Calcutta-20. Poona (Poona-Maharashtra)—H.R. Battery Containers sets—120000 Nos. p.a. (NA); Associated Battery Makers (Eastern) Ltd, "Barow House", 59, C-Chowringhee Road, Calcutta-20. (Poona-Maharashtra)—1. Automotive Batteries 120,000 Nos p.a. 2. Hard Rubber Containers (for captive capacity)—120,000 Nos p.a. (SE); M/s Electronics Research Ltd, 28, K.H. Road, Bangalore-27. (Palghat-Kerala)—Connectors (for application on Power Distribution System & Equipment)—60,000 Nos. p.a. (NA); M/s Capital Lighting and Electronics (P) Ltd,

15/1, Asaf Ali Road, New Delhi. (Hyderabad-Andhra Pradesh)—GLS Lamps (15-200 W) 4.5 million Nos. p.a. (NU); M/s Miniature Bulb Industries of India, 131, Kanwali Road, Dehra Dun (UP)—Auto Head light, tail light and side light lamps (stem type)—2.25 million Nos. p.a. (SE); M/s Tube Light Starter Manufacturing Co., 3/2 Bhagwan Ganguli Lane, Post Box 27, Howrah. (Howrah-West Bengal)—Lead in wires—50 million Nos. p.a. (NU); M/s Arun Lamp Industry, 13, Bhagwan Ganguli Lane, Howrah, (West Bengal)—1. Lead in wires—50 million Nos. p.a. 2. Filament wire—15 million Nos. p.a. (NU); Shri P. Obul Reddy, 31, General Patters Road, Madras-2. (Andhra Pradesh)—Midget Electrodes, 250 million Nos. p.a. (NU); M/s Modern Battery and Auto Company, Nene Building, 302, Charni Road, Bombay-4. (Vapi, Distt. Bulsar-Gujarat)—(i) Train Lighting Cells (Traction) 1,00,000 Nos. p.a. (ii) Stationary Cells—10,000 Nos. p.a. (iii) Storage Batteries—50,000 Nos. p.a.

Transportation

Shri O.P. Bhardwaj, No. 6-Sector VI, Faridabad (Haryana) Ghaziabad-Haryana)—Engine Valves—15 lakhs Nos. p.a. (NU); M/s Hindustan Dealers Ltd, 4, Indian Exchange Place, 2nd Floor, Calcutta-1. (Ballabgarh-Haryana)—(i) Speedometers. (ii) Ampere meters. (iii) Fuel gauges. (iv) Oil gauges. (v) Speedometer Cables. (vi) Water temperature gauges—50,000 Nos. each p.a. (NU); M/s Hindustan Auto Corp., 3-9-Modi Chambers Sandhurst Bridge, Bombay. (Faridabad-Haryana)—Engine Valves—36 lakh Nos. p.a. (NU); M/s Shri Ramdas Motor Transport Pvt. Ltd, Subhas Road, Kakinada (AP). (Kakinada-Andhra Pradesh)—Engine Valves—4.8 lakh Nos. p.a. (NA); Shri S.M. Subramanian, 24-C, Thanikachalam, Chetty Road, Madras. (Tamil Nadu)—Engine Valves—12 lakh Nos. (NU); Shri Ashok Kumar Nanda, 1E/23, Jhandewalan Extension, New Delhi-55. (Ghaziabad-Uttar Pradesh)—Engine Valves—16 lakh Nos. p.a. (NU); Shri R.K. Varma, 35, Pusa Road, New Delhi-5. (Haryana)—Engine Valves—15 lakh Nos p.a. (NU); Shri Vinay Kumar, (Prosperity Aids Industrial Corporation), K-119, Kamla House, Hauz Khas Enclave, New Delhi-16. (Uttar Pradesh)—(a) Thick & Thin walled bearings metallic—Ten lakh Nos. p.a. (b) Thick & thin walled bearings metallic—PTFE type—Ten lakh Nos. p.a. (c) Bushes—Nos each p.a. (d) Thrust bearings (collapsed thin walled bearings)—Four lakh Nos. each p.a. (e) Sintered bearings—Two lakhs Nos. p.a. (NU); Shri K.M. Thakar, 8-CCI Chambers, Dinshaw Vacha Road, Churchgate, Bombay-1. (Faridabad-Haryana)—(i) Thin walled bimetal bearings & bushes—30,00,000 Nos. p.a. (ii) Bimetal strips—500 tonnes p.a. (NU); M/s Engine Valves Ltd, 7, Noble Street, P.B. 1305, Madras-16. (Madras-Tamil Nadu)—Engine Valves—5 million Nos. p.a. after expansion. (SE); M/s Jairamdas Udyog (Private) Ltd, 17-A/I, Asaf Ali Road, New Delhi-1. (Haryana Uttar Pradesh)—Engine Valves—10 lakhs Nos. p.a. (NU); M/s Globe Industries Ltd, Agra Road, Mulund, Bombay-80 (Vapi)—Spark plugs—24 lakhs per annum. (NU); M/s Bearing Specialists Pvt. Ltd, 137, Canning Street, Calcutta-1. (Gurgaon—Haryana)—Engine Valves—30 lakh Nos. p.a. (NU); M/s Prem Nath Motors Pvt. Ltd., Scindia House, New Delhi-1. Engine Valves—30 lakhs Nos. p.a. (NU); M/s Indian Carburettors, B-14, K.R. Sundaram, Industrial Estate, Madras-19. (Chingleput-Tamil Nadu) Carburettors—1,10,000 Nos. p.a. after expansion. (SE); Shri R.L. Malani, C/o Shri B. Malani & Sons, Civil Lines Nagpur-1. (Nagpur-Maharashtra)—1. Elements—7.5 lakhs Nos. 2. Delivery valves—7.5 lakh Nos. 3. Nozzle—10.00 lakh Nos. 4. Nozzle Holders—2.0 lakh Nos. 5. Single Cylinder Pumps—2.0 lakh Nos. 6. Multi Cylinder Pumps 5,000 Nos. 7. Spark Plugs—5.0 lakh Nos. 8. Glow Plugs—75.000 Nos. (NU); M/s Crescent Agencies (I) Ltd, 27/33, Madows Street, Bombay. (Poona-Maharashtra)—Engine Valves—30 lakhs Nos. p.a. (NU); M/s Harnam Sales Union, B-5 Connaught Place, New Delhi-5. (Faridabad-Haryana)—Automobile gears—1,000 tonnes p.a. (NU) M/s Talbros Pvt. Ltd, 60, Najafgarh; Industrial Area, New Delhi-15. (Balabgarh-Haryana)—Engine Valves—36 lakhs Nos. p.a. (NU); Shri Virendar Kumar, J-63-A, Kirti Nagar, New Delhi-15 (Delhi)—Engine Valves—20 lakhs Nos. p.a. (NU); M/s Upper India Bearings (P) Ltd, 4/147, Mackey's Gardens, Madras-6—(i) Bimetallic bearing valves & washers (ii) Bimetallic bushes—15,00,000 Nos. each per annum after expansion. (SE); M/s Bharat Engine Valves Ltd, 8/3, Asaf Ali Road, New Delhi (Sonepat-Haryana)—Engine Valves—50 lakhs Nos. (NU); M/s Bharat Carburettors, Jumna Bhawan, A-14/3, Asaf Ali Road, New Delhi-1. (Ballabgarh-Haryana)—(i) Assorted sizes of Carburettors—60,000 Nos. p.a. (ii) Carburettors Repair Kits—50,000 Nos. p.a. (iii) Brake Hose—30,00,000 Nos. p.a. (iv) Master Cylinder Repair Kits—3,00,000 Nos. p.a. (v) Wheel Cylinder Repair Kits—6,000,00 Nos. p.a. (NU); The West Coast Electric Supply Corporation Ltd, 20, Second Line Beach, P.B. no. 156, Madras-1. (Bangalore-Mysore)—Engine Valves—15 lakhs

Nos. p.a. (NU); Shri Avtar Singh, 1st Floor, Jamuna Bhavan, A-14/3, Asaf Ali Road, New Delhi. (Faridabad Haryana)—Universal Joint Cross Bearings—Nine lakh Nos. p.a. (NU); Shri A.P. Madhawan, 89, Race Course, Coimbatore-13. (Coimbatore-Tamil Nadu)—(i) Valves—12 lakh Nos. p.a. (ii) Valves Guides—1 lakhs Nos. (iii) Push Rods—1 lakh Nos. per annum. (iv) Tappers—1.5 lakhs Nos. per annum (NU); M/s Sen-Raleigh Limited, Mercantile Buildings, Lalbazar Street, Calcutta-1. (Calcutta-West Bengal)—Scooters—24,000 Nos. per annum. (NA); M/s Bearings & Bushings Corporation, Bombay Mutual Chambers, 4th Floor, 19-21, Hamam Street, Fort, Bombay-1-BR. (Bombay-Maharashtra)—(i) Bearing—300,000 Nos. p.a. (ii) (ii) Bushes—10,00,000 Nos. p.a. (iii) Thinwalled Bearings 20,000 Nos. p.a.

Industrial Machinery

M/s The Triveni Engineering Works Ltd, National Insurance Buildings, 5, Parliament Street, New Delhi. (Uttar Pradesh)—Vacuum Filters including rotary drums, disc, horizontal table, single and multitipping pan & linear belt models valued at Rs 50 lacs per annum. (NA); M/s Testeels Ltd, Navdeep, Opp. Akashwani Ashram Road, Ahmedabad. (Ahmedabad-Gujarat)—Complete Dairy Plant comprising of among other things, S.S. Milk Storage Tanks, insulated as well as tin-insulated, S.S. Vats, Pastenrizer, Homogenizers, Spray Dryer Plants, Evaporators, Bottling Plants, Ghee Kettle, Butter Churner, Milk Reconstitution Unit, Cream Separators etc. worth Rs 150 lakhs p.a. (NA); M/s The Andhra Sugar Ltd, Venkatarayapuram, P.B. No. 2, Tanuku, (West Godavari Distt.). (Tanuku-Andhra Pradesh)—Sugarcane/Beet Diffusers of De Smet design—4 Nos. p.a. (NA); M/s Pentagon Stainless Steel Casting & Alloys Private Ltd, 'Madhu Mukand' 33, Sion East, Bombay-22 DD. (Dombivli, Distt. Thana (Maharashtra)—1. S.S. Casting—Rs 70 lakhs p.a. 2. Dairy Equipment—Rs. 125 lakhs p.a. 3. Food Processing Equipment—Rs 125 lakhs p.a. Total capacity being Rs 320 lakhs p.a. (NU); M/s Vasant Industrial & Engg. Works, "Vasant Vijay" 470-71, Worli Road, Bombay-18. (Maharashtra)—1. Yarn Mercerising Machines—6 Units p.a. 2. Yarn Neutralising Machines—5 Units p.a. (NA).

Machine Tools

Shri N. Sankar, 3/1, Cathedral Road, Madras-6. (Madras-Tamil Nadu)—Hydraulic Equipment worth Rs one crores per annum. (NU).

Earth Moving Machinery

M/s Pearey Lal & Sons (East Pun-

jab) Pvt. Ltd, 21-A, Janpath, New Delhi-1. (Ghaziabad-Uttar Pradesh)—Cutting Edges & Blades for Earth-moving machinery—5,000 Nos. p.a. (NU).

Engg. Industries

M/s Horstmann India Pvt. Ltd, 37-40, Nagar Road, Poona, (Poona-Maharashtra). —(i) Plain Ring Gauges—2,500 Nos. p.a. (ii) Screw Ring—78,00 per annum. (iii) Caliper Gauges—2,500 Nos. p.a. (iv) Setting Masters for Air Gauges—3,000 Nos. p.a. (NA); M/s Shree Vishwakarma Industries, 192, Jamuna Lal Bazar Street, Calcutta. (Calcutta-West Bengal)—Hacksaw Blades—23 lakh Nos. p.a. (NA); Indian Foam Industries 1-7-155, Bakaram, Hyderabad. (Andhra Pradesh)—1. Polyester Foam Laminated cotton/silk/leather/PVC fabrics—7,000 lakhs meters per annum. 2. Polyester Foam mattress Cushions etc.—460 tonnes p.a. (NU); M/s D.R.P. Steel Industries 61, Najafgarh Road, New Delhi-15. (Delhi)—Hacksaw Blades—40 lakhs Nos. p.a. (NU); M/s The Small Tools Mfg. Co. of India Ltd, Faraday House, P-17, Mission Row Extension, Calcutta. (Uttar Pradesh)—(i) End Mills—2,00,000 Nos. p.a. (ii) Slitting Cutters—2,00,000 Nos. p.a. (iii) Micro Drills—3,00,000 Nos. p.a. (NU); Shri V.J. Kishore, C/o Shri K. Vishwanathan, No. 11, Bhalora Bldg., Dr. Ambedkar Road, Mulund, Bombay-80. (Maharashtra)—Gear Cutting Tools—16,000 Nos. p.a. (NU).

Medical & Surgical Appliances

M/s British Physical Industries, India (P) Ltd, 28, K.H. Road, Bangalore-27. (Bangalore-Mysore)—1. Multichannel Cardiograph—30 units p.a. 2. Intensive Care Units—12 Units p.a. 3. Cardioscope—30 Units per annum. 4. Combination Recorders—30 Units p.a. (NU).

Industrial Instruments

M/s Bestobell India Pvt. Ltd, (Grosvenor House), 21-Camac Street, Calcutta-16. (Calcutta-West Bengal)—1. Pneumatic Servo-operated Recorders Indicators and Manual Station—100 Nos. p.a. 2. Pneumatic Relays, Diaphragm Units, Desaturators, Summators and Limiters—75 Nos. p.a. 3. Electro/Pneumatic Convertors—50 Nos. p.a. 4. Electro Solid State Integrated Circuit. (a) Controller—50. (b) Indicators & Manual Stations—50 Nos. p.a. 5. Oxygen Analysers and Accessories—25 Nos. p.a. 6. Flowmeter—Variable—100 Nos. p.a. (SE).

Scientific Instruments

M/s The National Instruments Ltd, 1/1-Raja Subodh Chandra Mullick

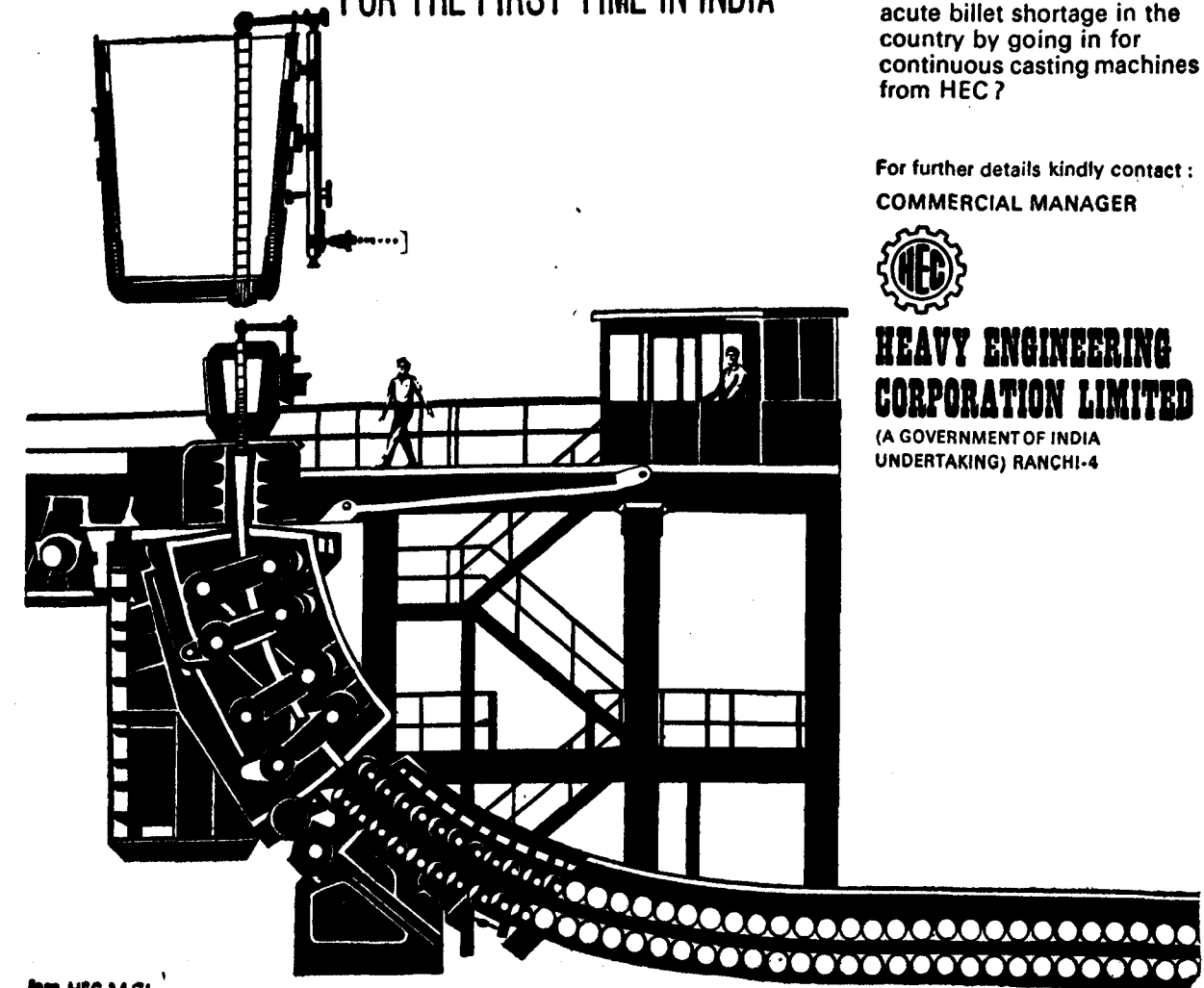
Road, Jadavpur, Calcutta-20. (Calcutta-West Bengal)—Indra Red Vision sighting Equipment for Defence requirements each full set. comprising of (a) Gunners Periscope One No. (b) Search light—One No. (c) Commander's periscope One No. (d) Binoculars—One No. (d) Power Pack—Three Nos.—100 sets p.a. (NA)

Chemicals (Other than Fertilizers)

Chemidye Trading Co. (P) Ltd, Kamer Building, Cawasji Patel Street, Fort Bombay. (Tamil Nadu)—Phthalic Anhydride—6,000 tonnes p.a. (NU); Suhrid Geigy Ltd, P.O. Box No. 48, Wadi Wadi, Baroda. (Gujarat)—Optical Whitening Agents (Tinopals)—Expansion from existing capacity of 120 tonnes to 360 tonnes p.a. (SE); M/s Industrial Oxygen Co. (P) Ltd, 38-A, Vadgaon Sheri, Off Nagar Road, Poona-14. (Poona-Maharashtra)—Acetic Anhydride—1,600 tonnes p.a. (NA); M/s Eastern Oxygen Acetylene Pvt. Ltd, Post Box No. 45, P.O. Jharia (Dhanbad). (Jabalpur-Madhya Pradesh)—Oxygen Gas—0.45 million cubic meters p.a. (NU); M/s National Air Products Ltd, 13/1, Milestone, Delhi—Mathura Road, Faridabad. (Haryana)—Oxygen Gas—0.45 million cubic meters per annum (Additional capacity). (SE); Shri P.M. Bodas, 38, Vijaya Nagar Colony, Sadashiv Peth, Poona—30 (Poona—Maharashtra)—Pearl Pigments—100 tonnes per annum. (NU); Shri K.P. Chhabria, 33/27, Saroj Bungalow, Deccan Gymkhana, Poona-4. (Poona-Maharashtra)—Rigid PVC Films—2250 tonnes p.a. (NU); Shri K. Venkateswara Rao, Coal Dealer, Patna Bazar, Tantur-3. (Andhra Pradesh)—PVC Laminated Products 18,000 rims per annum. (NU); M/s Gujarat Industrial Investment Corporation Ltd, 4th Floor, Natraj Chambers, Ashram Road, Navram-pura, Ahmedabad. (Nandesari—Gujarat)—(i) Caustic Soda—37,425 tonnes p.a. (ii) Chlorine—3,300 tonnes p.a. (iii) Hydrochloric Acid (30%) 6,000 tonnes p.a. (NU); Shri V.K. Singhal, S.M.S. Highway, Jaipur-3. (Jaipur Rajasthan)—Oxygen Gas—0.43 million cubic meters p.a. (NU); M/s Permali Wallace Ltd, Central India Flour Mills Estate, P.B. No. 38, Bhopal-8 (M.P.) (Huzur, Distt. Sehore-Madhya Pradesh)—(i) Glass Fibre Laminates—60 tonnes p.a. (ii) Cast Expoxies—60 tonnes p.a. (NA); M/s Industrial Oxygen Co. (P) Ltd, 38 (A), Vadgaon Seri, Off Nagar Road, Poona-14. (Poona-Maharashtra)—Oxygen Gas—Additional capacity of 0.45 million cubic meters p.a. (SE); Shri Ganrishankar Aggarwal, Bagoria Bhwan, Prithviraj Road, Jaipur (Bharatpur-Rajasthan)—Oxygen Gas—0.45 million cubic meters. (NU); Shri R.L. Rajgarhia,

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Dye-Stuffs

M/s Colour Chem Limited, Ravindra Annexe, Dinshaw Vacha Road, 194, Churchgate Reclamation, Bombay-20. (Maharashtra)—Phthalocyanine, green (Organic Pigment)—Expansion from present capacity 257 tonnes p.a. (SE);

Drugs & Pharmaceuticals

M/s German Remedies Pvt. Ltd, Shiv Sagar Estate, 'A' Block, Dr. Annie Besant Road, Worli, Bombay. (Maharashtra)—(i) Kintinol Nicotinate—12 tonnes p.a. (NA); (ii) Complain a tablets—expansion from 2,400,000 tablet to 24,000,000 p.a. (per single shift). (NA & SE); M/s Capsulation Services (P) Ltd, Bank of Baroda, Building, Apollo Street, Bombay-1 (Maharashtra)—Empty Hard Gelatine Capsules—200 million Nos. p.a. (SE); M/s Ranbaxy Laboratories Private Ltd, Okhla, New Delhi-20 (Delhi)—Empty Hard Gelatine Capsules—200 Million Nos. p.a. (SE); Shri Man Phool Chopra, 4, Jor Bagh, New Delhi-3. (Delhi)—Empty Hard Gelatine Capsule—200 million Nos. p.a. (NU); M/s Deys Medical Stores (P) Ltd, B6/2 Lindsay Street, Calcutta. (Uttar Pradesh)—Empty Hard Gelatine Capsule—200 million Nos. p.a. (NU); Shri D.S. Patel, Yusuf Building, Mahatma Gandhi Road, Fort, Bombay (Gujarat); Empty Hard Gelatine Capsules—200 million Nos. p.a. (NU).

Paper and Pulp

M/s Traco Cable Company Ltd, Irimpanam via Triupunthura, Ernakulam Distt. Kerala (Kerala)—Paper Insulated (Dry Core) Telephone Cables 2,000—km (after expansion). (SE); M/s The Central Pulp Mills Limited, 1183, Shivajinagar, Fergusson college Road, Poona-5. (Fort Sougad-Gujarat)—Paper—16,500 tonnes per annum. (NA); M/s The Central Pulp Mills Ltd, 1168, Shivaji Nagar, Fergusson College Road, Poona-5. Fort Songad (Gujarat)—Paper Grade Pulp—Expansion from existing capacity of 2,250 tonnes to 40,000 tonnes p.a. (SE); Shri R.M. Muthia, C/o M/s

India Packaging Products Private Ltd, Magadi Road, Rajajinagar, Bangalore. (Bangalore-Mysore)—Paperbased industrial packaging Materials—15,000 tonnes p.a. (NU).

Food Processing

M/s Chandan Kumar Aggarwal, C/o Assam Udyog Company, Manko Road, Dibrugarh (Assam). (Manipur)—Annual capacity. 1. Starch Maize.—4,000 tonnes. 2. Liquid Glucose—4,000 tonnes. 3. Maize Germ—2,000 tonnes. 4. Gluton—2,400 tonnes. 5. Husk, Fine & Coarse Bran etc.—3,000 tonnes. (NU); Shri M.L. Mittal, 24, Alipore Road, Calcutta-28. (Medak-Andhra Pradesh)—Dehydrated Vegetables and Fruits—450 tonnes per annum. (NU); M/s Britannia Biscuit Co. Ltd, 'Nirmal', 20th Floor, Nariman Point, Bombay-1. (Gujarat—one Unit Kerala—one Unit, Tamil Nadu—one Unit, Maharashtra—2 Units)—(Total annual capacity of all units Canned & Frozen seafoods—15,399 tonnes. 2. Frozen & Canned Vegetables—4,400 tonnes. 3. Fish Meal—13,740 tonnes. (NA); Shri M.K. Panduranga Setty, 27-Bull Temple Road, Bangalore-4. (Mysore)—Bakers Yeast—1,000 tonnes per annum. (NU); M/s Southern Agrifurane Industries Ltd, 99-American Street, Madras-1. (Tamil Nadu)—L-Lysine—1,200 tonnes per annum. (NU); M/s Ram Krishna Food Products Pvt. Ltd, 29/2, Shivaji Nagar, Poona-5. (Poona-Maharashtra)—(i) Biscuits—3,000 tonnes per annum. (ii) Confectionery—1,500 tonnes p.a. (NU).

Cosmetics

M/s Punjab State Industrial Development Corp. Limited, United Commercial Bank Building, 3rd Floor, Sector 17B, P.B. No. 81, Chandigarh. (Punjab)—1. Toilet soaps—7,200 tonnes p.a. 2. Glycerine—450 tonnes p.a. (NU).

Glass

M/s A.L. Sahgal, 1, Link Road, New Delhi. (Uttar Pradesh)—Glass Bottles—18,000 tonnes per annum. (NU); M/s Fibre Glass Pilkington Ltd, 9, Wallace Steet, Fort, Bombay-1. (Thana-Maharashtra)—1. Glass Textiles. 2. Glass Reinforcement (Glass Fibre and continuous Filament yarn). Expansion from

existing capacity of 600 tonnes to 1,000 tonnes per annum. (SE).

Cement

M/s Jammu & Kashmir Minerals Ltd, The Band, Srinagar (Basholi, Distt. Katna (Jammu & Kashmir)—Portland Cement—200,000 tonnes p.a. (NU); M/s The Industrial Dev. Corporation of Orissa Ltd, P.B. No. 78, Bhubaneswar-1. (Bargarh-Orissa)—Portland blast furnace slag cement—198,000 tonnes per annum. (SE); Shri Pawan Kumar Kanoria, 9, Brabourne Road, Calcutta-1. (Tehsil Banas-Rajasthan)—(i) Portland Cement—164,000 tonnes p.a. (ii) Pozzolana Cement—40,000 tonnes p.a. (NU).

Misc. Industries

M/s Jammu & Kashmir State Industrial Dev. Corporation Ltd, Haft Chinar (Srinagar-J&K), (Jammu & Kashmir)—Cigarettes—4,500 million pieces p.a. (NU); M/s East India Tobacco Co. (P) Ltd, Grand Trunk Road, Guntur—I (AP). (Madras-Tamil Nadu)—Cigarettes—4,500 million pieces p.a. (NU); M/s Tamil Nadu Industrial Dev. Corporation Ltd, 160-19, Mount Road, Madras-2. (Tamil Nadu)—Cigarettes—4,500 million pieces p.a. (NU); M/s Golden Tobacco Co. Private Ltd, Tobacco House, Ville Parle, Bombay-56-AS. (Andhra Pradesh)—Cigarettes—4,500 million pieces p.a. (NU); M/s Haryana State Ind. Development Corporation Ltd, Bank of India Building, P.B. No. 22, Sector, 17, Chandigarh-17. (Sonapat-Haryana)—Cigarettes—4,500 million pieces—p.a. (NU).

Licences Revoked/Surrendered

(Information pertains to particular licences only)

M/s Universal Screw Factory, Chhehorta, (N. Rly.) (Punjab)—Screws Bolts Nuts, Rivets Nails, Pin Manufacturing Machines etc. M/s McLeods & Co. Ltd, McLeod House, No. 3, Netaji Subhash Road, Calcutta—Wire Ropes.

Changes in the Names of Owners/Undertakings

(Information pertains to particular licences only)

From Shri Dwarka Prasad Marwari to M/s Ideal Mining Combine. From M/s Sakthi Sugars Ltd, Coimbatore to M/s Sri Chumndeswari Sugars Ltd.

Two countries — Gabon and Trini-

Save with grace

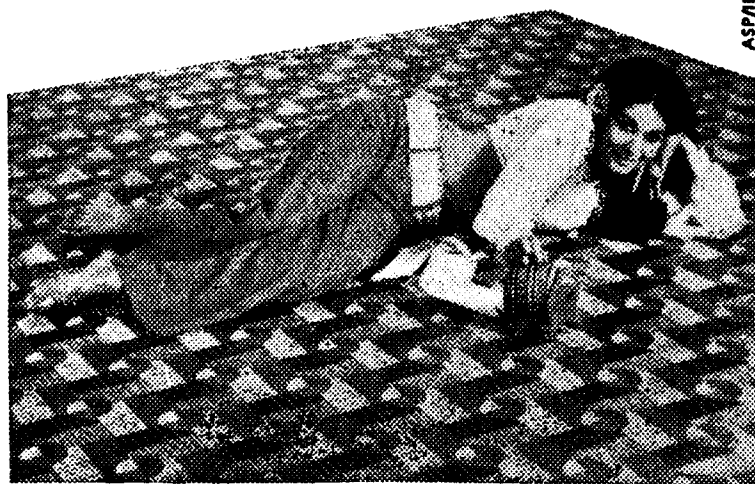
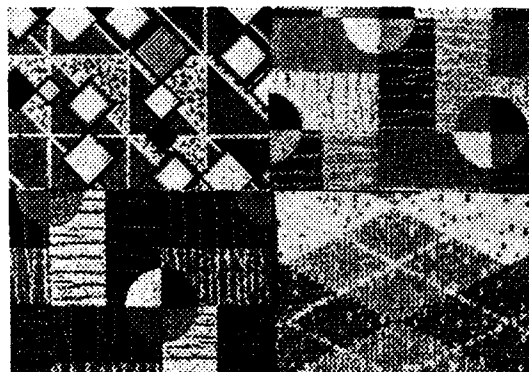
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ASP/L-5

dad and Tobago — joined IFC in 1971, bringing membership to 96 countries.

IFC: 1956-71

During the first 15 years, the International Finance Corporation (IFC) passed through three distinct stages. Till 1960, the IFC made slow progress because it was allowed to function only as a lender and not as an investment banker. When in 1961, the member governments decided to change the articles of agreement of the Corporation to enable it to invest in equities, the pace of its working got quickened. This change marked the second stage in the life of the Corporation which saw it supporting private enterprise through local development finance institutions. By the time the Corporation completed its first decade, the total number of the investments had reached 124 covering Latin America, Asia and Africa. The increasing operations of the Corporation strained its resources and necessitated amendment of the articles of the World Bank to enable IFC to borrow from the Bank up to a limit of four times its own subscribed capital and surplus. The additional resources which the IFC received from the World Bank made it possible for the Corporation to further expand its activities marking the third stage in its life. Eleven Indian companies received between 1959 and 1970 no less than \$42.3 million by way of assistance from the IFC.

The progress made by the IFC during the past 15 years has been reviewed in the report of the corporation for 1971. Full text of this review follows:

Aims and Objects

The International Finance Corporation (IFC) was established in 1956 by Articles of Agreement among its member countries as an affiliate of the International Bank for Reconstruction and Development (the World Bank). Its object was to help the Bank fulfil the purpose expressed in Article I (ii) of its own Articles of Agreement. This required the Bank to seek to promote private foreign investment by participating in private loans and other investments and, when private capital is not available on reasonable terms, by supplementing private investment from its own resources.

In its first decade the Bank did much, by means of loans to finance public works projects and otherwise, to provide developing countries with the infrastructure to support and expand industrial growth; but experience soon showed that, although the Bank's founding fathers had recognized the importance of private capital in this

task, the Bank's own ability to promote private enterprise is limited. This is because World Bank loans must be made to or guaranteed by the government of the country where the project to be financed is located, and because the World Bank makes only fixed interest loans and cannot provide venture capital.

In some cases the Bank attempted to meet this situation by providing credits to private enterprise through a local development bank or banking consortium. But this was found to be only a partial answer to the problem. There is clearly a limit on the extent to which borrowed funds can be used for risk capital investment, and on the ability of purely national investment institutions to operate internationally.

Private Investment

In 1952, a report prepared by the staff of the Bank pointed out the need for increased private investment in the less developed areas and proposed the creation of an International Finance Corporation as an affiliate of the Bank. According to the report, the Corporation would be able:

- (a) to provide funds to enable private investors to undertake or expand promising projects held back by lack of adequate capital;
- (b) to bring together investment opportunities, capital and management;
- (c) to encourage investors deterred by lack of confidence rather than lack of capital — many thought this might be its most important contribution;
- (d) to serve a broader purpose as a pilot operation dealing with and trying to solve the problems of private international investment.

During the next three and a half years various discussions on the proposal took place between governments and among representatives of the investment communities in the developed countries. Eventually, in July 1956, the International Finance Corporation came into existence. It was established with a capital of some \$78 million subscribed by 31 member governments of which 20 were of less developed countries.

There have been three distinct stages in IFC's first 15 years.

The first projects offered to IFC covered a wide variety of activities. Financing was sought for enterprises in

every important less developed area of the world, although mainly in Latin America. Many enquiries were based on misunderstandings; for example, it was not always realized that IFC does not finance export credits or instalment sales. Of 235 proposals received by IFC in the first six months of 1958, 40 per cent were found to be inconsistent with its charter and operating policies.

The Corporation concentrated its first operations (as it has done since) in the fields of manufacture and processing; these most readily attract private capital and provide the greatest economic multiplier through the transfer of technology and management skills, and through employment and training. At the end of its first year IFC had made four commitments totalling \$5,320,000, all in Latin America. By the end of its fourth financial year, in 1960, IFC had 59 member countries and had made 33 commitments in 17 countries with a total cost of \$42 million.

Those figures showed relatively slow growth — a reflection of a basic restriction under which IFC had been obliged to work. The original proposal for the creation of IFC had envisaged an institution able to make loans without government guarantees and to make equity investments. Ironically, however, some objections were made to a public institution holding capital stock in private enterprises, with the result that the new institution was expressly forbidden to make equity investments.

Serious Handicap

It had been hoped that this restriction would not unduly limit IFC's activities. However, after four years of operation it became apparent that the Corporation's effectiveness was hampered by the fact that it could function only as a lender and not as an investment banker. The restriction against investment in equities was in fact a serious handicap to the growth of IFC and to its ability to mobilize private capital for foreign investment.

IFC had tried to meet the problem by making investments which included some characteristics of equity, such as profit sharing participations or options on share capital. But, in doing so, the Corporation was forced into patterns of financing which, in the context of the developing countries, often appeared complicated and unusual, and which were themselves obstacles to the attraction of other private investment. Accordingly, in 1961 the member governments of the Corporation resolved to change IFC's Articles of Agreement

to enable the Corporation to invest in equities.

The change began the second stage in the Corporation's life. IFC was now able to play a full part in providing and mobilizing risk capital for investment in the less developed countries. It was able to promote projects itself and to reinforce projects in which it invested. It was able to work with sponsors in shaping and setting up investments in a way that would render them attractive to other private investors.

It also became possible for IFC, through underwriting or standby commitments, to help in spreading share ownership in the developing countries. Thus, in 1962, IFC for the first time joined in underwriting a share issue, in this case an issue of capital shares of the largest private steel company in Mexico.

Another result of IFC's ability to invest in equities was that the way was opened for the Corporation to support private enterprise through local development finance institutions. IFC was created to do on an international scale what these institutions were established to do on a local scale. Their activities have thus been complementary, and there has been a constant interchange of information, with IFC passing to the local institutions projects too small for it to handle economically, and they, in their turn, passing to IFC projects beyond their scope. To date IFC has invested \$53.2 million in 23 of these national institutions and in two others operating regionally in Latin America and Africa.

Extension of Activity

By the time it reached its 10th anniversary in 1966 this new breadth of activity was clearly reflected in IFC's record. The total number of its investments had reached 124, more than three times as many as five years before, with a total cost of \$172 million, more than three times the figure for 1961. Notably, others had invested \$890 million in the same enterprises.

This increased activity was paralleled by a greater geographical spread in IFC's operations. They were now virtually worldwide. In 1966 Latin America, with 69 commitments out of a total 124, was still predominant, but now Asia and Africa together accounted for 36 commitments.

The increase in IFC's equity operations created a new problem. The World Bank Group became aware that there was a demand for loan capital not guaranteed by member govern-

ments, and in larger amounts than IFC could supply. If IFC was to play its part in this situation it now needed more funds. The problem was resolved by an amendment of the Articles of the Bank and of IFC which enabled IFC borrow from the World Bank up to a limit of four times its own unimpaired subscribed capital and surplus. The result of these amendments was to provide IFC with additional resources for its own loans and release the Corporation's entire share capital and reserves, totalling \$134.6 million at the end of 1967, for making equity investments. The need for these additional funds was illustrated by the fact that, without them, IFC at that date would have had less than \$1 million available for new investments.

New Upsurge

Availability of these new resources marked the start of the third stage in IFC's life and led to a new upsurge in its activities. These were now diversified still further, for example into tourism and utilities; there was a more substantial involvement in pulp and paper and in fertilisers. IFC was also able to invest larger sums in projects of greater size and complexity. Hitherto the Corporation's largest commitment had been about \$6 million, but in 1967 alone three commitments were made between \$10 million and \$12 million. By now the average size of commitment was \$4.5 million or nearly four times the average in IFC's first decade. In 1967, too, the cumulative total of IFC commitments reached \$221 million, or more than twice the Corporation's subscribed capital.

This upward progression was to continue in the next three years. In this period there was a marked increase in IFC's investments in Asia and Africa. In 1967 more than half of the year's new investments were made in Asia and the Middle East. In 1968 more than half were made in Africa alone; these included the year's two largest investments — \$20 million in a copper mine in Mauritania and \$9 million in a sugar plantation and mill in Ethiopia. The year was also notable for the Corporation's largest underwriting so far — a guarantee of half an issue of \$14 million shares in the same Mexican steel concern that IFC had supported in 1962 in its first underwriting operation. 1969 saw IFC's largest investment to date — \$22 million to a cement project in Thailand. The following year brought cumulative gross commitments by IFC to \$477 million, of which \$112 million, nearly a quarter of that total, were made in 1970 alone. Others had invested \$381 million in the same enterprises.

At June 30, 1971, the cumulative

gross total of the Corporation's investments in business enterprises amounted to \$577.8 million, invested in 172 enterprises in 47 developing countries. Other investors had provided \$2,465 million for those enterprises making a total investment in them of \$3,043 million.

This last figure, rather than the cumulative total of IFC's own investments, provides the true measure of the Corporation's accomplishments. It was always central to the purposes for which IFC was set up that it should not invest alone but in association with private investors. The Corporation was to act as a catalyst, to bring together private foreign and domestic capital and investment opportunities, and to facilitate investments with its own funds. IFC's performance in that role may be judged from the fact that for every dollar so far invested by IFC others have concurrently invested over four dollars.

IFC has also been successful in associating other private investors in its activities in another way. By its charter IFC is required, where possible, to revolve its funds by selling its own investments to private investors. By June 30, 1971, a part, or in some cases all, of 123 of IFC's commitments in 41 countries, out of a total of 234 commitments in 47 countries, had been sold to financial institutions and other investors. Among the international purchasers of these investments have been banks, investment companies, pension funds, mutual funds and insurance companies in North America, Europe and the Middle East.

Use of Own Resources

The funds invested by IFC and its partners, and the transfer of technological and other skills that has gone with them, have helped the host countries make effective use of their own resources, and have created new sources of local revenue. After 15 years of life, IFC has become a significant institution in the field of private sector financing. Its purpose is to see that no economically justifiable and worthwhile private project in the developing countries fails to move because of lack of finance.

IFC is now ready to expand its existing areas of activity and to move into new areas — to begin a fourth stage in its life.

There is one sphere in which need and opportunity are increasingly apparent — the mobilization and utilization of local capital.

Here IFC is becoming more involv-

d, as it has already been active in various ways. For instance, the Corporation has specifically sought, through joint ventures, to embrace local investors in the less developed countries in its operations, and so to stimulate the growth and flow of local capital. It has found that there is a wide range of situations, especially in countries short of entrepreneurial skills, in which there can be fruitful co-operation between a local partner able to provide local knowledge and some capital and a foreign partner who can contribute technical, managerial and administrative expertise in addition to capital. Of the 172 business enterprises in which IFC has so far invested, 85 have been joint ventures, to which the Corporation has committed \$352.3 million of the total \$577.8 million it has invested to date.

Today IFC will only invest in projects where there is provision for immediate or eventual participation by local investors.

Share of Local Capital

Over the whole range of IFC's investments local capital has in fact made a greater contribution than has foreign capital. Thus, of the \$332 million invested by IFC's partners in the fiscal year 1971, \$120 million came from investors in the capital-exporting countries and \$212 million from investors in the developing countries. Of every dollar invested in projects directly financed by IFC over its 15 years' life 19 cents were contributed by the Corporation, 36 cents by foreign private investors and 45 cents by local interests.

However, the growth and flow of local capital can only be stimulated effectively if adequate local facilities exist for marketing securities. Such facilities, when they are not lacking altogether, tend to be limited in scope and capability in the less developed countries. Such inadequacies tend to act as a brake on efforts to mobilize local capital and to stimulate local ownership of industry. For instance, there may be numerous potential local subscribers to a local share issue, but often payments for subscriptions can be arranged only over a considerable period of time. In other words, absence of underwriting facilities can delay prompt financing of an enterprise.

Since IFC first entered this field in 1962, by underwriting the share issue, the Corporation has undertaken cumulative stand-by and underwriting commitments of \$50.1 million.

In those countries with fairly well developed capital markets, IFC has

sometimes required, as a condition of its financing, that the sponsors of an enterprise should offer shares to local investors if there is no existing public participation. Sometimes, too, the Corporation has earmarked part of its own holding of shares for future sale to local investors, particularly where lack of a capital market has made it difficult or impossible to secure public participation in the early stages of an enterprise.

As a further development of its activities in this field IFC has recently established a Capital Markets Department as a local point for both the Bank and IFC to help create and support local institutions to channel domestic savings into productive private enterprise. It has also supported the creation of the new Korea Investment and Finance Corporation (KIFC), which will have the objective of mobilizing short and long-term capital for Korean private industry. In the money market KIFC is expected to develop means to encourage the flow of short-term funds between individual and institutional savers and industrial companies. In the capital market it is expected to concentrate on underwritings and the development of a sales and distribution system. It may eventually make direct equity investments.

The pace and scope of IFC's activities have always been, and will continue to be, dependant on a variable combination of the availability of

suitable investment opportunities and of suitable sponsors. The Corporation's future activities must also be closely related to the prospects for the private sector in the less developed world. In those prospects there are many imponderables. There is the impact of inflation, with its effect on the availability and cost of capital, and on other costs. Two other imponderables are the conflict of priorities in the developed countries which affected their will and ability to invest abroad, or at any rate in the less developed countries and the capacity of the latter to mobilize their own resources. There is also, in some quarters, the growth of suspicion and distrust of foreign investment.

Some, citing events in this country or that, are pessimistic about the present world investment climate. Others see chances for considerable improvement in that climate if a new community of interest can be established between governments and private enterprise, both domestic and foreign.

In today's world as international investment institution, such as IFC, jointly created and owned by the governments of developed and less developed countries, can make a unique contribution to the growth of that feeling of mutual confidence between governments and private investors which is so essential if private enterprise is to contribute its full potential to development.

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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The Eastern Economist Ltd,
Post Box No. 34,
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Wholesale Prices

THE WHOLESALE prices as measured by the official index (with the year ended March, 1962=100) advanced by 1.5 per cent to 188.0 in July, 1971 as against 185.3 for June, 1971. The index for July, 1971 was higher by 3.8 per cent when compared to 181.2 for July, 1970. The rise in the 'all commodities' index was shared by an advance in the indices of 'food articles' by 1.8 per cent to 209.8, 'fuel, power, light and lubricants' by 0.2 per cent to 172.0 as against 171.7 for the previous month, 'industrial raw materials' by 3.9 per cent to 195.9 as compared to 188.6 for the last month, 'chemicals' by 0.2 per cent to 195.0, 'machinery and transport equipment' by 0.1 per cent to 156.6 as against 156.4 for the earlier month and 'manufactures' by 0.6 per cent to 165.7. However, the index for 'liquor and tobacco' receded by 1.6 per cent to 190.5 during the month under review.

Food articles

Higher prices of all the cereals (except maize which witnessed a fall) pushed up the index for this sub-group by 1.8 per cent to 200.7. Owing to a rise in the price of gram, arhar, masur and urad the index for 'pulses' sub-group went up by 5.7 per cent to 256.1. On the whole the index for 'foodgrains' witnessed a rise of 2.6 per cent to 210.7 during the month but at this level the index was, however, lower by 0.9 per cent when compared to that of a year ago. The sub-group index for 'fruits and vegetables' moved up by 2.5 per cent to 232.9 due to higher prices of all the items under this sub-group except oranges which recorded a fall. Due to a fall in the prices of milk, the index for 'milk and milk products' sub-group declined by 0.6 per cent to 218.3. The prices of ghee however, went up. An increase of 2.4 per cent 204.2 in the sub-group index for 'edible oils' was caused by higher prices of groundnut oil and mustard oil. The prices of gingelly oil, however, receded. The sub-group index for 'fish, eggs and meat' registered a rise of 2.0 per cent to 241.4 due to an increase in the prices of all the items under this sub-group. The prices of gur advanced while the prices of sugar and khandasari recorded a fractional fall consequently the index for 'sugar and allied products' sub-group went up by 2.9 per cent to 211.8. In the case of 'other food articles' an advance in the prices of black pepper, cummin, tea, coffee and salt was neu-

tralised by a fall in the prices of chillies, turmeric, cardamoms processed food and betelnuts and the index for this sub-group stood stationary at its last month's level of 170.4.

Liquor and tobacco

Lower prices of tobacco raw brou-

ght down the index for 'liquor and tobacco' group by 1.6 per cent to 190.5.

Fuel, power, light and lubricants

The index for this group recorded a rise of 0.2 per cent to 172.0 as against 171.7 for the earlier month on account of a rise in the prices of kerosene oil and castor oil.

Industrial raw materials

Higher prices of cotton raw, hemp raw, wool raw and coir fibre raised the sub-group index for 'fibres' by 1.9

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS AND SUB-GROUPS OF COMMODITIES

(Base 1961-62=100)

Groups and sub-group	July 1971	June 1971	July 1970	Percentage increase (+) or decrease (-) in July 1971 as compared to	
				June 1971	July 1970
Food articles					
Foodgrains	209.8	206.0	206.2	+1.8	+1.7
Cereals	210.7	205.4	212.7	+2.6	-0.9
Pulses	200.7	197.2	206.7	+1.8	-2.9
Fruits and vegetables	256.1	242.4	239.5	+5.7	+6.9
Milk and milk products	232.9	227.3	220.2	+2.5	+5.8
Edible oils	218.3	219.6	211.1	-0.6	+3.4
Fish, eggs and meat	204.2	199.5	237.6	+2.4	-14.1
Sugar and allied products	241.4	236.6	218.9	+2.0	+10.3
Others	211.8	205.8	161.6	+2.9	+31.1
Liquor and tobacco	170.4	170.4	190.6	Nil	-10.6
Fuel, power, light and lubricants	190.5	193.6	184.7	-1.6	+3.1
Industrial raw materials	172.0	171.7	161.5	+0.2	+6.5
Fibres	195.9	188.6	198.8	+3.9	-1.5
Oilseeds	192.0	188.5	171.9	+1.9	+11.7
Minerals	213.7	199.6	239.4	+7.1	-10.7
Others	141.1	141.1	143.6	Nil	-1.7
Chemicals	171.7	171.5	164.4	+0.1	+4.4
Machinery and transport equipment	195.0	194.7	185.1	+0.2	+5.3
Electrical machinery	156.6	156.4	146.1	+0.1	+7.2
Non-electrical machinery	155.6	155.0	145.0	+0.4	+7.3
Transport equipment	164.2	164.2	152.0	Nil	+8.0
Manufactures	143.6	143.6	136.5	Nil	+5.2
Intermediate products	165.7	164.7	152.0	+0.6	+9.0
Finished products	194.6	190.2	174.5	+2.3	+11.5
Textiles	158.7	158.7	146.6	+0.1	+8.3
Cotton manufactures	164.5	164.0	145.1	+0.3	+13.4
Jute manufactures	159.7	159.6	140.5	+0.1	+13.7
Silk & rayon manufactures	190.9	188.8	165.0	+1.1	+15.7
Woollen manufactures	123.2	123.3	117.0	-0.1	+5.3
Coir mats & matings	188.2	187.2	182.0	+0.5	+3.4
Metal products	175.8	175.8	165.8	Nil	+6.0
Non-metallic	178.4	178.4	164.8	Nil	+8.3
Chemical products	149.5	148.6	139.8	-0.6	+6.9
Leather products	149.1	149.5	144.2	-0.3	+3.4
Rubber products	97.5	97.5	92.1	Nil	+5.9
Paper products	156.8	156.8	155.4	Nil	+0.9
Oil cakes	124.7	124.7	121.3	Nil	+2.8
Miscellaneous products	172.7	175.3	204.7	-1.5	-15.6
All commodities	123.4	123.4	120.4	Nil	+2.5
	188.0	185.3	181.2	+1.5	+3.8

Source: Economic Adviser to the Government of India

per cent to 192.0. The prices of jute raw and mesta and silk raw however, depicted a fall. Due to a rise in the prices of all the oilseeds (except gingelly seed which declined) the index for oilseeds sub-group advanced by 7.1 per cent to 213.7. The sub-group index for 'minerals' remained unchanged at its previous month's level of 141.1. A rise in the prices of lac was almost neutralised by a fall in the prices of tanning materials and the index for 'other industrial raw materials' sub-group stood at 171.7 as against 171.5 for the earlier month.

Chemicals

The index for 'chemicals' group moved up by 0.2 per cent to 195.0 due to be a rise in the prices of sulphuric acid and hydrochloric acid.

Machinery and transport equipment

The sub-group index for 'electrical machinery' recorded a rise of 0.4 per

cent to 155.6 as against 155.0 for the earlier month. The indices for 'non-electrical machinery' and transport equipment remained unchanged at their last month's levels of 164.2 and 143.6 respectively.

Intermediate products

The index for 'intermediate products' recorded a rise of 2.3 per cent to 194.6 against 190.2 for the previous month on account of higher prices of cotton yarn, leather, zinc, brass (Sheets), copper (sheets) and linseed oil. The prices of tin and lead, however, declined.

Finished products

Higher prices of cotton manufactures (+0.1 per cent to 159.7) jute manufactures (+1.1 per cent to 190.9) and woollen manufactures (+0.5 per cent to 188.2) pushed up the sub-group index for 'textiles' by 0.3 per cent to 164.5 as against 164.0 for the previous

month. The index for silk and rayon manufactures however declined by 0.1 per cent to 123.2. The index for coir mats and matings stood stationary at its previous month's level of 175.8. The sub-group index for 'metal products' also stood unchanged at its last month's level of 178.4. The index for non-metallic products moved up by 0.6 per cent to 149.5 due to an increase in the price of cement. The sub-group index for 'chemicals products' declined by 0.3 per cent to 149.1 on account of a fall in the prices of fertilisers and essential oils. The prices of toilet requisites, however, moved up. The sub-group index for 'oilcakes' drifted lower by 1.5 per cent to 172.7. The indices for 'leather products', 'rubber products', 'paper products' and 'miscellaneous products' remained unchanged at their previous month's level of 97.5, 156.8, 124.7 and 123.4 respectively. On the whole the index for 'finished products' moved up by 0.1 per cent to 158.7 as against 158.5 for the previous month.

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base: 1960=100)

	1970				1970			
	1969	Oct.	Nov.	Dec.	1969	Oct.	Nov.	Dec.
General Index								
Seasonally adjusted	172.4	179.5	182.8	180.1				
Crude	172.5	173.0	181.5	189.8				
Mining and quarrying	147.4	146.2	142.2	160.4				
Manufacturing	167.2	165.7	176.3	184.0				
Food manufacturing industries	137.0	152.7	157.2	166.2				
Sugar (refined)	149.1	27.9	118.8	296.9				
Vanaspati	142.7	131.5	193.8	198.9				
Tea	108.1	211.2	155.4	53.5				
Coffee curing	137.5	34.6	15.7	79.9				
Cigarette manufacturing	161.4	155.9	175.8	182.2				
Manufacture of textiles	109.5	101.7	107.6	103.1				
Cotton textiles	111.7	102.8	108.9	112.3				
Cotton spinning	127.8	118.0	124.0	127.3				
Weaving of cotton textiles	91.5	83.9	90.0	93.6				
Woollen textiles	154.2	171.3	169.1	185.0				
Jute textiles	77.8	81.9	86.3	31.1				
Paper and paper products	201.4	217.2	217.3	215.9				
Manufacture of paper-board	200.2	217.5	218.1	216.7				
Rubber products	299.8	N.A.	N.A.	N.A.				
Tyres and tubes	215.5	183.9	242.5	254.6				
Chemical and chemical products	255.0	223.7	292.4	303.5				
Basic industrial chemical products (including fertilisers)	217.5	218.9	250.5	253.5				
Heavy organic chemicals	297.0	326.3	364.0	385.1				
Heavy inorganic chemicals	277.1	247.9	262.7	265.5				
	308.0	328.2	331.8	346.9				
Synthetic resins and plastics	174.8	237.5	242.3	254.6				
Synthetic fibres	223.1	235.0	244.5	184.7				
Dyestuffs and dyes	198.4	135.6	200.3	251.1				
Fertilisers	548.2	739.5	719.9	842.8				
Paints, varnishes and lacquers	111.3	111.1	129.8	124.8				
Fine pharmaceutical chemicals	156.7	156.6	156.6	156.7				
Petroleum refinery products	280.8	321.4	305.2	303.0				
Non-metallic mineral products	175.2	187.4	193.6	188.6				
Cement	173.7	177.5	188.3	199.2				
Basic metal industries	209.7	218.6	208.4	226.6				
Iron and steel basic industries	201.2	199.8	186.1	202.5				
Non-ferrous basic metal industries	256.0	320.8	329.1	357.4				
Aluminium manufacturing	424.0	541.7	552.3	600.9				
Metal products	205.1	187.7	209.4	206.2				
Machinery (except electrical)	349.1	327.6	376.4	420.7				
Industrial machinery	130.6	83.5	96.6	88.6				
Electrical machinery	322.4	362.2	375.7	449.0				
Communication equipment	646.6	694.9	680.3	901.4				
Transport equipment	135.4	113.3	120.2	130.1				
Motor vehicles	145.2	154.7	166.2	173.0				
Motor cycles and scooters	498.0	441.4	640.7	496.3				
Bicycles and tricycles	188.9	174.4	199.5	233.6				
Electricity	301.1	335.5	N.A.	N.A.				

Source: Central Statistical Organization.

MONEY SUPPLY WITH THE PUBLIC

Last Friday	(Rs crores)					
	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Net demand deposits of banks	Other deposits with Reserve Bank	
1960-61	2,868.61	2,098.05	770.56	757.10	13.46	+199.16
1965-66	4,529.39	3,034.28	1,495.10	1,478.38	16.72	+449.11
1966-67	4,949.96	3,196.80	1,753.16	1,711.75	41.41	+420.57
1967-68	5,350.07	3,376.08	1,973.99	1,917.66	56.32	+400.11
1968-69	5,779.25	3,681.25	2,097.28	2,016.41	80.88	+429.18
1969-70	6,386.54	4,010.34	2,376.20	2,318.30	57.90	+607.29
1970-71	7,136.97	4,379.68	2,757.29	2,713.46	43.83	+750.43
June 1970	6,634.40	4,169.70	2,464.70	2,414.50	50.20	+47.20
July 1970	6,587.00	4,078.40	2,508.60	2,468.70	39.90	-47.40
August 1970	6,517.40	4,005.00	2,512.30	2,460.90	51.40	-69.60
September 1970	6,560.80	3,998.10	2,562.70	2,504.70	58.00	+43.40
October 1970	6,698.80	4,104.10	2,594.70	2,520.50	74.20	+138.00
November 1970	6,702.10	4,096.40	2,605.70	2,551.00	54.70	+3.30
December 1970	6,795.10	4,168.30	2,626.70	2,563.70	63.00	+93.00
January 1971	6,944.90	4,257.52	2,687.38	2,628.83	58.55	+149.80
February 1971	7,039.67	4,323.54	2,716.13	2,668.41	47.72	+94.77
March 1971	7,136.97	4,379.68	2,757.29	2,716.08	41.21	+97.30
April 1971	7,270.86	4,504.02	2,766.84	2,716.08	50.76	+133.89
May 1971	7,347.02	4,537.03	2,809.99	2,772.55	37.44	+76.16
June 1971	7,448.97	4,596.90	2,852.06	2,819.82	32.24	+101.95
July 1971	7,314.00	4,450.00	2,864.00	2,840.00	24.00	-134.97
August 1971	7,341.00	4,430.00	2,906.00	2,855.00	51.00	+27.00

FACTORS AFFECTING MONEY SUPPLY

Week ended	(Rs crores)					
	1970		1971*			
	Aug. 28	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27
<i>Money supply with the public</i>	6,517	7,314	7,367	7,429	7,382	7,341
Currency with the public	4,005	4,450	4,512	4,543	4,489	4,435
Other deposits with the Reserve Bank	51	24	22	53	54	51
Bank money	2,461	2,840	2,833	2,833	2,839	2,855
<i>Factors affecting money supply (1+2+3+4-5-6)</i>						
1. Net bank credit to government sector	4,764	5,749	5,820	5,876	5,801	5,691
2. Net bank credit to commercial sector	1,844	1,953	1,922	1,969	1,876	1,941
Of which : Banks** net credit to commercial sector (a-b)	1,744	1,800	1,769	1,816	1,721	1,786
(a) Financial assets of banks	4,936	5,556	5,560	5,627	5,543	5,618
(b) Non-monetary liabilities of banks	3,192	3,756	3,791	3,811	3,822	3,832
3. Net foreign exchange assets of banking sector	615	566	562	559	562	579
4. Government's net currency liabilities to the public	366	386	389	389	387	385
5. Net non-monetary liabilities of the Reserve Bank	558	845	845	835	743	756
6. Non-identifiable net non-monetary liabilities of banks (including some errors and omissions)	514	495	481	529	501	499

*Provisional

**Excluding Reserve Bank

Source: Reserve Bank of India

RESERVE BANK OF INDIA

(Rs crores)

	Sept 3, 1971	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	13.47	25.03	6.07	8.72
Notes in circulation	4295.08	4260.27	4335.06	3859.74
Total notes issued	4308.54	4285.30	4341.13	3868.46
Gold coin and bullion	182.53	182.53	182.53	182.53
Foreign securities	193.42	223.42	223.42	356.42
Rupee coin	44.63	46.38	42.23	61.93
Government of India rupee securities	3887.97	3832.96	3892.95	3267.57
Banking Department				
Deposits of central government	60.05	54.26	51.60	51.83
Deposits of state governments	7.81	7.11	6.31	8.80
Deposits of banks	228.00	228.16	225.44	214.43
Other deposits	75.39	79.21	151.06	107.33
Other liabilities	722.53	723.71	714.44	527.05
Total liabilities or assets	1093.79	1092.46	1148.85	909.44
Notes and coins	13.54	25.11	6.12	8.82
Balances held abroad	194.34	164.20	147.39	99.94
Loans and advances:				
State governments	157.22	169.87	180.21	123.24
Scheduled commercial banks	85.93	101.51	109.32	195.93
State co-operative banks	272.91	264.95	245.92	275.74
Other loans and advances	60.54	59.03	58.64	28.50
Bills purchased and discounted	63.26	77.45	28.25	6.49
Investments	210.62	196.86	338.11	136.27
Other assets	35.44	33.46	34.88	34.52

SCHEDULED COMMERCIAL BANKS

(Rs crores)

	Sept. 3, 1971	A week ago	A month ago	A year ago
1. Demand deposits*	2792.02	2767.40	2744.07	2369.18
2. Time deposits*	3655.74	3639.94	3596.57	3047.20
3. Aggregate deposits*	6447.76	6407.34	6340.64	5416.38
4. Cash	165.24	164.06	165.81	146.62
5. Balances with Reserve Bank	217.99	201.58	203.60	189.29
6. Cash and balances with Reserve Bank	383.23	365.64	369.41	335.91
7. Borrowing from Reserve Bank	85.93	101.51	109.32	195.93
8. Investment in government securities	1499.64	1455.98	1425.78	1298.11
9. Advances	3774.13	3800.81	3807.15	3489.45
10. Bills purchased and discounted	1016.19	1012.15	1008.82	712.08
Inland bills	802.70	799.21	809.09	547.32
Foreign bills	213.49	212.94	199.73	164.76
11. Total bank credit	4790.32	4812.96	4815.97	4201.52
12. Percentage of				
(6) to (3)	5.94	5.71	5.83	6.20
(8) to (3)	23.26	22.72	22.49	23.97
(11) to (3)	74.29	75.12	75.95	77.57

*Excluding inter-bank borrowings.

Source: Reserve Bank of India

INDEX NUMBERS OF SECURITY PRICES

(Base: 1961-62=100)

Week ended	1970	1971				
	Sept. 5	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4
1. Government and Semi-Government Securities—						
All-India : Total	99.3	97.6	97.6	97.6	97.6	97.6
Government of India	99.0	97.0	96.9	96.9	97.0	97.0
State governments	100.5	100.3	100.3	100.3	100.3	100.3
Semi-government institutions	101.1	101.3	100.9	100.9	100.9	100.9
2. Debentures—All-India	93.7	92.7	92.7	92.5	92.6	92.6
3. Preference shares—All-India	88.7	83.1	83.2	83.2	83.5	83.2
4. Variable Dividend Industrial Securities—All-India: Total	107.3	92.1	91.7	92.3	93.0	93.1
Agriculture and allied activities	90.6	85.0	84.6	84.8	84.7	84.4
Mining and quarrying	59.8	51.9	51.0	50.7	51.0	51.0
Processing and manufacturing : Total	104.7	88.6	88.3	89.1	90.1	90.2
Foodstuffs, textiles, etc.	89.1	74.8	74.2	75.9	75.9	76.0
Metals, chemicals, etc.	112.1	92.8	93.0	93.8	94.5	94.5
Others	130.1	117.6	117.1	118.6	119.9	120.3
Other Industries	130.7	116.1	115.6	115.0	113.7	113.3
Financial	128.8	119.7	118.8	118.5	122.1	124.3
Variable Dividend Industrial Securities (regional)						
Bombay	120.1	100.5	100.0	100.5	100.9	100.7
Calcutta	104.0	89.6	89.5	90.3	91.8	92.2
Madras	93.9	85.7	85.5	85.2	85.3	85.2
Ahmedabad	86.7	69.3	69.6	70.3	70.5	70.2
Delhi	127.7	108.6	108.5	109.2	109.5	109.0

Source: Reserve Bank of India

CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS

Centre							1970	1971*					
	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	—						
							June	Jan.	Feb.	March	Apl.	May	June
(Base: 1949=100)													
All-India	169	191	213	212	215	226	225	224	224	224	224	224	227
(Base: 1960=100)													
All-India	—	—	—	174**	177	186	185	184	184	184	184	184	197
Ahmedabad	130	148	168	165	169	176	177	175	175	175	173	173	176
Alwaye	145	158	183	198	197	198	206	195	192	188	190	190	200
Asansol	140	145	168	176	178	189	186	187	186	187	187	186	189
Bangalore	144	159	172	180	183	186	184	190	188	189	188	190	191
Bhavnagar	132	152	173	176	178	186	184	186	189	188	189	187	186
Bombay	130	147	162	167	175	182	182	181	182	184	186	186	188
Calcutta	131	148	163	170	172	182	182	177	175	176	176	176	179
Coimbatore	132	144	151	147	154	164	160	169	168	167	167	169	172
Delhi	136	152	172	178	185	199	195	203	205	205	205	202	208
Dighboi	138	160	198	185	180	189	187	180	185	183	182	184	184
Gwalior	139	160	191	179	184	191	193	189	189	188	187	188	193
Howrah	137	154	178	181	176	186	183	182	181	184	182	182	184
Hyderabad	140	158	167	173	185	189	188	189	186	188	187	186	191
Jamshedpur	136	158	183	171	170	183	184	178	177	179	180	189	185
Madras	134	144	151	150	160	170	167	173	172	172	172	171	174
Madurai	128	142	146	148	160	177	167	182	184	181	180	181	186
Monghyr	151	187	215	185	188	205	211	196	201	194	195	192	196
Mundakayam	138	152	173	186	191	197	204	197	190	187	190	188	198
Nagpur	138	148	164	166	176	187	185	188	185	184	184	184	187
Saharanpur	141	163	188	176	181	186	184	187	190	190	189	189	190
Sholapur	128	150	165	167	176	185	183	187	187	187	186	185	191

*Provisional

**Average for eight months from August 1968 to March 1969.

Source: Labour Bureau

CONSUMER PRICE INDEX NUMBERS FOR URBAN NON-MANUAL EMPLOYEES

(Base: 1960=100)														
Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1970		1971*					
							May	Dec.	Jan.	Feb.	Mar.	Apr.	May	
All-India	132	146	159	161	167	174	171	175	174	174	174	174	175	
Bombay	132	142	153	156	162	168	167	168	167	166	166	169	170	
Delhi-New Delhi	131	142	154	162	168	174	171	173	174	176	176	176	175	
Calcutta	126	139	152	156	162	170	167	171	167	167	168	168	168	
Madras	133	147	154	154	161	175	166	181	180	181	181	181	181	
Hyderabad-Secunderabad	133	147	155	159	167	174	172	177	175	174	175	173	173	
Bangalore	133	145	156	160	164	172	167	176	175	175	175	175	176	
Lucknow	132	146	159	156	161	166	163	166	166	167	168	168	166	
Ahmedabad	131	146	160	162	168	171	171	171	170	169	167	167	167	
Jaipur	133	150	162	168	176	183	180	182	181	182	181	181	180	
Patna	139	160	179	174	180	191	190	191	189	189	188	185	184	
Srinagar	134	143	160	167	174	184	179	187	188	191	190	189	188	
Trivandrum	131	146	165	168	172	178	174	182	179	178	177	178	178	
Cuttack-Bhubaneswar	142	154	164	167	169	176	173	178	174	175	175	174	175	
Bhopal	133	144	166	166	172	180	174	179	178	180	182	181	181	
Chandigarh	129	143	155	164	171	178	175	177	177	178	178	178	178	
Shillong	123	134	155	163	164	166	162	166	167	166	166	171	171	

*Provisional

Source: C.S.O.

EASTERN ECONOMIST

INDEX TO VOLUME 57

Nos. 1 TO 13

JULY TO SEP. 1971

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
Readers' Roundtable	RR
Records and Statistics	RS
Feature	FE
Supplement	ST

(For Company Affairs see pages ii & v)

Registered Office :
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Parliament Street, New Delhi-1.

A			Currencies in Combat .. SA 429	Russia Revisited .. BB 359
Administration			Currency Developments .. TW 566	Small Industry Exports .. BB 445
A Wood of Wrong Trees .. LA 239			Deposit Insurance Corpora- tion TW 121	Small Industry in the Seven- ties .. BB 445
Between Nassau and New Delhi LA 547			Deposit Insurance, Working Of .. LA 241	Soviet Relations with India and Pakistan .. BB 76
India's Defence Policy .. ST	(Aug. 13)	467	Deposit Linked Life Insu- rance RR 219	The Demand for Money in India—A Sectoral Ap- proach .. BB 445
Love's Labour's Lost .. LA 467			Deposits with Non-Banking Companies : 1967-68 .. RS 183	The Political Basis of Eco- mic Development .. BB 76
Minister for West Bengal .. TW 72			Differential Interest Rates, Report On .. RS 127	The Soviet Quest for Eco- nomic Rationality .. BB 359
Not Even a Thin End .. LA 283			Exchange Rates .. TW 392	Trade Strategy for Rich and Poor Nations .. BB 445
Now for the Home Front .. LA 375			Factors Affecting Money Supply .. RS 584	Values and Economic De- velopment—The Indian Challenge .. BB 445
Rajamannar Committee Re- port Examined .. SA 102			Farmer Protection Deposits Foreign Debt, The Problem Of .. LA 548	
The Politics of First Person Singular LA 507			Getting Away with Murder Gold Purchase by IMF .. TW 121	Budget
West Bengal Cries Out for Help LA 198			Government Pays More .. LA 100	Amendments in Finance Bill RS 272
West Bengal, Outlook In .. LA 101			Idling Bank Money .. LA 549	Andhra Pradesh Budget TW 263
When Bluntness Is All .. LA 51			IMF Report : 1971 .. RS 538	Andhra's Deficit Budget LA 325
Aid, Loans and Grants			International Finance Corpora- tion Report : 1971 .. RS 577	Neither Growth Nor Justice SA 11
Aid from Britain TW 524			Japan Tightens Controls .. TW 490	Punjab Budget .. TW 30
Aid to Nepal QH 16			Money Supply with the Pub- lic .. RS 584	Return of the Bottle, The .. SA 106
Canadian Loan TW 214, 340			Nationalised Banks' Deposits TW 177	Tamil Nadu Budget .. TW 30
Consortium Aid TW 30			Not As Good As Gold .. LA 323	UP Budget .. TW 122
Ex-gratia Grants QH 66			Reserve Bank of India .. RS 585	Balasubramanian, V. .. SA 553
Foreign Aid and Imports .. SA 479			Rouble, Devaluation of .. TW 494	Balasubramanian, V. ST i (Aug. 13)
Foreign Assistance RS 277			Rupee in the Monetary Mac- strom, The .. LA 420	Bapat, L. G. .. SA 155
Foreign Assistance TW 340			Scheduled Commercial Banks RS 585	Brig. Rathy Sawhny (Retd.) ST ii (Aug. 13)
IDA Loan TW 392			Self-Removal Procedure .. QH 66	Brook, E. B. .. WW 69, 174, 211, 297, 432, 488, 564.
Net Aid TW 122			Socialising Credit? .. SA 104	
Rapedese Oil for Refugees .. TW 436			Spread of Investment Habit RS 225	C
State Loans TW 263, 392			States Get Their Money .. LA 470	Collaborations
UK Assistance TW 490			Swedish Discount Rate .. TW 525	Foreign Collaborations .. RS 231, 499
UN Assistance for Exports .. TW 72			Towards Mounting Deficits LA 420	Indo-Danish Project .. TW 120
US Aid : 1970-71 TW 215			UK Cuts Bank Rate .. TW 490	Steel Mill in Libya .. TW 568a
US Grant for Refugees .. TW 216			Upgrading State Loans .. LA 286	Test Reactor .. QH 16
US Non-Project Aid .. TW 120			UTI, Hesitant Growth Of .. LA 154	
Aviation			When the Dollar Sneezed .. LA 419	Communications
Air Transport Industry .. SA 9			Whither Nationalised Banks? LA 324	Telephone Meters .. TW 73
Military Transport Planes .. QH 16			World Bank—IDA Report: 1971 .. RS 533	Television Institute .. TW 177
Accountancy TW 490				Company Affairs
Awards for Inventions .. TW 494				American Express .. TW 525
Academicus BB 76, 359, 445				BEL to Make TV Equip- ment .. TW 31
Appadorai, Dr A. SA 102				Binny Dealers' Meet .. TW 264
Arora, Satish K. ST XLIII (Aug. 13)				Breaking the Barriers .. LA 4
B			Books Briefly	Coco-Cola Exports .. TW 73, 264
Banking, Money and Finance			Acceptable Inequalities .. BB 76	Deposit Insurance Corpora- tion .. TW 121
Aide Memoire to USA .. TW 392			Advanced Economic Theory BB 359	Deposit Insurance, Work- ing Of .. LA 241
Amendments in Finance Bill RS 272			Agricultural Development in Asia .. BB 76	Eso .. TW 264
Bank Compensation in Pers- pective .. SA 245			Agriculture in Economic De- velopment .. BB 76	Fertilizer Corporation TW 264
Bank Offices in Unbanked Centres RS 94			Books Received .. BB 80, 366, 451	Film Finance Corporation TW 494
Banker Goes to the Farmer Banks : Two Years After Nationalisation RS 275			Bureaucracy and Politics in India .. BB 445	Gujarat State Fertilizers TW 264
Banks, Popularity, Poll On TW 176			Company Law and Prac- tice—An Analytical Study BB 365	Gujarat State Financial Cor- poration .. TW 72
Conserving of Bank Funds .. TW 566			Developing Economies and the International Frame- work .. BB 359	Hindustan Machine Tools .. TW 567
Contribution to ADB .. TW 436			Economics of Land Conso- lidation in India .. BB 359	Hindustan Steel .. TW 566
Conversion of Loans into Equity Shares RS 91			Labour Welfare In India .. BB 359	HOECHST Donation .. TW 342
Costly Borrowings .. LA 55			Principles of Wage Deter- mination—An Empirical Study .. BB 76	IDBI Branch at Hyderabad TW 263
Credit Policy, Liberalisation Of LA 378				
Credit Policy, Modifications In RS 400				

India Electric Works ..	QH	16	India-Japan Committee ..	TW	436	Processed Food ..	TW	435
Indian Airlines ..	TW	568	Economy			Promoting Green Revolution	LA	471
Indian Oil Corporation ..	TW	298b				Record Wheat Procurement	TW	31
Indian Telephone Industries	TW	525	India's Economic Progress: 1951-69	ST	xxxii (Aug. 13)	Rice Production ..	TW	436
Industrial Finance Corporation of India ..	TW	567	National Income: 1971-72..	TW	215	Seeds to Sustain Green Revolution ..	SA	200
Industrial Reconstruction Corporation, Role of ..	LA	287	Spread of Investment Habit	RS	225	Self-sufficiency in Foodgrains: When ? ..	LA	149
Kores Copying Machine ..	TW	525	Exhibitions and Fairs			Soyabean Oil for Vanaspati	TW	340
L & T Circuit Breakers ..	TW	121	Farmers' Fair ..	TW	525	Soyabean Supply and Capital Demand Functions ..	SA	12
Matchwel Electricals ..	TW	342	Indian Exhibition in Lagos..	TW	120	Tapioca-based Protein ..	QH	16
Modernisation of Sindri ..	TW	121	Leipzig Fair ..	TW	264	Tractors as Gifts ..	TW	215
National Seeds Corporation	TW	568	New Zealand Trade Fair ..	TW	393			
New Boards for Indian Airlines ..	TW	298b	Exports			G		
New Hotel in Madras ..	TW	122	Blanket Exchange Permits ..	TW	524	Ghosh, S. N. ..	SA	327
NITIE Gives a Lead ..	SA	199	Boilers, Export of ..	TW	73	Gopalan, N. S. ..	SA	556
Rampur Rum ..	TW	264	Certificates for Exports ..	TW	568	Guha Thakurta, J. ..	ST	xxxii (Aug. 13)
Scindia's New Ship ..	TW	525	Check on Textile Machinery	TW	216	Gupta, H. R. ..	BB	365
Super Bazaars, Working Of	SA	556	Coco-Cola Export ..	TW	73,264	Gupta, J. R. ..	ST	xviii (Aug. 13)
UTI, Hesitant Growth Of	LA	154	Engineering Exports ..	ST	xvii (Aug. 13)			
Company Meetings			Engineering Exports: Storm Signals? ..	LA	240	H		
India Tobacco Company Ltd	301		Exploring Export Markets	TW	263	Health Map ..	TW	392
Indian Copper Corporation Ltd	224		Export Target for 1971-72 ..	TW	30	Hennessy, Josselyn ..	WW	17, 67, 114, 209, 256, 295, 431, 481, 519, 561
Life Insurance Corporation of India ..	528		Exports by Small Units ..	TW	215			
Mukand Iron and Steel Works Ltd ..	397		Exports to Nepal ..	TW	568a	Hennessy, Josselyn ..	SA	380
Oil India Ltd	441		Oilcake Exports ..	QH	16	I		
Poysa Industrial Company Ltd ..	440		Overseas Contracts ..	TW	263	Imports		
Simco Meters Ltd. ..	532a		Pharmaceuticals Exports ..	TW	176	Agonising Ambiguity, The	LA	53
South India Viscose Ltd ..	87		Reducing Lead Time in Exports ..	SA	57	Copper Deal With Zambia	TW	30
Tata Engineering and Locomotive Co. Ltd ..	221		States in Export Promotion	LA	197	Duty on Viscose Fibre ..	TW	72
The Century Spinning & Manufacturing Co. Ltd ..	36		Tyre Exports ..	TW	73	Foreign Aid and Imports	SA	479
The Fertilizer Corporation of India Ltd ..	443		Editor, The ..	LA	323, 375, 420, 548	Import Substitution and Standardisation ..	SA	386
The Indo-Burma Petroleum Co. Ltd. ..	88		F			Tractor Imports ..	TW	568a
Madras Aluminium Company Ltd ..	85		Feature			Tractors as Gifts ..	TW	215
The Oriental Fire and General Insurance Co. Ltd.	398		Special Feature on Republic of Korea ..	FE	483 (Sept. 10)	Tyres, Import of ..	QH	294
The Sandur Manganese & Iron Ores Ltd ..	83		Fertilizers			Urea from Norway ..	TW	298a
The Tata Iron and Steel Co. Ltd ..	269		Co-operative Fertiliser Units	TW	72,525	Industry		
The Travancore Rayons Ltd	39		Fertilizer Distribution ..	TW	341	Additional Cement Capacity	TW	493
Committee for Boiler Laws	TW	298b	Fertilizer Promotion ..	TW	393	Carbon Black Project ..	TW	342
Council for Indian Medicine	TW	394	Fertilizers Pool ..	TW	341	Chemical Industry ..	TW	493
Chattopadhyay, P. ..	SA	57	Inter-Regional Fertilizer Meet	TW	394	Cycle Rims, Manufacture Of	TW	298a
Chawla, J. R. ..	SA	429	Know-How for Fertilizers ..	TW	394	Electronics in India, Future Of ..	LA	469
D			Urea from Norway ..	TW	298a	Electronics Industry ..	TW	298a
Delegations			Fibres			Engineering Industry: Its Key Role ..	ST	xiii (Aug. 13)
Chemical Team to Japan ..	TW	524	Cotton, Forward Trading in	TW	392	Guidance Bureau ..	TW	31
Delhi, The Changing Face Of ..	ST	xlvi (Aug. 13)	ICMF Welcomes New Schemes ..	TW	214	Hotel Projects ..	TW	122
Diffusion of Ownership of Newspapers ..	QH	294	Food and Agriculture			How to Industrialise Faster	ST	x (Aug. 13)
Dwivedi, D. N. ..	SA	1	Banker Goes to the Farmer	SA	107	Imported Know-How Creates Hardship ..	Rs	497
E			Dairy Varsity ..	TW	31	Industrial Growth: Problems and Perspectives ..	ST	ix (Aug. 13)
Economic Development			Edible Oil, Supply Of ..	TW	298b, 435	Industrial Production in 1970	RS	41, 135
Emerging Pattern of Socio-Economic Development	ST	xl (Aug. 13)	Farmer Protection Deposits	TW	216	Industrial Production, Index Numbers Of ..	RS	583
			Financing Agriculture ..	LA	5	Insecticides Act ..	TW	298a
			Financing Food Reserves ..	LA	196	Leather-Fur Industry ..	TW	494
			Food Ministers' Conference	TW	393			
			Foodgrains Output ..	TW	340, 393			
			Indo-German Agreement ..	TW	394			
			New Pulse Varieties ..	TW	392			

October 22, 1971

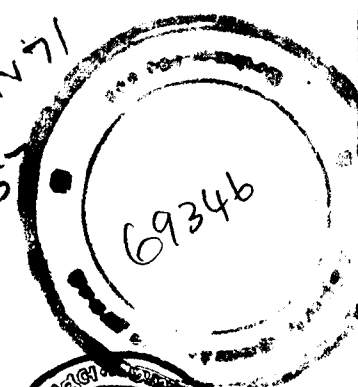
Licence Applications	TW	298a	The Dollar Crisis: World Reactions ..	WW	434	Industrial Reconstruction Corporation, Role of ..	287
Maximisation of Capacity Utilisation and Productivity ..	RS	452	Tour of the Far East ..	WW	114	Lags in Steel ..	6
More Cement Units ..	TW	263	Treaty of Peace ..	RS	367	Liberalisation of Credit Policy ..	378
Mysore, Industrial Estates in OPPI's Demands ..	SA	515	UK-EEC Pact ..	TW	30	Love's Labour's Lost ..	467
Paucity of Paper: Why? ..	LA	216	Unemployment and Inflation ..	WW	256	Nixon Fixes It ..	147
Production Function for Major Industries ..	SA	242	USAID: Towards a Better Future ..	WW	388	Not As Good as Gold ..	323
Rice Rubber Rollers ..	TW	327	Whither Floating? ..	WW	488	Not Even a Thin End ..	283
Samica Paper ..	TW	435	World of Copper, The ..	..	380	Now For the Home Front	375
Steps to Ease Tyre Shortage	TW	435	Iron and Steel			Oil Policy Needs Reorientation ..	284
Tractor Industry: Struggle for Survival ..	ST	31	Bhilai's Expansion ..	TW	263	Opportunities in South-East Asia ..	152
Wagon Shortage Hits Cement ..	LA	54	Lags in Steel ..	LA	6	Our Crowded Country ..	468
West Bengal, Industrial Revival of ..	LA	509	Planning for Steel ..	RS	310	Paucity of Paper: Why? ..	242
Insurance			Rourkela Mishap ..	TW	493	Plantation Crops in Plenty	510
Deposit Insurance Corporation ..	TW	121	Steel Production ..	TW	214, 436	Politics of First Person Singular, The ..	507
Deposit Insurance, Working Of ..	LA	241	Vijayanagar Steel Plant ..	TW	568a	Power and Its Problems ..	508
New Business by LIC ..	TW	394	Investment Guidance Bureau ..	TW	567	Problem of Foreign Debt, The ..	548
Unit-Linked Insurance ..	TW	525	Jute			Promoting Green Revolution	471
International Affairs			Jute, Dialogue On ..	LA	377	Rupee in the Monetary Maelstrom, The ..	420
A Matter of Economics ..	WW	518	Support for Raw Jute ..	TW	493	Self-Sufficiency in Foodgrains: When? ..	149
A Wood of Wrong Trees ..	LA	239	Truth About Modernisation	LA	8	Six Plus One Plus ..	52
Australian Exports in Jeopardy ..	WW	116	Jammu and Kashmir, Development Of ..	TW	394	States Get Their Money ..	470
China, the USSR and the USA ..	WW	209	K			States in Export Promotion	197
Container Ports Around the World ..	WW	431	Kanoria, S.S. ..	ST ix (Aug. 13)		Sugar, Storm Signals For	550
Cost of Bank Finance: International Comparisons ..	WW	561	Kapur, V.P. ..	SA	203	Time to Cheer Up Tea ..	551
Cost of Bank Finance in Seven Countries ..	WW	519	Keating, Kenneth B. ..	WW	518	Towards Faster Travel ..	552
Currency Unrest and Forward Transactions ..	WW	487	L			Towards Mounting Deficits	420
Dollar Against Franc ..	WW	211	Labour			Truth About Modernisation	8
Door Is Now Open, The ..	WW	69	Economics of Social Security, The ..	SA	473	Upgrading State Loans ..	286
Economic Implications of EEC Membership ..	WW	258	Evolution of Wage Policy in India ..	SA	203	UTI, Hesitant Growth Of	154
Enigma of Eurodollars, The ..	WW	174	Gheraos ..	QH	66	Wagon Shortage Hits Cement ..	54
Holland's Economy in 1970 ..	WW	19	Labour Situation in West Bengal ..	TW	394	Wanted: Discipline of the Balance Sheet ..	150
India and South Korea ..	WW	175	Worker Participation in Management ..	SA	251	West Bengal Cries Out For Help ..	198
Indo-Nepal Treaty ..	RS	406	Leading Articles			West Bengal, Industrial Revival Of ..	509
Indo-Soviet Joint Statement	RS	368	A Wood of Wrong Trees	239		West Bengal, Outlook In	101
Japan's Need for Raw Materials ..	WW	295	Agonising Ambiguity, The	53		When Bluntness Is All ..	51
Midsummer Nightmare ..	WW	297	All This Venality Must Stop ..	195		When the Dollar Sneezed...	419
Monetary Co-operation and European Unity—I ..	WW	17	Andhra's Deficit Budget ..	32		Whither Nationalised Banks?	324
Monetary Co-operation and European Unity—II ..	WW	67	Between Nassau and New Delhi ..	547		Leather Development	
National Interest to the Fore	WW	564	Breaking the Barriers ..	547		Council ..	340
New Uses for Worn-Out Cars ..	WW	481	Costly Borrowings ..	55		Lahiri, A. ..	327
New Zealand, UK ad EEC	TW	30	Deposit Insurance, Working Of ..	241		Minerals and Metals	
Nixon Fixes It ..	LA	147	Dialogue on Jute ..	377		World of Copper, The ..	380
Nixon on the Dollar ..	WW	337	Electronics in India, Future Of ..	469		Modern Weapons for Armed Forces	v (Aug. 13)
Rich Also Have Problems, The ..	WW	432	Engineering Exports: Storm Signals? ..	240		Moving Finger Writes, The	29, 71, 119, 213, 339, 391, 489, 523, 565
Six Plus One Plus ..	LA	52	Financing Agriculture ..	5		Modi, K.N. ..	ST x(Aug.13), 104, 199
South-East Asia, Opportunities In ..	LA	152	Financing Food Reserves	196		Murthy, R. V. ..	SA 288
			Getting Away With Murder	3		Murthy, R. V. ..	WW 175
			Government Pays More ..	100		N	
			In Matters of Trade			Names in the News	
			Indo-Nepalese Treaty ..	99		Arthur J. Goldberg ..	TW 73
				422		Bagria, S. L. ..	TW 494

October 22, 1971

Baruah, B. N. ..	TW	525	Tea and Sympathy ..	SA	288	Individuals ..	SA	246
Bhide, M. R. ..	TW	494	Time to Cheer Up Tea ..	LA	551	Tax Arrears, Collection of ..	TW	393
Bijoy Kumar Barman, Dr	TW	525	Population			Tax Concession for Migrants	TW	392
Dalvi, Dr G. R. ..	TW	73	Our Crowded Country ..	LA	468	Taxation Laws Amendment	TW	341
Finlay, J. C. ..	TW	436	Workshop on Population ..	TW	436	Taxation Laws (Amendment) Bill 1971, The ..	RS	369
Gupta K. P. ..	TW	525	Power			The Structure of Indian Taxation: 1951-52—1970-71 ..	ST	xviii (Aug. 13)
Haksar, A. N. ..	TW	73	Atomic Energy ..	TW	494	Trade		
Haksar, Gyan ..	TW	73	Power and Its Problems ..	LA	508	Breaking the Barriers ..	LA	4
Iain, S. K. ..	TW	73	Rural Electrification ..	QH	294	EEC Lifts Barrier ..	TW	30
Kanan, T. S. ..	TW	216	West Bengal, Electric Supply in ..	TW	298b	Foreign Trade ..	TW	214, 263
Kashyap, N. N. ..	TW	494	Prices			In Matters of Trade ..	LA	99
Lumsden, J. A. ..	TW	124, 436	Consumer Price Index Numbers for Industrial Workers ..	RS	586	Indo-Nepal Trade Treaty ..	TW	340
Metre, A. K. ..	TW	525	Consumer Price Index Numbers for Urban Non-Manual Employees ..	RS	586	Indo-Nepalese Treaty ..	LA	422
Modi, Mahesh Kumar ..	TW	494	Revised Vanaspati Prices ..	TW	31	Indo-UK Trade ..	TW	120
Moorathi, C.S. Krishna ..	TW	264	Security Prices, Index Numbers Of ..	RS	585	Indo-Yugoslav Trade ..	TW	124
Morarjee, Mrs Sumati ..	TW	394	Wholesale Prices ..	RS	582	Kandla Free Trade Zone ..	TW	214
Mulukutla Rama Brahman	TW	494	Performance of Central Government Undertakings for 1969-70 ..	RS	187	Trade Centres ..	QH	294
Narayanan, V. ..	TW	73	Public Sector, A View Of The	SA	553	Trade with EEC ..	TW	435
Nayudamma, Dr Yelavarthy	TW	436	Pandey, R. N. ..	SA	12	Trade with Hungary ..	TW	568a
Parks Chrestman ..	TW	73	Pierre D. Cot ..	SA	9	Trade with Rumania ..	TW	340
Ramaswamy, Dr G. ..	TW	342	Prabhakar, Dr K. V. ..	SA	515	Trade with Yugoslavia ..	TW	176
Satarawala, K. T. ..	TW	177	Prakash, R. Chandra ..	SA	246	Transport		
Sinha, Sarat Chandra ..	TW	73	Punj, V. P. ..	ST	xiii (Aug. 13)	Cargo Liners ..	TW	215
Sisson, Dr J. E. ..	TW	124	R			Container Revolution, The	SA	424
Thakkar, V. D. ..	TW	568a	Radhakrishnan, J. ..	SA	107, 200	'Priya Darshini' Launched ..	TW	177
The Earl of Inchcape ..	TW	124	Ray, S. K. ..	SA	424	Problems of Shippers ..	TW	490
Verma, Dr J.D. ..	TW	394	S			Railway Finances ..	SA	155
Vyas, Dr Pramod ..	TW	73	Sugar			Railways and Computerisation	SA	512
Williams, N.J.D. ..	TW	124	Co-op. Sugar Mills ..	TW	121	Road Development ..	TW	394
Nanda, H. P. ..	ST	xLiv (Aug. 13)	Indian Sugar Mills ..	TW	435	Road Transport ..	TW	436
Natarajan, S. ..	SA	251	ISMA on Mills Take-over	TW	120	Shipping, Progress In ..	TW	214
O			Storm Signals for Sugar	LA	550	Shipping Tariffs ..	TW	524
Crude Prices ..	TW	264	Sugar Output ..	TW	393	Towards Faster Travel ..	LA	552
Exploration by ONGC ..	TW	298b	Sugar, Release Of ..	TW	435	Wagon Shortage Hits Cement	LA	54
Intensifying the Hunt ..	SA	157	Sugar Stocks ..	TW	435	World Bank Shipping Team	TW	215
Malaviya Commission ..	TW	176	Tariff Value of Sugar	TW	298b	The 'IN' in Our Independence	ST	i (Aug. 13)
Oil Exploration ..	TW	298a	Sale of Tractors ..	TW	490	Torben Jantzen ..	WW	487
Oil Policy Needs Reorientation ..	LA	284	Seabeds Committee ..	TW	436	V		
ONGC ..	QH	66	Supplement			Venu, S. ..	SA	473
Petroleum Output ..	TW	73	India Tomorrow ..	ST	i-Lii (Aug. 13)	Vinod Pal ..	SA	512
Overseas Contracts ..	TW	263	Sagittarius ..	SA	106, 157	W		
P			Sharma, J. S. ..	SA	12	Wanted: Discipline of the Balance Sheet ..	LA	150
Parliament			Shukla, Vidya Charan ..	ST v (Aug. 13)		Water Supply ..	TW	341
Assault on Fundamental Rights ! ..	PG	253	Singh, Dr A. K. ..	SA	479	West Bengal Cries out for Help ..	LA	198
Budget Debate Enters Second Phase ..	PG	15	Singh, I. J. ..	SA	12	West Bengal, Outlook In ..	LA	101
HSL's Performance Assailed	PG	65	Singh, Raunaq ..	ST	xvii (Aug. 13)	COMPANY AFFAIRS		
Indo-Soviet Security Treaty Hailed ..	PG	335	T			A		
Industrialising Remote Areas	PG	160	Sinha, B. K. ..	SA	327	Ajanta Vanaspati ..	..	436a
Parliament's Supremacy Restored ..	PG	293	Suchdev, S. K. ..	SA	386	American Express ..	..	125, 344
Petroleum Ministry Under Fire ..	PG	111	Taxation			Amul ..	..	396
Rs 15 Crores Worth Concessions ..	PG	207	Dividend Tax ..	TW	124	Andhra Valley Power ..	..	126
Planning			Exemption of US Surtax	TW	490	Aruna Sugars ..	..	343
All This Venality Must Stop	LA	195	Income-Tax Exemption for			Asian Electronics ..	..	299
Annual Plan: 1972-73 ..	TW	524	B			Bajaj Auto ..	..	265
Plantations			Bajaj Electricals ..	..			..	300
Finance for Tea ..	TW	263, 524					..	33
Plantation Crops in Plenty	LA	510					..	



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